



## **CHUDENKO CORPORATION**

Financial Results Briefing for the Fiscal Year Ended March 2024

May 29, 2024

## Event Summary

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|                      |   |                                       |
|----------------------|---|---------------------------------------|
| [Company Name]       | CHUDENKO CORPORATION  |                                       |
| [Company ID]         | 1941-QCODE  |                                       |
| [Event Language]     | JPN   |                                       |
| [Event Type]         | Earnings Announcement   |                                       |
| [Event Name]         | Financial Results Briefing for the Fiscal Year Ended March 2024                 |                                       |
| [Fiscal Period]      | FY2024 Annual   |                                       |
| [Date]               | May 29, 2024  |                                       |
| [Number of Pages]    | 29  |                                       |
| [Time]               | 10:00 – 10:48<br>(Total: 48 minutes, Presentation: 28 minutes, Q&A: 20 minutes) |                                       |
| [Venue]              | Webcast   |                                       |
| [Venue Size]         |   |                                       |
| [Participants]       |   |                                       |
| [Number of Speakers] | 1   |                                       |
|                      | Takafumi Shigeto  | Representative Director and President |

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## Presentation

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**Shigeto:** Hello, everyone. I am Shigeto, President of CHUDENKO. Thank you for taking the time to participate in our FY2023 financial results presentation.

### 目 次

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## ご説明内容

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| 4 | 中電エグループ 2030ビジョン             |
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Today, I would like to begin by explaining our business results for FY2023, followed by our forecast for FY2024, then the progress of our mid-term management plan, the CHUDENKO Group 2030 Vision, and the measures we are taking to achieve a management that is conscious of the cost of capital and stock price, which were announced in conjunction with the financial results announcement and awareness of the cost of capital and stock price. Thank you very much for your cooperation.

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## 2023年度業績（事業環境と当社グループの概況）

### 建設業界

- 公共設備投資は底堅く推移し、民間設備投資も持ち直しの動きが継続
- 為替の影響などによるエネルギー価格や原材料価格の高止まり、労働者不足に伴う人件費の高騰が続く状況

### 当社グループの概況

- 中期経営計画の諸施策に取り組み業績を回復
- 当社の女性活躍推進や従業員の健康保持・増進の取り組みが評価され、昨年9月には「えるぼし（2つ星）」に、本年3月には2年連続で「健康経営優良法人（大規模法人部門）」に認定



I would like to start with the results for FY2023.

First, let me give you an overview of the business environment and our group's performance in FY2023.

In the construction industry, public capital investment remained firm and private capital investment continued to pick up due to the revitalization of socioeconomic activities following the COVID-19 reclassification to Class 5, but energy and raw material prices remained high due to the impact of foreign exchange rates and other factors.

Against this backdrop, the Group aggressively pursued the various measures in its medium-term management plan and was able to recover from the deteriorating performance of FY2022.

In addition, in recognition of our efforts to promote the advancement of women and to maintain and promote the health of our employees, we were awarded the Eruboshi Grade 2 certification last September. We were also recognized as an excellent corporation for health management in the large corporation category in March of this year, the second year in a row.

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## 2023年度業績（損益計算書：連結）

対前年度「増収・増益」

- 売上高 2期ぶりの増収（中電工個別 89億円増、連結子会社 30億円増）
- 営業利益 2期ぶりの増益（中電工個別 31億円増、連結子会社 4億円増）

| 連 結 業 績                     | 2022年度  | 2023年度      | 増減額 | 前年比  |
|-----------------------------|---------|-------------|-----|------|
| 売 上 高                       | 1,890億円 | 2,010       | 119 | 106% |
| 売 上 原 価                     | 1,650億円 | 1,724       | 74  | 105% |
| 売上総利益 (12.7%)               | 239億円   | (14.2%) 285 | 45  | 119% |
| 販 管 費                       | 156億円   | 165         | 9   | 106% |
| 営 業 利 益 (4.4%)              | 83億円    | (5.9%) 119  | 35  | 143% |
| 経 常 利 益 (▲1.0%)             | ▲19億円   | (6.3%) 127  | 146 | —    |
| 親会社株主に帰属する<br>当期純利益 (▲3.7%) | ▲69億円   | (3.9%) 79   | 148 | —    |

※( )内は売上高利益率

In FY2023, we reported an increase in both sales and profit.

Net sales increased JPY8.9 billion YoY for CHUDENKO on a non-consolidated basis and JPY3 billion for consolidated subsidiaries.

The consolidated total was JPY201 billion, an increase of JPY11.9 billion from the previous year and the first increase in sales in two fiscal years.

Next, operating profit increased JPY3.5 billion to JPY11.9 billion, the first increase in two fiscal years, due to an increase in gross profit from higher sales, thorough cost control, and efficient construction.

Ordinary profit was JPY12.7 billion, a significant recovery of JPY14.6 billion from the previous year, due in part to a rebound from last year's loss in overseas business investments.

Profit attributable to owners of parent also increased by JPY14.8 billion to JPY7.9 billion.

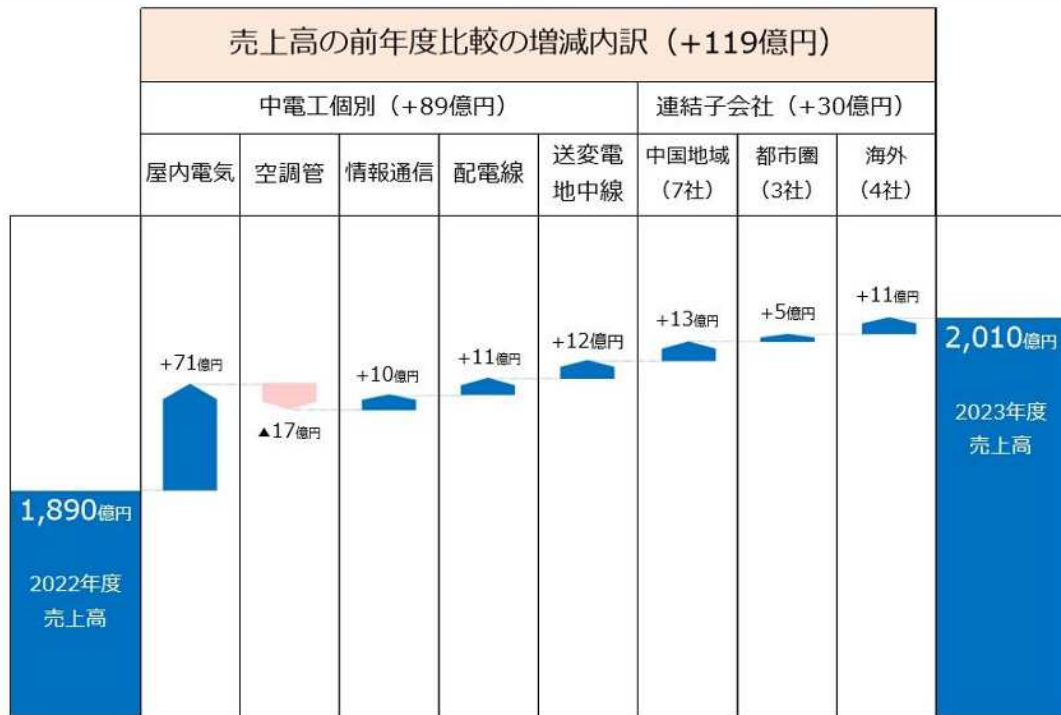
Next, I will explain the main items.

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## 2023年度業績 （売上高の前年度比較の増減内訳：連結）



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First, here is a breakdown of the JPY11.9 billion increase in sales from the previous year.

On a non-consolidated basis, CHUDENKO saw an increase of JPY8.9 billion YoY due to a JPY7.1 billion increase in indoor electrical, despite a decrease in the air-conditioning piping. Consolidated subsidiaries reported an increase of JPY3 billion over the previous year due to sales growth in both metropolitan areas and overseas, including the Chugoku region.

As a result of the above, consolidated net sales were JPY201 billion, exceeding JPY200 billion for the first time since JPY211.9 billion was recorded in FY1994.

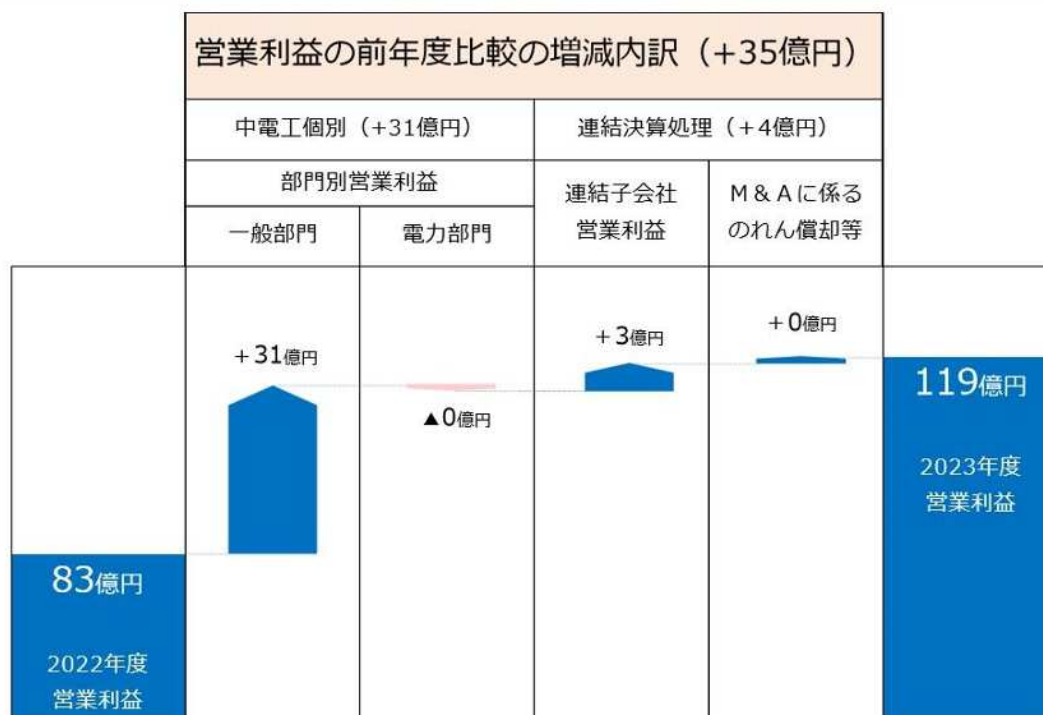
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## 2023年度業績 （営業利益の前年度比較の増減内訳：連結）



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Next is a breakdown of the JPY3.5 billion increase in operating profit from the previous year.

On a non-consolidated basis, CHUDENKO's general work businesses, including indoor electrical, increased by JPY3.1 billion due to higher sales and thorough cost control. The electric power business, including the distribution line, kept a stable level and was almost the same as the previous year. As for the consolidated financial processing, operating profit of consolidated subsidiaries increased by JPY0.3 billion, resulting in a YoY increase of JPY0.4 billion.

As a result, the consolidated operating profit was JPY11.9 billion.

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## 2023年度業績 （貸借対照表：連結）

|         | 2023年3月末 | 2024年3月末 | 増 減 | 主な増減要因                             |
|---------|----------|----------|-----|------------------------------------|
| 流動資産    | 1,189億円  | 1,223    | 33  | 現金預金 43、完成工事未収入金等 42<br>有価証券 ▲50   |
| 固定資産    | 1,535億円  | 1,582    | 46  | 投資有価証券 49                          |
| 資産合計    | 2,725億円  | 2,805    | 80  |                                    |
| 流動負債    | 473億円    | 525      | 51  | 工事未払金等 25、未払法人税等 15                |
| 固定負債    | 230億円    | 140      | ▲90 | 退職給付に係る負債 ▲24<br>持分法適用に伴う負債 ▲68    |
| 負債合計    | 704億円    | 666      | ▲38 |                                    |
| 純資産合計   | 2,020億円  | 2,139    | 118 | その他有価証券評価差額金 78<br>退職給付に係る調整累計額 28 |
| 負債純資産合計 | 2,725億円  | 2,805    | 80  |                                    |
| 自己資本比率  | 73.2%    | 75.2     | 2.0 |                                    |

Next is the balance sheet.

Total assets increased JPY8 billion to JPY280.5 billion, mainly due to an increase in accounts receivable from completed construction contracts.

Total net assets increased JPY11.8 billion to JPY213.9 billion, mainly due to a JPY7.8 billion increase in valuation difference on available-for-sale securities and a JPY2.8 billion increase in accumulated retirement benefit adjustments.

The equity ratio increased 2 percentage points to 75.2% from 73.2% at the end of the previous fiscal year due to an increase in shareholders' equity.

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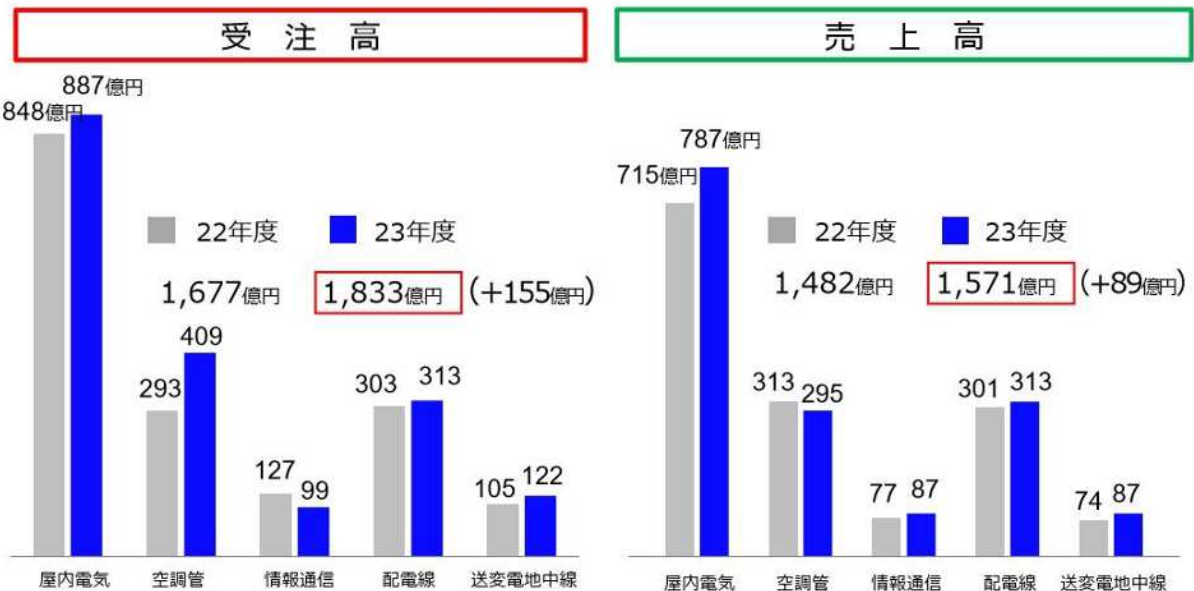
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## 2023年度業績（工事別受注高・売上高：個別）

- 受注高は1,833億円、対前年度155億円増（主に屋内電気・空調管工事が増加）
- 売上高は1,571億円、対前年度 89億円増（主に屋内電気工事が増加）



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Next is CHUDENKO's orders and sales by business.

The left-hand side shows orders received for each business, which were strong, exceeding the high level of the previous year by JPY15.5 billion. Particularly large growth was seen in the indoor electrical and air-conditioning piping related to factories and condominium-related work associated with redevelopment projects, totaling JPY183.3 billion.

Net sales of each construction sector, on the right side, totaled JPY157.1 billion, an increase of JPY8.9 billion from the previous fiscal year, mainly due to an increase in construction of factories and distribution warehouses in indoor electrical.

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## 2023年度業績（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 region.

As part of its growth strategy for some time, the Company has been working to maintain sales in the Chugoku region and expand sales in the metropolitan areas.

Orders and sales in the Chugoku region, shown in blue, have been maintained at around JPY120 billion to JPY130 billion. However, orders received increased significantly to JPY147.1 billion in FY2023.

Meanwhile, orders and sales in the urban area have also been steadily increasing, with a remarkably high level of JPY36.2 billion in orders received in FY2023.

Sales have declined since FY2022, but they have steadily increased from 11% three years ago to 16%.

We will continue to focus on expanding orders in metropolitan areas while increasing our market share in the Chugoku region, which is our base.

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## 2023年度業績（工事別受注高・売上高・繰越高：個別）

➤ 受注高の大幅な増加を背景に繰越高が大きく増加



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Next is the trend of orders received, sales, and carryover by individual sectors on a non-consolidated basis.

Orders received totaled JPY183.3 billion, JPY15.5 billion higher than the previous year's peak and the highest level in the last five years.

Net sales were JPY157.1 billion, the highest in the past five years.

Due in part to the significant increase in orders received over the past two years, the carryover amount increased sharply, reaching a record of JPY142.1 billion. The increase in the general division, including indoor electrical and air-conditioning piping, was particularly large.

For the region, both the Chugoku region and the metropolitan areas saw substantial increases, which we believe will contribute significantly to our sales in FY2024 and beyond.

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## 2024年度業績予想（連結）

### 「増収・増益」の見込み

- 売上高は増加（中電工個別68億円増、連結子会社21億円増）
- 営業利益は売上高増加により売上総利益が増加し増益の見込み

| 連 結 業 績             | 2023年度 |         | 2024年度予想 |       | 増減額 | 前年比  |
|---------------------|--------|---------|----------|-------|-----|------|
|                     |        |         |          |       |     |      |
| 売 上 高               |        | 2,010億円 |          | 2,100 | 89  | 104% |
| 営 業 利 益             | (5.9%) | 119億円   | (6.0%)   | 125   | 5   | 105% |
| 経 常 利 益             | (6.3%) | 127億円   | (6.8%)   | 143   | 15  | 112% |
| 親会社株主に帰属する<br>当期純利益 | (3.9%) | 79億円    | (4.2%)   | 88    | 8   | 111% |

※（ ）内は売上高利益率

Next is our forecast for FY2024.

We expect to increase sales and profit on a consolidated basis in FY2024.

Net sales are expected to increase by JPY6.8 billion on a non-consolidated basis and JPY2.1 billion for consolidated subsidiaries. We expect a total of JPY210 billion, an increase of JPY8.9 billion from the previous year.

Operating profit is expected to increase JPY0.5 billion YoY to JPY12.5 billion, mainly due to an increase in gross profit from higher sales.

Ordinary profit is expected to increase JPY1.5 billion YoY to JPY14.3 billion due to an increase in operating profit and a decrease in non-operating expenses.

Profit attributable to owners of parent is also projected at JPY8.8 billion, up JPY0.8 billion from the previous year, mainly due to an increase in ordinary profit.

FY2024 is the final year of the current Medium-term Management Plan 2024. The original target for the final year of the medium-term plan was JPY210 billion in consolidated net sales and JPY12 billion in consolidated operating profit. In light of our performance in FY2023 and other factors, we have decided to increase operating profit by JPY500 million to JPY12.5 billion as a new target.

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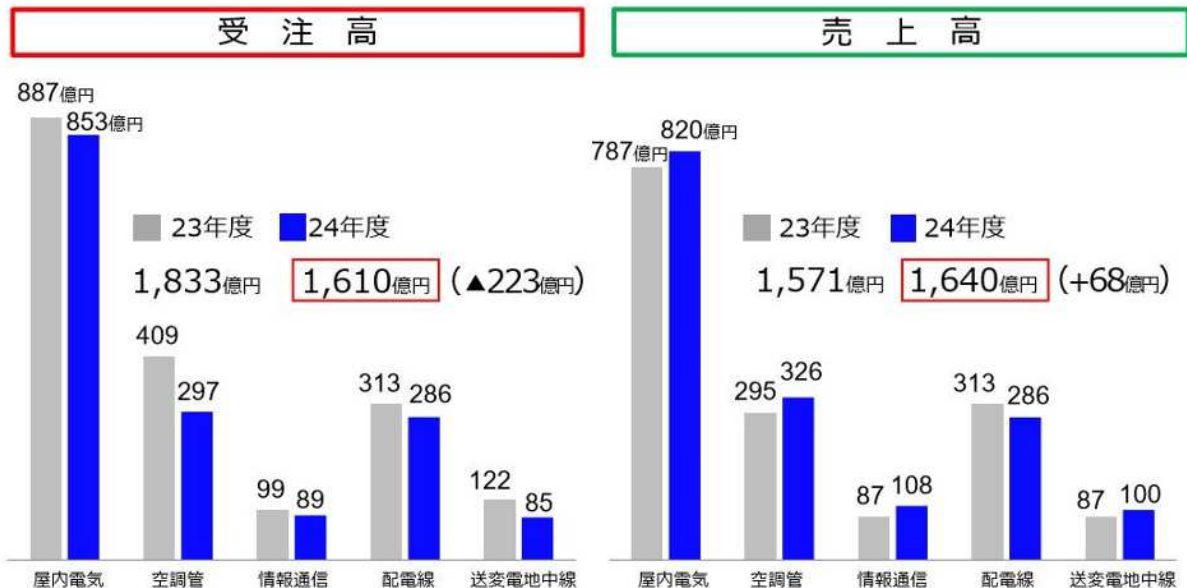
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## 2024年度業績予想（工事別受注高・売上高：個別）

- 受注高は▲223億円減少の見込み（空調管工事など全工事が減少）
- 売上高は68億円増加の見込み（主に屋内電気工事や空調管工事が増加）



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Next is CHUDENKO's orders and sales by business.

The left-hand side shows orders received for each sector. As explained earlier, we are entering FY2024 with an exceptionally large amount of work carried over. Based on the current construction system and others, we expect a reactionary decline in all sectors, including air-conditioning piping, which increased significantly in FY2023. Therefore, we are projecting a decrease of JPY22.3 billion from the previous year to JPY161 billion.

On the other hand, since the abundant carryover amount will contribute to each construction revenue on the right side, we expect an increase in construction work in the general businesses, such as indoor electrical and air-conditioning piping, to reach JPY164 billion, an increase of JPY6.8 billion from the previous year.

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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、都市圏の事業拡大に引き続き取り組み、受注拡大と施工体制を強化
- 施工の効率化、コスト低減等による利益の確保・拡大と競争力強化

#### 「D Xと脱炭素化の推進」

- D Xによる生産性向上を推進
- カーボンニュートラルに向けて自社の脱炭素化とともに、自家消費型太陽光PPA事業などお客様の脱炭素化をサポート

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 targeting further growth in FY2024, the 80th anniversary of our founding. This year is the final year of the plan, and as the culmination of these four years, we are eager to achieve our final-year goals.

The theme is “Change and growth for all,” and the two sub-themes are “Strengthening sales and construction systems and expanding profits” and “Promoting DX and decarbonization.”

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## 中期経営計画2024 （主要施策）

|                      |  |
|----------------------|--|
| 受注の拡大<br>・ 施工体制の強化   | <ul style="list-style-type: none"> <li>◆ 営業力の強化</li> <li>◆ 実績データの分析やB I M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<br>・ 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>◆ D Xの推進による生産性向上</li> </ul>         |
| 人材の確保<br>・ 育成の強化     | <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</li> <li>◆ 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>◆ 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> <li>◆ 自社の脱炭素化</li> <li>◆ 脱炭素化支援として環境関連ビジネスの推進</li> </ul> |

Next, we are working on five major measures to achieve the medium-term plan, with some modifications.

Firstly, in expanding orders and reinforcing the construction system, our efforts to expand prime contracting and plant construction have resulted in a significant increase in orders received. In the current fiscal year, we will work to increase our market share in the Chugoku region, maintain a high level of orders in the Tokyo metropolitan area, and expand orders in the Kansai and Chubu regions.

In the second area, securing and expanding profits and strengthening competitiveness, in order to secure and expand profits from large-scale construction projects, we will strengthen pre-order review meetings to ensure thorough cost control and work to secure and expand further profits by securing medium-size and additional construction projects.

In the third area, strengthening human resources retention and development, we will focus on human resources development to enhance construction management and related functions, as will be explained later. Additionally, we aim to improve employee engagement by creating a rewarding workplace environment.

The fourth area is 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 quickly to emergencies. We will also continue our efforts to improve the quality of our facilities to meet the needs and expectations of our customers at all stages of the construction process, as well as the workmanship of the facilities we install.

In the fifth area, 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 on-site solar 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）

当初目標 売上高: 2,100億円 営業利益: 120億円 ROE: 設定なし

修正目標 2,100億円 125億円 4.2%

### 中期経営計画2024



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Next is the numerical targets of the medium-term management plan.

As I explained earlier, for the final year of FY2024, we have set a consolidated net sales target of JPY210 billion, a consolidated operating profit target of JPY12.5 billion, up from the initial JPY12 billion, and a new ROE target of 4.2%.

Although performance declined in FY2022, it recovered firmly in FY2023 thanks to favorable order conditions and cost reduction efforts. In particular, operating profit was JPY11.9 billion, close to the initial target of JPY12 billion for the final year of the medium-term management plan.

In FY2024, as the final year of the medium-term management plan, the Group will work as one to achieve the revised performance targets.

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## 中期経営計画2024（人材の確保・育成）

### 定期採用者数

| 2021年度 | 2022年度 | 2023年度 | 2024年度 | 2025年度<br>予定 |
|--------|--------|--------|--------|--------------|
| 135名   | 116    | 135    | 132    | 170          |

### 年齢別構成（個別）



### 有資格者数

| 資格名              | 取得者数   |       |     |
|------------------|--------|-------|-----|
|                  | 18年10月 | 24年4月 | 増減  |
| 電気工事施工管理技士（1.2級） | 1,037名 | 1,237 | 200 |
| 管工事施工管理技士（1.2級）  | 278名   | 321   | 43  |
| 技術士              | 54名    | 68    | 14  |

※施工管理技士（電気工事・管工事）の複数取得者 68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 human resources training situation.

Although recruiting has been challenging in recent years, we continue to hire 120 to 130 workers each fiscal year and plan to hire 170 regular employees in FY2025.

To be responsible for CHUDENKO's future, we have traditionally invested a lot of effort into recruitment activities. This year, we have started a scholarship refund support system. In the annual wage talk this spring, we responded fully to the labor union's demands and raised wages by more than 5%, including base increases and regular salary increases.

Furthermore, we will continue to focus on attracting excellent human resources and improving their compensation, including a more substantial increase in starting salaries than in previous years.

We are also committed to human resources development. As you can see from the pie chart, young people under the age of 30 account for nearly 30% of the total. We believe that nurturing these young people will lead to the strengthening of our construction capabilities in the future.

Through these efforts, the number of certified personnel is increasing. Along with advancements in technology and construction capabilities, this is 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, specific measures for capital policy.

We have set aside room for investment of about JPY40 billion for sustainable growth. Specifically, we are expanding our business through M&A, 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, we emphasize providing sustainable and stable dividends and will continue to target a consolidated dividend-on-equity ratio of 2.7%. In addition, we will repurchase our own shares as necessary, considering the overall business environment and other factors.

## 中期経営計画2024 （株主還元）

### 株主還元の推移

|        |            | 2021年度 | 2022年度 | 2023年度 |
|--------|------------|--------|--------|--------|
| 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%  | —（注）   | 71.5%  |
|        | 連結総還元性向    | 106.1% | —（注）   | 89.8%  |
| 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   |

（注）2022年度は当期純損失のため記載しておりません

【参考】 配当利回り 3.39% （2024年3月末 終価 3,065円）

Next, we look at shareholder returns.

Based on the policy I just explained, we pay an annual dividend of JPY104 per share, with a DOE of 2.89% and a payout ratio of 71.5% for FY2023. Since we repurchased our own shares on November 30, 2023, the total return ratio is 89.8%.

We also repurchased treasury stock every year, totaling 1.6 million shares, or JPY3.6 billion, over a three-year period.

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## 配当金・配当性向の推移

➤ 2024年度予想・・・年間120円、配当性向73.9%、配当利回り3.86%（※）



（※）株価 3,105円：2024年5月8日終値に基づき算定

The following is a summary of dividends and dividend payout ratios.

The blue bar graph shows the dividend per share, and the red line graph shows the dividend payout ratio.

The dividend for FY2024 will be increased by JPY16 to JPY120 per share. The dividend payout ratio is 73.9%, and the dividend yield is expected to be 3.8%.

The DOE was adopted in FY2014, initially targeting 2%. The rate was increased to 2.7% in FY2018. During this period, the dividend payout ratio has remained above 70%, except for FY2022, when a net loss was recorded.

FY2024 is the final year of our mid-term plan, which marks the 80th anniversary of our founding. As explained earlier, since we are on track to achieve our final-year targets, we have decided to increase the dividend by JPY16 to return the results to our shareholders as well.

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## 中電工グループ 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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Next, I would like to reiterate the CHUDENKO Group 2030 Vision.

This vision represents our group's aspirations for FY2030. The theme is once again “Change and growth for all,” as we believe that in order for our group to continue to grow amidst an uncertain future, it is essential that we respond to change and continue to take on the challenge of transformation.

The three images that we are aiming for as a group are achieving sustainable growth and contributing to the realization of a sustainable society, ensuring all workers are proud and happy to take on the challenge of making reforms, and responding to society's diverse needs with advanced technology and quality.

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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 target consolidated net sales of JPY250 billion, an operating profit of JPY17 billion, and an ROE of at least 5%.

Second, to achieve a carbon-neutral society, we are committed to reducing CO<sub>2</sub> emissions by 46% or more compared to FY2013.

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

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## 現状認識

### 「中期経営計画2024」に取り組む

- 中国地域の基盤強化
- 都市圏の事業拡大
- 生産性の向上
- 成長投資による事業拡大
- 株主還元の充実



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I would like to continue by explaining the measures we have implemented to achieve a cost-of-capital- and stock-price-conscious management, which were announced alongside last month's financial results.

In the Medium-term Management Plan 2024, we have focused on management while being aware of the cost of capital. We are presenting this plan again at the Tokyo Stock Exchange's request.

First of all, as I explained earlier in the medium-term management plan, we are aggressively pursuing the various measures set forth in the Medium-term Management Plan 2024. As a result, we believe that our business performance has improved, with higher sales and operating profit and an improved operating margin.

ROE has also recovered to 3.9%, almost 4%, in FY2023, in line with improved business performance. However, it is still below our calculated cost of equity of 4.5%. P/B ratio is still below 1 times at 0.79 times, as of March 31, 2024.

Therefore, we hope to improve capital efficiency by further enhancing profitability and capital policies. In addition, we will engage in IR activities more than ever so that investors can understand these efforts.

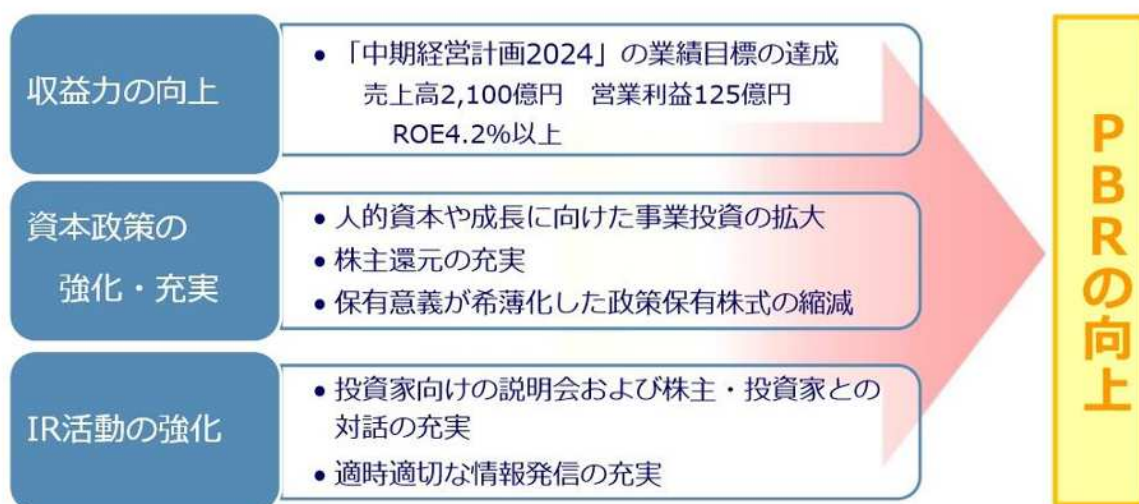
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## 取り組み（2024年度、2025年度以降）



■ 2025年度以降の取り組みは、2024年度内に策定する次期中期経営計画の中で、**ROE 5%以上の早期達成に向けた取り組みを改めてお示しする**

Since FY2024 is the final year of the medium-term management plan, I would like to explain our main initiatives during the year.

First, we aim to improve our performance targets by firmly implementing the growth strategies set forth in the Medium-term Management Plan 2024 and by further improving our earning power.

Next, we will strengthen and enhance our capital policy by investing in human capital, expanding business investments for growth, increasing shareholder returns by raising the dividend by JPY16, as previously explained, and reducing the number of cross-shareholdings that have diluted the value of our holdings.

Next, we will carefully explain these initiatives to investors through financial results briefings and other means. We are also available to meet with investors and look forward to hearing from you.

For FY2025 and beyond, we would like to reiterate our commitment to achieving an ROE of 5% or more as early as possible in the next medium-term management plan, which will be formulated by the end of FY2024.

This concludes our briefing. The following materials are for reference only, and I will skip 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. Let me read the first question.

**Participant [Q]:** Could you please elaborate on the outlook for each of your construction sectors?

**Shigeto [A]:** Regarding the outlook for business performance centered on future orders, socioeconomic activities have become more active since the last fiscal year after COVID-19 was reclassified to Class 5. That being said, we believe that active redevelopment projects, especially in urban areas, or the construction of distribution centers are progressing smoothly.

In terms of the general construction business, we expect that redevelopment projects, logistics centers, and factory construction, especially semiconductor plants, will continue to be active for the time being and that the situation will remain very favorable.

In the electric power business, we have been receiving stable orders from the network divisions of electric power companies in recent years, and we expect this situation to continue for some time, so we believe we can achieve a certain level of sales.

**Moderator [M]:** Thank you. Now, we move on to the next question.

**Participant [Q]:** What is the impact of the maximum working hours limit? In particular, what is the impact on orders received and profit margins?

**Shigeto [A]:** First of all, regarding the maximum overtime work hours, this regulation will be applied from FY2024, which was scheduled five years ago. We have set up an internal committee for work style reform and have been working on this initiative.

For example, we are working to improve work efficiency and productivity by allowing employees to go directly to the construction site and return home, lending them smartphones to complete management tasks at the site, and supplementing the work with construction managers throughout the business unit. We will continue to implement measures that contribute to reducing overtime work.

At the same time, the new working hours regulation has resulted in many construction sites adopting an eight-day-per-four-week closure. As mentioned in your question, it is possible that the extension of the construction period will have a slight impact on orders and sales, as a delay in the recording of revenues, but it is unclear at this time what specific impact this will have on our business performance.

We will continue to closely monitor situations and take appropriate action.

**Moderator [M]:** Thank you very much. This is all for the questions from the Q&A function so far.

Now, we would like to answer the questions received from investors.

**Participant [Q]:** The first one, what is your assessment of the current financial results?

**Shigeto [A]:** As I explained earlier, our performance in FY2023 was better than last year, both in sales and operating profit. In particular, net sales exceeded JPY200 billion for the first time since the JPY211.9 billion recorded in FY1994. Ordinary income and profit rebounded strongly, mainly due to the absence of losses from overseas operations recorded in the previous fiscal year.

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Operating profit, ordinary profit, and profit exceeded the initial plan by JPY1.4 billion, JPY0.6 billion, and JPY0.3 billion, respectively. In particular, operating profit reached JPY11.9 billion, nearly meeting the JPY12 billion target set for the final year of the medium-term management plan, marking a recovery from the previous year's downturn.

Although sales fell slightly short of our target, in my opinion, the financial results were satisfactory.

That is all.

**Moderator [M]:** Okay, next question.

**Participant [Q]:** Orders received in FY2023 further exceeded the upward revision, but does the environment for orders continue to be quite favorable?

**Shigeto [A]:** Looking at our non-consolidated orders, we revised upward our initial forecast of JPY160 billion to JPY168 billion in Q2 and JPY178 billion in Q3. The final figure was JPY183.3 billion, JPY5.3 billion higher than the forecast as of Q3, and we consider the environment is favorable.

This situation is also seen in other companies within the same industry. We believe it is largely due to the increase in socioeconomic activities following the reclassification of COVID-19 to Class 5 and the surge in active redevelopment projects, particularly in urban areas.

We believe that the favorable order environment will also positively impact order profitability. We will continue to work together as a group to achieve the performance targets for the final year of the medium-term management plan.

At the same time, as mentioned in your earlier question, we will closely monitor the overtime cap impact on sales.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** You are forecasting a decrease in orders in FY2024, but is your capacity very tight?

**Shigeto [A]:** We expect to be operating at full capacity in FY2024, as we will have a record carryover and also with the start of the overtime cap in the construction industry that we have been talking about earlier.

Therefore, we will make decisions after carefully considering our construction system, including securing personnel, when accepting construction orders, with a focus on ensuring future business performance.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** How do you think the rising price of copper will affect your business performance?

**Shigeto [A]:** The price of copper in the cables needed for the construction of our work has continued to rise. It went up from less than JPY700,000 per ton around 2019 to JPY1.3 million at the end of March this year and, most recently, over JPY1.7 million.

Under these circumstances, we estimate costs appropriately at the time of order receipt. By arranging for cables and other equipment early, we can fix costs and mitigate the impact of rising prices.

In addition, we mitigate the impact of sudden increases in copper prices during construction by incorporating a sliding scale clause at the time of order receipt, thereby protecting our business performance.

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**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** With the high carryover, will Q1 of FY2024 exceed that of FY2023?

**Shigeto [A]:** We have traditionally tended to make little progress in Q1, making it difficult to generate sales and profits. Q1 tends to be the weakest of the quarters, with an operating loss in FY2023 in particular.

However, we hope to start FY2024 with an operating surplus, as we are starting the year with an abundant carryover and expect to increase our sales and profit base.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** You have announced a dividend of JPY120 for FY2024. What is your intention with this? Also, why not increase the DOE rate?

**Shigeto [A]:** In FY2021, we formulated our medium-term management plan for 2024, targeting the 80th anniversary of our founding, and we have been working on it for three years. We believe that the improvement in our performance has given us the prospect of achieving our numerical targets for the final year.

Therefore, we have increased our annual dividend forecast by JPY16 to JPY120 per share in order to return these results to our shareholders.

Although the dividend increase is expected to bring the DOE to around 3.3%, the current DOE of around 2.7% will remain unchanged during the period of this medium-term management plan. We intend to reiterate our dividend policy, including DOE and other shareholder return policies, in the next medium-term management plan.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** Please tell us how you plan to use the more than JPY100 billion in investment securities.

**Shigeto [A]:** Of our investment securities, about 30% are so-called cross-shareholdings, and the remaining 70% are corporate bonds, mainly domestic.

Regarding cross-shareholdings, we assess their contribution to the maintenance and development of the Group's transactions and business growth. We keep those that we determine will maintain or enhance our corporate value over the medium to long term. Shares that are considered less valuable to hold will be reduced, as announced in this release.

The bonds are held as a source of funds for the JPY40 billion of growth investments set forth in the medium-term management plan. We will continue to invest in renewable energy, pursue projects that drive business expansion, and engage in M&As related to air-conditioning piping, as well as consolidate companies to strengthen our business structure, without being constrained by the JPY40 billion limit.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** You have announced a management that is aware of the cost of capital and stock price, but is there anything new?

**Shigeto [A]:** To date, in line with our medium-term management plan, we have been striving for sustainable growth to improve our business performance. Simultaneously, we have focused on shareholder returns by paying stable dividends, and we believe this approach has yielded positive results.

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Under these circumstances, since this year is the final year of the medium-term management plan that has been producing results, we would like to vigorously promote the current initiatives.

In addition, given the prospect of achieving the numerical performance targets initially announced, we expect to increase the annual dividend by JPY16.

As mentioned in the published material, we will evaluate our approach for the period after FY2025. We would like to present this information again in the next medium-term management plan.

**Moderator [M]:** Thank you. Now, for the next question.

**Participant [Q]:** When will the next medium-term management plan be disclosed?

**Shigeto [A]:** We will proceed with the discussion during FY2024 and hope to disclose it in April 2025, when the financial results for FY2024 are announced, at the latest.

**Moderator [M]:** Thank you. Now, this will be the last question.

**Participant [Q]:** Will you set a target ROE of 5% or more in the next medium-term plan?

**Shigeto [A]:** As for the ROE target, the CHUDENKO Group 2030 Vision sets a target ROE of 5% or more for FY2030, the final year of the vision. We believe that improving capital efficiency is a prominent issue, as requested by the Tokyo Stock Exchange.

Therefore, in formulating the next medium-term management plan, we consider the early achievement of targets to be a key issue. However, we will present the timing for achieving the target after further consideration based on the progress of business performance and the status of capital adequacy.

**Moderator [M]:** Thank you very much. This concludes the presentation of the financial results of CHUDENKO CORPORATION for FY2023.

**Shigeto [M]:** Thank you very much for today.

[END]

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### Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.
4. This document has been translated by SCRIPTS Asia.

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