



中電工

CHUDENKO Report

2023

Integrated Report
Year ended March 31, 2023

Change & Growth For All





Change & Growth For All—Toward Sustainable Growth—

Change & Growth For All

Company Motto



Magokoro

Corporate Philosophy

Corporate mission

As a general equipment engineering company, we contribute to the development of society through creating value added to everyday life and the business environment for our customers.

Business mindset

1. Obtain trust from customers and shareholders and become the company of choice.
2. Be environmentally friendly while meeting strict quality standards.
3. Improve and enhance technical capability in general.
4. Be mindful of people and promote a working environment that is safe and energetic.
5. Maintain a strong business foundation by securing orders and promoting efficient management.

Corporate guidelines

1. Establish trust with customers with one's whole heart, and always be aware of customer satisfaction and results when taking action.
2. Be responsible and proactive when working, and aim for speedy decision making and accelerating business processes.
3. Don't stick to conventional methods; always be flexible and have that spirit of challenge.
4. Stick to social rules and be mindful of common sense in one's actions.

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Editorial policy

This report describes the Chudenko Group's basic approach to its business activities as a whole, as well as results and other information pertaining to fiscal 2022.

Period covered: Fiscal 2022 (April 1, 2022–March 31, 2023)

Note: This includes some activities that took place beyond the period mentioned.

Scope: Chudenko Corporation and its Group companies

Cautionary note regarding forward-looking statements

The forward-looking statements pertaining to earnings forecasts and other matters in this report are based on information available to and certain assumptions judged reasonable by the Company at the time of publication, and include potential risks and uncertainties. As such, actual earnings and other outcomes may differ from the content of this report due to a variety of factors.

As a general equipment engineering company, we contribute to achieving a sustainable society

Business domains

General Work Business

Main customers: General contractors, manufacturing industry, hotels, hospitals, schools, public agencies, etc.



Indoor Electrical Work 48.3%

This segment is responsible for the design, construction, and maintenance of various kinds of electrical equipment. We also focus on environmental work such as renewable energy, aiming to provide optimal electrical equipment that achieves even greater comfort while conserving more energy.



Air-Conditioning Piping Work 21.1%

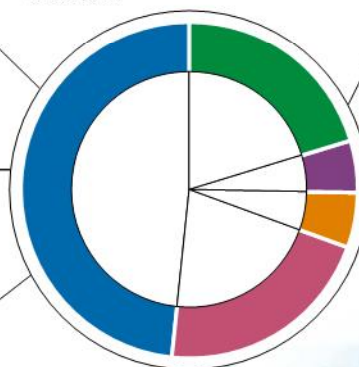
This segment is responsible for the design, construction and maintenance of air-conditioning, plumbing, firefighting, and other equipment. We also actively propose renewal plans that utilize the latest energy-conserving systems to provide customers with comfortable and efficient business environments.



Information Communication Equipment Work 5.2%

This segment is responsible for general work related to the sophisticated information and communication systems that are essential to modern society. We use advanced technology to meet the needs of our customers, which includes "creating a richer living environment" and "ensuring the safety and security of communities."

Breakdown of net sales (parent)



Electric Power Business

Main customers: Chugoku Electric Power Transmission & Distribution Company, Incorporated

Distribution Line Work 20.4%

This segment is responsible for new installations of overhead distribution lines, replacement of electricity poles and other work. We deliver a stable supply of electricity to our customers by combining highly reliable construction techniques with advanced technology. In the event of a natural disaster, we move swiftly to the site of the incident to take on the task of restoring lifelines.



Underground Power Line Work for Power Transmission and Distribution 5.0%

This segment is responsible for the design, construction, and maintenance of equipment for power transmission and distribution and for underground power lines as well as for special high-voltage power-receiving equipment for private use. Based on more than 50 years of business experience and our extensive performance record, we support the stable supply of electricity.



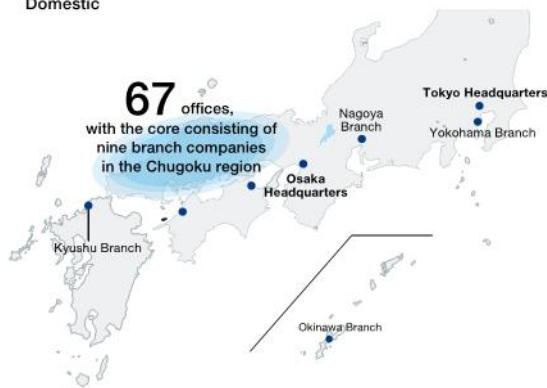
Business network

We continue to develop our business in the five prefectures of the Chugoku region, in urban areas such as Tokyo, Osaka, and Nagoya urban areas, as well as overseas.

Overseas



Domestic



Net sales by region

In accordance with our medium-term management plan, while further strengthening our business base in the Chugoku region, we will move forward to establish structures to tap urban areas where we expect demand.

Net sales in the Chugoku region have been in the range of ¥130.0 billion to ¥140.0 billion in recent years, and net sales in urban areas are on the rise. Net sales in urban areas and overseas in fiscal 2022 exceeded the previous fiscal year, demonstrating steady results.

Going forward we will continue to strengthen our foundation in the Chugoku region while seeking to expand our business in urban areas.

Consolidated net sales (Billions of yen)

Urban areas / overseas as percentage of net sales 15% ▶ 31%



Over a history of more than 75 years, we have achieved growth as a general equipment engineering company by repeatedly transforming ourselves



Ceremony to launch the business

1944 Company is established

At the order of the Ministry of Munitions, 12 companies involved in electrical work and located mainly in the five prefectures of the Chugoku region were integrated into a single electrical work company with capital of ¥1.5 million. This company, named Chugoku Electrical Work Co., Ltd., was established at 33 Komachi, Hiroshima City.

(Not sales over time)

1944 1950 1960 1970 1980 1990 2000 2010 2020 (FY)

Timeline

1944 Chugoku Electrical Work Co., Ltd. is established
1949 Listed on Hiroshima Stock Exchange
1950 Tokyo Office (now Tokyo Headquarters) is opened
1956 Successfully develops construction method using vinyl-sheathed vinyl-insulated flat cable (VVF)

1960 Technician Training Center (now the Training Center) is opened
1968 Listed on the 2nd Section of the Osaka Stock Exchange
1970 Listed on the Second Section of the Tokyo Stock Exchange

1972 Listed on the First Section of the Tokyo Stock Exchange / First Section of the Osaka Stock Exchange
1980 Company motto "Magokoro" established

1990 Company name changed to Chudenko Corporation
1990 Marathon Team (now the Chudenko Running Team) is established
1996 Head office relocates to 6-12, Koamicho, Naka-ku Hiroshima City (current location)

2000 Obtained ISO 9001 certification
2001 Corporate Philosophy established
2002 Obtained ISO 9001 certification

2004 Changed corporate emblem and flag
2008 Exhibited at the Japan Electrical Construction Association (JECA) Fair for the first time
2015 Opened practical safety training facility
2022 Moved to Tokyo Stock Exchange Prime Market

1944— Our strength is our high level of technical capability

We use the technical expertise accumulated over more than half a century since the founding of the company to respond to a wide range of needs. Going forward, we will continue to gain the trust of customers with our quality and a high level of technical capability that keeps up with the changing times, seeking to maintain our position as a company of choice.

1963

WorldSkills gold medal award parade



At the 12th WorldSkills Competition held in Dublin, Ireland, Kazunori Kawai represented Japan in the Electrical Installations event, winning the gold medal. (Photo: Scene of the welcome parade in Hiroshima)

1979

Chudenko wins large order for refinery in Saudi Arabia



In 1966, the company won its first overseas business in the shape of an order for electrical equipment work in South Korea. It subsequently received orders in Pakistan, the Philippines, and Saudi Arabia, with its young and talented engineers making significant contributions to these countries. (Photo: Riyadh Refinery in Saudi Arabia)

1998

"Multi-functional vehicle for distribution lines" wins Shibusawa Prize



The company has won the Japan Electric Association's prestigious Shibusawa Prize a total of 19 times between its first such win in 1956, and 2021. This prize is awarded to organizations for outstanding performance in the field of electrical safety.

2000— Expanding the business through M&As and establishing overseas subsidiaries

As a forward-looking investment in sustainable growth, we are proceeding to establish structures in urban areas, expand the business, and pursue M&As. These varied measures have made a significant contribution to consolidated performance, and going forward we will continue to invest actively for growth with the aim of ensuring the further development of the Group.

2010

CHUDENKO (Malaysia) Sdn. Bhd. established



Our first overseas subsidiary (Group company) was established in the Malaysian capital of Kuala Lumpur. (Photo: UOA BANGSAR Building where the subsidiary is located)

2016

Sugiyamakankousetsubi Co., Ltd. and Hayamizudenki Co., Ltd. become Group companies



With the objective of expanding work and extending services in the Tokyo Metropolitan region and the Kyoto, Osaka, and Kobe area, we welcomed to the Group two electrical work companies with a high degree of expertise and technical capabilities. (Top: Sugiyamakankousetsubi Co., Ltd.; Bottom: Hayamizudenki Co., Ltd.)

2017

RYB Engineering Pte. Ltd. becomes part of Group



Aiming to expand the business in Southeast Asia, we executed our first overseas M&A to add Singaporean electrical work company RYB Engineering Pte. Ltd. to the Group.

2020

Showa Corporation becomes part of Group



With the focus on providing high value-added services by cooperating and complementing with regard to our marketing activities, etc. in urban areas and by working together with our Air-Conditioning Piping Work business, we made Showa Corporation part of the Chudenko Group.

FY 2024 target for consolidated net sales target:

¥210.0 bn.

2020 COVID-19 pandemic

FY 2022 consolidated net sales:

¥189.0 bn.



Changed corporate emblem and flag (2004)

1995 Great Hanshin-Awaji Earthquake

1991 Bursting of the economic bubble



Head office relocates to 6-12, Koamicho, Naka-ku Hiroshima City (1996)

2011 Great East Japan Earthquake

2008 Lehman Brothers bankruptcy



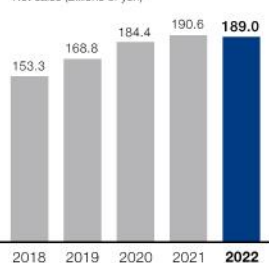
Constructed a new ZEB-compliant building for the Okayama Supervising Branch (2019)

Financial (consolidated)

Net sales

189.0

Net sales (Billions of yen)



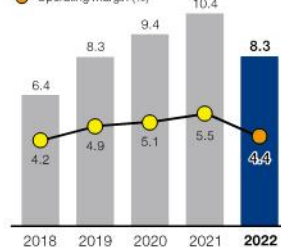
Parent net sales declined ¥4.7 billion due in part to a decrease in Information Communication Equipment Work, while net sales at consolidated subsidiaries increased by ¥3.1 billion, resulting in consolidated net sales falling ¥1.6 billion (-0.9%) year on year to ¥189.0 billion.

Operating profit / Operating margin

8.3

4.4%

Operating profit (Billions of yen)
Operating margin (%)



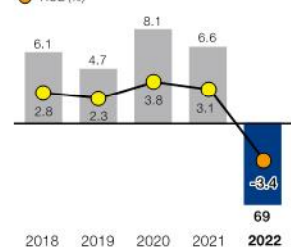
Operating profit decreased by ¥2.0 billion (-19.8%) to ¥8.3 billion as gross profit declined in response to a fall in sales and lower construction profitability, despite rigorous efforts to control costs. The operating margin was 4.4%.

Profit attributable to owners of parent / ROE

-6.9

-3.4%

Profit attributable to owners of parent (Billions of yen)
ROE (%)



Profit attributable to owners of parent recorded a net loss of ¥6.9 billion, a decrease of ¥13.5 billion year on year, due to the booking of equity-method investment losses related to overseas business investments. ROE* fell by 6.5 points to -3.4% due to the recording of the net loss.

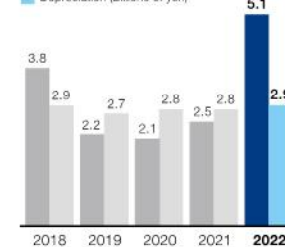
* ROE: Return on equity

Capital expenditures / Depreciation

5.1

2.9

Capital expenditures (Billions of yen)
Depreciation (Billions of yen)



Capital expenditures increased from the previous fiscal year by ¥2.6 billion (103.9%) to ¥5.1 billion, due to the improvement and expansion of the workplace for the purpose of enhancing the workplace environment, ensuring safety, and improving general technical capabilities, and the updating of tools, as well as the acquisition of solar power generation facilities associated with the promotion of self-consumption-type solar power purchase agreements (PPA) business, among other factors.

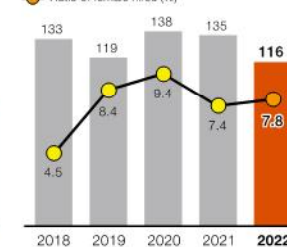
Non-Financial (parent)

No. of regular hires / Ratio of female hires

116

7.8%

No. of regular hires
Ratio of female hires (%)

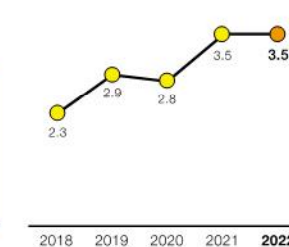


We are focused on securing and nurturing the next generation of engineers. In addition, we are working to increase hirings of female employees.

Percentage of management roles occupied by women

3.5%

Percentage of management roles occupied by women



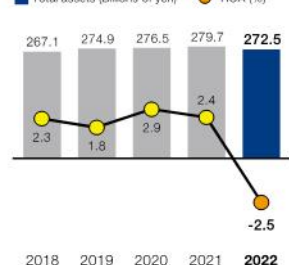
We have formulated an action plan for creating a workplace environment where both men and women can fully utilize their individual talents and abilities. We actively recruit women and endeavor to place them in positions at the level of supervisor or higher, as part of our efforts to support the career advancement of women.

Total assets / ROA

272.5

-2.5%

Total assets (Billions of yen)
ROA (%)



Total assets decreased by ¥7.2 billion year on year to ¥272.5 billion. ROA* fell by 4.9 points to -2.5% due to a decrease in net profit.

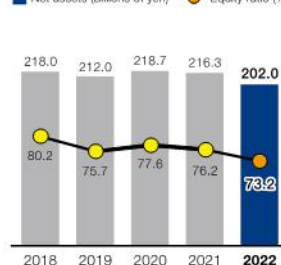
* ROA: Return on Assets

Net assets / Equity ratio

202.0

73.2%

Net assets (Billions of yen)
Equity ratio (%)

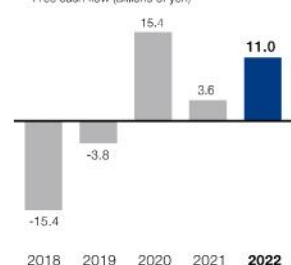


Net assets decreased by ¥14.2 billion year on year due to the recording of the net loss, a decline in retained earnings caused by the distribution of the dividends from surplus, and the acquisition of treasury stock, among other factors.

Free cash flow

11.0

Free cash flow (Billions of yen)



Net cash provided by operating activities was ¥6.1 billion and provided by investing activities was ¥4.8 billion, resulting in free cash flow* of ¥11.0 billion.

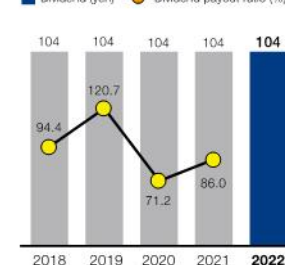
* Free cash flow = Net cash from operating activities + Net cash from investing activities

Dividend / Dividend payout ratio

104

—%

Dividend (yen)
Dividend payout ratio (%)



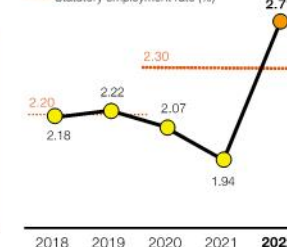
In order to maintain stable and sustainable dividend payments, we have adopted the dividend on equity (DOE) approach to dividends. In fiscal 2022, our policy was to aim for a DOE of around 2.7%. A dividend of ¥104 was actually paid.

Please note that we have not provided information on the dividend payout ratio in this statement due to the recording of a net loss.

Percentage of employees with disabilities

2.71%

Percentage of employees with disabilities (%)
Statutory employment rate (%)



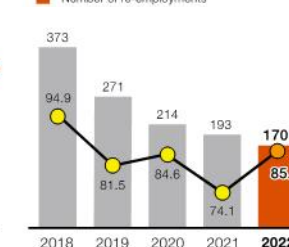
In order to promote the creation of an environment where diverse talents can thrive, regardless of someone having a disability, we are making active efforts to employ individuals with disabilities in collaboration with our subsidiary, Berryne Co. Ltd., which has been certified as a special subsidiary.

Re-employment for retired employees / Number of re-employments

85.7%

170

Re-employment for retired employees (%)
Number of re-employments



For employees who remain eager to work at Chudenko after retiring, we have established a re-employment system that enables a variety of work styles to suit the work-life balance of different individuals, and enables them to continue to use the knowledge and skills they have accumulated over many years in our operations.

Message From the President



We will take on the challenge of “Change & Growth” and contribute to a sustainable society through our business activities.

Takafumi Shigeto
Representative Director and President

Medium-term Strategy

From the view of the top management, how would you evaluate the company's performance in fiscal 2022?

The business environment in fiscal 2022 saw resilient public investment and signs of recovery in private capital investment. However, conditions were extremely challenging due to factors such as the prolonged Ukraine situation, exchange rate fluctuations, and soaring energy and raw material prices.

Under these circumstances, the Group has been taking various measures, such as strengthening our foundation in the Chugoku region, expanding business in

urban areas, and promoting operational reforms, in accordance with the Medium-Term Management Plan 2024. However, the results for fiscal 2022 saw the first decrease in 11 years in sales and the first in four years in operating profit, on a consolidated basis.

Net sales increased at our consolidated subsidiaries, but a significant decline in net sales from the parent operations resulted in a decrease in total sales to ¥189.0 billion, a ¥1.6 billion decrease compared to the previous year.

Operating profit, despite rigorous efforts to control costs, decreased by ¥2.0 billion to ¥8.3 billion compared to the previous year, primarily due to the fall in sales and lower profitability in construction projects.

Profit attributable to owners of parent also decreased by ¥13.5 billion compared to the previous year, resulting in a net loss of ¥6.9 billion for fiscal 2022, mainly due to a significant decline in profitability in overseas business investments, leading to equity-method losses being recognized.

In summary, fiscal 2022, which was the second year of the Medium-Term Management Plan 2024, fell short of both the previous year's results and the initial plan in

terms of net sales and operating profit, resulting in a very serious challenge.

On the other hand, there are promising signs for fiscal 2023. Our parent order backlog significantly exceeds the previous year, and the carryover balance at the end of fiscal 2022 represents a record high, which we believe will contribute to an improvement in future results.

FY2022 performance: income statement (consolidated)

(Billions of yen)

Consolidated performance	FY2021	FY2022	Change	Year on year
Net sales	190.6	189.0	-1.6	99%
Cost of Sales	164.4	165.0	0.5	100%
Gross profit	(13.8%) 26.2	(12.7%) 23.9	-2.2	91%
SG&A expenses	15.8	15.6	-0.1	99%
Operating profit	(5.5%) 10.4	(4.4%) 8.3	-2.0	80%
Ordinary profit	(6.3%) 11.9	(-1.0%) -1.9	-13.8	—
Profit attributable to owners of parent company	(3.5%) 6.6	(-3.7%) -6.9	-13.5	—

* Figures in () are profit margins

FY2022 Results: breakdown of year-on-year change in net sales (consolidated)



Message From the President

Medium-Term Management Plan 2024 See page 15

Theme	Numerical targets	Core measures
“Change & Growth”	Consolidated net sales: ¥210.0 billion	1) Expanding orders and strengthening construction systems
	Consolidated operating profit: ¥12.0 billion (Operating margin of 5.7%)	2) Securing and expanding profits, and improving competitiveness
		3) Enhancing human resources development and promoting work style reforms
		4) Improving quality
		5) Expanding the business by investing for growth (M&A, equity stakes, etc.)

Please provide an update on the status of the medium-term business plan.

First, with regard to expanding orders and strengthening construction systems, we have been working on expanding our orders based on initiatives such as increasing renewal projects through enhanced proposed sales and strengthening our relationships with local general contractors.

Fiscal 2022 presented a challenging financial situation, however, as mentioned earlier, our parent order backlog significantly exceeds the previous year, reaching ¥116.7 billion. Additionally, the carryover balance for the next period is also at an all-time high of ¥116.0 billion. We believe that the efforts made to strengthen our sales and construction systems have been effective in improving our future results performance.

Second, with regard to securing and expanding profits, and improving competitiveness, we have been particularly focused on securing and expanding profits for large-scale projects. We have worked on cost control, including strengthening pre-order review meetings. Additionally, we are striving to improve profit margins through the acquisition of medium-sized projects and additional work orders.

Third, with regard to enhancing human resource development and promoting work style reforms, we are working on human resource acquisition and development at the group level. Also, we are promoting operational reforms and advancing digital transformation (DX) to improve productivity while actively engaging in work style reforms. Furthermore, we are also focused on enhancing employee engagement.

Fourth, with regard to improving quality, we are not only focused on the conclusion of constructed facilities but also enhancing checking functions at every stage of the construction process. We are committed to ensuring customer satisfaction in all phases of the construction process.

Fifth, with regard to expanding the business by investing for growth investments, we are considering and implementing investments in areas such as M&A and renewable energy.

In our efforts towards decarbonization, we are progressing with the installation of solar power generation facilities at our own company buildings, with construction already underway at a total of 49 locations. Additionally, as part of our support for decarbonization among our customers, we are promoting environmental-related businesses such as self-consumption-type solar power PPA business and zero-energy building (ZEB) initiatives.

Regarding the PPA business for fiscal 2022, we secured a total of 59 projects, including at 41 stores operated by Halows Co., Ltd., based in Fukuyama City, Hiroshima Prefecture. As for the ZEB (Zero Energy Building) projects, we concluded agreements for seven projects. Additionally, in March 2023, we acquired four operational solar power plants (secondary projects).

As mentioned above, in the second year of our Medium-Term Management Plan 2024, which was fiscal 2022, we implemented various measures despite the challenging business environment.

In fiscal 2023, we will continue to work together as a group and diligently pursue the initiatives outlined in the medium-term management plan. We are fully committed to achieving our goals.

FY2023 earnings forecasts (income statement, consolidated)

(Billions of yen)

Consolidated performance	FY2022	FY2023	Change	Year on year
Net sales	189.0	205.0	159	108%
Operating profit	(4.4%) 8.3	(5.1%) 10.5	21	126%
Ordinary profit	(-1.0%) -1.9	(5.9%) 12.1	140	—
Profit attributable to owners of parent	(-3.7%) -6.9	(3.7%) 7.6	145	—

* Figures in () are profit margins

Towards Long-Term Growth

Please discuss your thoughts as president on Chudenko's long-term outlook and efforts towards sustainable growth.

For some time, the Group has been engaged in various initiatives such as reducing our impact on the environmental, making contributions to society, and promoting women's empowerment. In recent years, we have felt that it is important to turn a steady profit while giving even more consideration to ESG issues, and achieving an even higher level of sustainable growth.

In our Medium-Term Management Plan 2024, we have positioned ESG initiatives as the foundation of our business operations and key strategies. In order to gain the understanding of our stakeholders for our commitment to continue contributing to a sustainable society, we established the CHUDENKO Group Fundamental Sustainability Policy in October 2022.

The Group has been striving for sustainable growth and addressing social issues through the implementation of various initiatives outlined in our medium-term management plan. The CHUDENKO Group Fundamental Sustainability Policy has been established as a guideline to further evolve and expand these efforts. As the Chudenko Group, with the trust of the community as its basis, we run a sound business with reliable technology and quality. By doing so, it will take on the challenge of resolving the various issues that society faces, with the aim of sustainable growth for the Group, while also contributing to the realization of a sustainable society.

In addition, in October 2022, the Group introduced the CHUDENKO Group 2030 Vision. In recent years, there has been a heightened focus on achieving Sustainable

Development Goals (SDGs) and transitioning towards a decarbonized society. Beyond enhancing business performance, we recognize the need to act socially responsible as a company, including making efforts related to environmental protection and investment in human capital. In this context, the Group will work together with the aim of sharing our vision of what we want to be as a company and working as a unified group, in order to contribute to the realization of a sustainable society through our business activities.

We view the changing social landscape surrounding the Group as an opportunity to grow through



Message From the President

transformation, and have adopted “Change & Growth” as our guiding concept.

The Vision of what we want to be as a company includes: 1) Achieving sustainable growth while contributing to the realization of a sustainable society, 2) Ensuring all workers are proud and happy to take on the challenge of making reforms, and 3) Responding to society's diverse needs with advanced technology and high quality.

To realize these goals, the Group will work together as one to enhance competitiveness and profitability, improve

employee engagement and human resource development, and improve technology and product quality.

Furthermore, to achieve our 2030 targets, which include “¥250.0 billion in net sales,” “¥17.0 billion in operating profit,” “ROE of 5.0% or more,” “CO2 reduction of 46% or more towards carbon neutrality (compared to fiscal 2013),” and “creating an environment that supports diverse personnel to play active roles and diverse ways of working” on a consolidated basis, I will exercise leadership as president and lead the way for our group employees.

CHUDENKO Group 2030 Vision

Numerical targets

Consolidated net sales: **¥250.0** billion
Consolidated operating profit: **¥17.0** billion
(Operating margin of 6.8%)
ROE: **5.0** % or more

Medium- and long-term targets for carbon neutrality

	Subject	Target year	Goal
CO ₂ emissions	Chudenko parent Scope1 & 2 (Emissions from business sites and company vehicles)	2030	Reduced by 46% or above from fiscal 2013 level
		2050	Carbon neutral

Foundation of Management

Please discuss the “Sustainability Promotion Committee” established in April 2023.

The Sustainability Promotion Committee was established by strengthening and expanding the Sustainability Promotion Team formed in July 2022 to address sustainability-related issues. I serve as the chairman of this committee, which is tasked with examining sustainability-related challenges.

As I mentioned earlier, it is essential for the Group to continue to achieve sustainable growth and contribute to the realization of a sustainable society by accurately responding to changes in the business environment and continuously taking on the challenge of transformation.

In preparation for the development of the next medium-term management plan following Medium-Term Management Plan 2024, the Group has studied the challenges connected with the management structural reforms to ensure the sustainable generation of profits and continued growth. We discussed and further studied goals, concepts (vision), strategies, tactics, and achievement plans/management plans (roadmaps) aimed

at resolving or realizing each challenge. We will present finalized plans to the Management Policy Council and proceed with their execution.

In my view, the purpose of the management structural reforms is to ensure the continued existence of the Group (sustainability in a broad sense) in an increasingly challenging business environment.

Within the committee, we have identified urgent and specific categories of important challenges: 1) Human resource development, 2) Business and organizational reform, and 3) Environmental responsibility. We will

Important challenges for the Sustainability Promotion Committee



address each of these challenges, monitor progress, and produce outcomes that can be put into action.

An important aspect is to change the way we work and to advance the “visualization” and “articulation” of all work. While deepening communication with employees, I will exercise leadership while engaging in these activities.

What is your assessment of the current status of governance and its future challenges.

Our company transitioned to a company with an Audit and Supervisory Committee following the 107th Ordinary General Meeting of Shareholders.

One of the purposes of transitioning to a company with an Audit and Supervisory Committee is to transfer executive authority from the Board of Directors to the Directors themselves, enabling swift decision-making and execution of business.

A message to all stakeholders

Finally, could you give a message to our shareholders and investors?

We anticipate that the business environment will remain challenging in the future. However, we are committed to achieving the Medium-Term Management Plan 2024 and building upon it to realize the CHUDENKO Group 2030 Vision.

Since assuming the role of president in June last year, I have emphasized to our employees the importance of “ability to change oneself” to adapt to a changing world. I firmly believe that responding effectively to social changes and embracing “Change & Growth” will lead to the sustainable growth of the Group.

To meet the expectations of all stakeholders, I will strive to further develop our company together with our employees.

To our stakeholders, we kindly ask for your continued support and encouragement.

September 2023

Takafumi Shigeto
Representative Director and President

Another objective is that Directors who comprise the membership of the Audit and Supervisory Committee have voting rights on the Board of Directors, allowing them to participate in decision-making. This is expected to strengthen company oversight functions and further enhance corporate governance.

In order for the Group to continue growing in an increasingly challenging business environment, we will take advantage of business opportunities, make rapid decisions, and execute operations effectively. We will also strive to better understand our customers' needs and leverage them in our business activities to a greater extent than before, aiming to gain trust and ensure profitability.

Furthermore, with the transition to a company with an Audit and Supervisory Committee, a majority of the Directors have become Outside Directors (7 out of 11 Directors), which we expect will result in enhanced discussions within the Board of Directors and greater transparency.



Progress of medium-term management plan

Attainment vs. numerical targets



Status of capital policy

Investment for sustainable growth

- Invest ¥40 billion for sustainable growth, including business expansion and securing and nurturing human resources

FY2022 results

In order to discover new investment and partnership opportunities, acquire knowledge and expertise related to investments, and find ways to generate new profits, we invested in the JAFCO SV7 Series in October 2022. Also, in March 2023, we acquired four operational solar power plants.

Shareholder returns

- Focus on paying sustainable and stable dividends, targeting DOE (consolidated dividend on equity) of 2.7%
- Comprehensively review the business environment, etc., and implement share buybacks as necessary

FY2022 results

DOE: 2.93%
Dividend per share: ¥104
Number of treasury shares to be purchased: 390,000 shares (acquisition price: ¥0.8 billion)

Status of core measures

1. Expanding orders and strengthening construction systems

- Strengthening sales to expand orders
- Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc.
- Strengthen and enhancing construction system
- Cooperating more closely with group companies

FY2022 results

Consolidated net sales were ¥189.0 billion, short of the initial target of ¥196.0 billion, despite implementing various measures such as strengthening our foundation in the Chugoku region, expanding businesses in urban areas, and promoting operational reforms.

2. Securing and expanding profits, and improving competitiveness

- Using equalization and frontloading of work to raise construction efficiency
- Cost reductions involving cooperation between the company as a whole and group companies
- Improving productivity through the promotion of DX

FY2022 results

Despite rigorous efforts to control cost, consolidated operating profit was ¥8.3 billion, less than the initial target of ¥10 billion, due to a fall in net sales and reduced profitability in construction projects compared to the previous period.

3. Enhancing human resources development and promoting work style reforms

- Nurturing human resources with the aim of strengthening construction management
- Securing and nurturing engineers/technicians across the Group as a whole
- Continuing to practice work style reforms, and forming fulfilling workplaces

FY2022 results

As part of our efforts to strengthen construction management, we instituted group education, e-learning and smartphone-based education and support, to expand the number of qualified personnel. Also, we established a career path for construction management positions in the construction division and developed systems to promote career development and early training of young employees. We will continue to work on reengineering business processes and promoting digital transformation (DX) to address workstyle reforms, in order to improve productivity and enhance employee engagement.

4. Improving quality

- Reliable contributions to the stable supply of electric power
- Increase customer satisfaction

FY2022 results

We have not only improved the finish of constructed facilities but also enhanced quality testing functions throughout the construction process, in an effort to improve product quality to meet customer satisfaction expectations. Additionally, based on our rapid response to disasters and other actions, we have contributed to the stability of the supply of electricity.

5. Expanding the business by investing for growth (M&A, equity stakes, etc.)

- Decarbonizing our own company
- Promoting environmental businesses to support decarbonization
- Promotion of M&A with the aim of strengthening construction systems
- Promoting technical research and development

FY2022 results

The PPA business and conversion to ZEB were actively marketed to customers, resulting in the winning of 59 PPA contracts and seven ZEB contracts. Also, we are progressing with the installation of solar power generation facilities for self-consumption on our own company buildings, with operations scheduled to commence at a total of 49 locations by the end of fiscal 2023.

Comment from a General Manager



Hideaki Oba
General Manager,
Planning Division

Toward the Medium-Term Management Plan 2024 and the CHUDENKO Group 2030 Vision

The financial results for fiscal 2022 proved to be extremely challenging due to factors such as delays in planned project timelines and a surge in material prices, resulting in a decrease in both net sales and operating profit, along with significant losses recorded in overseas business investments.

For fiscal 2023, we are carrying forward a historically high accumulated amount of ¥116.0 billion (an increase of ¥19.5 billion versus the previous year) in projected sales, accounting for over 70% of the parent net sales forecast. We must continue to execute various initiatives aimed at securing and expanding profits that have been in progress since the previous year to ensure that we return to the trajectory of achieving the Medium-Term Management Plan 2024.

The consolidated net sales forecast of ¥205.0 billion for this fiscal year is the first time above ¥200.0 billion since 1994, a span of 29 years. With the 80th anniversary of our company ahead in fiscal 2024, we consider this as an impetus toward achieving the CHUDENKO Group 2030 Vision formulated last year.

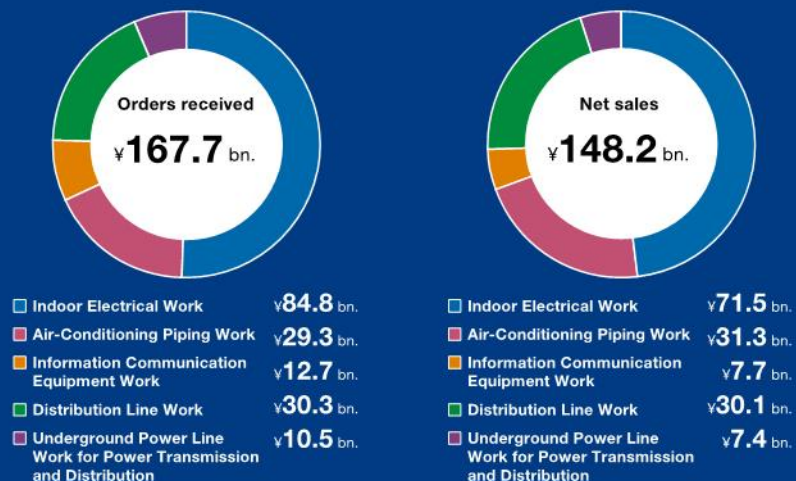
The CHUDENKO Group 2030 Vision is a commitment to recognize that it is essential we continue to take on the challenge to transform ourselves to achieve sustainable growth in a rapidly evolving society marked by decarbonization, the promotion of digital transformation (DX), and the expansion of diversity. It is a shared initiative aimed at contributing to the realization of a sustainable society by achieving growth as a group and practicing this commitment through people, technology, and quality.

Our work in facilities and infrastructure is truly centered around "people" who play the leading role. Our goal is to become a corporate group that sustains growth by actively challenging transformation with enthusiasm, pride, and joy, as individuals work towards the group's image envisioned in the CHUDENKO Group 2030 Vision and a sustainable society.



Overview of Fiscal 2022

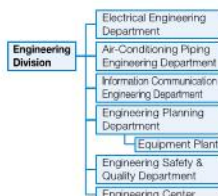
FY2022 performance (orders received / net sales by division)



Comments from General Managers



Jitsuo Taniguchi
General Manager,
Engineering Division



Working together as one toward achieving our goals

The Engineering Division oversees general construction work (indoor electrical work, air-conditioning piping work, and information communication work). In addition to improving safety and quality and enhancing business performance, all employees work together on a daily basis to reform work style and address the mountain of issues we face, with compliance as the top priority.

The business environment continues to be characterized by intense competition for orders, rising labor costs due to labor shortages, higher material costs resulting from the ongoing situation in Ukraine, and delays in deliveries and the production process. Given this situation, we are working on early material and equipment procurement, labor equalization through front-loading, and pre-processing of equipment parts and purchasing materials in advance and supplying them to our business partners in case delivery delays or material price hikes were anticipated.

Also, we will maintain daily communication with the on-site representatives at each location, promptly identify and address various issues, and facilitate sharing between company branches and the headquarters. In doing so, we aim to control the fall in earnings.

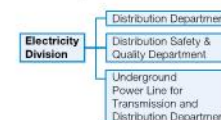
We remain committed to working together as the Engineering Division on the priority of "Change & Growth" and the important issues of "Strengthening sales and construction systems, and expanding profits" and "Promoting DX and decarbonization," as outlined in the Medium-Term Management Plan 2024.

We will consolidate and laterally deploy the wisdom and best practices of all employees, and thoroughly implement careful management at each and every job site. Our aim is to achieve the goals outlined in the Medium-Term Management Plan 2024. Looking the market, we continue to receive inquiries as there are redevelopment and logistics-related projects in Tokyo, as well as hotel and logistics-related projects in the Kansai and Nagoya areas.

All of us in the Engineering Division will continue to work together to strengthen our foundation in the Chugoku region and strengthen and expand our business in urban areas as we strive to achieve the goals of Medium-Term Management Plan 2024.



Seiji Kawakami
General Manager,
Electricity Division



Supporting lifelines with high quality and advanced technology to contribute to local communities

The Electricity Division primarily undertakes the construction of new power facilities and inspection/maintenance work contracted from Chugoku Electric Power Transmission & Distribution Company. Additionally, in the event of a natural disaster (such as typhoon, heavy rainfall, heavy snowfall or earthquake), we promptly dispatch teams to the affected area to restore essential infrastructure, thereby taking on the responsibility of ensuring a stable power supply. We strive to earn the trust of local residents through construction work that always puts safety and quality first and that also is responsive to environmental concerns.

The construction contracted from the Chugoku Electric Power Transmission & Distribution Company, Incorporated is expected to progress steadily, primarily focused on equipment maintenance and measures against aging, in response to the "Revenue Cap System" that mandates planned equipment upgrades for general electricity distribution companies, starting from fiscal 2022. To meet this expectation, we are focused on the early development of construction managers and enhanced training of special high-voltage cable connection engineers. We are also working on strengthening our construction system capabilities, including collaborating with partner companies.

We are constantly making efforts to utilize digital technologies such as mobile devices, promote DX initiatives, and aggressively carry out the development and improvement of technology and construction methods improvements to enhance the efficiency of on-site management. This enables us to efficiently conduct safe and high-quality construction projects. Also, within our fleet of construction vehicles, we have been promoting the use of battery power for cherry pickers to reduce CO₂ emissions, thereby protecting the environment.

To contribute to the realization of a decarbonized society, we will continue to strengthen our proposal-based sales activities in cooperation with the Sales Division and the Engineering Division so that our technology and quality of our work can be of service to customers. We will focus on expanding orders for renewable energy-related construction, equipment installation for special high-voltage customers, and utility pole removal.

With our high quality and advanced technology, we will continue to support the lifeline of a stable supply of electricity in the Chugoku region to contribute to the development of local communities and provide a comfortable life to our customers.



Shuji Maehara
General Manager,
Sales Division



Proactive sales promotion to secure and expand orders

The Sales Division oversees all aspects of sales related to general construction, which constitutes approximately three-quarters of the total amount of orders. To obtain orders, which are the entry point for sales revenue, the division's sales activities primarily target private sector companies such as general contractors and manufacturers, as well as government agencies.

In fiscal 2022, we received orders above our projections, and the value of carryover construction for general construction reached a record high of ¥107.6 billion. Order levels have remained at a high level, but we are currently facing an extremely challenging order environment due to intensified competition for contracts, relentless high raw material prices, and soaring labor costs caused by a shortage of skilled workers. These and other factors make it difficult to maintain profit margins for some projects.

Given these circumstances, in the Chugoku region we are actively engaging in sales activities that leverage our company's dominance. Also, we are strengthening proposal-based sales for previous construction projects to increase our sales backlog and expand maintenance and renovation projects.

On the other hand, in urban areas such as Tokyo, Osaka, and Nagoya, which have many large-scale projects including redevelopment and logistics-related, our recent construction achievements have been recognized, leading to an increase in inquiries from general contractors. We are actively working on gathering early-stage information to secure and expand our contracts in these areas.

In addition, we have announced our commitment to becoming carbon neutral by 2050. Against the backdrop of decarbonization and soaring electricity prices, we are strongly promoting self-consumption-type solar power PPA projects, and actively proposing ZEB projects making use of subsidies to support our customers' decarbonization.

As a company, we remain united in our effort to expand our sales activities, and will steadfastly work towards achieving the goals outlined in the Medium-Term Management Plan 2024.

Overview of Business








Indoor Electrical Work

View more of our indoor electrical work here.
<https://www.chudenko.co.jp/sales/case/>










Air-Conditioning Piping Work

View more of our air-conditioning piping work here.
<https://www.chudenko.co.jp/sales/case/>



Overview of fiscal 2022 and outlook for fiscal 2023

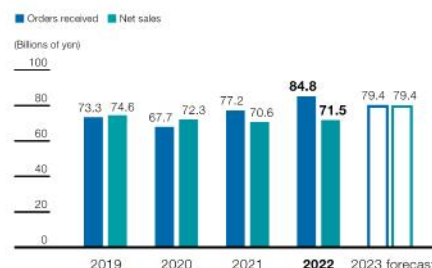
Orders received increased by ¥7.5 billion above fiscal 2021 to reach ¥84.8 billion, driven by a recovery in private capital investment and the acquisition of large-scale projects in urban areas.

Net sales increased by ¥800 million above fiscal 2021 to reach ¥71.5 billion, notwithstanding delays in equipment and materials procurement and a shortage of labor. This was due to the normalization of social-economic activities following the COVID-19 pandemic and the progress of ongoing projects according to schedule.

In fiscal 2023, we will continue to strengthen our foundation in the Chugoku region, expand our business in urban areas, and enhance our sales and construction systems to steadily achieve the goals outlined in the Medium-Term Management Plan 2024. We will focus on increasing orders and reinforcing our construction systems. Alongside these efforts, we will vigorously promote various measures to secure and expand profits, including profit improvement and improvement of productivity through DX initiatives. In addition to our commitment to carbon neutrality within our own operations, we will also promote decarbonization support for our customers through initiatives such as self-consumption-type solar power PPA projects.

As a result of these measures, in fiscal 2023, we forecast ¥79.4 billion in orders received and ¥79.4 billion in net sales.

Orders received / Net sales



Main projects received

- Electrical facility construction associated with the Okayama City new government building development project (Okayama City, Okayama Prefecture)
- Electrical facility construction for the new main government building of Yamaguchi City (Yamaguchi City, Yamaguchi Prefecture)
- Hiroshima University (Higashihiroshima) solar power PPA project (Higashihiroshima City, Hiroshima Prefecture)
- Electrical construction adjunct to TDP-6 construction at the BTBM Onoda Works (Sanyo Onoda City, Yamaguchi Prefecture)
- Itabashi Ward Funado logistics facility plan (Itabashi Ward, Tokyo)
- New construction project for the Chigasaki First Parking Lot land-use project (Chigasaki City, Kanagawa Prefecture)

Recent project

New electrical facility construction of Fujimi-cho PRJ (Naka-ku, Hiroshima City)

Location	11-5 Fujimi-cho, Naka-ku, Hiroshima City
Construction period	March 2020-June 2022
Client	Fujimi-cho Development Corporation
Summary	Construction of new electrical facilities for a multi-purpose large hotel, with 22 floors above ground, 2 penthouse floors, 420 guest rooms, dining facilities, a wedding chapel, spa, pool, and a conference facility capable of hosting international conferences.

Voice

Yusuke Fujiwara
 Construction Management Team Leader
 Indoor Electrical Work Section 2
 Facilities Construction Department
 Hiroshima Supervising Branch



Construction proposals incorporated new technologies in line with the latest trends

We allocated a large number of personnel at an appropriate level to equalize tasks and manage coordination functions among contractors while overseeing the management of substation, trunk line, power generation equipment, and control monitoring facilities. Given the high number of trunk lines in the 22-story building, we achieved a shorter construction schedule by reducing the quantity of extended trunk lines. As we simultaneously worked on two sites, the commercial area on the lower floors and the hotel area on the upper floors, we coordinated our efforts by area and assigned personnel accordingly to manage each project aspect effectively. Some of the work required nighttime use of roads, so we took great care to minimize noise and light disturbances in consideration of nearby residential inhabitants.

We intend to apply what we experienced firsthand in this project with regards to building facilities needs stemming from society-based changes to our future operations. Additionally, we want to pass on the experience and expertise we gained to the next generation.



Overview of fiscal 2022 and outlook for fiscal 2023

Orders received totaled ¥29.3 billion, down by ¥1.5 billion from fiscal 2021, despite focusing on efforts to win orders for large-scale construction projects in the Chugoku region as well as in urban areas, mainly Tokyo and Osaka.

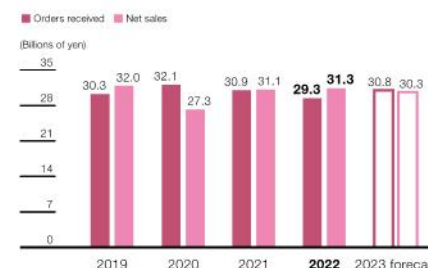
Net sales increased ¥1 billion from fiscal 2021 to ¥31.3 billion due to the smooth completion of large-scale construction projects in various areas.

At the beginning of fiscal 2023, our backlog of projects exceeded ¥23.5 billion, a high level consistent with previous years.

In fiscal 2023, our focus is on risk mitigation through front-loading and improving quality. We will also work on equalizing and streamlining on-site representative tasks in line with work style reforms, by providing support for construction drawing creation through the Construction Drawing Center. Additionally, we are maintaining our ability to manage large-scale projects by adopting equipment and piping prefabrication and unit modularization to achieve streamlined construction and installation, while working on improving construction efficiency and instituting digital transformation (DX) in site management to enhance productivity.

As a result of these measures, in fiscal 2023, we forecast ¥30.8 billion in orders received and ¥30.3 billion in net sales.

Orders received / Net sales



Main projects received

- (Provisional name) APA Hotel "Hiroshima Ekimae Shinkansen-guchi" new construction project (Hiroshima City, Hiroshima Prefecture)
- Tamano Medical Center new hospital construction Project (Tamano City, Okayama Prefecture)
- Izumo City new gymnasium development and operation project (Izumo City, Shimane Prefecture)
- (Provisional name) LogiCross Zama Plan (Zama City, Kanagawa Prefecture)
- (Provisional name) Agora Place Osaka Sakai new construction project (Sakai City, Osaka Prefecture)
- Aichi Prefecture startup support center development project (Station A1) (Nagoya City, Aichi Prefecture)

Recent project

New construction of S Museum (provisional name)

Location	2-10-50 Harumi, Otake City, Hiroshima Prefecture
Construction period	July 2021-February 2023
Client	Manu Sangyo Co., Ltd.
Summary	Construction of air conditioning equipment, as well as plumbing and sanitary equipment as part of a new museum construction project.

Voice

Koichi Moriyooshi
 Construction Management Team Leader
 Air-Conditioning Piping Work-related Subsection
 Facilities Construction Section
 Hattokai Office



We provide facilities that meet high-level requirements

In order to create the performance functions of an art museum, we took into consideration the maintenance of a constant temperature and humidity environment and the prevention of the invasion of contaminants in the exhibition rooms and storage rooms where art pieces are located. The project schedule was tight, and there were many differences between customer demands and design specifications, which required a significant amount of effort to reconcile. Furthermore, we were required to perform extensive performance evaluations, which took time to verify calculated values such as airflow and water volume against actual measurements. However, we were able to successfully complete the construction without any accidents or serious mishaps.

In modern society, life is impossible without structures and buildings. Construction management, which is involved in these projects, is a job that is clearly beneficial to society. I want to pass on the satisfaction, experience, and skills of this job to the younger generation of workers.



Overview of Business



Reduced information communication and installation work by using equipment.

Wireless ICT solutions equipment

Mobile network information equipment

Mobile network communication equipment

View more of our information communication equipment work here.
<https://www.chudenko.co.jp/sales/case/>





View more of our distribution line work here.
<https://www.chudenko.co.jp/sales/case/>



Overview of fiscal 2022 and outlook for fiscal 2023

Orders received totaled ¥12.7 billion, significantly above the previous year, due to infrastructure facility construction contracts from entities such as Japan's Ministry of Land, Infrastructure, Transport and Tourism and FTTH projects, as well as large projects from NEXCO.

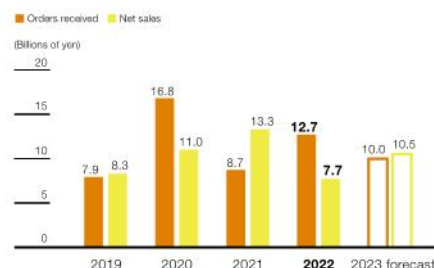
Net sales were ¥7.7 billion, a substantial decline from the previous year. The lower sales can mainly be attributed to completion of a significant portion of large FTTH projects in fiscal 2021, leading to a considerable decrease in carried-over projects for fiscal 2022.

The information and communication field plays a role in promoting overall changes in society, such as enhancing labor productivity through ICT, revitalizing local communities, ensuring swift and efficient information centralization and transmission through ICT, and maintaining and managing social infrastructure. As a result, we can continue to anticipate demand for construction in this field.

In order to secure a high volume of orders for fiscal 2023, we are actively pursuing new businesses, such as AI utilization, in addition to our standard business operations. Furthermore, we are working to ensure sales by focusing on operational efficiency through DX initiatives and ensuring the smooth execution of large-scale projects through front-loading.

As a result of these measures, in fiscal 2023, we forecast ¥10.0 billion in orders received and ¥10.5 billion in net sales.

Orders received / Net sales



Main projects received

- Nagoya Branch roadside wireless facility construction (communication equipment) (Nagoya City, Aichi Prefecture)
- FY 2022 communication line construction within the Matsue Expressway Office (Matsue City, Shimane Prefecture)
- FY 2022 installation of small information boards in the Seno District of National City (Takahashi City, Okayama Prefecture)
- Cable television network optical fiber upgrade in the western section of Takahashi City (Takahashi City, Okayama Prefecture)
- Major water resource facility renovation at the base of Mount Daisen (Yonago City, Tottori Prefecture)
- Implementation of an AI camera system in Toyama City (Toyama City, Toyama Prefecture)

Recent project

Hiroshima Municipal Stadium JR-side scoreboard and facilities renovation project

Location	Hiroshima City, Hiroshima Prefecture
Construction period	June 2022–March 2023
Client	Hiroshima City
Overview	Renovation of facilities, including the scoreboard visible from the JR side of Hiroshima Municipal Stadium (also known as MAZDA Zoom-Zoom Stadium Hiroshima). Project includes: scoreboard renovation, removal of air-conditioning units, box structure renovation, video information transmission equipment repairs, and updating of internal equipment and wiring.

Voice

K. K.

Information Communication Equipment Work Section
 Facilities Construction Department
 Hiroshima Supervising Branch



Training the next generation by hiring new employees to handle site responsibilities

Since construction was only possible during the off-season of professional baseball, and various other projects were also scheduled during the same period, it was challenging to coordinate crane dispatching and scheduling. Through multiple consultations with facility personnel and other project officials, all construction was successfully completed. Due to anticipated delays in equipment delivery, caused by such factors as a shortage of semiconductor, we obtained approval for equipment early on and started the equipment fabrication process. There were unfamiliar tasks such as steel-frame construction and fittings work, which raised concerns as we progressed with the construction. However, by seeking advice from and asking questions of cooperating partner companies, we were able to successfully progress the construction. Information communication equipment work requires diverse knowledge in various fields for each project. I want to serve as a senior employee who inspires the next generation by passing on the experience, knowledge, and skills I've learned to them.



Overview of fiscal 2022 and outlook for fiscal 2023

In fiscal 2022, we exceeded the previous year's orders and net sales, thanks to continued orders from Chugoku Electric Power Transmission & Distribution Company, Incorporated for the renovation of aging power distribution equipment such as utility poles and wires, as well as the expansion of new contracted projects.

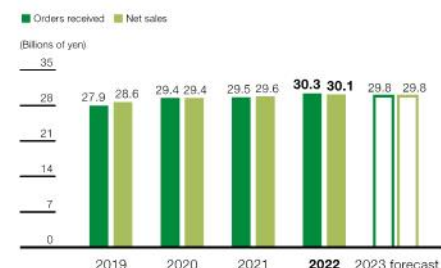
However, we were affected by the global rise in commodity prices, leading to soaring material purchase costs. Nevertheless, based on careful explanations and negotiations with our clients, we managed to minimize the impact on our financial results.

Furthermore, we have been continuously working on initiatives such as DX promotion and promotion of new construction methods to enhance productivity. In regard to business process optimization using smartphones, we introduced new navigation features to improve efficiency and functionality. Regarding new construction methods, we focused on expanding the scope of the third-arm method to alleviate the burden on workers and worked towards the implementation of the three-wire integrated arm method, which ensures the safe and efficient relocation of high-voltage lines.

In fiscal 2023, we expect both orders received and net sales to remain favorable, as we anticipate the continuation of the renovation of aging power distribution equipment, and will remain focused on productivity improvements while ensuring safety and quality.

As a result, in fiscal 2023, we forecast ¥29.8 billion in orders received and ¥29.8 billion in net sales.

Orders received / Net sales



Main projects received

- Aging power distribution equipment renovation project (all regional branches in Chugoku Region)
- West Japan Railway Company (JR West Japan) 22kV Onomichi Line new installation project (poles and cables) (Onomichi City, Hiroshima Prefecture)
- Kuraray Water Source 6.6kV transmission equipment removal project (Kurashiki City, Okayama Prefecture)
- 22kV Tetra Line route change project (Takahashi City, Okayama Prefecture)
- 22kV Rinku Line new installation project (overhead line) (Masuda City, Shimane Prefecture)
- Toyo Co., Ltd. Mianmiji Office 110kV extra-high voltage meter and transformer replacement (Shunan City, Yamaguchi Prefecture)

Recent project

Telephone pole replacement (planned construction)

Location	Uman City, Shimane Prefecture
Construction period	March 2023–April 2023
Client	Chugoku Electric Power Transmission & Distribution Company, Izumo Network Center
Summary	Renewal of aging power distribution equipment Number of utility pole replacements: 8; replacement of high-voltage lines: 350 m x 3 lines

Voice

Kohei Kanesaki

On-site Manager
 Distribution Work Subsection
 Uman Office



Selected the most suitable construction methods, taking into account the working environment at the site

Due to the extensive scope of the work, we began by explaining the tasks, methods, and potential hazards, ensuring that all workers understood these aspects before commencing the project. During the machine-based wire replacement (winding) process, we made every effort to ensure safety, preventing accidents such as entanglement and pinching. We worked on alternate single traffic lanes on public roads over long distances, strictly adhering to the project schedule to avoid inconveniencing vehicle traffic and nearby residents. Additionally, since the work occurred during a change in seasons, we paid close attention to worker health. In the future, we will continue to prioritize safe operations at each site, and we want to exercise supervisory control while constantly considering various points, while continuing to ask for the understanding of residents.



Overview of Business



Underground Power Line Work for Power Transmission and Distribution

View more of our underground power line work for power transmission and distribution here.
<https://www.chudenko.co.jp/sales/case/>






Overview of fiscal 2022 and outlook for fiscal 2023

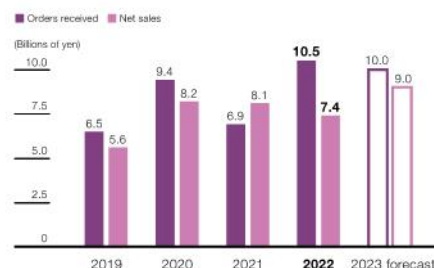
Orders received were ¥10.5 billion, above the previous year, mainly due to large-scale projects such as replacement of aging pylons and new line construction orders placed by Chugoku Electric Power Transmission & Distribution Company, Incorporated as well as orders for general projects like factory construction.

Net sales decreased to ¥7.4 billion, below the previous year, with the extended duration of large projects, such as orders for pylon replacements, as one reason for the decline.

In fiscal 2023, we will steadily process the facility expansion and renovation projects received from Chugoku Electric Power Transmission & Distribution Company, Incorporated. We will also strengthen our construction capacity, collaborate with the Sales and Engineering head offices, and share sales information. We will strengthen our construction capacity, collaborate with the Sales and Engineering main offices, and work on expanding our order intake in areas such as self-operated renewable energy line-related projects, factory construction, local government underground line projects, and other general projects by sharing sales information and aligning our efforts. Furthermore, by promoting DX initiatives, we will work towards the systematization of business processes and the optimization of construction, aiming to enhance productivity in addition to maintaining construction quality.

With these strategies, we anticipate orders of ¥10 billion and net sales of ¥9 billion in FY 2023.

Orders received / Net sales



Main projects received

- Reinforcement work associated with partial route change to Tamano Minami Okayama Line (Okayama City, Okayama Prefecture)
- Promotion project for underground line conversion of Konan Line (Zone 1) (Okayama City, Okayama Prefecture)
- Aging pylon replacement project for Tottori Line No. 43-54 (Tottori City, Tottori Prefecture)
- Aging pylon replacement and other projects for the Kawada Line No. 1-14 (Aki Ward, Hiroshima Prefecture)
- Aging pylon replacement project for the Yuni Okayama Line No. 101-111 (Okayama City, Okayama Prefecture)

Recent project

110kV Tottori Line No. 55-63 aging pylon replacement project

Location	Within Aoyacho to Shikaricho, Tottori City, Tottori Prefecture
Construction period	March 2021–October 2022
Client	Chugoku Electric Power Transmission & Distribution Company, Incorporated
Summary	Voltage and number of lines: 110kV, 2 lines; section & length: No. 54-64, 3.01 km Supporting structures: 9 new pylons, 1 renovated Cables & underground wires: TACSR/AC-240 mm ² ×1 conductor, ACSR-200 mm ² ×1 conductor (on-site reuse), XTACR-200 mm ² ×1 conductor (on-site reuse), OPAC-70 mm ²

Voice



Yoshimasa Iwanari
Construction Management Team Leader
Transmission and distribution Subsection
Tottori Electric Power Center

We practice construction management that responds to voices in the local community

We strive to ensure quality and maintain a safe work environment with no accidents. In one project involving the installation of power lines between pylons, the initial plan was to replace the existing power lines. However, since the lines showed minimal degradation and could provide sufficient capacity, we proposed to the client the reuse of the existing power lines. As a result, this proposal, which included lower costs, was highly appreciated. The area around the project site overlapped with busy farming activities, causing concerns about the impact on agricultural operations due to passing construction vehicles. We held meetings with local farmers and made efforts to ensure smooth construction by adjusting the schedule to meet local needs.

In the future, we will continue to prioritize safety in site management, maintaining an accident-free and hazard-free environment. We will continue to strive every day to be a trusted company, responding appropriately to the needs of our clients.



Technology Development

Technology development issues

As a general equipment engineering company, Chudenko resolves technical issues and requests from inside and outside the Company, and also conducts R&D based on initiatives in new fields to expand our business, targeting fields related to safety, quality, and reducing labor.

Safety related

We conduct research and development into safety improvements and the prevention of human error with the aim of preventing industrial accidents.

In fiscal 2022, we worked on developing a safety management system for working from heights, which detects and notifies workers if they forget to wear safety belts when working at heights.

Quality related

We conduct research and development into new systems to improve construction quality.

In fiscal 2022, we worked on the development of projects such as the single-phase three-wire power supply unit for Pre-Connection Inspection of Distribution Panels and an Outlet Circuit Testing Method Using PLC Technology aimed at improving the quality of outlet testing.

Labor-saving initiatives

We conduct research and development into software and new systems to reform, improve, and raise the efficiency of operations.

In fiscal 2022, we developed a Luminance Intensity Measurement System for Large Spaces and a Construction Plan Creation Support Tool, which are intended to reduce labor and raise the efficiency of measuring illuminance in large spaces, as well as a "Danger Zone Entry Alert System" using AI cameras as part of an effort to expand business.

Presentation of technology development results

By horizontally deploying to all branches the results of the technology that we have devised through our own ingenuity in the course of our day-to-day operations, we contribute to the strengthening of technical capabilities and help promote technical proposal-based sales. In addition, we hold events to present the results of our technology development every year with the aim of motivating technical staff.

In fiscal 2021, we announced 13 different initiatives for technologies that open the way to improvements in safety, customer satisfaction, and quality of work.



Online meeting to discuss DX promotion

Technology development case study

Pre-connection inspection power supply unit (JECA FARE 2023, award from the Chairman of the Kansai Electric Safety Inspection Association)

We developed a portable single-phase three-wire power supply unit that allows easy execution of lighting tests and outlet plug polarity tests even before power connection. This unit enables a simple way of supplying single-phase three-wire power to locations where inspection power sources are needed.

- | System features | |
|---|--|
| ■ Equalization of inspection processes | |
| ■ Supplying power to both 100V and 200V circuits simultaneously | |
| ■ Easy installation in desired locations | |



ELCB checker (patent pending)

We have developed a device that adds a leakage test function to commercially available outlet polarity testers that already in use. This device combines two testing devices into one and eliminates the need for extension cables and conversion adapters, which saves labor.

- | System features | |
|---|--|
| ■ Two testing devices combined into one, eliminating the need for switching | |
| ■ Convenient for testing in high or confined spaces | |
| ■ No need for conversion adapters | |



TOPIC Awarded the 67th Shibusawa Prize

In November 2022, both the "Outlet Polarity Tester" and the "Third Arm" received the 67th (2022) Shibusawa Prize from the Japan Electric Association. This prestigious award is widely acknowledged across various industrial sectors and serves as the only private-sector award in the field of electrical safety.

→See the press release for details.
https://www.chudenko.co.jp/news/images/4221128_01.pdf

Group Companies

Showa Corporation

The Showa Corporation is responsible for the design and construction of thermal insulation projects such as “insulation and heat retention work” to reduce heat dissipation and “cooling work” to block heat intrusion for various facilities. These facilities include large-scale energy conversion plants, environmental facilities, facilities in the food and pharmaceutical sector, offices, schools, and commercial establishments. Also, the company develops, manufactures, and markets its own products such as piping support hardware used in thermal insulation projects and “insulation sleepers,” which can be used in a temperature range from -196°C to +850°C. These products contribute to achieving high-efficiency energy conversion.

Many of the products and thermal insulation work provided by Showa Corporation are applied in locations not typically seen in daily life. However, the insulation, cooling, and heat-retention technologies developed through in-house manufacturing and thermal insulation projects contribute to energy efficiency, environmental sustainability, and the ongoing support of comfortable daily living, albeit behind the scenes.



“Insulation Sleeper” developed inhouse for thermal insulation of pipes

Berryne Co., Ltd.

We are engaged in strawberry and grape picking tourism, production and sales of blueberries, manufacturing and sale of processed products, and operating a cafe in Hamada City, Shimane Prefecture.

Furthermore, as a special subsidiary, we are strengthening our system for employing people with disabilities and working on promoting their employment. Through this project, we will contribute to the revitalization of hilly and mountainous areas in the Chugoku region and fulfill our social responsibility as a place of employment for people with disabilities.

Production, processing, and sale of fruit

We cultivate 5 varieties of strawberries (Benihoppe, Sachinoka, Akihime, Yotsuboshi, and Moikko), 2 varieties of grapes (Pione and Shine Muscat), and 17 varieties of blueberries, all of which are highly rated for their quality. The fruit we harvest is also used in processed products and in our cafe offerings. We are also working on taking this one step further for diversifying its management by developing fruit sauce as a main processed product and starting online sales.



ESG Initiatives

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Chudenko Group Sustainability

The Group has been aiming for sustainable growth and working to solve social issues by promoting various measures in the medium-term management plan. As such, we established the

CHUDENKO Group Fundamental Sustainability Policy to further evolve and develop these initiatives.

CHUDENKO Group Fundamental Sustainability Policy

The CHUDENKO Group, with the trust of the community as its basis, runs a sound business with reliable technology and quality. By doing so, it will take on the challenge of resolving the various issues that society faces, with the aim of sustainable growth for the Group, while also contributing to the realization of a sustainable society.

Creation of richer environment

- We will endeavor to become carbon neutral, to help mitigate climate change.
- We will strive to bring about environmental conservation and a recycling oriented society.

Development of a dynamic company

- We will respect diversity and promote the creation of rewarding workplaces.
- We will construct a working environment where every employee can work in safety and good health.

Enhancement of technology and quality

- We will pursue technology and quality that help build a resilient society and comfortable lives.
- We will advance technology development and research and development to resolve society's issues.

Sound business management

- We will promote compliance focused management that adheres to laws, regulations, and societal norms.
- We will continue to be a company that is trusted by all stakeholders, by ensuring highly transparent business management.

Sustainability Promotion Committee

Chudenko established the Sustainability Promotion Team in July 2022, which was strengthened and transformed into the Sustainability Promotion Committee in April 2023.

Our company understands that to achieve sustainable growth and contribute to the realization of a sustainable society, we must continuously adapt to changes in the business environment. Based on a relevant perspective, we are developing human resource development, reevaluating our operations and organization, and addressing critical issues such as the environmental problems. The Sustainability Promotion

Committee was established to facilitate this restructuring and enhancement of our capabilities.

The Sustainability Promotion Committee is responsible for developing measures to address sustainability challenges, track the progress of reaching goals, and other related matters. The Committee's discussions in turn lead to recommendations presented to the Management Policy Council and the Board of Directors. Taking this approach will move our company in the direction of sustainable growth.

Activities of the Sustainability Promotion Committee



ESG Initiatives

Environmental Initiatives

Basic policy

As a general equipment engineering company, Chudenko contributes to achieving a sustainable society by promoting environmentally friendly business activities.

Action guidelines

1. We comply with environment-related laws and regulations, recognize our corporate social responsibility, and work to reduce our impact on the environment.
2. We work to decarbonize our own company and support the decarbonization of our customers in order to become carbon neutral.
3. We engage in resource conservation activities such as controlling the amount of waste generated, reuse, and recycling in order to realize a recycling oriented society.
4. We work to improve the environmental awareness of our employees through environmental education and local environmental conservation activities.

Environmental management

The head office divisions, which bring together and supervise planning and results for management as a whole, make plans for activities based on an environmental management approach that is compliant with ISO 14001. By deploying these policies to business locations, we ensure that all branches put environmental activities into practice.

ISO 14001 registration status

Applicable standards	ISO14001: 2015
Date registered	July 19, 2002
Registered business operator	Chudenko Corporation, Head Office
Scope of activities	Head office operations for a general equipment engineering company (design, technology development, construction support)
Registration number	JQA/EM2506
Certifying body	Japan Quality Assurance Organization

Operation of the environmental management system

Important matters relating to the environmental management system are deliberated and considered by the Environmental Management Committee, the members of which are the general managers of the various head office divisions.

The General Manager of the Safety, Sanitation, Quality, and Environmental Department submits regular reports to the president on the operational status of the environmental management system, in turn receiving instructions for improvement that drive the plan-do-check-act (PDCA) cycle.

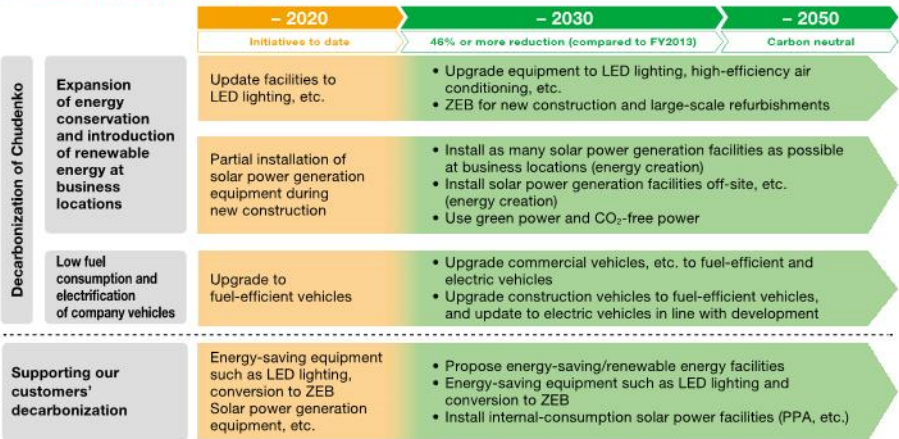


Challenges toward carbon neutrality in 2050

Chudenko considers efforts to achieve decarbonization to be one of our management challenges, and are working to reduce CO₂ emissions as a sub-theme of Medium-Term Management Plan 2024.

In April 2022, we drafted medium- to long-term targets (See page 33) and a roadmap for carbon neutrality.

Roadmap to carbon neutrality in 2050



Installing solar power for internal use at business locations

In preparation for reducing CO₂ emissions related to electricity use at business locations, it will be necessary to use electricity derived from renewable sources.

We are generating our own renewable energy, and to use it, we plan to deploy solar power generation facilities for internal use at our business locations (gradual implementation scheduled to begin in fiscal 2023).

ZEB-compliant business locations

Previously we had approached energy conservation by systematically implementing upgrades to LED lighting and high-efficiency air conditioning equipment. But as we need to further strengthen the use of renewable energy in order to achieve decarbonization, we will promote ZEB-compliance at business locations at the time of upgrades and major refurbishments.

To meet ZEB standards, we plan, design and realize the ZEB conversion of our facilities, considering factors such as the facility's size and operational conditions. This involves a combination of passive techniques utilizing exterior insulation, natural ventilation, and harvesting natural daylight, as well as active techniques involving the introduction of high-performance equipment such as air conditioning and lighting, along with room occupancy sensor controls. In addition, we incorporate renewable energy through the installation of solar power generation systems for self-consumption.

Net Zero Energy Building (ZEB)
 ZEB refers to buildings that significantly reduce the amount of energy consumed annually, maintaining a comfortable internal environment by using a high degree of insulation and solar radiation shielding. They also utilize renewable energy and highly efficient facilities to minimize energy consumption, as well as generating their own energy from sources such as solar power.

- ZEB** Buildings that achieved a renewable energy ratio of 100% or higher
- Nearly ZEB** Buildings that achieved a renewable energy ratio of 75% or higher
- ZEB Ready** Buildings that achieved a renewable energy ratio of 50% or higher



Okayama Supervising Branch
Completed: April 2019
Standard: ZEB Ready
Total floor area: 4,836m² (3 stories)

Kanagawa Distribution Center
Completed: June 2020
Standard: ZEB
Total floor area: 88,111m² (2 stories)

Kure Distribution Center
Completed: June 2021
Standard: ZEB
Total floor area: 1,094m² (2 stories)

Energy-conserving technology that contributes to ZEB introduced at the Kanagawa Distribution Center and Kure Distribution Center

Okayama	Kanagawa	Kure	Key installations	Details
○	○	○	Exterior wall insulation	Insulation materials with high insulating performance are used for the exterior walls and roof to reduce the air conditioning load.
○	○		Low-E multi-paned glass	Reduces air-conditioning load with heat insulating and solar blocking effects.
		○	Multi-paned glass	Has a heat insulating effect and reduces the air conditioning load.
○			Overhead lighting (use of daylight)	Reducing lighting load by incorporating natural light into the office
○	○	○	High efficiency lighting	Uses LED lighting, and the office is controlled by a daylight sensor to reduce energy consumption.
○	○		High efficiency air conditioning	Energy conservation by controlling wind direction and capacity automatic adjustment with sensors.
○	○	○	Total heat exchanger	Maintains a comfortable indoor environment by efficiently ventilating indoor and outdoor air.
○	○	○	High efficiency ventilation fan	Saves energy by using a DC motor fan with very low power consumption.
○			High efficiency transformers	Installation of transformers that meet Top Runner standards
○	○	○	Solar power generation facilities	Installation of solar power for internal consumption (Okayama: 33kW, Kanagawa: 30.24kW, Kure: 37.8kW)
○			Battery storage facilities	Installation of battery storage facilities (Okayama: 22 kWh lithium-ion battery).

Supporting our customers' decarbonization

Customer awareness of decarbonization is rapidly increasing. We support our customers in achieving decarbonization by providing proposals tailored to their needs, with the goal of realizing a sustainable society.

As a general equipment engineering company, we will leverage these strengths to accumulate consulting experience in the ZEB conversion business, participating in numerous ZEB conversion projects to facilitate and popularize the concept going forward.

Proposal for conversion to ZEB

Based on our success in achieving ZEB Ready status for the new building of the Okayama Supervising Branch, we have registered as a ZEB Leading Owner and acquired ZEB Planner certification.



ZEB Leading Owner mark



ZEB Planner mark

ESG Initiatives

Zero Initial Investment Solar Power Generation Facility (PPA) Proposal

A Power Purchase Agreement (PPA) is an arrangement whereby, in the case of our company (the PPA provider), we lease space, such as a rooftop, from a customer, and then install and own a solar power generation system and handle its operation and maintenance, at our expense.

The electricity that is generated is sold to the customer under a power sales contract with the customer. This enables customers to purchase electricity with an environmental value without initial investment.



Halows food supermarket store in Tsunomine, Tokushima Prefecture

Efforts to raise employee environmental awareness

In line with our environmental policy, our company works to enhance employee environmental awareness through environmental education and local environmental conservation activities, in conjunction with national Environmental Month.



Clean Up

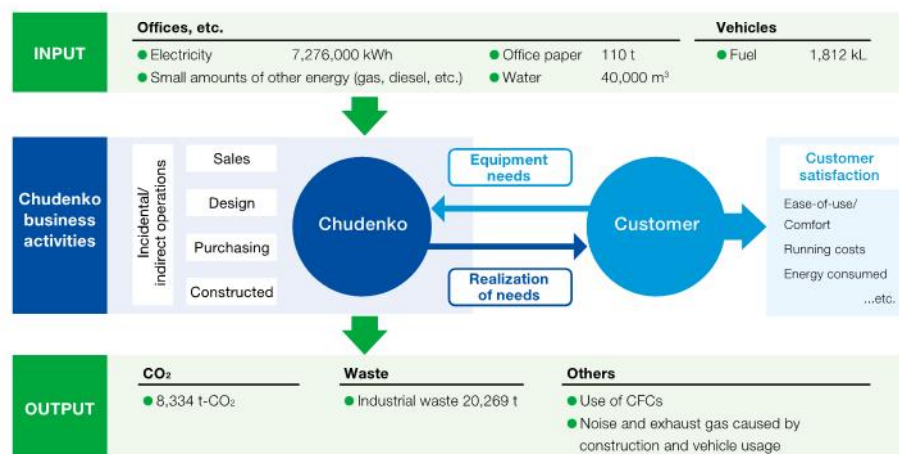
Initiative to Reduce Plastic Waste

With regard to the materials used to make clear files distributed at events and other gatherings, we previously used recycled plastic for environmental reasons. However, in response to the issue of marine plastic pollution, we have switched to paper-based materials and are working towards reducing plastic waste.



Paper file

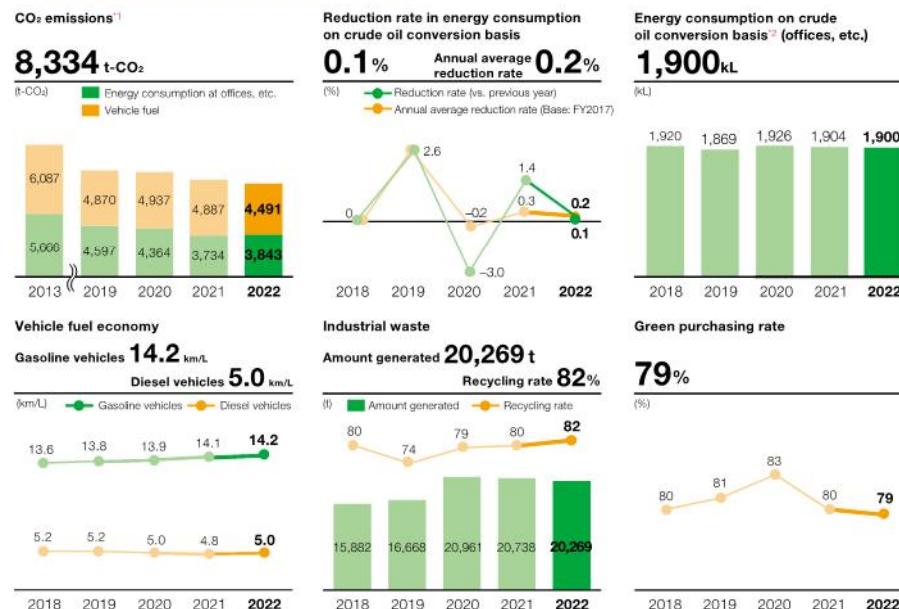
Overview of environmental impact (FY2022 results)



FY2022 environmental goals and results

	Item	Goal	Result
Reduce our own environmental impact	CO ₂ emissions	-27% (compared to FY2013)	-29%
	Energy consumption on crude oil conversion basis	-1% (average reduction rate for the last 5 years)	-0.2%
	Vehicle fuel economy	9.0km/L or more	9.0km/L
	Industrial waste recycling rate	81% or more	82%
	Amount of office paper purchased	-25% (compared to FY2019)	-29%
	Green purchase rate (paper and stationery)	81% or more	79%
	Number of environmental accidents	0	0
	Implementation of local environmental conservation activities	Promoted in consideration of COVID-19	88 events
Customer support	Number of energy conservation proposals for renovation work	750	1,032
	Number of proposals for solar power for internal consumption	140	221
	ZEB conversion proposals	10	16

Changes in main environmental performance



^{*1} CO₂ emissions are calculated using energy and fuel consumption at offices and fuel used by vehicles (electricity purchased from electric power suppliers uses adjusted emission coefficients).

^{*2} Energy consumption on a crude oil conversion basis is calculated for energy/fuel related to specified businesses as set forth in the Act on Rationalizing Energy Use.

Information Disclosure Based on TCFD Recommendations



In accordance with the fundamental sustainability policy established by our Group on October 28, 2022, we run a sound business with reliable technology and quality with the trust of the community as its basis. By doing so, it will take on the challenge of resolving the various issues that society faces, with the aim of sustainable growth for the Group, while also contributing to the realization of a sustainable society.

Furthermore, our company has declared its support for the TCFD recommendations, and will continue to disclose information related to climate change based on the TCFD recommendations.

Governance

Chudenko has established a Sustainability Promotion Committee, with the President serving as chairman, to deliberate on important issues related to sustainability, including climate change matters. This committee considers measures for resolving problem issues and monitors progress toward meeting sustainability goals, among other actions. For matters of significant importance discussed by this committee, decisions taken are presented to and approved at the meetings of the Management Policy Council and at meetings of the Board of Directors.

Governance structure for sustainability, including climate change



Strategy

With regard to the impacts that may occur in the future due to climate change, we assumed two world scenarios in 2050 of "1.5°C" and "4°C" warming, extracted important risks and opportunities, and identified items. (See page 34.)

Risk management

We have drafted risk management regulations, and the Management Policy Council identifies, evaluates, and considers measures for risks related to our operations and businesses, and reports to the Board of Directors. We also continuously manage risk by reflecting it in management plans.

Indicators and goals

On April 28, 2022, we announced the "Challenge Toward Carbon Neutrality by 2050" (see page 29), setting specific targets for 2030 and 2050 and promoting activities.

(1) Chudenko's indicators and goals

Indicator	Target	Target year	Content
CO ₂ emissions	Chudenko (non-consolidated) Scope1 & 2 (Emissions from business locations and company vehicles)	2030	Reduce by 46% or above from fiscal 2013 level
		2050	Carbon neutral

(2) Results

Indicator	Metric Base year (FY2013)	FY2021	FY2022
CO ₂ emissions (Scope 1+2)	11,753	8,621	8,334
Scope 1	6,149	4,952	4,564
Scope 2	5,604	3,669	3,770

(t-CO₂)

Important risks

Type	Item	Impact on the company	Time axis	Degree of impact		Response as a company	
				1.5°C	4°C		
Transition	Policy/legal regulation	Introduction of carbon tax	Increased tax burden due to carbon tax on CO ₂ emissions from business activities	Medium-to-long-term	Medium	—	Making company facilities ZEB, renewal of electric vehicles, and purchasing green power
	Technology	Sophistication of customer requests	Sophisticated demands from customers for environmentally friendly construction	Medium-to-long-term	Medium	Low	Promotion of environment-friendly material procurement and construction methods, and development and proposal of construction technology with low environmental impacts
	Market	Rise in purchase price of materials	Adding a carbon price to the price of materials to be procured	Medium-to-long-term	Medium	—	Improvement of ability to propose products and services with high added environmental value.
	Reputation	Changes in customer selection	Decrease in orders from customers due to a lack of consideration for the environment, as they select companies with advanced environmental measures.	Medium-to-long-term	Medium	Low	Promotion of decarbonization initiatives and thorough information disclosure to customers.
	Reputation	Stakeholder evaluation	Decline in corporate value (stock price) and impact on securing human resources due to inadequate climate change measures such as efforts to reduce CO ₂ and insufficient information disclosure.	Medium-to-long-term	Medium	Low	Enhancement of information disclosure and dialogue with stakeholders, promotion initiatives to achieve goals
Physical	Acute	More severe weather	Suspension of business location functions due to typhoons or flood damage	Medium-to-long-term	Medium	High	Enhancement of BCP response in times of disaster
	Chronic	More severe weather	Increased emergency response to social infrastructure	Medium-to-long-term	Low	High	Maintenance of a system that can respond in the event of a disaster.
	Chronic	Rise in temperature	Increased risk of heatstroke and decreased work efficiency Shortage of personnel due to deteriorating working environment	Long-term	Low	High	Enhancement of health management and Promotion of technology development to improve the working environment

Important opportunities

Aspect	Item	Impact on the company	Time axis	Degree of impact		Response as a company
				1.5°C	4°C	
Energy source products and services	Increased demand for renewable energy	Increased order opportunities for construction related to renewable energy, such as solar and wind power generation	Medium-to-long-term	Medium	Low	Promotion of initiatives for renewable energy, enhancement of construction systems and technical capabilities
Products and services	Increased demand for energy-conserving and decarbonization-related equipment	Increased order opportunities for energy-conserving and decarbonization-related construction	Medium-to-long-term	Medium	Low	Promotion of decarbonization initiatives, enhancement of construction systems and technical capabilities
Resource efficiency	Electrification of automobiles and their adoption	Reduce vehicle fuel costs by electrifying vehicles for sales activities and construction vehicles	Medium-to-long-term	Low	—	Renewal of fleet to electric vehicles
Product and service resilience	Increased demand for disaster prevention and mitigation equipment	Infrastructure development and maintenance for disaster prevention and mitigation Increased demand for repairs	Medium-to-long-term	Low	Medium	Enhancement of the construction system

* We refer to the International Energy Agency (IEA) SDG (Sustainable Development Scenario) and the Intergovernmental Panel on Climate Change (IPCC) to analyze risks and opportunities in each scenario.

* Assumed scenario

1.5°C scenario: A scenario in which global average temperature increases are kept below 1.5°C above pre-industrial levels in a world where global greenhouse gas emissions are net zero around 2050 through climate change measures taken by countries.

4°C scenario: Scenario in which the global average temperature rises by 4°C above pre-industrial levels in a world where decarbonization does not progress.

Human Capital

Approach to human capital

In order for a company to achieve sustainable growth, it is essential to accurately grasp the changing times and to constantly explore and create new value. Chudenko has always placed people as the source of our corporate value, and we are systematically working on everything from recruitment to training based on the recognition that people are our most important assets.

Moving forward, we will create a workplace environment and training where human resources with diverse personalities and values can work together toward common goals, think independently to create new value, and proactively take on the challenge to make reforms.

Human resource strategy and human capital investment

Our human resource strategy consists of drafting and implementing a human resource development training plan and personnel plan based on our human resource development policy, work style reforms based on our internal environment improvement policy, and committee activities such as promoting women's empowerment. It covers a wide range of items,

including safety and health initiatives and the enhancement of various systems. We recognize that in order for Chudenko, which is a labor-intensive company, to achieve sustainable growth, it is important to make solid investments in such human capital and steadily realize the image of the human resources we seek by having them function in multiple ways.

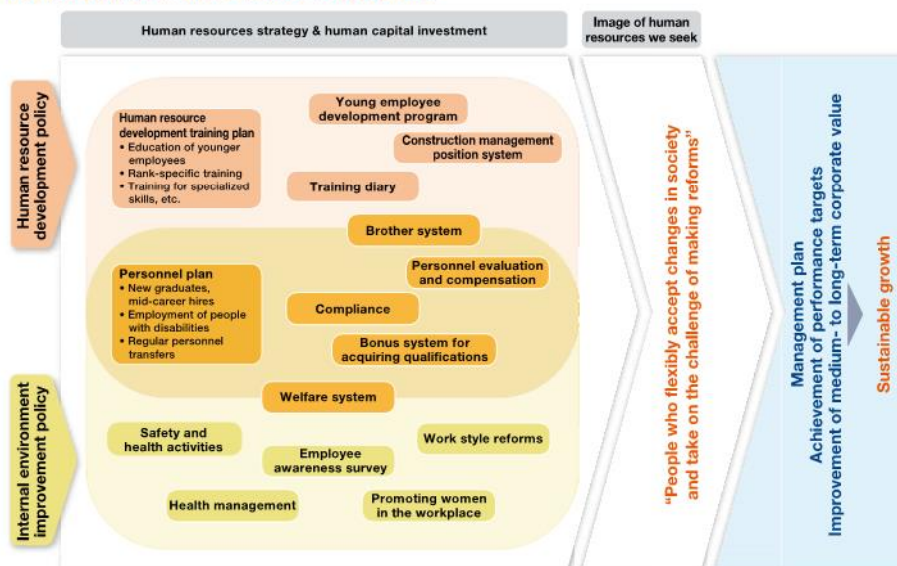
Human resource development policy

To realize the image of human resources we seek, we aim to systematically develop human resources by effectively combining OJT and OFF-JT, from the education necessary to become good members of society and business people, to the acquisition of advanced specialized skills.

Internal environment improvement policy

In addition to securing safety and health and ensuring compliance, we strive to reform work styles and promote diversity, and work to create a workplace environment where each and every employee can work with pride and joy.

Human capital investment framework ⇒ Path to growth



Investment in human capital and disclosure of information

Disclosed item	Disclosed information																
Hiring	- FY2023 New graduate hiring plan fulfillment rate<table><tr><th></th><th>Planned</th><th>Actual</th><th>Fulfillment rate</th></tr><tr><td>University*</td><td>90</td><td>81</td><td>90.0%</td></tr><tr><td>High school</td><td>60</td><td>54</td><td>90.0%</td></tr><tr><td>Total</td><td>150</td><td>135</td><td>90.0%</td></tr></table>*Includes graduate schools, technical colleges, junior colleges, and vocational schools - Hiring cost per person: ¥137,000/year		Planned	Actual	Fulfillment rate	University*	90	81	90.0%	High school	60	54	90.0%	Total	150	135	90.0%
	Planned	Actual	Fulfillment rate														
University*	90	81	90.0%														
High school	60	54	90.0%														
Total	150	135	90.0%														
Education	- We hold about 200 training sessions each year based on the human resources development training plan that is formulated each fiscal year, which includes education of younger employees, rank-specific training, and training for specialized skills. - Positioning the three years after joining the company (two years for clerical workers) as the training period, we strive to provide training in the early stages mainly through OJT, with a focus on (1) personal development as a member of society and business people, (2) fostering an awareness of personal development, and (3) learning the flow of consistent business processing and construction management. New employee basic training period - Clerical: (1st year) about 2 weeks, (2nd year) about 1 week - Sales, indoor electrical, air-conditioning piping, information communication equipment: (1st year) about 4 months, (2nd year) 2-3 weeks, (3rd year) 2-3 days - Distribution line, power transmission and distribution: (1st year) about 6 months, (2nd year) about 1 week, (3rd year) 1-2 weeks - To improve employee engagement, we work to refine the skills and knowhow needed for their respective roles through OJT, OFF-JT, and personal development. - We have established a Technology Development Department, and are working to develop human resources who will promote the creation and utilization of intellectual property and intangible assets through industry-academia collaboration in initiatives such as technology development and specialized education.																
Skills/experience (persons with qualifications)	State of qualifications (as of March 2023) PhD (Engineering) 2 Professional engineers (Engineering Management) 3, (Electrical & Electronics Engineering) 45, (Environmental Engineering) 17, (Information Engineering) 1 <Electrical>: 240 chief electrical engineers (Class 1 to 3), 1,215 electrical construction management engineers (1st and 2nd grade) <Air-conditioning piping>: 305 plumbing construction management engineers (1st and 2nd grade), 89 engineers from The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan <Communications>: 32 chief telecommunications engineers (transmission and switching/lines), 116 telecommunications construction management engineers (1st and 2nd grade) <Instrumentation>: 153 instrumentation engineers (1st and 2nd grade) <Civil engineering>: 194 civil engineering construction management engineers (1st and 2nd grade) <Architecture>: 14 architects (1st and 2nd grade), 78 construction engineers																
Diversity/childcare leave	- We understand the importance of diversity and inclusion and strive to foster an organizational culture that allows us to grow in harmony with each other. At the same time, we accept and use diverse ways of thinking and values as organizational strengths to create a highly engaged and vibrant work environment. 1) Percentage of management roles occupied by women*: 3.5% *Managerial roles assistant managers and supervisors 2) Percentage of female hires: 7.8% 3) Percentage of employees with disabilities: 2.7% 4) Percentage of employees taking childcare leave: 16.6% for men (66.9%), 100% for women *The figure in the brackets () includes leave taken for childcare purpose 5) Wage gap between men and women Wage gap between men and women (ratio of average annual wage for women to average annual wage for men)<table><tr><th>All workers</th><td>77.3%</td></tr><tr><th>Regular full-time workers</th><td>80.4%</td></tr><tr><th>Part-time/fixed-term workers</th><td>61.5%</td></tr></table>Target period: FY2022 (from April 1, 2022 to March 31, 2023) The Company's website about women's empowerment (https://www.chudenko.co.jp/company/women/)	All workers	77.3%	Regular full-time workers	80.4%	Part-time/fixed-term workers	61.5%										
All workers	77.3%																
Regular full-time workers	80.4%																
Part-time/fixed-term workers	61.5%																
Safety	- By creating the Practical Safety Training Building and experiencing simulated dangers that can occur in various workplaces, we are working to increase employees' sensitivity to hazards and improve their safety awareness. - Established a safety and ten-day health awareness period (twice a year), and headquarters officers conduct inspections of business locations. - Implement accident-free business location award (per 200,000 hours, up to 1,000,000 hours). - Set "safety awareness" as a personnel evaluation item.																



Education for new employees

While the duration is determined in accordance with the number of new hires in each division, a period of one to six months after entering the company is designated as the training period.

During this period, all new hires stay at the Training Center. They live in a dormitory with others who have joined the Company the same time, where we foster the "three fundamental skills" that are required for life as a member of society and as an employee of the Company.

Three fundamental skills

1. Awareness of basic norms of lifestyle and social etiquette
2. Self-awareness as an employee and camaraderie
3. Basic knowledge, technical skills required to perform duties

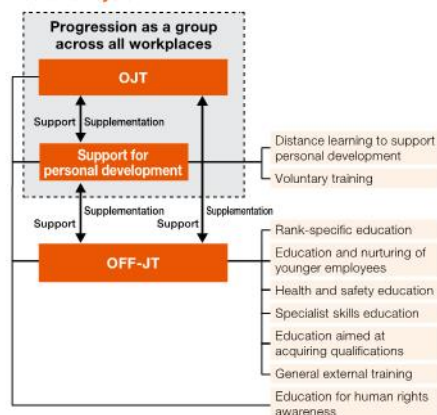


Distribution line education for new employees

Nurturing younger employees

With regard to younger employees (in their first to third year after joining), we aim to cultivate them at an early stage as the human resources who will be responsible for the future of the Company. To this end, we set the training periods as two years for the administrative employees, and three years for sales/technical employees, respectively. During these training periods, employees alternate repeatedly between group OFF-JT at the Training Center and OJT at a business location, to ensure that they acquire knowledge and technical skills.

Education system



Support for personal development

The Group operates a distance learning system as a framework to support all employees who actively decide to try something new. The courses available under this system are divided into the five categories of Business Practice, Management, Work-Life Balance/Self-Management, General Education, and Qualifications, with each containing approximately 200 courses.

In FY2022, 420 employees took the courses.

(Feedback from course participants)

- I learned the importance of creative ingenuity in carrying out my work, and I would like to apply this to my job in the future.
- I attended a course on personal life planning and life in old age, covering topics such as taxes and pensions. As I deal with some of the contents in my work, it was a good learning experience.
- I was uncertain about how to guide my juniors, and feeling anxious and worried. The course helped me to reflect on the positive and negative aspects of the guidance I have given so far and served as a useful reference for providing guidance in the future.
- It was good that I was able to study for my qualifications examination, etc.



Intranet (support for personal development)

Participation in National Skills Competition

The National Skills Competition is an event in which participants compete to become recognized as the most technically skillful competitors in Japan, and also serves as a qualifying competition for the international competitions that take place every two years. Chudenko participates in the National Skills Competition every year.

At the 60th National Skills Competition held in Chiba Prefecture in fiscal 2022, two participants from Chudenko represented Hiroshima Prefecture and two from Yamaguchi Prefecture.



Competition in progress

Promotion of women's empowerment

With regard to women's empowerment, in 2015 we launched the "Committee for the Promotion of Women's Empowerment," formulating a plan of action as set out in the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and taking into consideration from a cross-divisional perspective the planning and implementation of a variety of measures. In 2016, the "Working Group for the Promotion of Women's Empowerment" was established by voluntary female employees.

In 2019, the Company received from the city of Hiroshima a General Prize as a Business Promoting Participation by Both Men and Women. This prize is awarded by the city to businesses that provide a model for other organizations in the way they work actively to enable women to demonstrate their ability, expand their range of work, and balance work with household and community activities.

We will continue to promote initiatives for full participation by women.

Chudenko Corporation's Action Plan

Period of the plan	April 1, 2021–March 31, 2025
Issues at Chudenko	• Steady and consistent promotion of female managers • Steady and consistent hiring of female employees • Active participation by male employees in childcare
Goals and details of initiatives	Goal 1: Female managers to account for 4.5% of total managerial positions* by FY2024 * Managerial position: The person assigned to a role equivalent to or higher than supervisor Goal 2: Female employees to account for 5.0% or higher of annual hirings (of which technical staff to be 2.0% or higher) Goal 3: Male employees taking paternity leave to account for 2.0% or higher by FY2024, taking an average of at least one week off

Comment from a General Manager



Takakazu Higashioka
General Manager,
Administration Division



Aiming to be a company where employees can feel pride and joy in their work

The Administration Division oversees three departments whose primary responsibilities are as follows: the General Affairs Department handles legal affairs, compliance, public relations, and property administration; the Human Resources and Labor Department handles recruitment, personnel evaluation, salary, and welfare and benefits; the Human Resources Development Department formulates, operates, and manages systems related to education and training.

The Company's most important assets are human resources, and we aim to create a company in which each and every one of them is able to play a leading role and feel pride and joy in their work. To achieve this, it is vital to create an environment in which both company and employees share their purpose and values, and where they can continue to tackle the challenge of changing and growing together. From this perspective, each business conducts business operations to respond to changes in the business environment.

While the construction industry is taking industry-wide initiatives to promote its attractiveness with a view to addressing the serious problem of hiring and retaining younger people and women in the sector, the situation remains difficult. Under these circumstances, our Company has hired an average of about 140 fresh graduates every year for the past 15 years in order to secure the next generation of engineers. At the same time, we also actively hire mid-career employees as needed.

With respect to work style reform, which is a common issue across the industry, we are working to improve operational efficiency, productivity, and the working environment by promoting DX, and we aim to link such initiatives to steadily improving employee engagement.

In terms of human resource development, we share our target levels and vision with employees, and we are putting effort into the early development of young employees and the systematic development of middle management and top leaders, while respecting the individuality of each person.

We will continue to invest firmly in human capital, and to put effort into improving the internal environment and human resource development flexibly and steadily, toward achieving sustainable growth for the Company.

Health and Safety Activities

FY2022 health and safety activity policy

Based on our philosophy of "safety takes priority over everything," the Company is working as one to eradicate accidents and disasters and striving to encourage, preserve and increase mental and physical well-being.

Priority goals

- Major electric shock/Arc accidents: Zero
- Major accidents involving falls: Zero
- Serious/fatal traffic accidents: Zero
- Securing mental and physical well-being

Priority actions

1. Awareness of safety as highest priority, and of own responsibility	With an awareness of safety as the highest priority and one's own responsibility to practice safety management and safe behaviors, take every opportunity to provide guidance, education, and support to Group companies and partner companies.
2. Understanding and complying with laws and regulations, standards, and rules	Comply with and deepen one's understanding of laws and regulations, standards and rules. In addition, steadily implement measures to prevent recurrence of accidents that took place in the past.
3. Mitigating risks and eliminating unsafe behavior	As well as considering and implementing risk mitigation measures derived from risk assessments adapted to the site, be sure to instill practices for risk and hazard prediction. Make efforts to prevent work-related accidents by practicing "speaking out" and having the courage to point out and eliminate unsafe behavior.
4. Maintaining the workplace environment and using the right machinery and tools	In addition to the "five practices" for maintaining workplaces and vehicles (organized, arranged, cleaned, hygienic, disciplined), implement pre-use inspections of machinery, and be sure to use the right machinery and tools.
5. Thorough practice of safe driving	Be sure to conduct safety checks of the surrounding before driving. When driving, be sure to practice "commentary driving" and "defensive driving," which are extremely effective in enhancing safety.
6. Encouraging mental and physical well-being	Use health and stress checks to get an understanding of the state of mental and physical well-being and to maintain and promote health. Make efforts to prevent illness and discover and treat health problems as early as possible, and aim to create a bright and energetic workplace by encouraging lively communication.

Improvement of safety awareness

The Company utilizes the Practical Safety Training Building within its Training Center located in Asaminami Ward, Hiroshima City, for the purpose of improving safety awareness by providing participants with a simulated experience of the various dangers that can occur on site, and increasing their sensitivity to hazards.

These are categorized into five themes of "electric shocks / arcs," "falling," "overturning," "pinching & other," and "traffic." For example, those who are involved can experience for themselves shorts reproduced in low-voltage measuring equipment and between low- and high-voltage lines, the shock imparted by falling objects, and the experience of a ladder sliding both vertically and horizontally. Each of these utilizes facilities designed for the purpose, and participants undergo simulated experiences while their safety is ensured.

These facilities provide simulated experiences every year not

only to employees of the Company but also to people from Group companies, partner companies, and technical high schools, and other organizations. Even during the COVID-19 pandemic in fiscal 2022, around 2,110 people underwent simulated experiences, and by having the facility used by such a wide range of participants we contribute to the spread of safety awareness and knowledge.

We also offer hands-on training and tours of our safety training facilities and other facilities.



Practical Safety Training Building

Simulation of a fall from height

Enhancement of vehicle safety facilities

To achieve zero traffic accidents, we are currently promoting the introduction of safety support cars and auxiliary collision prevention system equipment, which are highly effective in preventing accidents.

In the event of an accident, in addition to making efforts to establish a complete picture of the accident using the footage from the dash cams installed in every vehicle, we utilize information derived from actual footage in group meetings to prevent further traffic accidents.

Status of vehicle safety equipment (as of March 31, 2022)

Total vehicles	2,017
Safety equipment	
Safety support car	786
Auxiliary collision prevention system	1,227
Dozing prevention device	4
Total	2,017
Dash cams	2,017

Kenko Keiei® initiatives

Chudenko has been promoting various initiatives to maintain and improve the health of our employees. Based on the belief that sustainable corporate growth can be achieved by improving the motivation of employees and revitalizing the organization, we drafted and established the "Declaration of Health Management" and "Health Management Promotion System."

Declaration of Health Management

As a general equipment engineering company, we believe that in order to contribute to the development of society and achieve sustainable growth by creating living and business environments with high added value, it is of utmost importance that our employees remain healthy, both physically and mentally.

For this reason, as a company, we will firmly support each employee to manage their own health and work to address their mental and physical well-being, and we will work to create a workplace where all employees can work energetically and actively, both physically and mentally.

Health management promotion system



We will make known our Health Management Policy, which indicates our policy for efforts on *Kenko Keiei*® (health management), throughout the company, encourage each employee to address their mental and physical well-being, and will continue to invest in the health of our employees.

With regard to mental well-being, the Company implements stress checks for all employees every year, in accordance with the stress check system set out in the Industrial Safety and Health Act. The results are utilized for formulating internal measures to improve the workplace environment and for other purposes, and we implement follow-ups as appropriate for people under significant stress, such as by arranging meetings with a physician.

Health Management Policy

For the Company to fulfill its corporate mission and grow sustainably, it is of utmost importance that our employees remain healthy, both physically and mentally. The Company firmly supports each employee in managing their own health and working to address their mental and physical well-being, and strives to create a workplace where all employees can work energetically and actively, both physically and mentally.

1. Management issues to be resolved through health management

Enhancing medium- to long-term corporate value by improving the motivation of employees and revitalizing the organization.

2. Employee mindset

Each employee is aware of, and practices, the idea that health is the foundation of life and work, and that it is one's responsibility to address their own mental and physical well-being.

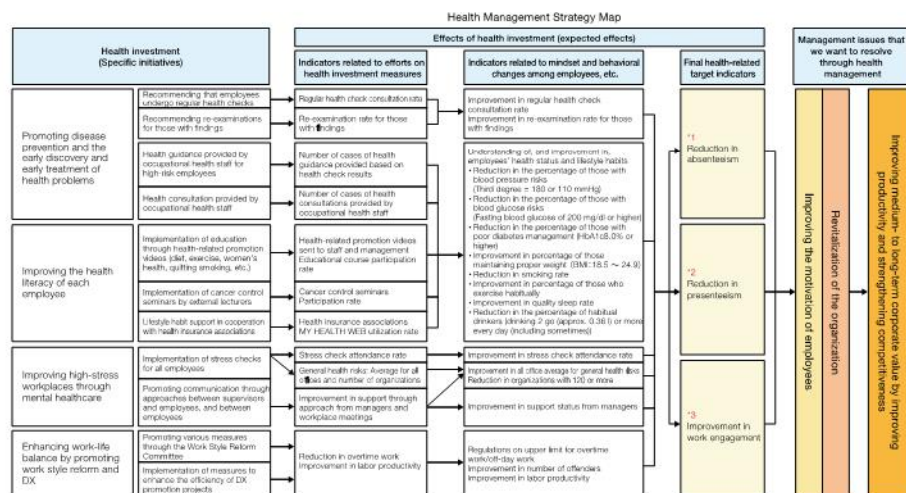
3. Company's stance

The Company provides firm support to enable each employee to address their mental and physical well-being while establishing independent health management as a foundation.

ESG Initiatives

Health Management Strategy Map

We will approach health management through the Health Management Strategy Map, which illustrates the links between the management issues that we want to resolve through health management, the expected effects, and the specific initiatives.



*1 Grasping the number of long-term absentees/those on leave of absence through operational systems

*2 Measurement based on the Work Functioning Impairment Scale (WFun)

*3 Measurement based on the Utrecht Work Engagement Scale (shortened version with 9 items, or UWES-9)

Health management-related targets and results (FY2020-2022)

○ The Company's results/improvement targets related to health checks, health and lifestyle habit statuses, and stress checks

To prevent the occurrence of lifestyle-related diseases and other diseases among healthy persons, we are working toward the maintenance of 100% regular health check consultation rate and achieving the target of 100% re-examination rate for all employees whose health checks yielded findings. With regard to recommending employees to undergo health checks, roles are determined in many business sites, and employees are encouraged to undergo health checks by their supervisors or personnel-in-charge. We maintain high attendance rates every year of 100% for health checks and 98.9% for re-examinations for those with findings. To prevent the progression of lifestyle-related diseases, the appropriate health guidance and health consultation services are provided to high-risk employees at "All Public Health Nurses" events held at various locations (Number of health guidance/health consultations in FY2022: 4,950).

Health check indicators	2020	2021	2022	2023 Target
Regular health check consultation rate	100%	100%	100%	100%
Re-examinations for those with findings	99.2%	99.3%	98.9%	100%
Attendance rate				

Based on the Health Scoring Report provided every year by the health insurance associations as well as aggregated health data, we grasp the health statuses of employees associated with the results of specific health checks and changes in their lifestyle habits over time, with the aim of improving health and lifestyle habit problems that are specific to our Company.

Health status indicators	2020	2021	2022	2023 Target
Percentage of those with blood pressure risks (Third degree=180 or 110 mmHg or higher)	0.7%	1.1%	0.8%	Below 0.6%
Percentage of those with blood glucose risks (Fasting blood glucose of 200 mg/dl or higher)	0.5%	0.3%	0.3%	Below 0.3%
Percentage of those with poor diabetes management (HbA1c 8.0% or higher)	1.7%	1.4%	1.4%	Below 1.3%
Lifestyle-related disease indicators	2020	2021	2022	2023 Target
Percentage of those maintaining proper weight (BMI: 18.5~24.9)	66.1%	64.0%	61.8%	64.0% or higher
Smoking rate	29.2%	29.2%	28.6%	Below 28.0%
Percentage of those who exercise habitually	18.2%	19.2%	20.9%	23.0% or higher
Quality sleep rate	77.6%	77.4%	69.3%	70.0% or higher
Percentage of habitual drinkers (drinking 2 g (approx. 0.36 fl) or more every day (including sometimes))	23.4%	21.9%	16.1%	Below 15.0%

*Health status and lifestyle habit indicators are for people aged 40 and older.

For workplaces assessed to be high-stress workplaces (120 or more with general health risks) based on stress checks conducted, the Safety and Health Section Manager, who is responsible for company-wide health management promotion, provides explanations to the workplace in question and provides support toward result reporting and efforts to improve the environment. With regard to the effects of initiatives, the results of stress checks conducted in the following fiscal year have been verified, and improvements were observed for all organizations that implemented initiatives. We have implemented company-wide initiatives to promote communication through the implementation of workshops for the management, approaches between supervisors and employees and between colleagues, etc., as a part of our efforts toward reducing the number of high-stress workplaces to zero.

Stress check indicators	2020	2021	2022	2023 Target
Stress check attendance rate	97.1%	98.4%	97.9%	100%
General health risks: Average for all offices	82	82	83	Below 85
General health risks: Organizations with 120 or more	3 organizations	2 organizations	2 organizations	0 organizations
Status of support from managers	87	86	86	Below 85

*National average for general health risks/status of support from managers = 100

Through various work style reform measures and measures to enhance the efficiency of DX promotion projects, we are working to achieve our aims of reducing the number of offenders of the upper limit regulation for overtime work/off-day work in FY2023 to zero, and improving labor productivity by 10% in FY2024 compared to FY2020.

Work style reform indicators	2020	2021	2022	2023 Target
Overtime work/Off-day work				
Number of offenders of the upper limit regulation	(1) 57	(1) 16	(1) 3	Zero
(1) Overtime work Less than 720 hours per year	(2) 89	(2) 0	(2) 4	
(2) Overtime work + Off-day work Less than 100 hours per month	(3) 190	(3) 32	(3) 15	
(3) Overtime work + Off-day work Less than 80 hours in 2-6 months	(4) 263	(4) 203	(4) 63	
(4) Overtime work exceeding 45 hours Up to 6 months per year				

We regularly monitor and measure absenteeism, presenteeism, and work engagement, which are health management indicators related to employee productivity and organizational vitality. We have set targets and are working toward improvements.

Indicators	2020	2021	2022	2023 Target
Absenteeism ^{*1}	0.65%	0.64%	0.89%	Below 0.70%
Presenteeism ^{*2}	—	—	B rating	A rating
Work engagement ^{*3}	—	—	3.36	3.50 or higher

*1 Long-term absentees/those on long-term leave as a percentage of all employees

*2 Measured based on the Work Functioning Impairment Scale (WFun)

*3 Measured based on the Utrecht Work Engagement Scale (shortened version with 9 items, or UWES-9)

Recognition as a "2023 Certified Health & Productivity Management Outstanding Organization"

Chudenko Corporation was selected under the "2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program" (Large Enterprise Category) on March 8, 2023.

The Certified Health & Productivity Management Outstanding Organizations Recognition Program was established by the Ministry of Economy, Trade and Industry (METI) in FY2016 to highlight large enterprises as well as SMEs with particularly outstanding health management practices, with the aim of creating an environment in which such enterprises can gain recognition from employees, jobseekers, related enterprises, and financial institutions.



*Kenko Keiei® is a registered trademark of the NPO KenkoKeiei.

web <https://www.chudenko.co.jp/company/approach/>

Response to COVID-19

In response to COVID-19, the Company set up a Countermeasures Headquarters under the General Affairs Department of the Head Office Administrative Division in March 2020. As well as devising infection countermeasures tailored to the changing situation, the Headquarters gathered information and shared it with Group companies in Japan and overseas.

Although the Countermeasures Headquarters was dissolved on May 8, 2023, we will continue to monitor the latest information and implement measures to prevent the spread of COVID-19 and other infectious diseases. At the same time, we will strive to ensure business continuity while securing the health and safety of employees and their families, and preventing the spread of infection.

Quality

Increasing customer satisfaction

In order to increase customer satisfaction, we are working to reduce nonconformities not only in finished facilities (functions, performance, etc.), but also in the overall construction process. We are also seeking to improve construction and operational quality by strengthening management systems related to construction quality and carrying out thorough staff education and by enhancing communication with customers.

In addition, we conduct customer questionnaires and seek their feedback regarding the status of our construction and sales activities, opening the way to increases in customer satisfaction.

ISO 9001 registration status

Applicable standards	ISO 9001: 2015
Date registered	March 31, 2000
Registered business operator	Chudenko Corporation
Scope of activities	Design and construction of electrical, information communication, air-conditioning, plumbing and sanitary equipment, and related facilities; construction work for overhead power lines; design, manufacture, and construction of electrical equipment (switchboards, control boards, etc.)
Relevant business locations	Supervising Branches in Hiroshima, Okayama, Yamaguchi, Shimane, and Tottori, Tokyo/Osaka Headquarters, Electric Power Construction Plant, Equipment Plant
Registration number	JQA/QM4594
Examining and registering body	Japan Quality Assurance Organization

Operating a management system for nonconformities

As well as ensuring a response in cases where a conformity related to construction quality has caused problems for the customer, the management system enables us to unify information management, understand the status of processing and similar cases, and prevent a recurrence.

Implementing internal inspections and on-site guidance

To ensure construction quality, we conduct internal inspections of facilities before delivering them to customers. We also strive to ensure quality by conducting on-site guidance where appropriate according to the progress of construction.



An inspection in progress

Coexistence with Communities

Providing employment opportunities

1-day work experience

The Company operates 1-day work experiences (summer/winter) to help students choose an occupation, and encourages research into the industry and companies.

Enabling students to visit workplaces and sites, and to experience business operations for a day allows them to get a real feeling for employment in the construction industry, and provides answers to such questions as "What kind of work do people do every day?" and "What do they keep in mind while working?"

(In fiscal 2021, we held a WEB 1-day webinar due to the impact of COVID-19.)



1-day work experience

Summer work visits to Chudenko

In cooperation with the "Summer Science and Technology Challenge" initiative being led primarily by the Gender Equality Bureau Cabinet Office, the Company holds "Summer Work Visits to Chudenko" targeting female junior and senior high school students and female college students with an interest in fields related to science and technology.

As an initiative to support their future career paths, we arrange our work visit programs and provide opportunities for the participants to have discussions with female engineers.



VR falling simulation

A chance to pilot a drone

On-site lectures at external organization

Our highly experienced Hiroshima Certified Meister* employees (4 people) and instructors who have participated in the National Skills Competition visit technical high schools in the Chugoku region to give on-site lectures.

The aim is to impart the enjoyment of creating things and to support the individuals who will be responsible for the future by sharing their own experiences while providing technical instruction and practical demonstrations of electrical work.

*A system that seeks to raise society's appreciation of technicians, foster respect for them, raise technical standards, develop and pass on skills, and promote the development of successors by certifying particularly competent technicians in Hiroshima Prefecture. As of ***July 19***, 2022, 159 individuals in 32 different occupations are certified.



On-site lectures at external organization

Holding Online Classes on Electricity

Online Classes on Electricity is an initiative that we launched in FY2022 with the aim of deepening understanding among elementary school students on the importance of electricity, electricity generation and transmission mechanisms, the danger of electricity and safe usage, as well as the SDGs. The studio, elementary school, and Chudenko Corporation (Practical Safety Training Building) are connected online to conduct reality-based classes. We plan to continue holding these classes after FY2023.



Online Classes on Electricity

Chudenko Running Team

The Running Team was established in June 1990 with the aim of energizing employees, improving the corporate image, and enhancing cooperation with local communities.

The team's greatest goal is the New Year Ekiden, and in 2023, it achieved its best record so far by ranking in the top eight.

The team also cooperates with the local community by organizing a "running school" and cooperation on other events.



Running school

Implementing "Customer Appreciation Month"

"Customer Appreciation Month" began as "Days of Magokoro (Sincerity)" in 1992, based on the idea that companies can grow only when they are trusted by local communities and local people. Since 2004, the event has been held in November every year with the new name "Customer Appreciation Days," and the activity period has been changed to one month from fiscal 2021.

Every November, each business location conducts the volunteer activities in the local community such as cleaning roads and parks.



Cleaning streetlights in the Peace Memorial Park (Hiroshima City)

Cleaning of Mizuki Shigeru Road (Sakaminato City)

Investment and Use of Intellectual Property and Intangible Assets

Purpose of investment and utilization of intellectual property and intangible assets

Chudenko considers intellectual property and intangible assets to be the source of its corporate value. We strive to improve corporate value through a virtuous cycle of investment and utilization of intellectual property and intangible assets based on our "Policy on Investment and Utilization of Intellectual Property and Intangible Assets" in order to achieve the sustainable creation of high added value, consistency with management strategy and management issues, an effective execution system and pursuit of governance, and securing funds for further investment by improving corporate value.

Policy on Investment and Utilization of Intellectual Property and Intangible Assets

In order to sustainably create high added value and improve corporate value, we have established the following policy on investment and utilization of intellectual property and intangible assets.

- Recognize intellectual property and intangible assets as the source of corporate value, and promote initiatives that are conscious of the acquisition, creation, and utilization of intellectual property and intangible assets in all aspects of business activities.
- Make use of cutting-edge technology to engage in technology development that promotes operational reforms and operational improvements.
- Develop human resources who promote the acquisition, creation, and utilization of intellectual property and intangible assets.
- Comply with laws and regulations to protect the intellectual property and intangible assets owned by the company, and to respect and not infringe on the intellectual property and intangible assets of others.

Creation of a virtuous cycle to improve corporate value

Since intellectual property and intangible assets include industrial property rights as well as technology, customer base, and trust, we believe that our sales and construction activities, strengthening of systems for the stable supply of electricity, and efforts to

expand order opportunities are business activities that enhance the "Chudenko brand" and improve our corporate value.

On this basis, Chudenko reinvests the profits earned in the development of new technologies such as single-phase synchronized power inverters (SSI), joint research with universities, entry into new businesses such as the PPA business, human resource development, education, and promotion of DX to improve productivity, creating a virtuous cycle for the enhancement of corporate value.

Governance and risk management

To promote the investment and utilization of intellectual property and intangible assets, we have appointed a person to oversee the utilization and management of intellectual property and intangible assets in the "Sustainability Promotion Team."

Furthermore, we are engaging in thorough risk management to minimize the impact of intellectual property risks, such as infringement/aggravation, and leakage of rights, on our management.

Reference: Source of improvement of our corporate value

Item	Disclosed information
R&D expenses	FY2022: ¥219 million FY2021: ¥225 million
Number of registered patents	80 (as of March 2023)
Number of registered customers	3,800 (as of May 2023)
Members of the Chudenko Association	714 companies (as of March 2023)
Effect of improving sales by strengthening urban areas (Breakdown of urban area net sales)	FY2018 15.0% → FY2022 30.0%
Number of ZEB orders received	13 (cumulative up to March 2023)
Internal-consumption solar power facilities (PPA project) Power generation plan	FY2022 15MW → FY2024 50MW

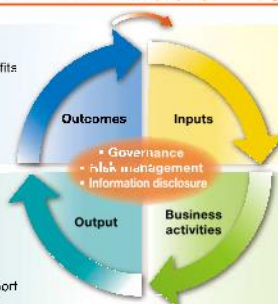
Reinvestment in new intellectual property and intangible assets

Outcome: Acquisition of profits, etc.

- Expanded order opportunities and secure profits in the Chugoku region and urban areas
- Acquisition and accumulation of technology and know-how
- Earned trust from local communities

Output: Handover of deliverables

- Handover of high-quality construction properties
- Stable supply of electricity and prompt restoration in the event of a disaster
- Provision of customer's decarbonization support



Inputs: Our strengths

- Construction track record with high technology
- A track record of supporting the stable supply of electricity
- Efforts to expand business foundations in the Chugoku region and business in urban areas

Business activities: Sales and construction activities

- Sales activities in the Chugoku region and urban areas
- Electricity, air conditioning, water supply, new construction of information communication equipment, construction of building upgrades
- Construction and maintenance of power facilities
- Actively propose ZEB and PPA projects

Corporate Governance

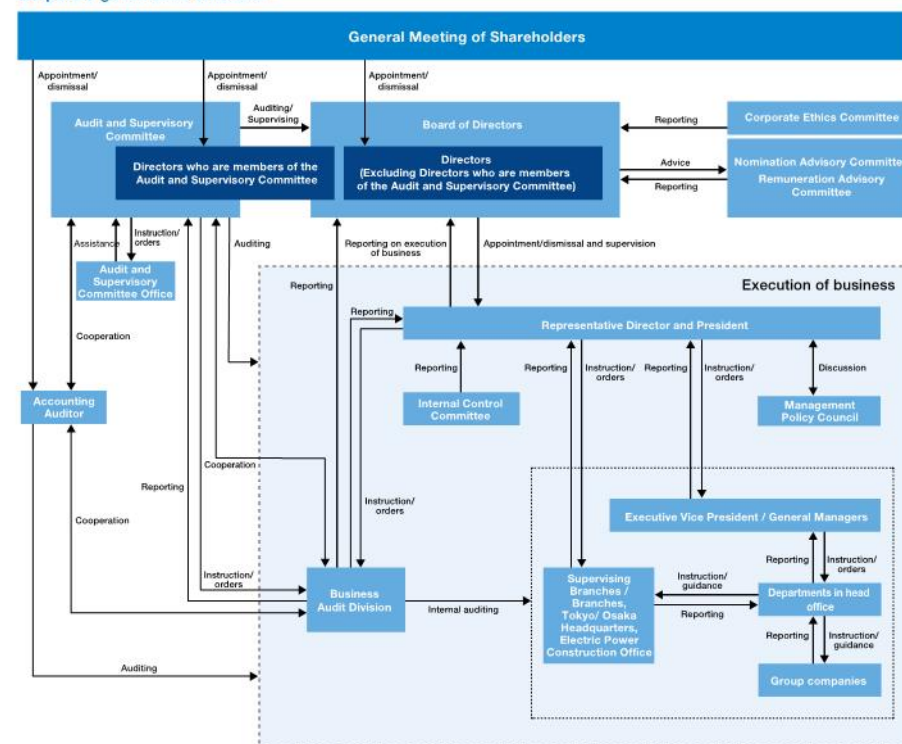
Basic stance

Our company motto and mental foundation is a heart of truthfulness, a heart of honesty with no ill feelings, a pure heart, a selfless heart. As a general equipment engineering company, we have established a corporate philosophy that makes it our mission to contribute to the development of society by creating value added to everyday life and the business environment for our customers. Our corporate philosophy lays out the specific direction for the Company.

Based on this philosophy, we will improve the efficiency and transparency of our management and also enhance the supervisory functions of our Board of Directors, internal audit divisions, and corporate auditors with the aim of becoming a company that is trusted by all our stakeholders.

Furthermore, we agree with the basic thinking behind the Japan's Corporate Governance Code and pursue the best possible corporate governance, working continually to enhance it.

Corporate governance structure



Board of Directors

The Board of Directors is comprised of 11 directors (six of whom are independent outside directors). Meetings are, in principle, held once a month. The Board of Directors makes decisions on important matters of business execution and supervises the execution of duties by directors.

Audit and Supervisory Committee

Chudenko Corporation transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee at the 107th Annual General Meeting of Shareholders convened on June 27, 2023.

The Audit and Supervisory Committee is comprised of four directors who are members of the Audit and Supervisory Committee (three of whom are outside directors).

It is responsible for establishing audit policies and plans, and conducts audits on the execution of duties by directors based on these policies and plans. In addition to receiving regular reports from the accounting auditor on audit plans and results, the Audit and Supervisory Committee also deepens cooperation with the accounting auditor by observing audits conducted by the accounting auditor, as well as sharing information and exchanging opinions in a timely manner, thereby working to improve the quality and efficiency of audits.

Furthermore, the Audit and Supervisory Committee receives reports as necessary on the internal audit plans and the implementation results of internal audits from the Business Audit Division, which is an internal audit division. It also enhances coordination with the Business Audit Division by sharing information in a timely manner, thereby working to improve the quality and efficiency of audits.

Individuals who have knowledge related to finance, accounting, and legal affairs are also appointed as members of the Audit and Supervisory Committee.

Management Policy Council

Matters related to the execution of business are entrusted to the Representative Director and President to the extent possible. However, important matters related to management, including matters to be submitted at Board of Directors meetings, are discussed at Management Policy Council meetings, which are held at least once a month in principle and attended by the representative directors, managing executive officers, and members of the Audit and Supervisory Committee.

At the same time, efforts are made to strengthen the audit function and enhance the efficiency of business execution by the Board of Directors by delegating executive authority to the managing executive officers and executive officers, and by clarifying the business execution responsibilities.

Nomination Advisory Committee

The Nomination Advisory Committee is an advisory body of the Board of Directors, established with the aim of securing the fairness and transparency of the Board of Directors and strengthening its supervisory and audit functions. It deliberates on the appointment and dismissal of directors, among other matters.

The independence and objectivity of the Nomination Advisory Committee is secured by ensuring that the majority of its members are independent outside directors.

Remuneration Advisory Committee

The Remuneration Advisory Committee is an advisory body of the Board of Directors, established with the aim of securing the fairness and transparency of the Board of Directors and strengthening its supervisory and audit functions. It deliberates on the remuneration system and standards for directors, among other matters.

The independence and objectivity of the Remuneration Advisory Committee is secured by ensuring that the majority of its members are independent outside directors.

Outside officers

The seven outside directors share information and provide opinions from a neutral and objective standpoint when they attend not only Board of Directors and Audit and Supervisory Committee meetings, but also Executive Management Council meetings that are attended by directors, general managers, division managers, and branch managers. By doing so, it works to revitalize the Board of Directors, strengthen management oversight functions, and enhance the effectiveness of audits.

Efforts are also made to enhance the information gathering capabilities of outside directors, such as by holding opinion sharing sessions more than once a year attended by the representative directors, members of the Audit and Supervisory Committee, and outside directors (who are not members of the Audit and Supervisory Committee), and reporting on the audit results of outside directors (who are not members of the Audit and Supervisory Committee) by full-time members of the Audit and Supervisory Committee.

Support system for outside directors

The Board of Directors Secretariat (General Affairs Department [in charge of secretarial affairs]) serves as the point of contact for outside directors (who are not members of the Audit and Supervisory Committee), while the Office of the Audit and Supervisory Committee serves as the point of contact for outside directors who are members of the Audit and Supervisory Committee. These offices support the outside directors in their execution of duties, such as by notifying them of the annual schedule for Board of Directors and Audit and Supervisory Committee meetings.

When Board of Directors meetings are convened, they send out meeting materials in advance and provide a prior explanation of the agenda. For directors who are unable to attend the meetings, they also report on the overview of the proceedings based on the minutes.

In addition, they provide precisely the information needed by attending and participating in Executive Management Council meetings as well as sending out meeting materials and reports.

Internal audits

Eight dedicated staff members are assigned to the Business Audit Division, established under the command and order of the Representative Director and President and the Audit and Supervisory Committee to carry out the work of conducting internal audits.

Based on the Medium-Term Management Plan, and with the objectives of enhancing management efficiency and improving operations, the Business Audit Division prepares internal audit plans, conduct audits on the status of business execution in the Company from the viewpoint of the legality and appropriateness of operations, and reports the audit results to the Board of Directors and Audit and Supervisory Committee.

The Business Audit Division also reports to the Internal Control Committee on matters in the internal control system that require improvement.

Accounting audits

Deloitte Touche Tohmatsu LLC has been appointed as the accounting auditor of the Company. Two certified public accountants execute accounting audits for the Company. They are assisted by 14 other certified public accountants and 28 others.

The Audit and Supervisory Committee takes appropriate steps to ensure that proper audits are conducted, such as by helping the accounting auditor recognize its responsibilities through the selection procedures of the accounting auditor, and providing information where necessary.

The accounting auditor and the president engage in regular discussion (at least once a year) and meet as necessary when requested by the accounting auditor.

Officer remuneration

The amount, method of calculation, and policy for determining officer remuneration are detailed below.

1. Basic thinking on officer remuneration

- Provide an appropriate amount as basic remuneration for the performance of duties.
- Build a remuneration structure that leads to ongoing improvement to corporate value.
- Ensure that the compensation structure is easy for shareholders and other stakeholders to understand.

2. Basic policy on officer remuneration

a. Basic policy on remuneration for directors (who are not members of the Audit and Supervisory Committee)

The remuneration for directors (who are not members of the Audit and Supervisory Committee) consists of basic remuneration, which is fixed, and performance-linked/stock price-linked remuneration, which are variable.

From the standpoint of their role and independence, outside directors are only paid basic remuneration.

- Provide basic remuneration for the performance of duties.
- Provide performance-linked remuneration to further incentivize improvement of short-term performance.
- Provide stock price-linked remuneration to incentivize improvement of medium- to long-term performance and aim for improvement of the stock price.

b. Basic policy on corporate auditor remuneration

Corporate auditor remuneration consists only of basic compensation, which is fixed, in light of their role.

- Provide basic remuneration for the performance of duties.

3. Policy on determining the amount or method of calculating individual remuneration and timing of payment

a. Basic policy related to directors (who are not members of the Audit and Supervisory Committee)

- Basic remuneration

The amount of individual remuneration is determined based on criteria that are established by position according to role and responsibility and is paid in cash monthly.

- Performance-linked remuneration

This remuneration system varies according to consolidated operating profit. The amount of individual remuneration is determined based on the criteria that at each level of consolidated operating profit, standard remuneration amounts are established according to position, and these are then adjusted according to the level of the individual's contribution through the performance of their duties. The amount is paid in cash at the end of the individual's term of office in June of every year.

- Stock price-related remuneration

Restricted stock remuneration is paid to directors.

The number of shares to be paid to each individual is determined based on the amount equivalent to the shares granted by position according to role and responsibility and the stock price on the business day prior to the date of the resolution by the Board of Directors related to allocation of shares. Every year, the Board of Directors passes a resolution on the allocation of shares within one month of appointment of directors, and the shares are paid within one month of the date of the resolution.

b. Policy related to corporate auditor remuneration.

The amount of individual remuneration is determined based on criteria that are established by position according to role and responsibility and is paid in cash monthly.

4. Policy on determining the percentages of individual remuneration

The ratio of basic remuneration to variable remuneration (performance-linked and stock price-linked remuneration) for directors (excluding outside directors) is around 5:1–5 so that the remuneration functions effectively as an incentive to continually improve corporate value.

Outside directors and outside corporate auditors are only paid basic remuneration.

5. Method of determining individual remuneration

To enhance the transparency and objectivity of the process for determining basic remuneration and performance-linked remuneration for directors (who are not members of the Audit and Supervisory Committee), remunerations are deliberated on by the Remuneration Advisory Committee, which is comprised of a majority of independent outside directors, then determined by the Representative Director and Chair and the Representative Director and President, who are tasked with doing so by the Board of Directors. Stock price-linked remuneration is determined by the Board of Directors based on the deliberations of the Remuneration Advisory Committee.

Basic remuneration for directors who are members of the Audit and Supervisory Committee is determined in consultation with directors who are members of the Audit and Supervisory Committee, based on the deliberations of the Remuneration Advisory Committee.

Total amount of director and corporate auditor remuneration in FY2022

Officer classification	Total amount of remuneration (millions of yen)	Total amount of remuneration by category (millions of yen)			Number of officers eligible for remuneration
		Basic remuneration	Performance-linked compensation	Stock price-linked remuneration (Restricted stock remuneration)	
Directors (Outside directors)	316 (24)	201 (24)	79 (–)	36 (–)	14 (4)
Corporate auditors (Outside corporate auditors)	68 (16)	68 (16)	– (–)	– (–)	6 (4)

Note: Performance-linked remuneration shown in this table is not paid out based on the Performance-linked Remuneration Table resolved at the Annual General Meeting of Shareholders held on June 27, 2023, shown above, but is based on the Performance-linked Remuneration Table resolved at the Annual General Meeting of Shareholders held on June 27, 2017.

Performance-linked remuneration table

(Resolved on June 27, 2023)

Consolidated operating profit level	Remuneration amount
¥12 billion or above	Up to ¥160 million
¥8 billion–Less than ¥12 billion	Up to ¥120 million
¥6 billion–Less than ¥8 billion	Up to ¥90 million
¥4 billion–Less than ¥6 billion	Up to ¥60 million
¥2 billion–Less than ¥4 billion	Up to ¥40 million
¥1 billion–Less than ¥2 billion	Up to ¥20 million
Less than ¥1 billion	0

Note: Performance-linked remuneration is paid to directors, excluding outside directors.

Corporate Ethics Committee

With regard to corporate ethics, the Group has established a Compliance Policy that fleshes out the code of conduct of the Corporate Philosophy and serves as the model for employee behavior.

In addition, basic matters related to efforts to promote corporate ethics have been set forth in the Corporate Ethics Rules, and a Corporate Ethics Committee has been established to ensure the fairness of business activities and allow the Group to maintain and improve the trust it has received from shareholders, customers, local communities, and others. Moreover, we have established a Corporate Ethics Helpline to field questions and concerns regarding legal violations or corporate ethics-related problems occurring in the course of carrying out operations.

The Corporate Ethics Committee is comprised of the Chair, the President, the Vice-President, and three outside experts. In principle, it meets twice a year and is attended by members of the Audit and Supervisory Committee. It deliberates on matters related to promoting corporate ethics awareness and reports on the content and results to the Board of Directors.

Internal Control Committee

With regard to internal control, the Board of Directors has decided on the "Basic Policy for Building an Internal Control System to Ensure Appropriate Business Activities," and is developing this system so that the Chudenko Group can work as one to promote appropriate business activities. Based on this basic policy, the basic matters for enhancing and promoting internal control throughout the Group have been set forth in the Internal Control Rules, and an Internal Control Committee has been established.

The Internal Control Committee is comprised of the President, the General Manager of the Planning Division, the General Manager of the Administration Division, and the General Manager of the Business Audit Division. In principle, it meets twice a year and is attended by members of the Audit and Supervisory Committee. It deliberates on matters related to the enhancement and promotion of internal control and reports on the results to the Management Policy Council. Of these, it also refers important matters to the Board of Directors.

Disclosure of information to shareholders/investors

Regular IR conferences for individual investors	At least once a year
	Most recent events December 14, 2022 Company explanatory meeting for individual investors The president explained the business performance, medium-term management plan, shareholder returns, and other matters through a live webcast. A recording of the video will be distributed on the web at a later date.
Regular IR conferences for analysts and institutional investors	Held regularly, twice a year
	Most recent events - November 25, 2022 Financial results briefing for 2Q FY2022 - May 31, 2023 FY2022 Financial results briefing The president explained the business performance, medium-term management plan, shareholder returns, and other matters through a live webcast. A recording of the video will be distributed on the web at a later date.
Publishing of IR materials on website	We publish shareholder and stock information (General Meeting of Shareholders, Articles of Incorporation, dividends, shareholders memos, etc.), Integrated Report (Chudenko Report), consolidated financial results, securities reports / quarterly reports, financial results briefing materials / company information session materials, business reports (IR communications), and other IR materials (such as notices of revision of performance or dividend forecasts) on our website. IR information https://www.chudenko.co.jp/info/ 

G ESG Initiatives

Management Team

Director



Akira Sakotani
Representative Director
and Chair

2012.6 Managing Director, Deputy General Manager, Power Generation Division, General Manager, Property Management Division, The Chugoku Electric Power Company, Incorporated
2013.6 Managing Director, Deputy General Manager, Power Generation Division, Head, Kamikoshi Nuclear Power Plant Siting Project
2015.6 Representative Director and Vice President, Deputy General Manager, Power Generation Division, Head, Kamikoshi Nuclear Power Plant Siting Project
2016.4 Representative Director and Vice President, General Manager, Power Generation Division, Manager, Kamikoshi Nuclear Power Plant Siting Project
2016.6 Representative Director and Vice President & Executive Officer, General Manager, Power Generation Division
2018.6 Representative Director and President, Chudenko
2022.6 Representative Director, Executive Vice President, General operations
In charge of Safety, Sanitation, Quality, and Environmental Department and the Purchasing Department (current position)



Kiyofumi Ueno
Representative Director
and Executive Vice
President

1975.4 Joined Chudenko
2008.7 General Manager, Construction Department, Tokyo Headquarters
2011.7 General Manager, Sales Department, Tokyo Headquarters
2013.6 Executive Officer and General Manager, Sales Division
2015.6 Managing Executive Officer and General Manager, Tokyo Headquarters
2019.6 Director, Managing Executive Officer, and General Manager, Engineering Division, Responsible for Tokyo Headquarters
2020.6 Director, Senior Managing Executive Officer, and General Manager, Engineering Division, Responsible for Tokyo Headquarters
2021.6 Representative Director, Senior Managing Executive Officer, and General Manager, Engineering Division, Responsible for Tokyo Headquarters
2022.6 Representative Director, Executive Vice President, General operations
In charge of Sales Division, Examination Department, Safety, Sanitation, Quality, and Environmental Department and Purchasing Department (current position)



Takafumi Shigeto
Representative Director
and President

2011.6 Executive Officer and Manager, Okayama Branch, Chugoku Electric Power Company, Incorporated
2013.6 Senior Executive Officer, General Manager, Property Management Division
2014.6 Executive Officer and Manager, Tokyo Branch
2016.6 Managing Executive Officer, General Manager, Compliance Promotion Division, General Manager, Property Management Division
2017.6 Director, Managing Executive Officer, General Manager, Compliance Promotion Division, General Manager, Examination Department, General Manager, Property Management Division
2017.10 Director, Managing Executive Officer, General Manager, Compliance Promotion Division, General Manager, Examination Department, General Manager, Property Management Division
2019.6 Statutory auditor, Chudenko
2019.6 Director, Managing Executive Officer, General Manager, Regional Co-creation Division, The Chugoku Electric Power Company, Incorporated
2020.6 Representative Director and Vice President & Executive Officer, in charge of personnel development, General Manager, Procurement Division, Manager, Nuclear Power Plant Reinforcement Project
2022.6 Representative Director and President, Chudenko (current position)

Outside director



Nobuhide Inamoto
Outside director

2001.6 Director, General Manager, Business Logistics Division, Mazda Motor Corporation
2002.3 Director and General Manager, Production Engineering Division
2003.6 Executive Officer and General Manager, Production Engineering Division
2006.6 Executive Officer and General Manager, Quality Division
2007.4 Managing Executive Officer and in charge of Quality Assurance and Environment
2008.4 Managing Executive Officer and General Manager, Domestic Business Division
2008.11 Managing Executive Officer, in charge of Domestic Business, and General Manager, Domestic Business Division
2011.4 Managing Executive Officer and in charge of Domestic Business and Fleet Sales
2012.6 Managing Executive Officer and in charge of Domestic Business, Fleet Sales, and Customer Service
2013.6 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales No. 1, in charge of Global Auditing, Chairperson of Mazda Motor (China) Co., Ltd.
2015.6 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales No. 1, in charge of Global Auditing, Chairperson of Mazda Motor (China) Co., Ltd.
2016.4 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales, and in charge of Global Auditing
2017.4 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales
2019.6 Special Advisor
2020.6 Director, Chudenko (current position)



Naoto Yorino
Outside director

1983.4 Joined Fuji Electric Manufacturing Co., Ltd.
1985.4 Research Assistant, School of Science and Engineering, Waseda University
1987.4 Research Associate, School of Engineering, Hiroshima University
1990.6 Associate Professor, School of Engineering
1991.4 Visiting Researcher, McGill University, Canada
2005.4 Professor, Graduate School of Engineering, Hiroshima University
2009.4 Vice-Chair, Graduate School of Engineering, and Vice-Chair, School of Engineering
2019.4 Professor, Graduate School of Advanced Science and Engineering, Chudenko (current position)
2021.6 President, National Institute of Technology (KOSEN), Kure College (current position)
2022.4 Special Appointed Professor and Honorary Professor, Graduate School of Advanced Science and Engineering, Hiroshima University (current position)



Shigeki Ekuni
Outside director

2012.3 Executive Officer and in charge of Corporate Planning Group, Head Office Administration Division, Tonmya Co., Ltd.
2013.5 Director and in charge of Corporate Planning Group, Administration Division
2014.4 Director and General Manager, Corporate Planning Division
2018.1 Director, General Manager, Sales Division, and General Manager, Okayama Main Store
2017.2 Director, General Manager, Department Store Business Division, and General Manager, Okayama Main Store
2017.5 Managing Director, General Manager, Department Store Business Division, and General Manager, Okayama Main Store
2017.12 Representative Director and President, General Manager, Department Store Business Division
2019.2 Representative Director and President, General Manager, Department Store Business Division, and General Manager, Corporate Division
2021.6 Director, Chudenko (current position)
2022.4 Director, Tonmya Co., Ltd. (current position)



Haruko Murata
Outside director

1989.4 Joined TOTO KKI Co., Ltd. (now TOTO Co., Ltd.)
1992.11 Joined Kogawa Gakuen
2011.7 Joined AYUMI Audit Corporation
2012.8 Registered as Certified Public Accountant (current position)
2012.11 Registered as Certified Public Tax Accountant (current position)
2012.12 Established Murata Haruko Accounting Firm (current position)
2017.7 Employee, Chudenko Audit Corporation
2021.6 External Director, Daiyokashiki Kasei Corporation (current position)
2021.6 Director, Chudenko (current position)

Directors who are members of the Audit and Supervisory Committee



Hidefumi Ogata
Director
Audit and Supervisory
Committee
(newly appointed)

1981.4 Joined Chudenko
2011.6 Manager, Secretariat Office, General Manager, Human Resources Department
2013.6 Executive Officer, Manager, Secretariat Office, General Manager, Human Resources Department
2014.6 Director and Executive Officer, Manager, Secretariat Office, General Manager, General Affairs Department, in charge of Human Resources
2016.6 Director, Managing Executive Officer, General Manager, Administration Division
2019.6 Standing auditor
2023.6 Audit and Supervisory Committee (full-time) (current position)



Kumi Iioka
Outside Director
Audit and Supervisory
Committee
(newly appointed)

Registered with the Hiroshima Bar Association (current position), joined Magokoro Law Office
1987.4 Joined Hinawari Law Office (current position)
2019.6 Auditor
2023.6 Audit and Supervisory Committee, Chudenko (current position)



Toru Hirota
Outside Director
Audit and Supervisory
Committee
(newly appointed)

1981.4 Joined The Hiroshima Bank, Ltd.
2014.4 Manager, Imabari Branch, The Hiroshima Bank, Ltd.
2017.4 Managing Executive Officer and Manager, Imabari Branch, The Hiroshima Bank, Ltd.
2013.4 Managing Director and Manager, Eastern Regional Headquarters, The Hiroshima Bank, Ltd.
2015.6 Director and Senior Managing Executive Officer, The Hiroshima Bank, Ltd.
2020.5 President, Representative Director, and COO, YONDOSHI HOKKOSHI INC.
2020.5 Director, F.D.C. PRODUCTS INC.
2023.6 Audit and Supervisory Committee, Chudenko (current position)



Hiroyuki Yoshinaga
Outside Director
Audit and Supervisory
Committee
(newly appointed)

Joined The Chugoku Electric Power Company, Incorporated
1985.4 Manager, Human Resources Development Division, The Chugoku Electric Power Company, Incorporated
2018.6 Manager, Compliance Promotion Division (Secretariat), The Chugoku Electric Power Company, Incorporated
2020.6 Executive Officer and Manager, Compliance Promotion Division (Secretariat), The Chugoku Electric Power Company, Incorporated
2022.6 Executive Officer and Manager, Human Resources Development Division, The Chugoku Electric Power Company, Incorporated (current position)
2023.6 Director, Audit and Supervisory Committee, Chudenko (current position)

Skills matrix

The following details the expertise and experience of Chudenko's directors.

Name	● Male ○ Female	Expertise/Experience						
		Corporate management Management strategy	Technology Construction quality	Sales	Legal affairs Governance	Finance Accounting	Personnel affairs Human resource development	Environment
Akira Sakotani	●	●	●	●				
Takafumi Shigeto	●	●			●	●		
Kiyofumi Ueno	●		●	●				●
Nobuhide Inamoto	Independent Outside	●	●	●				●
Naoto Yorino	Independent Outside	●	●				●	●
Shigeki Ekuni	Independent Outside	●	●	●	●			
Haruko Murata	Independent Outside	○	●			●	●	
Hidefumi Ogata	●		●	●				
Kumi Iioka	Independent Outside	○			●		●	
Toru Hirota	Independent Outside	●	●		●	●		
Hiroyuki Yoshinaga	Outside	●		●	●		●	

Note: This table indicates (with the marking of the symbol) the fields that are applicable to the main expertise and experience of each individual, but does not show all the areas of expertise and experience that the directors possess.

Messages from Members of the Audit and Supervisory Committee

Based on our corporate philosophy, we will improve the efficiency and transparency of our management and also enhance the oversight functions of our Board of Directors, Audit and Supervisory Committee, and internal audit divisions, the aim of becoming a company that is trusted by all our stakeholders.

We spoke with Hidefumi Ogata and Kumi Iioka, who were newly appointed to the Audit and Supervisory Committee in fiscal 2023.



Hidefumi Ogata
Director
Audit and Supervisory
Committee
[newly appointed]

Q1. About your role.

To strengthen the oversight of the Board of Directors and enhance corporate governance, we transitioned to a company with an Audit and Supervisory Committee. Could you please share your understanding of your role as a member of this Committee?

As an executive, I have been actively involved in reforms, transformations, operational efficiency improvements, and mindset shifts since the 2010s as we worked toward breaking away from the old structure of Chudenko. I think that this transition to a company with an Audit and Supervisory Committee marks a significant milestone, representing a change in the management structure since the Company's establishment. My role as a member of this Committee is to collaborate with outside members of the Committee to conduct audits on the legality of operations and to gather information by leveraging on my past experiences, knowledge, and networks. Additionally, I strive to information with outside directors, including outside members of the Audit and Supervisory Committee, and by possessing voting rights in the Board of Directors, I recognize that I play a role in overseeing the appropriateness of business execution.

Furthermore, and more importantly than the above, is the relationship with the internal audit divisions and cooperation with the accounting auditor. One of the challenges in making the transition to a company with an Audit and Supervisory Committee this time was to ensure that the outside directors form the majority (7 out of 11 members). With this, I anticipate that the Board of Directors will be an effectively governed body that reflects various insights and opinions beyond Chudenko's corporate culture.

Q2. Evaluation of Chudenko's governance and recognition of its challenges

How do you evaluate Chudenko's governance, and what issues do you think the Company should address in order to achieve further growth in the future?

The foundation of our corporate operations lies in steadfast efforts toward safety, compliance, and the establishment and operation of an internal control system.

Firstly, with regard to safety, we have established Safety and Quality Departments in the Engineering Division and Electricity Division, enabling coordinated responses with the Safety, Sanitation, Quality, and Environmental Department. We have also put in place a system where all accidents, even minor ones, are promptly reported to the head office.

Next, in the area of compliance, I have a real sense that the compliance education circuit that we have continued to implement every year and efforts to promote awareness about the corporate ethics helpline have yielded results.

Additionally, by discussing the approval of measures to prevent recurrence of misconduct incidents in the Corporate Ethics Committee, which outside members are also invited to sit on, I think that we have been successful in gathering insights and opinions from members outside of the Company.

With regard to internal control, we conduct self-evaluation for each item, and perform checks and revisions of the evaluation items. This allows us to make judgments and report on their effectiveness. Furthermore, I think it is important to continue with these efforts while refining them alongside checks by the internal audit divisions.

Looking ahead, I think it is necessary for us, as a corporate group, to enhance governance within the Group companies. Improving governance is an ongoing effort, and there is a constant need to strive for a better governance environment. Above all, I place great importance on communication and emphasize the swift and proper transmission of information to the management.

Q3. Expectations for the future

Please share your expectations and requests for Chudenko's executive team in the future.

Chudenko will celebrate its 80th anniversary in 2024. We are a general equipment engineering company with valuable corporate values such as technical expertise and credibility, built up through the passion and efforts of our predecessors. Our industry, which handles indispensable infrastructure for daily life, contributes significantly to society. I hope that all our employees can take pride in being a part of the Company and approach their work with dedication. To achieve this, we must ensure that the Company operates in a way that allows all employees to have dreams and aspirations.

The Company is currently confronted by a challenging business environment, with intense competition for contracts, rising raw material prices, and labor shortages. While improving business performance is a mission that a company



must achieve, we are also living in an era in which we are called upon to take a proactive approach to resolving social issues. I believe it is necessary to engage in activities while keeping in mind how we can incorporate and leverage certain themes into our Company's operations. We are aware of and already addressing some of these issues, such as the SDGs, carbon neutrality, and diversity.

Furthermore, in 2024, the revised Labor Standards Act will also apply to the construction industry. This marks the final stage of the work style reforms that we have been working on over the past few years, and I hope that we can address it properly and achieve our goals. Our industry is labor-intensive, but we face a very challenging recruitment environment due to the "3Ks" and "5Ks" image of the construction industry, alongside the demographic trends of declining birthrates, an aging population, and changes in the lifetime employment system. While we acknowledge these challenges as a company, they are undoubtedly difficult problems to resolve. I look forward to collectively pooling our wisdom as a Company and proactively addressing these challenges in order to improve our performance and corporate value in the future.



Kumi Iioka
Outside Director
Audit and Supervisory
Committee
[newly appointed]

Q1. About your role.

To strengthen the oversight of the Board of Directors and enhance corporate governance, we transitioned to a company with an Audit and Supervisory Committee. Could you please share your understanding of your role as a member of this Committee?

With the transition to a company with an Audit and Supervisory Committee, my role now involves conducting audits from the position of a director. This encompasses assessing the appropriateness of the duties performed by directors and executive officers, and conducting oversight with voting rights. Hence, I believe the scope of my responsibilities has expanded.

While I have conducted also previously conducted audits on appropriateness, with a focus on legality audits, in my position as an auditor, I believe that that I must continue to fulfill this role as a member of the Audit and Supervisory Committee even after this transition.

As I am a lawyer, I believe that I should place the emphasis on checking the legality of operations. However, I also aim to pay attention and express my opinions accordingly, in order to ensure that management is conducted with consideration not only for the presence or absence of formal legal violations, but also with an understanding of the intent of the law, as well as with consideration for legal precedents related to the interpretation and application of guidelines and legal provisions.

Q2. Evaluation of Chudenko's governance and recognition of its challenges

How do you evaluate Chudenko's governance, and what issues do you think the Company should address in order to achieve further growth in the future?

In addition to setting targets in the medium-term management plan, it has been pointed out that the Company puts conscious focus on profit margins when considering the acceptance of individual construction projects. Efforts to promote efficiency and improve operations are evident.

Regarding compliance, information regarding incidents such as accidents is disseminated to the entire company and to group companies to draw attention and raise awareness. In addition to having an awareness of measures for preventing recurrences constant efforts are also made to review the methods of preventing recurrences, such as by changing systems.

However, there are times when questions arise, such as whether the effectiveness of information dissemination may be diminishing, or if there could be further in-depth analysis of the background behind incidents in the process of cause analysis.

Governance is perceived as something that is carried out from a top-down perspective. However, the system is supported by every individual employee. Excessive efforts to enhance efficiency and the occurrence of accidents are factors that damage the pride of employees. I hope that we can be conscious of governance as something that brings about the growth of the company as a result of the individual growth of each employee.



Q3. Expectations for the future

Please share your expectations and requests for Chudenko's executive team in the future.

I understand that efforts are being made to address the issue of labor shortages, which is related to the goal of increasing sales. Given the declining birthrates and aging population that the whole of Japan is experiencing, and the resulting labor shortage, I believe this situation will become even more critical. I would like to request for a reevaluation of what constitutes an attractive company to start a career in and continue working in, for both new graduates and mid-career recruits. I also ask for a strengthening of initiatives towards achieving this goal.

As I have mentioned before, I hope that we can aim to be a company where women can play an even more active role. Various initiatives have been implemented to date for both job-seekers and incumbent employees, such as "Summer Work Visits to Chudenko" and the "Working Group for the Promotion of Women's Empowerment." However, increasing the number of management positions requires the accumulation of both employee numbers and years of service. Therefore, I hope that the Company will keep up these efforts with a long-term perspective in mind.

G

ESG Initiatives

Compliance

Compliance policy

One of our highest management priorities is to continuously engage in fair and appropriate operational management in accordance with compliance. We have established a Compliance Policy that goes into more detail on the fourth corporate guideline of our Corporate Philosophy, which is to “stick to social rules and be mindful of common sense in one’s actions,” in order to serve as a code of conduct for our officers and employees.

Based on our Compliance Policy, we are promoting corporate activities that prioritize compliance within the medium-term management plan.

Compliance education throughout Group companies

The Compliance Division, in cooperation with the corporate ethics leaders of each workplace, conducts compliance education with the purpose of deepening individual understanding of the

importance of compliance and sharing a thorough awareness of compliance throughout the Group companies.

We are also working to instill awareness that the Corporate Ethics Helpline is a tool to protect the Company and our employees.



A class at a workplace

Risk Management

Business Continuity Plan (BCP)

As a company that is involved in the supply of electricity, we are charged with a vital mission by our customers and society in general. Therefore, it is extremely important that we are prepared for disasters. As such, we have established a business continuity plan both from the short-term perspective of preventing suspension of our business in the event of a disaster and the long-term perspective of preventing bankruptcy following a disaster. We regularly conduct training in anticipation of a major earthquake, such as verification of the emergency contact system and safety confirmation, so that our officers and employees understand their respective roles.



Training at the Head Office (Emergency Response Headquarters)

Business risks

Below are the main types of risks recognized as having the potential to affect the financial condition, business performance, and cash flows of consolidated Group companies.

These risks were identified based on the degree of impact and frequency of occurrence during the course of the Group’s

regular brainstorming, evaluation, and review of countermeasures.

There are other risks in addition to these, such as credit risk related to business partners, and the risk of a drop in the market value of securities holdings.

1. Risk of quality defects	In the event of a serious quality problem arising from human error in the design or construction stage of building equipment work or the planning or manufacturing stage of our products, it could result in a heavy cost burden associated with repairs or a claim for damages due to construction or delivery delays, and the suspension of business in conjunction with this could significantly damage the Group’s credibility or reputation, impacting performance.
2. Risk of legal or compliance violations	In the event that a business operation or process is carried out that runs contrary to the Construction Business Act, the Industrial Safety and Health Act, or other related laws or that violates compliance, it could result in a criminal penalty, suspension of business, loss of social credibility, hefty fine or claim for damages, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.
3. Risk of decline in orders received	In the event of a significant decline in orders received because of factors such as a decrease in capital investment by the Chugoku Electric Power Group, which is a major business partner of the Chudenko Group, and by another private company or government agency, the Group may be unable to secure the necessary orders, impacting performance.
4. Risk of work or traffic accidents	The Group has many construction sites and has implemented measures to prioritize safety, but in the event of a work or traffic accident despite those measures, it could result in compensation for human loss or victims, judicial or administrative penalty, or loss of social credibility, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.
5. Risks related to increased construction costs	The Group strives to reduce costs and secure profits through repeated cost reviews before receiving orders and during construction, but if the cost of construction increases due to a significant rise in material costs or subcontracting costs that cannot be reflected in the contract amount, profitability could deteriorate, impacting the Group’s performance.
6. Risks related to M&As and business investments	The Group engages in M&As and invests in businesses for the purpose of expanding our business and enhancing our competitiveness centered on equipment work, which is our main business. However, in the event that we were unable to recover our investment or additional expenses were to be incurred due to not being able to develop the acquired or invested business according to plan despite the preliminary investigation and review, there could be an impact on the Group’s performance.
7. Information security risk	The Group possesses business partner information and other confidential information, and in recent years, there have been many cases of companies falling victim to unauthorized access and cyberattacks. If such business-related information were to be leaked externally or lost due to human error, technical error or unforeseen circumstances, it could result in a hefty claim for damages, suspension of business, or loss of social credibility, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.
8. Risks related to securing and training human resources	In the Group’s equipment work business, which is its main business, the labor force is aging due to a decrease in new employment and high turnover rates. Therefore, securing people to take over is a pressing issue. In the event that the Group is unable to secure human resources with the required national qualifications and skills when they are needed, insufficient construction capabilities could result in a failure to secure sales, impacting the Group’s performance.
9. Risk of natural and other disasters	The Group has many workplaces in Japan and other countries. Large-scale natural disasters such as earthquakes, tsunamis, and typhoons, and the spread of novel viruses and other infections could not only cause direct damage to employees and facilities but could also result in indirect damages such as interruptions and congestion in the distribution and transportation network and even sluggishness or confusion in society and the economy. This, in turn, could result in an interruption or delay in business activities, impacting the Group’s performance.
10. Risks related to addressing climate change issues	In the event that the Group does not take adequate initiatives to address climate change issues, it could potentially lead to a decline in our reputation among stakeholders, thereby undermining our corporate value and competitiveness. Additionally, the introduction of stringent regulations or carbon tax could also impact the Group’s performance.

11-Year Financial Summary (Consolidated)

Unit: Millions of yen

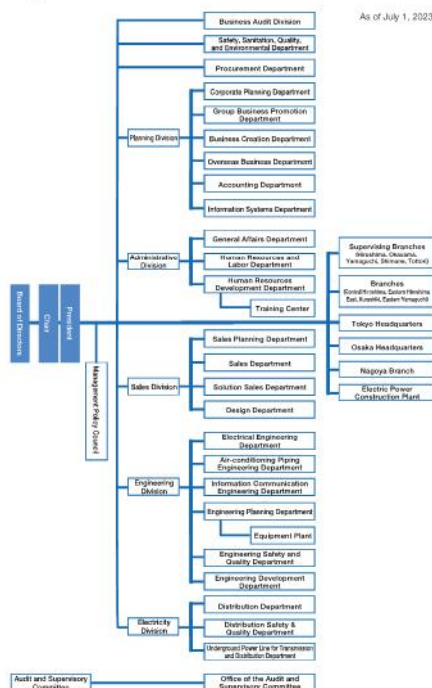
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Profit and loss											
Net sales	118,038	136,396	145,547	147,752	147,935	148,300	153,322	168,888	184,482	190,690	189,032
Cost of sales	100,597	119,376	126,062	126,326	126,556	127,540	133,986	147,620	159,078	164,450	165,044
Gross profit	17,440	17,019	19,485	21,425	21,379	20,759	19,335	21,268	25,404	26,239 ^{#3}	23,987
Selling, general and administrative expenses	14,197	9,788	10,054	10,448	11,703	12,224	12,848	12,934	15,921	15,813	15,625
Operating profit	3,243	7,231	9,430	10,977	9,675	8,535	6,486	8,333	9,482	10,425 ^{#3}	8,361
Non-operating profit	2,796	10,718	6,748	3,885	2,285	3,338	2,504	2,956	2,556	1,947 ^{#3}	2,399
Non-operating expenses	94	87	48	58	90	129	69	101	139	413	12,666
Ordinary profit	5,946	17,861	16,130	14,804	11,871	11,744	8,921	11,188	11,899	11,959	-1,905
Extraordinary profit	704	107	30	1,350	1,659	97	1,837	1,240	1,004	42	170
Extraordinary loss	2,827	123	502	318	285	208	911	3,292	85	881	1,438
Profit before income taxes	3,822	17,844	15,658	15,836	13,246	11,632	9,848	9,136	12,818	11,119	-3,173
Net income attributable to owners of parent	1,665	13,502	10,492	10,889	9,273	7,809	6,160	4,795	8,119	6,682	-6,913
Financial position											
Total assets	226,968	248,314	261,858	260,073	263,618	269,875	267,181	274,976 ^{#2}	276,519	279,725	272,514
Net assets	188,152	202,804	216,047	215,058	217,013	222,373	218,036	212,043	218,747	216,329	202,069
Capital expenditures	1,961	4,571	3,776	3,802	3,264	4,589	3,811	2,279	2,151	2,537	5,174
R&D expenses	42	88	97	170	178	332	240	156	235	225	219
Depreciation and amortization	2,154	2,303	2,601	2,678	2,790	2,862	2,960	2,776	2,839	2,823	2,951
Equity ratio (%)	82.4%	81.1%	81.8%	81.9%	81.5%	81.8%	80.2%	75.7% ^{#2}	77.6%	76.2%	73.2%
Cash flows											
Cash flows from operating activities	7,371	8,685	5,142	10,460	10,719	6,700	10,126	11,835	9,116	7,968	6,181
Cash flows from investing activities	7,686	12,411	-12,761	9,339	-1,231	-6,499	-25,559	-15,725	6,344	-4,326	4,843
Cash flows from financing activities	-2,373	-2,595	-2,759	-7,436	-9,207	-2,055	-5,712	-6,438	-7,182	-8,516	-7,512
Cash and cash equivalents	37,581	56,095	45,724	58,314	58,580	53,740	32,566	22,242	30,477	25,679	29,403
Per share information											
Net assets per share (yen)	3,181.27	3,426.03	3,638.40	3,654.78	3,844.92	3,909.09	3,855.67	3,739.30	3,870.58	3,868.69	3,638.70
Earnings per share (yen)	28.35	229.81	178.29	185.97	160.20	139.61	110.22	86.13	146.13	120.98	-125.62
Dividend per share (yen)	20	30	62	72	72	94	104	104	104	104	104
Dividend payout ratio (%)	70.5%	13.1%	34.8%	38.7%	44.9%	67.3%	94.4%	120.7%	71.2%	86.0%	—
Principal indicators											
Gross profit margin (%)	14.8%	12.5%	13.4%	14.5%	14.5%	14.0%	12.6%	12.6%	13.8%	13.8% ^{#3}	12.7%
Operating margin (%)	2.7%	5.3%	6.5%	7.4%	6.5%	5.8%	4.2%	4.9%	5.1%	5.5% ^{#3}	4.4%
Ordinary margin (%)	5.0%	13.1%	11.1%	10.0%	8.0%	7.9%	5.8%	6.6%	6.5%	6.3%	-1.0%
Net profit margin (%)	1.4%	9.9%	7.2%	7.4%	6.3%	5.3%	4.0%	2.8%	4.4%	3.5%	-3.7%
Return on equity (ROE) (%)	0.9%	7.0%	5.0%	5.1%	4.3%	3.6%	2.8%	2.3%	3.8%	3.1%	-3.4%
Return on assets (ROA) (%)	0.8%	5.7%	4.1%	4.2%	3.5%	2.9%	2.3%	1.8%	2.9%	2.4%	-2.5%
Price earnings ratio (PER) (times)	32.56	7.75	13.14	12.09	14.73	20.61	20.48	25.55	16.16	17.09	—
Price book-value ratio (PBR) (times)	0.29	0.52	0.64	0.62	0.61	0.74	0.59	0.59	0.61	0.53	0.59
Others											
Number of shares issued	65,138,117	65,138,117	65,138,117	65,138,117	58,138,117	58,138,117	58,138,117	58,138,117	58,138,117	58,138,117	58,138,117
Number of treasury shares	6,382,419	6,136,172	6,091,412	6,780,936	2,024,710	1,994,845	2,481,265	2,060,413	2,437,064	2,992,249	3,345,336
Year-end share price (yen)	923	1,784	2,342	2,249	2,359	2,877	2,257	2,201	2,361	2,067	2,134
Non-financial information											
Number of employees	4,149	4,089	4,063	4,105	4,167	4,190	4,210	4,474	4,468	4,531	4,556

^{#1} In fiscal 2014, as we changed the method of recording construction costs, figures for fiscal 2013 profit, loss, and assets have been restated.^{#2} In fiscal 2020, as we finalized the provisional accounting treatment of business combination, the figures for fiscal 2019 reflect this provisional treatment.^{#3} In fiscal 2021, due to the change in accounting treatment for gains on sales of goods, figures are shown after the retroactive application of the change in accounting treatment.

Company Profile

Name	CHUDENKO CORPORATION
Established	September 29, 1944
Capital	¥3,481,905,850
Address of Head Office	6-12 Koamicho, Naka-ku, Hiroshima 730-0855, Japan Tel: +81-82-291-7411 (main line)
Number of employees	Consolidated: 4,556 Non-consolidated: 3,364 (As of March 31, 2023)
Main business locations	Supervising Branches in Hiroshima, Okayama, Yamaguchi, Shimane, and Tottori Tokyo/Osaka Headquarters, Electric Power Construction Office

Organizational structure



Chudenko Group

Consolidated Group companies

Name	Description of main business
Sanshin Electric Materials Co., Ltd.	Sale of electric equipment and construction materials
CHUKO KAIHATU CORPORATION	Insurance agency and leasing
Eapac Hiroshima Co., Ltd.	Design and integration of electrical work, air conditioning piping work, etc.
ChudenkoTechno Co., Ltd.	Distribution line work
Chudenko Eletech Hiroshima / Shimane Co., Ltd.	Design and implementation of electrical work, etc.
Chudenko Eletech Okayama / Tottori Co., Ltd.	Design and implementation of electrical work, etc.
Chudenko Eletech Yamaguchi Co., Ltd.	Design and implementation of electrical work, etc.
Sugiyamakankouseitubi Co., Ltd.	Design and implementation of air conditioning piping work, etc.
Hayamizudenki Co., Ltd.	Design and implementation of electrical work, etc.
Showa Corporation	Design, implementation, and supervision of thermal insulation work Manufacture and sale of insulated pipe supporting hardware
CHUDENKO (Malaysia) Sdn.Bhd.	Design and implementation of electrical work, etc.
CHUDENKO ASIA Pte.Ltd.	Management of the RYB Group
RYB Engineering Pte.Ltd.	Design and implementation of electrical work, etc.

Non-consolidated Group companies

Name	Description of main business
Berryne Co., Ltd.	Agricultural business
Chudenko World Farm Co., Ltd.	Agricultural business

Stock Information

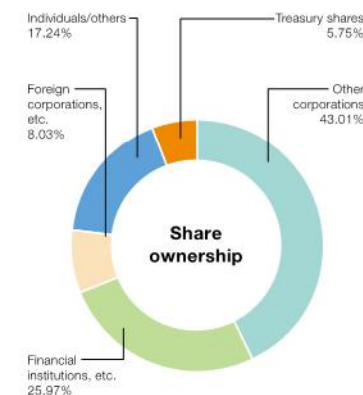
Shareholder information (As of March 31, 2023)

Total number of shares authorized to be issued 260,000,000
Total number of shares issued 54,792,781
 (Excluding 3,345,336 treasury shares)

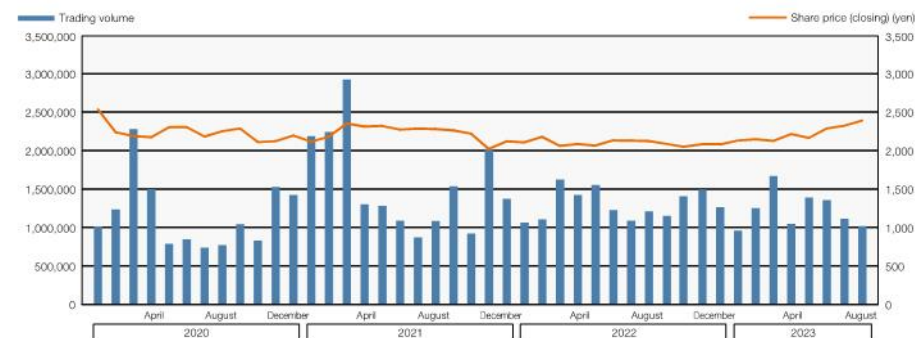
Number of shareholders 12,951

Major shareholders

Name	Number of shares held	Shareholding ratio (%)
The Chugoku Electric Power Company, Incorporated	21,892,259	39.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,148,600	7.57
Momiji Bank, Ltd.	1,506,900	2.75
The Chugoku Bank, Limited	1,398,619	2.55
Custody Bank of Japan, Ltd. (Trust Account)	1,237,796	2.25
Chudenko Employee Shareholding Association	1,213,500	2.21
Meiji Yasuda Life Insurance Company	1,129,465	2.06
The Hiroshima Bank, Ltd.	1,036,180	1.89
The Yamaguchi Bank, Ltd.	900,279	1.64
The San-in Godo Bank, Ltd.	656,481	1.19



Share price and trading volume



Inquires

Chudenko Corporation

6-12 Koamicho, Naka-ku, Hiroshima 730-0855 Japan
 Investor Relations, Corporate Planning Department, Planning Division
 TEL: 082-233-9034 FAX: 082-234-8075



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