

**KANDENKO**

<https://www.kandenko.co.jp/>

# KANDENKO INTEGRATED REPORT 2022



**KANDENKO**

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It was also printed using vegetable oil inks.

Greetings

Thank you for your interest in “KANDENKO INTEGRATED REPORT 2022.”

We provide end-to-end engineering services ranging from planning, design and execution to maintenance and renovation, regarding electrical work and information and communication work by making use of our proprietary technologies, expertise and methods in the fields of building infrastructure, telecommunications infrastructure and electric power infrastructure.

Recently, we have been focusing on utilizing the technologies and expertise we have cultivated to date to develop solar, wind power and other renewable energy power generation businesses, and expand into railways, water supply and other social infrastructure fields, and also to develop robotic and IoT-driven technologies.

Furthermore, in order to facilitate the sustainable future development of the Company, which is a labor-intensive company, we are striving to nurture human resources that can support our future by, for instance, enhancing and strengthening our employee education, promoting the active participation of women, and reforms for work practices and annual leave systems.

Going forward, the Kandenko Group remains committed to pursuing thorough compliance and improving safety and quality as the cornerstone of good management. We intend to devote all our energies to the creation of high corporate value and the formation of strong corporate structures, and contribute to the enduring development of society as a partner that supports social infrastructure for safe and comfortable daily living.



Hiroshi Yamaguchi  
Chairman and Director

Toshio Nakama  
President and Director

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Tool map

To facilitate communication with its stakeholders, the Kandenko Group conveys multifaceted information by means of various tools. In addition to the information provided in this report, we make available on our website the Group’s services, CSR activities, and other diverse information.

The Company’s website: <https://www.kandenko.co.jp/>

Integrated Report

Financial information

Website “Shareholders & Investors Information” (in Japanese)

<https://www.kandenko.co.jp/ir>

Quarterly Financial Results and Reference Documents for Financial Results

Securities Report

Non-financial information

Website “Sustainability” (in Japanese)

<https://www.kandenko.co.jp/sustainability>

Corporate Governance Report

Editorial Policy

This integrated report introduces various aspects of the Company for the purpose of facilitating stakeholders’ understanding of our businesses and medium- to long-term value creation.

<Notes on proper use of the business result forecast>

The business result forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and thus actual results may differ significantly from these forecasts due to a wide range of factors.

Reporting Period

From April 1, 2021 to March 31, 2022  
(Includes reports on some activities outside this period)

## Corporate Motto, Corporate Philosophy and Charter of Corporate Behavior

### Kandenko is one of Japan's leading firms in general infrastructure works centering on electric works at home and abroad for 78 years since its establishment.

Imagine looking down from the air on the Marunouchi area in Tokyo, Japan's finance and economic center, and you will see that Kandenko was involved in the construction of most of the buildings there. Not only in and around the capital, but throughout the nation, Kandenko has provided end-to-end engineering services ranging from design and execution to maintenance and renovation, regarding electrical, telecommunications, air conditioning and sanitation systems and other kinds of building infrastructure.

Upgrading electrical infrastructure, the main artery of cities is also an important business of ours. From power plants to households, we play a part in stable energy supply to support urban functions. Our mission is to protect the lives of people, the economy, and a safe and comfortable environment. With incomparable experiences and excellent technological capabilities, Kandenko is committed to fulfilling this mission.

Delivering electricity with secure construction, we light buildings with high-quality facilities and lighten the spirits of the people living inside. Kandenko aims to be an exceptionally brilliant company that illuminates the nation.

#### Corporate Motto

“People first”

#### Corporate Philosophy

- 1 ... Based on respect for humanity, Kandenko fulfills its duty of corporate social contribution and contributes to creating richer human environments.
- 2 ... By anticipating the needs of customers and seeking technological innovation, Kandenko provides optimal services and facilities.
- 3 ... By working for human resource development and continual improvement, Kandenko aims to be a future-oriented company.

### Kandenko Group Charter of Corporate Behavior

#### I. Principles of Corporate Behavior

The Kandenko Group acts in accordance with the following basic principles in order to contribute to the development of society through sound business activities based on thorough compliance and fulfill our responsibilities as a committed member of society.

1. We strive to stay abreast of society's needs at all times, pursue technological innovation that we have confirmed to be fully effective and safe for society, and provide optimal services.
2. We commit to communicate broadly with our customers, local communities, shareholders, investors, business partners, and other parties involved with the Kandenko Group, to disclose corporate information proactively and fairly, and promote highly transparent and open business activities.
3. We respect human rights in all aspects of our business activities and strive to ensure fair and transparent business activities that comply with relevant laws and regulations as well as social norms and their underlying ethos. We aim to be a company that is worthy of society's trust, not only by eliminating acts of collusion, etc., but also by maintaining appropriate relationships with political parties, governmental authorities, and other organizations.
4. We thoroughly protect and manage all forms of information, including personal and customer information, across all aspects of our business activities.
5. As the globalization of our business progresses, we commit to comply with the laws of each country and region in which we operate, and respect international norms and further take into account local cultures, customs, and stakeholder interests as well, and contribute to social and economic development through business activities deeply rooted in relevant countries and communities.
6. We prioritize safety in all aspects of our business activities, respect the individual attributes, personalities, and diversity of our employees, and strive to create comfortable and cheerful working environments.
7. To help tackle environmental issues, we will actively promote environmentally-conscious business activities, such as renewable energy use, energy conservation, waste reduction, and recycling.
8. We will take a resolute stand against antisocial forces and organizations that pose a threat to civic order and safety, and eliminate all actions that could be suspected to derive from inappropriate relationships.
9. Top management will demonstrate leadership and work to familiarize all Group employees with the spirit of the Charter, while also striving to maintain a clear grasp of internal and external opinions and establish effective systems for the Kandenko Group.
10. If inappropriate situations arise that run contrary to this Charter, top management will strive to resolve any issue themselves, investigating the cause and taking action to prevent a reoccurrence. In addition, the top management will promptly and accurately disclose information to society and impose strict penalties on relevant parties, including themselves.

#### II. Employee Code of Conduct

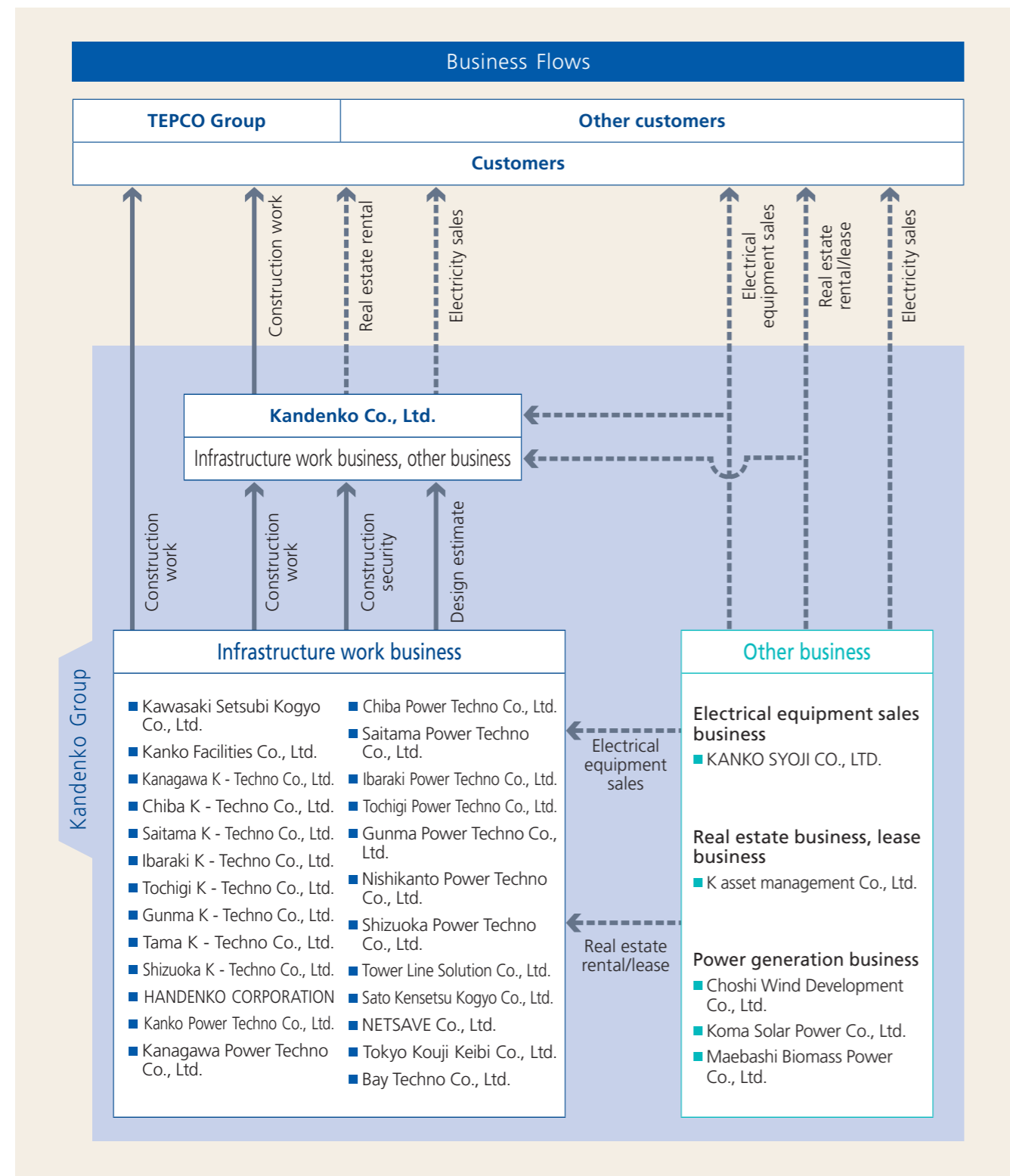
All employees will strive to provide customers with ever-improving services in terms of high levels of safety, security, and quality through fair and appropriate business activities, to be constantly aware of their roles and responsibilities as a member of the Kandenko Group, and to conduct their daily work with a full understanding of the following matters:

1. Matters relating to compliance with laws and regulations
2. Matters relating to relationship with society
3. Matters relating to fair trading
4. Matters relating to information management
5. Matters relating to employee behavior and responsibilities
6. Matters relating to the creation of an even better corporate culture

## Outline of the Kandenko Group

The Kandenko Group consists of Kandenko Co., Ltd. and 30 consolidated subsidiaries. Our main business is infrastructure work business, and we receive orders for and execute electrical engineering, environmental facilities and systems, and renovation work; information & communication work; overhead and underground power distribution line engineering work; and electric power & civil engineering work related to power generation and transformation, overhead transmission lines, underground transmission lines, civil engineering, nuclear power, and wind power generation.

We also engage in other businesses such as electrical equipment sales business, real estate business and lease business, and power generation business.

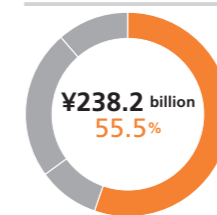


### Infrastructure work business

Electrical engineering, environmental facilities and systems, and renovation work

The segment meets the various needs of customers from equipment diagnosis to design, proposal, construction, and maintenance, not only in the installation and expansion of electrical facilities, air-conditioning and sanitation, and instrumentation infrastructure, but also in the renewal of existing infrastructure, for various structures including office buildings, factories, hotels, department stores, theaters, and hospitals.

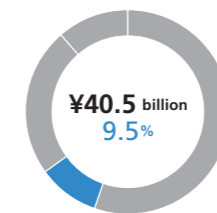
Net sales/  
composition ratio  
(non-consolidated)



Tokyo Dome

### Information & Communication Work

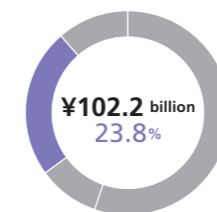
The segment has a wide range of achievements from planning of new installation and renewal, to design, construction, and maintenance, in all types of network infrastructure, including upgrades to optical fiber cable networks, installation of transmission base stations for mobile communications, and construction of networks for cable TV and municipalities.



Mobile communications base station installation work

### Power Distribution Line Engineering Work

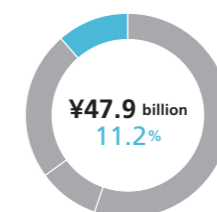
The segment covers installation and maintenance work of overhead and underground power distribution lines that deliver electricity directly to households, stores, and other customers. The segment demonstrates advanced technical capabilities using safe and efficient construction methods, tools, and work vehicles, and has a complete construction system in place in order to respond quickly and appropriately to unforeseen situations caused by natural disasters such as earthquakes, lightning, and heavy rain.



Overhead power distribution line work using the indirect hot-line method

### Electric Power & Civil Engineering Work

The segment is engaged in electrical work in nuclear power plants, in addition to work on power stations and substations, and on transmission lines. Recently, the division has also been building wind power plants and solar power plants and interconnecting lines to the transmission line networks. Kandenko's comprehensive know-how and extensive experience have been highly evaluated, helping us to receive many orders.



Substation equipment enhancement work

### Other business

(Electrical equipment sales business/real estate business and lease business/power generation business)

#### Power generation business

In order to achieve carbon neutrality by 2050 and realize sustainable development of society, it is essential that we expand the introduction of renewable energy. Kandenko has engaged in the design and construction of numerous solar and wind power plants and participated in experimental studies of renewable energy in and outside Japan. We conduct power generation business using the technology and know-how accumulated in these projects.



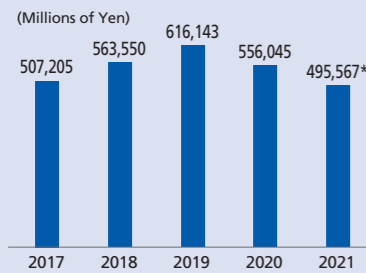
Kama Solar Power Plant

# At a Glance

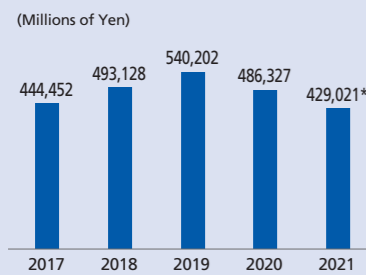
## Financial Information

### Net sales

**Consolidated** **¥495,567 million**

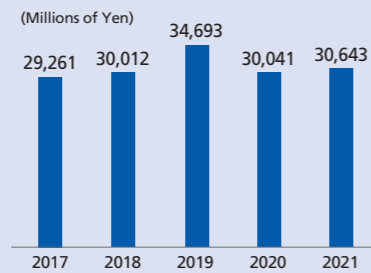


**Non-consolidated** **¥429,021 million**

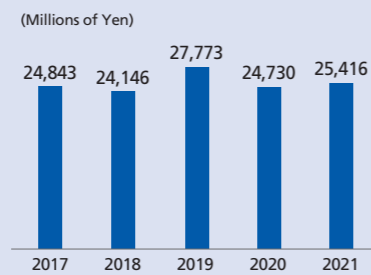


### Operating profit

**Consolidated** **¥30,643 million**

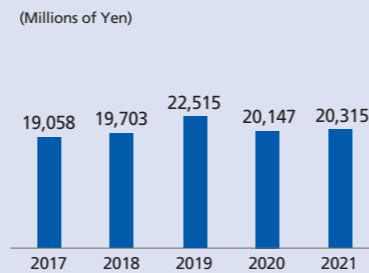


**Non-consolidated** **¥25,416 million**

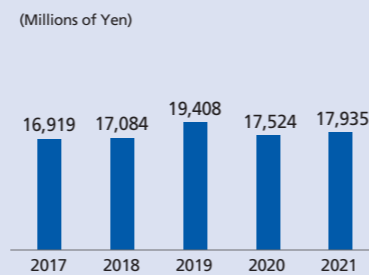


### Profit

**Consolidated** **¥20,315 million**

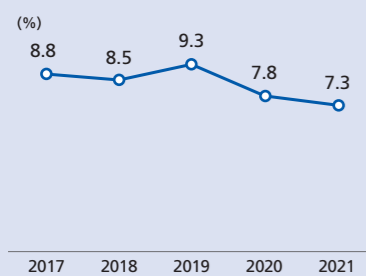


**Non-consolidated** **¥17,935 million**

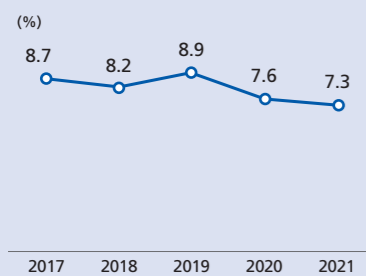


### ROE

**Consolidated** **7.3%**

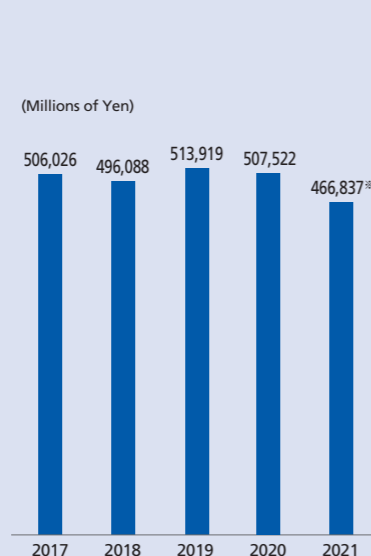


**Non-consolidated** **7.3%**



### New orders received

**¥466,837 million**

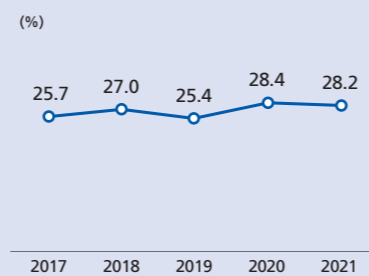


### Dividend / Dividend payout ratio

**Dividend / Consolidated** **¥28**



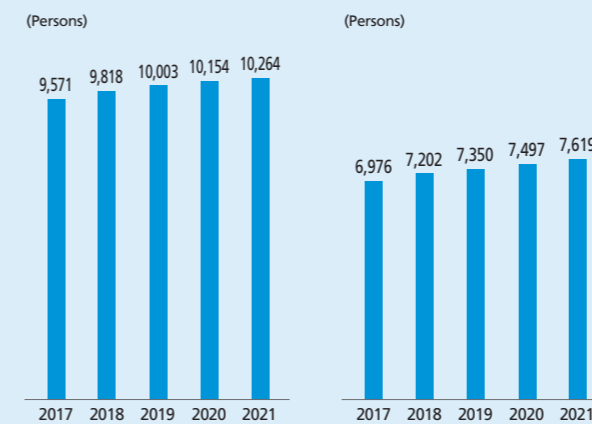
**Dividend payout ratio / Consolidated** **28.2%**



## Non-financial information

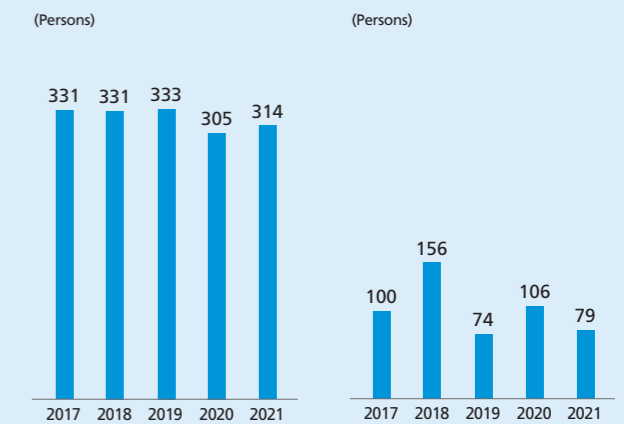
### Number of employees

**Consolidated** **10,264 persons** **Non-consolidated** **7,619 persons**



### Number of new recruits

**New graduates** **314 persons** **Year-round recruitment** **79 persons**



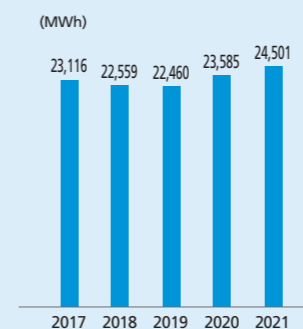
### Directors' average attendance at Board of Director's meetings

**99%**



### Electricity usage

**Compared to fiscal 2010**  
**△22.0%**



### Number of Skills Competitions winners

	Gold	Silver	Bronze
Electrical Installations	16	28	30
Information Network Cabling	2	6	11
Plumbing and Heating	4	6	3

\* In Electrical Installations, one first place winner and two second place winners in the World Skills Competition.



\*From fiscal 2021, the Accounting Standard for Revenue Recognition, etc. are applied (Accounting Standards Board of Japan ("ASBJ") Statement No. 29).

## Message from the President |

We encourage each and every employee to make transformations and aim for sustainable growth and new value creation.



President and Executive Officer  
Toshio Nakama

### Capture Changes in the Market Environment and Respond to Opportunities and Risks

The Kandenko Group has set a long-term vision to become a green innovation company that contributes to the realization of a decarbonized and resilient society toward 2044, the 100-year anniversary of our founding. We are now promoting a three-year Medium-Term Management Plan (fiscal 2021 to 2023), which will be the first stage of this.

Looking at the current market environment, in addition to the resumption of planned projects that were postponed or frozen due to the COVID-19 pandemic, there is demand for equipment renewal and office/commercial facility rebuilding aimed at digitalization and decarbonization, driving private construction investment on a rising trend. In addition, with the government's 2050 carbon neutrality declaration, investment related to renewable energy is increasing. Further, there is a need to strengthen the resilience of electric power infrastructure in preparation for intensifying natural disasters.

On the other hand, there are still concerns about the impact on the domestic economy and construction market made by skyrocketing resource and energy prices and disruptions to supply chains.

Under these circumstances, we recognize new opportunities for business expansion. They include invigoration of capital investment in strong markets such

as data centers and semiconductors, construction of wind and solar power generation facilities, progress in infrastructure development for the spread of EVs, and the growing needs for decarbonization and energy saving in customer facilities. Investment in electric power infrastructure has been restrained until now, but in the future, it is expected that the power transmission and distribution network built during the period of high economic growth will be upgraded in stages, and interconnection line reinforcement work will be done with the aim of strengthening the power infrastructure.

In contrast, business development risks include the impact of rising prices and the tight supply situation of construction materials and equipment. Furthermore, considering that a legal cap on overtime work will be applied from April 2024 and that the working population in Japan is expected to decline in the long term, dramatically improving productivity is an urgent issue for the Company.

### Fiscal 2021 Review and Current Developments

Looking at the consolidated results for fiscal 2021, the first year of our Medium-Term Management Plan, due to

#### ○ Fiscal 2021 Business Results

Consolidated results (Billions of Yen)	
Net sales of completed construction contracts	¥495.5 (down 3.4%* YoY)
Operating profit	30.6 (up 2.0% YoY)
Ordinary profit	31.7 (up 2.3% YoY)
Profit attributable to owners of parent	20.3 (up 0.8% YoY)

Non-consolidated results (Billions of Yen)	
New orders received	¥466.8 (down 1.4%* YoY)
Net sales of completed construction contracts	429.0 (down 3.2%* YoY)
Operating profit	25.4 (up 2.8% YoY)
Ordinary profit	26.7 (up 3.2% YoY)
Profit	17.9 (up 2.3% YoY)

\*The above predicted changes for net sales of completed construction contracts and new orders received are reference values calculated after applying the Accounting Standard for Revenue Recognition, etc. to the fiscal 2020 results.

## Message from the President

fewer deliveries of large-scale new construction projects, as well as the sluggish recording of sales based on the percentage-of-completion method, the net sales of completed construction contracts decreased to ¥495,567 million (down 3.4%\* year on year). In terms of profits, increased renovation work due to the strengthening of area management and thorough company-wide cost reduction measures contributed to surpassing fiscal 2020 figures, including operating profit of ¥30,643 million (up 2.0% year on year), ordinary profit of ¥31,754 million (up 2.3% year on year), profit attributable to owners of parent of ¥20,315 million (up 0.8% year on year).

Fiscal 2022 is the second year of our Medium-Term Management Plan, and we recognize that it will be a very important year for achieving our final goals and further growth. As for our earnings forecast, we expect both consolidated and non-consolidated earnings to exceed fiscal 2021. Currently, we have a high level of sales information and volume of construction work in hand compared to the past, and based on results obtained over the past year, we are making company-wide efforts to achieve our performance targets.

### Progress of Medium-Term Management Plan

“Change! And Create the Future From a New Starting Point” is the slogan of our Medium-Term Management Plan. We have set numerical targets for fiscal 2023 of net sales of ¥580.0 billion, operating profit of ¥36.0

billion, ROE of 8% or higher, ROIC of 8% or higher, and a dividend payout ratio of 30% or above.

To achieve these goals, based on a fundamental commitment to promote ESG management, we are focusing on five areas as key policies, namely “productivity innovation,” “rebuild earnings base by demonstrating our comprehensive strengths,” “strengthen foundations for future growth,” “promote sound management activities,” and “reinforce ‘people first.’”

In terms of productivity innovation, we have reformed our business processes, including conversion of worksite tasks to back-office tasks, such as construction blueprint creation and technical review. We are also promoting construction technology innovation by expanding the introduction of prefabrication and modular unit construction methods based at the Rokugo Center (in Rokugo, Ota-ku, Tokyo). We are also striving to expand the functions of our worksite support system and further promote the use of smartphones distributed to all employees. In April 2022, these efforts were highly evaluated, and we were selected as a “DX-certified operator” by the Ministry of Economy, Trade and Industry. We will continue to work on continuous improvements to reduce the workload and realize reforms of work practices and annual leave systems.

In terms of rebuilding our earnings base by demonstrating our comprehensive strengths, our active sales activities targeting growth markets and diversification of renewal proposals were successful, and as mentioned earlier, we now have an abundance of sales information and volume of construction work in



hand. Going forward, we will continue to work on early collection of sales information with an eye to the future, and focus on developing total solution services that contribute to the decarbonization of customer infrastructures, disaster prevention, and business continuity plan needs.

In response to recent concerns about the tight supply of construction materials and equipment, we will thoroughly visualize our delivery status and carefully manage progress, and will also take, as appropriate, prompt and suitable measures to deal with rising procurement costs.

As part of our initiatives to strengthen our foundations for future growth, we started a regional microgrid construction project in Isumi City, Chiba Prefecture, and are strengthening our sales and construction systems to acquire EV charger installation work. In addition, we are proceeding with the development of verification experiment facilities that will contribute to the development of the local 5G market. In order to further strengthen the presence of the Kandenko Group, we believe that it is necessary to promote further

collaboration between the building infrastructure and social infrastructure divisions and to develop a company-wide promotion system.

In promoting sound management activities, we are working to improve the effectiveness of our governance as a company listed on the Prime Market, based on the intent and content of the revised Corporate Governance Code. First, regarding the composition of the Board of Directors, we welcomed one new independent outside director in June 2022, making four of the thirteen directors independent outside directors. Furthermore, as a revision of the meeting structure, we have newly established a Senior Management Committee and are working toward deeper discussion of themes by the Board of Directors. In addition, we established the Group Business Planning Department to strengthen management of group companies and promote area management based on the characteristics of each company. We will continue to strengthen governance and improve transparency, and strive to ensure safety and quality, which are the very core of our management, and ensure thorough compliance, with the aim being to become a company always trusted by society.

### Fiscal 2022 Business Results (Forecast)

Consolidated results (Billions of Yen)	
Net sales of completed construction contracts	¥542.0 (up 9.4% YoY)
Operating profit	32.0 (up 4.4% YoY)
Ordinary profit	32.8 (up 3.3% YoY)
Profit attributable to owners of parent	20.8 (up 2.4% YoY)

Non-consolidated results (Billions of Yen)	
New orders received	¥496.0 (up 6.2% YoY)
Net sales of completed construction contracts	473.0 (up 10.3% YoY)
Operating profit	26.5 (up 4.3% YoY)
Ordinary profit	27.5 (up 2.8% YoY)
Profit	18.0 (up 0.4% YoY)

## Message from the President

In terms of reinforcing “people first,” in addition to realizing reforms of work practices and annual leave systems through the measures to improve productivity mentioned above, we are promoting the creation of a work environment where each employee can fully demonstrate their abilities and work energetically. As part of this, we have introduced a retirement age of 65 from fiscal 2022, so that veteran employees with a wealth of experience and advanced technology and skills can continue to play active roles in the Company. Furthermore, we are working on revising personnel and wage systems, in order to improve the motivation of employees with advanced expertise and promote the early development of practical skills of young employees.

In July 2022, we have appointed our first two female line managers indicating our focus on promoting diversity, and we intend to incorporate more diverse values and perspectives into our future business activities.

As a labor-intensive company, our employees are our most important management resource. We will continue to actively employ measures that contribute to strengthening human resource development and improving employee engagement.

### ESG Management Aimed at Providing Greater Social Value

As part of the promotion of ESG management, the basic policy of our Medium-Term Management Plan, we established and announced our Basic Sustainability Policy in June 2022. In addition to clarifying our stance on contributing to a sustainable society, we identified materialities (important issues) for corporate value creation and the business foundation continuation.

We have always been aware of the importance of contributing to society through our business, as part of our corporate social responsibility indicated in our Corporate Philosophy. In 2019, when a typhoon struck Chiba Prefecture, causing a large-scale power outage, the entire Company was involved in recovery work. This was an opportunity to reaffirm our reason for existence, which is to play a role in the stable supply of electricity and to support the sustainability of society.

In addition to identifying materialities (important issues), we also expressed our support for the TCFD (Task Force on Climate-related Financial Disclosures). We see climate change as one of our most important management issues, and disclose important information

related to climate change based on these recommendations. Through the analysis of climate change risks, we were able to go deeper into our existing risk management and recognize even more opportunities. We will reflect the content of this analysis in our management strategies and refine our value proposals for decarbonization, disaster prevention, and BCP. As our next challenge, we will consider expanding the scope of disclosure from the current Scopes 1 and 2 to include Scope 3.

We will focus on providing value to customers who aim for decarbonization as an environmental theme, and work to establish a presence to become a green innovation company. At the same time, we will focus on reducing CO<sub>2</sub> emissions within the Company, such as energy saving and conversion of construction vehicles to EVs.

In order to provide greater social value, we will deepen our existing businesses and promote ESG management as a foundation for creating innovation. The starting point of value creation mentioned in our slogan, “Change! And Create the Future From a New Starting Point,” is nothing less than changing the mindset of each and every employee. By linking this to behavioral change throughout the Company, we aim to be a company that grows together with all of its stakeholders.

### Becoming a Green Innovation Company

In the future, with the rapid progress of digital technology, it will be possible to enjoy more convenient and higher quality services in a timely manner. On the other hand, it is expected that the future social structure will undergo major changes, including the emergence of many issues such as declining population in Japan and intensifying natural disasters. The reality is that many hurdles remain to be overcome in order to achieve realization of the decarbonized society that the world is currently aiming for. In the energy industry, power networks will be even more complex and interactive by the spread of distributed power sources and EVs, and the evolution of power storage technology.

I believe that the “green innovation company” we are currently aiming to become, is a company that contributes to solving these social issues and is needed by everyone in society. A green innovation company creates new value in the energy and environment fields and contributes to the realization of a recycling-oriented society. **With decarbonization and resilience as our main themes, we will incorporate peripheral areas**



### Key Policies in Our Medium-Term Management Plan



**into our core construction business and provide social infrastructure and utility services that support our customers.** Making the most of the technology and know-how that we have cultivated as a general infrastructure company, we will also be responsible for **the comprehensive maintenance and construction of infrastructure and services committed to the electricity value chain, from power plants all the way down to outlets.** To that end, it is necessary that we **practice human capital management in pursuit of the health and job satisfaction of employees, and foster a corporate culture of continued growth through constant self-innovation.**

By steadily promoting initiatives for the materialities (important issues) which I mentioned earlier, and by striving to improve corporate value through the practice of sustainability, which is the basis of our Corporate Philosophy, we intend to pave the way for our employees, who will lead the next generation, to become a green innovation company.

## Value Creation Trajectory

Since its founding in September 1944, Kandenko has conducted business in a wide range of fields with the aim of ensuring the mutual prosperity of its customers and the communities where it works and finds its purpose in this pursuit, and grown to become one of Japan's leading general infrastructure companies. This section presents the Company's history of stably supplying electric power and supporting people's lives alongside postwar development in Japan.

### Net sales/Operating profit

■ Net sales ■ Operating profit

Figures in and before fiscal 1998 show non-consolidated net sales/operating profit.

\*From fiscal 2021, the Accounting Standard for Revenue Recognition, etc. are applied (Accounting Standards Board of Japan ("ASBJ") Statement No. 29).

Operating profit  
(Millions of yen)

30,000

20,000

10,000

0

1944

1950

1955

1960

1965

1970

1975

1980

1985

1990

1995

2000

2005

2010

2015

2020

Net sales  
(Millions of yen)

600,000

500,000

400,000

300,000

200,000

100,000

0

1940

1950

1960

1970

1980

1990

2000

2010

Company Establishment and Japan's Postwar Recovery Period

From Rapid Growth Period to Stable Growth Period

Transition from Showa to Heisei Era

Working to Realize a Sustainable Society

### Business Development

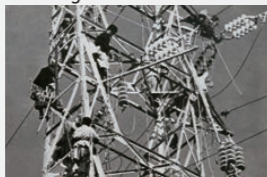
September 1944

Kanto Denki Koji Co., Ltd., was established.  
Head office at 2 Tameikemachi, Akasaka Ward (current Minato Ward), Tokyo



Late 1940's

Large-scale transmission line works gain momentum



1958

Tokyo Tower completed.



September 1959

The Company provides disaster recovery support beyond its jurisdiction in the wake of the Isewan Typhoon



1968

Kasumigaseki Building completed as the first skyscraper in Japan.



1981

Power distribution network in Nepal upgraded.



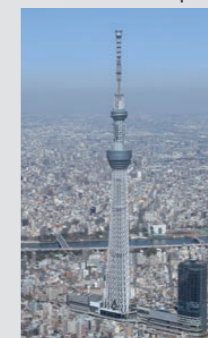
1991

Tokyo Metropolitan Government No.1 Building completed.



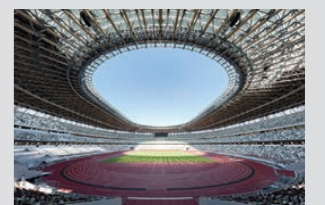
2012

TOKYO SKY TREE®, the world's highest self-supporting broadcast tower opened.



2019

Japan National Stadium completed.



Courtesy of Taisei Corporation

### Strengthening our Fundamental Base

Around 1947

Transport of power poles by hand-drawn cart

November 1955

Introduced pillar-erecting vehicle for power distribution line engineering work

March 1960

Built Technical Staff Training Center (current Education & Training Center) in Ibaraki prefecture

September 1960

Moved head office to Yushima 4-chome, Bunkyo-ku, Tokyo

October 1961

Listed on the Second Section of the Tokyo Stock Exchange

February 1970

Listed on the First Section of the Tokyo Stock Exchange

1971

Introduced aerial work platform trucks for power distribution line engineering work

August 1973

Set our People First slogan

September 1984

Company name changed to Kandenko Co., Ltd.

July 1986

The Company participated in the Japanese Antarctic Research Expedition for the first time.

December 1988

Moved head office to newly constructed building at Shibaura 4-chome, Minato-ku, Tokyo (current location)  
Formulated our Corporate Philosophy  
Formulated our Corporate Motto "People First"

January 1990

Started TV commercials

July 1993

Set up the Tsukuba Technology Research & Development Institute (currently Technology Research & Development Institute)

October 1997

Launched Kandenko website

December 2006

Formulated the Kandenko Group Charter of Corporate Behavior

October 2012

Capital participation in Choshi Wind Development Co., Ltd. (started power generation business)

October 2014

Introduced regional headquarters system

July 2015

Established Fukushima Division

March 2016

Formulated our growth strategy

April 2020

Achieved record high consolidated business result

## Value Creation Process

The Kandenko Group has always provided high-quality equipment and services from a long-term perspective in the fields of building infrastructure, telecommunications infrastructure, and electric power infrastructure as part of our quest to promote a harmonious existence between people, nature, and society.

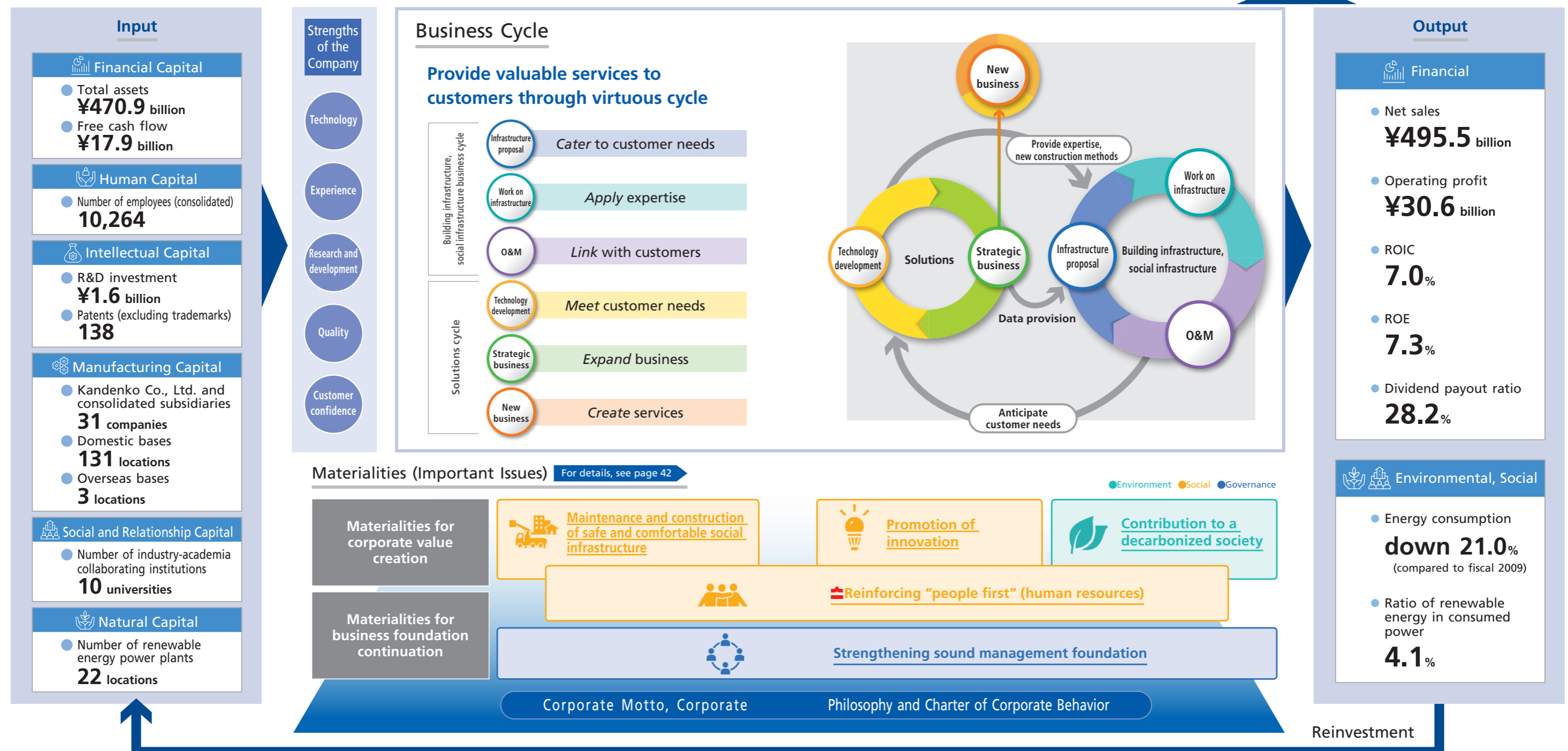
We intend to help solve social issues by accurately grasping changes in our business environment, such as the declining population, aging population, and decarbonization, and providing new value at the same time.

### Social Issues

- Realization of a decarbonized society
- Response to climate change
- Maintenance and development of social infrastructure
- Domestic population decline and aging society
- Reforms of work practices and annual leave systems
- Digital transformation

### Value to be Provided to Society

- Provision of comfortable living environments
- Stable supply of electric power
- Provision of stable communication services
- Restoration of infrastructure damaged by natural disasters
- Maintenance and updates for aging social infrastructure
- Energy-saving initiatives for building infrastructure



## Fiscal 2021-2023 Medium-Term Management Plan

As part of the Fiscal 2021-2023 Medium-Term Management Plan, with the aim of helping solve social issues including the Sustainable Development Goals (SDGs) under ESG management promotion, we intend to deepen our existing businesses, while challenging innovation derived from new ideas rather than an extension of existing avenues, and striving to develop as the next-generation Kandenko Group that will continue to grow together with all our stakeholders.

### Change! And Create the Future from a New Starting Point

#### Key policies

1. Productivity innovation

2. Rebuild earnings base by demonstrating our comprehensive strengths

3. Strengthen foundations for future growth

4. Promote sound management activities

5. Reinforce "people first"

#### 2023 GOALS

Net sales ..... ¥580.0 billion

Operating profit..... ¥36.0 billion

ROE..... 8% or above

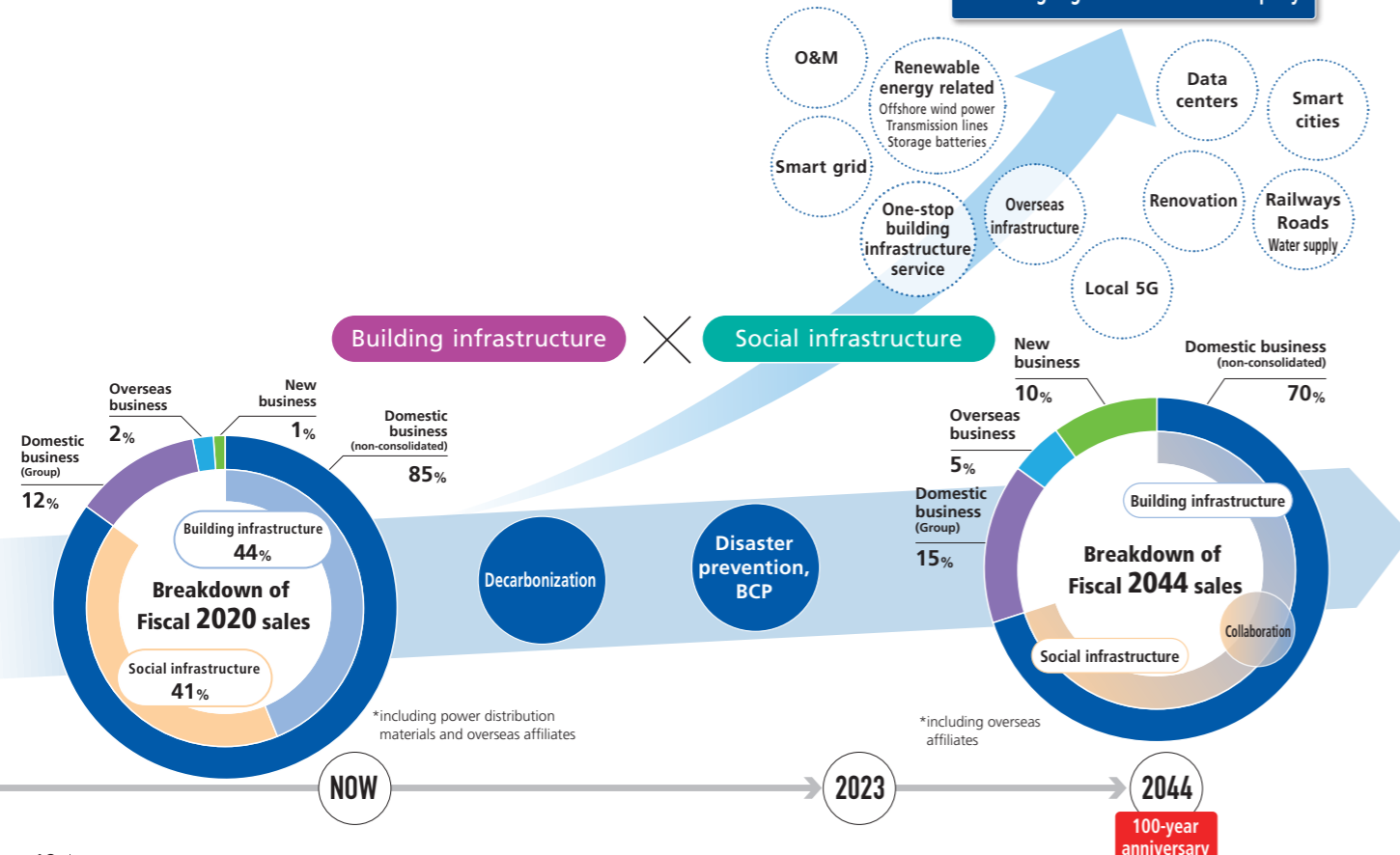
ROIC..... 8% or above

Dividend payout ratio..... 30% or above

Energy consumption... Down 30% (compared to fiscal 2009)

Ratio of renewable energy in consumed power ... 15% or higher

#### Becoming a green innovation company



#### Quantitative Plan

While sales fell short of the announced figures, the target for operating profit was achieved. Our challenge is to further improve profitability and capital efficiency.

#### Qualitative Plan

Achieved results in deepening existing businesses, including rebuilding our earnings base, and promoting ESG management. Our challenge is to accelerate growth investment for productivity innovation and DX realization, and to further strengthen our foundations for growth over the medium to long-term.

#### Key policy • 1

##### Productivity Innovation

- We will steadily promote labor-saving and manpower-saving at construction sites by reforming business processes, including converting worksite tasks to back-office tasks, and utilizing prefabricated and modular units.
- Active promotion of digitalization (certification as a DX-certified operator determined by the Ministry of Economy, Trade and Industry)
- Issues include securing human resources and rebuilding the promotion system for the realization of DX

#### Key policy • 2

##### Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths

- Practice strategic sales activities centered on growth fields by collecting sales information early and enhancing quality and quantity
- Ensure profitability through thorough and continuous cost management
- Amidst intensifying competition, soaring material prices, and a severe labor shortage, our challenges are to acquire strategic renewal stock and secure work execution abilities from a medium to long-term perspective

#### Key policy • 3

##### Strengthen Foundations for Future Growth

- Launched the regional microgrid construction project for Isumi City
- Strengthen system to expand EV charger installation work
- Establishment of a system for providing comprehensive service "Total Build & Support," which contributes to the development of the local 5G market (Establishment of a Local 5G Lab, making NextCadix Ltd. a subsidiary)
- Expansion of overseas business (order and construction system)
- Our challenge is to further strengthen inter-departmental collaboration and cooperation to promote proposals for decarbonization, disaster prevention and business continuity plans

#### Key policy • 4

##### Promote Sound Management Activities

- Strengthening group governance (establishment of a new Group Planning Department)
- Promoting initiatives to address sustainability issues (Formulation of Basic Sustainability Policy, information disclosure based on TCFD recommendations)
- First Japanese construction company to join the "EV100"

#### Key policy • 5

##### Reinforce "People First"

- Building an age 65 retirement system
- Consecutive victories in two occupations (electrical and plumbing) at the 59th National Skills Competition
- Continue active recruitment activities
- Strengthening training of young employees and early development of their practical skills
- Our challenge is to visualize human capital and rebuild a human resource portfolio strategy that matches our management strategy

## Financial Strategy & Capital Policy |

### Achieving the Medium-Term Management Plan and establishing a financial foundation for sustainable growth beyond



Hitoshi Sugizaki

Senior Managing Officer, Acting Division Manager of Corporate Division and Head of Accounting & IT Unit

#### Looking back on fiscal 2021 trends from a financial perspective

In fiscal 2021, the first year of the Medium-Term Management Plan, we worked on active sales expansion in growth markets and diversification of renewal proposals. In addition, we promoted measures to improve productivity, such as promoting the use of digital technology and enhancing our worksite support system. As a result, while net sales of completed construction contracts cannot be simply compared with the previous year due to the application of the "Accounting Standard for Revenue Recognition," in terms of profits, we were able to secure a level that surpassed that of the previous fiscal year. This is an indication that the cost management measures we have thoroughly implemented throughout the Company in recent years have become widespread, and we believe that our earning power is steadily improving.

The demand for working capital of the Kandenko Group is mainly derived from construction costs such as material costs and subcontracting costs in the infrastructure work business, as well as operating expenses, such as selling, general and administrative expenses. Demand for funds for investment purposes is derived from capital investment represented by the construction and acquisition of office buildings, construction vehicles and machinery. In fiscal 2021, we invested in the development of business bases in preparation for disasters, production equipment that contributes to productivity improvement, the digital technology field, and the expansion of new business

areas, after conducting a thorough examination of their profitability and investment recovery capability. As a result, our capital investment was ¥9,125 million and depreciation and amortization was ¥7,435 million.

While the cash flows from investing and financing activities resulted in an outflow, due to the cash inflow from operating activities, cash and cash equivalents in fiscal 2021 increased by ¥10,236 million from the end of the previous fiscal year to ¥67,423 million.

The Kandenko Group's basic policy is to reliably secure the necessary funds for business operations. For working capital and capital investment funds, we raised funds from our own funds and borrowings from financial institutions. Short-term borrowings are mainly procured for working capital, and long-term borrowings are mainly procured for capital investment. In addition, while notes payable, accounts payable for construction contracts and other accounts for most of our liabilities, our borrowings are relatively small, and our equity ratio remains at a high level of 60.3% as of the end of fiscal 2021.

#### Recognition of financial issues and achievement of our Medium-Term Management Plan

As a financial issue for sustainable improvement of corporate value, we recognize that further improvements in profitability and efficiency are required.

In the Medium-Term Management Plan, we have set a financial target of 8% or higher for ROE and ROIC in consolidated results for fiscal 2023. We have set a target of 8% or more for ROE, taking into account the expected equity spread (ROE - cost of equity) over the medium to long-term, assuming that the current cost of equity is approximately 5%. In order to increase ROE reliably and continuously, we must maintain financial soundness and further increase our top line, which is to say, our earning power. We believe that investing in businesses with positive ROIC will naturally raise the top line and ROE. At the same time, in preparation for sudden changes in the business environment, it will also be important to secure a solid financial base that enables us to increase ready liquidity and make continuous investments for growth.

We will continue to implement various measures to strengthen profitability and steadily increase our earning power. At the same time, we will strengthen management of working capital such as trade receivables and improve the efficiency of funds through our group financial system, in order to establish a stronger financial structure. Also, we are considering strategic investments to expand our business areas and alliances with external parties. In addition to cash on hand, we will consider diversified financing from the financial and capital markets.

We continue to recognize shareholder returns as an important management issue. While maintaining stable dividends as our basic policy, we intend to actively pay

dividends by improving earnings. Our Medium-Term Management Plan aims for a consolidated dividend payout ratio of 30% or more in fiscal 2023, the final year of the plan. In fiscal 2022, taking into account our current performance, we have increased the interim and year-end dividend forecasts by ¥1 each to ¥15, to respond to the ongoing support of our shareholders. As a result, we plan to increase our annual dividend per share for fiscal 2022 by ¥2, from ¥28 to ¥30.

#### Financial base for becoming a green innovation company in 2044

The Kandenko Group, with its vision of becoming a green innovation company in 2044, the 100-year anniversary of our founding, will further accelerate initiatives in the fields of decarbonization and resilience, and will take on the challenge of creating new value with the aim of achieving a sustainable future. In order to achieve this goal, it is required to appropriately allocate management resources such as diverse human resources and technologies possessed by the Kandenko Group to each business so that they can be utilized as effectively as possible. Therefore, we plan to determine whether the business is designed to generate sufficient returns while taking capital costs into consideration. We aim to continuously improve corporate value by

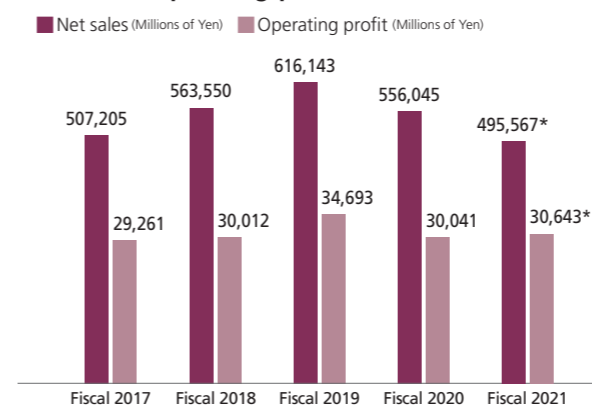
monitoring the asset efficiency of each business and adapting group management to changes in the business environment.

The measures that the finance department should take from now on is to prepare the financial base for the Kandenko Group to take on the challenge of new technologies and new business fields amid a major shift in society as a whole. In addition, we recognize that it is necessary to ensure the soundness and transparency of financial decision-making to ensure thorough risk management and maximize profits from a medium to long-term perspective.

#### Message to all our stakeholders

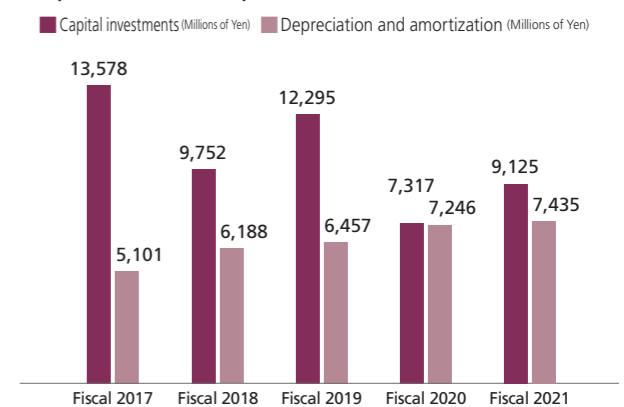
We believe that dialogue with stakeholders, including shareholders and investors, is extremely beneficial in having them gain a deeper understanding of the Kandenko Group, as well as in utilizing their opinions in our management and turning them into qualitative improvements. We will continue to engage in dialogue, establish a solid financial base, improve capital profitability, and take on the challenge of going farther and deeper than ever through contributions to solving social issues. We hope you will continue to look forward to the Kandenko Group's efforts to create greater social value.

#### Net sales/Operating profit (Consolidated)

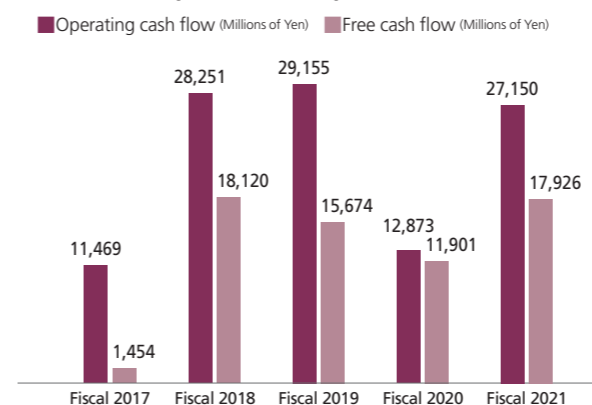


\*From fiscal 2021, the Accounting Standard for Revenue Recognition, etc. are applied (Accounting Standards Board of Japan ("ASBJ") Statement No. 29).

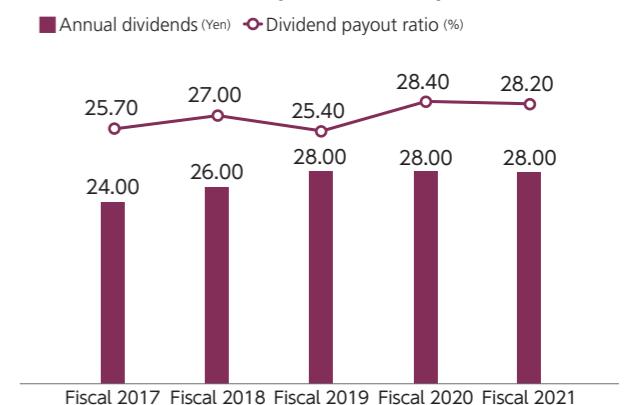
#### Capital investments/Depreciation and amortization (Consolidated)



#### Cash flows (Consolidated)



#### Status of dividends (Consolidated)



## Reinforce Human Capital and “People First”

### Investments in human capital for medium to long-term growth



Hiroyuki Enoki

Executive Managing Officer, Head of Management Planning Unit,  
Corporate Division

As a labor-intensive company, we recognize that securing and training human resources is the starting point for us to continue contributing to the development of safe and comfortable communities and to continue supporting social infrastructure. With our Corporate Motto “People First,” the Company will actively implement measures for the future, in order to respect the diverse personalities of our employees, create an environment where they can fully demonstrate their abilities in each field, and be a good company for each and every employee.

In recent years, we have continued to hire more than 300 regular recruits and 100 people with experience from other companies every year. The steady growth of regular recruits and the various sorts of knowledge provided by people with experience at other companies are indispensable for the further growth of the Company, and we will continue systematic hiring of human resources.

As stated in our Medium-Term Management Plan, the Company focuses on the construction of building infrastructure and social infrastructure equipment as the core of its business. At the same time, in the future, we will expand our business in various domains in order to implement management strategies that are in line with changes in the social environment. We are aiming to become a green innovation company by 2044, the 100-year anniversary of our founding. To realize this goal, we will train employees looking 10 to 20 years ahead in order to respond to changes in our business portfolio in the future.

#### Human resources development that create the future

In the future, more than ever before, we will need employees who can execute their duties making full use of their specialized knowledge, technology, and skills. We will focus on training such personnel, and will also work to develop the necessary internal frameworks and training systems. We will also deepen the technology, skills, knowledge, and know-how necessary on the front lines of worksites, which are our earnings base, to develop human resources who will lead the entire infrastructure work industry.

We have also created a succession plan to develop management candidates who have the foresight to see the changing times, and who can indicate the future direction of the Company as a whole. In addition to management education for employees at the executive officer level, we also collaborate with external educational institutions to develop the next generation of executive officers, and provide education so that employees can learn high-level leadership skills, and financial and management strategies. For employees at the section manager level and below, as human resource development for the next-generation and the generation after that, we select candidates and conduct training on business management.

#### Diverse human resources demonstrate their abilities

The rapidly declining birthrate and aging population in Japan is causing a decline in the working population. On the other hand, the growing healthy life expectancy in Japan indicates that senior individuals will also have more opportunities to play active roles in the Company as well. In these circumstances, we have introduced a retirement age of 65 from April 2022, with a goal of having employees maintain and improve their motivation, and having them continue to be active on the front lines for a long time. In addition, we will create an environment in which senior individuals can play an active role, and we will select excellent human resources early on, including young employees with advanced abilities, and introduce measures to prevent the organization from becoming rigid.

Initiatives for health management are also important measures. Employee health management is one of the most important matters for the Company to promote the active participation of a wide range of age groups. In order to protect the physical and mental health of our employees, we are striving to create a work environment with the aim of improving engagement. Specifically, we are implementing various initiatives, such as developing a health support system through collaboration with specialized medical staff and health insurance associations (collaborative health program), and holding walking events inviting Mr. Toshiaki

Hirose, who is the former captain of the Japanese national rugby team and is our corporate communication captain (CCC).

Promoting diversity is another major theme. We believe that one of the most important factors in promoting the career advancement of female employees is changing the mindset of employees. We are focusing on company-wide education and training in order to eliminate the harmful effects of unconscious bias and build a workplace where all employees can play an active role in flat standing positions. In addition, we provide opportunities to share daily worries and hold deeper exchanges by holding “Kandenkomachi,” an opinion exchange meeting for women working at worksites that goes beyond the boundaries of departments and affiliations, in order to support the active participation of female technical and engineering staff. In addition, we opened two farms in Itabashi-ku, Tokyo and Ichikawa City, Chiba Prefecture from fiscal 2021, with the aim of further promoting the advancement of people with disabilities. They can enjoy the work of harvesting crops and feel a sense of accomplishment by collaborating with colleagues to cultivate crops every day in an environment designed with full consideration for safety. The harvested crops are also used as ingredients for meals at our Education & Training Center and other facilities.

#### Appealing workplaces and diverse work styles

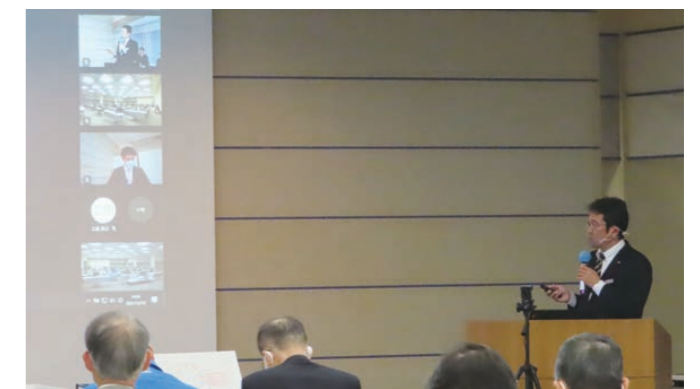
We distribute smartphones to all employees for the purpose of confirming their safety status in the event of a natural disaster and speeding up information transmission within the Company. As a result, employees can now access internal systems regardless of location, whether they are at home or away. In addition, we held a “smartphone use contest” to widely solicit ideas from our employees, as we can expect further improvements in operational efficiency and convenience by expanding the use of smartphones. Employees who submit useful ideas are commended, and feasible ideas are put into practical use as needed.

With the introduction of various work styles such as remote working, we have come to recognize the issues of management and evaluation becoming difficult and diminishing communications. For this reason, we incorporate management methods suitable for various work styles into training for line managers. In addition, by further promoting “K. Assertion” activities aimed at creating an open workplace environment, we aim to be a company that offers a high level of psychological safety, and is comfortable and rewarding to work for.

#### Flexible response to change and inheritance of our DNA

Since the Company was founded, we have contributed to the development of society as a whole through the maintenance and construction of building and social

infrastructure. The Company’s strength is its ability to unite as one even in difficult situations, in order to build various infrastructure and protect them. This sense of mission has been handed down from generation to generation, and is part of Kandenko’s DNA, passed down to each and every employee today. At the same time, we also have a responsibility to ensure that the baton is passed on to the next generation. We will work on human resource development while maintaining a balance between the flexibility to adapt to the ever-changing world and continuity to keep protecting things unchanged. In order to continue being a company where each and every employee can take pride in their work and be glad to have joined the Company, we will continue to actively invest in enhancing human capital.



Training in progress (Training for next generation leaders/NGG training)

## Business Review by Division

### Building Infrastructure Work Electrical engineering, environmental facilities and systems, and renovation work

#### Description of Business

**Electrical engineering work:** Work on electrical facilities and equipment inside all types of buildings and structures, building interiors, control equipment, and interior network

**Environmental facilities and systems, and renovation work:** Work on air conditioning and sanitation systems as well as water, heat and disaster prevention systems



Nobuhiro Iida

Executive Vice President and Executive Officer, Division Manager  
of Sales Division

**Electrical engineering, environmental facilities and systems, and renovation work engages in new construction and maintenance, as well as improvement of functionality, of building infrastructure in office buildings, factories, and commercial facilities. In addition to improving productivity through business process reforms, we will strengthen our ability to make proposals to develop solution services that respond to decarbonization needs, for which further growth in demand is expected.**

#### Review of fiscal 2021

New orders received for lodging and entertainment facilities decreased compared to the previous fiscal year, but we were able to achieve better results than the previous fiscal year due to strong demand for new construction of data centers, in addition to strong orders

from booming industries such as the semiconductor industry.

By region, orders increased in western Japan as well as in eastern Japan, which is our base. We have built a construction management and technical proposal system that allows us to quickly respond to customer needs, and worked to strengthen and enhance cost management and engineering functions. This has led to the acquisition of large-scale production base projects for semiconductors, EV batteries, etc., as well as urban redevelopment projects. In environmental facilities and systems, and renovation work, which is the priority area for strengthening, we handled large-scale projects such as data centers and high-performance logistics facilities, resulting in a year-on-year improvement in our results.

On the other hand, net sales of completed construction contracts decreased compared to the previous fiscal year, due in part to large-scale redevelopment projects in central Tokyo with long construction periods still being underway.

As a result, in fiscal 2021, new orders received totaled ¥267,648 million, an increase by ¥5,929 million or 2.3% year on year, net sales of completed construction contracts totaled ¥238,296 million, a decrease by ¥13,941 million or 5.5% year on year. Construction contracts brought forward totaled ¥309,176 million, an increase by ¥29,352 million or 10.5% year on year.

On the other hand, in response to the legal cap on overtime work to be applied from April 2024, we will establish a new "Technical Assistant Team" in the head office. We have also established a system to perform some worksite tasks in the back office, and put this system into operation. As a result, works that had been performed at major new construction sites nationwide, such as technical examination and preparation of blueprints and construction instructions, have been centralized at the head office, as part of the efforts to reduce the workload of worksite supervisors.

#### Current situation and future initiatives

In fiscal 2022, we expect to receive orders from growth fields where capital investment sentiment is strong, and progress in large-scale new construction is expected. As such, our results are expected to exceed those of the previous fiscal year in terms of both new orders received and net sales of completed construction contracts. As this is the second year of the Medium-Term Management Plan, this division is working on "business process innovation and thorough use of digital technologies" and "practicing sales activities with an eye on the medium to long-term market" as priority items of our management policy.

#### ● Improving worksite productivity through conversion to back-office tasks and prefabricated and modular units

First, in terms of "business process innovation and thorough use of digital technologies," the "Site Work Assistant Team" newly established in the head office in July 2022, will centrally process worksite paper work. By doing so, together with the above-mentioned Technical Assistant Team responsible for worksite technical work, we will promote strengthening of the conversion to back-office tasks of worksite tasks.

In addition, we will start an initiative to remotely support inspection work that requires staff to be present by using wearable cameras and worksite production management systems (worksite support systems) making full use of ICT.

We are also working to further reduce the burden on worksite operations and improve productivity by strengthening the use of prefabrication and modular unit construction methods, in which parts are cut and drilled in advance at off-site factories.

At our off-site factories, we would like to further increase the production capacity, systematize delivery to worksites, and expand the number of sites where this system is used nationwide.

In the medium term, we will unify the functions of the off-site factories, Technical Assistant Team, and Site Work Assistant Team, and aim to establish an organization that can provide total support for worksites, in terms of both technology and paper work.

#### ● Practicing sales activities with an eye on the medium to long-term market

With regard to "practicing sales activities with an eye on the medium to long-term market," in addition to investing in real estate development in urban areas, we also expect continued growth in investment in data center development in response to the digital shift of society, and investment related to the manufacture of automobiles and in-vehicle batteries accompanying the progress of CASE. We will build a flexible proposal, design, construction and maintenance system to meet all needs of our customers.

Against the backdrop of social demand for the realization of carbon neutrality by 2050, customer needs are increasing for installation of solar power generation, storage batteries, and EV charging infrastructure, as well as for renewal of infrastructure for decarbonization. In addition, interest in power

saving and energy saving measures is increasing in response to soaring electricity costs.

In July 2022, we strengthened our solution sales by establishing a new "Carbon Neutral Solution Team" specializing in decarbonization-related markets in order to actively propose technologies and services that meet customer needs, such as the central monitoring system "EcoBACS," which visualizes energy consumption in building infrastructure and achieves energy savings through automatic optimization control.

#### ● Strengthening profit-generating capabilities and risk countermeasures

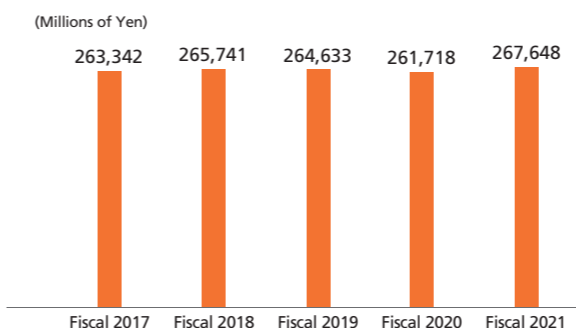
Strengthening our ability to generate profits is one of the basic policies of our Medium-Term Management Plan. We have heightened our awareness of cost control and profit generation through thorough risk assessment in our order acquisition strategy, examination of VE (value engineering) in the back office, and thorough process progress management during the construction period. Recently, however, there are increasing concerns about rising prices and delays in delivery of electrical construction materials, due to skyrocketing global raw material prices and supply chain stagnation. Therefore, we will take timely and appropriate measures to minimize the impact.

#### Toward realization of solution services that meet decarbonization needs

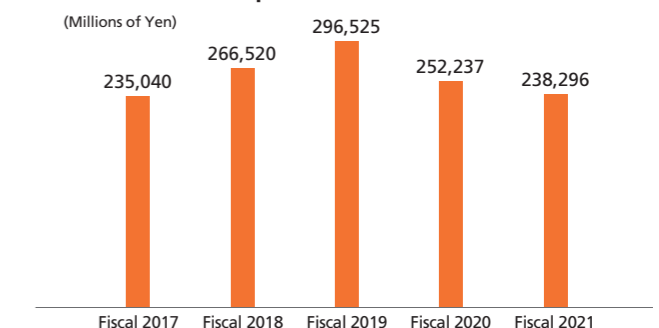
In the electrical engineering, environmental facilities and systems, and renovation work, the industries of our customers are diverse, so the technology and know-how required for the decarbonization of facilities are not all the same. In order to accurately respond to each customer's needs while always keeping up with advanced technology, we need to promote the introduction of new technologies and knowledge, including collaboration with external parties, and work on developing human resources capable of innovating at the same time.

As the trend toward realization of a decarbonized society progresses, we will refine our knowledge and technology not only in electrical work, but also in the fields of air conditioning and sanitation systems, and plant equipment. By integrating these assets, we will focus on proposing solution services throughout the life cycle of building infrastructure, from design, new installation, and renewal, to energy management.

#### ○ New orders received



#### ○ Net sales of completed construction contracts



## Business Review by Division

### Social Infrastructure Work

Information &  
Communication Work

Power Distribution  
Line Engineering Work

Electric Power &  
Civil Engineering Work

### Social Infrastructure Work

### Information & Communication Work

Description  
of  
Business

- Installation of optical fiber cables and related equipment for electric power providers and telecommunications providers
- Construction and maintenance of networks for cable TV and municipalities
- Construction and maintenance of mobile communication base stations



Eisaku Shimizu

Executive Managing Officer, Division Manager of Social Infrastructure Division, and Head of Information & Communication Unit

**Information & communication work supports the evolution and development of a smart society in response to ever-advancing technological innovation. While fulfilling the role of a “nervous system” that reliably controls energy, we aim to expand into the local 5G field and provide total solution services.**

#### Fiscal 2021 review and current developments

New orders received in fiscal 2021 include an increase in 5G (fifth generation mobile communication system) base station installation work from telecom carriers, and the acquisition of large-scale Fiber-to-the-Home (FTTH) installation work from independent cable TV operators. However, new orders received fell below the previous fiscal year, due mainly to decreased orders for communications infrastructure construction from the TEPCO Group, renewal construction for large-scale cable

TV operators coming to an end, and decrease in large-scale communications-related public office construction. Net sales of completed construction contracts increased due to the completion of renovation work for large-scale cable TV operators and highway-related construction.

As a result, in fiscal 2021, new orders received totaled ¥38,207 million, a decrease by ¥4,671 million or 10.9% year on year, net sales of completed construction contracts totaled ¥40,532 million, an increase by ¥841 million or 2.1% year on year, and construction contracts brought forward as of March 31, 2022 totaled ¥16,510 million, a decrease by ¥2,324 million or 12.3% year on year.

Currently, the environment for receiving orders for information & communication work is being driven by the government's “Vision for a Digital Garden City Nation” measures. Digital-related investments are increasing in a wide range of industries, including energy companies and transportation companies, as well as public offices, communications companies, and data center companies. In addition, following the introduction of the “Revenue Cap System” in fiscal 2023, electric power companies are required to reliably implement measures to renew aging equipment and reinforce resilience from a long-term perspective for power security communication equipment. Furthermore, we intend to fulfill our role as a partner responsible for the “nervous system” of power security communication, by actively making proposals to improve construction and maintenance works and enhance their productivity.

Mobile communications carriers are focusing on installing 5G base stations in order to increase the area coverage of 5G, which has a narrower coverage area than 4G. While there are concerns about the impact of COVID-19 pandemic and the situation in Ukraine on the supply of materials and equipment, construction work is expected to continue to increase.

The industry as a whole is entering the final stages of the shift to FTTH, which cable TV operators have been promoting for some time. In addition to sales activities targeting independent cable TV operators who have not yet deployed FTTH, we plan to develop sales activities targeting companies which have deployed fiber optic cables only to their main lines, for which we will propose early completion of the complete shift to FTTH.

In fiscal 2022, we forecast new orders received of ¥39.0 billion and net sales of completed construction contracts of ¥39.0 billion. In order to achieve these goals, we will work to steadily receive orders.

#### Strengthening productivity, work execution abilities, and foundations for future growth

Productivity innovation is the first key policy in our Medium-Term Management Plan, and the entire division is promoting measures that contribute to improving the efficiency of operations not bound by conventional methods. In the first fiscal year of the plan, in parallel with the centralization of routine work that had been carried out at each office, the introduction of RPA, and the digitalization of construction management work by building a construction support system, we have launched a countermeasure project aimed at reducing the workload, and have started working on various examination working groups toward the legal cap on overtime work that will be applied from fiscal 2024.

In addition, the busy season, as well as the work content and characteristics, differs depending on the work category of the information & communication work, such as communication cable equipment work, cable TV equipment work, and mobile equipment work. In order to enable flexible and agile allocation of construction personnel, we are conducting training with partner companies to develop multi-skilled employees who can conduct multiple work categories. We plan to further focus on these efforts in the future, as they will strengthen the work execution abilities of the entire division and aid in compliance with the legal cap on overtime work.

In terms of strengthening our foundations for future growth, we have begun developing fourth and fifth pillars, following on the three work categories mentioned above. We are particularly focused on local 5G infrastructure construction and service provision, in which local governments, companies, and cable TV operators take the lead in building their own networks in their own buildings and premises.

As a foothold toward this end, we obtained a local 5G license ourselves, and in April 2022, we opened the “Local 5G Lab,” the first verification experiment facility for an electric power construction company. Here, you can experience the performance and convenience of a local 5G system that is actually in operation. Furthermore, it is very useful in promoting the fact that Kandenko can provide one-stop services from consulting, survey design, license acquisition, operation and maintenance, in addition to wireless equipment installation work.

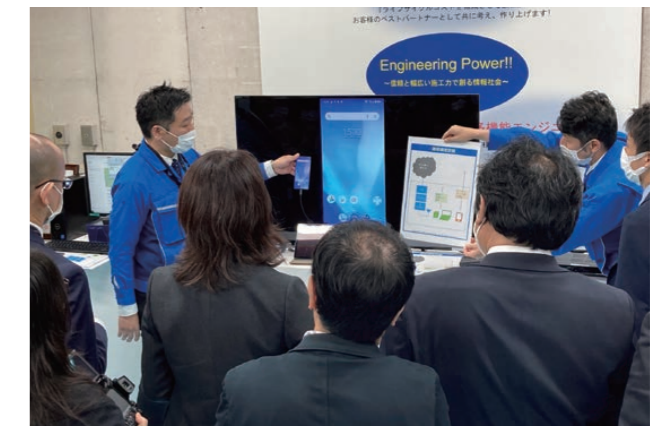
Over 50 groups of customers have visited this facility in the half year since it was opened. They represent various industries, such as electric power, communications, cable TV, equipment manufacturers, construction, securities, government agencies, and more, so we feel that they have great expectations for local 5G.

Going forward, we intend to work on co-creation of new businesses centered on local 5G while hearing out the needs and requests of these customers. In doing so, we will collaborate with NextCadix Ltd., a software development company which we acquired as a subsidiary in September 2021, in order to strengthen our system for providing total solutions.

#### Aiming for comprehensive solutions for energy and information communication

As the speed of technological innovation continues to accelerate and efforts toward digitalization expand throughout society and industry, it is essential that we provide new value to our customers in order for this division to continue to grow sustainably. While continuing to actively incorporate the latest technologies, we are also considering forming alliances with external parties that have technologies which we do not. At the same time, we intend to combine the engineering capabilities we have cultivated so far with knowledge of outsiders to discover and nurture the seeds of new value.

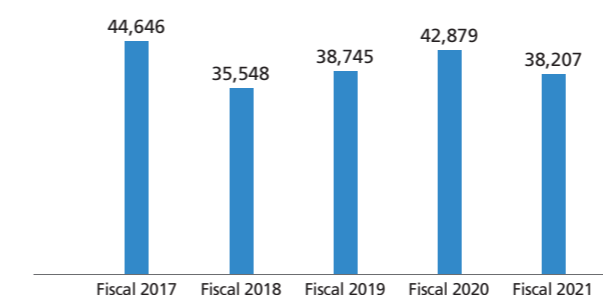
Looking ahead to the future of information and communications, we aim to be a division that plays a part in comprehensive solutions for energy and information and communications, in order to contribute to the realization of a decarbonized and resilient society.



Many customers come to tour our local 5G lab

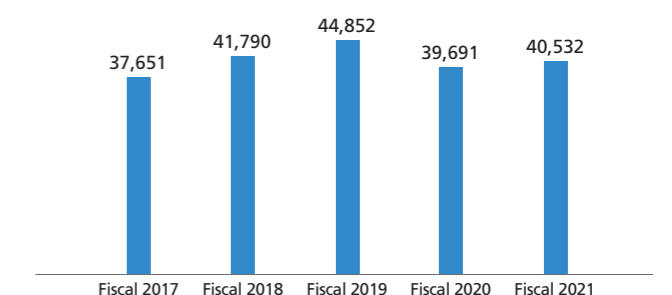
#### New orders received

(Millions of Yen)



#### Net sales of completed construction contracts

(Millions of Yen)



## Business Review by Division

### Social Infrastructure Work

### Power Distribution Line Engineering Work

#### Description of Business

**Work on overhead power distribution lines:** Construction and maintenance of overhead power distribution lines facilities involving power poles with power cables

**Work on underground power distribution lines:** Construction and maintenance of underground distribution lines facilities involving power cables underground



Mitsuru Fujii  
Managing Director and Executive Officer,  
and Acting Division Manager of Social Infrastructure Division

**Power distribution line engineering work supports the stable supply of electric power, with top-class construction systems and technical capabilities in Japan. In addition to contributing to the expansion of orders for renewable energy-related construction, we aim to realize a sustainable society while pioneering new growth areas.**

#### Fiscal 2021 review and current developments

In fiscal 2021, both orders and completions decreased due to sluggish acquisition of construction work from general customers (other than TEPCO) for underground power distribution line engineering work. On the other hand, in overhead power distribution line work, measures we have taken to improve productivity have steadily produced results, and TEPCO's construction has grown. As a result, new orders received totaled ¥104,240 million, a decrease by ¥44 million or 0.1% year on year, and net sales of completed construction contracts totaled ¥102,264 million, a decrease by ¥413 million or 0.4% year on year, both of which maintained the same level as the previous fiscal year. Construction contracts brought forward as of March 31, 2022 totaled ¥24,122 million, an increase by ¥1,975 million or 8.9% year on year.

Looking at the order environment surrounding power distribution line engineering work, since the revenue cap system which obligates electric power companies to systematically update equipment will start in fiscal 2023, we expect TEPCO construction to perform steadily, centered on gradual equipment maintenance and aging measures. As the national and local governments are expected to advance plans to promote the undergrounding of power lines, we believe that it is necessary to steadily capture related demand. For wind and solar power generation infrastructure, which are the key to realizing a decarbonized society, we will develop sales activities in collaboration with electric power & civil engineering work divisions, and proceed with the development of sales and construction systems to meet the demand for installation of EV chargers, which is expected to spread and expand driven by the policy of the national government.

As for performance in fiscal 2022, we expect progress in a large amount of work on hand for both overhead power distribution line work and underground power distribution line work, so we forecast new orders received of ¥106.0 billion and net sales of completed construction contracts of ¥105.0 billion.

#### Progress on improving productivity and strengthening profitability

Productivity innovation, the first key policy of the Medium-Term Management Plan, is the highest priority issue for addressing the legal cap on overtime work that will be applied from fiscal 2024. For this reason, we are making business process reforms by improving worksite support systems and reviewing worksite paper work, while we also work on research and development of items that contribute to work load reduction, such as assist suits, assist tools, and small diameter curved piping method. At the same time, we are working to improve efficiency by thoroughly applying digital technology, such as remote worksite management using mobile devices and wearable devices.

In the second key policy, rebuilding our earnings base, we are focusing on initiatives to strengthen our work execution abilities. In parallel with the promotion of multi-skilled workers and flexible sharing of human resources between departments that we have worked on so far, we will flexibly allocate work execution abilities over a wide area according to the work volumes. In addition, we are working to support the human resource development of partner companies, to maintain and secure work execution abilities in the future. In addition, by using the technology and knowledge we have cultivated so far, we are working to secure orders for undergrounding of power lines outside the Kanto region, and to secure more orders for general construction work such as EV charger installation

work. We are striving to strengthen our ability to generate profits by working on these measures together with productivity improvement measures mentioned earlier.

During the remaining two years of the Medium-Term Management Plan, we will accelerate these initiatives while steadily implementing measures to strengthen our foundations for future growth. By doing so, our division will work as one to contribute to the achievement of the goals set for fiscal 2023 and the realization of a green innovation company beyond.

#### Role aimed at realization of a decarbonized and resilient society

In power distribution line engineering work, we are making efforts to reduce CO<sub>2</sub> emissions, such as by switching to battery-powered aerial work platforms and electrifying hydraulic tools used in business operations. In addition to this, we are actively developing sales activities for EV charger installation work and renewable energy related work. We believe that societal demand will continue to grow for initiatives aimed at realizing a decarbonized society.

We also recognize that our mission of supporting the electric power infrastructure, which we have inherited since our founding, will remain unshakable even in the resilient society we face in the future.

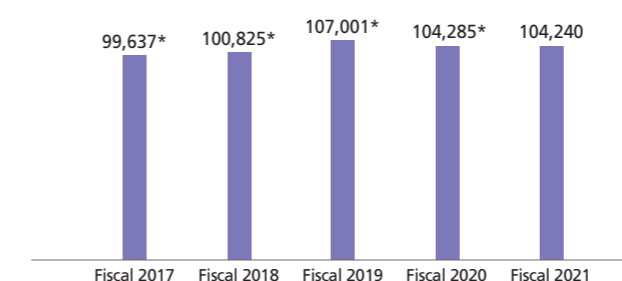
We intend to evolve into a division that grows with the development of society by accurately grasping new demands arising from social changes and contributing to the establishment of a sustainable and resilient power supply system.



Work on overhead power distribution lines (Kanagawa Prefecture)

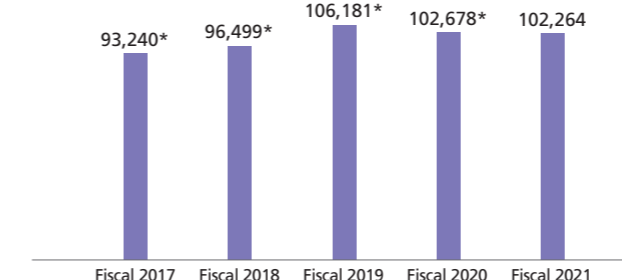
#### New orders received

(Millions of Yen)



#### Net sales of completed construction contracts

(Millions of Yen)



\* Reference figures after application of the "Accounting Standard for Revenue Recognition."



Cable connection work for underground distribution lines facilities (Tokyo)

## Business Review by Division

### Social Infrastructure Work

### Electric Power & Civil Engineering Work

#### Description of Business

**Power generation and transformation work:** Work on power stations and substations, and renewable energy power generation

**Transmission lines work:** Work on overhead transmission lines

**Civil engineering work and underground lines work:** Work on underground transmission lines, and civil engineering work using C.C. Box technology

**Nuclear power work:** Regular inspections and maintenance of nuclear power plant facilities and equipment



Koichi Nakahito

Managing Director and Executive Officer,  
and Acting Division Manager of Social Infrastructure Division

**Electric power & civil engineering work engages in renewable energy-related projects as its growth driver, which continue to be introduced more broadly. We will utilize the technical capabilities and work execution abilities we have cultivated so far to demonstrate our comprehensive strengths, in pursuit of achieving carbon neutrality.**

#### Fiscal 2021 review and current developments

In fiscal 2021, orders for power generation and transformation work, transmission line work, civil engineering and underground lines work, and nuclear power work increased, as we won projects such as pipeline work near Matsuzakidai, Inzai City (Chiba Prefecture), the Amaterasu Shiroishi Solar Farm extra-high voltage substation work (Miyagi Prefecture), Amada Fuji sales office extra-high voltage substation renewal work (Shizuoka Prefecture), and construction of the National Route 4 electric wire utility tunnel in Kizawa, Oyama City (Tochigi Prefecture). However, due to a reactionary decline following the large-scale renewable energy-related construction orders received in the previous fiscal year, new orders received for the division as

a whole fell below the previous fiscal year to ¥56,740 million, a decrease by ¥8,051 million or 12.4% year on year, and the ratio of orders received from general customers other than the TEPCO Group was 69.6%.

In terms of net sales of completed construction contracts, while completions based on the progress standard was sluggish for transmission lines work, underground lines work, and civil engineering work, due to an increase in power generation and transformation work and nuclear power work, we secured roughly the same level as the previous fiscal year at ¥47,928 million, a decrease by ¥695 million or 1.4% year on year. As of March 31, 2022, the construction contracts brought forward remained at the high level of ¥90,989 million, an increase by ¥8,812 million or 10.7% year on year.

In the current order environment, many projects related to renewable energy are being planned, and large-scale offshore wind power generation projects are attracting attention in particular. In this growth field, we will use our construction know-how for ultra-high voltage substations and cable connection technology for long-distance underground transmission line work as we engage in efforts to expand orders for a wide range of projects, from power plant work to private lines and substation work.

In addition, capital investment by users of extra-high voltage power service such as large-scale factories has recovered to the same level as before COVID-19 pandemic. As such, we will actively develop collaborative sales with electrical engineering, environmental facilities and systems, and renovation work divisions, and carry out the design and construction of everything from extra-high voltage power intake and transformer equipment in factories to power transmission lines of electric power providers.

Entering fiscal 2022, with the situation in Ukraine and the rapid depreciation of the yen, there are concerns about our procurement costs rising and our customers revising their plans. However, under the national policy of aiming to achieve carbon neutrality by 2050, it is possible that many plans will be advanced in the medium to long-term and they will be put into operation at one time. For this reason, we will promote proposal-based sales in accordance with active information gathering, and work to strengthen and expand our design capabilities and work execution abilities.

#### Progress of improving productivity and strengthening earnings base

In terms of the progress of business development based on the Medium-Term Management Plan, we are promoting a drastic review of business processes and measures to improve efficiency in order to improve productivity. In particular, we will continue to expand the introduction of prefabricated and modular units of

delivered materials that leads to labor saving at worksites, worksite patrols using web cameras, and document preparation using tablet devices, as they are expected to be highly effective. At the same time, we are working to strengthen the management of each project by appointing project managers, and to pass on technology and know-how through tours and guidance by veteran employees.

Next, in strengthening our ability to generate profits, we are achieving results by setting targets before the start of construction and working as a team to closely manage the progress of construction processes, as well as by working with a sense of speed in formulating and implementing support measures that ascertain the needs of worksites by utilizing web conferences and other means. By sharing good practices, know-how, and methods obtained in this manner with people at many other worksites as appropriate, we are aiming to raise the level of the entire division.

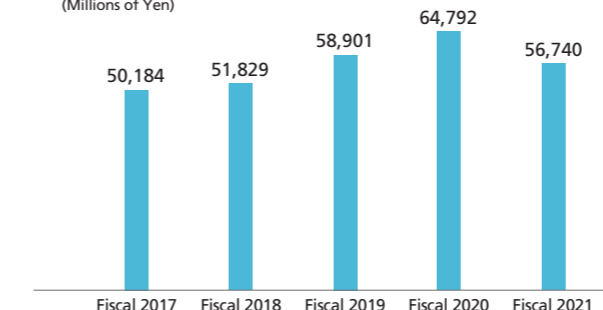
Meanwhile, our biggest issue is securing and strengthening work execution abilities. In particular, there are many renewable energy-related projects for which we receive collective orders as collaborative projects involving multiple work categories, such as power generation and transformation work, transmission lines work, and civil engineering work. For this reason, we are striving to strengthen our work execution abilities by making our construction workers multi-skilled and providing advanced technical support as appropriate. In particular, we plan to increase our strengths by increasing the number of engineering staff responsible for connecting cables that have a voltage of 154 kV or higher. Furthermore, we will strengthen our design capabilities through cooperation with group companies. We are striving to continuously secure regular and year-round recruits, and we will also promote



Construction of wind power plant

#### New orders received

(Millions of Yen)



human resource development that contributes to their early development of practical skills. In fiscal 2022, the second year of our Medium-Term Management Plan, we anticipate a record high in new orders received of ¥75.0 billion, driven by large-scale renewable energy-related construction projects. As of the beginning of fiscal 2022, the amount of construction contracts brought forward is at a high level of ¥90.0 billion. As a result, we are forecasting net sales of completed construction contracts of ¥55.0 billion, an increase of ¥7.0 billion from fiscal 2021.

#### Aiming to contribute to a sustainable society

Renewable energy is expected to be more common in the future, but as the amount of power generated is affected by weather conditions, we believe that the need for construction of storage battery facilities will increase rapidly in order to adjust to fluctuating power supply and demand. In addition to strengthening our efforts so far, we will aim to offer our customers the facility design and operation that are optimal for both renewable energy power generation and storage battery, taking into consideration multiple uses such as balancing supply and demand and disaster prevention. In the future, we will also explore the development of green hydrogen production equipment using electricity generated from renewable energy sources, and we aim to contribute to the advancement of next-generation energy usage.

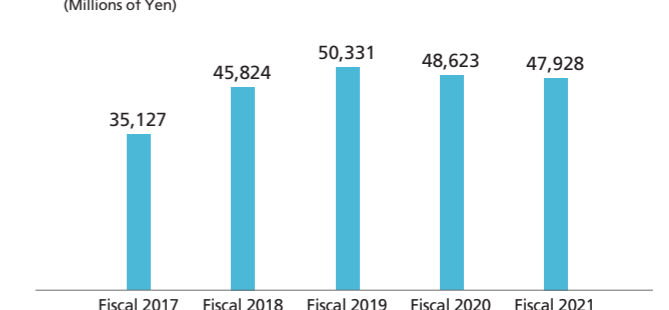
Finally, to support a sustainable future and contribute to addressing environmental and social issues, we aim to become a leader in total solution services, including planning, design, construction, operation, and maintenance, in addition to traditional "construction contracting."



Construction of solar power plant

#### Net sales of completed construction contracts

(Millions of Yen)



## Research and Development Activities

The Research and Development Division supports our growth strategy toward becoming a 100-year company by giving shape to the solutions that customers require and providing the technology necessary at construction worksites. We will contribute to the creation of a sustainable society based on three key terms: digital and robotics, disaster prevention and BCP, and decarbonization.

Toshiaki Makino

Senior Executive Managing Officer,  
Division Manager of Strategy & Technology Development Division



### Review of our activities in fiscal 2021

The research and development division consists of the Technology Development Unit established within the Strategy & Technology Development Division, with the Technology Development Department and Technology Research & Development Institute as subordinate organizations. The division provides technological support and cooperates with worksites and customers, while promoting research and technology development aimed at expanding Kandenko Group's business domains and solving issues.

In fiscal 2021, based on the Medium-Term Management Plan, we have mainly worked on themes such as: labor-saving and manpower-saving in construction work by using IoT, AI, and robots, applying digital technologies to worksite risk countermeasures, proposals for resilience of power and communication infrastructure, and promotion of technology development through industry-academia collaboration.

The use of transport robots and drones and the automation of power transmission line extension work have been successful in labor-saving and manpower-saving in construction work. In addition, our BLuE measurement recording support system is contributing to improving work efficiency at many worksites. In particular, BLuE received the Minister of Economy, Trade and Industry Award at the "JECA FAIR 2022 Product Competition" in June 2022, and it has been well evaluated.

In terms of worksite risk countermeasures, approach sensors that prevent electric shock accidents by giving alarm sound and flashing when the worker approaches the live part are more widely being introduced. This is also attracting attention from outside of the Company, and we have received many inquiries from electric power companies and railway companies as well.

In fiscal 2021, we actively provided dozens of technical cooperation and proposals to construction sites in order to bolster the resilience of power and communication infrastructure. When considering resilience, it is very important how much we suppress the damage when disaster strikes and how to recover quickly, so we are working to improve our ability to respond by creating a database of our past experience and know-how.

In promoting technology development through industry-academia collaboration, we are making progress in joint research with Tokyo Denki University, with whom we signed a comprehensive industry-academia partnership

agreement in 2020, and we achieved results such as optimizing the seismic construction method for cable racks. Industry-academia collaboration has brought great benefits to the Company in terms of speeding up development and acquiring knowledge of the latest technological trends.

As represented by these, we believe that we made steady progress toward achieving our goals in fiscal 2021. The newly established Technical Strategy Team is also leading the way in terms of internal and external deployment of development results. On the other hand, we also recognize the importance of appropriately reviewing the direction of our research and development, while accurately ascertaining the ever-changing needs of society and ever-advancing technology.

### Policies and themes in future technology development plans

The priority items for fiscal 2022 are to continue research and development related to digitalization and robotization, which are directly linked to productivity improvement as a general infrastructure company, and to continue to deepen the fields of disaster prevention and BCP and decarbonization, which contribute to the sustainable development of society.

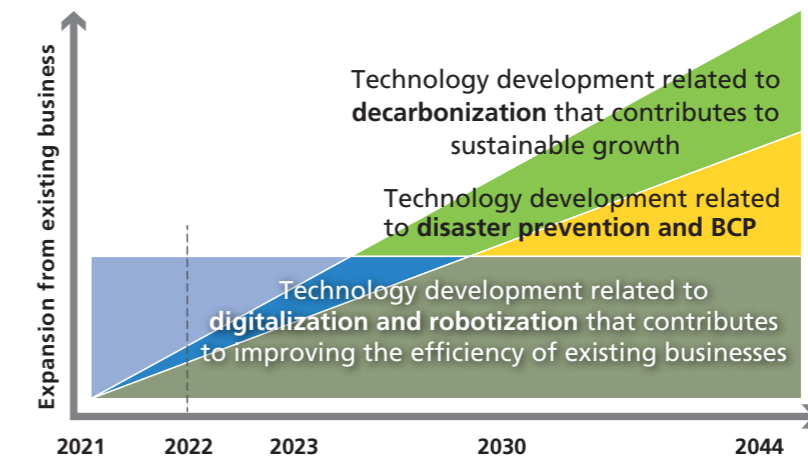
Digitalization and robotization are very important themes as the legal cap on overtime work is about to be applied. In order to meet the needs of worksites, in terms of digitalization technology, we aim to expand the functions of BLuE and increase the number of target measuring equipment to 100 models by the end of fiscal 2023, while we will also promote the use of power failure and recovery simulation software. We will also strive to strengthen the development of and improve the environment for human resources who specialize in robotization technology and data analysis technology, and promote research and development that meets worksite needs.

Next, in the field of disaster prevention and BCP, using the knowledge and know-how that we have accumulated through our abundant experience in restoring infrastructure after natural disasters, we have been providing various products we developed, such as transformer seismic resistance devices as a countermeasure against earthquakes, lightning, and electromagnetic waves. In addition to continuing to promote the use of these resources, we will expand the range of research and development to flood and volcano countermeasures to propose comprehensive disaster prevention solutions, and

### Fiscal 2022 basic policy on technology development

#### Priority items

Discovering themes of **disaster prevention and BCP** and **decarbonization**, while continuing the development for **digitalization and robotization**



we will work on our research and development while receiving knowledge from external sources.

Technology development related to decarbonization is the theme that we should strengthen the most in the medium to long-term. There are two main approaches to our efforts, one of which is related to the use of energy represented by ZEB. For example, we are planning to add energy demand prediction functions and deterioration diagnosis functions to the central monitoring system EcoBACS, which centrally manages the operation status of building infrastructure, and aim to build a system that contributes to overall optimization using local 5G and other technologies. The other approach is related to the circular economy and recycling-oriented resource use. We are currently expanding the introduction of prefabrication and modular unit construction methods, as they have the potential to significantly change the structure of the supply chain at construction sites in the future. Going forward, we will consider methods to recycle materials and equipment supplied to worksites.

In addition, the research and development division recognizes intellectual property strategy as an important factor in the sustainable growth of the Company, and implements systematic initiatives. With the aforementioned keywords of digitalization and robotization, disaster prevention and BCP, and decarbonization, we are working to create intellectual property for construction technologies that have not yet become apparent. At the same time, through the visualization of technical information, we carry out the necessary discovery of intellectual properties prior to the implementation of management strategies and research and development strategies, and we plan to promote the utilization of 138 intellectual properties owned by the Company (as of March 2022, excluding trademarks).

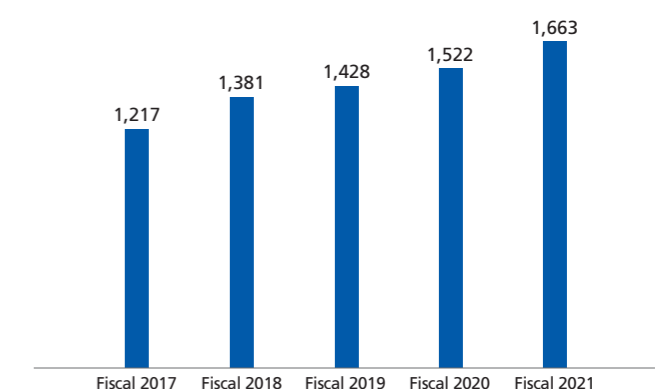
### Role of the research and development division in sustainable growth

The Kandenko Group, which conducts businesses centered on infrastructure work, has an advantage,

unlike manufacturers, of being able to immediately reflect the opinions from worksites to the process of research and development, and implement the technology. This advantage is proven by our industry-leading number of intellectual property holdings. In order to harness the potential of this advantage for future leaps forward, we recognize the need to improve our analysis technology and multifaceted thinking, as well as to further heighten our cost awareness.

And we, the research and development division, will create the technologies necessary for our sustainable growth, and provide solution services that will not only meet societal needs such as decarbonization and resilience, but also contribute to the development of the construction industry as a whole. At the same time, by demonstrating our function as an in-house think tank and promoting research and development that leads to new businesses, we will play the role of a growth engine for realizing our vision of becoming a green innovation company by 2044, when we celebrate our 100-year anniversary.

### R&D expenses (Millions of Yen)



## Research and Development Activities

### Research and Development System

Based on the Medium-Term Management Plan, in order to contribute to solving a wide range of social issues in addition to the issues facing construction sites, the Kandenko Group is focusing its efforts on three areas: technology development related to digitalization and robotization, technology development related to disaster prevention and BCP, and technology development for the realization of a carbon-neutral society.

In fiscal 2021, we will conduct research and development activities with a particular focus on technology development that creates worksite earning power. In terms of technology development that contributes to robotization, we have developed robots that support the transportation of materials and equipment, as well as energy demand forecasting software for a carbon-neutral society. In addition, we have promoted the strengthening of technology development through industry-academia collaboration, starting with research and development based on a comprehensive partnership agreement with Tokyo Denki University. R&D expenses in fiscal 2021 were ¥1,663 million.

#### Technology Research & Development Institute

The Technology Research & Development Institute consists of a research building, experiment building, and outdoor testing site. In the laboratories of the experiment building, we conduct basic experiments to respond to new construction technologies and conduct verification experiments for development results. The institute also houses special equipment, such as electron microscopes and X-ray inspection equipment, to enable us to respond to any kind of onsite technical issues. Recently, we have introduced analysis systems, including various simulations, and we are working to disseminate more reliable results by using those systems in combination with experimental validation.



#### High-Voltage Laboratory

The High-Voltage Laboratory is made up of a test room, physical test room, working room, and outdoor water tank used for voltage resistance tests. In the test room, we have large-scale experiment devices, including a 350 kV-AC voltage generator, a 1,800 kV-impulse voltage generator, and a high current generator. We use this testing equipment to test lightning damage and verify countermeasures, and conduct voltage resistance tests on products. We have received requests from many customers to use the facility because other companies in the industry do not have any similar facilities.

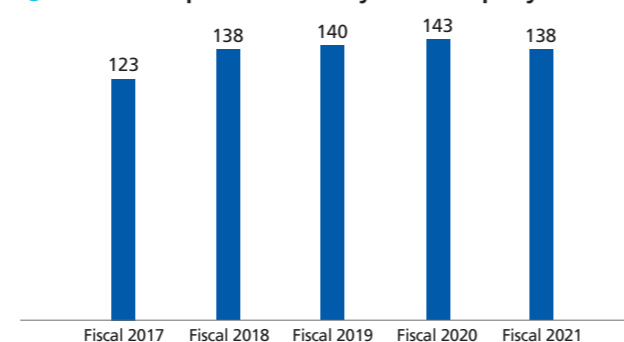
### Intellectual Property Initiatives

Intellectual properties owned by the Company are focused on construction methods, tools, and equipment that lead to improvements in construction efficiency and ensuring safety and quality. In addition to these worksite construction technologies, possessing a large number of digitalization technologies that have been attracting attention in recent years is directly linked to our competitive advantage in the industry. Therefore, we are actively patenting these technologies.

In addition to continuing these efforts, we will work on research and development in areas such as carbon neutrality, disaster prevention, and BCP, while using external resources such as industry-academia collaboration, and will work to convert the results into intellectual property.

As of March 2022, we hold 138 patents, of which 74 are related to tools and equipment, 49 are related to construction methods and inspection methods, and 3 are related to digital technology and information processing, along with 12 other various patents. This number of patents in our possession gives us a great advantage over other companies. We will continue to deepen our existing technologies to strengthen our competitiveness, and work to build an intellectual property portfolio with a view to new fields that will contribute to the expansion of our business areas and services.

Number of patents held by the Company



### Examples of Initiatives

#### Development of electrical material and equipment transport robot

As construction workers decrease in number and grow older, reducing the workload and improving work efficiency in transporting materials and equipment has become a major issue. Therefore, we are developing a robot for transporting electrical equipment and materials equipped with automatic following, unmanned transport, step detection, automatic stop, and other functions. We will strive to expand the functions of this robot and improve its operation method to save labor and improve safety in onsite work.



#### Development of "approach sensors"

In order for conventional live wire alarm devices to work, the main body of the device must be close to a live part. For this reason, we have worked jointly with Sanwa Electric Instrument Co., Ltd. to develop and commercialize the "approach sensor", a helmet-mounted live wire alarm device that gives alarm sound and flashes when any part of the body approaches a live part, to warn the wearer of danger. This approach sensor adopts a completely new principle of electricity detection that focuses on the charged state of the person wearing it, and it has been highly evaluated both in Japan and overseas, for its high level of development technology and the degree of contribution to electrical safety. By promoting the use of this approach sensor, we are working to prevent electric shock accidents and enhance work safety.

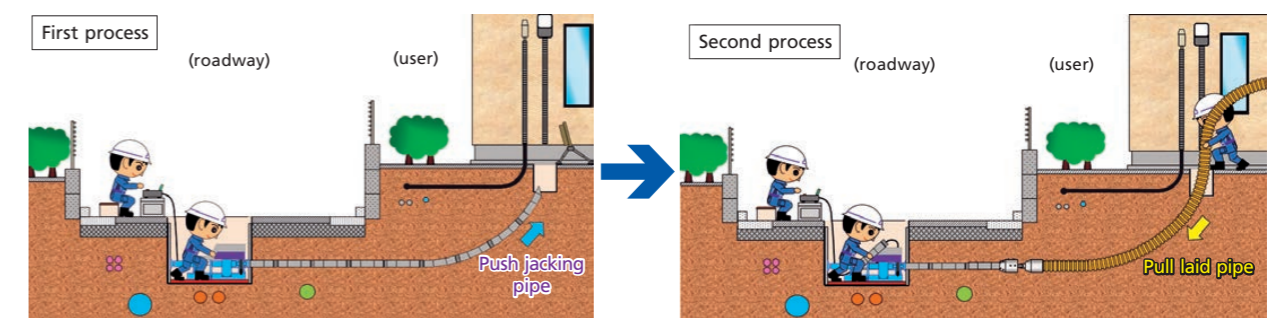


#### Development of "energy demand forecasting software"

Predicting consumption of energy such as electricity and gas is an indispensable technology for optimizing energy consumption in building infrastructure and for the power supply and demand balancing market, including VPP. Accuracy and immediacy are required for such predictions, but the issues with conventional general methods are the large margin of error and the long time required to give predictions. Therefore, we are using not only weather information but also the data we have accumulated so far, to develop an energy supply and demand forecasting software with higher accuracy and superior responsiveness. Going forward, we will contribute to the realization of a decarbonized society by optimizing energy management using this software.

#### Development and application of methods for small diameter curved piping

Along with progress of the plan to promote undergrounding of power lines, we have started developing new construction methods, one of which is the small diameter curved piping method. This method makes it possible to perform buried piping work without drilling, significantly shortening the work process. In addition to saving labor and manpower in onsite work, it greatly contributes to improving the work environment, since it eliminates the need to remove obstacles such as sidewalks and walls.



## Initiatives to Strengthen Foundations for Future Growth

The Kandenko Group creates synergy as a general infrastructure company by bringing together the technologies and know-how possessed by both the building infrastructure and social infrastructure divisions. We are also aiming to strengthen our foundations for future growth, such as by establishing a presence in fields where medium to long-term demand is expected, such as disaster prevention, BCP, and decarbonization. Here, we will introduce some of these initiatives.

### Isumi City Regional Microgrid Construction Project

In July 2021, we started the Isumi City regional microgrid construction project jointly with Isumi City, Chiba Prefecture and TEPCO Power Grid, Inc. Isumi City, located in the southern part of the Boso Peninsula, is undertaking countermeasures against natural disasters, based on lessons learned from the damage by a typhoon in 2019. This project is intended to establish a stable power supply system for areas in which the city hall and junior high schools designated as evacuation centers are located, which will be important bases in the event of disasters.

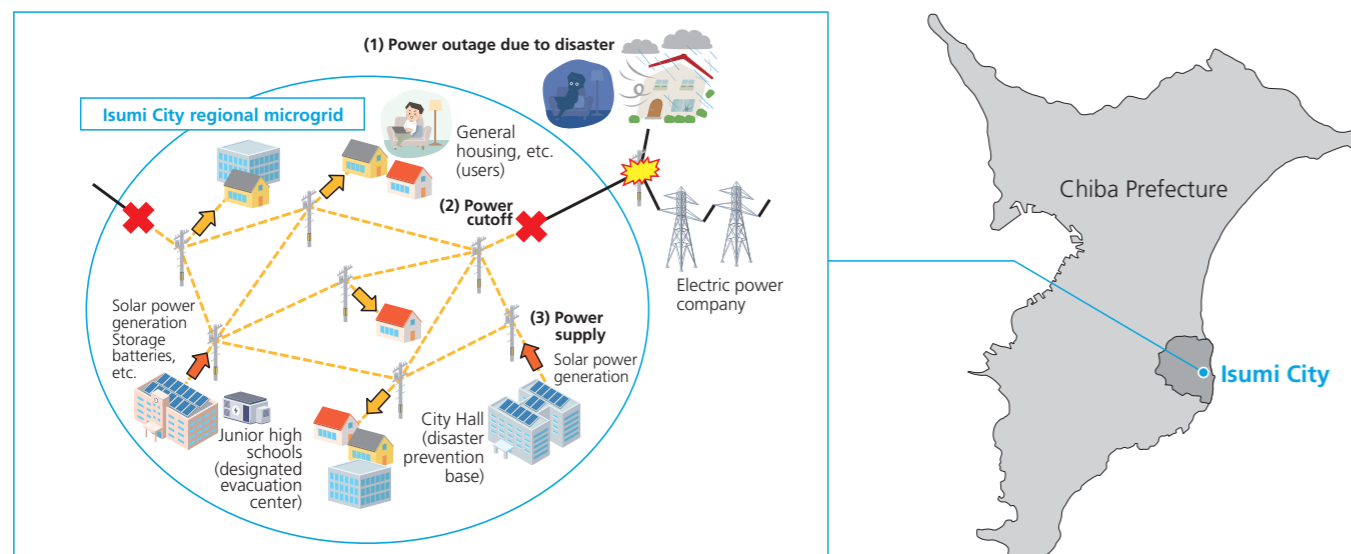
In parallel with this project, we are now proceeding with the final verification experiment of the power supply system in the regional microgrid. In this verification experiment, we are collecting practical data assuming black start, which is the process of starting power supply with power generation equipment in the region in the event of a power outage, as well as the behavior when system equipment fails. In addition, a major feature of this power supply system is that it uses LP gas generators developed by the Company for power supply balancing. Conventional power supply systems for regional microgrids often combine solar power generation and storage batteries, and they have the issue of reoccurring

power outages when the storage batteries are drained. By incorporating a disaster-resistant LP gas-fueled generator, we have made the system capable of coping with long-term power outages.

The results obtained from this verification experiment will be used in Isumi City's regional microgrid project. We will accumulate know-how through this project and contribute to the realization of a sustainable and resilient society.

#### What are regional microgrids?

A regional microgrid is a self-sufficient power supply network within a certain area, built using renewable energy power generation. With this system, environmental burden can be reduced with the use of renewable energy, and in the event of a major power outage, it serves as a backup for the power transmission and distribution system managed by electric power companies. This increases the continuity of the power supply, and makes it possible to create an environment-friendly and disaster-resistant community.



### Initiatives for Local 5G

Since the advent of the next-generation communication standard 5G, the shift of society to digital transformation is accelerating. We see this as a major business opportunity, and we are focused on initiatives for local 5G, in which local governments and companies take the lead in building their own 5G networks in specific regions and buildings.

Since local 5G networks are independent of outside networks, they are effective in ensuring high security and maintaining communication functions in the event of a disaster. It is expected that they can be used in various scenarios, such as smart cities and VPPs (virtual power plants).

We participated in a development verification project in Urasoe City, Okinawa Prefecture implemented by the

Ministry of Internal Affairs and Communications. We are also undertaking various initiatives such as opening a new Local 5G Lab, a verification experiment facility and a place for promotion to customers, and we are committed to the accumulation of more knowledge and know-how.

Going forward, we will continue to use the engineering capabilities we have cultivated as a general infrastructure company to provide one-stop services from planning to design, construction, and maintenance related to local 5G, as we aim to realize various ideas that accurately ascertain the needs of our customers.



Using local 5G for emergency restoration of TV broadcasting in the event of a disaster (Urasoe City, Okinawa Prefecture)



Racks for storing core servers, etc. installed in the Local 5G Lab

### Initiatives for EV Charging Stations

The shift from gasoline vehicles to electric vehicles (EVs) is progressing rapidly, aimed at the realization of a decarbonized society. In Japan as well, it is assumed that the rapid development and expansion of EV charging infrastructure will be needed in the near future, and we hope to capture this demand and work to expand our market share. In addition, we will build a track record of EV charger installation work, accumulate new technology and know-how, and aim to build a comprehensive platform for EV charging stand installation and construction.



## Productivity Innovation Initiatives

Based on the key policy of productivity innovation in the Medium-Term Management Plan, which started from fiscal 2021, the Kandenko Group is improving the efficiency of on-site construction with the use of prefabrication construction method, and saving labor and manpower in onsite work by introducing IoT, AI, and robots, while also promoting operational efficiency by thoroughly utilizing digital technology. Here, we will introduce some of these initiatives.

### 6Go Center, Off-Site Factory Serving as a Base for Prefabrication

Currently, there is a need to reduce workloads and save manpower at construction sites in order to cope with the declining working population in the construction industry. We are promoting the introduction and expansion of the prefabrication construction method as a measure to solve this issue.

Prefabrication increases work efficiency by manufacturing and assembling components in a factory, which were previously completed at worksites, and only performing installation work on-site. Our prefabrication facility is located at 6Go Center in Higashirokugo, Ota-ku, Tokyo.

In addition to cable processing and rack assembly, 6Go Center is also responsible for the storage of completed components and timely transportation to worksites, and we plan to further expand facilities and hire more personnel in the future.

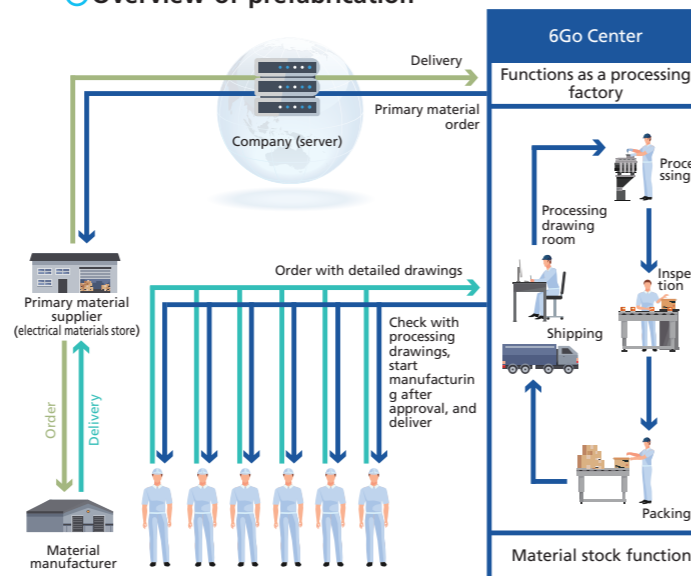


Auto wire skinning machine for automatic cable cutting and terminal processing



Cable rack assembly work

#### Overview of prefabrication



#### Overview

- Among tasks of processing, assembly, and installation done at worksites, it handles processing and assembly
- The factory creates processing drawings based on drawing data from worksites, and performs processing after worksite checks the drawings

#### Effects

- Components are delivered just in time, and only installation is done at worksites
- Work time including travel time within the worksite is significantly reduced
- Ensures work safety in a well-organized environment, and averages construction quality
- Contributes to reduction of industrial waste on-site

### BLuE Measurement Recording Support System

In June 2022, at JECA FAIR 2022 (the 70th Japan Electrical Construction Association Expo), the largest electrical equipment exhibition in Japan, the BLuE measurement recording support system developed by the Company won the Minister of Economy, Trade and Industry Award.

BLuE wirelessly connects measurement instruments such as illuminance meters and insulation resistance meters to PCs and tablets, and automatically inputs each measured value into drawings.

Previously, it was necessary to handwrite values measured on-site and then manually enter them into PC, but BLuE enables to significantly reduce the workload and eliminate the use of paper.

It has already received positive feedback from many customers due to its high versatility and ability to support various formats.



### Worksite Support System

We have developed a worksite support system as part of the revision of the worksite management process aimed at improving productivity, reducing work load and efficient worksite support.

As this system is designed to be accessed via a network, it is capable of sharing information from remote locations in a timely manner. With this system, in addition to centralizing management of worksite progress

status, conversion of administrative tasks to back-office tasks, and provision of construction technology and know-how to young employees, it is expected to be used as big data in the future by accumulating construction information.

We will continue to improve this system as a standard tool for worksite management.

### Selected as a DX-certified Operator by the Ministry of Economy, Trade and Industry

On April 1, 2022, the Company was certified as a DX-certified operator by the Ministry of Economy, Trade and Industry.

The Digital Transformation Certification is a system by which the Ministry of Economy, Trade and Industry certifies businesses that have formulated management visions, developed DX strategies and systems, and are ready to promote DX (DX-Ready), based on the "Act on Facilitation of Information Processing."

Using the acquisition of this Digital Transformation Certification as an opportunity, we will promote DX in the construction field, including further improvement of production efficiency using the data accumulated in our worksite support system that we are building to undertake new production methods.

Going forward, we will continue to accurately track changes in the business environment such as population decline, aging, and decarbonization, while also contributing to solving social issues such as SDGs (Sustainable Development Goals) by providing new value through DX promotion.



# Sustainability Management

## Basic Sustainability Policy

The Kandenko Group is committed to increasing corporate value through sustainability, which is the foundation of our Corporate Philosophy, and is working to contribute to value creation for all stakeholders, environmental conservation, and the sustainable development of society.

Creating a rich environment

Through our sound management and business activities, we will work to protect the global environment, including reducing CO2 emissions and preventing disasters, as well as to create social, living, and working environment in which people can live rich and happy lives.

Working for everyone

In order to bring mutual prosperity to everyone, including our shareholders, customers, local communities, and Group employees, we will pursue employee health and job satisfaction, and foster a corporate culture of continuous growth through continuous self-improvement.

Change and diversity

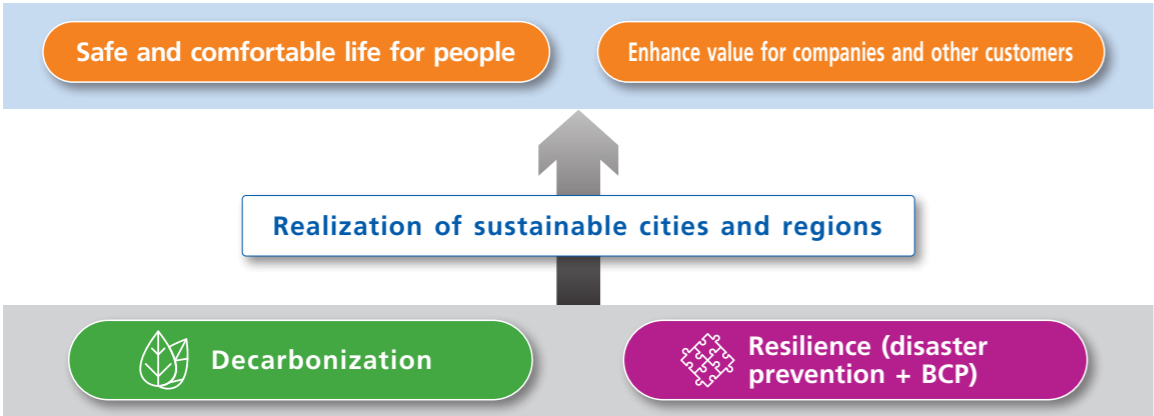
By maximizing the abilities of our human resources, who have diverse ideas and characteristics, we will work to create high value-added services that anticipate the changing times and customer needs.

## Sustainability and Management Vision

Under our **management vision, “Becoming a 100-Year Company supporting society,”** the Kandenko Group is aiming to become a **“green innovation company”** that can contribute to the creation of safe and comfortable communities and provide high value to society and our customers through the integration of building infrastructure and social infrastructure businesses, which are our core businesses.

We have formulated a three-year Medium-Term Management Plan starting in fiscal 2021, and are promoting five key policies, namely productivity innovation, rebuilding our earnings base by demonstrating our comprehensive strengths, strengthening foundations for future growth, promoting sound management activities, and reinforcing “people first.” In addition to these key policies, from fiscal 2022, in order to promote management that incorporates sustainability into our business strategy, we identified materialities as issues that the Kandenko Group should particularly focus on from among a wider range of social issues, and incorporated materialities into our key policies.

The Kandenko Group will target the areas of **“decarbonization”** and **“resilience (disaster prevention + BCP)”** and strive to form the foundation for contributing to the realization of sustainable cities and regions beyond these target areas.



## Identification of Materialities (Important Issues)

The Kandenko Group has identified materialities (important issues) to solve social issues through our business activities and to grow sustainably together with society.

Materialities (important issues) will be incorporated into the Medium-Term Management Plan and into action plans, and will be reviewed annually.

### Identification processes

STEP 1

Identifying social issues

The ESG Promotion Committee, consisting of the Management Planning Department and other leading departments, has been established to identify social issues by referring to and analyzing international guidelines such as ISO 26000 and GRI Standards, and the SDGs.

STEP 2

Evaluating the importance of social issues

With regard to the social issues identified in STEP 1, we identified issues of high importance from two perspectives, namely, importance to stakeholders (society) and importance to the Kandenko Group.

STEP 3

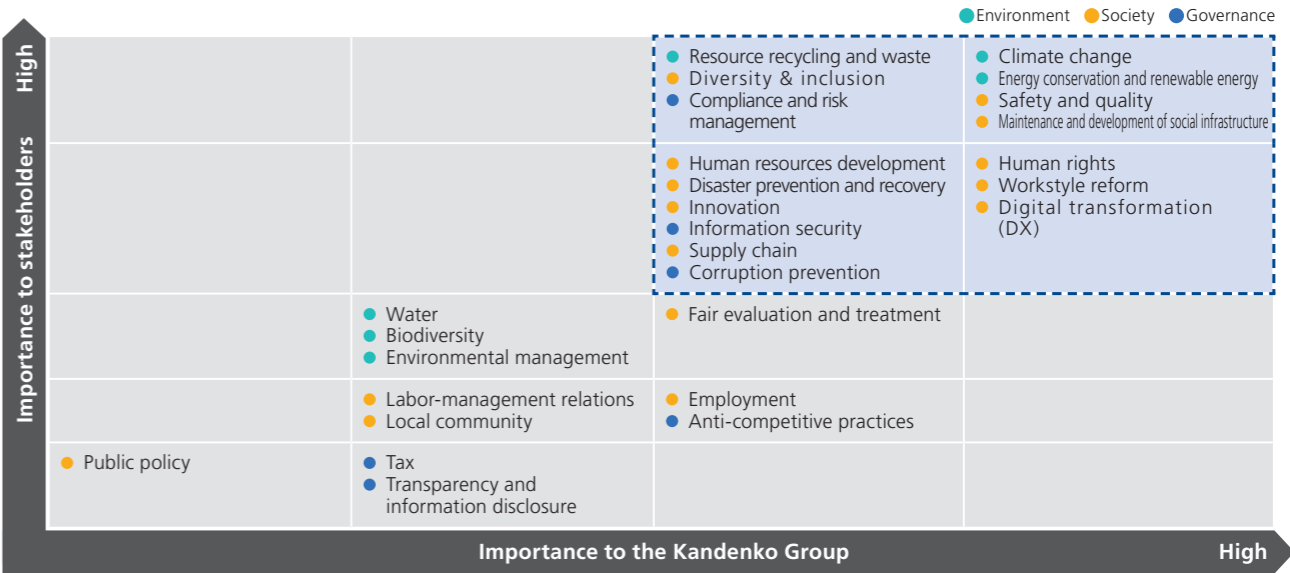
Evaluating measures and reviewing validity

We evaluated the measures to be taken for the issues identified in STEP 2, taking into account their relevance to the Medium-Term Management Plan, and we reviewed the issues by seeking opinions from outside experts, in order to confirm the validity of our evaluations.

STEP 4

Identification of Materialities (Important Issues)

We identified materialities (important issues) the Kandenko Group should address through our business activities based on deliberations and discussions at the Management Council and Board of Directors meetings. Going forward, we will continue to review our efforts based on the status of our initiatives and the business environment.



# Sustainability Management

## Materialities (Important Issues)

### Maintenance and construction of safe and comfortable social infrastructure

Related SDGs



The Kandenko Group will fulfill its mission of constructing safe and comfortable facilities, maintaining and developing social infrastructure, and providing disaster restoration and recovery work, and will contribute to the realization of a sustainable society by solving urban and regional problems and creating new communities.

#### For society and customers

- Construction and maintenance of electric power facilities that support daily life and business activities
- Renovation and maintenance of facilities, BCP measures
- Railways, roads, water supply, and local 5G-related construction
- Participation in creating new communities (regional microgrids, smart cities, etc.)
- Initiatives for urban data center development business

#### Kandenko initiatives

- Ensuring occupational safety (compliance with rules and procedures)
- Thorough implementation of rules for building safe, high-quality facilities
- Thorough health management
- Research and development of technologies and construction methods to improve occupational safety and quality

### Contribution to a decarbonized society

Related SDGs



The Kandenko Group will promote our internal initiatives to reduce environmental burden, while also contributing to the creation of a rich social environment through the construction of renewable energy-related facilities and the introduction of decarbonization and energy-saving solutions in office buildings, factories, and other public facilities.

#### For society and customers

- Propose decarbonization and energy conservation solutions for facility construction and operation
- Promotion of renewable energy power generation business
- Construction of renewable energy related facilities

#### Kandenko initiatives

- Reduce CO<sub>2</sub> emissions from construction
- Research and development of environmentally-conscious technologies and construction methods
- Reduce energy consumption through equipment upgrades, etc.
- Promote introduction of EV vehicles
- Control and properly dispose of waste

### Promotion of innovation

Related SDGs



In anticipation of the future of the construction industry, the Kandenko Group will pursue efficient operations and promote technological innovation through the use of digital technology and other means, as well as pursuing a business model that contributes to high-quality facility construction, decarbonization, and resilience through collaboration with diverse partners within and outside the Group.

#### For society and customers

- Provide high-quality equipment by deepening prefabrication and modular unit construction methods
- Rapid and efficient restoration in the event of a natural disaster
- Facility water damage prevention

#### Kandenko initiatives

- Business process redesign
- Advancement of construction methods and management processes (use of IoT, AI, robotics, and drone technology)
- Improvement of operational efficiency by setting up a back office and improving IT systems
- Joint research with universities, local governments, other industries, etc.

### Reinforcing "people first" (human resources)

Related SDGs



In order to exemplify our "People first" philosophy that aims for mutual prosperity of all people in society, we believe that the Kandenko Group must work together with our partners, including partner companies and material suppliers, to pursue high value-added services by improving our technologies and skills.

We call this "people first," and we promote it as the driving force behind our business activities, in order to contribute to society.

#### Kandenko initiatives

- Training professional human resources who are trusted by our customers (job level training and on-the-job training)
- Communication (mutual understanding through dialogue and communication)
- Maintaining and improving partnerships with partner companies and material suppliers, etc.
- Promotion of workstyle reforms (review business processes, use remote working and IT equipment)
- Promotion of diversity (promote advancement of women, hire people with disabilities, encourage male employees to take parental leave)
- Enhancement of educational programs (enhance training content, use VR/AR)
- Development and sharing of human rights and procurement policies

### Strengthening sound management foundation

Related SDGs



The Kandenko Group ensures management transparency through risk management and compliance, which are the basic premise of management, and promotes management to remain trusted by society.

#### Kandenko initiatives

- Maintaining and strengthening governance structure
- Appropriate risk and process management
- Thorough compliance
- Maintaining and strengthening information security measures



For more information, please visit our "Sustainability" website.  
<https://www.kandenko.co.jp/sustainability> (in Japanese)



Information Disclosure Based on TCFD Recommendations

Environment

Social

Governance

Climate change-related information disclosure  
(disclosure based on TCFD recommendations)



The Kandenko Group views climate change as one of the most important management issues, and is working to reduce greenhouse gas emissions both internally and externally. In June 2022, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD). In accordance with the Corporate Governance Code, which was revised in June 2021, we disclose the following important information regarding climate change based on the TCFD recommendations.

Governance

In order to address environment-related issues, we have established an ESG Promotion Committee, consisting of the Management Planning Department and other leading departments, to formulate important policies and measures concerning environmental issues in general, including our response to climate change, and important policies are reviewed and examined at meetings of the Management Council and the Board of Directors.

We incorporate the determined policies and measures in our management and business plans, implement them, and follow up on their progress and impact to make further improvements and introduce new initiatives.

Strategy

Risks and opportunities that may arise in the future as a result of climate change are identified in line with TCFD recommendations and their importance is assessed from a materiality perspective.

Of these risks and opportunities, scenario analyses were conducted for the introduction of a carbon tax and flood and storm surge damage, based on the results of future projections by public agencies assuming 1.5°C, 2°C, and 4°C temperate increases, and the financial impact as of 2040\* was calculated.

\*Calculated as of 2040, looking ahead to 2044, when the Company will celebrate its 100-year anniversary

Key risks and opportunities associated with climate change

The Kandenko Group provides end-to-end engineering services ranging from planning, design and execution to maintenance and renovation, in the fields of building infrastructure, telecommunications infrastructure and electric power infrastructure.

With regard to the risks associated with climate change, we analyzed three scenarios for two categories of risks, which are the “risks associated with the transition to a decarbonized society,” which will cause significant impact during the transition under the 1.5°C and 2°C scenarios, and the “risks associated with the physical impacts of climate change,” which will cause significant impact if the 4°C scenario is reached due to the failure to reduce global CO<sub>2</sub> emissions.

Based on this analysis, we examined the impact on the Company and our response measures assuming short-term to long-term risks in light of materialities (important issues), while some of the risks have not yet been calculated. We calculated the maximum impact to be about 0.5% of sales, although the impact varies by scenario. We have concluded that opportunities are directly related to important social issues such as energy conversion from fossil fuels to non-fossil fuels, energy conservation, increasing demand for renewable energy, and disaster preparedness, that require short- to medium-term responses.

Based on these, the Kandenko Group will fulfill its mission of “maintaining and building social infrastructure” and respond to the issue of “contributing to a decarbonized society” with “decarbonization” and “resilience (disaster prevention + BCP)” solutions.

The following scenarios are used when considering the risks and opportunities associated with the transition to a decarbonized society and the intensification of natural disasters.

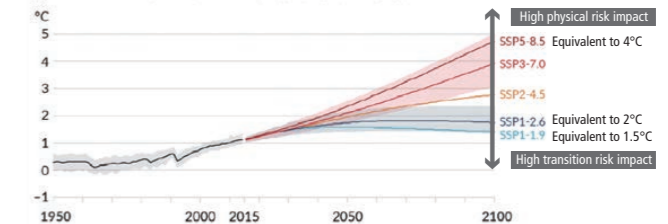
- **Scenarios of transition to a decarbonized society**  
Scenarios developed by the International Energy Agency (IEA) under which the temperature increase at the end of this century is equivalent to 1.5°C (NZE) and 2°C (APS) compared to pre-industrial times
- **Scenarios of intensification of natural disasters**  
Scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) under which the temperature increases at the end of this century is equivalent to 1.5°C (SSP1, RCP1.9), 2°C (SSP1, RCP2.6), and 4°C (SSP5, RCP8.5) compared to pre-industrial times

Scenario groups used

Temperature increase (2100)	IEA WEO	IPCC RCP	IPCC SSP
4°C increase	—	RCP8.5	SSP5-8.5 (fossil fuel dependent)
2°C increase	APS(all countries that pledged net-zero achieves net zero)	RCP2.6	SSP1-2.6(emphasis on sustainability)
1.5°C increase	NZE(all countries that pledged net-zero achieves net zero)		SSP1-1.9(emphasis on sustainability)
Financial impact calculation used	Introduction of carbon tax	Floods	Storm surge

Change in global average temperature  
with reference to 1850-1900

Source: United Nations Intergovernmental Panel on Climate Change (IPCC)  
Sixth Assessment Report (AR6) Working Group I, Climate Change 2021



- Reference: Materialities  
(important issues)
- 1

Maintenance and construction of safe and comfortable social infrastructure
- 2

Contribution to a decarbonized society
- 3

Promotion of innovation
- 4

Reinforcing “people first” (human resources)
- 5

Strengthening sound management foundation

	Important risks/ opportunities		Impact on the Company	Importance <sup>*1</sup> <sup>*2</sup>	Timing <sup>*3</sup>	Major countermeasures	Relation to Materiality
Transition to a decarbonized society	Increase in demand for electricity due to higher electrification rate	Opportunity	● Increase in order opportunities due to expansion of power generation and transmission infrastructure	High	Short- to medium-term	● Strengthen sales and construction systems and technological capabilities for renewable energy-related construction	1 2 3
	Expansion of need for energy-saving and decarbonizing infrastructure	Opportunity	● Increased demand for ZEB and energy-saving infrastructure and increased order opportunities	High	Short- to medium-term	● Promote sales proposals that take into consideration the reduction of environmental burden	1 2
	Increased demand for renewable energy	Opportunity	● Increased demand for infrastructure and facilities related to renewable energy and increased order opportunities	High	Short- to medium-term	● Strengthen sales and construction systems and technological capabilities for renewable energy-related construction	2 3
	Widespread use of EV vehicles	Opportunity	● Increased opportunities for EV-related construction orders	High	Short- to medium-term	● Strengthen system to expand EV-related construction work	1 2 3
	Introduction of carbon tax	Risk	● Taxation on CO <sub>2</sub> emissions from business activities	Medium to high	Short- to medium-term	● Reduce CO <sub>2</sub> emissions by renovating own facilities, promoting EV vehicles, etc.	2 5
	Strengthening of decarbonization policies	Risk	● Potential loss of order opportunities if advantages are lost due to environment-conscious requirements (e.g., technology)	Medium to high	Short- to medium-term	● Promote technological development related to decarbonization	2 3
	Mainstreaming ESG investments	Risk	● Delays in addressing environmental issues by the Company could lead to a drop in investment from shareholders and orders from customers	Medium to high	Short- to medium-term	● Ongoing initiatives to tackle environment-related issues, and appropriate information disclosure including responding to TCFD recommendations	2 5
Extreme weather and intensification of natural disasters	Creation of sustainable cities and regions	Opportunity	● Increased opportunities for infrastructure solutions and orders	High	Short- to medium-term	● Participation in creating new communities such as smart cities ● Initiatives for urban data center development business	1 2 3
	Increase in need for disaster-resistant buildings and infrastructure	Opportunity	● Increased opportunities for solutions and orders related to BCP measures for local governments and companies	High	Short- to medium-term	● Enhance menu of proposals for decarbonization, BCP, etc. ● Reinforcement of construction and management systems	1 2 3
	Increase in average summer temperature	Risk	● Increased health risks (heat stroke, infectious diseases, etc.) at construction sites ● Worsening of personnel shortages following the deterioration of the working environment, and increased costs associated with securing additional personnel	Medium to high	Medium- to long-term	● Strengthen health management ● Promote technology development to improve the working environment (digitalization, robotization)	1 3 4
	Increasing intensity and frequency of natural disasters	Risk	● Fall in production capacity due to disaster damage to employees and partner companies ● Supplies suspended due to disaster damage at material suppliers, and additional costs incurred to secure alternative materials ● Decline in profitability due to material price hikes	Medium to high	Medium- to long-term	● Renovate facilities to extend building life and enhance the working environment ● Strengthen partnerships with partner companies and material suppliers	4 5
	Flooding and storm surges	Risk	● Office replacement costs, asset impairments, and lower sales caused by flooding at bases	Medium to high	Medium- to long-term	● Establish disaster-resistant offices taking business continuity into consideration	5

<sup>\*1</sup> Method of evaluating importance (opportunity)  
Scores “probability” and “impact” to determine importance  
(1) “Probability”: Assumed from external reports, and the Company’s plans and policies, etc.  
(2) “Impact”: Assumed based on market size, production capacity, competitive advantage, etc.

<sup>\*2</sup> Method of evaluating importance (risk)  
Scores “probability” and “impact” to determine importance  
(1) “Probability”: Assumed based on external reports, past impacts, etc.  
(2) “Impact”: Assumed based on severity of impact, impact on main divisions, scope of impact, etc.

<sup>\*3</sup> Timing is assumed to be short-term (2030), medium-term (2050), and long-term (2100)

## Information Disclosure Based on TCFD Recommendations

Environment

Social

Governance

Financial impact of climate-related risks\*<sup>1</sup>

Of the significant risks, the impact on sales and ordinary profit was calculated for the introduction of the carbon tax, which has a predictable financial impact, and for the incidence of floods and storm surges, which are thought to have a significant impact. While we will continue to implement action plans based on the results of such calculations, we will also work to refine the calculation methods we use and expand their scope.

## (1) Additional costs from introduction of tax systems (such as carbon tax)

Significant risk	Financial impact (2040)* <sup>2</sup>
Introduction of carbon tax	1.5°C: approx. 0.12% of sales (approx. 2.2% of ordinary profit) 2°C: approx. 0.1% of sales (approx. 1.9% of ordinary profit) 4°C: no impact

## (2) Damage due to natural disasters (inundation of bases due to flooding and storm surges)

Significant risk	Financial impact (2040)* <sup>2</sup>
Inundation of bases due to flooding and storm surge	1.5°C: approx. 0.3% of sales (approx. 5% of ordinary profit) 2°C: approx. 0.4% of sales (approx. 8% of ordinary profit) 4°C: approx. 0.4% of sales (approx. 8% of ordinary profit)

\*<sup>1</sup> Calculated on the assumption that all individually assumed risks occur simultaneously

\*<sup>2</sup> Financial impact is the percentage of Kandenko's non-consolidated sales and profit in FY2020

## Method of calculating the financial impact of climate-related risks

## (1) Additional costs from introduction of tax systems (such as carbon tax)

## ● Method of calculation

Current CO<sub>2</sub> emissions x future amount of carbon tax

## ● Future scenarios of carbon tax prices used

We adopted the following scenarios from the World Energy Outlook 2021 provided by the IEA (International Energy Agency).

- 1.5°C increase: NZE2050 (Net Zero Emissions by 2050 Scenario)
- 2°C increase: APS (Announced Pledges Scenario)

## (2) Additional costs and damage due to natural disasters (Inundation of bases due to flooding and storm surge)

## ● Method of calculation

Calculate additional costs and damage (future - present) due to natural disasters. Additional costs and damage are calculated by determining the inundation depth (current and future) at each base in the event of flooding or storm surge, using data published by public agencies, and by calculating office replacement costs, decrease in sales, and asset damage at each base in accordance with government calculation methods based on actual inundation damage.

## ● Future scenarios for inundation depths used

We adopted the following scenarios provided by the Intergovernmental Panel on Climate Change (IPCC).

- Flooding: AR5 (Fifth Assessment Report) RCP scenario (equivalent to 2°C or 4°C increase)
- Storm surge: AR6 (6th Assessment Report) SSP scenario (equivalent to 1.5°C, 2°C, and 4°C increase)

	2030 (short-term)		2040		2050 (medium-term)	
Financial impact	Sales	Ordinary profit	Sales	Ordinary profit	Sales	Ordinary profit
1.5°C increase	Approx. 0.08%	Approx. 1.4%	Approx. 0.12%	Approx. 2.2%	Approx. 0.15%	Approx. 2.7%
2°C increase	Approx. 0.07%	Approx. 1.3%	Approx. 0.1%	Approx. 1.9%	Approx. 0.12%	Approx. 2.2%
4°C increase	—	—	—	—	—	—

\* Financial impact is the percentage of Kandenko's non-consolidated sales and profit in fiscal 2020.

	2030 (short-term)		2040		2100 (long-term)	
Financial impact	Sales	Ordinary profit	Sales	Ordinary profit	Sales	Ordinary profit
1.5°C increase (storm surge)	Approx. 0.1%	Approx. 3%	Approx. 0.3%	Approx. 5%	Approx. 0.3%	Approx. 6%
2°C increase (flooding, storm surge)	Approx. 0.3%	Approx. 6%	Approx. 0.4%	Approx. 8%	Approx. 0.9%	Approx. 17%
4°C rise (flooding, storm surge)	Approx. 0.3%	Approx. 6%	Approx. 0.4%	Approx. 8%	Approx. 1.1%	Approx. 21%

\* Financial impact is the percentage of Kandenko's non-consolidated sales and profit in fiscal 2020.

## Risk Management

Management of risks, including risks related to climate change, is undertaken in conjunction with major departments and the Management Planning Department. Policies and measures are formulated based on the state of initiatives and the business environment, and important policies are reported to the Management Council and the Board of Directors.

In addition, the risks and opportunities identified in accordance with the TCFD recommendations are incorporated into the Medium-Term Management Plan and action plans, and reviewed annually, in light of materialities (important issues).

Specifically, the financial impact of the risks with high probability and high impact is estimated and reflected in management strategies and financial plans. With regard to risks with low probability and high impact, we will engage in thorough future efforts to gather information, and with regard to risks with high probability and low impact, we will continue to monitor their financial impact.

## Indicators and Targets

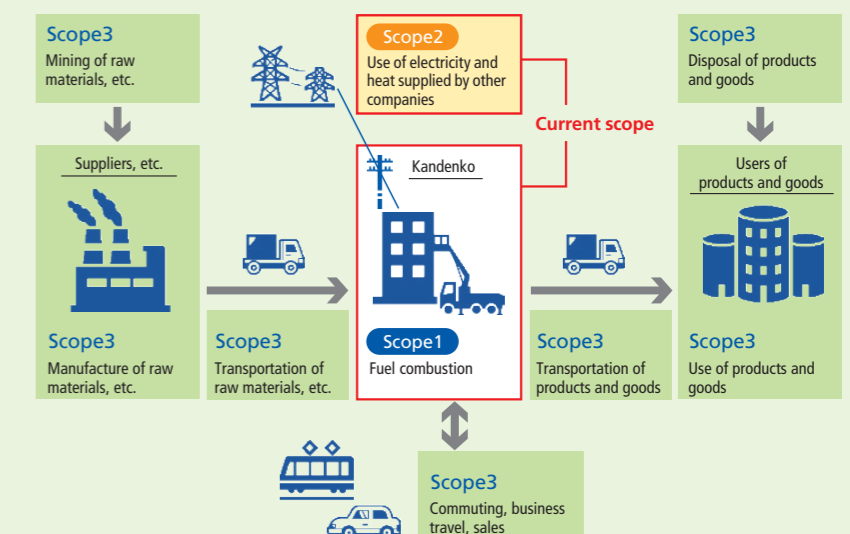
Our greenhouse gas emission calculations cover Scope 1 and Scope 2 of our business (non-consolidated)\*, and we calculated that greenhouse gas emissions in fiscal 2020 were 24,542t-CO<sub>2</sub> (location-based) and 24,699t-CO<sub>2</sub> (market-based).

While continuing to promote efforts to achieve zero greenhouse gas emissions by 2050, we will also work towards expanding the scope of our calculations to include Scope 3 in the future.

## Scope

Scope 1 and Scope 2 of the Company's (non-consolidated) business are covered\*.

In the future, we will work to expand the scope of coverage to include Scope 3.



\*Excludes electricity usage paid as common service expenses, etc., such as usage at temporary offices on worksites.

## Fiscal 2020 greenhouse gas emissions

Target: Kandenko non-consolidated (fiscal 2020)

Calculation criteria: calculation method based on GHG Protocol

Scope of calculation: Scope 1 (fuel combustion), Scope 2 (electricity and heat use)

\*Scope 1: Confirming the actual use of greenhouse gases other than CO<sub>2</sub> (such as SF<sub>6</sub>).

\*Scope 2: Excludes electricity usage paid as common service expenses, etc., such as usage at temporary offices on worksites.

Classification		Emissions (t CO <sub>2</sub> )
Scope 1 (fuel combustion)* <sup>1</sup>		10,697
Scope 2 (electricity use)	Location criteria* <sup>2</sup>	13,104
	Market criteria* <sup>3</sup>	13,261
Scope 2 (heat use)		741
Total (Scope 1+2)	(Location criteria)	24,542
	(Market criteria)	24,699

\*<sup>1</sup>:  $\Sigma(\text{annual use of each fuel} \times \text{unit calorific value of each fuel} \times \text{CO}_2 \text{ emission factor of each fuel})$  The unit calorific value of each fuel and CO<sub>2</sub> emission factor of each fuel are based on the System for Greenhouse Gas Emissions Calculation, Reporting, and Publication under the Act on Promotion of Global Warming Countermeasures

\*<sup>2</sup>: Calculated based on an average emission factor (using a factor that takes into account the distance from the power plant to consumer office)

\*<sup>3</sup>: Calculated based on the adjusted emission factor (for fiscal 2021 reporting) for each electric utility provider as stipulated in the Act on Promotion of Global Warming Countermeasures (using emission factors determined in contracts between the electricity retailer and the office)

Environmental Initiatives

Environment

Social

Governance

The human race has enjoyed many benefits of industrial and economic development, but these benefits have come at the cost of global warming, pollution, and ecological destruction. A great burden has thus been placed on the global environment.

Coexistence with the natural environment, the foundation of our existence, is essential for any healthy society. This is also a theme that we must continually keep in mind in our business activities.

At Kandenko, we take the long-term view that it is corporate management’s vital social responsibility to have an environmental vision leading to the creation of a sustainable society. We will do our part to leave a safe, sound environment for future generations by implementing initiatives that reduce the burden on the environment.

Basic Policy on the Environment

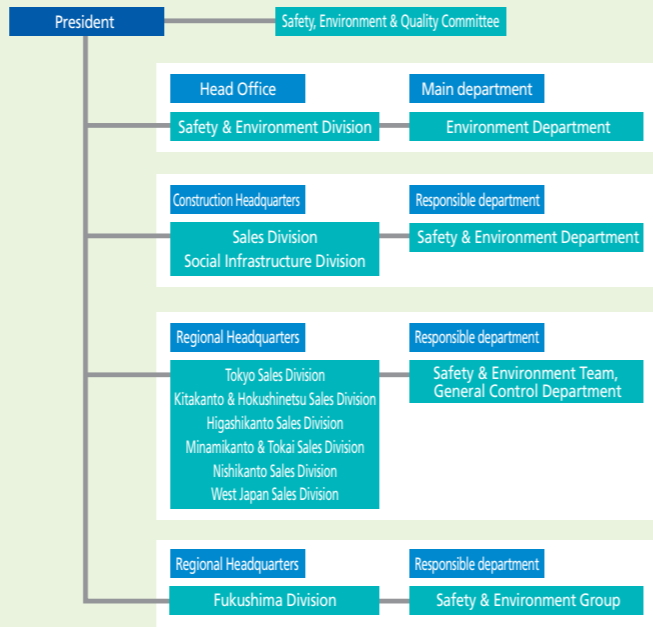
To realize a sustainable society, the Company strives for management in which business activities are in harmony with nature from a long-term view in every situation as a general infrastructure company.

Activity Plan

1. We will follow environmental and legal regulations and reduce environmental risk to fulfill our corporate social responsibility.
2. To realize a low-carbon, recycling-based society, we will work to conserve energy, save resources, promote recycling, and prevent pollution through the development, design, and execution of environmentally-conscious technologies.
3. We consider environmental conservation to be an important management issue. We are committed to making continual improvements to our environmental management system (EMS).
4. We will educate all employees who engage in our business operations about the environment and raise their environmental awareness.
5. We will build bridges of cooperation to regional society and contribute to creating a society considerate of biodiversity.

Structure for Promoting the Environmental Management System

To facilitate a deep review of its policies and initiatives in the field of environmental conservation activities, Kandenko appoints a Safety, Environment & Quality Committee chaired by the company president. Under the control of the Environment Department of Safety & Environment Division, the departments set up to promote environmental activities are as follows: in the Construction Headquarters, the Safety & Environment Department; and in the Regional Headquarters, the Safety & Environment Team of the General Control Department, and the Safety & Environment Group. Regional Headquarters. We have also compiled and applied an Environmental Management Manual that complies with the ISO 14001 international standard to help us promote our environmental management system more effectively.



Initiatives to Reduce the Environmental Burden

Amid intensifying global environmental issues, we believe that we can contribute to protecting the sound biodiversity of the ecosystem and realize a sustainable society by implementing systematic and efficient environmental conservation measures in all aspects of our business activities.

In addition to promoting environment-friendly procurement, Kandenko’s initiatives for environmental conservation include efforts to reduce the consumption of resources and energy and measures to improve industrial waste recycling rates and convert waste into valuable resources. By ensuring strict compliance with environmental laws and regulations, we are also working to eliminate environmental risk, enhance environmental awareness, and further integrate environmental conservation activities. As a corporate member of a recycling-based society, Kandenko seeks to create a rich human environment and implement unceasing innovation, contributing in this way to activities that conserve the global environment.

Examples of Initiatives

Achievement of ZEB Oriented appraisal standard

The Company has achieved the ZEB Oriented appraisal standard in the renovation project of our Education & Training Center (Ushiku-shi, Ibaraki Prefecture). This is the second building in Japan to achieve the standard and marks the first case as a renovated building.

ZEB stands for net zero energy buildings. The term refers to buildings aimed at reducing annual energy consumption to virtually zero by integrating energy-saving technologies with energy-creating ones. A nationwide campaign is now in progress to popularize ZEB.

This “ZEB Oriented” is a newly-established appraisal standard for large buildings that consume large amounts of energy. Through the renovation, the Education & Training Center reduced energy consumption by as much as about 35% by adopting a high-efficiency air conditioning system, in addition to making about 1,000 glass windows double-paned and laying insulating materials on the roof.

Power generation business

Generation of electricity from wind and solar power is in progress as a way to utilize natural energy. Kandenko has engaged in the design and construction of numerous solar and wind power generation systems and participated in experimental studies of renewable energy in and outside Japan. Leveraging our accumulated technologies and expertise, we operate a power generation business using renewable energy since fiscal 2012.

Power plants in operation (Excerpt)

	Maximum output	Location
Choshi Wind Power Plant	13.5MW (9 windmills with a capacity of 1.5 MW each)	Choshi-shi, Chiba
Yagi Wind Power Plant	9.0MW (6 windmills with a capacity of 1.5 MW each)	Choshi-shi, Chiba
Shiraoka Solar Power Plant	1.5MW	Shiraoka-shi, Saitama
Kaminokawa Solar Power Plant	1.75MW	Kaminokawamachi, Kawachi-gun, Tochigi
Sosa Solar Power Plant	1.5MW	Sosa-shi, Chiba
Shin-Koga Solar Power Plant	1.5MW	Sakaimachi, Sashima-gun, Ibaraki
Ushikuma Solar Power Plant	1.5MW	Kama-shi, Fukuoka
Kama No.1 Solar Power Plant	13.75MW	Kama-shi, Iizuka-shi, Fukuoka
Kama No.2 Solar Power Plant	5.0MW	Kama-shi, Fukuoka
Maebashi Biomass Power Plant	6.75MW	Maebashi-shi, Gunma
Kami Ketto Hydroelectric Power Plant	990kW	Tsunanmachi, Nakauonuma-gun, Niigata



Operational launch of Kami Ketto Hydroelectric Power Plant

The Kami Ketto Hydroelectric Power Plant, which Kandenko had been constructing in Tsunan-machi, Nakauonuma-gun, Niigata Prefecture since 2016, was completed and started its operation in June 2020.

This power plant employs a mechanism to generate electricity by effectively utilizing the drop from the check dams in the middle of the Nakatsu River that joins the Shinano River. It generates roughly 6,500MWh of power per year. This is equivalent to the electricity consumed by approximately 1,200 regular households, or an approximate 3,000 ton reduction in CO<sub>2</sub> emissions.

We adopted a water mill format for the plant’s construction that enables us to contain the power plant’s development in a more compact area. We also adopted a design that helps conserve the surrounding natural environment by, for instance, repurposing unused drainage tunnels that were built at the time of the dam’s construction to discharge water.

We will continue to utilize the technology and expertise we have cultivated as a general infrastructure company engaged in the energy business to the utmost and engage in further environmentally-conscious business activities.



View of the check dam and Kami Ketto Hydroelectric Power Plant

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# Disaster Prevention and Recovery Initiatives


Environment
Social
Governance

## Responding after natural disasters occur

Kandenko believes that, as part of its social responsibility as a company that is involved in supplying public utilities, it is our duty to devote all of our strength to the expedited restoration of electrical infrastructure for the stable provision of electric power in the event of a disaster. We would like to take this opportunity to introduce initiatives we implemented following the Great East Japan Earthquake.

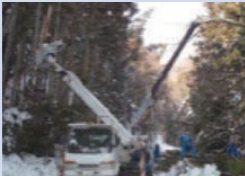
March 2011

The Great East Japan Earthquake




May 2012

Damage by tornado in Northern Kanto




September 2013

Damage by tornado in Saitama & Chiba




February 2014

Damage by heavy snow in Gunma




September 2015

Damage by heavy rain in Kanto & Tohoku




April 2016

Damage by Kumamoto Earthquake (Indoor electrical engineering)




August 2016

Damage by Typhoon No.9



September-October 2019

Damage by typhoons Faxai and Hagibis



## Strengthening our response to intensifying natural disasters ~Kandenko initiatives to prepare for large-scale power outages~

Learning from the long-term power outage at a power distribution office which acted as a base for disaster recovery during Typhoon Faxai in 2019, we have deployed vehicle-mounted emergency generators to power distribution business areas to establish a system for responding quickly in the event of a disaster, and we have conducted a series of drills to practice operating emergency generators in anticipation of power outages.

We recently constructed a power distribution office with reinforced BCP measures to further enhance our ability to respond to natural disasters. Conventionally, we needed to connect emergency generators to each piece of equipment in the office, which required the laying of numerous temporary cables. At the new office, power can be supplied from electrical outlets simply by connecting emergency generator cables to the BCP connection board, thereby enabling the establishment of a more rapid recovery system.

Currently, this system is installed at three offices in Chiba, Ibaraki, and Shizuoka Prefectures. The system will be expanded to other power distribution offices in the future, thereby enabling us to fulfill our social responsibility as a company that supports the stable supply of electric power.



Izu Office (Shizuoka Prefecture) with enhanced BCP measures

BCP connection board and emergency generator connection training

# Occupational Safety and High-Quality Construction

## Health and Safety Initiatives

### Fiscal 2022 Health and Safety Policy

Based on our “People First” motto, we view health and safety initiatives as one of the top priorities of our corporate activities, and are committed to eradicating occupational accidents and maintaining the physical and mental health of all those involved in our corporate activities.

#### Activity guidelines

Safety	Health
<p>We are working on the following priority items to eradicate occupational accidents.</p> <ol style="list-style-type: none"> <li>1 Strengthen onsite risk management capability</li> <li>2 Enhancing safety education</li> <li>3 Apply digital technologies to onsite risk countermeasures</li> <li>4 Improve communication with affiliated companies and partner companies and support safety activities</li> </ol>	<p>We are working on the following priority items to maintain mental and physical health.</p> <ol style="list-style-type: none"> <li>1 Promote reforms of work practices and annual leave systems</li> <li>2 Promote mental health measures</li> <li>3 Ensure the health of employees and create a comfortable working environment</li> </ol>

## Quality Initiatives

### Basic Policy on Quality

We pursue technological innovation that contributes to safety and security and provide top-quality services and infrastructure across the whole equipment lifecycle from planning and proposal through to post-installation maintenance.

Activity guidelines	<ol style="list-style-type: none"> <li>1. We will anticipate customer needs and use advanced technologies and sophisticated skills to provide a level of quality that will satisfy our customers.</li> <li>2. We will continue to research and develop technologies and improve operations, and always create valuable products.</li> <li>3. We, together with all our employees and organizations, will strive to consistently improve our quality management systems in order to maintain and improve quality.</li> <li>4. We will conduct education and training, improve technology and pass on skills, and promote reliable human resource development.</li> </ol>
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### Quality Management System

We establish quality management systems (QMS) in accordance with the ISO 9001 requirements based on our Basic Policy on Quality, and seek to achieve sustainable growth.

#### ISO 9001 external authentication acquisition status

Category of construction	Division/Office	Registration scope	Registration organization and registration number
Building Infrastructure Work	Cost Management Division, Sales Division, Tokyo Sales Division, Kitakanto & Hokushinetsu Sales Division, Higashikanto Sales Division, Minamikanto & Tokai Sales Division, Nishikanto Sales Division, West Japan Sales Division, Fukushima Division	Design and construction of electrical infrastructure Design and construction of air conditioning, water supply and drainage, and sanitation systems	Management System Assessment Center MSA-QS-4553
		Registration date: September 1, 1997 (Valid through February 27, 2023)	
Social Infrastructure Work	Social Infrastructure Division (excluding Nuclear Energy Department) Power Engineering Unit, Social Infrastructure Construction Center Information & Communication System Unit Communication Infrastructure Construction Center Power Distribution Unit, Tokyo Power Distribution Branch	Design and construction of electrical and communication infrastructure, civil engineering work, and water supply and sewage, gas, and railroad infrastructure	Management System Assessment Center MSA-QS-4734
		Registration date: February 24, 2021 (Valid through February 23, 2024)	
	Rokkasho Office, Tokai Office, Kashiwazaki Kariwa Office, Tsuruga Office, Fukushima Division	Design, construction, and ancillary service of electricity, instrumentation, and machinery devices involved in the construction, repair, and regular inspection of nuclear power plants, nuclear fuel handling facilities, and related infrastructure	Registration Body for IS, Inc. RB-Q11039
Registration date: February 16, 2001 (Valid through February 28, 2025)			

## Employee Initiatives

Environment

Social

Governance

Under the corporate motto of “People First,” the Company strives for “human resources development,” “reforms for work practices and annual leave systems,” and “creation of an open workplace environment.” Through these measures, we work to realize a working environment where each employee can take an active role by fully realizing their potential.

### Basic Policy on Human Resources Development

While continuously nurturing a “professional workforce trusted by society and customers” necessary for sustained growth, the Company will develop and raise the capabilities of each employee.

### Outline of Initiatives for Human Resources Development

The Company has continuously worked to establish systems to develop excellent human resources.  
An outline of specific initiatives is as follows.

#### 1. Personnel development

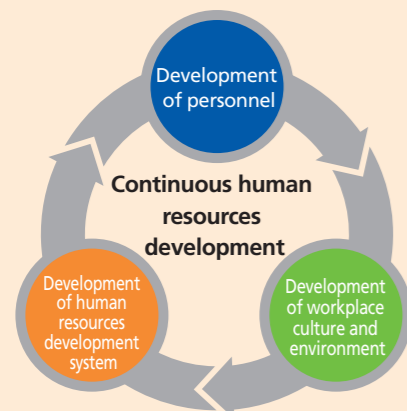
**OJT:** Guidance and training through workplace operation

**Training:** Training for professional expertise and skills

**Self-development:** Support upskilling of employees, such as acquisition of qualifications

#### 2. Development of a workplace culture and environment that fosters human resources

#### 3. Development of a human resources development system (standardization of development methods)



### Personnel We Aspire to Be

#### 1. Professional workforce trusted by society and customers

- Human resources committed to a mission to live up to the trust and expectations of customers and make contributions to society
- Human resources equipped with high skills necessary to provide the best services and facilities
- Human resources respecting diverse values to cope with changes in the times and ceaselessly striving for self-development and ingenuity

#### 2. Workplace culture and environment that foster human resources

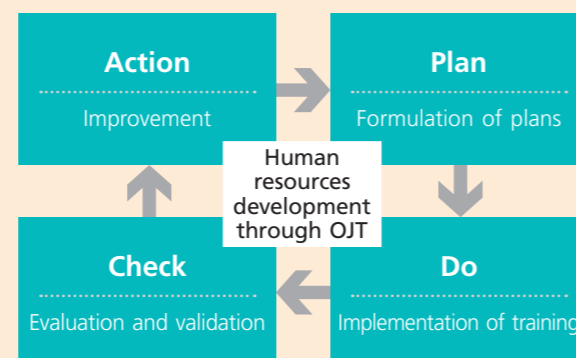
- A workplace where everyone can learn from each other and grow together
- A workplace where employees can speak and consult with others frankly
- A workplace where each employee can exert their own abilities

### Training Programs

#### On-the-job training (OJT)

OJT training is a program whereby senior employees in the workplace encourage junior employees to acquire business abilities by providing guidance on practical knowledge and skills in daily operations.

OJT training is also important as a way for expert employees to pass on technologies and skills to young employees.



### Training

Training is designed to equip Kandenko employees with the necessary skills commensurate with their positions, and to improve the skills of all employees.

#### List of training systems

Level	Company Employees				Group Company Employees
	Joint training	Specialist training	Selected training	Elective training	
Officers	Training for new officers				New directors
Managerial positions	Training for managers at each level		Training for next generation leaders MOT training NGG training	PC skill improvement and IT tool training Business skills training (lectures open to public)	Company-specific and job level training
General positions	New team leader training Business skill training for operations professionals Follow-up introductory training New employee introductory training	Training for year-round new hires OJT leadership, promotion and instructor training Assertive communication training Compliance, information security and legal affairs (e-learning)	Basic and entry-level to special advanced training Training for floor managers, operations managers, and onsite managers Training for developing overseas construction personnel		

\*White boxes indicate training available to employees of group companies

#### Example of a human resource development roadmap: technical position (electrical engineering)

Development policy											
Train human resources to be worksite representatives on large-scale sites within 10 years of joining the Company											
	1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year	11th year and onward
Responsibilities	Worksite operation management										
	OJT period										
	Worksite supervisor										
	Worksite representative										
Training model	Acquire basic worksite management knowledge										
	Improve cost management/equipment accident prevention measures/worksite management skills										
OJT	On-site training										
	On-site work										
Group seminars	Basic training / follow-up training										
	Training to improve production technology skills/job level training/special training/human skills										
Self-development	Second-class electrician										
	Fire defense equipment officer Class A, instrumentation engineer										
	1st grade construction managing engineer (supervising engineer)										
	Third-class chief electricity engineer, associate professional engineer, professional engineer										

#### Self-development

In acquiring national qualifications required for duties, the Company provides various support to employees who are willing to learn and grow on their own. Support includes in-house seminars and bearing expenses for correspondence education programs, external workshops, and examinations.

#### Examples of qualifications recommended by the Company

1st grade construction managing engineer  
Third-class chief electricity engineer  
Professional engineer and associate professional engineer  
Fire defense equipment officer  
First-class electrician  
Construction accounting specialist

## Employee Initiatives

Environment

Social

Governance

## K. Assertion

To create a workplace environment with greater openness, Kandenko is currently engaging in "K. Assertion" activities under the slogan of "Voice your findings and appreciate voices." Assertion\* is a communication method to develop smooth relationships, and the Company's understanding of assertion is "to respect oneself and others, and frankly voice findings, questions, and opinions." Continuous promotion of this activity will encourage proactive communication among employees and solidify relationships of trust. Also, the activities will improve work quality and productivity as they strengthen inter-organizational cooperation and aid in preventing disasters and accidents.

\***Assertions** are communication skills to assert oneself properly without causing distress in other persons. Generally, disparities in position make it difficult to assert oneself, but using this skill enables frank communication based on mutual respect, without superiors imposing their opinions on others or subordinates feeling timid. This provides additional assurance to employees in the workplace that they are allowed to voice their questions and opinions.

## (Outline of activities)

- Formulating assertion through web conferencing
- Expand awareness and awareness-raising activities by utilizing smart devices
- Implementing practical assertion training at seminars, etc.

## Implementing assertion through practical operations

Reforms of Work Practices and Annual Leave Systems  
Diversity & Inclusion

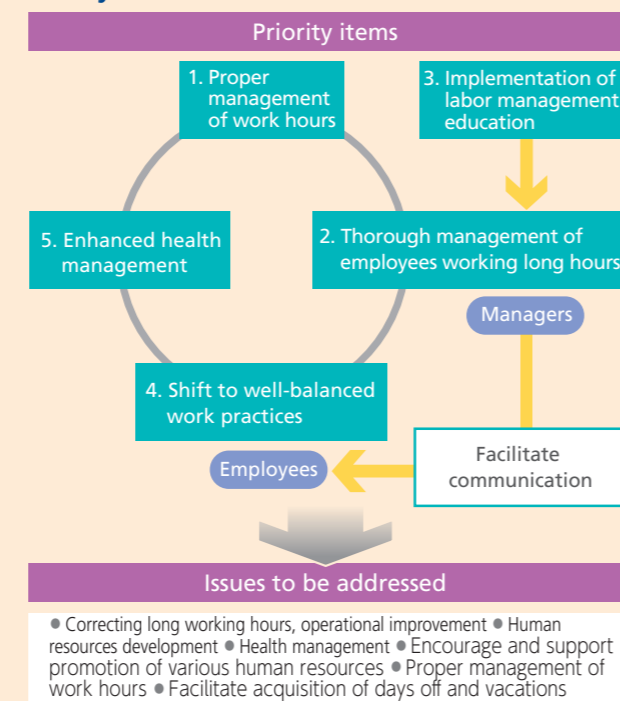
## Reforms of Work Practices and Annual Leave Systems

To realize a company where each employee can work energetically in every workplace, the Company promotes various work practices and annual leave systems while enhancing health management measures for employees.

## Basic policy

- Leading and implementing reforms by managers including executives
- Shifting to a work-life balance mindset
- Strengthening the occupational health system and encouraging self-care obligations

## Priority items and issues to be addressed



## Promotion of Diversity

In October 2018, Kandenko established a Diversity Promotion Team. So that each employee can demonstrate his or her capabilities irrespective of gender, nationality, age, or bodily features, we are working to develop a lively workplace environment in conjunction with "reforms for work practices and annual leave systems" and "measures for human resources development."

Also, by respecting the diverse ideas of employees, we aim to raise corporate value and become a company that will continue to be trusted.

## Promoting the advancement of women

We have formulated an action plan with the aim of creating an attractive workplace where diverse human resources can play an active role while respecting each other's values and differences, and everyone can continue working with peace of mind. An overview of the action plan and major initiatives are as follows.

## ■ Period of the action plan

April 1, 2021, to March 31, 2025 (four years)

## ■ Targets and details of initiatives

**Double the number of women (36) in managerial positions four years from now at the end of fiscal 2024.**

## Details of initiatives

- Introduce training on diverse management-class human resource development
- Conduct training to raise awareness of opportunities among female employees themselves
- Formulate a policy for developing female technical and engineering positions (role models)
- Consider policies for expanding the range of duties for female employees

## Raise paternity leave take-up rate to 30% or higher

## Details of initiatives

- Introduce e-learning to promote understanding of childcare leave
- Create awareness-raising posters to promote male participation in childcare
- Create childcare leave interview sheet
- Conduct PR activities featuring employees who have taken childcare leave
- Build a papa-mama parenting community

## Examples of Initiatives

## ■ Scheduled grant of annual paid leave (10 days)

(Average number of paid leave taken in fiscal 2021: 15.8 days)

## ■ Remote working

The Company is working to create an environment that allows flexible workstyles by introducing a remote working system for all employees, while also promoting the establishment of satellite offices.

## ■ Health management initiatives

In July 2017, we established a Health Improvement Team. Since then, based on our "People First" motto, we have endeavored to create a working environment that aims to improve engagement by protecting the mental and physical health of each and every employee.

## ■ Kandenko SunSun School Family Visit Day

This event, which started in fiscal 2019, is part of our work-life balance initiatives designed to promote communication between families and workplaces and create a comfortable working environment while also helping the families who support our employees on a daily basis deepen their understanding of our company's business.

Our Corporate Communications Captain (CCC), Toshiaki Hirose, a former Japanese national rugby team member, participated in the August 2022 event. Participants listened to an audio version of the picture book, "We Are All Different," and played mini games that involved parents and children exercising together. Mr. Hirose engaged with the participants and communicated the importance of recognizing diversity and working together.



## ■ Kandenkomachi, a community of female technical and engineering staff

We hold Kandenkomachi opinion sharing meetings with the aim of reforming the awareness of female employees appointed at worksites and to expand the range of their duties. These meetings also provide an opportunity to deepen exchanges between worksite supervisors.

## ■ Organizing Sun Cafe Meetings

We provide a venue for information exchange regarding childrearing and casual communication among parenting employees. We support employees raising children, regardless of their gender, in balancing work and child-rearing through easing their anxiety and sharing problems.

## ■ Compilation of Support for Work-Life Balance Handbook

As an aid to supporting employees' work-life balance, the handbook provides various information such as in-house systems related to child-rearing and sends messages to bosses who are working with junior colleagues preparing for maternity leave and child-rearing leave.

## ■ Dissemination of nursing care information

We hold regular online seminars and have established individual consultation desk.

## ■ Promoting employment of persons with disabilities

We operate two farms (an indoor hydroponic farm and an outdoor greenhouse cultivation farm) in Tokyo and the surrounding suburbs with the aim of employing and furthering the activities of people with disabilities. Both farms have built facilities that are designed to ensure safe working conditions, and provide an environment that allows each individual to demonstrate his or her unique abilities.



## Respect for Human Rights

Environment Social Governance

### Kandenko Group Human Rights Policy

Since its founding, Kandenko has conducted business with the aim of ensuring the mutual prosperity of its customers and the communities where it works and finds its purpose in this pursuit. Respect for human rights is the foundation of our business activities.

Through this Policy, the Kandenko Group will remain committed to pursuing thorough compliance and improving safety and quality, and contribute to the enduring development of society as a partner that supports social infrastructure for safe and comfortable daily living.

#### 1. Commitment to respect human rights

Based on our corporate motto, “People First,” our Corporate Philosophy, “Based on respect for humanity, Kandenko fulfills its duty of corporate social contribution and contributes to creating richer human environments,” and the “Principles of Corporate Behavior” in the Kandenko Group Charter of Corporate Behavior, we recognize that initiatives to respect human rights are an important social responsibility and we respect human rights in all aspects of our business activities.

This Policy is based on international norms related to human rights, including the United Nations International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights, and clarifies the approach of the Kandenko Group in fulfilling its responsibility to respect human rights, and has been formulated based partly on the opinions of outside experts.

The Kandenko Group complies with all applicable laws and regulations in the countries and regions in which it operates.

In cases in which there is a conflict between internationally recognized human rights standards and the laws and regulations of each country or region, we will pursue methods that respect internationally recognized human rights standards.

#### 2. Scope of application

This Policy applies to all officers and employees of the Kandenko Group, and we expect and encourage all its stakeholders in all processes of our business activities to understand and support this Policy.

#### 3. Initiatives for the respect of human rights

##### (1) Prohibition of discrimination and unfair treatment

The Kandenko Group works to eliminate any discrimination based on race, ethnicity, nationality, place of birth, gender, gender identity, sexual orientation, age, disability, religion, creed, career, or other personal characteristics, and prohibits all acts of harassment that infringe a person's personality or dignity, including power harassment, sexual harassment and maternity harassment, to ensure a safe and comfortable working environment.

We also prohibit all forms of forced labor and child labor, and work to respect human rights by protecting personal information and privacy.

##### (2) Improvements to the working environment

The Kandenko Group works to maintain a safe and hygienic working environment based on respect for

human rights. We will comply with laws, regulations and labor agreements of each country and region, including working hours stipulated in laws and regulations and paying wages above the minimum wage.

We will engage in sincere dialogue and discussion with our employees or their representatives, and work to build constructive relationships. We will also respect the right to collective bargaining in accordance with international labor standards.

##### (3) Relationships with communities

As a member of the local communities in which we operate, the Kandenko Group will respect the need for environmental conservation in cooperation with the local community, including preventing environmental destruction, pollution, and climate change in order to create richer human environments, and we will conduct our business activities with consideration for the rights of local residents who use or reside on the land.

In our business activities in regions in which indigenous peoples reside, we will understand their unique cultures and customs, and comply with the laws, regulations and international agreements of the countries and regions in which we do business.

#### 4. Information disclosure, dialogue and discussion

The Kandenko Group will work to improve its human rights initiatives through regular information disclosure and dialogue and discussion with its stakeholders.

#### 5. Remediation

The Kandenko Group will establish a whistle-blowing contact that can be used even by business partners, etc. in addition to its officers and employees, and continue to build an effective framework to respond to reports, and will appropriately respond to issues related to human rights. All reports will be kept strictly confidential and adverse treatment of informants will be prohibited.

#### 6. Implementation of human rights due diligence (process to identify, prevent, and mitigate negative impacts)

The Kandenko Group will work to establish and continuously implement a framework to identify, prevent and mitigate negative impacts on human rights related to its business activities in accordance with the Guiding Principles on Business and Human Rights.

If negative impacts are identified, appropriate and effective remedial measures will be taken. In the event that the Kandenko Group's business activities are related to a negative impact on human rights in a business relationship, we will take appropriate measures to correct the situation in accordance with this Policy.

We will not tolerate any intimidation or coercion of human rights defenders, and we will not be complicit in such activities.

The Kandenko Group will provide human rights training and education to its officers and employees, as necessary to practice this Policy.

#### 7. System to respect human rights

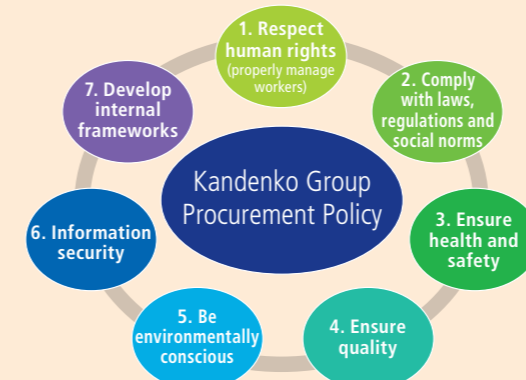
In order to fulfill our responsibility to respect human rights, the Kandenko Group has established a Human Rights Awareness Promotion Committee in Kandenko, which is chaired an officer in charge of labor affairs and human resources, and which will engage in initiatives based on this Policy. Group companies will also work together with Kandenko in this regard.

## Maintaining and Improving Partnerships with Partner Companies and Material Suppliers

### Kandenko Group Procurement Policy

The Kandenko Group is committed to contributing to the sustainable development of society through the provision of high-quality services by building, maintaining, and improving partnerships with our business partners.

The Kandenko Group kindly requests that our business partners engage in the following acts, and that they encourage their business partners to engage in the same acts.



#### 1. Respect human rights (properly manage workers)

Respect the human rights of workers, and strive to secure employment and improve working conditions.

- (1) Ensure a safe and comfortable working environment by taking measures to prevent any acts that infringe on personality and dignity; discrimination based on race, ethnicity, nationality, place of birth, gender, gender identity, sexual orientation, age, disability, religion, creed, career, or other personal characteristics, as well as power harassment, sexual harassment, maternity harassment, and nursing care harassment.
- (2) Do not use labor that is not based on the worker's free will (forced labor) or labor by children under the minimum employment age (child labor), and endeavor to respect the right to collective bargaining.
- (3) Abide by working hours stipulated in laws and regulations, pay workers an amount above the minimum wage in accordance with their actual working conditions, and properly maintain a wage ledger. Efforts should also be made to prevent excessive labor.

#### 2. Comply with laws, regulations and social norms

Comply with all applicable laws, regulations, standards, and social norms in all countries and regions where you conduct business, whether in Japan or overseas.

- (1) Eliminate any conduct that violates criminal codes, anti-monopoly laws, construction industry-related laws, and labor-related laws, etc., such as conduct that impedes the proper execution of business.
- (2) Do not respond to any unreasonable demands from anti-social forces, or engage in any acts that use or are complicit with such demands.
- (3) When importing or exporting materials and equipment or providing technology to an overseas company, check that there is no conflict with security export control rules.

#### 3. Ensure health and safety

We request that you endeavor to secure a safe and comfortable working environment.

- (1) Comply with labor standards laws, industrial safety and health laws, etc., and promote activities to prevent accidents at construction sites, etc.
- (2) Monitor and give appropriate consideration to the health of workers.
- (3) Inform our employees if workers are injured in an accident, etc. or have any other health problems or if you notice any such signs in our business area.

#### 4. Ensure quality

In addition to realizing safe and high quality facilities and services, we also request that you take the following initiatives in anticipation of events and safety and quality issues that may arise in connection with such facilities and services.

- (1) Establish and properly operate a system to maintain and improve quality, including a clear management system and checking framework.
- (2) Check that the products and technologies you provide comply with laws, regulations, and standards.
- (3) If a quality issue is found in a product you have provided, provide information and explanations as appropriate.

#### 5. Be environmentally conscious

We request that you endeavor to conduct your business activities with adequate consideration for environmental conservation.

- (1) Cooperate with the 4Rs (refuse, reduce, reuse, recycle) of the construction by-products at construction sites, etc., and with the reduction and proper disposal of industrial waste.
- (2) When manufacturing materials and equipment, endeavor to take environmental measures such as reducing CO<sub>2</sub> emissions and preventing chemical pollution.
- (3) When undertaking construction work, select and implement materials, equipment, and construction methods that have minimal impact on the environment, and take all possible measures for construction pollution prevention and environmental conservation.

#### 6. Information security

Pay sufficient attention to the protection of confidential information handled in connection with operations and endeavor to ensure information security.

- (1) Correctly record and properly manage all information related to business in accordance with laws, regulations, and internal regulations, etc.
- (2) Prevent leaks to external parties or the loss of confidential information, customer information, and personal information contained in materials provided or loaned by the Company, and eliminate unauthorized use of such information.

#### 7. Develop internal frameworks

Strive to develop internal frameworks on the assumption of stable provision of materials and services.

- (1) Continuously work to improve productivity to ensure market competitiveness and provide products and services at stable prices.
- (2) Collaborate with the parties involved in raw material procurement, logistics, and distribution to appropriately address risks and aim to ensure a stable supply of materials and equipment.
- (3) We request your cooperation to enable the continuation or prompt restoration of our core business in the event of a disaster or other unforeseen circumstances that make it difficult for you to maintain a continuous supply.

## Social Contribution Activities

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### We Are All Different picture book conveys the importance of diversity: Kandenko x Toshiaki Hirose Connection Support Project

We are currently developing "Kandenko x Toshiaki Hirose Connection Support Project" with the former captain of the Japan national rugby team Toshiaki Hirose as our new Corporate Communication Captain (CCC). In November 2021, we published a picture book entitled "We Are All Different" which was produced by the project members, mainly young employees, together with Mr. Hirose.

Based on the key message of "connecting individuality to create an exciting future," we will continue to scrum together with our CCC Mr. Hirose and contribute to building the field in which everyone can respect each other's individuality and play an active role.



This book was written to illustrate the importance of diversity by telling the story of various animals working together to carry a tree fruit.



Mr. Hirose and project members



Shibaura Elementary School (Tokyo)

We have donated more than 1,000 copies to kindergartens, elementary schools, foster homes, and libraries, etc. throughout Japan, including Shibaura Elementary School which is located next to our head office.



Osaka Prefectural Library (Osaka Prefecture)



Yokohama Rugby School (Kanagawa Prefecture)



Meisei Kindergarten (Tokyo)

Miyakoji Elementary School  
(Fukushima Prefecture)

### Sponsored "Green Future Classroom," junior golf lessons

"Green Future Classroom," organized by the Japan Golf Association and sponsored by the Company, was held in September and October 2022. Green Future Classroom is a junior golf lesson program that started in 2017 to help nurture the minds and bodies of children who will lead the next generation. 2022's Classroom was held to commemorate the Japan Senior Open Golf Championship 2022 (Shiga Prefecture) and the Japan Women's Open Golf Championship 2022 (Chiba Prefecture), and lessons took place at the respective tournament sites.

The 30 children who participated received lessons from professional golfers and got to experience playing golf on the beautifully maintained courses. The Green Future Classroom was a great success, and we received comments from the participants, such as, "It was my first time playing golf, but a professional player taught me how to play and it was fun!" "It was difficult but I had fun. I got an autograph of a professional player. I will treasure this memory!"



### Sponsorship of the "All-Japan High School Rugby Football Championship"

Kandenko aims for social contribution through sports promotion and has been sponsoring the "All-Japan High School Rugby Football Championship" organized by associations such as the All Japan High School Athletic Federation and the Japan Rugby Football Union, since the 97th Championship in 2017.

Through sponsoring this championship, held at Hanazono Rugby Stadium, the representative symbol of high school rugby, we support the development of Japan rugby and the futures of the high school students who will carry the rugby world forward.



### Sponsoring the Japanese Para-Sports Association



The Japanese Para-Sports Association (JPSA) was established after the International Stoke Mandeville Games were held in 1964, to encourage and promote sports for people with disabilities in Japan.

In support of the JPSA's vision toward "a society where everyone can enjoy the value of sports" and of "creating a vibrant, inclusive society," Kandenko signed an official partnership agreement with the association to further encourage and promote para-sports.

Moving forward, the Company will continue to support para-sports to revitalize regional communities and ensure pleasant and fulfilled lives.

### The Mount Fuji Reforestation Project

The Mount Fuji Reforestation Project was undertaken with the goal of protecting the nearly untouched forest ecosystem, fearing the loss of Mount Fuji's rich forest resources and the natural ecosystem. (Operated by the Organization for Industrial, Spiritual and Cultural Advancement – International, Japan)

Kandenko has participated in these activities since 2017, through which Kandenko employees and their families have assisted in efforts such as tree planting and the installation of nets to prevent damage from feeding deer.

Participants come and listen to talks on the natural environment of Mount Fuji, and raise their awareness of environmental protection while deepening their understanding of Mount Fuji.



### Cooperation with regular inspections of the Nirayama Reverberatory Furnaces

We cooperated with regular inspection work of the Nirayama Reverberatory Furnaces, which is part of the Sites of Japan's Meiji Industrial Revolution on the World Heritage List.

The Nirayama Reverberatory Furnaces, which were used to melt iron to make cannons and other items, were completed in 1857 and registered as a World Heritage Site in 2015. A team from Shizuoka Branch's Izu Office cooperated with Izunokuni City, which manages the facility, in checking and taking photographs of the state of the reverberatory furnace walls. The team also pruned trees on the site.



### Participation in the Kyu-Can-Cho Project

As part of our social contribution activities, we have stockpiled 1,500 cans of bread at our head office as part of the Kyu-Can-Cho Project undertaken by Pan Akimoto Co. Ltd., an activity to support measures against world's hunger.

The Kyu-Can-Cho Project collects stockpiled canned bread before its expiration date and sends the bread, via NGOs, as relief supplies to people suffering from hunger around the world. In Japan, the canned bread has been delivered to disaster-stricken areas, and the empty bread cans are also used in place of bowls at disaster support sites.



### The MICHINOKU Future Fund

The MICHINOKU Future Fund, a charitable foundation, provides full scholarships to children who lost their parents in the Great East Japan Earthquake so that they can pursue higher education (college, junior college, or vocational education) after graduating from senior high school. Recipients do not have to repay enrollment or tuition fees. The fund was established in 2011 by three private sector companies, with a fourth company joining the project in April 2013.

We endorsed and have been donating to the fund since fiscal 2016. We believe that providing support to children so that they do not abandon higher education and continue to follow their dreams and goals will also support reconstruction efforts.



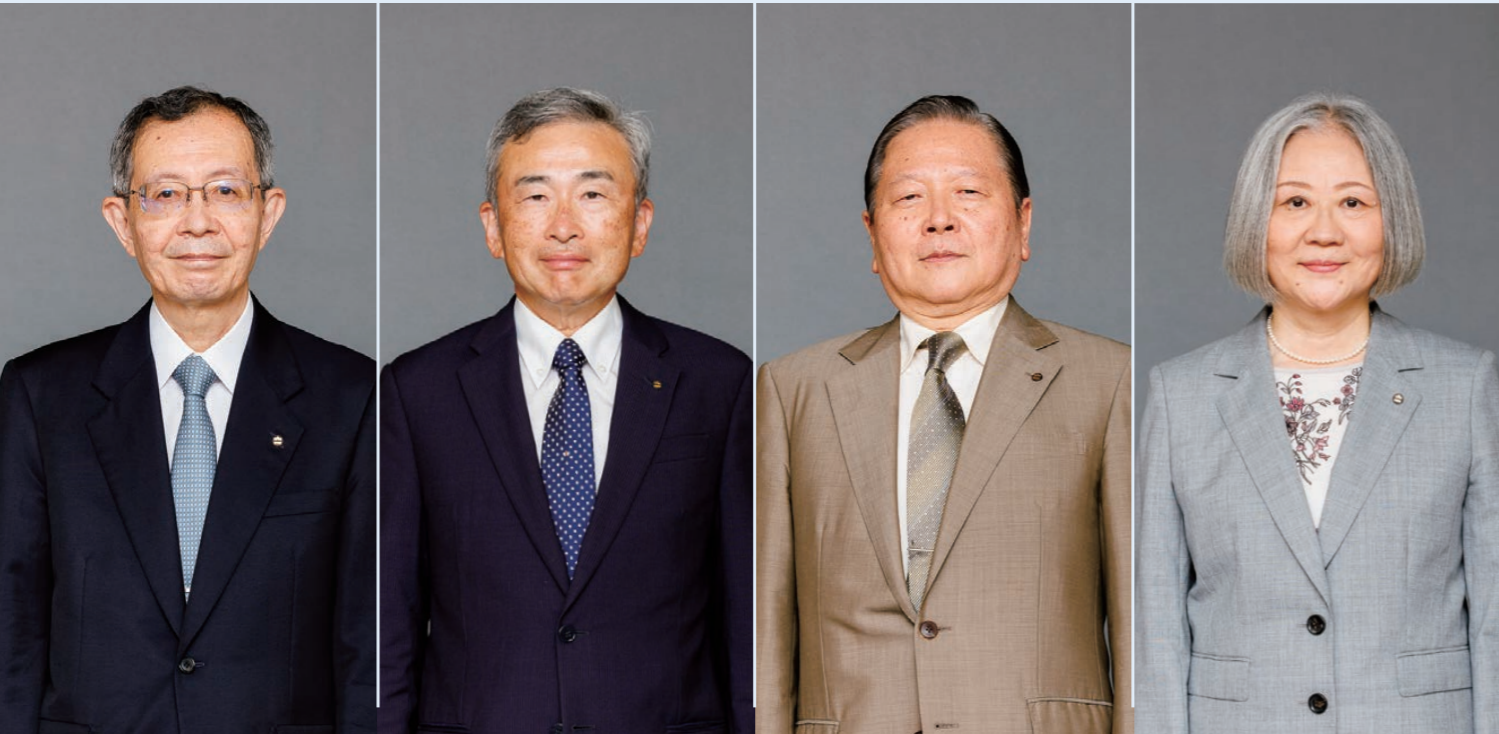
## Roundtable Discussion with Outside Directors |

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## We aim to be a company that survives while maintaining dialogue with society.



**Koji Tanaka**  
Outside Director

**Hajime Saito**  
Outside Director

**Takashi Uchino**  
Outside Director

**Miwako Ando**  
Outside Director

### Changes in the Board of Directors in fiscal 2021

**Takashi Uchino:** Looking back on fiscal 2021, we worked to enhance the structure and strengthen the functions of the Board of Directors based on revisions of the Corporate Governance Code. The first fiscal year of the Medium-Term Management Plan has also started, and senior management has held many discussions while confirming our progress. With Mr. Tanaka's new appointment in June 2022, the number of independent outside Directors has increased by one, to four out of 13. We are very encouraged to have Mr. Tanaka on our team, as he has a wealth of experience in corporate management and is well versed in the electric power sector. His joining our team also expands the skill matrix of the Board of Directors and increases its diversity.

**Hajime Saito:** The Company transitioned to the Prime Market in April 2022, and there were several points of discussion regarding the market selection for this transition. The first point was strengthening governance as

a company listed on the Prime Market. That is to say, what is the so-called skill matrix, the balance and diversity of knowledge, experience, and abilities required of our Board of Directors? The second point is whether there is a lively exchange of opinions between outside officers and the business execution side regularly besides at meetings of the Board of Directors. Third, as a company involved in electric power infrastructure, what is the direction and progress of the Medium-Term Management Plan in response to social demands? From these perspectives, I would say the past year has been a period of repeated discussions on how Kandenko should operate, and a re-examination of ideal corporate management itself.

**Miwako Ando:** It has been one year since I was appointed as an outside Director in June 2021, and I have been able to see Kandenko in my own way. I felt that discussions by the Board of Directors were lively at the time I was appointed, and they have become even livelier over the past year. I was a little nervous at first because I had never been involved in corporate management myself, but in addition to the experience and knowledge I have cultivated as a public prosecutor, I

have actively expressed observations and questions from the perspective of an ordinary citizen. In response to my input, I have received sincere answers from Chairman Hiroshi Yamaguchi, President Toshio Nakama, and internal people. As a result, I feel that progress has been made toward revitalizing discussions at the Board of Directors, as Mr. Saito said. We, the outside Directors were able to inspect construction sites, and also participate in the regular workplace gatherings, in which the Directors directly explain management issues and the Medium-Term Management Plan and exchange opinions with staff on the front line of worksites, which I found very meaningful.

**Koji Tanaka:** I was appointed as an outside Director this June. In addition to being involved in the electric power and energy field and new business fields for many years, I have also gained experience as a director of companies involved in chemicals, construction machinery, logistics, and other industries. Kandenko is a company that supports electric power infrastructure and values people, in addition to placing importance on worksites and technology. As such, I would like to contribute to the improvement of corporate value by making use of my experience. The theme of the Medium-Term Management Plan is "Change! And Create the Future from a New Starting Point." And in this theme, I can feel the will to change into a company that leads the era. I am committed to providing full support to this initiative.

### Issues in the Board of Directors' effectiveness evaluation

**Uchino:** I believe that the effectiveness of the Board of Directors in fiscal 2021 has steadily increased due to the aforementioned strengthening of governance, the establishment of the Nomination and Remuneration Committee, and the revision of the compensation system for Directors. To further improve the effectiveness, we are now reviewing agenda setting and management methods for key issues that will lead to medium to long-term growth of the entire Group, including revising our business portfolio.

**Ando:** In the effectiveness evaluation, issues were raised regarding the composition of the Board of Directors. Currently, I am the only female Director, and I cannot deny that there is still room for improvement at Kandenko in terms of promoting the advancement of women, when compared to trends in society as a whole. Of course, I don't think this will be achieved easily. One of my goals is to welcome a female officer from within the Company in the near future. In terms of appointing female employees to managers, which will create the foundation for my goal, we appointed two female line department managers for the first time in July 2022. I hope they will advance their careers to the position of



#### Career Summary

Apr. 1982 Full-time lecturer, Department of Management, Gakushuin University Faculty of Economics  
Apr. 1985 Assistant Professor, Department of Management, Gakushuin University Faculty of Economics  
Apr. 1990 Professor, Department of Management, Gakushuin University Faculty of Economics (until Mar. 2019)  
Apr. 1992 Planning Director, The Gakushuin School Corporation (until Mar. 1997)  
Jun. 2013 Director, the Company (current)  
Oct. 2013 Representative Director, Institute Of Management Studies, Japan (current)  
Apr. 2019 Professor emeritus, Gakushuin University (current)

Executive Officer or Director, and become role models for future female employees. The Nomination and Remuneration Committee will continue to hold discussions, including the perspective of creating an internal environment that is conducive to career advancement for women.

**Saito:** With regard to the invigoration of the Board of Directors, I think it is extremely important that we have a common awareness of issues. As a labor-intensive company, Kandenko currently faces urgent challenges in improving productivity and workstyle reforming in preparation for the application of the legal cap on overtime work. For this reason, interest in digitalization and technology development is rising, and this trend could be an opportunity for not only Kandenko but the construction industry as a whole to make drastic changes. In that sense, I believe that the Board of Directors must clarify the issues and then hold a series of discussions on them to ensure effective governance.

**Tanaka:** The effectiveness evaluation for fiscal 2021 was conducted before I assumed office, but I have looked over the materials. Effectiveness evaluation at Kandenko is based on a questionnaire answered by each Director. The questions are in accordance with the principles of the Corporate Governance Code, so it is easy to conduct fixed-point observations with continuity over multiple years. On the other hand, since the content of the questions is wide-ranging, I think it is necessary to hold continuous discussions for further improvements in our effectiveness. As an example of another company's

## Roundtable Discussion with Outside Directors

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## Career Summary

Apr. 1979 Joined The Dai-ichi Kangyo Bank, Limited  
 Apr. 2009 Managing Executive Officer and Head of Internal Audit Group of Mizuho Financial Group, Inc.  
 Jun. 2009 Managing Director and Head of Internal Audit Group, Mizuho Financial Group, Inc.  
 Apr. 2010 Managing Director, Head of Risk Management Group, Head of Human Resources Group, and Head of Compliance Group, Mizuho Financial Group, Inc.  
 Apr. 2011 Deputy President & Executive Officer of Mizuho Securities Co., Ltd.  
 Jun. 2011 Deputy President and Deputy President & Executive Officer of Mizuho Securities Co., Ltd.  
 May 2015 Deputy President, Mizuho Capital Co., Ltd.  
 Apr. 2016 President, Mizuho Capital Co., Ltd. (until Apr. 2019)  
 Jun. 2019 Director, the Company (current)

approach to improving the effectiveness of its Board of Directors, the company provides a separate opportunity from meetings of the Board for discussion between outside Directors and the business execution side, and also evaluates the effectiveness of the Board with a third-party organization. However, Kandenko's Board of Directors has made considerable improvements so far, so I hope they will continue to make improvements by deepening their discussions while continuing to address basic matters.

## Progress of the Medium-Term Management Plan from an outside perspective

**Uchino:** Our long-term vision is to become a green innovation company by 2044, and I believe the Medium-Term Management Plan made via back cast from there is a challenging, impressive, and grand plan. Looking at our current situation, we are a labor-intensive company, so our urgent issues include maintaining technology and construction capabilities, and as Mr. Saito said earlier, adapting to the legal cap on overtime work. While investing in human capital, I believe that we must further accelerate our ongoing efforts to improve operational efficiency, labor-saving and manpower saving by using digital technology.

**Saito:** I recognize that the current Medium-Term Management Plan sends the message that we will also

change ourselves while ascertaining changes in society and the market from a long-term perspective. Key points in this process is that in some instances, it may be necessary to achieve this through collaboration with external parties, rather than relying solely on our own strengths, and that all employees should be aware of this fact. For example, rather than completing a single investment plan on our own, it is important to verify cost-effectiveness of collaborating with outside parties as well.

**Ando:** With the application of the legal cap on overtime work approaching in April 2024, it is important for each employee to work toward productivity innovation. And even within the contract structure unique to the construction industry, I believe that demonstrating a "people first" attitude to protect employees will help protect Kandenko's people-first approach. In addition, as a key policy of our Medium-Term Management Plan, we have set the eradication of serious accidents along with productivity innovation, and I am very impressed to see the stance of "people first" as the basis of this plan. There are many challenges ahead, but I believe that we can achieve that goal if each and every one of our employees takes responsibility and pride in working diligently on the Medium-Term Management Plan.

**Uchino:** As we at Kandenko aim to achieve the goals of our Medium-Term Management Plan and growth beyond that, it is essential that we break away from the contractual and passive culture peculiar to the construction industry, as well as the corporate culture such as its principle to observe precedents and its



## Career Summary

Apr. 1985 Appointed as a Public Prosecutor  
 Jan. 2014 Chief Prosecutor of Tokushima District Public Prosecutors Office  
 Jul. 2015 Chief Prosecutor of Kumamoto District Public Prosecutors Office  
 Jul. 2016 Public Prosecutor of Supreme Public Prosecutors Office  
 Mar. 2017 Retired as a Public Prosecutor  
 Apr. 2017 Professor of Graduate School of Law of Hosei University (current)  
 Jun. 2019 Registered as an Attorney-at-Law (current)  
 Jun. 2021 Director, the Company (current)

vertically segmented organizational behavior. Also, compared to when the Medium-Term Management Plan was formulated, it is fortunate that COVID-19 pandemic is settling down, but the end is still not within sight. In addition, the business environment is changing due to international political instability triggered by the situation in Ukraine, energy and food problems, rapid depreciation of the yen, and climate change issues. In these circumstances, so-called sustainability and ESG management are more strongly required than ever. Each one of these waves could not have been imagined when the plan was first formulated, and they could collide with each other to form even bigger waves. In this environment, I believe that we must reaffirm a strong sense of urgency and work on our Medium-Term Management Plan.

**Tanaka:** In the manufacturing industry, where a legal cap on overtime hours has already been applied, workstyles have changed significantly compared to the past, and I feel that we are also producing results that lead to the application of human capital. While things don't go the same way in the construction industry, but that's why I think we have an opportunity not only to improve productivity, but also to transform the business itself. Everyone at Kandenko is very hard working, so I expect them to pool their wisdom and ideas beyond the boundaries of their departments, and overcome barriers to work as one.

## Toward the realization of a green innovation company

**Uchino:** The keyword green innovation has, as its three cores, decarbonized society, recycling-based society, and a society in harmony with nature. As well as being a global trend, there is no doubt that it will act as a strong tailwind and growth opportunity for Kandenko, which is a general infrastructure company. It is of utmost importance that we commit to society with a strategy for becoming a green innovation company.

**Saito:** Kandenko is in a very advantageous position to propose infrastructure to various customers in all processes, from the upstream production stage of energy to the downstream stage. Our future theme is how we can utilize this advantage to improve corporate value, and I believe that we should aim to be a solution company by actively engaging in exchanges, including human resources, in various situations.

**Ando:** I believe we have a technological advantage, as Kandenko has accumulated ample technology and know-how related to energy conservation and decarbonization through infrastructure works and power transmission works that we have worked on so far. However, I believe that due to its corporate culture, Kandenko still has room

for improvement in terms of promoting such superior technology outside the company. I believe that visualizing such technologies and linking them to the solutions business through collaboration with external parties will lead to sustainable growth. Extracting such growth potential as much as possible is an opportunity for senior management to show their skills, and as an outside Director, we would like to offer advice in various ways.

**Tanaka:** Speaking as someone who has been involved in the energy field for many years, I believe the field of green innovation will become increasingly necessary in the future, and I think Kandenko has tremendous potential in this field. In addition, as Mr. Saito said, Kandenko has a large customer base. Therefore, we can expect to develop as a general infrastructure service company, expanding the scope of our business to contribute to solving problems, and improving the value of customer infrastructure not only in electric power but the energy field in general.

**Uchino:** This is somewhat of a repetition of what Ms. Ando said, but I have the feeling that Kandenko has been quietly performing its tasks. Moving forward, we will have to take advantage of the changing times and grow by engaging in dialogue with external parties, while confronting social issues. We have great expectations for the leaps forward we will make in the future.



## Career Summary

Apr. 1974 Joined Hitachi, Ltd.  
 Apr. 2011 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.  
 Jan. 2014 Chairman and Outside Director, Mitsubishi Hitachi Power Systems, Ltd. (until Mar. 2018)  
 Jun. 2014 Outside Director, Hitachi Metals, Ltd. (until Jun. 2015)  
 May 2016 President, The Institute of Electrical Engineers of Japan (IEEJ) (until May 2017)  
 Jun. 2016 Director, Hitachi Chemical Company, Ltd. (until Jun. 2017)  
 Apr. 2017 Representative Executive Officer, Executive Vice President and Executive Officer, CEO, Nuclear Energy Business Unit, Hitachi, Ltd.  
 Apr. 2018 Advisor, Hitachi, Ltd. (until Apr. 2020)  
 Jun. 2018 Director, Hitachi Chemical Company, Ltd. (until Jun. 2019)  
 Jun. 2018 Director, Hitachi Construction Machinery Co., Ltd. (until Jun. 2019)  
 Jun. 2018 Chairman of the Board, Outside Director, Hitachi Transport System, Ltd. (until Jun. 2020)  
 Jun. 2022 Director, the Company (current)

Corporate Governance

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## Corporate Governance

As Kandenko's operating environment changes dramatically, we are working to make management more efficient and transparent while ensuring the fairness of business execution. We realize that Kandenko's continued existence as a company with high value to its stakeholders depends on a robust corporate governance system. We are therefore unstinting in our efforts to strengthen corporate governance.

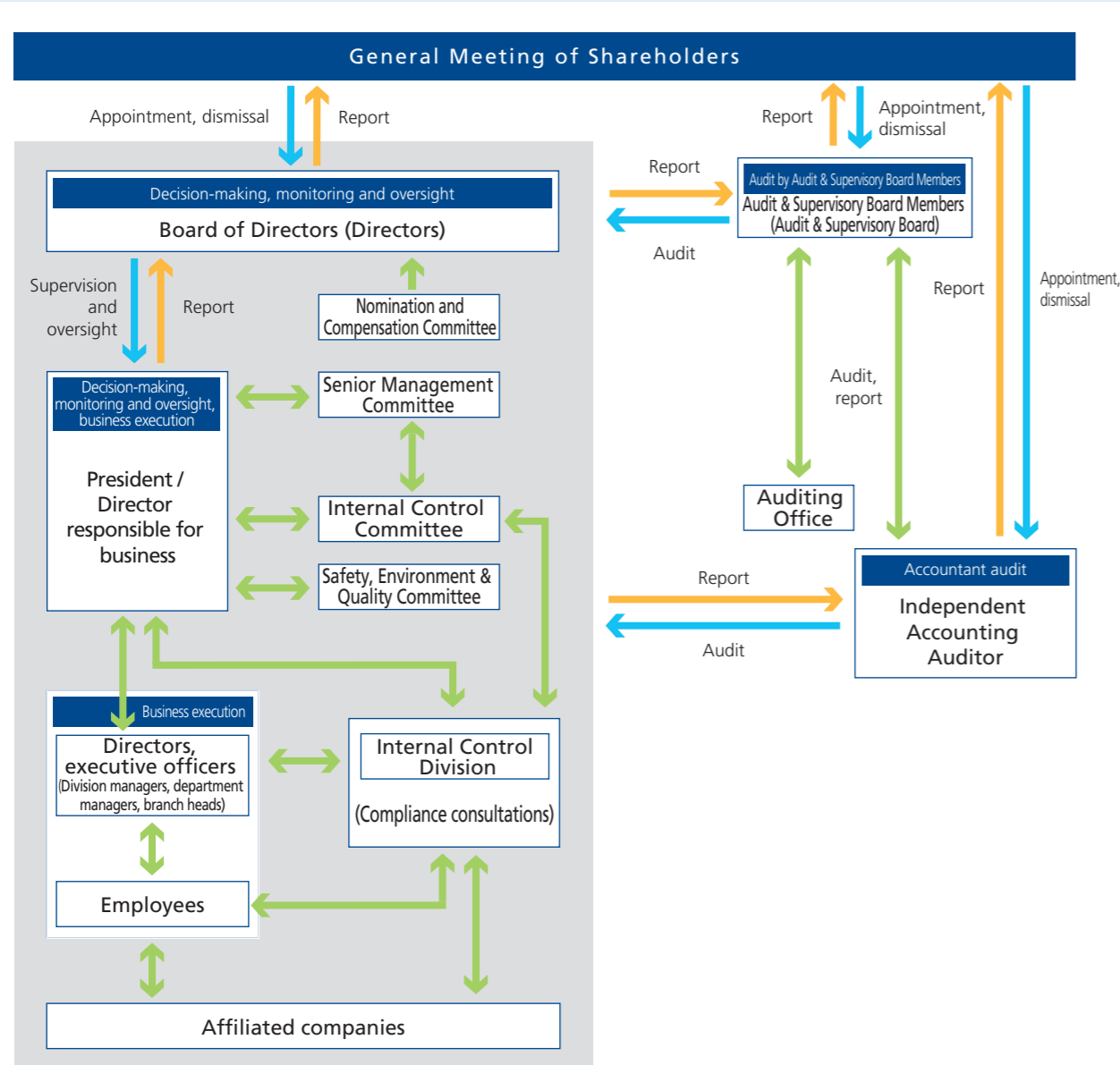
## Basic Corporate Governance Policy

In keeping with the content and the spirit of the Corporate Governance Code established by the Tokyo Stock Exchange, Kandenko implements a basic corporate governance policy that sets out its basic approach with the aim of enhancing the practical effectiveness of corporate governance.

\*Please see our website for more specific details. >>> <https://www.kandenko.co.jp/company/governance>

## Outline of the Corporate Governance System

### Corporate Governance System



### Board of Directors

Number of meetings held in fiscal 2021 "17"

The Kandenko Board of Directors, which consists of 13 members including four outside Directors, meets regularly once a month, and additionally whenever necessary, to discuss important business matters and to reach final decisions, taking account of the contributions of the independent Directors and other considerations. The Board also oversees the execution of business by the Directors. A designated corporate department is in place to provide support to the outside Directors, for instance by briefing them where necessary on items due to be discussed at Board meetings. Important managerial issues, including those that will be brought up at a Board of Directors' meeting, are discussed by the Management Council, which meets regularly each week and additionally whenever necessary. In these ways, we strive for rational corporate administration. Moreover, we have introduced an Executive Officer system, which separates managerial oversight from business execution, to accelerate the decision-making process and reinforce business execution while enhancing the efficiency of the Directors' business execution system. To foster swift responses to changes in the operating environment and invigorate management, Directors' terms are limited to one year from the time of appointment.

### Board of Auditors

Number of meetings held in fiscal 2021 "15"

Kandenko has employed an Auditor system for some time. Five Auditors, including three from outside the Company, conduct audits appropriately based on legal requirements and Kandenko's audit policy. The outside members heighten our system's independence and neutrality. They attend our Board of Directors' meetings and other important meetings, where they express their independent and objective opinions. Auditors, including outside members, meet with the Company's Directors on a regular and irregular basis to ask about the state of the latter's work. We provide the Auditors with the Auditing Office to enable the complete and effective fulfillment of their duties.

### Independent Accounting Auditor

Kandenko has appointed Inoue Audit Corporation as its independent accounting auditor. The three CPAs who audit Kandenko's accounts are Masami Hiramatsu, Katsuhiro Suzuki, and Masamichi Sakuma, none of whom has audited our accounts for over seven consecutive years. Three other CPAs, three persons who has passed the CPA examination, and two additional persons assist with the account audit.

### Nomination and Compensation Committee

Kandenko established the Nomination and Compensation Committee, the majority of whose members are independent outside directors, to ensure transparent procedures relating to the nomination and compensation of directors.

The outline of the committee is as follows.

Name: Nomination and Compensation Committee  
Composition: Chairman (committee chair), President, independent outside directors  
Matters for discussion: Matters related to the compensation of directors and Audit & Supervisory Board Members, and other matters related to corporate governance and compliance

### Effectiveness evaluation

To secure the effectiveness of the Board of Directors, the Company carries out self-evaluations by all Directors and Auditors after the end of each fiscal year regarding the effectiveness of the Board of Directors. The content of the evaluation is analyzed and assessed by the Board of Directors. In the self-evaluation implemented in April 2022, opinions were raised on discussion agendas and operations of the Board of Directors, the composition of the Board of Directors, and response to the Corporate Governance Code in line with the selection of the Prime Market, but the overall effectiveness of the Board of Directors in fiscal 2021 was judged to have been secured.

The Company will continue to raise the effectiveness of the Board of Directors as a whole in light of these opinions.

### Internal audit

For internal auditing, 6 staff of the Internal Audit Division carries out the audit in accordance with the Internal Control Enhancement Plan. The audit results are reported to the Internal Control Committee and the Management Council, and as appropriate to the Board of Directors, to enable any required remedial action to be taken.

Independent Accounting Auditor and the Internal Audit Division report their findings at the Board of Auditors and regularly discuss these matters with the Auditors, including outside members. Opinions are exchanged whenever necessary so that cooperation is ensured. While the Auditors (including outside members), Independent Accounting Auditor, and the Internal Audit Division carry out their audits, they receive regular reports on the state of maintenance and operation of internal control from each division responsible for business execution.

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Policy on Appointment of Directors and Auditors

The Company has determined the diversity and size of its Board of Directors in consideration of its business characteristics and the need to ensure the effectiveness of its governance function.

The Company's policy in appointing directors and auditors, regardless of their gender, nationality, etc., is to select individuals with extensive experience, insight, etc., that will contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term. These individuals are determined by the Meeting of the Board of Directors after deliberation and review by the Nomination and Remuneration Committee. The following skills matrix indicates the knowledge, experience and abilities of Directors and s.

	Name	Corporate management	ESG / Compliance	Finance / Accounting	Human resources and labor	Sales / Marketing	Operation and management	Purchasing	New Business	Technology development /DX /IT	Overseas Business
Director	Hiroshi Yamaguchi	○	○				○	○	○	○	○
	Toshio Nakama	○	○		○	○	○				
	Shoichiro Kashiwabara	○	○	○	○	○		○			
	Yuji Ueda	○				○			○	○	○
	Shinichi Miyauchi					○		○			
	Nobuhiro Iida					○		○			○
	Mitsuru Fujii		○			○	○				
	Shinji Takahashi					○	○				
	Koichi Nakahito						○		○	○	
	Takashi Uchino		○	○	○	○			○	○	
	Hajime Saito	○	○	○	○				○		
	Miwako Ando		○		○						
Auditor	Koji Tanaka	○	○			○	○		○	○	○
	Toru Yukimura	○		○	○	○		○		○	
	Hidekazu Tanaka					○	○		○	○	
	Sumihito Okawa	○	○	○	○				○		○
	Takashi Suetsuna		○	○	○						○
	Shoichi Muto		○				○			○	

Outside Directors and Outside Auditors

Outside Directors and outside Auditors

Currently, the Company has four outside Directors and three outside Auditors. We appoint outside Directors and outside Auditors to fulfill monitoring and oversight functions and to enhance transparency, so in accordance with the Companies Act and other regulations, we look for candidates whose experience and insight, etc. outside the Company will be useful to Kandenko, and who can oversee and audit the Directors' execution of duties from an independent and neutral standpoint. Regarding outside Auditors, the Board of Auditors meeting first agrees on the candidates, the Board of Directors approves them, and then they are presented at a general meeting of shareholders for a vote. In the case of outside Directors, the Board of Directors nominates a number of outside Director candidates who meet the independence criteria listed below, giving due consideration to the practical effectiveness of its operations. For outside members of the Board of Auditors, the Board of Directors nominates a number of candidates with the ability to audit the execution of business by the Directors from a position of independence and objectivity.

Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

Kandenko considers candidates for outside director and outside Audit & Supervisory Board Members to be independent as long as they do not trigger any of the following exclusion criteria:

- The candidate is or has been a business executive of Kandenko or a Kandenko's subsidiary.
- The candidate is a business executive of a major shareholder of Kandenko (a shareholder with 10% or more of the voting rights including indirect holdings) or a business executive of a company of which Kandenko is a major shareholder.
- The candidate is a business executive of a major creditor of Kandenko (a creditor who has provided loans of more than 1% of consolidated assets in the most recent fiscal year).
- The candidate is a business executive of a major business client of Kandenko (a client accounting for more than 1% of consolidated net sales of completed construction contracts in the most recent fiscal year) or a business executive of a company of which Kandenko is a major business client.
- The candidate is a representative employee or an employee of an accounting auditor of Kandenko.
- The candidate is a person who has, or a member of a group that has, received from Kandenko material benefits or gifts of high value (more than ¥10 million excluding corporate officers' remuneration).

- The candidate is a business executive of a company with a reciprocal relationship with Kandenko through outside officers.
- The candidate has a relative (a spouse or relative within the second degree of kinship) to whom any of 1 to 6 above applies (restricted to officers and senior employees).
- The candidate has triggered any of 2 to 8 above in the past five years.

Remuneration for Directors and Auditors, etc.

Matters concerning the Policy for the Determination of the Details of Remuneration for each Director

The Company has passed a resolution on the Policy for the Determination of the Details of Remuneration for each Director ("Decision-Making Policy") at the Meeting of the Board of Directors after deliberation and review by the Nomination and Remuneration Committee, which was established to improve effectiveness and ensure the transparency of the Board of Directors. The outline of the Decision-Making Policy is as follows.

Remuneration, etc. for Directors shall be within the total amount of remuneration approved by a General Meeting of Shareholders, and shall consist of basic remuneration, bonuses and restricted share-based remuneration (outside Directors only receive basic remuneration and bonuses). Remuneration, etc. for each Director is determined according to the Director's responsibilities, and the details are resolved at the Meeting of the Board of Directors after deliberation and review by the Nomination and Remuneration Committee. Proposals for the payment of bonuses, which take into consideration its nature linked with business performance, are submitted to a General Meeting of Shareholders for approval. Basic remuneration is paid regularly each month and bonuses are paid promptly after approval at an Annual General Meeting of Shareholders.

Restricted share-based remuneration is paid at a certain time each year within the remuneration limit approved at a General Meeting of Shareholders, with the aim of

allowing Directors to share the benefits and risks of stock price fluctuations with shareholders and to motivate Directors to further contribute to raising share prices and improve medium- to long-term corporate value. The percentage of the restricted share-based remuneration in each Director's remuneration is set at 10%.

Matters concerning Resolutions of the General Meetings of Shareholders Regarding Remuneration, etc. for Directors and Auditors

Based on a resolution of the 93rd Annual General Meeting of Shareholders held on June 28, 2007, the Company set the total remuneration for Directors at no more than ¥780 million per year. This resolution was applicable to 16 Directors. Furthermore, based on a resolution of the 107th Annual General Meeting of Shareholders held on June 29, 2021, the Company decided to pay Directors (excluding outside Directors) restricted share-based remuneration within the scope of the abovementioned limit on remuneration, and such remuneration to be paid in order to grant shares with restriction on transfer shall be monetary remuneration claims, the total amount of which shall not exceed ¥100 million per year, and the maximum number of common shares to be issued or disposed of shall not exceed 200,000 shares per year. This resolution was applicable to 11 Directors.

Based on a resolution of the 93rd Annual General Meeting of Shareholders held on June 28, 2007, the Company set the total remuneration for Auditors at no more than ¥120 million per year. This resolution was applicable to 5 Auditors.

Reason for the Board of Directors to have determined that the details of remuneration, etc. for each Director observe the Decision-Making Policy

The details of remuneration, etc. for each Director are deemed to observe the Decision-Making Policy, as the Nomination and Remuneration Committee has conducted a deliberation and review with regard to the consistency with the Decision-Making Policy, and the Board of Directors passed its resolution based on the results of such deliberation and review.

Amount of remuneration, etc. for Directors and Auditors

Classification	Number of recipients	Total remuneration, etc.	Amount of remuneration, etc.		
			Basic remuneration	Bonuses	Restricted share-based remuneration
Directors (of which, outside Directors)	19 (4)	¥492million (¥30million)	¥350million (¥25million)	¥110million (¥4million)	¥31million (-)
Auditors (of which, outside Auditors)	5 (3)	¥87million (¥33million)	¥87million (¥33million)	- (-)	- (-)

\* The number of recipients and the amount of remuneration, etc. includes five Directors who retired at the conclusion of the 107th Annual General Meeting of Shareholders held on June 29, 2021.

# Corporate Governance

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## State of Progress of the Internal Control System

Based on the Basic Policy for Enhancing the Internal Control System adopted by the Board of Directors (enacted April 2006, revised May 2015), Kandenko has established an Internal Control Committee chaired by the company president that discusses issues relating to the internal control system. The Company also lays down internal control regulations that set out the basic principles of internal control and management regulations for affiliated companies that set out relevant management principles. Through these and other measures, Kandenko has put in place a system to ensure appropriate business conduct by the Company and by the corporate group consisting of Kandenko and its subsidiaries. Additionally, to promote adaptation to the internal control reporting system introduced in fiscal 2008 in accordance with the Financial Instruments and Exchange Act, the Company has set up a department in charge of reviewing internal controls relating to financial reporting in order to promote appropriate operation and evaluation and to ensure the credibility of financial reporting.

## Compliance System

To clarify important points in the Kandenko Group's business activities and encourage deeper inculcation of compliance, we have enacted the Kandenko Group Charter of Corporate Behavior, and we are promoting its establishment and raising the awareness of all Group employees about the Charter. We have set up a compliance consultation point for employees and an internal system where legal violations can be reported. We are working to establish and maintain a corporate culture of fairness and transparency.

In its attitude toward antisocial forces, the whole Kandenko organization is committed to a resolute stance rejecting any action that could raise suspicion of an inappropriate relationship. Backing this stance are the Kandenko Group Charter of Corporate Behavior and the Internal Control Enhancement Plan adopted by the Internal Control Committee, which form the basis for education, training, and related activities to ensure compliance and promote full awareness throughout the organization.

## Risk Management System

The Kandenko Group operates a set of internal regulations on risk management. Having categorized and defined risks relating to business operations item by item, Kandenko devises countermeasures to match their degree of impact and likelihood of occurrence. In addition to taking advance measures of this kind to prevent risk, Kandenko has designated reporting channels and response systems in place for the event of the risk materializing.

Additionally, the Internal Control Committee meets periodically to check the operating status of the risk

management system and to analyze and evaluate risk status and related matters, while the establishment of a dedicated Internal Control Division serves to strengthen the risk management system.

Described below are factors that could possibly have a significant impact on decisions made by investors.

In recognizing that there is the potential for such risks to occur, the Kandenko Group is undertaking efforts to avoid their occurrence as well as formulating countermeasures in the event such risks occur.

Moreover, the statements described below regarding the future reflect judgments made by the Kandenko Group based on information available up to the end of the fiscal year ended March 31, 2022.

### Changes in the business environment

In the event that significant changes occur in the business environment, such as decreases in construction-related investments or capital investment in electric power facilities and equipment exceeding projected changes, it is possible that the actual financial performance or other results of the Company could be affected. Sales to the TEPCO Group account for about 30% of the Kandenko Group's sales.

### Fluctuations in the cost of materials or labor costs

Should the cost of materials or labor costs increase significantly, and the increase cannot be reflected in the contracted fees, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company discusses reflecting such cost increases in construction contracts and works to reduce costs by diversifying the supply chain and other measures.

### Work and related risks

If work undertaken by Kandenko turns out to be seriously defective or an accident occurs in the course of work, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company is working to ensure construction quality by analyzing factors and taking countermeasures against facility accidents, and providing training, etc. using past accidents as examples.

### Credit risk of client company

In the construction industry, the contracted fee for each transaction is very large, and in many cases, the contract is subject to the payment of a large construction fee at the handover of the completed construction. Should the client company suffer from a credit shortage before the Company can receive payment of the construction fee, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company strives to prevent the occurrence of bad debts by thoroughly checking the credit status of client companies.

### Asset holding risk

As it is necessary to have such assets as real estate and securities for business activities, should something happen, such as a significant decline in the fair value of the held assets, or a dramatic drop in the profitability of the real estate for business purposes, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company manages real estate for business purposes by monitoring impairment and other risks. Of investment securities, cross-shareholdings are investigated annually by the Board of Directors, etc. in terms of the significance of holdings and asset efficiency, etc. and, in principle, shares whose holding significance has declined are sold.

### Liability for employees' retirement benefits

Should the fair value of pension assets decline, or should there be changes in the assumptions, such as the return on investments or discount rate, used to calculate the liability for employees' retirement benefits, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company has established a basic policy for the management of pension assets and regularly assesses the assets under management.

### Legal regulations

The Company is subject to legal regulations, including the Construction Business Act, the Antimonopoly Act, and the Industrial Safety and Health Act. Should there be any changes, such as the revision or repeal of legal regulations, or the enactment of new legal regulations, or if changes are made to criteria for their application or administrative sanctions are handed down based on the legal regulations, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, each division responsible for business execution and the legal affairs division constantly monitor trends such as the revision, abolition, and establishment of new legal regulations, and strive to comply with legal regulations by checking their response and state of compliance.

### Risk of information leakage

In the event that a large amount of damage is incurred as a consequence of the theft of information due to cyberattacks or the falsification or loss of system data, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company has developed internal regulations and work to strengthen the security of its information systems and educate its employees.

### Disaster risk

If business activities are interrupted or delayed due to the occurrence of natural disasters, such as large-scale earthquakes and typhoons, it is possible that the actual financial performance or other results of the Company could be affected.

To address this risk, the Company has developed internal regulations, and is taking measures such as informing employees, implementing measures against power-outages at its offices, and promoting the stockpiling of emergency supplies.

### A new virus pandemic

If COVID-19 causes damage to the health of Kandenko employees, a delay in materials procurement, a decrease in construction capacity, or a delay in collecting payments for construction projects, it is possible that the actual financial performance or other results of the Company could be affected.

To respond to this risk, the Company has established a COVID-19 task force, and is taking measures such as developing working styles, ensuring vaccination opportunities through occupational vaccinations, monitoring the impact on material delivery deadlines and prospects, and thoroughly checking the credit status of client companies.

### Climate change risk

Owing to physical risks associated with climate change, including decreased production capacity caused by increased health risks (heat stroke, infectious diseases, etc.) at construction sites due to higher average summer temperatures, and damage to our bases, employees, and partner companies caused by increasingly severe and more frequent natural disasters; and decreased profitability caused by supply disruptions or soaring material prices due to damage to material suppliers, it is possible that the actual financial performance or other results of the Company could be affected.

Owing to the risks of transition to a decarbonized society, including increased costs in line with the introduction of a carbon tax, etc., and lost order opportunities due to delays in the Group's response to customer and social demands for climate change countermeasures, it is possible that the actual financial performance or other results of the Company could be affected.

To address these risks, we have established an ESG Promotion Committee, consisting of the Management Planning Department and other leading departments, to formulate important policies and measures concerning environmental issues in general, including our response to climate change, and important policies are deliberated and reviewed at meetings of the Management Council and the Board of Directors.

## Systems to Ensure Appropriate Business Conduct by Kandenko and the Corporate Group Consisting of Kandenko and Its Subsidiaries

Kandenko has put in place a system to promote information sharing with its subsidiaries, under which the Kandenko Board of Directors receives reports on important matters relating to the business conduct of subsidiaries, including their accounting and internal control operations.

Moreover, for the purpose of risk management at subsidiaries, internal regulations are in place whose basic aim is to prevent crisis situations in advance and to minimize the impact on business activities in the event that a crisis situation materializes. Additionally, Kandenko provides advice and other support for the creation of risk management systems at subsidiaries, and periodically checks and evaluates the status of risk management at its subsidiaries.

By periodically receiving reports from its subsidiaries, Kandenko is able to check their conduct of business, ascertain the state of management operations at the subsidiary, and offer advice and other measures to tackle management issues.

In parallel, the Internal Audit Division carries out internal audit of subsidiaries in accordance with the Internal Control Enhancement Plan. The audit results are reported to the Internal Control Committee and the Management Committee, and as appropriate to the Board of Directors, to enable any remedial action to be taken.

# Management Structure

(As of July 1, 2022)

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## Directors



Chairman and Director  
**Hiroshi Yamaguchi\***

**Tenure as Director:**  
1 year

Hiroshi Yamaguchi was appointed as Director as he has knowledge of business activities related to corporate management, ESG and compliance, operation and management, purchasing, new business, technology development/ DX/IC, and overseas business. The Company has judged that his experience and insight, etc. gained as Chairman and Director will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.

**Significant Concurrent Positions outside the Company:**

President of General incorporated association Japan Electrical Construction Association



President and Executive Officer  
**Toshio Nakama\***

**Tenure as Director:**  
7 years

Toshio Nakama was appointed as a Director as he has knowledge of business activities related to corporate management, ESG and compliance, human resources and labor, sales and marketing, and operation and management. The Company has judged that his experience and insight, etc. gained as President and Executive Officer will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Managing Director and Executive Officer  
**Mitsuru Fujii**

**Administrative delegation, jurisdiction, and responsibility**

Acting Division Manager of Social Infrastructure Division in charge of Safety & Environment Division

**Tenure as Director:**  
1 year

Mitsuru Fujii was appointed as a Director as he has knowledge of business activities related to ESG and compliance, sales and marketing, and operation and management. The Company has judged that his experience and insight, etc. gained as Head of Power Distribution Unit, Social Infrastructure Division and as Managing Director and Executive Officer, etc. will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Managing Director and Executive Officer  
**Shinji Takahashi**

**Administrative delegation, jurisdiction, and responsibility**

Division Manager of Minamikanto & Tokai Sales Division and Branch Manager of Kanagawa Branch

**Tenure as Director:**  
1 year

Shinji Takahashi was appointed as a Director as he has knowledge of business activities related to sales and marketing, and operation and management. The Company has judged that his experience and insight, etc. gained as Division Manager of Minamikanto & Tokai Sales Division, and Branch Manager of Kanagawa Branch and Managing Director and Executive Officer will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Executive Vice President and Executive Officer  
**Shoichiro Kashiwabara\***

**Administrative delegation, jurisdiction, and responsibility**

Division Manager of Corporate Division in charge of Overall Operations and Internal Control Division

**Tenure as Director:**  
7 years

Shoichiro Kashiwabara was appointed as a Director as he has knowledge of business activities related to corporate management, ESG and compliance, finance and accounting, human resources and labor, sales and marketing, and purchasing. The Company has judged that his experience and insight, etc. gained as Executive Vice President and Executive Officer, etc. will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Executive Vice President and Executive Officer  
**Yuji Ueda**

**Administrative delegation, jurisdiction, and responsibility**

In charge of Overall Operations, Group Business Department and International Business Division

**Tenure as Director:**  
4 years

Yuji Ueda was appointed as a Director as he has knowledge of business activities related to corporate management, sales and marketing, new business, technology development/DX/IT, and overseas business. The Company has judged that his experience and insight, etc. gained as a Managing Director of TEPCO Energy Partner, Inc. and as Executive Vice President and Executive Officer, etc. of the Company will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Managing Director and Executive Officer  
**Koichi Nakahito**

**Administrative delegation, jurisdiction, and responsibility**

Acting Division Manager of Social Infrastructure Division in charge of Strategy & Technology Development Division

**Tenure as Director:**  
1 year

Koichi Nakahito was appointed as a Director as he has knowledge of business activities related to operation and management, new business, and technology development/DX/IT. The Company has judged that his experience and insight, etc. gained as Deputy Executive General Manager of the Social Infrastructure Division and as Managing Director and Executive Officer, etc. will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Executive Vice President and Executive Officer  
**Shinichi Miyauchi**

**Administrative delegation, jurisdiction, and responsibility**

Division Manager of Social Infrastructure Division

**Tenure as Director:**  
3 years

Shinichi Miyauchi was appointed as a Director as he has knowledge of business activities related to sales and marketing, and purchasing. The Company has judged that his experience and insight, etc. gained as Senior Managing Director and Executive Officer, etc. will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Executive Vice President and Executive Officer  
**Nobuhiro Iida**

**Administrative delegation, jurisdiction, and responsibility**

Division Manager of Sales Division in charge of Overall Operations and Cost Management Division

**Tenure as Director:**  
2 years

Nobuhiro Iida was appointed as a Director as he has knowledge of business activities related to sales and marketing, purchasing, and overseas business. The Company has judged that his experience and insight, etc. gained as Managing Director and Executive Officer, etc. will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.

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# Management Structure

(As of July 1, 2022)

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## Outside Directors



Outside Director  
Takashi Uchino

Tenure as Director:  
9 years

Takashi Uchino was appointed as a Director as the Company believes that his knowledge of ESG and compliance, finance and accounting, human resources and labor, sales and marketing, and new business and technology development/DX/IT as well as experience and insight gained as a university professor and business management studies expert, will contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term.

**Significant Concurrent Positions outside the Company:**  
Representative Director of Institute Of Management Studies, Japan



Outside Director  
Hajime Saito

Tenure as Director:  
3 years

Hajime Saito was appointed as a Director as the Company has judged that his expertise in corporate management, ESG and compliance, finance and accounting, human resources and labor, and new business, as well as his experience and insight gained as a director of Mizuho Financial Group, Inc. and Mizuho Securities Co. Ltd., will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.



Outside Director  
Miwako Ando

Tenure as Director:  
1 year

Miwako Ando was appointed as a Director as the Company believes her knowledge of ESG and compliance, and human resources and labor, as well as her experience and insight gained as a prosecutor and lawyer, will contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term.

**Significant Concurrent Positions outside the Company:**  
Professor of Graduate School of Law of Hosei University  
Attorney-at-law



Outside Director  
Koji Tanaka

Tenure as Director:  
—

Koji Tanaka was appointed as a Director as he has knowledge related to corporate management, ESG and compliance, sales and marketing, operation and management, new business, technology development/DX/IT, and overseas business as his experience and insight gained as Representative Executive Officer and Executive Vice President of Hitachi, Ltd. The Company has judged that he will contribute to the Company's sustainable growth and enhancement of our corporate value over the medium to long term.

## Full-time Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member  
Toru Yukimura

Tenure as Audit & Supervisory Board Member:  
2 years

Toru Yukimura was appointed as an Auditor as he has knowledge of business activities related to corporate management, finance and accounting, human resources and labor, sales and marketing, purchasing, and technology development/DX/IT. The Company has judged that his experience and insight, etc. gained through his service as a business manager will contribute to the effective auditing of the Company.



Full-time Audit & Supervisory Board Member  
Hidekazu Tanaka

Tenure as Audit & Supervisory Board Member:  
2 years

Hidekazu Tanaka was appointed as an Auditor as he has knowledge of business activities related to sales and marketing, operation and management, new business, technology development/DX/IT. The Company has judged that his experience and insight, etc. gained as Executive Officer, etc. will contribute to the effective auditing of the Company.

## Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member  
Sumihito Okawa

Tenure as Outside Audit & Supervisory Board Member:  
14 years

Sumihito Okawa was appointed as an Auditor as he has knowledge of corporate management, ESG and compliance, finance and accounting, human resources and labor, new business, and overseas business. The Company has judged that his experience and insight, etc. gained through serving in positions that include Audit & Supervisory Board Member of ANA HOLDINGS INC. and ALL NIPPON AIRWAYS CO., LTD. will contribute to the effective auditing of the Company.



Outside Audit & Supervisory Board Member  
Takashi Suetsuna

Tenure as Outside Audit & Supervisory Board Member:  
6 years

Takashi Suetsuna was appointed as an Auditor as he has knowledge of ESG and compliance, finance and accounting, human resources and labor, and overseas business. The Company has judged that his experience and insight, etc. gained through serving in positions that include senior official of administrative agencies as well as an outside officer of Marubeni Corporation, Totetsu Kogyo Co., Ltd., JCR Pharmaceuticals Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., and Keikyu Corporation which will contribute to the effective auditing of the Company.

**Significant Concurrent Positions outside the Company:**  
Outside Director, Totetsu Kogyo Co., Ltd.  
Outside Director, JCR Pharmaceuticals Co., Ltd.  
Outside Auditor, Keikyu Corporation



Outside Audit & Supervisory Board Member  
Shoichi Muto

Tenure as Outside Audit & Supervisory Board Member:  
3 years

Shoichi Muto was appointed as an Auditor as he has knowledge of ESG and compliance, operation and management, and technology development/DX/IT. The Company has judged that his experience and insight, etc. gained through serving in positions at Tokyo Electric Power Company Holdings will contribute to the effective auditing of the Company.

## Consolidated 11-Year Financial Summary |

(Millions of yen)

For the fiscal years ended March 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net sales	441,786	447,741	437,930	436,682	447,673	470,943	507,205	563,550	616,143	556,045	495,567
Operating profit	8,034	7,364	8,284	9,388	16,416	26,397	29,261	30,012	34,693	30,041	30,643
Operating profit ratio (%)	1.8	1.6	1.9	2.1	3.7	5.6	5.8	5.3	5.6	5.4	6.2
Ordinary profit	9,070	8,301	9,089	10,336	17,077	27,345	30,031	30,795	35,565	31,043	31,754
Profit attributable to owners of parent	1,876	3,952	4,226	4,615	9,412	17,591	19,058	19,703	22,515	20,147	20,315
Comprehensive income	4,381	8,238	7,327	11,984	7,137	18,422	22,927	20,319	15,685	29,222	19,831
Total assets	359,726	364,008	359,933	366,177	407,681	424,874	443,751	459,854	488,701	456,999	470,967
Total net assets	178,757	184,269	189,692	193,345	197,980	213,356	230,810	245,954	255,821	279,459	293,514
ROE (%)	1.1	2.2	2.3	2.5	4.9	8.8	8.8	8.5	9.3	7.8	7.3
ROA (%)	2.5	2.3	2.5	2.8	4.4	6.6	6.9	6.8	7.5	6.6	6.8
Equity ratio (%)	48.54	49.49	51.45	51.44	47.22	48.72	50.51	51.85	50.62	59.17	60.30
Net assets per share (yen)	854.31	881.41	906.29	922.05	942.42	1,013.33	1,097.36	1,167.30	1,211.13	1,323.90	1,389.96
Earnings per share (yen)	9.18	19.34	20.69	22.59	46.07	86.11	93.31	96.46	110.23	98.64	99.45
Cash dividends per share (yen)	12.00	12.00	12.00	14.00	14.00	20.00	24.00	26.00	28.00	28.00	28.00
Net cash provided by (used in) operating activities	13,035	15,401	△2,218	2,921	18,042	6,751	11,469	28,251	29,155	12,873	27,150
Net cash provided by (used in) investing activities	1,583	△12,748	△5,839	2,253	△7,101	△17,867	△10,015	△10,131	△13,481	△972	△9,224
Net cash used in financing activities	△5,423	△2,900	△4,540	△3,743	19,807	△169	△7,857	△9,153	△7,151	△26,317	△7,789
Cash and cash equivalents at end of period	50,725	50,550	38,697	40,157	70,899	59,612	54,099	63,068	71,579	57,187	67,423
Number of employees (persons)	8,746	8,732	8,821	8,839	8,915	9,244	9,571	9,818	10,003	10,154	10,264

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
MARCH 31, 2021 AND 2022

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2021	2022	2022	
<b>Assets</b>				
Current assets				
Cash and deposits	*5 ¥ 58,478	*5 ¥ 67,614	*5 \$ 554,213	
Notes receivable, accounts receivable from completed construction contracts and other	*5 192,200	*1, *5 185,675	*1, *5 1,521,926	
Securities	5,007	4,999	40,975	
Costs on construction contracts in progress	*7 11,116	*7 9,547	*7 78,254	
Other	12,287	20,888	171,213	
Allowance for doubtful accounts	(544)	(556)	(4,557)	
Total current assets	278,545	288,170	2,362,049	
Non-current assets				
Property, plant and equipment				
Buildings and structures	*5 100,603	*5 102,322	*5 838,704	
Machinery, vehicles, tools, furniture and fixtures	*5 62,992	*5 63,979	*5 524,418	
Land	*4, *5 60,042	*4, *5 60,496	*4, *5 495,868	
Leased assets	3,361	3,685	30,204	
Construction in progress	633	1,246	10,213	
Accumulated depreciation	(116,032)	(118,799)	(973,762)	
Total property, plant and equipment	111,601	112,930	925,655	
Intangible assets	5,804	5,694	46,672	
Investments and other assets				
Investment securities	*3, *5 46,975	*3, *5 48,274	*3, *5 395,688	
Deferred tax assets	7,870	9,180	75,245	
Other	*5 7,524	*5 8,000	*5 65,573	
Allowance for doubtful accounts	(1,322)	(1,284)	(10,524)	
Total investments and other assets	61,048	64,171	525,991	
Total non-current assets	178,453	182,797	1,498,336	
Total assets	¥ 456,999	¥ 470,967	\$ 3,860,385	

The accompanying notes are an integral part of financial statements.

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2021	2022	2022	
<b>Liabilities</b>				
Current liabilities				
Notes payable, accounts payable for construction contracts and other	¥ 88,832	¥ 80,241	\$ 657,713	
Short-term borrowings	*5 7,402	*5 6,792	*5 55,672	
Lease liabilities	595	711	5,827	
Income taxes payable	3,976	6,815	55,860	
Advances received on construction contracts in progress	12,644	*2 12,349	*2 101,221	
Provision for warranties for completed construction	158	146	1,196	
Provision for loss on construction contracts	*7 5,546	*7 9,927	*7 81,368	
Other	25,797	*2 30,306	*2 248,409	
Total current liabilities	144,952	147,290	1,207,295	
Non-current liabilities				
Long-term borrowings	*5 7,249	*5 6,607	*5 54,155	
Lease liabilities	1,385	1,694	13,885	
Deferred tax liabilities for land revaluation	*4 6,573	*4 6,560	*4 53,770	
Retirement benefit liability	15,836	13,813	113,221	
Other	1,542	1,486	12,180	
Total non-current liabilities	32,586	30,162	247,229	
Total liabilities	177,539	177,452	1,454,524	
<b>Net assets</b>				
Shareholders' equity				
Share capital	10,264	10,264	84,131	
Capital surplus	6,441	6,456	52,918	
Retained earnings	242,999	257,625	2,111,680	
Treasury shares	(588)	(561)	(4,598)	
Total shareholders' equity	259,118	273,784	2,244,131	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	14,681	14,315	117,336	
Deferred gains or losses on hedges	(245)	(189)	(1,549)	
Revaluation reserve for land	*4 (5,247)	*4 (5,276)	*4 (43,245)	
Remeasurements of defined benefit plans	2,110	1,342	11,000	
Total accumulated other comprehensive income	11,299	10,191	83,532	
Non-controlling interests	9,042	9,538	78,180	
Total net assets	279,459	293,514	2,405,852	
Total liabilities and net assets	¥ 456,999	¥ 470,967	\$ 3,860,385	

The accompanying notes are an integral part of financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2021 AND 2022

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2021	2022	2022	
Net sales of completed construction contracts	¥ 556,045	*1 ¥ 495,567	*1 \$ 4,062,024	
Cost of sales of completed construction contracts	*2 500,893	*2 438,846	*2 3,597,098	
Gross profit (loss) on completed construction contracts	55,151	56,721	464,926	
Selling, general and administrative expenses	*3 25,110	*3 26,077	*3 213,745	
Operating profit (loss)	30,041	30,643	251,172	
Non-operating income				
Interest income	20	23	188	
Dividend income	950	976	8,000	
Foreign exchange gains	78	149	1,221	
Other	318	316	2,590	
Total non-operating income	1,368	1,466	12,016	
Non-operating expenses				
Interest expenses	205	187	1,532	
Other	160	168	1,377	
Total non-operating expenses	366	355	2,909	
Ordinary profit (loss)	31,043	31,754	260,278	
Extraordinary income				
Gain on sale of investment securities	846	254	2,081	
Other	89	—	—	
Total extraordinary income	936	254	2,081	
Extraordinary losses				
Loss on COVID-19	*5 691	*5 514	*5 4,213	
Loss on retirement of non-current assets	133	286	2,344	
Loss on disaster	10	150	1,229	
Provision of allowance for doubtful accounts for subsidiaries and associates	650	—	—	
Other	243	78	639	
Total extraordinary losses	1,729	1,031	8,450	
Profit (loss) before income taxes	30,251	30,978	253,918	
Income taxes - current	8,766	10,907	89,401	
Income taxes - deferred	665	(854)	(7,000)	
Total income taxes	9,432	10,052	82,393	
Profit (loss)	20,818	20,925	171,516	
Profit (loss) attributable to non-controlling interests	670	609	4,991	
Profit (loss) attributable to owners of parent	¥ 20,147	¥ 20,315	\$ 166,516	

The accompanying notes are an integral part of financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2021 AND 2022

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2021	2022	2022	
Profit (loss)	¥ 20,818	¥ 20,925	\$ 171,516	
Other comprehensive income				
Valuation difference on available-for-sale securities	5,230	(382)	(3,131)	
Deferred gains or losses on hedges	59	55	450	
Remeasurements of defined benefit plans, net of tax	3,114	(767)	(6,286)	
Total other comprehensive income	*1 8,403	*1 (1,093)	*1 (8,959)	
Comprehensive income	¥ 29,222	¥ 19,831	\$ 162,549	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	28,460	19,237	157,680	
Comprehensive income attributable to non-controlling interests	¥ 762	¥ 594	\$ 4,868	

The accompanying notes are an integral part of financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
YEAR ENDED MARCH 31, 2021

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of period	¥ 10,264	¥ 6,352	¥ 228,341	¥ (587)		¥ 244,370
Changes during period						
Changes in equity interest in consolidated subsidiaries		89				89
Purchase of shares of consolidated subsidiaries		(0)				(0)
Dividends of surplus			(5,514)			(5,514)
Profit (loss) attributable to owners of parent			20,147			20,147
Reversal of revaluation reserve for land			26			26
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		0		0		0
Net changes in items other than shareholders' equity						
Total changes during period	—	89	14,658	(0)		14,747
Balance at end of period	¥ 10,264	¥ 6,441	¥ 242,999	¥ (588)		¥ 259,118

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥ 9,513	¥ (305)	¥ (5,221)	¥ (973)	¥ 3,012	¥ 8,438	¥ 255,821
Changes during period							
Changes in equity interest in consolidated subsidiaries						(89)	—
Purchase of shares of consolidated subsidiaries							(0)
Dividends of surplus							(5,514)
Profit (loss) attributable to owners of parent							20,147
Reversal of revaluation reserve for land							26
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Net changes in items other than shareholders' equity	5,168	59	(26)	3,084	8,286	693	8,980
Total changes during period	5,168	59	(26)	3,084	8,286	603	23,638
Balance at end of period	¥ 14,681	¥ (245)	¥ (5,247)	¥ 2,110	¥ 11,299	¥ 9,042	¥ 279,459

The accompanying notes are an integral part of financial statements.

YEAR ENDED MARCH 31, 2022

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of period	¥ 10,264	¥ 6,441	¥ 242,999	¥ (588)		¥ 259,118
Changes during period						
Changes in equity interest in consolidated subsidiaries		—				—
Purchase of shares of consolidated subsidiaries		—				—
Dividends of surplus			(5,719)			(5,719)
Profit (loss) attributable to owners of parent			20,315			20,315
Reversal of revaluation reserve for land			29			29
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		14		27		42
Net changes in items other than shareholders' equity						
Total changes during period	—	14	14,625	26		14,666
Balance at end of period	¥ 10,264	¥ 6,456	¥ 257,625	¥ (561)		¥ 273,784

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥ 14,681	¥ (245)	¥ (5,247)	¥ 2,110	¥ 11,299	¥ 9,042	¥ 279,459
Changes during period							
Changes in equity interest in consolidated subsidiaries						—	—
Purchase of shares of consolidated subsidiaries							—
Dividends of surplus							(5,719)
Profit (loss) attributable to owners of parent							20,315
Reversal of revaluation reserve for land							29
Purchase of treasury shares							(0)
Disposal of treasury shares							42
Net changes in items other than shareholders' equity	(366)	55	(29)	(767)	(1,107)	496	(611)
Total changes during period	(366)	55	(29)	(767)	(1,107)	496	14,054
Balance at end of period	¥ 14,315	¥ (189)	¥ (5,276)	¥ 1,342	¥ 10,191	¥ 9,538	¥ 293,514

The accompanying notes are an integral part of financial statements.

# Consolidated Financial Statements

YEAR ENDED MARCH 31, 2022

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 84,131	\$ 52,795	\$ 1,991,795	\$ (4,819)	\$ 2,123,918
Changes during period					
Changes in equity interest in consolidated subsidiaries		—			—
Purchase of shares of consolidated subsidiaries		—			—
Dividends of surplus			(46,877)		(46,877)
Profit (loss) attributable to owners of parent			166,516		166,516
Reversal of revaluation reserve for land			237		237
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		114		221	344
Net changes in items other than shareholders' equity					
Total changes during period	—	114	119,877	213	120,213
Balance at end of period	\$ 84,131	\$ 52,918	\$ 2,111,680	\$ (4,598)	\$ 2,244,131

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	\$ 120,336	\$ (2,008)	\$ (43,008)	\$ 17,295	\$ 92,614	\$ 74,114	\$ 2,290,647
Changes during period							
Changes in equity interest in consolidated subsidiaries						—	—
Purchase of shares of consolidated subsidiaries							—
Dividends of surplus							(46,877)
Profit (loss) attributable to owners of parent							166,516
Reversal of revaluation reserve for land							237
Purchase of treasury shares							(0)
Disposal of treasury shares							344
Net changes in items other than shareholders' equity	(3,000)	450	(237)	(6,286)	(9,073)	4,065	(5,008)
Total changes during period	(3,000)	450	(237)	(6,286)	(9,073)	4,065	115,196
Balance at end of period	\$ 117,336	\$ (1,549)	\$ (43,245)	\$ 11,000	\$ 83,532	\$ 78,180	\$ 2,405,852

The accompanying notes are an integral part of financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2021 AND 2022

(Millions of Yen)

(Thousands of U.S. Dollars)

	2021	2022	2022
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 30,251	¥ 30,978	\$ 253,918
Depreciation and amortization	7,246	7,435	60,942
Increase (decrease) in allowance for doubtful accounts	(56)	(25)	(204)
Increase (decrease) in provision for loss on construction contracts	524	4,380	35,901
Increase (decrease) in retirement benefit liability	(2,447)	(2,240)	(18,360)
Interest and dividend income	(971)	(1,000)	(8,196)
Interest expenses	205	187	1,532
Loss (gain) on sale of investment securities	(846)	(254)	(2,081)
Provision of allowance for doubtful accounts for subsidiaries and associates	650	—	—
Decrease (increase) in trade receivables	5,580	6,546	53,655
Decrease (increase) in costs on construction contracts in progress	290	1,568	12,852
Increase (decrease) in trade payables	(12,726)	(8,591)	(70,418)
Increase (decrease) in advances received on construction contracts in progress	(2,386)	(294)	(2,409)
Other, net	(22)	(4,136)	(33,901)
Subtotal	25,291	34,551	283,204
Interest and dividends received	971	1,000	8,196
Interest paid	(225)	(187)	(1,532)
Income taxes refund (paid)	(13,163)	(8,214)	(67,327)
Net cash provided by (used in) operating activities	12,873	27,150	222,540
Cash flows from investing activities			
Net decrease (increase) in time deposits	2,732	—	—
Proceeds from sale and redemption of securities	4,000	—	—
Purchase of property, plant and equipment	(5,758)	(7,241)	(59,352)
Proceeds from sale of property, plant and equipment	323	45	368
Purchase of investment securities	(1,412)	(1,958)	(16,049)
Proceeds from sale and redemption of investment securities	1,461	1,367	11,204
Loan advances	(990)	(940)	(7,704)
Proceeds from collection of loans receivable	507	1,046	8,573
Other, net	(1,835)	(1,543)	(12,647)
Net cash provided by (used in) investing activities	(972)	(9,224)	(75,606)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	560	(620)	(5,081)
Repayments of long-term borrowings	(621)	(632)	(5,180)
Redemption of convertible bond-type bonds with share acquisition rights	(20,000)	—	—
Repayments of lease liabilities	(672)	(760)	(6,229)
Dividends paid	(5,514)	(5,719)	(46,877)
Other, net	(68)	(56)	(459)
Net cash provided by (used in) financing activities	(26,317)	(7,789)	(63,844)
Effect of exchange rate change on cash and cash equivalents	24	100	819
Net increase (decrease) in cash and cash equivalents	(14,391)	10,236	83,901
Cash and cash equivalents at beginning of period	71,579	57,187	468,745
Cash and cash equivalents at end of period	*1 ¥ 57,187	*1 ¥ 67,423	*1 \$ 552,647

The accompanying notes are an integral part of financial statements.

# Notes to Consolidated Financial Statements

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2021 AND 2022

## BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kandenko Co., Ltd. (the “Company”) and its consolidated subsidiaries (the “Companies”) maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

For the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2022 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥122 =U.S. \$1.00, the exchange rate prevailing on March 31, 2022.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sum of the individual amounts.

## SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. The scope of consolidation

#### (1) Number of consolidated subsidiaries: 30

Names of the consolidated subsidiaries

Kawasaki Setsubi Kogyo Co., Ltd.  
Kanko Facilities Co., Ltd.  
Kanagawa K - Techno Co., Ltd.  
Chiba K - Techno Co., Ltd.  
Saitama K - Techno Co., Ltd.  
Ibaraki K - Techno Co., Ltd.  
Tochigi K - Techno Co., Ltd.  
Gunma K - Techno Co., Ltd.  
Tama K - Techno Co., Ltd.  
Shizuoka K - Techno Co., Ltd.  
HANDENKO CORPORATION  
Kanko Power Techno Co., Ltd.  
Kanagawa Power Techno Co., Ltd.  
Chiba Power Techno Co., Ltd.  
Saitama Power Techno Co., Ltd.  
Ibaraki Power Techno Co., Ltd.  
Tochigi Power Techno Co., Ltd.  
Gunma Power Techno Co., Ltd.  
Nishikanto Power Techno Co., Ltd.  
Shizuoka Power Techno Co., Ltd.  
Tower Line Solution Co., Ltd.  
Sato Kensetsu Kogyo Co., Ltd.  
NETSAVE Co., Ltd.  
Tokyo Kouji Keibi Co., Ltd.  
Bay Techno Co., Ltd.  
KANKO SYOJI CO., LTD.  
K asset management Co., Ltd.  
Choshi Wind Development Co., Ltd.  
Kama Solar Power Co., Ltd.  
Maebashi Biomass Power Co., Ltd.

#### (2) Name of major non-consolidated subsidiary:

THAI KANDENKO CO., LTD.

(Reason for excluding from the scope of consolidation)

All of the non-consolidated subsidiaries are small in scale and have no material impact on the consolidated financial statements in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest).

### 2.Application of equity method

#### (1) Number of non-consolidated subsidiaries and affiliates that are accounted for by the equity method: None

#### (2) Name of the major non-consolidated subsidiaries and affiliates that are not accounted for by the equity method:

THAI KANDENKO CO., LTD.

(Reason for excluding from the scope of the equity method)

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method have immaterial impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), and are not material, taken as a whole.

### 3.Accounting period of consolidated subsidiaries

The year-end date for consolidated subsidiaries is the same as the consolidated year-end date.

### 4.Significant accounting policies

#### (1) Evaluation methods for significant assets

##### (a) Securities

i. Held-to-maturity securities

Amortized cost method (straight-line method)

ii. Available-for-sale securities

Those other than shares with no quoted market price, etc.:

Fair value method (Unrealized gains or losses, net of applicable taxes, are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving-average method.).

Shares with no quoted market price, etc.:

Stated at cost determined by the moving-average method.

##### (b) Derivatives

Fair value method

##### (c) Inventories

Costs on construction contracts in progress

Stated at cost determined by the specific cost method.

#### (2) Depreciation methods of significant depreciable assets

##### (a) Property, plant and equipment (excluding leased assets)

Depreciated mainly by the declining-balance method

Useful life and residual value are determined on the same basis as that of the method provided in the Corporation Tax Act.

Useful lives of certain buildings are deemed as 30 years although their useful lives based on the Corporation Tax Act are longer than 30 years.

##### (b) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method over an estimated useful life (5 years).

##### (c) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method based on the assumption that the useful life equals the lease term, and the residual value equals zero.

#### (3) Accounting policies for significant allowance and provisions

##### (a) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for to the amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to remaining receivables.

##### (b) Provision for warranties for completed construction

To provide for possible future expenses under warranties for completed construction contracts, provision for construction contracts completed during the year is provided based on future estimated amount.

##### (c) Provision for loss on construction contracts

To provide for future losses on construction orders, provision for estimated losses is provided for uncompleted construction contracts at the end of the year that are likely to incur losses and the amount can be reasonably estimated.

#### (4) Accounting method relating to retirement benefits

##### (a) Method of attributing expected retirement benefit to periods

Method of attributing expected retirement benefit to periods is allocated by the straight-line basis (the expected benefit divided by the total service years would be deemed as arising in each period).

##### (b) Amortization of actuarial gains and losses and past service cost

Past service cost is amortized by the straight-line method over a certain period (5 years) within the average remaining years of service of the eligible employees when incurred. Actuarial gains and losses are amortized by the straight-line method over a certain period (5 years) within the average remaining years of service of the eligible employees commencing with the following periods.

#### (5) Accounting policies for significant revenues and expenses

Recognition of net sales of completed construction contracts and costs of completed construction contracts

The Companies recognize revenue based on the following five step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Companies’ main businesses are electrical work, plumbing work and other work on facilities. As for these construction contracts, the Companies’ performance of an obligation creates or enhances an asset, and the customer controls the asset as the asset is created or enhanced. Therefore, the Companies estimate the degree of progress toward satisfaction of a performance obligation, and recognizes revenue based on the degree of progress over a certain period of time. Because costs incurred are considered to contribute to and be basically proportional to the degree of progress in satisfaction of a performance obligation, the input method based on costs incurred is applied to measure the degree of progress. In the case where the degree of progress cannot be reasonably estimated and incurred costs over that time are expected to be recovered, revenue is recognized using the cost recovery method. However, for construction contracts for which the period from the transaction commencement date to the time when the performance obligation is expected to be completely satisfied is extremely short, revenue is not recognized over a certain period of time, and the Companies consider that the performance obligation is satisfied at the time of delivery and recognizes revenue at that point in time.

Consideration for a transaction is mainly received in stages during the contract period in accordance with the progress of satisfaction of performance obligations, and the remaining amount is basically paid within one year after all the performance obligations are satisfied.

(6) Significant hedge accounting method

(a) Hedge accounting method

The Companies use the deferral hedge accounting method. However, the exceptional accounting is used for interest rate swaps that meet specified matching criteria.

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps  
Hedged items: Loans payable

(c) Hedging policy

In accordance with internal approval procedures for derivative transactions, interest rate fluctuation risks related to the hedged items are hedged to a certain degree.

(d) Method for evaluating the effectiveness of hedges

The Companies evaluate the effectiveness of their hedging activities by comparing cumulative changes in cash flows on the hedging instruments with cumulative changes in cash flows on the related hedged items. However, the evaluation of hedging effectiveness is omitted for interest rate swaps to which the exceptional accounting is applied.

(7) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method over the estimated period that the benefits are expected to be received, not exceeding 20 years.

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months or less from the purchase date whose value is not subject to significant fluctuation risk.

The estimated amount of losses is calculated based on working budget reasonably estimated for each construction contract with total construction revenue deducted from total construction cost. In the development of the working budget, since the situation changes after the start of construction, including conclusion of an amendment agreement, a change of construction specifications and additional cost incurred during construction, the estimation of working budget is subject to uncertainty. Although the working budget is reviewed timely and appropriately, any deviation from actual results in the future may have impact on the Companies’ financial position and operating results.

CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Revenue Recognition

The Companies have applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, and have recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Major changes due to the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

(1) Revenue recognition for construction contracts

As for construction contracts in Engineering, previously, the percentage-of-completion method was applied for construction contracts that the outcome of the construction activity is deemed certain during the course of the activity, and the completed-contract method was employed for other construction contracts. However, for all construction contracts, the method has been changed to the one where revenue is recognized over a certain period of time as performance obligations are satisfied. The input method based on costs incurred is applied to estimate the degree of progress in relation to satisfaction of performance obligations. In the case where the degree of progress cannot be reasonably estimated, but expenses incurred are expected to be recovered, revenue is recognized using the cost recovery method. However, for construction contracts for which the period from the transaction commencement date to the time when the performance obligation is expected to be completely satisfied is extremely short, revenue is not recognized over a certain period of time, and the Companies consider that the performance obligation is satisfied at the time of delivery and recognizes revenue at that point in time.

(2) Revenue recognition for subcontract processing with supply of materials for value

As for subcontract processing with supply of materials for value in Engineering, previously, the total amount of service contracts with customers was recognized as revenue. However, for cases where the repurchase condition for materials supplied for value is attached and for transactions in which the Company does not effectively control materials supplied for value, the method has been changed to the one where revenue is recognized at the net amount derived by deducting prices of the materials supplied for value from the total amount of the service contract.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., net sales of completed construction contracts for the year ended March 31, 2022 decreased by ¥44,464 million (\$364,459 thousand), but there is no effect on profit or loss. While the application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, there is no cumulative effect up to the beginning of the year ended March 31, 2022. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the year ended March 31, 2021 have not been restated in accordance with the new approach to presentation.

There is no effect on per share information.  
In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, information related to the year ended March 31, 2021 has not been stated in “REVENUE RECOGNITION.”

Application of Accounting Standard for Fair Value Measurement, etc.

The Companies have applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, and have applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application of the Accounting Standard for Fair Value Measurement, etc. has no effect on the consolidated financial statements for the year ended March 31, 2022.

Moreover, in “FINANCIAL INSTRUMENTS,” the Companies have decided to provide a note on matters regarding the breakdown by fair value level of financial instruments, etc. and other matters. However, in the note, information related to the year ended March 31, 2021 has not been stated, in accordance with the transitional treatment provided for in paragraph 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

SIGNIFICANT ACCOUNTING ESTIMATES

1.Recognition of net sales of completed construction contracts calculated by the method where revenue is recognized as performance obligations are satisfied over a certain period of time

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
	¥ 289,468	¥ 312,949	\$ 2,565,155	

(2) Information on the details of significant accounting estimates for identified items

As for construction contracts, the degree of progress toward satisfaction of a performance obligation is estimated, and net sales of completed construction contracts are recognized based on the degree of progress over a certain period of time. The input method based on costs incurred is applied to estimate the degree of progress, and assumptions used in this estimation is working budget for which total construction revenue and total construction cost are reasonably estimated.

Total construction revenue and total construction cost on which recognition of revenue by the method where revenue is recognized as performance obligations are satisfied over a certain period of time is based were estimated using working budget reasonably estimated for each construction contract as of March 31, 2022. However, in the development of the working budget, since the situation changes after the start of construction, including conclusion of an amendment agreement, a change of construction specifications and additional cost incurred during construction, the estimation of working budget is subject to uncertainty. Although the working budget is reviewed timely and appropriately, any deviation from actual results in the future may have impact on the Companies’ financial position and operating results.

2.Provision for loss on construction contracts

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
	¥ 5,546	¥ 9,927	\$ 81,368	

(2) Information on the details of significant accounting estimates for identified items

To provide for future losses on construction orders, provision for estimated losses is provided for uncompleted construction contracts at the end of the year that are likely to incur losses and the amount can be reasonably estimated.

ACCOUNTING STANDARDS, ETC. NOT YET EFFECTIVE

· “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Outline

The revision of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) on June 17, 2021 was published after the revision made to the previous one, which, at the time of publication on July 4, 2019, was to be examined basically for one year after the publication of the “Accounting Standard for Fair Value Measurement” because examination of “measurement of fair value of investment trusts” was considered to require a certain period of time to have consultation with involved parties, etc. and a note on fair value of “investments in

associations, etc. which are recorded at the amount corresponding to equity holdings on a net basis on the balance sheet” also needed to be examined to a certain degree.

(2) Scheduled date of application

These accounting standard and implementation guidance will be applied from the beginning of the year ending March 31, 2023.

(3) Effects of the application of this accounting standard, etc.

The effects of the application of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on the consolidated financial statements are currently undetermined.

CHANGES IN PRESENTATION

NOTES TO CONSOLIDATED BALANCE SHEET

Because the amount of “raw materials and supplies” in “current assets,” which was presented as a separate item in the year ended March 31, 2021, is 1-% or less of the total amount of assets, this item is included in “other” in “current assets” from the year ended March 31, 2022. The consolidated financial statements for the year ended March 31, 2021 have been reclassified to reflect this change in presentation.

As a result, ¥5,035 million, which was presented as “raw materials and supplies” in “current assets” in the consolidated balance sheet for the year ended March 31, 2021, has been reclassified to “other.”

NOTES TO CONSOLIDATED STATEMENT OF INCOME

Because the amount of “foreign exchange gains,” which was included in “other” in “non-operating income” in the year ended March 31, 2021, has exceeded 10% of the total amount of non-operating income, this item is presented as a separate item from the year ended March 31, 2022. The consolidated financial statements for the year ended March 31, 2021 have been reclassified to reflect this change in presentation.

As a result, ¥396 million, which was presented as “other” in “non-operating income” in the consolidated statement of income for the year ended March 31, 2021, has been reclassified to ¥78 million of “foreign exchange gains,” and ¥318 million of “other.”

Because the amount of “loss on retirement of non-current assets” and “loss on disaster,” which was included in “other” in “extraordinary losses” in the year ended March 31, 2021, has exceeded 10% of the total amount of extraordinary losses, this item is presented as a separate item from the year ended March 31, 2022. The consolidated financial statements for the year ended March 31, 2021 have been reclassified to reflect this change in presentation.

As a result, ¥387 million, which was presented as “other” in “extraordinary losses” in the consolidated statement of income for the year ended March 31, 2021, has been reclassified to ¥133 million of “loss on retirement of non-current assets,” ¥10 million of “loss on disaster,” and ¥243 million of “other.”

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The amount of “decrease (increase) in other inventories” in “cash flows from operating activities,” which was presented as a separate item in the year ended March 31, 2021, is included in “other” from the year ended March 31, 2022 due to lower materiality. The consolidated financial statements for the year ended March 31, 2021 have been reclassified to reflect this change in presentation.

As a result, ¥416 million presented as “decrease (increase) in other inventories” in “cash flows from operating activities” in the consolidated statement of cash flows for the year ended March 31, 2021, has been reclassified to “other.”

ADDITIONAL INFORMATION

Accounting estimates on the novel coronavirus disease

Major accounting estimates that may have impact on amounts of assets/liabilities and revenue/expenses due to the spread of the novel coronavirus disease (COVID-19) infections are allowance for doubtful accounts, plan assets (retirement benefit accounting), deferred tax assets and impairment loss.

Under the circumstances that it is uncertain when the COVID-19 pandemic will come to an end, as a result of carefully examining available information such as past results and the current state, and accounting standards, and making estimates based on assumptions that are considered reasonable, impact of the accounting estimates on amounts in the consolidated financial statements for the year ended March 31, 2022 and the year ending March 31, 2023 is insignificant.

NOTES TO CONSOLIDATED BALANCE SHEET

\*1. Amounts of receivables and contract assets from contracts with customers included in notes receivable, accounts receivable from completed construction contracts and other

	Millions of Yen		Thousands of U.S. Dollars	
	2022		2022	
Notes receivable	¥	14,191	\$	116,319
Accounts receivable from completed construction contracts		107,526		881,360
Contract assets		63,926		523,983

\*2. Amounts of contract liabilities included in advances received on construction contracts in progress and current liabilities “other”

	Millions of Yen		Thousands of U.S. Dollars	
	2022		2022	
Advances received on construction contracts in progress	¥	12,349	\$	101,221
Current liabilities “Other”		15		122

\*3. Amounts of non-consolidated subsidiaries and affiliates’ stocks included in investment securities

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	2022
Investment securities (Stocks)	¥ 2,880	¥ 3,955	\$	32,418
Investment securities (Investments in capital)	0	627		5,139

\*4. The Company revalued its land held for business use in accordance with the “Act on Revaluation of Land” (the Act No. 34, March 31, 1998) and recorded revaluation reserve for land in the net assets section.

**(a) Method of revaluation:**

Revaluation was made by reasonably adjusting the market value of standard sites as stipulated by the Article 2, Clause 1 of the “Enforcement Order of the Act on Revaluation of Land” (Cabinet Order No. 119, March 31, 1998) and value determined by the method for calculating taxable land price of land holding tax in accordance with the Article 16 of the Land-holding Tax Act as defined and published by the Commissioner of National Tax Agency as stipulated by the Article 2, Clause 4 of the “Enforcement Order of the Act on Revaluation of Land.”

**(b) Date of revaluation:**

March 31, 2002

\*5. Assets pledged as collateral and secured obligations

(1) Assets pledged as collateral provided by the Company’s subsidiaries and secured obligations

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2022		2022	
Cash and deposits	¥ 1,809	¥ [–]	¥ 1,913	¥ [–]	\$ 15,680	\$ [–]
Notes receivable, accounts receivable from completed construction contracts and other	83	[–]	104	[–]	852	[–]
Buildings and structures	1,183	[381]	1,089	[349]	8,926	[2,860]
Machinery, vehicles, tools, furniture and fixtures	7,174	[3,994]	6,714	[3,722]	55,032	[30,508]
Land	747	[–]	747	[–]	6,122	[–]
Investments and other assets – Other (lease deposits)	7	[–]	7	[–]	57	[–]
Total	¥ 11,005	¥ [4,375]	¥ 10,575	¥ [4,072]	\$ 86,680	\$ [33,377]
Short-term borrowings	¥ 632	¥ [335]	¥ 642	¥ [345]	\$ 5,262	\$ [2,827]
Long-term borrowings	7,249	[3,938]	6,607	[3,592]	54,155	[29,442]
Total	¥ 7,881	¥ [4,273]	¥ 7,249	¥ [3,938]	\$ 59,418	\$ [32,278]

Note: The figures in the brackets show factory foundation mortgaged assets, etc. and related obligations.

(2) Assets pledged as collateral for the loans of the investing company of the Company and its subsidiaries

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Buildings and structures	¥ 0	¥ –	\$ –	–
Land	26	–	–	–
Investment securities	32	11	90	
Investments and other assets – Other (long-term loans receivable)	128	74	606	
Total	¥ 187	¥ 85	\$ 696	

6. Contingent liabilities

(1) The Company provides guarantees for the employees’ loans from financial institutions.

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Employees (housing loans)	¥ 692	¥ 583	\$ 4,778	

(2) The Company has provided guarantees for work performance guarantees for contracts for work of its affiliated companies, etc.

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
VIETNAM KANDENKO CO., LTD.	¥ –	¥ 304	\$ 2,491	

\*7. Both costs on construction contracts in progress relating to construction contracts that are likely to incur losses and provision for loss on construction contracts are presented without offsetting.

Amount of costs on construction contracts in progress corresponding to provision for loss on construction contracts

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
	¥ 91	¥ 122	\$ 1,000	

## NOTES TO CONSOLIDATED STATEMENT OF INCOME

\*1. Revenue from contracts with customers

Net sales of completed construction contracts are not presented separately as revenue from contracts with customers and as other revenue. The amounts of revenue from contracts with customers are presented in “REVENUE RECOGNITION, 1. Information on disaggregation of revenue from contracts with customers.”

\*2. Provision for loss on construction contracts included in cost of sales of completed construction contracts

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
	¥ 4,049	¥ 6,801	\$ 55,745	

\*3. Principal accounts and amounts in selling, general and administrative expenses are as follows.

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Employees’ salaries and allowances	¥ 12,462	¥ 12,969	\$ 106,303	
Retirement benefit expenses	767	520	4,262	

4. Total amount of research and development expenses included in general and administrative expenses and manufacturing costs

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
	¥ 1,522	¥ 1,663	\$ 13,631	

\*5. Loss on COVID-19

**For the year ended March 31, 2021**

Loss on COVID-19 is mainly cooperation money for staying home paid to subcontractors as a result of suspension and postponement of scheduled work due to the impact of the declaration of a state of emergency and expenses for measures against the spread of COVID-19 for employees as well as fixed costs incurred in overseas bases during the period of closure upon request of local governments (subsidies from local governments were deducted).

**For the year ended March 31, 2022**

Loss on COVID-19 is mainly cost that is attributable to a decline in the operating rate in association with restrictions on construction categories (prohibition of concurrent involvement in work areas) upon request of a local government for construction activities at overseas bases.

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

\*1. Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Valuation difference on available-for-sale securities:				
Gains (losses) arising during the year	¥ 8,364	¥ (279)	\$ (2,286)	
Reclassification adjustments	(833)	(254)	(2,081)	
Amount before income tax effect	7,531	(534)	(4,377)	
Income tax effect	(2,301)	152	1,245	
Valuation difference on available-for-sale securities	5,230	(382)	(3,131)	
Deferred gains or losses on hedges				
Gains (losses) arising during the year	16	22	180	
Reclassification adjustments	59	55	450	
Amount before income tax effect	76	78	639	
Income tax effect	(16)	(22)	(180)	
Deferred gains or losses on hedges	59	55	450	
Remeasurements of defined benefit plans:				
Gains (losses) arising during the year	4,355	(217)	(1,778)	
Reclassification adjustments	131	(888)	(7,278)	
Amount before income tax effect	4,487	(1,105)	(9,057)	
Income tax effect	(1,373)	338	2,770	
Remeasurements of defined benefit plans, net of tax	3,114	(767)	(6,286)	
Total other comprehensive income	¥ 8,403	¥ (1,093)	\$ (8,959)	

NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2021

1.Matters related to class and number of issued shares and class and number of treasury shares

	(Shares)			
	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,029,767	896	78	1,030,585
Total	1,029,767	896	78	1,030,585

Notes:

1. Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.

2. Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to demand for purchase.

2.Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2020	Common shares	¥2,655 million	¥13.0	March 31, 2020	June 29, 2020
Board of directors’ meeting on October 30, 2020	Common shares	¥2,859 million	¥14.0	September 30, 2020	December 4, 2020

(2) Dividends whose record date fell in the year ended March 31, 2021, but whose effective date comes after March 31, 2021

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2021	Common shares	¥2,859 million	Retained earnings	¥14.0	March 31, 2021	June 30, 2021

For the year ended March 31, 2022

1.Matters related to class and number of issued shares and class and number of treasury shares

	(Shares)			
	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,030,585	895	48,174	983,306
Total	1,030,585	895	48,174	983,306

Notes:

1. Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.

2. Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to demand for purchase and the disposal of shares as restricted share-based remuneration.

2.Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2021	Common shares	¥ 2,859 million \$23,434 thousand	¥14.0 \$0.11	March 31, 2021	June 30, 2021
Board of directors’ meeting on October 29, 2021	Common shares	¥ 2,860 million \$23,442 thousand	¥14.0 \$0.11	September 30, 2021	December 6, 2021

(2) Dividends whose record date fell in the year ended March 31, 2022, but whose effective date comes after March 31, 2022

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2022	Common shares	¥2,860 million \$23,442 thousand	Retained earnings	¥14.0 \$0.11	March 31, 2022	June 30, 2022

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

\*1. Relationship between the balance of cash and cash equivalents at the end of the year and the amount on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Cash and deposits	¥ 58,478	¥ 67,614	\$ 554,213	
Time deposits with maturities of more than three months	(5,290)	(5,190)	(42,540)	
Short-term investments with maturities of three months or less from the purchase date	3,999	4,999	40,975	
Cash and cash equivalents	¥ 57,187	¥ 67,423	\$ 552,647	

FINANCIAL INSTRUMENTS

1.Status of financial instruments

(1) Policies on financial instruments

The Companies manage surplus funds by investing in high security financial instruments, primarily short-term deposits and debt securities and raise funds through borrowings from banks and other financial institutions.

Certain consolidated subsidiaries enter into derivative transactions to hedge interest rate fluctuation risks arising from borrowings and the Companies do not use derivative transactions for speculative purposes.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, trade receivables, are exposed to customer credit risk. Securities and investment securities, primarily consist of held-to-maturity debt securities and shares of companies with business relationship, are exposed to market price fluctuation risks.

Notes payable, accounts payable for construction contracts and other, trade payables, are due within one year. Proceeds from short-term borrowings are mainly used for operational funds and long-term borrowings are mainly used for capital expenditures. Floating rate borrowings are exposed to interest rate fluctuation risks, but these risks are hedged by using derivative transactions (interest rate swaps).

Derivative transactions are interest rate swaps used as hedging instruments, in order to hedge interest rate fluctuation risks for borrowings. Details of hedge accounting including hedging instruments and hedged items, hedging policy and method for evaluating the effectiveness of hedges are described in "SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, 4. Significant accounting policies, (6) Significant hedge accounting method."

(3) Risk management system for financial instruments

(a) Credit risk management (risks that counterparties may default)

For trade receivables, the sales administration division regularly monitors major counterparties' credit status, and performs due date controls and balance controls for each customer to mitigate and quickly capture the collectability issues caused by deterioration in the financial conditions.

Held-to-maturity securities are invested in debt securities with high credit rating, therefore, exposed to minimum credit risk.

The Companies enter into derivative transactions with financial institutions with high credit rating in order to mitigate credit risk.

(b) Market risk management (fluctuation risks in market prices and interest rates)

Interest rate swaps are used to mitigate interest rate fluctuation risks for borrowings.

As for securities, and investment securities, except for held-to-maturity debt securities, the accounting department regularly monitors fair values and issuers' (counterparties') financial status, considers the relationships with the counterparties, and continuously reviews the Company's securities holdings.

Derivative transactions are executed and managed in accordance with the nature and limits approved by the board of directors of each company. The executed transactions are periodically reported to the board of directors.

(c) Liquidity risk management associated with financing activities (payment default risks)

The accounting department prepares and updates a monthly management plan of funds as necessary to manage the liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Since fair value of financial instruments is calculated based on certain assumptions, the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in "DERIVATIVE TRANSACTIONS" does not represent the market risk of the derivative transactions.

2.Fair value of financial instruments

Carrying amount and fair value of financial instruments, and differences between these values are as follows.

	Millions of Yen			
	For the year ended March 31, 2021			
	Carrying amount	Fair value	Difference	
(1) Notes receivable, accounts receivable from completed construction contracts and other	¥ 192,200			
Allowance for doubtful accounts (*2)	(347)			
	191,852	191,852	—	
(2) Securities and investment securities (*3)				
1) Held-to-maturity securities	4,307	4,307	0	
2) Available-for-sale securities	41,952	41,952	—	
Total assets	¥ 238,112	¥ 238,112	¥	0
Long-term borrowings	7,249	7,225	(23)	
Total liabilities	¥ 7,249	¥ 7,225	¥	(23)
Derivative transactions (*4)	¥ (344)	¥ (344)	¥	—

(\*1) Information on "Cash and deposits," "Notes payable, accounts payable for construction contracts and other," and "Short-term borrowings" is omitted as their fair value approximates the carrying amount due to them being settled within a short period of time.  
(\*2) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.  
(\*3) Since no quoted market price is available, and it is deemed extremely difficult to determine their fair value, these financial instruments are not included in "(2) Securities and investment securities." The carrying amount of these financial instruments is as follows:

Millions of Yen	
	2021
Unlisted stocks, etc.	¥ 5,722

(\*4) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

	Millions of Yen			
	For the year ended March 31, 2022			
	Carrying amount	Fair value	Difference	
(1) Notes receivable, accounts receivable from completed construction contracts and other	¥ 185,675			
Allowance for doubtful accounts (*2)	(548)			
	185,127	185,127	—	
(2) Securities and investment securities (*3)				
3) Held-to-maturity securities	5,299	5,300	0	
4) Available-for-sale securities	40,568	40,568	—	
Total assets	¥ 230,995	¥ 230,996	¥	0
Long-term borrowings	6,607	6,563	(44)	
Total liabilities	¥ 6,607	¥ 6,563	¥	(44)
Derivative transactions (*4)	¥ (266)	¥ (266)	¥	—

Thousands of U.S. Dollars			
	For the year ended March 31, 2022		
	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*2)	\$ 1,521,926 (4,491)		
	1,517,434	1,517,434	—
(2) Securities and investment securities (*3)			
5) Held-to-maturity securities	43,434	43,442	0
6) Available-for-sale securities	332,524	332,524	—
Total assets	\$ 1,893,401	\$ 1,893,409	\$ 0
Long-term borrowings	54,155	53,795	(360)
Total liabilities	\$ 54,155	\$ 53,795	\$ (360)
Derivative transactions (*4)	\$ (2,180)	\$ (2,180)	\$ —

(\*1) Information on “Cash and deposits,” “Notes payable, accounts payable for construction contracts and other,” and “Short-term borrowings” is omitted as their fair value approximates the carrying amount due to them being settled within a short period of time.

(\*2) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(\*3) Shares with no quoted market price, etc. are not included in “(2) Securities and investment securities.” The carrying amount of these financial instruments is as follows:

Millions of Yen		Thousands of U.S. Dollars	
	2022		2022
Unlisted stocks, etc.	¥ 7,405	\$	60,696

(\*4) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

1. Expected redemption amount of monetary receivables and securities with maturity dates after the consolidated year-end date

Millions of Yen				
	For the year ended March 31, 2021			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 58,478	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	191,902	298	—	—
Securities and investment securities				
Held-to-maturity securities (corporate bonds)	1,000	300	—	—
Held-to-maturity securities (other)	3,000	—	—	—
Available-for-sale securities with maturities (other)	1,000	—	—	—
Total	¥ 255,381	¥ 598	¥ —	¥ —

Millions of Yen				
	For the year ended March 31, 2022			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 67,614	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	185,229	445	—	—
Securities and investment securities				
Held-to-maturity securities (corporate bonds)	1,000	300	—	—
Held-to-maturity securities (other)	4,000	—	—	—
Available-for-sale securities with maturities (other)	—	—	—	—
Total	¥ 257,844	¥ 745	¥ —	¥ —

Thousands of U.S. Dollars				
	For the year ended March 31, 2022			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 554,213	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,518,270	3,647	—	—
Securities and investment securities				
Held-to-maturity securities (corporate bonds)	8,196	2,459	—	—
Held-to-maturity securities (other)	32,786	—	—	—
Available-for-sale securities with maturities (other)	—	—	—	—
Total	\$ 2,113,475	\$ 6,106	\$ —	\$ —

2. Scheduled amount of repayment of short-term borrowings and long-term borrowings after the consolidated year-end date

Millions of Yen						
	For the year ended March 31, 2021					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 7,402	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	642	1,339	619	618	4,028
Total	¥ 7,402	¥ 642	¥ 1,339	¥ 619	¥ 618	¥ 4,028

Millions of Yen						
	For the year ended March 31, 2022					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 6,792	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	1,339	619	617	616	3,413
Total	¥ 6,792	¥ 1,339	¥ 619	¥ 617	¥ 616	¥ 3,413

Thousands of U.S. Dollars						
	For the year ended March 31, 2022					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 55,672	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	—	10,975	5,073	5,057	5,049	27,975
Total	\$ 55,672	\$ 10,975	\$ 5,073	\$ 5,057	\$ 5,049	\$ 27,975

3. Categorization of financial instruments by level within the fair value hierarchy, etc.

Fair values of financial instruments are classified into the following three levels of the hierarchy based on the observability and significance of the input used in the fair value measurement.

- Level 1 fair value: Fair value determined based on the quoted price formed in an active market for the asset or liability of which the fair value is measured, among observable inputs for fair value measurement
- Level 2 fair value: Fair value determined using inputs related to the measurement of the fair value other than inputs of Level 1, among observable inputs for fair value measurement
- Level 3 fair value: Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact on the fair value measurement are used, the fair value is classified to the lowest priority level of fair value measurement to which each input belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

								Millions of Yen
	For the year ended March 31, 2022							
	Fair value							
	Level 1		Level 2		Level 3		Total	
Securities and investment securities								
Available-for-sale securities								
Stocks	¥	40,568	¥	—	¥	—	¥	40,568
Total assets	¥	40,568	¥	—	¥	—	¥	40,568
Derivative transactions								
Interest rate-related		—		266		—		266
Total liabilities	¥	—	¥	266	¥	—	¥	266

Thousands of U.S. Dollars						
	For the year ended March 31, 2022					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Securities and investment securities						
Available-for-sale securities						
Stocks	\$ 332,524	\$ —	\$ —	\$ 332,524		
Total assets	332,524	\$ —	\$ —	332,524		
Derivative transactions						
Interest rate-related	—	2,180	—	2,180		
Total liabilities	\$ —	\$ 2,180	\$ —	\$ 2,180		

## (2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Millions of Yen

	For the year ended March 31, 2022							
	Fair value							
	Level 1		Level 2		Level 3		Total	
Notes receivable, accounts receivable from completed construction contracts and other	¥	—	¥	185,127	¥	—	¥	185,127
Securities and investment securities								
Held-to-maturity securities								
Corporate bonds		—		1,300		—		1,300
Other		—		4,000	¥	—		4,000
Total assets	¥	—	¥	190,427	¥	—	¥	190,427
Long-term borrowings		—		6,563		—		6,563
Total liabilities	¥	—	¥	6,563	¥	—	¥	6,563

Thousands of U.S. Dollars

	For the year ended March 31, 2022				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Notes receivable, accounts receivable from completed construction contracts and other	\$ —	\$ 1,517,434	\$ —	\$ 1,517,434	
Securities and investment securities					
Held-to-maturity securities					
Corporate bonds	—	10,655	—	10,655	
Other	—	32,786	\$ —	32,786	
Total assets	\$ —	\$ 1,560,877	\$ —	\$ 1,560,877	
Long-term borrowings	—	53,795	—	53,795	
Total liabilities	\$ —	\$ 53,795	\$ —	\$ 53,795	

Note: Explanation of the valuation technique used to determine fair value and inputs for fair value measurement

## Securities and investment securities

Listed shares are assessed using the quoted price. Because listed shares are traded in an active market, their fair value is classified as Level 1 fair value. On the other hand, since corporate bonds and negotiable certificates of deposit held by the Company are traded infrequently in a market and their price is not deemed as a quoted price in an active market, their fair value is classified as Level 2 fair value.

## Derivative transactions

Their fair value is determined based on quoted prices presented by the counterparty financial institutions, etc., and is classified as Level 2 fair value.

## Notes receivable, accounts receivable from completed construction contracts and other

Their fair value is determined based on the present value discounted by taking into account credit risk for each receivable divided according to a certain period of time, and is classified as Level 2 fair value.

## Long-term borrowings

Fair value of long-term borrowings is determined based on the present value calculated by discounting the total amount of the principal and interest using the interest rate that is assumed to be used for a similar new loan, and is classified as Level 2 fair value.

## SECURITIES

## 1. Held-to-maturity securities

Millions of Yen

	For the year ended March 31, 2021					
	Carrying amount		Fair value		Difference	
Securities whose fair value exceeds their carrying amount:						
Government/municipal bonds	¥	—	¥	—	¥	—
Corporate bonds		300		300		0
Other		—		—		—
Subtotal	¥	300	¥	300	¥	0
Securities whose fair value does not exceed their carrying amount:						
Government/municipal bonds	¥	—	¥	—	¥	—
Corporate bonds		999		999		—
Other		3,007		3,007		—
Subtotal	¥	4,007	¥	4,007	¥	—
Total	¥	4,307	¥	4,307	¥	0

Millions of Yen

	For the year ended March 31, 2022					
	Carrying amount		Fair value		Difference	
Securities whose fair value exceeds their carrying amount:						
Government/municipal bonds	¥	—	¥	—	¥	—
Corporate bonds		300		300		0
Other		—		—		—
Subtotal	¥	300	¥	300	¥	0
Securities whose fair value does not exceed their carrying amount:						
Government/municipal bonds	¥	—	¥	—	¥	—
Corporate bonds		999		999		—
Other		4,000		4,000		—
Subtotal	¥	4,999	¥	4,999	¥	—
Total	¥	5,299	¥	5,300	¥	0

Thousands of U.S. Dollars

	For the year ended March 31, 2022					
	Carrying amount		Fair value		Difference	
Securities whose fair value exceeds their carrying amount:						
Government/municipal bonds	\$	—	\$	—	\$	—
Corporate bonds		2,459		2,459		0
Other		—		—		—
Subtotal	\$	2,459	\$	2,459	\$	0
Securities whose fair value does not exceed their carrying amount:						
Government/municipal bonds	\$	—	\$	—	\$	—
Corporate bonds		8,188		8,188		—
Other		32,786		32,786		—
Subtotal	\$	40,975	\$	40,975	\$	—
Total	\$	43,434	\$	43,442	\$	0

## 2.Available-for-sale securities

Millions of Yen

	For the year ended March 31, 2021		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	¥ 37,939	¥ 16,286	¥ 21,653
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 37,939	¥ 16,286	¥ 21,653
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	¥ 3,012	¥ 3,393	¥ (381)
Bonds	—	—	—
Other	1,000	1,000	—
Subtotal	¥ 4,012	¥ 4,393	¥ (381)
Total	¥ 41,952	¥ 20,680	¥ 21,271

Millions of Yen

	For the year ended March 31, 2022		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	¥ 39,818	¥ 18,977	¥ 20,841
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 39,818	¥ 18,977	¥ 20,841
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	¥ 749	¥ 854	¥ (104)
Bonds	—	—	—
Other	—	—	—
Subtotal	¥ 749	¥ 854	¥ (104)
Total	¥ 40,568	¥ 19,831	¥ 20,737

Thousands of U.S. Dollars

	For the year ended March 31, 2022		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost:			
Stocks	\$ 326,377	\$ 155,549	\$ 170,827
Bonds	—	—	—
Other	—	—	—
Subtotal	\$ 326,377	\$ 155,549	\$ 170,827
Securities whose carrying amount does not exceed their acquisition cost:			
Stocks	\$ 6,139	\$ 7,000	\$ (852)
Bonds	—	—	—
Other	—	—	—
Subtotal	\$ 6,139	\$ 7,000	\$ (852)
Total	\$ 332,524	\$ 162,549	\$ 169,975

## 3.Available-for-sale securities sold during the year

Millions of Yen

	For the year ended March 31, 2021		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥ 1,443	¥ 846	¥ —
Bonds	—	—	—
Other	—	—	—
Total	¥ 1,443	¥ 846	¥ —

Millions of Yen

	For the year ended March 31, 2022		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥ 366	¥ 256	¥ —
Bonds	—	—	—
Other	—	—	—
Total	¥ 366	¥ 256	¥ —

Thousands of U.S. Dollars

	For the year ended March 31, 2022		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	\$ 3,000	\$ 2,098	\$ —
Bonds	—	—	—
Other	—	—	—
Total	\$ 3,000	\$ 2,098	\$ —

## 4.Impairment loss on securities

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

For the year ended March 31, 2022

Disclosure is omitted due to immateriality.

## DERIVATIVE TRANSACTIONS

### Derivative transactions to which hedge accounting is applied

Interest rate-related

For the year ended March 31, 2021					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term borrowings	¥3,703 million	¥3,406 million	¥(344) million

For the year ended March 31, 2022					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term borrowings	¥ 3,406 million \$27,918 thousand	¥ 3,099 million \$25,401 thousand	¥ (266) million \$(2,180) thousand

RETIREMENT BENEFITS

1. Overview of retirement benefit plans

The Companies have funded and unfunded defined benefit plans and defined contribution plans to prepare for retirement benefits to employees. Defined benefit pension plans (funded plans) offer retirement lump-sum payments or pensions according to the salary and service period of the eligible employees. Retirement lump-sum payment plans (unfunded plans) offer retirement lump-sum payments according to the salary and service period of the eligible employees. When employees retire, the Companies may provide them with additional retirement benefits, etc.

The Company revised defined benefit pension plans and retirement lump-sum payment plans in association with the extension of the retirement age from 60 years old to 65 years old in the year ended March 31, 2022, and will introduce the revised plans in April 2022. In relation to this revision of the plans, defined benefit obligations decreased by ¥4,207 million (\$34,483 thousand), and past service cost occurred at the same amount.

Certain consolidated subsidiaries participate in multi-employer corporate pension fund, which is accounted for in the same manner as defined contribution plans because it is impracticable to reasonably estimate an amount of plan assets for the contributions made by the subsidiaries. In addition, regarding the multi-employer corporate pension fund, note on the multi-employer plan is omitted due to immateriality.

Certain consolidated subsidiaries use the simplified method in calculating retirement benefit liability and asset, and retirement benefit expenses.

2. Defined benefit plans

(1) Changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Balance at beginning of year	¥ 64,571	¥ 62,900	\$ 515,573	
Current service cost	2,545	2,234	18,311	
Interest cost	547	529	4,336	
Actuarial gains and losses	(318)	4,171	34,188	
Benefit paid	(4,327)	(3,929)	(32,204)	
Past service cost	(118)	(4,207)	(34,483)	
Balance at end of year	¥ 62,900	¥ 61,699	\$ 505,729	

(2) Changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Balance at beginning of year	¥ 41,931	¥ 47,064	\$ 385,770	
Expected return on plan assets	622	699	5,729	
Actuarial gains and losses	3,919	(253)	(2,073)	
Contributions by the employer	3,597	3,333	27,319	
Benefits paid	(3,021)	(2,967)	(24,319)	
Other	15	10	81	
Balance at end of year	¥ 47,064	¥ 47,885	\$ 392,500	

(3) Reconciliation between ending balances of defined benefit obligations and plan assets and the retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Funded defined benefit obligations	¥ 42,414	¥ 40,714	\$ 333,721	
Plan assets	(47,064)	(47,885)	(392,500)	
	¥ (4,649)	¥ (7,171)	\$ (58,778)	
Unfunded defined benefit obligations	20,485	20,984	172,000	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 15,836	¥ 13,813	\$ 113,221	
Retirement benefit liability	¥ 15,836	¥ 13,813	\$ 113,221	
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 15,836	¥ 13,813	\$ 113,221	

(4) Breakdown of retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Current service cost	¥ 2,545	¥ 2,234	\$ 18,311	
Interest cost	547	529	4,336	
Expected return on plan assets	(622)	(699)	(5,729)	
Actuarial gains and losses recognized in the year	154	(724)	(5,934)	
Past service cost recognized in the year	(23)	(163)	(1,336)	
Other	275	204	1,672	
Total	¥ 2,876	¥ 1,381	\$ 11,319	

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Past service cost	¥ (94)	¥ (4,043)	\$ (33,139)	
Actuarial gains and losses	(4,392)	5,149	42,204	
Total	¥ (4,487)	¥ 1,105	\$ 9,057	

(6) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Unrecognized past service cost	¥ (94)	¥ (4,138)	\$ (33,918)	
Unrecognized actuarial gains and losses	(2,975)	2,174	17,819	
Total	¥ (3,069)	¥ (1,963)	\$ (16,090)	

(7) Plan assets

(a) Breakdown of plan assets

The ratio of each major category to total plan assets is as follows:

	2021	2022
General account	39%	39%
Bonds	35%	38%
Equities	25%	21%
Other	1%	2%
Total	100%	100%

**(b) Method of determining the long-term expected rates of return on plan assets**

Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

**(8) Assumptions used in actuarial calculations**

Major assumptions used in actuarial calculations

	2021	2022
Discount rate	mainly 0.9%	mainly 0.4%
Expected return rate on plan assets	mainly 1.5%	mainly 1.5%

**3. Defined contribution plans**

The required amount of contribution to the defined contribution plans (including the multi-employer corporate pension fund accounted for in the same manner) of the Companies was ¥1,749 million and ¥1,783 million (\$14,614 thousand) for the years ended March 31, 2021 and 2022, respectively.

**DEFERRED TAX ACCOUNTING****1. Breakdown of major factors that caused deferred tax assets and liabilities**

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Deferred tax assets:				
Retirement benefit liability	¥ 4,918	¥ 4,300	\$ 35,245	
Depreciation	3,933	3,965	32,500	
Accrued bonuses	3,493	3,601	29,516	
Provision for loss on construction contracts	1,702	3,041	24,926	
Loss on valuation of assets	1,304	1,300	10,655	
Allowance for doubtful accounts	544	537	4,401	
Loss carry-forward	166	187	1,532	
Others	1,940	2,155	17,663	
Subtotal	18,004	19,090	156,475	
Valuation allowance	(2,303)	(2,307)	(18,909)	
Total	¥ 15,700	¥ 16,783	\$ 137,565	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥ (6,487)	¥ (6,335)	\$ (51,926)	
Reserve for tax purpose reduction entry of non-current assets	(1,152)	(1,099)	(9,008)	
Reserve for special depreciation	(48)	(42)	(344)	
Others	(143)	(127)	(1,040)	
Total	¥ (7,832)	¥ (7,604)	\$ (62,327)	
Net deferred tax assets	¥ 7,868	¥ 9,178	\$ 75,229	

Note: Except for above, deferred tax liabilities for land revaluation are recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Deferred tax liabilities for land revaluation	¥ 6,573	¥ 6,560	\$ 53,770	

**2. Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting**

	2021	2022
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently for tax purposes	0.9%	1.1%
Income not taxable permanently	(0.3)%	(0.2)%
Per capita levy of inhabitant taxes	0.8%	0.8%
Special credit of corporate tax	(1.9)%	(0.5)%
Others	1.1%	0.6%
Effective tax rate after adopting tax effect accounting	31.2%	32.5%

**INVESTMENT AND RENTAL PROPERTIES**

The Company and certain consolidated subsidiaries own real estate for rent in Tokyo and other areas. Rental income associated with real estate for rent in the year ended March 31, 2021 was ¥812 million (major earnings from rent are included under net sales of completed construction contracts, while significant rental expenses are posted under cost of sales of completed construction contracts). Rental income associated with real estate for rent in the year ended March 31, 2022 was ¥817 million (\$6,696 thousand) (major earnings from rent are included under net sales of completed construction contracts, while significant rental expenses are posted under cost of sales of completed construction contracts).

The amount of real estate for rent posted in the consolidated balance sheets, the change during the year, and the fair value were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Amount posted in the consolidated balance sheets				
Balance at the beginning of year	¥ 22,442	¥ 22,100	\$ 181,147	
Change during the year	(341)	500	4,098	
Balance at the end of fiscal year	¥ 22,100	¥ 22,601	\$ 185,254	
Fair value at the end of fiscal year	¥ 26,923	¥ 27,662	\$ 226,737	

Notes:

- Amounts posted in the consolidated balance sheets represent the acquisition cost after the deduction of accumulated depreciation and accumulated impairment loss.
- In regard to the major components of changes in the year ended March 31, 2021, the main decrease was depreciation (¥420 million). In regard to the major components of changes in the year ended March 31, 2022, the main increase was new acquisitions (¥882 million) (\$7,229 thousand).
- Fair value at the end of the fiscal year is based on real estate appraisals performed by external appraisers for major real estate, and is measured with amounts calculated primarily based on the market value of standard sites and the assessed value of inheritance tax by roadside land prices for other properties.

REVENUE RECOGNITION

1.Information on disaggregation of revenue from contracts with customers

Millions of Yen

	For the year ended March 31, 2022				
	Reportable segments		Other		Total
	Engineering		(Note 1)		
Breakdown by client					
Private companies	¥	328,921	¥	4,448	¥ 333,370
Public office		28,416		4	28,420
Tokyo Electric Power Company Group		129,040		2,770	131,811
Revenue from contracts with customers		486,378		7,223	493,602
Other revenue (Note 2)		—		1,964	1,964
Customers		486,378		9,188	495,567
Timing of revenue recognition					
A point in time		173,923		6,729	180,653
A certain period of time		312,454		494	312,949
Revenue from contracts with customers		486,378		7,223	493,602
Other revenue (Note 2)		—		1,964	1,964
Customers	¥	486,378	¥	9,188	¥ 495,567

Thousands of U.S. Dollars

	For the year ended March 31, 2022					
	Reportable segments		Other	Total		
	Engineering		(Note 1)			
Breakdown by client						
Private companies	\$	2,696,073	\$	36,459	\$	2,732,540
Public office		232,918		32		232,950
Tokyo Electric Power Company Group		1,057,704		22,704		1,080,418
Revenue from contracts with customers		3,986,704		59,204		4,045,918
Other revenue (Note 2)		—		16,098		16,098
Customers		3,986,704		75,311		4,062,024
Timing of revenue recognition						
A point in time		1,425,598		55,155		1,480,762
A certain period of time		2,561,098		4,049		2,565,155
Revenue from contracts with customers		3,986,704		59,204		4,045,918
Other revenue (Note 2)		—		16,098		16,098
Customers	\$	3,986,704	\$	75,311	\$	4,062,024

Notes:  
1. The “Other” segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.  
2. “Other revenue” represents income from lease based on the accounting standard for lease transactions, etc.

2.Information providing the basis for understanding revenue from contracts with customers

The information has been provided in “SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, 4. Significant accounting policies, (5) Accounting policies for significant revenues and expenses.”

3.Information on relation between satisfaction of performance obligations under contracts with customers and cash flows arising from the contracts, and amount and timing of revenue expected to be recognized in following fiscal years from contracts with customers existing at March 31, 2022.

(1) Balances of contract assets and contract liabilities, etc.

	Millions of Yen		Thousands of U.S. Dollars	
	2022		2022	
Receivables from contracts with customers (Balance at beginning of year)	¥	131,552	\$	1,078,295
Receivables from contracts with customers (Balance at end of year)		121,717		997,680
Contract assets (Balance at beginning of year)		60,628		496,950
Contract assets (Balance at end of year)		63,926		523,983
Contract liabilities (Balance at beginning of year)		12,660		103,770
Contract liabilities (Balance at end of year)	¥	12,365	\$	101,352

Contract assets are rights to consideration related to performance obligations that were satisfied over a certain period of time mainly in construction contracts, and reclassified to receivables from contracts with customers when the rights to payment become unconditional. Contract liabilities represent advance consideration received before the performance under the contract.

Of revenue recognized in the year ended March 31, 2022, the amount included in contract liabilities as at the beginning of the year was ¥11,958 million (\$98,016 thousand).

In addition, revenue recognized in relation to performance obligations that were satisfied (or partially satisfied) in past periods is not significant.

(2) Transaction price allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations as of March 31, 2022 was ¥477,115 million (\$3,910,778 thousand). These transaction prices are expected to be recognized as revenue within a maximum of seven years.

SEGMENT INFORMATION, ETC.

(Segment information)

1.Outline of reportable segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Companies engage in facility installation work, sales of electrical equipment, rental of real estate, leasing, sales of electrical power and others. “Engineering” is determined to be the reportable segment.

“Engineering” includes business related to electrical work, plumbing work and various other work on facilities.

2.Method of measurement for the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting treatment regarding the reportable business segments is the same as recorded in “SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS.” The profit of reportable segments is based on operating profit. The intersegment profit and transfers are based on trading prices in the market.

As stated in “CHANGES IN ACCOUNTING POLICIES,” the Accounting Standard for Revenue Recognition, etc. has been applied from the beginning of the year ended March 31, 2022 and the method of accounting for revenue recognition was changed. Accordingly, the method of measuring profit or loss of reportable business segments was changed likewise.

As a result of this change, net sales of “Engineering” for the year ended March 31, 2022 decreased by ¥42,881 million (\$351,483 thousand), and net sales of “Other” decreased by ¥1,583 million (\$12,975 thousand) compared to the previous method. However, there is no effect on segment profit.

3.Net sales, profit or loss, assets and other items by reportable segments

Millions of Yen

	For the year ended March 31, 2021				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 544,968	¥ 11,077	¥ 556,045	¥ –	¥ 556,045
Inter-segment	221	38,881	39,102	(39,102)	–
Total	¥ 545,189	¥ 49,958	¥ 595,148	¥ (39,102)	¥ 556,045
Segment profit	¥ 28,025	¥ 1,964	¥ 29,989	¥ 51	¥ 30,041
Segment assets	¥ 408,136	¥ 74,683	¥ 482,820	¥ (25,820)	¥ 456,999
Other items:					
Depreciation	¥ 5,527	¥ 1,968	¥ 7,496	¥ (249)	¥ 7,246
Increase in property, plant and equipment and intangible assets	5,775	2,026	7,801	(483)	7,317

Notes:  
1. The “Other” segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.  
2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.  
3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

Millions of Yen

	For the year ended March 31, 2022				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 486,378	¥ 9,188	¥ 495,567	¥ –	¥ 495,567
Inter-segment	235	27,157	27,393	(27,393)	–
Total	¥ 486,614	¥ 36,346	¥ 522,960	¥ (27,393)	¥ 495,567
Segment profit	¥ 29,120	¥ 1,542	¥ 30,663	¥ (19)	¥ 30,643
Segment assets	¥ 421,365	¥ 76,333	¥ 497,698	¥ (26,731)	¥ 470,967
Other items:					
Depreciation	¥ 5,726	¥ 1,904	¥ 7,631	¥ (195)	¥ 7,435
Increase in property, plant and equipment and intangible assets	7,567	1,733	9,301	(176)	9,125

Thousands of U.S. Dollars

	For the year ended March 31, 2022				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	\$ 3,986,704	\$ 75,311	\$ 4,062,024	\$ –	\$ 4,062,024
Inter-segment	1,926	222,598	224,532	(224,532)	–
Total	\$ 3,988,639	\$ 297,918	\$ 4,286,557	\$ (224,532)	\$ 4,062,024
Segment profit	\$ 238,688	\$ 12,639	\$ 251,336	\$ (155)	\$ 251,172
Segment assets	\$ 3,453,811	\$ 625,680	\$ 4,079,491	\$ (219,106)	\$ 3,860,385
Other items:					
Depreciation	\$ 46,934	\$ 15,606	\$ 62,549	\$ (1,598)	\$ 60,942
Increase in property, plant and equipment and intangible assets	62,024	14,204	76,237	(1,442)	74,795

Notes:  
1. The “Other” segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.  
2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.  
3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

(Related information)

For the year ended March 31, 2021

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥183,620 million	Engineering

For the year ended March 31, 2022

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥ 131,840 million \$1,080,655 thousand	Engineering

(Information about impairment loss in non-current assets of each reportable segment)

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

For the year ended March 31, 2022

Disclosure is omitted due to immateriality.

(Information about amortization and unamortized balance of goodwill of each reportable segment)

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

For the year ended March 31, 2022

Disclosure is omitted due to immateriality.

(Information about gain on bargain purchase of each reportable segment)

For the year ended March 31, 2021

Not applicable.

For the year ended March 31, 2022

Not applicable.

RELATED PARTY TRANSACTIONS

Transactions between related parties

Transactions between the Company and related parties

The parent company and major shareholders (limited to companies) of the Company

For the year ended March 31, 2021						
Type	Name	Location	Share capital	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥1,400,975 million	Electric power business	(Held) Direct –% Indirect 47.2%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million	General power transmission and distribution business	(Held) Direct 46.4% Indirect 0.3%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 8,084 million	Notes receivable, accounts receivable from completed construction contracts and other	¥ 6,288 million
				Advances received on construction contracts in progress	¥ 215 million
	TEPCO Power Grid, Incorporated	Installation of electric work	¥150,099 million	Notes receivable, accounts receivable from completed construction contracts and other	¥27,756 million
				Advances received on construction contracts in progress	¥ 125 million
		Purchase of raw materials	¥ 34,003 million	Notes payable, accounts payable for construction contracts and other	¥ 2,166 million

Notes:

1. Above transaction amounts do not include consumption taxes, while above balances at the end of the year include consumption taxes.

2. Terms and conditions of the transactions and its policies

Terms and conditions for construction orders and purchase of raw materials are determined on arm's length basis through negotiations considering market price, etc.

For the year ended March 31, 2022						
Type	Name	Location	Share capital	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥ 1,400,975 million \$11,483,401 thousand	Electric power business	(Held) Direct –% Indirect 47.2%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million \$ 655,737 thousand	General power transmission and distribution business	(Held) Direct 46.4% Indirect 0.3%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 5,518 million \$ 45,229 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 3,477 million \$ 28,500 thousand
				Advances received on construction contracts in progress	¥ 43 million \$ 352 thousand
	TEPCO Power Grid, Incorporated	Installation of electric work	¥ 104,752 million \$ 858,622 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 20,654 million \$169,295 thousand
				Advances received on construction contracts in progress	¥ 155 million \$ 1,270 thousand
		Purchase of raw materials supplied for value	¥ 42,578 million \$ 349,000 thousand	Current assets "Other"	¥ 9,288 million \$ 76,131 thousand
				Current liabilities "Other"	¥ 3,257 million \$ 26,696 thousand

Notes:

1. Above transaction amounts do not include consumption taxes, while above balances at the end of the year include consumption taxes.

2. Terms and conditions of the transactions and its policies

Terms and conditions for construction orders and purchase of raw materials supplied for value are determined on arm's length basis through negotiations considering market price, etc.

## PER SHARE INFORMATION

	Yen		U.S. Dollars	
	2021	2022	2022	
Net assets per share	¥ 1,323.90	¥ 1,389.96	\$ 11.39	
Earnings per share	98.64	99.45	0.81	

Notes:

1. Diluted earnings per share has not been presented since there is no dilutive shares.
2. The basis of calculating earnings per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Earnings per share				
Profit attributable to owners of parent	¥ 20,147	¥ 20,315	\$ 166,516	
Amount not attributable to common shareholders	—	—	—	
Profit attributable to owners of parent applicable to common shares	20,147	20,315	166,516	

	Thousands of Shares	
	2021	2022
Weighted average number of common shares during the year	204,258	204,287

3. The basis of calculating net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2022	
Total net assets	¥ 279,459	¥ 293,514	\$ 2,405,852	
Amount deducted from total net assets	9,042	9,538	78,180	
[Non-controlling interests included in the above]	[9,042]	[9,538]	[78,180]	
Total net assets related to common shares	270,417	283,975	2,327,663	

	Thousands of Shares	
	2021	2022
Number of common shares outstanding at end of year	204,257	204,305

## SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

## CONSOLIDATED SUPPLEMENTAL SCHEDULES

### (Schedule of bonds)

Not applicable.

### (Schedule of loans)

	As of April 1, 2021	As of March 31, 2022	Average interest rate (%)	Due
Short-term borrowings	¥ 6,770 million \$ 55,491 thousand	¥ 6,150 million \$ 50,409 thousand	0.7	—
Current portion of long-term borrowings	¥ 632 million \$ 5,180 thousand	¥ 642 million \$ 5,262 thousand	1.5	—
Current portion of lease liabilities	¥ 595 million \$ 4,877 thousand	¥ 711 million \$ 5,827 thousand	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	¥ 7,249 million \$ 59,418 thousand	¥ 6,607 million \$ 54,155 thousand	1.6	2023 to 2033
Lease liabilities (excluding current portion of lease liabilities)	¥ 1,385 million \$ 11,352 thousand	¥ 1,694 million \$ 13,885 thousand	—	2023 to 2029
Other interest-bearing debt	—	—	—	—
Total	¥ 16,632 million \$ 136,327 thousand	¥ 15,804 million \$ 129,540 thousand	—	—

Notes:

1. Interest rates and balances at the end of the year are used to calculate average interest rate. The average interest rate of lease liabilities has not been presented since lease liabilities before deducting the amount equivalent to interest expense included in total lease payments are recorded on the consolidated balance sheet.
2. The repayment schedule of long-term borrowings and lease liabilities (excluding current portion) for five years subsequent to March 31, 2022 is summarized as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥ 1,339 million \$ 10,975 thousand	¥ 619 million \$ 5,073 thousand	¥ 617 million \$ 5,057 thousand	¥ 616 million \$ 5,049 thousand
Lease liabilities	¥ 614 million \$ 5,032 thousand	¥ 486 million \$ 3,983 thousand	¥ 355 million \$ 2,909 thousand	¥ 155 million \$ 1,270 thousand

### (Schedule of Asset Retirement Obligations)

The amounts of asset retirement obligations as of April 1, 2021 and March 31, 2022 are less than 1% of the total liabilities and net assets as of April 1, 2021 and March 31, 2022. Therefore, the disclosure is omitted.

## OTHERS

Quarterly information for the year ended March 31, 2022

Cumulative period	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales	¥ 108,077 million \$ 885,877 thousand	¥ 220,331 million \$ 1,805,991 thousand	¥ 343,784 million \$ 2,817,901 thousand	¥ 495,567 million \$ 4,062,024 thousand
Profit before income taxes	¥ 7,438 million \$ 60,967 thousand	¥ 13,748 million \$ 112,688 thousand	¥ 21,542 million \$ 176,573 thousand	¥ 30,978 million \$ 253,918 thousand
Profit attributable to owners of parent	¥ 4,764 million \$ 39,049 thousand	¥ 8,861 million \$ 72,631 thousand	¥ 13,950 million \$ 114,344 thousand	¥ 20,315 million \$ 166,516 thousand
Earnings per share	¥ 23.33 \$ 0.19	¥ 43.38 \$ 0.35	¥ 68.29 \$ 0.55	¥ 99.45 \$ 0.81

Each quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share	¥ 23.33 \$ 0.19	¥ 20.06 \$ 0.16	¥ 24.91 \$ 0.20	¥ 31.15 \$ 0.25

# Non-financial Information

(As of March 31, 2022)

Item		Unit	Actual Results				
			Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of employees (consolidated)	Overall	Persons	9,571	9,818	10,003	10,154	10,264
Number of employees	Overall	Persons	6,976	7,202	7,350	7,497	7,619
	Male		6,589	6,760	6,892	7,007	7,123
	Female		387	442	458	490	496
Average age	Overall	Age	41.4	41.5	41.6	41.7	41.9
	Male		41.5	41.5	41.6	41.6	41.8
	Female		40.2	41.4	41.7	42.1	42.6
Years of service	Overall	Years	19.3	19.1	19.1	19.0	19.1
	Male		19.5	19.3	19.2	19.2	19.3
	Female		17.5	16	16.3	16.5	16.4
Turnover rate	Overall	%	1.3	1.9	2.0	2.1	1.8
	Male		1.3	1.9	2.0	2.1	1.8
	Female		0.8	1.1	1.5	1.2	1.6
Promotion to managerial positions	Earliest age	Age	40	41	40	40	39
	Number of men in managerial positions	Persons	1,677	1,720	1,764	1,792	1,864
	Number of women in managerial positions	Persons	14	17	18	22	23
	Percentage of female employees in managerial positions	%	3.5	3.7	3.9	4.5	4.6
Employment of persons with disabilities	Employment rate	%	2.3	2.2	2.2	2.3	2.7
Number of regular hires	Overall	Persons	331	331	333	305	314
	Male		317	313	317	289	303
	Female		14	18	16	16	11
Number of mid-career hires	Overall	Persons	100	156	74	106	79
	Male		78	104	72	93	67
	Female		22	52	2	13	12
Percentage of mid-career hires of full-time workers	Overall	%	1.4	2.1	1.0	1.4	1.0
	Male		1.2	1.5	1.0	1.3	0.9
	Female		5.6	11.4	0.4	2.7	2.4
Number of users of the nursing care leave program	Overall	Persons	1	3	4	3	5
	Male		1	1	3	2	3
	Female		0	2	1	1	2
Percentage of employees using the childcare leave program	Overall	%	8.9	5.7	6.2	13.1	11.2
	Male		0.7	0.0	0.7	6.3	5.6
	Female		100.0	100.0	100.0	100.0	100.0
Percentage of employees using the spouse childbirth leave program		%	63.9	58.8	70.6	60.6	58.8
Foreign employees		Persons	14	13	11	15	14
Female technical and engineering staff		Persons	62	81	84	94	105
Percentage of employees rehired after mandatory retirement age		%	89.1	87.3	81.8	86.8	89.8
Average annual salary	Overall	Thousands of Yen	7,351	7,562	7,752	7,689	7,547
	Male		7,490	7,723	7,918	7,841	7,694
	Female		5,125	5,222	5,335	5,496	5,486
	Ratio of women's wages to men's wages	%	68.4	67.6	67.4	70.1	71.3
Paid leave usage rate	Overall	%	60.7	49.3	56.5	59.9	66.9
Average total working hours per person/month	Overall	Hours		183.6	184.4	178.1	175.4
Number of employee training hours* (Company-wide joint training, etc.)		Total hours	36,283	34,359	35,813	22,862	25,681
Number of employee training days* (Company-wide joint training, etc.)		Total days	4,838	4,581	4,775	3,048	3,424
Number of participants in training* (company-wide joint training, etc.)		Total number of persons	957	1,218	1,910	1,618	1,918

\*Training provided by Education &amp; Training Center

## Company Profile (As of March 31, 2022)

### Company outline

Company name	Kandenko Co., Ltd.
Established	September 1, 1944
Head office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Paid in capital	¥10,264 million
Total number of shares issued	205,288,338 shares
Employees	10,264 persons (consolidated), 7,619 persons (non-consolidated)

### Network

#### Domestic Offices

Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Tokyo Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama-shi, Kanagawa, Japan
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba-shi, Chiba, Japan
Saitama Branch	Omiya Center Building 9th Floor, 1-9-6 Sakuragicho, Omiya-ku, Saitama-shi, Saitama, Japan
Ibaraki Branch	2-7-14 Jonan, Mito-shi, Ibaraki, Japan
Tochigi Branch	91-1 Imaizumicho, Utsunomiya-shi, Tochigi, Japan
Gunma Branch	215-6 Furuichimachi, Maebashi-shi, Gunma, Japan
Yamanashi Branch	4-12-25 Chuo, Kofu-shi, Yamanashi, Japan
Shizuoka Branch	8-12 Yoneyamacho, Numazu-shi, Shizuoka, Japan
Tama Branch	2-24-6 Myojincho, Hachioji-shi, Tokyo, Japan
Kansai Branch	Nakanoshima Festival Tower 20th Floor, 2-3-18 Nakanoshima, Kita-ku, Osaka, Japan
Nagoya Branch	Nagoya Toho Building 6th Floor, 1-2-7 Sakae, Na-ka-ku, Nagoya-shi, Aichi, Japan
Kyushu Branch	Yakuin Business Garden 4th Floor, 1-1-1 Yakuin, Chuo-ku, Fukuoka, Japan
Hokkaido Branch	J&S Resona Building 3rd Floor, 4-1-2 Kitaichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan
Tohoku Branch	Sendai Daiichi Seimei Tower Building, 4-6-1 Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi, Japan
Nagano Branch	1629-32 Midoricho, Nagano-shi, Nagano, Japan

#### Overseas Offices

Singapore Branch	2 Leng Kee Road #05-08 Thye Hong Centre, Singapore 159086
Taiwan Branch	6F-1, No. 45, Section 1, Minchuan Eastern Road, Taipei, Taiwan
Yangon Branch	Room1(A), University Paradise Condo, No.441, New University Avenue Road, Bahan Township, Yangon, Myanmar

### The Company's website



The Company sees its website as one of the important sources of information. Please visit our website where we post IR information, an introduction on our technologies and services, and the latest news.

<https://www.kandenko.co.jp/>  
(in Japanese)

●To shareholders and investors:



<https://www.kandenko.co.jp/ir>  
(in Japanese)

#### Overseas Offices



#### Domestic Offices



## Stock Information (As of March 31, 2022)

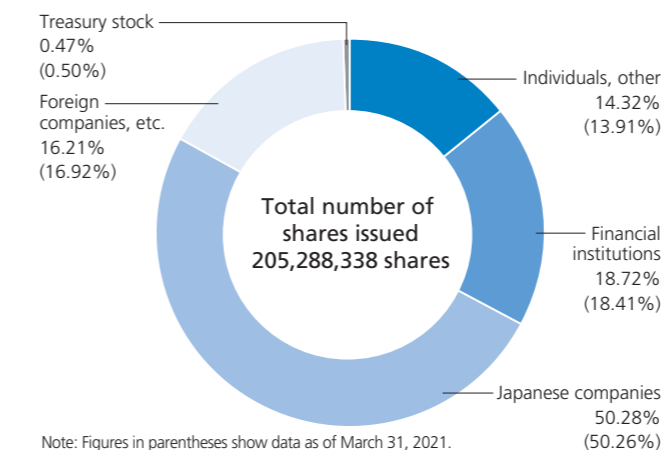
The shares of common stock of the Company are listed on the First Section of the Tokyo Stock Exchange.

On March 31, 2022, there were a total of 13,707 shareholders. The following table lists the 10 largest shareholders appearing on the register at that date.

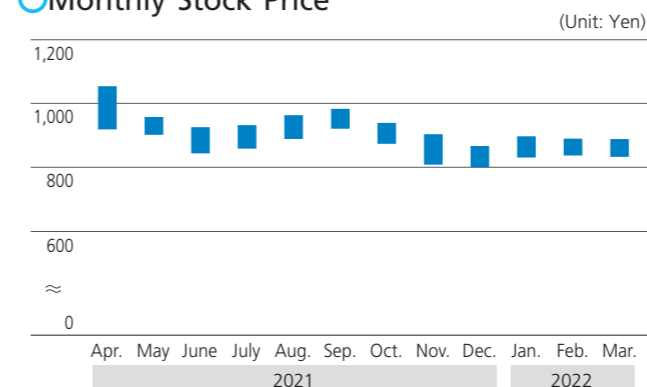
### Principal Shareholders

Name	Number of shares held (in thousands)	Shares held as a percentage of total outstanding shares
1 TEPCO Power Grid, Inc.	94,753	46.37
2 The Master Trust Bank of Japan, Ltd. (Trust Account)	16,228	7.94
3 Custody Bank of Japan, Ltd. (Trust Account)	7,267	3.55
4 Kandenko Group Employees Shareholding Association	6,273	3.07
5 Mizuho Bank, Ltd.	4,061	1.98
6 STATE STREET BANK AND TRUST COMPANY 505001	2,592	1.26
7 THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	2,437	1.19
8 JP MORGAN CHASE BANK 385781	1,430	0.70
9 STATE STREET BANK WEST CLIENT-TREATY 505234	1,405	0.68
10 Takasago Thermal Engineering Co., Ltd.	1,318	0.64

### Number of Shares Held by Type of Shareholder (As of March 31, 2022)



### Monthly Stock Price



### Stock-Related Information

Fiscal year-end	March 31
Ordinary general meeting of shareholders	June
Record dates for dividend payments	March 31 for the fiscal year-end dividend. September 30 for the interim dividend.
Record date	The date on which shares must be owned for shareholders to exercise voting rights at the general meeting of shareholders is March 31. If other votes are required, the record date will be set and announced in advance.
Method of public notification	Notification will be given electronically. However, if we cannot issue an electronic notification, we will place a notice in the Nihon Keizai Shimbun, published in Tokyo. Kandenko's URL for public notices is as follows. <a href="https://www.kandenko.co.jp/">https://www.kandenko.co.jp/</a>
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Transfer agent contact point (inquiries about stock-related matters)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan Tel: 0120-782-031 (toll-free)