

# Financial Results Briefing for the Fiscal Year Ending March 31, 2024 (FY2023)

May 29, 2024

株式会社 **中電工**

Presenter: Takafumi Shigeto  
Representative Director and President

## Briefing Topics

- |   |  |
|---|--|
| 1 | FY2023 Performance   |
| 2 | FY2023 Earnings Forecasts  |
| 3 | Medium-Term Management Plan 2024 [FY2021-2024] Initiatives               |
| 4 | CHUDENKO Group 2030 Vision   |
| 5 | Management measures that take into account capital costs and share price |
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# **1. FY2023 Performance**

## Construction industry

- Public capital investment remains firm and private capital investment also continues to indicate a recovery trend.
- The price of energy and raw materials remain high due in part to exchange rate fluctuations, and labor costs continue to rise due to worker shortages.

## Group Overview

- Business performance is recovering by undertaking various measures under our Medium-Term Management Plan.
- Efforts to promote greater participation of women and to maintain/improve employee health have been recognized. In September 2023, Chudenko was granted the “Eruboshi (2-star)” certification. And in March 2024, we were certified under the “2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)” for the second consecutive year.



# FY2023 Performance (Income statement, consolidated)

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

- Sales increased for the first time in two fiscal years (up ¥8.9 billion for Chudenko parent, up ¥3 billion for consolidated subsidiaries).
- Operating profit increased for the first time in two fiscal years (up ¥3.1 billion for Chudenko parent, up ¥0.4 billion for consolidated subsidiaries).

(Billions of yen)

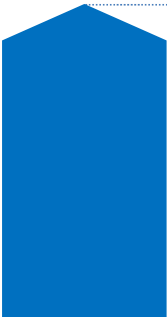



Consolidated Performance	FY2022		FY2023		Change	YoY
Net sales		189.0		201.0	11.9	106%
Cost of sales		165.0		172.4	7.4	105%
Gross profit	(12.7%)	23.9	(14.2%)	28.5	4.5	119%
Selling, general and administrative expenses		15.6		16.5	0.9	106%
Operating profit	(4.4%)	8.3	(5.9%)	11.9	3.5	143%
Ordinary profit	(-1.0%)	-1.9	(6.3%)	12.7	14.6	—
Profit attributable to owners of parent	(-3.7%)	-6.9	(3.9%)	7.9	14.8	—

\* Figures in ( ) are profit margins.

## FY2023 Performance (Main factors for change in year-on-year net sales, consolidated)

Breakdown of year-on-year change in Net sales (+11.9 billion)								
Chudenko parent (+8.9 billion)					Consolidated companies (+3.0 billion)			
Indoor Electrical	Air-Conditioning Piping	Information Communication Equipment	Distribution Line	Underground Power Line for Transmission/Distribution	Chugoku region subsidiaries (7)	Urban area subsidiaries (3)	Overseas subsidiaries (4)	
189.0  FY2022 Net sales	+7.1	-1.7	+1.0	+1.1	+1.2	+1.3	+0.5	+1.1
								201.0  FY2023 Net sales

FY2023 Performance ( Breakdown of year-on-year change in operating profit , consolidated )

Breakdown of year-on-year change in Operating profit(+3.5 billion)					
Chudenko parent (+3.1 billion)			Consolidated basis ( + 0.4 billion)		
Operating profit by division		Operating profit of consolidated subsidiaries		Amortization of goodwill, etc.	
General Work Business	Electric Power Business				
8.3 FY2022 Operating profit	+3.1 	-0 	+0.3 	+0 	11.9 FY2023 Operating profit

FY2023 Performance (Balance sheet, consolidated)

(Billions of yen)

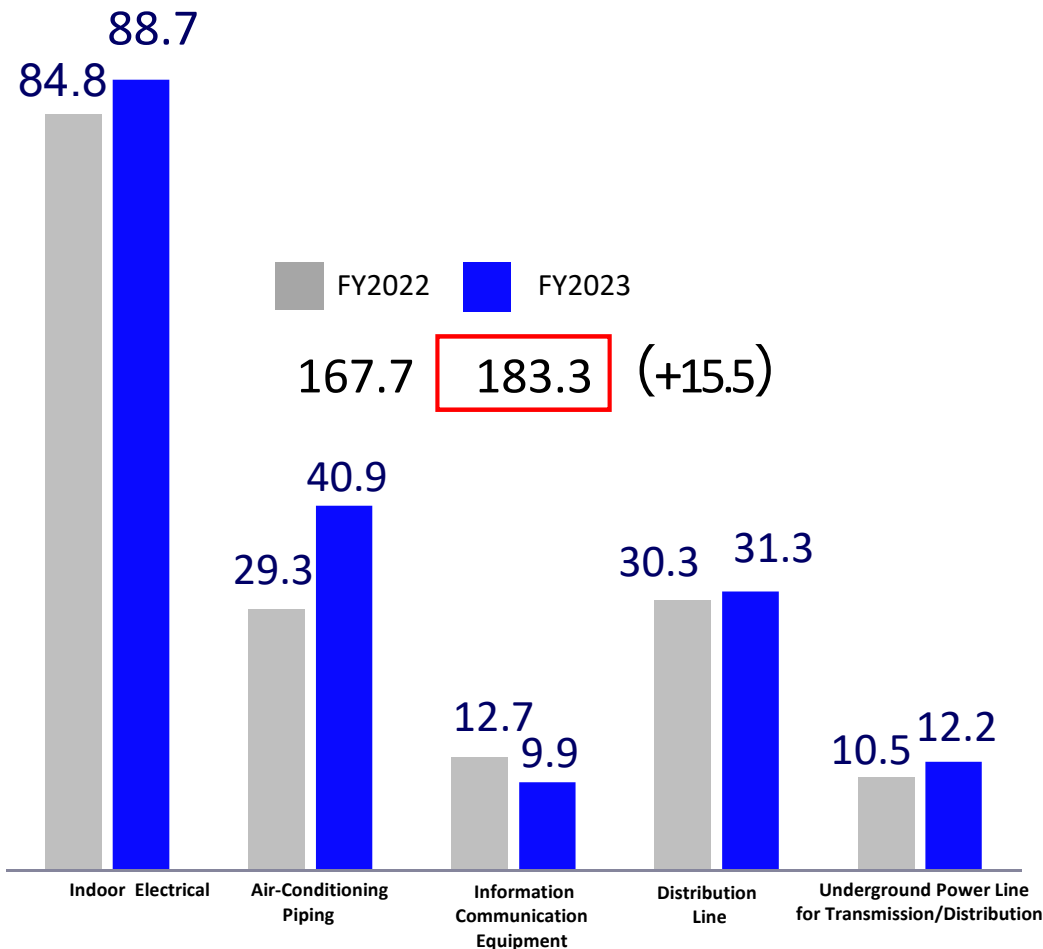
		As of March 31, 2023	As of March 31, 2024	Change	Main factors for change
	Current assets	118.9	122.3	3.3	Cash and deposits 4.3, Accounts receivable from completed construction contracts and other 4.2, Marketable securities -5.0
	Non-current assets	153.5	158.2	4.6	Investment securities 4.9
Total assets		272.5	280.5	8.0	
	Current liabilities	47.3	52.5	5.1	Accounts payable for construction contracts and other 2.5, Accrued income taxes 1.5
	Non-current liabilities	23.0	14.0	-9.0	Liabilities associated with retirement benefits -2.4, Liabilities associated with application of the equity method -6.8
Total liabilities		70.4	66.6	-3.8	
Total net assets		202.0	213.9	11.8	Valuation difference on available-for-sale securities 7.8, Accumulated adjustment amount related to retirement benefits 2.8
Total liabilities and net assets		272.5	280.5	8.0	
Equity ratio		73.2%	75.2	2.0	



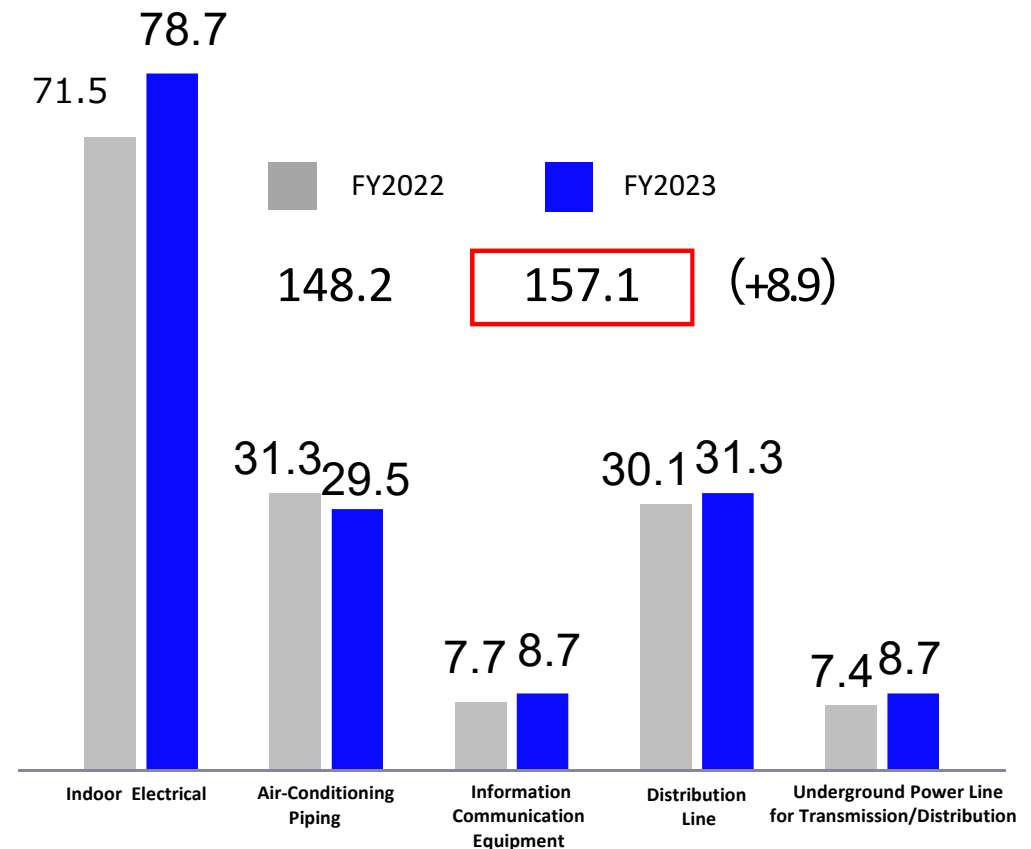
# FY2023 Performance (Orders received and net sales by sector, parent)

- Orders received was ¥183.3 billion, a year-on-year increase of ¥15.5 billion (mainly for Indoor Electrical Work and Air-Conditioning Piping Work)
- Net sales was ¥157.1 billion, a year-on-year increase of ¥8.9 billion (mainly for an increase in Indoor Electrical Work)

## Orders received



## Net sales

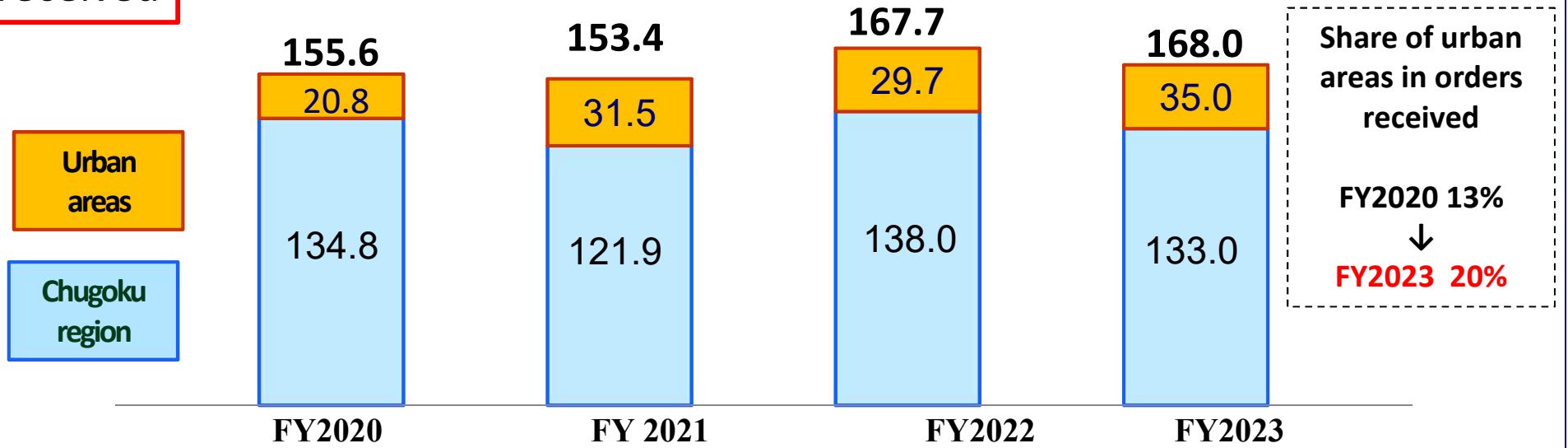


# FY2023 Performance (Orders received and net sales by region, parent)

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

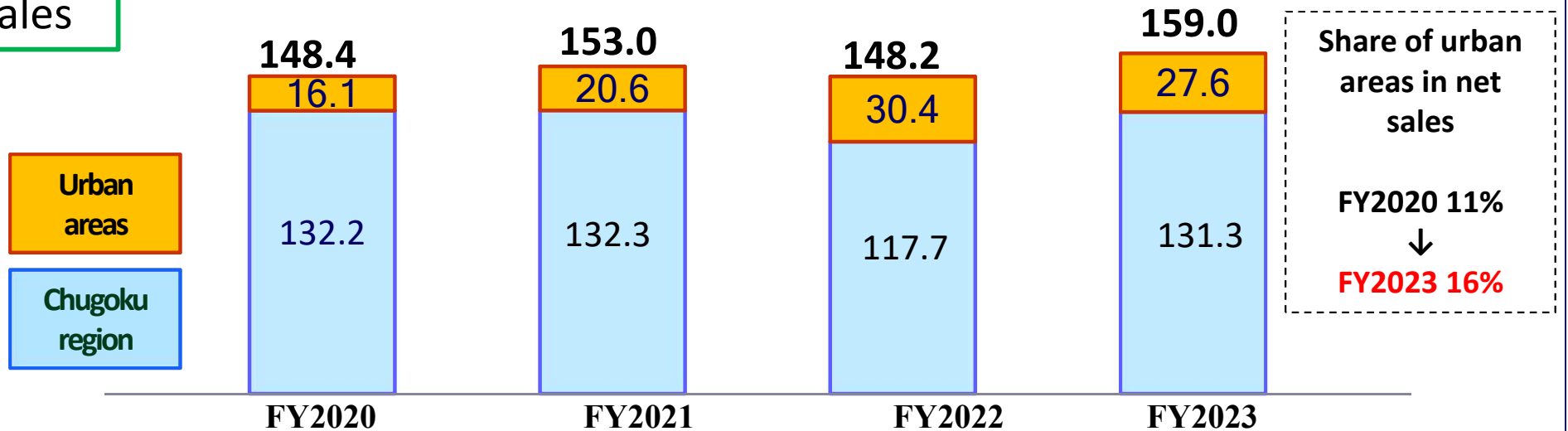
## Orders received

(Billions of yen)



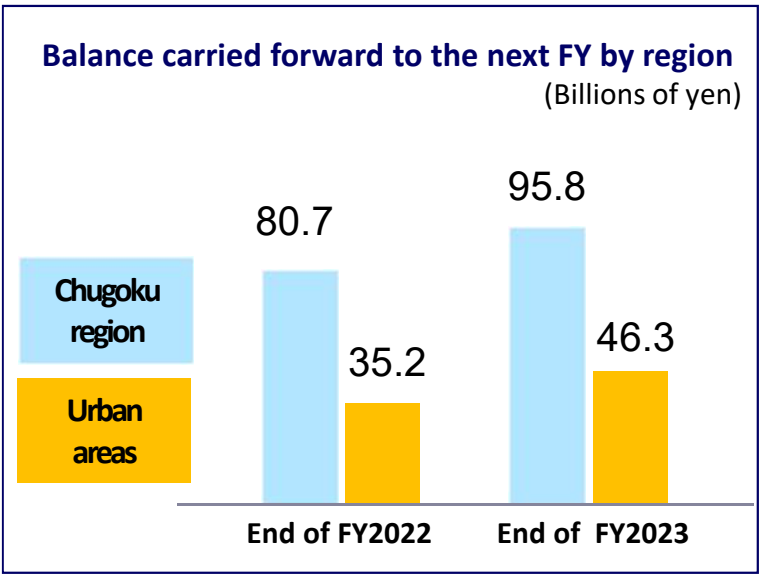
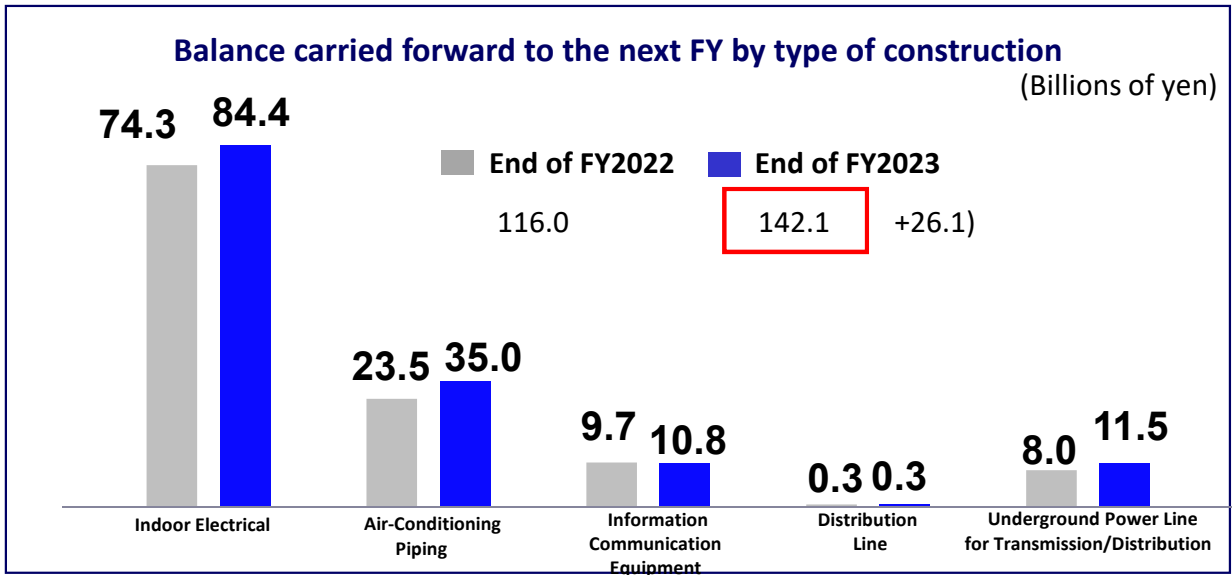
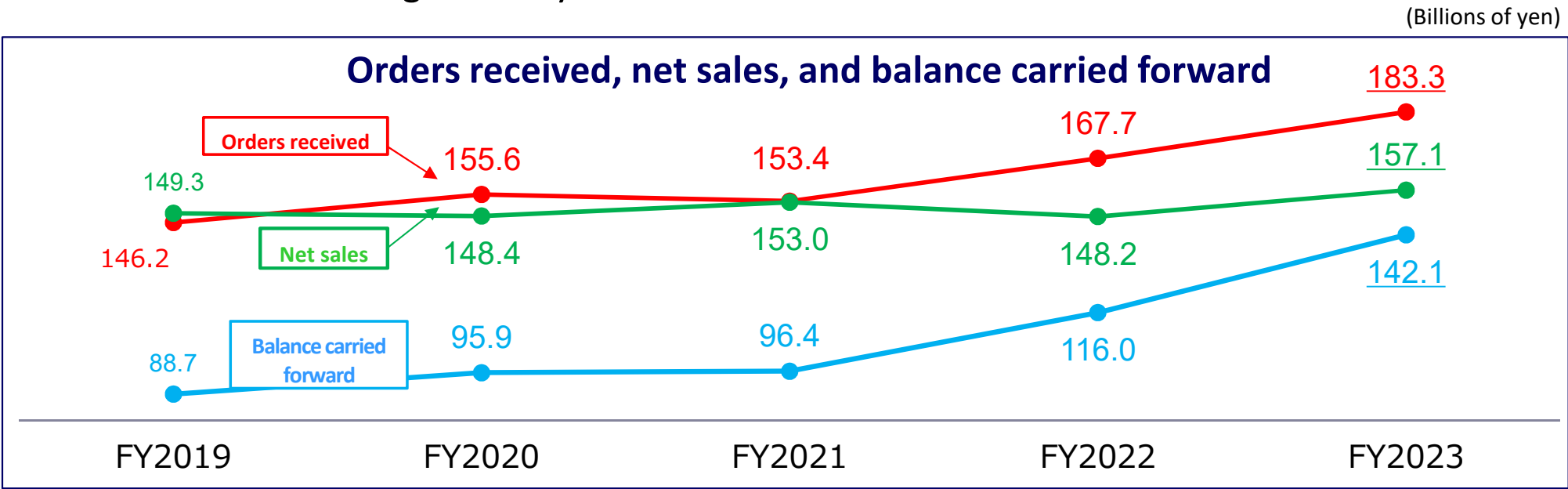
## Net sales

(Billions of yen)



# FY2023 Performance (Orders received, net sales, and balanced carried forward, parent)

➤ Balance carried forward significantly increased due to substantial rise in orders received.



## **2. FY2024 Earnings Forecasts**

# FY2024 Earnings Forecasts (consolidated)

Expecting a year-on-year increase in sales and profits.

- Net sales expected to increase (¥6.8 billion increase for Chudenko parent, ¥2.1 billion increase for consolidated subsidiaries).
- Operating profit is expected to increase due to increased gross profit made possible by higher sales.

(Billions of yen)

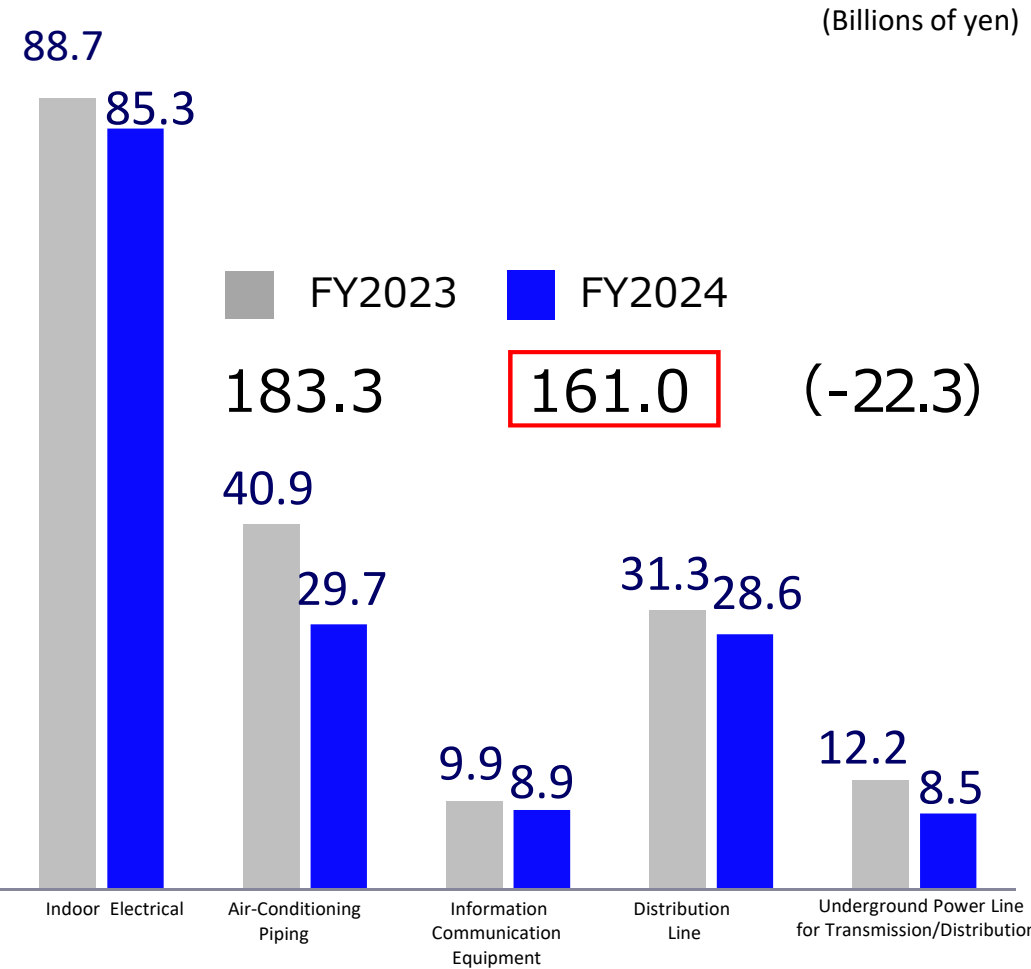
Consolidated	FY2023		FY2024 forecast		Change	YoY
Net sales		201.0		210.0	8.9	104%
Operating profit	(5.9%)	11.9	(6.0%)	12.5	0.5	105%
Ordinary profit	(6.3%)	12.7	(6.8%)	14.3	1.5	112%
Profit attributable to owners of parent	(3.9%)	7.9	(4.2%)	8.8	0.8	111%

\* Figures in ( ) are sales margins.

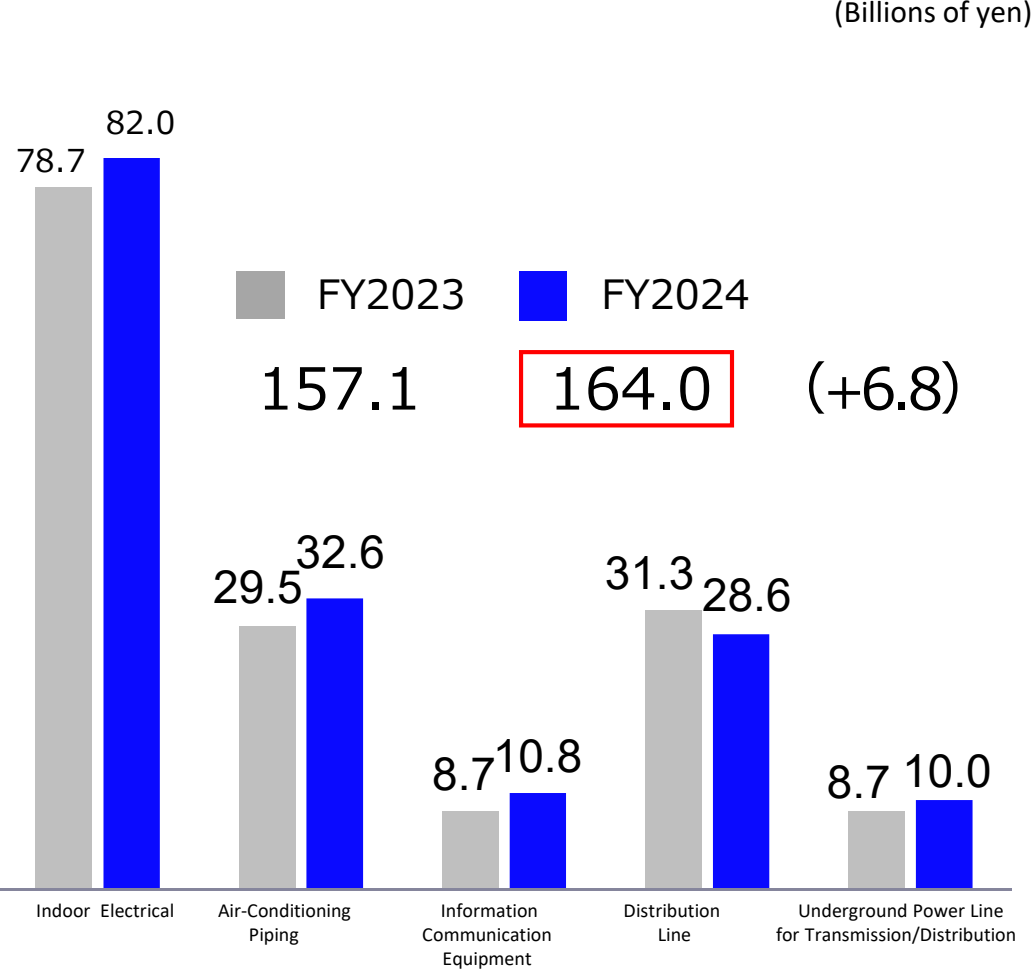
# FY2024 Earnings Forecasts (Orders received and net sales by type of construction, parent)

- Orders received is expected to decrease by ¥22.3 billion (lower construction overall, including Air-Conditioning Piping Work)
- Net sales is expected to increase by ¥6.8 billion (mainly due to increases in Indoor Electrical Work and Air-Conditioning Piping Work)

## Orders received



## Net sales



### **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)

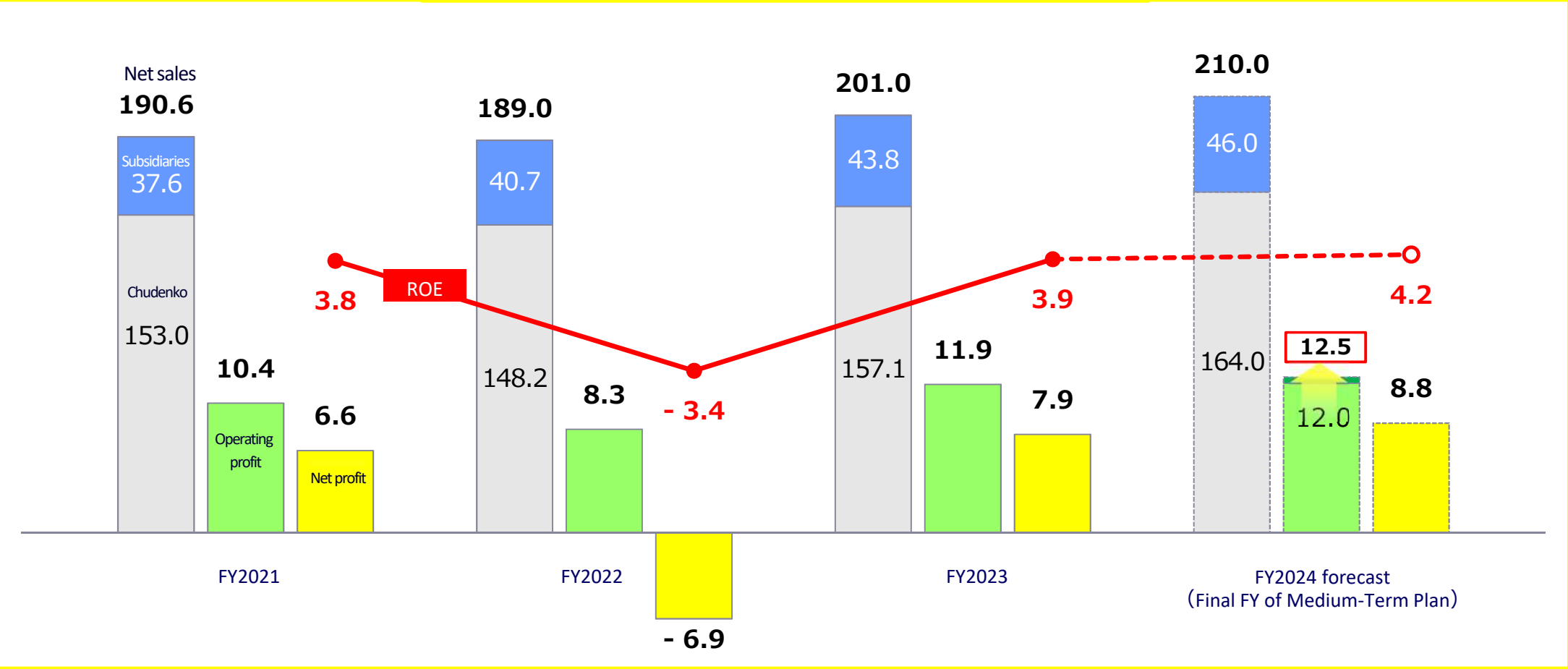
Expand orders and strengthen construction systems	<ul style="list-style-type: none"><li>◆ Strengthen sales capabilities</li><li>◆ Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc.</li><li>◆ Strengthen and enhancing construction system</li><li>◆ Cooperating 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></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</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)

Initial targets	Net sales: ¥210 billion	Operating profit: ¥12 billion	ROE: unspecified
Revised targets	¥210 billion	¥12.5 billion	4.2%

## Medium-Term Management Plan 2024

(Billions of yen)



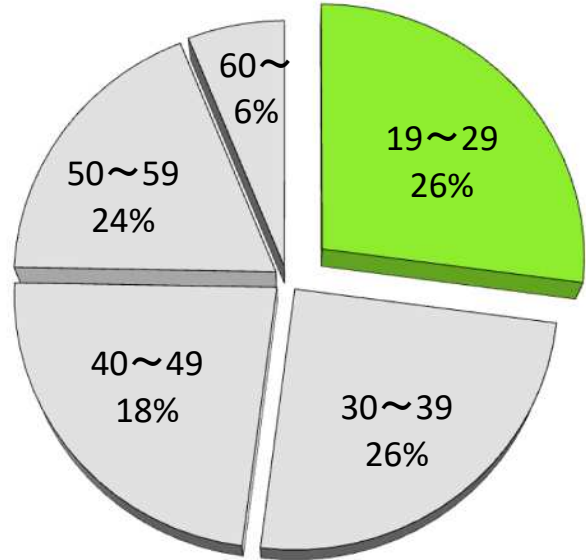
# Medium-Term Management Plan 2024 (Secure and nurture human resources)

## Number of new hires through periodic recruitment

FY2021	FY2022	FY2023	FY2024	FY2025 plan
135	116	135	132	170

## Employee composition by age group (parent)

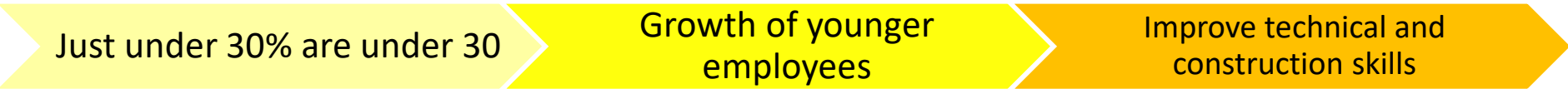
As of April 1, 2024



## Number of persons with qualification

Qualification	Number of qualified personnel		
	October 2018	April 2024	Change
Electrical Construction Management Engineers (1st and 2nd grade)	1,037	1,237	200
Plumbing Construction Management Engineers (1st and 2nd grade)	278	321	43
Professional Engineers	54	68	14

- Personnel with multiple qualifications as Construction Management Engineers (Electric Works, Piping Works): 68



## 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 (Shareholder returns)

## Shareholder return trends

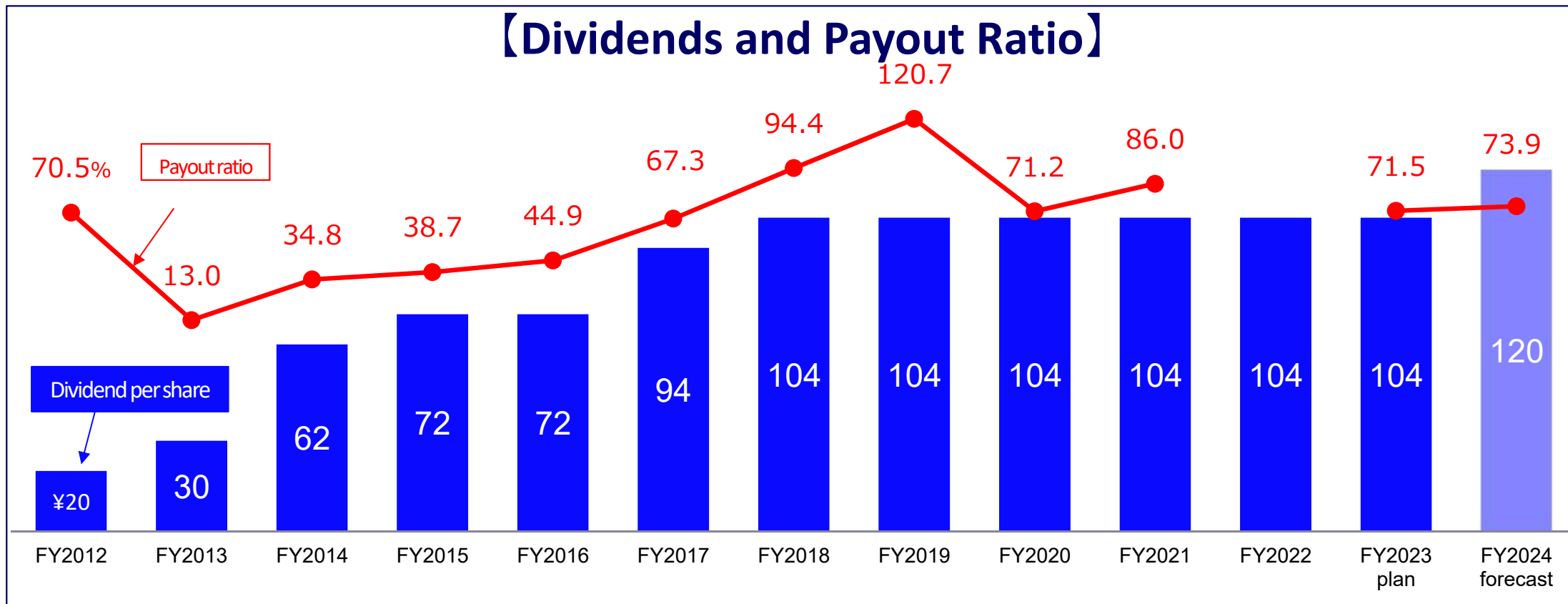
		FY2021	FY2022	FY2023
Dividend	Annual dividend per share	¥104	¥104	¥104
	DOE	2.75%	2.93%	2.89%
	Consolidated payout ratio	86.0%	— (note)	71.5%
	Consolidated total return ratio	106.1%	— (note)	89.8%
Share buyback	Number of shares	600,000	390,000	600,000
	Cost	¥1.3 billion	¥0.8 billion	¥1.4 billion

Note: Not reported for FY2022 due to a net loss

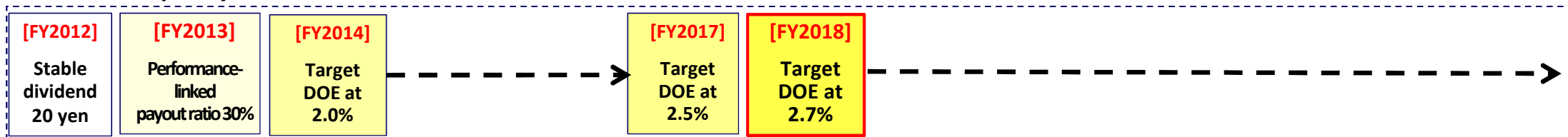
[Reference] Dividend yield: 3.39% (closing price at end of March 2024: ¥3,065)

# Dividends and payout ratio

- Forecast for FY2024: Annual dividend of 120 yen, payout ratio of 73.9%, dividend yield of 3.86% (\*)



## Dividend policy



(\*) Calculated based on closing share price of 3,105 yen on May 8, 2024

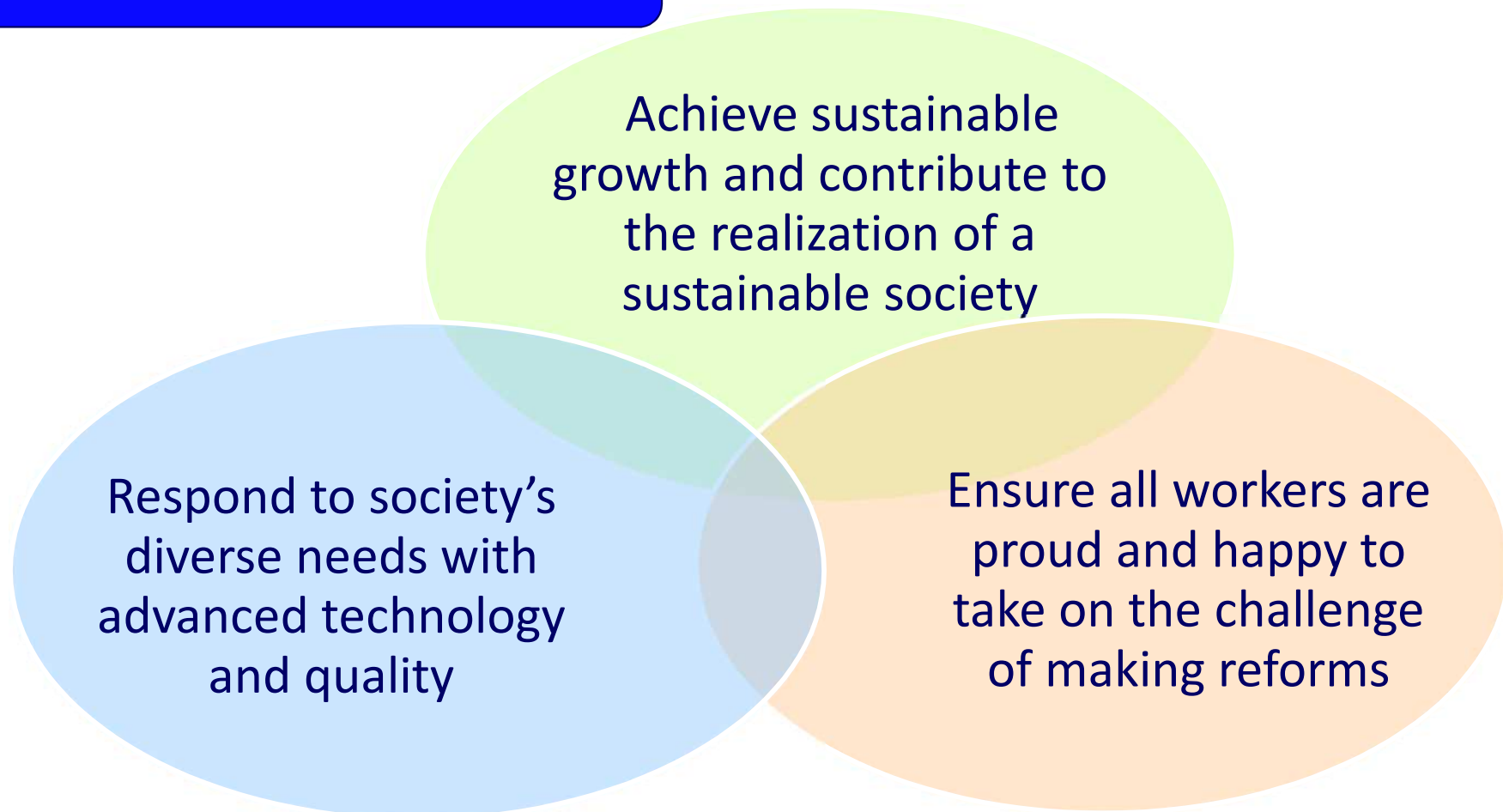
## **4. CHUDENKO Group 2030 Vision**

# CHUDENKO Group 2030 Vision (Theme and Group ideal)

## Theme

Change & Growth For All —Toward Sustainable Growth—

## Group ideal

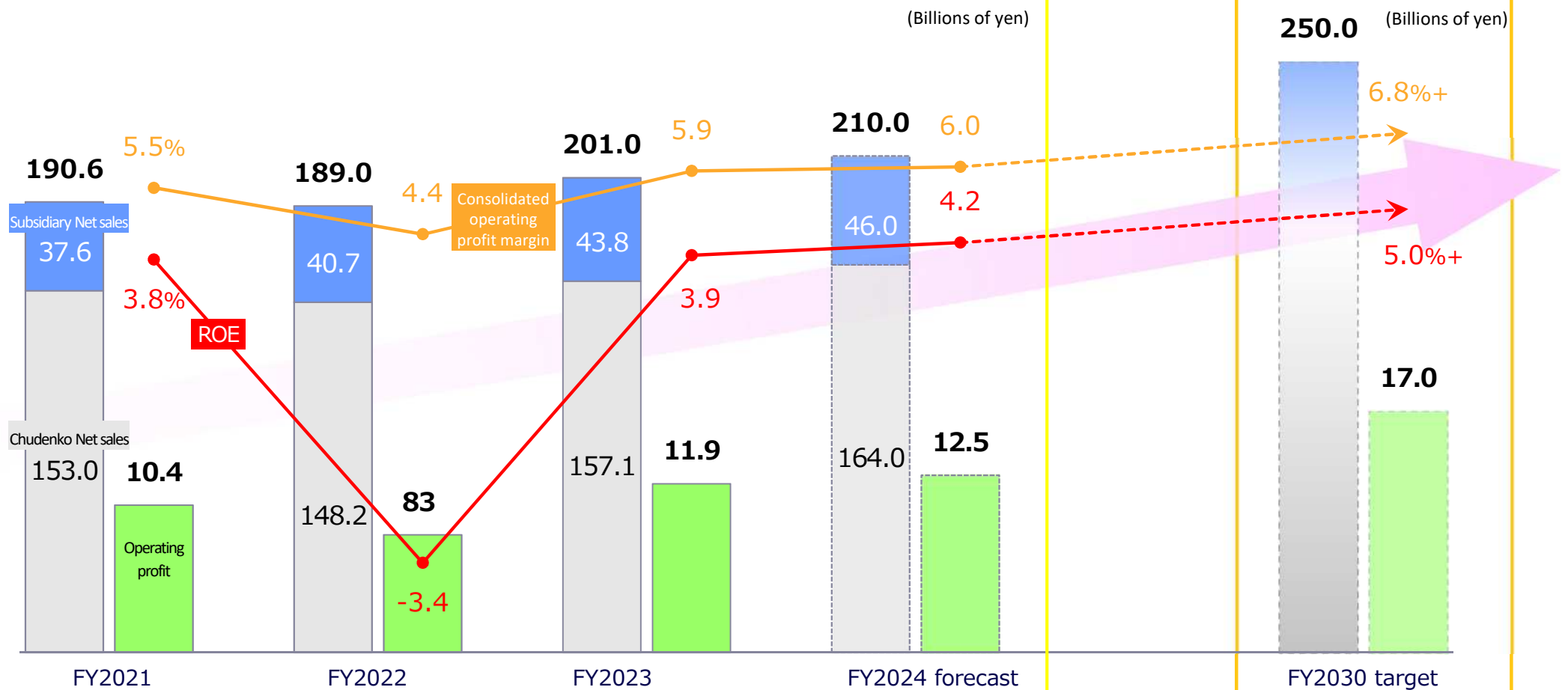




# CHUDENKO Group 2030 Vision (Target)

- Consolidated performance Net sales: ¥250 billion Operating income: ¥17 billion ROE: 5.0% or more
- CO<sub>2</sub> emission reductions toward carbon neutrality: 46% or more (compared to FY2013)
- Creating an environment that supports diverse personnel to play active roles and diverse ways of working

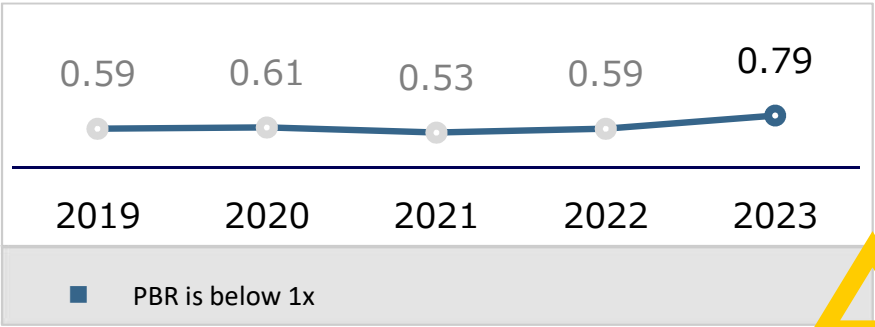
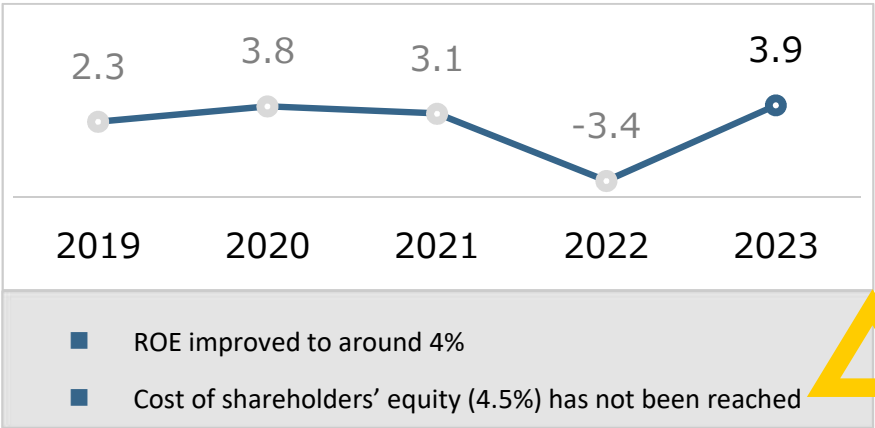
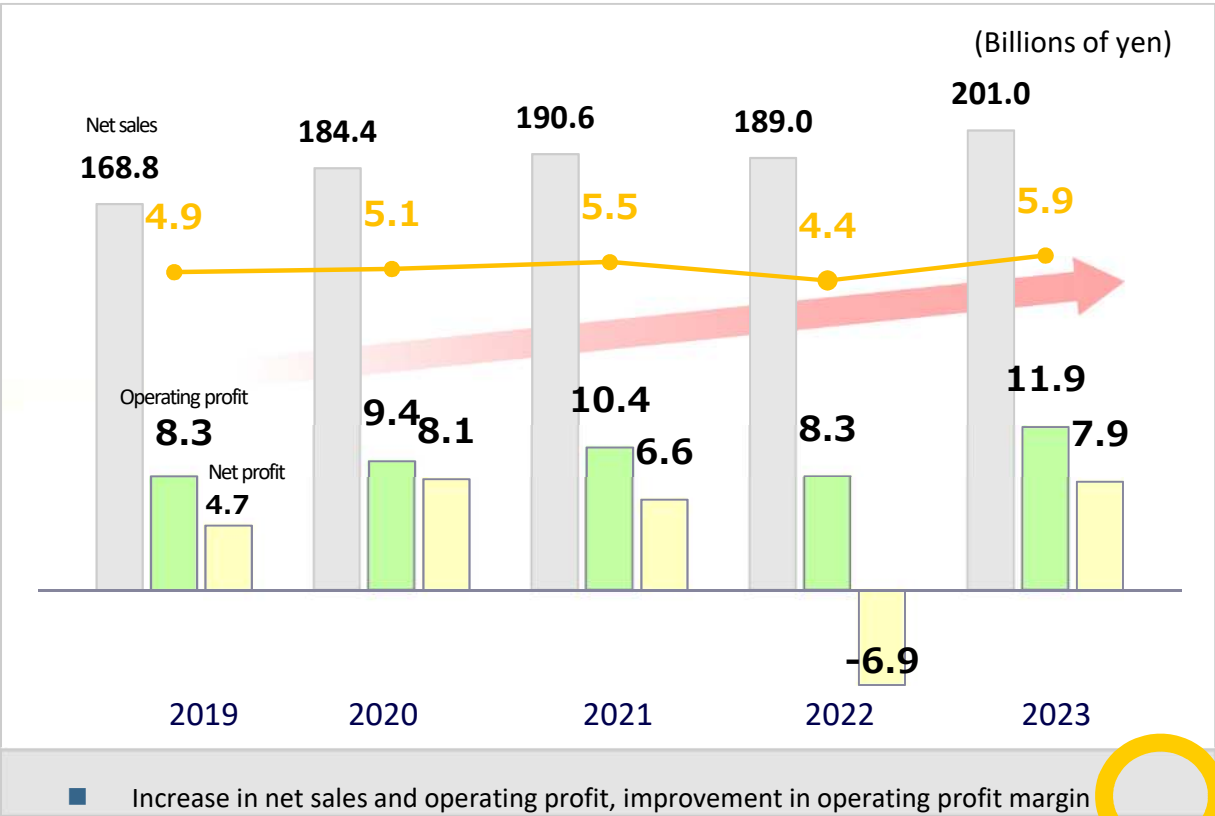
## Medium-Term Management Plan 2024



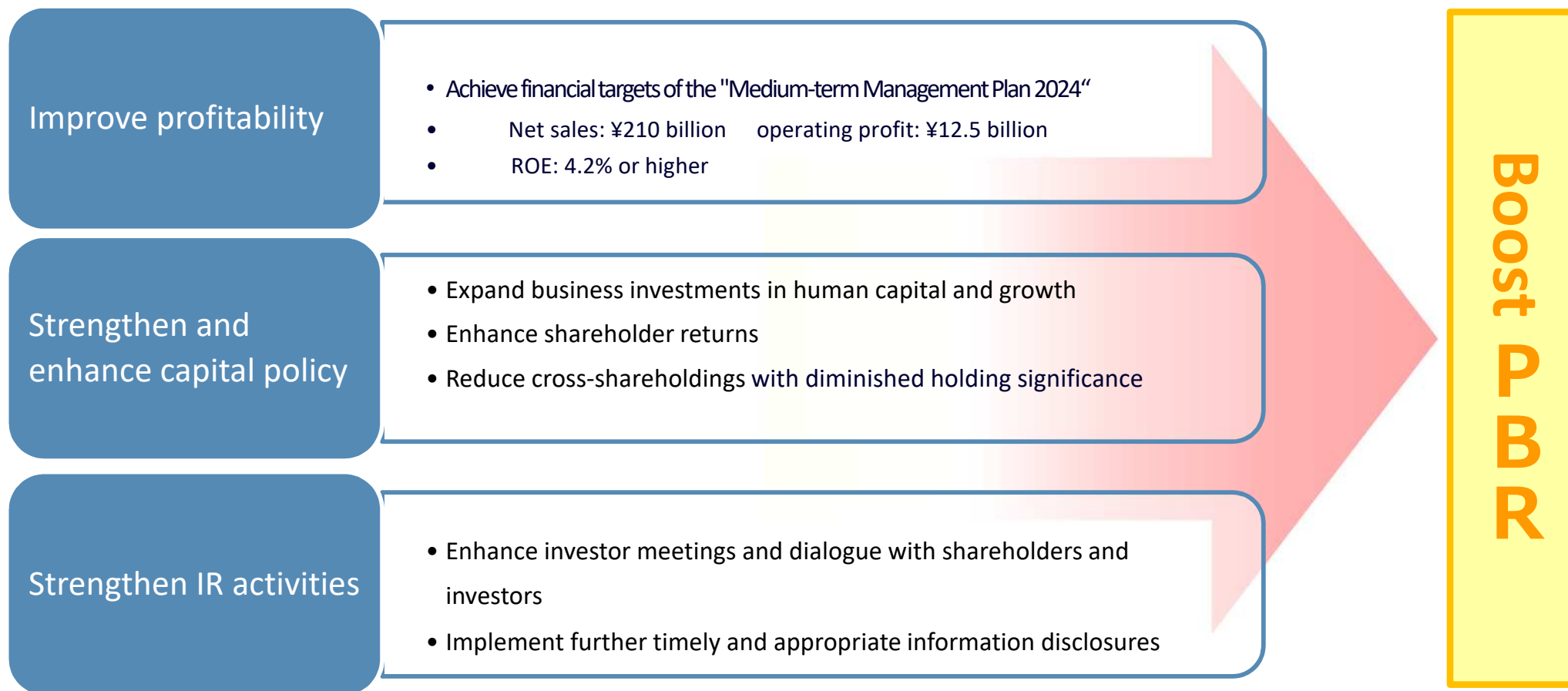
## **5. Management measures taking into account capital costs and share price**

## “Medium-Term Management Plan 2024” Actions

- Strengthening foundation in the Chugoku region
- Expanding business in urban areas
- Improving productivity
- Business expansion through growth investments
- Enhancing shareholder returns



# Initiatives (for FY2024, FY2025 and Beyond)



- The initiatives for FY2025 and beyond will be outlined in the next medium-term management plan to be formulated within FY2024, **with emphasis on achieving ROE of 5% or higher at the earliest opportunity**

## **6. Reference Information**

# Reference (Outline of CHUDENKO CORPORATION)

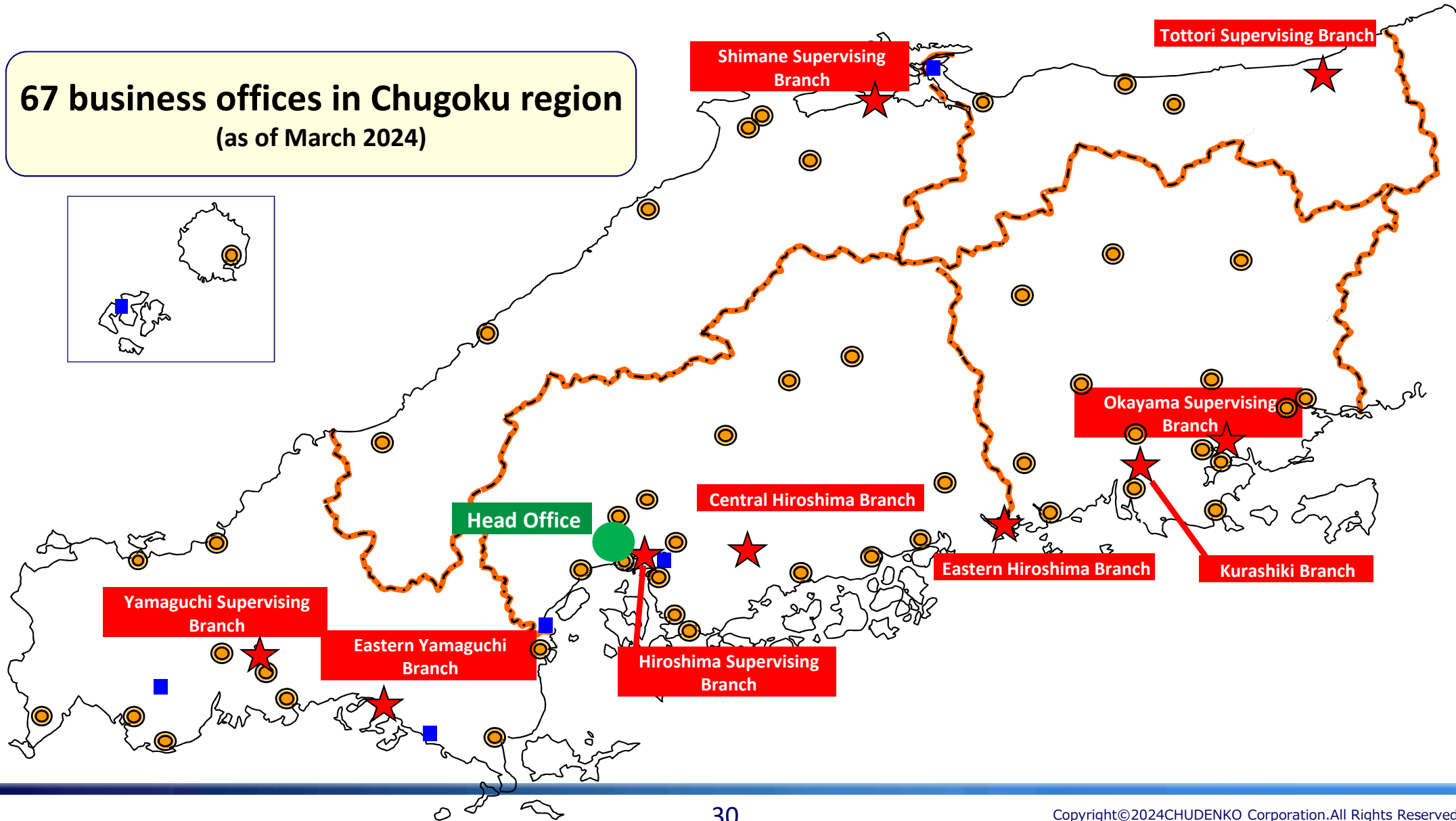
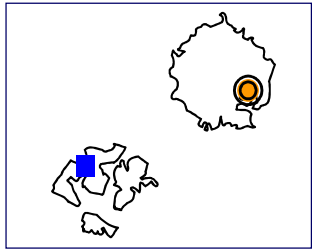
Company name	CHUDENKO CORPORATION		
Representative	Takafumi Shigeto Representative Director and President		
Established	September 1944 (as Chugoku Electrical Construction Co., Ltd.)		
Capital	¥3,481.9 million		
Stock exchange listing	Prime Market, Tokyo Stock Exchange		
Head Office location	Hiroshima City		
Consolidated subsidiaries	14		
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)



# Network (Chugoku region)

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

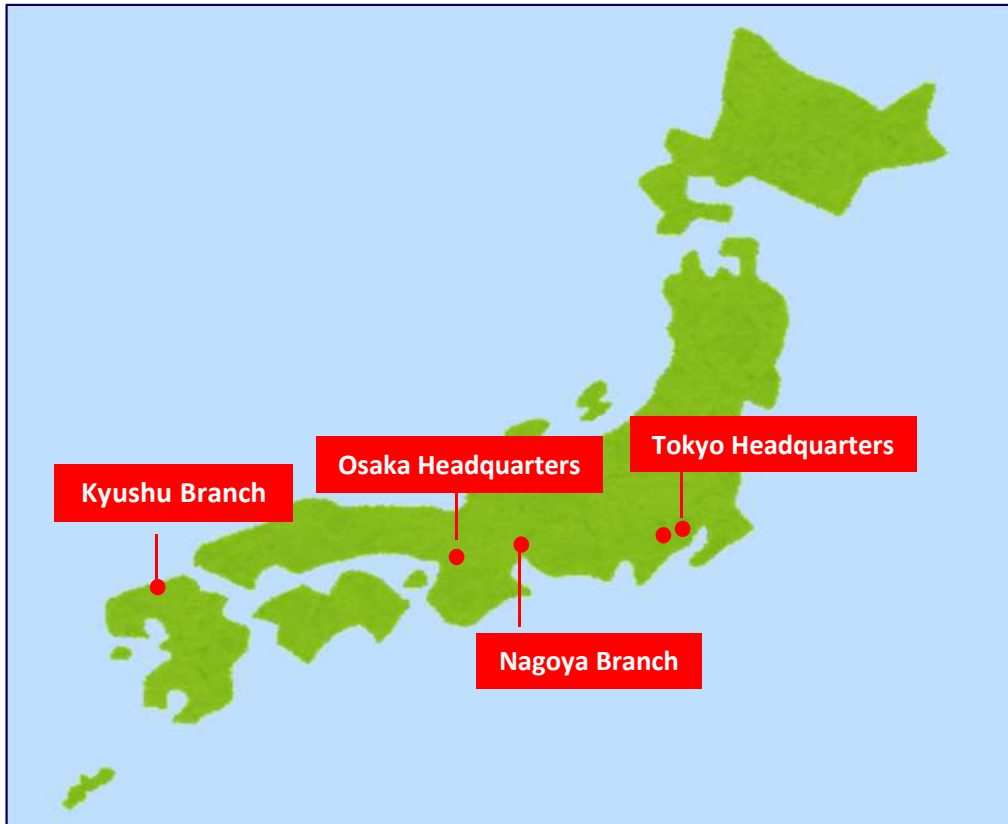
**67 business offices in Chugoku region**  
(as of March 2024)



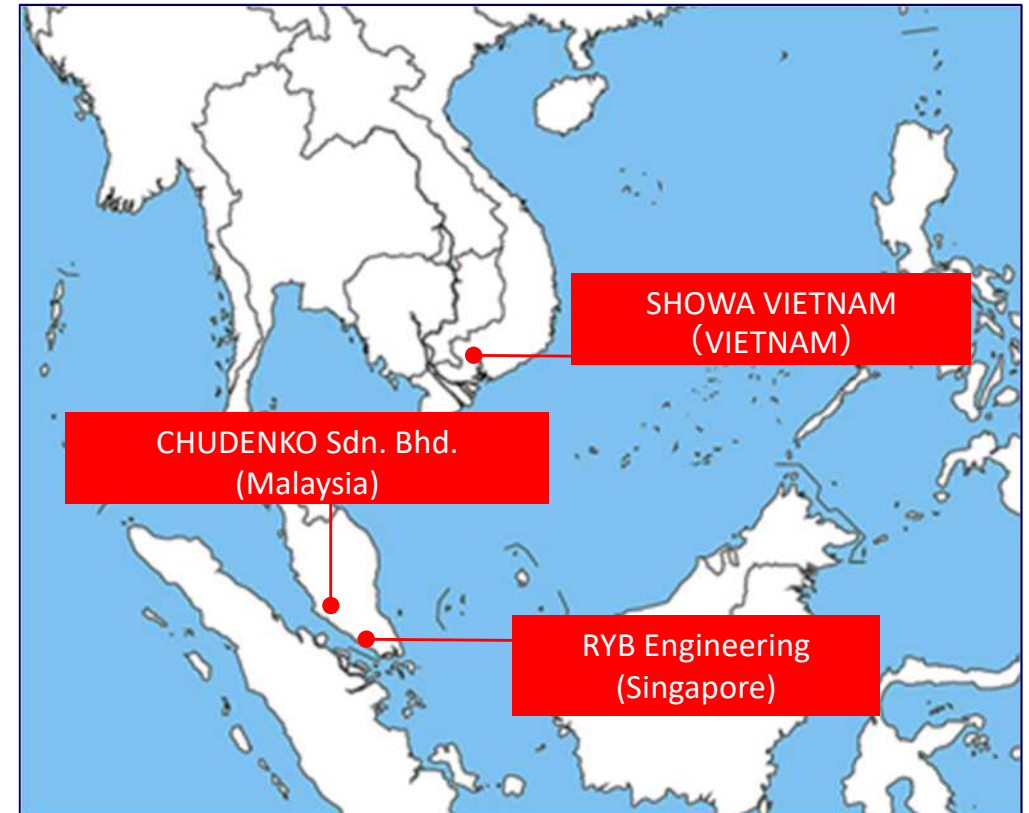
# Business Bases (Urban areas and overseas)

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

[Urban areas]

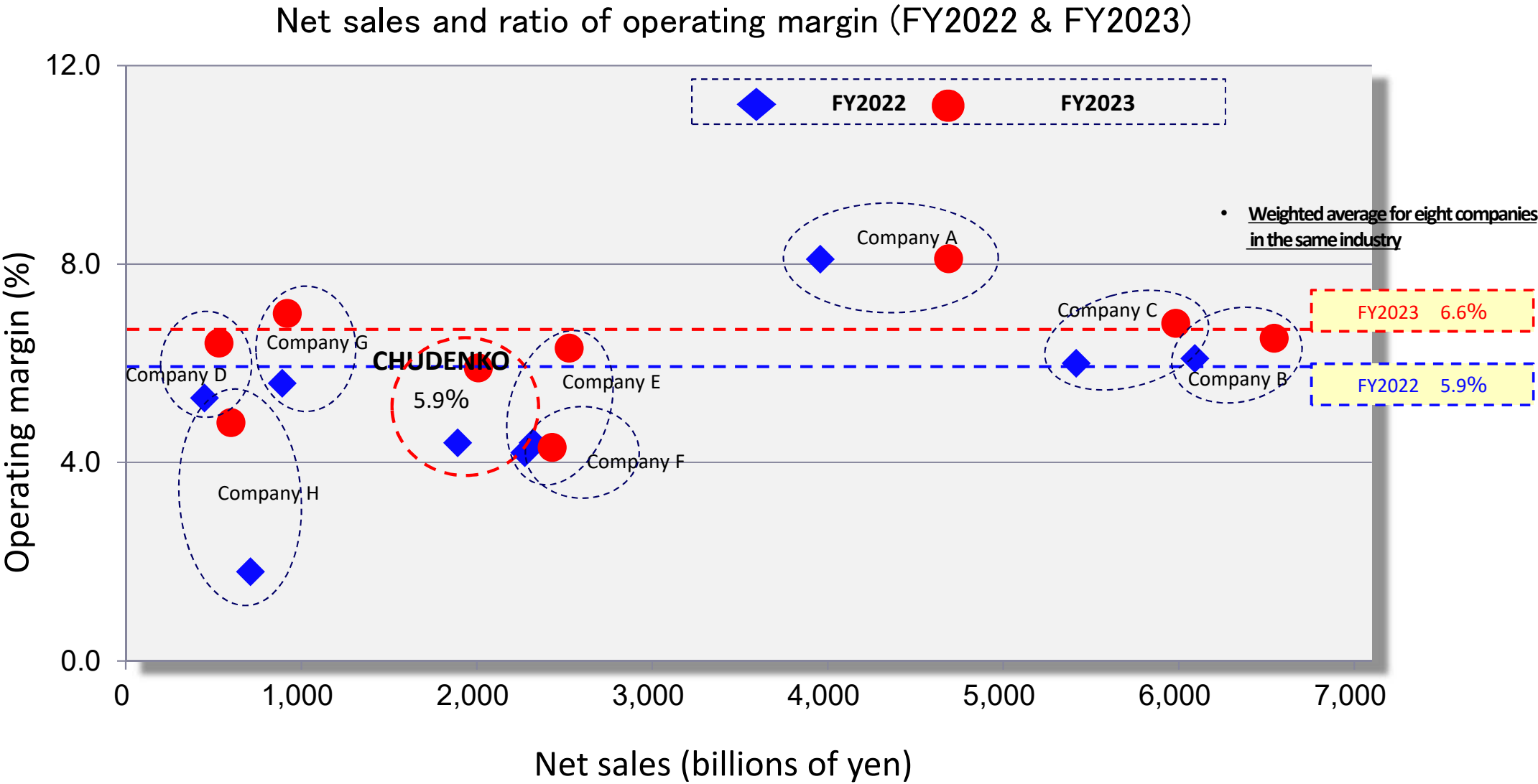


[Overseas]





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



## <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
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.

# 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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