

KANDENKO
INTEGRATED REPORT
2024



Greetings



Thank you for reading KANDENKO INTEGRATED REPORT 2024.

September 1, 2024, marked our 80th anniversary. Throughout the years, we have contributed to the economic development of Japan by supporting electric power infrastructure and the building facilities of our customers. At the same time, we have come together as a group in restoration and recovery activities in the wake of natural disasters, beginning from the days of postwar reconstruction when we struggled to bring light to devastated cities.

More recently, we developed sales activities based on a multifaceted analysis of abundant sales information, while focusing on productivity through business process reforms. These reforms include strengthening our on-site support system using technology and expanding prefabrication and unitization construction methods. Our efforts resulted in record-high operating profit for fiscal 2023.

Even in this age of increasing digitization, we believe *our people* are our most important management resource. We are committed to creating attractive workplaces and developing the people who will support society in the future. We review personnel and wage systems to evaluate each employee properly, hiring and training a wide range of human resources with expertise and management skills, while pursuing diversity, equity, and inclusion.

The Kandenken Group continues striving to be a Green Innovation Company that offers optimal solutions to stakeholders by ensuring consistent compliance, safety, and quality as the basic premise of our approach to management, while striving to become a 100-year company that supports society.

Seiichi Fubasami
Chairman and Director

Toshio Nakama
President & Representative Director

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Reporting Period

April 1, 2023 to March 31, 2024
(including certain information on activities outside the reporting period)

Editorial Policy

We published our first KANDENKO INTEGRATED REPORT in fiscal 2021. This report integrates financial and non-financial information to provide stakeholders with a better understanding of our business operations and value creation over the medium to long term.

In preparing this report, we referenced the *International Integrated Reporting Framework* of the IFRS Foundation and *Guidance for Collaborative Value Creation* from the Ministry of Economy, Trade and Industry.

Tool Map



Corporate Motto

Humanity First

By *humanity*, we mean not only our employees, but also shareholders, customers, and local communities, reflecting our hope for abundance and happiness for all stakeholders.

This motto has become an important element of Kandenko Group management culture and continues to be relevant today as a pillar supporting our corporate activities.



[Corporate Philosophy](#)



[Charter of Corporate Behavior](#)

The Kandenko History

Introduction

1944



Full launch of large-scale power line construction

- Sep 1944 Founded as Kanto Denki Koji Co., Ltd.
- Ca. 1947 Transport utility poles using hand-drawn carts
- Nov 1955 Introduced pillar-erecting vehicles for power distribution line engineering work

1960



Tokyo Tower completed



First skyscraper in Japan Kasumigaseki Building completed

- Mar 1960 Built the Technical Staff Training Center (current Education & Training Center) in Ibaraki Prefecture
- Sep 1960 Moved the head office to Yushima 4-chome, Bunkyo-ku, Tokyo
- Oct 1961 Listed on the Second Section of the Tokyo Stock Exchange
- Feb 1970 Listed on the First Section of the Tokyo Stock Exchange
- 1971 Introduced aerial work platform trucks for power distribution line engineering work
- Aug 1973 Established the *Humanity First* slogan

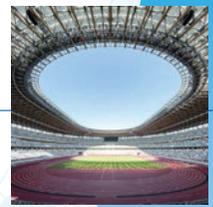
1980



Nepal power distribution line network improvement work

- Sep 1984 Company name changed Kandenko Co., Ltd.
- Jul 1986 Participated in the Japanese Antarctic Research Expedition for the first time
- Dec 1988 Built and moved head office to Shibaura 4-chome, Minato-ku, Tokyo (current location)
Established corporate philosophy and defined *Humanity First* as a corporate motto
- Jan 1990 Aired first TV commercials
- Jul 1993 Established the Tsukuba Technology Research & Development Institute (currently the Technology Research & Development Institute)
- Oct 1997 Launched Kandenko corporate website

2000



National Stadium completed *Courtesy Taisei Corporation



Tokyo Metropolitan Government Building No.1 completed

- Dec 2006 Formulated the Kandenko Group Charter of Corporate Behavior
- Oct 2012 Capital participation in Choshi Wind Development Co., Ltd.
- Oct 2014 Adopted regional headquarters system
- Jul 2015 Establishment the Fukushima Division
- Mar 2016 Formulated growth strategy
- Apr 2022 Transitioned to the Prime Market with the reorganization of the TSE

2023



Hamasato Wind Farm completed

- Apr 2024 Posted record profits (consolidated, non-consolidated)
Formulated Milestone 2030 and Kandenko Group Medium-Term Management Plan FY2024-FY2026
- Sep 2024 Celebrated 80th anniversary

2024
Celebrated 80th anniversary

80TH

Results
Net Sales ¥10.4 billion
Operating Profit ¥0.4 billion

Results
Net Sales ¥216.7 billion
Operating Profit ¥11.7 billion

Results
Consolidated Net Sales ¥500.4 billion
Consolidated Operating Profit ¥7.9 billion

Results
Consolidated Net Sales ¥598.4 billion
Consolidated Operating Profit ¥40.9 billion

Plan
Consolidated Net Sales ¥600.0 billion
Consolidated Operating Profit ¥37.0 billion

Revised Plan



Notice Concerning Revision of Financial Results and Dividend Forecasts

Consolidated Net Sales ¥633.0 billion
Consolidated Operating Profit ¥43.0 billion



Jul 2024 Debuted new online video, *Now and Always*



→ 80th Anniversary Website



Plan

Consolidated Net Sales	¥ 640.0 billion
Consolidated Operating Profit	¥ 45.0 billion

2026

Target

Consolidated Net Sales	¥ 800.0 billion
Consolidated Operating Profit	¥ 60.0 billion

Milestone 2030

Our Aim

A Total Partner Offering Optimal Solutions	DX and Robotics for a Production Revolution
Management Efficiencies Through Structural Reforms	Attractive Workplaces, Safe and Comfortable Work Environments

2044

A 100-Year Company, Looking Ahead to 100 Years of Kandenko

Contribute to decarbonized and resilient societies
as a Green Innovation Company,
 maintaining and building social infrastructure, constructing customer
 facilities, and offering solutions to customer needs

→ P.14

**Milestone 2030 and Kandenko Group
 Medium-Term Management Plan
 FY2024-FY2026**

→ P.22

To strengthen our potential as a Green Innovation Company, we established Milestone 2030 (interim targets) and the Kandenko Group Medium-Term Management Plan FY2024-FY2026 as our action plan

At a Glance

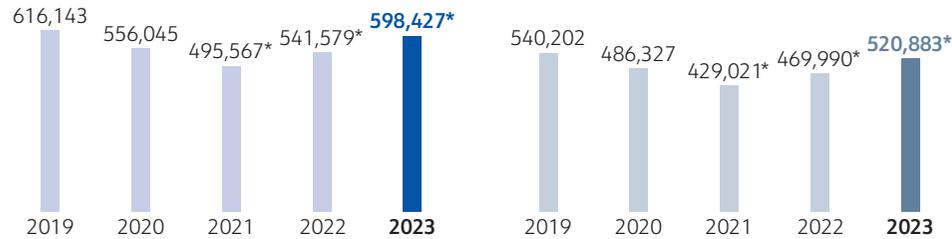
Financial Information

Net Sales

Millions of yen

Consolidated ¥ 598,427 million

Non-Consolidated ¥ 520,883 million



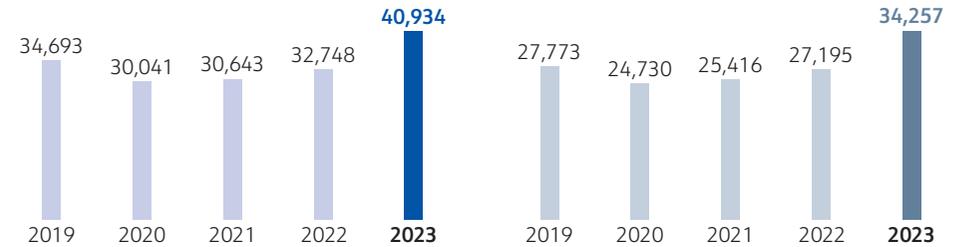
*The Company adopted Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., in fiscal 2021.

Operating Profit

Millions of yen

Consolidated ¥ 40,934 million

Non-Consolidated ¥ 34,257 million



Orders Received

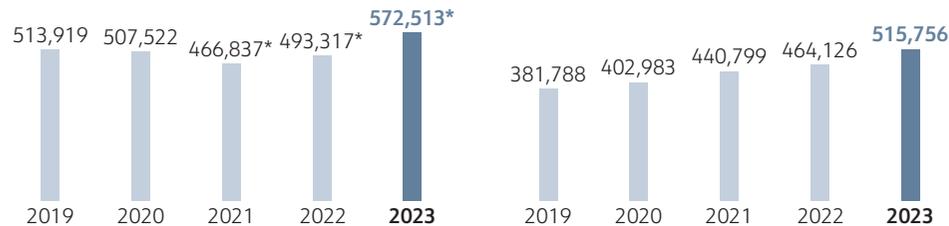
Millions of yen

Non-Consolidated ¥ 572,513 million

Backlog

Millions of yen

Non-Consolidated ¥ 515,756 million



*The Company adopted Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., in fiscal 2021.

Profit (Loss) Attributable to Owners of the Parent

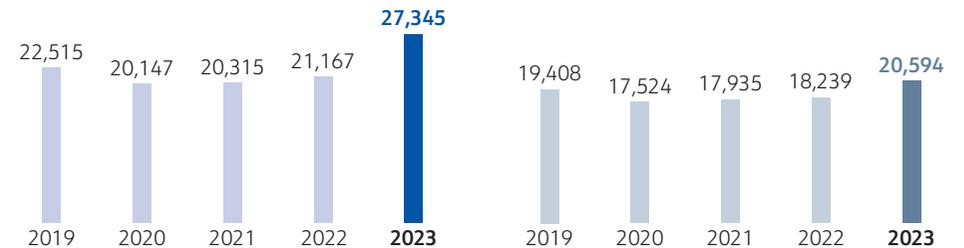
Millions of yen

Consolidated ¥ 27,345 million

Net Profit

Millions of yen

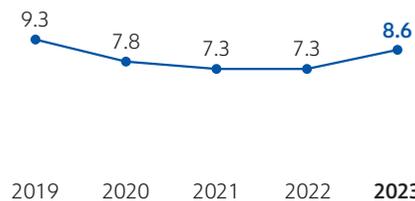
Non-Consolidated ¥ 20,594 million



ROE

%

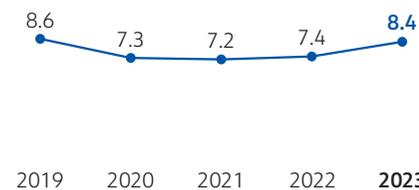
Consolidated 8.6%



ROIC

%

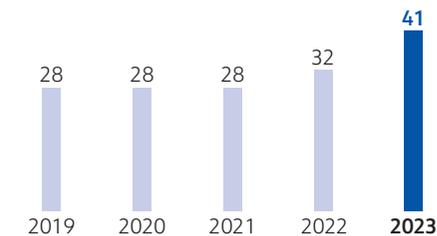
Consolidated 8.4%



Dividends Per Share

Yen

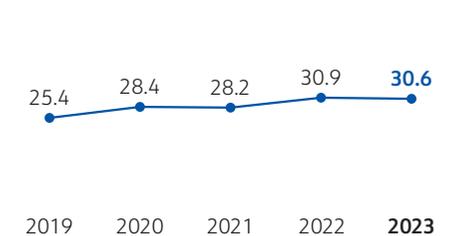
Consolidated ¥ 41



Dividend Payout Ratio

%

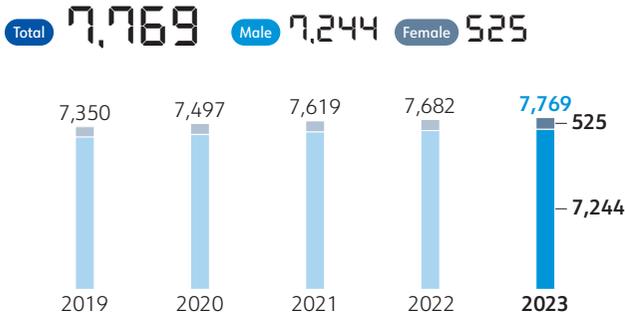
Consolidated 30.6%



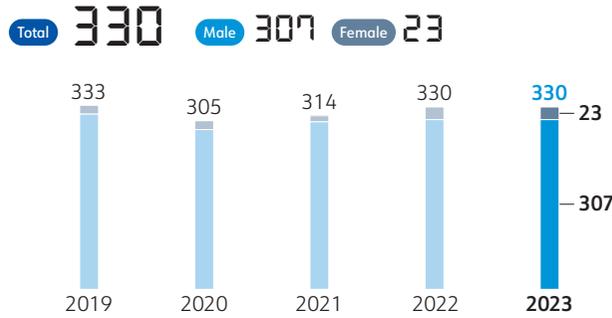
At a Glance

Non-Financial Information

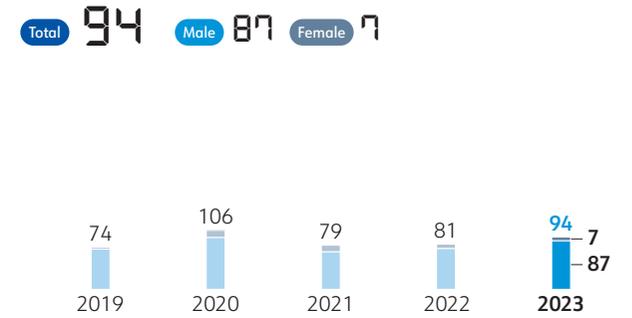
Employees Persons



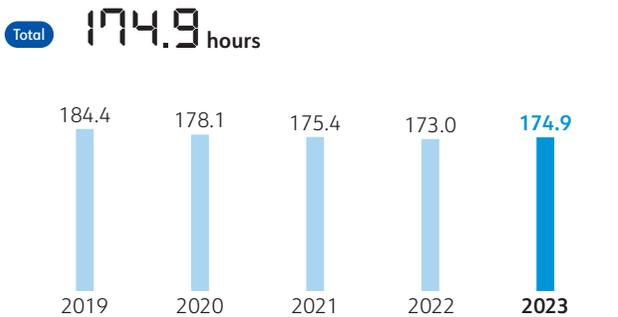
Number of Regular Hires Persons



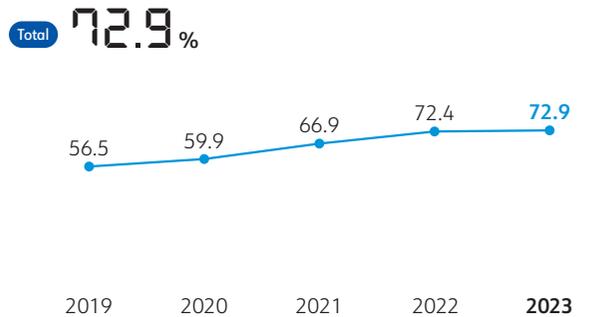
Number of Mid-Career Hires Persons



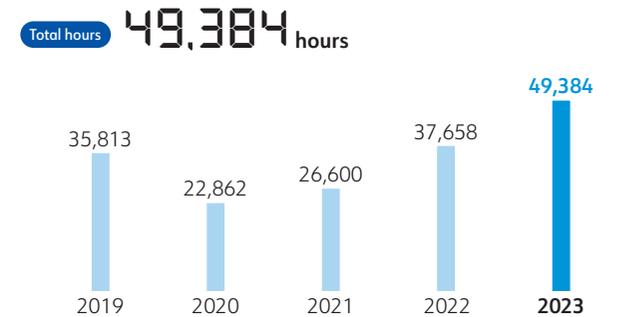
Average Total Working Hours Per Person Per Month Hours



Paid Leave Usage Rate %

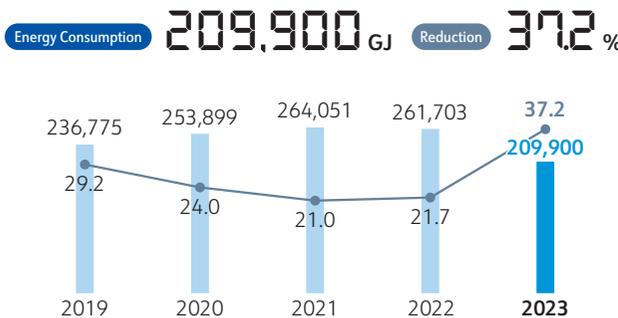


Employee Training Hours* (Company-Wide Training, Etc.) Hours



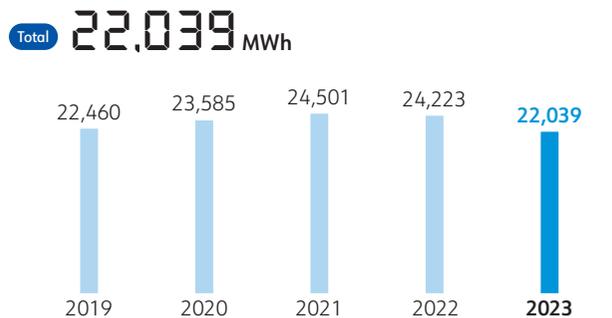
*Training provided by Education & Training Center

Energy Consumption and Reduction* GJ and %

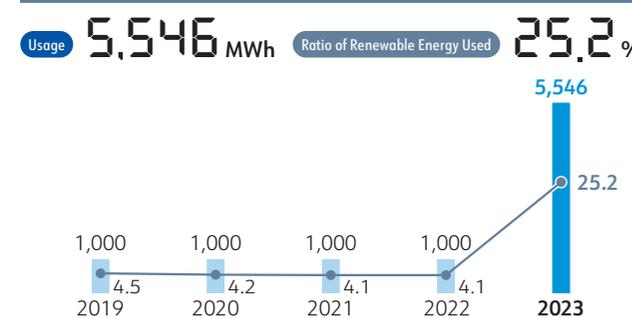


*Vs. fiscal 2009 Reference Standard: 334,210GJ.

Electricity Consumption MWh



Renewable Energy Usage*, Ratio of Renewable Energy to Total Electricity Consumption MWh and %



*Renewable energy usage rate increased with the purchase of renewable electricity beginning in fiscal 2023

MESSAGE

Having the courage to change and rethink our day-to-day work. Knowing that a more abundant future lies on the far side of these daily efforts.

Toshio Nakama
President and Director

SUMMARY

- Four years since becoming president
- Review of the previous medium-term management plan (FY 2021-2023)
- Measures under the current medium-term management plan (FY 2024-2026)
- Targets under the current medium-term management plan (FY 2024-2026)
- Message to shareholders and investors

Four Years Since Becoming President A fundamental desire to make Kandenko a company with self-sustaining growth

A full four years have passed since I was named president in June 2020. Looking back on my time in this position, I realize my fundamental desire all the while has been to make Kandenko a company with self-sustaining growth. Kandenko began as a facilities construction company,

Message From the President

supporting the electric power infrastructure in the area serviced by Tokyo Electric Power Company (TEPCO). Even today, orders from the TEPCO Group support the stability of our business performance. However, as building equipment construction accounts for an ever-larger percentage of total construction work, we know that we must not be satisfied with the status quo. We must always maintain a sense of urgency and competitiveness in our continued pursuit of growth.

Having grown up in the field of electrical engineering myself, I have always been conscious of how to encourage customers to choose us over the competition, how to improve quality for greater satisfaction, and how to be creative in winning new projects. I feel strongly that for Kandenko to continue to grow in the future, we must instill this kind of awareness as a natural habit throughout the company.

The key overriding factor is a focus on profitability. When I was named president, we were No. 3 in the industry in terms of profits, but we were far behind our competitors in terms of profit margins. To increase corporate value so customers choose us over the competition, we must invest in improving the skills of our engineers and in raising productivity. We must invest in employee compensation, as well. However, improved profitability is the essential precondition to this end. For these reasons, the medium-term management plan (fiscal 2021-2023) we formulated right after I took office incorporated the idea of change, aimed to improve profitability, and established record-high operating profit of ¥36 billion in fiscal 2023, the final year of the plan. At the financial results briefings for analysts and institutional investors, some were concerned that our target was too ambitious. I was convinced we could achieve the goal as long as we cleared each of our challenges in turn. And I have encouraged everyone in the company, saying that these targets are merely milestones, and that we have much more room for growth. As a result, we achieved that target, and I think the meaning and significance of the term *change* has become embraced widely by our employees. The relationships of trust began by our predecessors and nurtured over time, as well as the desire to protect social infrastructure and customer facilities ingrained in our DNA, were not created overnight. I am grateful for this background, without which we would not have achieved this target.

Review of the Previous Medium-Term Management Plan (FY 2021-2023)

Increased profits through common-sense improvements and a tailwind of market conditions

Fiscal 2023 was the final year of the previous medium-term plan. For the year, we posted consolidated net sales of ¥598.4 billion, consolidated operating income of ¥40.9 billion, ROE of 8.6%, and ROIC of 8.4%. We met every target and posted a record high for operating income.

We believe the reason for this result was an accumulation of detailed measures on our way to becoming a company that grows as a matter of course. In a labor-intensive business such as ours, we must generate profits commensurate with labor costs. Therefore, we visualize this factor as a productivity indicator. In my experience, I often hear about a lack of workers in the field, but I have never heard the opposite. In reality, however, there will always be sites where there is a surplus of workers, depending on the time of year and the area. Visualizing the excesses and insufficiencies of workers at each site ensures leaner allocation and higher



FY2023 Financial Performance

Consolidated Results

Net Sales of Completed Construction Contracts | ¥ **598.4** billion | 110.5% Compared to FY2022

Operating Profit | ¥ **40.9** billion | 125.0% Compared to FY2022

Ordinary Profit | ¥ **42.6** billion | 125.2% Compared to FY2022

Profit Attributable to Owners of the Parent | ¥ **27.3** billion | 129.2% Compared to FY2022

Non-Consolidated Results

Orders Received | ¥ **572.5** billion | 116.1% Compared to FY2022

Net Sales of Completed Construction Contracts | ¥ **520.8** billion | 110.8% Compared to FY2022

Operating Profit | ¥ **34.2** billion | 126.0% Compared to FY2022

Ordinary Profit | ¥ **36.1** billion | 126.0% Compared to FY2022

Net Profit | ¥ **20.5** billion | 112.9% Compared to FY2022

Message From the President



communicating dangers and explaining precautions of the site are important. However, I have long wondered whether it is necessary for all workers to meet in one place. Moving 1,000 people at once takes a considerable amount of time—time that is not value-added. For this reason, an increasing number of work sites are simplifying morning meetings by using smart devices to communicate information. The accumulation of these small efforts has led to higher productivity and improved profitability at each site and throughout our organization. We will continue to implement these and other such initiatives consistently in the field and in our back-office departments. To put it bluntly, our aim is to eliminate routine tasks completely.

In addition to results stemming from these internal measures, we experienced a tailwind from the external environment. Private-sector construction investment was projected to decline after the 2020 Tokyo Olympics; however, investment continued, even with the impact of the COVID-19 pandemic. This growth is the combination of several factors,

including the onshoring of production to Japan, large-scale urban redevelopment projects, and a rush in demand in anticipation of future increases in the prices of materials, equipment, and the cost of labor.

Measures Under the Current Medium-Term Management Plan (FY 2024-2026)

Working with the next generation toward a 2030 milestone

When we crafted the new medium-term management plan (fiscal 2024-2026), we established a milestone for fiscal 2030, backcasting goals to achieve our vision for fiscal 2044, which is the 100th anniversary of our founding.

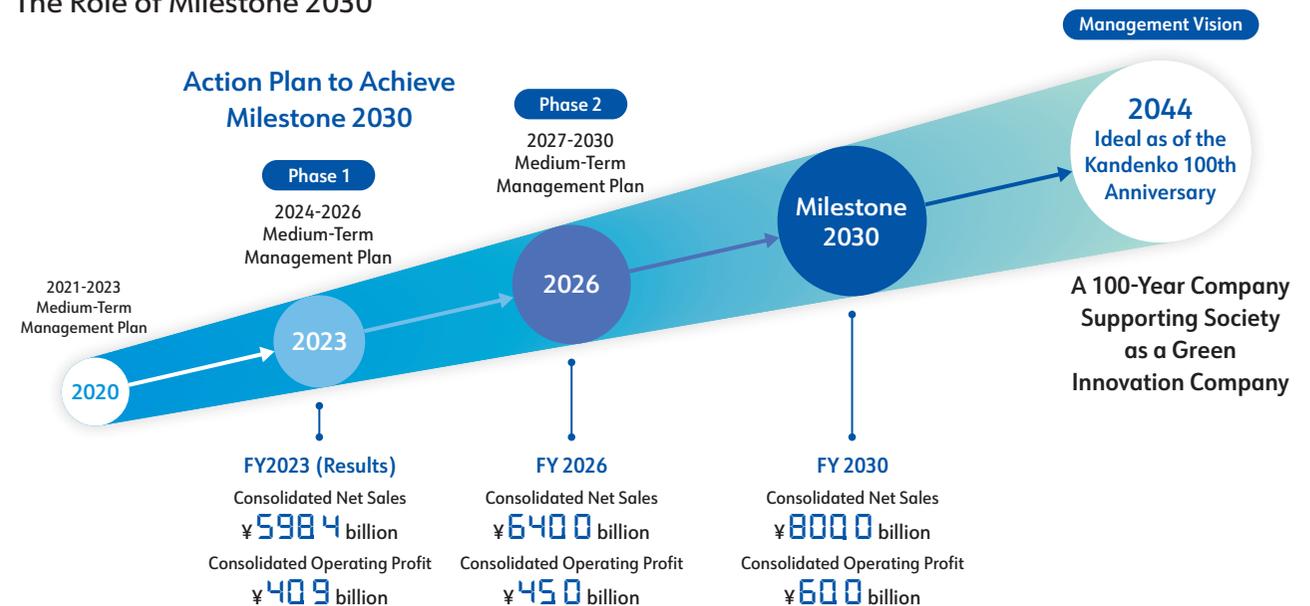
The year 2044 is 20 years from now. The world will have changed drastically by that time, even as things are changing so rapidly today. Meanwhile, many government guidelines, including those related to

productivity. We began this process by building a mechanism, and in fiscal 2023, we made this mechanism even more effective by reflecting the achievement of productivity target indicators in manager compensation.

Another emphasis was on improving work quality. Our employees are very serious and hardworking. However, we must return to the idea that productivity is not increasing, not because we are not working hard enough, but whether the deliverables and goals we set were appropriate in the first place. For example, if the defined job is to move a pile of bricks from the right to the left, the output is zero, no matter how hard you work. To identify wasteful work that is form and no substance, we established a system to solicit ideas from employees across a wide spectrum of responsibilities. Everyone takes pride in their work, so we cannot easily say we will break with the past, but I believe we must change our mindset to question the conventional wisdom, particularly among our veterans, including myself.

One example is to simplify morning meetings, which we discussed in last year's interview. This need is true not only for Kadenko, but also for the construction industry as a whole. At large sites, it is not unusual for 1,000 workers to gather for a daily morning meeting. Of course,

The Role of Milestone 2030



Message From the President

carbon neutrality, target the year 2030. We are preparing from a medium-to long-term perspective to achieve our vision of becoming a 100-year company. At the same time, we are striving to be a company that supports social infrastructure, keeping pace with global trends and advancing our initiatives steadily. To this end, we set a milestone for 2030, dividing the seven intervening years into a first half and second half.

In formulating this medium-term management plan, we focused on incorporating the opinions and ideas of the next generation of leaders who will be at the helm of our company in 2030. At training sessions for next-generation leaders and middle management, we asked them to discuss the future vision of the Company. We incorporated the opinions and goals expressed at these sessions in the development of the medium-term management plan.

In addition to improving the effectiveness of the medium-term plan, our efforts were also designed to raise employee awareness. As was my own experience, the next generation of leaders and middle management are extremely busy with their day-to-day duties, leaving little time to think years into the future. So, we wanted to make sure that we took the time to ask these individuals what they envisioned ideally for themselves and the company in the year 2030. Of course, we hoped that the training would help these individuals think about their future and the future of the company, while also providing perspectives and ideas that were never available to my generation.

I and the rest of the current management team were forced to rethink the direction of the Kandenko Group in preparation for formulating the new medium-term plan. In September 2023, we held a Management Camp, inviting outside experts with experience in corporate management as lecturers. We engaged in lively discussions, including the purpose of our company and how to raise the attractiveness of our company and the industry. What we discussed at the camp formed the cornerstone of the new medium-term plan, and will tie to the direction of our communications and branding in the future.

Targets Under the Current Medium-Term Management Plan (Fiscal 2024-2026)

Pursuing a better way for people and organizations, without fear of change

More change for a more abundant future is the slogan we pursue under the new medium-term management plan. Under this slogan, we

established five directions, aiming to achieve consolidated net sales of ¥640 billion and consolidated operating income of ¥45 billion as KGIs for fiscal 2026.

As with the previous medium-term plan, I believe that we can achieve these targets if we take on these tasks as a natural part of our work. Those in leadership positions, in particular, must be prepared and willing to change their business processes and work attitudes fundamentally without fear of change, including embracing DX and using the latest technologies. We incorporated these ideas into our slogan, *more change*.

The first of the five directions is *Joyful growth, together with our employees*. So, what is necessary for joyful growth, and what must we do first to improve our treatment of employees?

I have long felt that we do not treat workers who have achieved outstanding results in the field well enough. For this reason, we immediately set about reforming our personnel and wage systems after I assumed the office of president. We introduced a compensation system

that recognizes employees with advanced skills and expertise who are leading the frontline in positions of responsibility. Under the new medium-term plan, we will continue improving systems and environments, evaluating each employee appropriately and contributing to the enhancement of creativity, motivation, and engagement throughout the organization.

These efforts will also help address the shortage of human resources, which is the most important issue for our company and the construction industry. Reflecting our company motto, *Humanity First*, we will continue to reform our systems to become more attractive to employees and attract outstanding workers, as well as to leverage our human resources from a broader perspective, including hiring more non-Japanese engineers and other new initiatives.

At the same time, we must balance investments in people and improving profitability. Personnel expenses are on the rise with higher employee compensation and aggressive mid-career professional hiring. Given these circumstances, the only way to ensure profitability while

Direction of the Medium-Term Management Plan FY 2024-2026 (5 Directions)



●: Business strategy ○: Strategy to strengthen management foundation

Message From the President

meeting market needs is to increase productivity organization-wide. We will continue to raise productivity of the company as a whole. At the same time, we will pursue business and production process reforms through DX to raise field productivity. These initiatives will include expanding the logistics function of the 6Go Center, a prefabricated unit production factory.

Through the chief officer system we announced in July 2023, we expect to optimize individual business units as well organizational management as a whole. We are developing and executing cross-functional strategies, including Green Innovation and DX, throughout the company. We intend to visualize the methods of each division and roll out the more effective methods horizontally. In this way, we expect each division will share the things that make Kandenko unique and that highlight the strengths of Kandenko.

Message to Our Stakeholders

With pride in supporting society and courage in the face of change, we aim to develop together with society in becoming a 100-year company.

One of the directions of our medium-term management plan is to build solid relationships of trust with stakeholders. In this spirit, I pledge to engage in dialogue with stakeholders to help deepen their understanding of our company. In particular, I intend to explain our medium-term plan and strategy in detail to meet the expectations of stakeholders in conducting management conscious of the cost of capital, a popular topic in the stock market as of late.

To achieve the measures described in the new medium-term business plan, we must invest in human capital, DX, and upfront investments in business domain expansions that we expect to have future potential. In

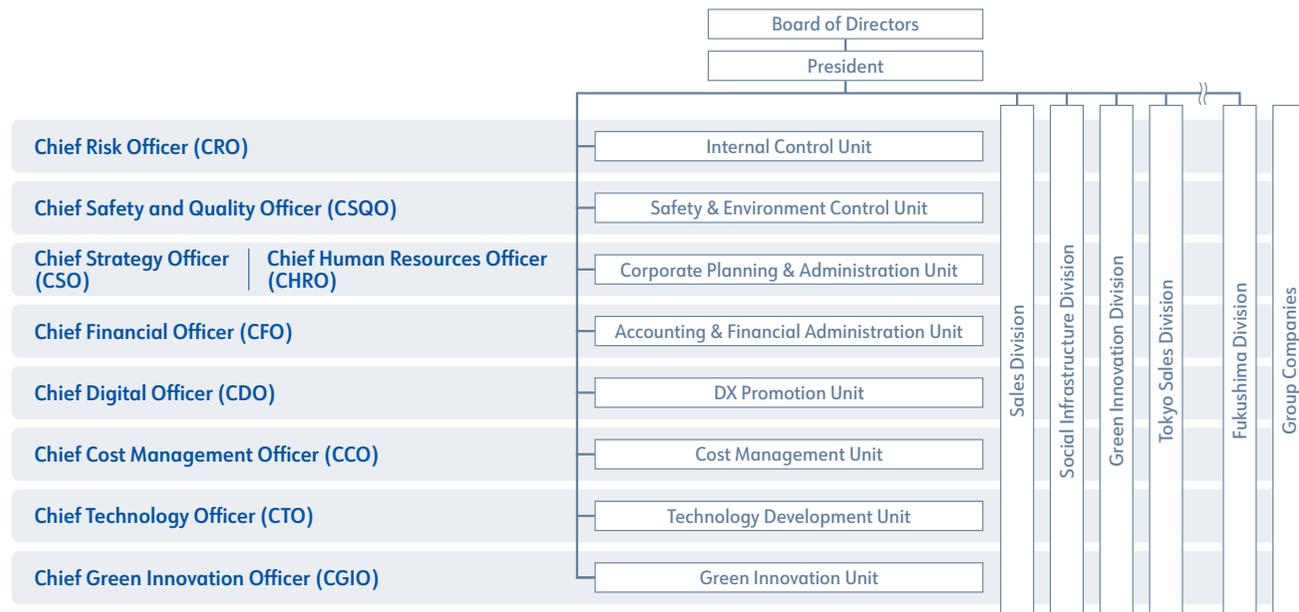
particular, we aim to establish new profit models through systems that help optimize the entire life cycle of customer facilities as part of our aim to become a Green Innovation Company. The information and telecommunications field is experiencing rapid progression in technological innovation. In this field, we intend to open new markets by strengthening our efforts in the local 5G field, which is expected to be used in various scenarios that include BCP measures for public facilities and the construction of remote medical care systems.

To date, our overseas operations have been focused primarily on growing orders and sales to diversify our sales portfolio. As a labor-intensive company, we intend to focus more on hiring and training non-Japanese engineers to work in Japan in the future. Overseas, orders commonly include not only electrical work, but also work for HVAC, sanitation, and other infrastructure construction as a whole. Therefore, we are also considering collaborations with partner companies and M&A to compensate in areas we lack. We are committed to verifying the results of these investments, ensuring our money results in solid growth.

At the same time, we intend to enhance shareholder returns in conjunction with investments in growth. We plan to raise the dividend payout ratio in stages from the 30% target of the previous medium-term management plan to 40% by the final year of the new medium-term plan.

The management vision for Kandenko states that we will be a 100-year company supporting society. The need for power infrastructure of the type we provide will never disappear so long as society exists. We take pride in having brought light to devastated postwar cities and our record of supporting social infrastructure. We are proud of our people, who have continued these practices through hard times and who represent our most valuable assets. This commitment is why we are not afraid to change what must be changed in response to developments in the environment. My mission as president is to grow Kandenko together with society, acting with pride and courage.

Chief Officer System to Ensure Cross-Organizational Coordination





SECTION 1

Value Creation Story

Kandenko aims to establish ourselves as a Green Innovation Company, working toward a *100-year legacy* of supporting society. This section tells the story behind our efforts to achieve this vision, along with our value creation process, materiality, and value chain.

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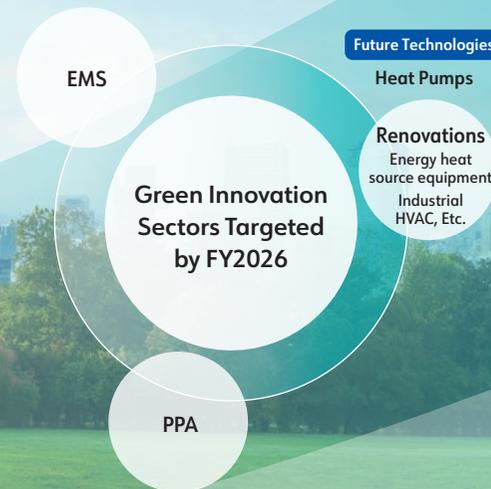
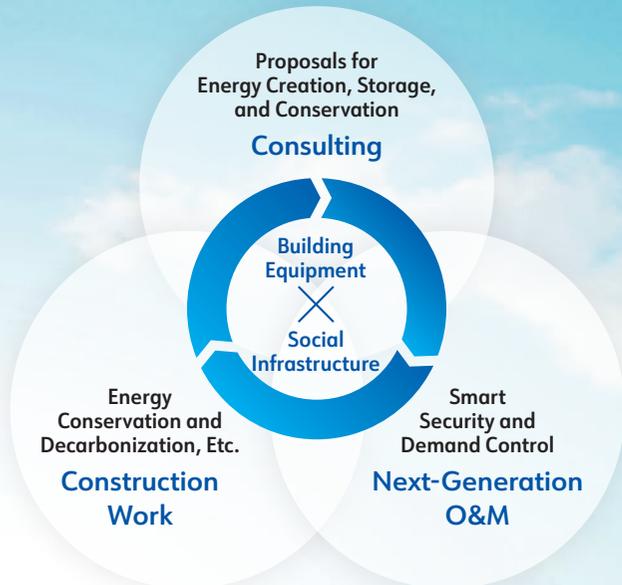
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Becoming a Green Innovation Company

A Total Partner

Offering Optimal Solutions to Client Issues

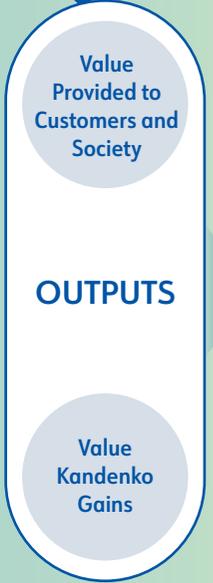
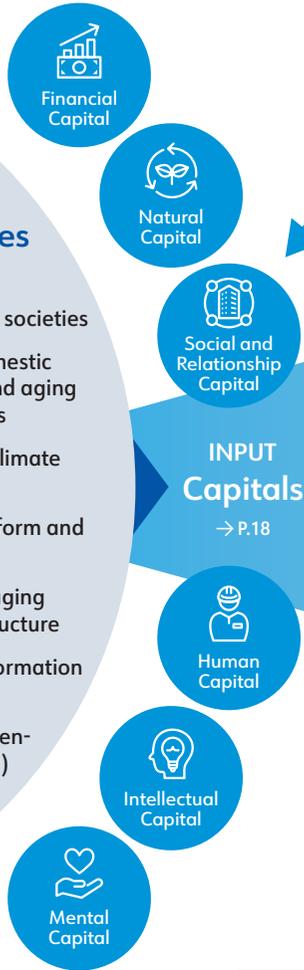
We contribute to decarbonized and resilient societies by maintaining and building social infrastructure, constructing customer facilities, and offering solutions to customer needs.



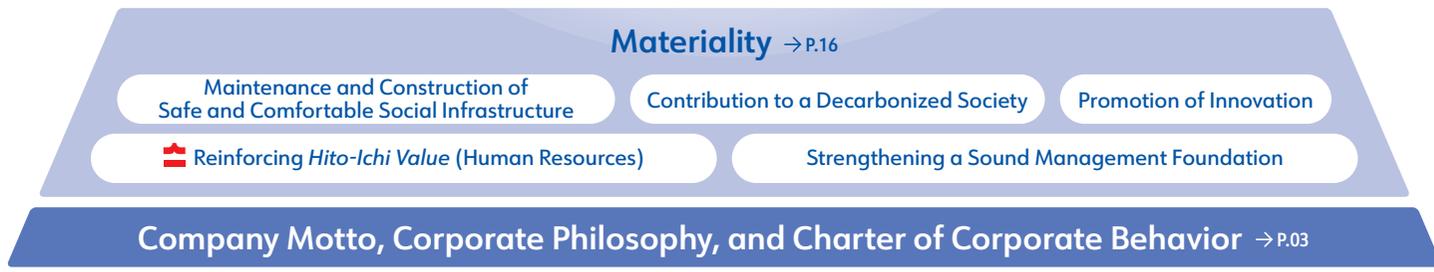
Value Creation Process

Social Issues

- Achieving decarbonized societies
- Declining domestic population and aging demographics
- Response to climate change
- Work-style reform and time off
- Maintaining aging social infrastructure
- Digital transformation
- Resilience (disaster prevention and BCP)



A 100-Year Company Supporting Society as a Green Innovation Company



Materiality

How We Identify Materiality



Maintenance and Construction of Safe and Comfortable Social Infrastructure

In addition to fulfilling our mission of building safe, comfortable facilities, maintaining and developing social infrastructure, and restoring and recovering after disasters, we contribute to sustainable society by solving issues faced by cities and regions and by creating new communities.

For Society and Our Customers

- Build and maintain electric power facilities that support daily life and business activities
- Upgrade and maintain facilities, BCP
- Construct rail, road, water, and local 5G-related infrastructure
- Participate in new urban development (regional microgrids, smart cities, etc.)

In-House Initiatives

- Ensure occupational safety (compliance with rules and procedures)
- Follow rules for building safe, high-quality facilities
- Engage in health management
- Research and develop technologies, methods to improve occupational safety and quality



Contribution to a Decarbonized Society

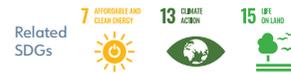
In addition to our own initiatives to reduce environmental impact, we contribute to a prosperous social environment through the construction of renewable energy-related facilities, as well as decarbonization and energy-saving solutions for office buildings, factories, and other public facilities.

For Society and Our Customers

- Offer decarbonization and energy-saving solutions for facility construction and operation
- Engage in the renewable energy power generation business
- Build renewable energy-related facilities

In-House Initiatives

- Reduce CO₂ emissions from construction
- Research and develop environmentally friendly technologies, construction methods
- Reduce energy consumption through equipment upgrades, etc.
- Convert to electric vehicles
- Engage in proper waste control and disposal



Promotion of Innovation

Looking to the future of the construction industry, we must pursue efficient operations and technological innovation through digital technology and other means. We must pursue a business model that contributes to high-quality facility construction, decarbonization, and resilience, collaborating with diverse partners inside and outside the Group.

For Society and Our Customers

- Develop more extensive prefabrication methods and utilization to provide high-quality facilities
- Offer rapid and efficient restoration in the event of a natural disaster
- Prepare facilities against natural disasters

In-House Initiatives

- Engage in business process redesign
- Make advancements in construction and management processes (IoT, AI, robotics, and drone technologies)
- Improve operational efficiency (establish a back office, upgrade IT systems)
- Conduct joint research with universities, local governments, other industries, etc.



Reinforcing Hito-Ichi Value (Human Resources)

To embody our *Humanity First* philosophy in endeavoring for the mutual prosperity of humanity and society, the Kandenko Group must work together with partners, including subcontractors and material suppliers, pursuing high-value-added services through ever-higher levels of technology and expertise.

This idea is what we call *Hito-Ichi Value* – the driving force behind our business activities and contributions to society.

In-House Initiatives

- Develop professionals who live up to the trust of our customers (job-level and on-the-job training)
- Communicate (foster a mutual understanding through dialogue)
- Maintain and improve partnerships with business partners, material suppliers, etc.
- Pursue work-style reform (review business processes; use telework, technology)
- Pursue diversity (support women's active participation, employ persons with disabilities, encourage men to take paternity leave)
- Upgrade training programs (training content, use of VR/AR)
- Develop and instill human rights and procurement policies



Strengthening a Sound Management Foundation

We ensure management transparency through risk management and compliance, which form the basic premise of management. We engage in a management approach to remain a company trusted by society.

In-House Initiatives

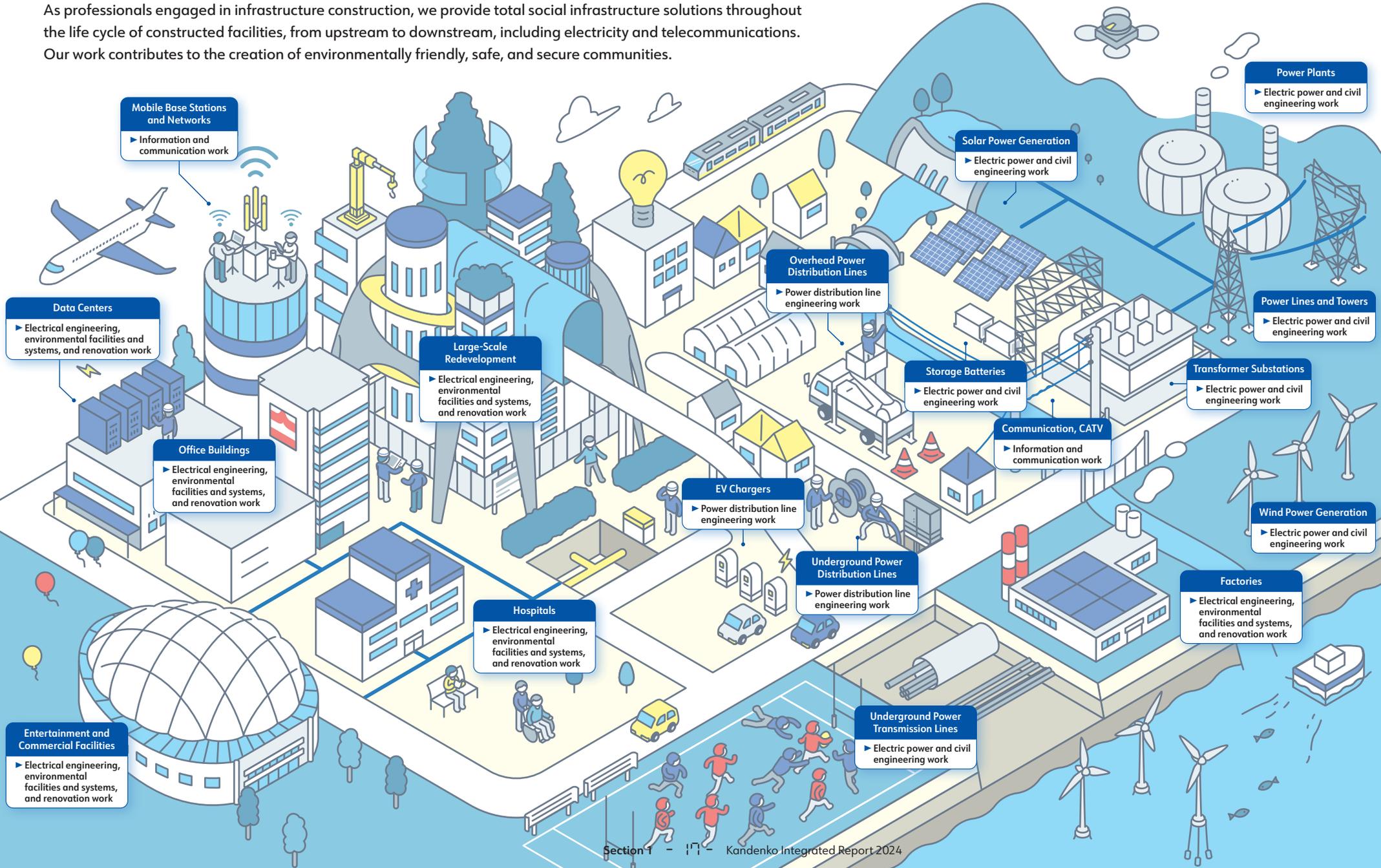
- Maintain and strengthen governance structure
- Conduct appropriate risk and process management
- Engage in consistent compliance
- Maintain and strengthen information security measures



*Follow link for more information.

Kandenko Business Fields

As professionals engaged in infrastructure construction, we provide total social infrastructure solutions throughout the life cycle of constructed facilities, from upstream to downstream, including electricity and telecommunications. Our work contributes to the creation of environmentally friendly, safe, and secure communities.



Definition and Direction of Capital



Financial Capital

Financial foundation that supports business

INPUT

As of March 31, 2024

- Total assets ¥ 567.2 billion
- Free cash flow ¥ 0.7 billion
- Equity ¥ 333.9 billion
- Interest-bearing debt ¥ 27.2 billion

OUTCOME

FY2026

- Operating profit ¥ 45.0 billion
- ROIC 8%+
- ROE 8%+
- Dividend payout ratio* 40%+

*Raise to 40% in stages over time beginning FY2024



Human Capital

Professionals with expertise in electricity, HVAC, communication, civil engineering, and other diverse fields

Hito-Ichi value

INPUT

As of March 31, 2024

- Professional engineers 203
- First and second grade electric work managing engineers 2,498
- First-class electricians 2,403
- First and second grade construction managing engineers 210
- First and second grade civil engineering managing engineers 485

OUTCOME

- Cultivation of next-generation professionals who generate novel value through the integration of technologies and skills
- Establishment of a system to connect professionals and harness synergies
- Recruitment of individuals with expertise in cutting-edge fields like AI, robotics, and data analysis



Natural Capital

Renewable energy resources that reduce negative environmental impact

INPUT

As of March 31, 2024

- Number of renewable energy power plants 19
- Overall power generation facility capacity 66.6MW

[Power generation business](https://www.kandenko.co.jp/business/service31.html)
<https://www.kandenko.co.jp/business/service31.html>

OUTCOME

- Greenhouse Gas Emissions

2050 Net zero

2030 -50% (vs. FY2020)

2026 -18% (vs. FY2020)

*Targets include Scope 1 and Scope 2.



Intellectual Capital

Leveraging foresight and distinctiveness to provide technologies, insights, and the exceptional service developed through years of supporting a stable electricity supply

Hito-Ichi value

INPUT

- Expertise in technology, management capabilities, and skilled labor for the maintenance and construction of facilities and social infrastructures
- R&D investment ¥ 2.3 billion
- Patents (excluding trademarks) 160

OUTCOME

- Pursuit of services with added value (integration of technologies and expertise in electrical and construction facilities)
- Enhancement of decarbonization technologies, including the adoption of EVs as construction vehicles and the development of environmentally friendly construction methods
- Advancing current business operations to build a data platform that creates new businesses



Social and Relationship Capital

Business implementation framework closely connected to local communities

INPUT

- Supply chain (partner companies, manufacturers, agencies)
- Research and project implementation partners (local governments, companies, universities, etc.)

OUTCOME

- Establishing a more robust and resilient supply chain
- Enhancing partnerships and addressing social issues



Mental Capital

A sense of mission to engage with society and customers and successfully complete any task we undertake

Hito-Ichi value

INPUT

- A sincere attitude to address the demands and requests of society and customers
- A commitment to empathize with customers' feelings and ensure dedicated care for projects until completion
- A focused attitude toward the task at hand
- Individual and organizational capabilities that demonstrate strength during emergencies and crises (the ability to accomplish tasks using all available networks)

OUTCOME

- Cultivating a cultural and organizational atmosphere that fosters the connection and expansion of minds

Value Chain

The Kandenko Group provides comprehensive solutions through planning, design, construction, maintenance, and renovation. Our services address diverse customer needs, including energy conservation, decarbonization, disaster preparedness, and business continuity planning (BCP). We aim to provide services that enhance energy utilization and support the development of next-generation facilities offering both convenience and flexibility while promoting carbon neutrality. By leveraging our strengths as a comprehensive facility company, we will integrate electricity, HVAC, communication, network systems, and other essential components to achieve this goal.

Functions and Services

Business Planning and Proposals

- Planning and proposing the construction of optimal facilities and renovations tailored to specific customer needs
- Provision of facility energy management services

Basic Design, Detailed Design, and Estimates

- Pursuit of enhanced facility functionality and convenience
- Maximizing cost effectiveness throughout the construction lifecycle
- Exploration of optimal eco-friendly construction methods

Execution Plans, Procurement, Construction, Operation, and Management

- Proposal of detailed execution plans
- Procurement of optimal materials and equipment
- Joint execution with partner companies
- Thorough safety and quality management

Maintenance and Renovations

- Facility maintenance
- Executing renovation projects to improve the functionality of customer facilities, focusing on decarbonization, disaster preparedness, and business continuity planning (BCP)

Building
Infrastructure
Work

Social
Infrastructure
Work

 **Planning and Proposals**

Kandenko has built significant technological expertise through numerous construction projects, including large-scale redevelopment and major power grid installations in central Tokyo.

 **Design and Engineering**

We integrate our internal engineering expertise with cutting-edge technologies and innovations to strive for facilities and quality that align with customer requirements.

 **Construction Work, Planning, and Execution**

We construct optimal facilities for our customers by uniting our advanced technology, expertise, and construction methods.

 **Operation, Maintenance, and Repair**

We provide comprehensive post-sales services, led by expert professionals and supported by a system that also includes group companies.

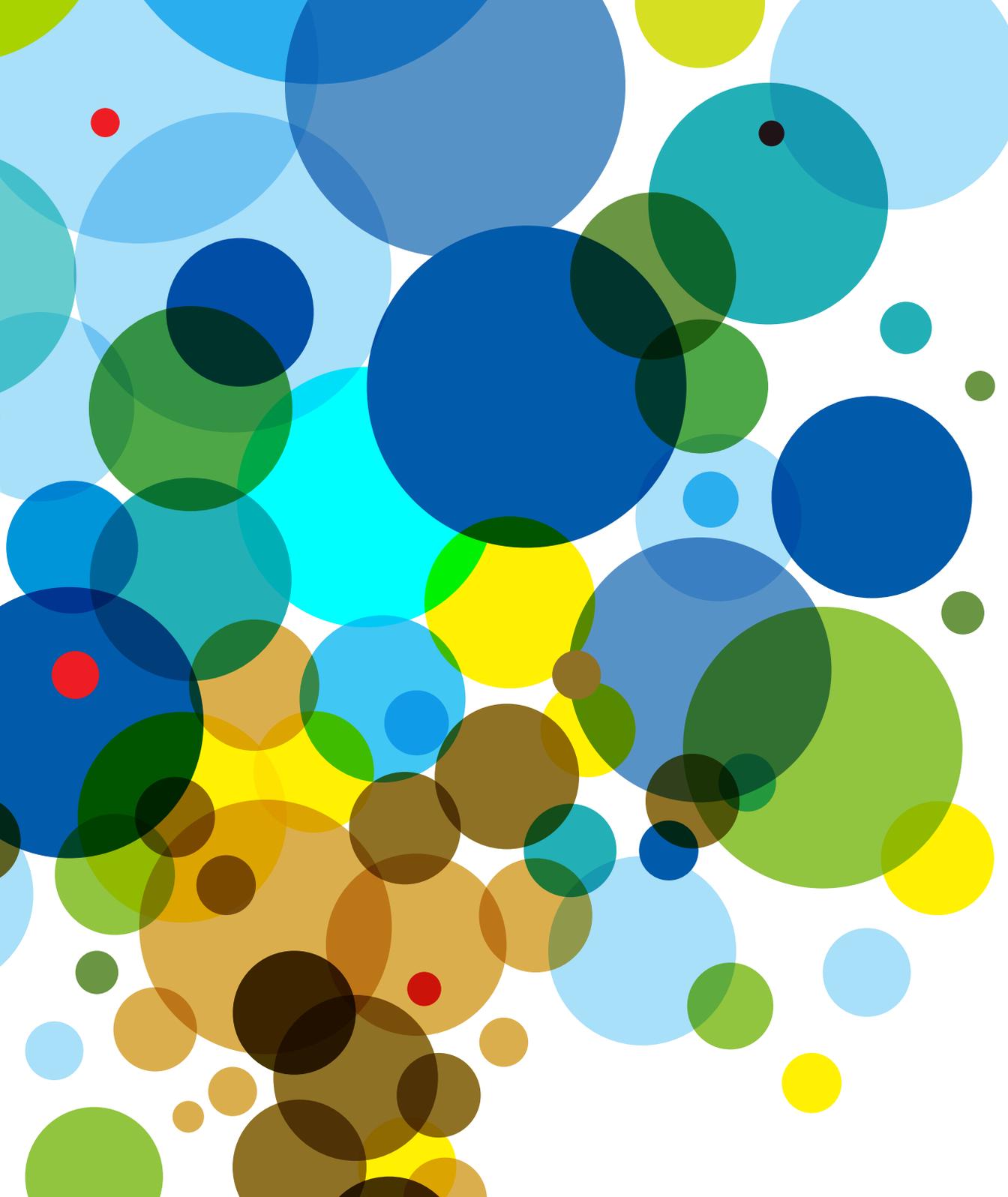
Strengths

Important Stakeholders

The Kandenko Group Corporate Motto is *Humanity First**. Here, "humanity" encompasses not only our employees, but also our shareholders, customers, local communities, and all others. Our mission is to provide valuable services, aiming for the prosperity and happiness of these important stakeholders.

*Corporate Motto → P.03





SECTION 2

Value Creation Initiatives

The medium-term management plan (fiscal 2024-2026) marks the first step toward becoming a Green Innovation Company and bringing our value creation story to life. This section introduces messages from our chief officers on value creation initiatives based on the medium-term management plan, business strategies for each division, and future R&D activities.

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Medium-Term Management Plan FY2024-FY2026 Overview

More change. For a more abundant future.

We formulated Milestone 2030 and an implementation plan, Kandenko Group Medium-Term Management Plan (Fiscal 2024-2026), to enhance the feasibility of our vision to become a Green Innovation Company by 2044, which will be our 100th anniversary.

→ Management Policy and Strategy



2023

Consolidated Net Sales
¥ 598.4 billion

Consolidated Operating Profit
¥ 40.9 billion

2026 KGI		
Consolidated Net Sales	Consolidated Operating Profit	Dividend payout ratio*
¥ 640.0 billion	¥ 45.0 billion	40 %
ROE	ROIC	Greenhouse Gas Emissions
8 %+	8 %+	Compared to FY2020 -18 %
[consolidated]	[consolidated]	[Target: Scope 1, Scope 2]

*Dividend payout ratio: Raise to 40% in stages over time beginning in fiscal 2024

Group Medium-Term Management Plan FY2024-FY2026 Direction

Related Materiality

1	Create a more attractive company and conduct investments more effectively for joyful growth, together with our employees	Strategy to Strengthen Management Foundation Human Resources Investment Finances	Promotion of Innovation Reinforcing Hito-Ichi Value (Human Resources)
2	Contribute to the building and upkeep of social infrastructure and customer facilities to discover more opportunities in existing businesses	Business Strategy Building Equipment Social Infrastructure Green Innovation New Business Overseas	Maintenance and Construction of Safe and Comfortable Social Infrastructure Contribution to a Decarbonized Society Promotion of Innovation
3	Pursue green innovation through collaboration between building equipment and social infrastructure and the creation of new businesses	Strategy to Strengthen Management Foundation DX Production Capacity	Maintenance and Construction of Safe and Comfortable Social Infrastructure Contribution to a Decarbonized Society Promotion of Innovation
4	Pursue DX, business and production process reforms, collaboration among divisions and groups, etc., to increase productivity and efficiency through all means available	Strategy to Strengthen Management Foundation Compliance Safety and Quality Environment	Maintenance and Construction of Safe and Comfortable Social Infrastructure Promotion of Innovation Strengthening a Sound Management Foundation
5	Ensure relationships of trust with stakeholders by ensuring compliance, safety and quality, and by creating a prosperous environment	Strategy to Strengthen Management Foundation Compliance Safety and Quality Environment	Maintenance and Construction of Safe and Comfortable Social Infrastructure Contribution to a Decarbonized Society Strengthening a Sound Management Foundation

CSO Message FY2021-2023 Medium-Term Business Plan Review and Changes in the Business Environment



Instilling a greater sense of change fostered under the previous medium-term management plan to create a more abundant future.

Senior Managing Director and Executive Officer
Chief Strategy Officer (CSO) and Chief Human Resources Officer (CHRO)

Hirofumi Tamogami

—What is your personal mission?

We adopted the chief officer system one year ago. In my first year as CSO, I focused on developing a new medium-term management plan (fiscal 2024-2026). My mission for the second year and beyond is to dedicate my energy to that plan. I recognize that one major role is to advance measures in direction indicated in the medium-term plan, monitoring progress closely to ensure we achieve our goals.

Since the medium-term plan is the basis for specific strategies and measures, including Green Innovation and DX, the mission of the CSO is to support the other chief officers who are responsible for these strategies and measures, providing the necessary management resources. People are our most important management resource, particularly as we operate in a labor-intensive industry. How we maximize human capital will determine the success or failure of our medium-term management plan. I believe this is also the reason why I, as CSO, was also named CHRO.

—What were the accomplishments and issues under the previous medium-term management plan (fiscal 2021-2023)?

We pursued five key policies under the previous medium-term plan: (1) Productivity Innovation, (2) Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths, (3) Strengthening Foundations for Future Growth, (4) Promote Sound Management Activities, and (5) Reinforce *Hito-Ichi Value*.

I believe we accomplished three major milestones over the past three

years. The first was our progress in developing a back-office structure to reduce the workload on-site. Our efforts here were to prepare for the mandatory overtime cap beginning in April 2024. The second milestone was reforming our human resources and wage systems. We pursued reforms based on a policy of rewarding employees who work hard on-site and employees who contribute to business performance. The third milestone was our participation in large-scale projects responding to current trends. These projects included a domestic semiconductor plant and a large-scale renewable energy power facility. As a result of these combined efforts, we met all quantitative targets, including sales, profit, ROE, and ROIC.

While this awareness of change per the slogan of our medium-term plan may not link directly to business performance, we see these results as a major achievement and an indicator that this attitude is taking hold more widely in the company. Many employees responded in our annual employee survey that they have changed personally. A full 90% said they have become more conscious of productivity in their daily work.

At the same time, there are still issues to be addressed. For example, improving labor productivity and hiring, training, and retaining on-site workers. The latter is something we will continue to address in the new medium-term management plan.

—What is the overall view of the long-term vision and the medium-term management plan?

The medium-term management plan is based on assumptions about the

business environment. We see the business environment as a tailwind for Kandenko, as construction demand is expected to increase amid trends toward decarbonized societies and aging social infrastructure. At the same time, we face changes in the form of a declining number of construction workers and caps on overtime work. Here, we must be more productive than ever before to meet the upcoming demand. These are both major challenges and risks.

Reflecting this understanding, we established *Milestone 2030*, intermediate milestones on the way to becoming a Green Innovation Company under our vision for 2044 and the 100th anniversary of our founding. We divided the next seven years into two phases, the first of which is the current medium-term management plan (fiscal 2024-2026).

Under the new medium-term management plan, we intend to achieve sustainable growth based on the awareness of change fostered under the previous plan. The new slogan is *Change! And Create the Future From a New Starting Point*. In terms of performance, we expect relatively moderate growth, due in part to our plans for active investments in growth for the future. For that reason, our next medium-term plan (fiscal 2027-2030) will show the benefits of the growth investments made in this medium-term plan, outlining a story of significant growth.

—What are the key points of the next medium-term management plan (fiscal 2024-2026)?

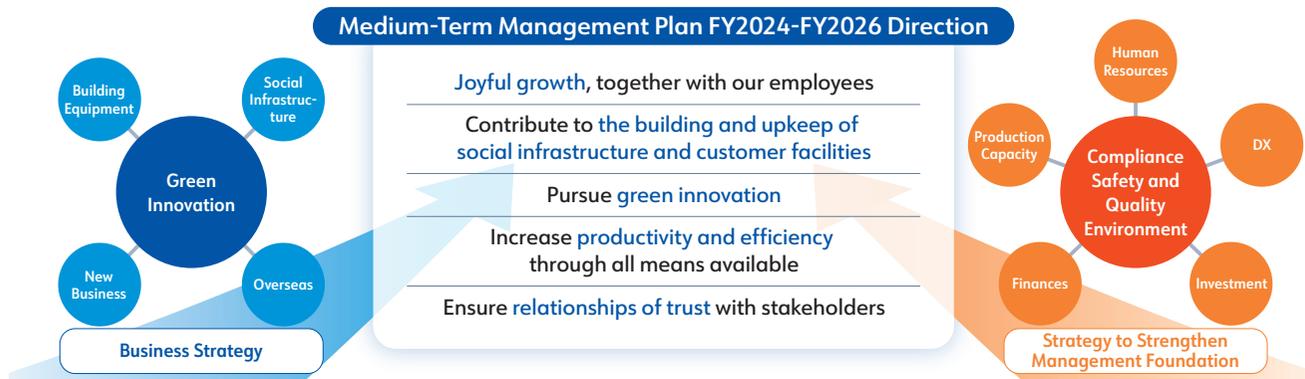
One major feature of the next medium-term management plan is that it clearly defines five directions. We created specific strategies in two broad categories based on these directions: (1) Business strategy and (2) Strategy to strengthen our management foundation. This is the first time we have made this approach a part of our medium-term plan. Our aim here is to make it easier for employees to understand the relationship between the work of their department and the corporate strategy.

In addition to maintaining and building social infrastructure and customer facilities as in the past, our business strategy clarifies specific initiatives to create new value based on Green Innovation.

[Business Overview and Business Strategy ▶ P.31](#)

Our strategy to strengthen our management foundation consists of five elements, built around three that serve as the basis of trust with society and customers: Compliance, safety and quality, and the environment. Of these five elements, however, human resources is at the top. To protect social infrastructure and customer facilities, we must hire and train people to become leaders over the medium to long term. We intend to maximize

CSO Message FY2021-2023 Medium-Term Business Plan Review and Changes in the Business Environment



human capital through attractive workplaces that lead to improved engagement and recruitment advantages. We also intend to develop people with a sense of mission and who support society through solid technical and management skills.

Underpinning production capacity as a management foundation are the components of recruiting workers, maximizing on-site productivity, and strengthening procurement capabilities through coexistence and co-prosperity with business partners. Our idea here is to move forward in parallel, since every one of these elements is crucial. In terms of DX, our goal is to engage in data-driven management by 2030 to maximize the performance of management resources. [CDO Message ▶ P.27](#)

In addition to these components, we will address the issues of investment (for sustainable growth) and finance (cost of capital and share price) with great attention.

—What is the intent behind prioritizing human resources strategy?

After discussions among the management team, we defined *happy growth together with employees* as the first of our five directions under the current management plan. This direction reflects management’s intent to place the highest importance on human capital management, striving for sustainable growth by maximizing the value of human resources. This direction is also related directly to company mottos, *Humanity First* and Reinforce *Hito-Ichi* Value. What does happy growth mean for Kandenko and our employees? We want to have ongoing discussions about this with our employees.

We will approach the strategy to maximize human capital from three perspectives: How to recruit the greatest number of talented people; how to nurture the people we hire; and how to utilize the people we nurture effectively. The basis for these perspectives is creating attractive workplaces. In these days of increasing human resources mobility, the first step in human capital management is to increase the attractiveness and engagement of the company from the perspectives of the employee, students, and mid-career professionals.

Specific measures include compensation distribution that rewards employees for their contributions to company performance, improved compensation overall, work-life balance, including balancing work with



childcare and nursing care, and pursuing *K. Assertion* activities to create open and comfortable workplaces. We helped with restoration efforts when a major typhoon in 2019 caused extensive damage in Chiba Prefecture. Local students who saw our efforts then came to us later for employment interviews, saying that they wanted to join Kandenko and support their hometowns with us. We want to be a company that values people who raise their hands and embrace this kind of spirit.

—I ask all employees to commit to growth.

We intend to invest a total of ¥100 billion over three years under the new medium-term plan. This is an unprecedented scale of investment for growth in our company. We expect the investment to consist of ¥40 billion for business investments (M&A and alliances), ¥40 billion for capital investments to improve productivity and business continuity, ¥15 billion for IT and DX investments, and ¥5 billion for technology development.

We also disclosed our efforts to improve capital efficiency in light of the stock market’s demand for management that is conscious of the cost of capital and share price. In addition to achieving ROE and ROIC of over 8%, respectively, we set a numerical target to reduce cross-shareholdings by ¥10 billion at least, looking to increase working capital turnover.

We also set a dividend payout ratio target of 40%, and continue to return profits to shareholders actively based on our basic policy of maintaining stable dividends, balanced with considerations of business performance and environment.

In pursuing the measures in the medium-term management plan, we will emphasize change and speed at even greater levels through the united efforts of management and employees. Last, we will endeavor to earn the trust of our stakeholders. In Japanese, the word trust is written as “talk to others.” Communication is essential to gaining trust. We will endeavor to communicate with employees, shareholders, customers, local communities, and all stakeholders, making steady progress toward becoming a Green Innovation Company.



Aiming to grow sustainably together with society, offering total support in solving energy-related issues.

Executive Vice President and Executive Officer
Chief Green Innovation Officer (CGIO)

Yuji Ueda

—What is Green Innovation?

Green innovation is the development and implementation of new ideas and technologies to minimize environmental impact and pursue sustainability. We aim to improve energy efficiency not only for our customers, but also for society as a whole, through equipment installation and energy-related solutions for energy generation, energy storage, and energy conservation.

The electrical, HVAC, telecommunications, and other equipment we deliver to customers consume large amounts of power. At the same time, regulations are tightening with the global awareness of the need for decarbonization and greater scrutiny of electricity consumption by society. The key issue for customers who install and operate equipment is how to reduce energy consumption. We intend to become a reliable partner in helping solve this issue.

Plenty of room exists for us to commit to improving operational efficiency after equipment delivery. We plan to contribute to solving customer challenges, acting as a total partner in not only delivering equipment, but also providing consulting services and next-generation O&M based on digital technology. As our efforts expand, we will contribute to solving society's energy challenges and enhance our corporate value. This is the Green Innovation to which we aspire.

—What is your history with Green Innovation efforts?

Under the previous medium-term management plan (fiscal 2021-2023), we pursued a number of initiatives under the slogan, *Green Innovation*

Company. Thanks to these efforts, we recently began receiving an increasing number of inquiries from customers. These inquiries reminded us that awareness of issues related to energy consumption continues to strengthen.

Energy-consuming equipment is complex and requires expertise. Our ability to provide total solutions in the key areas of electricity, HVAC, and telecommunications gives us a competitive edge in the industry. Renewable energy is indispensable for the formation of decarbonized societies. Here, one of our strengths is the wide variety of power plants, including solar, wind, and hydroelectric power plants, that our group owns and operates.

To maximize these strengths, we began collecting and analyzing information in each area during the span of the previous medium-term plan. As an extension of these efforts, we established a new Green Innovation Division in July 2024. This division integrates the development and operational functions of renewable power generation business and new businesses that contribute to green innovation. The division will address issues while maintaining a cross-organizational orientation. In other words, the current medium-term plan nurtures the seeds of green innovation sown during the previous plan.

Our progress in green innovation is also linked closely to national policies. Full-scale emissions trading will begin in Japan in 2026, and the Japanese Cabinet has decided to impose a carbon levy on companies beginning in 2028. Since electricity prices will rise inevitably once the carbon levy is introduced, we expect to see an even greater need for

facility energy-saving measures to reduce this burden. In light of these trends, we are preparing now to respond quickly and appropriately to the upcoming rise of the green innovation market.

—What are the main points of Green Innovation under the new medium-term management plan?

As a concrete vision for the new medium-term management plan (fiscal 2024-2026), we envisioned a one-stop business model providing solutions for power generation (renewable electricity), visualization, and storage and use (storage batteries, energy savings).

We placed particular emphasis on the visualization of energy usage. While electric power companies accumulate 24-hour, 365-day data on user power consumption, these companies do not possess detailed information on the frequency of use and consumption efficiency for individual pieces of equipment. An energy management system is a tool to identify this information. Electric power companies cannot match our advantages as a comprehensive facilities company to offer total solutions, including new installations, maintenance, and servicing at customer facilities.

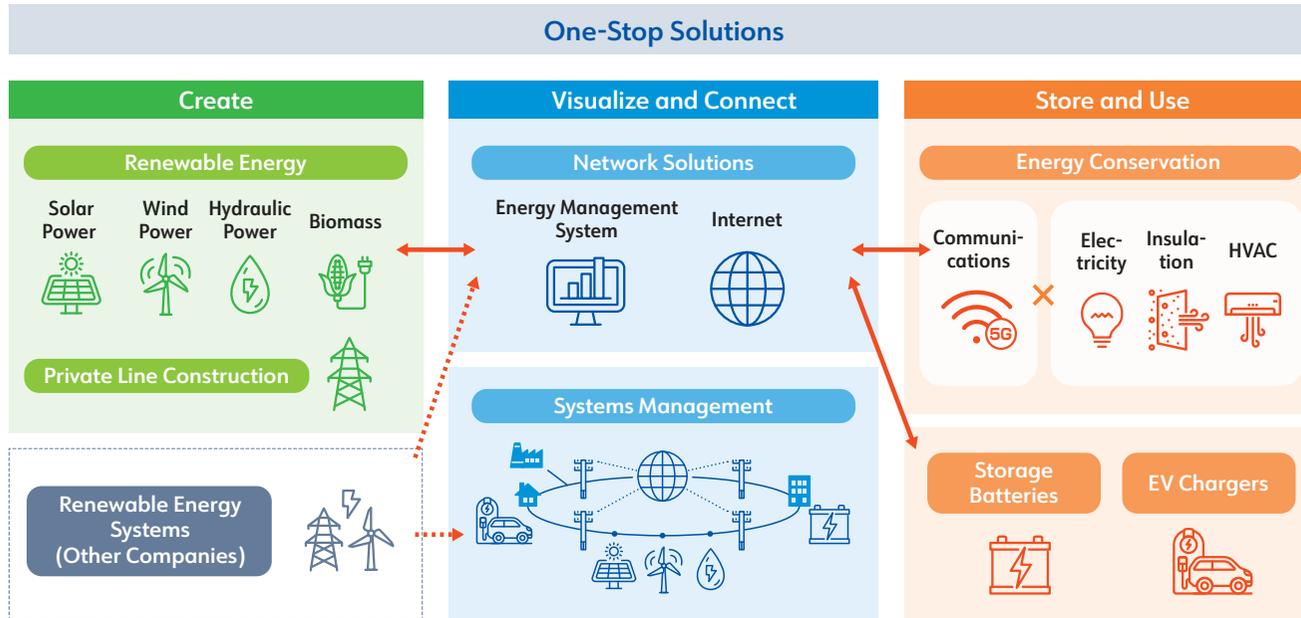
By collecting, accumulating, and visualizing this detailed data as a macro energy map, we will be in a position to propose improvements based on solid data analysis. Large buildings generally have central monitoring systems in place. Our main targets for the future will be medium-sized buildings and factories. In addition to the large number of such facilities, we believe the potential demand is significant. We expect a considerable number of factories will offer a high potential for efficiency improvement according to size, production facilities, and operating hours.

—What type of people will you need for Green Innovation?

We must maintain contact with customers throughout the lifecycle of equipment and devices if we are to offer data-driven sales proposals.

To this end, our employees must go through a change in mindset, breaking from business processes and time frames of the past. Historically, sales activities centered on searching for and acquiring information on new construction projects in the market. As we pursue the Green Innovation Business, we must take an attitude of planting seeds, taking time to get closer to customers, deepening mutual understanding, and delivering greater value. At the same time, we must develop an environment and tools making it easier for employees to utilize visualized data.

CGIO Message Green Innovation



We are also looking to collaborate with start-ups and other companies that possess excellent technology and knowledge. These collaborations will help us supplement where we lack and respond quickly, instead of developing total consulting, support knowledge, and next-generation O&M services wholly in-house. We expect to see synergistic effects, whereby younger employees gain knowledge and expertise, while increased collaborations with outside experts accelerate the development of next-generation human resources.

—What technological developments will you emphasize for Green Innovation?

The first will be sensing technology, which is indispensable for visualization. We are focusing on technological development in this area, including a cloud environment for storing and utilizing the vast volumes of data obtained from sensors.

In terms of power generation, we are focusing on Perovskite solar cells, which we expect will become the next generation of solar cells. We are in joint development for building material-integrated solar cells with YKK AP

Inc. for solar cells installed on the interior windows and exterior walls. This approach is advantageous, given the installation sites for conventional solar power generation equipment are limited by Japan's topography.

We also want to focus on storage batteries in the future. Storage batteries are an indispensable key technology for renewable energy. However, technology and experience are required to deal with the many types of storage batteries and propose the most appropriate solution for each scale and application. While we already have a track record of successful installations, we want to polish our capabilities and technology, branding ourselves in a way that evokes Kandenko and storage batteries in the minds of customers.

—What is your personal mission as CGIO?

I am strongly aware that the Green Innovation Business will make a significant contribution to the growth of our group. Under the next medium-term plan, investment in the Green Innovation Business will be part of a ¥40 billion business investment. We will continue to consider investments to bring in the functions we require, while monitoring the

outcomes of investment based on quantitative indicators.

I am also aware of the role we must play in society. Energy is an important infrastructure that is the foundation of a country. An unstable energy supply could lead to an exodus of companies overseas. To deal with this challenge, every building and factory in our country must work toward power generation, storage, and conservation. This challenge is one meaning for our pursuit of Green Innovation.

Visualizing energy leads to an understanding of the movements of people and society, and the applications for visualization are expanding widely. We intend to aggressively build expertise and a track record by taking advantage of the Kandenko strength in handling all aspects of electricity, HVAC, and telecommunications.

In retrospect, our company was founded just before the end of World War II. In the intervening 80 years, we built a history of support for the stable supply of energy demanded by the economy and society, starting from our original goal of bringing light to devastated cities. The perspective of Green Innovation to maximize energy efficiency may differ, but our DNA of supporting society remains the same. In the spirit of keeping what must stay and changing what must change, we are committed to continuing our efforts without forgetting the basics of serving customers and society.

CDO Message Achieving Corporate Transformation Through DX-Based Business and Production Process Reforms



Working toward data-oriented management through data-driven business reforms that improve production efficiency.

Managing Director and Executive Officer
Chief Digital Officer (CDO)
Tsutomu Kawata

—What is this data-driven management that Kandenko aims to achieve in 2030?

Under the current medium-term management plan (fiscal 2024-2026), we defined DX as one of our strategies to strengthen our management foundation. The main theme for this strategy is to achieve data-driven management by 2030. Data-driven management is management that makes decisions based on data, or objective facts. We are creating a system to deliver accurate data to management, eliminating subjectivity and ambiguity to the greatest extent possible. We will do so by filtering information by source or differences in the data viewed across different organizations.

With our rich and diverse on-site experience, we should possess a treasure trove of data. However, my feeling is that this data is dispersed among individual employees and remains to be analyzed and utilized as big data on a company-wide basis. This is also true at the on-site level, where each employee only reuses the data they have saved for themselves. We understand that there may not necessarily be a high awareness of sharing information across similar on-site workplaces for mutual benefit.

With a declining workforce population and the new caps on overtime, we will not be able to meet the demands of the market unless we make more effective use of data in the field. The first step toward data-driven management is to consolidate and organize the data accumulated by individual employees and organizations on a company-wide scale. Then we must build a platform easily available to anyone, linking data to more

sophisticated management decision making and improved productivity at the work site.

Kandenko DX Strategy Major Initiatives for Data Driven Management by 2030



—What is your specific vision for this data platform?

We are in the process of building a management information integration platform to maximize the return on management resources by collecting and linking all manner of information related to people, goods, and money. We are conceptualizing various platforms based on this concept.

For example, to address the urgent issue of the declining number of construction workers, we have been studying the establishment and start of a construction human resources management platform for the efficient use of human resources at current levels. This platform will be a company-wide database of construction worker skills, backgrounds, and qualifications. We can compare this database with the availability and schedule at each job site for systematic and optimal worker assignments.

The platform also has the benefit of visualizing how many resources will be available at what time, providing a competitive advantage in sales activities. By linking this platform with our human resources system, we will visualize who is contributing and how much they are contributing at each site. This data will not only improve motivation and engagement through appropriate personnel evaluation, but also lead to the discovery and selection of excellent young employees.

The sales division is constructing a sales information platform to centralize information required for sales activities. In addition to eliminating inefficient tasks, including recording and managing sales history, gathering information for documentation purposes, etc., users will be able to utilize accumulated sales histories and order information to engage in more strategic sales activities.

—What changes will DX bring to construction sites?

The division of labor between the field and back office is key to maximizing productivity at construction sites. First, we classify all tasks in the field into core tasks and non-core tasks. All non-core tasks, such as documentation, various notifications, and drawing preparation, are handled by the back office. This off-loading allows field personnel to maximize their technical knowledge and focus on core tasks that include customer relations, safety and quality management, labor management, process management, and cost management. This division of labor improves overall operational efficiency and accuracy.

To facilitate this division of labor, we must have a system that shares data with the construction sites. We developed and rolled out a field support system that not only links data with the back office, but also allows users to search information related to similar work in the past. We

CDO Message Achieving Corporate Transformation Through DX-Based Business and Production Process Reforms

have distributed smartphones and tablets to all employees over the past three years. These tools have not only improved operational efficiency, but also paperless work sites, giving the impression that our construction sites are much smarter than before. We continue with digitalization suited to each site, which includes hands-free operation and smart glasses. These are additional devices that create an environment to collect and use even more diverse data safely and comfortably.

We are also considering how to use AI at construction sites. In addition to analyzing and alerting workers to past occupational and equipment accidents, we can use AI for tasks that relied previously on human judgment. One example would be estimating work related to construction, and we could expect significant efficiency and accuracy improvements. We are also looking at generative AI, endeavoring to improve the AI literacy and skills of our employees so we can examine effective ways to use this technology while giving proper consideration to the handling of confidential information.

—What are some examples of DX-based operational process reforms?

We have already begun work on the 6Go Logistics Center concept. The 6Go Center is an off-site factory operating in Rokugo, Ota-ku, Tokyo, that serves as a base for prefabrication and unitization. In addition to using a production management system at this site, we can add the functions of a logistics base to improve construction work efficiency across the entire business process.

Several years ago, we began prefabrication and unitization to increase on-site availability. Preplanned processing of components in units at the factory eliminates the need to wait for processing at the site and improves efficiency significantly. This new concept links the center’s production management system with the ordering and process management systems to optimize production planning. We will know which parts and materials are needed at which sites and when. At the same time, just-in-time delivery to the construction site minimizes on-site waiting time.

We are working diligently to prepare operations of a logistics center equipped with the new system. In the future, we intend to install the system in multiple locations at the center, expanding the scope of components prefabricated. For example, prefabricating electrical wiring shafts, which house electrical cables and other components, will accelerate the construction process and provide value by leveling the workforce and shortening construction periods. We expect prefabrication

will also lead to new business opportunities, including selling unitized components to other companies.

—What initiatives are you pursuing to develop DX human resources?

Our society as a whole faces a shortage of DX personnel. The question is not only how to foster DX personnel within the company, but also how to instill a greater change in employee awareness. DX education and implementation are meaningless unless paired as a set, so we are moving forward with education, including mindset training.

As part of the program, we began a DX literacy program in fiscal 2023. Based on the results of a questionnaire, in fiscal 2024, we plan to categorize proficiency into five levels, develop educational content according to the level, and implement full-scale DX training starting in fiscal 2025. The goal of this training is to increase the number of employees who use digital technology and data actively from the perspective of how to improve their work. The accumulation of our efforts should raise the level of the entire organization.

In addition, we will provide training by employee level. New and younger employees already have an interest in DX and will develop the ability to identify business issues. Mid-level employees will be trained with the ability to think of solutions to business issues and propose DX answers, while managers will acquire skills to create an organization suitable for DX and to formulate DX promotion policies. We are also focused on training DX Leaders who will drive DX in each department. Our goal is to train 65 employees over three years beginning in 2025.

—What are your investment plans for data-driven management?

We expect IT and DX investments to account for about ¥15 billion of the growth investment framework in the current medium-term plan. The applications will run a wide range, including the restructuring of core systems to achieve data-driven management, the construction of various data platforms, as mentioned above, digitalization of construction sites, and business process reform. From the perspective of ensuring business continuity, we will continue to strengthen cyber security measures and pursue an optimal level of security that ensures safety and convenience at the work site.

Our first step toward data-driven management by 2030 will be a data collection platform as described in the new medium-term management

Basic Training		Training by Level			Basic Training	
LV5	Digital Skills Training by Job Level/Job	Management	Roles Required for DX		DX Leader Training (Selected)	Learning Throughout the DX Leader Community
		General Manager and Branch Manager level	Policy for DX			
		Manager	DX Advancement Organization			
		General Employees	Basic (All)	Advanced (Non-Engineers)		
		Mid-Level and Senior Management	Consider Solutions to Business Issues	Propose DX Solution		
LV1	New Hires and Young Employees	Interest in DX	Discover Business Issues			

plan. We will then speed up and find more in-depth uses for data under the next medium-term management plan. We hope to establish a company-wide data utilization cycle from data collection, analysis, visualization, and decision-making for more sophisticated and strategic decisions. We also aim to enhance productivity and efficiency in every possible way by upgrading business and operational processes and by strengthening cooperation among group companies and organizations. We will drive Kandenko toward *more change* with the power of digital technology.

Financial Strategy and Capital Policy

We strive to build greater trust as we work toward achieving our new targets.

—FY2023 Review

Revenue and profit increased due to steady growth in semiconductor factories and several other areas

Net sales continued to perform well in fiscal 2023 due to steady progress in projects receiving private-sector construction investment, including semiconductor factories, large-scale redevelopment projects, and data center-related projects. Our electricity capital investments were also strong following the implementation of the revenue cap system. Proactive value engineering proposals, cost reduction proposals, and improved productivity through enhanced on-site support systems contributed to stronger profitability. As a result, both sales and profits exceeded previous year results.

The Company raised funds to address higher working capital for

large-scale projects and ongoing capital investments aimed at strengthening construction capabilities and improving productivity, impacting cash flow for fiscal 2023. Cash position (cash and cash equivalents) remained at the same level as the previous year.

Short-term bank borrowings serve as our primary method for procuring funds beyond cash on hand. Our financial position remains secure, with a capital adequacy ratio of 58.9% at the end of fiscal 2023.

—Medium-Term Management Plan

Making strategic investments to increase orders and improve productivity

We conducted business during the previous medium-term management plan under our concept of *Change! And Create the Future From a New Starting Point*. Our key policies of Productivity Innovation and Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths progressed smoothly, allowing results to exceed our initial plan. At the same time, we recognize the challenge of further enhancing corporate value. Addressing this challenge requires greater focus on long-term initiatives aimed at future growth and strengthened investment in human capital.

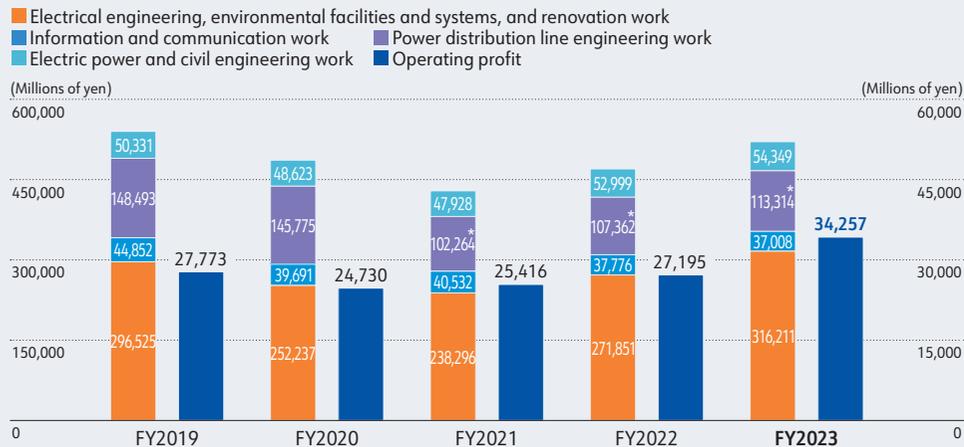
Our concept for the new medium-term management plan is *More*

change. For a more abundant future. With this concept in mind, we established financial targets aiming for an ROE and ROIC of over 8% each by fiscal 2026. We plan to make growth investments of approximately ¥100 billion over the next three years to achieve these targets. We will also strive to generate profits, reduce low-profit assets, and build an optimal business portfolio. These investments include ¥40 billion for expanding business areas and deepening existing businesses, ¥40 billion for capital investment to enhance productivity and energy efficiency, ¥15 billion for IT/DX initiatives, and ¥5 billion for R&D. Through these investments, we aim to drive sustainable growth and enhance corporate value over the medium to long term.

Increasing orders and enhancing productivity are critical factors to strengthen profitability. The construction industry will face overtime work hour limits starting in fiscal 2024, increasing the pressure for more efficient operations. The Kandenko Group will make more proactive investments than ever in human capital and productivity improvements even under such circumstances. These investments are a part of our strategy to expand earnings, which is essential for corporate growth.

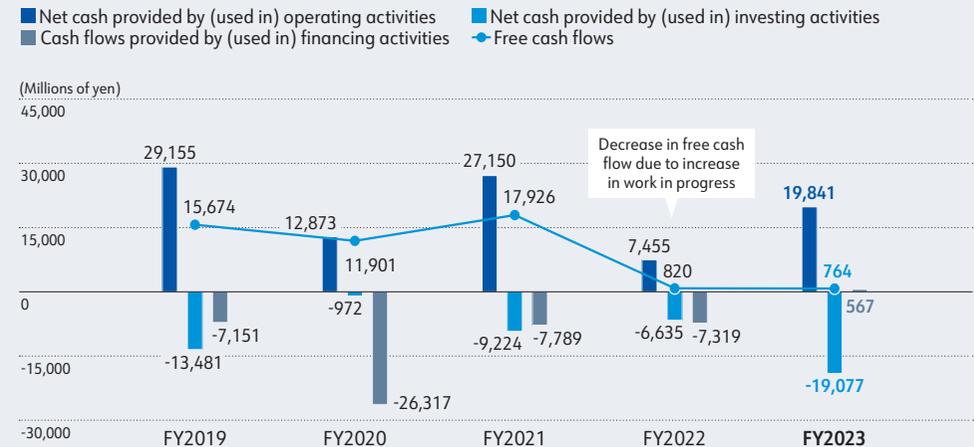
We will also maintain a stable financial base and raise funds through borrowing and other means as necessary to conduct these investments. We will use the cash generated from the sale of cross-shareholdings in

Net Sales of Completed Construction Contracts and Operating Income (Non-Consolidated)



*The Company adopted Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., in fiscal 2021.

Cash Flows (Consolidated)



Decrease in free cash flow due to increase in work in progress

Financial Strategy and Capital Policy

growth investments. Our cross-shareholdings totaled ¥61.1 billion as of the end of fiscal 2023, accounting for 17.7% of consolidated net assets. We aim to reduce this ratio to below 10% by selling a cumulative total of at least ¥10 billion in cross-shareholdings between fiscal 2024 and fiscal 2026.

—Shareholder Returns and Communication With Shareholders and Investors
We strive to pay stable dividends and enhance engagement

We conduct shareholder returns under our basic policy of maintaining stable dividends, taking into consideration business performance, the business environment, and other factors. We strive to provide a more active return to our shareholders. Under our medium-term management plan, we aim to increase the consolidated dividend payout ratio gradually from the current level of 30% or higher to 40% by fiscal 2026.

The Kandenko Group also strives to disclose our business performance, conditions, strategies, and other corporate information in a timely and appropriate manner. Furthermore, we strive to deepen communication with shareholders and investors, holding regular financial results briefings for analysts and institutional investors and responding to individual IR interviews. We endeavor to conduct highly transparent corporate

management by reflecting the stakeholder opinions we receive through dialogue in our management. These efforts will enhance engagement, leading to further enhancement of our corporate value.

—Becoming a Green Innovation Company
We are committed to doing our part to achieve a carbon-neutral society through multifaceted market analysis

The Kandenko Group aims to become a green innovation company by building a new business portfolio that adapts to a carbon-neutral society. To this end, we will conduct an in-depth and multifaceted market analysis, comprehensively considering the growth potential and profitability of our businesses. We also explore entering consulting services and other new businesses, in addition to reviewing our existing businesses.

Through these initiatives, we aim to contribute to the realization of a sustainable society, further strengthen our competitiveness as a company, and achieve long-term growth. Transitioning to a carbon-neutral society is another critical challenge that will support long-term corporate growth. As such, we will formulate and steadily implement specific action plans to make this transition.

—Message to Our Stakeholders

The Kandenko Group strives to uphold highly transparent management, aiming to become a company trusted by all

Constructive dialogue with shareholders and investors is essential to enhance corporate value over the medium to long term. We value the opinions of our shareholders, investors, and other stakeholders on the future vision of the equipment construction industry, our company’s direction, the progress of our medium-term management plan, and our ESG initiatives. We incorporate these insights into our future management strategies, financial strategies, and capital policies.

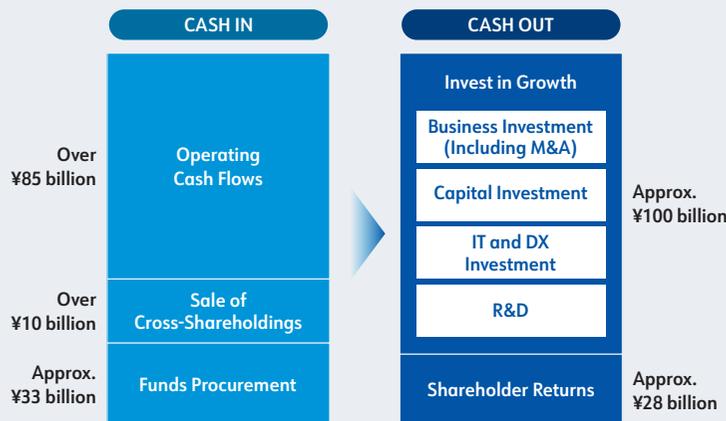
We aim for sustainable growth by engaging in dialogue with stakeholders to achieve more transparent management. These dialogues enable us to understand societal expectations and concerns and incorporate them into concrete actions. The Kandenko Group is dedicated to upholding our social responsibility and earning your trust.

→ Initiatives for Managing With a Focus on Capital Costs and Stock Prices

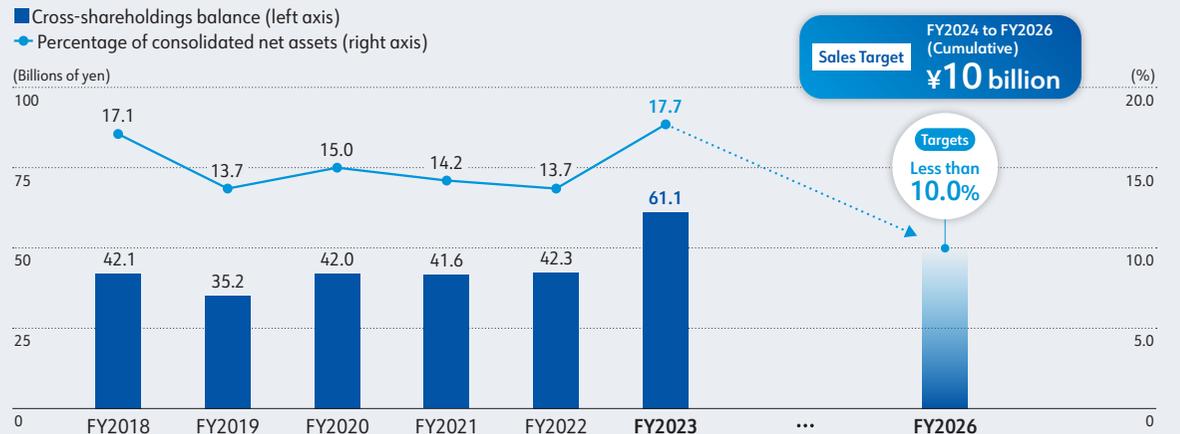


*Follow link for more information.

2024-2026 Cash Allocation



Cross-Shareholdings Balance and Percentage of Consolidated Net Assets



Business Overview and Business Strategy

Building Infrastructure Work
**Electrical Engineering,
 Environmental Facilities and
 Systems, and Renovation Work**

→ P.32



Business Overview

The electrical engineering, environmental facilities and systems, and renovation work segment is responsible for the installation and expansion of electrical facilities in various buildings both in Japan and overseas, including office buildings, factories, hotels, commercial facilities, educational institutions, and hospitals. The segment also addresses diverse customer needs, offering services ranging from equipment diagnosis to design, proposals, construction, and maintenance, including in the renewal of existing infrastructure.

Customers

- Construction companies
- Real estate developers
- Manufacturing companies
- Government offices, etc.



→ Work Projects

Business Strategy
 Construction reform
 Sales and engineering reform

Social Infrastructure Work
**Information and
 Communication Work**

→ P.34



Business Overview

The information and communication work segment has extensive experience, ranging from planning new installations and renewals to design, construction, and maintenance in all types of network infrastructure. Such infrastructure work includes upgrades to optical fiber cable networks, installation of transmission base stations for mobile communications, and construction of networks for CATV and municipalities.

Customers

- Mobile phone carriers
- CATV operators
- Government offices
- Electric power company
- Telecommunications service providers, etc.



→ Work Projects

Business Strategy
 Contribution to decarbonization

Social Infrastructure Work
**Power Distribution
 Line Engineering Work**

→ P.36



Business Overview

The power distribution line engineering work segment handles the installation and maintenance of overhead and underground power distribution lines that provide electricity directly to households, stores, and other customers. The segment demonstrates advanced technical capabilities using safe and efficient construction methods, tools, and work vehicles. Our construction system responds quickly and appropriately to unforeseen situations caused by earthquakes, lightning, heavy rain, and other natural disasters.

Customers

- Electric power companies, etc.



→ Work Projects

Business Strategy
 Respond to aging infrastructure

Social Infrastructure Work
**Electric Power and
 Civil Engineering Work**

→ P.38



Business Overview

The electric power and civil engineering work segment performs electrical work for power stations, substations, and transmission lines, as well as in nuclear power plants. Our recent work includes building wind and solar power plants and interconnecting lines to transmission line networks. The widely recognized comprehensive expertise and extensive experience of the Kandenko Group enable our segment to secure a large number of orders.

Customers

- Electric power companies, etc.
- Renewable energy power generation businesses
- Government offices, etc.



→ Work Projects

Business Strategy
 Improve construction systems
 and strengthen construction capacity

Building Infrastructure Work Electrical Engineering, Environmental Facilities and Systems, and Renovation Work



Shibuya Sakura Stage (Tokyo)

FY2023 Review

Orders received increased due to demand for large-scale construction projects; net sales of completed construction contracts also rose, driven by successful efforts to strengthen construction capabilities and improve productivity

Orders received and net sales of completed construction contracts in our division increased 20.1% and 16.3% year on year respectively, exceeding previous year results.

We won several large new construction projects in electrical engineering under orders received, including semiconductor-related factories and urban redevelopment projects. The division also captured

demand for facility renewals in buildings constructed during the bubble era and advanced value-added proposals that support carbon neutrality. Renovation-related projects also remained strong. The increasing demand for carbon-neutral construction work, fueled by the shift toward decarbonization, presents significant opportunities for our division. In environmental facilities and systems and renovation work, we won construction contracts for office buildings and resort hotels generally in line with our plan. Our overseas base in Singapore also won a large-scale transportation infrastructure project.

Net sales of completed construction contracts increased due to the completion of several factories, mainly in the semiconductor field. The full-scale operation of redevelopment projects in metropolitan areas such as Tokyo, Yokohama, and Osaka also contributed to this increase. Major

domestic construction work in our division consists of active private-sector capital investment in semiconductor-related factories and redevelopment projects in central Tokyo. To this end, we expect net sales of completed construction contracts to remain strong.

Additionally, several initiatives from the previous medium-term management plan are starting to gain momentum. These efforts include enhancing construction capabilities, ensuring flexible and efficient personnel allocation, advancing construction technologies through prefabrication and unitized methods, and transitioning on-site operations to back-office processes. These efforts enable us to efficiently handle large volumes of work across various areas, including beyond metropolitan regions, resulting in higher net sales of completed construction contracts.

Business Activities

Electrical engineering work | Work on electrical facilities and equipment, building interiors work, control equipment, and indoor network in all types of buildings and structures

Environmental facilities and systems and renovation work | Work on air-conditioning and sanitation systems, water and heat systems, and disaster prevention systems

Net Sales of Completed Construction Contracts in FY2023

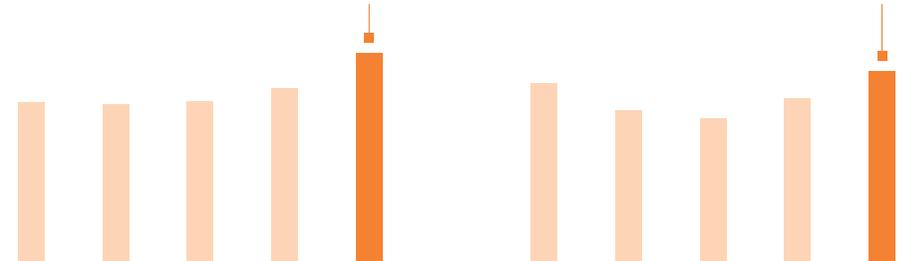
¥ 316,211 million YoY 116.3%

Orders Received

¥346,738 million
Compared to the previous fiscal year
+¥58,118 million

Net Sales of Completed Construction Contracts

¥316,211 million
Compared to the previous fiscal year
+¥44,359 million



Building Infrastructure Work Electrical Engineering, Environmental Facilities and Systems, and Renovation Work

Business Strategy

Electrical Engineering

1 Discover more opportunities in existing businesses

- Win strategic orders using AI and data
- Expand base of close and ongoing customers
- Train on-site office and renewal sales staff

2 Expand business domains

- Acquire technology for optimal controls related to creating, storing, and saving energy

Air Conditioning and Sanitation

1 Secure long-term orders for large projects and enter the industrial HVAC sector

- Develop qualified personnel and recruit engineers
- Accumulate technology and expertise

2 Propose upgrades for heat source equipment, etc.

- Pursue M&A, alliances with companies possessing technology and skills in heat source equipment renewal
- Build a thermal solutions implementation system

Indoor Networking Plants

1 Transition to a stock-type business [indoor networking]

- Propose IP-integrated networks for building equipment
- Establish proprietary products and solutions

2 Total engineering [plant]

- Plant-related collaboration among group companies
- Expand into the water treatment sector

Tailwinds

- Active private-sector capital investment (semiconductor-related factories, large-scale offices, and data centers)
- Increased demand for green transformation (GX), including decarbonization

Headwinds

- Ongoing price surges in copper and construction materials
- Labor shortages in the construction sector
- Deceleration of the global economy amid inflation and monetary tightening policies in various countries
- Cancellations and delays of planned projects due to declining business confidence among corporations

Medium-Term Management Plan FY2024-FY2026

We aim for ¥354.0 billion in orders received and ¥340.0 billion in net sales of completed construction contracts in fiscal 2024. Our plan to achieve these goals balances orders and construction while sustaining high performance levels. We will address the overtime cap taking effect in fiscal 2024 and maintain profitability while placing the highest priority on compliance. Our division will also establish a foundation to support the future division of labor in the field and the development of solution sales.

We will focus on environmental facilities and systems and renovation work to achieve our medium-term management plan targets. We will leverage our abundant construction investments and the surge in decarbonization-related investment to strengthen collaboration with our group companies. We will focus on strengthening construction capabilities and enhancing our safety and quality management systems to secure long-term orders for large-scale redevelopment projects. Additionally, we will acquire the necessary technologies and expertise to enter the industrial HVAC sector.

One of the most urgent issues we will address is strengthening our construction capabilities in anticipation of future labor shortages in the construction sector. Recently, the scale of individual construction projects has grown significantly, as exemplified by semiconductor factories and data centers. Such circumstances make it imperative to secure construction personnel and subcontractor workers and improve productivity to meet construction demand while complying with the cap

on overtime.

Our efforts to respond to such circumstances include enhancing our training content for technical staff and introducing individual instructor training through a tutor system to accelerate the early turnaround of young employees into a competitive force. We will also continue our efforts to recruit career professionals and new graduates for temporary employment, as well as to cultivate subcontractors and help our strengthen relationships.

Our division will implement bold reforms in construction work processes over the medium term to achieve Milestone 2030. We aim for our back office to manage around 30% of on-site construction operations, including quality, process, safety, labor, and cost. Plans are in progress to expand our off-site factory (6Go Center) and build a logistics center for transporting prefabricated and unitized materials and equipment to construction sites. We are currently in the process of selecting a potential site for the new factory as we renovate the existing building to enhance production capacity.

Furthermore, our division began to improve the way we manage customer information as part of our sales process reform. We are transitioning from a sales approach reliant on individual management to a system that emphasizes shared knowledge. As part of this effort, we introduced an AI-based customer analysis tool during the current fiscal year to identify market trends and needs and began leveraging this information in our sales activities.

Becoming a Green Innovation Company

Our divisions aim to fulfill three key roles. The first is to solve customer issues in energy conservation, energy creation, energy storage, renovation, and maintenance. We expand or sales efforts in storage batteries and other GX fields to improve energy efficiency at customer facilities and support sustainable operations. Our second role is to maximize our engineering and construction mobilization capabilities to establish a strong presence in planning factories that will support the establishment of

a mass production system in Japan for the storage battery and semiconductor industries. Our third role is to establish a framework that supports optimal energy supply, consumption, and control. We are committed to enhancing the functionality of energy management systems by proposing energy control solutions for facilities, delivering efficient and highly reliable systems.

- Sales expansion of storage batteries and other areas that lead to green innovation
- Efforts to capture further demand for renovations of deteriorated facilities, including power transformers
- Proposals to support customers in conserving, generating, and storing energy, including PPA projects for renewable energy generation
- Proposals to enhance energy management systems and manage energy use in customer facilities

Social Infrastructure Work Information and Communication Work



CATV cable installation work (Kanagawa Prefecture)

FY2023 Review

We aim for steady growth through the development of next-generation telecommunications infrastructure

Orders received for mobile equipment and CATV equipment declined due to changes in customer investment plans. Despite this decline, orders received amounted to 116.3% of the previous year due to steady orders for TEPCO-related work subject to the revenue cap system and efforts to acquire expressway-related work.

Net sales of completed construction contracts increased significantly, driven by the steady completion of TEPCO-related projects under the revenue cap system, which saw an increase in orders. Meanwhile, large-

scale optical fiber installation projects and quality improvement measures implemented during the COVID-19 pandemic have run their course in the CATV equipment work. Mobile equipment work was also affected by the stagnation of 5G capital investment by mobile carriers. As a result, net sales of completed construction contracts in the information and communication work segment remained at 98.0% year on year.

Our division views the rapid growth of the big data market as a positive development, driven by advancements in information and communication technologies and the expanding volume of digital data.

Projects to address impacts from intensifying natural disasters increased as demand grows to enhance regional resilience. We are also advancing the development of next-generation expressways utilizing ICT for more sophisticated and efficient road management.

Additionally, capital investment plans to become carbon neutral are also gaining momentum. The Kandenko Group will continue to leverage our construction technologies in the information and telecommunications field, expanding our efforts in renewable energy and other initiatives aimed at achieving a sustainable society.

Business Activities

- Installation of optical fiber cables and equipment for electric power companies and telecommunications carriers
- Construction and maintenance of CATV and municipal networks
- Construction and maintenance of mobile communication base stations

Net Sales of Completed Construction Contracts in FY2023

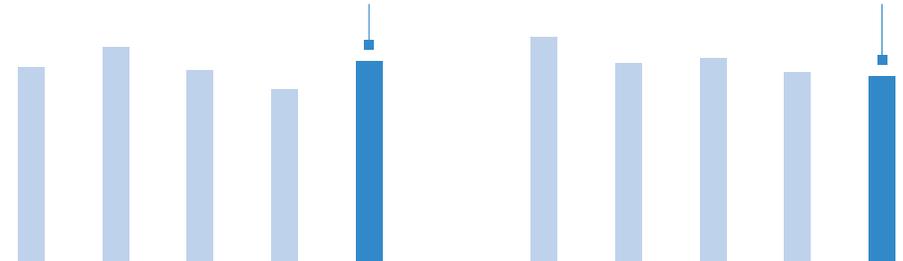
¥ **37,008** million YoY **98.0** %

Orders Received

¥ **40,010** million
Compared to the previous fiscal year
+¥5,610 million

Net Sales of Completed Construction Contracts

¥ **37,008** million
Compared to the previous fiscal year
-¥767 million



Social Infrastructure Work Information and Communication Work

Business Strategy

1 Restructure revenue base

- Expand contracts in public works projects
- Acquire **maintenance service** technologies (EV charging equipment, PPA-compliant construction)
- Acquire technological capabilities in **software**, gather information on and respond to new technologies

2 Improve productivity and operational efficiency

- **Streamline operations** in collaboration with partner companies
- **Centralize or move routine operations to back-office tasks**
- Build an efficient construction management system

Tailwinds

- Investments in upgrading communication infrastructure and renovation facilities
- Rapid growth of the big data market due to the increase in digital data volume
- Planned capital investments under the revenue cap system
- Infrastructure development and strengthening regional resilience (in response to intensifying natural disasters)
- Advancement of next-generation expressway development (capital investment driven by enhanced road management)
- Active capital planning aimed at achieving carbon neutrality

Headwinds

- Lower profitability due to rising material and labor costs
- Labor shortages due to the declining working population
- Declining construction volumes due to changes in investment plans by mobile carriers and CATV operators

Medium-Term Management Plan FY2024-FY2026

Division targets for fiscal 2024 include ¥42 billion in orders received and ¥39 billion in net sales of completed construction contracts. To achieve these targets, we intend to maintain the scale of orders for communication cable equipment, mobile equipment, and CATV equipment, which form the foundation of our business. At the same time, we will make proactive efforts on expressway-related construction, disaster prevention radio facility construction, and other projects. We will continue improving our service quality to meet diverse customer needs, with a focus on introducing new technologies and enhancing efficient construction management.

Our division will make more active bids on projects and allocate personnel strategically to cultivate engineers for the next-generation expressway market. We also recognize the importance of pursuing a solutions business that is not limited to equipment installation. To this end, we established a comprehensive support system for customers and to provide more reliable services.

The Group also plans to align with the shift in telecommunications carriers' capital investment from maintaining and building telecommunications infrastructure to implementing carbon-neutral measures.

Other growth areas the Group anticipates include smart cities and smart energy. To showcase our strengths in these areas, we will prioritize recruiting and training personnel in software technology and related fields. We will also build platforms that leverage digital data and create innovations based on telemedicine, automated driving, and other telecommunications technologies.

Our division also develops new customers and streamlines operations by strengthening our cooperation with our partners and affiliates. We aim to further expand our earnings base by boosting market competitiveness through enhanced construction capabilities and deeper business development. At the same time, we will continue promoting environmental sustainability and contributing to the creation of a sustainable society. Our division is committed to enhancing internal collaboration to deliver long-term societal value while expanding our business.

Becoming a Green Innovation Company

Demand for efficient energy coordination is growing as companies and municipalities strive harder for carbon neutrality. To meet such needs, the Kandenko Group is committed to leveraging our information and communication technologies to drive business expansion.

Our division strives to strengthen customer relationships by offering a comprehensive range of energy system services. These services include the installation, maintenance, and operation of equipment, as well as consulting, procurement, remote monitoring, load control, and energy coordination with local power generation companies.

One area we hope to focus on is supporting the introduction of remote monitoring systems for power storage batteries and other equipment designed for electric power and telecommunications companies. We also intend to develop our solutions business in collaboration with our group companies, NETSAVE Co., Ltd. and NextCadix Ltd. Furthermore, we intend to respond to the recent increase in decarbonization needs by supporting the introduction of power generation and storage battery facilities in corporate and municipal Power Purchase Agreement (PPA) projects.

- Support the introduction of remote monitoring systems (e.g., storage batteries for power supply) for electric power and telecommunications companies
- Collaborate on solution businesses with group companies NETSAVE Co., Ltd. and NextCadix Ltd.
- Support the installation of power generation and storage battery facilities in PPA projects for companies and municipalities

Social Infrastructure Work Power Distribution Line Engineering Work



Field testing of next-generation pole-setting vehicles capable of transporting, excavating, and installing power poles with a single vehicle (Ibaraki Prefecture)

FY2023 Review

We are experiencing increasing demand in the green transformation (GX) and energy sectors and are striving to further strengthen and develop our construction capabilities

Both orders received and net sales of completed construction contracts increased year on year in our division. This outcome reflects our steady and efficient efforts from the beginning of the fiscal year to secure and execute maintenance and repair contracts for electric power facilities, including those under the revenue cap system.

We secured a substantial volume of work for TEPCO-related construction projects. We produced steady results in overhead power

distribution line work through our measures to increase profitability. These measures included enhancing work efficiency by combining multiple projects and reducing travel time losses between sites. In underground power distribution line work, we worked closely with clients and design companies on a project-by-project basis to ensure steady orders and efficient construction for various projects, including large-scale pole-free power distribution lines. We also completed a significant number of construction projects for general customers. These projects included power pole-free construction for disaster prevention and mitigation, EV charging facilities to meet GX-related demand, and LED street lighting upgrades.

Our division anticipates significant positive factors going forward from national and local government plans to reduce power poles and the

increasing demand in the energy sector. Demand for renewable energy-related equipment is expected to grow further as part of our GX growth strategy, along with the increasing demand for EV charging equipment, which continues to attract strong interest. We anticipate greater demand for our construction capabilities as the development of energy infrastructure accelerates.

On the other hand, the overall industry faces particularly significant risks from a declining workforce due to falling birthrates and an aging population. These challenges are especially critical in power distribution line engineering, which relies heavily on the skills and expertise of experienced workers. To this end, we are committed to responding to the growing demand while securing human resources and passing down skills.

Business Activities

Overhead power distribution line work | Construction and maintenance of overhead power distribution lines facilities involving power poles with power cables

Underground power distribution line work | Construction and maintenance of underground distribution lines facilities involving power cables underground

Net Sales of Completed Construction Contracts in FY2023

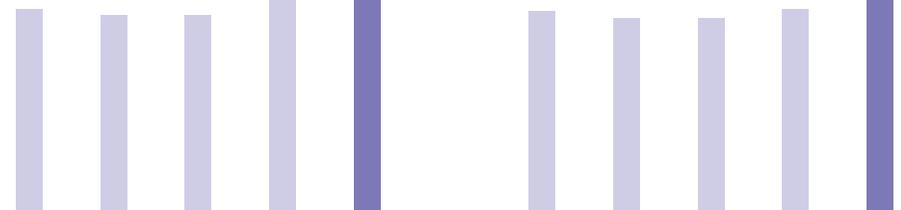
¥ 113,314 million YoY 105.5%

Orders Received

¥ 119,718 million
Compared to the previous fiscal year
+¥7,322 million

Net Sales of Completed Construction Contracts

¥ 113,314 million
Compared to the previous fiscal year
+¥5,951 million



Social Infrastructure Work Power Distribution Line Engineering Work

Business Strategy

1 Expand business domains

- Construction to **replace street lights with LEDs**
- Private line construction for **renewable energy**
- Secure proposal orders for **disaster prevention and mitigation** construction

2 Increase construction capacity and operate efficiently

- Foster multiskilled **technical workers** (pillar installation skills)
- Develop and utilize on-site labor-saving technologies
- Improve safety management operation efficiency

Tailwinds

- The revenue cap system, which requires electric power companies to plan systematic facility renewals, began in fiscal 2023
- National and municipal governments advanced plans to eliminate power poles
- Demand expanded under our GX growth strategy for energy-related pole-free construction, EV charging facilities, and solar power generation facilities

Headwinds

- Declining workforce due to declining birthrates, the aging population, and depopulation (a major risk, especially in the power line distribution work, which relies heavily on the skills and techniques of workers)

Medium-Term Management Plan FY2024-FY2026

Division targets for fiscal 2024 include ¥123 billion in orders received and ¥120 billion in net sales from completed construction contracts. To achieve these targets, we strive to secure steady orders and complete projects, particularly those under the revenue cap system. Furthermore, we will strive to further improve productivity and use resources efficiently.

Specific initiatives to improve productivity include reforming business processes and strengthening profit-generating capabilities. For example, we began using 2D barcodes to manage power pole locations. This system allows us to use smartphones to identify the optimal route to construction sites, reducing travel times and improving the efficiency of construction team operations. Our division also works to expand the use of digital technology in on-site support systems. Such technology will enable us to promptly determine construction work in each area and ensure efficient personnel allocation.

We also aim to accelerate engineer development by leveraging VR equipment, hands-on training devices, and other digital tools to enhance training programs and transfer technology and skills. Building on these efforts, we will review our technical certification system to evaluate and develop professional personnel.

To strengthen our ability to generate profits, we reviewed certain construction areas to optimize our construction capabilities. We expect this review will optimize resources, leading to improved productivity through reduced travel time.

Our efforts to innovate construction technology include conducting proof-of-concept tests using a next-generation pole-setting vehicle that transports, excavates, and installs power poles with a single vehicle. Electricians can operate these pole-setting vehicles to install power poles without any special certifications, reducing the need for multi-skilled and labor-efficient workers. We plan to use these vehicles to replace aging poles, which are expected to increase in the future. We also distributed assist suits and assist tools to verify their effectiveness, while expanding applications of the small-diameter curved piping method is being expanded to install piping in tight spaces and on complicated routes. Our division actively researches and develops materials, tools, and construction methods that reduce on-site labor, aiming to reduce workloads and enhance efficiency through electrification.

The power line distribution division launched the Digital Transformation Project to reform business processes. Efforts are underway to leverage digital transformation to reform our operations and productivity improvement processes. These efforts will expand the use of digital technology across various areas while streamlining daily business operations.

Our division will unite to strategically enhance construction capabilities while implementing effective measures to secure talent, addressing the company-wide challenge of a shrinking workforce and achieving our goals.

Becoming a Green Innovation Company

Our division engages in various efforts to reduce CO₂ emissions to achieve a decarbonized, resilient society. These efforts include reducing fossil fuels by using battery power in the mounted portion of aerial work vehicles and the electrification of general business vehicles. We are also shifting to electric and lighter tools and equipment to reduce CO₂ emissions in a multifaceted manner from an on-site level.

Society as a whole increasingly demands

enhanced and stable supplies of decarbonized power sources as the uses of renewable energy expand. We intend to provide autonomous power supply in each region and contribute to the construction of the next generation of distributed power systems.

Our company plays a role in the stable supply of electric power. To this end, we are committed to strengthening our business by prioritizing resilience construction to combat increasingly severe natural disasters.

- Engage in LED street lighting and disaster prevention and mitigation work (pole-free construction)
- Accelerate the development of engineers and management personnel to establish a foundation for future growth; secure new laborers

Social Infrastructure Work Electric Power and Civil Engineering Work



Yuchi Wind Farm Construction (Hokkaido)

FY2023 Review

Pursuing aggressive nationwide sales expansion, driven by the growing market for renewable energy construction and storage battery construction

Orders received grew to 114.1% of the previous year with an increase in order volume for work under the TEPCO revenue cap system and contracts for large-scale storage battery projects toward the expanding adoption of renewable energy.

We endeavored to increase net sales of completed construction contracts through additional work or work changes based on detailed management of construction progress and negotiations with clients. We also focused on enhancing on-site backup systems for large-scale

construction projects through in-house support projects and detailed process management. At the same time, we worked to secure orders and complete projects in the current fiscal year, mainly for TEPCO-related construction projects. Meanwhile, renewable energy construction was 102.5% of the previous year, even as certain projects were affected by postponed business plans.

The division is looking at growth opportunities in a number of areas. In the infrastructure field (TEPCO-related and nuclear power construction), we expect more work to result from the revenue cap system, more preventive maintenance and anti-obsolescence work for extra-high-voltage and high-voltage substations, and ongoing safety- and maintenance-related work for nuclear power plants and reprocessing plants.

The field of extra-high-voltage transformer facilities is poised for infrastructure expansion. Here, large-scale investments by the public and private sectors are on the rise in line with the *Strategy for Semiconductors and the Digital Industry* of the Japanese Ministry of Economy, Trade and Industry. We expect new projects are expected to arise from renovation work at large-scale water purification plants and other facilities under the Tokyo Metropolitan Government's TOKYO Resilience Project, as well as from increased demand for wind power generation and other renewable energy sources.

We view renewable energy construction and storage battery construction as growth fields. In these fields, the market for operations, management, and maintenance (O&M) is expanding as renewable energy becomes a major source of power. However, we see an increasing

Business Activities

Power Generation and Transformer Construction |
Power generation and transformer construction, renewable energy power plant construction

Power Line Construction |
Overhead power line construction

Underground Line and Civil Engineering Work |
Underground power line construction, civil engineering work

Nuclear Power Construction |
Nuclear power plant facility repairs and maintenance inspections

Net Sales of Completed Construction Contracts in FY2030

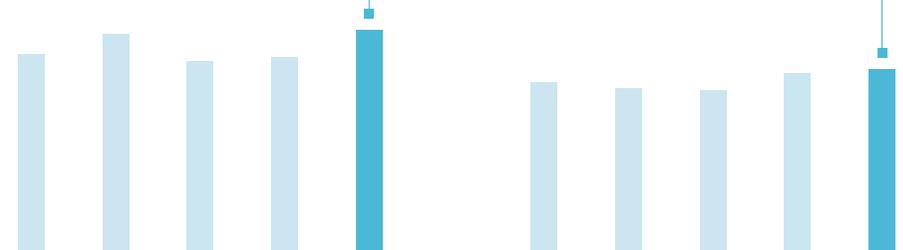
¥ **54,349** million YoY **102.5** %

Orders Received

¥ **66,044** million
Compared to the previous fiscal year
+¥8,144 million

Net Sales of Completed Construction Contracts

¥ **54,349** million
Compared to the previous fiscal year
+¥1,349 million



Social Infrastructure Work Electric Power and Civil Engineering Work

Business Strategy

1 Expand our revenue base

- Construction work for **renewable energy, storage batteries, and wide-area power grids**
- Construction work for **civil infrastructure** (water, sewer, etc.)
- **Safety compliance construction** for nuclear power plans
- Participation in hydrogen-related facilities

2 Improve the efficiency of and bolster construction systems

- Pursue **inter-industry cooperation**
- Improve structure for **large-scale projects**
- Hire more **cable jointer** workers

Infrastructure Field (TEPCO Facilities and Nuclear)

- Rising long-term capital investment under the revenue cap system
- Increasing preventive maintenance work and anti-obsolescence work at extra-high-voltage and high-voltage substations

Expanding Infrastructure Field (General, Extra-High-Voltage, Etc.)

- Increase in large-scale public-private investments in semiconductor factories and DCs, etc., in line with the *Strategy for Semiconductors and the Digital Industry* (METI)
- Increase in large-scale water purification plants and sewage facility upgrade renewal projects under TOKYO Resilience Project (Tokyo Metropolitan Government)
- Increase in demand for new extra-high-voltage power transformer equipment amid demands for decarbonization and BCP

Growth Areas (Renewable Energy, Storage Batteries)

- Wider adoption of renewable energy as a main power source and expanding O&M under the Basic Act on Energy Policy
- Expanding market for power grid storage batteries and self-consumption solar power generation

Tailwinds

Headwinds

- Rapid decline and aging of the construction workforce
- Increase in reviews and postponements of plans due to soaring construction costs for renewable energy projects

trend of plan revisions and postponements by renewable energy companies due to soaring construction costs. The market for storage batteries and self-consumption solar power generation is also expanding, calling on our technological capabilities to a greater degree than ever before.

Medium-Term Management Plan FY2024-FY2026

Division targets for fiscal 2024 include ¥77 billion in orders received and ¥55 billion in net sales from completed construction contracts. To achieve these goals we will first ensure we can respond to substation and transmission line facility-related work subject to the revenue cap system, leveraging the combined strengths of our sales, design, and construction teams. We will also engage in aggressive sales activities to secure orders for renewable energy construction and storage battery construction, including work replacing existing facilities. Further, we plan to perform water supply- and sewerage-related construction and joint utility ditch related construction in response to aging civil infrastructure.

The division is focused particularly on hiring and motivating human resources. We intend to bring younger employees into the workforce as quickly as possible, increase the number of experienced and qualified personnel, and provide improved training to personnel with specialized skills in extra-high-voltage cables. From the standpoint of recruiting construction workers, we plan to assign senior workers with abundant on-site experience to highly complex work sites to provide on-site on-the-job training for younger employees. We continue to review training plans

Becoming a Green Innovation Company

The division is engaged actively in construction projects for wind and solar power plants in the renewable energy field. We will continue to acquire knowledge and technology in energy storage plants and hydrogen production facilities contributing to the adjustment of electricity supply and demand. In this context, we intend to seek orders for hybrid-type construction projects that combine renewable energy and large-capacity storage battery

to foster multi-skilled human resources ready to meet the diversifying needs of the market.

As part of our efforts to make workplace environments more attractive, we plan to close offices on Saturdays and encourage employees to take holidays as one measure to comply with the overtime work limit regulations. At the same time, we have adopted an employee award system to evaluate employee contributions, maintaining and improving employee motivation. In this way and others, we work consistently to improve employee engagement.

In addition, we conduct organizational reviews to strengthen interdepartmental collaboration, expand support for group companies and subcontractors to secure construction capabilities, search continuously for new subcontractors, and strengthen procurement capabilities by adding more materials and equipment suppliers to our list.

systems, in addition to the power grid construction projects of renewable energy providers.

To win orders in the storage battery market, which is expected to grow significantly in the future, we plan to obtain and utilize design expertise to build systems for efficient construction, operation, and maintenance.

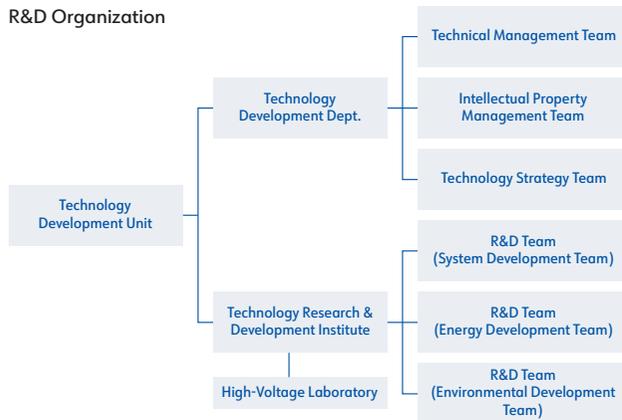
- Win orders for civil infrastructure anti-obsolescence work to improve resilience
- Provide support for construction work related to substations and transmission line facilities under the revenue cap system
- Obtain and use design expertise related to storage batteries for efficient construction, operation, and maintenance

R&D Activities

R&D Organization

In July 2023, the Company revised our R&D structure to encourage cross-functional R&D, establishing a Technology Development Unit directly under the CTO. The Technology Development Unit consists of two organizations. The Technology Development Department is responsible for formulating plans and policies related to technology development and general management. The Technology Research & Development Institute engages in specific technology development and research activities. We also own a technical research laboratory and a high-voltage research laboratory.

R&D Organization



1,800kV impulse voltage generator



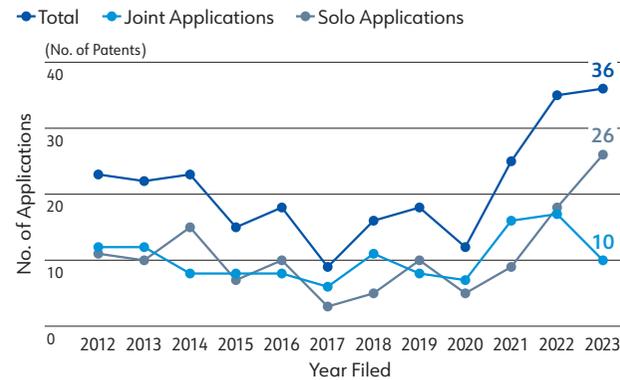
Research & Development Institute

Intellectual Property Initiatives

We create, protect, and utilize intellectual property, focusing on technologies that improve construction techniques and ensure safety and quality, particularly in electrical equipment construction. In addition to these technologies, we secure high-value intellectual property that strengthens our business foundation by strategically applying for patents beginning at the ideation stage.

In fiscal 2023, we applied for a total of 36 patents (including 26 solo patents). These patents include matters related to construction technology, such as assist devices for high-elevation electrical work, patents related to digital robotics (EV bus operation and management systems, etc.), and patents related to carbon neutrality, such as algae culture equipment.

Patent Applications



Number of SDGs-Related Patents

6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	N/A Other	Total
5	39	32	14	30	40	160

*Created using tools provided by the Japan Patent Information Organization

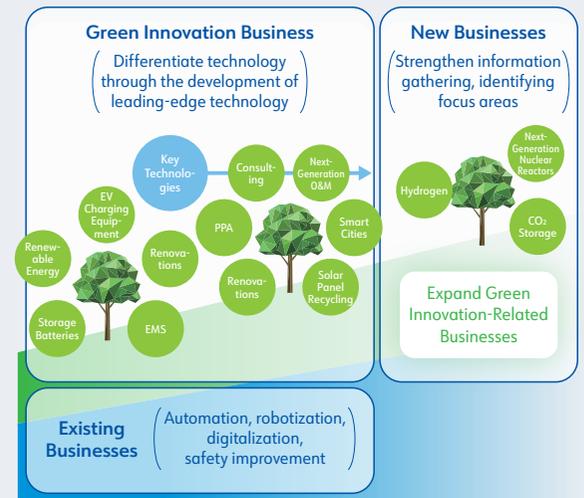
SDGs-related patents account for more than 75% of our total patents. We intend to step up our efforts to build an IP portfolio in areas that contribute to the expansion of our business areas and services.

Specific Initiatives

Basic Policy

Our basic policy is to pursue development related to three business areas as described in our medium-term management plan (fiscal 2024-2026).

A Total Partner Offering Optimal Solutions to Client Issues



1 Existing business domains

Areas to discover more opportunities in existing businesses by improving the efficiency of construction operations through digitalization, robotization, and automation

2 Green Innovation-related businesses

Areas that contribute to carbon neutrality (e.g., energy management systems and solar power repowering)

3 New business areas

Gather information on new technologies (e.g., next-generation nuclear reactors) and identify areas of focus to quickly power up our technological capabilities toward the creation of future businesses

R&D Activities

YKK AP and Kandenko Business Alliance to Develop Building-Integrated Photovoltaics (BIPV)

Japan has limited space for conventional photovoltaic power generation equipment due to relatively few areas of flat land. We expect BIPV technology to help solve this problem. In this business alliance, YKK AP Inc. is responsible for product development, while we are in charge of installation technology and system development, including electrical components. We plan to conduct proof-of-concept tests using perovskite solar cells, which are gaining wider attention as next-generation solar cells.



Business alliance announcement with Kandenko President Nakama (left) and YKK AP President Uozu (right)

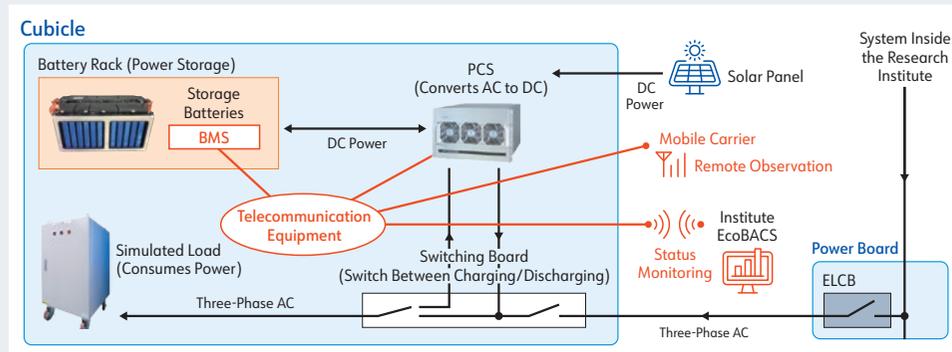
[YKK AP and Kandenko Joint News Release](#)
[YKK AP and Kandenko to Develop Building-Integrated Photovoltaic Systems](#)



Storage Battery Performance Verification

We consider storage battery equipment to be a key area in our Green Innovation Business domain. We continue to verify the performance of various types of storage batteries and other equipment at our Technology Research & Development Institute. We contribute to decarbonized societies by accumulating expertise related to storage battery equipment, including system design, equipment construction and installation, and system operation, to encourage and expand the use of storage batteries.

Storage Battery Performance Verification Framework

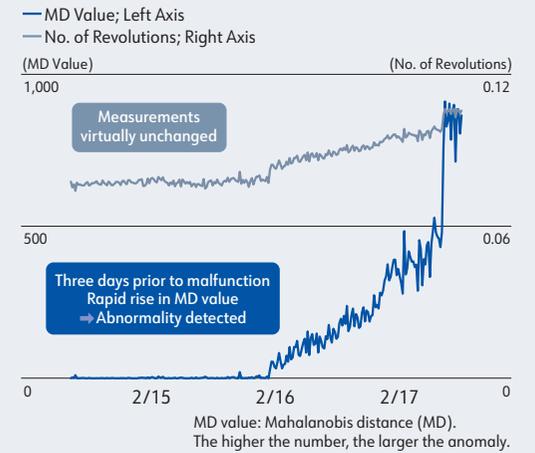


Development to Improve Facilities Operations Using the MT Method*

The shortage of chief electrical engineers responsible for supervising the safety of electrical facilities in buildings and factories has become an issue. Smart security using ever-evolving sensor and communication technologies is attracting increasing attention. We are developing software that uses the MT method to detect equipment degradation in advance for predictive maintenance to head off equipment failure. We are also incorporating energy management system functions into this software with a view to deploying cloud services, contributing to the stable operation of building facilities.

*A method that defines data in normal conditions as *unit space*, detecting abnormalities based on this condition.

Example of Abnormality Detection Using the MD Method (No. of Revolutions)



Research Into Safety for Traffic Control Workers

Due to the nature of their work, traffic control workers tend to be at high risk for automobile accidents, not to mention heat stroke in the summer months. To reduce these risks, Kandenko is developing a traffic control system using sensors and AI technology. We expect this system to make a significant contribution to safety improvement and labor savings by monitoring traffic volume on single-lane roads using temporary traffic signals operated from a safe distance by the worker.



Temporary Traffic Signal Concept

[More on Technology and Services](#)



*Follow the link for information on other Kandenko products.

SECTION 3

ESG Management

The Kandenko Group builds on a solid management foundation to engage in ESG management that creates value for all people, supports environmental conservation, and fosters sustainable societal development. This section includes messages from the Chairman of the Board of Directors and an outside director, as well as our various ESG initiatives.

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GOVERNANCE Message From the Chairman of the Board of Directors



Holding more effective discussions and continuing to enhance corporate value from a medium- to long-term perspective.

Chairman and Director
Seichi Fubasami

Focusing on the Role of the Board of Directors

The board of directors performs two roles that I consider particularly important. One is to engage in realistic discussions about growth. As we take into account limited management resources, we have always been mindful of discussing strategies and measures for sustainable growth and enhanced corporate value. How do we leverage the company's strengths and compensate for weaknesses? How do we motivate employees? How do we return profits to shareholders? These discussions must be more than just pipe dreams.

The other role is risk control. Business activities involve risks of all sizes. Not all risks can be avoided. We must not only discuss individual risks, but also to determine the importance of the risk and how best to control it.

Looking at the current board of directors from this perspective, we believe the board functions effectively, consisting of one-third outside directors and a membership who engages in lively discussions based on

knowledge and experience.

On the other hand, we are often asked about governance and our independence from TEPCO. We have a close business relationship with TEPCO Power Grid, Inc., which owns approximately 46% of our shares. Although I myself hail from TEPCO, I am not aware of that company's intentions related to Kandenko management. TEPCO produces the electricity that is the blood of society. Kandenko makes the blood vessels that carry electricity to every corner of society. While we are aware of the nature of these shared social roles, we maintain strict independence from each other.

A Year of Discussions on the New Medium-Term Management Plan and Monitoring

In fiscal 2023, the board of directors spent considerable time discussing the medium-term management plan. After reviewing the previous medium-term management plan (fiscal 2021-2023), members discussed *Milestone 2030*, representing interim goals for achieving our long-term

vision, and the new medium-term management plan (fiscal 2024-2026), representing the implementation plan for *Milestone 2030*.

In particular, the board discussed profitability with regard to the next medium-term plan. For an infrastructure construction company such as ours to increase profitability, every employee must engage conscientiously in improving productivity efforts at the work-site level. Overall, and in specific measures, the next medium-term plan reflects our discussions about these factors, as well as the knowledge and experience of the outside directors.

We also discussed how to monitor the medium-term plan, rather than just formulating the plan and calling it quits. As the environment surrounding our company can change rapidly, we must visualize the impact on our business and the resources we must marshal in a timely and detailed manner. Sensitivity to risk tends to be low during periods of strong performance and upbeat market conditions. This is why companies must put a system into place for preemptive action when the need arises. With this in mind, we continue to discuss appropriate monitoring methods, including KPIs and risk management.

Improving the Board Structure From Various Perspectives for More Active and Effective Discussions

One of my priorities as chairman is to ensure that discussions proceed efficiently and effectively. To this end, we must eliminate any gaps in information available to internal and outside directors. We wanted to give outside directors more time to deepen their understanding of our business and organize their thoughts on board meeting agendas in advance. Therefore, in July 2023, we established an annual agenda for board meetings and distribute this agenda to board members monthly to facilitate the early sharing of meeting schedules and topics. This approach has enhanced the information provided to outside directors and stimulated discussions on the day of board meetings.

At the same time, the agenda of board meetings continues to expand as the company grows in scale. Despite efforts to manage the agenda efficiently in the future, time constraints could hinder the prompt execution of business. In response, we are proceeding with the delegation of authority to executive officers and considering a review of the agenda

GOVERNANCE Message From the Chairman of the Board of Directors

criteria to ensure board meeting agendas are limited to the most important matters. We expect these and other efforts will deepen discussions and the participation of outside directors.

We assess the effectiveness of the board annually through a questionnaire-based self-assessment filled out by all directors and Audit & Supervisory Board members. The results of these assessments have been improving steadily. We will continue to make improvements using the suggestions and opinions of members to make the board a more effective body in the future.

Systems Supporting Action and the Development of Leaders

The key going forward will be cross-organizational streamlining from the perspective of company-wide optimization. This streamlining will strengthen the monitoring function over the medium-term management plan and speed up the execution of business operations. Presently, every business unit operates under its own authority, with perspectives and ideas that tend to be optimized for the unit in particular. In July 2023, we introduced the chief officer system to provide a horizontal aspect to this organizational structure. In the future, we intend to reorganize roles and authority, holding discussions on making the system more effective.

Further, we must develop outstanding human resources for the next generation of management leading us to the year 2044, when we will celebrate our 100th anniversary, as well as for 2030, a milestone year. Here, we intend to identify promising candidates through next-generation leader training and other programs. The Nomination and Compensation Committee deliberates and reviews the selection of director candidates based on our succession plan. We will endeavor to enhance the objectivity of the candidate selection process to foster more specific deliberations.

To Remain a Company Trusted by Society

One of the key responsibilities of the board of directors is to forge stronger relationships of trust with stakeholders. Our first order of business is to ensure compliance on a company-wide scale as a minimum, in addition to communicating the company's branding strategy.

Steady efforts are essential for compliance, and we will continue to raise awareness of legal compliance, including efforts at group companies and work sites. As an example, we strive to provide clear, easy-to-understand explanations via video and other means in compliance training. To increase effectiveness further, we must track the number of video views and conduct follow-ups.

Unfortunately, there have been a number of problems in recent years, including inappropriate incidents at subsidiaries. Many of these incidents were discovered as a result of whistleblowing. While the number of reports has increased, we recognize that this increase owes to heightened awareness of our highly transparent whistleblower system. We appreciate that this bottom-up internal control function is functioning. Under the slogan, *Say what you see, be thankful for what you hear*, Kandenko continues the *K. Assertion Activities* program to foster a corporate culture that encourages people to speak up. We continue to foster a more open corporate culture by encouraging employees to take personal responsibility and speak up at the work site.

We discuss branding quite actively at board meetings, as well as in executive training sessions. The important thing for management is to set a clear vision and target of what we aspire to be as a company. In particular, we focus on branding that targets job seekers, seeking to address the shortage of workers. The construction industry as a whole is trying to improve its image with the new industry slogan promoting salary, vacation, future prospects, and the cool factor (so-called *4K Industry*). We enhance our own branding and develop systems to become the company of choice for workers in the younger generation. We will continue to consider ways to communicate on an ongoing basis, as the effect of one-time events is limited.

Supporting Society at Large and Making Steady Progress Toward Growth

The Kandenko goal for 2044 is to be a company that continues to support social infrastructure under the key phrase, *Green Innovation*. Our vision is to be more than just a construction company. We want to expand our business wings to include consulting, next-generation O&M, and other front- and back-end processes. We want to become a company that truly handles the entire life cycle of infrastructure, thereby increasing profitability while offering broad-based support to society.

Fiscal 2024 is the first step in a new medium-term management plan toward this goal. The board of directors will closely monitor the execution of measures outlined in this medium-term plan. As market trends become increasingly uncertain and costs increase due to overtime caps, price fluctuations, and other factors, the key to our success is improving efficiency. We intend to carefully analyze the factors behind our recent favorable performance, tying the positives to further effective measures.

In these days of rapid change in the business environment, we must analyze current trends while establishing firm medium- to long-term goals and direction, monitoring progress from a medium- to long-term perspective. We encourage our shareholders, investors, and other stakeholders to continue to watch us from that same medium- to long-term perspective.





Outside Director
Miwako Ando

Facilitating Change That Balances Employee Well-Being and Corporate Growth

I believe that the process of formulating the next medium-term management plan incorporated the opinions of outside directors more than ever before. Having been involved in compliance for many years, I emphasized that the plan should be more than just a methodology for achieving goals; I wanted the plan to be energizing for employees. I believe this is expressed in the first of the directions, *Joyful growth, together with our employees*. In monitoring the company going forward, our focus will be on whether the company is creating environments in which employees work with vitality.

Kandenko is serious in its efforts to transform into a Green Innovation Company. I look forward to Kandenko's contributions to society through new ideas not bound by convention, as well as its further embrace of diversity.

Looking Ahead to Further Growth, Standing on a Business Foundation Built Over Many Years

The next medium-term management plan is very ambitious—the result of active discussions in board of directors meetings. I expressed my opinions on business growth strategies and target setting in these discussion, reflecting my experience and a third-party perspective. I addressed Green Innovation, productivity innovation (DX, etc.), investment efficiency, and capital efficiency improvement measures. Specific action plans were formalated, and now the board will focus on monitoring key measures, particularly those that present hurdles.

Building on the business foundation established with customers, Kandenko has great potential for growth by providing services that go beyond infrastructure construction to solve customer issues and enhance value. We expect the company to see these outcomes as a result of the next management plan.



Outside Director
Koji Tanaka

GOVERNANCE

Message From Outside Directors



Outside Director
Miwa Suto

Encouraging Sustainable Growth Based on Investments in Human Resources and Stronger Relationships With Stakeholders

When drafting the next medium-term management plan, we paid particular attention to investments in human resources, an important element in enhancing corporate value. Specifically, we discussed the formulation of a personnel strategy for securing outstanding human resources. We placed a policy for human resources development as a central part of the plan toward improved productivity, and we believe we tied these elements together into an effective action plan unique to Kandenko. We contribute to sustainable growth by carefully monitoring the company's ability to respond agilely to changes in the business environment.

It is important that stakeholders realize the results of Green Innovation and social value through the achievement of the company's medium-term management plan. In addition to the steady implementation of this plan, we expect to see a greater ability to communicate outside the company and improve communication with stakeholders.

Committed to Improving Governance and Fulfilling the Mission to Support Social Infrastructure

Since being named an outside director in June of this year, I have come to feel a strong sense of the company's mission and responsibility to support social infrastructure. I have been impressed by the culture of the board of directors, in which all members, internal and outside, engage in earnest discussions toward the same goal.

I worked for 33 years in financial institutions and 11 in the manufacturing industry (auto parts manufacturing), including nearly 20 years of living and working overseas. I was also named an outside member of the Audit & Supervisory Board at a food manufacturing company this year. My goal is to apply the knowledge gained from these experiences in key areas and contribute to improving governance as Kandenko moves toward its 100th anniversary.

I think the company is off to a very good start in the first year of the next medium-term management plan. With this momentum, the company will advance steadily toward Green Innovation, helping create sustainable societies.



Outside Director
Takaaki Kato

ENVIRONMENT Disclosures Based on the TCFD Recommendations

The Kandenko Group recognizes climate change as a critical management priority and takes active measures to reduce greenhouse gas emissions both internally and externally.

We declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022.



Target

2050

Greenhouse Gas Emissions

Net Zero



Interim Target

2030

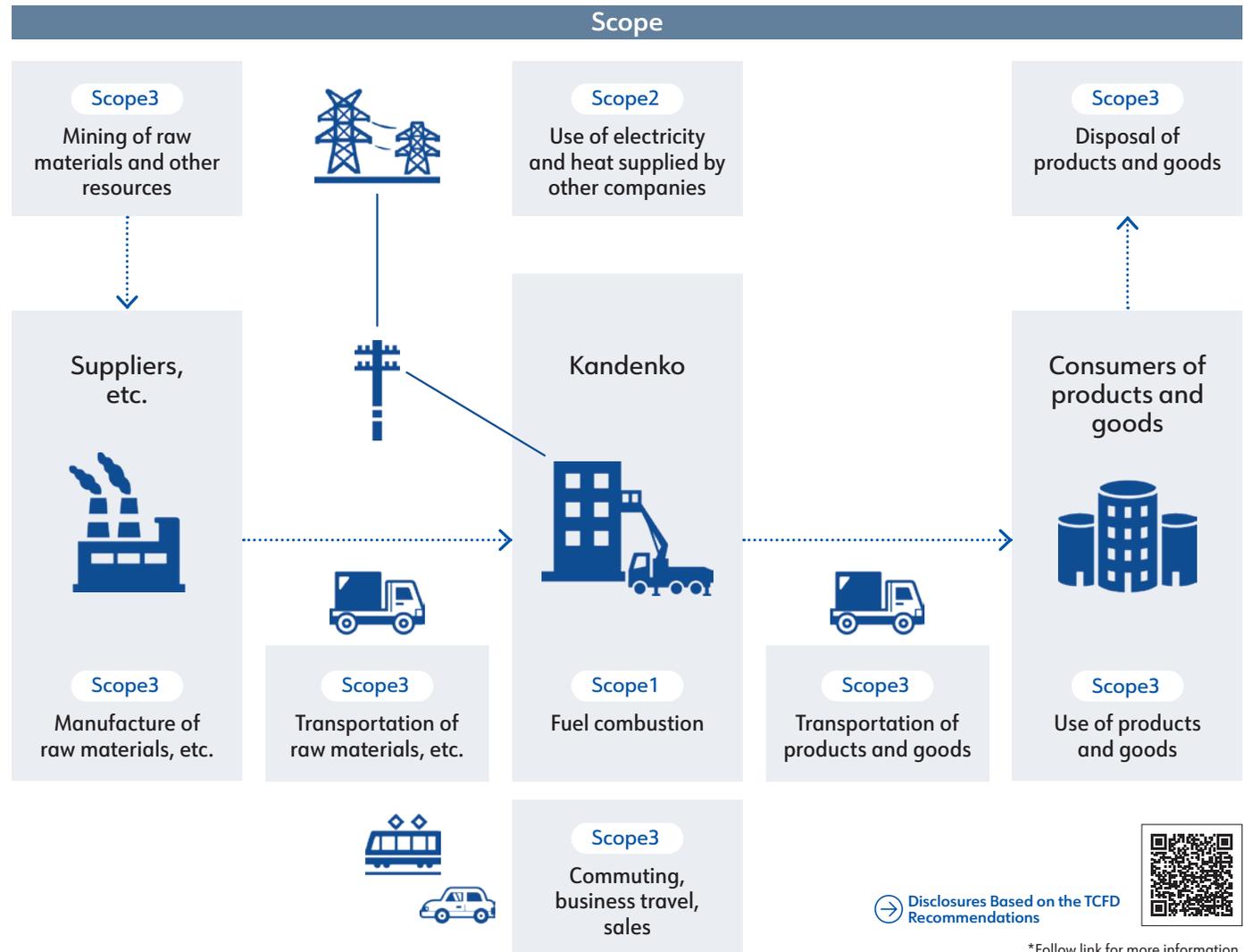
Greenhouse Gas Emissions

-50% (vs. FY2020)

2026

Greenhouse Gas Emissions

-18% (vs. FY2020)



Disclosures Based on the TCFD Recommendations



*Follow link for more information.

*Targets include Scope 1 and Scope 2.

ENVIRONMENT Environmental Initiatives

Environmental Promotion Framework

Kandenko established a basic policy for environmental conservation activities, aiming to ensure the effective decarbonization efforts. To ensure such efforts, we formed the Safety, Environment, and Quality Committee, chaired by the president. We also established the Green Innovation Division and the CN Department as the lead bodies to oversee environmental management.



Environmental Initiatives

The Kandenko Group believes that adopting a long-term perspective and establishing an environmental vision to create a sustainable society are essential social responsibilities of corporate management. We are dedicated to business activities that reduce negative environmental impacts to achieve a sustainable society.

[→ Environmental Initiatives](#)



*Follow link for more information.

Specific Initiatives

Acquiring ZEB* Certification for Company Buildings

Kandenko strives to spread the adoption of ZEB buildings, which simultaneously achieve both comfort and decarbonization. The Saitama Branch Honjo Construction Office, which underwent reconstruction work, became the first of our offices to receive ZEB, the highest certification, in January 2024.

Kandenko is dedicated to advancing our decarbonization efforts while leveraging the expertise gained from our buildings to support sales activities and help customers acquire ZEB certification.

*Net Zero Energy Building (ZEB): Buildings that combine energy-saving and energy-creating technologies to achieve an annual energy consumption balance of net zero.

Kandenko ZEB Initiatives

November 2019	The Education & Training Center (Ushiku City, Ibaraki Prefecture) acquired ZEB Oriented certification through renovation work. This is our second acquisition in Japan, and our first renovated building in the nation to receive certification.
February 2020	We registered as a ZEB Leading Owner, an owner of a leading building who publicly announces their ZEB promotion goals, ZEB implementation plans, and achievements in ZEB implementation.
December 2022	We registered as a ZEB Planner, offering consultation services to the general public to support the spread of ZEB and providing operational support.
June 2023	The Tochigi Branch Kennan Interior Wiring Office and Sano Office acquired ZEB Ready certification.
January 2024	The Saitama Branch Honjo Construction Office acquired ZEB, the highest certification.



Honjo Construction Office



Honjo Construction Office solar power generation facilities

Fuji Forestation Activities

The Fuji Forestation

Activities aim to preserve ecosystems that closely resemble natural forests, driven by concerns about the loss of the rich forests and ecosystems of Mt.

Fuji. Numerous companies and organizations

participate in these activities, led by the OISCA Foundation as secretariat.

Kandenko began participating in 2017. Each year, we invite employees and their families to plant trees and install nets to prevent deer from feeding on the saplings. A total of 86 employees and their family members participated in 2024.



Participation in the Zero Disposable Umbrellas by 2030 Project

The Zero Disposable Umbrellas by 2030 Project aims to eliminate all plastic and other disposable umbrellas, which account for approximately 80 million umbrellas consumed annually in Japan. To achieve this goal, the project promotes *Aikasa*, a sharing service that allows users to borrow umbrellas at train stations and other urban locations and return them to the nearest umbrella spot.

Kandenko engages in various initiatives to support this project as a partner company. Such efforts include creating original umbrella designs and encouraging employees to use *Aikasa*.



K-eCo My Bottle Campaign

Kandenko drives a campaign encouraging employees to use reusable bottles. We installed a dedicated vending machine and a high-speed bottle-cleaning machine in the head office building to reduce plastic bottle consumption and help reduce negative environmental impacts.



SOCIAL History of Our Natural Disaster Recovery Support



The Kandenko Group has supported our nation and local communities during earthquakes, typhoons, floods, heavy snowfalls, and other natural disasters that have occurred since our founding in 1944. We have responded swiftly to disaster sites, working as a unified group to restore and rebuild power and telecommunications infrastructure. The following is a brief history of our major initiatives to date to aid recovery from natural disasters.

January 2024 The 2024 Noto Peninsula Earthquake

The 2024 Noto Peninsula Earthquake caused significant damage to buildings and infrastructure in Shika Town and Wajima City, Ishikawa Prefecture in January 2024, registering a maximum intensity of 7 on the Japanese seismic scale.

Immediately after the earthquake, Kandenko mobilized approximately 2,000 workers, including personnel from partner companies, to repair power distribution facilities and address communication issues.

	2	3
1	4	5

- 1: Repairing tilted power poles
- 2: Installing new power poles
- 3: Temporary restoration of communication facilities
- 4: Repairing communication failures
- 5: Restoring damaged power distribution systems

Previous Disaster Recovery Aid

September 1959
Typhoon in Ise Bay



September 1966
Typhoon No. 26

June 1964
Niigata earthquake



June 1978
Miyagi-ken-oki Earthquake

January 1978
Izu Oshima earthquake

December 1980
Snow damage to the Tohoku Electric Power Company

October 1983
Miyakejima eruption

March 1986
Snow damage in Kanto Koshinetsu

December 1987
1987 Chiba Prefecture offshore earthquake

December 1990
Tornado damage in Mobara City, Chiba Prefecture



September 1991
Typhoon No.19

January 1995
Hyogo-Ken Nanbu Earthquake (Great Hanshin-Awaji Earthquake)

September 1996
Typhoon No. 12 (Miyakejima restoration)

October 2004
The Mid Niigata prefecture Earthquake in 2004

March 2011
Great East Japan Earthquake



July 2007
The Niigataken Chuetsu-oki Earthquake in 2007



May 2012
Tornado damage in Northern Kanto

September 2013
Tornado damage in Saitama and Chiba Prefectures

April 2016
2016 Kumamoto earthquakes

September 2015
Torrential rain in Kanto and Tohoku

February 2014
Heavy snow damage in Gunma Prefecture

September 2019
Boso Peninsula Typhoon



Photo: Courtesy of Japan Ground Self-Defense Force

August 2016
Typhoon No. 9

January 2024
The 2024 Noto Peninsula Earthquake

SOCIAL Occupational Safety

Health and Safety Policy

Kandenko regards health and safety initiatives as a top priority in our corporate activities under our company motto, *Humanity First*. We are committed to eliminating occupational accidents and maintaining the good physical and mental health of those involved in our corporate activities.

Action Guidelines

Safety

We prioritize the following items to eliminate occupational accidents.

- 1 Strengthening our on-site risk management capabilities
- 2 Enhancing safety education
- 3 Applying digital technologies in on-site risk countermeasures
- 4 Enhancing communication with affiliated and partner companies and supporting safety activities

Health

We prioritize the following items to maintain good physical and mental health.

- 1 Reforming work-styles and time off
- 2 Encouraging mental health initiatives
- 3 Ensuring good employee health and creating comfortable work environments

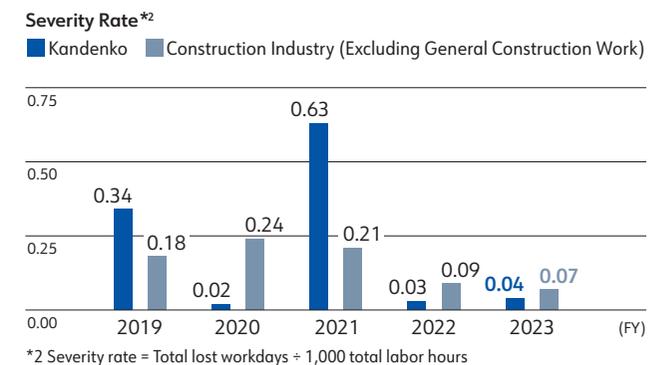


Mobile vehicle equipped to provide hands-on safety experiences

Occupational Safety Management (Initiatives to Prevent Occupational Accidents in FY2024)

Kandenko will address four priority items in fiscal 2024 to prevent occupational accidents under our slogan, *preventing accidents by ensuring compliance with laws and rules and enhancing hazard awareness activities*.

1	Implement preventative measures	(1) Encourage voluntary activities to comply with laws and rules	<ul style="list-style-type: none"> Conduct audiovisual education by uploading videos to video sharing platforms Set monthly priority inspection items and conduct compliance inspections of laws and rules (at branches and offices)
		(2) Enhance hazard awareness activities	<ul style="list-style-type: none"> Establish the practice of using physical gestures and verbal confirmations Foster individual hazard awareness activities
2	Utilize DX and new technologies for effective safety management	(1) Create a safety and quality database and explore AI utilization	<ul style="list-style-type: none"> Create a database of safety and quality case studies, develop a search system, and make it accessible via the intranet Build an AI-based pre-operational safety support system for on-site work
		(2) Pursue the effective use of wearable cameras, etc.	<ul style="list-style-type: none"> Conduct a trial of web patrols using smart glasses
		(3) Prevent disasters through the use of new equipment	<ul style="list-style-type: none"> Prevent heat stroke with wearable sensors
3	Conduct safety education using videos and mobile vehicles equipped to provide hands-on safety experiences	<ul style="list-style-type: none"> Continue educating young employees and partner company workers through training using mobile vehicles equipped to provide hands-on safety experiences Share disaster case studies through company-made animated videos 	
4	Support independent safety activities for group companies and partner companies	(1) Share information with group companies	<ul style="list-style-type: none"> Hold safety and quality information liaison meetings with group companies Confirm and give advice on emergency measures and countermeasures to prevent recurrence
		(2) Promote safety activities in cooperation with safety and health cooperative associations	<ul style="list-style-type: none"> Establish a website for safety and health cooperative associations to post notifications of disasters and educate users on safety and quality Support older workers in preventing accidents with age-friendly guidelines



SOCIAL High-Quality Construction

Kandenko Basic Policy on Quality

Kandenko pursues technological innovation to enhance safety and security. We deliver top-quality services and equipment throughout the entire equipment life cycle, from planning and proposals to post-completion maintenance.

Action Guidelines

- 1 We anticipate customer needs and deliver satisfactory quality through advanced technologies and sophisticated skills.
- 2 We conduct ongoing technological research and development, enhancing our operations to consistently develop products with value.
- 3 Our organization and employees work to improve our quality management system on an ongoing basis to maintain and improve quality.
- 4 We conduct education and training to enhance our technologies, pass down skills, and develop reliable human resources.

Quality Management System

We established a quality management system (QMS) based on our Basic Policy on Quality. This system complies with each requirement of ISO 9001 to achieve sustainable growth.

ISO 9001 External Certification Acquisition Chart

Construction Type	Divisions and Offices	Registration Scope	Registration Number
Social Infrastructure Work	Social Infrastructure Division (excluding Nuclear Energy Department)	Design and construction of electrical systems, communication systems, civil engineering works, water and sewage systems, gas systems, and railway systems.	Management System Assessment Center MSA-QS-4734
	Registration date: February 24, 2021 (Expiration date: February 23, 2024)		
Social Infrastructure Work	Rokkasho Office, Tokai Office, Kashiwazaki Kariwa Office, Tsuruga Office, Fukushima Division	Design, construction, and associated services for electrical, instrumentation, and mechanical systems in the construction, maintenance, and periodic inspection of nuclear power plants, nuclear fuel handling facilities, and related equipment.	ISO Registration Organization Co., Ltd. RB-Q11039
	Registration date: February 16, 2001 (Expiration date: February 28, 2025)		

Quality Improvement Initiatives

We have adopted the slogan *earn trust with solid skills and professionalism!* for fiscal 2024 as part of our efforts to improve quality. Under this slogan, we focus on four priority areas.

1	Enhance quality activities through the PDCA cycle	(1) Develop specific work and inspection plans (P)	<ul style="list-style-type: none"> • Prepare and utilize a collection of work and inspection plan points based on previous case studies
		(2) Engage in thorough activities to disseminate and establish rules and conduct voluntary inspections (D)	<ul style="list-style-type: none"> • Raise awareness on rules and regulations through visualization measures • Enhance smartphone version of our accident prevention card • Ensure proper implementation of voluntary inspections
		(3) Plan quality patrols (C)	<ul style="list-style-type: none"> • Implement and analyze planned patrols
		(4) Improve public awareness activities and work plans based on patrol results (A)	<ul style="list-style-type: none"> • Communicate and implement improvements based on patrol results
2	Utilize DX and new technologies for effective quality management	Create a safety and quality database and explore AI utilization	<ul style="list-style-type: none"> • Create a database of safety and quality case studies, develop a search system, and make it accessible via the intranet • Explore quality support systems that leverage AI • Test quality control using smart glasses
3	Conduct quality education	Raise awareness through the use of digital content	<ul style="list-style-type: none"> • Raise awareness of quality control through videos • Investigate and explore quality education content utilizing VR and experiential devices
4	Support group companies and partner companies	Share information with group companies and provide educational support to partner companies	<ul style="list-style-type: none"> • Share information with group companies and provide educational support to partner companies

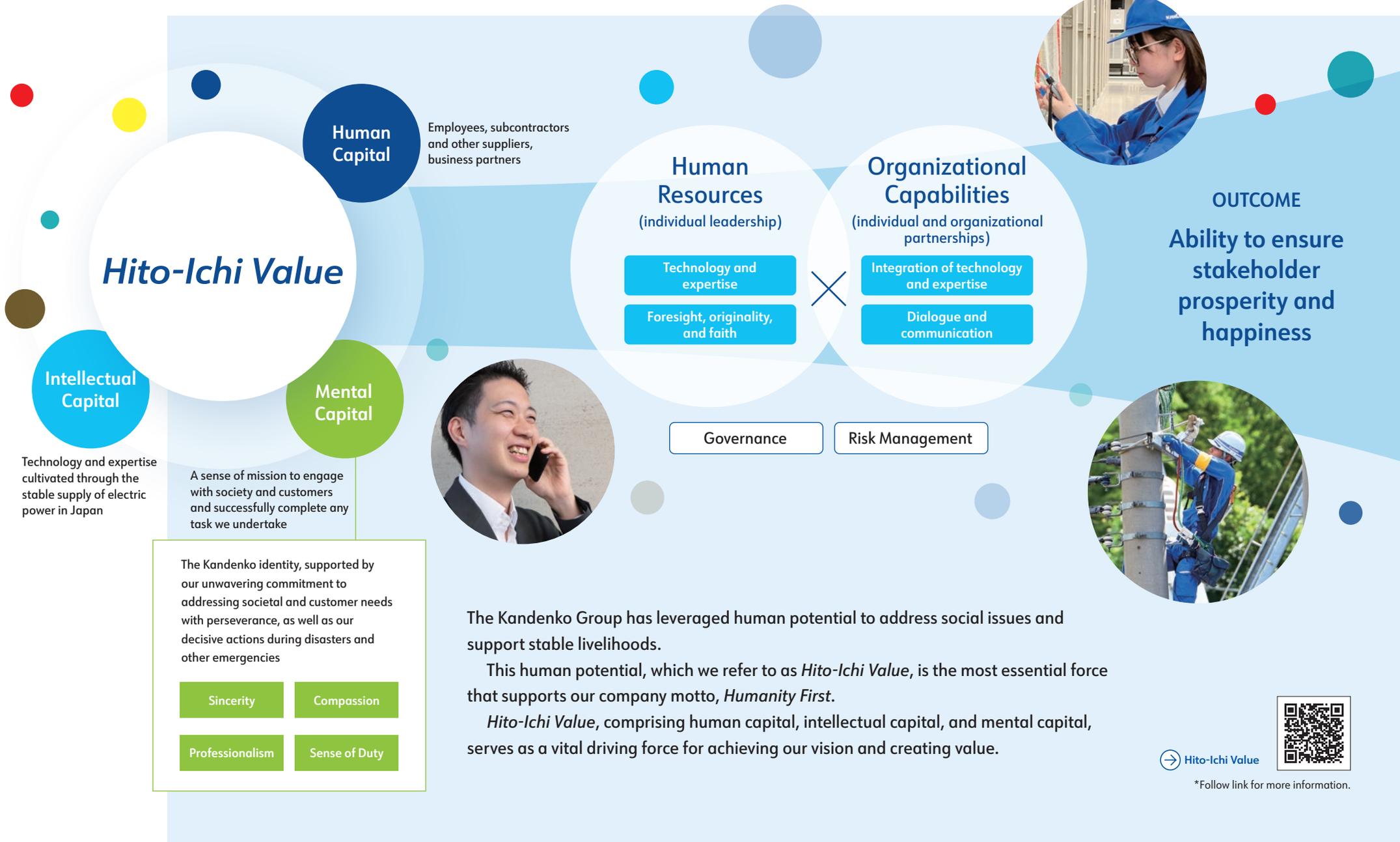
TOPICS

Technology and Skills Competition

Our Education & Training Center hosts the Technology and Skills Competition every year, dividing participants into four categories: internal wiring, information and communications, overhead power distribution lines, and underground power distribution lines. Many participants, including group members and partner companies, compete in speed, precision, safety, and quality. This event serves as a platform to showcase our technical expertise and skills.



SOCIAL Reinforcing *Hito-Ichi Value*



The Kandenko Group has leveraged human potential to address social issues and support stable livelihoods.

This human potential, which we refer to as *Hito-Ichi Value*, is the most essential force that supports our company motto, *Humanity First*.

Hito-Ichi Value, comprising human capital, intellectual capital, and mental capital, serves as a vital driving force for achieving our vision and creating value.

[Hito-Ichi Value](#)



*Follow link for more information.

SOCIAL Reinforcing *Hito-Ichi Value*

Initiatives to Reinforce *Hito-Ichi Value*

We formulate staffing plans, human resource development plans, and procurement policies to continuously reinforce *Hito-Ichi Value*. We measure progress using metrics and actions plans to identify and address issues. We also incorporate feedback to plans and policies, working holistically on operating personnel, talent, and procurement systems, developing personnel, maintaining and strengthening partnerships, and creating better workplace environments.

Policies and Plans to Reinforce *Hito-Ichi Value*



Outline of Human Resource Development Initiatives

We are committed to building systems that nurture talent capable of thriving across various workplaces.



Ideal Human Resources and Development Initiatives



Workplace Culture That Fosters Human Resources

Active workplace communication
aligns organizational goals with target achievement

Workplace culture of trust and security
that values mutual respect for each other's opinions

Worker-Friendly Environment

1. Avoid long working hours and streamline operations
2. Manage health
3. Ensure appropriate management of working hours
4. Develop human resources
5. Encourage and support diverse human resources
6. Encourage the use of vacations and time off

Number of Training Participants* (Total)

FY2019	FY2020	FY2021	FY2022	FY2023
1,910	1,618	2,114	2,442	4,081

*Training provided by Education & Training Center

Number of Qualified Personnel (as of March 31, 2024)

Professional engineers	203	First- and second -class civil engineering managing engineers	485	First-class instrumentation engineers	322
Assistant professional engineers	364	Building mechanical and electrical engineers	104	Certification for grades 1 and 2 of the Japan Business Law Examination	234
First- and second-class architects	41	First-class electricians	2,403	Certification for grades 1 and 2 of Construction Accounting Specialist	397
First- and second-class electric work managing engineers	2,498	First- and second-class chief electricity engineers	42	First-class health officers	856
First- and second-class electric construction managing engineers	210	Third-class chief electrical engineers	693		

SOCIAL Reinforcing Hito-Ichi Value

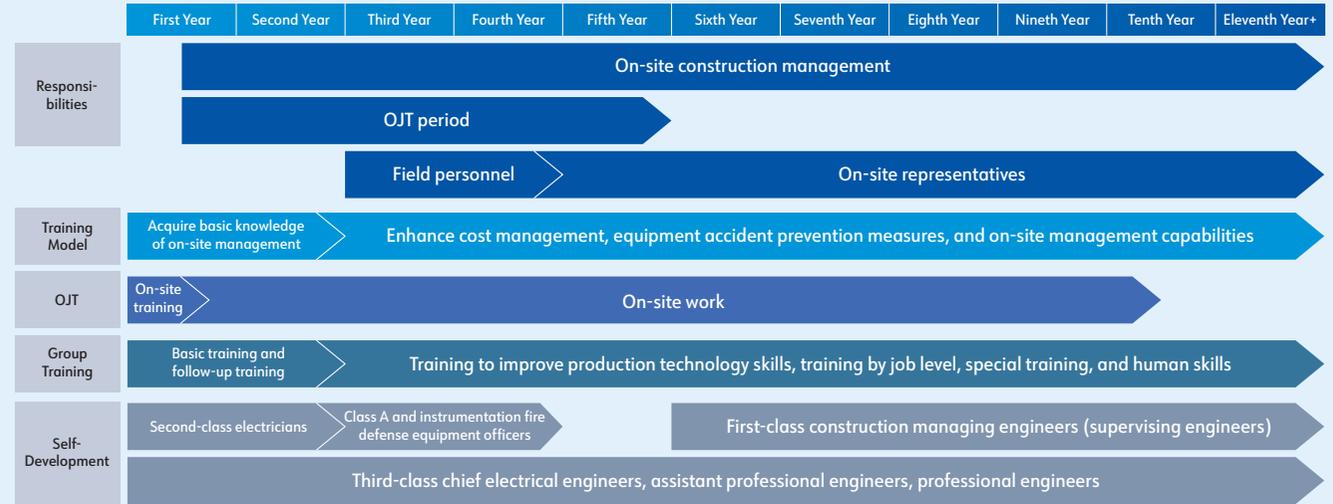
Training Systems

We design our training to equip employees with the necessary skills commensurate with their positions in the Kandenko Group, striving to improve the skills of individual employees.

Training Overview Available for Group company employees

Level	Officers	Managerial Positions	Non-Managerial Positions
Kandenko Employees	Joint Training Training for new officers Training for year-round new hires OJT for leaders, facilitators, and instructors Assertive communication training Compliance, information security, and mental health training	Training for managers at each level Management skills training New team leader training Business skills training for administrative roles Follow-up orientation New employee orientation	
		Specialist Training Basic training and entry-level to special advanced trainings Training for floor managers, operations managers, and onsite managers Training for developing overseas construction personnel	
		Elective Training Training on PC skill enhancement and business skills Business skills training (lectures open to public)	
		Selected Training General and branch manager training Training for next generation leaders MOT training NGG training	
		Kandenko Group Employees New director and auditor training Company-specific and job level training	

Human Resources Development Roadmap Concept: Engineering (Electrical Engineering)

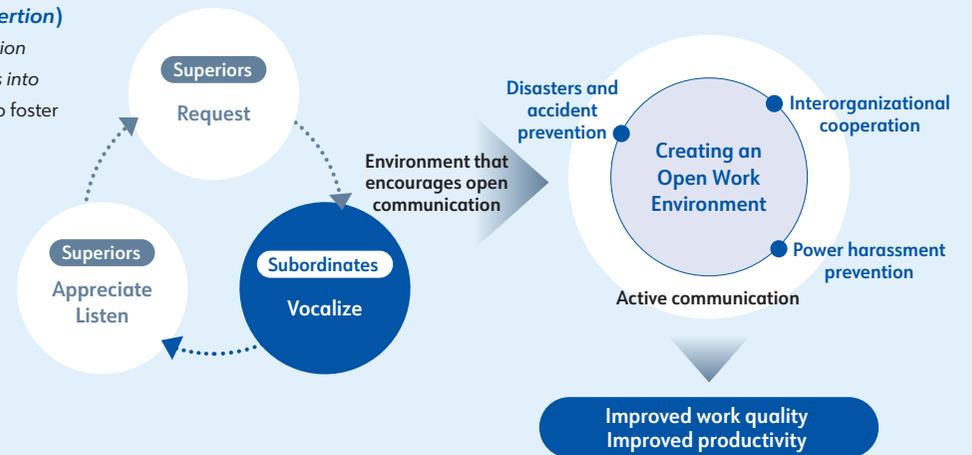


→ **Human Resources Development**
*Follow link for more information.



Creating an Open Workplace (K. Assertion)

The Kandenko Group engages in K. Assertion activities under the slogan *Turn awareness into words, and words into gratitude*, striving to foster a more open work environment. Continuous promotion of these activities encourages active communication among employees and builds stronger relationships of trust. These efforts lead to improved work quality and productivity, including strengthened inter-organizational collaboration and disaster and accident prevention.



SOCIAL Reinforcing Hito-Ichi Value

Health Management Initiatives

Kandenko has engaged in various initiatives related to employee health to date. We believe that the foundation for our sustainable growth lies in supporting health initiatives that enable each employee in fully utilizing their abilities and thrive in their work. With this in mind, we are committed to practicing health management.

Health Management Declaration

We value and actively support each employee in maintaining and improving mental and physical health under our company motto, *Humanity First*. In this way, we strive to ensure the happiness and prosperity of our employees and their families.

The Kandenko Group Health Management enables us to create high corporate value and achieve sustainable company growth. We are committed to contributing to the sustainable development of society, with the hope that everyone connected to the Company will lead richer and happier lives.

Toshio Nakama
President & Representative Director, Kandenko Co., Ltd.

Health Management Promotion Framework

The president leads health management as the Chief Health Officer, coordinating efforts across all headquarters, branches, relevant departments, industrial physicians, public health nurses, the health insurance association, and the labor union.



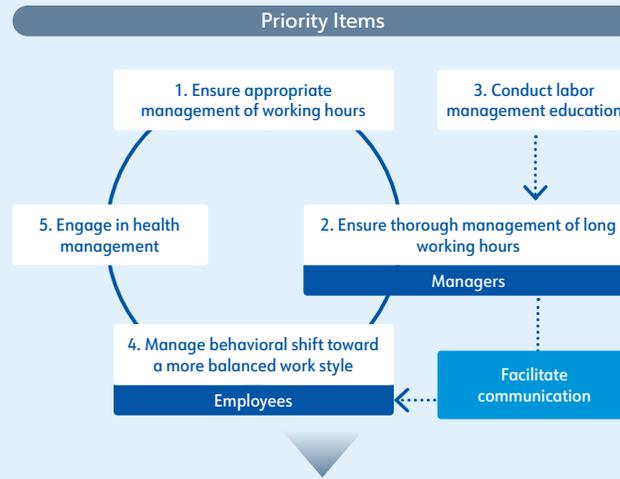
Work-Style and Time-Off Reform

The Company strives to create workplaces that enable all employees to thrive in their work. To achieve such workplaces, we encourage diverse work styles and approaches to taking time off while enhancing health management initiatives.

Basic Policy

- Managers and executives lead and implement reforms
- Shift awareness toward work-life balance
- Strengthen the occupational health system and encourage self-care obligations

Priority Items and Issues to Address



Issues to Address

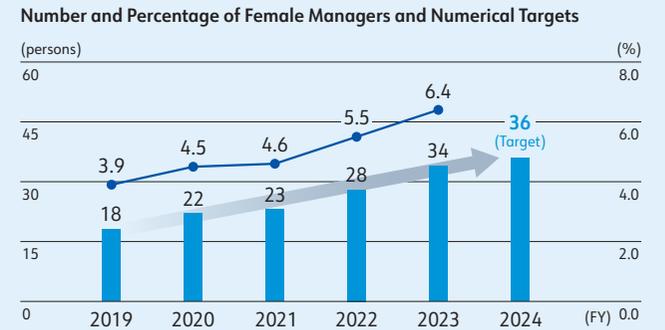
- Improvement of long working hours and streamlining operations
- Human resources development
- Health management
- Promotion and support of diverse human resources
- Appropriate management of working hours
- Encouraging the use of vacations and time-off

Promoting Women's Empowerment

Promoting women's empowerment is a pressing priority for the Company. We place particular emphasis on developing female managers, fostering career awareness, and nurturing women engineers.

Action Plan (Targets and Current Progress)

Target: Employ at least 36 women in management positions by the end of fiscal 2024



*Double fiscal 2019 levels
*The Company business owner action plan is accessible on the Database of Companies Promoting Women's Empowerment.

Denko Komachi Workshop

Kandenko held the first workshop in September 2024 to discuss life and careers among female technical employees of the Company, TOENEC, and YURTEC. Employees from various age groups and departments gathered to foster deeper connections.



SOCIAL Reinforcing Hito-Ichi Value

Career Training for Female Employees

We offer career design training to raise awareness among female employees and support their career development.



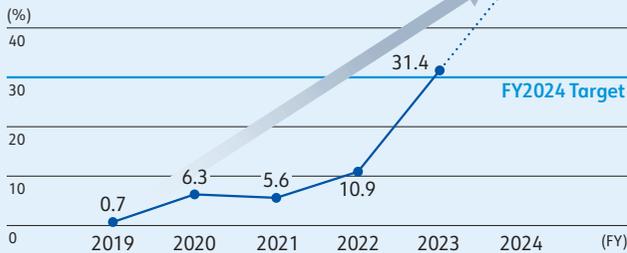
Childcare Leave for Male Employees

We believe that male employee happiness requires their active participation in household chores and child-rearing. Childcare leave plays a crucial role in encouraging such involvement.

Action Plan (Targets and Current Progress)

Target: Achieve a childcare leave utilization rate of 30% or higher among male employees

Percentage of Male Employees That Utilizing Childcare Leave



*The Company business owner action plan is accessible on the Database of Companies Promoting Women's Empowerment Supporting Women's Career

Reference

Category	2019	2020	2021	2022	2023
Percentage of leave taken for childcare purposes	70.6%	60.6%	58.8%	63.0%	81.7%

Training on Childcare Leave for Male Employees (e-Learning)

We conduct company-wide training for all employees to encourage workplace-wide discussions on childcare leave. These efforts aim to foster a culture where anyone wishing to take leave can do so easily.



First Employment of Foreign Employees Under the Specified Skilled Worker Program in the Electrical Equipment Construction Industry

In February 2024, Kandenko became the first in the electrical equipment construction industry to utilize the Specified Skilled Worker Program. We hired 14 skilled workers from the Philippines who passed the Specified Skilled Worker Type 1 exam in construction, employing them as electrical engineering technicians to secure future construction capabilities.

We allocated these employees to various branched in October 2024, after completion of a seven-month basic training program at the Education & Training Center. These employees now participate in on-site training on tasks such as installing lighting fixtures.

The maximum period of stay for Specified Skilled Worker Type 1 is a total of five years. Going forward, we plan to introduce a special

curriculum to train those who will transition to Specified Skilled Worker Type2, for which there is no limit on the renewal of the period of stay.

What is the Specified Skilled Worker Program?

The Specified Skilled Worker Program is a residency qualification system designed to address labor shortages in Japan. This system employs foreign skilled workers with a certain level of expertise or skills in 16 designated industries, including agriculture and food service. Electrical engineering was added to the construction category in August 2023, allowing companies to employ foreign electrical engineering technicians.



Family Visitation Events

Kandenko began holding regular family visitation events in fiscal 2019 as part of our efforts to create an attractive company and work-life balance.

In August 2024, we held the Kandenko SunSun Family Day 2024 on a larger scale than usual to commemorate the 80th anniversary of our founding. This event also features a bouldering experience with professional sports climber Kokoro Fujii, with whom we have a sponsorship agreement.

Kandenko SunSun Family Day 2024

Ninety-three employees and their families participated in Kandenko SunSun Family Day 2024, which featured 10 booths designed to deepened participants' understanding of our business and workplaces. These booths included introductions to the work of each department, hands-on experience stations, and showcases of technological development and social con-tribution activities.



Bouldering With Kokoro Fujii

Twenty-three employees and their families joined the event, which started with an introduction to the high-altitude work of the transmission line division. Participants then enjoyed their own bouldering experience.



SOCIAL Respect for Human Rights and Partnership With Suppliers

Human Rights Policy

Since our founding, Kandenko has conducted business to ensure the mutual prosperity of our customers and the communities we serve, finding purpose in this mission.

Respect for human rights is the foundation of our business activities.

[Kandenko Group Human Rights Policy](#)



*Follow link for more information.

- 1 We commit to respecting human rights in all aspects of our business activities.
- 2 We ensure this policy applies to all officers and employees of the Kandenko Group.
- 3 We actively promote human rights initiatives.
Prohibit discrimination and unfair treatment, develop work environments, and engage with local communities
- 4 We strive to enhance our efforts through information disclosure, dialogue, and consultation.

- 5 We maintain a reporting system accessible to directors, employees, and business partners.
- 6 We conduct human rights due diligence.
- 7 We establish a Human Rights Promotion Committee, chaired by the director overseeing labor and human resources, to lead these efforts.

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.

[Kandenko Group Procurement Policy](#)



*Follow link for more information.



Supplier Questionnaire on Human Rights and Procurement Policies

● Objective

We developed and disclosed our human rights and procurement policies, recognizing the need for sound management not only within the company, but also among our suppliers. To this end, we conducted an original questionnaire to assess the current conditions and identify issues.

● Questionnaire Contents

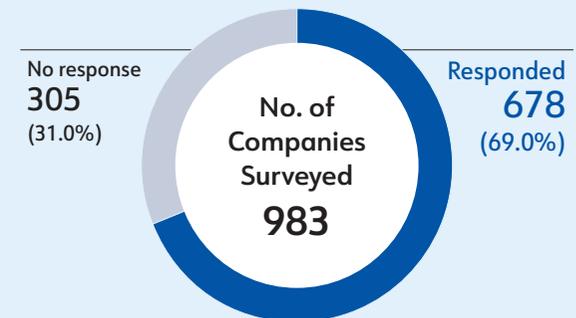
The questionnaire verifies compliance with the human rights and procurement policies and ensures necessary systems are in place.

*Questionnaire items (overview)

Prohibition of discrimination and unfair treatment; work environment development; local community engagement; compliance with laws, regulations, and social norms; safety and health assurance; quality assurance; environmental considerations; information security; internal systems development

● Questionnaire Period

November 20, 2023 to November 30, 2023



SOCIAL Community Engagement and Sports Promotion

Dispatching Employees on the Japanese Antarctic Research Expedition

Kandenko sends employees to the National Institute of Polar Research per request from the institute. Dispatched employees join the Japanese Antarctic Research Expedition, handling various tasks at the Showa Station, including installing and maintaining electrical and air conditioning systems. We have dispatched employees over 30 times since the 28th expedition in 1968. The institute certified the Company as an Antarctic Research Partner Company in February 2024 in recognition of our significant contributions to Antarctic regional observations. We are committed to continue leveraging our technical skills developed as a comprehensive equipment company and our expertise gained through Antarctic assignments to provide a stable research foundation and contribute to advancing environmental change forecasting.



→ Japanese Antarctic Research Expedition



*Follow link for more information.

Kandenko Becomes an Official Partner of the National High School Rugby Football Tournament

Kandenko has been an official partner of the National High School Rugby Football Tournament since the 97th tournament in 2017. This tournament is hosted by the All Japan High School Athletic Federation, the Japan Rugby Football Union, and other organizations. We hope our sponsorship of this tournament at the iconic Hanazono Rugby Stadium will contribute to the growth of the sports community and support the next generation of young leaders.



Kandenko x Toshiaki Hirose Connection Support Project

Kandenko appointed former captain of Japan's national rugby team, Toshiaki Hirose, as our Corporate Communication Captain (CCC). Together, we are currently promoting the *Kandenko x Toshiaki Hirose Connection Support Project*.

Kandenko employees work closely with Mr. Hirose to publish picture books, host internal events and lectures, and engage in various other activities under the key message *Connecting Individuality to Shape the Future*.



→ Kandenko x Toshiaki Hirose Connection Support Project



*Follow link for more information.

Sponsored the Green Future Classroom Junior Golf Lesson

Kandenko sponsored the Green Future Classroom in September 2024 in commemoration of the 34th Japan Senior Open Golf Championship and the 57th Japan Women's Open Golf Championship. The junior golf lesson was organized by the Japan Golf Association to support the physical and mental development of the next generation of children. A total of 60 elementary school students participated in the lesson.

Participants began by learning the proper form and other basics using SNAG Golf designed for beginners. They then moved through a specially prepared course, thoroughly enjoying physical activity on the beautifully maintained grass.



Kandenko Participates in the 40th Usiku Kappa Festival

Our Education & Training Center has participated in the annual Ushiku Kappa Festival held in Ushiku City, Ibaraki Prefecture, since the first festival in 1982. The center strives to contribute to the local community by deepening exchanges with local residents through participation in this festival. The festival held in July 2024 marked its 40th anniversary. A total of 190 Kandenko employees, including new employees (trainees), Education & Training Center staff, and instructors, joined the annual Kappa-Bayashi Dance Parade.



→ Social Contribution Activities



*Follow the link to learn more about our other social contribution activities.

GOVERNANCE Corporate Governance

Basic Approach to Corporate Governance

Kandenko recognizes that enhancing our corporate governance system is essential for ensuring efficiency, transparency, and integrity in management and business operations, enabling the company to remain valued by stakeholders.

To this end, we implement measures to foster equality in shareholder rights and enhance communication with shareholders. At the same time, we are dedicated to open and proactive communication with stakeholders and timely, appropriate information disclosure.

We also develop management policies and establish systems for their implementation to ensure sustainable growth and enhance corporate value over the medium to long term.

Basic Corporate Governance Policy

Kandenko adopts a basic corporate governance policy that outlines our fundamental approach to enhancing the practical effectiveness of corporate governance. This policy aligns with the content and essence of the Corporate Governance Code established by the Tokyo Stock Exchange.

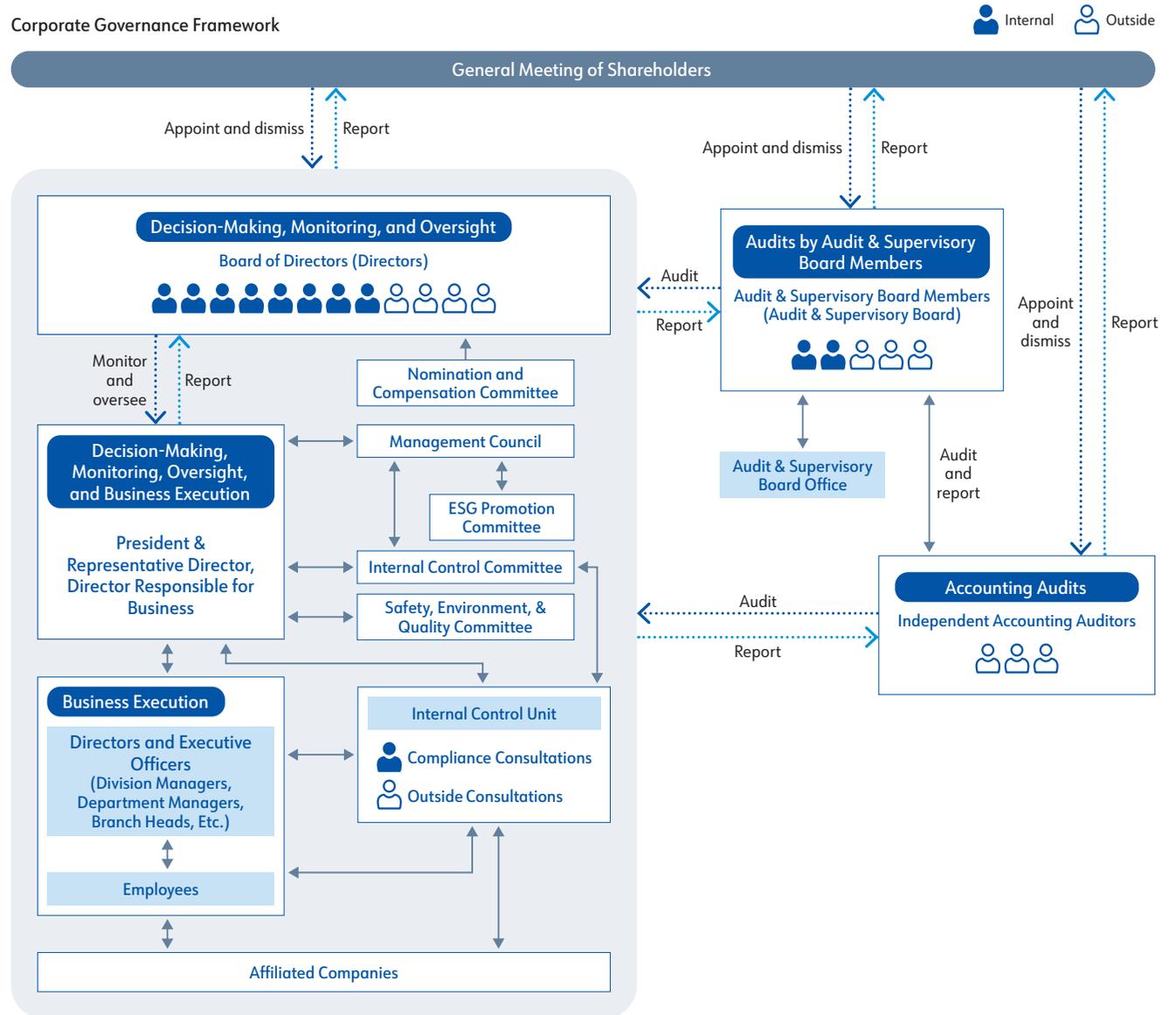
*See our website for more information.

[Governance initiatives](#)



Corporate Governance Framework Overview

Corporate Governance Framework



GOVERNANCE Corporate Governance

Board of Directors

The Kandenko Board of Directors consists of 12 members, including 4 outside directors. The Board holds regular monthly meetings and convenes additional sessions as needed. Members deliberate on important business executions, make final decisions based on input from independent officers, and oversee directors' work duties. The Management Council discusses important managerial issues, including those to be tabled at the Board of Directors. The council holds regular weekly meetings and convenes additional sessions as needed. Kandenko strives for rational corporate administration under this structure. Kandenko also introduced an executive officer system, which separates managerial oversight from business execution, speeding up decision-making and strengthening business operations while improving the efficiency of the directors' operational framework. Directors serve one-year terms to enable swift responses to changes in the operating environment and revitalize management.

No. of Board of Directors Meetings Held in FY2023 17

Position	Name	Attendance
Chairman and Director	Seiichi Fubasami	12/12
President and Executive Officer	Toshio Nakama	17/17
Executive Vice President and Executive Officer	Nobuhiro Iida	17/17
Executive Vice President and Executive Officer	Yuji Ueda	17/17
Senior Managing Director and Executive Officer	Mitsuru Fujii	17/17
Senior Managing Director and Executive Officer	Hiroyuki Enoki	12/12
Senior Managing Director and Executive Officer	Hirofumi Tamogami	12/12
Managing Director and Executive Officer	Koichi Nakahito	17/17
Director	Miwako Ando	17/17
Director	Koji Tanaka	17/17
Director	Miwa Suto	12/12
Director	Takaaki Kato	–

*Differences in the number of meetings are due to the timing of appointment dates.

Effectiveness Evaluations

All Kandenko directors and Audit & Supervisory Board members conduct self-evaluations after the end of each fiscal year regarding the effectiveness of the Board of Directors. Evaluation content is then analyzed and assessed by the Board of Directors.

Analyzing the efforts to ensure the effectiveness of the above measures and self-evaluations revealed several key areas for improvement. These include invigorating the Board of Directors, enhancing Board monitoring and supervisory functions, and clarifying matters to be discussed by the Board. Despite these results, the assessment concluded that the Board of Directors effectively fulfilled its role in fiscal 2023.

Kandenko remains committed to enhancing the overall effectiveness of the Board of Directors in light of these opinions.

Audit & Supervisory Board

The Company has traditionally adopted a corporate auditor system for our auditing system. Five Audit & Supervisory Board members, including three outside members, conduct audits in compliance with legal requirements and the Kandenko audit policy. Outside members heighten the independence and neutrality of our auditing system, attending the Board of Directors and other key meetings to share independent and objective opinions. Audit & Supervisory Board members, including outside members, hold regular and as-needed meetings with directors to discuss their work. Kandenko also established the Audit & Supervisory Board Office to enhance the duties and effectiveness of the Audit & Supervisory Board.

No. of Audit & Supervisory Board Meetings Held in FY2023 16

Position	Name	Attendance
Full-Time Audit & Supervisory Board Member	Shoichiro Kashiwabara	11/11
Full-Time Audit & Supervisory Board Member	Eiichi Oba	–
Audit & Supervisory Board Member	Takashi Suetsuna	16/16
Audit & Supervisory Board Member	Nozomu Kano	–
Audit & Supervisory Board Member	Shoichi Muto	16/16

*Differences in the number of meetings are due to the timing of appointment dates.

Nomination and Compensation Committee

Kandenko established the Nomination and Compensation Committee to enhance the effectiveness and transparency of the Board of Directors. This committee deliberates and reviews matters concerning the nomination and compensation of directors and Audit & Supervisory Board members.

The following is an overview of the committee.

Name:	Nomination and Compensation Committee
Members:	Chairman (committee chair), president, independent outside directors
Agenda items:	Matters related to the appointment and compensation of directors and Audit & Supervisory Board members Other matters related to corporate governance, compliance, etc.

No. of Nomination and Compensation Committee Meetings Held in FY2023 8

Position	Name	Attendance
Chairman and Director	Seiichi Fubasami	3/3
President and Executive Officer	Toshio Nakama	8/8
Director	Miwako Ando	8/8
Director	Koji Tanaka	8/8
Director	Miwa Suto	3/3
Director	Takaaki Kato	–

*Differences in the number of meetings are due to the timing of appointment dates.

Independent Accounting Auditors

Kandenko appointed Inoue Audit Corporation as our independent accounting auditor. Three certified public accountants (CPAs) audit Kandenko's accounts. These members are Hideo Hayashi, Masamichi Sakuma, and Shuichi Tamaoki, none of whom have audited our accounts for more than seven consecutive years. Three CPAs, two individuals who have passed the CPA exam, and three others serve as assistants for accounting audit operations.

GOVERNANCE Corporate Governance

Internal Audits

Six staff members of the Internal Audit Division conduct audits in accordance with internal control enhancement plans. We ensure necessary remedial actions by reporting audit results to the Internal Control Committee and the Management Council. We also report results to the Board of Directors when necessary.

The independent accounting auditor and the Internal Audit Division report the results of their respective audits to the Audit & Supervisory Board. The independent accounting auditor and the Internal Audit Division also hold regular discussions with Audit & Supervisory Board members, including the outside members, to exchange opinions as needed to maintain mutual coordination. Audit & Supervisory Board members (including outside members), independent accounting auditor, and the Internal Audit Division conduct audits while receiving regular reports on the establishment and operation of internal controls from each operational division.

Policy on the Appointment of Directors and Audit & Supervisory Board Members

The Company considers the characteristics of our businesses and effectiveness of our governance functions to determine the diversity and size of the Board of Directors.

Our policy calls for appointing directors and Audit & Supervisory Board members with extensive experience and insight who contribute to Kandenko's sustainable growth and enhance corporate value over the medium to long term, regardless of gender, nationality, or other personal characteristics. The Board of Directors determines these appointments following deliberation and review by the Nomination and Compensation Committee.

Furthermore, we select outside directors and outside Audit & Supervisory Board members capable of supervising and auditing director duties from an independent and objective standpoint. We also ensure that at least one such member has experience in management at another company.

The following skills matrix outlines the knowledge, experience, and expertise of our directors and Audit & Supervisory Board members.

	Name	Corporate Management	ESG and Compliance	Finance and Accounting	Human Resources and Labor	Sales and Marketing	Operations and Management	Purchasing	New Business	Technology Development, DX, and IT	Overseas Business
Directors	Seiichi Fubasami	●	●	●					●		
	Toshio Nakama	●	●			●	●				
	Nobuhiro Iida	●				●		●			●
	Yuji Ueda	●				●			●		●
	Mitsuru Fujii		●			●	●	●			
	Hiroyuki Enoki	●	●		●						
	Hirofumi Tamogami	●			●	●				●	
	Koichi Nakahito						●		●	●	
	Miwako Ando		●		●						
	Koji Tanaka	●							●	●	●
Audit & Supervisory Board Members	Miwa Suto	●		●						●	
	Takaaki Kato	●	●	●							●
	Shoichiro Kashiwabara	●	●	●				●			
	Eiichi Oba		●				●	●			
	Takashi Suetsuna		●	●	●						●
	Nozomu Kano	●	●	●							
	Shoichi Muto		●				●			●	

*Areas in the above matrix marked with ● represent up to four of the most specialized skills held by each individual, as well as the skills we expect of them as directors or Audit & Supervisory Board members.

Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors and Outside Audit & Supervisory Board Members

Currently, the Company has four outside directors and three outside Audit & Supervisory Board members. Six of these individuals are independent directors under Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.

When selecting outside directors and outside Audit & Supervisory Board members, we strive to enhance oversight and supervisory functions and improve transparency in accordance with the Companies Act and other regulations. We choose candidates whose external experience and expertise add value to company management. We also select candidates based on their ability to supervise and audit the execution of directors' duties from an independent and neutral standpoint. The Audit & Supervisory Board consents to the selection of outside Audit & Supervisory Board members, followed by approval by the Board of Directors and a final resolution at the General Meeting of Shareholders.

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

Kandenko deems candidates for outside directors and outside Audit & Supervisory Board members as independent if they do not meet any of the following exclusion criteria.

- (1) Candidate currently serves or was previously served as an executive of the Company or our subsidiaries
- (2) Candidate serves as an executive of a major shareholder of the Company (holding 10% or more of voting rights, including indirect ownership) or as an executive of a company of which the Company is a major shareholder
- (3) Candidate serves as a business executive of a major creditor of Kandenko (a creditor that has provided loans exceeding 1% of consolidated assets in the most recent fiscal year)
- (4) Candidate serves as 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
- (5) Candidate serves as a representative employee or an employee of an accounting auditor of Kandenko
- (6) Candidate serves as an individual or a member of a group that has

GOVERNANCE Corporate Governance

received material benefits or high-value gifts from Kandenko (exceeding ¥10 million, excluding compensation for corporate officers)

- (7) Candidate serves as a business executive of a company with a reciprocal relationship with Kandenko through outside officers
- (8) Candidate has a relative (spouse or relative within the second degree of kinship) who falls under any of the criteria (1) to (6) above (limited to officers and key employees)
- (9) Candidate has met any of the criteria (2) to (8) within the past five years

Director and Audit & Supervisory Board Member Compensation, Etc.

FY2023 Director and Audit & Supervisory Board Member Compensation Amounts

Category	Number of Recipients	Total Compensation, Etc.	Total Compensation, Etc. by Type		
			Base Compensation	Bonuses	Restricted Share-Based Compensation
Directors (of which are outside directors)	17 (5)	¥458 million (¥40 million)	¥297 million (¥40 million)	¥127 million (-)	¥34 million (-)
Audit & Supervisory Board Members (of which are outside members)	6 (3)	¥90 million (¥36 million)	¥90 million (¥36 million)	-	-

*The number of recipients and the amount of compensation include five directors and one Audit & Supervisory Board member who retired at the conclusion of the 109th Annual General Meeting of Shareholders held on June 29, 2023.

FY2024 Revisions

Introduction of Performance-Linked Compensation and Partial Revision of Policies for Determining Individual Director Compensation

The Board of Directors resolved on March 11, 2024, to partially revise the policy for determining individual director compensation. These revisions restructured the current director bonuses into performance-linked compensation based on quantitative calculation criteria, starting with director compensation for fiscal 2024.

1. Objective

- Further motivate directors to improve performance

- Establish a system to provide appropriate incentives to directors

2. Revised policy for determining individual director compensation, etc.
The compensation, etc. of Company directors shall be within the total amount approved at the General Meeting of Shareholders. This total consists of base compensation, bonuses as performance-linked compensation, and restricted share-based compensation (only base compensation is applicable to outside directors). We determine individual compensation based on each director's responsibilities. The Nomination and Compensation Committee deliberates and reviews compensation, etc., before resolution by the Board of Directors. The ratio of base compensation, bonuses, and restricted share-based compensation to the total compensation is shown in the table below. These ratios may vary depending on fluctuations in performance-linked bonuses.

	Base Compensation	Performance-Linked Compensation (Bonuses)	Restricted Share-Based Remuneration
Representative Director	60%	30%	10%
Non-representative director	65%	25%	10%

*We provide only base compensation to outside directors.

(A) Base compensation

We pay base compensation on a regular monthly basis in fixed amounts for each position.

(B) Performance-linked compensation (bonuses)

We treat bonuses as compensation tied to short-term performance and calculate the amount using the following methods. Payments are made at a fixed time each year.

- (a) Set KPIs for consolidated operating income and consolidated net sales (key performance evaluation metrics)
- (b) Set coefficients based on the year-over-year change rates for each KPI and calculate the base bonus amount for each position by applying these coefficients to the previous year's bonus payments
- (c) Determine the final payment amount by reflecting the director's individual evaluation on the basic payment amount

(C) Restricted share-based compensation

We pay restricted share-based compensation at a determined time each year within the compensation limit approved at the General Meeting of Shareholders. This compensation aims to enable directors to share the benefits and risks of stock price

fluctuations with shareholders. This compensation also motivates directors further to contribute to stock price growth and the long-term improvement of corporate value.

Internal Control System Progress

Kandenko established an Internal Control Committee chaired by the president based on the Basic Policy for Enhancing the Internal Control System adopted by the Board of Directors (enacted April 2006, revised May 2015). This committee discusses issues related 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 measures such as these, Kandenko establishes a system that ensures the Company and the corporate group, consisting of Kandenko and our subsidiaries, conduct appropriate business. The Company also determined a department in charge of reviewing internal controls relating to financial reporting to facilitate compliance with the internal control reporting system introduced in fiscal 2008 in accordance with the Financial Instruments and Exchange Act. The department strives to guarantee the reliability of our financial reporting by ensuring proper operation and evaluation.

Compliance System

The Company formulated the Kandenko Group Charter of Corporate Behavior to clarify materialities in the Kandenko Group's business activities and encourage deeper compliance. We are working to embed this practice and enhance awareness among all employees of the Kandenko Group. We established internal and external compliance consultation points for employees and offer a system that also addresses internal reports on legal violations. In this way, we strive to establish and maintain a fair and transparent corporate culture (102 consultations received in fiscal 2023).

The Kandenko Group adopts a firm stance against antisocial forces and eliminates any actions that could raise suspicion of inappropriate relationships. We conduct compliance education and training to ensure thorough awareness of our stance across the entire organization based on the Kandenko Group Charter of Corporate Behavior and internal control enhancement plans adopted by the Internal Control Committee.

GOVERNANCE Corporate Governance

Risk Management System

The Kandenko Group operates a set of internal regulations on risk management. We devise countermeasures to match the degree of impact and likelihood of occurrence after categorizing and defining operational risks by item. In addition to taking preventative measures against such risks, Kandenko establishes reporting channels and response systems to address risks should they materialize.

Additionally, the Internal Control Committee holds regular meetings to check the operational status of the risk management system. The committee also analyzes and evaluates risk status and related matters, while the dedicated Internal Control Unit serves to strengthen our risk management system.

The following factors may have a significant impact on investor decisions.

The Kandenko Group recognizes the potential of such risks and takes initiative to prevent their occurrence and minimize their impact on our business activities should they occur.

Any forward-looking statements reflect the Kandenko Group's judgments based on information available as of the end of fiscal 2023.

Changes in the business environment

Significant changes in the business environment may impact performance and other results. Such changes include greater-than-expected declines in construction-related or power facility investments. Note that TEPCO accounts for approximately 30% of the Kandenko Group's revenue.

Fluctuations in the cost of material and labor costs

Significant increases in material and labor costs that cannot be reflected in the contract fees may impact performance and other results.

We address this risk by negotiating adjustments to construction contract terms and working on various measures to reduce costs, including diversifying the supply chain.

Work and related risks

Serious quality defects or accidents in construction work may impact performance and other results.

We address this risk by ensuring construction quality through analyzing equipment accident causes, implementing countermeasures, and educating employees using past accident cases.

Credit risk associated with client companies

Contract fees for each transaction are large in the construction industry. In many cases, contracts require a significant portion of the construction payment to be made upon the delivery of the completed project. Financial difficulties faced by a client before we receive construction payments may impact performance and other results.

We address this risk by striving to prevent bad debts through rigorous verification of client companies' credit status.

Asset holding risk

We hold assets such as real estate and securities to support business activities. Significant declines in the market value of held assets or substantial decreases in the profitability of business-use real estate may impact performance and other results.

We address this risk by monitoring impairment risks and other factors in real estate for business purposes. The Board of Directors annually reviews cross-shareholdings among investment securities, evaluating their significance and asset efficiency. As a general rule, we sell stocks with diminished significance.

Retirement benefit obligations

Declines in the market value of pension assets or adjustments to assumptions used in calculating investment returns and retirement benefit obligations (e.g., discount rates) may impact performance and other results.

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

We are subject to legal regulations, including the *Construction Business Act*, the *Antimonopoly Act*, and the *Industrial Safety and Health Act*. Changes to, repeals of, or enactments of legal regulations, adjustments to application criteria, or administrative sanctions under these regulations may impact performance and other results.

We address this risk by ensuring compliance with legal regulations. To do so, the division responsible for business execution and the legal department continuously monitor trends in changes, repeals, or enactments of legal regulations and assess compliance measures and adherence.

Risk of information leakage

Significant damages from cyberattacks resulting in information theft, system data tampering, or loss may impact performance and other results.

We address this risk by developing internal regulations, working to strengthen the security of our information systems, and educating our employees. We implemented the Computer Security Incident Response Team (CSIRT) within the organization to minimize the impact of cyberattacks. CSIRT strives to clarify roles and reporting structures.

Disaster risk

Disrupted and delayed business activities stemming from large-scale earthquakes, typhoons, and other natural disasters may impact performance and other results.

We address this risk by establishing internal regulations, raising employee awareness, implementing power outage countermeasures at business sites, and stockpiling emergency supplies.

System to Ensure Proper Operations of Our Corporate Group (Kandenko and Subsidiaries)

Kandenko established a system to share information with subsidiaries, ensuring we report key matters in business execution to our Board of Directors. Such matters include items related to the financial reporting of our subsidiaries and items related to our internal control systems.

We also establish internal regulations on subsidiary risk management to prevent risks and minimize any impacts on business activities should they occur. At the same time, we advise and support subsidiaries in establishing a risk management system while periodically checking and evaluating their risk management status.

Periodically receiving reports from our subsidiaries enables us to check their operations and assess management status. We also offer advice and other support for any management challenges.

The Internal Audit Division audits our subsidiaries in accordance with internal control enhancement plans. The division reports audit results to the Internal Control Committee and the Management Council to ensure necessary remedial actions. When necessary, the division also reports to the Board of Directors.

GOVERNANCE Management

Directors

*Representative Director



Seiichi Fubasami*
Chairman and Director



Toshio Nakama*
President and Executive Officer



Nobuhiro Iida*
Executive Vice President and
Executive Officer



Yuji Ueda*
Executive Vice President and
Executive Officer



Mitsuru Fujii
Senior Managing Director and
Executive Officer



Hiroyuki Enoki
Senior Managing Director and
Executive Officer



Hirofumi Tamogami
Senior Managing Director and
Executive Officer



Koichi Nakahito
Managing Director and Executive
Officer



Miwako Ando
Outside Director



Koji Tanaka
Outside Director



Miwa Suto
Outside Director



Takaaki Kato
Outside Director

Audit & Supervisory Board Members



Shoichiro Kashiwabara
Full-Time Member



Eiichi Oba
Full-Time Member



Takashi Suetsuna
Outside Member



Nozomu Kano
Outside Member



Shoichi Muto
Outside Member

Data Section

This section provides a variety of detailed data, primarily quantitative financial and non-financial information, offering further insight into Kandenko.

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Consolidated 11-Year Financial Summary

(Millions of yen)

Consolidated Fiscal Year Ending March 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net sales	437,930	436,682	447,673	470,943	507,205	563,550	616,143	556,045	495,567	541,579	598,427
Operating profit	8,284	9,388	16,416	26,397	29,261	30,012	34,693	30,041	30,643	32,748	40,934
Operating profit ratio (%)	1.9	2.1	3.7	5.6	5.8	5.3	5.6	5.4	6.2	6.0	6.8
Ordinary profit	9,089	10,336	17,077	27,345	30,031	30,795	35,565	31,043	31,754	34,059	42,648
Profit (loss) attributable to owners of the parent	4,226	4,615	9,412	17,591	19,058	19,703	22,515	20,147	20,315	21,167	27,345
Comprehensive income	7,327	11,984	7,137	18,422	22,927	20,319	15,685	29,222	19,831	21,024	44,375
Total assets	359,933	366,177	407,681	424,874	443,751	459,854	488,701	456,999	470,967	487,828	567,275
Net assets	189,692	193,345	197,980	213,356	230,810	245,954	255,821	279,459	293,514	308,457	345,800
ROE (%)	2.3	2.5	4.9	8.8	8.8	8.5	9.3	7.8	7.3	7.3	8.6
ROA (%)	2.5	2.8	4.4	6.6	6.9	6.8	7.5	6.6	6.8	7.1	8.1
Equity ratio (%)	51.45	51.44	47.22	48.72	50.51	51.85	50.62	59.17	60.30	61.17	58.87
Net assets per share (yen)	906.29	922.05	942.42	1,013.33	1,097.36	1,167.30	1,211.13	1,323.90	1,389.96	1,460.23	1,633.95
Earnings per share (yen)	20.69	22.59	46.07	86.11	93.31	96.46	110.23	98.64	99.45	103.59	133.80
Dividends per share (yen)	12.00	14.00	14.00	20.00	24.00	26.00	28.00	28.00	28.00	32.00	41.00
Cash flows from operating activities	(2,218)	2,921	18,042	6,751	11,469	28,251	29,155	12,873	27,150	7,455	19,841
Cash flows from investing activities	(5,839)	2,253	(7,102)	(17,867)	(10,015)	(10,131)	(13,481)	(972)	(9,224)	(6,635)	(19,077)
Cash flows from financing activities	(4,540)	(3,743)	19,807	(169)	(7,857)	(9,153)	(7,151)	(26,317)	(7,789)	(7,319)	567
Cash and cash equivalents at end of period	38,697	40,157	70,899	59,612	54,099	63,068	71,579	57,187	67,423	61,015	62,438
Number of employees (persons)	8,821	8,839	8,915	9,244	9,571	9,818	10,003	10,154	10,264	10,320	10,442

 Annual Securities Report, etc.


*Follow link for more information.

Non-Financial Information

(As of March 31, 2024)

Item		Unit	Results				
			FY2019	FY2020	FY2021	FY2022	FY2023
Employees (Consolidated)	Total	Persons	10,003	10,154	10,264	10,320	10,442
Employees	Total		7,350	7,497	7,619	7,682	7,769
	Male	Persons	6,892	7,007	7,123	7,180	7,244
	Female		458	490	496	502	525
Average Age	Total		41.6	41.7	41.9	42.1	42.3
	Male	Age	41.6	41.6	41.8	42.1	42.2
	Female		41.7	42.1	42.6	43.4	43.4
Years of Service	Total		19.1	19.0	19.1	19.4	19.6
	Male	Years	19.2	19.2	19.3	19.5	19.7
	Female		16.3	16.5	16.4	16.9	17.3
Turnover	Total		2.0	2.1	1.8	2.4	2.6
	Male	%	2.0	2.1	1.8	2.5	2.7
	Female		1.5	1.2	1.6	1.9	1.5
Promotion to Managerial Positions	Earliest age	Age	40	40	39	39	38
	Number of male in managerial positions	Persons	1,764	1,792	1,864	1,932	2,027
	Number of female in managerial positions	Persons	18	22	23	28	34
	Percentage of female employees in managerial positions	%	3.9	4.5	4.6	5.5	6.4
Employment of Persons With Disabilities	Employment rate	%	2.2	2.3	2.7	2.6	2.7
Number of Regular Hires	Total		333	305	314	330	330
	Male	Persons	317	289	303	307	307
	Female		16	16	11	23	23
Number of Mid-Career Hires	Total		74	106	79	81	94
	Male	Persons	72	93	67	73	87
	Female		2	13	12	8	7
Ratio of Mid-Career Hires Among Full-Time Employees	Total		18.2	25.8	20.1	19.7	22.2
	Male	%	18.5	24.3	18.1	19.2	22.1
	Female		11.1	44.8	52.2	25.8	23.3

Item		Unit	Results				
			FY2019	FY2020	FY2021	FY2022	FY2023
Number of Employees Using the Nursing Care Leave Program	Total		4	3	5	3	5
	Male	Persons	3	2	3	3	4
	Female		1	1	2	0	1
Number of Employees Using the Childcare Leave Program	Total		6.2	13.1	11.2	18.3	36.7
	Male	%	0.7	6.3	5.6	10.9	31.4
	Female		100.0	100.0	100.0	100.0	100.0
Percentage of Employees Using the Spouse Childbirth Leave Program	%	70.6	60.6	58.8	63.0	81.7	
Number of Foreign Employees	Persons	11	15	14	16	34	
Female Technical and Engineering Staff	Persons	84	94	105	108	117	
Percentage of Employees Rehired After Mandatory Retirement Age	%	81.8	86.8	89.8	89.1	90.6	
Average Annual Salary	Total	Thousands of yen	7,752	7,689	7,547	7,449	7,911
	Male	Thousands of yen	7,918	7,841	7,694	7,602	8,046
	Female	Thousands of yen	5,335	5,496	5,486	5,367	6,020
	Ratio of Female's Wages to Male's Wages	%	67.4	70.1	71.3	70.6	74.8
Paid Leave Usage Rate	Total	%	56.5	59.9	66.9	72.4	72.9
Average Total Working Hours Per Person Per Month	Total	Hours	184.4	178.1	175.4	173.0	174.9
Ratio of Employees Who Undergo Stress Checks	%	93.8	95.2	95.6	96.8	96.2	
Work Engagement	%	—	—	82.5	82.7	83.0	
Employee Engagement	%	—	—	—	66.6	68.8	
Employee Training Hours* (Company-Wide Training, Etc.)	Total hours		35,813	22,862	26,600	37,658	49,384
Number of Employee Training Days* (Company-Wide Training, Etc.)	Total days		4,775	3,048	3,547	5,021	6,585
Number of Training Participants* (Company-Wide Training, Etc.)	Total number of persons		1,910	1,618	2,114	2,442	4,081
Cost of Training Per Person	Thousands of yen		—	—	—	54	57

*Training provided by Education & Training Center

Corporate Information (As of March 31, 2024)

Company Profile

Company Name	Kandenko Co., Ltd.
Established	September 1, 1944
Head Office	4-8-33 Shibaura, Minato-ku, Tokyo 108-8533, Japan
Paid-In Capital	¥10,264 million
Total Shares Issued	205,288,338 shares
Employees	Consolidated 10,442; Non-Consolidated 7,769

Corporate Website

Kandenko understands that our corporate website serves as an important source of information. Visit our website for more information on investor relations, technology, services, and the latest news.

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



Network

Domestic Offices

Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan	Tama Branch	2-24-6 Myojincho, Hachioji-shi, Tokyo, Japan
Tokyo Main Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan	Kansai Branch	2-3-18, Nakanoshima, Kita-ku, Osaka, Japan Nakanoshima Festival Tower, 20th floor
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama City, Kanagawa, Japan	Nagoya Branch	1-2-7 Sakae, Naka-ku, Nagoya-shi, Aichi, Japan Nagoya Toho Building 6th floor
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba-shi, Chiba, Japan	Kyushu Branch	1-1-1 Yakuin, Chuo-ku, Fukuoka, Japan Yakuin Business Garden, 4th floor
Saitama Branch	1-195-1 Sakuragicho, Omiya-ku, Saitama-shi, Saitama, Japan	Hokkaido Branch	4-1-2 Kitaichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan J&S Resona Building 3rd floor
Ibaraki Branch	2-7-14 Jonan, Mito City, Ibaraki, Japan	Tohoku Branch	4-6-1 Ichibancho, Aoba-ku, Sendai-shi, Miyagi, Japan Sendai Dai-ichi Seimei Tower Building
Tochigi Branch	91-1 Imaizumicho, Utsunomiya-shi, Tochigi, Japan	Nagano Branch	1629-32 Midoricho, Nagano-shi, Nagano, Japan
Gunma Branch	215-6 Furuichicho, Maebashi, Gunma, Japan		
Yamanashi Branch	4-12-25 Chuo, Kofu City, Yamanashi, Japan		
Shizuoka Branch	8-12 Yoneyamacho, Numazu City, Shizuoka, Japan		

● : Domestic Offices
○ : Overseas Offices



Overseas Offices

Singapore Regional Branch	2 Leng Kee Road #06-05 Thye Hong Centre, Singapore 159086	Yangon Branch	No (291) , Corner of Yazathingyan 7th & 8th Street, Yatana Road, South Okkalapa Township, Yangon, Myanmar
Taiwan Branch	6F-1, No.45, Section 1, Minchuan Eastern Road, Taipei, Taiwan		

→ Work Projects
<https://www.kandenko.co.jp/works/>

Stock Information

The Company's shares are listed on the Prime Market of the Tokyo Stock Exchange.

As of March 31, 2024, Kandenko had 12,858 shareholders.

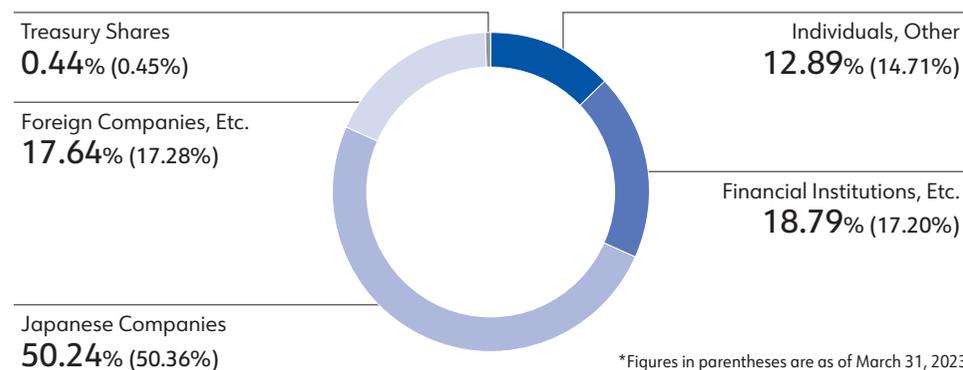
The table below lists our main shareholders.

Main Shareholders (As of March 31, 2024)

Name	Shares	Ownership Ratio
1 TEPCO Power Grid, Inc.	94,753,552	46.36%
2 The Master Trust Bank of Japan, Ltd. (Trust Account)	16,665,700	8.15%
3 The Custody Bank of Japan, Ltd. (Trust Account)	9,816,200	4.80%
4 Kandenko Group Employees Shareholding Association	6,242,166	3.05%
5 STATE STREET BANK AND TRUST COMPANY 505001	3,449,338	1.68%
6 THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	2,578,700	1.26%
7 Mizuho Bank, Ltd.	2,053,039	1.00%
8 BNYM AS AGT/CLTS 10 PERCENT	1,716,613	0.83%
9 STATE STREET BANK WEST CLIENT -TREATY 505234	1,542,100	0.75%
10 JP MORGAN CHASE BANK 385781	1,447,195	0.70%
Total	140,264,603	68.63%

*Ownership ratio is calculated by subtracting 911,222 shares of treasury stock from the total number of shares issued.

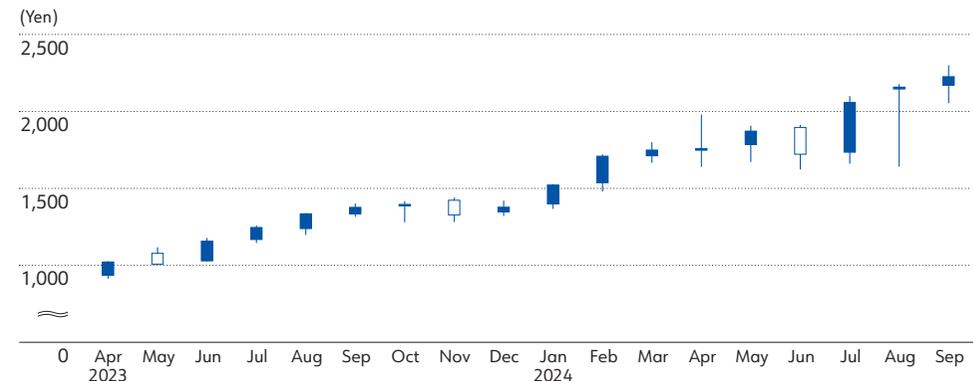
Shares Held by Type of Shareholder (As of March 31, 2024)

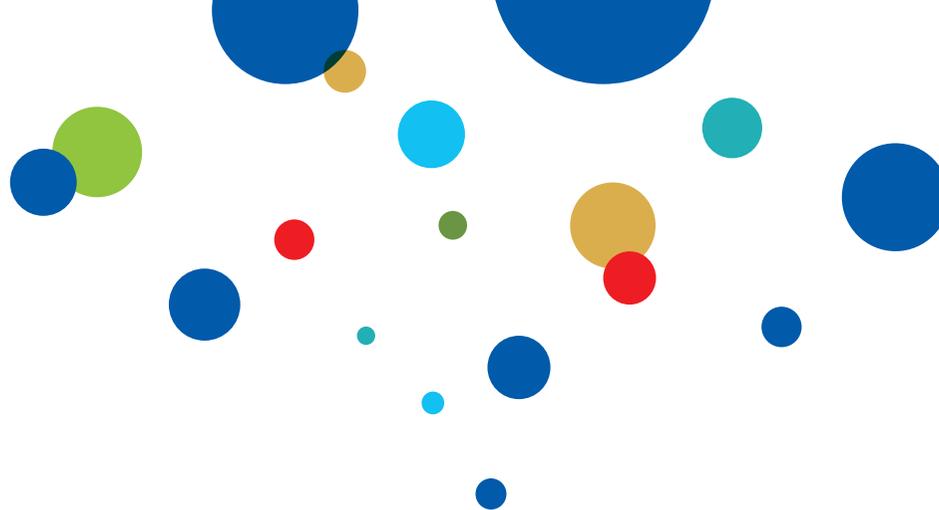


Stock-Related Information

Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Record Date for Dividend Payments	March 31 (year-end dividend) September 30 (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 Notice	Public announcements will be posted electronically. However, if the Company cannot issue an electronic notification, we will place a notice in the Nihon Keizai Shimbun published in Tokyo. The Kandenko URL for public notices is as follows. https://www.kandenko.co.jp/english/
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Contact (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)

Monthly Share Price





KANDENKO

Kandenko Co., Ltd.

4-8-33 Shibaura, Minato-ku, Tokyo 108-8533, Japan

TEL: 03 - 5476 - 2111

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

Notes on the Proper Use of Earnings Forecasts

Any forward-looking statements related to earnings forecasts, etc., in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable. Actual results may vary significantly due to various factors.

