

KANDENKO

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

KANDENKO INTEGRATED REPORT 2021



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KANDENKO

Greetings

Thank you for your interest in “KANDENKO INTEGRATED REPORT 2021.”

We provide end-to-end engineering services ranging from planning, design and execution to maintenance and renovation, regarding electrical work and information and communication work by making use of our proprietary technologies, expertise and methods in the fields of building infrastructure, telecommunications infrastructure and electric power infrastructure. Recently, we have been focusing on utilizing the technologies and expertise we have cultivated to date to develop solar, wind power and other renewable energy power generation businesses, and expand into railways, water supply and other social infrastructure fields, and also to develop robotic and IoT-driven technologies. Furthermore, in order to facilitate the sustainable future development of the Company, which is a labor-intensive company, we are striving to nurture human resources that can support our future by, for instance, enhancing and strengthening our employee education, promoting the active participation of women, and reforms for work practices and annual leave systems.

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



Hiroshi Yamaguchi
Chairman and Director

Toshio Nakama
President and Director

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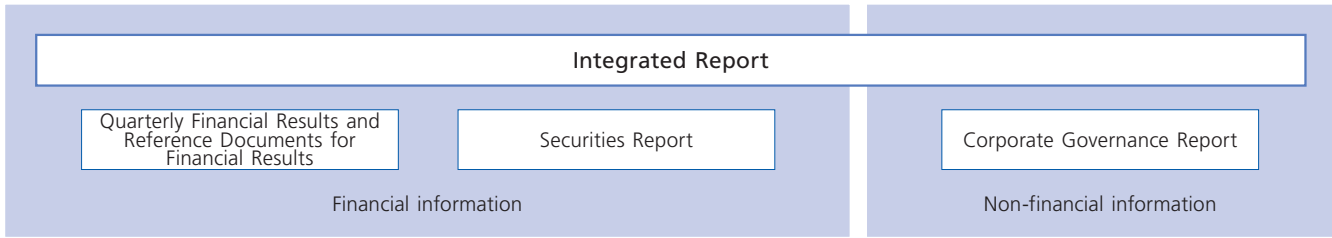
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Tool map

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

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



Editorial Policy

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

Reporting Period

From April 1, 2020 to March 31, 2021
(Includes reports on some activities outside this period)

<Notes on proper use of the business result forecast>

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

Message from the President

Kandenko will pursue reform as a future-creating Company.



President and Executive Officer
Toshio Nakama

Formulating a New Medium-Term Management Plan Together with Our Employees

Fiscal 2020 marked the final year of our five-year growth strategy in which we completed all relevant initiatives and also turned our attention to formulating a new three-year Medium-Term Management Plan. Unlike the Medium-Term Management Plan that we have pursued to date, this plan constitutes the first three years of the roadmap towards creating our ideal company in 2044, our 100-year anniversary, and was formulated through repeated discussions involving employees in their 30s and 40s who will be responsible for the future of the company. If we look ahead twenty years or more, it is clear that our business portfolio will no longer be viable in its current form. We have to start transforming our business right now in preparation for the diversification in customer needs that will accompany the changes we are seeing in society, such as decarbonization, climate change, and increasingly severe natural disasters. We have announced a new slogan to go with the new Medium-Term Management Plan, "Change! And Create the Future from a New Starting Point" to inspire each employee to recognize such reality and think for themselves what to do about it. We consider changing

employee awareness to be an important initiative for us to "change" in our path for the future.

In the face of a rapidly changing society, Kandenko's strength lies in providing value as a one-stop "assembler" that exploits our own technologies and expertise and combines a vast variety of products and the work execution abilities of our business partners in an optimal manner to meet customer needs. To do that, we have to be able to boast a wide range of knowledge of rapidly evolving advanced technologies and manufacturer products, as well as a framework that remains constantly close to customers and consistently capable of supporting and solving their challenges. As customer needs continue to change in tune with the changing times, we want to act aggressively and boldly to ensure we accurately anticipate and grasp the changing trends.

Ever since the foundation of the Company, Kandenko has been consistently involved in projects of a highly public nature, such as maintaining and building electric power infrastructure, and we have steadily built a strong bond of trust with people in the society over many years. We intend to continue keeping the stable supply of electric power while maintaining that trust and fulfilling society's expectations for the Company.

At the same time, in terms of our operating environment, we have to improve productivity more than ever as upper restrictions on working hours are set to be

○ Fiscal 2020 Business Results

Consolidated results (Billions of Yen)	
Net sales of completed construction contracts	¥556.0 (down 9.8% YoY)
Operating profit	30.0 (down 13.4% YoY)
Ordinary profit	31.0 (down 12.7% YoY)
Profit attributable to owners of parent	20.1 (down 10.5% YoY)

Non-consolidated results (Billions of Yen)	
New orders received	¥507.5 (down 1.2% YoY)
Net sales of completed construction contracts	486.3 (down 10.0% YoY)
Operating profit	24.7 (down 11.0% YoY)
Ordinary profit	25.9 (down 10.2% YoY)
Profit	17.5 (down 9.7% YoY)

Message from the President

applied to the construction industry from April 2024. In order to improve operational efficiency and further reduce workloads, we will continue to maintain a system that supports power infrastructure and strive to realize a healthier work-life balance for our employees.

Profitable Structures Created Under Our Five-year Growth Strategy

In fiscal 2020, private construction investment declined significantly in the wake of the COVID-19 pandemic that has stubbornly persisted from the end of fiscal 2019, and capital investment in electric power remained on a contracting trend. Against that backdrop, Kandenko's new orders received declined slightly year on year to ¥507,522 million and net sales of completed construction contracts also declined in all areas including electrical engineering, environmental facilities and systems, and renovation work as the construction contracts brought forward from fiscal 2019 decreased.

As a result, the Kandenko Group's consolidated business results for fiscal 2020 were as follows; net sales of completed construction contracts totaled ¥556,045 million (down 9.8% year on year), operating profit

totaled ¥30,041 million (down 13.4% year on year), ordinary profit stood at ¥31,043 million (down 12.7% year on year), and profit attributable to owners of parent amounted to ¥20,147 million (down 10.5% year on year).

Dampened appetite for capital investment in the face of the COVID-19 pandemic hit electrical engineering, environmental facilities and systems, and renovation work especially hard, and, while there was less stagnation in large-scale new construction projects, we saw many cases of cancellations and postponements of renewal projects and small-scale projects, resulting in a decline in on-site operations. However, an increase in renewable energy power generation work and information & communication work helped offset the overall decline to some extent.

So far in fiscal 2021, information & communication work, and electric power & civil engineering work have been supporting net sales of completed construction contracts in the first quarter and generating a recovery in profits. While net sales of completed construction contracts for electrical engineering, environmental facilities and systems, and renovation work still continue to decline, new orders received have started to increase again.

Our fiscal 2021 business forecasts include new orders received of ¥470,000 million (1.2% increase year on

year*). Consolidated forecasts include net sales of completed construction contracts of ¥521,000 million (1.6% increase year on year*), operating profit of ¥30,300 million (0.9% increase year on year), ordinary profit of ¥31,300 million (0.8% increase year on year) and profit attributable to owners of parent of ¥20,400 million (1.3% increase year on year).

Looking back at the growth strategy we had promoted over the five years since fiscal 2016, while sales and profits inevitably declined in the final fiscal year due to the impact of the COVID-19 pandemic that we had not predicted when the plan was formulated, we did achieve a record consolidated result in fiscal 2019. On the profit front in particular, we have been able to maintain a level of operating income in excess of ¥30 billion since fiscal 2018, and we believe that we have built a framework that will enable us to overcome changes in the market environment and maintain profits.

In our growth strategy, we promoted our initiative based on the five items we identified as themes to focus on, namely "a business base reinforcement strategy," "a business field expansion strategy," "measures to contribute to a stable electric power supply," "a human resources strategy" and "an investment strategy to boost work execution abilities."

Among the above, regarding the business base reinforcement, our early collection of sales information and strategic sales activities helped increase new orders received. In addition, regarding our Social Infrastructure Work division, I believe that we were able to win further orders by introducing sales methods used in our General Construction Work division that has served as the driver of our corporate growth to date.

In terms of expanding our business fields, while renewable energy power generation work has been increasing, we need to secure more interconnection line work and strengthen our work execution abilities. Our development of water supply, roads, and railway work has not progressed sufficiently, so this is an issue for the future.

In terms of contributing to a stable electric power supply, transmission lines and power distribution lines engineering work has been progressing strongly and we responded swiftly on disaster recovery. However, our construction frameworks remain tight against the backdrop of increasing work volumes and we need to improve productivity. This problem is linked to both strategies of securing human resources and promoting investment to boost work execution abilities. We will focus on training construction personnel, which have

Fiscal 2021 Business Results (Forecast)

Consolidated results (Billions of Yen)	
Net sales of completed construction contracts	¥521.0 (up 1.6% YoY)
Operating profit	30.3 (up 0.9% YoY)
Ordinary profit	31.3 (up 0.8% YoY)
Profit attributable to owners of parent	20.4 (up 1.3% YoY)

Non-consolidated results (Billions of Yen)	
New orders received	¥470.0 (up 1.2% YoY)
Net sales of completed construction contracts	452.0 (up 2.0% YoY)
Operating profit	24.8 (up 0.3% YoY)
Ordinary profit	26.0 (up 0.3% YoY)
Profit	17.6 (up 0.4% YoY)

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

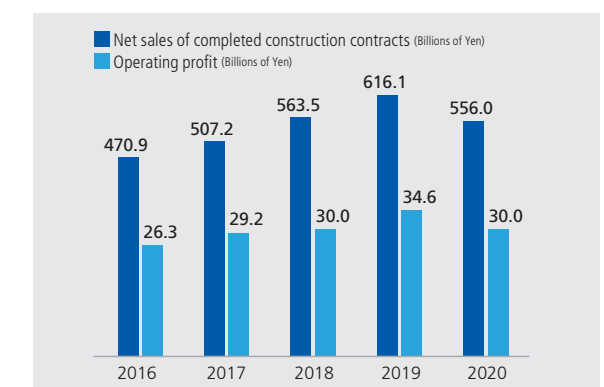
Growth Strategy (Fiscal 2016-2020)

Becoming a 100-Year Company supporting society

Strategic themes

- Building community-based maintenance services
- Developing one-stop services and expanding renewal construction frameworks
- Pursuing initiatives for our renewable energy power generation business
- Enhancing working environments
- Investing in increasing our work execution abilities

Net sales of completed construction contracts/operating profit (consolidated)



Message from the President

increased on the back of enhanced recruitment activities over the past five years, and at the same time promote labor-saving and manpower saving measures in onsite construction activities and the thorough use of digital technologies.

Toward the Three Years of “Change” Focused on Productivity Innovation

As I mentioned earlier, we have formulated a new three-year Medium-Term Management Plan (Fiscal 2021 to 2023), which started in fiscal 2021. We set a three-year span for the plan in order to be able to create an effective growth story in the current uncertain circumstances caused by the COVID-19 pandemic. Also, after considering the impact of COVID-19, we believe it is necessary to verify whether human resource development in a remote environment can generate firm outputs in terms of contributing to high-quality services for customers in a specific span of time.

The Kandenko Group will unite in our quest to challenge innovation with new ideas that are not simply an extension of conventional models, and create value for the future. That determined quest is clearly expressed in our slogan: Change! And Create the Future from a New Starting Point. Through this Medium-Term Management Plan, we will build a foothold for realizing our management vision of “Becoming a 100-year Company Supporting Society.”

Under this plan, we aim to achieve the targets of net sales of ¥580.0 billion, operating profit of ¥36.0 billion, ROE of 8% or higher, ROIC of 8% or higher, and a dividend payout ratio of 30% or above, as business results for fiscal 2023 on a consolidated basis. We have also set other fiscal 2023 targets to reduce energy consumption by 30% compared to fiscal 2009 and increase the percentage of renewable energy to at least 15% of total power consumption.

The operating profit target of ¥36.0 billion is same as the initial profit target that we set for our growth strategy that ended in fiscal 2020. We judged that we need to once again try to clear that profit level now that we have

gone through the subsequent changes in our operating environment and increases in employee numbers.

Based on a fundamental commitment to promote ESG management, this plan focuses on five areas as key policies, namely “productivity innovation,” “rebuild earnings base by demonstrating our comprehensive strengths,” “strengthen foundations for future growth,” “promote sound management activities,” and “reinforce “people first.””

“Productivity innovation” and “rebuild earnings base by demonstrating our comprehensive strengths” will both be directly linked to improving profit levels. We intend to visualize and fundamentally review indirect operations and reformulate our business processes as well as seek to save labor, save manpower, and boost operational efficiency at construction sites by introducing IoT, AI, and robotics, and utilizing prefabricated and modular units. On the sales front, we intend to generate synergies by encouraging inter-departmental cooperation and provide one-stop total solution services, while further enhancing our proposal capabilities and focusing on our sales development in growth areas.

In terms of strengthening foundations for future growth, we intend to target the areas of decarbonization, disaster prevention, and BCP, which are seen as strong future growth areas, and enhance our presence in those fields by developing initiatives for wind power generation, VPP, data centers, and regional microgrids. The idea is to promote co-creation that utilizes external knowledge on advanced technology development through open innovation, industry-academia collaboration, and collaboration with other companies.

Our expectations vis-à-vis employees through this new Medium-Term Management Plan is for employees to actively pursue their own growth by rising to the challenges posed by change and become recognized and appreciated by our customers and the people around them. I hope that there will be multiple human resources especially from among our young employees, who will play a central role in the company going forward and help build a new era for Kandenko.

Expanding Value Provision that can Help Solve Social Issues

Kandenko has always sought to serve as a company that promotes ESG management and is trusted by society. For that aim, we have worked to implement environmental



conservation activities, ensure safety and quality, thoroughly enforce compliance, and enhance corporate governance, and we have also contributed to the achievement of the SDGs by consciously seeking to solve social issues through our business activities.

Going forward, we intend to continue these existing initiatives and also strive to enhance our ability to make proposals that satisfy customers’ needs as they change in line with societal developments, and seek to create and provide value that can ultimately help resolve social issues. To this end, our corporate headquarters will take a leading role in actively disseminating our opinions on ESG and SDGs and promoting initiatives that contribute to a sustainable future in all aspects of our sales activities.

We also intend to further enhance our corporate governance in order to become a company that is trusted more deeply than ever before and recognized for its social significance. More specifically, we recognize that the role of outside directors, who bring objective perspectives and a wealth of specialist knowledge to the table, and ensuring diversity on the Board of Directors will likely gain in importance going forward as we seek to expand our business fields.

Kandenko strives to meet the expectations of our shareholders and reward the efforts of our employees by pursuing services that contribute to the development of society and the growth of our customers’ businesses and increasing our corporate value. We hope you are as excited as we are about the future of the Kandenko Group as we continue to challenge changes and pursue our quest to become a 100-year company that coexists and prospers together with all our stakeholders.

Key Policies in Our Medium-Term Management Plan



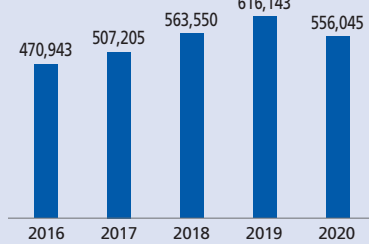
At a Glance

Financial Information

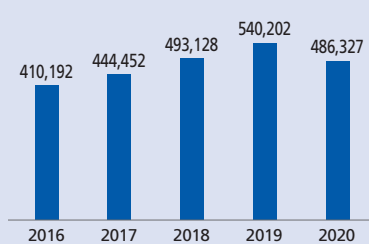
Net sales

Consolidated **¥556,045** million

(Millions of Yen)

Non-consolidated **¥486,327** million

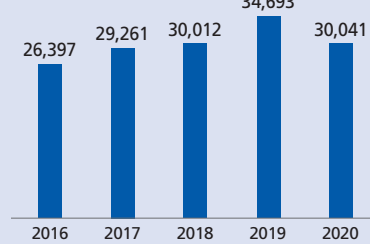
(Millions of Yen)



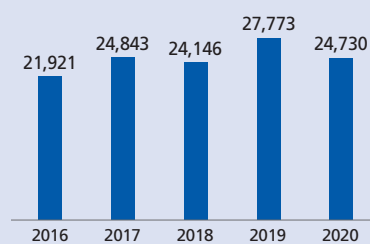
Operating profit

Consolidated **¥30,041** million

(Millions of Yen)

Non-consolidated **¥24,730** million

(Millions of Yen)



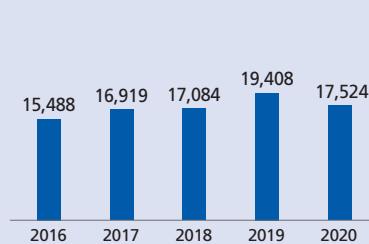
Profit

Consolidated **¥20,147** million

(Millions of Yen)

Non-consolidated **¥17,524** million

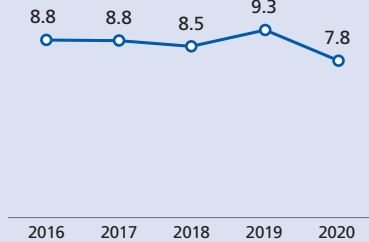
(Millions of Yen)



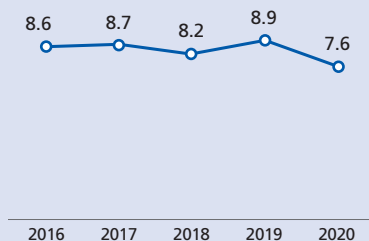
ROE

Consolidated **7.8%**

(%)

Non-consolidated **7.6%**

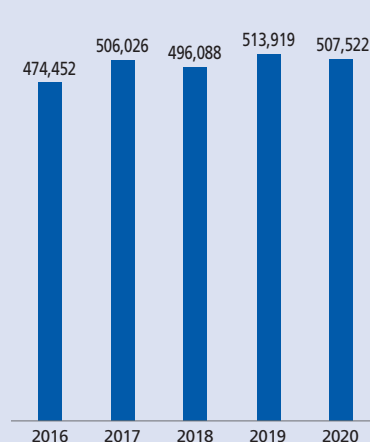
(%)



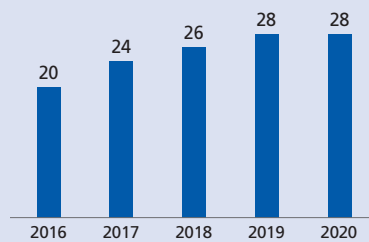
New orders received

¥507,522 million

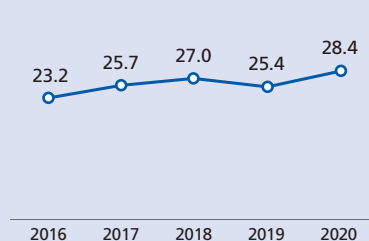
(Millions of Yen)

Dividend /
Dividend payout ratioDividend / Consolidated **¥28**

(Yen)

Dividend payout ratio / Consolidated **28.4%**

(%)

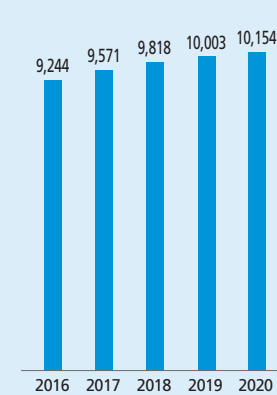


Non-financial information

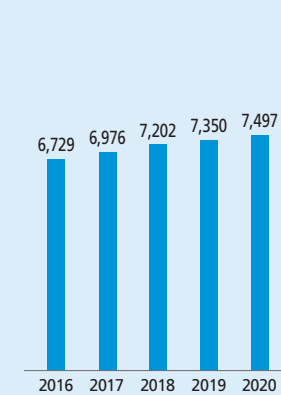
Number of employees

Consolidated **10,154** persons Non-consolidated **7,497** persons

(Persons)



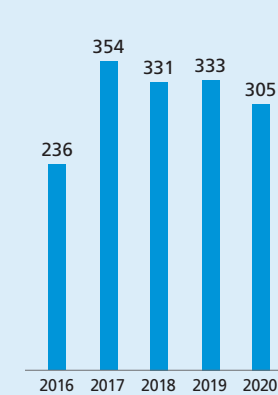
(Persons)



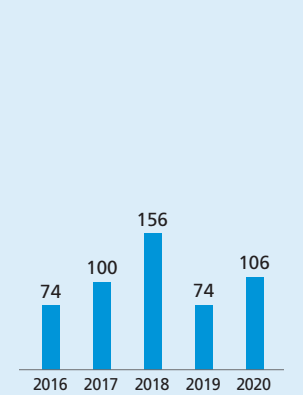
Number of new recruits

New graduates **305** persons Year-round recruitment **106** persons

(Persons)



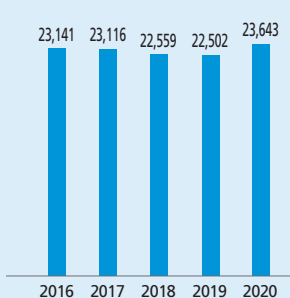
(Persons)

Directors' average attendance at Board of
Director's meetings**99%**

Electricity usage

Compared to fiscal 2010
△24.7%

(MWh)



Number of Skills Competitions winners

	Gold	Silver	Bronze
Electrical Installations	15	27	30
Information Network Cabling	2	6	10
Plumbing and Heating	3	5	3

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



Corporate Motto, Corporate Philosophy and Charter of Corporate Behavior

Kandenko is one of Japan's leading firms in general infrastructure works centering on electric works at home and abroad for 77 years since its establishment.

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

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

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

Corporate Motto

“People first”

Corporate Philosophy

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

Kandenko Group Charter of Corporate Behavior

I. Principles of Corporate Behavior

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

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

II. Employee Code of Conduct

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

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

Value Creation Trajectory

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

Net sales/Operating profit

■ Net sales ■ Operating profit

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

Operating profit
(Millions of yen)

30,000

20,000

10,000

0

1944

1950

1955

1960

1965

1970

1975

1980

1985

1990

1995

2000

2005

2010

2015

2020

1940

1950

1960

1970

1980

1990

2000

2010

Company Establishment and Japan's Postwar Recovery Period

From Rapid Growth Period to Stable Growth Period

Transition from Showa to Heisei Era

Working to Realize a Sustainable Society

Business Development

September 1944

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



Late 1940's

Large-scale transmission line works gain momentum



1958

Tokyo Tower completed.



September 1959

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



1968

Kasumigaseki Building completed as the first skyscraper in Japan.



1981

Power distribution network in Nepal upgraded.



1991

Tokyo Metropolitan Government No.1 Building completed.



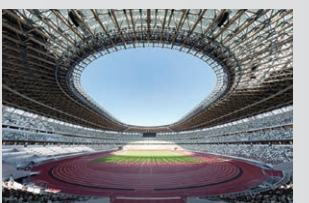
2012

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



2019

Japan National Stadium completed.



Courtesy of Taisei Corporation

Strengthening our Fundamental Base

Around 1947

Transport of power poles by hand-drawn cart

November 1955

Introduced pillar-erecting vehicle for power distribution line engineering work

March 1960

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

September 1960

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

October 1961

Listed on the Second Section of the Tokyo Stock Exchange

February 1970

Listed on the First Section of the Tokyo Stock Exchange

1971

Introduced aerial work platform trucks for power distribution line engineering work

August 1973

Set our People First slogan

September 1984

Company name changed to Kandenko Co., Ltd.

July 1986

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

December 1988

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

January 1990

Started TV commercials

July 1993

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

October 1997

Launched Kandenko website

December 2006

Formulated the Kandenko Group Charter of Corporate Behavior

October 2012

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

October 2014

Introduced regional headquarters system

July 2015

Established Fukushima Division

March 2016

Formulated our growth strategy

April 2020

Achieved record high consolidated business result

Value Creation Process

We have now reached the stage where we have to rethink our society as a whole from multifaceted perspectives, such as the global environment, human rights, culture, and values. The social responsibility of companies has grown in line with these developments. Not only are companies expected to simply respond to society's needs, but they are also expected to develop businesses that generate full-fledged energy savings, create safe and comfortable spaces that are attentive to both environmental and human considerations, and develop a variety of different eco-friendly facilities. Kandenko has always provided high-quality equipment and services from a long-term perspective in the fields of building infrastructure, telecommunications infrastructure, and electric power infrastructure as part of our quest to promote a harmonious existence between people, nature, and cities. Going forward, we would like to further enhance the unique knowledge and capabilities we have cultivated through these operations and help promote the development of a sustainable society.

Social Issues

- Reduction of energy costs
- Prevention of global warming
- Damage to infrastructure due to natural disasters
- Arrival of an aging society
- Correcting long working hours
- Increase in cybercrime and accidents

Value to be Provided to Society

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

Input

Financial Capital

- Total assets
¥456.9 billion

- Free cash flow
¥13.8 billion

Human Capital

- Number of employees
10,154

Intellectual Capital

- R&D investment
¥1.5 billion

Strengths of the Company

Technology

Experience

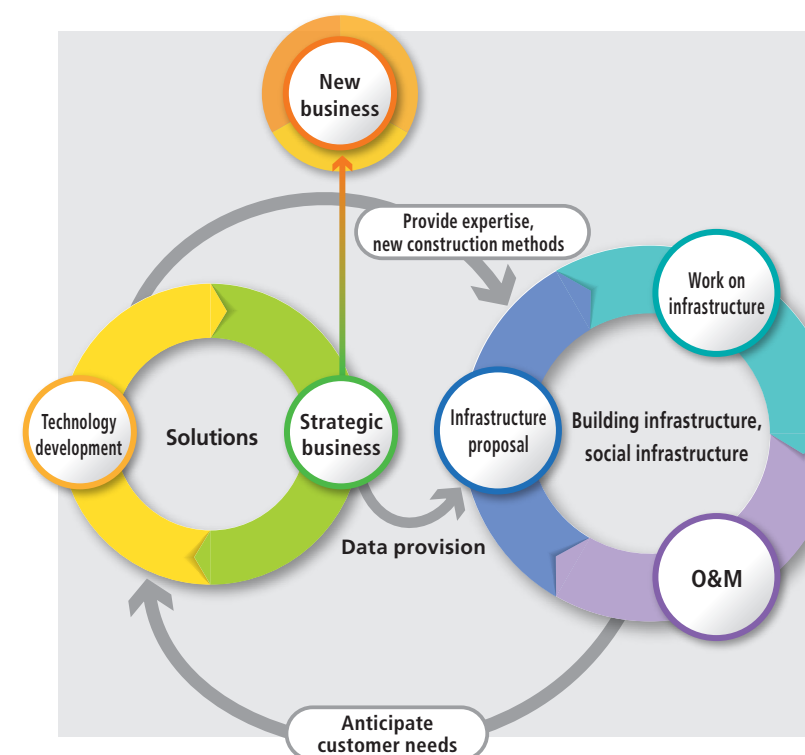
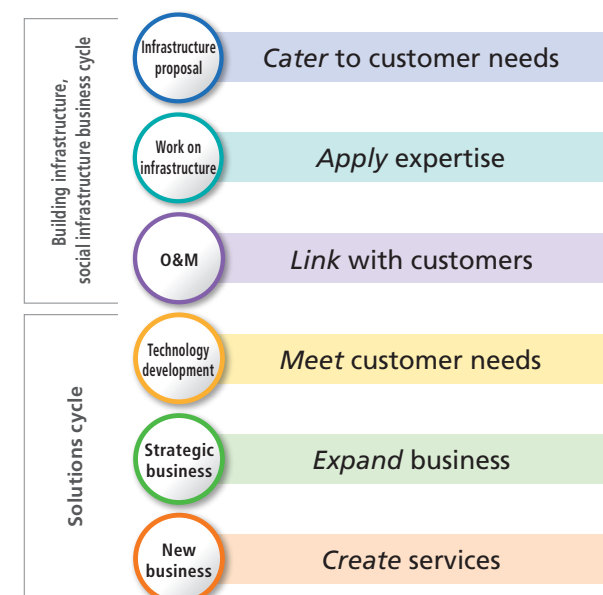
Research and development

Quality

Customer confidence

Business Cycle

Provide valuable services to customers through virtuous cycle



Output

Financial

- Net sales
¥556.0 billion
- Operating profit
¥30.0 billion
- ROIC
7.2%
- ROE
7.8%
- Dividend payout ratio
28.4%

Environmental, Social

- Energy consumption
down 24.0%
(compared to fiscal 2009)
- Ratio of renewable energy in consumed power
4.2%

Business Fields

Electrical engineering, environmental facilities and systems, and renovation work

The segment covers the design, construction, maintenance, and renovation of electrical facilities, air-conditioning and sanitation work for various structures including office buildings, department stores, theaters, hospitals, and factories.



Power distribution line engineering work

The segment covers installation and maintenance work of power distribution lines that deliver electricity directly to households, stores, and other customers.



Information & Communication Work

The segment is engaged in all types of works related to information and communication, including upgrades to optical fiber cable networks, installation of transmission base stations for mobile communications, and construction of networks for cable TV and municipalities.



Electric Power & Civil Engineering Work

The segment is engaged in electrical work in nuclear power plants, in addition to work on power stations and substations, and on transmission lines. Recently, the division covers the construction of wind power plants and solar power plants, as well as work on transmission line networks.



For details, see page 23

Growth Strategy Overview (Fiscal 2016-2020)

Operating environment

- Infrastructure development ahead of the Tokyo Olympic and Paralympic Games
- Building infrastructure with higher energy-saving performance and longer service life
- Stable supply of electric power, response to large-scale disasters

Becoming a 100-Year Company supporting society

Strategic themes

- Building community-based maintenance services
- Developing one-stop services and expanding renewal construction frameworks
- Pursuing initiatives for our renewable energy power generation business
- Enhancing working environments
- Investing in increasing our work execution abilities

Achievements and issues

Quantitative Plan

While we achieved another record high performance, growth has slowed in the wake of COVID-19, etc.

Qualitative Plan

Big achievements primarily in existing businesses, such as reinforcing our business base and providing a stable supply of electric power. Issues include reinforcement of our growth areas and further improvement of productivity.

Human resources strategy

- Personnel numbers increased favorably thanks to stronger recruiting
- Issues: Improvement of productivity by reforms for work practices and annual leave systems and reviewing business processes

Investment strategy to boost work execution abilities

- Steady progress on capital investment in business facilities, vehicles, and employee dormitories, etc.
- Steady progress on securing funds to increase the volume of work
- Issues: Developing labor-saving and manpower-saving technologies, using digital technology to improve productivity

Business base reinforcement strategy

- New orders received increased thanks to the early collection of sales information and strategic sales activities
- Profitability increased after instilling cost management methods
- Issues: Providing one-stop services for electricity, air-conditioning and other building infrastructure

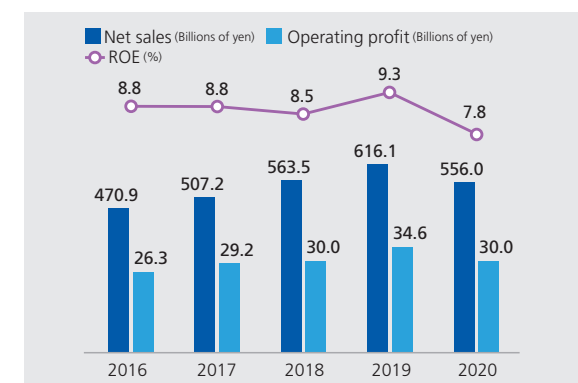
Business field expansion strategy

- New orders received for wind power generation and transmission line work outside the Kanto region increased
- Renewable energy power generation business and real estate business remained strong
- Issues: Expansion of social infrastructure-related work (railways, roads, water supply)

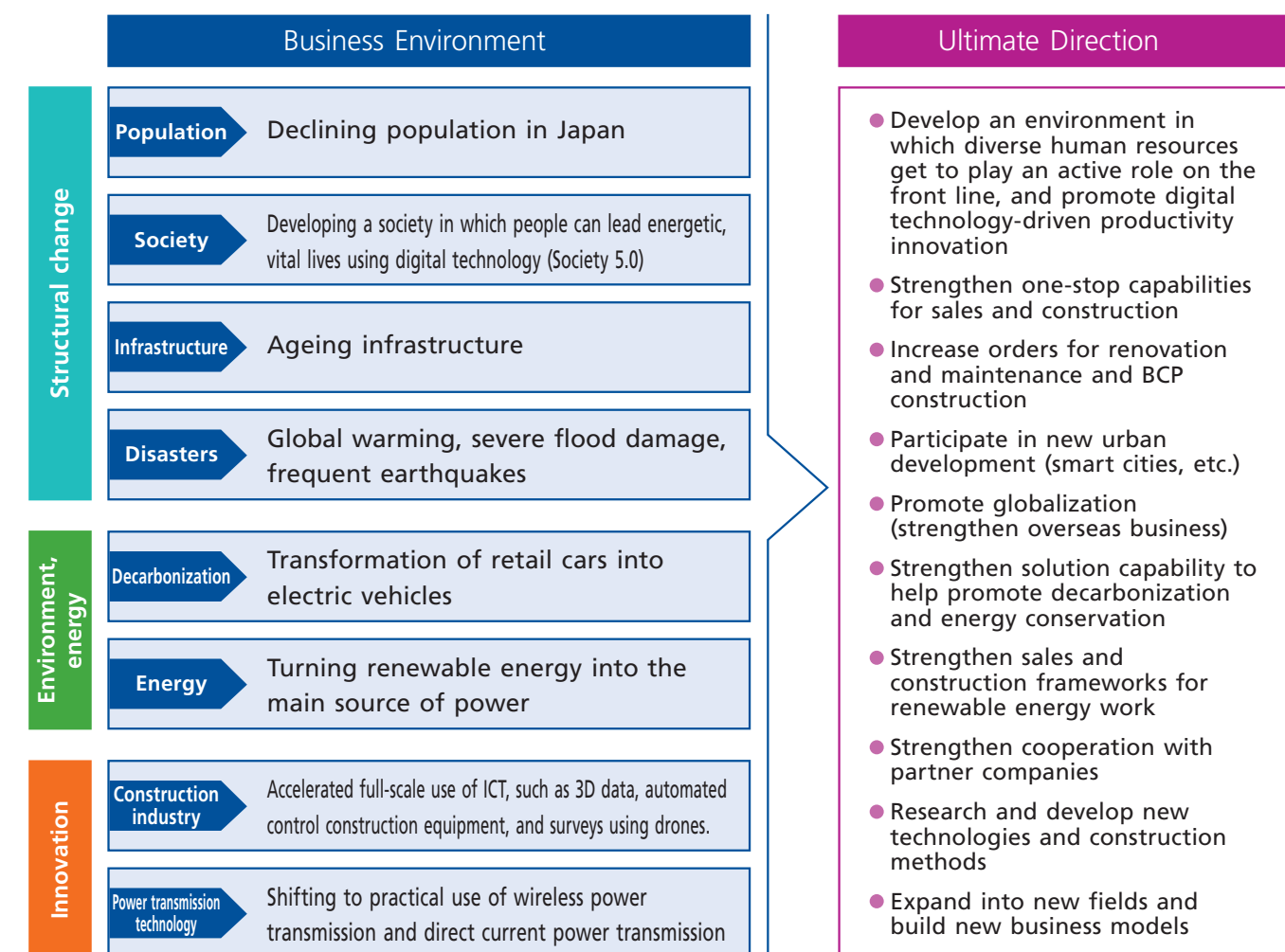
Measures to contribute to a stable electric power supply

- Transmission lines and power distribution lines engineering work remained strong. Responded swiftly to disaster recovery needs
- Received steady orders for restoration work and other reconstruction-related work in Fukushima

○ Net sales/Operating profit/ROE (Consolidated)



Group Business Environment and Ultimate Direction

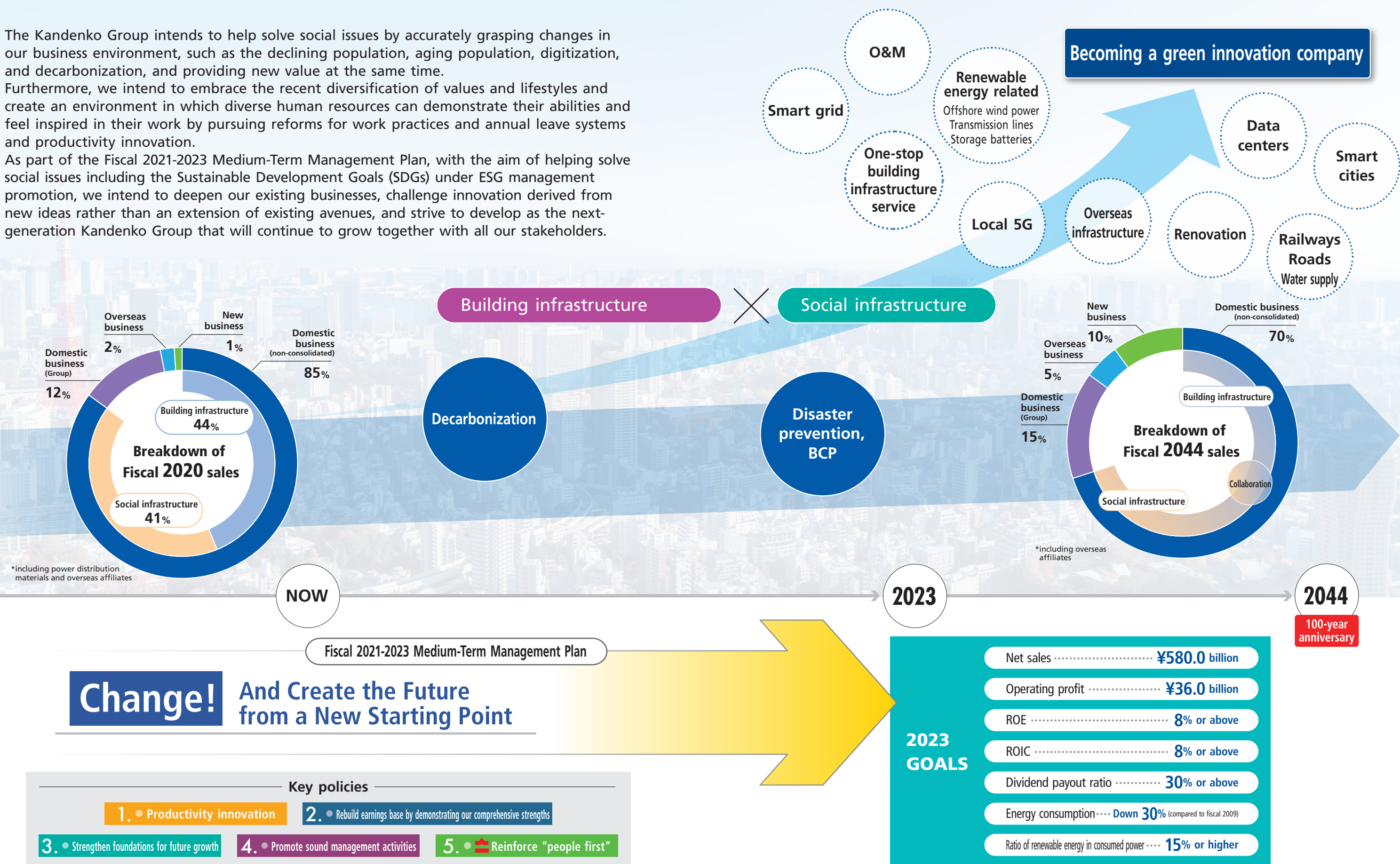


Fiscal 2021-2023 Medium-Term Management Plan

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

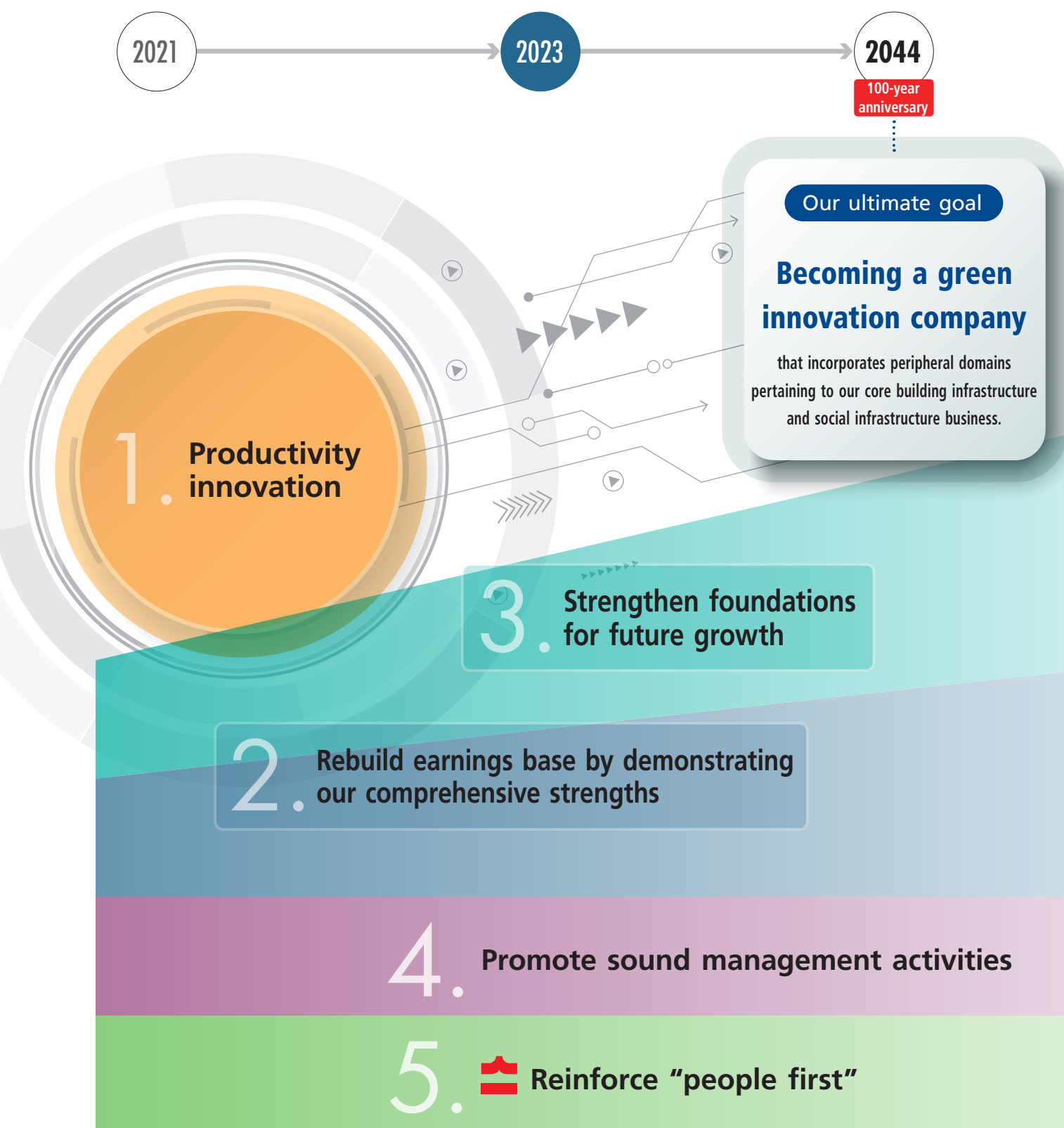
Furthermore, we intend to embrace the recent diversification of values and lifestyles and create an environment in which diverse human resources can demonstrate their abilities and feel inspired in their work by pursuing reforms for work practices and annual leave systems and productivity innovation.

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



Fiscal 2021-2023 Medium-Term Management Plan

Key policies



Key policy • 1

Productivity Innovation

Business process reform and construction technology innovation

- Reinforcing business processes by promoting DX
- Innovating construction technology using IoT, AI, and robotics and prefabricated and modular units
- Converting field operations to back-office tasks

Key policy • 2

Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths

Strengthen our proposal capabilities, profit-generating capacity and work execution abilities, and strengthen sales expansion in growth areas

- Strengthen engineering and solution capabilities in the fields of decarbonization and BCP
- Strengthen one-stop sales and construction frameworks by promoting collaboration between building infrastructure and social infrastructure divisions
- Expand business to peripheral social infrastructure domains, such as railways, roads, water supply, and local 5G

Key policy • 3

Strengthen Foundations for Future Growth

Establish a presence in the fields of decarbonization, disaster prevention, and BCP and accelerate global expansion

- Increase orders for renewable energy-related work such as offshore wind power and transmission line networks
- Address the resilience of electric power and telecommunications infrastructure
- Participate in VPP, regional microgrid business
- Full-scale implementation of BCP-related projects
- Promote urban data center-related businesses
- Enter O&M business utilizing IT
- Enter electric power infrastructure and transportation fields
- Participate in consulting and asset businesses (specified electricity utility, industrial parks, etc.)

Key policy • 4

Promote Sound Management Activities

Instill awareness of safety, quality, and compliance, and ensure management transparency

- Reduce energy consumption
- Establish thorough risk management and work rules

Key policy • 5

Reinforce "People First"

Create systems that enable diverse human resources to fully demonstrate their abilities, and develop human resources to create the future

- Promote diversity
- Enhance educational programs and introduce VR/AR for human resource development
- Promote remote working
- Develop and reinforce global human resources

Business Review by Division

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

Description of Business

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

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



Nobuhiro Iida
Managing Director and Executive Officer,
Division Manager of Sales Division



CO-MO-RE YOTSUYA (Tokyo)

We have been anticipating major changes in market environments, such as carbon neutral initiatives and the transformation of business processes utilizing digital technologies and developing sales activities that accurately capture our customers' latest needs. At the same time, we have been focusing on improving productivity and strengthening our construction frameworks with the aim of "expansion of the scale as a business division" and "generation of profit."

Fiscal 2020 review and current developments

After we launched our five-year growth strategy in fiscal 2016, electrical engineering, environmental facilities and systems, and renovation work generated consistently high levels of new orders received, and net sales of completed construction contracts also increased for four years in a row. However, in fiscal 2020, the final year of the plan, both new orders received and net sales of completed construction contracts declined year on year.

Our electrical engineering work segment steadily secured urban redevelopment projects in major urban areas and some active building investment and infrastructure renovation contracts from client companies, which enabled us to maintain new orders received at fiscal 2019 levels. However, activity at our environmental facilities and systems, and renovation work segment stalled as projects were cancelled or postponed in the wake of the COVID-19 pandemic. Net sales of completed construction contracts also declined compared to fiscal 2019 when we experienced a delivery rush ahead of the Tokyo Olympics.

As a result, in fiscal 2020, new orders received totaled ¥261,718 million, a decrease by ¥2,914 million or 1.1% year on year, net sales of completed construction contracts totaled ¥252,237 million, a decrease by ¥44,288 million or 14.9% year on year, and construction contracts brought forward as of March 31, 2021 totaled ¥279,824 million, an increase by ¥9,481 million or 3.5% year on year.

We are gradually seeing some results from our recent focused sales strategy for developing business in major urban areas outside of the Tokyo metropolitan area, as efforts for relationship building with general contractors and client companies are progressing well and strengthening of our cost management functions and engineering prowess has also been successful. We have also determined to view national carbon-neutral initiatives

and other large changes in the market environment as great business opportunities for expanding our renovation work and have put in place structures to facilitate swift technical proposals designed to meet the diverse needs of client companies in relation to initiatives such as reduction of CO₂ emissions, including forming renovation teams at our sales bases in major urban areas.

Future business environment

Regarding the outlook for domestic private construction investment going forward, the general view is that it will take time to dispel the negative impacts of the COVID-19 pandemic primarily in areas such as retail, accommodation, and air transport. However, plans are underway for several large-scale redevelopment projects in the Tokyo area and we expect we will see some vigorous investment interest in areas such as automobiles and semiconductors.

Against this backdrop and with a solid sales base in the Tokyo metropolitan area, we are striving to use the knowledge we have amassed so far to make a thorough effort to reduce costs, in order to achieve both "expansion of the scale as a business division" and "generation of profit." We are also working to improve productivity by pursuing greater operational efficiency and digitalization, and securing and nurturing greater work execution abilities.

Future business development based on our Medium-Term Management Plan

In relation to the concept of our new Medium-Term Management Plan, Change! And Create the Future from a New Starting Point, we have determined the following three changes as keywords for our business division: changes in the way we work, changes in business environments, and changes in customer needs.

Regarding the way we work, we have set up back office teams to support the creation and technical examination of project quotations and drawings, and introduced a next-generation onsite production system that facilitates the onsite creation, management, and direction of materials orders and construction plans using tablets as mobile terminals. We also strongly promote the use of prefabrication and modular unit construction methods where materials processing, which used to be conducted onsite, is done comprehensively in factories. Through all of these efforts, we are seeking to reduce onsite workloads and further improve onsite productivity.

With regard to our business environments, we expect to see some large-scale real estate investments in major urban areas, such as tenant buildings and commercial complexes along with investment in the construction and expansion of data centers and semiconductor-related factories. As a result, we believe new orders in these fields will become pillars of future business so we intend to mobilize the full potential of our sales, cost management, construction, and management prowess to compete for orders so that we can expand important renovation stock for the future.

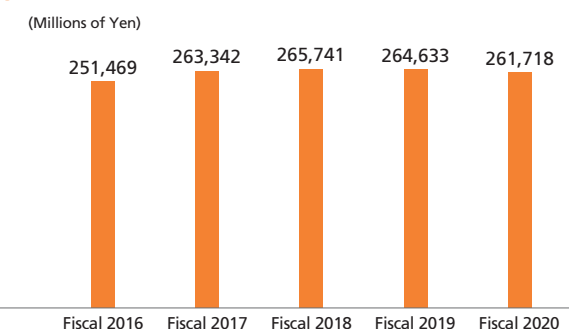
Furthermore, in order to both ensure occupational health and safety and provide safe, secure and high-quality services, we will work to raise the level of group-wide work execution abilities by reviewing educational programs to encourage young employees to acquire practical skills more quickly, supporting recruitment and education for partner companies, and further promoting year-round recruitment.

With regard to changes in customer needs, we recognize societal demands for environment and energy-conscious infrastructure by introducing energy-saving equipment and captive consumption renewable energy power generation facilities, and for heightened preparedness in the face of increasingly severe natural disasters, including measures to secure power supplies for strengthening business continuity capabilities. In order to respond to these demands, we intend to further strengthen our engineering technologies for infrastructure renovation that we have cultivated to date so that we can provide a complete array of infrastructure facilities that bring comfort, safety, and security to our entire society.

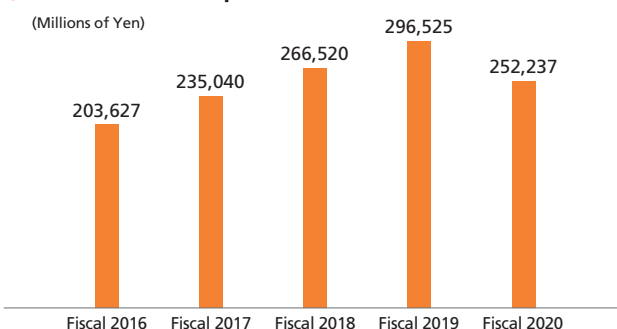
Demonstrate comprehensive strength with an eye on the future

We intend to help realize a sustainable society by meticulously responding to customer needs relating to the reduction of CO₂ emissions, disaster prevention, and BCP measures. In order to achieve our vision of becoming a green innovation company by 2044, our 100-year anniversary, we will strive to further improve our business so we can provide considerable value and satisfaction to society. To this end, we intend to place the goal of ensuring safety and quality at the heart of our business activities, proactively introduce advanced engineering and digital technologies, and demonstrate the comprehensive capabilities of the Kandenko Group.

New orders received



Net sales of completed construction contracts



Business Review by Division

Social Infrastructure Work Information & Communication Work

Description of Business

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



Shinichi Miyauchi

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

Information and communication networks promote the development of industry and enrich human living through high-speed and large volume data transmission. The Information & Communication Work division, which is responsible for the installation and maintenance of these networks, responds to technology that is evolving on a daily basis and continues to respond to the needs of society.

Fiscal 2020 review and current developments

Looking at new orders received in fiscal 2020, in addition to securing a large-scale upgrading project for cable TV infrastructure work, government construction work related to GIGA schools and express ways as well as base work for TEPCO Group and telecommunications providers remained strong. This more than offset the decline in mobile equipment work and 4K and 8K-related work in the wake of the COVID-19 pandemic, and, as a result, the division's fiscal 2020 new orders received exceeded our original plan. Meanwhile, while net sales of completed construction contracts decreased, the structural reforms under the slogan of "Build a Lean Organizational Structure" that we have vigorously pursued in recent years as a priority focus started to bear fruit, leading to improved profitability.

As a result, in fiscal 2020, we secured new orders received of ¥42,879 million, an increase by ¥4,133 million or 10.7% year on year, and net sales of completed construction contracts of ¥39,691 million, a decrease by ¥5,161 million or 11.5% year on year, and the construction contracts brought forward as of March 31, 2021 totaled ¥18,834 million, an increase by ¥3,188 million or 20.4% year on year.

Regarding more recent environment for orders received, telecoms carriers are rapidly developing base stations for fifth-generation (5G) mobile communication systems to make up for the delays caused by the COVID-19 pandemic. New carriers in particular are focusing on improving area coverage ratios through swift infrastructure building, and we are planning to expand our construction reach primarily at our Tohoku and Kansai branches to accommodate those trends. At the same time, we are working together with the Power Distribution Lines Engineering Work division to develop our one-stop solution packages that include, for example, installation of radio antennas on the top of power poles, with which we can demonstrate our technological capabilities and expertise as an electrical engineering company.

In addition, while demands for works related to the shift to Fiber-to-the-Home (FTTH) for independent cable TV operators were previously focused on catering to increasingly sophisticated 4K and 8K video services, the focus has also started to be placed on high-speed and large volume telecommunications services in response to the increase in the number of people working from home, etc. in the wake of the COVID-19 pandemic. We are responding appropriately to these recent changing needs by using the technological capabilities we have cultivated through infrastructure building work for telecom carriers and proposing the creation of optimal networks.

Future business development based on our Medium-Term Management Plan

Our new Medium-Term Management Plan, launched in fiscal 2021, is a three-year initiative, guided by the slogan "Change! And Create the Future from a New Starting Point" that seeks to create a next-generation of Kandenko Group. Under this slogan, the Information & Communication Work division will further improve productivity and strengthen profitability by building the lean organizational structure that we have been working on for the past few years, while also responding to social changes and rapidly advancing technological innovation.

In order to accurately follow these ever-advancing technological innovations and avoid missing any nascent signs that could help improve profitability, we must keep our antenna high in order to consistently capture any changes, and strive to acquire advanced technologies. When it comes to the improvement of safety and quality as well as streamlining of work execution, we must relinquish our conventional methods and be prepared to embrace change by, for instance, seeking to proactively incorporate and fully utilize digitalization technologies for site management.

More specifically, we will strive to collect information and train ourselves by cooperating with telecommunications equipment manufacturers both inside and outside Japan and through interaction between technicians, and we will focus on developing and providing services that incorporate the latest technologies, such as DX, IoT, or AI. At the same time, we will seek to further improve productivity by applying new concepts such as robotic process automation (RPA) to improve the efficiency of daily operations, and expand contract volumes and strengthen our earnings base by capturing new works and construction areas, such as mobile infrastructure.

Furthermore, in order to strengthen our foundations for future growth, we plan to develop new markets and expand new orders received, targeting the construction of local 5G infrastructure and provision of services for local authorities, companies, cable TV operators, and other organizations. Local 5G is currently in its technological infancy, but it is expected to grow significantly going forward, so we are also participating in proof of concept (PoC) trials in all locations as construction of test and verification facilities is currently underway across Japan. Also, in September 2021, NextCadix Ltd., which provides support software for infrastructure operations to multiple cable TV operators, became a Kandenko subsidiary. We believe this represents an important step toward providing total solution services that offer both hardware and software for cultivating a local 5G-related market for cable TV operators.

In fiscal 2021, the first year of the plan, net sales from completed construction contracts remain strong thanks to an abundant amount of construction contracts brought forward from the previous fiscal year. While new orders received for overall cable TV work, which had been on an expanding trend, are settling down in addition to the decrease in 4K and 8K-related work, we intend to further improve our profitability by persisting with structural reforms designed to create an even leaner organizational structure. Based on this, we will create a favorable cycle that leads to the improvement of our competitive ability to secure new orders.

Creating value by helping realize a sustainable society

Our Medium-Term Management Plan includes one key policy "promote sound management activities" and illustrates all the different issues relating to ESG management. We at the Information & Communication Work division are seeking to provide new value that helps protect the environment by, for instance, developing software technology that can remotely monitor the condition of batteries used in communication stations, facilitate preventive maintenance, and help conserve resources and energy by using equipment right up until the end of its useful life. On the social side, we are actively



Eisaku Shimizu

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

utilizing digitalization technologies, such as wearable cameras and 360-degree cameras to improve the safety and quality of work on construction sites. In terms of governance, we continue to offer employee training designed to instill and entrench compliance awareness, and we are also working to strengthen our risk management effort.

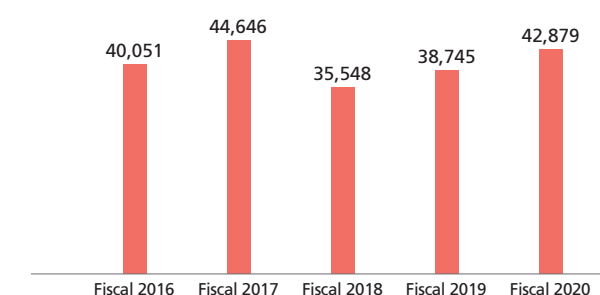
In future, Kandenko intends to help achieve the SDGs by pursuing ESG management, and also help realize a sustainable society by further expanding the development of "building infrastructure x social infrastructure" business operations. Our role in that drive as the developer of information and communication infrastructure will be to serve as a central nervous system equipped with sensor functions that are capable of capturing fresh needs and communicating those needs internally as well as the function to grasp and share situations that is vital to companywide value provision.

That will undoubtedly require us to continue thinking about what can be done by the Information & Communication Work division and striving to achieve it, not only by responding to the physical layer of optical and wireless technology evolution, but also to the development of software-driven logical layer. It will also become increasingly important for us to transcend our organizational frameworks and cooperate with divisions responsible for other works, not the Information & Communication Work division alone.

By rising to these challenges, we intend to successfully create value that can help realize a sustainable society and develop together with all our stakeholders.

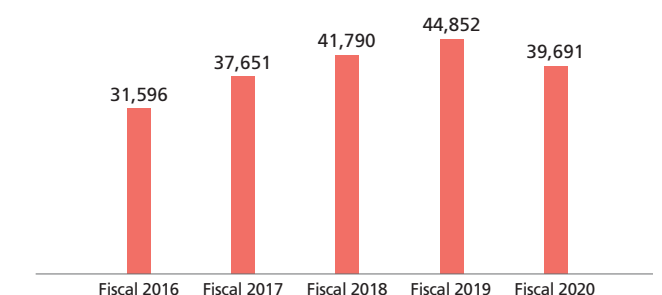
○New orders received

(Millions of Yen)



○Net sales of completed construction contracts

(Millions of Yen)



Business Review by Division

Social Infrastructure Work Power Distribution Line Engineering Work

Description of Business

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

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



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

Our work on power distribution lines supports the resilience of electric power infrastructure and helps encourage the spread of renewable energy. We intend to continue to evolve our business with an eye on the future, utilizing our leading construction frameworks and technological capabilities in Japan to expand our growth base.

Fiscal 2020 review and current developments

New orders received in fiscal 2020 proceeded roughly according to the initial plan but the final total for the business year stood at ¥138,132 million, a decrease by ¥13,507 million or 8.9% year on year, due to partial downward adjustments linked to changes in accounting standards applied from fiscal 2021.

Net sales of completed construction contracts stood at ¥145,775 million, a decrease by ¥2,717 million or 1.8% year on year. Sales declined slightly compared to fiscal 2019 when we conducted a considerable amount of disaster recovery work following the season's typhoons. However, sales have been steadily increasing over the past five years as a whole. The majority of net sales of completed construction contracts for our power

distribution line engineering work is generated by orders from the TEPCO Group, with orders from general customers making up the remainder. However, in recent years, orders from general customers have increased considerably, rising nearly three times compared to three years ago.

Construction contracts brought forward as of March 31, 2021 stood at ¥22,147 million, a decrease by ¥7,643 million or 25.7% year on year.

Looking at the current environment for new orders, the Electricity Business Act covering the electricity industry is scheduled to be revised in 2023 based on the Act of Partial Revision of the Electricity Business Act and Other Acts for Establishing Resilient and Sustainable Electricity Supply Systems enacted in June 2020. The revisions will make it mandatory for electric power providers to systematically renew aged facilities. Thus, in terms of our power distribution line engineering work, we expect the TEPCO Group will need to conduct renewal work on support materials and transformers, etc. in the future to comply with the act and we will be seeking to actively secure those orders.

Meanwhile, the general work that we have been focusing on as much as TEPCO work in recent years has been enjoying a tailwind primarily from renewable energy-related work and we are seeing orders expand in areas outside the Kanto region as well, utilizing our existing technologies. In such areas, in addition to orders relating to the building of new self-operated solar power generation facilities, we have also recently received orders for building wind power generation facilities, including power distribution lines inside windmills.

To be able to fulfill this work and further expand orders in the renewable energy and 5G telecommunications fields that the whole Social Infrastructure Work division is targeting, we are looking to better utilize our human resources by pursuing collaborative work with segments other than power distribution lines. To that end, we are striving to nurture multi-skilled workers, promote inter-departmental human resource exchanges, and encourage acquisition of qualifications.

Mission of power distribution line engineering work under Medium-Term Management Plan

The Power Distribution Line Engineering Work division is looking to further grow its fundamental business while also embodying the new Medium-Term Management Plan's slogan, "Change! And Create the Future from a New Starting Point" by using our technologies to cultivate new markets. We intend to focus on our basic business around infrastructure renewal and long-term maintenance for the TEPCO Group and construction work for undergrounding of power lines as a public project, while also securing renewable energy-related

work, LED work, EV charger installation work, and other work designed to satisfy growing decarbonization needs etc. to help form a new growth base for our business.

The biggest challenge with regard to fulfilling this mission for power distribution line engineering work and helping achieve our targets will be maintaining and expanding our work execution abilities. We intend to acquire the necessary work execution abilities by striving to secure sufficient personnel, while also promoting the multi-skilled, fluid human resources as mentioned earlier, and working to further increase efficiency through productivity innovation.

In terms of productivity innovation, we intend to improve business processes by introducing AI into administrative operations, and increase the visibility and efficiency of onsite management using mobile terminals and wearable cameras. We intend to use ICT to analyze the production efficiency of our onsite operations and assess the driving and operational data for aerial work platform trucks, and use drones as a labor-saving measure as well.

Meanwhile, as part of measures to reconstruct our earnings base, we plan to secure volumes of construction work in hand and build up orders received by negotiating early with the TEPCO Group, acquire work by cooperating on design, and participate in power cable utility tunnel PFI projects in construction work for undergrounding of power lines, making proactive efforts to expand operations.

In fiscal 2021, the first year of the new Medium-Term Management Plan, we did have some concerns about the impact of holding of the Tokyo Olympic and Paralympic Games on our planned work as well as a potential slump in general work in the face of uncertainty over future economic conditions in Japan. However, so far, we are on track to achieve our targets for both new orders received and net sales of completed construction contracts. We also intend to steadfastly pursue all the measures described here to generate growth for fiscal 2022 and beyond.

Growing in tandem with sustainable development of society

Going forward, we intend to focus our power distribution line engineering work on environmental conservation as part of ESG-management conscious initiatives and strive to reduce CO₂ emissions by operating parts mounted on aerial platform vehicles using batteries and electrifying hydraulic tools. We will also participate in projects designed to help achieve a decarbonized society, such as installing public roads with EV chargers, as part of our business development.

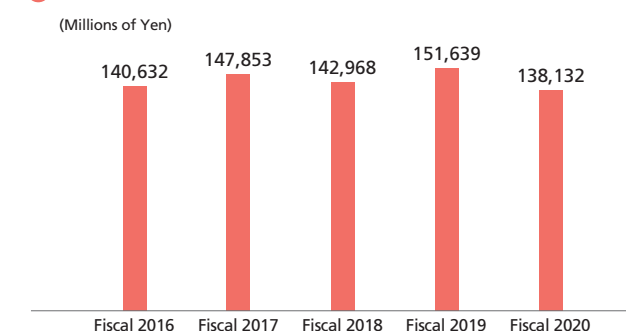
Our aim is to become a green innovation company by 2044. As we seek to develop business based on our "building infrastructure x social infrastructure" business operations, we will also be strengthening the resilience response of our base business and its preparedness for intensifying natural disasters, and continuing to protect electric power supply infrastructure. At the same time, we will pursue greater technical and human resource development in order to provide the infrastructure equipment required to support future smart societies.

We want to use these initiatives to progress our evolution into a division that can grow in tandem with sustainable development of society, and provide value that is not confined to the power distribution category.

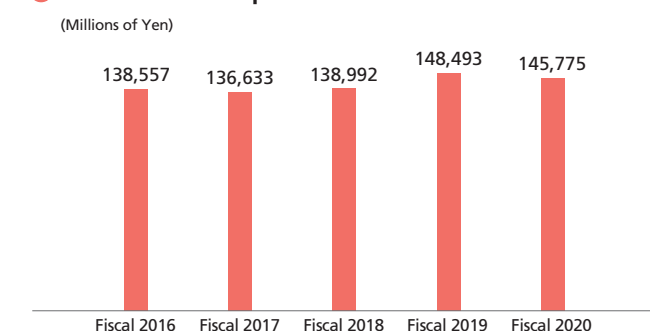


Main line infrastructure strengthening and renewal work

New orders received



Net sales of completed construction contracts



Business Review by Division

Social Infrastructure Work Electric Power & Civil Engineering Work

Description of Business

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

Transmission lines work: Work on overhead transmission lines

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

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



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

The Electric Power & Civil Engineering Work division pursues future-oriented value provision with renewable energy power generation work as a new driver of growth. We are committed to utilizing the work execution abilities and technological capabilities we have cultivated in each work segment to expand our business domains and contribute to society.

Fiscal 2020 review and current developments

Reviewing new orders received, while orders from the TEPCO Group decreased, the proportion of orders generated by general customers (other than the TEPCO Group) rose to 78.8% thanks to an increase in renewable energy power generation work. Renewable energy power generation work accounts for 41.6% of total orders and we are also seeing an increase in the number of collaborative projects between the three categories of power generation and transformation work, transmission lines work, and civil engineering work and underground lines work, which is, in turn, contributing to new orders received in each category. Orders for nuclear power work also increased in fiscal 2020.

Major projects won during the year included new transmission lines work, such as the 66kV Miyakoji Katsurao

line in Fukushima Prefecture and construction work on the Ashikawa Wind Farm and the Kamiyuchi Wind Farm under the Northern Hokkaido Wind Power Generation Project in Hokkaido, all of which helped boost new orders received for fiscal 2020 to ¥64,792 million, an increase by ¥5,891 million or 10.0% year on year. Net sales of completed construction contracts totaled just ¥48,623 million, a decrease by ¥1,707 million or 3.4% year on year, in fiscal 2020 following a bumper year for large-scale projects in fiscal 2019. As of March 31, 2021, the construction contracts brought forward remained at the high level of ¥82,177 million, an increase by ¥16,168 million or 24.5% year on year.

Going forward, renewable energy power generation work is expected to increase further as Japan's national policies for achieving carbon neutrality by 2050 progress, with large-scale projects, such as offshore wind power generation, already being planned. We plan to expand orders by covering a wide range of construction fields from power plants to independent transmission lines by exploiting the strengths our competitors don't possess, such as our construction technology for building power transmission towers and for power intake and transformer equipment that handles high voltage and large currents, and support capabilities at the planning and design stages.

We are also focusing on improving profitability through cost management as a means of strengthening our internal frameworks. Our efforts to gain a good grasp of work progress and cost status using monthly actual versus forecasted performance analysis have helped us successfully highlight issues and plan and implement improvement measures, and we are starting to see profitability improvement effects. Regarding our large-scale projects, our head office is using web conferencing and other communication tools to respond to onsite needs and implement follow-up measures in a timely manner. Such support measures are providing a beneficial outcome and having a positive impact on our business results.

Renewable energy power generation work to drive growth

The trend toward carbon neutrality offers broader potential growth for the Electric Power & Civil Engineering Work division and presents significant opportunities to contribute to society through business activities. We intend to strengthen the technological capabilities and construction frameworks required to expand our business domains around renewable energy power generation work and to give concrete shape to the new Medium-Term Management Plan concept of "Change! And Create the Future from a New Starting Point"

We also intend to help achieve the plan's three-year performance targets by securing renewable energy power generation work projects, which tend to be large in scale, to

help boost new orders received and net sales from completed construction projects, and steadily improving profits.

As part of initiatives to that end, our sales activities will include collecting and analyzing sales information from across the division as early as possible in order to help us respond to an increasingly complex order environment caused by the formation of consortiums as power plants grow in scale and an increase in the number of new entrants. In terms of our construction frameworks, we intend to maintain a high level of expertise and cover a broad range of work by encouraging greater multi-skilling among our construction employees and extending efficient onsite support. The key focus on the technology front will be to expand our design capabilities. Our aim is to increase orders by enhancing the engineering capabilities of each work division that are required for renewable energy power generation work, and strengthening our response from the early consulting and design stages. We will also work to further enhance the quality of construction and our technological capabilities while handling multiple projects, and thereby boost our competitive advantage.

In fiscal 2021, the first year of the Medium-Term Management Plan, while renewable energy power generation work is increasing, new orders received are expected to decrease on the back of declining investment by users into extra high voltage power intake and transformer equipment such as large-scale factories in the wake of the COVID-19 pandemic. However, net sales of completed construction contracts are expected to increase thanks to a high level of construction contracts brought forward.



Construction of wind power plant

To help build a sustainable future

Our response to ESG management and SDGs themes is consistent with the Electric Power & Civil Engineering Work division's mission to help solve environmental and social problems through our business activities. We not only intend to expand our renewable energy power generation work, but to develop business in various other fields as well. As part of our effort to accommodate the need to adjust electricity supply and demand in order to support a smart society, we are working to build cooperative relationships with battery manufacturers and expand the work execution abilities of our storage battery work. We also intend to participate in hydrogen production projects that use renewable energy by utilizing our ability to respond to high-quality demands and instrumentation technology cultivated by our Nuclear Power Work division in nuclear plant construction and other works.

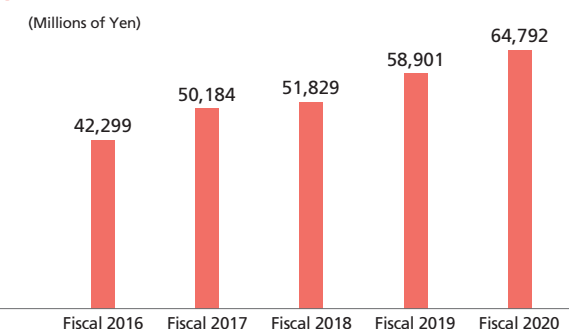
These initiatives should help boost the number of projects generating comprehensive orders for all work categories. In order to exert the comprehensive capabilities of the Electric Power & Civil Engineering Work division, we need to refine the expertise of each work segment and create a system that allows us to respond to increasingly advanced requirements, while proceeding with cross-divisional operations.

To help realize a sustainable future, we intend to transform ourselves from a conventional construction contractor to a group of professionals who can provide total project solutions spanning planning, design, construction, operation, and maintenance.

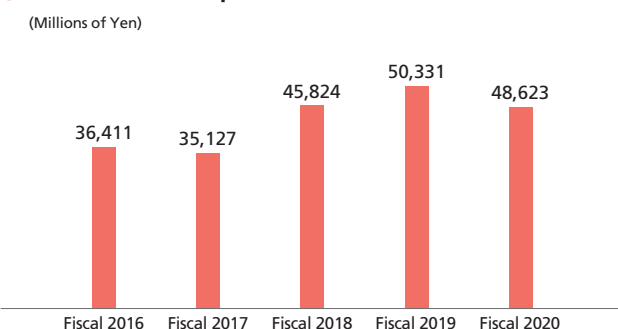


Transmission line construction work

○New orders received



○Net sales of completed construction contracts



Research and Development Activities

The Research and Development Division is responsible for expanding business domains as part of our quest to become a 100-year company, while also responding to the demands of society through technological innovation, and creating new forms of onsite earning power. We support Kandenko's vision for future value creation based on the three key terms: digital and robotics, disaster prevention and BCP, and decarbonization.

Toshiaki Makino

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



Overview of the research and development division and its current initiatives

The research and development division is an organization responsible for the Company's overall technical development and improvement, and consists of the Technology Development Unit established within the Strategy & Technology Development Division, with the Technology Development Department and Technology Research & Development Institute as subordinate organizations. The division supports and cooperates with worksites and customers, and sells development results to external parties while advancing research and technology development for expanding businesses and solving issues.

In fiscal 2020, we declared three key policies: security, safety and disaster response; operational efficiency improvement; and applying to business field expansion. We worked hard to deepen existing technologies and, at the same time, develop new technologies to satisfy the latest needs of society, and those efforts are now bearing fruit.

Regarding our disaster response technologies, we have been strengthening our responses to floods and lightning strikes in particular. In October 2020, we concluded a comprehensive industry-academia partnership agreement with Tokyo Denki University to improve resilience. For our first joint project, we have launched some research designed to facilitate the swift restoration of electrical infrastructure that has sustained flood damage.

Regarding our efforts to improve operational efficiency, we have been focusing on systematizing construction work and introducing robotic processes. In fiscal 2020, we advanced the introduction of prefabrication technologies, assisting tools, self-propelled wiring robots, and drones for wire cabling, which are already helping to improve productivity and reduce onsite workloads. In addition, our BluE measurement recording support system, which can take onsite measurements and automatically complete reports simultaneously using wireless Bluetooth-enabled communications, received positive reactions, so we started selling it externally.

Our initiatives to expand our business domains center around the themes of decarbonization and resilience. We are participating in various projects to help realize a sustainable society and creating the stepping stones for new business development. These projects include a demonstration project for the construction of virtual power plant (VPP) that adjusts the power supply and demand balance through the remote and integrated control of small-scale

energy resources, a research project on wireless and direct-current power supply, and a regional microgrid construction project under the regional plan for building national resilience in Isumi City, Chiba Prefecture.

Going forward, we will be looking to accelerate the aforementioned initiatives and generate positive results by applying advanced technologies such as AI, IoT, and big data analysis related to sensing and the creation of smart devices.

Direction of technology development in the Medium-Term Management Plan

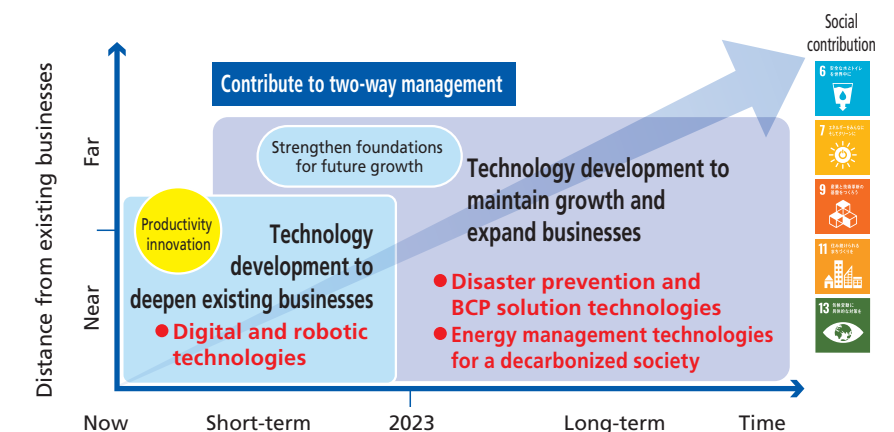
The three years during the new Medium-Term Management Plan (Fiscal 2021-2023) will be a period in which we take on challenges for change in order to expand our business domains for the future, while also advancing productivity innovation and restructuring our earnings base. The research and development division's mission under the plan requires us to simultaneously promote technological development that needs to be tackled right now and future-oriented technological development. It also requires us to help promote and contribute to two-way management that seeks to both deepen our existing businesses and broaden our business domains.

Our implementation focus for fiscal 2021 is to conduct research and development that creates additional onsite earning power. To that aim, we intend to innovate our construction technology to achieve sustainable growth based on the three key phrases: digital and robotics, disaster prevention and BCP, and decarbonization. To powerfully advance this pursuit, we established a new Technical Strategy Team to compile onsite needs, which form the input of our R&D, and established a system to manage the internal and external deployment of the products as output, which result from our development activities. Going forward, this organization will operate as the core of our R&D activities, strategically considering what are required in the field, what we need to change and how, and how to instill a greater awareness and penetration of our developed products.

The research and development division also provides technical cooperation in relation to onsite issues by helping investigate the cause of any problems and helping to design and plan for any equipment that requires advanced technology. We will use human resources who have successfully overcome numerous difficulties as technology or skills experts, and strive to solve problems as a united All-Kandenko entity in order to heighten customer trust.

Technology Development Guidelines

Looking at the latest technological trends and business environment, focus on growth strategies for promoting our trajectory toward becoming a 100-year company supporting society and on technology development areas that contribute to society.

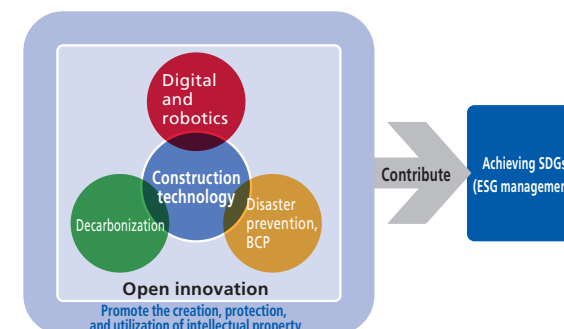


Furthermore, in order to actively incorporate external knowledge into the innovation of construction technology, we are implementing an industry-academia collaboration with universities and research institutes and promoting open innovation through a framework that includes other companies. In addition to building win-win cooperative relationships, we will also be working to fill any missing gaps at our own company, increase development speed, and respond to advanced technologies.

Another priority theme going forward will be the creation, protection, and utilization of intellectual property. In fiscal 2021, the research and development division formulated an intellectual property strategy and set out a policy for turning construction technology which contributes to sustainable growth into intellectual property, and for protecting rights and managing and using patents held. As of March 2021, Kandenko held 175 patents. While this number is significantly greater than for other firms in the industry, we do have a shortage of patents in information and communications, and air conditioning and sanitation systems fields. Our patent holdings are still low in the fields of air conditioning, water supply and drainage, and environment, which relate to decarbonization, and information processing, which relates to digital and robotics. We want to actively obtain patents in these fields as priority exploratory areas and press ahead with preparations for a decarbonized society and digital society.

Fiscal 2021 Basic Policy on Technology Development Plan

1. Improve the quality of technology development for supporting sustainable growth
2. Strengthen internal and external collaboration
3. Promote the creation, protection, and utilization of intellectual property



Pursuing technological development to support sustainable societies

Under the new Medium-Term Management Plan, we have declared "promoting ESG management" as a core policy among our key policies and set environmental targets for energy consumption and ratio of renewable energy in consumed power, etc., while putting forward our contribution to the environment and society through our business activities as we aim to become a green innovation company by 2044, our 100th anniversary.

We recognize that this medium to long-term direction requires the research and development division to support a sustainable society and contribute to the SDGs through technological development that contributes to decarbonization and resilience. We believe that sensing technology in particular will become increasingly important going forward. Therefore, we intend to consider creating frameworks that enable us to approach more customers, by evaluating and utilizing a variety of measured and quantified information in order to develop our ideal "building infrastructure x social infrastructure" business operations, while at the same time cooperating with all individual divisions.

In recent years, we have seen a gradual increase in the number of young employees in the research and development division. Given its greater familiarity with digital technology, we expect this younger generation to use flexible ideas to capture global changes and create innovations that will help generate future value.

Fiscal 2021 Intellectual Property Strategy

Intellectual Property Strategy

Looking at the latest business environment and technological trends, focus on creation, protection, and utilization of intellectual property that contribute to our growth strategy toward becoming a 100-year company supporting society.

Priority Items

1. Creating intellectual property
 - Set priority areas: digital and robotics, disaster prevention and BCP, and decarbonization
 - Turn onsite construction technology that has not yet materialized into intellectual property
2. Protecting intellectual property
 - Seek to further raise the bar by securing projects that offer high royalty revenues
 - Protect core technology rights and build a competitive advantage in the industry
3. Utilizing intellectual property
 - Analyze intellectual property holdings on an intellectual property map to clarify high-earning areas

Research and Development Activities

Research and Development System

Based on our management plan for fiscal 2020, the Group focused on developing technologies related to “security, safety and disaster response,” “operational efficiency improvement,” and “applying to business field expansion,” with a view to “develop technologies and reinforce profit-generating capacity through open innovation.” Of particular note, in October 2020, we concluded our first comprehensive partnership agreement with a university and focused on nurturing human resources who would be responsible for our next-generation, centered around R&D activities. More specifically, this involves countermeasures, as well as prediction methods using sensing technologies, for storms, floods, and earthquake disasters that have become increasingly severe in recent years. We will continue to pursue strategic collaboration to enable our Group technologies to be widely utilized in society.

Technology Research & Development Institute

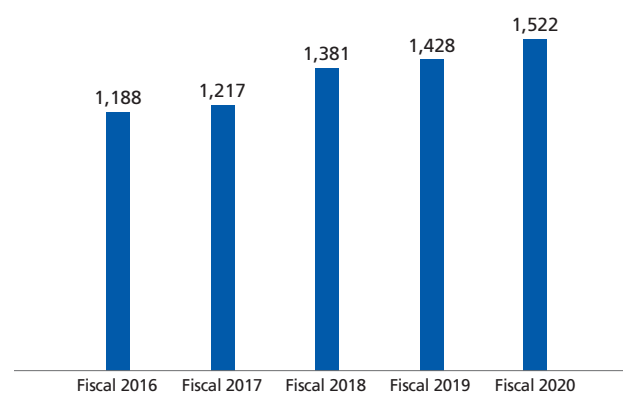
The Technology Research & Development Institute consists of a research building, experiment building, and outdoor testing site. In the laboratories of the experiment building, we conduct basic experiments to respond to new construction technologies and conduct verification experiments for development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



Rokugo Branch Office

Onsite workstyle reform is a pressing issue, with the introduction of DX and IT into business administration being one of the urgent priorities. The system development team tasked with specializing in this issue and developing solutions is based in the Rokugo branch office. The office serves as a venue for encouraging co-creation with partner companies involved in system development, with multiple projects being pursued at the same time. Thanks to these efforts, we have been able to develop our BLuE measurement support system that assists with compiling test records at the time of site completion, and a power-outage simulation system that reduces and streamlines the work required to compile operational plans for working during power outages.

R&D expenses (Millions of Yen)



High-Voltage Laboratory

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



Test room

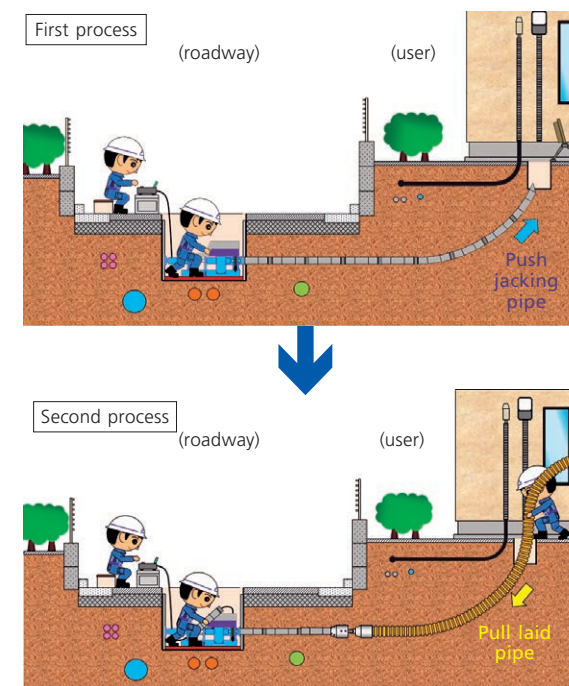
Examples of Initiatives

Research on safety management DX

Part of our safety management involves holding tool box meetings (TBM-KY) before work, most of which are left up to site managers and workers. This can sometimes lead to accidents caused by biased or insufficient instructions. This research aims to uniformize safety management technology by using AI to analyze past safety management databases, and supporting safety management. We intend to introduce this development result to our worksites to help reduce the burden on site managers and also realize worksites that put human first and are free from accidents.

Development of methods for small diameter curved piping

Following the enforcement of the 2016 act to promote the movement of electricity supply from utility poles to underground, we expected to see a rise in the number of undergrounding projects, and we started developing some new construction methods. One of those was the small diameter curved piping method. The development tackled the challenges of avoiding circumvention work in residential piping work constructed through drilling and reducing the drilling range on customer premises by developing a new construction method together with TOMEC Corporation. Since this method can perform buried piping work without drilling, it not only solves the above problems, but also improves working environments and greatly reduces the impact on society. Having received favorable reviews during onsite demonstrations, we plan to apply this newly developed method to onsite work in fiscal 2021.



Development of approach sensors

Causes for most of electric shock accidents that have occurred so far were misperception or lack of ambient confirmation. The approach sensor that we have developed uses a completely new electroscopic theory to focus on a person's charged state. This approach sensor was developed and commercialized together with Sanwa Electric Instrument Co., Ltd. When an approach sensor is worn on a helmet and other equipment, the approach sensor gives alarm sound and flashes to signal danger if any part of the body comes close to a live part. We hope using this approach sensor will help prevent electric shock accidents and help create safe and secure worksites.



Development of Ecomix, environment-conscious room temperature mixture

To date, we have seen the various materials included in room temperature mixture to be used for temporary repairs of asphalt pavement, but there have not been many environment-conscious options. So, we developed Ecomix, an ideal environment-conscious product for a recycling-based society that boosts the recycling of construction by-products by using recycled materials as its main ingredients. It is the only product that boasts an 80% recycling ratio and is ecomark certified. Ecomix was developed jointly with Seikitokyu Kogyo Co., Ltd. Sales have been gradually increasing following our decision to set its selling price similar to those of conventional mixtures.



Ecomark certified product
Uses 50% or higher recycled materials
Asphalt/concrete clods
17 131 009
Seikitokyu Kogyo Co., Ltd.

Environmental Conservation

Environment

Social

Governance

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

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

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

Basic Policy on the Environment

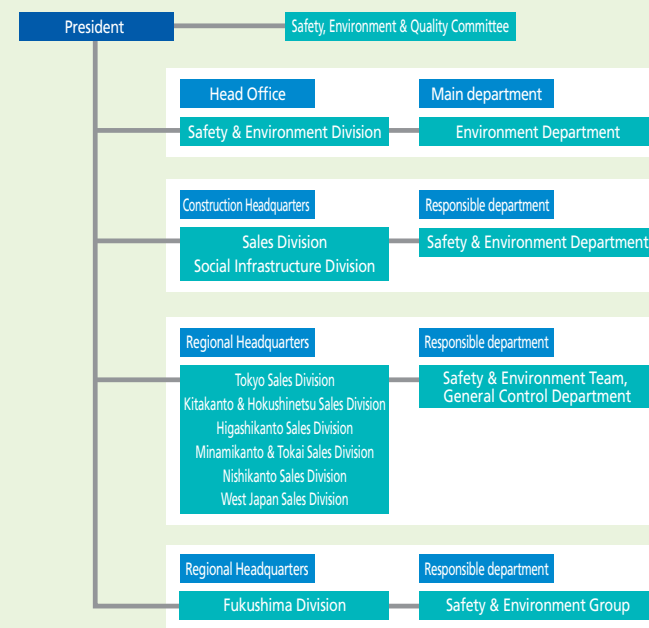
To realize a sustainable society, the Company strives for management in which business activities are in harmony with nature from a long-term view in every situation as a general infrastructure company.

Activity Plan

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

Structure for Promoting the Environmental Management System

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



Initiatives to Reduce the Environmental Burden

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

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

Examples of Initiatives

Achievement of ZEB Oriented appraisal standard

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

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

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



Power generation business

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

Power plants in operation (Excerpt)

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

Operational launch of Kami Ketto Hydroelectric Power Plant

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

This power plant employs a mechanism to generate electricity by effectively utilizing the drop from the check dams in the middle of the Nakatsu River that joins the Shinano River. It generates roughly 6,500MWh of power per year. This is equivalent to the electricity consumed by approximately 1,200 regular households, or an approximate 3,000 ton reduction in CO₂ emissions.

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

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



View of the check dam and Kami Ketto Hydroelectric Power Plant

Coexisting with Society

Environment Social Governance

Kandenko maintains that it "fulfills its duty of corporate social contribution and contributes to creating richer human environments" as one part of our Corporate Philosophy, and we are dedicated to promoting CSR management throughout the Group and contributing to the sustainable growth of society.

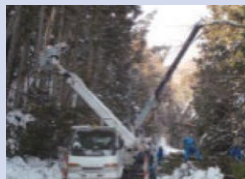
Responding after natural disasters occur

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

March 2011
The Great East Japan Earthquake



May 2012
Damage by tornado in Northern Kanto



September 2013
Damage by tornado in Saitama & Chiba



February 2014
Damage by heavy snow in Gunma



September 2015
Damage by heavy rain in Kanto & Tohoku



April 2016
Damage by Kumamoto Earthquake (Indoor electrical engineering)



August 2016
Damage by Typhoon No.9



September-October 2019
Damage by typhoons Faxai and Hagibis



Extensive power outages following Typhoon Faxai

In September 2019, Typhoon Faxai with wind speeds of over 50 meters per second hit the Kanto region and caused severe damage to the electric power infrastructure. As a result, as many as 930,000 households suffered power outages. Kandenko mobilized response teams immediately to work on recovery work, day and night, with concerted efforts.

The response teams made their way to the disaster-stricken sites despite having to surmount fallen trees and landslides, and struggled to manage to deal with power lines tangled with flying objects and downed trees on power lines. Under these difficulties, we worked hard to restore electricity as soon as possible by drawing on the experiences from past disasters and cooperating with the Self-Defense Forces dispatched for disaster relief operations.



Courtesy of Japan Ground Self-Defense Force

Social contribution activities

The Mount Fuji Reforestation Project

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

Kandenko has participated in these activities since 2017, through which Kandenko employees and their families have assisted in efforts such as tree planting and the installation of nets to prevent damage from feeding deer. Participants come and listen to talks on the natural environment of Mount Fuji, and raise their awareness of environmental protection while deepening their understanding of Mount Fuji.



Sponsoring the Japanese Para-Sports Association



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

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

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

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

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

Through sponsoring this championship, held at Hanazono Rugby Stadium, the representative symbol of high school rugby, we support the development of Japan

rugby and the futures of the high school students who will carry the rugby world forward.



We Are All Different picture book conveys the importance of diversity: Kandenko x Toshiaki Hirose Connection Support Project Round 1

We are currently developing "Kandenko x Toshiaki Hirose Connection Support Project" with the former captain of the Japan national rugby team Toshiaki Hirose as our new Corporate Communication Captain (CCC). In November, we published a picture book entitled "We Are All Different" as the project's first initiative.

This picture book was created by gathering the opinions of project members, mainly young employees, based on the theme of Mr. Hirose's One Rugby movement. The One Rugby movement seeks to encourage the communal spread and development of multiple types of rugby such as wheelchair rugby and tag rugby enjoyed by everyone according to individual tastes and needs. The picture book seeks to convey the importance of diversity in an easy-to-understand manner by likening the way in which various animals use their specific skills and traits to carry a tree fruit to a specific destination to the sport of rugby where players carry the ball forward as one team.

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



Updates on the book compilation and project progress are published on our website.

Click below to access more details.



Safety and Quality Initiatives

Environment

Social

Governance

Basic approach

Safety

- Strengthen onsite risk management capability
- Enhance safety education (introduce high-performance safety sensing devices)
- Apply digital technologies to onsite risk countermeasures

Quality

- Emphasize and entrench work rules designed to facilitate the provision of high-quality infrastructure (providing thorough guidance to new and remote partner companies)
- Conduct probing internal inspections

Safety

Slogan

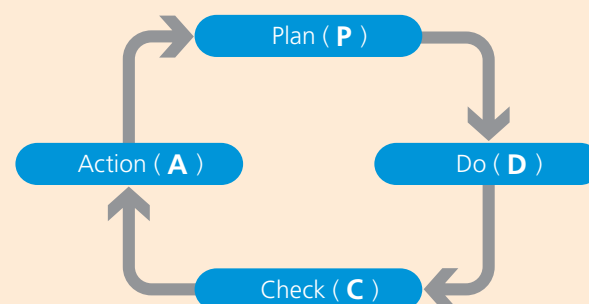
Incorporating new COVID-19-inspired “systems” to realize risk-resistant, secure and safe worksites

- Systems to ensure fully working onsite PDCA cycle
- Enhancing safety education
- Kandenko Group safety promotion activities

Systems to ensure fully working onsite PDCA cycle

Review safety management “framework”

- A** Improve safety administration **P** Plans designed with workers in mind
C Use of remote technology **D** Effective safety instructions and KY



Enhancing safety education

Increase sensitivity to risk mainly among young people
 Increase sensitivity to risk through simulated disaster experiences
 Online training

Kandenko Group safety promotion activities

Improve communication with affiliated companies and business partners and support safety activities

Effective safety measures that reflect construction work opinions

Quality

Basic Policy on Quality

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

Activity guidelines

1. We will anticipate customer needs and use advanced technologies and sophisticated skills to provide a level of quality that will satisfy our customers.
2. We will continue to research and develop technologies and improve operations, and always create valuable products.
3. We, together with all our employees and organizations, will strive to consistently improve our quality management systems in order to maintain and improve quality.
4. We will conduct education and training, improve technology and pass on skills, and promote reliable human resource development.

Quality Management System

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

ISO 9001 external authentication acquisition status

Division/Office	Registration scope	Registration organization and registration number
Cost Management Division Sales Division Tokyo Sales Division Kitakanto & Hokushinetsu Sales Division Higashikanto Sales Division Minamikanto & Tokai Sales Division Nishikanto Sales Division West Japan Sales Division Fukushima Division	Design and construction of electrical infrastructure Design and construction of air conditioning, water supply and drainage, and sanitation systems	Management System Assessment Center MSA-QS-4553
Registration date: September 1, 1997 (Valid through February 27, 2023)		
Rokkasho Office Tokai Office Kashiwazaki-Kariwa Office Tsuruga Office Fukushima Division	Design, construction, and ancillary service of electricity, instrumentation, and machinery devices involved in the construction, repair, and regular inspection of nuclear power plants, nuclear fuel handling facilities, and related infrastructure	Registration Body for IS, Inc. RB-Q11939
Registration date: February 16, 2001 (Valid through February 28, 2022)		

Employee Initiatives

Environment

Social

Governance

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

Basic Policy on Human Resources Development

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

Outline of Initiatives for Human Resources Development

The Company has continuously worked to establish systems to develop excellent human resources.

An outline of specific initiatives is as follows.

1. Personnel development

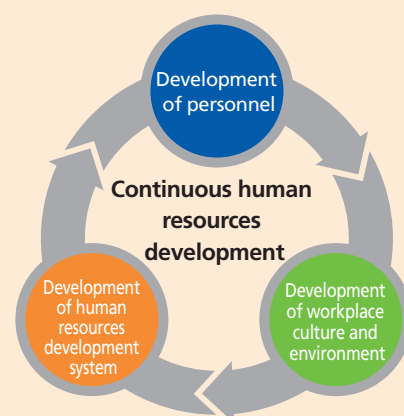
OJT: Guidance and training through workplace operation

Training: Training for professional expertise and skills

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

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

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



Personnel We Aspire to Be

1. Professional workforce trusted by society and customers

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

2. Workplace culture and environment that foster human resources

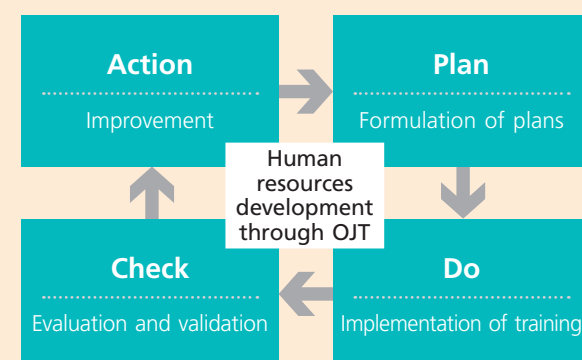
- A workplace where everyone can learn from each other and grow together
- A workplace where employees can speak and consult with others frankly
- A workplace where each employee can exert their own abilities

Training Programs

On-the-job training (OJT)

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

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



Training

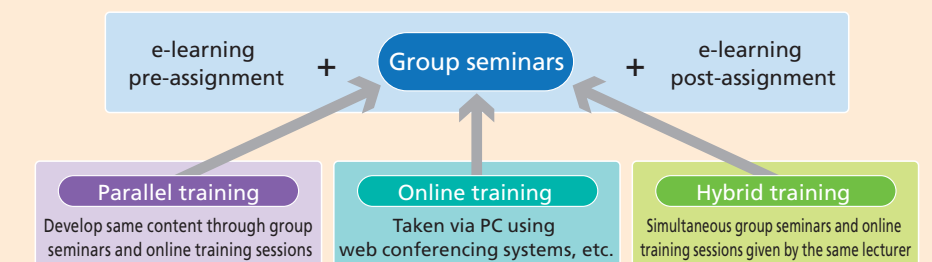
Training is designed to equip Kandenko employees with the necessary skills commensurate with their positions, and to improve the skills of all employees.

List of training systems

Level	Joint training (level-specific)		Specialist training (level-specific)				Joint training (special)	Joint training (operations)	Specialized training (select)
	Name of training		Administration	Sales	Technical	Engineering			
Department managers	Department manager / branch head training								
Section managers	Training for newly appointed line managers								
Assistant section managers	New manager training								
Team leaders	New team leader training								
Young employees	Training for year-round new hires								
New employees	Follow-up introductory training								

■ More effective training combinations

We offer a three-pronged training structure: group seminars with ample measures in place to prevent the spread of COVID-19, e-learning, and online training, along with on-the-job training, which we can mix and match to ensure the most effective and efficient human resources development.



Self-development

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

Examples of qualifications recommended by the Company

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

Employee Initiatives

Environment

Social

Governance

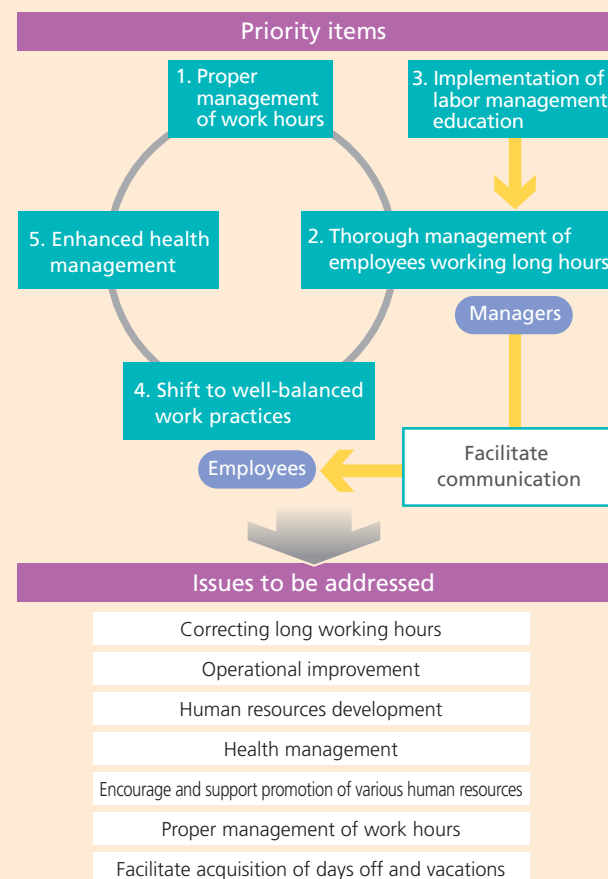
Reforms of Work Practices and Annual Leave Systems

To realize a company where each employee can work energetically in every workplace, the Company promotes various work practices and annual leave systems aiming to shorten total working hours while enhancing the health management of employees.

Basic policy

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

Priority items and issues to be addressed



Major initiatives

- Scheduled grant of annual paid leave (10 days) (Average number of paid leave taken in fiscal 2020: 13.7 days)
- Enhanced health care management based on professional expertise

K. Assertion

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

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

(Outline of activities)

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

Implementing assertion through practical operations



Initiatives to Promote Diversity

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

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

Promoting employment of persons with disabilities

To step up diversity promotion, we engage in initiatives for employment and advancement of persons with disabilities.

Promoting the advancement of women

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

Period of the Action Plan

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

Targets and Details of Initiatives

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

Details of initiatives

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

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

Details of initiatives

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

Examples of Initiatives

■ Kandenko SunSun School Family Visit Day

In August 2021, we hosted our Kandenko SunSun School as a bring your family to work event.

This event is part of our work-life balance initiatives designed to promote communication between families and workplaces and create a comfortable working environment while also helping the families who support our employees on a daily basis deepen their understanding of our company’s business. This time, we decided to hold the event online as a new initiative to enable people, including employees posted overseas, to participate from remote locations.

On the day of the event, 53 employees and their families participated in the event, which included an online tour of the workplace including live links with our head office, offices, and electrical engineering work sites, etc., a study group to learn about optical fiber mechanisms while actually working on them, and other programs designed to encourage two-way communication. We also screened a video message for children about dreams by Toshiaki Hirose, a former Japan national rugby team member who is also our Corporate Communication Captain (CCC).



■ Participation in Science and Technology Challenge*

Since fiscal 2016, we have participated in the Science and Technology Challenge—an initiative organized by the Japanese Cabinet Office and the Japan Business Federation—by actively supporting female students in their choice of career paths in the fields of science and technology.



女子高校生・女子学生の理工系分野への選択

http://www.gender.go.jp/c-challenge/about_rikochalle/index.html (in Japanese)

* Through initiatives led by the Gender Equality Bureau of the Cabinet Office, the Science and Technology Challenge supports female students interested in the fields of science and technology, who are taking on the challenge of a related career path based on a clear vision of their future.

■ Held Forum for Female Technical and Engineering Staff

We hold lectures and seminars with an aim of reforming the awareness of female employees appointed at worksites and to expand the range of their duties. The lectures and seminars also serve as a networking opportunity for them.

■ Held Seminar for Employees Taking Childcare Leave

We provide a venue for information exchange regarding childrearing and casual communication among parenting employees. We support them in balancing work and child-rearing through easing their anxiety about returning to work and sharing problems.

■ Compilation of Support for Work-Life Balance Handbook

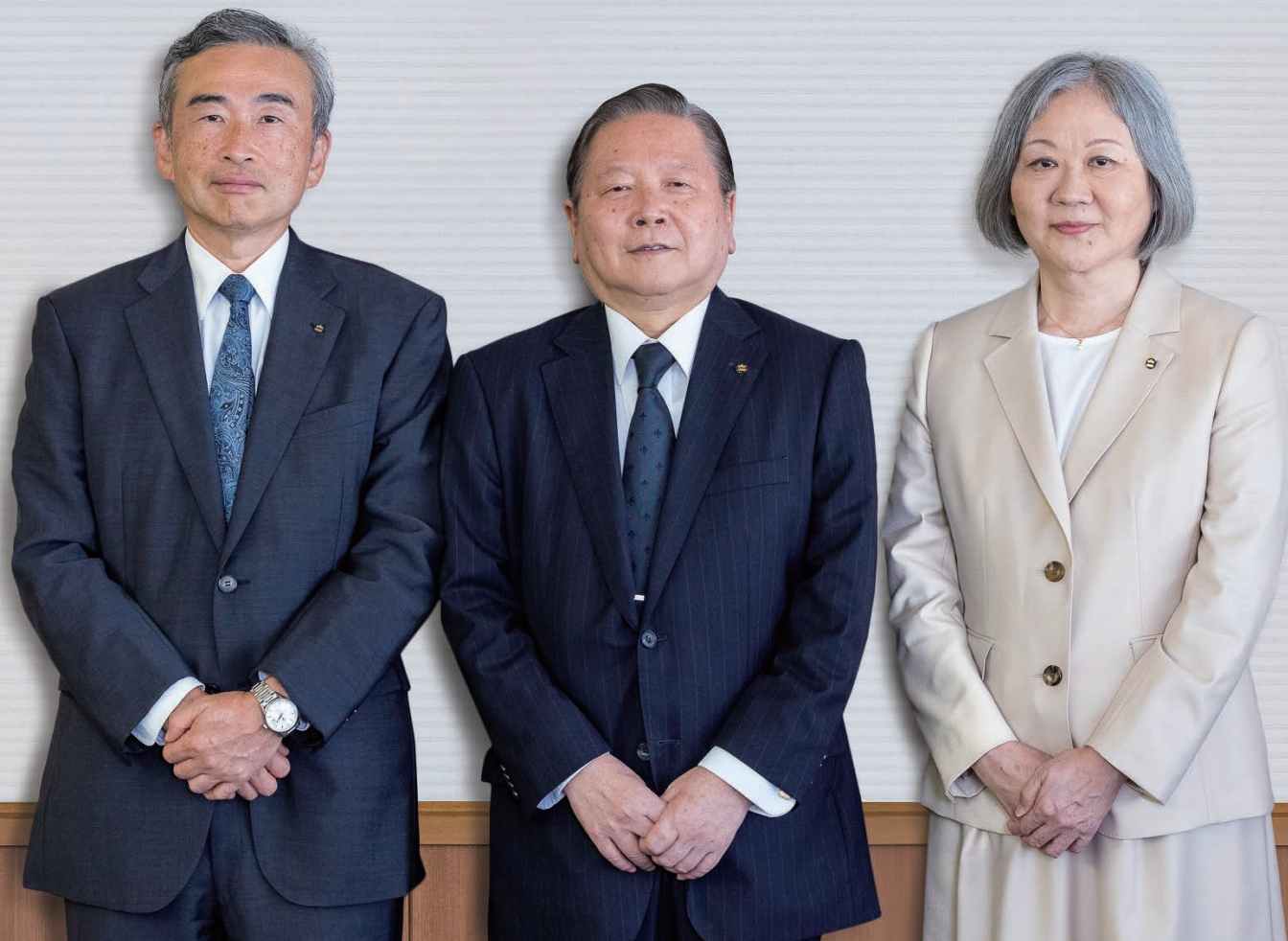
As an aid to supporting employees’ work-life balance, the handbook provides various information such as in-house systems related to child-rearing and sends messages to bosses who are working with junior colleagues preparing for maternity leave and child-rearing leave.

Roundtable Discussion with Outside Directors

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Hajime Saito
Outside Director

Takashi Uchino
Outside Director

Miwako Ando
Outside Director

An external perspective on Kandenko's mission and challenges

Kandenko's corporate image and culture from outside directors' perspectives

Takashi Uchino: Kandenko's corporate motto is People First, and its recruitment-focused catchphrase is "Be the light that illuminates our nation." As these words suggest, Kandenko is a company that undertakes the major role and mission of developing and enhancing the infrastructure that supports people's lives, industries, regions, and society as a whole. While its activities are not often in the spotlight, Kandenko's efforts to swiftly restore power

following major power outages primarily in Chiba Prefecture caused by typhoon damage in September 2019 is one recent memorable example that was broadly reported in the media. Kandenko is a general infrastructure company with its core expertise in electric work that boasts a rich track record and advanced technological capabilities and work execution abilities as one of Japan's leading companies. Going forward, Kandenko is expected to lead the infrastructure building to support Japan's energy revolution as we work to achieve our national target of carbon neutrality by 2050.

Hajime Saito: We have been hit by a string of increasingly severe disasters such as typhoons

and floods in recent years and, as Mr. Uchino said, Kandenko's social role has been brought further into the spotlight. In terms of corporate performance, Kandenko's earnings power has improved in recent years, with the company maintaining operating profit above ¥30 billion yen in fiscal 2020 even in the face of the COVID-19 pandemic, and I believe that strength stems from Kandenko's high-level construction, engineering, and technological capabilities that guide and inspire onsite workers. A steady inflow of orders for data centers and information and communication infrastructure, for which needs are expanding particularly strongly in the Tokyo metropolitan area, is also helping to maintain high-profit levels.

Miwako Ando: I was appointed as an outside director in June 2021. During my career, I spent 32 years as a public prosecutor and have been teaching at the Hosei University Graduate School of Law since retiring in 2017. I want to use my background to help advance Kandenko's initiatives, especially in the field of compliance. When I think of Kandenko, I think of a company that focuses its business on onsite construction and also greatly values the people who work there. I believe this strong respect for its employees has led to Kandenko's determined sense of duty towards society and its high degree of technological capabilities and work execution abilities, and underpinned its strong performance to date. Having said that, there is no denying the fact that, being involved in construction work, Kandenko's ratio of male employees remains stubbornly high. As the company's first female director, I would like to help change the company's corporate culture, even if only a little.

Uchino: As a labor-intensive company, we naturally prioritize the safety and security of our employees, but we also focus on ensuring the safety and security of our customers and society through the maintenance of stable electrical infrastructure. In my opinion, that commitment forms the basis of this solid and dedicated organization's corporate culture.

Saito: All Kandenko employees have a specialty area, but its strength lies in a strong sense of onsite teamwork. The pride and tensions backed by these qualities, in turn, guarantee high-quality construction, and both elements seem to be deeply rooted as the companywide corporate culture.

Recent changes in corporate governance

Uchino: Kandenko has been transforming its governance in accordance with the Corporate Governance Code by increasing the number of outside directors and other means. In addition to attending meetings of the Board of Directors, we

outside directors strive to strengthen governance and improve the quality of management by conducting on-site inspections, holding hearings with business executives, and exchanging opinions regularly with Audit & Supervisory Board members and the company chairman and president. One specific reform involves our decision to change the Compensation Advisory Committee into a Nomination and Compensation Committee. Going forward, we intend to help promote the reform-oriented management required by the revised Code, improve the functioning of the Board of Directors, secure diversity among executives, and address sustainability issues.



Career Summary

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

Ando: While I haven't been on the Board for long, I feel that the Board respects the opinions of the outside directors during active discussions. Chairman Hiroshi Yamaguchi, President Toshio Nakama, and other internal executives all listen attentively to our opinions, which reassures me and makes it easier to speak my mind. I intend to play an active role going forward in shaping the compliance approach that I mentioned earlier by conducting hearings on current circumstances and giving appropriate advice. Also with regard to risk management, the Board often touches on safety and quality issues, so I feel I can apply my specialist knowledge and experience in this area as well.

Saito: One of the roles of the outside directors is to point out any gaps with the outside world that might be difficult for internal managers to pick up, and I believe the Board of Directors is a

Roundtable Discussion with Outside Directors

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Career Summary

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

good place to discuss those gaps. Kandenko is a company that has been creating a culture in the same industry and business area for many years, so I think grasping any changes in the external environment and responding to any gaps between internal and external environments is something that we outside directors and senior management should tackle together.

Uchino: There is growing momentum for all directors, including outside directors, to work together to improve the company. I believe that we are making solid progress on the invigoration of the Board that Ms. Ando talked about. The Board is careful to allocate plenty of time to exchanging opinions and proactively incorporating the recommendations of outside directors regarding the operation and business planning of the Kandenko Group as a whole. Board discussions are much deeper now than they were in the past. However, we recognize that there is still room for improvement in ensuring effective governance, including increasing the ratio of outside directors on the Board of Directors and defining the most effective approach for the Nomination and Compensation Committee that was mentioned previously. In particular, we probably need to see more effective sharing of

management and human resources information than ever before to enable outside directors to engage fully in the nomination procedures for directors.

Expectation for new medium-term management plan and issues in effective utilization of human resources

Saito: What is unique about this particular medium-term management plan is management's decision to adopt a long-term perspective, determine 2044 as its growth target, and back cast from there. I highly regard the plan as a ground-breaking document for several other reasons too. Instead of determining the plan's targets with a top-down approach, the plan's creators were expanded to include employees in their 30s and 40s who will become the next generation of management and everyone shared what they considered to be the key issues. A lively debate of individual themes then ensued, the results of which were compiled into the plan we have today.

Uchino: The plan's content is very ambitious and challenging, and allowing the company's employees to take the lead in envisioning the future really illustrates Kandenko's commitment to change. We outside directors were also consulted on various matters from the early planning stage and gave advice, and so we really feel this medium-term management plan was created by everyone together.

Ando: I was very impressed when I heard employees had taken the lead in formulating this medium-term management plan. Employees can launch into the plan knowing their opinions were incorporated and that they played a leading role in formulating the content. I believe that will be a powerful driving force in proceeding with the plan. It is difficult to inspect sites right now due to the impact of the COVID-19 pandemic, but when it is once again possible, I am really looking forward to going to the sites and seeing with my own eyes how onsite employees are proceeding with the medium-term management plan.

Uchino: When checking the plan's implementation, we intend to focus on the overall balance in the progress of Kandenko's five key policy themes. We are especially aware that nurturing human resources and reforming human resources systems in an effort to reinforce our people-first approach are extremely important themes as the working population shrinks in the face of a declining birthrate and aging population. In order to pass down the company's high technological capabilities and work execution abilities, which lie at its core, and

respond effectively to any business expansion, we need to rapidly pursue the creation of workplace environments that seek to improve productivity, introduce diverse work styles, and actively utilize diverse human resources, including women.

Ando: Both men and women will have to change their awareness if we are to utilize female human resources more actively. For example, while there may be an ingrained prejudice that a certain job is too hard for women, if the conditions and environment are right, there probably isn't much that men can do that women can't. It is important to change our corporate culture to one that enables female employees to build a career with confidence by first giving women a chance and getting them to the starting line, and then increasing the number of female managers and core human resources who can act as role models for other female employees to follow suit.

Saito: Another point to make about human resources is the need to attract and effectively utilize talented people from outside the company. In order to respond quickly to changes in the future when building new foundations for growth and introducing advanced technologies, we need to invite external human resources with the necessary knowledge and experience to join the firm to help fill any gaps with the outside world. I intend to check the status of progress on accepting and utilizing such external human resources as part of the medium-term plan.

Aspiration as a member of Kandenko and personal ambitions

Uchino: The first thing I would like to see Kandenko do is strengthen its voice and presence in general society. From the perspective of promoting ESG management, I feel that it is necessary to get Kandenko's future potential across to society and instill deeper recognition among people, and ensure that recognition leads to strong evaluations in the stock market in particular. Second, I would like to see Kandenko break away from the industry's typical passive contractor culture. I would really like Kandenko to successfully change some parts of its nature through the implementation of this medium-term management plan, including its principle to observe precedents and its vertically segmented organizational behavior. My third request relates to the promotion of ESG management designed to help build a sustainable environment and society. We need to fully consider how to turn the contents of the management plan into concrete achievements.

As for me personally, I intend to continue attentively fulfilling my function of monitoring company management and make every effort to create opportunities for young employees to play an active role.

Saito: The topic of the declining labor force was mentioned earlier, but how do we manage and unite people in such an environment? I think Kandenko will need to determine how to do this going forward. Kandenko's future potential will expand greatly if it can combine its ability to attract and coordinate people with its ability to transform business operations through digitalization, and focus on research and development to respond effectively to changes in social infrastructure and technological innovation. With that aim in mind, I would like to see Kandenko sweep away internal barriers, build strong networking capabilities, and pursue initiatives to extend its external presence. I intend to actively cooperate in this endeavor.

Ando: I have mentioned how I want to utilize my knowledge and experience in my role as an outside director, but I am still unfamiliar with my work at Kandenko so I intend to study daily and work hard to fulfill my responsibilities. I intend to voice any simple questions I might have about areas outside the realm of my specialty and hope to provide a fresh perspective that will help improve corporate value.



Career Summary

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

Corporate Governance

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Corporate Governance

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

Basic Corporate Governance Policy

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

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

Outline of the Current Corporate Governance System

Board of Directors

The Kandenko Board of Directors, which consists of 14 members including three outside directors, meets regularly once a month, and additionally whenever necessary, to discuss important business matters and to reach final decisions, taking account of the contributions of the independent directors and other considerations. The Board also oversees the execution of business by the directors. A designated corporate department is in place to provide support to the outside directors, for instance by briefing them where necessary on items due to be discussed at Board meetings. Important managerial issues, including those that will be brought up at a Board of Directors' meeting, are discussed by the Management Committee, which meets regularly each week and additionally whenever necessary. In these ways, we strive for rational corporate administration. Moreover, we have introduced an executive officer system, which separates managerial oversight from business execution, to accelerate the decision-making process and reinforce business execution while enhancing the efficiency of the directors' business execution system. To foster swift responses to changes in the operating environment and invigorate management, directors' terms are limited to one year from the time of appointment.

Audit & Supervisory Board Members

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

Independent Accounting Auditor

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

Internal Audit

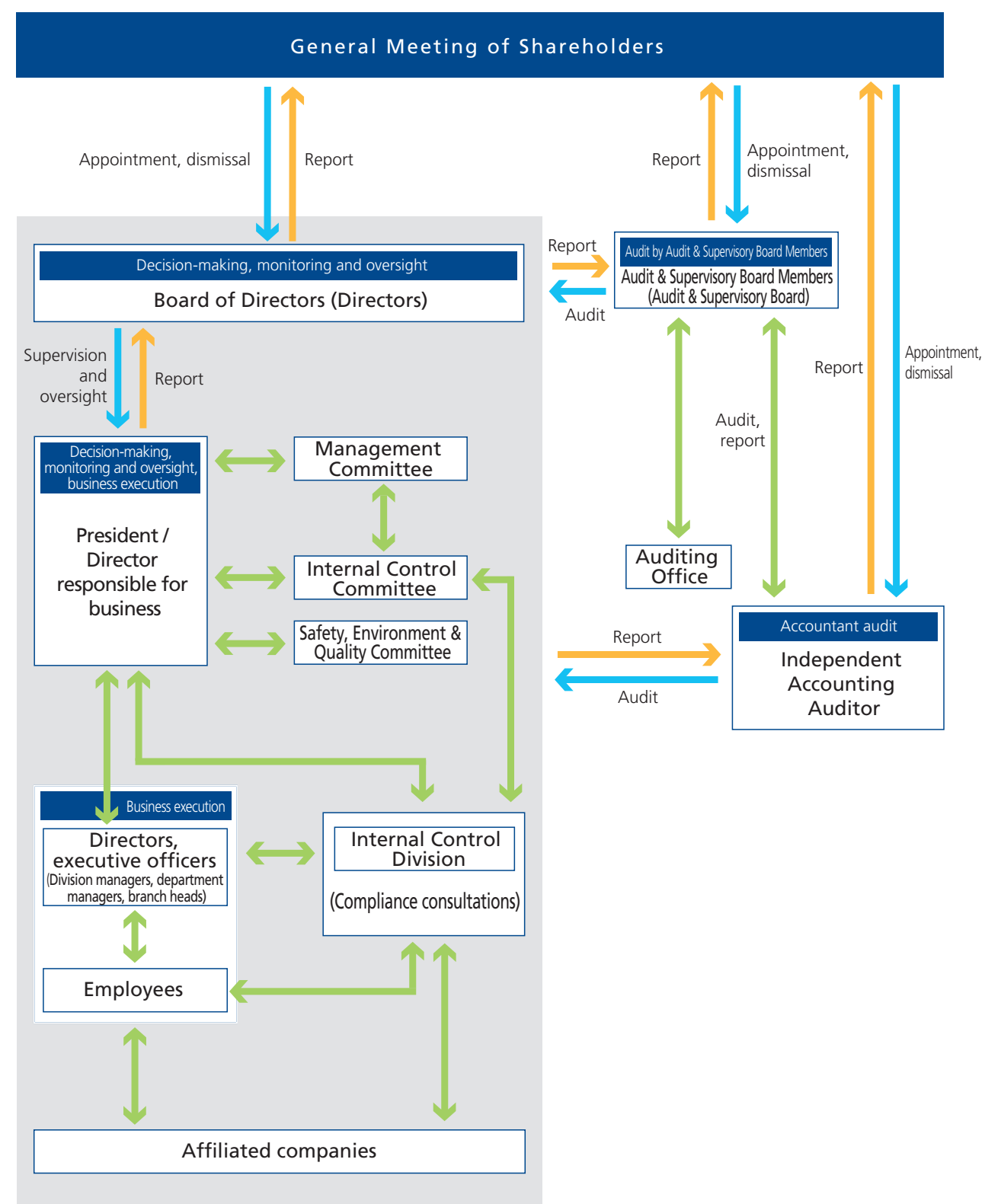
For internal auditing, 12 staff of the Internal Audit Division carries out the audit in accordance with the Internal Control Enhancement Plan. The audit results are reported to the Internal Control Committee and the Management Committee, and as appropriate to the Board of Directors, to enable any required remedial action to be taken.

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

Outside Directors and Outside Audit & Supervisory Board Members

Currently, the Company has three outside directors and three outside Audit & Supervisory Board Members. We appoint outside directors and outside Audit & Supervisory Board Members to fulfill monitoring and oversight functions and to enhance transparency, so in accordance with the Companies Act and other regulations, we look for candidates whose experience and expertise outside the Company will be useful to Kandenko, and who can oversee and audit the directors' execution of duties from an independent and neutral standpoint. Regarding outside Audit & Supervisory Board Members, the Audit & Supervisory Board meeting first agrees on the candidates, the Board of Directors approves them, and then they are presented at a general meeting of shareholders for a vote. In the case of outside directors, the Board of Directors nominates a number of outside director candidates who meet the independence criteria

Corporate Governance System



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listed below, giving due consideration to the practical effectiveness of its operations. For outside members of the Audit & Supervisory Board, the Board of Directors nominates a number of candidates with the ability to audit the execution of business by the directors from a position of independence and objectivity.

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

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

1. The candidate is or has been a business executive of Kandenko or a Kandenko's subsidiary.
2. The candidate is a business executive of a major shareholder of Kandenko (a shareholder with 10% or more of the voting rights including indirect holdings) or a business executive of a company of which Kandenko is a major shareholder.
3. The candidate is a business executive of a major creditor of Kandenko (a creditor who has provided loans of more than 1% of consolidated assets in the most recent fiscal year).
4. The candidate is a business executive of a major business client of Kandenko (a client accounting for more than 1% of consolidated net sales of completed construction contracts in the most recent fiscal year) or a business executive of a company of which Kandenko is a major business client.
5. The candidate is a representative employee or an employee of an accounting auditor of Kandenko.
6. The candidate is a person who has, or a member of a group that has, received from Kandenko material benefits or gifts of high value (more than ¥10 million excluding corporate officers' remuneration).
7. The candidate is a business executive of a company with a reciprocal relationship with Kandenko through outside officers.
8. The candidate has a relative (a spouse or relative within the second degree of kinship) to whom any of 1 to 6 above applies (restricted to officers and senior employees).
9. The candidate has triggered any of 2 to 8 above in the past five years.

Nomination and Compensation Committee

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

The outline of the committee is as follows.

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

Effectiveness evaluation

To secure the effectiveness of the Board of Directors, the Company carries out self-evaluations by all directors and Audit & Supervisory Board Members after the end of each fiscal year regarding the effectiveness of the Board of Directors. The content of the evaluation is analyzed and assessed by the Board of Directors. In the self-evaluation

implemented in April 2021, opinions were raised on discussions by the Board of Directors, the composition of the Board of Directors, and response to revisions of the Corporate Governance Code, but the overall effectiveness of the Board of Directors in fiscal 2020 was judged to have been secured.

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

State of Progress of the Internal Control System

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

Compliance System

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

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

Risk Management System

The Kandenko Group operates a set of internal regulations on risk management. Having categorized and defined risks relating to business operations item by item, Kandenko

devises countermeasures to match their degree of impact and likelihood of occurrence. In addition to taking advance measures of this kind to prevent risk, Kandenko has designated reporting channels and response systems in place for the event of the risk materializing.

Additionally, the Internal Control Committee meets periodically to check the operating status of the risk management system and to analyze and evaluate risk status and related matters, while the establishment of a dedicated Internal Control Division serves to strengthen the risk management system.

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

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

Moreover, the statements described below regarding the future reflect judgments made by the Kandenko Group based on information available up to the end of the fiscal year ended March 31, 2021.

Changes in the business environment

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

Fluctuations in the cost of materials or labor costs

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

Work and related risks

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

Credit risk of client company

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

Asset holding risk

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

Liability for employees' retirement benefits

Should the fair value of pension assets decline, or should there be changes in the assumptions, such as the return on investments or discount rate, used to calculate the

liability for employees' retirement benefits, it is possible that the actual financial performance or other results of the Company could be affected.

Legal regulations

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

Risk of information leakage

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

Disaster risk

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

A new virus pandemic

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

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

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

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

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

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

Management Structure

(As of July 1, 2021)

Environment

Social

Governance

Directors



Chairman and Director
Hiroshi Yamaguchi*

Tenure as Director:
—

Hiroshi Yamaguchi was elected as a Director as he has experience, expertise, etc. gained through serving in positions that include Director and Executive Officer of Tokyo Electric Power Company, Incorporated and Tokyo Electric Power Company Holdings, which will contribute to management of the Company.



President and Executive Officer
Toshio Nakama*

Tenure as Director:
6 years

Toshio Nakama was elected as a Director as he has experience, expertise, etc. gained through serving in positions that include President and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Nobuhiro Iida

Administrative delegation, jurisdiction, and responsibility
Division Manager of Sales Division
in charge of Cost Management Division

Tenure as Director:
1 year

Nobuhiro Iida was elected as a Director as he has knowledge of operations in the areas of electric engineering, environmental facilities and systems as well as experience, expertise, etc. gained through his service in posts that include Division Manager of Minamikanto & Tokai Sales Division, Branch Manager of the Kanagawa Branch, as well as Managing Director and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Hitoshi Sugizaki

Administrative delegation, jurisdiction, and responsibility
Acting Division Manager of Corporate
Division and Head of Accounting & IT Unit

Tenure as Director:
1 year

Hitoshi Sugizaki was elected as a Director as he has knowledge of operations in the area of administration and has experience, expertise, etc. gained through his service in positions that include the head of accounting and the IT unit in the Corporate Division as well as Managing Director and Executive Officer which will contribute to management of the Company.



Executive Vice President and Executive Officer
Shoichiro Kashiwabara*

Administrative delegation, jurisdiction, and responsibility
Division Manager of Corporate Division
in charge of Overall Operations and
Internal Control Division

Tenure as Director:
6 years

Shoichiro Kashiwabara was elected as a Director as he has knowledge of operations in the areas of administration as well as experience, expertise, etc. gained through serving in positions that include Executive Vice President and Executive Officer which will contribute to management of the Company.



Executive Vice President and Executive Officer
Yuji Ueda

Administrative delegation, jurisdiction, and responsibility
In charge of Overall Operations, Group
Business Department and International
Business Division

Tenure as Director:
3 years

Yuji Ueda was elected as a Director as he has experience, expertise, etc. gained through serving in positions that include Managing Director of TEPCO Energy Partner, Inc. as well as Managing Director and Executive Officer of the Company which will contribute to management of the Company.



Managing Director and Executive Officer
Mitsuru Fujii

Administrative delegation, jurisdiction, and responsibility
Acting Division Manager of
Social Infrastructure Division in charge of
Safety & Environment Division

Tenure as Director:
—

Mitsuru Fujii was elected as a Director as he has knowledge of operations in the area of power distribution as well as experience, expertise, etc. gained through his service in positions that include the head of power distribution unit in the Social Infrastructure Division which will contribute to management of the Company.



Managing Director and Executive Officer
Shinji Takahashi

Administrative delegation, jurisdiction, and responsibility
Division Manager of Minamikanto &
Tokai Sales Division and Branch Manager
of Kanagawa Branch

Tenure as Director:
—

Shinji Takahashi was elected as a Director as he has knowledge of operations in the areas of electric engineering, environmental facilities and systems as well as experience, expertise, etc. gained through his service in posts that include Division Manager of Minamikanto & Tokai Sales Division and Branch Manager of the Kanagawa Branch which will contribute to management of the Company.



Senior Managing Director and Executive Officer
Shinichi Miyauchi

Administrative delegation, jurisdiction, and responsibility
Division Manager of Social Infrastructure
Division

Tenure as Director:
2 years

Shinichi Miyauchi was elected as a Director as he has knowledge in the operation of the area of administration as well as experience, expertise, etc. gained through serving in positions that include Senior Managing Director and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Koji Tsuru

Administrative delegation, jurisdiction, and responsibility
Division Manager of Tokyo Sales Division
and Branch Manager of Tokyo Branch

Tenure as Director:
1 year

Koji Tsuru was elected as a Director as he has knowledge of operations in the areas of electric engineering, environmental facilities and systems as well as experience, expertise, etc. gained through his service in posts that include Division Manager of Higashikanto Sales Division, Branch Manager of Chiba Branch, as well as Managing Director and Executive Officer which will contribute to management of the Company.



Managing Director and Executive Officer
Koichi Nakahito

Administrative delegation, jurisdiction, and responsibility
Acting Division Manager of Social
Infrastructure Division in charge of
Strategy & Technology Development
Division

Tenure as Director:
—

Koichi Nakahito was elected as a Director as he has experience, expertise, etc. gained through serving in positions that include General Manager of Engineering Department and Executive General Manager of Tokyo Branch of TEPCO Power Grid, Incorporated which will contribute to management of the Company.

* denotes Representative Directors

Management Structure

Environment Social **Governance**

Outside Directors



Outside Director
Takashi Uchino

Tenure as Director:
8 years

Takashi Uchino was elected as a Director as he has experience, expertise, etc. as a university professor and as a business administration expert which will contribute to management of the Company.

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



Outside Director
Hajime Saito

Tenure as Director:
2 years

Hajime Saito was elected as a Director as he has experience, expertise, etc. gained through serving in positions that include Director of Mizuho Financial Group, Inc., Mizuho Securities Co., Ltd., etc. which will contribute to the management of the Company.



Outside Director
Miwako Ando

Tenure as Director:
—

Miwako Ando was elected as a Director as she has experience, expertise, etc. as a public prosecutor and as an attorney-at-law which will contribute to management of the Company.

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

Full-time Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member
Toru Yukimura

Tenure as Audit & Supervisory Board Member:
1 year

Toru Yukimura was elected as an Audit & Supervisory Board Member as he has knowledge in the areas of finance and accounting as well as experience and expertise, etc. gained through his service as a business manager which will contribute to the effective auditing of the Company.



Full-time Audit & Supervisory Board Member
Hidekazu Tanaka

Tenure as Audit & Supervisory Board Member:
1 year

Hidekazu Tanaka was elected as an Audit & Supervisory Board Member as he has knowledge of operations in the areas of electric power, civil engineering and technology development as well as experience and expertise, etc. gained through his service in positions that include Executive Officer which will contribute to the effective auditing of the Company.

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member
Sumihito Okawa

Tenure as Outside Audit & Supervisory Board Member:
13 years

Sumihito Okawa was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions that include Audit & Supervisory Board Member of ANA HOLDINGS INC. and ALL NIPPON AIRWAYS CO., LTD. which will contribute to the effective auditing of the Company.



Outside Audit & Supervisory Board Member
Shoichi Muto

Tenure as Outside Audit & Supervisory Board Member:
2 years

Shoichi Muto was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions at Tokyo Electric Power Company Holdings which will contribute to the effective auditing of the Company.



Outside Audit & Supervisory Board Member
Takashi Suetsuna

Tenure as Outside Audit & Supervisory Board Member:
5 years

Takashi Suetsuna was elected as an Audit & Supervisory Board Member as he has experience and expertise, etc. gained through serving in positions that include senior official of administrative agencies as well as an outside officer of Marubeni Corporation, Totetsu Kogyo Co., Ltd., JCR Pharmaceuticals Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., and Keikyu Corporation which will contribute to the effective auditing of the Company.

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

Consolidated 11-Year Financial Summary |

(Millions of yen)

For the fiscal years ended March 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net sales	462,482	441,786	447,741	437,930	436,682	447,673	470,943	507,205	563,550	616,143	556,045
Operating profit	10,735	8,034	7,364	8,284	9,388	16,416	26,397	29,261	30,012	34,693	30,041
Operating profit ratio (%)	2.3	1.8	1.6	1.9	2.1	3.7	5.6	5.8	5.3	5.6	5.4
Ordinary profit	11,634	9,070	8,301	9,089	10,336	17,077	27,345	30,031	30,795	35,565	31,043
Profit attributable to owners of parent	5,866	1,876	3,952	4,226	4,615	9,412	17,591	19,058	19,703	22,515	20,147
Comprehensive income	1,772	4,381	8,238	7,327	11,984	7,137	18,422	22,927	20,319	15,685	29,222
Total assets	353,342	359,726	364,008	359,933	366,177	407,681	424,874	443,751	459,854	488,701	456,999
Total net assets	176,808	178,757	184,269	189,692	193,345	197,980	213,356	230,810	245,954	255,821	279,459
ROE (%)	3.9	1.1	2.2	2.3	2.5	4.9	8.8	8.8	8.5	9.3	7.8
ROA (%)	3.2	2.5	2.3	2.5	2.8	4.4	6.6	6.9	6.8	7.5	6.6
Equity ratio (%)	48.93	48.54	49.49	51.45	51.44	47.22	48.72	50.51	51.85	50.62	59.17
Net assets per share (yen)	845.67	854.31	881.41	906.29	922.05	942.42	1,013.33	1,097.36	1,167.30	1,211.13	1,323.90
Earnings per share (yen)	28.69	9.18	19.34	20.69	22.59	46.07	86.11	93.31	96.46	110.23	98.64
Cash dividends per share (yen)	12.00	12.00	12.00	12.00	14.00	14.00	20.00	24.00	26.00	28.00	28.00
Net cash provided by (used in) operating activities	10,257	13,035	15,401	△2,218	2,921	18,042	6,751	11,469	28,251	29,155	12,873
Net cash provided by (used in) investing activities	△3,799	1,583	△12,748	△5,839	2,253	△7,101	△17,867	△10,015	△10,131	△13,481	△972
Net cash used in financing activities	△4,037	△5,423	△2,900	△4,540	△3,743	19,807	△169	△7,857	△9,153	△7,151	△26,317
Cash and cash equivalents at end of period	41,539	50,725	50,550	38,697	40,157	70,899	59,612	54,099	63,068	71,579	57,187
Number of employees (persons)	8,769	8,746	8,732	8,821	8,839	8,915	9,244	9,571	9,818	10,003	10,154

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2020 AND 2021

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2020	2021	2021	
Assets				
Current assets				
Cash and deposits	*3 ￥ 71,502	*3 ￥ 58,478	*3 \$ 526,828	
Notes receivable, accounts receivable from completed construction contracts and other	*3 197,793	*3 192,200	*3 1,731,531	
Securities	12,009	5,007	45,108	
Costs on construction contracts in progress	*5 11,406	*5 11,116	*5 100,144	
Raw materials and supplies	5,451	5,035	45,360	
Other	14,880	7,252	65,333	
Allowance for doubtful accounts	(610)	(544)	(4,900)	
Total current assets	312,433	278,545	2,509,414	
Non-current assets				
Property, plant and equipment				
Buildings and structures	*3 98,409	*3 100,603	*3 906,333	
Machinery, vehicles, tools, furniture and fixtures	*3 60,894	*3 62,992	*3 567,495	
Land	*2, *3 60,051	*2, *3 60,042	*2, *3 540,918	
Leased assets	2,963	3,361	30,279	
Construction in progress	1,578	633	5,702	
Accumulated depreciation	(111,777)	(116,032)	(1,045,333)	
Total property, plant and equipment	112,119	111,601	1,005,414	
Intangible assets	5,901	5,804	52,288	
Investments and other assets				
Investment securities	*1, *3 39,757	*1, *3 46,975	*1, *3 423,198	
Deferred tax assets	12,236	7,870	70,900	
Other	*3 6,915	*3 7,524	*3 67,783	
Allowance for doubtful accounts	(663)	(1,322)	(11,909)	
Total investments and other assets	58,246	61,048	549,981	
Total non-current assets	176,267	178,453	1,607,684	
Total assets	¥ 488,701	¥ 456,999	\$ 4,117,108	

The accompanying notes are an integral part of financial statements.

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2020	2021	2021	
Liabilities				
Current liabilities				
Notes payable, accounts payable for construction contracts and other	¥ 101,558	¥ 88,832	\$ 800,288	
Short-term borrowings	*3 6,831	*3 7,402	*3 66,684	
Current portion of convertible bond-type bonds with share acquisition rights	20,019	—	—	
Lease obligations	573	595	5,360	
Income taxes payable	8,562	3,976	35,819	
Advances received on construction contracts in progress	15,031	12,644	113,909	
Provision for warranties for completed construction	203	158	1,423	
Provision for loss on construction contracts	*5 5,021	*5 5,546	*5 49,963	
Other	35,104	25,797	232,405	
Total current liabilities	192,907	144,952	1,305,873	
Non-current liabilities				
Long-term borrowings	*3 7,881	*3 7,249	*3 65,306	
Lease obligations	1,211	1,385	12,477	
Deferred tax liabilities for land revaluation	*2 6,585	*2 6,573	*2 59,216	
Retirement benefit liability	22,640	15,836	142,666	
Other	1,654	1,542	13,891	
Total non-current liabilities	39,973	32,586	293,567	
Total liabilities	232,880	177,539	1,599,450	
Net assets				
Shareholders' equity				
Share capital	10,264	10,264	92,468	
Capital surplus	6,352	6,441	58,027	
Retained earnings	228,341	242,999	2,189,180	
Treasury shares	(587)	(588)	(5,297)	
Total shareholders' equity	244,370	259,118	2,334,396	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	9,513	14,681	132,261	
Deferred gains or losses on hedges	(305)	(245)	(2,207)	
Revaluation reserve for land	*2 (5,221)	*2 (5,247)	*2 (47,270)	
Remeasurements of defined benefit plans	(973)	2,110	19,009	
Total accumulated other comprehensive income	3,012	11,299	101,792	
Non-controlling interests	8,438	9,042	81,459	
Total net assets	255,821	279,459	2,517,648	
Total liabilities and net assets	¥ 488,701	¥ 456,999	\$ 4,117,108	

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2020	2021	2021	
Net sales of completed construction contracts	¥ 616,143	¥ 556,045	\$ 5,009,414	
Cost of sales of completed construction contracts	*1 555,215	*1 500,893	*1 4,512,549	
Gross profit (loss) on completed construction contracts	60,928	55,151	496,855	
Selling, general and administrative expenses	*2 26,234	*2 25,110	*2 226,216	
Operating profit (loss)	34,693	30,041	270,639	
Non-operating income				
Interest income	17	20	180	
Dividend income	929	950	8,558	
Other	338	396	3,567	
Total non-operating income	1,285	1,368	12,324	
Non-operating expenses				
Interest expenses	198	205	1,846	
Foreign exchange losses	50	—	—	
Other	164	160	1,441	
Total non-operating expenses	413	366	3,297	
Ordinary profit (loss)	35,565	31,043	279,666	
Extraordinary income				
Gain on sale of investment securities	—	846	7,621	
Other	222	89	801	
Total extraordinary income	222	936	8,432	
Extraordinary losses				
Loss on COVID-19	—	*4 691	*4 6,225	
Provision of allowance for doubtful accounts for subsidiaries and associates	—	650	5,855	
Other	1,296	387	3,486	
Total extraordinary losses	1,296	1,729	15,576	
Profit (loss) before income taxes	34,490	30,251	272,531	
Income taxes - current	11,709	8,766	78,972	
Income taxes - deferred	(802)	665	5,990	
Total income taxes	10,906	9,432	84,972	
Profit (loss)	23,584	20,818	187,549	
Profit (loss) attributable to non-controlling interests	1,068	670	6,036	
Profit (loss) attributable to owners of parent	¥ 22,515	¥ 20,147	\$ 181,504	

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	2020	2021	2021	
Profit (loss)	¥ 23,584	¥ 20,818	\$ 187,549	
Other comprehensive income				
Valuation difference on available-for-sale securities	(6,083)	5,230	47,117	
Deferred gains or losses on hedges	29	59	531	
Remeasurements of defined benefit plans, net of tax	(1,845)	3,114	28,054	
Total other comprehensive income	*1 (7,899)	*1 8,403	*1 75,702	
Comprehensive income	¥ 15,685	¥ 29,222	\$ 263,261	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	14,670	28,460	256,396	
Comprehensive income attributable to non-controlling interests	¥ 1,015	¥ 762	\$ 6,864	

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31, 2020

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of period	¥ 10,264	¥ 6,352	¥ 211,314	¥ (586)		¥ 227,343
Changes during period						
Changes in equity interest in consolidated subsidiaries		—				—
Purchase of shares of consolidated subsidiaries		—				—
Dividends of surplus			(5,719)			(5,719)
Profit (loss) attributable to owners of parent			22,515			22,515
Reversal of revaluation reserve for land			230			230
Purchase of treasury shares				(0)		(0)
Disposal of treasury shares		0		0		0
Net changes in items other than shareholders' equity						
Total changes during period	—	0	17,027	(0)		17,026
Balance at end of period	¥ 10,264	¥ 6,352	¥ 228,341	¥ (587)		¥ 244,370

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥ 15,530	¥ (334)	¥ (4,990)	¥ 883	¥ 11,088	¥ 7,521	¥ 245,954
Changes during period							
Changes in equity interest in consolidated subsidiaries						—	—
Purchase of shares of consolidated subsidiaries							—
Dividends of surplus							(5,719)
Profit (loss) attributable to owners of parent							22,515
Reversal of revaluation reserve for land							230
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Net changes in items other than shareholders' equity	(6,017)	29	(230)	(1,857)	(8,076)	916	(7,159)
Total changes during period	(6,017)	29	(230)	(1,857)	(8,076)	916	9,867
Balance at end of period	¥ 9,513	¥ (305)	¥ (5,221)	¥ (973)	¥ 3,012	¥ 8,438	¥ 255,821

The accompanying notes are an integral part of financial statements.

YEAR ENDED MARCH 31, 2021

(Millions of Yen)

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

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

The accompanying notes are an integral part of financial statements.

Consolidated Financial Statements

YEAR ENDED MARCH 31, 2021

(Thousands of U.S. Dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 92,468	\$ 57,225	\$ 2,057,126	\$ (5,288)	\$ 2,201,531
Changes during period					
Changes in equity interest in consolidated subsidiaries		801			801
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(49,675)		(49,675)
Profit (loss) attributable to owners of parent			181,504		181,504
Reversal of revaluation reserve for land			234		234
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					
Total changes during period	—	801	132,054	(0)	132,855
Balance at end of period	\$ 92,468	\$ 58,027	\$ 2,189,180	\$ (5,297)	\$ 2,334,396

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	\$ 85,702	\$ (2,747)	\$ (47,036)	\$ (8,765)	\$ 27,135	\$ 76,018	\$ 2,304,693
Changes during period							
Changes in equity interest in consolidated subsidiaries						(801)	—
Purchase of shares of consolidated subsidiaries							(0)
Dividends of surplus							(49,675)
Profit (loss) attributable to owners of parent							181,504
Reversal of revaluation reserve for land							234
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Net changes in items other than shareholders' equity	46,558	531	(234)	27,783	74,648	6,243	80,900
Total changes during period	46,558	531	(234)	27,783	74,648	5,432	212,954
Balance at end of period	\$ 132,261	\$ (2,207)	\$ (47,270)	\$ 19,009	\$ 101,792	\$ 81,459	\$ 2,517,648

The accompanying notes are an integral part of financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

(Millions of Yen)

(Thousands of U.S. Dollars)

	2020	2021	2021
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 34,490	¥ 30,251	\$ 272,531
Depreciation and amortization	6,457	7,246	65,279
Increase (decrease) in allowance for doubtful accounts	72	(56)	(504)
Increase (decrease) in provision for loss on construction contracts	2,649	524	4,720
Increase (decrease) in retirement benefit liability	(2,397)	(2,447)	(22,045)
Interest and dividend income	(946)	(971)	(8,747)
Interest expenses	198	205	1,846
Loss (gain) on sale of investment securities	—	(846)	(7,621)
Provision of allowance for doubtful accounts for subsidiaries and associates	—	650	5,855
Decrease (increase) in trade receivables	(13,331)	5,580	50,270
Decrease (increase) in costs on construction contracts in progress	(1,420)	290	2,612
Decrease (increase) in other inventories	(664)	416	3,747
Increase (decrease) in trade payables	2,776	(12,726)	(114,648)
Increase (decrease) in advances received on construction contracts in progress	(5)	(2,386)	(21,495)
Other, net	8,090	(438)	(3,945)
Subtotal	35,970	25,291	227,846
Interest and dividends received	946	971	8,747
Interest paid	(218)	(225)	(2,027)
Income taxes refund (paid)	(7,543)	(13,163)	(118,585)
Net cash provided by (used in) operating activities	29,155	12,873	115,972
Cash flows from investing activities			
Net decrease (increase) in time deposits	595	2,732	24,612
Purchase of securities	(5,000)	—	—
Proceeds from sale and redemption of securities	4,000	4,000	36,036
Purchase of property, plant and equipment	(10,570)	(5,758)	(51,873)
Proceeds from sale of property, plant and equipment	641	323	2,909
Purchase of investment securities	(1,394)	(1,412)	(12,720)
Proceeds from sale and redemption of investment securities	22	1,461	13,162
Loan advances	(203)	(990)	(8,918)
Proceeds from collection of loans receivable	307	507	4,567
Other, net	(1,880)	(1,835)	(16,531)
Net cash provided by (used in) investing activities	(13,481)	(972)	(8,756)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	45	560	5,045
Repayments of long-term borrowings	(788)	(621)	(5,594)
Redemption of convertible bond-type bonds with share acquisition rights	—	(20,000)	(180,180)
Repayments of lease obligations	(590)	(672)	(6,054)
Dividends paid	(5,719)	(5,514)	(49,675)
Other, net	(98)	(68)	(612)
Net cash provided by (used in) financing activities	(7,151)	(26,317)	(237,090)
Effect of exchange rate change on cash and cash equivalents	(11)	24	216
Net increase (decrease) in cash and cash equivalents	8,511	(14,391)	(129,648)
Cash and cash equivalents at beginning of period	63,068	71,579	644,855
Cash and cash equivalents at end of period	*1 ¥ 71,579	*1 ¥ 57,187	*1 \$ 515,198

The accompanying notes are an integral part of financial statements.

Notes to Consolidated Financial Statements

KANDENKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2020 AND 2021

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

For the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2021 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥111 =U.S. \$1.00, the exchange rate prevailing on March 31, 2021.

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

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

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 30

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

Among these subsidiaries, Tower Line Solution Co., Ltd., which changed its company name from Transmission Line Construction Co., Ltd. to the current name, conducted an absorption-type merger of SYSTEC ENGINEERING Co., Ltd., a consolidated subsidiary, effective October 1, 2020.

(2) Name of major non-consolidated subsidiary: THAI KANDENKO CO., LTD.

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

2.Application of equity method

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

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

THAI KANDENKO CO., LTD.

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

3.Accounting period of consolidated subsidiaries

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

4.Significant accounting policies

(1) Evaluation methods for significant assets

- (a) **Securities**
- i. Held-to-maturity securities
Amortized cost method (straight-line method)
 - ii. Available-for-sale securities
Securities with market quotations:
Stated at market value at the end of the year (Unrealized gains or losses, net of applicable taxes, are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving-average method.).
- Securities without market quotations:
Stated at cost determined by the moving-average method.

- (b) **Derivatives**
Fair value method
- (c) **Inventories**
- i. Costs on construction contracts in progress
Stated at cost determined by the specific cost method.
 - ii. Raw materials and supplies
Stated at cost determined by the moving-average method (Balance sheet amounts are determined by writing down the carrying amount based on declining profitability.)

(2) Depreciation methods of significant depreciable assets

- (a) **Property, plant and equipment (excluding leased assets)**
Depreciated mainly by the declining-balance method
Useful life and residual value are determined on the same basis as that of the method provided in the Corporation Tax Act.
Useful lives of certain buildings are deemed as 30 years although their useful lives based on the Corporation Tax Act are longer than 30 years.
- (b) **Intangible assets (excluding leased assets)**
Straight-line method
Software for internal use is amortized by the straight-line method over an estimated useful life (5 years).
- (c) **Leased assets**
Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method based on the assumption that the useful life equals the lease term, and the residual value equals zero.

(3) Accounting policies for significant allowance and provisions

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

- (b) **Provision for warranties for completed construction**
To provide for possible future expenses under warranties for completed construction contracts, provision for construction contracts completed during the year is provided based on future estimated amount.
- (c) **Provision for loss on construction contracts**
To provide for future losses on construction orders, provision for estimated losses is provided for uncompleted construction contracts at the end of the year that are likely to incur losses and the amount can be reasonably estimated.

(4) Accounting method relating to retirement benefits

- (a) **Method of attributing expected retirement benefit to periods**
Method of attributing expected retirement benefit to periods is allocated by the straight-line basis (the expected benefit divided by the total service years would be deemed as arising in each period).
- (b) **Amortization of actuarial gains and losses**
Actuarial gains and losses are amortized by the straight-line method over a certain period (5 years) within the average remaining years of service of the eligible employees commencing with the following periods.

(5) Accounting policies for significant revenues and expenses

- (a) **Recognition of net sales of completed construction contracts and costs of completed construction contracts**
- i. Construction contracts that the outcome of the construction activity is deemed certain during the course of the activity at the end of the year
Percentage-of-completion method (cost proportion method shall be applied to estimate the percentage-of-completion of such construction contract)
 - ii. Other construction contracts
Completed-contract method

(6) Significant hedge accounting method

- (a) **Hedge accounting method**
The Companies use the deferral hedge accounting method. However, the exceptional accounting is used for interest rate swaps that meet specified matching criteria.
- (b) **Hedging instruments and hedged items**
Hedging instruments: Interest rate swaps
Hedged items: Loans payable
- (c) **Hedging policy**
In accordance with internal approval procedures for derivative transactions, interest rate fluctuation risks related to the hedged items are hedged to a certain degree.
- (d) **Method for evaluating the effectiveness of hedges**
The Companies evaluate the effectiveness of their hedging activities by comparing cumulative changes in cash flows on the hedging instruments with cumulative changes in cash flows on the related hedged items. However, the evaluation of hedging effectiveness is omitted for interest rate swaps to which the exceptional accounting is applied.

(7) Method and period of amortization of goodwill

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

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

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months

or less from the purchase date whose value is not subject to significant fluctuation risk.

(9) Other significant accounting policies for the preparation of consolidated financial statements

Accounting method for consumption taxes:
Consumption and local consumption taxes are accounted for by the tax-exclusion method.

out in Japan up until present to be taken into consideration, alternative treatment will be added to an extent that does not impair financial statement comparability.

(2) Scheduled date of application

These accounting standard and implementation guidance will be applied from the beginning of the year ending March 31, 2022.

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

The effects of the application of the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements are currently under assessment.

- “Accounting Standards for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)
- “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)
- “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Outline

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) have established the detailed guidance with similar contents regarding fair value measurement (IFRS: IFRS No. 13 “Fair Value Measurement,” US Accounting Standards: Accounting Standards Codification (ASC) Topic 820 “Fair Value Measurement”). Given the status, the Accounting Standards Board of Japan (ASBJ) made efforts to ensure the consistency between the Japanese standards and the international accounting standards, mainly with regard to guidance and disclosure about fair value of financial instruments, and then published the “Accounting Standards for Fair Value Measurement,” etc.

The fundamental policy for developing fair value measurement by the ASBJ was that the accounting standard would basically incorporate all the provisions of IFRS No. 13 with a use of the integrated calculation method from the perspective of improving the comparability of financial statements between companies in Japan and overseas. Other handling on individual matters are determined by taking into consideration actual practice, etc. carried out in Japan up until present to an extent that does not impair financial statement comparability.

(2) Scheduled date of application

These accounting standard and implementation guidance will be applied from the beginning of the year ending March 31, 2022.

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

The effects of the application of the “Accounting Standards for Fair Value Measurement,” etc. on the consolidated financial statements are currently unknown.

SIGNIFICANT ACCOUNTING ESTIMATES

1.Recognition of net sales of completed construction contracts calculated by the percentage-of-completion method

If the outcome of the construction activity is deemed certain during the course of the activity, the percentage-of-completion method is applied to recognize net sales of completed construction contracts and cost of sales of completed construction contracts. The cost proportion method is applied to estimate the percentage-of-completion, and assumptions used in this estimation is working budget for which total construction revenue and total construction cost were reasonably estimated. Net sales of completed construction contracts calculated by the percentage-of-completion method in the year ended March 31, 2021 is ¥289,468 million.

Total construction revenue and total construction cost on which recognition of revenue by the percentage-of-completion method is based were estimated using working budget reasonably estimated for each construction contract, etc. as of March 31, 2021. However, in the development of the working budget, since the situation changes after the start of construction, including conclusion of an amendment agreement, a change of construction specifications and additional cost incurred during construction, the estimation of working budget is subject to uncertainty. Although the working budget is reviewed

timely and appropriately, any deviation from actual results in the future may have impact on the Companies’ financial position and operating results.

2.Provision for loss on construction contracts

To provide for future losses on construction orders, provision for estimated losses is provided for uncompleted construction contracts at the end of the year that are likely to incur losses and the amount can be reasonably estimated. The balance of provision for loss on construction contracts recorded as of March 31, 2021 is ¥5,546 million.

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

ACCOUNTING STANDARDS, ETC. NOT YET EFFECTIVE

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Outline

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published “Revenue

from Contracts with Customers” in May 2014 (International Financial Reporting Standards (IFRS) No. 15 in IASB, Topic 606 in FASB). Given that IFRS No. 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 from fiscal years starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed comprehensive Accounting Standard on Revenue Recognition and published it together with implementation guidance.

The fundamental policy for developing Accounting Standard on Revenue Recognition by the ASBJ was that the accounting standard would incorporate the fundamental policy of IFRS No. 15 as the starting point from the perspective of comparability of financial statements, which is one of the benefits of achieving consistency with IFRS No. 15. For matters that require actual practice, etc. carried

CHANGES IN PRESENTATION

NOTES TO CONSOLIDATED STATEMENT OF INCOME

Because the amount of “gain on sale of non-current assets” in “extraordinary income,” which was presented as a separate item in the year ended March 31, 2020, is 10% or less of the total amount of extraordinary income, this item is included in “other” in “extraordinary income” from the year ended March 31, 2021. The consolidated financial statements for the year ended March 31, 2020 have been reclassified to reflect this change in presentation.

As a result, ¥222 million, which was presented as “gain on sale of non-current assets” in “extraordinary income” in the consolidated statement of income for the year ended March 31, 2020, has been reclassified to “other.”

Because the amount of “loss on disaster,” “loss on retirement of non-current assets” and “loss on valuation of investment securities” in “extraordinary losses,” which were presented as a separate item in the year ended March 31, 2020, is 10% or less of the total amount of extraordinary losses, these item are included in “other” in “extraordinary losses” from the year ended March 31, 2021. The consolidated financial statements for the year ended March 31, 2020 have been reclassified to reflect this change in presentation.

As a result, ¥496 million, which was presented as “loss on disaster” in “extraordinary losses,” ¥387 million, which was presented as “loss on retirement of non-current assets” and ¥293 million, which was presented as “loss on valuation of investment securities” in the consolidated statement of income for the year ended March 31, 2020, have been reclassified to “other.”

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The amount of “loss (gain) on valuation of investment securities” and “loss on disaster” in “cash flows from operating activities,” which were presented as a separate item in the year ended March 31, 2020, is included in “other” from the year ended March 31, 2021 due to lower materiality. The consolidated financial statements for the year ended March 31, 2020 have been reclassified to reflect this change in presentation.

As a result, ¥293 million presented as “loss (gain) on valuation of investment securities” and ¥496 million presented as “loss on disaster” in “cash flows from operating activities” in the consolidated statement of cash flows for the year ended March 31, 2020, have been reclassified to “other.”

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, Accounting Standards Board of Japan) has been applied starting for the consolidated financial statements for the year ended March 31, 2021, and notes to significant accounting estimates for the consolidated financial statements are presented.

However, in accordance with the transitional treatment set forth in the proviso to paragraph 11 of this Standard, the details relating to the year ended March 31, 2020 are not stated.

ADDITIONAL INFORMATION

Accounting estimates on the novel coronavirus disease

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

Under the circumstances that it is uncertain when the COVID-19 pandemic will come to an end, as a result of carefully examining available information such as past results and the current state, and accounting standards, and making estimates based on assumptions that are considered reasonable, impact of the accounting estimates on amounts in the consolidated financial statements for the year ended March 31, 2021 and the year ending March 31, 2022 is insignificant.

NOTES TO CONSOLIDATED BALANCE SHEET

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Investment securities (Stocks)	¥ 1,974	¥ 2,880	\$ 25,945	
Investment securities (Investments in capital)	25	0	0	

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

(a) Method of revaluation:

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

(b) Date of revaluation:

March 31, 2002

*3. Assets pledged as collateral and secured obligations

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

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2021		2021	
Cash and deposits	¥ 1,627	¥ [–]	¥ 1,809	¥ [–]	\$ 16,297	\$ [–]
Notes receivable, accounts receivable from completed construction contracts and other	77	[–]	83	[–]	747	[–]
Buildings and structures	1,257	[412]	1,183	[381]	10,657	[3,432]
Machinery, vehicles, tools, furniture and fixtures	7,706	[4,344]	7,174	[3,994]	64,630	[35,981]
Land	747	[–]	747	[–]	6,729	[–]
Investments and other assets – Other (lease deposits)	7	[–]	7	[–]	63	[–]
Total	¥ 11,423	¥ [4,756]	¥ 11,005	¥ [4,375]	\$ 99,144	\$ [39,414]
Short-term borrowings	¥ 621	¥ [325]	¥ 632	¥ [335]	\$ 5,693	\$ [3,018]
Long-term borrowings	7,881	[4,273]	7,249	[3,938]	65,306	[35,477]
Total	¥ 8,503	¥ [4,598]	¥ 7,881	¥ [4,273]	\$ 71,000	\$ [38,495]

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

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Buildings and structures	¥ 0	¥ 0	\$ 0	
Land	26	26	234	
Investment securities	32	32	288	
Investments and other assets – Other (long-term loans receivable)	128	128	1,153	
Total	¥ 187	¥ 187	\$ 1,684	

4. Contingent liabilities

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Employees (housing loans)	¥ 858	¥ 692	\$ 6,234	

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

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
	¥ 229	¥ 91	\$ 819	

NOTES TO CONSOLIDATED STATEMENT OF INCOME

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
	¥	¥	\$	
	5,571	4,049	36,477	

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
	¥	¥	\$	
Employees' salaries and allowances	12,280	12,462	112,270	
Retirement benefit expenses	592	767	6,909	

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

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
	¥	¥	\$	
	1,428	1,522	13,711	

*4. Loss on COVID-19 is mainly cooperation money for staying home paid to subcontractors as a result of suspension and postponement of scheduled works due to effects of the issue of the declaration of a state of emergency and expenses for measures against the spread of COVID-19 for employees as well as fixed costs incurred in overseas bases during the period of closure upon request of local governments (subsidies from local governments were deducted).

NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
	¥	¥	\$	
Valuation difference on available-for-sale securities:				
Gains (losses) arising during the year	(8,800)	8,364	75,351	
Reclassification adjustments	35	(833)	(7,504)	
Amount before income tax effect	(8,765)	7,531	67,846	
Income tax effect	2,681	(2,301)	(20,729)	
Valuation difference on available-for-sale securities	(6,083)	5,230	47,117	
Deferred gains or losses on hedges				
Gains (losses) arising during the year	(23)	16	144	
Reclassification adjustments	63	59	531	
Amount before income tax effect	40	76	684	
Income tax effect	(11)	(16)	(144)	
Deferred gains or losses on hedges	29	59	531	
Remeasurements of defined benefit plans:				
Gains (losses) arising during the year	(2,135)	4,355	39,234	
Reclassification adjustments	(523)	131	1,180	
Amount before income tax effect	(2,658)	4,487	40,423	
Income tax effect	813	(1,373)	(12,369)	
Remeasurements of defined benefit plans, net of tax	(1,845)	3,114	28,054	
Total other comprehensive income	¥ (7,899)	¥ 8,403	\$ 75,702	

NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2020

1. Matters related to class and number of issued shares and class and number of treasury shares

	(Shares)			
	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,029,325	489	47	1,029,767
Total	1,029,325	489	47	1,029,767

Notes:

- Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.
- Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to demand for purchase.

2. Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 27, 2019	Common shares	¥2,655 million	¥13.0	March 31, 2019	June 28, 2019
Board of directors' meeting on October 31, 2019	Common shares	¥3,063 million	¥15.0	September 30, 2019	December 5, 2019

(2) Dividends whose record date fell in the year ended March 31, 2020, but whose effective date comes after March 31, 2020

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2020	Common shares	¥2,655 million	Retained earnings	¥13.0	March 31, 2020	June 29, 2020

For the year ended March 31, 2021

1. Matters related to class and number of issued shares and class and number of treasury shares

	(Shares)			
	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Shares issued:				
Common shares	205,288,338	—	—	205,288,338
Total	205,288,338	—	—	205,288,338
Treasury shares:				
Common shares	1,029,767	896	78	1,030,585
Total	1,029,767	896	78	1,030,585

Notes:

- Increase in number of common shares in treasury shares is due to repurchase of shares less than one unit.
- Decrease in number of common shares in treasury shares is due to the sales of shares less than one unit in response to demand for purchase.

2.Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 26, 2020	Common shares	¥ 2,655 million \$23,918 thousand	¥13.0 \$0.11	March 31, 2020	June 29, 2020
Board of directors' meeting on October 30, 2020	Common shares	¥ 2,859 million \$25,756 thousand	¥14.0 \$0.12	September 30, 2020	December 4, 2020

(2) Dividends whose record date fell in the year ended March 31, 2021, but whose effective date comes after March 31, 2021

Resolution	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2021	Common shares	¥ 2,859 million \$25,756 thousand	Retained earnings	¥14.0 \$0.12	March 31, 2021	June 30, 2021

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

*1. Relationship between the balance of cash and cash equivalents at the end of the year and the amount on the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Cash and deposits	¥ 71,502	¥ 58,478	\$ 526,828	
Time deposits with maturities of more than three months	(7,922)	(5,290)	(47,657)	
Short-term investments with maturities of three months or less from the purchase date	7,999	3,999	36,027	
Cash and cash equivalents	¥ 71,579	¥ 57,187	\$ 515,198	

FINANCIAL INSTRUMENTS

1.Status of financial instruments

(1) Policies on financial instruments

The Companies manage surplus funds by investing in high security financial instruments, primarily short-term deposits and debt securities and raise funds through borrowings from banks and other financial institutions and issuance of convertible bond-type bonds with share acquisition rights.

Certain consolidated subsidiaries enter into derivative transactions to hedge interest rate fluctuation risks arising from borrowings and the Companies do not use derivative transactions for speculative purposes.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, trade receivables, are exposed to customer credit risk. Securities and investment securities, primarily consist of held-to-maturity debt securities and shares of companies with business relationship, are exposed to market price fluctuation risks.

Notes payable, accounts payable for construction contracts and other, trade payables, are due within one year. Proceeds from short-term borrowings are mainly used for operational funds and proceeds from convertible bond-type bonds with share acquisition rights and long-term borrowings are mainly used for capital expenditures. Floating rate borrowings are exposed to interest rate fluctuation risks, but these risks are hedged by using derivative transactions (interest rate swaps).

Derivative transactions are interest rate swaps used as hedging instruments, in order to hedge interest rate fluctuation risks for borrowings. Details of hedge accounting including hedging instruments and hedged items, hedging policy and method for evaluating the effectiveness of hedges are described in “SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, 4. Significant accounting policies, (6) Significant hedge accounting method.”

(3) Risk management system for financial instruments

(a) Credit risk management (risks that counterparties may default)

For trade receivables, the sales administration division regularly monitors major counterparties’ credit status, and performs due

date controls and balance controls for each customer to mitigate and quickly capture the collectability issues caused by deterioration in the financial conditions.

Held-to-maturity securities are invested in debt securities with high credit rating, therefore, exposed to minimum credit risk.

The Companies enter into derivative transactions with financial institutions with high credit rating in order to mitigate credit risk.

(b) Market risk management (fluctuation risks in market prices and interest rates)

Interest rate swaps are used to mitigate interest rate fluctuation risks for borrowings.

As for securities, and investment securities, except for held-to-maturity debt securities, the accounting department regularly monitors fair values and issuers’ (counterparties’) financial status, considers the relationships with the counterparties, and continuously reviews the Company’s securities holdings.

Derivative transactions are executed and managed in accordance with the nature and limits approved by the board of directors of each company. The executed transactions are periodically reported to the board of directors.

(c) Liquidity risk management associated with financing activities (payment default risks)

The accounting department prepares and updates a monthly management plan of funds as necessary to manage the liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments, for which a quoted market price is not available, is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in “DERIVATIVE TRANSACTIONS” does not represent the market risk of the derivative transactions.

2.Fair value of financial instruments

Carrying amount and fair value of financial instruments, and differences between these values are as follows. The financial instruments whose fair values are deemed extremely difficult to determine are excluded from the table below. (See Note 2 below)

Millions of Yen				
	For the year ended March 31, 2020			
	Carrying amount	Fair value	Difference	
(1) Cash and deposits	¥ 71,502	¥ 71,502	¥	—
(2) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*1)	197,793 (541)			
	197,251	197,251		—
(3) Securities and investment securities				
1) Held-to-maturity securities	12,025	12,024		(0)
2) Available-for-sale securities	34,926	34,926		—
(4) Notes payable, accounts payable for construction contracts and other (*2)	(101,558)	(101,558)		—
(5) Short-term borrowings (*2)	(6,831)	(6,831)		—
(6) Current portion of convertible bond-type bonds with share acquisition rights (*2)	(20,019)	(19,850)		(169)
(7) Long-term borrowings (*2)	(7,881)	(7,887)		6
(8) Derivative transactions (*3)	¥ (420)	¥ (420)	¥	—

(*1) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*2) The value of liabilities is shown in parenthesis.

(*3) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

Millions of Yen				
	For the year ended March 31, 2021			
	Carrying amount	Fair value	Difference	
(1) Cash and deposits	¥ 58,478	¥ 58,478	¥	—
(2) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*1)	192,200 (347)			
	191,852	191,852		—
(3) Securities and investment securities				
1) Held-to-maturity securities	4,307	4,307		0
2) Available-for-sale securities	41,952	41,952		—
(4) Notes payable, accounts payable for construction contracts and other (*2)	(88,832)	(88,832)		—
(5) Short-term borrowings (*2)	(7,402)	(7,402)		—
(6) Current portion of convertible bond-type bonds with share acquisition rights (*2)	—	—		—
(7) Long-term borrowings (*2)	(7,249)	(7,225)		(23)
(8) Derivative transactions (*3)	¥ (344)	¥ (344)	¥	—

Thousands of U.S. Dollars

	For the year ended March 31, 2021		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	\$ 526,828	\$ 526,828	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other Allowance for doubtful accounts (*1)	1,731,531 (3,126)		
	1,728,396	1,728,396	—
(3) Securities and investment securities			
1) Held-to-maturity securities	38,801	38,801	0
2) Available-for-sale securities	377,945	377,945	—
(4) Notes payable, accounts payable for construction contracts and other (*2)	(800,288)	(800,288)	—
(5) Short-term borrowings (*2)	(66,684)	(66,684)	—
(6) Current portion of convertible bond-type bonds with share acquisition rights (*2)	—	—	—
(7) Long-term borrowings (*2)	(65,306)	(65,090)	(207)
(8) Derivative transactions (*3)	\$ (3,099)	\$ (3,099)	\$ —

(*1) The amount of allowance for doubtful accounts related to notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*2) The value of liabilities is shown in parenthesis.

(*3) The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parenthesis indicating the net liability position.

Notes:

1. The calculation methods for the fair value of financial instruments, marketable securities and derivative transactions

(1) Cash and deposits

Deposits are stated at their carrying amount as the fair value approximates the carrying amount because of the short maturity.

(2) Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these instruments is stated at the net present value by maturity group which is discounted considering the credit risk. The fair value with short maturity approximates the carrying amount.

(3) Securities and investment securities

The fair value of stocks is calculated by quoted market price and the fair value of debt securities is calculated by quoted market price or quotes from counterparty financial institutions. Negotiable certificates of deposit and jointly operated money trusts are stated at their carrying amount as the fair value approximates the carrying amount because of the short maturity.

Information by holding purpose is described in "SECURITIES."

(4) Notes payable, accounts payable for construction contracts and other, and (5) Short-term borrowings

These are stated at their carrying amount as the fair value approximates the carrying amount because these are settled in a short period of time.

(6) Current portion of convertible bond-type bonds with share acquisition rights

The fair value of convertible bond-type bonds with share acquisition rights is based on the prices presented by the counterparty financial institutions.

(7) Long-term borrowings

The fair value of long-term borrowings is based on the present value of sum of principal and interest discounted using the borrowing rate for similar new borrowings.

(8) Derivative transactions

As described in "DERIVATIVE TRANSACTIONS."

2. The carrying amount of financial instruments whose fair values are deemed extremely difficult to determine

Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021
Unlisted stocks, etc.	¥ 4,815	¥ 5,722	\$ 51,549

Since no quoted market price is available, it is extremely difficult to estimate future cash flows and it is deemed extremely difficult to determine their fair value, these financial instruments are not included in "(3) Securities and investment securities."

3. Expected redemption amount of monetary receivables and securities with maturity dates after the consolidated year-end date

Millions of Yen					
	For the year ended March 31, 2020				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
Cash and deposits	¥ 71,502	¥ –	¥ –	¥ –	
Notes receivable, accounts receivable from completed construction contracts and other	196,989	804	–	–	
Securities and investment securities					
Held-to-maturity securities (government/municipal bonds)	10	–	–	–	
Held-to-maturity securities (corporate bonds)	5,000	–	–	–	
Held-to-maturity securities (other)	6,000	1,000	–	–	
Available-for-sale securities with maturities (other)	1,000	–	–	–	
Total	¥ 280,501	¥ 1,804	¥ –	¥ –	

Millions of Yen					
	For the year ended March 31, 2021				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
Cash and deposits	¥ 58,478	¥ –	¥ –	¥ –	
Notes receivable, accounts receivable from completed construction contracts and other	191,902	298	–	–	
Securities and investment securities					
Held-to-maturity securities (government/municipal bonds)	–	–	–	–	
Held-to-maturity securities (corporate bonds)	1,000	300	–	–	
Held-to-maturity securities (other)	3,000	–	–	–	
Available-for-sale securities with maturities (other)	1,000	–	–	–	
Total	¥ 255,381	¥ 598	¥ –	¥ –	

Thousands of U.S. Dollars					
	For the year ended March 31, 2021				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
Cash and deposits	\$ 526,828	\$ –	\$ –	\$ –	
Notes receivable, accounts receivable from completed construction contracts and other	1,728,846	2,684	–	–	
Securities and investment securities					
Held-to-maturity securities (government/municipal bonds)	–	–	–	–	
Held-to-maturity securities (corporate bonds)	9,009	2,702	–	–	
Held-to-maturity securities (other)	27,027	–	–	–	
Available-for-sale securities with maturities (other)	9,009	–	–	–	
Total	\$ 2,300,729	\$ 5,387	\$ –	\$ –	

4. Scheduled amount of repayment of short-term borrowings, convertible bond-type bonds with share acquisition rights and long-term borrowings after the consolidated year-end date

Millions of Yen							
	For the year ended March 31, 2020						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term borrowings	¥ 6,831	¥ –	¥ –	¥ –	¥ –	¥ –	
Current portion of convertible bond-type bonds with share acquisition rights	20,000	–	–	–	–	–	
Long-term borrowings	–	632	642	1,339	619	4,647	
Total	¥ 26,831	¥ 632	¥ 642	¥ 1,339	¥ 619	¥ 4,647	

Millions of Yen							
	For the year ended March 31, 2021						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term borrowings	¥ 7,402	¥ –	¥ –	¥ –	¥ –	¥ –	
Current portion of convertible bond-type bonds with share acquisition rights	–	–	–	–	–	–	
Long-term borrowings	–	642	1,339	619	618	4,028	
Total	¥ 7,402	¥ 642	¥ 1,339	¥ 619	¥ 618	¥ 4,028	

Thousands of U.S. Dollars							
	For the year ended March 31, 2021						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term borrowings	\$ 66,684	\$ –	\$ –	\$ –	\$ –	\$ –	
Current portion of convertible bond-type bonds with share acquisition rights	–	–	–	–	–	–	
Long-term borrowings	–	5,783	12,063	5,576	5,567	36,288	
Total	\$ 66,684	\$ 5,783	\$ 12,063	\$ 5,576	\$ 5,567	\$ 36,288	

SECURITIES

1. Held-to-maturity securities

Millions of Yen					
	For the year ended March 31, 2020				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	¥	—	¥	—	¥ —
Corporate bonds		—		—	—
Other		—		—	—
Subtotal	¥	—	¥	—	¥ —
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	¥	10	¥	9	¥ (0)
Corporate bonds		4,999		4,999	(0)
Other		7,015		7,015	—
Subtotal	¥	12,025	¥	12,024	¥ (0)
Total	¥	12,025	¥	12,024	¥ (0)

Millions of Yen					
	For the year ended March 31, 2021				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	¥	—	¥	—	¥ —
Corporate bonds		300		300	0
Other		—		—	—
Subtotal	¥	300	¥	300	¥ 0
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	¥	—	¥	—	¥ —
Corporate bonds		999		999	—
Other		3,007		3,007	—
Subtotal	¥	4,007	¥	4,007	¥ —
Total	¥	4,307	¥	4,307	¥ 0

Thousands of U.S. Dollars					
	For the year ended March 31, 2021				
	Carrying amount		Fair value		Difference
Securities whose fair value exceeds their carrying amount:					
Government/municipal bonds	\$	—	\$	—	\$ —
Corporate bonds		2,702		2,702	0
Other		—		—	—
Subtotal	\$	2,702	\$	2,702	\$ 0
Securities whose fair value does not exceed their carrying amount:					
Government/municipal bonds	\$	—	\$	—	\$ —
Corporate bonds		9,000		9,000	—
Other		27,090		27,090	—
Subtotal	\$	36,099	\$	36,099	\$ —
Total	\$	38,801	\$	38,801	\$ 0

2. Available-for-sale securities

Millions of Yen					
	For the year ended March 31, 2020				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	¥	28,258	¥	13,876	¥ 14,382
Bonds		—		—	—
Other		—		—	—
Subtotal	¥	28,258	¥	13,876	¥ 14,382
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	¥	5,667	¥	6,309	¥ (642)
Bonds		—		—	—
Other		1,000		1,000	—
Subtotal	¥	6,667	¥	7,309	¥ (642)
Total	¥	34,926	¥	21,185	¥ 13,740

Millions of Yen					
	For the year ended March 31, 2021				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	¥	37,939	¥	16,286	¥ 21,653
Bonds		—		—	—
Other		—		—	—
Subtotal	¥	37,939	¥	16,286	¥ 21,653
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	¥	3,012	¥	3,393	¥ (381)
Bonds		—		—	—
Other		1,000		1,000	—
Subtotal	¥	4,012	¥	4,393	¥ (381)
Total	¥	41,952	¥	20,680	¥ 21,271

Thousands of U.S. Dollars					
	For the year ended March 31, 2021				
	Carrying amount		Acquisition cost		Difference
Securities whose carrying amount exceeds their acquisition cost:					
Stocks	\$	341,792	\$	146,720	\$ 195,072
Bonds		—		—	—
Other		—		—	—
Subtotal	\$	341,792	\$	146,720	\$ 195,072
Securities whose carrying amount does not exceed their acquisition cost:					
Stocks	\$	27,135	\$	30,567	\$ (3,432)
Bonds		—		—	—
Other		9,009		9,009	—
Subtotal	\$	36,144	\$	39,576	\$ (3,432)
Total	\$	377,945	\$	186,306	\$ 191,630

3.Available-for-sale securities sold during the year

For the year ended March 31, 2020

Disclosure is omitted due to immateriality.

Millions of Yen				
	For the year ended March 31, 2021			
	Sales amount	Total gain on sales	Total loss on sales	
Stocks	¥ 1,443	¥ 846	¥ -	
Bonds	-	-	-	
Other	-	-	-	
Total	¥ 1,443	¥ 846	¥ -	

Thousands of U.S. Dollars				
	For the year ended March 31, 2021			
	Sales amount	Total gain on sales	Total loss on sales	
Stocks	\$ 13,000	\$ 7,621	\$ -	
Bonds	-	-	-	
Other	-	-	-	
Total	\$ 13,000	\$ 7,621	\$ -	

4.Impairment loss on securities

For the year ended March 31, 2020

Of securities, ¥293 million was recognized as impairment loss (¥35 million of stocks of other securities, ¥258 million of investments in capital of subsidiaries and associates).

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

DERIVATIVE TRANSACTIONS

Derivative transactions to which hedge accounting is applied

Interest rate-related

For the year ended March 31, 2020					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term borrowings	¥3,991 million	¥3,703 million	¥(420) million

Note: Calculation method for fair value:
Fair value is based on the prices presented by the counterparty financial institutions.

For the year ended March 31, 2021					
Hedge accounting method	Type of transactions	Primary hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge	Interest rate swaps: fixed payment, floating receipt	Long-term borrowings	¥ 3,703 million \$33,360 thousand	¥ 3,406 million \$30,684 thousand	¥ (344) million \$(3,099) thousand

Note: Calculation method for fair value:
Fair value is based on the prices presented by the counterparty financial institutions.

RETIREMENT BENEFITS

1.Overview of retirement benefit plans

The Companies have funded and unfunded defined benefit plans and defined contribution plans to prepare for retirement benefits to employees. Defined benefit pension plans (funded plans) offer retirement lump-sum payments or pensions according to the salary and service period of the eligible employees. Retirement lump-sum payment plans (unfunded plans) offer retirement lump-sum payments according to the salary and service period of the eligible employees. When employees retire, the Companies may provide them with additional retirement benefits, etc.

Certain consolidated subsidiaries participate in multi-employer corporate pension fund, which is accounted for in the same manner as defined contribution plans because it is impracticable to reasonably estimate an amount of plan assets for the contributions made by the subsidiaries. In addition, regarding the multi-employer corporate pension fund, note on the multi-employer plan is omitted due to immateriality.

Certain consolidated subsidiaries use the simplified method in calculating retirement benefit liability and asset, and retirement benefit expenses.

2.Defined benefit plans

(1) Changes in defined benefit obligations

Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2021
Balance at beginning of year	¥ 64,919	¥ 64,571	\$ 581,720
Current service cost	2,343	2,545	22,927
Interest cost	552	547	4,927
Actuarial gains and losses	882	(318)	(2,864)
Benefit paid	(4,186)	(4,327)	(38,981)
Past service cost	-	(118)	(1,063)
Other	59	-	-
Balance at end of year	¥ 64,571	¥ 62,900	\$ 566,666

(2) Changes in plan assets

Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2021
Balance at beginning of year	¥ 42,017	¥ 41,931	\$ 377,756
Expected return on plan assets	624	622	5,603
Actuarial gains and losses	(1,252)	3,919	35,306
Contributions by the employer	3,554	3,597	32,405
Benefits paid	(3,072)	(3,021)	(27,216)
Other	60	15	135
Balance at end of year	¥ 41,931	¥ 47,064	\$ 424,000

(3) Reconciliation between ending balances of defined benefit obligations and plan assets and the retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2021
Funded defined benefit obligations	¥ 44,260	¥ 42,414	\$ 382,108
Plan assets	(41,931)	(47,064)	(424,000)
	¥ 2,329	¥ (4,649)	\$ (41,882)
Unfunded defined benefit obligations	20,310	20,485	184,549
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 22,640	¥ 15,836	\$ 142,666
Retirement benefit liability	¥ 22,640	¥ 15,836	\$ 142,666
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 22,640	¥ 15,836	\$ 142,666

(4) Breakdown of retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Current service cost	¥ 2,343	¥ 2,545	\$ 22,927	
Interest cost	552	547	4,927	
Expected return on plan assets	(624)	(622)	(5,603)	
Actuarial gains and losses recognized in the year	(523)	154	1,387	
Past service cost recognized in the year	—	(23)	(207)	
Other	217	275	2,477	
Total	¥ 1,965	¥ 2,876	\$ 25,909	

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Past service cost	¥ —	¥ (94)	\$ (846)	
Actuarial gains and losses	2,658	(4,392)	(39,567)	
Total	¥ 2,658	¥ (4,487)	\$ (40,423)	

(6) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans (before tax effect) consist of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Unrecognized past service cost	¥ —	¥ (94)	\$ (846)	
Unrecognized actuarial gains and losses	1,417	(2,975)	(26,801)	
Total	¥ 1,417	¥ (3,069)	\$ (27,648)	

(7) Plan assets

(a) Breakdown of plan assets

The ratio of each major category to total plan assets is as follows:

	2020	2021
General account	43%	39%
Bonds	35%	35%
Equities	21%	25%
Other	1%	1%
Total	100%	100%

(b) Method of determining the long-term expected rates of return on plan assets

Expected return rate on plan assets is determined by considering the current and anticipated future portfolio of plan assets and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

(8) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

	2020	2021
Discount rate	mainly 0.9%	mainly 0.9%
Expected return rate on plan assets	mainly 1.5%	mainly 1.5%

3. Defined contribution plans

The required amount of contribution to the defined contribution plans (including the multi-employer corporate pension fund accounted for in the same manner) of the Companies was ¥1,703 million and ¥1,749 million (\$15,756 thousand) for the years ended March 31, 2020 and 2021, respectively.

DEFERRED TAX ACCOUNTING

1. Breakdown of major factors that caused deferred tax assets and liabilities

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Deferred tax assets:				
Retirement benefit liability	¥ 6,987	¥ 4,918	\$ 44,306	
Depreciation	3,835	3,933	35,432	
Accrued bonuses	3,426	3,493	31,468	
Provision for loss on construction contracts	1,544	1,702	15,333	
Loss on valuation of assets	1,332	1,304	11,747	
Allowance for doubtful accounts	350	544	4,900	
Loss carry-forward	180	166	1,495	
Others	2,412	1,940	17,477	
Subtotal	20,069	18,004	162,198	
Valuation allowance	(2,200)	(2,303)	(20,747)	
Total	¥ 17,869	¥ 15,700	\$ 141,441	
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥ (4,186)	¥ (6,487)	\$ (58,441)	
Reserve for tax purpose reduction entry of non-current assets	(1,162)	(1,152)	(10,378)	
Reserve for special depreciation	(129)	(48)	(432)	
Others	(154)	(143)	(1,288)	
Total	¥ (5,632)	¥ (7,832)	\$ (70,558)	
Net deferred tax assets	¥ 12,236	¥ 7,868	\$ 70,882	

Note: Except for above, deferred tax liabilities for land revaluation are recorded as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Deferred tax liabilities for land revaluation	¥ 6,585	¥ 6,573	\$ 59,216	

2. Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting

2020	2021
This note has been omitted as the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting is immaterial (5% or less of the statutory tax rate).	This note has been omitted as the difference between the statutory tax rate and the effective tax rate after adopting tax effect accounting is immaterial (5% or less of the statutory tax rate).

INVESTMENT AND RENTAL PROPERTIES

The Company and certain consolidated subsidiaries own real estate for rent in Tokyo and other areas. Rental income associated with real estate for rent in the year ended March 31, 2020 was ¥729 million (major earnings from rent are included under net sales of completed construction contracts, while significant rental expenses are posted under cost of sales of completed construction contracts). Rental income associated with real estate for rent in the year ended March 31, 2021 was ¥812 million (\$7,315 thousand) (major earnings from rent are included under net sales of completed construction contracts, while significant rental expenses are posted under cost of sales of completed construction contracts).

The amount of real estate for rent posted in the consolidated balance sheets, the change during the year, and the fair value were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2021	
Amount posted in the consolidated balance sheets				
Balance at the beginning of year	¥ 20,020	¥ 22,442	\$	202,180
Change during the year	2,421	(341)		(3,072)
Balance at the end of fiscal year	¥ 22,442	¥ 22,100	\$	199,099
Fair value at the end of fiscal year	¥ 27,244	¥ 26,923	\$	242,549

Notes:

1. Amounts posted in the consolidated balance sheets represent the acquisition cost after the deduction of accumulated depreciation and accumulated impairment loss.

2. In regard to the major components of changes in the year ended March 31, 2020, the main increase was new acquisitions (¥2,214 million). In regard to the major components of changes in the year ended March 31, 2021, the main decrease was depreciation (¥420 million) (\$3,783 thousand).

3. Fair value at the end of the fiscal year is based on real estate appraisals performed by external appraisers for major real estate, and is measured with amounts calculated primarily based on the market value of standard sites and the assessed value of inheritance tax by roadside land prices for other properties.

SEGMENT INFORMATION, ETC.

(Segment information)

1.Outline of reportable segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Companies engage in facility installation work, sales of electrical equipment, rental of real estate, leasing, sales of electrical power and others. “Engineering” is determined to be the reportable segment.

“Engineering” includes business related to electrical work, plumbing work and various other work on facilities.

2.Method of measurement for the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting treatment regarding the reportable business segments is the same as recorded in “SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS.” The profit of reportable segments is based on operating profit. The intersegment profit and transfers are based on trading prices in the market.

3.Net sales, profit or loss, assets and other items by reportable segments

Millions of Yen

	For the year ended March 31, 2020				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 604,726	¥ 11,417	¥ 616,143	¥ –	¥ 616,143
Inter-segment	248	48,917	49,165	(49,165)	–
Total	¥ 604,974	¥ 60,334	¥ 665,309	¥ (49,165)	¥ 616,143
Segment profit	¥ 32,556	¥ 2,098	¥ 34,655	¥ 38	¥ 34,693
Segment assets	¥ 438,254	¥ 77,772	¥ 516,026	¥ (27,324)	¥ 488,701
Other items:					
Depreciation	¥ 4,906	¥ 1,693	¥ 6,599	¥ (141)	¥ 6,457
Increase in property, plant and equipment and intangible assets	8,772	3,839	12,612	(316)	12,295

Notes:

1. The “Other” segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.

2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.

3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

Millions of Yen

	For the year ended March 31, 2021				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	¥ 544,968	¥ 11,077	¥ 556,045	¥ –	¥ 556,045
Inter-segment	221	38,881	39,102	(39,102)	–
Total	¥ 545,189	¥ 49,958	¥ 595,148	¥ (39,102)	¥ 556,045
Segment profit	¥ 28,025	¥ 1,964	¥ 29,989	¥ 51	¥ 30,041
Segment assets	¥ 408,136	¥ 74,683	¥ 482,820	¥ (25,820)	¥ 456,999
Other items:					
Depreciation	¥ 5,527	¥ 1,968	¥ 7,496	¥ (249)	¥ 7,246
Increase in property, plant and equipment and intangible assets	5,775	2,026	7,801	(483)	7,317

Thousands of U.S. Dollars					
	For the year ended March 31, 2021				
	Engineering	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
Net sales:					
Customers	\$ 4,909,621	\$ 99,792	\$ 5,009,414	\$ —	\$ 5,009,414
Inter-segment	1,990	350,279	352,270	(352,270)	—
Total	\$ 4,911,612	\$ 450,072	\$ 5,361,693	\$ (352,270)	\$ 5,009,414
Segment profit	\$ 252,477	\$ 17,693	\$ 270,171	\$ 459	\$ 270,639
Segment assets	\$ 3,676,900	\$ 672,819	\$ 4,349,729	\$ (232,612)	\$ 4,117,108
Other items:					
Depreciation	\$ 49,792	\$ 17,729	\$ 67,531	\$ (2,243)	\$ 65,279
Increase in property, plant and equipment and intangible assets	52,027	18,252	70,279	(4,351)	65,918

Notes:
1. The "Other" segment is a business segment which is not included in the reportable segment and includes electrical equipment sales business, real estate business, lease business and power generation business.
2. Adjustments in segment profit, segment assets and other items are elimination of internal transactions between segments.
3. Segment profit is adjusted with operating profit presented in the consolidated statement of income.

(Related information)

For the year ended March 31, 2020

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥182,471 million	Engineering

For the year ended March 31, 2021

1.Information about products and services

Information is omitted as similar information is described in the segment information.

2.Information about geographical region

(1) Net sales

Information is omitted as net sales to external customers in Japan accounted for more than 90% of net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan accounted for more than 90% of all property, plant and equipment reported on the consolidated balance sheet.

3.Information about major customers

Customer Name	Net sales	Related segment
Tokyo Electric Power Company Group	¥ 183,620 million \$1,654,234 thousand	Engineering

(Information about impairment loss in non-current assets of each reportable segment)

For the year ended March 31, 2020

Disclosure is omitted due to immateriality.

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

(Information about amortization and unamortized balance of goodwill of each reportable segment)

For the year ended March 31, 2020

Disclosure is omitted due to immateriality.

For the year ended March 31, 2021

Disclosure is omitted due to immateriality.

(Information about gain on bargain purchase of each reportable segment)

For the year ended March 31, 2020

Not applicable.

For the year ended March 31, 2021

Not applicable.

RELATED PARTY TRANSACTIONS

Transactions between related parties

Transactions between the Company and related parties

The parent company and major shareholders (limited to companies) of the Company

For the year ended March 31, 2020						
Type	Name	Location	Share capital	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥1,400,975 million	Electric power business	(Held) Direct —% Indirect 47.2%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million	General power transmission and distribution business	(Held) Direct 46.4% Indirect 0.3%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 6,771 million	Notes receivable, accounts receivable from completed construction contracts and other	¥ 5,487 million
				Advances received on construction contracts in progress	¥ 72 million
	TEPCO Power Grid, Incorporated	Installation of electric work	¥149,053 million	Notes receivable, accounts receivable from completed construction contracts and other	¥30,232 million
				Advances received on construction contracts in progress	¥ 1,166 million
		Purchase of raw materials	¥ 34,016 million	Notes payable, accounts payable for construction contracts and other	¥ 2,453 million

For the year ended March 31, 2021						
Type	Name	Location	Share capital	Description of business	Ratio of voting rights held	Relation to the related party
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Chiyoda-ku, Tokyo	¥ 1,400,975 million \$12,621,396 thousand	Electric power business	(Held) Direct Indirect —% 47.2%	Electric work contract
	TEPCO Power Grid, Incorporated	Chiyoda-ku, Tokyo	¥ 80,000 million \$ 720,720 thousand	General power transmission and distribution business	(Held) Direct Indirect 46.4% 0.3%	Electric work contract

Type	Name	Nature of transaction	Amount of transaction	Account	Balance at end of year
Other affiliates	Tokyo Electric Power Company Holdings, Incorporated	Installation of electric work	¥ 8,084 million \$ 72,828 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 6,288 million \$ 56,648 thousand
				Advances received on construction contracts in progress	¥ 215 million \$ 1,936 thousand
	TEPCO Power Grid, Incorporated	Installation of electric work	¥ 150,099 million \$1,352,243 thousand	Notes receivable, accounts receivable from completed construction contracts and other	¥ 27,756 million \$250,054 thousand
				Advances received on construction contracts in progress	¥ 125 million \$ 1,126 thousand
		Purchase of raw materials	¥ 34,003 million \$ 306,333 thousand	Notes payable, accounts payable for construction contracts and other	¥ 2,166 million \$ 19,513 thousand

Notes:
1. Above transaction amounts do not include consumption taxes, while above balances at the end of the year include consumption taxes.
2. Terms and conditions of the transactions and its policies
Terms and conditions for construction orders and purchase of raw materials are determined on arm’s length basis through negotiations considering market price, etc.

PER SHARE INFORMATION

	Yen		U.S. Dollars
	2020	2021	2021
Net assets per share	¥ 1,211.13	¥ 1,323.90	\$ 11.92
Earnings per share	110.23	98.64	0.88
Diluted earnings per share	101.35	—	—

Notes:
1. Diluted earnings per share for the year ended March 31, 2021 has not been presented since there is no dilutive shares.
2. The basis of calculating earnings per share and diluted earnings per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Earnings per share			
Profit attributable to owners of parent	¥ 22,515	¥ 20,147	\$ 181,504
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent applicable to common shares	22,515	20,147	181,504

	Thousands of Shares	
	2020	2021
Weighted average number of common shares during the year	204,258	204,258

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Diluted earnings per share			
Adjustment of profit attributable to owners of parent	(13)	—	—
[Interest expenses, net of tax included in the above]	[(13)]	[—]	[—]

	Thousands of Shares	
	2020	2021
Increase in common shares	17,754	—
[Convertible bond-type bonds with share acquisition rights included in the above]	[17,754]	[—]
Overview of dilutive shares that are not included in the computation of diluted earnings per share because of their anti-dilutive effect	—	—

3. The basis of calculating net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Total net assets	¥ 255,821	¥ 279,459	\$ 2,517,648
Amount deducted from total net assets	8,438	9,042	81,459
[Non-controlling interests included in the above]	[8,438]	[9,042]	[81,459]
Total net assets related to common shares	247,382	270,417	2,436,189

	Thousands of Shares	
	2020	2021
Number of common shares outstanding at end of year	204,258	204,257

SIGNIFICANT SUBSEQUENT EVENTS

(Introduction of restricted share-based remuneration plan)

At the Board of Director’s meeting held on May 24, 2021, the Company resolved to revise the officer remuneration plan and to introduce a restricted share-based remuneration plan (hereinafter the “Plan”) to the Company’s Directors, excluding Outside Directors (hereinafter “Eligible Directors”) and also resolved to put forward a proposal related to the Plan at the 107th Annual General Meeting of Shareholders held on June 29, 2021, and this proposal was approved and adopted at the 107th Annual General Meeting of Shareholders.

1.Purposes etc. for introducing the Plan

The amount of remuneration to Directors of the Company was approved and adopted to be not more than ¥780 million per year at the 93rd Annual General Meeting of Shareholders, held on June 28, 2007.

To have the Eligible Directors share the merits and risks of share fluctuation with the shareholders, and to further enhance their willingness to contribute to raising the share price and improving the corporate value, the Company has decided to newly pay to them remuneration for the granting of shares with a restriction on transfer (“restricted shares”), within the aforementioned remuneration limit.

2.Overview of the Plan

The Company shall provide monetary claims for the granting of restricted shares to the Eligible Directors based on the Plan and such amount shall be not more than ¥100 million per year (provided, however, that such amount excludes employee salaries of Directors concurrently serving as employees). In addition, the total number of common shares newly issued or disposed of by the Company shall be 200,000 shares or less annually (provided, however, that, if the Company performs a share split of the Company’s common shares (including allotment of the Company’s common shares without contribution) or a consolidation of such shares, the relevant total number shall be reasonably adjusted as necessary in accordance with the share split or consolidation ratio).

Eligible Directors shall pay in all of the monetary claims received from the Company under the Plan as property in kind to have common shares of the Company issued or disposed of and receive them. The amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors where the issuance or disposal of restricted shares is to be resolved (if there is no closing price on such date, the closing price on the closest preceding trading day) and as an amount within the extent that it will not be particularly advantageous to Eligible Directors who subscribe to the Company’s common shares. The specific timing of provision thereof and allocation to each Eligible Director shall be decided by the Board of Directors upon its having been furnished with a report of the Compensation Advisory Committee.

The issuance or disposal of common shares of the Company (hereinafter the “Shares”) under the Plan shall be conditional that an agreement on the allotment of restricted shares shall be entered into between the Company and the Eligible Directors and include such provisions as (1) there shall be a prohibition on transfers, creation of security interest, or any other disposal of the Shares to third parties for a certain time period (hereinafter, the “Restricted Period”); and (2) in the event that certain circumstances arise, the Company shall acquire the Shares without contribution. During the Restriction Period, the Shares shall be managed at dedicated accounts that Eligible Directors will open with Nomura Securities Co., Ltd., to ensure that the Shares may not be the subject of transfers, creation of security interest, or any other disposal during the Restriction Period.

CONSOLIDATED SUPPLEMENTAL SCHEDULES

(Schedule of bonds)

Company name	Issue type	Issuance date	As of April 1, 2020	As of March 31, 2021	Interest rate (%)	Collateral	Maturity
Kandenko Co., Ltd.	Euro-yen convertible bond-type bonds with share acquisition rights due 2021, subject to call	March 31, 2016	¥ 20,019 million \$180,351 thousand	—	—	None	March 31, 2021
Total	—	—	¥ 20,019 million \$180,351 thousand	—	—	—	—

Note: Information on convertible bond-type bonds with share acquisition rights is as follows:	
Shares to be issued	Common shares
Issuance price of share acquisition rights	Gratis
Issuance price of shares	¥ 1,111.8 \$ 10.01
Total issuance value	¥ 20,100 million \$181,081 thousand
Total issuance value of shares issued through the exercise of share acquisition rights	¥ — million
Grant ratio of share acquisition rights (%)	100
Exercise period of share acquisition rights	April 14, 2016 to March 17, 2021
Upon the exercise of each of the share acquisition rights, the bonds relating to the share acquisition rights shall be contributed. The value of the bonds shall be the same as their face amount.	

(Schedule of loans)

	As of April 1, 2020	As of March 31, 2021	Average interest rate (%)	Due
Short-term borrowings	¥ 6,210 million \$ 55,945 thousand	¥ 6,770 million \$ 60,990 thousand	0.6	—
Current portion of long-term borrowings	¥ 621 million \$ 5,594 thousand	¥ 632 million \$ 5,693 thousand	1.4	—
Current portion of lease obligations	¥ 573 million \$ 5,162 thousand	¥ 595 million \$ 5,360 thousand	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	¥ 7,881 million \$ 71,000 thousand	¥ 7,249 million \$ 65,306 thousand	1.6	2023 to 2033
Lease obligations (excluding current portion of lease obligations)	¥ 1,211 million \$ 10,909 thousand	¥ 1,385 million \$ 12,477 thousand	—	2022 to 2028
Other interest-bearing debt	—	—	—	—
Total	¥ 16,498 million \$148,630 thousand	¥ 16,632 million \$149,837 thousand	—	—

Notes:

1. Interest rates and balances at the end of the year are used to calculate average interest rate. The average interest rate of lease obligations has not been presented since lease obligations before deducting the amount equivalent to interest expense included in total lease payments are recorded on the consolidated balance sheet.

2. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) for five years subsequent to March 31, 2021 is summarized as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥ 642 million \$ 5,783 thousand	¥ 1,339 million \$ 12,063 thousand	¥ 619 million \$ 5,576 thousand	¥ 618 million \$ 5,567 thousand
Lease obligations	¥ 496 million \$ 4,468 thousand	¥ 395 million \$ 3,558 thousand	¥ 269 million \$ 2,423 thousand	¥ 140 million \$ 1,261 thousand

(Schedule of Asset Retirement Obligations)

The amounts of asset retirement obligations as of April 1, 2020 and March 31, 2021 are less than 1% of the total liabilities and net assets as of April 1, 2020 and March 31, 2021. Therefore, the disclosure is omitted.

Quarterly information for the year ended March 31, 2021

Cumulative period	First quarter		Second quarter		Third quarter		Fourth quarter	
Net sales	¥ 120,435 million	¥ 253,813 million	¥ 389,903 million	¥ 556,045 million	\$ 1,085,000 thousand	\$ 2,286,603 thousand	\$ 3,512,639 thousand	\$ 5,009,414 thousand
Profit before income taxes	¥ 7,009 million	¥ 13,556 million	¥ 20,647 million	¥ 30,251 million	\$ 63,144 thousand	\$ 122,126 thousand	\$ 186,009 thousand	\$ 272,531 thousand
Profit attributable to owners of parent	¥ 4,613 million	¥ 8,837 million	¥ 13,551 million	¥ 20,147 million	\$ 41,558 thousand	\$ 79,612 thousand	\$ 122,081 thousand	\$ 181,504 thousand
Earnings per share	¥ 22.59	¥ 43.26	¥ 66.34	¥ 98.64	\$ 0.20	\$ 0.38	\$ 0.59	\$ 0.88

Each quarter	First quarter		Second quarter		Third quarter		Fourth quarter	
Earnings per share	¥ 22.59	¥ 20.68	¥ 23.08	¥ 32.29	\$ 0.20	\$ 0.18	\$ 0.20	\$ 0.29

Independent Auditors’ Report

Independent Auditor's Report
To The Board of Directors of Kandenko Co., Ltd.
Opinion
We have audited the accompanying consolidated financial statements of Kandenko Co., Ltd., which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and basis of presenting consolidated financial statements, other notes and consolidated supplemental schedules.
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kandenko Co., Ltd. and its consolidated subsidiaries (the "Group") as of March 31, 2021, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.
Basis for Audit Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Reasonableness of Estimates of Total Construction Cost for Application of Percentage-of-Completion Method	
Description of the Key Audit Matter and Reason for Determining the Matter	Audit's response
As stated in (5)(a) i. of "4. Significant accounting policies" in SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS in the notes to the consolidated financial statements, for completed construction contracts, the Group applies the percentage-of-completion method for the construction activity whose outcome is deemed certain from the completed portion as of the end of the current period. The percentage-of-completion method was applied to ¥289,468 million of the ¥545,189 million in net sales recorded in the Engineering segment in the current period. The percentage-of-completion method is applied to construction contracts whose outcome is deemed certain from the completed portion. However, in applying this method, it is necessary to use reasonable estimates of the total construction revenue, the total construction cost and the degree of construction progress at the end of the current period. Construction contracts entered into in the Engineering segment mainly involve electrical engineering; environmental facilities and systems work; information and communications work; power distribution work; and electric power and civil engineering work. The total construction cost, which is the basis for the recognition of revenue under the percentage-of-completion method, is estimated for each construction contract, etc. using a working budget. However, there is a possibility that the content of the work may change due to the existence of facts that come to light after the start of the construction contract or changes in the conditions at the worksite and, due to uncertainties in estimates for the content of work required to complete the project, judgment by management has a significant impact on the estimated total construction cost. Based on the above, we deem the estimates of total construction cost in relation to the application of the percentage-of-completion method for construction contracts in the Engineering segment to be of most significance in our audit of the consolidated financial statements of the current period and as such, this matter falls under the category of a key audit matter.	We mainly implemented the following audit procedures to assess the reasonableness of the estimates of total construction cost in relation to the application of the percentage-of-completion method for construction contracts in the Engineering segment. (1) Evaluation of internal control systems We evaluated the effectiveness of the design and operation status of internal control related to the process for creating working budgets on an individual construction project basis and, in particular, we focused on the following internal control. • Control for ensuring the reasonableness of estimates of total construction cost, such as material costs and outsourcing expenses based on the contents of the work • Control for updating estimates of total construction cost in an appropriate and timely manner according to changes in conditions after construction begins (2) Evaluation of reasonableness of estimates of total construction cost We mainly implemented the following audit procedures to assess the reasonableness of the estimates of total construction cost based on working budgets created on an individual construction project basis. • We reviewed the detailed statements of total cost for the working budgets, and we considered whether the work estimates were reasonable for the contents of the construction activities, etc. by checking the estimated costs, such as material costs and outsourcing expenses based on the contents of the work, against the written estimates, order forms and other materials that provide the basis for the estimates and by conducting vouching of the estimates. • We compared the patterns in which expenses were incurred, work schedules and actual costs incurred in similar construction activities, etc. in the past with the latest working budgets, and we considered whether the latest working budgets for construction were reasonable for the contents of the construction and conditions. • We compared the initial working budgets with the working budgets at the end of the current period, and considered the changes and the reasons for those changes. We asked questions of the construction managers, etc. as needed, and evaluated the accuracy of the estimates for the working budgets.

2. Estimated Provision for Loss on Construction Contracts	
Description of the Key Audit Matter and Reason for Determining the Matter	Audit's Response
<p>As stated in (3)(c) of "4. Significant accounting policies" in SIGNIFICANT MATTERS PROVIDING THE BASIS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS in the notes to the consolidated financial statements, to provide for future losses on construction orders, the Group posts a provision for loss on construction contracts for estimated losses for uncompleted construction contracts at the end of the current period that are likely to incur losses and for which the amount can be reasonably estimated. As of March 31, 2021, the balance of the provision for loss on construction contracts posted in the consolidated balance sheet stood at ¥5,546 million.</p> <p>Construction contracts entered into for facilities, etc. include many construction work contracts, mainly involving electrical engineering, environmental facilities and systems work, information and communications work, power distribution work, and electric power and civil engineering work. Among those, there are construction projects, etc. where the total construction cost exceeds the contract amount due to numerous competitive relationships, budgetary constraints of construction contractors, requirements for new designs and plans or the latest technology, and other factors. In addition, due to uncertainties of the estimates of total construction cost, judgment by management has a significant impact on the posting of provision for loss on construction contracts.</p> <p>Based on the above, we deem that the estimated provision for loss on construction contracts entered into in the Engineering segment falls under the category of a key audit matter.</p>	<p>In considering the comprehensiveness and the appropriateness of the evaluations of individual provisions for construction losses reasonably estimated based on the construction contracts, etc., which are posted in total as provision for loss on construction contracts, in addition to the procedures described in "1. Reasonableness of Estimates of Total Construction Cost for Application of Percentage-of-Completion Method," we mainly implemented the following procedures.</p> <ul style="list-style-type: none">• We evaluated the design and operation status of internal control for ensuring the comprehensiveness of construction projects for which provision for loss on construction contracts is made.• From the construction profit/loss data, etc. included in the accounting system, we identified construction projects that will result in a loss based on the working budget and considered whether provision for loss on construction contracts was posted for all such projects. In addition, we checked construction projects, for which provision for loss on construction contracts is made, against the base data, such as the working budgets used as the basis of the assumptions for the loss estimates, and considered the accuracy of the estimates. Using the above procedures, we evaluated the reasonableness of key assumptions used by management.• We compared the amounts posted as provision for loss on construction contracts for individual construction projects with the final profit or loss after construction was completed, and evaluated the reasonableness of the estimated provision for loss on construction contracts.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of duties within the maintenance and operation of the financial reporting process.

<p><i>Auditor's Responsibilities for the Audit of the Consolidated Financial Statements</i></p> <p>Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements. In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none">• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.• When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.• Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.• Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.• Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.• Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion. <p>We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.</p> <p>We also provide the Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.</p> <p>Of the matters that are discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that are of most significance in our audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.</p>

<p><i>Interest required to be disclosed by the Certified Public Accountants Act of Japan</i></p> <p>Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.</p> <p>Designated Engagement Partner, Certified Public Accountant: Masami Hiramatsu</p> <p>Designated Engagement Partner, Certified Public Accountant: Hideo Hayashi</p> <p>Designated Engagement Partner, Certified Public Accountant: Katsuhiro Suzuki</p> <p>INOUE AUDIT CORPORATION Tokyo, Japan</p> <p>June 29, 2021</p>
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Company Profile (As of March 31, 2021)

Company outline

Company name	Kandenko Co., Ltd.
Established	September 1, 1944
Head office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Paid in capital	¥10,264 million
Total number of shares issued	205,288,338 shares
Employees	10,003 persons (consolidated), 7,350 persons (non-consolidated)

Network

Domestic Offices

Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Tokyo Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama-shi, Kanagawa, Japan
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba-shi, Chiba, Japan
Saitama Branch	Omiya Center Building 9th Floor, 1-9-6 Sakuragicho, Omiya-ku, Saitama-shi, Saitama, Japan
Ibaraki Branch	2-7-14 Jonan, Mito-shi, Ibaraki, Japan
Tochigi Branch	91-1 Imaizumicho, Utsunomiya-shi, Tochigi, Japan
Gunma Branch	215-6 Furuichimachi, Maebashi-shi, Gunma, Japan
Yamanashi Branch	4-12-25 Chuo, Kofu-shi, Yamanashi, Japan
Shizuoka Branch	8-12 Yoneyamacho, Numazu-shi, Shizuoka, Japan
Tama Branch	2-24-6 Myojincho, Hachioji-shi, Tokyo, Japan
Kansai Branch	Nakanoshima Festival Tower 20th Floor, 2-3-18 Nakanoshima, Kita-ku, Osaka, Japan
Nagoya Branch	Nagoya Toho Building 6th Floor, 1-2-7 Sakae, Na-ka-ku, Nagoya-shi, Aichi, Japan
Kyushu Branch	Yakuin Business Garden 4th Floor, 1-1-1 Yakuin, Chuo-ku, Fukuoka, Japan
Hokkaido Branch	Takeda Resona Building 3rd Floor, 4-1-2 Kitaichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan
Tohoku Branch	Sendai Daiichi Seimei Tower Building, 4-6-1 Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi, Japan
Nagano Branch	1629-32 Midoricho, Nagano-shi, Nagano, Japan

Overseas Offices

Singapore Branch	1 Coleman Street, #10-5 The Adelphi, Singapore 179803
Taiwan Office	6F-1, No. 45, Section 1, Minchuan Eastern Road, Taipei, Taiwan
Yangon Office	Room1(A), University Paradise Condo, No.441, New University Avenue Road, Bahan Township, Yangon, Myanmar
Indonesia Office	12th Floor, Summitmas II Building, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190 Indonesia

The Company's website



The Company sees its website as one of the important sources of information. Please visit our website where we post IR information, an introduction on our technologies and services, and the latest news.

<https://www.kandenko.co.jp/>
(in Japanese)

●To shareholders and investors:

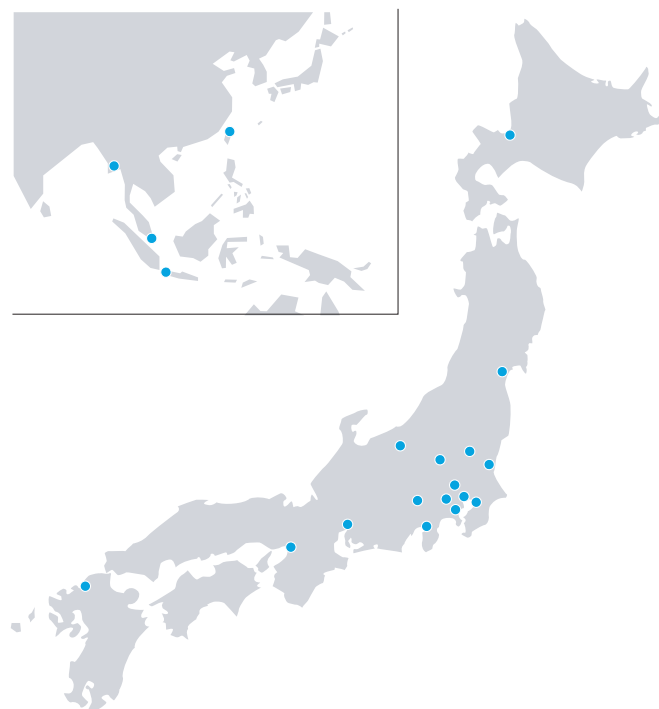


<https://www.kandenko.co.jp/ir>
(in Japanese)

Overseas Offices



Domestic Offices



Stock Information (As of March 31, 2021)

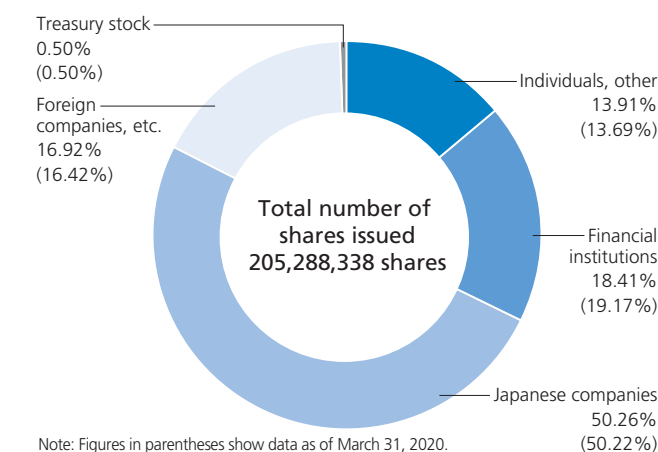
The shares of common stock of the Company are listed on the First Section of the Tokyo Stock Exchange.

On March 31, 2021, there were a total of 12,388 shareholders. The following table lists the 10 largest shareholders appearing on the register at that date.

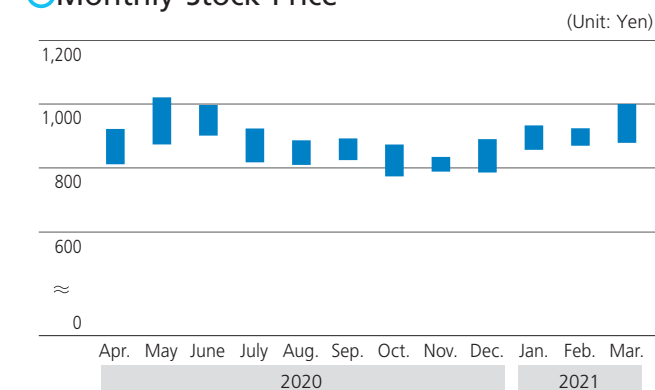
Principal Shareholders

Name	Number of shares held (in thousands)	Shares held as a percentage of total outstanding shares
1 TEPCO Power Grid, Inc.	94,753	46.38
2 The Master Trust Bank of Japan, Ltd. (Trust Account)	10,537	5.15
3 Custody Bank of Japan, Ltd. (Trust Account)	7,042	3.44
4 Kandenko Group Employees Shareholding Association	5,994	2.93
5 Mizuho Bank, Ltd.	4,061	1.98
6 STATE STREET BANK AND TRUST COMPANY 505001	2,436	1.19
7 THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	2,128	1.04
8 GOVERNMENT OF NORWAY	1,597	0.78
9 JP MORGAN CHASE BANK 385781	1,584	0.77
10 Custody Bank of Japan, Ltd. (Trust Account 5)	1,563	0.76

Number of Shares Held by Type of Shareholder (As of March 31, 2021)



Monthly Stock Price



Stock-Related Information

Fiscal year-end	March 31
Ordinary general meeting of shareholders	June
Record dates for dividend payments	March 31 for the fiscal year-end dividend. September 30 for the interim dividend.
Record date	The date on which shares must be owned for shareholders to exercise voting rights at the general meeting of shareholders is March 31. If other votes are required, the record date will be set and announced in advance.
Method of public notification	Notification will be given electronically. However, if we cannot issue an electronic notification, we will place a notice in the Nihon Keizai Shimbun, published in Tokyo. Kandenko's URL for public notices is as follows. https://www.kandenko.co.jp/
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Transfer agent contact point (inquiries about stock-related matters)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan Tel: 0120-782-031 (toll-free)