



Integrated Report

# KYUDENKO REPORT 2024

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Editorial Policy

This report aims to create an opportunity for dialogue with shareholders, investors and other stakeholders, providing them with the Kyudenko Group's initiatives for enhancing its corporate value over the medium to long term. We have edited this report to provide an easy-to-understand overview of our business model, business activities, growth strategies, and non-financial initiatives, with specific examples. We hope this report will help you better understand our Group.

Applicable Period and Scope

Period: April 2023 to March 2024. Including some activities before and after this period.  
Scope: Kyudenko Group. Including some reports of Kyudenko alone.

Disclaimer

The financial results forecasts, future outlook, strategies, targets, etc. contained in this report, excluding those related to past or current facts, are forward-looking statements and are based on plans, expectations, and judgements on the basis of the information currently available to the Company and certain assumptions considered to be reasonable. Therefore, please note that actual results may differ from these forecasts and other forward-looking statements due to changes in economic conditions and various other uncertain factors.

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Corporate Philosophy

- 1 We contribute to society through providing agreeable **environmental solutions**.
- 2 We keep challenging for sustainable development through our **engineering strength** and create a new value.
- 3 We aim to create a **mutual respecting** environment in Kyudenko which utilize and develop employees' personality.

Action Guidelines

- (1) We will create the future environment with a new perspective
- (2) We will enhance technological force with creativity and ingenuity
- (3) We will appropriately accept and respond to customers' voice
- (4) We will embrace teamwork in work
- (5) We will create a vibrant and bright workplace

Kyudenko Charter of Behavior

As an integrated utilities engineering service, we will create an environment that aims for ideal harmony of "people", "environment", and "technology", and as a beneficial company that is trusted by society, we will respect human rights, comply with the spirit of relevant laws, regulations, and international rules, and act voluntarily to fulfill our responsibilities with a good social conscience, based on the following ten principles.

1. We will engage in the research and development of technologies that meet the requirements of society and customers to enhance service, safety, quality, and value, pay due consideration to the protection of personal information and customers' information, and provide integrated utilities that will earn our customers' satisfaction and trust.
2. We will engage in fair, transparent, and free competition, conduct appropriate transactions, and maintain healthy, normal relationships with politicians and governments.
3. We will disclose accurate corporate information proactively, fairly, and in a timely manner with the aim of practicing corporate management that is open to all both within and outside the Company.
4. We will give our employees relaxing and enriched lives, ensure safe, comfortable, and open workplaces, and create a corporate culture that is bright and vibrant, and respects the character, individuality, and diversity of our employees.
5. Recognizing engagement in environmental issues as a common challenge for all humanity and an important mission in our corporate activity, we will act voluntarily and proactively.
6. We will make active contributions to society as a good corporate citizen and strive to exist in harmony with local communities.
7. We will resolutely confront any anti-social forces or organizations that pose a threat to the order and safety of civic society.
8. In our international business activities, we will comply with international rules and local laws and regulations, respect local culture and customs, strive to forge friendships and goodwill, and develop businesses that will contribute to the growth and prosperity of those local regions.
9. Recognizing that their role is to realize the spirit of this Charter, top management will set an example for others, thoroughly disseminate the Charter among all concerned parties, constantly listen to feedback from within and outside the Company, establish effective internal systems, and strive for the thorough observation of corporate ethics.
10. In the event of a situation that runs counter to this Charter, top management themselves will make their willingness to solve the problem clear within and outside the Company, strive to solve the problem and prevent recurrences, disclose information to the community swiftly and with accuracy, pursue accountability, and, having clarified authorities and responsibilities, impose strict penalties, including on themselves.

## Message from the President



**Every day is a new day.  
With its people and technologies,  
the Kyudenko Group will aim for  
sustainable growth.**

**[1] Toward the Sustainable Growth of  
the Kyudenko Group**

A year and a half has passed since I became President. This fiscal year, my second year in the position, is the 80th anniversary of the Company's foundation and the final year of the current Mid-term Management Plan. While concentrating our efforts on the three reforms (reform of construction capability, reform of productivity, and reform of governance) and the issues carried over from the previous plan, I hope to draw a new growth curve toward the next Mid-term Management Plan and our 100th anniversary.

With our volume of work in progress at one of its highest levels ever, our business performance is progressing strongly. On the other hand, labor-management issues are starting to emerge, such as the regulations limiting overtime work that took effect in April 2024. In addition, amid the decline in the overall working population in Japan, the decrease in the workforce within the construction industry is particularly notable. The worsening labor shortage shows no signs of abating, so we could certainly say that the situation is at a crisis point.

The key to overcoming this crisis will be workstyle reforms that offer job satisfaction. It is my firm belief that we must make ours a better company for our employees, one in which every individual has a clear understanding of the meaning of the Company's existence and is able to work energetically with a sense that their own job has meaning, while also being able to cherish their private lives.

I also believe that the construction industry itself needs to change as well. The so-called "2024 problem" of statutory overtime limits is not something that can easily be solved by the efforts of our Group alone. We must work together with clients, contractors, our industry peers, and partner companies to ensure appropriate construction periods and tackle this issue as an entire industry.

**Kazuyuki Ishibashi**

Executive Officer  
Representative President



## Message from the President



The Kyudenko Group has placed as the foundation of its management the concept of “breathing life into buildings.” This means being a company that contributes to society by circulating electricity, air, and water to create a more comfortable environment, while continuously growing together with our customers and local communities.

The Group has three major strengths.

The first is our capacity to accept orders and execute construction work for both electrical work and HVAC and sanitary facility work in a single package. Our technological capabilities and construction track record are among the best in the industry, enabling us to provide all types of installation work as a one-stop service. This allows us not only to reduce costs and shorten construction periods, but also to propose total solutions, including energy management and energy conservation proposals, directly to our customers.

The second strength is our workforce of nearly 1,000 technicians in Kyudenko alone, comprising around 700 electrical technicians and 250 HVAC technicians. This is a characteristic that our industry peers do not have, and we believe that, amid the notable decline in the working

population in the construction industry that I mentioned earlier, having our own workforce of high-quality technicians is a tremendous advantage.

Our third major strength is our entry into the renewable energy area. Since the introduction of the Feed-In-Tariff (FIT) scheme in 2012, we have placed efforts into expanding our business in the field of renewable energy, with a focus on solar power generation. In addition to accepting and executing large-scale solar power generation plant construction projects as a construction contractor, we own approximately 500MW of renewable energy sources as a power plant operator. This is making a major contribution to expanding the Group’s business.

We are also concentrating our efforts on securing profits in non-construction fields that are not heavily impacted by economic conditions, such as our Corporate Real Estate (CRE) Strategy, which utilizes Group assets effectively, and business investments.

We aim to further develop these strengths and contribute to the creation of a sustainable society, for the continued growth of the Kyudenko Group.

### [2] Key Points of the Next Mid-term Management Plan

The Group has entered the final stage of the current Mid-term Management Plan that began in 2020. This Management Plan, which we have been working on under the main theme of “Establish a management foundation for sustainable growth ~Realization of the three reforms~,” as stated in that theme, turned into the formation of the Group’s foundations to aim for new growth. The outcomes of the three reforms (reform of construction capability, reform of productivity, and reform of governance) are steadily manifesting, and we will continue our growth strategy based on these three reforms.

Initiatives in response to the government’s target of carbon neutrality in 2050 will be one key point in the next Mid-term Management Plan that will begin in FY2025. In addition to expanding our power distribution line work, electrical work, and HVAC and sanitary work, since the introduction of the Feed-In-Tariff (FIT) scheme, we have concentrated our efforts on the construction and maintenance and management of renewable energy generation plants.

Although the number of large-scale solar power generation plants built is expected to decline in the future due to the fall in the FIT price, as a power generation operator, we can expect stable business earnings while we are still able to sell power under the FIT scheme. On the other hand, even after the FIT scheme has ended, we expect solar power to remain a power source of environmental value that will contribute to the realization of a carbon-free society. This will be achieved by transitioning to the FIP scheme, in which a subsidy (premium) is added to market prices, and taking advantage of a mechanism called PPA, which involves power generation operators supplying renewable energy-derived electricity directly to end customers.

Further, regarding the Tokyo Stock Exchange’s request for “Actions Toward Management that is Conscious of Cost of Capital and Stock Price,” we have cleared the requested standards of PBR of 1 and ROE of 8% or more, but without being satisfied with the status quo, we will continue to make further improvements. ROE, in particular, after peaking in FY2016, has been falling every year, due to the increase in accumulated capital with the posting of profits to date. Regarding the improvement of return on equity, while improving our performance, including achieving the publicly announced figures for this fiscal year, is a fundamental premise, I acknowledge that we must also consider certain capital policies. We are currently discussing capital policies that reflect cash flows and future growth investments, and

after conducting those discussions in even more depth, we hope to communicate those policies in the next Mid-term Management Plan.

### [3] The People We Need and the Importance of Our People

One part of our corporate philosophy is “We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” Under this corporate philosophy, we have set forth a profile of “ideal human resources” that all employees may set as a common goal, and we encourage their daily growth through human resource development.

Unlike businesses that operate machines to manufacture things, the Kyudenko Group’s business involves our engineers and technicians going out onto sites to work. Therefore, it would be no exaggeration to say that the quantity and quality of these engineers and technicians are in direct proportion with our net sales. In other words, our people are our growth drivers, and the belief that they are one of our most valuable assets lies at the heart of the Group.

In 2012, we established the Kyudenko Academy for the Group in Saga Prefecture. There, we have trained a large number of valuable talented individuals for our workforce. We will systematically conduct a diverse range of training programs, including training for new hires, tier-based training common to all divisions, and training to acquire advanced, specialized knowledge, technologies, and skills.

We also introduced an on-the-job training (OJT) system for the cultivation of young employees who have been with the company for less than three years, but rebuilt this system in FY2021. Previously, senior employees who were relatively close in age to young employees were appointed as mentors to provide one-on-one training. Based on the most recent review, however, we clarified in internal rules that we should make use of the entire workplace in the training of young employees, including the establishment of a new OJT Supporter system to provide general support for mentors, and thoroughly embedded an awareness in employees.

As a fundamental premise of the human resource development that I mentioned earlier, our challenge will be how to secure the talent to be developed. We have focused our efforts on the recruitment of university and high school graduates and strengthened our recruitment from all parts of Kyushu, centering on Fukuoka. However, the competition for recruitment is escalating in all industries and occupations, and a battle for talent is unfolding.

## Message from the President

We are engaged in a variety of initiatives to attract talent, such as producing videos that are likely to be effective as an approach to the young, social-media generation, revising starting salaries, and introducing a scheme to cover scholarship repayments. Also, whereas previously, we focused on recruiting students from science disciplines for distribution line, electrical, and HVAC and sanitary work, our new-graduate recruits for FY2024 included graduates from liberal arts disciplines, and we launched an initiative to equip them with skills as engineers in training at the Kyudenko Academy.

We believe that the source of our power to continuously create new value over the long term lies in our human resources with their strong technical expertise, and that the harmony between people and technology is essential for the growth of the Kyudenko Group.

### [4] Practice of Sustainability Management

Based on its corporate philosophy of “We contribute to society through providing agreeable environmental solutions,” the Kyudenko Group has long been committed to solving a variety of social issues, including global environmental issues, through the proposal, design, and construction of energy-saving, clean energy, water recycling and other facilities and disaster-resistant infrastructure. Viewing solutions to these social issues as a major business opportunity, we are constantly exploring ways of using our technologies to make proposals for the realization of a sustainable society.

In this way, the businesses conducted by the Kyudenko Group have inherently had a high affinity with “E: Environment,” and by further enhancing our technologies and expertise, we believe that we will be able to achieve both the creation of a sustainable society and the enhancement of the Group’s corporate value. Thinking solely in terms of social contribution will only lead to costs for the company. By creating profits through our initiatives and continuing those profits, we will continue our sustainable growth.

Regarding “S: Society” as well, we are accelerating our initiatives such as increasing the number of female technicians and promoting the employment of people with disabilities. For a Group that places importance on its people, we believe that the promotion of diversity is essential for responding to issues such as the declining birthrate and aging population, globalization, and the diversification of individual values. It is important that the Company recognize the differences in our diverse workforce as individuality and create a work environment where each employee can find his or her work meaningful and aim to attain self-actualization. The Company believes

that enhancing employee engagement and having a greater pool of enthusiastic talent will pave the way to its future performance and the enhancement of corporate value.

With the basic philosophy of “Safety takes precedence over everything. Safety and health are the foundation for management and a major premise of all activities,” we are working to eliminate significant work-related injuries. At our educational facility, Kyudenko Academy, we have set up a “Safety Lore Hall” as a specialized facility for safety education. Its aims are to spur employees to notice, learn, and think about accidents and motivate their resolve, thus encouraging renewed acknowledgement of pride as professionals who uphold safety and ensuring that past tragic accidents will not be forgotten. Through study at this facility, we are making unstinting efforts toward zero accidents and building a culture of safety.

Then there is “G: Governance,” which is the foundation of sustainability management. Recognizing the strengthening of corporate governance as a crucial issue for the Kyudenko Group, we have set “reform of governance” as one of the three reforms in the current Mid-term Management Plan.

In FY2022, we transitioned to a company with an Audit and Supervisory Committee Increasing the percentage of Outside Directors in the Board of Directors to 50% and appointing a majority of Outside Directors to the Nomination and Remuneration Advisory Committees (both chaired by an Outside Director) will, we believe, further strengthen the Board’s supervisory function and enable us to further enhance our corporate governance structure.

### [5] “Gather. Connect. Create the future.” New Head Office

In July 2024, we announced an overview of our relocation to a new Head Office. The concept of the new Head Office is “Gather. Connect. Create the future.” Ideally, a head office should have a stance of thinking optimally about the entire group at all times. It should serve as a control tower that enables strategic thinking about various matters from diverse points of view.

I have hopes that connections that transcend the boundaries of departments and positions and the revitalization of communication will lead to the creation of new ideas. I also believe that, by taking advantage of DX, Head Office will no longer be a presence that is far off in the distance, but a space in which Head Office and branches, Head Office and business offices, and even Head Office and customers will be connected and able to communicate as if they were right there.



The total floor space of the offices where Head Office functions and some 900 staff will relocate will be around 30% smaller than our current offices. However, moving with the times, we will accommodate that with the introduction of hot-desking and total paperless operations. The COVID-19 pandemic resulted in the establishment of new work styles, including remote work. At the same time, I believe that it is important for every individual employee to be conscious of initiatives for a carbon-free society, such as paperless operations.

Also, as a distinctive function of Head Office, we have included a library for the creation of innovation and a space for employees to interact with each other casually, exchange opinions, and refresh themselves. Further, with an executive conference room that will also serve as BCP response headquarters, and meeting rooms with design motifs of Kyushu festivals, we have researched the latest in office environments and pursued the convenience and motivation of employees in Tenjin, the central district of Fukuoka. I hope that you will visit us once the relocation is complete.

### [6] To Our Stakeholders

It is with much gratitude that I can say that the Kyudenko Group has been able to grow alongside our customers, business partners, local communities, employees, and shareholders for these 80 years. We will aim for perfect harmony between people, environment, and technology in our pursuit of even greater corporate value.

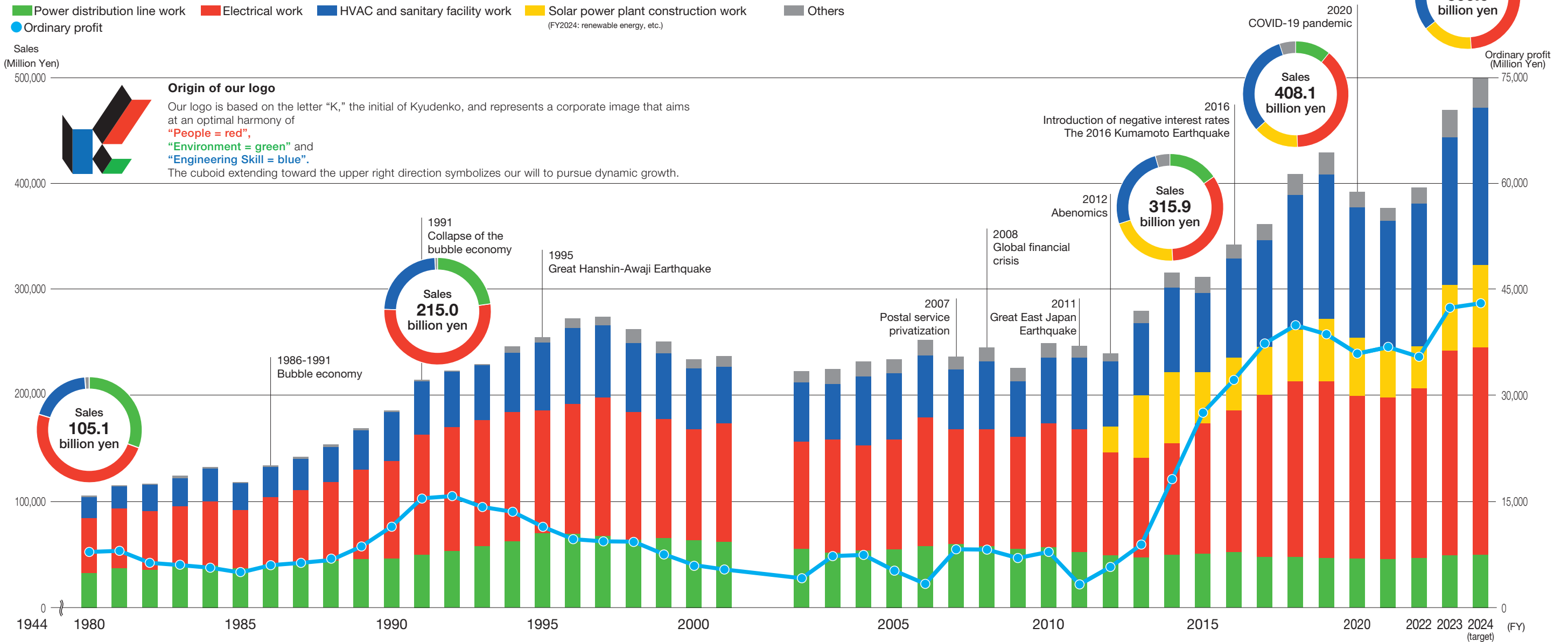
As I mentioned, we will move into our new Head Office next spring, and our new Mid-term Management Plan will start. In such a milestone year, we are considering changing the company name to one that will better suit our future business endeavors, in the hope of further growth and prosperity.

For our shareholders and investors, we will maintain continuous and stable dividend payments and execute a flexible capital policy corresponding to changes in the business environment, in the hope of earning your further trust.

We sincerely hope that you will continue to have high expectations and offer your support to the Kyudenko Group going forward.



# Growth Trajectory of Kyudenko



## 25 years from 1944

### Foundation phase when Kyudenko was born as a company engaging in electrical and power distribution line work across the Kyushu region

Kyudenko was established in December 1944 as "Kyushu Denki Koji Corporation" (former Kyudenko) by integrating fourteen electric work companies in Kyushu.

December 1944	Established Kyushu Denki Koji Corporation
October 1945	Opened Tokyo Satellite Office
June 1947	Concluded an agreement on contracted power distribution line work with Kyushu Haiden Co., Ltd. (current Kyushu Electric Power Company, Incorporated)
July 1964	Started operation of HVAC and sanitary facility work
February 1965	Opened Osaka Office

## 25 years from 1970

### Establishment and growth phase of a firm management base, with stock listing and the 50th anniversary

The Company was listed on the Fukuoka Stock Exchange and Osaka Exchange (second section) in November 1968, and designated to the first section of the Tokyo Stock Exchange and Osaka Exchange in September 1972. In December 1989, the company name was changed to the current "Kyudenko," and it marked the 50th anniversary in 1994.

November 1968	Listed on the Fukuoka Stock Exchange and the Second Section of the Osaka Stock Exchange
September 1972	Designated to the First Sections of the Tokyo Stock Exchange and the Osaka Stock Exchange
March 1987	Issued the first series of unsecured convertible bond of 10.0 billion yen
December 1989	Changed the company name to Kyudenko Corporation

## 25 years from 1995

### Growth phase during which the Company expanded its operations in the metropolitan area and entered the renewable energy field

In July 2008, the Company established Tokyo Head Office and strengthened its management foundation in the metropolitan area. Prompted by the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (also known as the "FIT law") that went into effect in 2012, the Company entered the renewable energy field on a full scale.

June 2008	Introduced the Executive Officer System
July 2008	Established Tokyo Head Office
March 2012	Newly established a training center, Kyudenko Academy
April 2012	Newly established the Tohoku regional office
March 2015	Issued the second series of unsecured convertible bond of 10.0 billion yen
December 2019	Marked the 75th anniversary

## 25 years from 2020

### Acceleration phase to realize sustainability by the 100th anniversary

The Company has set out its Long-term Vision toward its 100th anniversary in 2044. To bring this Long-term Vision to life, the Company has formulated a new Mid-term Management Plan as a goal to be achieved by FY2024 and is making its utmost efforts.

April 2020	Published the Mid-term Management Plan (2020-2024)
October 2020	Newly established the DX Promotion Department
July 2021	Newly established the Green Innovation Business Division
December 2021	Set the Medium- to Long-term Environmental Management Goals and endorsed TCFD recommendations at the same time
April 2022	Newly established the Environmental Management Promotion Unit
April 2023	Newly established the Workstyle Reform Promotion Office directly under the President
December 2024	80th anniversary



## Special Feature for 80th Anniversary

# 80<sup>th</sup> 12.1.2024 ANNIVERSARY



Thanks to your support, we celebrated the 80th anniversary of Kyudenko's founding on December 1, 2024.

Kyudenko was first established in December 1944 as "Kyushu Denki Koji Corporation," the forerunner of today's Kyudenko, by integrating fourteen electric work companies in Kyushu.

In its first 25 years, it fulfilled a major role in delivering electricity to local communities, helping them to rebuild their daily lives amidst the turmoil during and after the war. In the process of these business activities, it expanded the area of its work to include all the infrastructure needed for daily life, such as water and air, and established the foundations for general facility work that provides one-stop solutions to customers' needs. In November 1968, Kyudenko was listed on the Fukuoka Stock Exchange and the second section of the Osaka Stock Exchange.

In the 25 years from 1970, Kyudenko was listed on the first section of both Tokyo Stock Exchange and Osaka Stock Exchange in September 1972, and expanded the

business scale and sales area of its general facility work division to include electrical work and HVAC and sanitary works. With this kind of facility work, it supported the growth of the Japanese economy. In December 1989, the company changed its name to the current "Kyudenko," and it marked its 50th anniversary in 1994.

In the 25 years from 1995, during the "lost 20 years" after the collapse of Japan's bubble economy and subsequent recovery, we achieved the expansion of our business and the further enhancement of the Kyudenko brand. In July 2008, we established a Tokyo Head Office and strengthened our management foundation in the metropolitan area. Prompted by the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (also known as the "FIT law") that went into effect in 2012, we entered the renewable energy field on a full scale. Amid the harsh business environment of a sharp decline in construction demand, we have strived to deepen our cost competitiveness and engineering strength, while boosting

the quality and quantity of human resources, which is the most important management resource in the construction business. Steadily building a company that can accommodate emerging construction demand and labor shortages, we celebrated our 75th anniversary in 2019.

In 2020, we formulated a new Long-term Vision as a bridge that connects our corporate philosophy and the Mid-term Management Plan in the lead-up to our 100th anniversary in 2044. To create a sustainable society, we will bring together our engineering strengths and work to solve social problems, realize a carbon-free society, and maintain and develop local public infrastructure.

Throughout every era, we have sought to respond to the needs of customers at the time by looking ahead to the future and taking on the challenge of new technologies, business fields, and sales areas, proactively and boldly. In so doing, we believe that we have been able to grow together with local communities.

With our Corporate Philosophy of "We contribute to society through providing agreeable environmental solutions," "We keep challenging for sustainable development through our engineering strength and create a new value," and "We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees' personality," we have set the foundations of our management as the fulfillment of our social mission as a general facilities contractor engaged in the design and construction of electrical work, HVAC and sanitary works, and information and communication equipment, while at the same time being a company that continues to advance together with its customers and local communities. We believe that the source of our power to continuously create new value over the long term lies in our human resources with their strong technical expertise. We also believe that the harmony between people and technology is the essence of the Kyudenko Group's strength.

## ONE FUKUOKA BLDG. planned to open for business in spring, 2025

Recognizing the ongoing aging of its Head Office building, which was built in 1976, Kyudenko decided to relocate its Head Office after studying how it could best provide a workplace environment in which employees can do their jobs with greater peace of mind, including by considering factors such as risk management in the event of disasters, its vision for the ideal office in terms of diverse workstyles and related changes, and environment responsibility.



### "Gather. Connect. Create the future."

To create new ideas and spark communication, everyone will **gather** at the new office. Employees will transcend departmental barriers to **connect**. They will **create the future** by realizing new workstyles and features that make it easier for them to do their jobs while reducing the facility's environmental impact. The new Head Office will foster employees' autonomy and enthusiasm while striving to create new value by encouraging workers to embrace challenges.



## Value Creation Process

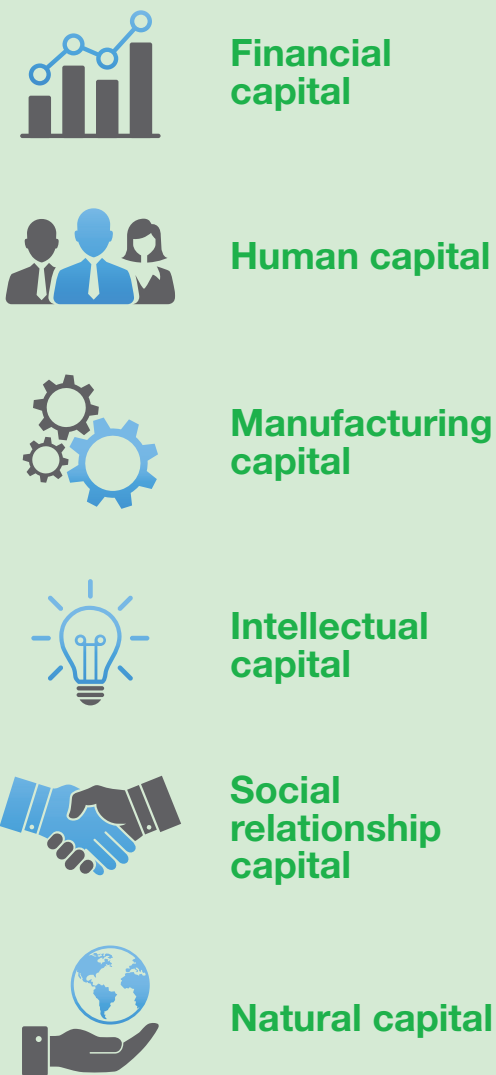
### The Group's Vision for 2044 (100th anniversary)

Make Next: To Create Smiles for the Future

Four megatrends that the Kyudenko Group is watching closely

1. Transition to a decentralized energy society
2. Increased environmental awareness
3. Demographic change and diversified working styles
4. Advancement of digital technology

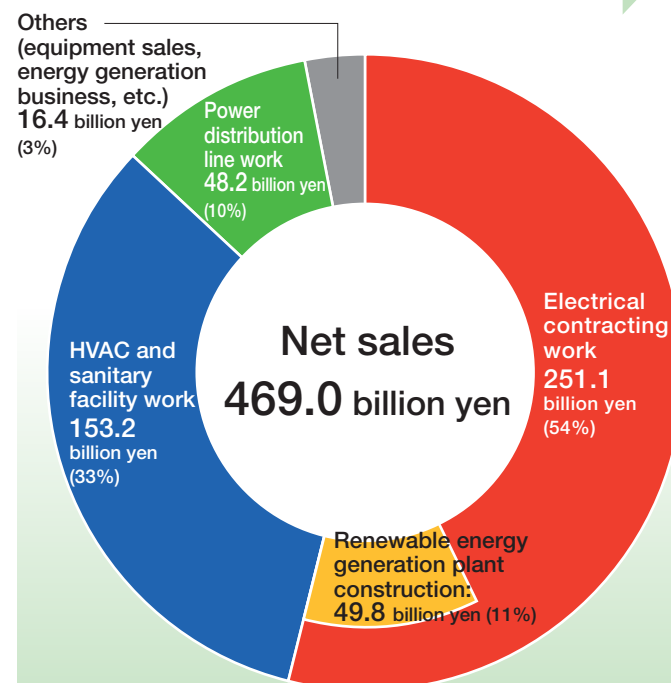
#### Sources of Value Creation (INPUT)



#### Business Activities (OUTPUT)

##### Business Portfolio (FY2023 Results)

Improve productivity for the new era  
(accelerate promotion of work style reform)



Net sales ..... 469.0 billion yen  
Operating profit ... 38.0 billion yen  
Orders ..... 440.8 billion yen

### Corporate Philosophy

1. We contribute to society through providing agreeable environmental solutions.
2. We keep challenging for sustainable development through our engineering strength and create a new value.
3. We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees' personality.

##### Mid-term Management Plan (FY2024)

Establish a management foundation for sustainable growth  
~Realization of the three reforms~



KPI

Net sales ..... 500.0 billion yen  
Ordinary profit...50.0 billion yen  
(Ordinary profit ratio of over 10.0%)  
ROIC ..... Over 10.0%

#### New Value Creation (OUTCOME)

##### Long-term Vision (100th anniversary)

The role we will play to create a sustainable society  
Three Contributions

##### Solve social problems

Contribute to the realization of affluent life by leveraging our engineering strength and taking on the challenge of solving various social problems



##### Realize a carbon-free society

Contribute to the realization of a carbon-free society through clean energy



##### Maintain and develop local public infrastructure

Contribute to the maintenance and development of local infrastructure through stable power supply, facility works, urban development, etc.



#### Foundation to Support Value Creation

Corporate Governance

Human Resources

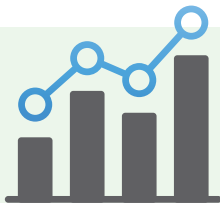


Value Creation Process

Sources of Value Creation: Six Types of Capital

The Kyudenko Group practices CSV management while efficiently combining various sources of value creation capital to enhance the social and economic value created through these efforts. The enhanced value will reinforce the capital of the Kyudenko Group, enabling it to create new and greater value. We will continue to repeat this cycle, which will lead in turn to the sustainable enhancement of our corporate value.

Financial capital



With the aim of increasing shareholder value over the medium to long term through sustainable growth, we strive to maintain the level of shareholders' equity in preparation for future risks while also investing in growth. We have set our target for ROIC—one of our management indicators—at 10% or more.

Total assets	503.2 billion yen	Net assets	291.1 billion yen
	(FY2023)		(FY2023)
Operating profit	38.0 billion yen	Ordinary profit	42.3 billion yen
	(FY2023)		(FY2023)
ROE	10.2%	ROIC	8.6%
	(FY2023)		(FY2023)

Human capital

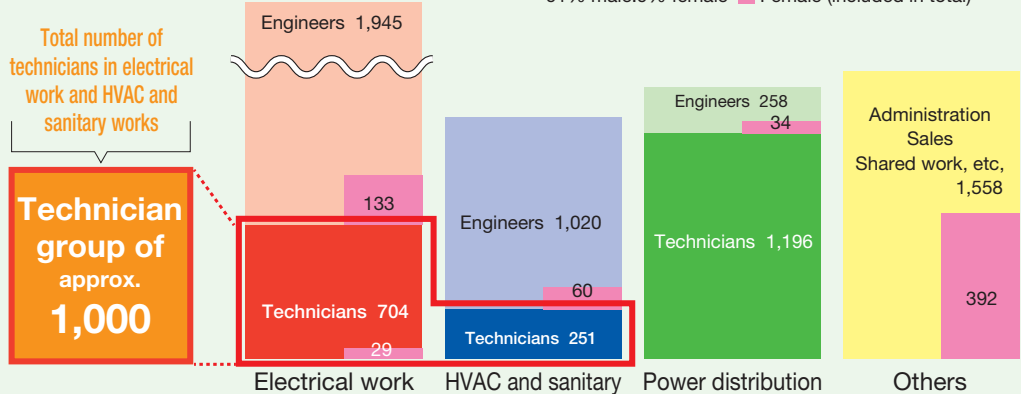


In line with our conviction that people are one of our most valuable assets, we provide employees opportunities to improve their capabilities and demonstrate the results of their training to advance the Company and ensure every employee has a rewarding job and achieves self-actualization, with the aim of further growing employees and advancing the Company further. In recent years, we have also focused on ensuring the diversity of our workforce.

Number of Group employees (persons engaged)	10,687
Number of employees (non-consolidated) (persons engaged)	6,730
Number of female employees (non-consolidated)	603
Number of women in managerial positions (non-consolidated)	3
Number of training held	255
Number of participants (cumulative)	4,979

Breakdown of non-consolidated number of employees

Ratio of male and female employees  
91% male:9% female ■ Female (included in total)



September 30, 2024

Manufacturing capital



We believe that our strength lies in the ability to anticipate needs, provide maintenance, and respond quickly in case of emergency by developing community-based business activities and being close to our customers, which affords them a sense of security.

Business locations in Japan  
(Head office, branch offices, and business offices)  
120 (as of April 1, 2024)

Number of Group companies  
51 (as of April 1, 2024)  
(Note) Number of consolidated subsidiaries

Intellectual capital



The R&D activities of the Kyudenko Group are mainly conducted by the Technology Development Department. This department is responsible for verifying and introducing advanced technologies and business tools ahead of the Group companies, and for solving technical problems in the worksites and company-wide deployment.

(Number of patents held) 25 patents, 1 utility model  
7 patents pending  
1 utility model pending  
(as of August 2024)

Research and development costs  
344 million yen (Year ended March 31, 2024)

Social relationship capital



The Kyudenko Group's business is built on a relationship of trust based on harmonious coexistence and dialogue with all stakeholders, including shareholders, business partners, and local communities.

Coexistence with local communities  
A Community Program, Dedicating Contributing Activities to the Local Community  
Once/year  
Sports class by the Kyudenko Track and Field Team  
Once/year

Promoting communication with shareholders and investors  
Individual meetings with investors  
Briefings for individual investors  
Total: 274 (FY2023)  
7 (FY2023)

Natural capital



We construct and operate renewable energy generation plants, thereby contributing to the preservation of the global environment. Moreover, we aim to achieve virtually zero CO<sub>2</sub> emissions from our business activities by 2050.

Medium- to long-term environmental management goals  
Achieve carbon neutrality by 2050  
Endorsement of TCFD recommendations

Investment in renewable energy generation plants (FY2023)  
Deals operated by the Group: 54 sites  
Deals through investment in equity: 61 sites

Long-term Vision: Make Next – To Create Smiles for the Future

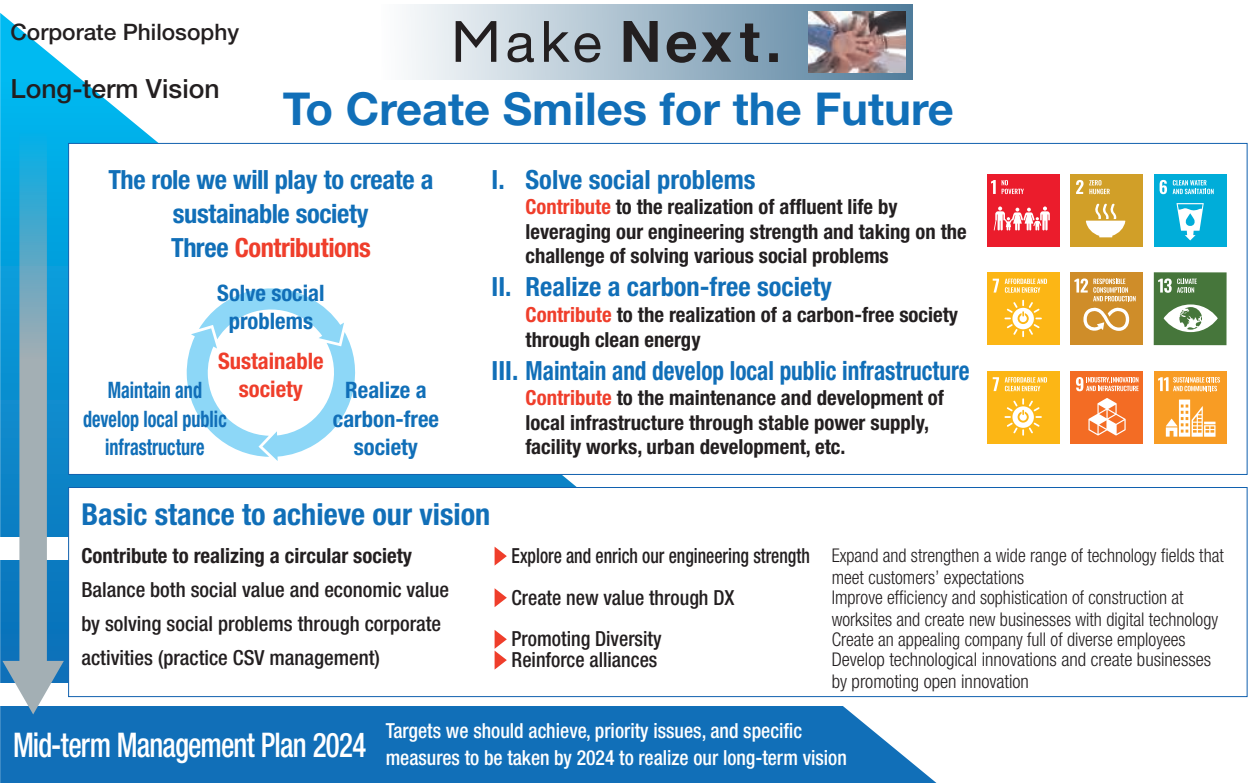
With an eye on future megatrends and with our corporate philosophy as a pillar of our business, the Kyudenko Group has formulated its long-term vision with a focus on seizing business opportunities and expanding business in the expected social environment 100 years after its foundation (2044). We have also defined our role in creating a sustainable society (which we call the “Three Contributions”) and our basic stance to achieve the vision.

We will instill and pass on this long-term vision as the “Kyudenko-ism” philosophy company-wide, and make improvements to it as we evolve with the times and in response to changes in our surrounding environment.

Identification of Megatrends

Megatrends	Environment and its impact	Business opportunities
(1) Advent of a decentralized energy society • Utility3.0 • Local energy	(1) Transition from large-scale to local small-scale power transmission and distribution networks (2) The electricity market will go from a monopolistic to a free market (3) Increase in renewable energy generation (4) Increase in importance of developing technology to store electricity (5) Increase in need for EMS know-how	(1) Localized EMS needs (2) Enter urban development business, such as smart cities (3) Roll out local services that include not only power distribution line and facility work, but also electricity sales business, service water, waste water, telecommunications, waste treatment, etc. (4) Battery recycling factory, recycling business (5) New business opportunities as an environmental restoration company
(2) Increased environmental awareness • Carbon-free society • RE100	(1) With the increase in demand for the renewable energy business, opportunities will expand where we can take advantage of our accumulated experience and business expertise in renewable energy construction (2) Companies with the goal of procuring 100% renewable energy will increase	(1) Focus more on the renewable energy business field (e.g., wind power and biomass power) (2) Provide complete service that includes installation, maintenance, removal, and disposal of renewable energy facilities (3) Establish technology to reuse/recycle solar panel waste, and translate to business (4) New business opportunities as an environmental restoration company
(3) Demographic change and diversified working styles • Population decline and aging society • Freelancing	(1) Securing human resources will become more difficult (2) Increase of foreign workers in Japan (3) Reduction of construction market (4) Influx of people into urban areas and depopulation of rural areas	(1) Acceleration of locally self-sufficient decentralized energy due to depopulation of rural areas associated with population decline and spread of renewable energy, storage batteries, etc. (2) Maintenance of infrastructure in depopulated areas of Kyushu (3) Carrying out projects to resolve challenges such as the increase of foreign workers in Japan, shortage of workers in the agriculture and livestock industry, and increasing aged population (4) Proactively roll out businesses outside Japan with a focus on Asia
(4) Advancement of digital technology • Use of AI and robots • AR, VR, etc.	(1) Construction drawings will be prepared by AI (2) A large portion of manufacturing work will be carried out by robots (3) Education and training with AR/VR will be possible	(1) AI-based design and construction management (2) On-site construction by robot (3) Improvement of education/training and safety management virtual experience using AR/VR (4) Creation of new businesses using digital technology

Our Long-term Vision Based on Megatrends



Future Businesses

When formulating our long-term vision, we envisioned what kind of businesses we could do in the future by leveraging our technology and expertise.

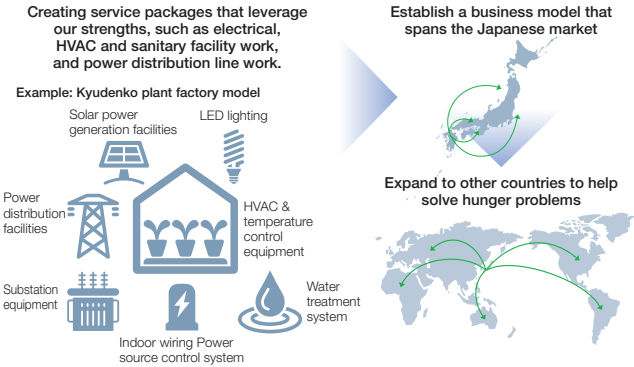
While this is an ambitious goal that lays out where we want to be in the long term by our 100th anniversary in 2044, we believe it is achievable by leveraging the unique

characteristics of the Kyudenko Group. We also believe it will help boost employee motivation since employees will be able to see how their day-to-day tasks address global social and environmental problems by picturing where we want to be as a company.

Involvement in Projects that Solve Social Problems

We will actively participate in projects and businesses where we can leverage our strengths, such as our engineering strength, to address problems faced by local communities and society as a whole, such as the declining birthrate and increasing aged population in Japan and global food problems.

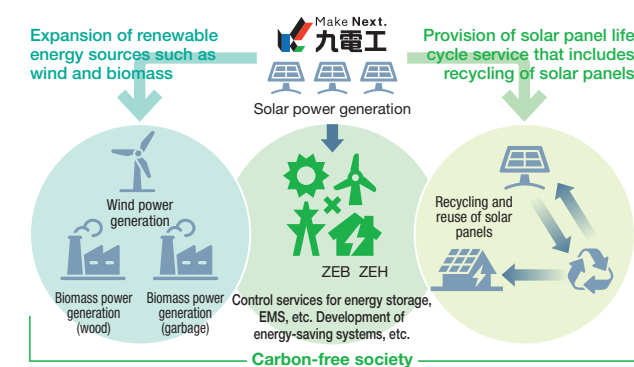
- Specific examples
- Revitalization of agriculture and livestock production (plant factories, livestock farms)
  - Support for foreign workers (shared houses, vocational schools)
  - Services for the elderly (health support, nursing care facilities)



Expansion of Renewable Energy and Energy Conservation, and Entry into Recycling Business

We will expand the renewable energy field, such as wind and biomass power, and contribute to realizing a carbon-free society by expanding our businesses into the environmental field, such as the recycling and reuse of solar panels.

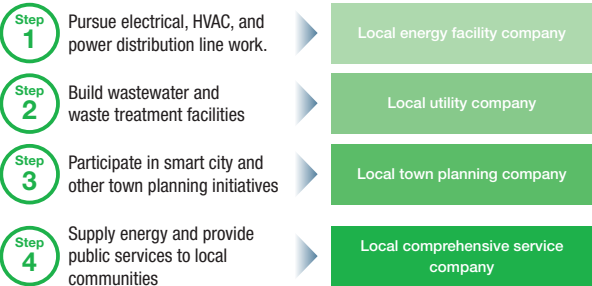
- Specific examples
- New renewable energy sources such as wind and biomass
  - Control services for energy storage, EMS, etc.
  - Recycling and reuse of solar panel waste, etc.



Building Local Infrastructure and Providing Public Services

We will evolve into a company that provides total support for local communities' energy infrastructure and services by expanding our business from merely building basic infrastructure such as electricity, waterworks, and telecommunications to also providing local public services and engaging in smart city and other initiatives to create comfortable communities.

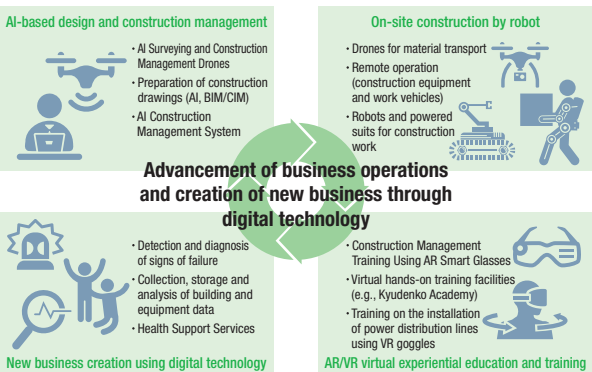
- Specific examples
- Smart city
  - PFI, concession
  - Power transmission
  - Public services such as water supply and sewerage, and waste treatment facilities
  - Telecommunication infrastructure
  - Disaster prevention infrastructure facilities



Introducing Digital Technology

We will improve sophistication, save labor, and increase efficiency in operations, education, and training related to construction at worksites, including design and construction management, by introducing cutting-edge technologies such as AI and IoT, and create new businesses and business models that leverage digital technology.

- Specific examples
- Preparing construction drawings with BIM/CIM
  - Improving operational efficiency with AI construction management systems
  - Supporting worksites with drones
  - Implementing powered suits
  - Virtual training with VR goggles
  - Services to support health and watch over the elderly





Mid-term Management Plan (FY2020–FY2024)

Establish a management foundation for sustainable growth  
~Realization of the three reforms~

The Kyudenko Group reviewed and analyzed the achievements of the previous Mid-term Management Plan, sorted out what challenges the Group should continue to work on, and formulated this Mid-term Management Plan as a goal to be achieved by FY2024 in the process of a long-term strategy based on the Corporate Philosophy.

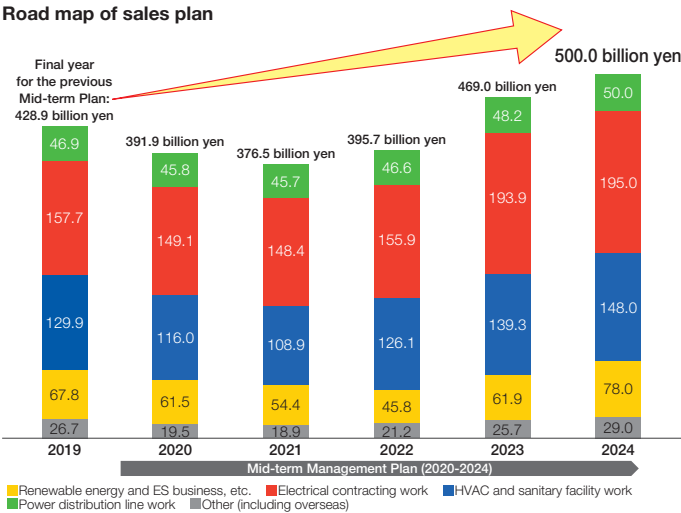
The main theme of this Mid-term Management Plan is “Establish a management foundation for sustainable growth ~Realization of the three reforms~.” Based on the achievements and lessons of the previous Mid-term Management Plan, we recognize that for the renewed growth of the Kyudenko Group, creating a base to support the growth should be the top priority. As we secure and maintain the volume of orders for electrical, HVAC, and sanitary facility works commensurate with our current

construction capability, we will make our utmost efforts to create a “strong and muscular corporate structure” that can win the competition even in an economic recession.

Specifically, we will work on three reforms. “Reform of construction capability” will secure engineers who support core businesses, review construction management methods, and assign engineers to appropriate positions. “Reform of productivity” will improve quality and cost competitiveness, which are the source of our competitive edge, and promote work style reform. “Reform of governance” will work for the creation of a clean and highly transparent corporate culture. Through the three reforms, we aim for dramatic growth and development by the final fiscal year of this Mid-term Management Plan and by the subsequent 100th anniversary (FY2044).

Numerical targets for the final year (consolidated)  
(Billion Yen)

Plan for FY2024	
Net sales	500.0
Breakdown	
Power distribution	50.0
Electrical work and HVAC and sanitary works	343.0
Renewable energy and ES business, etc.	78.0
Other (including overseas)	29.0
Ordinary profit	50.0
Ordinary profit ratio	Over 10.0%
Return on invested capital (ROIC)	Over 10.0%



Specific initiatives and relevance to the SDGs			
ESG	Key challenges	Specific initiatives in the Mid-term Management Plan	SDGs
Environment	Promotion of an environment-conscious town planning	• Strengthen initiatives for concessions, PPP and PFI businesses (Participation in waterworks, waste treatment plants, airports/ports, public facilities, etc.) • Develop new business areas (real estate, agricultural revitalization, etc.)	2, 6, 9, 11, 17
	Enhance energy-saving and energy-creating technologies	• Expand the renewable energy power generation business • Expand energy services (ES) business • Strengthen Kyudenko EMS business (Indonesia)	7, 12, 13, 14, 15, 17
Social	Ensuring construction quality and safe	• Maintain a stable power supply through the construction of power distribution lines • Increase productivity • Promote research and development of advanced technologies and IT (promotion of labor saving and streamlining) • Eliminate significant work-related injuries	3, 9, 17
	Continuing stable recruitment and promoting human resource development	• Strengthen hiring of engineers (diversify recruitment) • Reconstruct a development plan that leads to dreams, a sense of achievement, and confidence • Develop executives and next-generation leaders	4, 8
	Creating a fulfilling and rewarding work environment	• Reduce the turnover rate of young engineers • Secure holidays and reduce overtime work through thorough work style reforms • Promoting Diversity	3, 5, 8, 10, 17
Governance	Strengthening and implementing compliance management	• Implement measures to prevent recurrence of fraud • Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines	16, 17

Specific initiatives in the Mid-term Management Plan Period

In addition to the three reforms established in this Mid-term Management Plan and the issues carried over from the previous plan, the Kyudenko Group has put in place new issues to be addressed in response to changes in the business, and aims to accomplish the Mid-term Management Plan through the implementation of organizational reform and new systems and measures. (See diagram below)

In light of these efforts and new issues to be addressed, discussions on capital policy that reflect cash flows and future growth investments took place during the formulation of the next Mid-term Management Plan, which will start in the next fiscal year (FY2025-). We will strive for further sustainable growth and enhancement of corporate value to become a company that meets the expectations of all stakeholders.



Business of Kyudenko  
Technology Division  
[Electrical works and HVAC and sanitary facility works]

The Technology Division responds to the needs of society by providing the best infrastructure, based on the engineering capabilities and construction expertise that we have accumulated over the years. Regarding the current business environment, we expect large-scale construction projects to remain steady not only in the Kyushu region, but also in the greater Tokyo area. On the other hand, in response to issues such as labor shortages and overtime work limit regulations, we will strive to improve construction profitability even further by inventorying and leveling our operations and promoting the digital transformation of worksites, including the use of BIM.

Kazuhiro Suyama,

Senior Managing Executive Officer, General Manager, Technology Div.



Our Business

The electrical, HVAC and sanitary facility work divisions deliver facilities that satisfy our customers through the construction of all types of buildings related to people's lives, including commercial buildings, office buildings, hospitals, and factories. We provide solutions to our customers' problems, from proposals to construction tailored to their needs, not only for construction and expansion of buildings but also for renewal works of existing facilities. We offer safe and reliable services, supporting our customers through after-sales service after the construction is complete, providing preventive maintenance services and responding promptly to their requests.

With around 100 offices, including branch offices and business offices throughout the Kyushu region, Kyudenko engages in community-based business activities in our mission to protect the region's lifelines. Staying close to our customers enables us to anticipate their needs and to take immediate action on maintenance and other responses

when they have problems. We consider this ability to give our customers peace of mind to be one of our strengths. Moreover, Kyudenko is the only company ranked in the top 10 in sales in both the electrical work industry and the HVAC and sanitary facility work industry. By accepting orders and executing construction work for both types of work in a single package, we are able to deliver all kinds of facility works as a one-stop service. This allows us to reduce costs and propose total solutions, including energy management and energy conservation proposals, which is another of Kyudenko's strengths.

The Company has nearly 1,000 technicians working in the electrical work and HVAC and sanitary works divisions. Kyudenko is the only company with such a large group of technicians on a non-consolidated basis. As the working population in the construction industry continues to decline, we believe we possess a valuable workforce.

Transition of Business Performance (Excluding Renewable Energy Work)

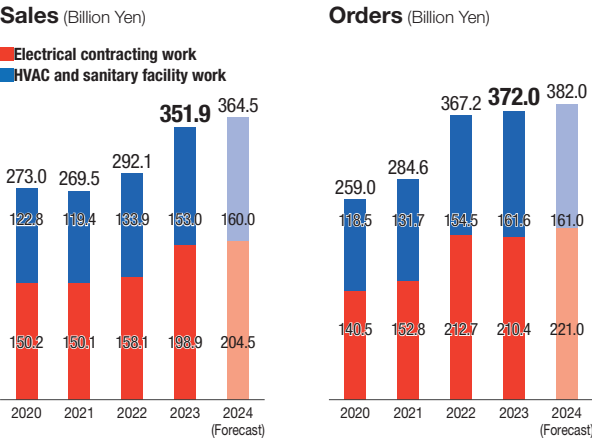
FY2023 \*Including overseas and ES business, etc.

Net Sales 351.9 billion yen  
(up 20.5% year on year)

[Breakdown] Electrical Work: 198.9 billion yen (up 25.8% year on year)  
HVAC and Sanitary Facility Work: 153.0 billion yen (up 14.3% year on year)

Orders 372.0 billion yen  
(up 1.3% year on year)

[Breakdown] Electrical Work: 210.4 billion yen (down 1.0% year on year)  
HVAC and Sanitary Facility Work: 161.6 billion yen (up 4.5% year on year)



Strengths

- Strong trust relationships with customers built through community-based business operations
- Engineering capabilities and construction track record that enable us to provide one-stop facility work for both electrical work and HVAC and sanitary facility work
- Industry-leading mobilization capabilities of both engineers and technicians

Opportunities

- Investment in construction of large-scale manufacturing facilities in the Kyushu region, including semiconductor and logistics-related facilities
- Participation in construction of large-scale redevelopment projects such as Tenjin Big Bang and HAKATA CONNECTED in our hometown of Fukuoka
- Enhancement of the Company's appeal in terms of improvement of labor environment and recruitment by putting work style reforms into practice

Threats and Issues

- Difficulties in securing labor due to a fall in the number of workers in the construction industry and in deepening education for the development of engineers
- Declining profitability due to price competition among industry peers
- Increase in productivity with establishment of digital infrastructure

Business Strategy

Strategy	Specific initiatives
Further improve profit margins	<ul style="list-style-type: none"><li>● Provide support for cost management and working process management with the worksites, branch offices, and Head Office working in tandem from the start of sales activities through to the completion of construction</li><li>● Thoroughly apply front loading and avoid increases in workloads and costs during the construction period</li><li>● Accelerate the digitalization of existing operations and improve efficiency of engineers' work</li></ul>
Strengthen construction capability	<ul style="list-style-type: none"><li>● Establish a job rotation system for education for development of the skills of young employees at an early stage</li><li>● Transfer some construction-related administrative operations to clerical employees so that engineers can focus their efforts on cost management and working process management</li><li>● Mutual cooperation with business partners in line with the Partnership Building Declaration</li></ul>
Promotion of Work Style Reform	<ul style="list-style-type: none"><li>● Comply with regulations limiting overtime work by achieving reduction of engineers' workload through cooperation with the Workstyle Reform Promotion Office</li><li>● Set generous construction periods for project orders prior to conducting negotiations</li></ul>

Focus

Initiatives for improvement of profit margins

Based on the profit margin improvement measures developed in 2019, we are devoting efforts to increasing the profit margin of large-scale projects in particular. It is normal for large-scale projects to span long periods of time, from obtaining information about the project to the completion of construction work. We are implementing profit margin improvement measures that focus on the two areas of pre-order and post-order processes.

For example, before accepting an order, we clarify the details of the target project at an early stage and apply front loading as soon as possible. Participation in such projects from the initial design stages enables us to make effective proposals, and clarifying the target project also allows us to negotiate and place orders with equipment manufacturers and our subcontracting companies at an early stage. This achieves stability of order placement to our subcontractors, enabling us to strengthen the construction system.

After order acquisition, the worksite, branch office and Head Office work in tandem to dispatch support teams that anticipate the progress status and busyness peak of construction, and to share with the sales division information about additions and changes to the ordered work for the negotiation of prices at each juncture.

Specific measures to improve the profit margin (excerpt)

Factor	Measures
1 Cost increase caused by exceeding the planned labor and material cost after receiving an order	A Forecasting the busyness peak of construction Forecasting the peak of busyness in the whole construction period, make an input plan for workers early and start the arrangement. Review the plan in a timely manner and make adjustments throughout the company.
	B Measures for increase of construction subcontractors' labor costs Strengthen relationships with construction subcontractors, achieve planned orders, and achieve appropriate personnel allocations (Branch executives present annual order amount, and exchange information with subcontractors directly.)
	C Establishment of team supporting construction Establishment of a team specialized for supporting construction by employee technicians.
	D Material ordering linked to design change and further utilization of "Q-mast" which affiliated company specialized for purchasing material Technical department check whether each branch and affiliated company uses Q-mast for purchasing materials in cooperation with "Q-mast". When utilization does not advance, technical department and Q-mast investigate the cause and solve.
2 Cost increases due to the compression of facility construction process caused by building construction delay	E Approach to "Front Loading**" Make design changes possible based on budget by building a good relationship with design office. Engage in front loading based on Kyudenko's responsible construction to reduce burden on later stages of construction period.
	F Sales representative's help to construction site after construction starts For additional work, sales and technology divisions cooperate and, before starting construction, make sure to submit each estimate and negotiate the price.
	G Dealing with delays in the progress of building construction work If there are concerns about delays in building construction work at the first construction study meeting after receiving an order, provide guidance on methods for enabling facility construction in advance of building construction (prior construction method, prefabrication method, labor saving method, etc.)
3 Others	H Promote and expand nominated orders and proposal-based sales Sales division to promote sales in cooperation with technology division.
	I Follow-up of engineers' management capabilities Hold meetings of young employees and branch senior managers at least once a month.
	J Establishment of personnel request desk Share information about each worksite and respond immediately to worksites that require support. Establish a desk at Head Office to receive personnel requests from branches. Head Office to make adjustments across the whole company for appropriate allocation of personnel.
	K Raising of standards of new consolidated subsidiaries Dispatch Kyudenko's top engineers to instill Kyudenko's expertise.

\*Front Loading refers to allocating a greater proportion of the workload in the early design stages and proceeding with work ahead of schedule

Construction Case



Toranomon-Azabudai District Category 1 Urban Redevelopment Project (B-2 District, C District)



JR Nagasaki Building



Business of Kyudenko  
Electric Power Division [Power distribution line work]



The Electric Power Division engages in business activities in our strong mission to protect the electricity lifelines, which are essential to daily life. This division focuses on developing work and construction methods that prioritize ensuring safety and the development of human resources. In recent years, it has also been working to improve the working environment through the utilization of DX and the development of new machine tools.

While the main focus of our business is work for Kyushu Electric Power Transmission and Distribution Co., Inc., we are also accelerating our efforts to expand into new business areas as we proceed to further expand our operations.

Takahiro Hokahori,  
Managing Executive Officer, General Manager, Electric Power Div.

Our Business

The power distribution division undertakes contracted works from Kyushu Electric Power Transmission and Distribution Co., Inc., and engages in the installation and maintenance of overhead distribution equipment. This includes the installation of special high-voltage transmission lines, high-voltage transmission lines, low-voltage transmission lines, and related devices, the installation of drop wires and meters, and the installation of communication cables to build automatic control systems for distribution lines. In particular, in the event of typhoons and other natural disasters, we leverage our technological capabilities and mobilization capabilities to engage in the early restoration of power.

We have been engaging in safe, secure work every day since adopting outage-less electrical work, which uses bypass cables and generators to avoid outages while work is being performed, and indirect live-wire work, which

uses a tool called a “hotstick” to perform work without directly touching high-voltage lines, ahead of the rest of the country in 1998.

In addition, we are working to reduce costs and improve safety and construction quality with the use of DX for technological development and the improvement of operational efficiency. These efforts have received high external recognition with the receipt of the Shibusawa Prize, which is awarded for outstanding tool development, two years in a row.

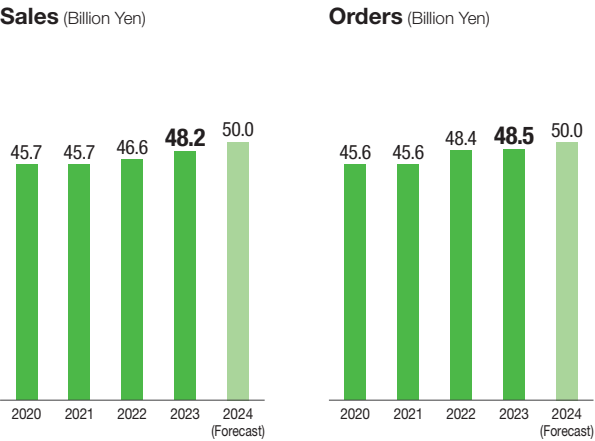
Moreover, in recent years, we have been focusing on the further expansion of our new business areas, such as sales, design, estimation, and construction work for interconnecting private line work related to the construction of renewable energy generation plants, which are becoming popular on a national scale.

Transition of Business Performance

FY2023

Net Sales **48.2** billion yen  
(up 3.5% year on year)

Orders **48.5** billion yen  
(up 0.3% year on year)



Strengths

- Strong sense of mission and high levels of technical capabilities to protect electricity lifelines
- Unrivalled mobilization capabilities with over 1,200 technicians, enabling speedy restoration of power in the event of a natural disaster
- Development and improvement of tools and construction methods that contribute to the safety and efficiency of onsite work

Opportunities

- Growth in demand for underground distribution line works associated with the replacement work of aging power distribution facilities and the push for the removal of utility poles
- Scheduled nationwide introduction of a blanket consignment system in which design and construction are consigned altogether as a measure to accelerate the removal of utility poles
- Growth in demand for construction work for interconnecting private line work (overhead/ underground) from enterprises building renewable energy generation plants

Threats and Issues

- Securing human resources and promoting early development of human resources in response to the decline in the number of people employed in the construction industry
- Promotion of initiatives for the improvement of the working environment in outdoor tasks
- Expansion of a wide range of technology fields that meet customers' expectations (developing extra high voltage cable jointers, etc.)

Business Strategy

Strategy	Specific initiatives
Ensuring safety	<ul style="list-style-type: none"><li>● Eliminate potential risk factors and foster a culture of safety by using patrol data from the safety patrol system</li><li>● Confirm “safe behavior” and “safety status” through the introduction of wearable cameras and strengthening of leadership of the safety patrol officers</li><li>● Rebuild the education system and practice safety education that covers affiliated companies and subcontractors</li></ul>
Increase productivity	<ul style="list-style-type: none"><li>● Improve efficiency of engineers' work through visualization of operations (development of flowcharts)</li><li>● Improve efficiency of construction workers through promotion of IT (introduction of tablets)</li><li>● Rebuild education framework and enhance the contents of education programs for early development of engineers</li></ul>
Expansion of business fields	<ul style="list-style-type: none"><li>● Acquire orders for interconnecting private line work related to renewable energy generation plant construction</li><li>● Develop engineers with the intention of winning orders for extra high voltage cable work</li><li>● Establish distribution line works business at Kansai Branch Office</li></ul>

Focus

Strengthening of efforts to further increase order volumes

For the further expansion of our new business areas, the Electric Power Division is focusing its efforts on acquiring orders from new fields through blanket consignment contracts, such as underground distribution line works for the removal of utility poles and interconnecting private line works associated with renewable energy generation plant construction, as well as joining power distribution line works in other transmission and distribution areas.

- **Underground distribution line works for the removal of utility poles**  
In recent years, work to bury power distribution lines has been moving forward in downtown and sightseeing areas from the standpoint of ensuring safe, pleasant spaces for pedestrians, preventing urban accidents, and improving the urban landscape. Leveraging our wealth of experience and extensive technical capabilities in installing conduits for underground equipment and laying and connecting cables, we will win more orders.
- **Interconnecting private line works**  
As moves to achieve carbon neutrality by 2050 pick up pace around the world, in Japan as well, policies for the maximum use of renewable energy are being presented. This state of affairs represents a major business opportunity for the Electric Power Division, which engages in interconnecting private line works to connect decentralized energy sources and electricity transmission and distribution utility operators. As such, we are focusing our efforts on winning project orders, making the most of the engineering capabilities and expertise that we have accumulated over the years.
- **Entering other transmission and distribution areas**  
With the introduction of the revenue cap system\* in FY2023, the construction volume of distribution line works is expected to increase nationwide. Upon securing workforces for construction in Kyushu, Kyudenko entered the Kansai area in FY2024 in response to a request from Kansai Transmission and Distribution, Inc. This is the first attempt throughout the whole of Japan to transcend transmission and distribution areas. Leveraging the technological capabilities we have cultivated in the Kyushu area, we will focus our efforts on further expanding our business in distribution line works.

\*Revenue cap system: A wheeling charge system introduced to secure the necessary investments for equipment expansion and upgrades in order to respond to the expansion of renewable energy and ensure a stable power supply



Underground distribution line work



Interconnecting private line works

Construction Case



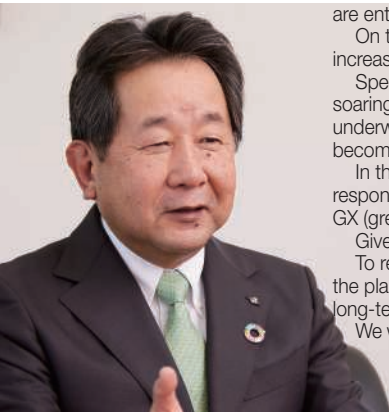
Contracted power distribution line work



Disaster recovery work after the 2024 Noto Peninsula Earthquake



Business of Kyudenko  
Green Innovation Business Division [Renewable energy business]



In recent years, the increase in the number of extremely hot days and frequency of natural disasters, which are believed to be caused by global warming, has become more and more prominent, and it feels as though we are entering an era of global boiling.

On the other hand, projects related to decarbonization and renewable energy in Japan have become increasingly complex, unclear, and uncertain.

Specifically, due to various factors such as the end of the FIT scheme and the transition to market linkage, soaring costs of materials and labor, increasing difficulty in obtaining licenses and approvals, and stricter underwriting by lenders and insurers, the development of new conventional renewable energy projects has become more difficult.

In that context, expectations are rising for new initiatives such as grid-scale storage batteries and demand response. Additionally, carbon pricing, or the trading of environmental value associated with the transition to a GX (green transformation) economy, will begin in 2026.

Given these circumstances, my sense is that the decarbonization business is entering a new phase. To respond to these changes, Kyudenko has established an Asset Management Department to manage the planning of the development of decarbonization facilities and ensure their commercial feasibility from long-term perspectives.

We will thus strive to enhance Kyudenko's corporate value through our contributions to carbon neutrality in 2050.

Toshikatsu Kinoshita,  
Managing Executive Officer, General Manager, Green Innovation Business Div.

Our Business

Based on our core business divisions, namely, electrical, HVAC and sanitary facility, and power distribution line works, we are working to expand the development, construction, and maintenance and management operations of renewable energy generation plants, such as solar, wind power, and biomass.

Since the introduction of the feed-in tariff (FIT) scheme in 2012, Kyudenko has been focusing particularly on winning orders for and engaging in EPC work for mega solar power plants and on the expansion of our business area beyond Kyushu to the Chugoku/Kansai area and the Tohoku area. With cumulative orders totaling more than 700 billion yen, this business has grown into one of the major pillars of Kyudenko's business.

In addition to receiving orders for power plant construction work, we are also involved in the renewable energy business as an operator, and our generation

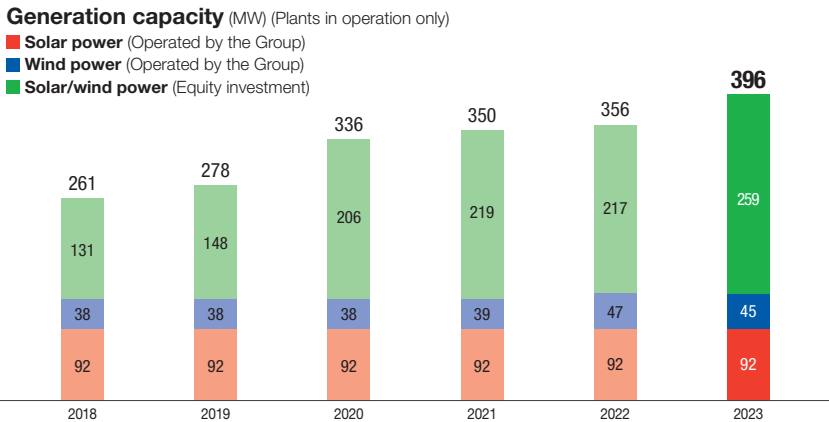
capacity (commensurate with our equity share) has expanded to approximately 500MW (including projects under construction). With the establishment of the Asset Management Department in July 2024, we are working toward the efficient management of business operations and the strengthening of organizational capabilities.

We view the Japanese Government's 2050 Carbon Neutral Declaration as a significant opportunity for our business operations. Against the background of national policy, we are working to expand our business areas even further, including promoting the introduction of third-party models (corporate PPA, leases, etc.), EMS, and storage batteries.

In response to customers' diversifying needs, we are engaging in the green innovation business to solve problems in environmental management and to realize a carbon-free society, making the most of the technological capabilities and expertise that we have accumulated over the years.

Transition of Generation Capacity

FY2023  
Generation capacity  
396MW



Strengths

- Excellent project development capability generated from community-based business operations, and tight connections with partners in other industries
- Construction know-how accumulated with a top-drawer track record of construction works in Japan
- Establishment of systems for long-term project management/maintenance and management

Opportunities

- Further increase in demand for renewable energy due to heightened environmental awareness
- Demand for renewable energy as a BCP measure and as power supply facilities at a regional level
- Promotion of Kyudenko EMS domestically for national resilience

Threats and Issues

- Damage to power generation facilities due to natural disasters
- Declining profitability due to price competition among industry peers
- Declining profitability due to soaring material prices against the backdrop of sharp rises in labor costs and the depreciation of the yen

Business Strategy

Strategy	Specific initiatives
Deepening of recurring revenue business (businesses)	● Acquisition of know-how for future participation in storage battery business and participation in ES business ● Efficient planning, operation, and management of projects and strengthening of the O&M system through the establishment of the Asset Management Department
Deepening of one-time-fee business (construction work)	● [Solar power] Steady receipt of orders for FIT projects under development, implementation of repowering ● [Solar power] Receipt of orders for power generation facility work, such as self-consumption using rooftop panels and solar carports, PPA, and self consignment ● [Wind power] Leveraging of construction track record to establish marginal costs to rival industry peers
Spread of Kyudenko EMS	● Make regional resilience project proposals to local governments ● Win projects in isolated island areas overseas (Southeast Asia) leveraging Japanese government subsidies

Focus

Entry into grid-scale storage battery business

In January 2025, Joshu Ota Storage Station, a limited liability company established by Kyudenko, will start operation of a grid-scale storage battery business in the greater Tokyo area (one location in Ashikaga in Tochigi Prefecture and two locations in Ota in Gunma Prefecture). This business, a grid-scale storage battery business with a total power output of 5,997kW (1,999kW×3) and a total capacity of 22,365kWh (7,455kWh×3), received a subsidy from Cool Net Tokyo (large grid-scale storage battery introduction promotion project).

Power generation from renewable energy, such as solar power and wind power, has a significant impact on the power grid due to large fluctuations in power generation caused by climate and time of day. Grid-scale storage batteries are used to respond to fluctuations in supply and demand across the power grid, and there is great expectation for their role in the efficient use and promotion of renewable energy introduction, as well as in stabilizing the power grid.

For Kyudenko, with our engagement in renewable energy projects totaling approximately 500MW (including those under construction), this is a key business with which we have extremely high affinity. Through the Joshu Ota business, we will acquire expertise for our efforts to create new energy businesses using storage batteries.



Construction Case/Business Track Record



Miya River Watarai Solar Park



Kushima Wind Power Generation Plant



Business of Kyudenko

# Renewable Energy Generation Plant Construction and Power Generation Business

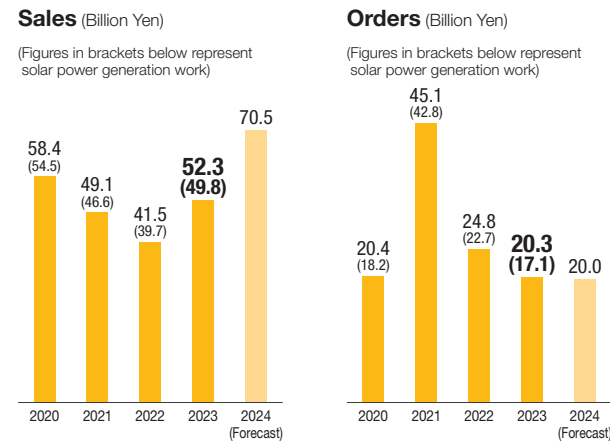
We construct, own, and operate solar power and wind power generation plants and engage in the business of selling electricity using the FIT scheme. We also jointly participate in the business of generating and selling solar power, wind power and biomass power through equity investment and anonymous partnership.

Transition of Business Performance EPC (Power Generation Plant Work)

FY2023

Net Sales 52.3 billion yen  
(up 26.0% year on year)

Orders 20.3 billion yen  
(down 18.1% year on year)

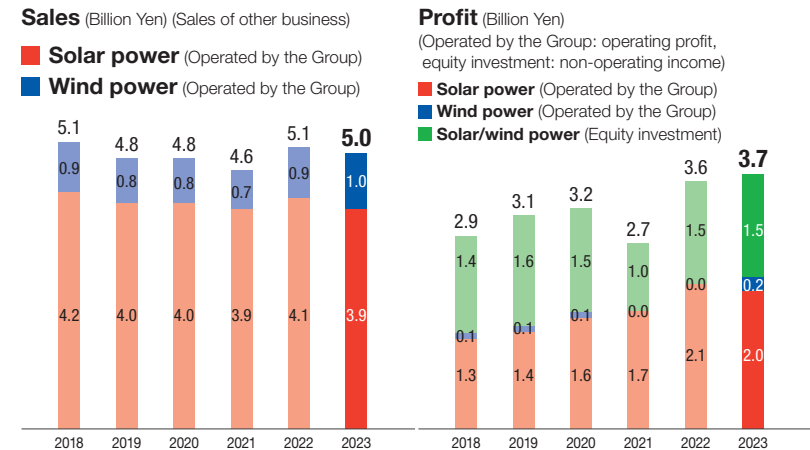


Transition of Business Performance Power Generation Business

FY2023

Net Sales 5.0 billion yen  
(Solar power: 3.9 billion yen, wind power: 1.0 billion yen)

Profit 3.7 billion yen



Investment in solar power plants (as of March 31, 2024)

	Deals operated by the Group		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	49	92MW	87MW
Under construction	—	—	—
Total	49	92MW	87MW

	Deals through investment in equity		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	53	746MW	211MW
Under construction	2	575MW	103MW
Total	55	1,321MW	314MW

Investment in wind power plants (as of March 31, 2024)

	Deals operated by the Group		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	5	45MW	44MW
Under construction	—	—	—
Total	5	45MW	44MW

	Deals through investment in equity		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	5	144MW	48MW
Under construction	1	15MW	4MW
Total	6	159MW	52MW

Business of Kyudenko

# Overseas Business

Kyudenko launched its overseas business in 1979 and has since participated in many projects in regions including Asia, Africa, the Middle East, and Europe, building up a track record in construction work. Despite a period of temporary stagnation from the 1990s, we established the International Business Division in 2011 and decided to make a foray into Southeast Asia, which continues to have one of the highest growth rates in the world.

Currently, over 900 employees work in seven countries and regions: Singapore, Malaysia, Vietnam, Thailand, Indonesia, Bangladesh, and Taiwan. We develop businesses in a wide range of fields, including facility work such as electrical, HVAC and plumbing, plant engineering business, environmental analysis business, EMS, and renewable energy business.

## Focus

### APECO was selected among Singapore's Best Employers for two consecutive years

APECO, a member of the Kyudenko Group, was selected in the rankings of "Singapore's Best Employers 2024" by The Straits Times, that nation's most prominent newspaper, for the second consecutive year, after receiving the same accolade in 2023. APECO ranked 120th this year, up 57 places from 177th last year.

The employers targeted in the survey were approximately 2,000 organizations (including private companies, government agencies, and universities across 27 industries) that employ 200 or more people in Singapore, from which a total of 250 organizations were selected. The survey was conducted online among about 14,000 randomly selected employees working in Singapore. Employers were evaluated from six perspectives; (1) workplace atmosphere and growth potential, (2) company's (organization's) image, (3) working conditions, (4) workplace environment, (5) salaries, and (6) diversity. In this survey, APECO received a particularly high commendation for its diversity compared with its industry peers.

While continuing to respect diversity, APECO will strive to offer a better working environment and aim to balance both employees' growth and the company's advancement.



Commemorative photo of executive team

## PPP/PFI Business

A public-private partnership (PPP) is a scheme where the public and private sectors work together to provide public services. A private finance initiative (PFI) is a typical method of PPP. PFI aims to provide public services efficiently and effectively by using the private sector's funds and expertise in the design, construction, maintenance, management and operation of public facilities and having the private sector take the lead in providing public services.

Leveraging the management expertise and engineering strength established as a community-based provider of integrated utilities engineering services, the Kyudenko Group participates in a number of PPP/PFI projects, which are considered as new methods of social capital development in public works.

### Orders for PPP/PFI projects (as of September 2024)

Participated as a representative company	19 projects
Participated as a constituent company	33 projects
Participated as a cooperating company	5 projects
Total	57 projects

## CRE (Corporate Real Estate) Strategy Business

The Kyudenko Group is proceeding with various business strategies for the enhancement of corporate value. As one such initiative, we set a goal of contributing to the expansion of profits and business opportunities of the entire Group through the utilization of company-owned real estate, which are management resources of Kyudenko, in a strategic and systematic manner. To advance this strategy, we have established a CRE Strategy Promotion Team in the Corporate Strategy Planning Division. We are exploring various approaches to utilizing company-owned real estate, including redevelopment into offices and commercial facilities, residential land sales, and fixed-term land leasehold agreements for business use, from a variety of perspectives.

Specifically, the sale of a former company dormitory site as residential land (Fukuoka) and the launch of a coin-operated parking business using the former site of a branch office (Nagasaki) have been completed. More recently, Kyudenko has decided to build and operate Dormy Nagasaki Heiwa Kouen (official name to be determined), a student and employee dormitory, at the former site of a branch office in Nagasaki.

With the upcoming relocation of the Company's Head Office, we have begun an intensive study of a redevelopment project for the former site of the Head Office building in Nanokawa. Guided by the basic concept of "creating a lifestyle-oriented business hub that can meet a diverse range of workstyle needs while realizing coexistence with the environment and the local community," this project will seek to create an environment that combines work and private life by taking advantage of the area's unique characteristic of work locations and residents being in close proximity.

Going forward, the Kyudenko Group will further promote its CRE strategy business, and while promoting coexistence and co-prosperity with local communities, we will work for the development of sustainable local communities and the resolution of social issues.



### Rendering of town development

Kyudenko will connect the environment, technology, and people with SMART building technology such as IoT and AI to solve issues faced by offices and local communities. We will create new lifestyles that are sustainable and comfortable, beyond that connection through technology.

(Neighboring buildings: ©ZENRIN)

Digital Transformation (DX) Initiatives

The Kyudenko Group will improve its services as an integrated utilities engineering service company through the promotion of DX and thus enhance its corporate advantage, while at the same time contributing to the local community by solving social issues.

Continuing on from last year’s contributions to “Reform of productivity,” one of the three reforms in the Mid-term Management Plan, we are working on the improvement of operational efficiency and productivity through a fundamental review of operational processes, as well as the utilization of advanced technologies such as AI and IT.

In the future, we hope to link these initiatives to corporate culture reform, and, by extension, seek to acquire a strong corporate structure and high profitability by adapting to a society in which cyberspace and physical space are highly integrated (Society 5.0).



**Digital Transformation Certification**

Kyudenko has been certified as a DX-certified operator by the Ministry of Economy, Trade and Industry.

Progress of DX projects

F

 Finished project

O

 Ongoing project

C

 Project under consideration

Use of company-issue smartphones by all employees (Create an internal digital environment)	Development of remote work environment (Create an internal digital environment)	Improve operational efficiency with paperless and seal-less operations (Create an internal digital environment)
<div><div>F</div> Distribute company-issue smartphones to all employees</div> <div><div>F</div> Use of e-mail, chat functions, and file sharing</div> <div><div>O</div> Use in safety and worksite management</div>	<div><div>F</div> Use of cloud functions for file servers</div> <div><div>F</div> Distribute mobile PCs to all employees</div> <div><div>O</div> Reinforce internal infrastructure environment</div> <div><div>F</div> Boost teleconferences and web conferences</div>	<div><div>F</div> Eliminate use of paper at executive meetings</div> <div><div>F</div> Standardize various conference materials</div> <div><div>O</div> Eliminate need to place seals on paper documents and develop document workflow</div> <div><div>C</div> Prepare for reevaluation of intranet</div>
Review of operational processes/ Productivity improvement with digital technology (i) (Core operations)	Review of operational processes/ Productivity improvement with digital technology (ii) (Clerical operations)	Review of operational process/ Productivity improvement with digital technology (iii) (Infrastructure)
<div><div>O</div> Upgrade sales systems</div> <div><div>O</div> Upgrade materials systems</div> <div><div>O</div> Build electronic contract platform for subcontractors</div> <div><div>C</div> Consider improvement of construction systems</div>	<div><div>F</div> Introduce Learning Management System (LMS)</div> <div><div>F</div> Introduce talent management system</div> <div><div>O</div> Replace personnel, payroll, and attendance systems</div> <div><div>F</div> Build P&amp;L administration system</div>	<div><div>O</div> Build company-wide shared databases</div> <div><div>O</div> Build shared operations database</div> <div><div>C</div> Expand past data analysis functions</div>
Verify AI research and implementation (Promotion of use of latest technology)	Promote use of construction DX (Promotion of use of latest technology)	Develop and assign digital talent (Establishment of systems and development of talent to support digitalization)
<div><div>O</div> Introduce AI air-conditioning control system</div> <div><div>O</div> Research and study for use of AI</div> <div><div>O</div> Cooperation with start-ups</div>	<div><div>O</div> Information exchange with industry peers</div> <div><div>O</div> Cooperation with major general contractors and industry peers</div> <div><div>O</div> Investigate and research BIM</div>	<div><div>O</div> Plan for reinforcement and development of DX Promotion Department staff</div> <div><div>O</div> Plan for appointment and development of local DX promotion staff</div> <div><div>O</div> Digital literacy improvement plan for all employees</div>

Improvement of operational efficiency through DX

Initiatives for improvement of productivity of onsite work

For the digitalization of onsite construction work, we are considering the digitalization of individual operation processes in response to the “2024 problem” (regulations limiting overtime work) and labor shortages, both of which are specific to the construction industry. To that end, we are proceeding with the necessary upgrades to our systems. At the same time, we are upgrading our digital infrastructure to strengthen the management foundations for the future.

In FY2024, we moved from the phase of revision and examination of individual operational processes, which began in the previous fiscal year, to the next phase of upgrading systems. We defined our requirements and began development with the aim of implementation in FY2025.

Call for ideas for operational efficiency through digitalization

This fiscal year, we will focus particularly on consideration of the digitalization of construction work, while widely incorporating ideas from onsite workers. In so doing, we will implement effective ideas as necessary in our efforts to reduce the workload of onsite workers.

To the same end, we have also examined digital tools proposed by onsite workers while conducting interviews with them. As a result, we have adopted digital tools that enable the sharing of information such as drawings on site.



Morning safety meeting using an information sharing tool

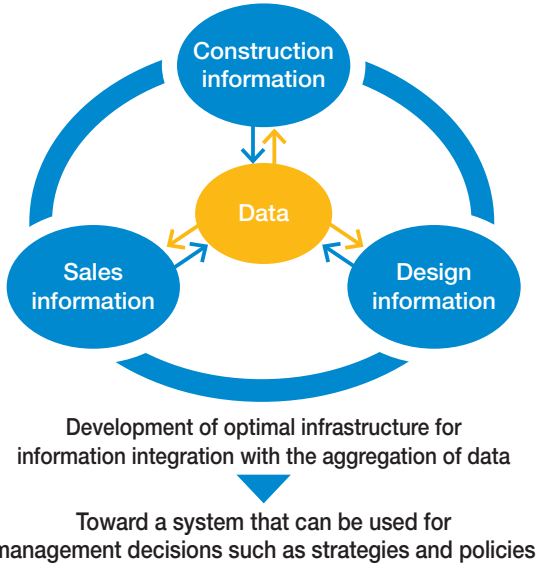
Realization of data-driven management

Transformation to information systems that enable data-driven management

As one measure to realize DX, Kyudenko is proceeding with the development of information systems that will enable the analysis of accumulated data and allow management decisions, including strategies and policies, to be made on the basis of that analysis.

Going forward, to respond to increasingly complex operations, we aim to develop optimal systems that will enable efficient operations and swift responses to changes in the business. We are also considering the redevelopment of the databases that have been accumulated within Kyudenko. Along with the review of existing systems, we will proceed with the redevelopment of systems that will guarantee confidentiality, availability, and completeness.

We are also working on the research of methods for making use of established databases and considering their implementation.



Use of advanced technology (generative AI, etc.) for operations

ChatGPT began to spread worldwide in FY2023, and the preparation of environments for its use is underway, including the development of generative AI for corporations.

Here at Kyudenko as well, we are currently developing generative AI internally in an environment in which countermeasures against information leakage have been implemented. We have started using generative AI in some operations, such as minutes generation and image recognition. Going forward, we will consider situations where we can take advantage of generative AI’s strong points in broader areas such as writing, movies, videos, and translation, and seek to make use of the flexibility and efficiency that AI technology offers and connect it to our business.

Establishment of information security infrastructure

Regarding action on the measures against information security risks that we started in FY2022, we completed the enhancement of security infrastructure by FY2023. In FY2024, we established a Cyber Security Office as an organizational response and have launched internal information security promotion activities in earnest. In terms of personnel measures, we will now focus on implementing security education and training for officers and employees on a regular basis, as well as educational activities to foster security awareness.

We have also been developing systems for disaster response, such as security incident responses and security measures for Kyudenko’s affiliated companies since FY2023.

At the same time, we plan to continue with the development of the digital infrastructure needed for information security responses.

Contents of specific measures

Finished	Measures	<div><div>●</div> Antivirus measures Including early detection of ransomware</div> <div><div>●</div> Measures against unauthorized access</div> <div><div>●</div> Measures against information leakage/tampering</div> <div><div>●</div> Reinforcement of monitoring systems</div>
Measures scheduled for implementation this fiscal year	Organizational measures	<div><div>●</div> Information security</div> <div><div>●</div> Establishment of internal regulations</div>
	Personnel measures	<div><div>●</div> Security education and training</div> <div><div>●</div> Educational activities to create awareness</div>
	Physical measures	<div><div>●</div> Disaster measures</div> <div><div>●</div> Access control</div>

Initiatives for development of digital talent

The Ministry of Economy, Trade and Industry (METI) has announced that growing demand for IT will cause a shortage of up to 790,000 IT personnel by 2030.

The Kyudenko Group also faces an urgent need to secure human resources who will be able to lead and promote the Company’s DX. We are recruiting for a wide range of positions, from new graduates to advanced-level engineers, as well as focusing efforts on internal human resources development.

As part of our measures to improve digital literacy, we have revised our internal regulations regarding the payment of examination fees and the provision of rewards, thus encouraging as many employees as possible to challenge themselves to obtain the Di-Lite qualifications recommended by METI (IT Passport, Deep Learning for GENERAL, and Data Scientist Certification).



Initiatives for Promoting Sustainability Management

(1) Basic Sustainability Policy

We operate our business under the Corporate Philosophy: “1. We contribute to society through providing agreeable environmental solutions.” “2. We keep challenging for sustainable development through our engineering strength and create a new value.” “3. We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” In addition, we have formulated a long-term vision for our 100th anniversary (2044), under which we aim to deliver both social and economic value by working to solve social problems, realize a carbon-free society, and maintain and develop local public infrastructure.

In accordance with this corporate philosophy and long-term vision, we have established a Basic Sustainability Policy and materiality (important issues) in order to focus more on improving corporate value from a long-term perspective while taking into consideration factors such as the global environment, society, and the economy.

In the future, the Group will contribute to the creation of a sustainable society by promoting a planned and proactive approach to materiality (important issues) under the Basic Sustainability Policy.

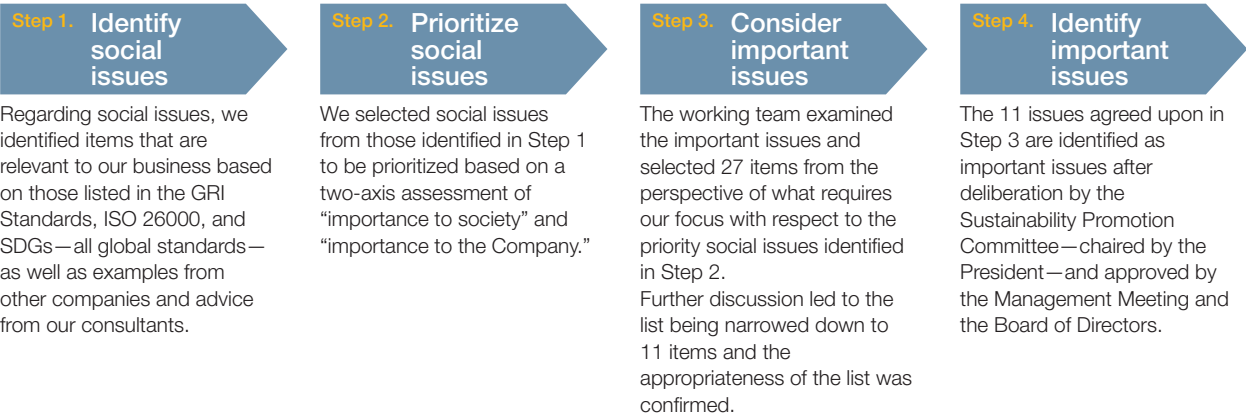
Basic policy

Based on the corporate philosophy, the Kyudenko Group will create a sustainable society and improve the corporate value of the Group by solving social issues through its business activities.

(2) Governance System



(3) Materiality (Important Issues) Identification Process

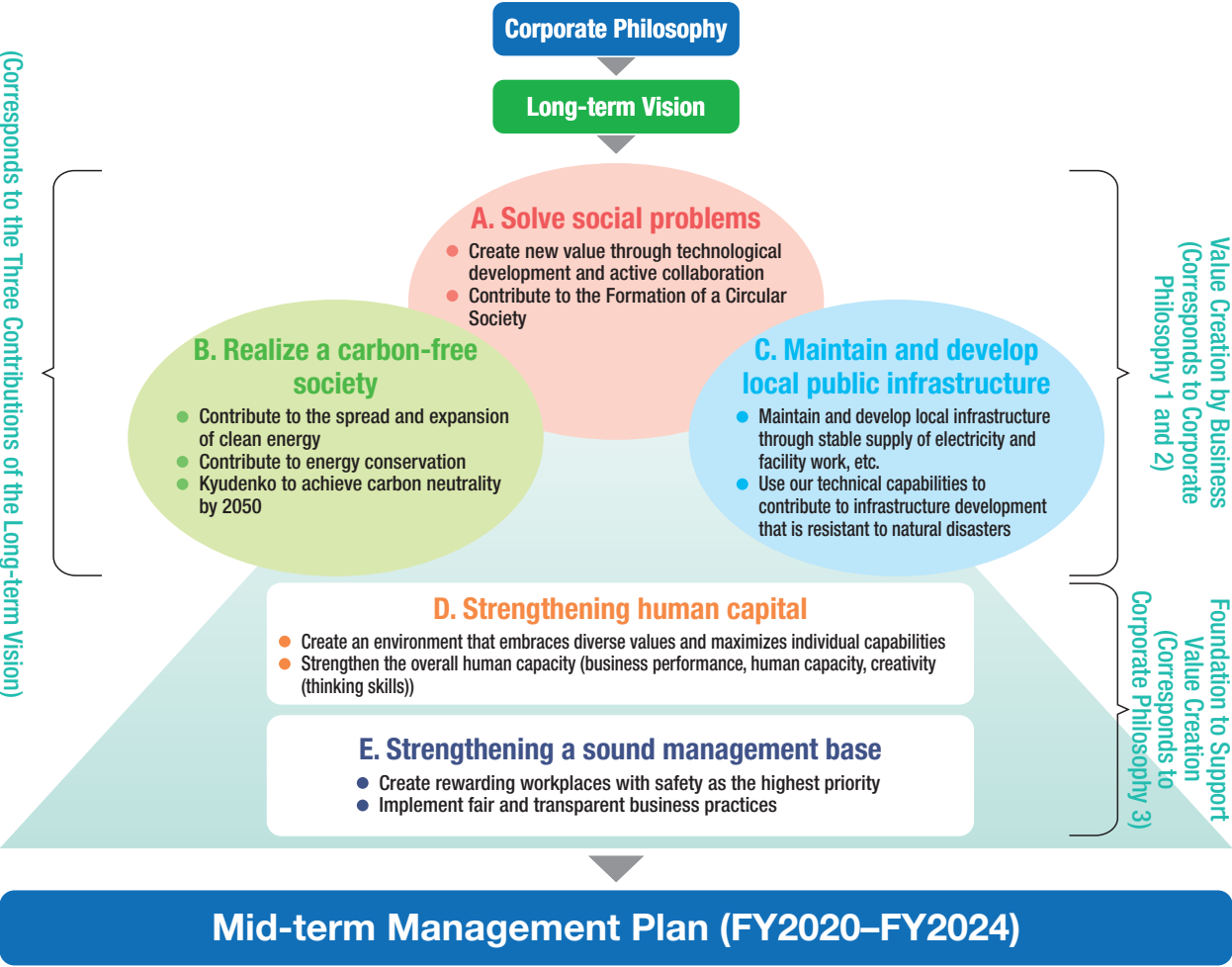


(4) Materiality (Important Issues) and Orientation of Measures

Social challenges	Materiality (Important issues)	System diagram	SDGs	Orientation of measures
E: Environment	Climate change	B	7, 12, 13	Promote energy creation related construction and projects (solar, wind, biomass, PPA, EMS, etc.)
	Carbon-free society	B	14, 15, 17	Promote energy saving related construction (proposals for energy efficiency improvement (ES) construction, EV charging equipment, ZEB, energy saving equipment, etc.)
	Kyudenko to achieve carbon neutrality by 2050*	B		Respond to TCFD and reduce our own CO <sub>2</sub> emissions
S: Society	Diversity, Labor practices, Employment, Human rights	D	5, 8, 10, 17	Promote diversity and inclusion, build diverse and flexible work styles, and respect human rights
	Occupational Safety and Health	E	3, 8	Eliminate significant work-related injuries, promote health and productivity management, improve employee engagement
	Education and Training	D	4	Strengthen human resource development and build diverse career maps
	Communities	C	9, 11, 13	Maintain and develop social infrastructure through existing businesses
	Disaster Prevention	C	11	Disaster-resistant urban development, disaster recovery, support for areas affected by disasters, community contribution activities
	Innovation	A	9	Create new business areas, improve productivity, promote investment in DX and technology development, promote open innovation, promote M&A
	Waste	A	12	Promote 3R (reduce, reuse, recycle), promote green purchasing
G: Governance	Organizational governance, Anti-corruption Compliance, Fair business practices, Anti-competitive behavior	E	16, 17	Enhance corporate governance, ensure compliance, implement information security management, strengthen risk management, ensure fair transactions in the supply chain

(Note) 1. (\*) Items related to the environment: Disclose information based on the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures).  
2. System diagram: A: Solve social problems B: Realize a carbon-free society C: Maintain and develop local public infrastructure D: Strengthening human capital  
E: Strengthening a sound management base  
3. Materiality (important issues) will be reviewed as necessary depending on future changes in the social situation.

(5) Materiality (Important Issues) System Diagram



E Environment

Promotion of Environmental Management: Initiatives based on TCFD Recommendations

In line with our Corporate Philosophy and Long-term Vision, we are working to solve various social issues related to sustainability by leveraging our technological prowess as an integrated utilities engineering company. This includes the construction of facilities related to energy conservation and clean energy, and disaster-resistant infrastructure.

In December 2021, we set the Medium- to Long-term Environmental Management Goals and endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), recognizing that addressing environmental issues including climate change is one of our materialities (important issues).

We will continue to enhance our efforts to realize a sustainable society and disclose information in accordance with the framework proposed by the TCFD recommendations.



(i) Governance

In April 2022, the Company established the Sustainability Promotion Committee, which is chaired by the President and consists of executives and leaders of related divisions appointed by the chairperson. The purpose of the Committee is to address various issues surrounding sustainability, including efforts to cope with climate change.

The Sustainability Promotion Committee deliberates on the basic policy for sustainability promotion, identification of materialities (important issues), and formulation, promotion, and evaluation of action plans based on this policy. (Meets at least twice a year in principle)

The contents of such matters will be discussed and reported to the Management Meeting, and important matters among them will be discussed and reported to the Board of Directors.

The Board of Directors monitors and provides necessary instructions and advice to the Management Meeting, which in turn offers the same to the Sustainability Promotion Committee on climate change and other sustainability plans and measures. (The Governance System chart is shown on page 31.)

(ii) Strategy

(1) Preconditions for scenario analysis

We conducted a scenario analysis to assess the impact of climate change-related risks and opportunities on our businesses, strategies, and financial plans, and to consider measures we might take in response.

The following three preconditions were selected for the analysis.

We have examined this issue under the preconditions of Step 1. From Step 2 onward, we will enhance information disclosure, reviewing it as appropriate depending on the situation.

	Step 1	Step 2	Step 3
Scope	Kyudenko (non-consolidated), all domestic segment businesses	Kyudenko Group including domestic consolidated subsidiaries, and all domestic segment businesses	Kyudenko Group including overseas consolidated subsidiaries, all segment businesses
Reference year	FY2030	FY2040	FY2050
Envisioned scenarios	2°C (*1) and 4°C	1.5°C and 4°C	1.5°C and 4°C

(\*1) We will continue to analyze and study measures on the basis of the 1.5°C rise scenario.

The Sustainable Development Scenario (SDS) of the IEA<sup>1</sup> and the RCP2.6 Scenario of the IPCC<sup>2</sup> were selected as the 2°C rise scenario. The IEA's Stated Policies Scenario (STEP) and the IPCC's RCP8.5 scenario were selected as the 4°C rise scenario.  
1 IEA: International Energy Agency  
2 IPCC: Intergovernmental Panel on Climate Change

(2) Proceeding with scenario analysis

For the analysis, we established a working team comprising members from related divisions to examine risks and opportunities for each of the categories proposed under the TCFD recommendations regarding changes in the external environment expected in FY2030, the reference year.



(Source: Prepared by the Company, based on "Practical guide for Scenario Analysis in line with the TCFD recommendations 3rd edition" from the Ministry of the Environment, Government of Japan)

(3) Scenario analysis results and measures in response

The 2°C rise scenario assumes a society in which carbon pricing is introduced in developed countries and some emerging countries. The 4°C rise scenario, meanwhile, assumes a society in which current climate change measures continue in developed countries and GHG emissions are not reduced globally.

Under the 2°C rise scenario, stricter carbon regulations in Japan will drive energy costs and procurement costs for materials upward. Meanwhile, as the move toward decarbonization accelerates, we expect to see increased demand for businesses related to renewable energy and energy conservation. Under the 4°C rise scenario, demand for businesses related to renewable energy and energy conservation will grow, but at a more moderate rate than the 2°C rise scenario. Regarding the degree of temperature increase and the severity of weather events such as typhoons and floods, we assume that the difference from the 2°C rise scenario will not be significant in 2030.

Based on the results of the scenario analysis, we looked at measures to minimize climate change-related risks and maximize opportunities. We will respond to the tightening of decarbonization- and low carbon-related regulations by augmenting various initiatives to reduce consumption of fossil fuel-derived energy and by introducing energy-saving equipment. In response to the negative impact on the working environment of rising average temperatures, we

will seek to improve the working environment through measures such as installing heat-resistant equipment at work sites. We will also actively promote work style reforms to create a more comfortable working environment.

At the same time, we will actively contribute to decarbonization and low carbon through the businesses we undertake, while also achieving business growth. The Company will accelerate new technology development and the improvement of technical capabilities related to energy creation and energy conservation-related construction, and build an organization and structure capable of coping with growing demand. Beyond existing business areas, we will work to develop new business areas for decarbonization, low carbon, and the creation of a circular society. Moreover, we will respond to the growing demand for disaster prevention and mitigation measures and leverage our technology and expertise in proposing disaster-resistant urban development. With the aim of maximizing our contribution to early recovery in the event of a weather-related disaster, we will develop equipment and technology while improving our internal organization and strengthening our communication system with related agencies.

We will continue to regularly conduct scenario analysis to identify climate change-related risks and opportunities, enact measures to address them, and reflect them in our business plans.

Category	No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
			2°C	4°C		
Migration risk	1	Cost increases due to introduction of carbon tax (energy costs, material procurement costs)	Large	Small	Medium to long term	<ul style="list-style-type: none"><li>Promote initiatives to reduce fossil fuel-derived energy consumption</li><li>Replace existing equipment with high-efficiency air conditioning, introduce energy-saving equipment and devices, and develop and introduce AI-based air conditioning controllers</li><li>Establish material procurement system in cooperation with Q-mast<sup>1</sup></li><li>Strengthen collection of the latest material price information and share it promptly among related parties</li></ul>
		Increase capital investment in conversion to renewable energy	Medium	Medium	Short to medium term	<ul style="list-style-type: none"><li>Invest capital efficiently based on cost-effectiveness and degree of priority</li><li>Consider introduction of Kyudenko EMS<sup>2</sup></li><li>Verify hydrogen production and storage using renewable energy and utilization of exhaust heat</li></ul>
	3	Increase in material procurement costs in line with the development of the circular economy	Medium	Medium	Medium to long term	<ul style="list-style-type: none"><li>Establish procurement route for recycled materials in cooperation with Q-mast<sup>1</sup></li><li>Promote the 3Rs (reduce, reuse, recycle)</li></ul>
	4	Increased R&D costs to acquire new technologies	Medium	Medium	Short to medium term	<ul style="list-style-type: none"><li>Promote research into low carbon, decarbonization, and recycling technologies, etc.</li><li>Create innovation through industry-academia collaboration and tie-ups with startup companies</li><li>Utilize subsidies from Japan's Ministry of the Environment and the New Energy and Industrial Technology Development Organization (NEDO)</li><li>Conduct joint feasibility study and other projects with companies and municipalities that are active in decarbonization</li></ul>

Degree of impact: Assessing the financial impact on our business in terms of "large," "medium," and "small"  
Impact period (time frame during which impact is expected to manifest): short term (2022–2025); medium term (2026–2030); long term (2031–)

1 Q-mast: A consolidated subsidiary of the Company, Q-mast's main business is the sale of construction materials, machinery, and equipment for electric and HVAC facilities.  
2 Kyudenko EMS: A renewable energy generation-side energy management system, not building or facility-side system. A system that can control multiple power generation sources including solar, wind, small-scale hydro in a comprehensive manner and, together with storage batteries, stably transmit power to the demand side around the clock. The EMS allows stable transmission of electricity—even to fragile micro-grids in locations such as remote islands and can be used as a base-load power source. In Japan, the Company can offer a wide range of proposals that extend beyond disaster prevention, such as supplying 100% renewable energy to buildings for normal operation as well as ensuring the availability of electric power in times of disaster (resilience).



E Environment

Category			No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
					2°C	4°C		
Physical risk	Acute	Intensification of extreme weather	5	Increased costs related to company-owned facilities and construction sites damaged in weather disasters	Medium	Medium	Short to medium term	● Gather up-to-date information on hazard maps and disaster prevention and mitigation measures ● Consider risk reduction measures for facilities located in high-risk areas ● Consider building a construction cooperative structure in conjunction with construction cooperative associations in the event of a disaster
			6	Damage to the Company's solar power generation facilities resulting from a disaster	Medium	Medium	Short to medium term	● Inspect hazardous areas and implement disaster prevention measures
	Chronic	Increase in average temperature	7	Increased costs to address labor shortages and declining productivity resulting from deteriorating work environments at construction sites	Large	Large	Medium to long term	● Consider and introduce new heat countermeasures to reduce the occurrence of heat stroke and health hazards at work sites ● Ensure proper labor management and formulate a support system for construction workers ● Strengthen the Company's appeal and corporate promotion to students ● Promote consideration and introduction of advanced initiatives of the Construction RX Consortium <sup>3</sup>
			8	Decrease in electricity sales revenue due to higher temperatures resulting in lower power generation at the company's solar power generation facilities	Small	Small	Medium to long term	● Remote monitoring to measure the volume of electricity generated and detect abnormal values and fault locations at an early stage

3 Construction RX Consortium Formed in September 2021 by 16 general contractors. With the aim of improving the productivity and appeal of the industry, the Consortium works to increase efficiency and reduce labor at construction sites, including cooperation in technological development in the areas of construction robots and IoT. RX is short for "robotics transformation." As of November 1, 2024, the Consortium comprised 29 full members and 244 cooperating members (Kyudenko is a cooperating member).

Category			No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
					2°C	4°C		
Opportunities	Development and expansion of low-carbon products and services; recycling regulations, etc.		1	Increase in sales and profit due to growing demand for energy creation-related construction and business (solar power generation including PPA, onshore and offshore wind power generation, biomass power generation, EMS, etc.)	Large	Large	Short to medium term	● Reinforce internal organizational structure to cope with growing demand ● Develop new technologies and augment technical capabilities ● Utilize company-owned renewable energy facilities (following expiration of FIT) ● Promote optimal energy-saving system proposals ● Facilitate planning and proposal of water reuse systems in sewage treatment facilities and private factories
			2	Increase in sales due to growing demand in the energy conservation field (energy efficiency improvement (ES) construction, EV charging facilities, ZEB, etc.)	Large	Medium	Short to medium term	
			3	Increase in sales and profit due to higher demand for construction work related to water reuse	Medium	Medium	Short to medium term	
	Spread of next-generation technologies		4	Promote new businesses utilizing next-generation technologies	Medium	Medium	Medium to long term	● Establish an internal support system for new businesses
	Disaster prevention, mitigation, and national resilience initiatives		5	Contribute to rapid recovery from disasters	Large	Large	Short to medium term	● Reinforce the liaison system with internal organization and relevant agencies to facilitate rapid disaster recovery ● Development of work equipment and tools that contribute to rapid recovery ● Kyudenko EMS proposal
			6	Increase in sales due to growing demand for disaster prevention and mitigation measures in response to the increasing frequency and severity of weather-related disasters	Small	Small	Medium to long term	● Establish an internal organizational structure capable of coping with growing demand ● Make technical proposals to municipalities on disaster-resistant urban development (measures to prevent and mitigate disaster impact)

(iii) Risk management

The identification and assessment of the risks posed by climate change to the Company and consideration of measures to address those risks are led by the Sustainability Management Promotion Unit and deliberated by the Sustainability Promotion Committee through cross-departmental discussions.

Matters deliberated by the Sustainability Promotion Committee are discussed and reported to the Management Meeting and the Board of Directors as necessary.

For climate change-related risks and opportunities identified in line with TCFD recommendations, we will incorporate each

countermeasure into the Mid-term Management Plan, develop and implement them in the policies and business plans of each division and branch office, and periodically review them to avoid or mitigate risks and expand opportunities for profit.

The climate change-related risks are also integrated into the management processes stipulated in the internal regulations on company-wide risk management established in FY2023 (in effect from FY2024) to enhance the risk management framework.

Please refer to page 53 of this Integrated Report for company-wide risk management.

(iv) Metrics and targets

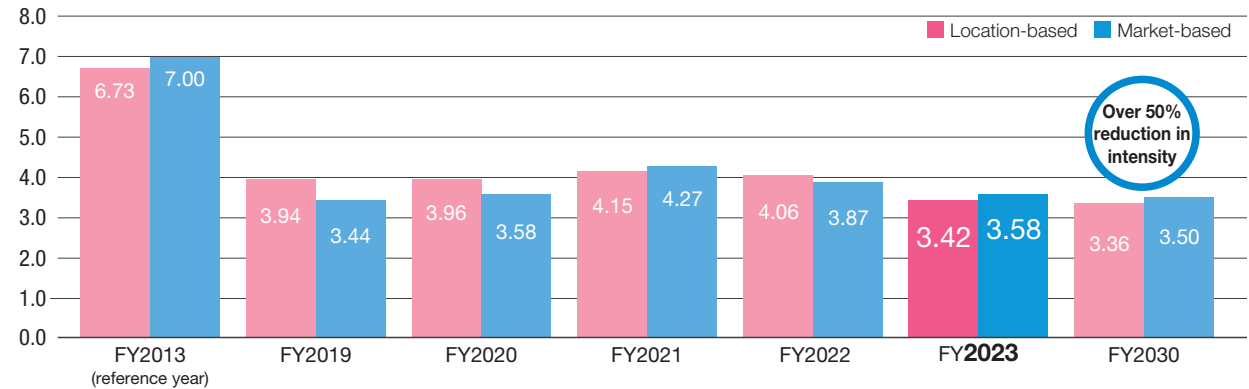
2030	Reduce CO <sub>2</sub> emissions intensity by at least 50% (compared with 2013)
2050	Achieve carbon neutrality

Intensity: (Scope 1 + Scope 2)/Kyudenko's non-consolidated net sales (t-CO<sub>2</sub>/100 million yen)

Action items toward achieving these goals

- Introduction of EMS into Kyudenko Academy  
● Deployment of EVs and chargers (special vehicles for construction that cannot be replaced are not eligible)  
● Environmentally friendly capital investment in equipment related to office buildings
- Utilization of graduate feed-in tariffs (FITs) (assets at the end of project period)  
● R&D through industry-academia collaboration

CO<sub>2</sub> emissions per 100 million yen of net sales (Intensity: t-CO<sub>2</sub>/100 million yen)



CO<sub>2</sub> emissions volume

	Unit	FY2013 (1)	FY2019	FY2020	FY2021	FY2022	FY2023 (2)	Change from reference year (2)-(1)	FY2030
Scope 1*1		9,060	7,670	6,816	6,948	7,454	8,068	-992	—
Scope 2*2	Location-based*4	8,439	6,719	6,559	6,442	6,080	5,815	-2,624	—
	Market-based*5	9,136	4,896	5,288	6,847	5,437	6,458	-2,678	—
Kyudenko (non-consolidated) (Scope 1 + Scope 2)	Location-based	17,499	14,389	13,375	13,390	13,534	13,883	-3,616	—
	Market-based	18,196	12,566	12,104	13,795	12,891	14,526	-3,670	—
Net sales		100 million yen	2,598	3,651	3,374	3,226	3,330	4,048	1,450
Intensity*3	Location-based	t-CO <sub>2</sub> /100 million yen	6.73	3.94	3.96	4.15	4.06	3.42	-3.31
	Market-based		7.00	3.44	3.58	4.27	3.87	3.58	-3.42
Intensity unit reduction rate (compared with FY2013)	Location-based	%	—	-41.4	-41.1	-38.3	-39.6	-49.1	—
	Market-based		—	-50.8	-48.8	-39.0	-44.7	-48.8	—

We have corrected the emissions factors used in calculating the volume of CO<sub>2</sub> emissions published in the previous fiscal year for FY2013 (reference year) and FY2019–2021, and recalculated the emissions volume accordingly.

\*1 Direct greenhouse gas (GHG) emissions generated by business activities

\*2 Indirect emissions resulting from the use of electricity, heat, and steam supplied by external entities

\*3 (Scope 1 + Scope 2)/Kyudenko's non-consolidated net sales (t-CO<sub>2</sub>/100 million yen)

\*4 Calculated using the grid average emissions factor.

\*5 Calculated using adjusted emissions factors for each electricity provider.

New action items toward achieving these goals

- Scope 2 emissions were measured by market-based method as well as by location-based method, our conventional method.
- We started calculating Scope 3 emissions. The results of calculations will be communicated after necessary internal procedures.

## S Society

### (1) Strategy for Human Capital

Our corporate philosophy is to “aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” Based on this, we have established a policy on developing human resources—our most important management resource—and formulated the Human Resource Development Charter to instill the policy in all employees. In line with our conviction that people are one of our most valuable assets, we provide employees opportunities to improve their capabilities and demonstrate the results of their training to advance the Company and ensure every employee has a rewarding job and achieves self-actualization, with the aim of further growing employees and advancing the Company further.

In the management strategy process of the Mid-term Management Plan, for us to achieve the reform of our construction capability and reform of productivity, we believe it is necessary to link human resources strategy to management strategy and to engage in it with a sense of speed. To this end, we are implementing specific measures.

For details, please refer to “2. Concept and Initiatives on Sustainability (3) Strategy for Human Capital and Diversity” of the securities report for the 96th fiscal year.  
[https://www.kyudenko.co.jp/ir/docs/2024\\_96\\_yuka-02.pdf](https://www.kyudenko.co.jp/ir/docs/2024_96_yuka-02.pdf) (Japanese)



### Initiatives for Realizing Human Capital Management

Since the Company is built on a labor-intensive business model centering on contract works, it is essential to improve the productivity of each of its employees in order to enhance corporate value.

To improve productivity, it is important that the Company creates a workplace environment that allows each and every employee to find his/her work meaningful and aim to attain self-actualization. The Company believes that enhancing employee engagement and having a greater number of enthusiastic talents will pave the way to its future performance and appreciation by society.

In FY2023, the Company established the Human Capital Management Working Group consisting of members gathered from across divisions, which has been discussing ways to implement human capital management in essence.

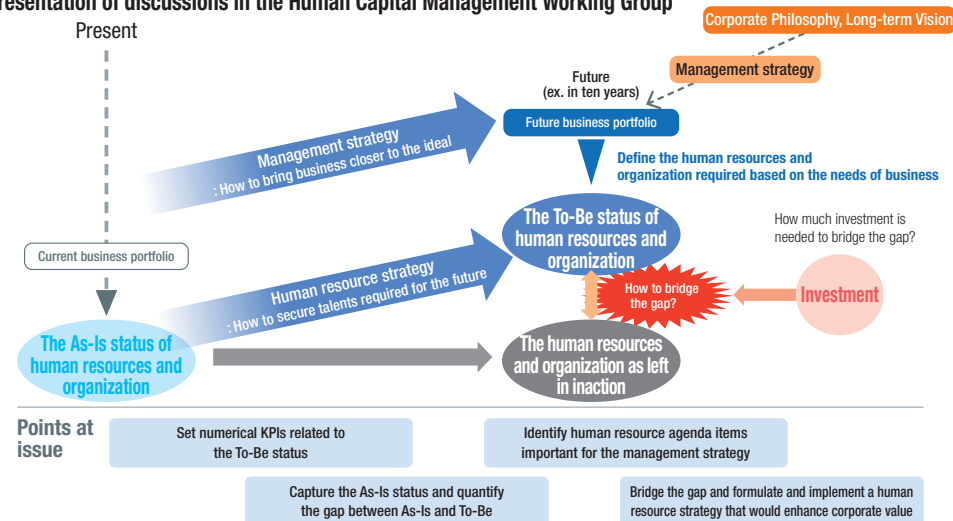
To incorporate the matters discussed into the next Mid-term Management Plan, the working group will hold a series of talks with relevant divisions on such topics as key measures and KPIs and bring the results to the Sustainability Promotion Committee, the Management Meeting, and the Board of Directors before it is published.



### Status of Discussion at the Human Capital Management Working Group

The working group analyzed the current state, found out issues, and pictured the human resources and organization as they ought to be in the future, based on which they discussed ways to formulate and implement a human resource strategy that is linked to the management strategy and designed to increase the feasibility of the envisaged picture.

A graphic representation of discussions in the Human Capital Management Working Group



### Initiatives for Instilling Human Capital Management Within the Company

We began holding seminars on human capital management in FY2023.

In FY2024, we invited an external lecturer to give a seminar on psychological safety, which holds the key to creating a culture and mechanism that allow employees to work energetically while feeling at ease.

We will continue working to enhance the understanding of our employees about human capital management through such initiatives to spread the concept internally.



### (2) Promoting Diversity

Based on our Corporate Philosophy and Charter of Behavior, and under the principle that our greatest management resource is our human resources, we will work to promote diversity towards the objectives shown below by respecting diversity and utilizing it as an organizational strength to create new value and enhance our competitiveness.

Through these efforts, we will contribute to the achievement of the Sustainable Development Goals (SDGs).



Please refer to the Company's website for details.

[https://www.kyudenko.co.jp/en/initiatives/en\\_diversity.html](https://www.kyudenko.co.jp/en/initiatives/en_diversity.html)



### Changing Mindsets

Aiming to spread the understanding of diversity promotion, we stream roundtable talks between the president and employees and utilize the intranet to communicate information on various systems, support programs for balancing work and other responsibilities, diverse work styles available, etc. to all employees.

We also host seminars and exchange of views meetings targeting senior executive in our efforts to change people's mindsets towards accepting different values and making use of differences as the organization's strength.

### Focus

- Roundtable talks between the president and employees
  - Seminar targeting senior executive
- Theme: Creating an Organization Where Diverse Talents Can Thrive – The Effects of Psychological Safety on Organizations**

### Supporting the Active Participation of Diverse Talents

#### Activities of the Women's Active Participation Promotion Team

The Women's Active Participation Promotion Team, established in FY2022 with female employees as its members, has begun working for the active participation of women. In the course of discussions, however, the team realized that solving this task would lead to creating a workplace environment where not only women but all employees can display their abilities and work actively and comfortably. Therefore, the team welcomed male members in the next fiscal year and has since been engaging in activities from a more diverse viewpoints and perspectives. These efforts are bearing fruit, such as the opportunities for employees to learn different values and the revision of systems to provide more choices of work style.



Creating an Organization Where Diverse Talents Can Thrive



S Society

Retaining and Supporting the Active Participation of Female Technicians

Aiming to expand job categories for women, the electrical work divisions hire women technicians. Prior to the assignment of new hires to their posts, we host meetings at which they can exchange views with their senior colleagues and supervisors so as to remove any worries or anxiety that they may have about workplace.

After their assignment, we regularly offer trainings and exchange of views meetings involving their supervisors on a regular basis to facilitate vertical and horizontal communication and deepen mutual understanding, through which we aim to create a workplace environment where women can continue working without worries.



Supporting the Active Participation of Employees with Disabilities

We are working to create an environment where individuals with disabilities can bring their abilities and aptitude in full play to work without worries.

In addition to expanding job categories for employees with disabilities, we continue to provide education to enhance the understanding of employees who have colleagues with disabilities.

Promoting Male Employees' Contribution to Childcare

We aim to make the wish of male employees to do their part in childcare come true and to create a workplace culture that allows everyone, regardless of gender or age, to actively engage in childcare and facilitates the utilization of childcare leave.

To this end, we have revised the system by expanding the eligibility requirements for childcare leave so that employees of grandparent generation can take the newly introduced "grandchild-care leave." Through education and provision of information aimed at deepening the coworkers' understanding towards childcare leave, we are working to promote its utilization by male employees.

Focus

- Improved the paternity leave system (special paid leave)
  - Increased the number of days of maternity leave before and after delivery (increased to five days from three days)
- Expanded the eligibility requirements for family support leave (accumulated annual paid leave)
  - Added "grandchild-care" as an eligibility requirement

Promoted Diverse and Flexible Work Styles

We provide an environment where employees can choose a work style that fits their differing needs, such as flextime system and work from home system, so that they can balance work and family and continue working eagerly without anxiety. To gain widespread support and understanding towards those who are trying to balance work and family, we distribute via the intranet the interviews of employees who are utilizing these systems while playing active roles in the workplace.

Focus

Voice of users of the systems

Flextime system Section: Electrical Design Department

As I need to keep track of my total working hours by myself, I have become more aware of time management.  
It also helps me switch on and off of work and refresh myself both physically and mentally, which allows me to get to work each day with a fresh perspective and to achieve a better work-life balance.

Work from home system Section: Technology Planning Department

For those work that take concentration, I intentionally adjust my schedule and work on them from home. This way, I can be more productive.  
I can also use the commuting time on my hobby or housework, or to just lay back and relax when I'm tired, which makes for a refreshing change to an otherwise monotonous weekday.

(3) Occupational Safety and Health

Promoting Health and Productivity Management

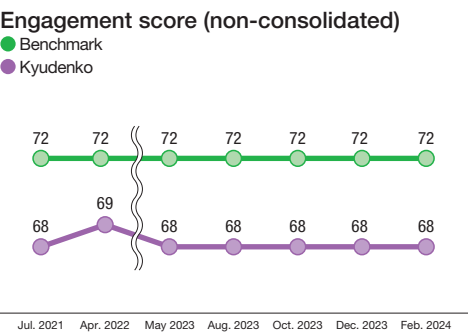
We consider our employees' health to be an important management resource. To raise our employees' awareness of "putting health first" and support their voluntary health promotion activities, we have established the "Kyudenko Health and Productivity Management Declaration." We work together as an organization to be recognized as a Certified Health & Productivity Management Outstanding Organization by achieving "a work environment with peace of mind" and "creation of a happy and agreeable work environment," as well as maintenance and improvement of the health of our employees including their families.

Please refer to the Company's website for details.  
[https://www.kyudenko.co.jp/en/initiatives/en\\_health.html](https://www.kyudenko.co.jp/en/initiatives/en_health.html)



Employee Engagement

In July 2021, we launched an employee engagement survey, using the engagement measurement tool, Wevox, to strengthen the relationship of trust between employees and the Company. In April 2022, the target of the survey was expanded to include all employees. Using the results of these bimonthly surveys, we visualize the strengths and weaknesses of individual departments and learn about how rewarding employees feel their work is, their stress levels, their interpersonal relationships at work, and other aspects through numerical data. To build a rewarding work environment, we will promote activities to improve the organization and encourage discussions, with the aims of increasing the number of employees who are enthusiastic about their work and creating workplace environments where such employees can take up challenges and fully demonstrate their abilities, through which we intend to enhance profitability and productivity as well as reduce turnover rate.



Promotion of Work Style Reform

The Group defines work style reform as a "reform for the Company and its employees to grow together, aiming to create new values and realize a prosperous life." Since FY2017, with the Promotion Committee for Work Style Reform established directly under the President, we have been striving to work in time-effective ways by incorporating innovative technologies and ideas unhindered by existing modes.

In FY2023, we established the Workstyle Reform Promotion Office to strengthen the system for reducing the workload and improving productivity, in particular of engineers. In response to the regulations on upper limit of overtime work that took effect in FY2024, we allocated administrative employees to large job sites and technology divisions of branch offices and business offices, and transferred a part of the clerical work concerning construction work that had been handled by engineers to those administrative employees. We also reinforced internal arrangements, such as by introducing a system that sends an alert when the number of overtime work hours of an employee nears the monthly limit.

To comply with the upper limit regulations, however, we need the understanding and cooperation of our clients, general contractors, their subcontractors, and our subcontractors, with whom we must work very closely. We will continue discussing with relevant parties and push on with this industry-wide effort.

Initiatives towards compliance with the Work Style Reform Laws

Measures	Details
① Normalize working hours (set a ceiling on overtime hours of 45 hours a month and 360 hours a year)	<ul style="list-style-type: none"><li>• Secure adequate construction period for facility works</li><li>• Finalize plans and specifications well in advance and strictly adhere to scheduled dates (including rescheduled dates)</li><li>• Hold meetings during office hours and secure adequate time to consider and prepare materials</li></ul>
② Improve productivity and secure quality	<ul style="list-style-type: none"><li>• Even out the timing of construction works by utilizing "Front Loading" and prior construction</li><li>• Amend the contract in the event of an unscheduled extra work suffered due to delay in the processes</li><li>• Plan dates for testing, adjustment, and inspection to ensure the quality of construction</li></ul>
③ Achieve good work-life balance	<ul style="list-style-type: none"><li>• Secure construction periods based on five-day workweek at worksites in principle</li><li>• Close up worksites to emphasize the on and off of work</li><li>• Gain clients' understanding of our carrying over works to the next working day to avoid working on holidays or outside of office hours (judgment of urgency)</li><li>• Promote remote attendance or attendance in rotation at morning assemblies and meetings</li></ul>

S Society

Initiatives for Safety

Safety is a company's most important social responsibility that deserves the highest priority. With the basic philosophy of "Safety takes precedence over everything (Safety and health are the foundation for management and a major premise of all activities)," the Kyudenko Group ensures all employees thoroughly implement 'thinking and practicing' safety on their own to prevent accidents.

To implement without fail the Basic Plan for Safety and Health Management formulated at the beginning of the fiscal year, the labor and management work as one to carry out safety and health management activities based on the Occupational Safety and Health Management System. We aim to keep on raising the level of safety and health through continuous and effective implementation of occupational safety and health activities.

Please refer to the Company's website for details.  
[https://www.kyudenko.co.jp/en/initiatives/en\\_safety.html](https://www.kyudenko.co.jp/en/initiatives/en_safety.html)



Eliminating Work-Related Accidents

With regard to safety management, we provide position-based training delivered by lecturers inside and outside the Kyudenko Group to not only the Group's employees but also those who belong to our subcontracting companies at our education facility, "Kyudenko Academy," in a planned manner. In the "Safety Lore Hall Training" uniquely offered by Kyudenko, lessons are given using a larger screen display (2.1 m high, 9.0 m wide).

Our other efforts include the creation in full swing of Kyudenko's original educational videos using illustrations and avatars with the aim of improving the safety management ability of young engineers and technicians in particular and enhancing the degree of their understanding of the trainings, which are offered for viewing at any time. For situations where it is difficult to provide group training, we also have in place an online education environment utilizing a learning management system.

We aim to eliminate work-related accidents by hammering into each worker the "necessity of compliance with work safety standards" and "risks of non-compliance" until he/she understands, becomes convinced and practices compliance with those standards.



Focus

Safety management activities through the use of digital technology

Promotion of training to improve danger sensitivity by introducing a system for physically experiencing danger using virtual reality (VR)

Using VR, trainees can have simulated experience of work-related accidents, which cannot be experienced in a real world. Aiming to increase the workers' sensitivity to danger and improve their understanding of the importance to comply with work safety standards and relevant laws, we are promoting training through a danger experience visual program using VR created specifically for the Company.

Control of driving using connected AI dashboard cameras

The AI automatically detects unsafe driving behaviors (distracted driving, insufficient inter-vehicular gap, and dozing off) and immediately alerts the driver with an alarm. Upon detecting other types of unsafe driving behavior (sudden steering, ignoring stop signs, sudden back up, sudden acceleration, sudden deceleration, and overspeed), the system reports (by sending an email) to the manager in real time so that the driver and the manager can look back on the incident from each other's viewpoints, which makes the system a great deterrent to high-risk driving behaviors. What is more, it is contributing to advancing the work style reform by drastically reducing the work load of managers who watch and check the recorded videos.



(4) Initiatives for Securing Human Resources

Strengthen Recruitment of Mid-career Hires

Securing human resources is a matter of great urgency for the construction industry. In addition to new graduates, the Company is also hiring mid-career talents who have work experience and technical knowledge that would make them immediate assets, with the aim of enhancing our engineering and marketing capabilities and further improving productivity by promoting DX and streamlining of work.

We are also working to recruit excellent talents from various sources, such as young job seekers with a few years of work experience after graduating from college, those who are referred by employees, or former employees for rehiring under the "come back" system.

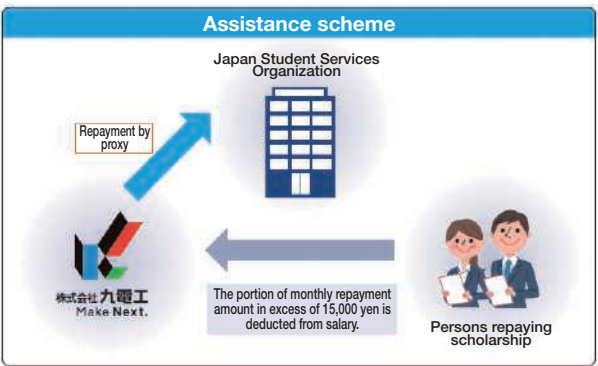
Introduce a Scholarship Repayment Assistance Program

In April 2024, we introduced the Scholarship Repayment Assistance Program to secure excellent talents and prevent quitting, as well as to boost our attractiveness as a company and thereby increase our competitiveness in the hiring market. (New hires who newly graduated from a graduate school, university, technical college, or professional training college)

\*Employees joining the Company between FY2024 and FY2026

[Amount of assistance] 15,000 yen/month

[Period of assistance] Up to 10 years after joining the Company



Strengthen Recruitment of Foreign Nationals

For the purpose of developing talents that will underpin our future business expansion into Southeast Asia and other regions, as well as to secure construction workforce, we plan to hire foreign nationals utilizing the *gijinkoku* working visas (issued to foreign nationals who qualify as engineers, specialists in humanities or international services) and the specified skilled worker system.

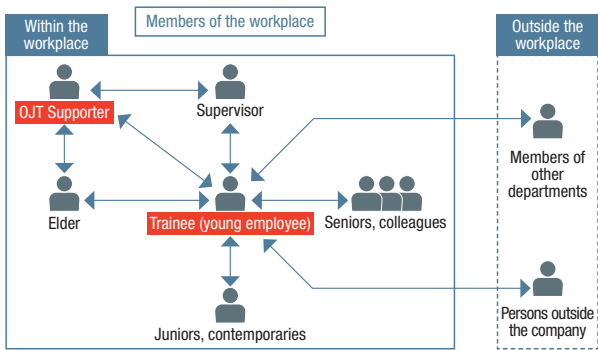
(5) Education and Training

Strengthen OJT for Young Employees

In the education of young employees (new hires), we conduct group training mainly at Kyudenko Academy. The programs offers not only basic yet practical and specialized trainings for technology and skills but also opportunity to learn discipline as a member of society through communal life at the Academy.

At their workplaces, we are promoting on-the-job training (OJT) involving the whole workplace, from the perspective of training and guidance as well as to prevent quitting. We are developing human resources in cooperation with the Academy, specifically by designating OJT Supporters who provide general support for elders.

OJT support relationships diagram



Respective roles

Category	Role
OJT Supporter	① Assist and share information with the supervisor regarding education of new hires ② Provide general support to elders and new hires
Elder	① Provide operational, reflective, and mental support regarding education of new hires

Next-generation Leader Development Program—Kyudenko Management School

In FY2015, we launched the "Next-generation Leader Development Program" to develop future executives and boost the field of executive candidates who will be able to drive the Company's management. The Program develops employees who are able to take a bird's-eye view of the Kyudenko Group when they are in managerial positions, mainly through personnel rotations (career path) and education (training). Participants are divided into senior executive, special management, and management tiers for the purpose of this program.

Selected members come together four or five times a year at our training facility, Kyudenko Academy, where they engage in discussions on management issues while gaining the knowledge necessary for management. In the final session, they present a business proposal to the management.

To date, a total of 316 candidates have been selected for this program, including a large number of female employees in recent years. The program continues to develop executive personnel, including executives and heads of divisions of the Company as well as Group company representatives.

Training of Mid-career Hires

Aiming to secure diverse talents, the Company is increasingly hiring mid-career personnel. In view of the rising number of mid-career hires, we launched the Mid-career Hire Training Program targeting these employees in FY2022.

The training aims to deepen their understanding of our corporate philosophy, organization, culture, history, etc., so that they can share the same sense of purpose with all other employees and become more engaged, which will lead to organizational revitalization.

Trainings during FY2024, the third year of the program, offer sessions in which participants learn the realities of work sites directly from employees who have worked in technology divisions, through which we are passing the DNA of Kyudenko that underpins the Company's tradition and culture on to the participants.





S Society

(6) Coexistence with Local Communities

A Community Program, Dedicating Contributing Activities to the Local Community

We designate a certain period in mid-October every year as a community program period, dedicating contributing activities to the local community, during which we engage in contribution activities rooted in the community, such as cleaning/equipment inspection activities at community and cultural facilities using its aerial work vehicles and blood donation and provision of bazaar items to welfare facilities. We have also cooperated in community activities, such as by donating crime-prevention equipment, emergency goods to cope with disasters, traffic crossing flags, crime prevention patrol cars with rotating blue lights, and other items to administrative agencies.

This year, we donated disaster response drones to administrative agencies and other organizations as a support for measures against the frequent typhoon, torrential rains and other natural disasters.

This year marked the 56th round of such activities, which have become familiar as a core of the Group's social contribution activities, and widely known and well regarded within and outside the company.



Track and Field Team

Backed by a 71-year history since its establishment, the Kyudenko Track and Field Team trains daily aiming to win the Men's and Women's All Japan Industrial Teams Ekiden and produce Olympics athletes, with the purpose of "enhancing the corporate image of Kyudenko," "boosting employee morale," and "contributing to society," based on close ties with the local community. The Kyudenko Track and Field Team has produced Japan national team members of the World Athletics Championships and many other international games, and three of its members participated in the Paris Olympics this fiscal year. In addition, the Team has participated in the All Japan Industrial Teams Men's Ekiden (Gunma) held on January 1 for 49 consecutive years and a total of 55 times (the longest record of all participating teams) and has participated in the All Japan Industrial Teams Women's Ekiden (Miyagi) 32 times. We will continue to work hard to produce more Japan national team members and win the Men's and Women's All Japan Industrial Teams Ekiden.



Focus

**Akira Akasaki won sixth place in Men's Marathon at the Paris Olympics**  
**Benard Kibet Koech won fifth place in Men's 10,000m at the Paris Olympics**  
**Tomohiro Shinno competed in Men's High Jump at the Paris Olympics**

Three of our athletes competed in the Paris Olympics held in August 2024 with remarkable results; Akira Akasaki finished sixth in Men's Marathon, while Benard Kibet Koech finished fifth in Men's 10,000m. The whole company came together in excitement and solidarity to support their colleagues.



Shinno (High Jump)



Akasaki (Marathon)



Benard (10,000m)

Olive Business

The decline in the primary industry is one of the major social problems Japan is faced with. We, as a community-based company, therefore wondered if there was any way we could play a part in revitalizing the primary industry—specifically by turning the industry into the sixth industry and creating a business model that seamlessly incorporates production, processing, and sales. We thus set an eye on olives since we saw a potential in them as a tourism resource. Olives can be used for a wide range of food products and cosmetics, embody a lovely image of an orchard tree in the Mediterranean region and are also considered as a symbol of peace. The olive business was launched in Amakusa City, Kumamoto Prefecture in February 2010.

Adhering to our long-term vision, we will continue to address various problems in society and local communities and contribute to the realization of affluent life through our olive business.

Creating a sixth industry model within a local community



(7) Disaster Prevention

Kyudenko EMS

Kyudenko EMS is an energy management system that makes it possible to tame the intense output fluctuations that characterize solar power, wind power and other renewable energy sources to realize a stable supply of power. Kyudenko EMS, which we developed in-house, was selected by the Ministry of the Environment, Japan, for a subsidy program in 2016, under which we built the first overseas demonstration facility in Sumba, Indonesia. The numerous inhabited islands in Indonesia were powered mostly by diesel-engine generators and tended to suffer power shortages that were hampering their industrial development. The country's government and local authorities expressed high hopes for this attempt to stabilize renewable energy supply using Kyudenko EMS.

In February 2022, we installed Kyudenko EMS in Ogi City Hall in Saga Prefecture for the first time in Japan. This project is an off-grid power supply system in which all electricity for Ogi City Hall is supplied by renewable energy 24 hours, 365 days a year without connection to power grids operated by electricity companies. This is the first case of the application of the resilience program to strengthen disaster prevention bases that is being promoted by the national government. Ogi City Hall is the first municipality in Japan to introduce a self-sufficient power supply system, in which all electricity is generated from renewable energy and used in the building without being fed back into the grid. We consider it extremely significant that we were able to introduce in Japan the system that we developed in-house based on our experience in the past years with the demonstration facility in Sumba, Indonesia. Looking ahead, we plan to steadily and widely spread the Ogi City model as a scheme designed to realize a carbon-free society and bolster disaster prevention facilities, and grow it into a new pillar of our business.

(8) Waste

Contribute to the Formation of a Circular Society

One of the Company's materialities (important issues) is to "contribute to the formation of a circular society." We regard the issue of waste as one of the important social problems. We are planning to take measures such as promoting 3Rs (reduce, reuse, and recycle) and green procurement.

As part of such efforts, our Satsumasendai Business Office of the Kagoshima Branch Office concluded an industrial waste treatment consignment agreement with Circular Park Kyushu Co., Ltd. in August 2024.



\*Circular Park Kyushu Co., Ltd.: Established in July 2023 as a joint venture of Kyushu Electric Power Company, Incorporated and Nakadai Holdings Co., Ltd. The company aims to achieve decarbonization and recycling by circulating waste as resources, which will help reduce the purchase of raw materials and disposal of waste and contribute to decarbonization. It launched the resourcing business (recycling of commercial and other municipal waste into resources) in full scale in April 2024.



## S Society

## (9) Initiatives for Technology Development

Based on our corporate philosophy, “We keep challenging for sustainable development through our engineering strength and create a new value,” we are striving to further promote technology development and improve quality in the fields of the environment, energy, and renewal works. We aim to enhance corporate value while quickly adapting to changes in social structure by living up to our customers’ trust and expectations as well as actively expanding our business into new fields and markets.

## Technology Development at Kyudenko

Based on the main theme of the Mid-term Management Plan, “Establish a management foundation for sustainable growth ~Realization of the three reforms~,” our Technology Development Department solves various challenges as a general engineering company, and creates value for the future society through development of cutting-edge technologies to promote sustainable growth. It assumes a role of verifying and introducing cutting-edge technologies and operational tools ahead of the Group companies and solving on-site technical issues before rolling out, while cooperating with other departments and divisions. As part of our efforts to contribute to creating a sustainable society and achieve SDGs goals, it also works on technology creation through cooperation between industry and academia and securing human resources to promote “creation of new value for the future society,” “improvement of corporate value,” and “improvement of operational efficiency.”

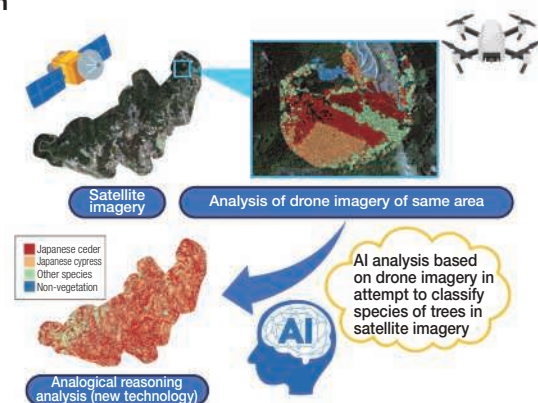
## Use of Cutting-Edge Technologies that Support Activities at Worksites

## Research and development of forest resource analysis through analogical reasoning of drone and satellite imagery

The Company's Technology Development Department is conducting a joint R&D project with SkymatiX, Inc. (Head office: Chuo-ku, Tokyo. Representative: Zentaro Watanabe) on a technology for analyzing forest resources using drone and satellite imagery.

The technology will allow us to determine the amount of forestland timber reserves that serve as fuel at wood biomass power plants and to secure such materials in a planned and systematic manner.

This R&D project will make it possible to conduct a broad analysis of forestland resources using AI to determine information such as tree species and trunk volume, which was difficult with visual inspections by workers or drone surveys.



## Exploring new working style by using digital twin

We are working to improve the efficiency of and divide worksite operations by adopting reality capture technology that employs 3D laser scanners and 360 degree cameras.

Using this technology, even in a renovation project with no original blueprints to work from, we can formulate a high quality construction plan that enables smooth progress of work based on a highly accurate plan of existing conditions created using a laser scanner of millimeter accuracy. The use of digital twin uploaded to cloud storage is expected to enable a division of labor that helps in making quick and accurate decisions, which in the past could only be made at the worksite.



## Validation of constructions using “air flow simulations”

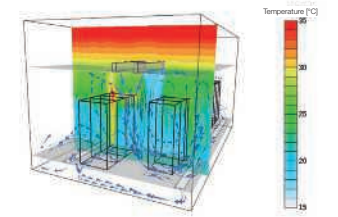
The “air flow and temperature” in the completed building is a very important element to consider when designing a building.

In the design phase, we implement preliminary examination of advanced HVAC quality using “heat and air flow simulations,” which enables us to graphically visualize the points to suggest improvements or the energy-saving effect.

The picture shows an example of heat and air flow simulation around server racks at a data center.

In this simulation, we explored the optimal air temperature and volume for removing heat inside the server racks prior to construction.

Coordinating the system more closely with visually-oriented platforms such as 3D-CAD and BIM (building information modeling) to respond to the more advanced design in the future, we facilitate consensus building among related parties to ensure smooth progress of projects and improvement of construction quality.



## HVAC heat source control using AI technology for large stores

At a time when government and private sector are joining forces to accelerate the initiatives to rapidly reduce CO<sub>2</sub> emissions toward decarbonization, it is how to optimize HVAC heat source control that holds the key to decarbonization, since HVAC systems account for a large part of energy consumption in a building.

HVAC heat source control at large-scale facilities and buildings has been traditionally conducted by maintenance personnel, leveraging their experience and intuition to adjust parameters, and issues such as succession of technologies dependent on individuals and lack of successors have arisen.

In light of this background, we developed a system for optimizing air conditioning heat source control, combining Kyudenko's technology related to HVAC equipment in the field of building equipment and the digital twin/AI-optimized technology of GRID INC., based on its abundant experience in the social infrastructure field. In December 2023, the project received the Energy Conservation Center Chairman's Award in the 2023 Energy Conservation Grand Prize for the highly acclaimed achievement of having improved the heat source system COP (Coefficient of Performance)\* by 5% to 13% during the actual cooling and heating periods of a store in a verification test.

We are currently developing AI-controlled individual air conditioning systems, for which we have received many requests from our customers, with a plan for launch in FY2025. Drawing on its own unique strengths, Kyudenko is also aiming to expand this technology into the smart building industry.

\*Heat source system COP: An indicator of energy-saving performance that gauges the energy consumption efficiency of a heat source system.



## Initiatives for Cooperation between Industry and Academia

## Development of Illuminance Measurement Robots using a Swarm Robot System

In December 2021, we concluded a Comprehensive Collaboration Agreement with Kyushu University with the aim of “creating innovation toward solving social problems.” Subsequently, in FY2022, we launched a project in collaboration with Kurazume Laboratory (Graduate School of Information Science and Electrical Engineering, Kyushu University) to jointly develop “Illuminance Measurement Robots using a Swarm Robot System.” We have so far gone through test production of robots and experiments and built three demonstrative prototypes, using which we started conducting on-site verification tests in FY2024. (The picture on the right is a demonstrative prototype of illuminance measurement robot)

Going forward, we will expand the scope of collaborative cooperation, push on with the “improvement of sophistication and labor-saving in design, construction and survey using robotic technology,” and work together with our Corporate Strategic Planning Division, DX Promotion Department, Technology Division and Green Innovation Business Division to further enhance our productivity and engineering strength.



## Utilization of combustion ash from wood biomass power plant and cultivation of wood for fuel

For the purpose of effectively utilizing combustion ash emitted from wood biomass power plants, the Group is working to explore the recycling of combustion ash as materials for fertilizers, validate its usability as fertilizer for food crop cultivation, and look for suitable crops for which the fertilizer can be used. The results of our initiatives in FY2021 confirmed that combustion ash fertilizer is usable as substitute for potassium fertilizer.

Local and stable supplies of wood is crucial for the continuation of wood biomass power plant business. Therefore, the Company is conducting joint studies in cooperation with universities and other entities on potential new fuels, including examining the cultivation of “fast-growing Japanese paulownia\*1” (from FY2022) and varietal screening of sorghum\*2 with consideration for regional characteristics (from FY2023).

The initiatives described above constitute a key part of the Group's efforts to establish a circular society and realize a carbon-free society, and are also contributing to improving the economics of each industry and revitalizing local communities. Cooperating university, etc.: University of Miyazaki and National Institute of Technology, Kagoshima College

\*1 Fast-growing Japanese paulownia has the property to grow 12 times faster than and absorb three times as much CO<sub>2</sub> as cedar and cypress.

\*2 Sorghum is a grain belonging to the genus sorghum of the grass family. Besides being used as food and fertilizer, sorghum is also usable as biomass fuel due to its fast-growing and high-yield properties.



Image of wood biomass power generation and combustion ash circulation



G Governance

Corporate Governance

The Kyudenko Group aims for (1) sustainable growth and long-term increase of our corporate value through the realization of our Corporate Philosophy, (2) support and trust by stakeholders including shareholders, customers and local community, and (3) realization of appropriate and efficient corporate management. Consequently, we established the Kyudenko Corporate Governance Guidelines, and we will continue to work to realize the best possible corporate governance.

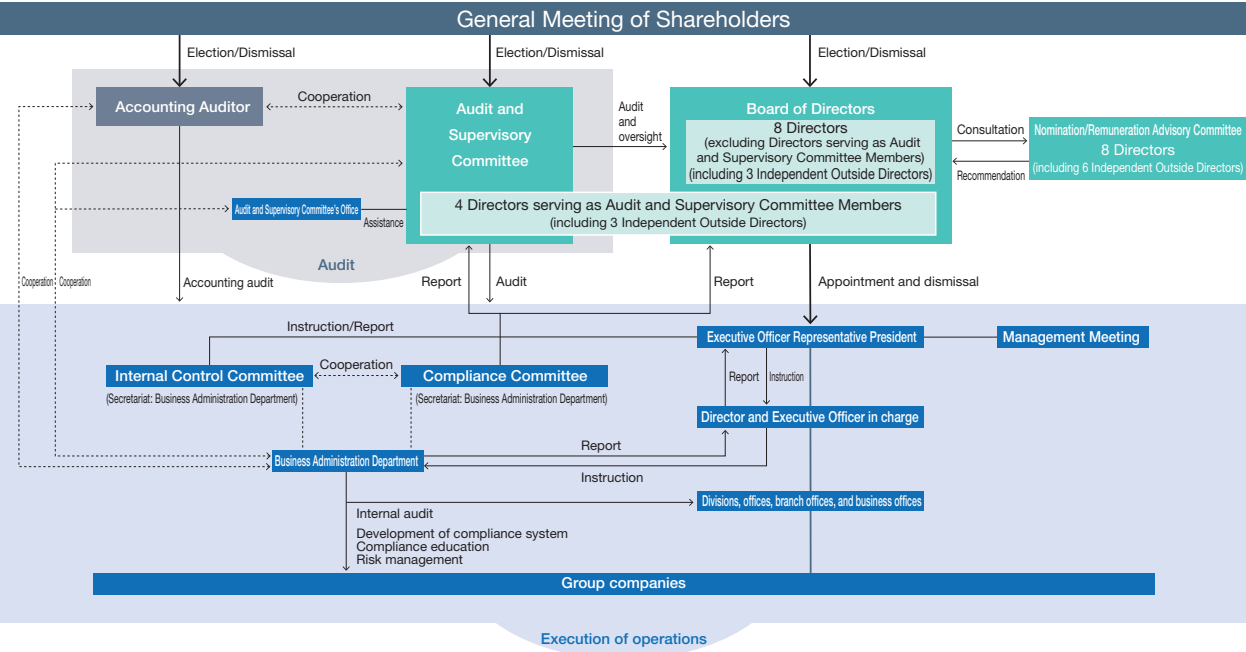
Please refer to the Company's website for details.  
[https://www.kyudenko.co.jp/en/enir/cg/en\\_guideline.html](https://www.kyudenko.co.jp/en/enir/cg/en_guideline.html)



Corporate Governance System (as of October 2024)

With the aim of further strengthening the supervisory function of the Board of Directors and further enhancing the corporate governance system, the Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit and Supervisory Committee with the resolution at the Annual General Meeting of Shareholders held in June 2022.

In addition, we have adopted the "Executive Officer system" to separate the "decision-making and oversight function" and the "execution of operations function" of the Board of Directors and to implement efficient and speedy management and have established an "internal control system" to harmonize risk management, efficiency, and legality of operations to "enhance corporate governance."



Board of Directors

The Company has adopted a system where the Board of Directors determines important matters and oversees execution of operations, while the Executive Officers dedicate themselves to executing operations based on decisions made by the Board of Directors. The Board of Directors consists of 12 Directors, of which six are Outside Directors (including two females), and they meet once a month in principle.

The Company also regularly holds the Management Meeting (once a week) to discuss matters which require prior discussion and matters on important business execution, which are among the matters to be deliberated at the meetings of the Board of Directors, and the Meeting of Branch Office General Managers (12 times a year) to confirm the status of business execution.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four members including one full-time internal Audit and Supervisory Committee Member who is familiar with the Company's business, and three outside Audit and Supervisory Committee Members who have extensive experience and wide-ranging knowledge as corporate managers. The Committee meets once a month in principle. The full-time Audit and Supervisory Committee Member has been engaged in the finance and accounting divisions of the Company for many years and has extensive knowledge of the divisions.

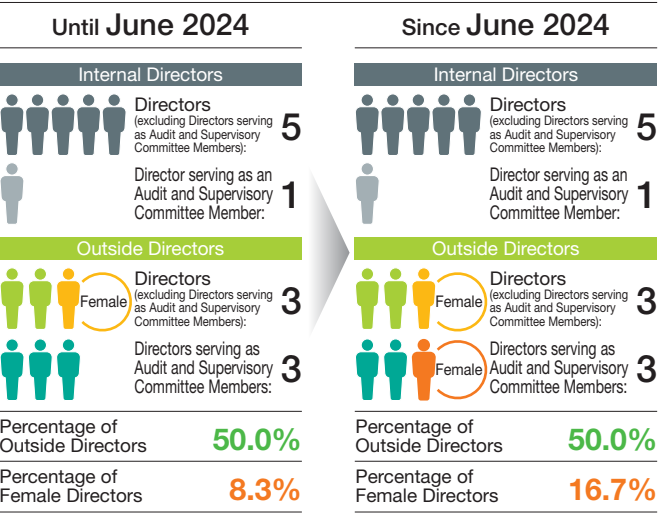
Nomination Advisory Committee

In order to ensure transparency in decision-making and independence and objectivity of the functions of the Board of Directors, the Company has established the Nomination Advisory Committee (chaired by an Independent Outside Director) consisting of three or more members, a majority of whom are Independent Outside Directors. The Committee discusses, among other things, proposals for the General Meeting of Shareholders regarding the nomination and dismissal of Directors, matters related to the selection of the Representative Directors and Directors with specific titles, succession plans, and the composition of the Board of Directors in terms of gender and skill diversity, and reports the contents of these discussions to the Board of Directors.

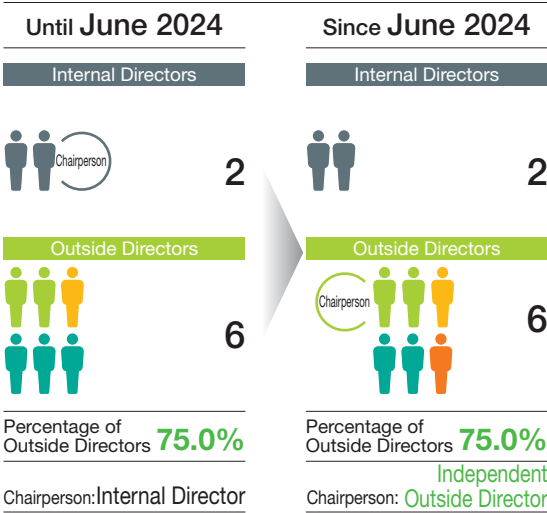
Remuneration Advisory Committee

In order to ensure transparency in decision-making, and independence and objectivity of the functions of the Board of Directors, the Company has established the Remuneration Advisory Committee (chaired by an Independent Outside Director) consisting of three or more members, a majority of whom are Independent Outside Directors. The Committee discusses proposals for the General Meeting of Shareholders regarding revisions to the total amount of remuneration for Directors, the remuneration system for Directors (excluding Directors serving as Audit and Supervisory Committee Members) and Executive Officers, and individual remuneration amounts and the policy for determining remuneration, etc., among other matters, and reports to the Board of Directors.

Composition of the Board of Directors



Composition of the Nomination Advisory Committee and Remuneration Advisory Committee



Outside Officers

The number of Outside Directors of the Company is six, of which three are elected as Outside Directors serving as Audit and Supervisory Committee Members. All the Outside Directors have been confirmed to meet the independence standards prescribed by the stock exchanges as well as the independence standards established by the Company and deemed to have no conflict of interest with general shareholders of the Company. The Company thus has filed a notification with the Tokyo Stock Exchange to designate them as Independent Officers.

Independence Standards for Outside Officers	
An Outside Officer is determined to be independent by the Company if none of the following attributes applies to:	
1	A person who is an executive of the Company or a group company of the Company or was an executive of the Company or a group company of the Company within the past 10 years prior to his/her appointment as an Outside Officer.
2	A person who is an executive of a corporation that is a business partner of the Company, and in any of the most recent three past fiscal years of the Company, has made payments to the Company representing more than 2% of non-consolidated net sales of the Company in that fiscal year; or a person who is an executive of a financial institution, which provides indispensable financing to the Company, and cannot be easily replaced because of the Company's reliance on the financing from such institution.
3	A person who is an executive of a corporation of which the Company is a business partner, and in any of the most recent three past fiscal years of the Company, has received payments from the Company representing more than 5% of non-consolidated net sales of such corporation in its most recent fiscal year.
4	A person who received remuneration exceeding 10 million yen directly from the Company in any of the most recent three past fiscal years of the Company for providing professional services concerning law, accounting, tax affairs, or consulting services to the Company (excluding compensation as Director of the Company) (If the recipient of such remuneration is an organization, a person who is affiliated with such organization).
5	A person who belongs to an organization or an entity that received a donation or aid exceeding 10 million yen per year on average over the most recent three past fiscal years of the Company.
6	A person who is an executive of a corporation, etc. that is a shareholder of the Company which substantially owns 10% or more of the voting rights of the Company.

Compliance System

The Compliance Committee (chaired by the Executive Officer and President) is established to determine the basic policy and activities for compliance, prepare plans, confirm the implementation method, and discuss measures, etc.

The Business Administration Department draws up and amends Compliance Regulations and manuals while continuously conducting compliance education as a division in charge of compliance, and the Kyudenko Group Compliance Desk is also available for direct reporting and consultation by employees.

Any information received at the Compliance Desk is investigated, analyzed, and organized, and then reported to the Compliance Committee as well as the Board of Directors.

Internal Control System and Risk Management System

As part of the effort to develop its internal control system and risk management system, the Company has built an "internal control system" that is both efficient and legal, while making use of the legal compliance system and corporate culture that it has built up to date. In addition, the Company promotes compliance activities throughout the Group and endeavors to enhance transparency and fairness in management, thereby contributing broadly to society while living up to the trust of shareholders, customers, local communities, and other stakeholders, and "improving corporate value."

Please refer to the Company's website for details.  
[https://www.kyudenko.co.jp/en/enir/cg/en\\_internal.html](https://www.kyudenko.co.jp/en/enir/cg/en_internal.html)



Our Initiatives Concerning the Corporate Governance Code

The Company is working to improve its corporate governance. As a company listed on the Tokyo Stock Exchange (TSE), the Company aims to achieve sustained growth and increase its corporate value in the medium to long term by complying with each of the principles of the Corporate Governance Code set forth in TSE's Securities Listing Regulations and disclosing pertinent information.

G Governance

Overview of Evaluation of Board of Directors Effectiveness

We conducted an evaluation based on a registered questionnaire for all 12 Directors conducted in March 2024. The purpose of the annual evaluation is to regularly verify whether the Board of Directors is functioning properly, and take appropriate measures such as correcting problems and enhancing strengths in order to ensure the board carries out its role and responsibilities effectively. Based on the results of the questionnaire, issues and points for improvement are identified and shared to improve the effectiveness of the Board of Directors going forward.

FY2023 Board of Directors effectiveness evaluation	
Items surveyed in the questionnaire	Composition of the Board of Directors, operation of the Board of Directors, Advisory Committees, trainings, system to support the Directors, dialogue with shareholders (investors), Directors' own initiatives, overall evaluation
Evaluation result	The Board of Directors was concluded to be effective based on the analysis of the survey results, given that the overall average evaluation score was at a high level, as in the last year.
Selected issues	Director training
Measures	The average evaluation score for training was lower than in the previous year. Therefore, we will review the existing framework and newly plan and implement concrete measures, such as thematic discussions, that would help improve the effectiveness of the Board of Directors.

Status of Audit

Audit by the Audit and Supervisory Committee

The Audit and Supervisory Committee conducts an audit in accordance with the “Code of Audit and Supervisory Committee Auditing and Supervising Standards” established by the Audit and Supervisory Committee, and also with the audit policy, audit plan, audit methods, assignment of duties, etc. In the current fiscal year, the Committee designated, as a priority audit item, the implementation status of important initiatives in the Basic Management Policy, in addition to basic audit items such as the status of execution of duties by Directors and the establishment and operation of the internal control system. The Company has established the Audit and Supervisory Committee's Office with six dedicated staff members, which assists the duties of the Audit and Supervisory Committee and its members.

Internal audit

Under the yearly plan, the Business Administration Department that is responsible for conducting internal audits evaluates whether management activities of each department/division are performed according to the management policy, and audits whether such activities are appropriately processed according to internal rules such as regulations, administrative authority, and manuals to report the audit results and measures for improvement to the Internal Control Committee (chaired by the Executive Officer and President). The deliberations of the Internal Control Committee are reported directly to the Board of Directors and the Audit and Supervisory Committee.

Accounting audit

The Company has concluded an audit contract with Ernst & Young ShinNihon LLC. Two of the audit firm's certified public accountants carried out the accounting audit, neither of whom has audited the Company for more than seven consecutive years. In the year ended March 31, 2024 (the 96th fiscal year), the Company paid 60 million yen as fees for the audit and certification services. There is no special interest between the Company and Ernst & Young ShinNihon LLC or the Engagement Partners.

Cooperation of the Audit and Supervisory Committee with the internal audit division and the Accounting Auditor

● **Status of cooperation with the internal audit division**  
Regular meetings were held with the Business Administration Department, which is the internal audit division, to receive reports on internal audit plans, audit implementation status, and audit results, to exchange opinions, and to provide information on the results of on-site inspections of branches and subsidiaries conducted by the full-time Audit and Supervisory Committee Member, thus enhancing mutual cooperation. The full-time Audit and Supervisory Committee Member attended the Internal Control Committee meetings, and the General Manager of the Business Administration Department, who has jurisdiction over the internal audit division, attended the Audit and Supervisory Committee meetings to report on the proceedings of the Internal Control Committee meetings and exchange opinions.

In addition, consultations and information received at the Compliance Desk were reported regularly or as needed by the Business Administration Department, which is in charge of the internal reporting system.

● **Status of cooperation with the Accounting Auditor**  
The Audit and Supervisory Committee maintained appropriate cooperation with the Accounting Auditor through regular meetings and the exchange of information and opinions as needed, and worked to improve the quality and efficiency of auditing on both sides. Specifically, at the beginning of the fiscal year, the Audit and Supervisory Committee received an explanation of matters such as an audit plan from the Accounting Auditor regarding a priority audit item, audit schedule, audit system, and digital initiatives, and exchanged opinions with them.

FY2023: Cooperation between the Audit and Supervisory Committee and the Accounting Auditor

Cooperation	April	May	June	July	August	September	October	November	December	January	February	March
Explanation of audit plan and quarterly review plan				○								
Quarterly review report				○			○			○		
Audit report (the Companies Act and the Financial Instruments and Exchange Act)		○	○									
Internal control audit report			○									
Regular meetings						○						○
Exchange of information and opinions		○	○	○		○	○	○	○	○		○

Remuneration, etc. of Officers

Matters concerning the policy for determining the amount or the calculation method of remuneration, etc. for Directors

The Company's Board of Directors has resolved a policy for determining the content of remuneration, etc. for individual Directors (excluding Directors serving as Audit and Supervisory Committee Members) (hereinafter referred to as the “Determination Policy”). The Board of Directors has also confirmed that the remuneration, etc. for each individual Director for the current fiscal year are in line with the Determination Policy in that the method of determining the content of remuneration and the content of the remuneration, etc. that has been determined are consistent with the Determination Policy and in that the recommendations from the Remuneration Advisory Committee have been given due consideration.

a. Policy on determining the details of individual remuneration, etc., for Directors (excluding Directors serving as Audit and Supervisory Committee Members)

1	Basic policy	We position the remuneration plan for Officers as an important element of “fair treatment” for Officers who are responsible for the development of the Company, and have the following basic policy. (1) The details must be appropriate for appointing and securing excellent human resources who will realize our corporate philosophy. (2) The details must contribute to the stable and sustainable improvement of corporate value. (3) The remuneration plan shall be highly independent, objective, and transparent, and the details shall be accountable to various stakeholders.
2	Level of remuneration	In consideration of the business environment surrounding the Company, the salary level of employees, and the level of remuneration for officers of other companies, incentives are set to improve performance.
3	Procedure for determining remuneration	(1) The system of remuneration for Officers and the amount of individual remuneration shall be deliberated by the Remuneration Advisory Committee, a majority of which is composed of Independent Outside Directors, and determined by the Board of Directors. (2) The Board of Directors resolves that the amount of individual remuneration for Officers shall be entrusted to the Executive Officer Representative President, and he/she shall make a decision based on the report of the Remuneration Advisory Committee.
4	Composition structure	(1) Directors (excluding Directors serving as Executive Officers or Audit and Supervisory Committee Members) Remuneration shall be fixed monetary remuneration and fixed stock remuneration determined for each position, and no bonuses or retirement benefits shall be paid. Furthermore, the ratio of fixed monetary remuneration to fixed stock remuneration shall be approximately 90:10, and Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members) shall receive only fixed monetary remuneration in light of their duties. (2) Directors serving as Executive Officers Remuneration shall be fixed monetary remuneration, variable monetary remuneration, and fixed stock remuneration determined for each position, and no bonuses or retirement benefits shall be paid. Furthermore, when 100% of the performance targets are achieved, the ratio of fixed monetary remuneration to variable monetary remuneration to fixed stock remuneration shall be approximately 60:30:10.
5	Details of each remuneration	(1) <b>Fixed monetary remuneration</b> A certain amount of basic remuneration determined for each position is fixed monthly remuneration. (2) <b>Variable monetary remuneration</b> Variable monetary remuneration shall be provided by adding or subtracting the monthly remuneration for the next fiscal year according to the degree of achievement of the performance targets for each fiscal year, and the degree of achievement of the performance-linked base amount determined by position shall be calculated based on the degree of achievement of the “consolidated net sales” and “consolidated ordinary profit” targets for each fiscal year, as well as the results of individual evaluations for each fiscal year. The target “consolidated net sales” and “consolidated ordinary profit” are determined by the Board of Directors based on the figures announced every fiscal year. (3) <b>Fixed stock remuneration</b> For the purpose of providing incentives for the improvement in medium- to long-term performance and the increase in corporate value, points equivalent to the number of shares determined by position shall be awarded at a certain time each year, and at the time of retirement, the Company's shares shall be delivered according to the cumulative number of points.

Outline of the fixed stock remuneration plan	
1	Eligible persons
2	Target period
3	Maximum amount of money to be contributed by the Company as a source of capital for the Company's shares necessary to deliver to the eligible persons as specified in 1 during the target period of three fiscal years as stated in 2
4	Method of acquiring the Company's shares
5	Maximum number of points awarded to the eligible persons as specified in 1
6	Basis for granting points
7	Timing of delivery of the Company's shares to the eligible persons as specified in 1

b. Matters concerning remuneration, etc., for Directors serving as Audit and Supervisory Committee Members  
The remuneration for Directors serving as Audit and Supervisory Committee Members consists only of fixed monetary remuneration in consideration of their role of supervising overall management from a standpoint independent of business execution, and is determined through discussions among the Audit and Supervisory Committee Members.



G Governance

Matters concerning the resolution of the General Meeting of Shareholders regarding remuneration, etc. for Directors

The amounts of monetary remuneration for Directors were resolved at the 94th Annual General Meeting of Shareholders held on June 28, 2022, as follows:

- The maximum amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) shall be 700 million yen per year (including 50 million yen per year for Outside Directors).
  - The maximum amount of remuneration for Directors serving as Audit and Supervisory Committee Members shall be 110 million yen per year.
- In addition, the amount of stock remuneration, which is separate from the monetary compensation, was resolved at the 95th Annual General Meeting of Shareholders held on June 28, 2023, as follows:
- The maximum amount of money to be contributed to the Trust shall be 180 million yen in total for the target period consisting of three fiscal years.
  - The maximum total number of points to be granted as stock remuneration shall be 25,000 points per fiscal year.

Matters concerning delegation of authority to determine the details of individual remuneration, etc. for Directors

At the Company, the Executive Officer Representative President Kazuyuki Ishibashi determines the specific details of the amount of remuneration for each individual Director (excluding Directors serving as Audit and Supervisory Committee Members) based on a resolution of delegation by the Board of Directors. This authority pertains to the allocation of variable monetary remuneration based on business performance, and the reason for delegating the authority is that he is judged to be most familiar with the Company's business situation and can flexibly determine the amount of remuneration while taking a bird's-eye view of the Company's overall performance.

The Board of Directors has established the Remuneration Advisory Committee to ensure that such authority is properly exercised by the Executive Officer and President and that the Executive Officer and President determines individual remuneration based on its recommendation. Thus, the authority thus delegated is deemed to be in line with the Determination Policy.

The remuneration for Directors serving as Audit and Supervisory Committee Members consists only of fixed monetary remuneration in consideration of their role of supervising overall management from a standpoint independent of business execution, and is determined through discussions among the Audit and Supervisory Committee Members. The remuneration for Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members) consists only of fixed monetary remuneration in light of their duties.

Total amount of remuneration by category of officers and type of remuneration, etc., and the number of eligible officers (FY2023)

Officer category	Total amount of remuneration, etc. (Million yen)	Total amount of remuneration, etc. by category (Million yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration (Stock remuneration)	
Directors (excluding Directors serving as Audit and Supervisory Committee Members) (excluding Outside Directors)	283	207	51	25	8
Directors serving as Audit and Supervisory Committee Members (excluding Outside Directors)	30	30	—	—	1
Outside officers	54	54	—	—	6

(Notes)

1 The Directors (excluding Directors serving as Audit and Supervisory Committee Members) in the above table include the three Directors who took office during the current fiscal year and the three Directors who retired during the current fiscal year.

2 The amount of non-monetary remuneration (stock remuneration) represents the amount reported for the fiscal year concerned as provision for payments pertaining to the points awarded based on the rules concerning delivery of shares set down by the Company.

3 In addition to the above payment amounts, the Company has paid to Directors who have retired during the current fiscal year the final payments of officers' retirement benefits in the amount of 12 million yen following the discontinuation of officers' retirement benefit scheme, based on the resolution of the Annual General Meeting of Shareholders held on June 29, 2006.

4 The amount of remuneration, etc. includes remuneration for Executive Officers.

Actions to Implement Management that is Conscious of Cost of Capital and Stock Price

The Company took into account cost of capital and allocation of management resources when formulating its Mid-term Management Plan, in which it adopted return on invested capital (ROIC) as a metric of numerical targets and is working towards an ROIC of 10% or above as its KPI.

The actions taken by the Company are disclosed in the Mid-term Management Plan posted on its website and also on pages 19-20 of this report.

In preparation for the formulation of the new Mid-term Management Plan (to be disclosed in April 2025), the Company is currently considering new management targets, shareholder returns, and concrete measures to improve capital efficiency, comprehensively taking into account business environment, business performance, financial position, and other elements.

Please refer to the Company's website for details.

Mid-term Management Plan:

[https://www.kyudenko.co.jp/en/enir/en\\_midplan.html](https://www.kyudenko.co.jp/en/enir/en_midplan.html)



Disclosure of Information on the Protection of Minority Shareholders and Group Management

Disclosure by listed companies with a listed affiliate

The Company respects the independence of its listed affiliate, Central General Development Co., Ltd. (hereinafter, the "Affiliate"), and attaches great importance on the Affiliate's management decisions.

The Company has signed a capital and business alliance agreement with the Affiliate, with the aim of creating synergy by using the Company's environmentally friendly engineering capabilities in facility works to cooperate in the Affiliate's business such as the compact city projects in provincial cities under its real estate business and in the condominium business.

The Company does not have its personnel on the board of the Affiliate. The Affiliate examines and determines its management strategies such as business strategies, human resources policy, and capital policy independently and at its own discretion, and it exercises autonomous management decision in its decision-making.

Disclosure by listed companies with an other associated company

The Company belongs to the Kyuden Group led by Kyushu Electric Power Company, Incorporated (hereinafter, "Kyuden"). As a member of the Kyuden Group (accounted for under the equity method), the Company conducts its business under the management vision and policy shared among Kyuden Group and is working to enhance Kyuden Group's corporate value on a continued basis and to create value through its business.

The Company has construction transactions and relationship in terms of personnel and capital with Kyuden Group, and receives support, guidance, and advice from Kyuden on its business activities as needed. However, the Company operates in the field of facility works, which differs from the main business of Kyuden Group, and conducts business based on its own management policy and management decisions, and is therefore judged to be sufficiently independent from Kyuden Group.

While Kyuden holds 22.75% of the voting rights in the Company, 88.0% of the Company's net sales are generated from outside the Kyuden Group, which suggests that concern about risk of conflict of interest between the minority shareholders of the Company and Kyuden is small. Therefore, the Company has not taken any particular measures in this respect.

Enhancement of Communication with Shareholders and Investors and Disclosure of Information

Enhancement of communication

The IR activities of the Company are conducted by the Finance Division, which is in charge of IR, in cooperation with the Business Administration Department, Corporate Strategic Planning Division, and General Affairs Division to promote communication with stakeholders including shareholders.

Please refer to the Company's website for details.

[https://www.kyudenko.co.jp/en/enir/cg/en\\_code.html](https://www.kyudenko.co.jp/en/enir/cg/en_code.html)



Status of communication with shareholders, etc.

The Company holds financial results briefing for analysts and institutional investors twice a year, which is attended by the Executive Officer and President and Officer responsible for finance, and discloses materials for the briefing on its website. The Company also holds individual briefings and responds to interviews for analysts, institutional investors, and individual investors as necessary. The summary of such financial results briefings and individual briefings is reported at the Management Meeting and the Board of Directors meeting to share the information with the Directors.

IR activities

	FY2023
Financial results briefing	2 times
Conference with overseas investors	3 times
Briefings for individual investors	7 times
Individual meetings, other	271 times

Disclosure of information

The IR activities are promoted to ensure transparency of corporate activities and enhance the soundness of management by disclosing financial statements, securities reports, and other documents for which disclosure is required by the stock exchange as well as important facts to shareholders and investors in a timely and appropriate manner, in addition to publishing the Group's management policy, business activities, compliance activities, social contribution activities, and various other information on the Company's website and its Integrated Report.

The following are the main questions, requests, and communication themes at the financial results briefings held in FY2023.

1. Business environment surrounding the Company

- Status of factory construction trends and redevelopment projects in the Kyushu area where the Company is based
- Status of profitability at the time of order receipt
- Future development of Uku solar power project
- Risks associated with rising material and labor costs

2. Shareholder returns

- Our approach to shareholder returns

3. Mid-term Management Plan

- Possibility of achieving targets of 500.0 billion yen in net sales and 50.0 billion yen in ordinary profit
- Numerical targets and capital policy concerning the next Mid-term Management Plan

4. Others

- Downside risk of performance forecasts
- Room for expansion of construction capacity

G Governance

Company-wide Risk Management

(1) Basic Approach

To cope with the risks that are growing in diversity and complexity in step with turbulent changes in business conditions, the Group has been implementing company-wide risk management.

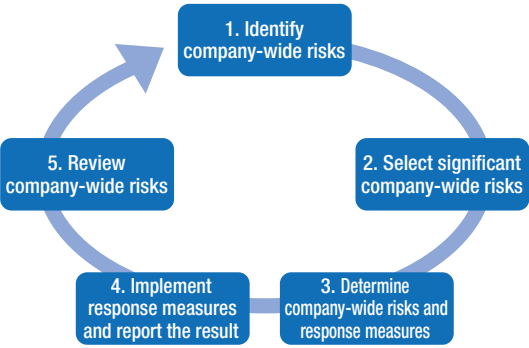
We aim to prevent risks from occurring and to minimize losses when a risk materializes by identifying and managing potential risks in advance, taking measures against them, conducting regular monitoring and reporting the results to the top management so as to strengthen governance.

In addition, we have established internal regulations that set down rules regarding the framework for company-wide risk management, responsibilities of the risk managers, risk management process, and other matters, and are ensuring strict management to reduce risks in line with the risk management processes.

The Group will grasp the likelihood and the impact of risk occurrence on its business performance and thereafter make every effort to avoid risk occurrence and prepare to respond appropriately and swiftly in case of occurrence.

Please note that matters with reference to the future in the text below are based on the Group's estimation as of the end of FY2023. Shown here are the concrete examples of principal risks that the Group is expected to face in continuing business, and do not represent all risks that the Group may encounter.

(2) Risk Management Process



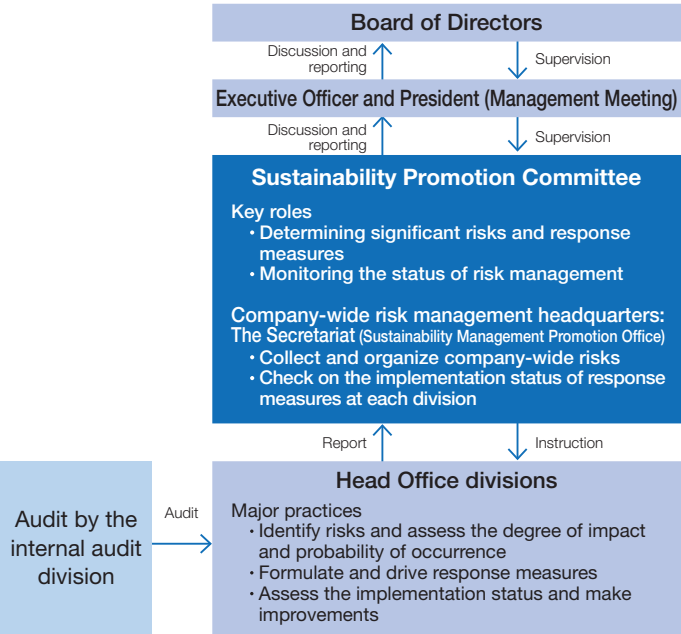
Drive risk management practices by following the company-wide risk management process (conducted every fiscal year)

Details	
1	Heads of each Head Office divisions, who are accountable for the management of company-wide risks (hereinafter, the "Risk Owner"), identify the company-wide risks that are associated with his/her division's business execution, establish response measures against such risks and submit them to the secretariat of the Sustainability Promotion Committee (hereinafter, the "Secretariat"). The Secretariat collects and organizes the company-wide risks and response measures formulated by the Risk Owners.
2	The Secretariat selects significant company-wide risks from among the organized company-wide risks, comprehensively taking into consideration the degree of impact it may have on business performance, the probability of occurrence, and other factors.
3	The Sustainability Promotion Committee (hereinafter, the "Committee") deliberates on and approves the company-wide risks selected through the above process (including the significant company-wide risks) and response measures. Important matters are brought for discussion at or reported to the Management Meeting and the Board of Directors as needed.
4	The Risk Owners implement response measures against company-wide risks. At the closing of a fiscal year, the Risk Owners submit a report on the results of implementation of the company-wide risk response measures to the Secretariat. The Secretariat collects and organizes the result reports and reports to the Committee. Important matters are brought for discussion at or reported to the Management Meeting and the Board of Directors as needed.
5	The Secretariat reviews the company-wide risks as needed, in light of the risk management process implementation results, changes in internal and external business environments, legal and regulatory trends, and other factors.

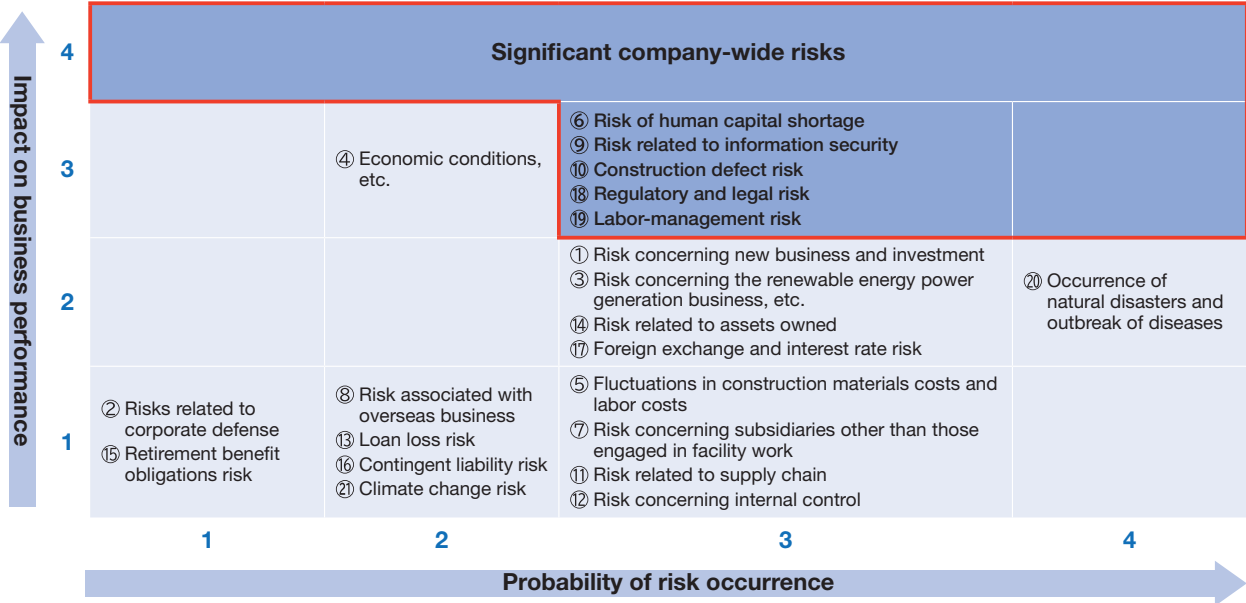
(3) Framework for Company-wide Risk Management

The Sustainability Promotion Committee, which is chaired by the President and consists of executives and leaders of related divisions appointed by the chairperson, deliberates on and approves the company-wide risks and response measures, and brings matters for discussion at or reports to the Management Meeting and the Board of Directors as needed.

The risk management practices are regularly checked through audits by the internal audit division and monitoring by the Secretariat, in our effort to strengthen governance and to prevent risk occurrence.



(4) Risk Map



(5) Response Measures Against Company-wide Risks

Risk category		Risks	Response measures
Category	Subcategory		
Operational risks	⑥ Risk of human capital shortage	Decline in construction capability (fall in hires, rise in retirement)	<ul style="list-style-type: none"><li>· Create a population of potential job applicants by communicating the Company's appeal. Curb the proportion of job-seeking students who decline our tentative job offer.</li><li>· Prevent mismatch by providing ample information on job details to ensure candidates' thorough understanding and by carefully assessing the aptitude of candidates.</li><li>· Increasing the number of hires, including that of non-science students starting in the current fiscal year, and also aggressively recruiting mid-career personnel.</li><li>· Boost hiring and prevent quitting by creating an open, employee-friendly, and attractive workplace.</li></ul>
	⑨ Risk related to information security	Cyber terrorism	<ul style="list-style-type: none"><li>· Preparing against the latest threats, including by setting down security policy, building information security framework, strengthening internal security infrastructure in terms of technology, and educating employees to improve their IT literacy.</li><li>· Discuss with overseas subsidiaries how to manage devices, software, etc. at overseas locations.</li><li>· Consider purchasing cyber insurance policies if situation requires.</li></ul>
		Leakage of confidential or personal information	<ul style="list-style-type: none"><li>· Ensure thorough information management in line with the rules on trade secret management, rules on personal information protection and management, and other relevant internal rules.</li><li>· Regularly conduct information security trainings and drills regarding confidential information, personal information protection, etc.</li></ul>
	⑩ Construction defect risk	Incurrence of additional costs due to correction work	<ul style="list-style-type: none"><li>· Avoid the risk of construction defect by developing and abiding by manual of work procedure and ensuring thorough implementation of interim and pre-completion inspections.</li><li>· Minimize construction defects by identifying risks and considering responses before the start of work and conducting functional inspections during and at the completion of construction work without fail.</li><li>· Transfer risks by purchasing construction insurance.</li></ul>
		Risk of construction defect at overseas locations	<ul style="list-style-type: none"><li>· Check the quality of construction work and give instructions through patrolling and other measures in cooperation with the Technology Division.</li><li>· Explicitly set judgment criteria for voluntary inspections and secure sufficient construction period to accommodate adequate inspection schedule.</li></ul>
		Risk of construction defect in renewable energy generation facility work	<ul style="list-style-type: none"><li>· Mitigate risk by appointing capable on-site agents and managing engineers and using subcontractors with experience in works in this field. (In cooperation with the Technology Division)</li><li>· Transfer risks by purchasing insurance policies such as construction insurance, third-party liability insurance, or delay in start-up insurance.</li><li>· Solidly conduct interim and final inspections performed by specialists in this field.</li><li>· Collect examples of past failure and share the information across relevant parties to prevent construction defects.</li></ul>
Compliance risks	⑱ Regulatory and legal risk	Administrative punishment due to violation of laws and regulations	<ul style="list-style-type: none"><li>· Comply with the Companies Act, the Construction Business Act, the Act on Ensuring Fair Electric Business Practices, and other laws and regulations relevant to the business execution of divisions, stay up to date with the establishment, amendment and abolition of laws and regulations and revise business procedure manuals in a timely and appropriate manner, and make them known to all.</li><li>· Check for any violation of laws and regulations in internal audits and voluntary audits.</li><li>· Regularly provide compliance education.</li></ul>
		Insider trading	<ul style="list-style-type: none"><li>· For the sale or purchase of shares of the Company, where the risk of insider trading is the highest, we have put in place a preventive structure by adopting an approval method and built all the steps from application through to completion report into a workflow. We also provide education on insider trading regulations which also covers trading of shares of other companies as and when appropriate via e-learning.</li><li>· Practice thorough management of information related to insider trading.</li></ul>
	⑲ Labor-management risk	Violation of labor-related laws and regulations, overworking	<ul style="list-style-type: none"><li>· Understand labor-related laws, regulations, and internal rules and execute business accordingly, and practice appropriate labor management.</li><li>· Provide education on labor-related laws and regulations.</li><li>· Supervisors check the amount of work for the day at the morning meeting and distribute work among staff members (to even out workload).</li></ul>
		Occurrence of fatal accident	<ul style="list-style-type: none"><li>· Thoroughly implement safety measures at worksites and offices in accordance with safety-related laws, regulations, and the Basic Plan for Safety and Health Management.</li></ul>
		Harassment	<ul style="list-style-type: none"><li>· Make known to everyone the disciplinary action taken against each incident of harassing conduct.</li><li>· Regularly provide compliance education.</li></ul>

For details, please refer to "II Business Overview, 3. Business and Other Risks" of the securities report for the 96th fiscal year.  
[https://www.kyudenko.co.jp/ir/docs/2024\\_96\\_yuka-02.pdf](https://www.kyudenko.co.jp/ir/docs/2024_96_yuka-02.pdf) (Japanese)







**Hidetoshi Soeda**  
Director  
Audit and Supervisory  
Committee Member

**Sumio Kuratomi**  
Director

**Ryoko Torii**  
Director  
Audit and Supervisory  
Committee Member

**Tatsuya Kaneko**  
Director

**Hiroko Shibasaki**  
Director

**Takuji Kato**  
Director  
Audit and Supervisory  
Committee Member

## Roundtable Talk of Outside Directors

# We will demonstrate our role as the Board of Directors for the realization of “human capital management” and enhance the corporate value of the Kyudenko Group

## [1] Evaluation of Board of Directors Effectiveness

**Kuratomi** This year, for the first time, it has been decided to hold a roundtable talk with Outside Directors only. I hope you will express your frank opinions in today's discussion. First, I would like to ask you about the evaluation of the Board of Directors effectiveness.

**Kaneko** The Board of Directors of Kyudenko firmly focuses on holding constructive discussions on management strategies and plans that will determine the major directions of the Company. I give the Board of Directors a high score for effectiveness, in that top management responds to my opinions as an Outside

Director in a flexible and positive manner. With that in mind, I hope to have deeper discussions on management strategy in line with the changes in the business environment going forward. I also hope to exchange opinions on management topics from a range of perspectives, such as human capital, corporate acquisitions, and digital transformation (DX).

**Shibasaki** This is my fourth year as an Outside Director, and I sense that our discussions are becoming more in-depth every year with our objectives of sustainable growth and the enhancement of the corporate value of the Kyudenko Group. I understand that my mission is to express my opinions without hesitation and always from stakeholders' viewpoints. In terms of pre-meeting briefings on the agenda, I understand that individual directors and executive officers are willing to talk to us, but on the other

hand, I also try to do my own research, occasionally stopping to think, “Is that really the case?” when necessary. As there has been an increase in discussions from various perspectives such as human capital management and ESG, I hope to have discussions with a view to solving these social issues proactively as well.



**Soeda** Since I became an Outside Director, I have had a strong sense that the Kyudenko Group is taking on various challenges. It is precisely because the Group is taking on challenges that there are so many issues and agenda items to discuss. As one means of complementing these discussions, the Group provides opportunities for study tours of Kyudenko Academy and construction site tours. At Board of Directors meetings, matters considered important are submitted even without any particular regulations, which makes the meetings highly effective. While the Group is taking on various challenges, as an area for improvement, I would ask for more feedback on the outcomes of those challenges. Knowledge of such outcomes will enable us, as the Board of Directors, to evaluate management decisions more appropriately.

**Kuratomi** I can sense quite directly the evolution of the Board of Directors year after year. I can see the Company's willingness to listen to various opinions when making decisions and executing business, including the design of systems such as the transition to a company with Audit and Supervisory Committee in 2022. I believe that this is due to the Kyudenko Group's forward-looking DNA, based on its historical background of supporting Kyushu's infrastructure. With the relocation of Head Office next fiscal year, we can expect to see the diversification of functions and improvement of visual effects. At the new Head Office building, we, the Board of Directors, hope to

have more opportunities to discuss the Kyudenko Group in the future.

## [2] Preferred Roles as Directors

**Kuratomi** Next, I would like to ask Mr Kato and Ms. Torii, our newly appointed Outside Directors, about the roles they hope to fulfill as Directors of the Company.

**Kato** My particular emphasis is on the belief that the frontlines (and their people) are key. “People, goods, and money” is a common expression, but you never hear it said in the order of “money, goods, and people.” “People” are the top priority. Based on this notion, my focus is on how the executive team communicates to general employees that each and every one of our employees is a representative of the Company. Through communication that does not tell, but instead conveys, I believe that employee engagement will increase.

**Torii** I have been involved in corporate legal affairs as an attorney for many years, and at Kyudenko as well, I will seek to pursue respect for fundamental human rights and the realization of social justice, which are the missions of an attorney. The preamble to the Kyudenko Charter of Behavior states “...we will respect human rights, comply with the spirit of relevant laws, regulations, and international rules, and act voluntarily to fulfill our responsibilities with a good social conscience...” I hope to contribute to making this a definite reality. At present, the Kyudenko Group's business performance remains strong. However, it has been pointed out that, in general, companies that perform well are more prone to problems such as power harassment, subcontractor bullying, and inspection fraud. To ensure that these kinds of things do not happen in the Kyudenko Group, I will work hard to confirm and realize each of the items in the Kyudenko Charter of Behavior.





## Roundtable Talk of Outside Directors

**Kuratomi** Just as each of you has expressed your own opinions, the current Board of Directors is made up of members with diverse viewpoints. We have been able to have discussions with the awareness that, in addition to management strategies, human rights issues and compliance are at the root of the issues.

### [3] Key Points for the Kyudenko Group to Achieve Further Growth

**Kuratomi** Next, I would like to hear your opinions from various viewpoints about the key points for the Kyudenko Group to achieve further growth.

**Kato** As I mentioned earlier, I believe that people are key. Diversity, health and productivity management, and the promotion of women's active participation are not things that will lead directly to the short-term improvement of business performance, and yet, I do believe that they will encourage the cultural transformation that is needed for the Group to achieve further growth. I certainly hope to see all employees engage in these issues, and it is essential that Head Office and the frontlines be united in thought and action. The frontlines understand what Head Office is discussing and take action accordingly. If progress can be made in this regard, I believe that it will become an even better company.

**Kuratomi** I believe that placing more emphasis on the frontlines will be a key element in achieving further growth for the Kyudenko Group.

**Shibasaki** The key factors are atmosphere, culture, and human resources development. I believe that these are the most fundamental elements in aiming for the achievement of the Long-term Vision and Mid-term Management Plan. It is vital that workstyles that leverage the strengths of



each individual, without regard for age or gender, be accelerated. In my opinion, the all-hands-on-deck construction system and promotion of multifunctional staff are excellent initiatives. As well as these kinds of human resources strategies, as generative AI is put to more use with the progress of DX projects, inter-departmental cooperation will increase, and we will be able to envisage significant growth across departmental boundaries. In addition, in this day and age, there has been a change in attitudes toward career, in that it is not something that is imparted by the company, but something that one chooses for oneself. Young people are seeking more opportunities for growth, and it is important to nurture them with more warmth. I would like to see the Company create an environment in which these young people can take on the challenge of unfamiliar fields cheerfully and with enjoyment.

**Kuratomi** Top management has a strong awareness of the issues related to human capital management, as demonstrated by their holding informal discussions for Directors on that topic. Many construction sites are located quite far from company buildings, and I sense the further importance of and necessity for communication among employees and communication between employees and senior management.

**Kaneko** In putting management plans into practice, management of needs (demand) and resources (management resources such as people, goods, and money) will become key. I consider this to be the essence of management, and my comments in meetings to date have been from this perspective. If the management of these two things can be done well, opportunities for growth can be obtained even with limited resources, and, conversely, when facing adversity, we can stand firm without having to make serious cuts to resources. The



Group is currently working on the formulation of the next Mid-term Management Plan that will start next fiscal year. In that process, I intend to keep emphasizing the perspective of the management of needs and resources when I speak up in meetings.

**Soeda** Recently, the Group has been focusing its efforts on the recurring revenue business in Japan, and if similar moves emerge in its specialist areas, such as renewable energy, overseas as well, I believe that the Group could grow even further. I also believe that the mentor system is a beneficial program from a human capital perspective. In addition to serving as support for young employees, I believe that the mentors themselves will also grow into outstanding human resources. In the Kyudenko Group's case, there are large numbers of new employees, which makes it a hard task for the mentors, but I do hope that they will continue with their efforts to make use of the system.

**Kuratomi** The Group has implemented various human resources development initiatives to date, and with the business continuing to expand, including new businesses, I hope to see those initiatives strengthened even further going forward to support that expansion.

**Shibasaki** The Kyudenko Group is able to address global social issues such as renewable energy head-on. On the other hand, those initiatives have many issues, and the question of how to balance social significance with realistic solutions will, I believe, become a major theme in the future. In considering these issues, I think that we need mechanisms by which the opinions of young employees can be reflected, including from the perspective of human resources development. I hope that such mechanisms will provide the impetus for young employees to take ownership of various social issues and think about the future.



**Kuratomi** The core business of the Kyudenko Group is one that serves society through the work itself, including SDGs and zero carbon, and it is also a job that connects to the next generation. In this respect, it is of immense importance for young employees to discuss these issues together with us. In Board of Directors meetings as well, I hope to discuss, with expectations, how the Kyudenko Group will approach renewable energy and become a company that will change Japan.



**Torii** In FY2044, the target year of the Long-term Vision and the Company's centennial year, it is predicted that climate change will have become a major problem for humankind. This in itself is a human rights issue, and the Group is addressing it head-on. I look forward to seeing Kyudenko become a leading company in addressing the issue of climate change while continuing to maintain its business performance.

**Kato** When drawing up long-term visions from now on, I believe that it is important for all of us to consider and discuss our images of what we ourselves should be. I hope that the utilization of the mentor system that was mentioned earlier will make the workplace better and more open, enhance the corporate structure, and create a corporate culture in which we will not hear expressions such as "just like before" and "the way things are." To assist in that aim, I will make the Board of Directors function and encourage the active participation of employees.

**Kuratomi** Based on the Group's latent possibilities and potential for growth, I look forward to seeing the Group implement reforms day after day to make tomorrow better than today and achieve further growth.



Management Team of Kyudenko

Directors



**Ichirou Fujii**  
Director and Chairman

June 2018 Director and Managing Executive Officer, KYUSHU ELECTRIC POWER CO., INC.  
June 2020 Representative Director and Executive Vice President, KYUSHU ELECTRIC POWER CO., INC. (retired in June 2023)  
June 2023 Joined the Company, Director and Chairman (to the present)



**Kazuyuki Ishibashi**  
Executive Officer  
Representative President

April 1982 Joined the Company  
April 2015 Director and Managing Executive Officer  
April 2017 Director and Senior Managing Executive Officer  
June 2020 Director and Vice President Executive Officer  
June 2022 Representative Director and Vice President Executive Officer  
June 2023 Executive Officer Representative President (to the present)



**Shinji Kato**  
Director  
Audit and Supervisory Committee Member

April 1982 Joined the Company  
April 2012 General Manager, Corporate Planning Div.  
April 2017 President of Kyudenko Academy, Human Resources and Labor Affairs Div.  
June 2019 Audit & Supervisory Board Member  
June 2022 Director, Audit and Supervisory Committee Member (to the present)



**Hidetoshi Soeda**  
Director  
Audit and Supervisory Committee Member (part-time)

March 2015 Director and Managing Executive Officer, General Manager of Sales & Marketing Div., Head of Tokyo Branch Office, SEIKO ELECTRIC CO., LTD.  
March 2018 President and Representative Director, General Manager of Sales & Marketing Div., SEIKO ELECTRIC CO., LTD.  
March 2019 President and Representative Director, SEIKO ELECTRIC CO., LTD. (to the present)  
June 2021 Audit & Supervisory Board Member, the Company  
June 2022 Director, Audit and Supervisory Committee Member, the Company (to the present)



**Masaaki Jono**  
Representative Director  
Vice President Executive Officer  
Responsible for overall operations

April 1973 Joined the Company  
June 2015 Director and Managing Executive Officer  
April 2017 Director and Senior Managing Executive Officer  
June 2020 Director and Vice President Executive Officer  
June 2022 Representative Director and Vice President Executive Officer (to the present)



**Keizo Fukui**  
Director  
Senior Managing Executive Officer  
Responsible for business administration (legal, compliance, and internal control) and finance

July 2006 General Manager, e-Business Sales Dept., MIZUHO CORPORATE BANK, LTD. (currently MIZUHO BANK, LTD.)  
May 2009 Joined the Company, General Manager, Sales Dept., Tokyo Head Office  
June 2019 Director and Managing Executive Officer  
June 2023 Director and Senior Managing Executive Officer (to the present)



**Takuji Kato**  
Director  
Audit and Supervisory Committee Member (part-time)

April 2018 Executive Officer, Deputy Head of Energy Sales and Marketing Div., SAIBU GAS CO., LTD.  
April 2020 Associate Senior Executive Officer, Senior General Manager of Energy Sales and Planning Dept., SAIBU GAS CO., LTD.  
April 2021 Associate Senior Executive Officer, SAIBU GAS HOLDINGS CO., LTD.  
June 2021 Director and Associate Senior Executive Officer, SAIBU GAS HOLDINGS CO., LTD.  
April 2024 Representative Director and President, President and Executive Officer, SAIBU GAS HOLDINGS CO., LTD.  
June 2024 Director, Audit and Supervisory Committee Member, the Company (to the present)



**Ryoko Torii**  
Director  
Audit and Supervisory Committee Member (part-time)

October 2001 Registered with the Osaka Bar Association as an attorney  
Joined Himawari Law Office  
November 2004 Switched registration to Fukuoka Bar Association  
Joined Oumi Law Office  
June 2024 Director, Audit and Supervisory Committee Member, the Company (to the present)



**Tomoyuki Oshima**  
Director  
Senior Managing Executive Officer  
Representative, Tokyo Head Office and General Manager, Technology Div.

April 1981 Joined the Company  
April 2015 Executive Officer, General Manager, Saga Branch Office  
April 2017 Senior Executive Officer, General Manager, Saga Branch Office  
April 2019 Managing Executive Officer, President, Tokyo Branch Office, Tokyo Head Office  
June 2020 Managing Executive Officer, General Manager, Sales Div., Tokyo Head Office  
June 2023 Director and Senior Managing Executive Officer, Representative, Tokyo Head Office and General Manager, Technology Div. (to the present)



**Sumio Kuratomi**  
Director (part-time)

June 2013 Representative Director and President, NISHI-NIPPON RAILROAD CO., LTD.  
June 2016 Representative Director and President Executive Officer, NISHI-NIPPON RAILROAD CO., LTD.  
June 2016 Director, the Company (to the present)  
April 2021 Representative Director and Chairman, NISHI-NIPPON RAILROAD CO., LTD. (to the present)



**Hiroko Shibasaki**  
Director (part-time)

April 2012 Executive Officer and General Manager of Fukuoka Chuo Branch, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.  
April 2015 Managing Executive Officer, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.  
April 2018 Advisor, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD. (retired in March 2019)  
June 2019 Outside Director, Audit and Supervisory Committee Member, MAZDA MOTOR CORPORATION (to the present)  
June 2021 Director, the Company (to the present)



**Tatsuya Kaneko**  
Director (part-time)

June 2005 Managing Officer, TOYOTA MOTOR CORPORATION (retired in June 2011)  
June 2011 Director and Senior Managing Executive Officer, DAIHATSU MOTOR CO., LTD.  
June 2013 Vice President and Director, DAIHATSU MOTOR CO., LTD. (retired in June 2015)  
June 2015 Representative Director and President, TOYOTA MOTOR KYUSHU, INC.  
June 2018 Representative Director and Chairman, TOYOTA MOTOR KYUSHU, INC. (retired in June 2021)  
June 2022 Director, the Company (to the present)

Skills Matrix of the Board of Directors

Name	Positions and responsibilities	Nomination Advisory Committee	Remuneration Advisory Committee	Corporate management/ R&D/Strategy	Finance/ Accounting	Expected skill areas					
						Legal/Risk management	HR and labor affairs/HR development	Sales/ Marketing	Technology/ R&D/Safety	Sustainability/ ESG/DX	Global experience
<b>Ichirou Fujii</b>	Director and Chairman	○	○	○		○	○			○	
<b>Kazuyuki Ishibashi</b>	Executive Officer Representative President	○	○	○			○	○		○	
<b>Masaaki Jono</b>	Representative Director Vice President Executive Officer			○					○	○	○
<b>Keizo Fukui</b>	Director Senior Managing Executive Officer			○	○	○		○			
<b>Tomoyuki Oshima</b>	Director Senior Managing Executive Officer			○				○	○		○
<b>Sumio Kuratomi</b>	Director	Outside Independent	○	○	○					○	○
<b>Hiroko Shibasaki</b>	Director	Outside Independent Female	○	○		○		○		○	
<b>Tatsuya Kaneko</b>	Director	Outside Independent	○	○				○		○	○
<b>Shinji Kato</b>	Director Audit and Supervisory Committee Member				○	○	○				
<b>Hidetoshi Soeda</b>	Director Audit and Supervisory Committee Member	Outside Independent	○	○				○	○	○	○
<b>Takuji Kato</b>	Director Audit and Supervisory Committee Member	Outside Independent	○	○	○	○		○		○	
<b>Ryoko Torii</b>	Director Audit and Supervisory Committee Member	Outside Independent Female	○	○		○				○	

\*This matrix does not represent all the expertise and experience possessed by Directors.



Management Team of Kyudenko

Executive Officers (excluding those who concurrently serve as Directors)



**Yasuhiro Yamamoto**  
Senior Managing Executive Officer  
General Manager, Sale Div.



**Kazuhiro Suyama**  
Senior Managing Executive Officer  
General Manager, Technology Div.  
Responsible for procurement



**Takahiro Hokahori**  
Managing Executive Officer  
General Manager, Electric Power Div.  
Responsible for safety



**Masakiyo Amakawa**  
Executive Officer  
Deputy General Manager, Green Innovation Business Div.



**Kenji Morita**  
Executive Officer  
Responsible for Electric Power Div.



**Yujiro Kishida**  
Executive Officer  
Deputy General Manager, Green Innovation Business Div.



**Katsuhisa Kinoshita**  
Managing Executive Officer  
General Manager, Green Innovation Business Div.



**Ryoji Manabe**  
Managing Executive Officer  
General Manager, Fukuoka Branch Office



**Takashi Ishimatsu**  
Executive Officer  
General Manager, Tokyo Branch Office, Tokyo Head Office



**Masahiro Tomoike**  
Executive Officer  
General Manager, Nagasaki Branch Office



**Kazuhiro Mimura**  
Executive Officer  
General Manager, Sales Div., Tokyo Head Office



**Tomoyuki Soeda**  
Senior Executive Officer  
Responsible for corporate strategic planning



**Eiji Funatsu**  
Senior Executive Officer  
Responsible for DX promotion



**Hitoshi Yasukawa**  
Senior Executive Officer  
Responsible for Secretarial Office, human resources and labor affairs, and general affairs



**Dai Kinoshita**  
Executive Officer  
Deputy General Manager, Sale Div.



**Masahiro Satake**  
Executive Officer  
Deputy General Manager, Technology Div. and General Manager, Electric Technology Department



**Kazuhiro Nishioka**  
Executive Officer  
General Manager, International Business Department, Technology Div.



**Akira Shirouzu**  
Senior Executive Officer  
General Manager, Finance Div.



**Shinji Mitsuyama**  
Senior Executive Officer  
Deputy General Manager, Sale Div.



**Hiroshi Fujieda**  
Executive Officer  
General Manager, Miyazaki Branch Office

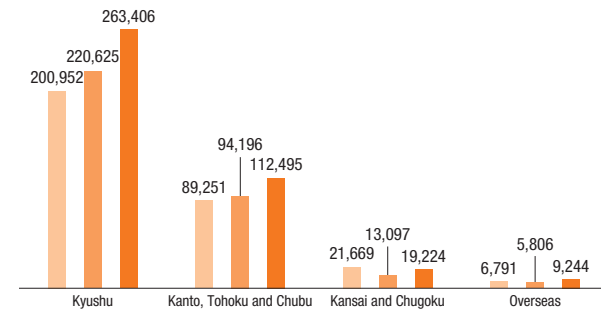




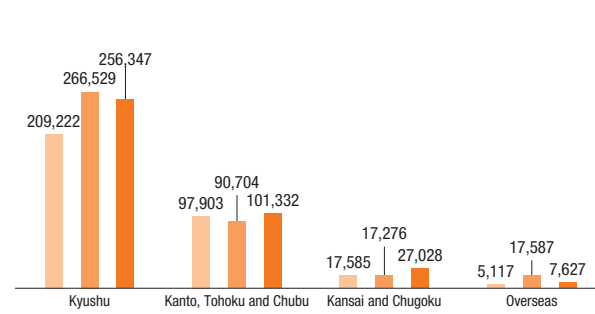
# Financial and Non-financial Highlights

## Financial information

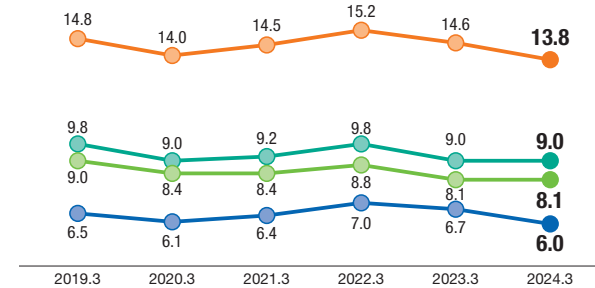
Sales by region (consolidated, excluding power distribution line work) (unit: million yen)  
2022.3 2023.3 2024.3



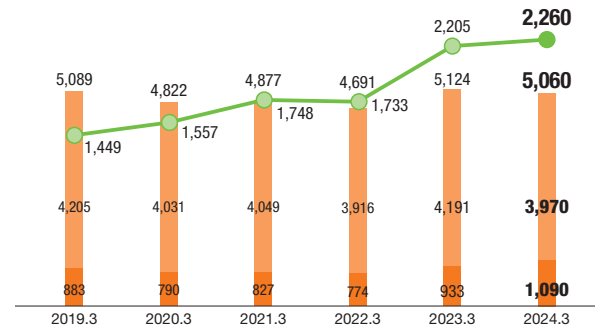
Orders by region (consolidated, excluding power distribution line work) (unit: million yen)  
2022.3 2023.3 2024.3



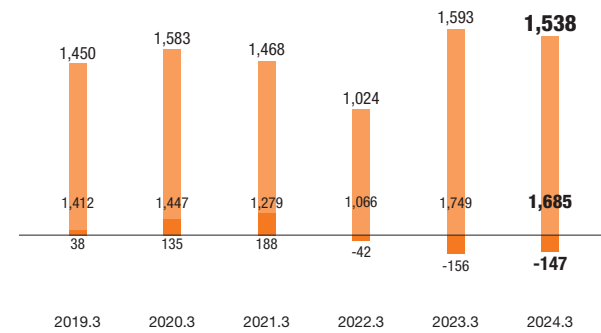
Transition of profit ratio (consolidated) (unit: %)  
Gross profit ratio Operating profit ratio Ordinary profit ratio Net profit margin



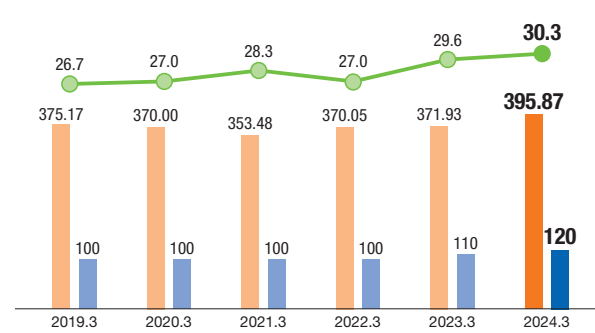
Status of power generation business (consolidated, operated by the Group) (unit: million yen)  
Sales (wind power) Sales (solar power) Operating profit



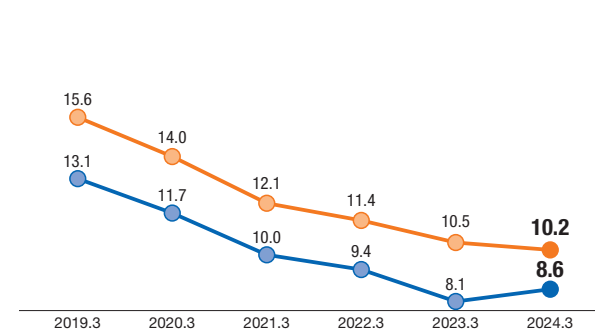
Status of power generation business (consolidated, equity investment) (unit: million yen)  
Non-operating income (wind power) Non-operating income (solar power)



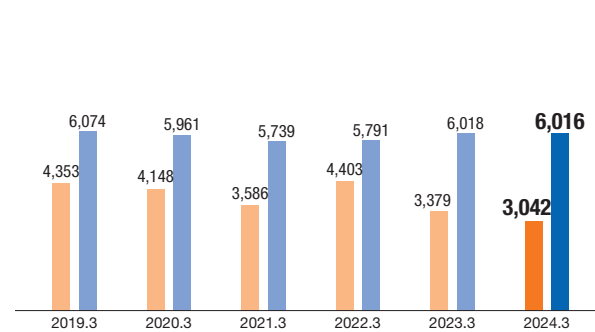
EPS, cash dividends (consolidated) (unit: yen)  
Net profit per share (EPS) Cash dividends per share Payout ratio (unit: %)



ROE, ROIC (consolidated) (unit: %)  
ROE ROIC

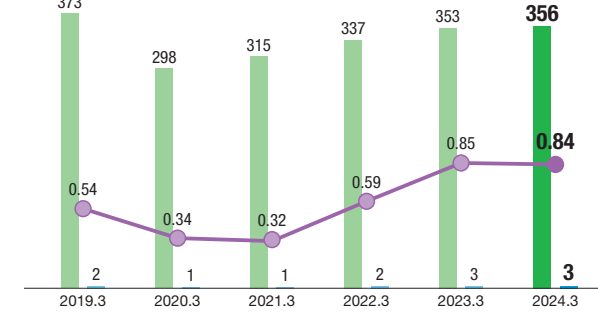


Capital investment, depreciation and amortization (consolidated) (unit: million yen)  
Capital investment Depreciation and amortization

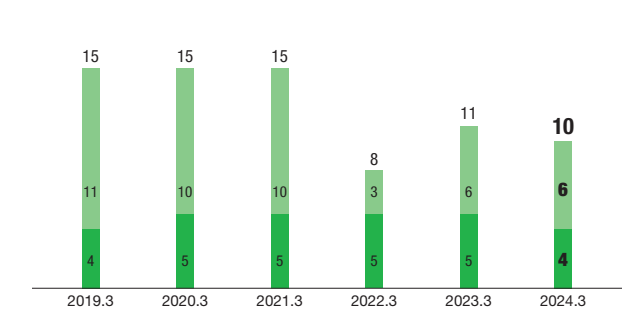


## Non-financial information

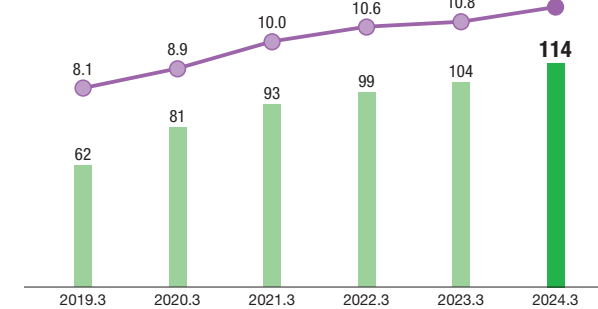
Ratio of women in managerial positions (non-consolidated) (unit: %)  
Number of persons in managerial positions (unit: persons) Percentage of women in managerial positions (unit: %)  
Number of women in managerial positions (unit: persons)



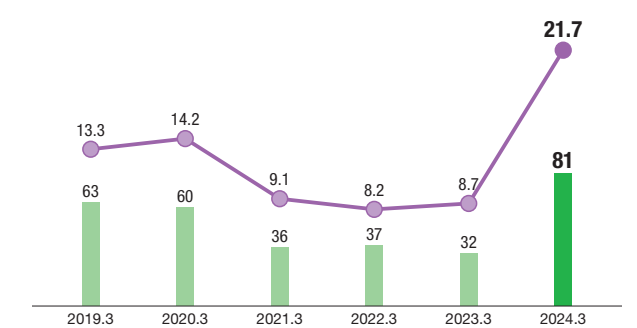
Current number of non-Japanese employees (non-consolidated) (unit: persons)  
Regular employees Non-regular employees



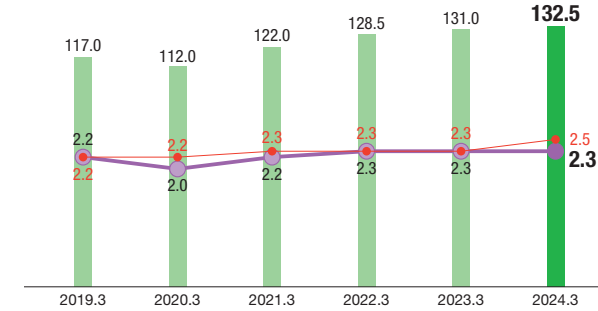
Promotion of mid-career hires to managerial positions (non-consolidated)  
Number of mid-career hires in managerial positions (unit: persons) Percentage of mid-career hires in managerial positions and above (unit: %)



Results of mid-career recruitment (non-consolidated) (unit: persons)  
Number of mid-career hires Ratio of mid-career hires (unit: %)

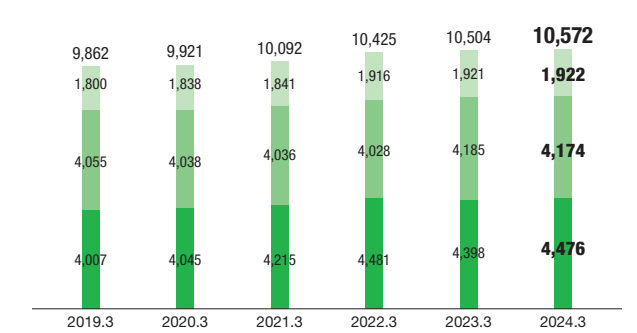


Employment rate of employees with disabilities (non-consolidated) (unit: %)  
Employment rate of employees with disabilities Statutory employment rate  
Number of employees with disabilities (unit: persons)



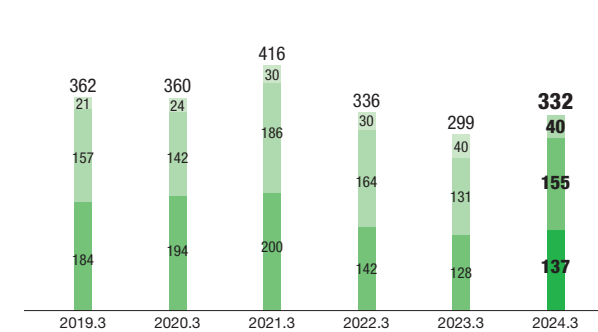
\*Employment rate of employees with disabilities as of March 31, 2024 (consolidated): 1.6%

Number of employees (consolidated, employed) (unit: persons)  
Engineers Technicians Salespersons, administrative staff, etc.

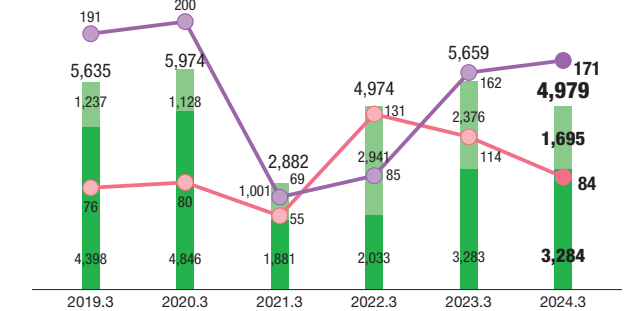


\*Ratio of female employees as of March 31, 2024 (consolidated): 11.4%

Results of periodic recruitment (non-consolidated) (unit: persons)  
Engineers Technicians Salespersons, administrative staff, etc.



Number of training held and number of participants (unit: times and persons)  
Number of training held Academy Non-Academy (including web)  
Number of participants Academy Non-Academy (including web)



10-year Financial Summary

Financial item	(Unit: million yen)										
	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2024.3	
Sales	315,949	311,346	341,771	360,872	408,143	428,939	391,901	376,563	395,783	469,057	
Operating profit	16,757	25,197	30,732	34,726	36,747	36,022	32,998	33,137	32,083	38,016	
Ordinary profit	18,163	27,551	32,187	37,342	39,924	38,643	35,906	36,828	35,462	42,362	
Profit attributable to owners of parent	11,517	17,901	22,297	25,296	26,691	26,245	25,042	26,216	26,349	28,017	
Capital investment	7,606	6,127	7,469	4,245	4,353	4,148	3,586	4,403	3,379	3,042	
Depreciation and amortization	5,262	5,475	5,449	5,512	6,074	5,961	5,739	5,791	6,018	6,016	
Research and development costs	288	255	235	286	326	290	254	267	290	344	
Cash flows from operating activities	19,117	10,776	14,187	29,903	26,054	38,222	9,184	5,252	17,386	43,969	
Cash flows from investing activities	(11,816)	(13,597)	(17,951)	(3,717)	(11,298)	(12,136)	(4,232)	(7,536)	(3,113)	(2,314)	
Free cash flow	7,300	(2,820)	(3,763)	26,185	14,755	26,086	4,951	(2,284)	14,273	41,654	
Cash dividends paid	1,190	2,295	3,732	5,635	7,108	7,099	7,084	7,086	7,087	8,148	
Net assets	104,658	113,199	141,503	164,139	182,176	197,442	221,741	241,194	263,017	291,125	
Total assets	254,942	262,040	300,478	325,153	357,271	368,482	366,532	378,396	446,410	503,284	
Interest-bearing debt	33,939	31,986	36,128	20,078	19,189	17,854	15,772	14,259	37,560	36,551	
											(Unit: yen)
Net profit per share	174.54	272.45	327.22	356.89	375.17	370.00	353.48	370.05	371.93	395.87	
Net assets per share	1,555.33	1,693.45	1,995.00	2,269.48	2,534.46	2,761.07	3,102.61	3,375.43	3,681.85	4,082.95	
Cash dividends per share	25	45	70	90	100	100	100	100	110	120	
Operating profit ratio (%)	5.3	8.1	9.0	9.6	9.0	8.4	8.4	8.8	8.1	8.1	
Net profit margin (%)	3.6	5.7	6.5	7.0	6.5	6.1	6.4	7.0	6.7	6.0	
Gross profit margin (%)	11.7	14.5	15.2	15.7	14.8	14.0	14.5	15.2	14.6	13.8	
Return on equity (ROE) (%)	11.9	16.7	17.8	16.8	15.6	14.0	12.1	11.4	10.5	10.2	
Return on asset (ROA) (%)	4.7	6.9	7.9	8.1	7.8	7.2	6.8	7.0	6.4	5.9	
Return on invested capital (ROIC) (%)	8.5	11.9	13.0	13.2	13.1	11.7	10.0	9.4	8.1	8.6	
Equity ratio (%)	40.3	42.4	46.6	49.7	50.5	53.1	60.0	63.2	58.4	57.4	
Total asset turn over (times)	1.3	1.2	1.2	1.1	1.1	1.2	1.1	1.0	1.0	1.0	
Payout ratio (%)	14.3	16.5	21.4	25.2	26.7	27.0	28.3	27.0	29.6	30.3	



Report on Financial Results and Financial Analysis

(1) Overview of financial results for the year ended March 31, 2024

During the fiscal year ended March 31, 2024, the construction industry saw continued robust demand supported by vigorous large-scale capital investment, including private-sector urban redevelopment projects and semiconductor plant construction. At the same time, the sector is being affected by rising prices, particularly for labor, prompting concerns about a shortage of construction workers, for example due to the need to put in place a labor environment that complies with limits on overtime work that were scheduled to take effect in FY2024.

The Kyudenko Group is no exception, and we have been called upon to take difficult steps to address these challenges at a time when we have more uncompleted construction contracts than at any other time in our history. These steps include construction operations, where we're working to establish optimal personnel structures and reduce overtime work, as well as order booking, where we're moving to ensure we can field the necessary level of construction capability while shifting cost increases onto project pricing as they manifest themselves.

Recognizing the realities of this environment, the Group determined that it is essential to fundamentally review our past methods, approaches, and systems, to realize group-wide work style reform, and to improve productivity. We have set the theme of the Basic Management Policy for FY2023, the fourth year of the Mid-term Management Plan, as "improve productivity for the new era," and accelerated our work style reform efforts.

Facility work

The value of orders received increased by 357 million yen (0.1% increase) to 440,864 million yen as compared to the fiscal year ended March 31, 2023, as we made aggressive personnel adjustments through collaboration between sales and engineering teams and pursued carefully planned order activities founded on optimal personnel assignments based on what we saw as a need to take

steps to accommodate robust demand backed up by vigorous capital investment, including in urban redevelopment projects, semiconductor plants, logistics facilities, and data centers.

Sales increased by 72,268 million yen (19.0% increase) to 452,623 million yen against the backdrop of record uncompleted construction contracts and robust order receipts.

With regard to the Uku solar power project, we managed the construction progress in an appropriate manner and worked earnestly to secure the understanding of interested parties, including the fishery cooperative, while seeking feedback and guidance from local government and other stakeholders, primarily through Ukujima Mirai Energy LLC, which is leading the project.

Segment income (operating profit) increased by 5,798 million yen (20.1% increase) to 34,707 million yen as compared to the fiscal year ended March 31, 2023, due to an increase in sales.

Other business

Sales increased by 1,005 million yen (6.5% increase) to 16,433 million yen as compared to the fiscal year ended March 31, 2023, due to factors such as an increase in the real-estate sales business.

Segment income (operating profit) increased by 224 million yen (7.4% increase) to 3,240 million yen as compared to the fiscal year ended March 31, 2023, due to an increase in sales.

(2) Overview of financial position as of March 31, 2024 Assets

Current assets increased by 46,197 million yen to 324,418 million yen as compared to March 31, 2023, as a result of factors such as an increase in cash on hand and in banks.

Fixed assets increased by 10,675 million yen to 178,865 million yen as compared to March 31, 2023, as a result of factors such as an increase in the market value evaluation of investments in securities.

As a result, total assets increased by 56,873 million yen to 503,284 million yen as compared to March 31, 2023.

Liabilities

Current liabilities increased by 53,836 million yen to 195,527 million yen as compared to March 31, 2023, as a result of factors such as the transfer of the current portion of long-term debt from long-term liabilities and an increase in electronically recorded obligations.

Long-term liabilities decreased by 25,071 million yen to 16,630 million yen as compared to March 31, 2023, as a decrease due to the transfer of long-term debt offset the posting of reserves predicated on the assumption of financial support to non-equity-method companies.

As a result, total liabilities increased by 28,764 million yen to 212,158 million yen as compared to March 31, 2023.

Net assets

Total net assets increased by 28,108 million yen to 291,125 million yen as compared to March 31, 2023, as a result of factors such as the recording of profit attributable to owners of parent.

(3) Overview of cash flows for the year ended March 31, 2024

Cash and cash equivalents (hereinafter referred to as "Cash") as of March 31, 2024 increased by 30,736 million yen to 94,588 million yen as compared to March 31, 2023.

Cash flows from operating activities

Cash provided by operating activities was 43,969 million yen (an increase of 26,583 million yen in cash inflow as compared to the fiscal year ended March 31, 2023). This was mainly due to the recording of profit before income taxes and an increase in notes and accounts payable on construction contracts, which exceeded an increase in notes and accounts receivable on completed construction contracts, an increase in inventories, and consumption tax payments.

Cash flows from investing activities

Cash used in investing activities was 2,314 million yen (a decrease of 798 million yen in cash outflow as compared to the fiscal year ended March 31, 2023). This was mainly

due to the expenditures for purchase of investments in securities and purchase of property and equipment, which exceeded proceeds from sales of investments in securities.

Cash flows from financing activities

Cash used in financing activities was 11,032 million yen (an increase of 22,647 million yen in cash outflow as compared to the fiscal year ended March 31, 2023). This was mainly due to payment of cash dividends and repayments of long-term debt.

(4) Future outlook

Although robust demand is expected continue in the future in the construction industry against the backdrop of urban redevelopment projects and corporate capital investment, concerns remain about construction labor shortages as companies comply with limits on overtime work, rising prices, and, in particular, soaring labor costs.

With the largest scale of work ever in progress, it is important that the Group secures construction personnel and establishes an optimal workforce system that does not let long hours of working happen, and we recognize that these are the biggest challenges we face.

In addition to working to finish three reforms and ongoing initiatives set forth in the Mid-term Management Plan, which ends next year, we will need to adopt sustainability management, including human capital management, as a management strategy and adapt to an environment that is changing at unprecedented speed.

Recognizing the realities of this environment, we are continuing the FY2023 Basic Management Policy theme, "improve productivity for the new era," as the theme for FY2024, the final year of the Mid-term Management Plan. Having updated the plan's most important initiative from FY2023's "accelerate promotion of work style reform" to "realizing work style reforms focusing on motivation and engagement," we are set to implement the initiatives without fail in order to solve the priority issues of the Mid-term Management Plan and translate it into further growth of the Group.

	The year ended March 31, 2023	The year ended March 31, 2024			
		Results	Year-on-year comparison	Plan	Progress
Sales	395,783 (100.0%)	469,057 (100.0%)	118.5%	460,000 (100.0%)	102.0%
Gross profit	57,889 (14.6%)	64,632 (13.8%)	111.6%	64,500 (14.0%)	100.2%
Operating profit	32,083 (8.1%)	38,016 (8.1%)	118.5%	35,500 (7.7%)	107.1%
Ordinary profit	35,462 (9.0%)	42,362 (9.0%)	119.5%	38,000 (8.3%)	111.5%
Profit attributable to owners of parent	26,349 (6.7%)	28,017 (6.0%)	106.3%	26,500 (5.8%)	105.7%
Net profit per share	371.93 yen	395.87 yen			374.05 yen

(unit: million yen, lower row is the ratio to sales)

		March 31, 2023	March 31, 2024	Increase/decrease	Major reason for increase/decrease
Assets	Current assets	278,220 (62.3%)	324,418 (64.5%)	46,197	Cash on hand and in banks +31,013 Notes receivable, accounts receivable on completed construction contracts and other accounts receivable +15,985 Consumption taxes refund receivable (4,135)
	Fixed assets	168,189 (37.7%)	178,865 (35.5%)	10,675	Investments in securities +9,150 Asset for retirement benefits +4,383
	Total assets	446,410 (100.0%)	503,284 (100.0%)	56,873	
Liabilities	Current liabilities	141,691 (31.7%)	195,527 (38.9%)	53,836	Electronically recorded obligations +19,118 Short-term borrowings +26,469 Accrued consumption taxes +6,105
	Long-term liabilities	41,702 (9.4%)	16,630 (3.3%)	(25,071)	Long-term debt (27,578) Provision for loss on business of subsidiaries and associates +2,260
	Total liabilities	183,393 (41.1%)	212,158 (42.2%)	28,764	
Total net assets		263,017 (58.9%)	291,125 (57.8%)	28,108	Shareholders' equity +19,446 Unrealized holding gain on securities +5,381
Total liabilities and net assets		446,410 (100.0%)	503,284 (100.0%)	56,873	

(unit: million yen, lower row is composition ratio)

Consolidated Balance Sheet

(Unit: million yen)		
	March 2023	March 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	67,534	98,548
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	148,902	164,887
Costs of uncompleted construction	7,428	9,949
Merchandise	1,203	614
Raw materials and supplies	31,364	33,359
Other current assets	21,790	17,059
Allowance for doubtful accounts	(3)	(0)
<b>Total current assets</b>	<b>278,220</b>	<b>324,418</b>
<b>Fixed assets</b>		
<b>Property and equipment</b>		
Buildings and structures	76,168	75,777
Machinery, vehicles, tools, furniture and fixtures	45,607	45,308
Land	29,914	30,207
Leased assets	8,087	8,084
Construction in progress	382	864
Accumulated depreciation	(78,415)	(81,574)
<b>Total property and equipment</b>	<b>81,745</b>	<b>78,667</b>
<b>Intangible assets</b>		
Goodwill	821	507
Customer related assets	1,518	1,298
Other intangible assets	1,938	2,584
<b>Total intangible assets</b>	<b>4,278</b>	<b>4,390</b>
<b>Investments and other assets</b>		
Investments in securities	64,494	73,645
Long-term loans receivable	89	14
Asset for retirement benefits	10,445	14,829
Deferred tax assets	2,468	2,129
Other	5,652	6,193
Allowance for doubtful accounts	(985)	(1,004)
<b>Total investments and other assets</b>	<b>82,166</b>	<b>95,808</b>
<b>Total fixed assets</b>	<b>168,189</b>	<b>178,865</b>
<b>Total assets</b>	<b>446,410</b>	<b>503,284</b>

(Unit: million yen)			
	March 2023	March 2024	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes payable, accounts payable on construction contracts and other accounts payable	69,832	71,617	
Electronically recorded obligations	28,762	47,881	
Short-term borrowings	2,461	28,930	
Income taxes payable	5,984	10,712	
Advances received on uncompleted construction contracts	26,550	21,553	
Provision for loss on construction contracts	21	262	
Other current liabilities	8,077	14,569	
<b>Total current liabilities</b>	<b>141,691</b>	<b>195,527</b>	
<b>Long-term liabilities</b>			
Long-term debt	30,604	3,025	
Lease obligations	3,341	3,380	
Provision for retirement benefits for directors (and other officers)	327	309	
Liability for retirement benefits	3,980	3,774	
Provision for share-based payments	—	87	
Provision for loss on business of subsidiaries and associates	—	2,260	
Other long-term liabilities	3,448	3,792	
<b>Total long-term liabilities</b>	<b>41,702</b>	<b>16,630</b>	
<b>Total liabilities</b>	<b>183,393</b>	<b>212,158</b>	
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	12,561	12,561	
Capital surplus	13,046	13,069	
Retained earnings	233,918	253,824	
Treasury stock	(10)	(493)	
<b>Total shareholders' equity</b>	<b>259,516</b>	<b>278,962</b>	
<b>Accumulated other comprehensive income</b>			
Unrealized holding gain on securities	2,428	7,810	
Unrealized loss on hedging instruments	(16)	61	
Translation adjustments	688	890	
Retirement benefit liability adjustments	(1,774)	1,056	
<b>Total accumulated other comprehensive income (loss)</b>	<b>1,325</b>	<b>9,818</b>	
<b>Non-controlling interests</b>	<b>2,175</b>	<b>2,344</b>	
<b>Total net assets</b>	<b>263,017</b>	<b>291,125</b>	
<b>Total liabilities and net assets</b>	<b>446,410</b>	<b>503,284</b>	

Consolidated Statement of Income

(Unit: million yen)		
	FY2022	FY2023
<b>Net sales</b>		
Construction contracts	380,355	452,623
Other	15,428	16,433
<b>Total net sales</b>	<b>395,783</b>	<b>469,057</b>
<b>Cost of sales</b>		
Construction contracts	326,874	392,462
Other	11,019	11,961
<b>Total cost of sales</b>	<b>337,894</b>	<b>404,424</b>
<b>Gross profit</b>		
Construction contracts	53,480	60,160
Other	4,408	4,472
<b>Total gross profit</b>	<b>57,889</b>	<b>64,632</b>
Selling, general and administrative expenses	25,806	26,615
<b>Operating profit</b>	<b>32,083</b>	<b>38,016</b>
<b>Non-operating income</b>		
Interest income	63	211
Dividend income	716	1,441
Equity in earnings of affiliates	732	970
Gain on investments in partnership	1,427	1,392
Rent income	322	318
Other	867	745
<b>Total non-operating income</b>	<b>4,130</b>	<b>5,080</b>
<b>Non-operating expenses</b>		
Interest expenses	424	466
Extra retirement payments	58	89
Provisions of allowance for doubtful accounts subsidiary	17	14
Provisions of allowance for doubtful accounts	—	103
Settlement payments	87	—
Other	162	61
<b>Total non-operating expenses</b>	<b>750</b>	<b>734</b>
<b>Ordinary profit</b>	<b>35,462</b>	<b>42,362</b>
<b>Extraordinary income</b>		
Gain on sales of property and equipment	310	39
Gain on sales of investments in securities	4,247	2,667
<b>Total extraordinary income</b>	<b>4,558</b>	<b>2,706</b>
<b>Extraordinary loss</b>		
Loss on disposal and sales of fixed assets	223	371
Loss on sales of investments in securities	—	0
Impairment loss on investments in securities	602	422
Impairment losses	326	856
Loss on liquidation of a subsidiary	74	—
Provision for loss on business of subsidiaries and associates	—	2,260
<b>Total extraordinary loss</b>	<b>1,227</b>	<b>3,910</b>
<b>Profit before income taxes</b>	<b>38,793</b>	<b>41,158</b>
Income taxes – current	11,157	15,713
Income taxes – deferred	1,198	(2,796)
<b>Total income taxes</b>	<b>12,355</b>	<b>12,917</b>
<b>Profit</b>	<b>26,437</b>	<b>28,240</b>
Profit attributable to non-controlling interests	88	223
<b>Profit attributable to owners of parent</b>	<b>26,349</b>	<b>28,017</b>



Consolidated Statement of Cash Flows

	FY2022	FY2023
(Unit: million yen)		
Cash flows from operating activities		
Profit before income taxes	38,793	41,158
Depreciation and amortization	6,018	6,016
Impairment losses	326	856
Decrease in allowance for doubtful accounts	(24)	15
Increase in retirement benefit asset	(3,064)	(536)
(Decrease) increase in liability for retirement benefits and provision for retirement benefits for directors (and other officers)	1,544	(330)
Increase (decrease) in provision for loss on construction contracts	(170)	240
Increase (decrease) in provision for loss on business of subsidiaries and associates	—	2,260
Gain on investments in partnership	(1,427)	(1,392)
Interest and dividend income	(780)	(1,653)
Interest expenses	424	466
Foreign exchange gain	(168)	(89)
Equity in earnings of affiliates	(414)	(675)
Gain on sales of property and equipment, net	(310)	(39)
Loss on disposal of fixed assets	208	365
Impairment loss on investments in securities	602	422
Gain on sales of investments in securities	(4,247)	(2,667)
Increase in accounts receivable	(11,791)	(15,594)
Decrease (increase) in costs of uncompleted construction contracts	(1,689)	(2,476)
Increase in inventories	(8,545)	(1,403)
Increase in notes and accounts payable on construction contracts	9,552	20,767
(Decrease) increase in advances received on uncompleted construction contracts	15,076	(5,251)
(Decrease) increase in long-term accounts payable	87	(35)
Decrease in consumption taxes, net	(4,090)	10,223
Other, net	(6,386)	3,264
Subtotal	29,522	53,913
Interest and dividend income received	763	1,626
Interest expenses paid	(424)	(466)
Income taxes paid	(12,474)	(11,103)
Net cash provided by operating activities	17,386	43,969
Cash flows from investing activities		
Payments into time deposits	(3,738)	(7,084)
Proceeds from withdrawal of time deposits	1,503	7,038
Purchase of property and equipment	(2,940)	(1,836)
Proceeds from sales of property and equipment	445	289
Payments of disposal of property, plant and equipment	(126)	(182)
Purchase of investments in securities	(3,415)	(2,105)
Proceeds from sales of investments in securities	5,754	3,354
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(97)	(361)
Payments of long-term loans receivable	(34)	—
Collection of long-term loans receivable	366	35
Other, net	(831)	(1,462)
Net cash used in investing activities	(3,113)	(2,314)
Cash flows from financing activities		
Net decrease in short-term borrowings	(18)	122
Proceeds from long-term debt	27,000	—
Repayments of long-term debt	(7,057)	(1,231)
Purchase of treasury stock	(2)	(482)
Cash dividends paid	(7,087)	(8,148)
Cash dividends paid to non-controlling shareholders	(2)	(4)
Repayments to non-controlling shareholders	(22)	(22)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	60	—
Other, net	(1,253)	(1,265)
Net cash provided by (used in) financing activities	11,615	(11,032)
Effect of exchange rate changes on cash and cash equivalents	171	113
Net increase (decrease) in cash and cash equivalents	26,060	30,736
Cash and cash equivalents at the beginning of the year	37,791	63,851
Cash and cash equivalents at the end of the year	63,851	94,588

Corporate Profile and Stock Information

Corporate profile

Corporate Name	Kyudenko Corporation	Construction Business License	Approved by Minister of Land, Infrastructure, Transport and Tourism (Sp. 4) No. 1659	Major Offices	[Japan]
Established	December 1, 1944				Head Office
Head Office	1-23-35 Nanokawa, Minamiku, Fukuoka city, 815-0081 JAPAN Tel: +81-92-523-1691 Fax: +81-92-524-3269		Electrical Contracting Work Telecommunications Engineering Firefighting Facilities Work Plumbing Work Machinery, Equipment, and Facility Work Water Supply Facilities Work Sanitation Facilities Work		Kumamoto Branch Office
Capital	12,561 million yen			Civil Engineering Business	Nagasaki Branch Office
Number of Employees	(Consolidated) 10,572 (Non-consolidated) 6,487			Architectural and Construction Business	Saga Branch Office
				Paving Work	Tokyo Branch Office
				Scaffolding and Excavation Business	Oita Branch Office
				Steel Structure Work	Yokohama Branch Office
				Interior Finishing Business	Kansai Branch Office
					Okinawa Branch Office
					Uku Project Development Office

Stock information

Fiscal year	Every year from April 1 to March 31 in the following year
Annual general meeting of shareholders	Held every year in June
Record date of dividends payment	Year-end March 31 Interim September 30
Method of public notice	Electronic public notice will be posted on the Company's website (https://www.kyudenko.co.jp). However, if an electronic public notice cannot be made due to an accident or other unavoidable reason, it will be posted on the Nihon Keizai Shimbun.
Stock exchange listing	Prime Market of Tokyo Stock Exchange Fukuoka Stock Exchange
Stock index	JPX-Nikkei Index 400
Securities code	1959
Category of business	Construction
Trading unit of shares	100 shares
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Office of administrator	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited https://www.smtb.jp/personal/procedure/agency/ (Mailing address) 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 (Contact number) Phone 0120-782-031 (toll-free in Japan) [Weekdays 9:00-17:00]

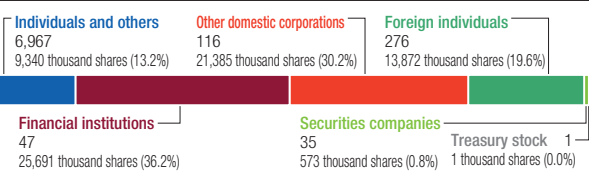
Status of shares

	(as of March 31, 2024)
Total number of authorized shares	250,000,000 shares
Total outstanding shares	70,864,961 shares
Number of shareholders	7,442

Major shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Kyushu Electric Power Company, Incorporated	15,980	22.55
The Master Trust Bank of Japan, Ltd. (trust account)	7,432	10.48
Custody Bank of Japan, Ltd. (trust account)	6,108	8.61
THE NISHI-NIPPON CITY BANK, LTD.	3,249	4.58
The Bank of Fukuoka, Ltd.	3,133	4.42
Kyudenko Employees Shareholding Association	1,790	2.52
Kyudenko Labor Union	1,300	1.83
Nishi-Nippon Railroad Co., Ltd.	1,142	1.61
MUFG Bank, Ltd.	1,133	1.59
JAPAN POST INSURANCE Co., Ltd.	1,000	1.41
Note: Shareholding ratio is calculated excluding treasury stock (1,621 shares).		

Distribution of shares



Policy on dividends of surplus and trend of dividends

Policy on dividends of surplus

With respect to profit distribution, we will strive to maintain a sound financial position and make appropriate returns to shareholders that are conscious of capital cost while strengthening our management base to improve performance and securing internal reserves necessary for further business expansion.

With respect to dividends, we will meet the expectations of our shareholders by maintaining continuous and stable dividend payment, based on a consolidated payout ratio target of 25%, comprehensively considering the business environment, performance, and financial condition.

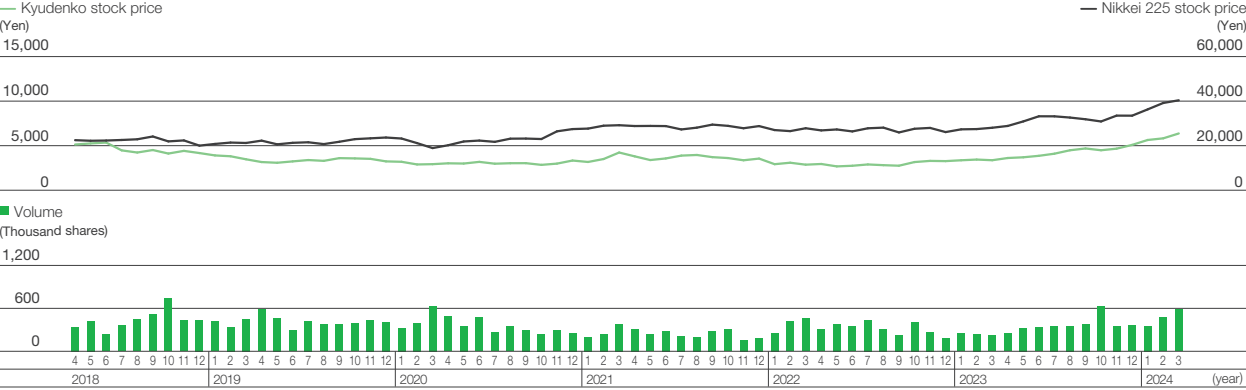
Trend of dividends

	2020.3	2021.3	2022.3	2023.3	2024.3	2025.3 (forecast)
Interim dividends	50 yen	50 yen	50 yen	50 yen	55 yen	65 yen
Year-end dividends	50 yen	50 yen	50 yen	60 yen	65 yen	65 yen
Total	100 yen	100 yen	100 yen	110 yen	120 yen	130 yen

Rating information

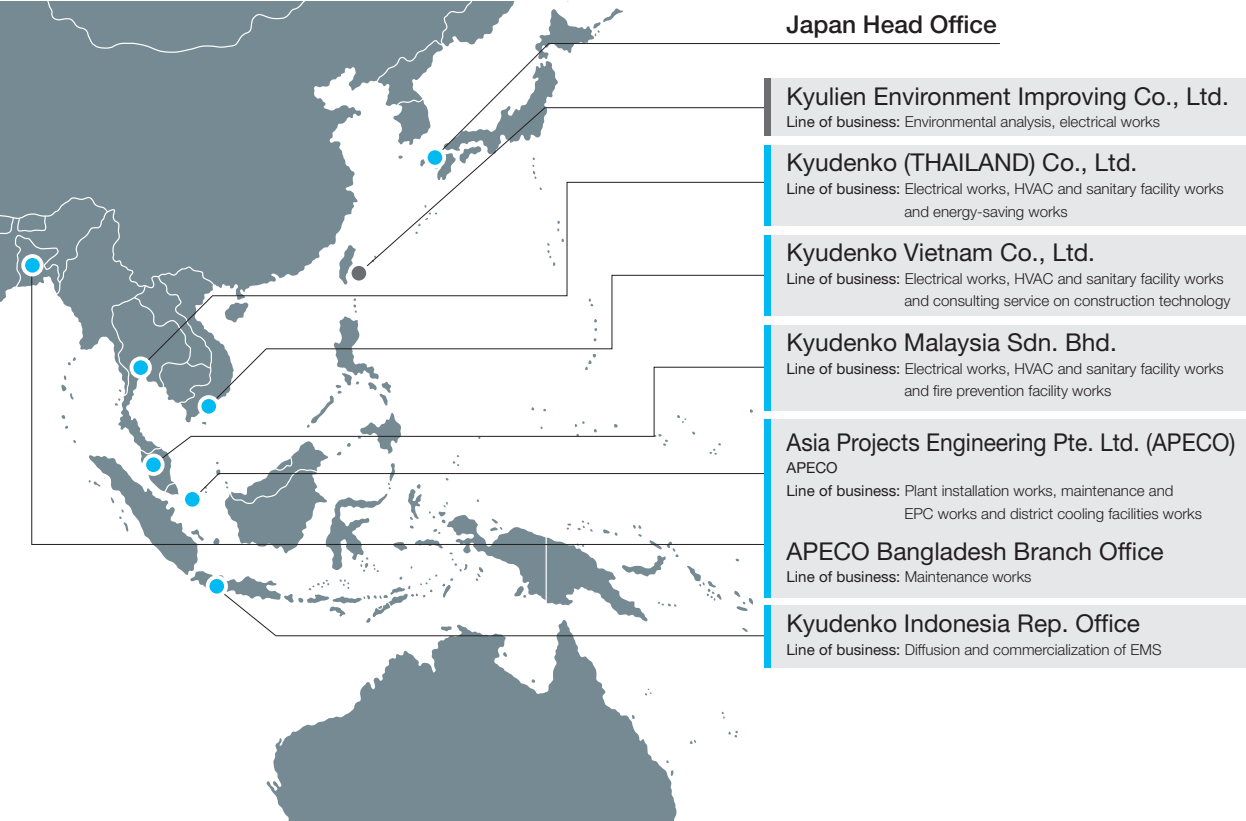
Name of rating institution	Name of rating	Rating
Rating and Investment Information, Inc. (R&I)	issuer rating	A <sup>+</sup>

Trend of stock price/volume



Business Locations

Overseas Locations

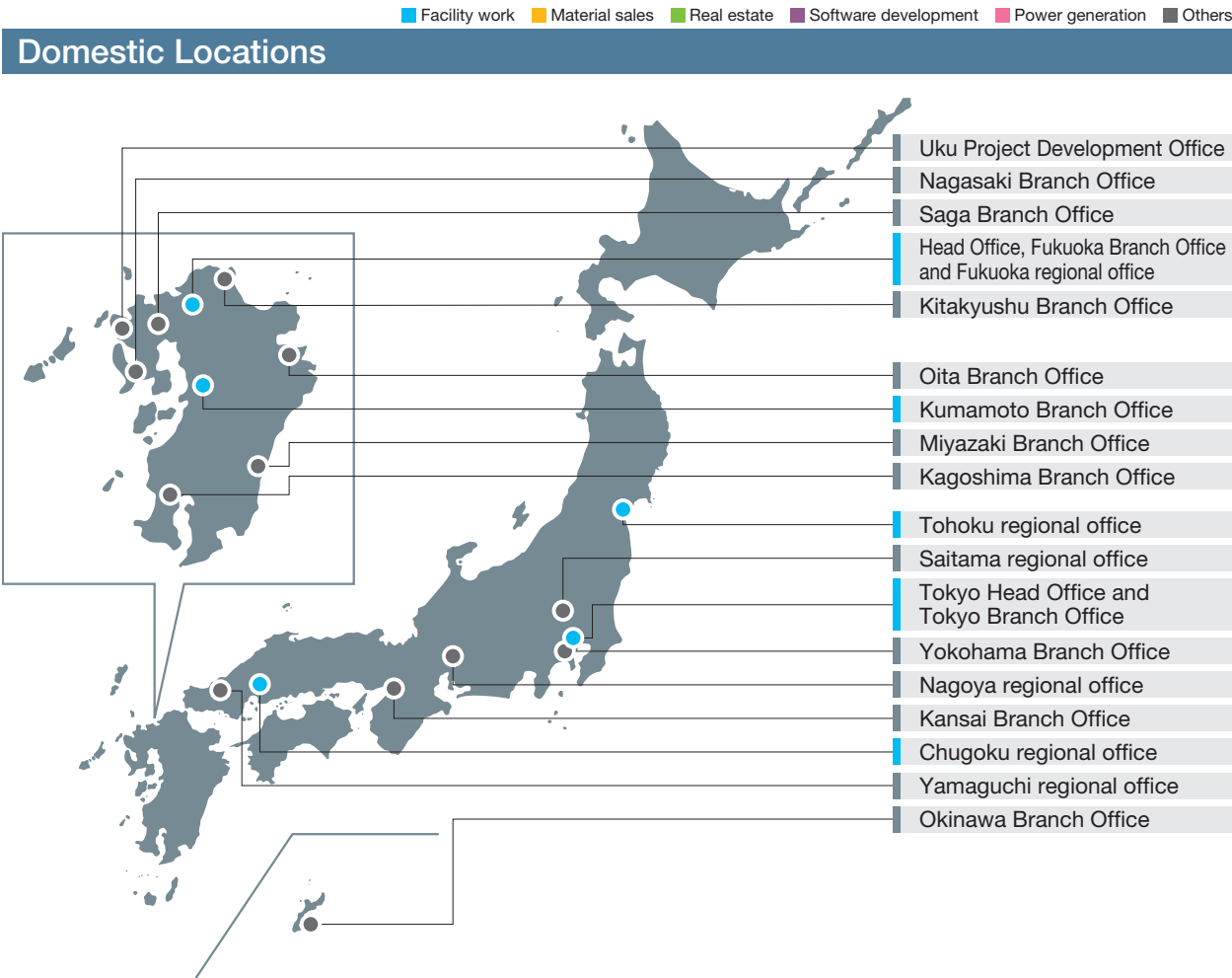


Overseas group companies

(as of April 1, 2024)

Taiwan	
Others	Kyulien Environment Improving Co., Ltd. No. 49, Ln. 90, Gong 5th Rd., Longtan District, Taoyuan City, Taiwan
Malaysia	
Facility work	Kyudenko Malaysia Sdn. Bhd. 59-8 The Boulevard, Mid Valley City, No.1, Medan Syed Putra Utara 59200 Kuala Lumpur Malaysia
Vietnam	
Facility work	Kyudenko Vietnam Co., Ltd. No.170, Tran Quang Khai st., Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam
Thailand	
Facility work	Kyudenko (THAILAND) Co., Ltd. Unit 16B, Floor 16, Bangnathani Building, 1/33, Soi Bangna-Trad 34, Bangna Sub-district, Bangna District, Bangkok
Singapore	
Facility work	Asia Projects Engineering Pte. Ltd. 32 Penjuru Road, Singapore 609136

Domestic Locations



Domestic consolidated subsidiaries (46 companies)

(as of April 1, 2024)

Fukuoka	
Real estate	kyu-denko home, Inc.
Material sales	Q-mast Co., Ltd.
Facility work	Setsubihoshu center Co., Ltd.
Software	Automation technology Co., Ltd.
Others	Net medical center Co., Ltd.
Others	Portal Co., Ltd.
Others	Kyudenko friendly Co., Ltd.
Others	Bayside place hakata Co., Ltd.
Facility work	Kakusokukeisou Co., Ltd.
Facility work	Fukuoka densetsu Co., Ltd.
Facility work	Chikugo densetsu Co., Ltd.
Facility work	Fukuto densetsu Co., Ltd.
Facility work	Kyusetsu Co., Ltd.
Facility work	Kitasetsu Co., Ltd.
Oita	
Facility work	Oita densetsu Co., Ltd.
Facility work	Fusokogyo Co., Ltd.
Miyazaki	
Facility work	Meikousha Co., Ltd.
Facility work	Miyaei Co., Ltd.
Kagoshima	
Others	Three in Co., Ltd.
Facility work	Minamikyushu densetsu Co., Ltd.
Facility work	Kaei densetsu, Co., Ltd.
Facility work	Kyukinsetsubikogyo Co., Ltd.
Power generation	Kagoshima solar farm, Co., Ltd.
Power generation	Kirishima Wood Biomass Power Co., Ltd.
Kumamoto	
Facility work	Yuei densetsu Co., Ltd.
Facility work	Kuma densetsu Co., Ltd.
Facility work	Higo-setubi Co., Ltd.
Nagasaki	
Facility work	Choei Co., Ltd.
Facility work	Chohoku densetsu Co., Ltd.
Facility work	Kyusetsukougyou Co., Ltd.
Facility work	ITO PIPE FITTING Co., Ltd.
Saga	
Others	kyudenko hokuzan kanko Co., Ltd.
Facility work	Jinnouchikoumuten Co., Ltd.
Facility work	Ariake densetsu Co., Ltd.
Miyagi	
Power generation	Natori mega solar kyudenko green kikaku limited liability partnership
Aichi	
Power generation	Atsumi Green Power Co., Ltd.
Tokyo	
Facility work	Kyukousogosetsubi Co., Ltd.
Facility work	Kyutie Co., Ltd.
Facility work	Chuorika Kougyo Co., Ltd.
Chiba	
Facility work	Syoeidensetsu Co., Ltd.
Kanagawa	
Facility work	Ergotech Co., Ltd.
Ibaraki	
Facility work	Seiwakougyou Co., Ltd.
Fukushima	
Facility work	Sanyudensetsu Co., Ltd.
Osaka	
Facility work	Koteradengyo Co., Ltd.
Facility work	Kawachikougyou Co., Ltd.
Okinawa	
Facility work	Ryuhou Engineering Corporation



# Kyudenko Corporation

1-23-35 Nanokawa, Minamiku, Fukuoka city, 815-0081 JAPAN  
Tel: +81-92-523-1691 Website: <https://www.kyudenko.co.jp/>



Website



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