

K A N D E N K O I N T E G R A T E D R E P O R T 2 0 2 3

Greetings



Thank you for your interest in KANDENKO INTEGRATED REPORT 2023. Kandenکو provides comprehensive one-stop services ranging from initial planning and design to construction, maintenance, and the subsequent renewal of building facilities. This includes services related to electricity, air conditioning, and telecommunication systems. Additionally, we ensure a stable power supply by maintaining and constructing social infrastructure facilities.

In recent years, we have utilized the collective expertise of our Building Equipment and Social Infrastructure Divisions to provide solutions and develop new technologies in decarbonization, disaster preparedness, and business continuity planning (BCP). Our initiatives span such areas as renewable energy generation, storage batteries, and micro-grids. Moreover, we are enhancing productivity by digitally transforming (DX) worksite operations using artificial intelligence (AI) and the Internet of Things (IoT).

Furthermore, aligning with our corporate motto, "Humanity First," and aiming for sustainable growth based on human capital, we are working towards establishing a company where every employee can actively contribute. This involves reforming work practices and leave policies, improving training programs, and fostering diversity.

The Kandenکو Group will persist in upholding the fundamental principles of our management by focusing on thorough compliance, safety, and quality assurance. Our commitment also extends to establishing a corporate structure capable of swift and appropriate responses to rapid societal changes. We aim to deliver valuable services, contributing to the wealth and happiness of all stakeholders, including shareholders, customers, and local communities.

Chairman and Director

Seiichi Fubasami

President and Director

Toshio Nakama

Editorial Policy

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

Reporting Period

From April 1, 2022, to March 31, 2023
(Includes reports on some activities outside this period)

<Notes on proper use of business result forecast>

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

Table of Contents

Introduction

- 2 Greetings/Table of Contents
- 3 Corporate Motto
- 4 At a Glance
- 6 History of Kandenکو
- 7 Message from the President

Value Creation Story

- 13 To Become a Green Innovation Company
- 14 Value Creation Process
- 15 Business Field of Kandenکو
- 16 Featured Article "Hito-ichi value" ~ Individual proactivity × Organizational strengths ~
- 22 Definition and Direction of Capital
- 23 Value Chain
- 24 Important Stakeholders
- 25 Materialities (Important Issues)
- 26 Materiality Identification Process

Value Creation Initiative

- 28 Fiscal 2021-2023 Medium-Term Management Plan
- 30 Financial Strategy & Capital Policy
- 32 Business Overview by Division
- 33 Business Review by Division

Building Infrastructure Work:

- Electrical engineering, environmental facilities and systems, and renovation work

Social Infrastructure Work:

- Information & communication work
- Power distribution line engineering work
- Electric power & civil engineering work

- 41 Research and Development Activities

ESG Management Initiatives

Environment

- 44 Information Disclosure Based on TCFD Recommendations

Social

- 46 Initiatives to Support Recovery from Natural Disasters
- 47 Occupational Safety and High-Quality Construction
- 48 Employee Initiatives
- 52 Maintaining and Improving Partnerships with Partner Companies and Material Suppliers
- 52 Respect for Human Rights
- 53 Social Contribution Activities

Governance

- 55 Roundtable Discussion with Outside Directors
- 59 Corporate Governance
- 65 Management

Data Section

- 67 Consolidated 11-Year Financial Summary
- 68 Consolidated Financial Statements
- 70 Non-financial information
- 71 Company Profile
- 72 Stock Status

We partnered with Gakken Holdings to co-publish Denki no Himitsu (Secrets of Electricity), a part of the educational manga series. For details, see page 54.



Corporate Motto



“Humanity First”

To provide power that supports our society

In 1945, the year after Kandenko was founded, World War II came to an end, but the war destroyed the company's headquarters and almost all of its branch offices in the fires.

Despite significant challenges, the employees of Kandenko during that period, adhering to the motto of illuminating the city as soon as possible with minimal construction cost, focused on repairing distribution lines and provided power to illuminate the barracks and housing constructed in areas devastated by fire.

Having encountered such hardship in the early stages of the company, the Kandenko Group consistently have prioritized restoration and rebuilding efforts whenever Japan was affected by such natural disasters as earthquakes, typhoons, flooding, and heavy snow.

The aspiration of every employee in the Group was embodied in our corporate motto, "Humanity First," in 1988, and it persists to the present day.

When we mention “Humanity” we include not only our employees but also our shareholders, customers, local communities, and everyone else. Our goal is for these valuable stakeholders to thrive and experience increased happiness.

The corporate motto, along with our corporate philosophy, has become a crucial element of the Group's management culture. It remains a resilient pillar, actively supporting our corporate activities and retaining its vitality.



► Corporate Philosophy
<https://www.kandenko.co.jp/company/message>



► Charter of Corporate Behavior
<https://www.kandenko.co.jp/sustainability/guidelines>

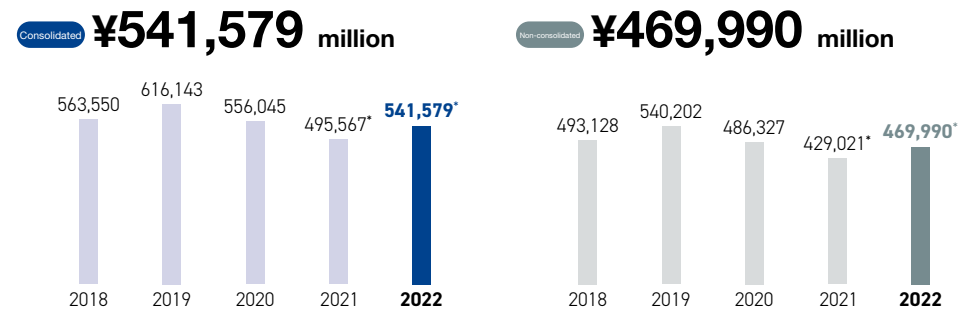


At a Glance

Financial information

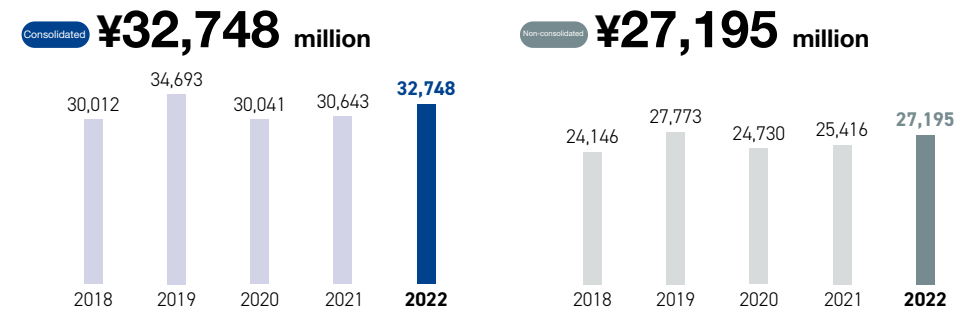
Net sales

Unit: Million yen



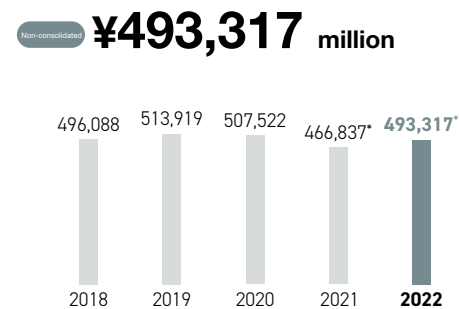
Operating profit

Unit: Million yen



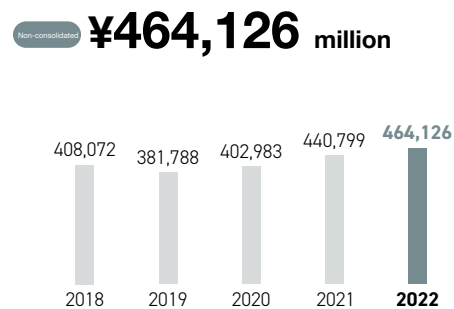
New orders received

Unit: Million yen



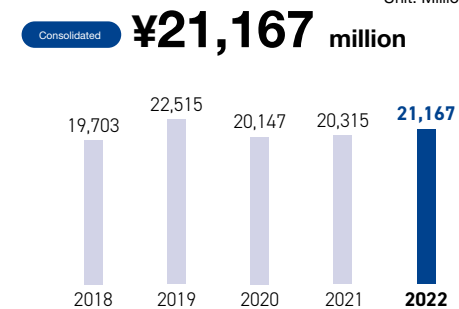
Construction contracts brought forward

Unit: Million yen



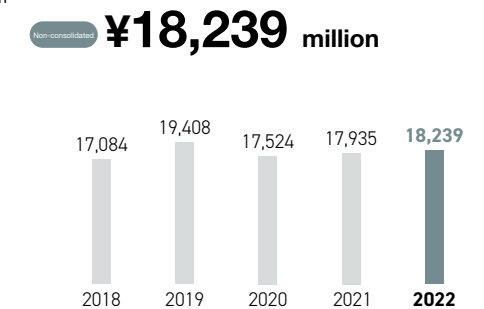
Profit (loss) attributable to owners of the parent

Unit: Million yen



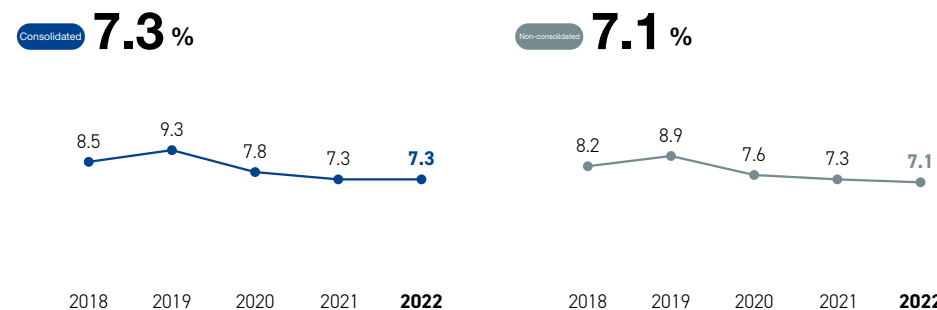
Profit (loss)

Unit: Million yen



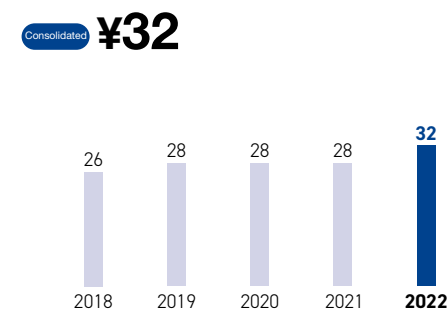
ROE

Unit: %



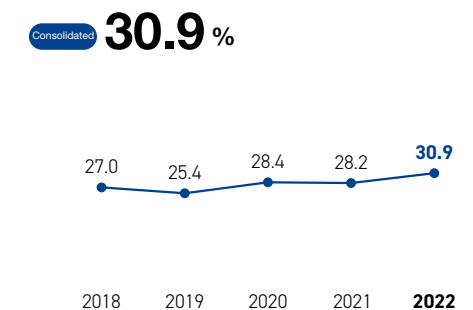
1 Cash dividends per share

Unit: Yen



Dividend payout ratio

Unit: %



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

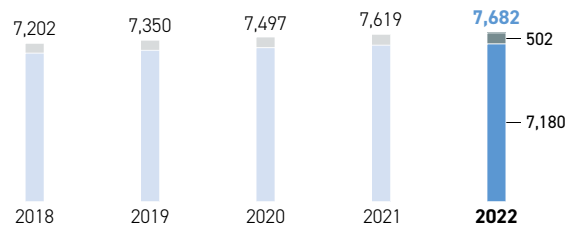
At a Glance

Non-financial information

Number of employees

Unit: Persons

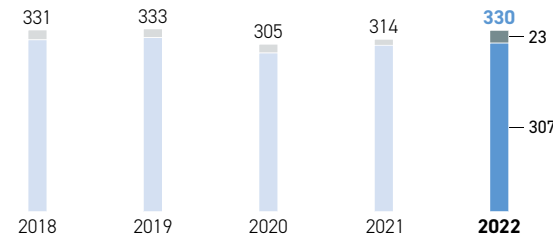
Overall **7,682** persons Male 7,180 persons Female 502 persons



Number of regular hires

Unit: Persons

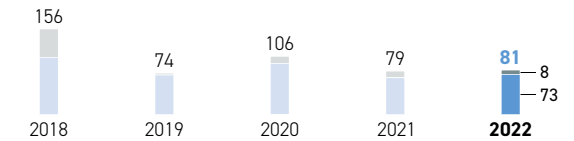
Overall **330** persons Male 307 persons Female 23 persons



Number of mid-career hires

Unit: Persons

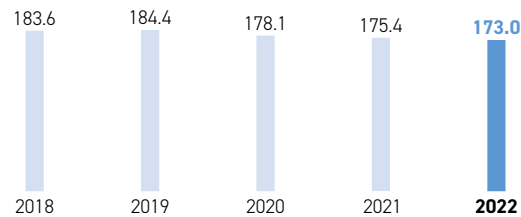
Overall **81** persons Male 73 persons Female 8 persons



Average total working hours per person/month

Unit: Hours

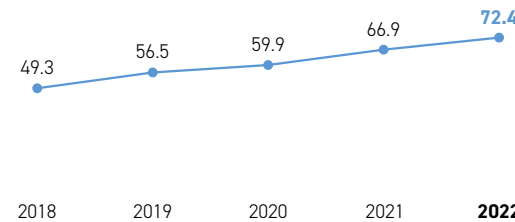
Overall **173.0** hours



Paid leave usage rate

Unit: %

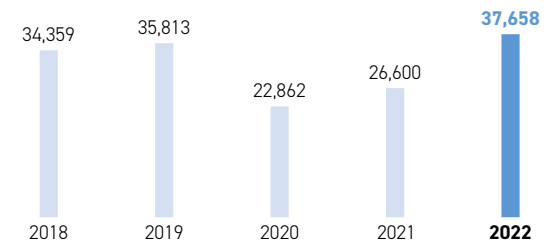
Overall **72.4** %



Number of employee training hours* (Company-wide joint training etc.)

Unit: Hours

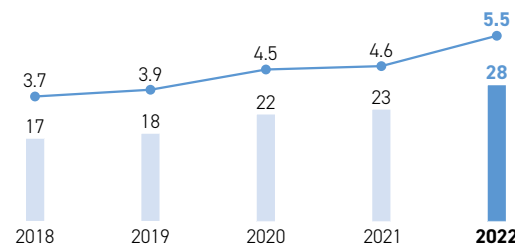
Total hours **37,658** hours



Promotion to managerial positions

Unit: Persons and %

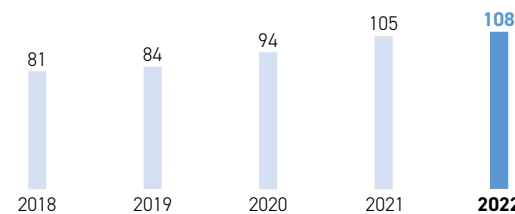
Number of women in managerial positions **28** persons Percentage of female employees in managerial positions **5.5** %



Female technical and engineering staff

Unit: Persons

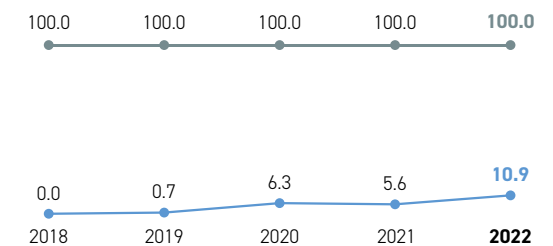
108 persons



Percentage of employees using the childcare leave program

Unit: %

Male **10.9** % Female **100.0** %



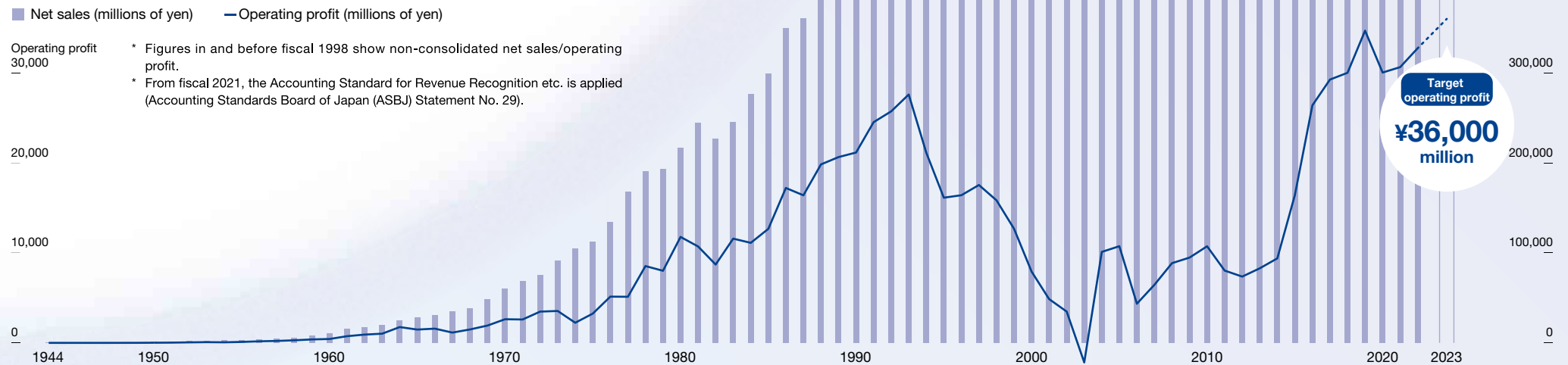
* Training provided by the Education & Training Center

History of Kandenko

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 has 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



Company Establishment and Japan's Postwar Recovery Period

September 1944

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

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 the Technical Staff Training Center (current Education & Training Center) in Ibaraki Prefecture

March 1960

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

January 1990

Started TV commercials

July 1993

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

October 2014

Introduced the regional headquarters system

July 2015

Established the Fukushima Division

March 2016

Formulated our growth strategy

April 2020

Achieved record high consolidated business results

From the Rapid Growth Period to the Stable Growth Period

Transition from Showa to Heisei Era

Working to Realize a Sustainable Society

Message from the President

Message

With the courage to embrace change and an unyielding sense of mission, we aspire to pioneer the industry with innovative ideas, shaping the future and attaining consistent growth.

President and Director
Toshio Nakama



Summary

- Review of fiscal 2022
- Evaluation of the Medium-Term Management Plan (fiscal 2021-2023)
- Reinforce "Hito-Ichi value" ~ Individual proactivity × Organizational strengths ~
- Promote Sound Management Activities
- Message to all our stakeholders

Review of fiscal 2022

Seize opportunities and capitalize on momentum to ensure a stable growth trajectory as we approach the last year of the Medium-Term Management Plan.

We have finished the second year of our three-year Medium-Term Management Plan (fiscal 2021–2023), which commenced in fiscal

2021. Reflecting on the past two years, I believe we have effectively laid the groundwork for our journey towards becoming the "Green Innovation Company" by 2044. Embracing our slogan, "Change! And Create the Future From a New Starting Point," we initiated reforms by thoroughly acknowledging our strengths and challenges. We then proceeded to engage in ongoing discussions about creating the future, including outlining the direction for the upcoming medium-term management plan.

Given the current business landscape, both companies and local governments show a growing motivation to invest in construction. This is driven by the demand for substantial redevelopment projects particularly in metropolitan areas, large-scale semiconductor factories, as well as lodging and commercial facilities in response to the recovery of inbound demand. Against this backdrop, consolidated results for fiscal 2022 exceeded those of the previous fiscal year with net sales of completed construction contracts of

Message from the President

¥541,579 million (up 9.3% from previous fiscal year), operating income of ¥32,748 million (up 6.9%), ordinary income of ¥34,059 million (up 7.3%), and profit attributable to owners of the parent of ¥21,167 million (up 4.2%).

Our performance in the ongoing fiscal year (fiscal 2023) is also progressing as planned and is expected to meet the objectives outlined in the midterm management plan. We will persist in tackling such challenges as rising construction costs, a limited supply of materials and equipment, and the impending "2024 issue" – referring to the maximum overtime work limit set to take effect in 2024. Keeping these issues in mind, we will finalize the current Medium-Term Management Plan.

Evaluation of the Medium-Term Management Plan (fiscal 2021–2023)

Establishing a foundation for the transformation towards becoming a 100-Year Company that supports society

We have established the promotion of ESG management as a fundamental policy in our [Medium-Term Management Plan \(fiscal 2021–2023\)](#) and are actively pursuing five key initiatives aimed at

achieving sustainability for both our organization and society at large. We have reached a certain level of performance thus far, but there is still room for improvement, and I would like to discuss three key aspects: Productivity Innovation, Rebuilding Earnings Base by Demonstrating Our Comprehensive Strengths, and Strengthening the Foundations for Future Growth.

[Medium-Term Management Plan ▶ P28](#)

Productivity Innovation

To boost productivity in light of the urgent need for work-style reform at construction sites, we have established a specialized organization dedicated to construction site administration, technical examinations, the preparation of construction drawings, and related tasks. This initiative strengthens the overall back-office function across the entire company. At the same time, we have broadened the scope of applicability for prefabricated and unitized construction methods, significantly enhancing work efficiency on-site. Moving forward, we plan to expand the functions of the Rokugo Center, our production base for prefabricated and unitized construction components, and establish additional production bases.



We have also been enhancing the efficiency of fundamental construction management operations and on-site tasks by incorporating digital technologies. This involves the comprehensive utilization of an on-site support system and encouraging all employees to use mobile devices distributed to each of them. In recognition of these efforts, Kandenko was selected as a DX-Certified Operator by the Ministry of Economy, Trade, and Industry in 2022.

I believe the labor-intensive construction industry, as it prepares for the "2024 problem," faces the necessity of altering conventional wisdom. As the number of construction workers continues to decline, there is an increasing need to change entrenched traditional practices on construction sites. This shift is necessary to reduce overtime work while still meeting the required workload. For instance, there is no need for everyone to gather for morning meetings. Sharing essential information from on-site managers through digital tools would be sufficient. In addressing areas for improvement like this, I believe it is essential to develop solutions that are highly satisfactory to on-site workers, thus benefiting the entire construction industry. We will persist in concentrating on

Fiscal 2022 Business Results

Consolidated results

Net sales of completed construction contracts **¥541.5 billion** 109.3% compared to the previous fiscal year

Operating profit **¥32.7 billion** 106.9% compared to the previous fiscal year

Ordinary profit (loss) **¥34.0 billion** 107.3% compared to the previous fiscal year

Profit (loss) attributable to owners of the parent **¥21.1 billion** 104.2% compared to the previous fiscal year

Non-consolidated results

New orders received **¥493.3 billion** 105.7% compared to the previous fiscal year

Net sales of completed construction contracts **¥469.9 billion** 109.5% compared to the previous fiscal year

Operating profit **¥27.1 billion** 107.0% compared to the previous fiscal year

Ordinary profit (loss) **¥28.6 billion** 107.2% compared to the previous fiscal year

Profit (loss) **¥18.2 billion** 101.7% compared to the previous fiscal year

Message from the President



restructuring business processes and innovating construction operations. Simultaneously, we will monitor changes in the business environment to achieve a significant boost in productivity.

Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths

Kandenko has been visualizing information that could contribute to securing future orders, a concept we refer to as "sales information." By actively collecting sales information and analyzing construction market trends, we can initiate proposal-based sales activities in the expanding sectors and secure orders for renewal projects. Moreover, through meticulous management of the work in progress, we enhance our ability to make more precise forecasts for both the net sales of completed construction contracts and the recognition of profits. This comprehensive approach provides a visual representation of cost balances, including labor and raw material costs, as well as cash flow.

With the successful visualization of sales information and work in

progress, our next step is to enhance the visualization of execution capabilities. This initiative aims to strengthen the collaboration between the sales and construction divisions. As the shortest way to boost profitability, we advocate for a strategic approach to enhance order acquisition efforts and foster adaptable execution capabilities. This involves aligning information from the sales team, such as "Construction A is expected to commence in January," with projections from the construction team, like "Construction B will conclude in December, freeing up additional capacity for construction personnel from January."

In order to create a positive feedback loop like this, it is essential to create a system where diverse types of visualized information are presented on a single platform, enabling seamless sharing of information among everyone involved. Enhancing the functionality of this system not only brings further clarity to the strengths and challenges within each division and branch but also defines a unified direction for the entire company. At the same time, it facilitates the development of a mid-to-long-term business portfolio.

Strengthen Foundations for Future Growth

The growth market for Kandenko, aspiring to evolve into a **green, innovation company**, encompasses the realm that contributes to both environmental and social sustainability. Specifically, it involves the development of comprehensive solution services that contribute to decarbonization, disaster preparedness, and the fulfillment of business continuity planning (BCP) requirements.

[Value Creation Story ▶ P12](#)

To date, Kandenko has contributed to reducing the environmental impact of our customers' facilities through energy conservation and renewable energy power generation businesses. We aim to further enhance energy efficiency within our own business operations while simultaneously assisting our customers in energy utilization and decarbonization through a novel approach. This entails integrating the insights and knowledge gained from our internal energy conservation initiatives with cutting-edge ICT solutions. For instance, our goal is to establish a system that not only delivers tangible services like constructing energy-saving, energy-creating, and energy-storing facilities but also provides intangible services, such as facility maintenance and support for devising action plans that contribute to effective energy management.

As a company entrusted with ensuring a stable supply of electric power, it is our duty to tackle pressing societal issues, such as the escalating frequency and intensity of natural disasters. In response, we plan to present comprehensive solutions that address both tangible and intangible aspects. This involves establishing energy networks within specific areas through the advancement of digital transformation (DX) and creating services that encompass resilience. We aim to achieve this by strengthening our partnerships with companies specializing in weather analysis and disaster preparedness systems as well as collaborating with educational institutions.

In the current Medium-Term Management Plan, we have brought to fruition several initiatives that exemplify our commitment to integrating construction facilities with the social infrastructure. We are dedicated to elevating customer satisfaction by offering comprehensive solutions for electrical works, communication, heating, ventilation, air conditioning (HVAC), civil engineering, and various other operations. This commitment is reflected in our efforts to stay abreast of societal shifts, including the growing adoption of renewable energies like wind and solar power, advancements in such communication infrastructures as local 5G, and increased investments in semiconductor, data center, and related fields. We aim to foster Kandenko's growth by delivering comprehensive

Message from the President

solutions with added value to our customers.

In fiscal 2023, we are ready to wrap up the current Medium-Term Management Plan, laying the foundation for the forthcoming growth stage. This also marks the year when we reaffirm our strengths and communicate new values, aligning with our management vision of "Becoming a 100-Year Company supporting society," as we strive to embody our progress. In the year 2044, as Kandenko celebrates its 100th anniversary, we are poised to reflect on the questions, "What are the social roles that Kandenko should play?" and "What kind of company do we aspire to be?" — We stand ready to prepare for the next Medium-Term Management Plan, taking into account these two perspectives.

Reinforce "Hito-ichi value" ~ Individual proactivity × Organizational strengths ~

Interweaving the DNA of a "Hito-ichi value" Approach to Create Fresh Value

Three years ago, while developing the current Medium-Term Management Plan, we gathered input from both young employees and those in management positions. We then integrated their opinions into our discussions to formulate policies. In this process, we anchored our discussions on our corporate motto, "Humanity First," and our management philosophy. Even though more than 30 years have passed since the establishment of our corporate motto, its influence remains strong, continuing to guide Kandenko in the direction of progress.

As we enter the final year of the current Medium-Term Management Plan, we have revisited our original spirit, reinterpreting our corporate motto and management philosophy. Through this process, we aimed to share a vision for the future. In light of this, we acknowledge that even in this era of digitalization, "Humanity" stand out as the most crucial of the management resources. By "Humanity" we mean not only Kandenko employees but also encompass all stakeholders, including shareholders, clients, and local communities. People form the foundation of value creation within the Kandenko Group. Committed to nurturing prosperity and happiness across society through a range of stakeholders, we coined the term "**Hito-ichi valu**" to encapsulate the comprehensive capabilities of both individual and organizational strengths. Thus, the enhancement of the "**Hito-ichi valu**" has been integrated into the current Medium-

Term Management Plan.

[Featured article "Hito-ichi value" ~ Individual proactivity × Organizational strengths ~ ▶ P16](#)

The "Hito-ichi value" encompasses human capital, intellectual capital, and mental capital. This mirrors the distinctiveness of Kandenko, which has cultivated a unique concept encapsulating our sense of mission and professionalism since the company's inception.

The underlying essence of it all lies in the DNA of Kandenko, embedded within each one of us. We promptly respond to any issues that may arise at a facility we have worked on. We take on the responsibility of maintaining the infrastructures that were developed by our predecessors. The essence of the "Hito-ichi value" lies in the interconnection among individuals fostered by this kind of spirit.

On worksites, we often find ourselves in situations where we must make decisions independently, irrespective of our age or experience. To make optimal decisions in such situations, a thorough understanding of the company's policies and values is essential. To strengthen the "Hito-ichi value", we begin by sharing the vision set forth by Kandenko. Subsequently, it is crucial to continually inquire about each employee's aspirations and capabilities, fostering active participation. As a means to actualize this, we establish a flexible evaluation system tailored to diverse abilities and job responsibilities. This serves to uphold and enhance the motivation of our employees. Furthermore, to consistently deliver high-quality services as a

company dedicated to social infrastructures, we acknowledge the responsibility of ensuring a stable recruitment process and ongoing cultivation of our workforce. Hence, we will actively pursue the development of **comprehensive educational programs and advocate for diversity.**

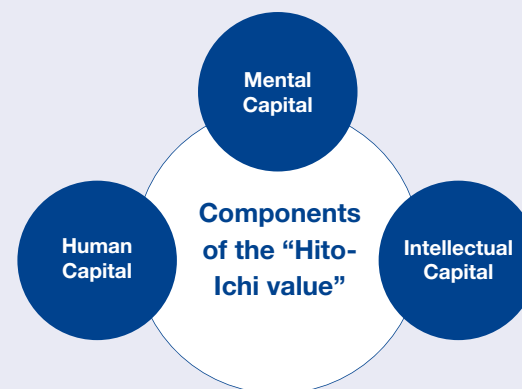
[Training and education system ▶ P49](#)

[Promotion of diversity ▶ P50](#)

Promote Sound Management Activities

Elevate Governance and Embrace the "Hito-ichi value"

To further enhance the "Hito-ichi value", it is crucial for those in management positions to initially align on the recognition of the social roles Kandenko should fulfill. Engaging in candid discussions is crucial for board members. It is also necessary to listen to the opinions of subordinates and young employees and steadily progress with necessary measures. To clarify these responsibilities, we implemented a team officer system in July 2023. As we prepare for the next Medium-Term Management Plan, we will integrate initiatives from each division across the entire company to enhance our strategic functions through this system.



Definition of the "Hito-ichi value"

Individual proactivity

Organizational strengths

Message from the President

Our commitment to safety and quality, along with ensuring compliance, forms the core of our business. We also believe that the entire Kandenko Group, as well as partner companies, need to embrace these principles. Therefore, we are expanding our safety and quality management education utilizing VR technologies and smart devices, fostering a strong sense of compliance, and enhancing the effectiveness of risk management.

To address these challenges, we aim to build trust among our stakeholders by fostering a shared understanding among all board members, maintaining communication with external directors and auditors who possess expertise in specific fields, such as corporate management, finance, and law and regulations, and continuing our commitment to

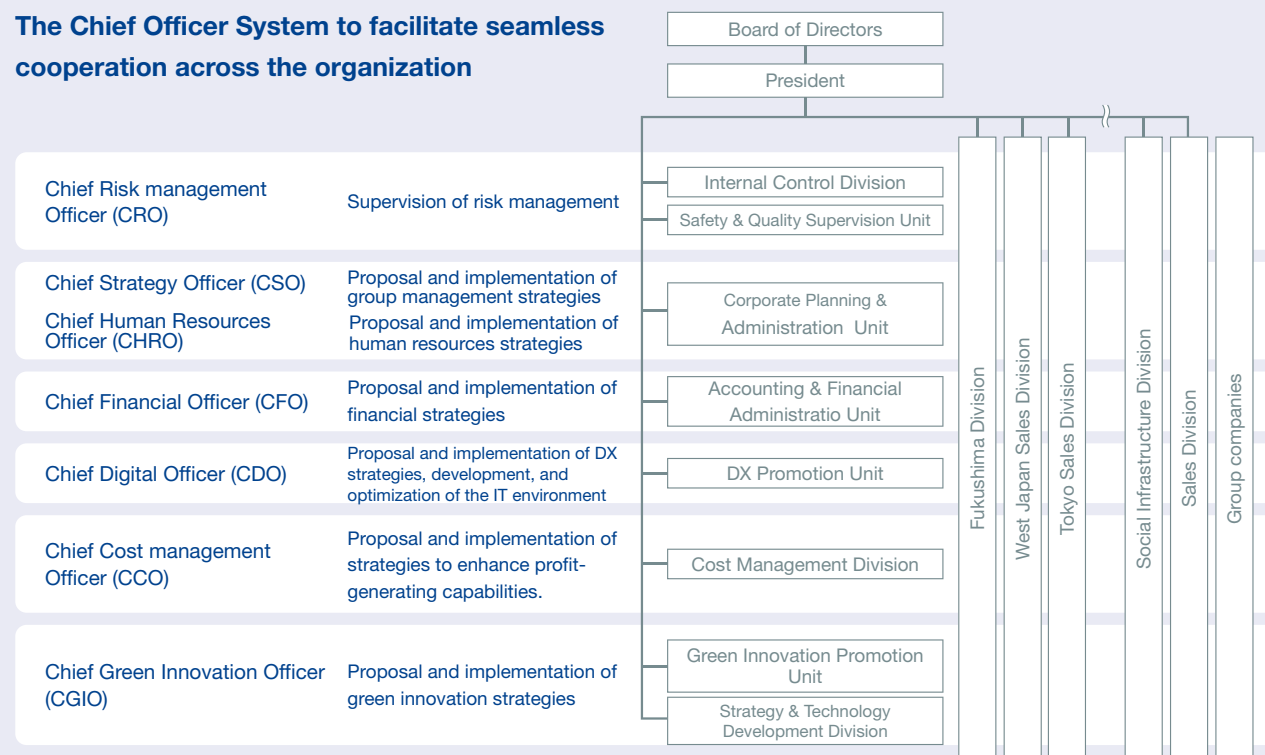
consistently strengthen our **corporate governance** practices.

Corporate Governance ▶ P59

To further elevate our corporate value, it is crucial to recognize the growing significance of management geared towards optimizing capital costs and the return on investment. With this understanding, we are committed to fortifying profitability in the upcoming Medium-Term Management Plan. Concurrently, we will meticulously manage the Return on Equity (ROE) and Price-to-Book Ratio (PBR), maintaining a good balance between shareholder returns and strategic investments to enhance capital efficiency and facilitate sustained growth.



The Chief Officer System to facilitate seamless cooperation across the organization



Messages to our stakeholders

We are dedicated to accelerating transformation to become a green innovation company.

To evolve into the next-generation Kandenko Group, we have proactively addressed challenges as they arise and prepared ourselves for shaping the future. In the midst of changes in the industrial landscape, characterized by a shrinking labor force, a drive towards decarbonization, and the swift adoption of digital transformation, the structure of the social infrastructure is evolving, leading to more efficient urban designs. We see significant growth potential for Kandenko as we contribute to these transformative changes. In other words, this marks the new mission of the Kandenko Group, which has been actively involved in constructing social infrastructures in collaboration with various stakeholders. Committed to ensuring sustainable growth in the future, we are dedicated to transparently communicating the transformative journey of Kandenko. This includes showcasing our bold changes and emphasizing our cherished "Hito-Ichi value", which stands as Kandenko's greatest strength. This detailed communication extends to all stakeholders, including shareholders and investors. Maintain high hopes and expectations for the Kandenko Group as we continue to embrace challenges in our journey to become a leading green innovation company.

SECTION 1

Value Creation Story

- 13 To become a green innovation company
- 14 Value Creation Process
- 15 Business field of Kandenko
- 16  **“Hito-Ichi value”**
~ Individual proactivity × Organizational strengths ~
- 22 Definition and direction of capital
- 23 Value chain
- 24 Important stakeholders
- 25 Materialities (Important Issues)
- 26 Materiality identification process

GREEN INNOVATION COMPANY

To become a Green Innovation Company

Our expectation for the year 2044, when Kandenko celebrates its 100th anniversary, envisions a future where the emphasis on environmental and energy conservation will be heightened, accompanied by a growing array of diverse needs. In a society of this nature, the Kandenko Group aims to deliver increased value to our customers and society by enhancing our expertise in comprehensive facilities operation and exploring next-generation technologies.

Green Innovation Company

To realize decarbonized society and solve social issues

Direction of our initiatives

Building infrastructure

Solution achieved through the integration of energy and ICT

Social infrastructure

Visualization and smart operation and monitoring of facilities and energy consumption

Stock services that encompass the operation management of post-facility construction and disposal

Energy field Existing fields

Electricity

HVAC and water supply/discharge

Communication and network

Civil engineering

Renewable energy generation

ICT technology Additional aspects

Security, surveillance, optimal operation

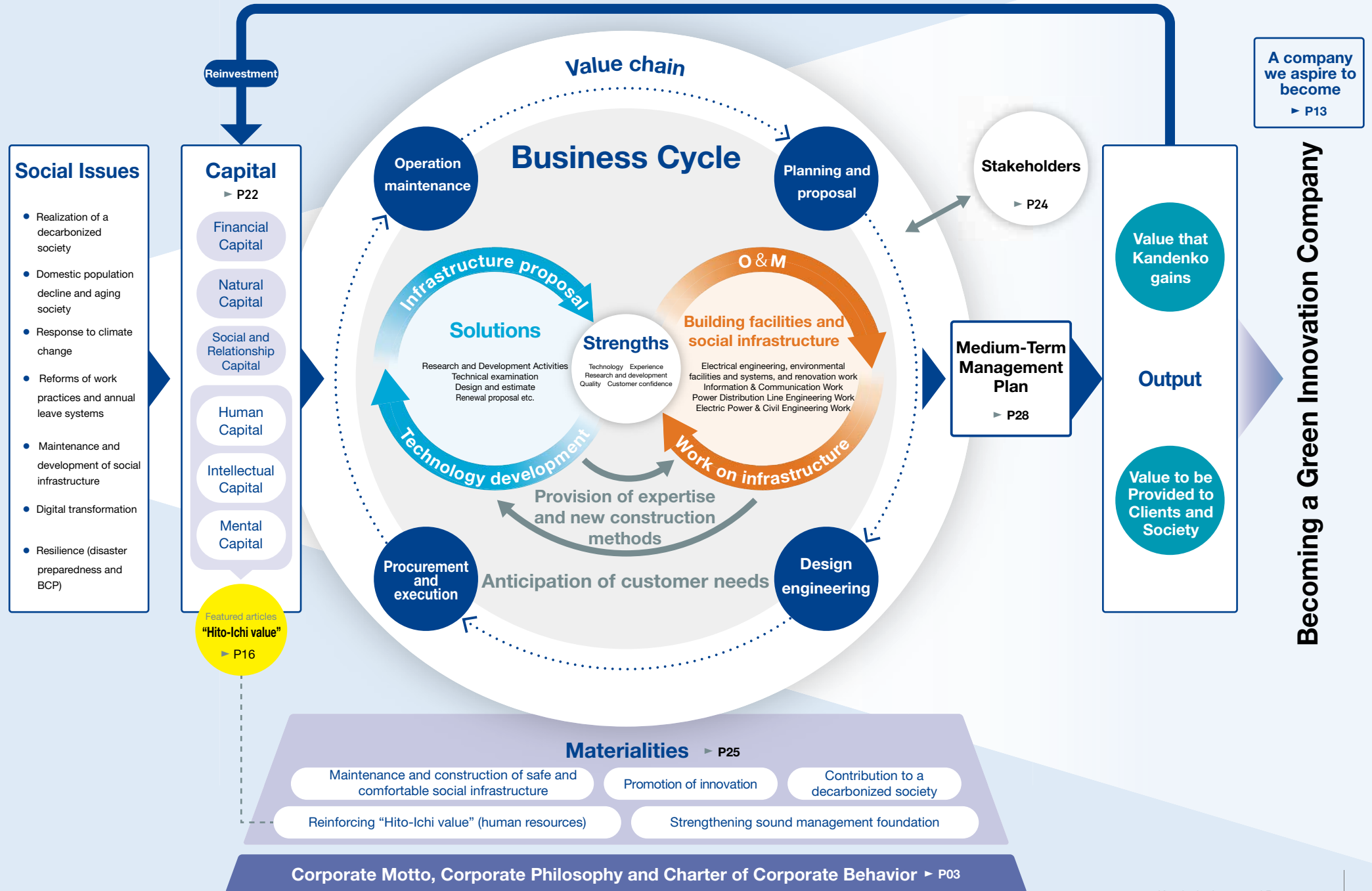
Base and group management

Energy conservation and resource circulation

Demand forecasting and self-consumption

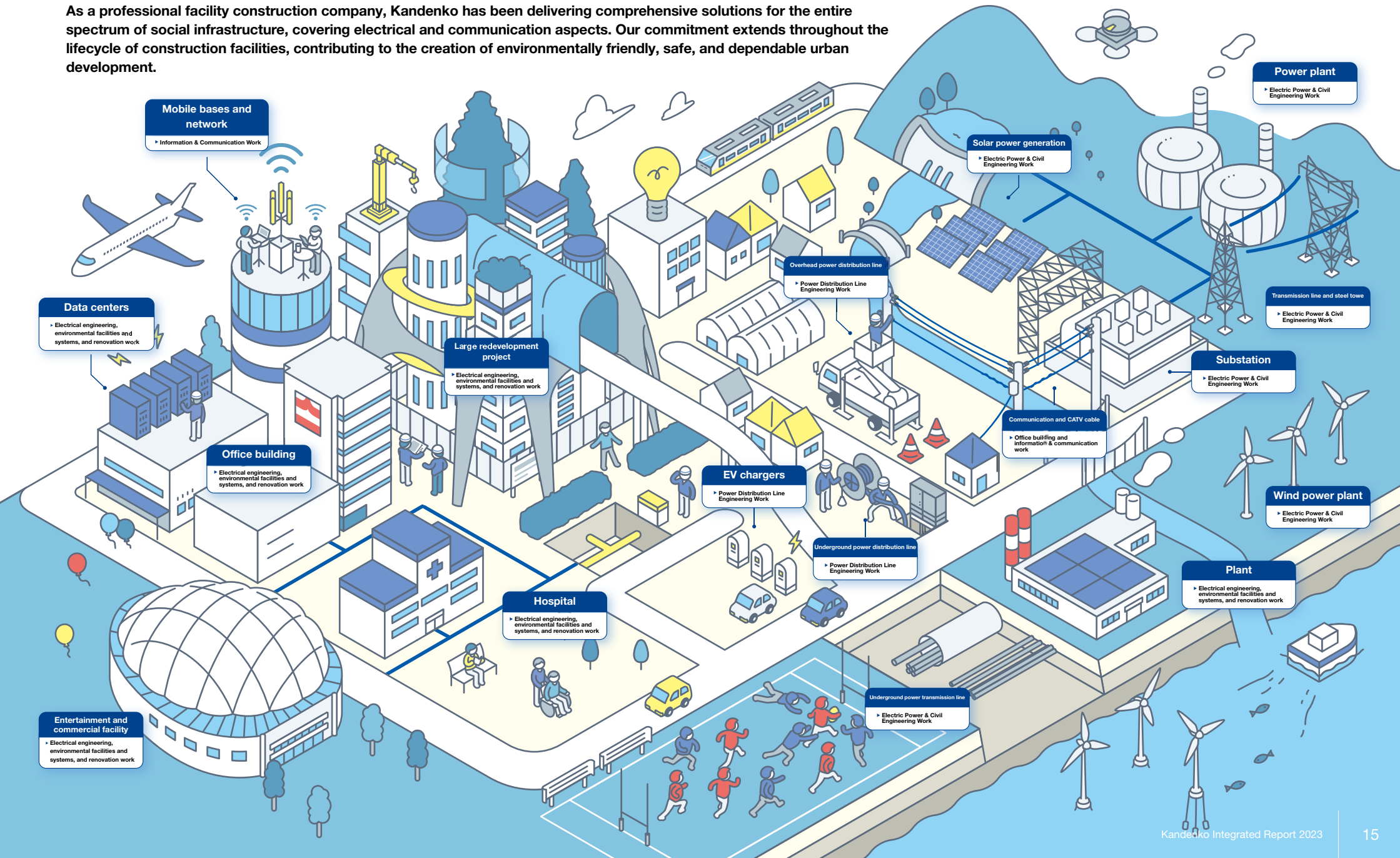
Data analysis and utilization

Value Creation Process



Business field of Kandenko

As a professional facility construction company, Kandenko has been delivering comprehensive solutions for the entire spectrum of social infrastructure, covering electrical and communication aspects. Our commitment extends throughout the lifecycle of construction facilities, contributing to the creation of environmentally friendly, safe, and dependable urban development.



Human capital that supports Kandenko

Featured
articles

“Hito-Ichi value”

~ Individual proactivity × Organizational strengths ~

Kandenko has harnessed the collective power of individuals to address societal challenges and enhance the stability of people's lives.

The “Hito-Ichi value”, signifying the ability to leverage the collective strength of individuals, stands as a foundation supporting our corporate motto, "Humanity First."

The “Hito-Ichi value” encompasses human capital, intellectual capital, and mental capital. It serves as a crucial driving force propelling us towards the realization of our vision and the creation of value.

[Corporate Motto ▶ P03](#)

Kandenko employees, as well as partner companies including suppliers and business partners

Human
Capital

“Hito-Ichi value”

Intellectual
Capital

Mental
Capital

Expertise and technology developed through ensuring a stable supply of electricity in Japan.

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

Kandenko's distinctive character lies in our commitment to engage with social and customer needs, successfully completing every task we undertake, and our sense of mission that empowers us to take effective action during emergencies, such as in the event of natural disasters.

[Diligence](#)[Compassion](#)[Professionalism](#)[Sense of mission](#)

Featured
articles

“Hito-Ichi value”

~ Individual proactivity × Organizational strengths ~

Basic concept

The “Hito-Ichi value” embodies the power to actualize prosperity and happiness for all stakeholders, encompassing Kandenko employees, shareholders, customers, and local communities.

It comprises the technology accumulated since the foundation of Kandenko, our faith, and the organizational strengths to bring these aspects into tangible fruition.



Featured
articles

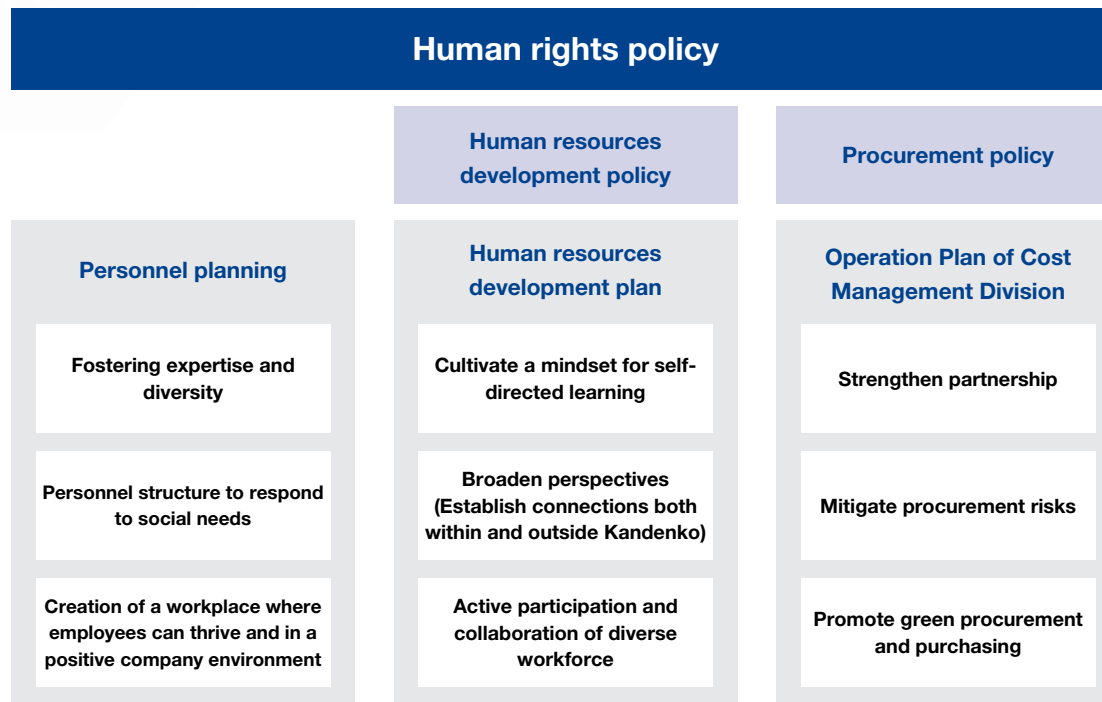
“Hito-Ichi value”

~ Individual proactivity × Organizational strengths ~

To enhance our “Hito-Ichi value”

To consistently strengthen our “Hito-Ichi value”, we formulate personnel plans, human resources development plans, and procurement policies. We then provide feedback to those responsible for improvement, planning, and direction-setting, utilizing progress management indices and action plans. Through this process, we collaboratively manage the operation of personnel, human resources and procurement systems, human resources development, maintaining and improving partnerships, and cultivating a positive work environment.

Direction and policy to enhance our “Hito-Ichi value”



Outline of Initiatives for Human Resources Development

Development of personnel



Personnel
Human resources
Procurement system

Development of
workplace culture and
environment



Featured
articles

“Hito-Ichi value”

~ Individual proactivity × Organizational strengths ~

The person we aspire to be

In our ongoing commitment to strengthen the “Hito-Ichi value”, we focus on developing human resources who embody the distinctive character of Kandenko as reflected in our corporate motto and management policy. This is done in accordance with our personnel and human resources planning.



Foster and build social trust Professionals

Individuals possessing a sense of mission to safeguard infrastructure and engage with society and customers with a sincere attitude

Individuals who generate questions based on needs and craft value through experimentation and learning

Individuals committed to continually refining and systematizing technologies and skills, passing them on to future generations through communication.

Facilitate and foster connections between people and technologies Management personnel

Individuals who actively seek information both within and outside of Kandenko and set goals for themselves

Individuals who solve issues by engaging in communication with partners.

Individuals who contribute to the next generation with a high level of expertise and broad perspectives

Worker-friendly environment

1. Avoiding long working hours and streamlining operations
2. Health management
3. Proper management of work hours
4. Human resources development
5. Encouraging and supporting promotion of diverse workforce
6. Facilitating acquisition of days off and vacations

Workplace culture that fosters human resources

Workplace with active communication

Aligns organizational goals with motivation to achieve them

Reassurance-based workplace culture

Mutual respect for opinions of others

Featured
articles

“Hito-Ichi value”

~ Individual proactivity x Organizational strengths ~

Examples of Initiatives

Specific initiatives we are implementing to reinforce our “Hito-Ichi value” approach

1

The initiative to link our management strategy and the “Hito-Ichi value”

- Enhancing workforce through periodic recruitment and mid-career hiring in collaboration with the Construction Headquarters.

Human Capital

- Improvement of the management training program

Intellectual Capital

Mental Capital



Training for next generation leaders

Main index and
example of
executionFiscal 2022
Periodic recruitment: 330 people, mid-career hiring: 81 people

2

Initiatives to ensure diversity and inclusion

- Increase the number of women in managerial positions.

Human Capital

- Encourage male employees to take paternity leave.

Human Capital

- Strengthen the recruitment of individuals with disabilities and provide ongoing support.

Human Capital



Kandenko SunSun School Family Visit Day

Main index
and example
of executionFiscal 2022
Number of women in managerial positions: 28, Ratio of male employees who take paternity leave: 10.9%

3

Efforts to promote reskilling and continuous learning.

- Continuous learning program for specialized fields
Reskilling seminar

Intellectual Capital

Mental Capital

- Skill upgrading program for senior employees

Intellectual Capital

Mental Capital

Main index
and example
of execution

Expansion of publicly solicited training programs

Featured
articles

“Hito-Ichi value”

~ Individual proactivity × Organizational strengths ~

Examples of Initiatives

Specific initiatives we are implementing to reinforce our “Hito-Ichi value” approach

4

Initiative to boost employee engagement

- Deepening the understanding of the company motto and corporate philosophy
Mental Capital
- Training sessions and seminars aimed at enhancing health awareness and promoting well-being
Human Capital
- Training aimed at alleviating concerns and anxiety as well as fostering a spirit of teamwork
Mental Capital



A walking event jointly hosted by Toshiaki Hirose, a former captain of the Japan national rugby team.

Main index and
example of execution

Implementation of measures, such as a walking event, to promote well-being

5

Initiative to encourage a flexible workstyle unrestricted by time and location

- Continuation of teleworking
Human Capital
- Strengthening the integration between smartphones and work systems (applies to all employees).
Human Capital

Main index and example
of execution

Expanding work systems compatible with smartphones

6

Initiative to boost cooperation among organizations

- Staff rotations across divisions, cross-divisional meetings, and task management
Intellectual Capital
- Joint technical training with group and partner companies.
Intellectual Capital



Technique and Skill Competition

Main index and
example of execution

During fiscal 2022, approximately 4,900 individuals took part in joint training sessions with affiliated and partner companies.

7

A system to enhance trust-based relationships with suppliers

- Enhancement of information distribution and communication channels.
Human Capital
- Meeting to explore strategies for addressing inflation and delivery delays
Human Capital
- ▶ Partnership Building Declaration portal site
<https://www.biz-partnership.jp/>

Main index and example
of execution

Enrollment in the Partnership Declaration

Definition and direction of capital



Financial Capital

Financial foundation that supports business

As of March 31, 2023

INPUT
Examples

- Total assets ¥487.8 billion
- Free cash flow ¥0.8 billion
- Equity ratio ¥298.3 billion
- Interest-bearing liabilities ¥15.7 billion

OUTCOME
Future direction

Fiscal 2023

- Operating profit ¥36.0 billion
- ROIC 8% or above
- ROE 8% or above
- Dividend payout ratio 30% or above



Natural Capital

Renewable energy resources contributing to the reduction of environmental impact.

As of March 31, 2023

INPUT
Examples

- Number of renewable energy power plants 22 locations
- Overall power generation facility capacity 66.8MW
- ▶ Power generation business
<https://www.kandenko.co.jp/business/tec-service/generate-electricity>

OUTCOME
Future direction

2050

- Greenhouse gas emissions: net zero

2030

- Greenhouse gas emissions: -50% (from fiscal 2020)

*Both pertaining to Scopes 1 and 2 emissions



Social and Relationship Capital

Business implementation framework closely connected to local communities

INPUT
Examples

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

OUTCOME
Future direction

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



Human Capital "Hito-Ichi value" ▶ P16

Professionals with expertise in diverse fields, such as electricity, HVAC, communication, and civil engineering.

As of March 31, 2023

INPUT
Examples

- Professional Engineer 204
- First and second grade electric work managing engineer 2,235
- First-class electrician 2,395
- First and second grade construction managing engineer 175
- First and second grade civil engineering managing engineer 408

OUTCOME
Future direction

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



Intellectual Capital "Hito-Ichi value" ▶ P16

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

INPUT
Examples

- Expertise in technology, management capabilities, and skilled manpower for the maintenance and construction of facilities and social infrastructures.
- R&D investment ¥1.7 billion
- Patents (excluding trademarks) 147

OUTCOME
Future direction

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



Mental Capital "Hito-Ichi value" ▶ P16

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

INPUT
Examples

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

OUTCOME
Future direction

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

Value chain

The Kandenko Group provides comprehensive solution services encompassing planning, design, construction, maintenance, and renewal, addressing such diverse customer needs as energy conservation, decarbonization, disaster preparedness, and business continuity planning (BCP). In the future, our aim is to provide services that advance energy utilization, contributing to the development of next-generation facilities that achieve both convenience and flexibility, alongside promoting carbon neutrality. This will be accomplished by harnessing the strengths as a comprehensive facility company and integrating electricity, HVAC, communication, network facilities, and other necessary aspects.

Planning and proposal

Design and engineering

Construction work with planning and execution

Operation, maintenance, and repair

Building Infrastructure Work Social Infrastructure Work

Functions and services

Business planning and proposal

- Planning and proposing the construction of optimal facilities and renewals tailored to the specific needs of customers
- Provision of facility energy management service

Strengths

Having successfully undertaken numerous construction projects, including large-scale redevelopment and major power grid construction projects in central Tokyo, Kandenko has amassed significant technological competence and expertise.

Basic design, detailed design, and estimate

- Pursuit of enhanced facility functionality and convenience
- Maximizing cost effectiveness throughout the construction lifecycle
- Exploration of an eco-friendly construction method that optimally suits the project

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

Execution plan, procurement, construction, and operation and management

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

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

Maintenance and renewal

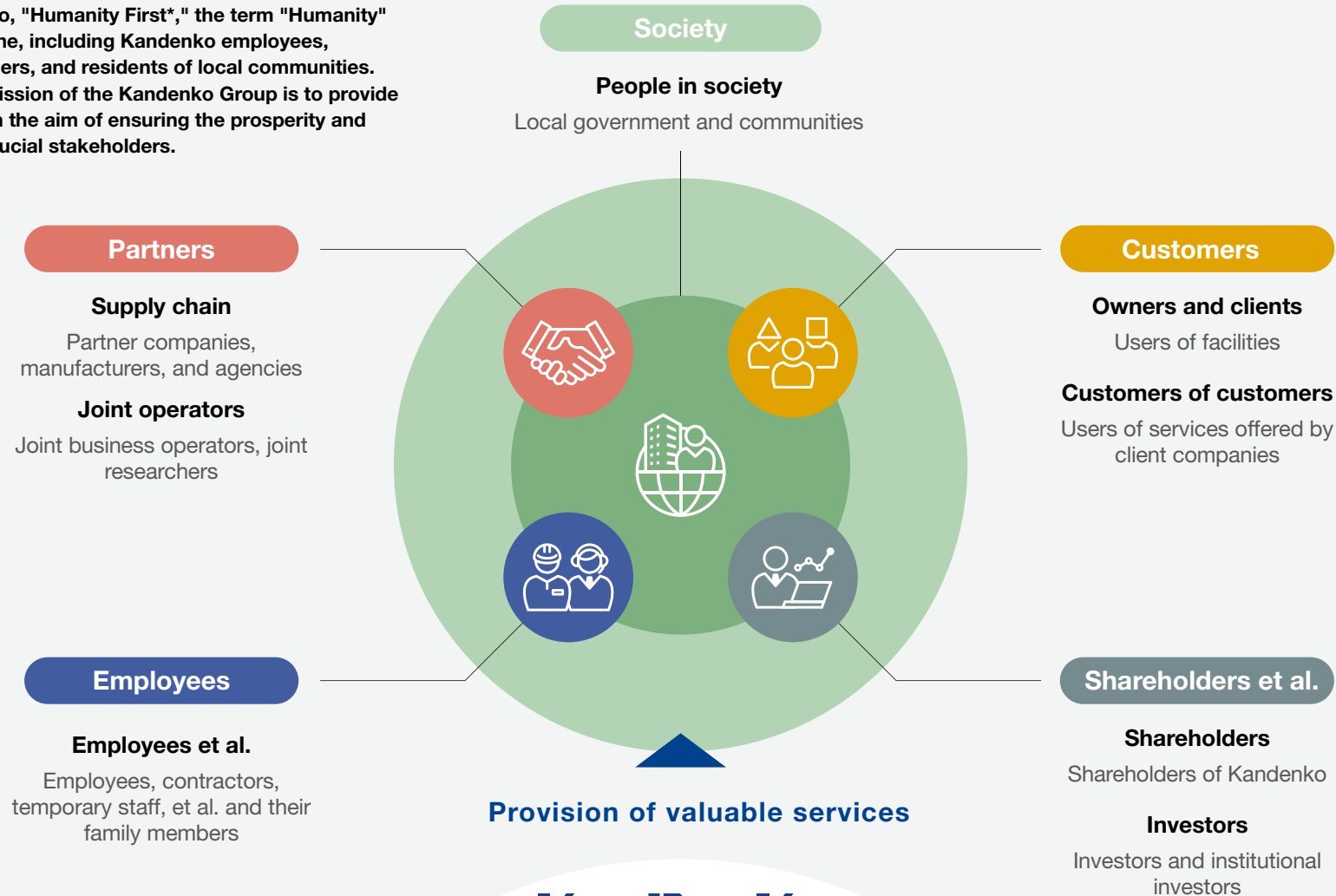
- Facility maintenance
- Executing renewal projects to enhance the functionalities of customer-owned facilities, covering aspects like decarbonization, disaster preparedness, and BCP

We deliver comprehensive post-sales service through our skilled personnel with extensive knowledge, and backed by a support system that includes group companies.

Important stakeholders

In our corporate motto, "Humanity First*," the term "Humanity" encompasses everyone, including Kandenko employees, shareholders, customers, and residents of local communities. We believe that the mission of the Kandenko Group is to provide valuable services with the aim of ensuring the prosperity and happiness of these crucial stakeholders.

*Corporate Motto ▶ P03



KANDENKO
GROUP

▶ Group companies
<https://www.kandenko.co.jp/company/affiliated-company>



Materialities (Important Issues)

Maintenance and construction of safe and comfortable social infrastructure

Related
SDGs

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

For society and customers

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

Kandenko initiatives

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

Contribution to a decarbonized society

Related
SDGs

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

For society and customers

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

Kandenko initiatives

- Reduce CO₂ emissions from construction
- Research and development of environmentally conscious technologies and construction methods
- Reduce energy consumption through equipment upgrades etc.
- Promote the use of EV vehicles
- Control and properly dispose of waste

Promotion of innovation

Related
SDGs

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

For society and customers

- Provide high-quality equipment by deepening prefabrication and modular unit construction methods
- Rapid and efficient restoration in the event of a natural disaster
- Enhancing facilities to withstand natural disasters

Kandenko initiatives

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

Reinforcing “Hito-Ichi value” (human resources)

Related
SDGs

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

We call this “Hito-Ichi value” and we promote it as the driving force behind our business activities, in order to contribute to society.

Kandenko initiatives

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

Strengthening sound management foundation

Related
SDGs

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

Kandenko initiatives

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

*For more information, please visit the webpage below.

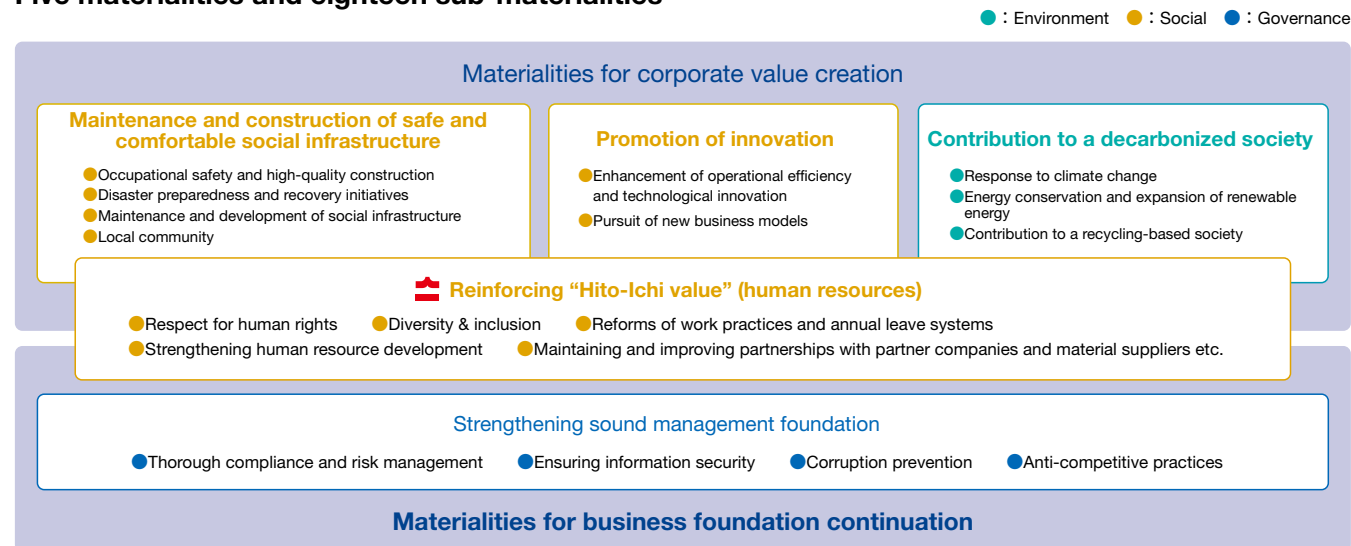
► Sustainability
<https://www.kandenko.co.jp/sustainability>



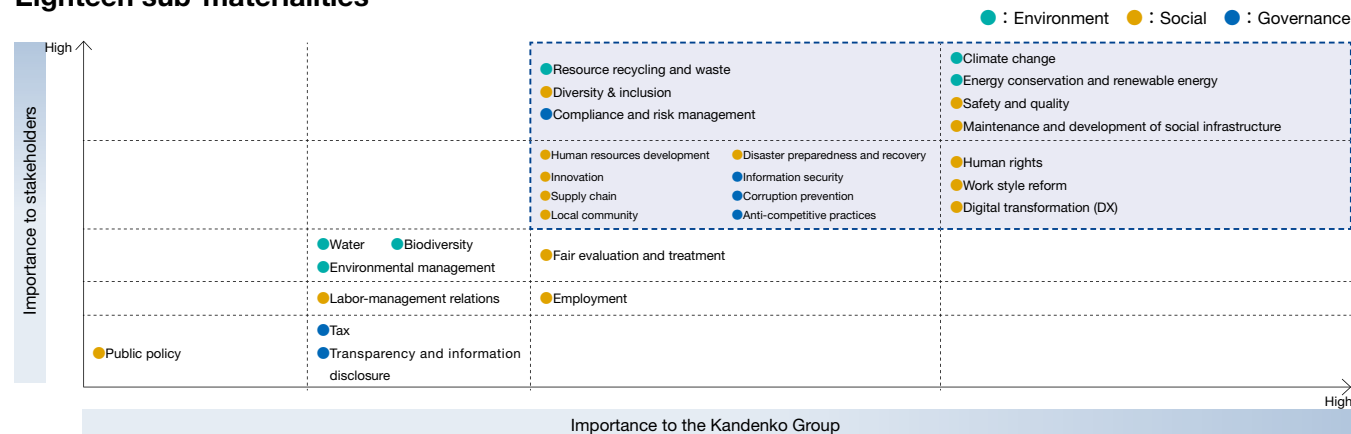
Materiality identification process

In light of our objective recognition of social issues, we conducted a sustainability-focused analysis to assess risks and opportunities, resulting in the identification of five materialities and eighteen sub-materialities. In tandem with this materiality, we will oversee our policies and measures from a sustainability perspective, discussing progress and introducing new initiatives in management councils and board of directors' meetings.

Five materialities and eighteen sub-materialities



Eighteen sub-materialities



Process of identifying materialities (important issues)

STEP 1

Identifying social issues

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

STEP 2

Evaluating the importance of social issues

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

STEP 3

Evaluating measures and reviewing validity

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

STEP 4

Identification of Materialities (Important Issues)

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

SECTION 2

Value creation initiative

- 28 Fiscal 2021–2023 Medium-Term Management Plan
- 30 Financial Strategy & Capital Policy
- 32 Business Overview by Division
- 33 Business Review by Division

Building Infrastructure Work:

- Electrical engineering, environmental facilities and systems, and renovation work

Social Infrastructure Work:

- Information & communication work
- Power distribution line engineering work
- Electric power & civil engineering work

- 41 Research and Development Activities

Fiscal 2021–2023 Medium-Term Management Plan

Change!

And Create the Future from a New Starting Point














Fiscal 2021–2023 Medium-Term Management Plan

Progress of Medium-Term Management Plan

As specific initiatives for the Medium-Term Management Plan, we analyzed market trends using a wealth of visualized sales information. We then focused on robust proposal-based sales activities in growth areas like semiconductors, data centers, and logistics, as well as securing orders for renewal work.

We accelerate our efforts to transform into a green innovation company as we approach our 100th anniversary in 2044.

Key policies	Important items	Main initiatives in fiscal 2022	Related Materialities ▶ P25	
01 ▶ Productivity Innovation	<ul style="list-style-type: none"> Business process reform Execution technology reform Thorough utilization of digital technologies 	<ul style="list-style-type: none"> Preparation of construction drawings and technical analysis by Technical Assistant Team Expansion of a back office through the new installation of Site Work Assistant Team Utilization of BLuE, a measurement recording support system Scaling up facilities and implementing mechanization to expand the utilization of the Rokugo Center Enhancing the worksite support system and expediting the transition to a paperless operation Establishment of an information analysis infrastructure for data management. 	 Promotion of innovation	 Reinforce "Hito-ichi value"
02 ▶ Rebuild Earnings Base by Demonstrating Our Comprehensive Strengths	<ul style="list-style-type: none"> Enhancement of our capability to provide compelling proposals Enhancement of profit-generating capabilities Enhancement of execution abilities 	<ul style="list-style-type: none"> Optimizing the management of sales information volume while ensuring its secure acquisition and utilization Enhancing proposal-driven sales initiatives that capture the demand for carbon neutrality and other related aspects Continuous acquisition of orders from robust industries and companies. Cooperation and collaboration with group companies Implementing the examination of VE and CD as a standard practice from the initial stage Use of productivity index 	 Maintenance and construction of safe and comfortable social infrastructure	 Contribution to a decarbonized society
03 ▶ Strengthen Foundations for Future Growth	<ul style="list-style-type: none"> Establishment of a strong presence in the field of decarbonization, disaster preparedness, and BCP Expansion of overseas business 	<ul style="list-style-type: none"> Establishment of an organizational and sales system with an emphasis on minimizing environmental footprint Increasing the number of proposals made for EV-related projects Research and development in the field of carbon neutrality Expansion of the use of Local 5G Lab Expansion of international recruitment and fostering the growth of recruited talent Venturing into the fields of traffic and electricity infrastructure 	 Maintenance and construction of safe and comfortable social infrastructure  Promotion of innovation	 Contribution to a decarbonized society
04 ▶ Promote Sound Management Activities	<ul style="list-style-type: none"> Environmental conservation Information security Safety Quality Compliance Financial capital 	<ul style="list-style-type: none"> Promotion of efforts to reduce energy consumption Checking and following up on safety activities Implementation of initiatives to prevent facility accidents and the occurrence of quality failures. Promotion of group-wide information security activities Strengthening of compliance awareness through seminars and training sessions 	 Strengthening sound management foundation	 Reinforce "Hito-ichi value"
05 ▶ Reinforce "Hito-ichi value"	<ul style="list-style-type: none"> Establishment of systems that enable diverse human resources to fully demonstrate their abilities Appealing workplaces and diverse work styles Human resources development that create the future 	<ul style="list-style-type: none"> Promotion of initiatives to enhance diversity. Promoting the advancement of women Hosting assertive communication training sessions jointly with group companies Promoting human resources development through various seminars and on-the-job training (QJT) to enhance training programs for young employees, enabling them to rapidly develop their practical skills. 	 Strengthening sound management foundation	 Reinforce "Humanity First"

Financial Strategy & Capital Policy

We continue to progress toward becoming the ideal company we aspire to be, building on the solid achievements we have accomplished

Review of fiscal 2022

Thanks to consistent progress in execution, we attained higher sales and increased profits. We aim to improve ROE and ROIC.

In terms of net sales from completed construction contracts, the increase is attributed to the successful completion of a large-scale semiconductor plant and progress in renewable energy-related construction projects. In terms of profitability, consistent progress in ongoing projects and proactive VE/CD proposals led to an upturn in profits. As a result, we attained the first increase in sales and profit in three years.

Cash on hand decreased as a result of an increase in working capital, driven by the growth in construction volume and increased orders for large projects. In addition, we allocated funds to capital investments, aiming to enhance execution capabilities, improve productivity, and mitigate environmental impact.

Our primary method of acquiring funds, aside from cash on hand,

involves securing loans from financial institutions. We uphold a financially secure position, maintaining an equity ratio of 61.2%. Fiscal 2023 marks the culmination of our Medium-Term Management Plan. We have set ambitious targets for both net sales from completed construction contracts and profits, and we aim to achieve them through steady progress in ongoing projects and additional profit generation.

Likewise, concerning profitability and efficiency, the Medium-Term Management Plan provides goals for achieving an ROE of 8% or more and an ROIC of 8% or more. We consider it crucial to transition from profit and loss (PL) oriented management to balance sheet (BS) oriented management to meet these targets. We will assess each project, taking into account both the capital invested and the correlation between net sales from completed construction contracts and profit. Concerning the improvement of the P/B ratio, given the common belief that a P/B ratio exceeds 1x when ROE surpasses the cost of shareholders' equity, we will strive to further enhance ROE to meet the return level demanded by shareholders.

Progress of Medium-Term Management Plan

Promoting digitalization and enhancing efficiency to reach goals

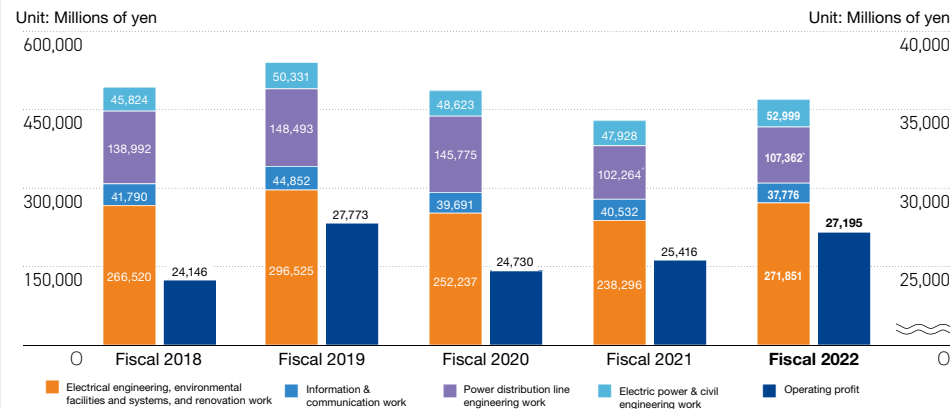
To enhance profitability, we will allocate income/expense targets to each segment, business site, project, etc., along with specific and measurable initiatives to achieve our goals. Simultaneously, we will enforce cost management measures through thorough oversight of construction progress.

We also aim to enhance productivity by reinforcing our worksite support system. This involves the effective allocation of personnel based on construction volume and the systematization of worksite operations. We intend to maintain a robust capital adequacy ratio and strengthen our financial foundation by generating cash through these measures to reinforce profitability and solidify the management of working capital, including trade receivables.

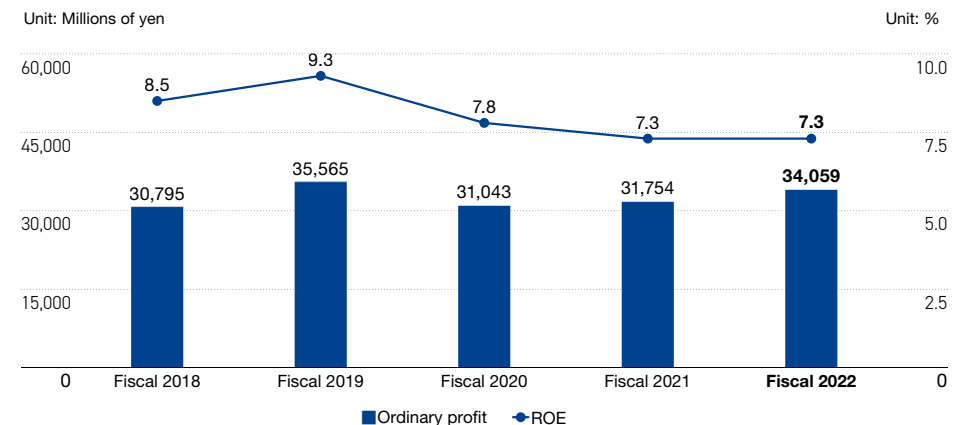
In terms of challenges, despite the flourishing new orders driven by a robust demand for domestic construction, difficulties arise from escalating material, equipment, and labor costs. Ensuring stable profits is deemed crucial under such circumstances.

To realize productivity innovation, one of our key policies, we must undergo comprehensive operational process reforms achieved through digitalization. Additionally, we need to improve the efficiency

Net sales from completed construction contract/operating profit (non-consolidated)



Ordinary profit/ROE (consolidated)



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

Financial Strategy & Capital Policy

of both execution management and worksite operations by incorporating prefabricated components, unit-based operations, and leveraging back-office capabilities. Furthermore, we will enhance our ability to offer the best possible solutions, spanning decarbonization, disaster prevention, and BCP, to strengthen the foundations for future growth. The entire Kandenko Group will make a united effort to achieve our performance targets for fiscal 2023.

Shareholder Returns

To maintain stable dividends

We distribute profits to our shareholders following the fundamental policy of maintaining stable dividends, considering both our business performance and the business environment.

For fiscal 2023, we aim to achieve a consolidated dividend payout ratio of 30% or more as stated in our Medium-Term Management Plan in order to actively return profits to our shareholders.

Investment in Human Capital

Accelerate our initiative to reinforce our “Hito-Ichi value”

Guided by our corporate motto, “Hito-Ichi value,” we endeavor to enhance our Humanity First to achieve the prosperity and happiness of all stakeholders, including Kandenko employees, shareholders, customers, and local communities.

To reinforce our “Hito-Ichi value”, we are implementing comprehensive initiatives to establish a favorable work environment. This includes maintaining and enhancing the functionality of personnel, human resources, and procurement systems, as well as efforts in human resources development and partnership building. We have established a personnel plan, human resources development plan, and procurement policy. Through progress management utilizing indicators and action plans, we identify and address issues, providing feedback to refine the plans and policies.

Toward the realization of a green innovation company

Social contribution as a comprehensive facility company with the goal of realizing a carbon-neutral society

To transform into a green innovation company, our goal is to develop a new business portfolio that aligns with the principles of a carbon-neutral society.

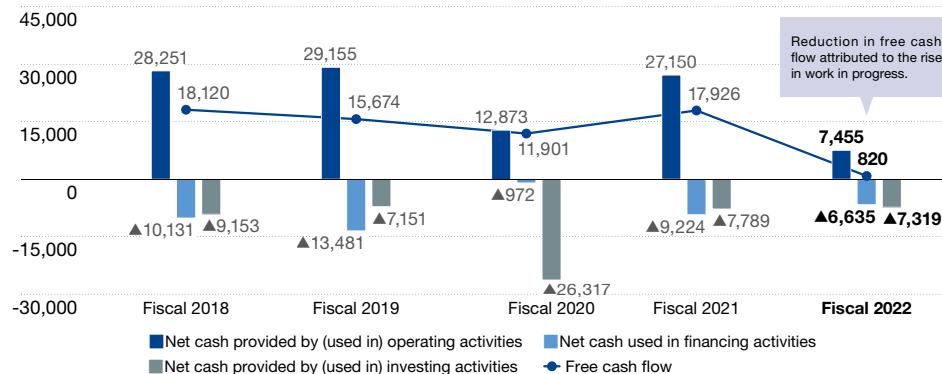
We conduct a comprehensive assessment of the growth potential

and profitability of our current business through thorough and multifaceted market analysis while simultaneously exploring opportunities for expansion into new businesses. We have been leveraging the technologies and skills developed as a comprehensive facilities company to decarbonize our customers' facilities and enhance the resilience of social infrastructure. In contributing to the realization of a sustainable society through our expertise, we will drive proactive investments in R&D and new ventures with a specific emphasis on areas related to carbon neutrality.

To secure the mid-to-long-term enhancement of our corporate value, we consider it crucial to engage in constructive dialogues with stakeholders, including shareholders and investors. We will proactively engage in discussions concerning our business, vision, progress in our Medium-Term Management Plan, and ESG initiatives. Furthermore, we will give careful consideration to the opinions we receive and integrate them into our future management strategies.

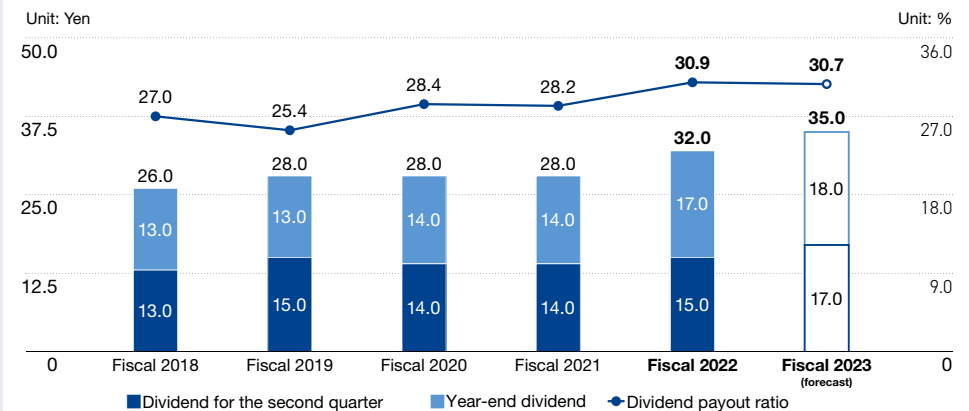
Cash flows (Consolidated)

Unit: Millions of yen



Status of dividends

Unit: Yen



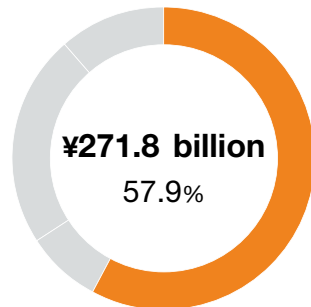
Business Overview by Division

Building Infrastructure Work

Electrical engineering,
environmental facilities and systems,
and renovation work

► P33

Sales composition



Business Overview

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

Customers

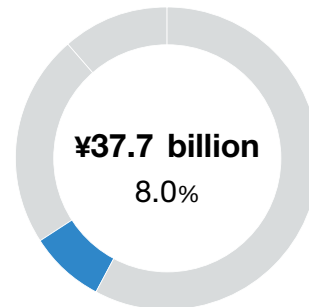
- Construction companies
- Real estate developers
- Manufacturing companies
- Government offices, and others

Social Infrastructure Work

Information & Communication Work

► P35

Sales composition



Business Overview

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

Customers

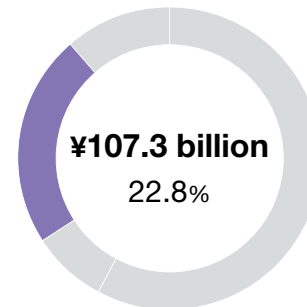
- Mobile phone carriers
- CATV operators
- Government offices
- Electric power company
- Telecommunications service providers

Social Infrastructure Work

Power Distribution Line
Engineering Work

► P37

Sales composition



Business Overview

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

Customers

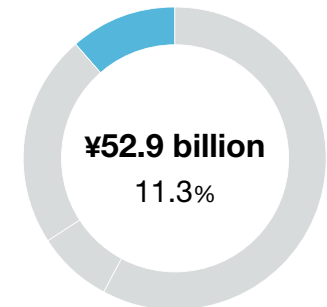
- Electric power company, and others

Social Infrastructure Work

Electric Power & Civil Engineering Work

► P39

Sales composition



Business Overview

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

Customers

- Electric power company
- Renewable energy power generation businesses
- Government offices, and others



ES CON FIELD HOKKAIDO (Hokkaido prefecture)

©H.N.F.

We actively advocate for on-site business process reforms and offer total energy solutions across a diverse array of projects.

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

Work on environmental facilities

- ▶ Work on air-conditioning and sanitation systems as well as water, heat, and disaster prevention systems

Net sales from completed construction contract in fiscal 2022

¥271,851 million

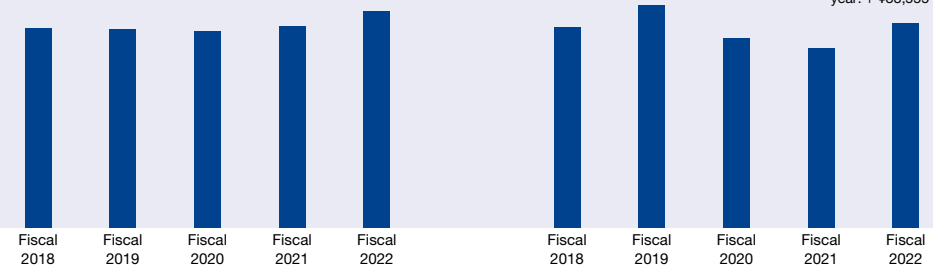
Compared to the previous fiscal year
114.1%

New orders received

¥288,620 million
Compared to the previous fiscal year: + ¥20,971 million

Net sales of completed construction contracts

¥271,851 million
Compared to the previous fiscal year: + ¥33,555 million



Review of fiscal 2022

Sales from new orders and completed construction contracts increased, attributed to the acquisition of contracts in growing fields and other contributing factors.

In the Building Infrastructure Work Division, there was a consistent increase in sales from both new orders and completed construction contracts. Sales from new orders exceeded that of the previous fiscal year, primarily propelled by the acquisition of orders for electrical engineering works in large-scale construction projects related to semiconductors, electronic components, data centers, and other thriving industries. Additionally, as planned, we acquired orders for environmental facility construction in redevelopment projects and the construction of hospitals and other facilities. Furthermore, the sales from completed construction contracts experienced a substantial increase from the previous fiscal year, driven by the progress of ongoing construction at various manufacturing plants, particularly in the semiconductor field. Additionally, the full-scale implementation of redevelopment projects in such metropolitan areas as Tokyo, Yokohama, and Osaka contributed to this growth.

Progress of Medium-Term Management Plan

We are restructuring on-site operational processes to ensure sustainable growth through enhanced productivity.

In line with the priority policies articulated in the Medium-Term Management Plan, which encompass "Rebuilding the earnings base by demonstrating our comprehensive strengths" and "Strengthening foundations for future growth," we are enhancing our sales and technical proposal capabilities. This initiative aims to consistently increase order volumes in such growing sectors as semiconductor and battery factories, as well as data centers, by fully leveraging our expertise rooted in our extensive experience of handling and executing orders. Moreover, to precisely address customer demands for CO₂ emissions reduction and electricity rate optimization, we focus on proposing a set of technologies related to creation, storage, and energy conservation, along with the renewal of existing facilities. Next, concerning productivity innovation, we are reassessing on-site operation processes to ensure compliance with a legal cap on overtime work while actively implementing various initiatives to alleviate the workload of construction personnel. In addition to progressing with the DX and back-office systems we have implemented thus far, we are also actively developing and expanding our on-site supply system, particularly focusing on the adoption of prefabricated and unitized construction methods. These methods involve conducting such essential processes as cutting and drilling for electrical components offsite in advance before reaching the construction site. We are broadening the utilization of products manufactured at our prefabrication site (Rokugo Center) by establishing a dedicated team at our head office responsible for minimizing manpower and labor during construction. This team maintains close communication with worksites to ensure effective implementation.

CHUGAI PHARMACEUTICAL CO., LTD.
Chugai Life Science Park Yokohama
(Kanagawa prefecture)



We will provide our employees with the opportunity to experience in advance the workstyle that begins in fiscal 2024 and beyond. Through this initiative, we aim to identify the causes of overtime work in greater detail than ever before, allowing us to develop more effective on-site support measures. In the short term, we will continue to ensure flexible allocation of personnel across regions to secure the necessary human resources. Simultaneously, for the medium to long term, we are introducing new initiatives in human resources development. This involves concurrently hiring new graduates as temporary staff and implementing plans for individual leadership training through a tutor system to enhance our human capital.

Becoming a Green Innovation Company

We promote the adoption of ICT, digital technology, and DX, actively taking the lead in addressing challenges in industries

We expect substantial advancements in the adoption of digital transformation (DX) within the construction industry in the coming years. Kandenko is also ready to fully leverage ICT and digital technology for a drastic reassessment of our operational processes. In the medium term, we are developing a plan to establish a centralized control center with both back-office and logistics functions, intending to relocate a portion of on-site management operations to this center. We strive to improve both productivity and work styles by implementing the division of on-site operation processes and transitioning to standardized on-site construction work. Furthermore, in line with government policies, we expect ongoing capital investments in sectors related to automobiles, semiconductors, and data centers. Additionally, the demand for industries contributing to carbon neutrality is expected to become more diverse. In order to align our business operations with the evolving society and the increasingly varied needs of customers, we will shift our sales strategy to emphasize proposing engineering solutions based on monitoring. This transformation aims to offer a comprehensive solution service encompassing planning, proposals, construction, maintenance, monitoring, and control across all aspects of energy.

Growth strategy for electrical engineering, environmental facilities and systems, and renovation work

Tailwind

- Investment in private-sector construction, which experienced a decline during the COVID-19 pandemic period, is indicating a gradual recovery trend.
- There is an increase in capital investment targeted at decarbonization, along with investments in sectors related to semiconductors and data centers.

Headwind

- Prolonged increases in the prices of copper and construction materials and equipment.
- Concerns about a global economic slowdown amid inflation and the implementation of monetary tightening policies in various countries

Specific Initiatives to Become a Green Innovation Company

- Support for the implementation of storage batteries for business and industrial applications in office buildings, commercial facilities, and manufacturing plants
- Support for the adoption of energy-efficient electrical and HVAC equipment in the green data center
- Proposal for the repowering of renewable energy facilities
- Establishment of smart security technologies in existing facilities and the development of its operation systems
- Development of new energy monitoring and measurement systems



Mobile communications base station installation work (Chiba prefecture)

We create the ideal network infrastructure to support a digital society through the implementation of next-generation communication technologies.

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

Net sales from completed construction contract in fiscal 2022

¥37,776 million

Compared to the previous fiscal year
93.2%

New orders received

¥34,400 million

Compared to the previous fiscal year: - ¥3,807 million

Net sales of completed construction contracts

¥37,776 million

Compared to the previous fiscal year: - ¥2,756 million



Review of fiscal 2022

We explore new domains to secure a consistent growth in order volume.

In the environment of orders received for information and telecommunications projects, the demand for projects to repair aging expressways remained robust. Simultaneously, there was an uptick in optical cable projects driven by TEPCO's initiatives to enhance the resilience of smart grids. Conversely, a decrease was observed in projects involving the installation of base stations for mobile phone carriers, attributed to semiconductor shortages, and the completion of a series of large-scale transmission line installation projects for CATV carriers. These factors led to a decline in both sales from new orders and from completed construction contracts compared to the previous fiscal year. In the upcoming period, our strategy for ensuring a consistent growth in order volume involves vigilant monitoring of the preferences and needs of major clients like TEPCO and mobile phone carriers. We also plan to secure orders by offering solutions that leverage the capabilities of local 5G, a high-performance wireless system. Additionally, we will actively engage in sales efforts for construction projects related to carbon neutrality, capitalizing on the anticipated surge in demand resulting from the widespread installation of EV chargers.

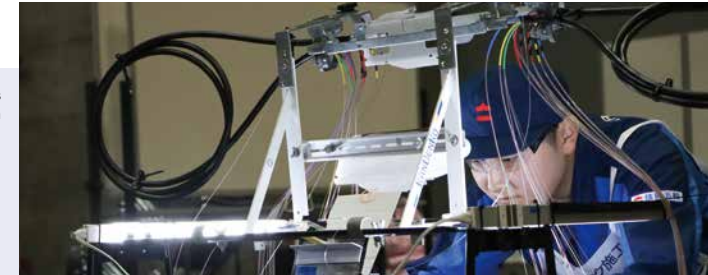
Progress of Medium-Term Management Plan

We aim to cultivate individuals with diverse skills and to advance our technologies in order to contribute to the development of a decarbonized society.

Enhancing productivity innovation is a key point outlined in the Medium-Term Management Plan, and it is a specific area where we are directing special efforts. In particular, we are enhancing the functionality of the worksite support system implemented in fiscal 2021, facilitating the efficient identification of on-site conditions and transitioning to paperless operations. Additionally, we are actively deploying Robotic Process Automation (RPA) for routine tasks and initiating reforms in business processes involving customer interactions. Our emphasis is also on enhancing productivity by training employees to acquire a variety of skills, enabling them to manage diverse tasks, and adopting flexible staffing practices. We believe these initiatives will maximize their effectiveness in alignment with the implementation of the legal cap on overtime work scheduled to take effect in fiscal 2024.

Building a robust foundation for future growth involves fortifying the capacity to deliver solutions centered around local 5G. The high performance of local 5G is anticipated to find applications in various fields like manufacturing, medicine, and tourism. However, numerous challenges, including the design of the wireless coverage area, must be addressed for its successful implementation. Therefore, Kandenko is undertaking various initiatives to provide extensive support to our clients, encompassing local 5G consulting and licensing, system design, installation, maintenance, and operation. As part of this endeavor, we are conducting demonstrations at the Local 5G Lab, the facility established in April

Optical cable installation work in the National Skills Competition



2022, allowing users to experience the performance and convenience of local 5G. Furthermore, we are showcasing our accumulated technologies and expertise in wireless telecommunications. Through these activities and engaging in dialogue with customers, we are exploring the potential to offer solutions and form new alliances. Constructions related to carbon neutrality are anticipated to experience a significant surge as part of the international commitment to reduce CO₂ emissions. Consequently, we are dedicated to securing contracts for EV charger installation projects and storage battery installation projects, utilizing the expertise honed through power source construction projects for mobile phone bases. Simultaneously, we aim to secure orders for Virtual Power Plant (VPP) and Power Purchase Agreement (PPA)-related construction projects through collaboration with local governments and Tokyo Electric Power Company.

In fiscal 2023, the concluding year of the Medium-Term Management Plan, we anticipate sales from completed construction projects to be ¥41.0 billion. In pursuit of our objectives, we aim to obtain a consistent volume of construction projects in the fields of telecommunication cable, mobile, and CATV, with the ultimate goal of enhancing our financial performance.

Information & Communication Work Growth Strategy

Tailwind

- The rise in optical cable construction volume attributed to TEPCO's smart grid initiative and other contributing factors
- Diversification of construction projects to bolster resilience, driven by the promotion of the National Resilience Plan by the national government

Headwind

- Escalating costs of materials and equipment attributed to a weakened yen, semiconductor shortages, and the situation in Ukraine
- Variations in capital investment by mobile phone carriers based on economic trends and other influencing factors

Becoming a Green Innovation Company

Our comprehensive solution for information and communication systems supports efficient energy utilization.

As the momentum toward achieving carbon neutrality continues to grow, there is an expectation of the extensive use of information and communication technologies for efficient and coordinated energy control. Kandenko is committed to delivering energy-related information and communication systems that meet the needs of our customers. To achieve this, we will strengthen our engineering capabilities and software technology, leveraging the expertise we have accumulated. Additionally, we are dedicated to undertaking diverse initiatives, including enhancing the skills of our development support teams, fostering synergy within the Kandenko Group, and collaborating with companies possessing a range of technologies and expertise, such as manufacturers and system integrators. Through these efforts, we aim to generate new value.

Specific Initiatives to Become a Green Innovation Company

- Engagement in the advancement and demonstration of locally tailored 5G solutions aimed at addressing regional challenges
- Delivery of comprehensive solution services in the field of information and communication through collaboration with NextCadix Ltd., our subsidiary
- Development of systems that promote energy and resource conservation, such as the remote monitoring system for storage batteries



Overhead power distribution line work using the indirect hot-line method (Ibaraki Prefecture)

Description of Business

Overhead power distribution line work

► Construction and maintenance of overhead power distribution lines facilities involving power poles with power cables

Underground power distribution line work

► Construction and maintenance of underground distribution lines facilities involving power cables underground

Net sales from completed construction contract in fiscal 2022

¥107,362 million

Compared to the previous fiscal year
105.0%

New orders received

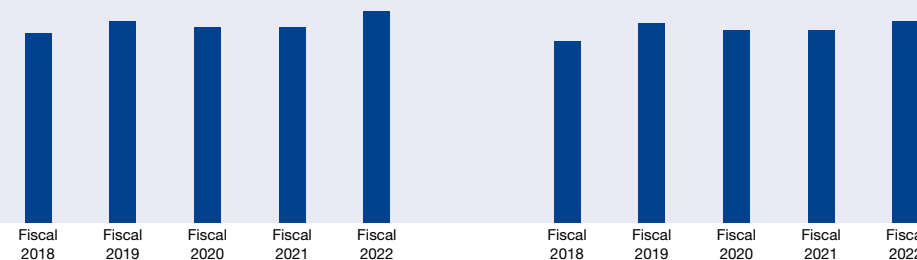
¥112,396 million

Compared to the previous fiscal year: + ¥8,155 million

Net sales of completed construction contracts

¥107,362 million

Compared to the previous fiscal year: + ¥5,097 million



Review of fiscal 2022

The performance exceeded that of the previous fiscal year, driven by a substantial work on hand and expansion in growing sectors.

Within the Power Distribution Line Engineering division, sales from both new orders and completed construction contracts surpassed the levels of the previous fiscal year. A key contributing factor to the robust performance was our ability to secure abundant work on hand because clients proactively placed orders for construction projects to address the aging of power distribution lines in anticipation of the initiation of the revenue cap system. This proactive approach led to an increase in orders for both overhead and underground power distribution line work. Furthermore, detailed construction planning to enhance the efficiency of underground power distribution line work and measures to improve productivity, contributing to increased work density in overhead power distribution line work, have resulted in a rise in sales from completed construction contracts. On another note, concerning the acquisition of construction contracts from clients overall (excluding TEPCO), we achieved excellent performance by actively participating in Private Finance Initiative (PFI) projects for power line joint trenches aimed at eliminating utility poles. Additionally, our proactive sales efforts in the installation of EV chargers also contributed to this success.

We build robust construction foundations to achieve a decarbonized and resilient society.

Social Infrastructure Work

Power Distribution Line Engineering Work

Progress of Medium-Term Management Plan

We reinforce our execution capabilities through productivity innovation and human resources development to continue responding to the demand from the expanding market.

To achieve productivity innovation, we promote business process reforms by strengthening the worksite support system. At the same time, we are working to improve efficiency by thoroughly applying digital technology, such as remote worksite management using mobile devices and wearable devices. We also work on research and development of items that contribute to workload reduction, such as assist suits, assist tools, and the small diameter curved piping method.

Additionally, to reconstruct our earnings foundation, we are fostering multi-skilled construction personnel and transferring expertise to younger employees, ensuring sustained construction capabilities for the future. Moreover, we are steadily supporting human resource development at partner companies.

To strengthen the foundations for future growth, we intend to broaden our sales efforts beyond the Kanto region. This initiative aligns with the GX Promotion Strategy (Strategy to Promote the Transition to a Decarbonized Growth-Oriented Economic Structure) established by the Japanese government in July 2023. We will leverage our expertise in EV chargers, elimination of utility poles, LED street lighting, and other areas to capitalize on this strategy.

Cable connection work for underground distribution lines facilities (Tokyo)



Looking forward, we anticipate a market expansion in the renewable energy sector driven by the expansion and maintenance projects associated with distribution lines constructed during the rapid economic growth period (from the 1950s to the 1970s) and the GX Promotion Strategy. Consequently, we expect the Social Infrastructure Work division's performance in fiscal 2023 to exhibit a robust trend with new orders totaling ¥111.5 billion and completed construction contracts reaching ¥110.5 billion. We keep enhancing our execution capabilities, of course, and concentrate on securing new clients by actively gathering information to accurately identify social needs and defining clear targets.

Growth Strategy for Power Distribution Line Engineering Work

Tailwind

- Start of the revenue cap system, which requires power companies to upgrade facilities according to predefined plans
- Implementation of the plan to promote the undergrounding of power lines by the national and local governments
- Expanding demand for EV chargers and solar power facilities with the background of the GX Promotion Strategy

Headwind

- Decline in the labor force due to population decline attributed to a decreasing birthrate and aging demographics
- Discontinuation of the transfer of technologies, skills, and expertise held by veteran employees

Becoming a Green Innovation Company

We expand our business in growing fields that shape the future by addressing the demand for decarbonization and enhancing resilience.

In our efforts to achieve a decarbonized and resilient society, we are working towards reducing CO₂ emissions at the worksite level through various means. This includes shifting to battery power for the structural components of aerial work platforms, employing electric power for hydraulic tools, and incorporating electric vehicles into our business operations. With a long-term perspective in mind, we are advancing the development of technologies and nurturing human resources for the future, including efforts in next-generation renewable energy power generation.

We are dedicated to expanding our business in growing fields while intensifying our efforts to develop the next-generation power network as a key player to ensure a stable electricity supply. We will also persist in diligently undertaking construction projects to enhance resilience in preparation for the escalating severity and frequency of natural disasters. Through these efforts, we aim to further fortify our Social Infrastructure Work division.

Specific Initiatives to Become a Green Innovation Company

- Utilization of eco-mix, a room-temperature asphalt for repairing pavements that is composed of recycled materials
- Construction employing technologies like small-diameter curved piping methods to ensure economic efficiency and environmental consideration for nearby areas



Hamasato Wind Farm (Hokkaido Prefecture)

We contribute to the advancement of a society powered by next-generation energies through our steady involvement in construction projects related to renewable energy.

Description of Business

Work on substations▶

Work on power stations and substations and renewable energy power generation

Work on transmission lines▶

Work on overhead transmission lines

Work on underground lines and civil engineering work▶

Work on underground power transmission lines and civil engineering work

Work on nuclear power plant▶

Repair, maintenance, and inspection of nuclear power plant

Net sales from completed construction contract in fiscal 2022

¥52,999 million

Compared to the previous fiscal year
110.6%

New orders received

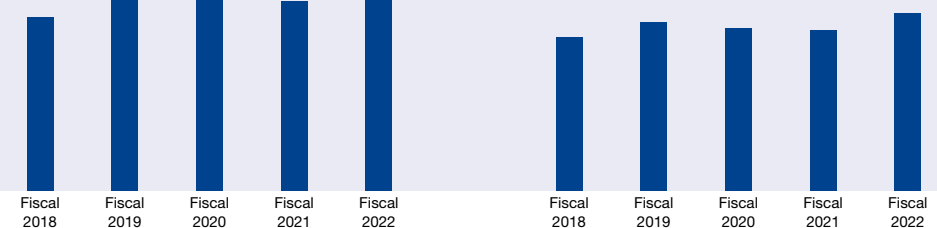
¥57,900 million

Compared to the previous fiscal year: + ¥1,159 million

Net sales of completed construction contracts

¥52,999 million

Compared to the previous fiscal year: + ¥5,071 million



Review of fiscal 2022

Revenue from both new orders and completed construction contracts was high and driven by an increase in projects related to storage batteries and other associated ventures, in addition to those related to renewable energies.

The Social Infrastructure Work division saw a rise in new orders compared to the previous fiscal year driven by steady growth in TEPCO's construction projects and an uptick in storage battery installation work for special high-voltage power receiving and transforming facilities. This growth occurred despite some setbacks, including plan revisions by power generation companies due to increasing prices of materials and equipment, as well as delays in obtaining permits and approvals. Despite a reduction in overhead transmission line construction and process delays caused by external factors, sales from completed construction contracts significantly surpassed that of the previous fiscal year. This accomplishment is attributed to an increase in both orders received and completed work during the current fiscal year as well as diligent progress in construction.

Progress of Medium-Term Management Plan

We strive to enhance our execution system by accumulating technologies and expertise to meet the growing demand in the field of renewable energies.

In terms of productivity innovations, we conducted a review of our business processes to enhance work efficiency, including centralizing the management of technical reviews and digitizing on-site management. In anticipation of the overtime cap set to be implemented from fiscal 2024, we will actively pursue a comprehensive review and streamlining of business processes aimed at alleviating the workload at worksites.

Regarding the rebuilding of our earnings through the demonstration of our comprehensive strength, we have focused on fortifying our profit-generating capabilities. This involves implementing sales activities aimed at securing renewal and replacement projects for existing facilities, including those related to renewable energy. Anticipating a growing demand for the construction of storage battery facilities in the future, we are committed to meeting customer expectations by mobilizing our division to secure construction personnel and enhance our construction track record.

To strengthen the foundation for future growth, we are proactively acquiring information on storage batteries and micro-grids in tandem with fulfilling orders and executing renewable energy-oriented construction projects. Simultaneously, we are dedicated to amassing technological expertise, enhancing our knowledge base, and reinforcing our construction processes.

Replacement of switches in substations
(Shizuoka prefecture)



Concerning health management, a cornerstone in fortifying our “Humanity First”, we cultivate an environment where individuals can fully utilize their capabilities. This involves implementing personnel measures to facilitate active participation for employees in older age groups. Simultaneously, we concentrate on the training of younger employees, enabling them to enhance their abilities and swiftly acquire practical skills. We consistently nurture trust through K. Assertion, promoting a workplace environment that prioritizes employee satisfaction. Furthermore, we assist younger employees in swiftly gaining expertise through online courses and practical training sessions supplemented by on-site support from seasoned veteran employees.

Growth Strategy of Electric Power & Civil Engineering Work

Tailwind

- Advocacy for renewable energies as the primary power source to achieve carbon neutrality by 2050
- Expansion of distributed power sources and corresponding demand to construct power plants and substations
- Start of the revenue cap system, which requires power companies to upgrade facilities according to predefined plans

Headwind

- Decline in the labor force due to population decline, attributed to a decreasing birthrate and aging demographics
- The ongoing increase in prices for materials and equipment, coupled with delays in their deliveries, attributable to the COVID-19 pandemic and the crisis in Ukraine
- Intensifying competition for securing orders as the scale of projects increases

Becoming a Green Innovation Company

We contribute to the utilization of next-generation energy systems through technological development.

To realize a sustainable society, we aim to improve the provision of comprehensive solution services for constructing wind and solar power plants by aligning with the growing utilization of renewable energy. Additionally, we focus on services for building new extra high-voltage power receiving and transforming facilities, which are becoming essential because of the rapid increase in the number of EV charging facilities.

Furthermore, to play a role in advancing the adoption of next-generation energy, we will proactively gather information on hydrogen production technologies, versatile multi-terminal DC power transmission systems that enable efficient power transfer, and emerging power generation systems like perovskite solar cells. Through these efforts, we aim to enhance our understanding and expertise in these areas.

Specific Initiatives to Become a Green Innovation Company

- Total solution covering large-scale wind farm, solar power generation system installation plan, design, construction, and maintenance

Research and Development Activities

Research and Development System

Striving to enhance the safety, quality, and efficiency of current operations while fostering sustainable societal growth, the Kandenko Group is directing its efforts towards technological advancements supporting digitalization and robotization, technology development related to disaster preparedness and BCP, and technological progress for the establishment of a decarbonized society. In fiscal 2022, we conducted our research and development activities with focus on technology development that creates worksite earning power. Specifically, in the field of technological development contributing to robotization, we created a moving device control system designed to autonomously assist in

various measurement tasks, such as illuminance. We also developed a self-propelled ceiling wiring robot. In the pursuit of technology to realize a decarbonized society, we actively conducted research on carbon dioxide emissions calculation methods. Additionally, we worked on strengthening technological development through collaboration among industry, government, and academia, as well as in cooperation with group companies. The R&D expenses for fiscal 2022 was ¥1,733 million. The next page provides details on the primary accomplishments of our R&D efforts.

Technology Research & Development Institute

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



High-Voltage Laboratory

The High-Voltage Laboratory is made up of a test room, physical test room, working room, and outdoor water tank used for voltage resistance tests. In the test room, we have large-scale experiment devices, including a 350 kV AC voltage generator, 1,800 kV-impulse voltage generator, and 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.



1,800 kV impact voltage generator

Intellectual Property Initiatives

Our intellectual property (IP) activities have centered on generating, safeguarding, and utilizing intellectual property with a specific emphasis on technologies that enhance construction efficiency and ensure safety and quality. In addition to these ongoing initiatives, a dedicated department overseeing intellectual property management actively engaged in construction and planning projects from their initial phases, initiating efforts to obtain patents for worksite technologies, expertise, and ideas.

As a result, we have been increasing the number of patent applications in the field of DX and robotics engineering. Furthermore, we are publicizing our technologies by acquiring trademarks and commercializing products like Ealitun mini, BLuE, and Rakuraku Toru-kun.

Moving forward, we will enhance our commitment to research and development, particularly in such areas as carbon neutrality, disaster preparedness, and BCP. This will involve leveraging external resources, including collaboration among industry, government, and academia, while securing the accomplishments as our intellectual properties.

According to the Green Transformation Inventory Classification released by the Japan Patent Office in June 2022, Kandenko holds a significantly greater number of patents related to green transformation compared to the standard in the electrical infrastructure work industry.

Number of SDGs patents Kandenko holds

6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	Not applicable/Other	Total
3	33	26	8	15	62	147

*Created using the tool of Japan Patent Information Organization

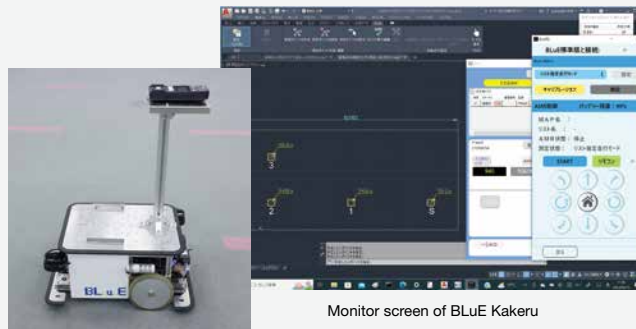
The number of patents held by Kandenko, as indicated above, serves as our competitive advantage. Therefore, we endeavor to intensify our efforts in patent applications. At the same time, we aim to developing our intellectual property portfolio in fields that contribute to the expansion of business domains and services.

Research and Development Activities

Examples of Initiatives

Development of BLuE Kakeru

During indoor electrical work, the measurement of illuminance and other conditions involves a manual process encompassing measurement, recording, and reporting of values. The workload associated with these procedures is substantial, prompting the need for efficiency improvements in these operations. To tackle this challenge, Kandenko has introduced the BLuE measurement recording support system. Additionally, we have now developed BLuE Kakeru, a system that identifies a measurement point on a CAD diagram and autonomously directs a measurement device to the specified location. The integration of the BLuE Kakeru system and BLuE will enable fully automated measurement and recording. We plan to incorporate additional measurement devices compatible with this system to further enhance work efficiency.



BLuE Kakeru

Monitor screen of BLuE Kakeru

BLuE Measurement Recording Support System

This software enables the direct input of on-site measurement values into drawings and records by wirelessly connecting measuring instruments, such as illuminance meters and insulation resistance testers, to PCs and tablet terminals. It has already received positive feedback from many customers due to its high versatility and ability to support various formats.

► BLuE special webpage <https://smart-blue.net/>



Enhancement of the Self-propelling Ceiling Wiring Robot

Installation of piping and cables in the ceiling, where numerous facilities are crowded, occurs at elevated heights and within confined spaces. Consequently, ensuring safety and a significant reduction in work efficiency pose challenges. Kandenko has developed and deployed self-propelled ceiling wiring robots that can be operated remotely, utilizing them in practical wiring projects. However, during renewal works, the wiring and piping of existing facilities, scattered throughout, present obstacles for the robots, impeding them from reaching their full potential. Consequently, there arose a necessity for improvements.

Therefore, we created Rakuraku Toru-kun NEO, incorporating several enhancements, including increased maneuverability, reduced weight, and improved visibility through a 360-degree camera. We plan to deploy this device in various worksites, particularly in renewal construction projects, aiming to enhance safety and further improve work efficiency.



Rakuraku Toru-kun NEO

Research on Methods for Calculating CO₂ Emissions

To contribute to realizing a decarbonized society through the reduction of carbon dioxide emissions, it is becoming increasingly crucial to swiftly and accurately calculate a company's supply chain-wide emissions (Scope 3). Hence, Kandenko is engaged in research to promptly and accurately identify emissions. For instance, we accumulate knowledge on the emission intensity, activities, and conversion to emission intensity of procured electric facilities by employing calculations through the stacking method based on the emission unit database (IDEA). We will continue this research to contribute to the realization of a decarbonized society.

Demonstration Research in Developing Local 5G Development

Local 5G involves local governments and businesses leading the establishment of a 5G network within specific areas or buildings, independently of external networks. Its characteristics make it effective in ensuring a high level of security and maintaining communication functions during natural disasters. Consequently, it is considered a next-generation communication technology anticipated to be utilized in various scenarios, including smart cities and virtual power plants (VPPs).

For this purpose, Kandenko has set up the Local 5G Lab, a demonstration facility, and is actively working to gather knowledge and expertise through a range of demonstration tests, encompassing design, construction, maintenance, and operation. We strive to deliver a comprehensive solution related to local 5G, aiming to materialize various ideas that effectively address the needs of our customers.



Local 5G Lab



SECTION 3

ESG Management Initiatives

Environment

44 Information Disclosure Based on TCFD Recommendations

Social

46 Initiatives to Support Recovery from Natural Disasters

47 Occupational Safety and High-Quality Construction

48 Employee Initiatives

52 Maintaining and Improving Partnerships with Partner Companies and Material Suppliers

52 Respect for Human Rights

53 Social Contribution Activities

Governance

55 Roundtable Discussion with Outside Directors

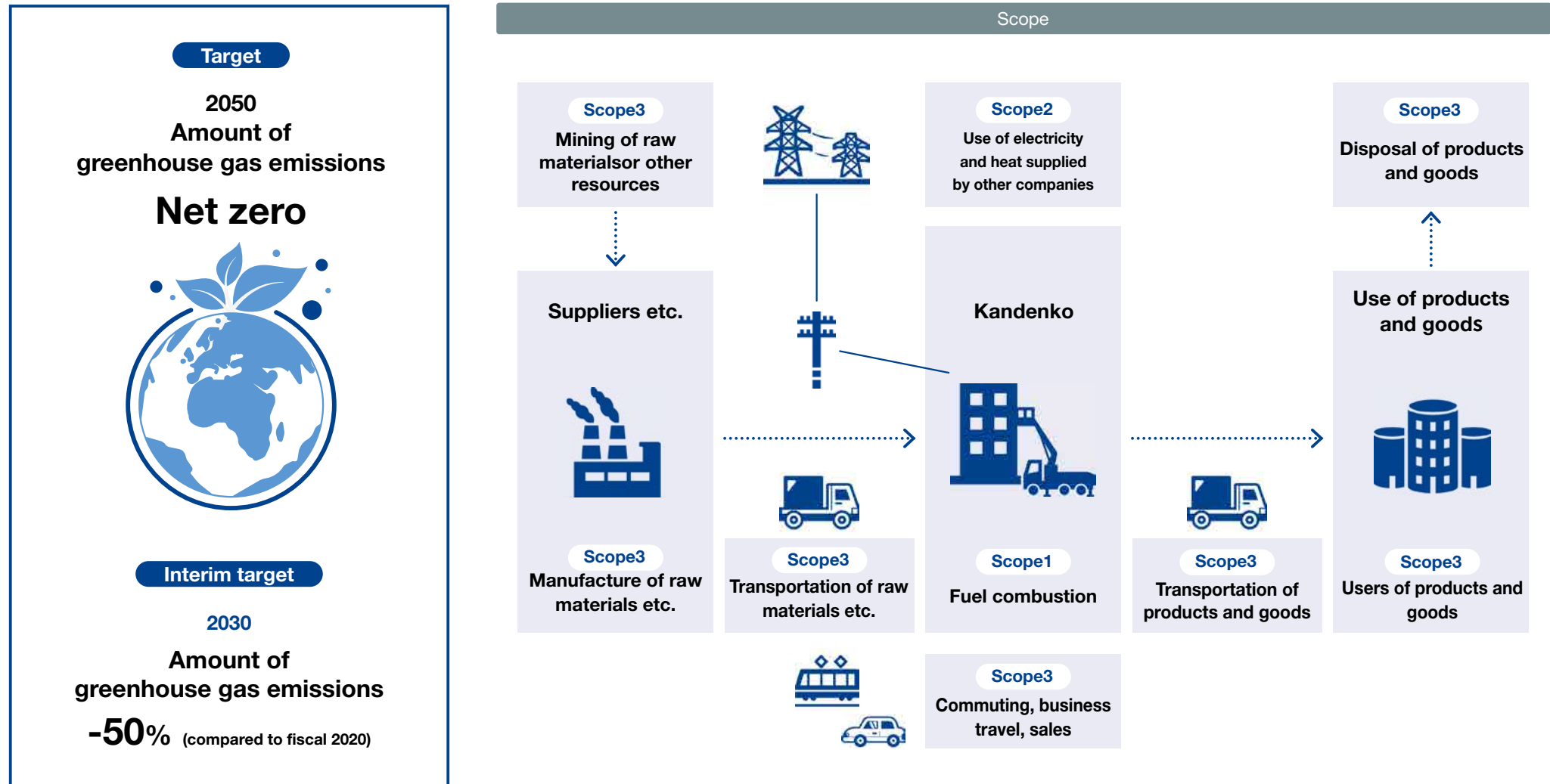
59 Corporate Governance

65 Management

Environment

Information Disclosure Based on TCFD Recommendations

The Kandenko Group views climate change as one of the most important management issues and is working to reduce greenhouse gas emissions both internally and externally.
In June 2022, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD).



Environment Information Disclosure Based on TCFD Recommendations

Information Disclosure Based on TCFD Recommendations

In accordance with the Corporate Governance Code, which was revised in June 2021, the Kandenko Group discloses crucial information regarding climate change based on the TCFD recommendations.

► Information Disclosure Based on TCFD Recommendation
<https://www.kandenko.co.jp/sustainability/tcfd>



Governance

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

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

Strategy

Risks and opportunities that may arise in the future as a result of climate change were identified in line with TCFD recommendations and their importance is assessed from a materiality perspective (important issues). Of these risks and opportunities, scenario analyses were conducted for the introduction of a carbon tax and flood and storm surge damage, based on the results of future projections by public agencies assuming 1.5°C, 2°C, and 4°C temperature increases, and the financial impact as of 2040* was calculated.

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

Risk Management

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

Also, we will annually review and update risks and opportunities identified in accordance with TCFD recommendations. This process involves comparing them with materialities (important issues) and integrating them into the Midterm Management Plan and action plans. In addition, the risks and opportunities identified in accordance with the TCFD recommendations are incorporated into the Medium-Term Management Plan and action plans, and reviewed annually, in light of materialities (important issues). Specifically, the financial impact of the risks with high probability and high impact is estimated and reflected in management strategies and financial plans. With regard to risks with low probability and high impact, we will engage in thorough future efforts to gather information, and with regard to risks with high probability and low impact, we will continue to monitor their financial impact.

Indicators and Targets

Our greenhouse gas emission calculations cover Scope 1, Scope 2, and Scope 3 of our business (non-consolidated)*, and we calculated that greenhouse gas emissions in fiscal 2021 were 673,249 t-CO₂ (location-based) and 673,618 t-CO₂ (market-based). In July 2022, we set the goal of reaching net-zero greenhouse gas emissions by 2050. As of fiscal 2023, we have begun working towards a 50% reduction in greenhouse gas emissions by 2030 (compared to fiscal 2020) by transitioning to 100% renewable energies by 2030. This shift aims to increase the probability of achieving the target for both Scope 1 and Scope 2 emissions.

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

Fiscal 2021 greenhouse gas emissions

Target: Kandenko non-consolidated (fiscal 2021)

Calculation criteria: calculation method based on GHG Protocol

Scope of calculation: Scope 1 (fuel combustion), Scope 2 (use of electricity and heat), Scope 3 (the amount of greenhouse gas emissions from the supply chain)

*Scope 1: Confirming the actual use of greenhouse gases other than CO₂ (such as SF₆).

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

Classification		Emissions (t-CO ₂)
Scope 1 (fuel combustion) ¹		10,351
Scope 2 (electricity use)	Location criteria ²	12,681
	Market criteria ³	13,050
Scope 2 (heat use)		746
Scope 3		649,471
Total (Scope 1+2+3)	(Location criteria)	673,249
	(Market criteria)	673,618

We receive support from external experts in conducting calculations.

*1: The calculation involves multiplying the annual consumption by the unit calorific value and the CO₂ emission factor for each fuel, and then summing the results. The unit calorific value of each fuel and CO₂ emission factor of each fuel are based on the System for Greenhouse Gas Emissions Calculation, Reporting, and Publication under the Act on Promotion of Global Warming Countermeasures

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

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

Environmental Initiatives

The Kandenko Group takes 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.

► Environmental Initiatives
<https://www.kandenko.co.jp/sustainability/environmental>





March 2011 The Great East Japan Earthquake

Social Initiatives to Support Recovery from Natural Disasters

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 the initiatives that we implemented following the Great East Japan Earthquake.

May 2012
Damage by tornadoes in Northern KantoApril 2016
Damage by the Kumamoto Earthquake (Indoor electrical engineering)September 2013
Damage by tornadoes in Saitama & ChibaFebruary 2014
Damage by heavy snow in GunmaSeptember - October 2019
Damage by typhoons Faxai and Hagibis
Photo: Provided by the Japan Ground Self-Defense Force

Social Occupational Safety and High-Quality Construction

Safety

Health and Safety Policy

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

Activity guidelines

Safety

We are working on the following priority items to eradicate occupational accidents.

- 1 Strengthening onsite risk management capability
- 2 Enhancing safety education
- 3 Applying digital technologies to onsite risk countermeasures
- 4 Improving communication with affiliated companies and partner companies and support safety activities

Health

We are working on the following priority items to maintain mental and physical health.

- 1 Promoting reforms of work practices and annual leave systems
- 2 Promoting mental health measures
- 3 Ensuring the health of employees and create a comfortable working environment

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.

List of ISO 9001 External Certification Acquisition Status

Category of construction	Division/Office	Registration scope	Registration organization and registration number
Building Infrastructure Work	Cost Management Division, Sales Division, Tokyo Sales Division, Kitakanto & Hokushinetsu Sales Division, Higashikanto Sales Division, Minamikanto & Tokai Sales Division, Nishikanto Sales Division, West Japan Sales Division, Fukushima Division	Design and construction of electrical infrastructure Design and construction of air-conditioning, water supply and drainage, and sanitation systems Registration date: September 1, 1997 (Valid through: February 27, 2026)	Management System Assessment Center MSA-QS-4553
	Social Infrastructure Division (excluding Nuclear Energy Department)	Design and construction of electrical and communication infrastructure, civil engineering work, and water supply and sewage, gas, and railroad infrastructure Registration date: February 24, 2021 (Valid through: February 23, 2024)	Management System Assessment Center MSA-QS-4734
Social Infrastructure Work	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 date: February 16, 2001 (Valid through: February 28, 2025)	Registration Body for ISO, Inc. RB-Q11039

Social Employee Initiatives

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

Human resources development

Basic Policy on Human Resources Development

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

Personnel We Aspire to Be

(1) Professionals who build and create social trust

- Individuals possessing a sense of mission to safeguard infrastructure and engage with society and customers with a sincere attitude
- Individuals who generate questions based on needs and craft value through experimentation and learning
- Individuals committed to continually refining and systematizing technologies and skills, passing them on to future generations through communication

(2) Managers who facilitate and foster connection between People and technologies

- Individuals who actively seek information both within and outside of Kandenko and set goals for themselves
- Individuals who solve issues by engaging in communication with partners.
- Individuals who contribute to the next generation with a high level of expertise and broad perspectives

Outline of Initiatives for Human Resources Development

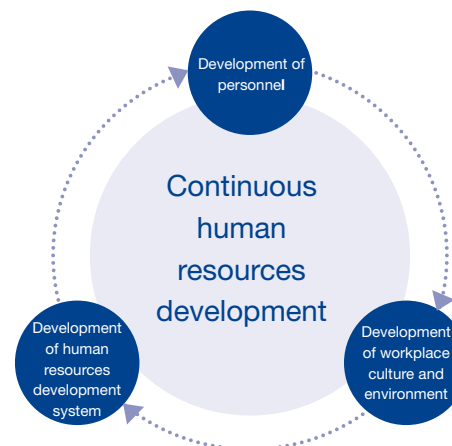
Kandenko has consistently worked on establishing systems to nurture individuals capable of playing active roles on worksites. An outline of specific initiatives is as follows.

(1) Development of personnel

- 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)



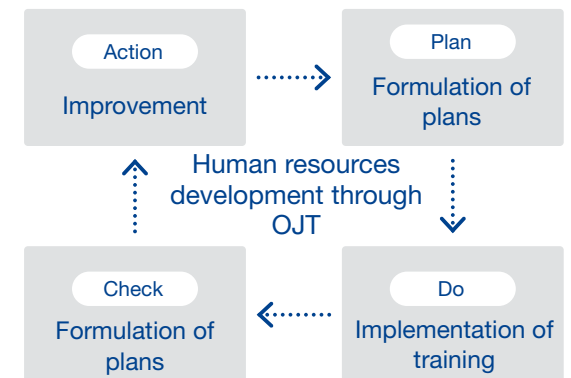
Training Programs

OJT (On the Job Training)

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

OJT support system

To improve the efficiency and effectiveness of OJT, we started a program in fiscal 2023 that complements OJT with the expertise and experience of seasoned employees.



*For more information, please visit the webpage below.

► Human resources development
https://www.kandenko.co.jp/human_resources_dev/



Social Employee Initiatives

Training Systems

Training is designed to equip employees with the necessary skills commensurate with their positions in the Kandenko Group and to improve the skills of individual employees.

List of training systems

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

*White boxes indicate training available to employees of group companies

Promoting acquisition of qualifications

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.

List of individuals with credentials

As of March 31, 2023

Name of credential	Number of individuals	Name of credential	Number of individuals
Professional Engineer	204	First-class electrician	2,395
Associate Professional engineer	362	First- and second-class chief electricity engineer	42
First- and second-class architect	43	Third-class chief electricity engineer	680
First- and second-class electric work managing engineer	2,235	First-class instrumentation engineer	328
First- and second-class construction managing engineer	175	Certification for grades 1 and 2 of the Japan Business Law Examination	229
First- and second-class civil engineering managing engineer	408	Certification for grades 1 and 2 of Construction Accounting Specialist	378
Building mechanical and electrical engineer	103	First class health officer	866

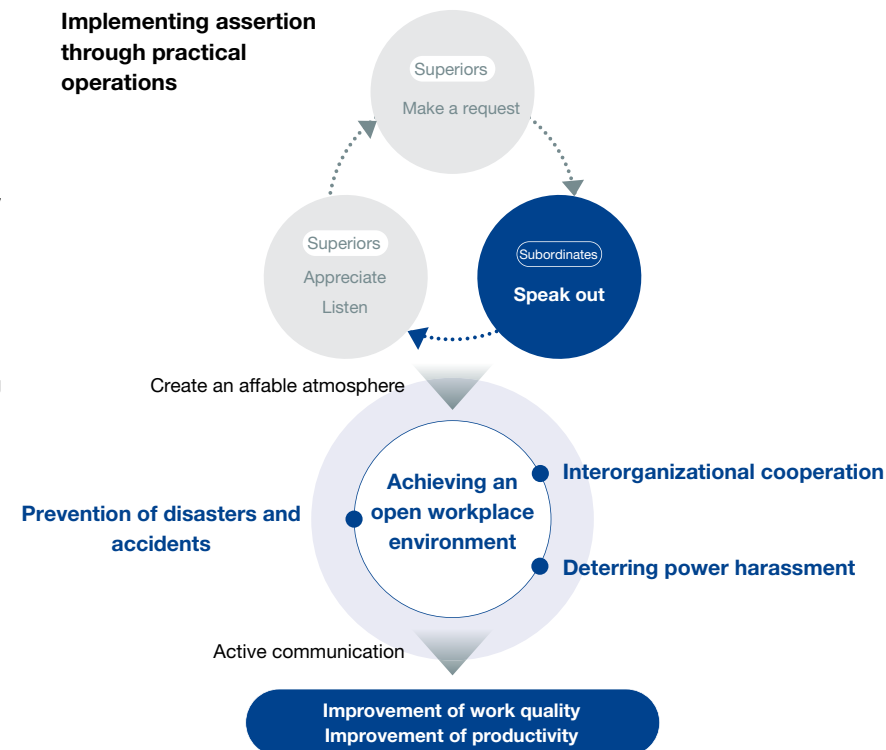
Creating an open workplace

To create a workplace environment with greater openness, Kandenko Group 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.

Outline of activities

- Continuation of awareness-raising activities by utilizing smart devices
- Training targeting all employees of the Kandenko Group etc.

Implementing assertion through practical operations



Social Employee Initiatives

Health management initiatives

Kandenko has been undertaking several initiatives to enhance the well-being of its employees. We are dedicated to implementing health management because we believe that fostering the well-being of our employees—enabling each one to realize their full potential and work with vitality—is fundamental to the sustainable development of the company.

Health Management Declaration

Guided by our corporate motto, “Humanity First,” we cherish each and every employee, actively promoting their mental and physical well-being to enhance the happiness and prosperity of both our employees and their families. We are committed to creating high corporate value and ensuring the sustainable growth of the company through the Kandenko Group Health Management initiative. Moreover, we contribute to the enduring growth of Kandenko, aspiring for the increased prosperity and happiness of every stakeholder associated with the company.

► Health Management
<https://www.kandenko.co.jp/sustainability/hitoichi/health-management>



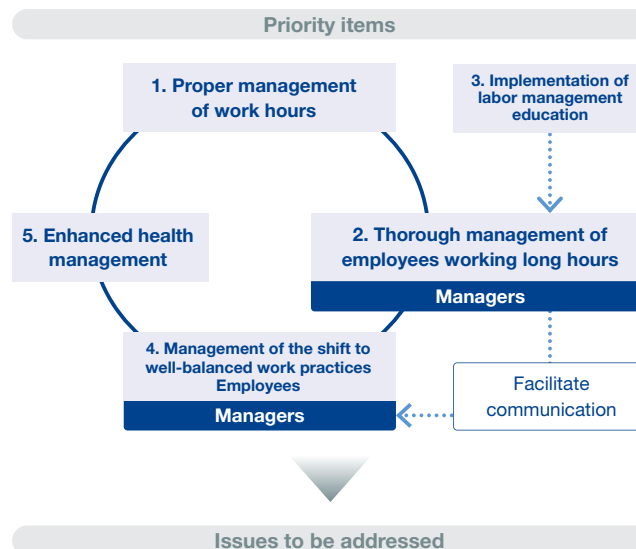
Reforms of work practices and annual leave systems

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

Basic policy

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

Priority items and issues to be addressed



Promotion of Diversity

Our goal is to foster an appealing workplace that encourages the active participation of diverse talents and that respects individual values and differences. We aim to create an environment where everyone can work with peace of mind. To achieve this, we have identified five key initiatives to promote diversity and inclusion, and we are implementing various measures: 1. Advancing the career of women; 2. Encouraging male employees to take paternity leave; 3. Promoting the career of individuals with disabilities; 4. Facilitating the balance between career and nursing care; and 5. Promoting work-life balance.



Fostering the culture that embraces diversity and inclusion

In pursuit of our corporate philosophy, "Create richer human environments," we recognize the significance of cultivating a culture that embraces diversity and inclusion, enabling individuals from various backgrounds to play active roles. We are thus offering various training programs.

Initiatives to foster culture

We provide annual training programs, including diversity seminars and unconscious bias seminars.



Source: "Practice! Diversity Course (Introduction)" provided by wiiwv

Facilitating the balance between career and nursing care

Dissemination of nursing care information

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

Creation of Booklet on Balancing Career and Nursing Care

We offer the Booklet on Balancing Career and Nursing Care as a resource for acquiring basic knowledge on nursing care. Through this booklet, we encourage employees to shift their mindset and adopt a workstyle that allows for a balance between their career and nursing care responsibilities when faced with the need to care for their loved ones.



Acquisition of the Tomonin mark

The Tomonin symbol is an emblem created by the Ministry of Health, Labour, and Welfare to foster the creation and advancement of a work environment that enables employees to effectively balance their careers with nursing care responsibilities.



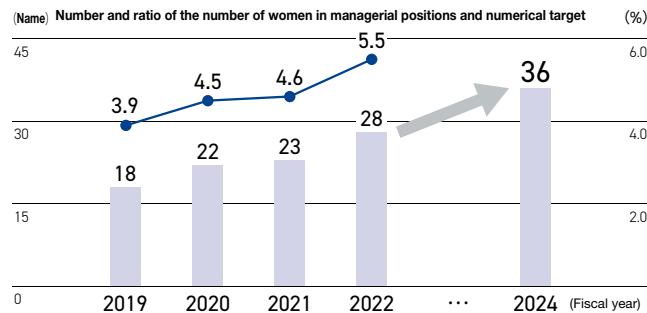
Social Employee Initiatives

Promoting the advancement of women

Promoting the successful careers of women is a pressing priority for Kandenko. Consequently, we are dedicated to encouraging women to take on leadership positions, cultivating a career-oriented mindset, and nurturing female engineers.

Action plan (numerical target and current status)

Numerical target: Increase the number of women in managerial positions to at least 36 by the end of fiscal 2024.



* Double from fiscal 2019

* Kandenko's business owner action plan is accessible on the Database of Company Supporting Women's Career.

Career seminars for young female employees

We provide career design seminars aimed at raising awareness among female employees and facilitating their career development.



Kandenkomachi, a community of women working in technical or specialized roles

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



Diversity seminar for those in managerial positions (e-learning)

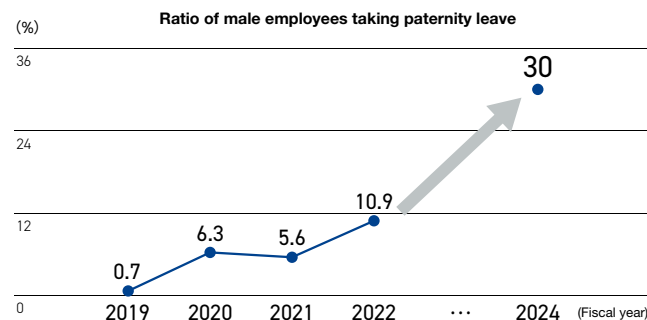
We provide seminars on diversity management to transform the mindset of individuals holding managerial positions.

Encourage male employees to take paternity leave.

Encouraging men to engage in household chores and childcare is crucial for the happiness of male employees. We consider taking paternity leave as a significant aspect in promoting this endeavor.

Action plan (numerical target and current status)

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



* Kandenko's business owner action plan is accessible on the Database of Company Supporting Women's Career.

Reference

Classification	2019	2020	2021	2022
Ratio of employees taking childcare leave	70.6%	60.6%	58.8%	63.0%

Paternity leave seminar (e-learning)

We conduct seminars for all employees to promote a workplace culture that understands and encourages those opting for paternity leave by fostering an environment where any individual desiring to take paternity leave can do so easily.

Organizing Sun Cafe Meetings

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

Promoting work-life balance

Kandenko SunSun School Family Visit Day

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

The August 2023 event centered around the theme of "Work and Safety." A total of 24 groups, comprising both employees and their family members, took part. During this event, we presented our initiative aimed at enhancing worksite safety. Families who participated gained a deeper understanding of work and worksites, with such activities as children trying on work clothes and safety gear as well as parents and kids collaboratively crafting projects using LED lamps.



Social Maintaining and Improving Partnerships with Partner Companies and Material Suppliers

Kandenko Group Procurement Policy

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

The Kandenko Group kindly requests that our business partners engage in the following acts.

We also request that they encourage their business partners to engage in the same acts as well.

Procurement guideline - Requests for our business partners -

1. Respect human rights (properly manage workers)

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

2. Comply with laws, regulations, and social norms

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

3. Ensure health and safety

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

4. Ensure quality

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

5. Be environmentally conscious

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

6. Information security

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

7. Develop internal frameworks

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



* For more information, please visit the webpage below.

► Kandenko Group Procurement Policy

<https://www.kandenko.co.jp/sustainability/procurement-policy>



Social Respect for Human Rights

Kandenko Group Human Rights Policy

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

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

1. Commitment to respect human rights

2. Scope of application

3. Initiatives for the respect of human rights

4. Information disclosure, dialogue, and discussion

5. Remediation

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

7. System to respect human rights

* For more information, please visit the webpage below.

► Kandenko Group Human Rights Policy

<https://www.kandenko.co.jp/sustainability/hitoichi/humanrights-policy>



Social Social Contribution Activities

Dispatch of personnel to the Japanese Antarctic Research Expedition for the first time.

Given the frequent occurrence of extreme weather events globally, including heavy rains and droughts, there is a growing significance in researching ice sheet, atmospheric, and oceanic changes in the Antarctic region. Such research is vital because it contributes to the advancement of forecasts for future environmental changes. Since the first participation in the 28th expedition in 1986, Kandenko has deployed its employees to the Antarctic Research Expedition on more than 30 occasions. In Antarctica, they play crucial roles by supporting observational activities, including the maintenance and updating of facilities within the Showa Station.

Photo provided by: The National Institute of Polar Research



■ Uehara, who joined the expedition on four occasions as a member of wintering parties

The observation parties are divided into the summer party, which stays in Antarctica for three months during the summer, and the wintering party, which remains there for the entire year. Makoto Uehara has engaged in the expedition on four occasions as a member of the wintering party. As an experienced veteran, he held the position of facility setup chief twice, overseeing the facility setup crews. Because of the limited personnel capacity in Antarctica, Uehara assumed diverse responsibilities extending beyond electrical work. He cooperated with other crews in such tasks as operating heavy machinery for snow removal after blizzards and conducting surveys on sea ice cracks to find safe travel routes. Having undergone these experiences, Uehara expresses, "I consistently recognized that in the challenging environment of Antarctica, individual efforts alone are insufficient. To accomplish any task, someone with expertise in a specific field must assume a leadership

role, and everyone must collaborate." This mirrors construction projects in Japan, where diverse specialists collaborate to construct a single building. The valuable experience gained by employees participating in the observation expedition in Antarctica is effectively applied in our business upon their return to Japan.



■ Contribution to advancing the prediction of environmental changes

Kandenko is dedicated to establishing a reliable observational foundation by leveraging the technologies and skills accumulated as a general infrastructure company and expertise gained through deploying employees to Antarctica, contributing to the advancement of environmental change forecasting.



Social Social Contribution Activities

We partnered with Gakken Inc. to co-publish *Denki no Himitsu (Secrets of Electricity)*, a part of the educational manga series

We created *Denki no Himitsu (Secrets of Electricity)* with the aim of providing elementary school students, their parents, and educators with an enjoyable learning experience about electricity. The book covers the characteristics and mechanisms of electricity taught in elementary school classes, familiar themes in daily life, as well as how electrical work is conducted and how power is generated in an easily understandable manner.



Via Gakken, we have donated around 25,000 copies of this book to national, public, and private elementary schools (including special-needs schools), public libraries, and children's centers across Japan.

*This book series is not for sale and will not be offered commercially at regular bookstores. The book will be accessible free of charge on Manga Himitsu Bunko on Gakken Kids Net and Gakken Manga Himitsu Bunko.

► **Gakken Kids Net**
https://kids.gakken.co.jp/himitsu/cat_library/

► **Gakken Manga Himitsu Bunko**
<https://bpub.jp/gakken-himitsu/>

Participation “Zero Disposable Umbrellas by 2030 Project”

The project seeks to eliminate the use of disposable umbrellas by introducing an umbrella-sharing service called “i-kasa.” This service enables users to rent an umbrella at a station or in a city and return it to a nearby umbrella spot when the rain stops. As a partner company, Kandenko is involved in this project in various ways, including the development of unique umbrella designs and the introduction of plans that allow users to use the i-kasa service at no cost.



Sponsorship of the Japan High School Rugby Championship as an official partner

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



Kandenko x Toshiaki Hirose Connection Support Project

We are currently developing the 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).

This project embodies a key message: “connecting individuality to create an exciting future.” Aligned with this message, Kandenko employees form a scrum with Mr. Hirose in a collaborative effort, engaging in various activities, such as publishing picture books and organizing in-company events and lecture sessions.



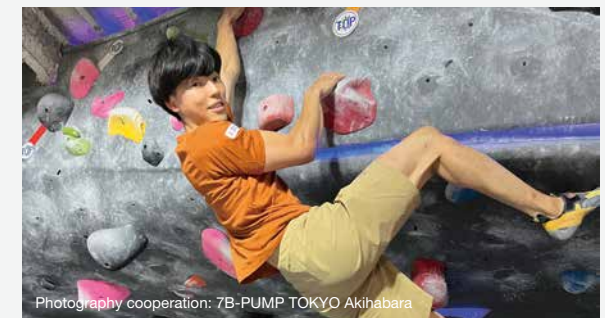
Entered into a sponsorship agreement with Kokoro Fujii, a professional sport climber.

Kandenko has entered into a sponsorship contract with Kokoro Fujii, a professional sport climber. We made this decision because we observed an affinity between the power transmission line work conducted by the Social Infrastructure Work, primarily at elevated heights, and sport climbing, a discipline focused on climbing. We plan to collaborate with Fujii in various settings, including a climbing workshop, to foster understanding of Kandenko's work. Concurrently, we are committed to promoting and raising awareness of sport climbing to enhance its popularity.

COMMENT

I am delighted to have the opportunity to work with Kandenko, a company dedicated to supporting sports among children and high school students. Together, I aim to be both a bridge and a beacon, casting light on the future of the entire climbing sports industry. I anticipate that this will open up the potential for offering second-career opportunities to those who are passionate about climbing. I appreciate your support.

Professional sport climber Kokoro Fujii



Photography cooperation: 7B-PUMP TOKYO Akihabara

*For more information, please visit the webpage below.

► **Social Contribution Activities**
<https://www.kandenko.co.jp/sustainability/philanthropy>



Governance

Roundtable Discussion with Outside Directors

Engage in deep and broad-ranging discussions with society to promote effective and transparent governance



Outside Director
Hajime Saito

Outside Director
Miwako Ando

Outside Director
Koji Tanaka

Outside Director
Miwa Suto

Observations by an outside director regarding changes in the Board of Directors

Saito: For the past four years since I assumed the role of an outside director, the revitalization of the Board of Directors has been a central theme in our discussions. I now perceive that it is finally coming to fruition.

I arrived at this observation primarily because the agendas for discussion within the Board of Directors and the timing for these discussions have been clarified. Consequently, the organization of questions and key points has resulted in more effective and efficient discussions. Another factor is the elimination of the disparity in information volume between outside directors and inside directors. In general, internal directors tend to engage in micro-level discussions, focusing on worksites and specific items. On the other

hand, external directors tend to participate in broader, macro-level discussions. It is observed that these different ways of discussing things can make them feel a bit distant from each other. Besides closing the information volume gap, the perceived distance between them is also shrinking. I find this to be a positive overall trend.

Ando: I agree. I sense that the Board of Directors is gaining more vitality compared to when I was first appointed in fiscal 2021. Particularly with the inclusion of Mr. Tanaka, an expert in the field of electric energy, bringing the count of outside directors to four, our discussions have become more substantive. Upon my initial appointment, I frequently hoped for a more open and uninhibited exchange of ideas from internal directors, extending beyond their areas of expertise. Now I have observed improvements in this aspect as well. As Mr. Saito pointed out, the selection of agendas and timing is also well-coordinated. We are progressing towards participating in meaningful discussion.

Tanaka: Since my appointment last June, I have interacted with

various individuals and explored initiatives within Kandenko. I discovered that the company possesses a robust management foundation, encompassing both personnel and advanced technology, and has experienced steady progress. The Board of Directors has been involved in more strategic discussions over the past year. I think this shift mirrors the fact that discussions in the executive management council and the entire company as a whole have become more vitalized. Moreover, there used to be a lack of collaboration among sections within the company. However, with the introduction of the chief officer system in July to promote collaboration among different internal units, I anticipate an increase in opportunities for substantive discussions.

Suto: As I am recently appointed, allow me to introduce myself. I come from a background in a strategic consultation firm where I worked on developing new business, corporate branding, and organizational culture reform. I've also provided support to venture companies. I was appointed as an outside director in June and

Governance

Roundtable Discussion with Outside Directors

discovered that the social role in ensuring a stable supply of electricity and the individual employees' sense of mission, those who uphold this role, were stronger than they might seem from the outside.

Evaluation of the effectiveness of the Board of Directors

Ando: As a former public prosecutor specializing in compliance, the discussion on the inadequacy in a labor accident at a subsidiary company, released in this February, made a lasting impression on me during our Board of Directors' meetings. This case was regularly reported to and discussed by the Board of Directors. In addition to addressing preventive measures and governance related to the subsidiary, special attention was given to identifying the root cause of the incident. One of the root causes discussed was the fear among those involved of a suspension of a construction project that would occur when the labor accident came to light. Consequently, we are collaborating with industry organizations and clients to establish a system to prevent such incidents. I believe that we were able to engage in constructive discussions, as seen in this case, because of the proper information provided to outside directors from the involved departments.

Saito: We observe a positive trend where discussions on negative topics, as mentioned by Ms. Ando, not only lead to resolving the issues but also highlight positive effects simultaneously. This is evidence that the gap in information volume available to outside directors and internal directors has been closed, and the process of engaging in discussions for the future under a shared awareness has been established.

The next step we need involves engaging in concrete discussions on how to utilize management resources to achieve the ideal form that Kandenko aspires to while being accountable to investors. I believe it is the mission of the Board of Directors to continually enhance the effectiveness of the meeting body while addressing and improving upon issues like this.

Tanaka: Kandenko conducts an annual quantitative evaluation of the effectiveness of the Board of Directors. And I am of the opinion that it has demonstrated effectiveness to some extent. Additionally,

executives, such as the chairman and president, are frequently communicating with outside directors outside of the Board of Directors' meetings. I believe this has a positive effect in ensuring the effectiveness of the Board of Directors as well. Furthermore, it is crucial to continually enhance the discussions within the Board of Directors, avoiding a mere ceremonial response to the corporate governance code. Personally, as I compare Kandenko with other companies I have worked with, I can identify both positive and negative aspects. Consequently, I strive to highlight and provide advice based on this perspective. Ms. Suto, as a recently appointed outside director, what is your impression of Kandenko's Board of Directors, drawing from your experience across various industries?

Suto: Participating in board meetings left me with the impression that the questions and opinions raised by outside directors sparked crucial and multifaceted discussions. I acknowledge that these factors have led to your observation that the Board of Directors has become more active. In contrast, based on my experience in corporate branding and organizational climate reform, I believe that while everyone at Kandenko is sincere, diligent, and united with a strong sense of mission, there might be a lack of interest in how Kandenko is perceived by external parties. In an era where management is expected to adopt an attitude emphasizing communication with society, I acknowledge that one of my responsibilities is to report an external perspective. I aspire to sparking new discussions by posing straightforward questions.

Key points of the Medium-Term Management Plan as it approaches its final year and the subsequent Medium-Term Management Plan

Saito: The existing Medium-Term Management Plan exhibited progressiveness by not being constrained to the present three-year period; instead, it projected 20 to 30 years into the future and backcasted from that perspective. As a result, I believe that we effectively clarified the themes and objectives of our societal contributions, while appropriately situating Kandenko within the broader social context. Another aspect is the establishment of small

groups for each theme, where employees engaged in discussions. The opinions voiced in these groups were then incorporated into the plan. I believe it proved effective in heightening employee awareness and leveraging insights from the worksites.



Outside Director Miwa Suto

Career Summary

Apr. 1995 Registered as a CPA (current)
 Jan. 2001 Partner at Bain & Company
 Apr. 2006 Representative director at Planet Plan (current)
 Apr. 2008 Specially appointed professor at the Graduate School of Media and Governance, Keio University (until Mar. 2018)
 May 2012 Outside director, ZIGEXN (until Jun. 2021)
 Jun. 2016 Director, Consumer Product Safety Association (current)
 Jun. 2016 Outside director, A.D.Works Group, Co., Ltd. (Audit and Supervisory Board Member) (until Jun. 2020)
 Jun. 2017 Director, Japan Volleyball Association (current)
 Mar. 2018 Outside director, Asics (until Mar. 2020)
 Apr. 2019 Specially appointed professor at the Graduate School of Media and Governance, Keio University (current)
 Mar. 2020 Outside director, Asics (Audit and Supervisory Board Member) (current)
 Jun. 2021 Outside director, Katitas Co., Ltd. (current)
 Jun. 2021 Director of the Japan Olympic Committee (current)
 Mar. 2023 Outside director, Kosé Corporation (current)
 Jun. 2023 Director, Kandenko (current)

Governance

Roundtable Discussion with Outside Directors

Suto: I share the same opinion as Mr. Saito. One of the most significant characteristics is that the plan was formulated with regard to both the business environment in 2044 when Kandenko will commemorate its 100th anniversary, and in 2023, the plan's concluding year. The company's proactive approach in addressing mid- to long-term societal needs, such as achieving carbon neutrality, is also compelling. Yet, when formulating long-term objectives, it is crucial to construct a feasible scenario by clearly distinguishing between those that progress steadily over a defined time frame and those that are intermittent and influenced by external factors. I would like to further explore this point during board meetings.

Outside Director **Miwako Ando**

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
 Jun. 2019 Registered as an Attorney-at-Law (current)
 Jun. 2021 Director, Kandenko (current)
 Apr. 2023 Part-time lecturer at Faculty of Law, Hosei University (current)

Ando: Fiscal 2023 marks the conclusion of our three-year Medium-Term Management Plan, and one of my main priorities is to adhere to the legal cap on overtime work scheduled to come into effect in April 2024. This has been extensively discussed during the Board of Directors' meetings, and our perspective is that the primary objective is not merely to reduce overtime work, but rather to concentrate on enhancing productivity. This approach is anticipated to decrease overtime work and pave the way for additional steps in the future. As Mr. Saito mentioned earlier, I was impressed to learn that Kandenko employees actively contributed their opinions in formulating the current Medium-Term Management Plan. I hope that the business portfolio will undergo further refinement as a comprehensive infrastructure company, aiming to fulfill the vision of becoming a green innovation company in 2044, a vision crafted through this collaborative opinion-sharing process.

Tanaka: Kandenko has the foundation of building trust with clients in various industries through construction services in electrical, HVAC, telecommunications, and social infrastructure. I have confidence in Kandenko's significant potential to address diverse client issues, extending beyond infrastructure construction, and to provide comprehensive, continuous services to enhance their overall value. Additionally, I believe that the government-led Green Transformation Initiative is playing a supportive role in this endeavor. The central focus of the next Medium-Term Management Plan will be on formulating a growth scenario that capitalizes on business potentials and determining effective execution strategies.

Green Innovation Company and ESG Management

Saito: Despite variations in ESG perceptions among countries and companies, the most important aspect of ESG that Kandenko should focus on is human resources. Ms. Ando previously discussed the legal limit on overtime work. Because of its labor-intensive nature, the construction industry has undergone a slower standardization of overall operations compared to various other industries. In order to shift from the current reliance on human resources and to combat the labor shortage in Japan, the entire industry, in collaboration with the government and the private sector, must actively pursue the

recruitment of women and international personnel. As one of the largest general infrastructure companies in Japan, Kandenko must demonstrate its dedication to actively investing in human resources more explicitly to society.

Tanaka: I agree. I believe it is crucial to increase investment in human resources to foster the growth of a company. As Kandenko endeavors to broaden its business domains in the pursuit of becoming a green innovation company, it now requires skills and expertise that it does not yet possess. To achieve this, we need to assist the company in implementing job rotation and advocating for reskilling. This way, employees can accumulate diverse experiences, acquire new knowledge, and develop skills to play more active roles in their respective fields. Simultaneously, Kandenko should exert efforts to recruit individuals who can contribute new skills to the organization. In conjunction with these efforts, by actively promoting diversity, including creating additional opportunities for women to take on key roles, I believe Kandenko can enhance the depth of its "Humanity First".

Ando: In my view, the concept of the "Hito-Ichi value" underscores the notion that individuals actively involved in the actual work represent the most crucial asset accumulated by Kandenko, a labor-intensive company. As Mr. Tanaka pointed out, the significance of human resources development will continue to grow in the future. Therefore, the company must create an environment in which every employee can work comfortably. In that regard, Kandenko still appears to be a workplace predominantly oriented toward males, and it must move away from that perception. Kandenko has set a target to have at least 36 women in managerial positions by the end of fiscal 2024. Nevertheless, it should persist in increasing the number of women in managerial roles beyond that in the future. Considering the nature of the construction industry, addressing this challenge requires collective efforts of the entire industry. On a personal note, I am inclined to engage in ongoing discussions with Kandenko employees and provide diverse advice to relevant departments in collaboration with the newly appointed Ms. Suto.

Suto: I also aim to contribute to this matter alongside Ms. Ando, while carefully listening to the perspectives of individuals on the worksites. In addition to the previously mentioned strategies, such as leveraging the potential of women and international human resources and emphasizing reskilling, I also want to focus on the

Governance

Roundtable Discussion with Outside Directors

Outside Director **Koji Tanaka**

Career Summary

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

younger generations, who will emerge as the future leaders of Kandenko. I believe that the sustainability of Kandenko's business depends on whether younger generations can envision a promising future within the company and remain motivated in the long term.

In that context, it could be the opportune time to upgrade the mechanisms and systems that have sustained Kandenko's "Hito-Ichi value", transforming them into a format that resonates with younger generations. As societal values evolve, our aim is to establish a work style that aligns with the expectations and demands of younger generations, coupled with productivity innovation through DX.

A Board of Directors Dedicated to Supporting the Future of Kandenko

Suto: To contribute to the enhancement of Kandenko's governance, I intend to visit worksites and engage in direct conversations with the individuals working there to deepen my understanding of the company's operations. Although Kandenko has gathered successful experiences thus far, I believe there may be customs and conventional practices that have been unquestioningly followed within the company. We are currently in the process of reviewing these practices as we embark on the transformation of the company into the next-generation Kandenko Group. I aim to present candid questions and share my opinions, creating an opportunity to infuse the company with a breath of fresh air.

Ando: As an expert, I intend to maintain a stance of freely expressing my thoughts, particularly concerning aspects related to compliance. Some unquestioned conventional practices within a company may appear unreasonable from the perspective of a legal expert. Therefore, in my role as a director at Kandenko, I would adopt an objective stance. Regarding overall management, I aim to leverage my experience as a prosecutor to fortify the foundational aspects required for further growth while employing my imagination to comprehend what is really happening at worksites.

Tanaka: As a fundamental principle, the role of the Board of Directors is to contribute to the enhancement of corporate value. To achieve this, we need to reshape Kandenko from a global standpoint to align with the evolving society driven by advanced technologies like generative AI. As an external director, I aim to clarify a path and measures for Kandenko to realize its full potential by engaging in discussions with executives from an impartial standpoint, free from

the conventional constraints of the company.

Saito: I believe that corporate value for a company like Kandenko, responsible for social infrastructure, is heightened collectively with all stakeholders, encompassing not only investors but also society and employees. Given the close connection of this business to society at large, fostering a two-way dialogue between Kandenko and society is crucial for achieving mutual understanding and shared perspectives. To this end, effective communication with all stakeholders is of particular importance, and we aim to support the enhancement of this capability.

Outside Director **Hajime Saito**

Career Summary

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

Governance

Corporate Governance

Corporate Governance

Kandenko acknowledges that enhancing its corporate governance system is a crucial undertaking to ensure the efficiency, transparency, and appropriateness of management and business execution, allowing us to continue being a company valued by our stakeholders.

To do so, we will implement measures to foster equality in shareholder rights and improve communication with shareholders, and actively engage with stakeholders through comprehensive and timely information disclosure. Simultaneously, for the purpose of securing the company's sustainable growth and enhancing its corporate value in the medium to long term, we will formulate management policies and establish a system for their implementation.

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.

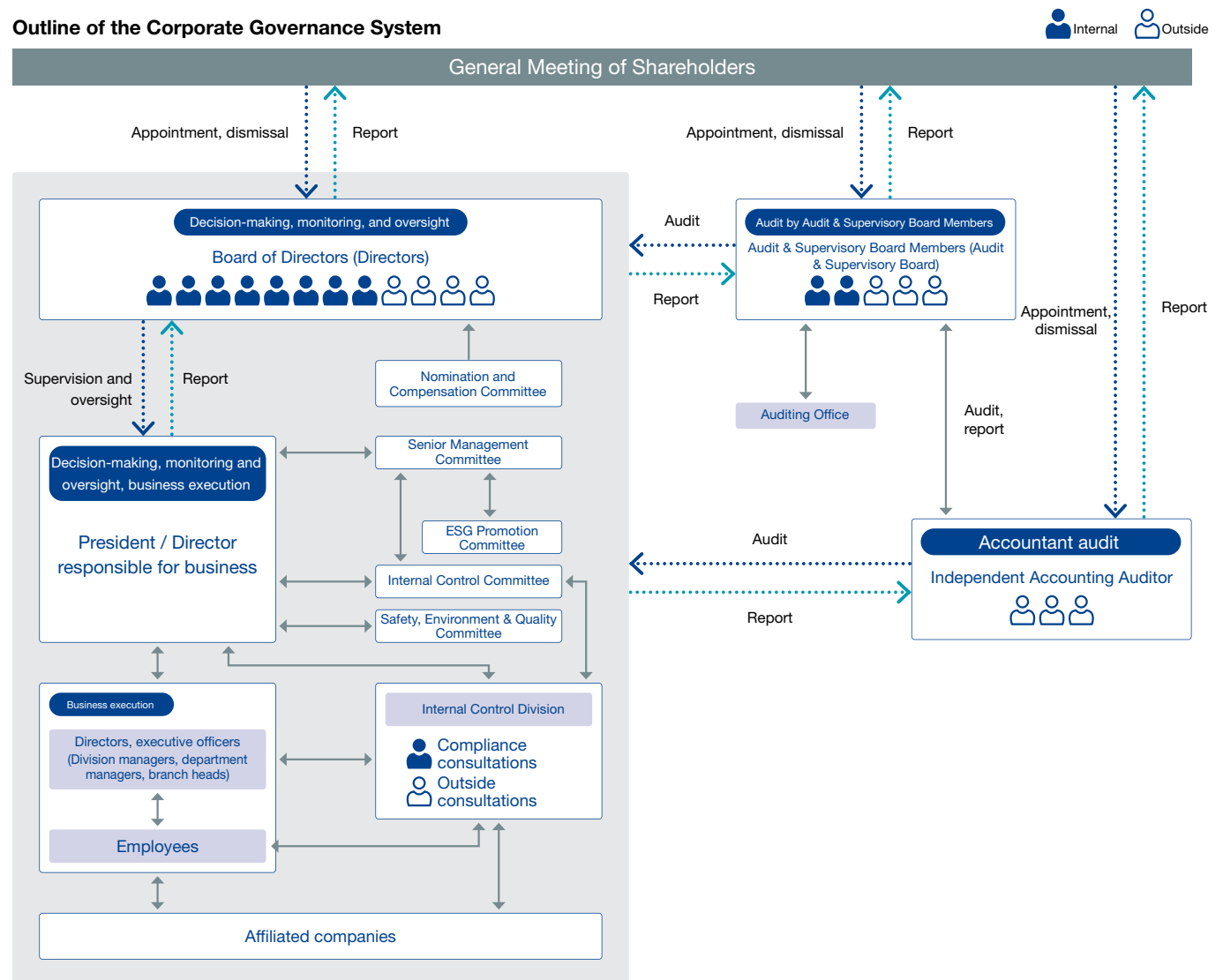
*Please see our website for more specific details.

► Corporate Governance
<https://www.kandenko.co.jp/sustainability/governance>



Corporate Governance System

Outline of the Corporate Governance System



Governance

Corporate Governance

• Board of Directors

The Kandenko Board of Directors, which consists of 12 members, including four outside Directors, meets regularly once a month and additionally whenever necessary to discuss important business matters and to reach final decisions, taking account of the contributions of the independent Directors and other considerations. The Board also oversees the execution of business by the Directors. Important managerial issues, including those that will be brought up at a Board of Directors' meeting, are discussed by the Management Council, which meets regularly each week and additionally whenever necessary. In these ways, we strive for rational corporate administration. Moreover, we have introduced an Executive Officer system, which separates managerial oversight from business execution, to accelerate the decision-making process and reinforce business execution while enhancing the efficiency of the Directors' business execution system. To foster swift responses to changes in the operating environment and invigorate management, Directors' terms are limited to one year from the time of appointment.

*The variation in the number of meetings attended is due to differences in the timing of appointments.

Number of meetings held in
fiscal 2022 “16”

Position	Name	Number of Board of Directors' meetings attended
Chairman and Director	Seiichi Fubasami	—
President and Executive Officer	Toshio Nakama	16 times/16 times
Executive Vice President and Executive Officer	Nobuhiro Iida	16 times/16 times
Executive Vice President and Executive Officer	Yuji Ueda	16 times/16 times
Senior Managing Director and Executive Officer	Mitsuru Fujii	16 times/16 times
Senior Managing Director and Executive Officer	Hiroyuki Enoki	—
Managing Director and Executive Officer	Koichi Nakahito	15 times/16 times
Managing Director and Executive Officer	Hirofumi Tamogami	—
Director	Hajime Saito	16 times/16 times
Director	Miwako Ando	15 times/16 times
Director	Koji Tanaka	12 times/12 times*
Director	Miwa Suto	—

• Board of Auditors

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

Number of meetings held in
fiscal 2022 “15”

Position	Name	Number of Board of Directors' meetings attended
Full-time Audit & Supervisory Board Member	Shoichiro Kashiwabara	—
Full-time Audit & Supervisory Board Members	Hidekazu Tanaka	15 times/15 times
Audit & Supervisory Board Member	Sumihito Okawa	15 times/15 times
Audit & Supervisory Board Member	Takashi Suetsuna	13 times/15 times
Audit & Supervisory Board Member	Shoichi Muto	15 times/15 times

• Independent Accounting Auditor

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

• Nomination and Compensation Committee

To enhance the effectiveness and transparency of the Board of Directors, Kandenko has instituted the Nomination and Remuneration Committee. This committee deliberates and reviews matters concerning the nomination and compensation of directors, auditors, and those in other positions. The outline of the committee is as described on the right.

Name: Nomination and Compensation Committee
Composition: Chairman (committee chair), President, Independent outside directors
Matters for discussion: Matters related to the appointment and compensation of directors and auditors
Other matters related to corporate

• Effectiveness evaluation

Kandenko carries out self-evaluations by all Directors and Auditors after the end of each fiscal year regarding the effectiveness of the Board of Directors. The content of the evaluation is analyzed and assessed by the Board of Directors.

The assessment of the initiatives for ensuring effectiveness and the self-evaluation revealed feedback on aspects like the revitalization of the board of directors, the manner of providing information to external directors, and furthering discussions on management strategies. Nevertheless, we affirm that the overall effectiveness of the board of directors was upheld in fiscal 2022.

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

• Internal audit

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

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

Governance

Corporate Governance

Policy on Appointment of Directors and Auditors

The Company has determined the diversity and size of its Board of Directors in consideration of its business characteristics and the need to ensure the effectiveness of its governance function. Kandenko's policy in appointing directors and auditors, regardless of their gender, nationality, etc., is to select individuals with extensive experience, insight, etc., that will contribute to the sustainable growth of Kandenko and the enhancement of its corporate value over the medium to long term. These individuals are determined by the Meeting of the Board of Directors after deliberation and review by the Nomination and Remuneration Committee.

Additionally, in the selection process for the positions of outside director and auditor, we are choosing at least one individual with experience in managing other companies, under the condition that they can contribute to the role of a director or auditor from an independent and objective standpoint in the execution of directorial duties.

Below is a skills matrix illustrating the knowledge, experience, and abilities of our directors and auditors.

	Name	Corporate management	ESG / Compliance	Finance / Accounting	Human resources and labor	Sales / Marketing	Operation and management	Purchasing	New business	Technology development / DX / IT	Overseas business
Director	Seiichi Fubasami	●	●	●					●		
	Toshio Nakama	●	●			●	●				
	Nobuhiro Iida	●				●		●			●
	Yuji Ueda	●				●			●		●
	Mitsuru Fujii		●			●	●	●			
	Hiroyuki Enoki	●	●		●						
	Koichi Nakahito						●		●	●	
	Hirofumi Tamogami	●			●	●				●	
	Hajime Saito	●		●	●				●		
	Miwako Ando		●		●						
	Koji Tanaka	●							●	●	●
	Miwa Suto	●		●						●	
Auditor	Shoichiro Kashiwabara	●	●	●				●			
	Hidekazu Tanaka					●	●	●		●	
	Sumihito Okawa	●	●	●	●						
	Takashi Suetsuna		●	●	●						●
	Shoichi Muto		●				●			●	

*In the matrix above, we use ● to denote up to four of the particularly specialized skills that each individual possesses, as well as expected skills for their roles as directors and auditors.

Outside Directors and Outside Auditors

Outside Directors and Outside Auditors

Currently, the Company has four outside Directors and three outside Auditors. Among them, six are independent Directors as defined in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. We appoint outside Directors and outside Auditors to fulfill monitoring and oversight functions and to enhance transparency; therefore, in accordance with the Companies Act and other regulations, we look for candidates whose experience and insight etc. outside the Company will be useful to Kandenko and who can oversee and audit the Directors' execution of duties from an independent and neutral standpoint. Regarding outside Auditors, the Board of Auditors' meeting first agrees on the candidates, the Board of Directors approves them, and then they are presented at a general meeting of shareholders for a vote.

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.

Governance

Corporate Governance

Remuneration for Directors and Auditors etc.

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

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

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

Restricted share-based remuneration is paid at a certain time each year within the remuneration limit approved at a General Meeting of Shareholders, with the aim of allowing Directors to share the benefits and risks of stock price fluctuations with shareholders and to motivate Directors to further contribute to raising share prices and improving medium- to long-term corporate value. The percentage of the restricted share-based remuneration in each Director's remuneration is set at 10%.

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

Based on a resolution of the 93rd Annual General Meeting of Shareholders held on June 28, 2007, the Company set the total remuneration for Directors at no more than ¥780 million per year. This resolution was applicable to 16 Directors.

Furthermore, based on a resolution of the 107th Annual General Meeting of Shareholders held on June 29, 2021, the Company decided to pay Directors (excluding outside Directors) restricted share-based remuneration within the scope of the abovementioned limit on remuneration, and such remuneration to be paid in order to grant shares with restriction on transfer shall be monetary remuneration claims, the total amount of which shall not exceed ¥100 million per year, and the maximum number of common shares to be issued or disposed of shall not exceed 200,000 shares per year. This resolution was applicable to 11 Directors.

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

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

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

- Amount of remuneration etc. for Directors and Auditors**

Classification	Number of recipients	Total remuneration etc.	Total amount of remuneration by type		
			Basic remuneration	Bonuses	Restricted share-based remuneration
Director (of which, outside Directors)	15 (4)	¥465 million (¥37 million)	¥314 million (¥31 million)	¥112 million (¥6 million)	¥38 million (—)
Auditor (of which, outside Auditors)	5 (3)	¥88 million (¥34 million)	¥88 million (¥34 million)	— (—)	— (—)

* The number of recipients and the amount of remuneration etc. includes two Directors who retired at the conclusion of the 108th Annual General Meeting of Shareholders held on June 29, 2022.

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.

Governance

Corporate Governance

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 internal and external compliance consultation points 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. (Number of consultations received in fiscal 2022: 70 cases)

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.

Recognizing the potential for such risks, the Kandenko Group is making efforts to prevent their occurrence and minimize their impact on our business activities if they do 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, 2023.

• Changes in the business environment

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

• Fluctuations in the cost of materials or labor costs

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

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

• Work and related risks

If work undertaken by Kandenko turns out to be seriously defective or an accident occurs in the course of work, it is possible that the actual financial performance or other results of the Company could be affected. To address this risk, the Company is working to ensure construction quality by analyzing factors and taking countermeasures against facility accidents and providing training etc. using past accidents as examples.

• Credit risk of client company

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

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

• Asset holding risk

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

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

Corporate Governance

- **Liability for employees' retirement benefits**

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

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

- **Legal regulations**

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

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

- **Risk of information leakage**

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

To address this risk, the Company has developed internal regulations and work to strengthen the security of its information systems and educate its employees. In order to minimize the impact of cyberattacks, we have implemented a Computer Security Incident Response Team (CSIRT) within the organization. Through the CSIRT, we are defining roles and establishing reporting systems.

- **Disaster risk**

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

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

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 eliminate risks in advance and to minimize the impact on business activities in the event that a risk 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.

Governance

Management

Director



Seiichi Fubasami ^{*1}
Chairman and Director



Toshio Nakama ^{*1}
President and Executive Officer



Nobuhiro Iida ^{*1}
Executive Vice President and
Executive Officer



Yuji Ueda ^{*1}
Executive Vice President and
Executive Officer



Mitsuru Fujii
Senior Managing Director and
Executive Officer



Hiroyuki Enoki
Senior Managing Director and
Executive Officer



Koichi Nakahito
Managing Director and Executive
Officer



Hirofumi Tamogami
Managing Director and Executive
Officer



Hajime Saito ^{*2}
Director



Miwako Ando ^{*2}
Director



Koji Tanaka ^{*2}
Director



Miwa Suto ^{*2}
Director

Auditor



Shoichiro Kashiwabara
Audit & Supervisory Board Members
(Full time)



Hidekazu Tanaka
Audit & Supervisory Board Members
(Full time)



Sumihito Okawa ^{*3}
Audit & Supervisory Board Members



Takashi Suetsuna ^{*3}
Audit & Supervisory Board Members



Shoichi Muto ^{*3}
Audit & Supervisory Board Members

^{*1} President

^{*2} Directors Hajime Saito, Miwako Ando, Koji Tanaka, and Miwa Suto serve as outside directors in accordance with Article 2, Item 15, of the Companies Act.

^{*3} Auditors Sumihito Okawa, Takashi Suetsuna, and Shoichi Muto serve as outside directors in accordance with Article 2, Item 16, of the Companies Act.

DATA SECTION

67	Consolidated 11-Year Financial Summary
68	Consolidated Financial Statements
70	Non-financial information
71	Company Profile
72	Stock Status

Consolidated 11-Year Financial Summary

(Unit: millions of yen)

For the fiscal year ended March 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net sales	447,741	437,930	436,682	447,673	470,943	507,205	563,550	616,143	556,045	495,567	541,579
Operating profit	7,364	8,284	9,388	16,416	26,397	29,261	30,012	34,693	30,041	30,643	32,748
Operating profit ratio (%)	1.6	1.9	2.1	3.7	5.6	5.8	5.3	5.6	5.4	6.2	6.0
Ordinary profit	8,301	9,089	10,336	17,077	27,345	30,031	30,795	35,565	31,043	31,754	34,059
Profit (loss) attributable to owners of the parent	3,952	4,226	4,615	9,412	17,591	19,058	19,703	22,515	20,147	20,315	21,167
Comprehensive income	8,238	7,327	11,984	7,137	18,422	22,927	20,319	15,685	29,222	19,831	21,024
Total assets	364,008	359,933	366,177	407,681	424,874	443,751	459,854	488,701	456,999	470,967	487,828
Total net assets	184,269	189,692	193,345	197,980	213,356	230,810	245,954	255,821	279,459	293,514	308,457
ROE (%)	2.2	2.3	2.5	4.9	8.8	8.8	8.5	9.3	7.8	7.3	7.3
ROA (%)	2.3	2.5	2.8	4.4	6.6	6.9	6.8	7.5	6.6	6.8	7.1
Equity ratio (%)	49.49	51.45	51.44	47.22	48.72	50.51	51.85	50.62	59.17	60.30	61.17
Net assets per share (yen)	881.41	906.29	922.05	942.42	1,013.33	1,097.36	1,167.30	1,211.13	1,323.90	1,389.96	1,460.23
Earnings per share (yen)	19.34	20.69	22.59	46.07	86.11	93.31	96.46	110.23	98.64	99.45	103.59
Cash dividends per share (yen)	12.00	12.00	14.00	14.00	20.00	24.00	26.00	28.00	28.00	28.00	32.00
Net cash provided by (used in) operating activities	15,401	Δ2,218	2,921	18,042	6,751	11,469	28,251	29,155	12,873	27,150	7,455
Net cash provided by (used in) investing activities	Δ12,748	Δ5,839	2,253	Δ7,101	Δ17,867	Δ10,015	Δ10,131	Δ13,481	Δ972	Δ9,224	Δ6,635
Net cash used in financing activities	Δ2,900	Δ4,540	Δ3,743	19,807	Δ169	Δ7,857	Δ9,153	Δ7,151	Δ26,317	Δ7,789	Δ7,319
Cash and cash equivalents at end of period	50,550	38,697	40,157	70,899	59,612	54,099	63,068	71,579	57,187	67,423	61,015
Number of employees (persons)	8,732	8,821	8,839	8,915	9,244	9,571	9,818	10,003	10,154	10,264	10,320

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(Unit: millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	67,614	62,931
Notes receivable, accounts receivable from completed construction contracts and other	185,675	205,535
Securities	4,999	2,299
Costs on construction contracts in progress	9,547	9,594
Other	20,888	24,635
Allowance for doubtful accounts	△556	△1,212
Total current assets	288,170	303,783
Non-current assets		
Property, plant, and equipment		
Buildings and structures	102,322	102,022
Machinery, vehicles, tools, furniture and fixtures	63,979	65,592
Land	60,496	59,544
Leased assets	3,685	4,383
Construction in progress	1,246	761
Accumulated depreciation	△118,799	△121,343
Total property, plant, and equipment	112,930	110,960
Intangible assets	5,694	5,884
Investments and other assets		
Investment securities	48,274	51,703
Deferred tax assets	9,180	8,652
Other	8,000	8,112
Allowance for doubtful accounts	△1,284	△1,266
Total investments and other assets	64,171	67,200
Total non-current assets	182,797	184,045
Total assets	470,967	487,828
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	80,241	88,163
Short-term borrowings	6,792	7,590
Lease liabilities	711	840
Income taxes payable	6,815	4,966
Advances received on construction contracts in progress	12,349	9,581
Provision for warranties for completed construction	146	164
Provision for loss on construction contracts	9,927	8,069
Other	30,306	31,576
Total current liabilities	147,290	150,953
Noncurrent liabilities		
Long-term borrowings	6,607	5,451
Lease liabilities	1,694	1,899
Deferred tax liabilities for land revaluation	6,560	6,287
Retirement benefit liability	13,813	13,457
Other	1,486	1,321
Total noncurrent liabilities	30,162	28,417
Total liabilities	177,452	179,370
Net assets		
Shareholders' equity		
Share capital	10,264	10,264
Capital surplus	6,456	6,378
Retained earnings	257,625	273,487
Treasury shares	△561	△536
Total shareholders' equity	273,784	289,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,315	14,868
Deferred gains or losses on hedges	△189	△134
Revaluation reserve for land	△5,276	△5,896
Remeasurements of defined benefit plans	1,342	△33
Total accumulated other comprehensive income	10,191	8,803
Non-controlling interests	9,538	10,059
Total net assets	293,514	308,457
Total liabilities and net assets	470,967	487,828

CONSOLIDATED STATEMENT OF INCOME

(Unit: millions of yen)

	Previous consolidated fiscal year (From April 1, 2021, to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022, to March 31, 2023)
Net sales of completed construction contracts	495,567	541,579
Cost of sales of completed construction contracts	438,846	481,436
Gross profit (loss) on completed construction contracts	56,721	60,143
Selling, general and administrative expenses	26,077	27,394
Operating profit (loss)	30,643	32,748
Non-operating income		
Interest income	23	14
Dividend income	976	1,072
Foreign exchange gains	149	189
Other	316	361
Total non-operating income	1,466	1,637
Non-operating expenses		
Interest expenses	187	181
Other	168	145
Total non-operating expenses	355	326
Ordinary profit (loss)	31,754	34,059
Extraordinary income		
Gain on sale of non-current assets	—	177
Gain on sale of investment securities	254	172
Total extraordinary income	254	350
Extraordinary losses		
Impairment loss	67	1,683
Loss on retirement of non-current assets	286	202
Loss on COVID-19	514	—
Loss on disaster	150	—
Other	11	16
Total extraordinary losses	1,031	1,902
Profit (loss) before income taxes	30,978	32,507
Income taxes - current	10,907	10,087
Income taxes - deferred	△854	609
Total income taxes	10,052	10,697
Profit (loss)	20,925	21,809
Profit (loss) attributable to non-controlling interests	609	641
Profit (loss) attributable to owners of the parent	20,315	21,167

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unit: millions of yen)

	Previous consolidated fiscal year (From April 1, 2021, to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022, to March 31, 2023)
Profit (loss)	20,925	21,809
Other comprehensive income		
Valuation difference on available-for-sale securities	△382	545
Deferred gains or losses on hedges	55	55
Remeasurements of defined benefit plans, net of tax	△767	△1,385
Total other comprehensive income	△1,093	△784
Comprehensive income	19,831	21,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,237	20,400
Comprehensive income attributable to non-controlling interests	594	624

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unit: millions of yen)

Previous consolidated fiscal year (From April 1, 2021, to March 31, 2022)	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	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	10,264	6,441	242,999	△588	259,118	14,681	△245	△5,247	2,110	11,299	9,042	279,459
Changes during period												
Purchase of shares of consolidated subsidiaries		—			—							—
Dividends of surplus			△5,719		△5,719							△5,719
Profit (loss) attributable to owners of the parent			20,315		20,315							20,315
Reversal of revaluation reserve for land			29		29							29
Purchase of treasury shares				△0	△0							△0
Disposal of treasury shares		14		27	42							42
Net changes in items other than shareholders' equity						△366	55	△29	△767	△1,107	496	△611
Total changes during period	—	14	14,625	26	14,666	△366	55	△29	△767	△1,107	496	14,054
Balance at end of period	10,264	6,456	257,625	△561	273,784	14,315	△189	△5,276	1,342	10,191	9,538	293,514

(Unit: millions of yen)

Current consolidated fiscal year (From April 1, 2021, to March 31, 2022)	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	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	10,264	6,456	257,625	△561	273,784	14,315	△189	△5,276	1,342	10,191	9,538	293,514
Changes during period												
Purchase of shares of consolidated subsidiaries		△90			△90							△90
Dividends of surplus			△5,925		△5,925							△5,925
Profit (loss) attributable to owners of the parent			21,167		21,167							21,167
Reversal of revaluation reserve for land			619		619							619
Purchase of treasury shares				△0	△0							△0
Disposal of treasury shares		12		25	37							37
Net changes in items other than shareholders' equity						553	55	△619	△1,376	△1,387	520	△866
Total changes during period	—	△77	15,861	25	15,809	553	55	△619	△1,376	△1,387	520	14,942
Balance at end of period	10,264	6,378	273,487	△536	289,594	14,868	△134	△5,896	△33	8,803	10,059	308,457

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unit: millions of yen)

	Previous consolidated fiscal year (From April 1, 2021, to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022, to March 31, 2023)
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	30,978	32,507
Depreciation and amortization	7,435	8,033
Impairment loss	67	1,683
Increase (decrease) in allowance for doubtful accounts	△25	638
Increase (decrease) in provision for loss on construction contracts	4,380	△1,857
Increase (decrease) in retirement benefit liability	△2,240	△1,778
Interest and dividend income	△1,000	△1,087
Interest expenses	187	181
Loss (gain) on sale of investment securities	△254	△172
Decrease (increase) in trade receivables	6,546	△20,004
Decrease (increase) in costs on construction contracts in progress	1,568	△46
Increase (decrease) in trade payables	△8,591	7,920
Increase (decrease) in advances received on construction contracts in progress	△294	△2,768
Other, net	△4,203	△4,838
Subtotal	34,551	18,410
Interest and dividends received	1,000	1,087
Interest paid	△187	△181
Income taxes refund (paid)	△8,214	△11,860
Net cash provided by (used in) operating activities	27,150	7,455
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	—	1,275
Purchase of property, plant, and equipment	△7,241	△5,460
Proceeds from sale of property, plant, and equipment	45	1,392
Purchase of investment securities	△1,958	△3,043
Proceeds from sale and redemption of investment securities	1,367	205
Loan advances	△940	△790
Proceeds from collection of loans receivable	1,046	650
Other	△1,543	△864
Cash flows from investing activities	△9,224	△6,635
Net cash used in financing activities		
Net increase (decrease) in short-term borrowings	△620	—
Proceeds from long-term debt	—	200
Repayments of long-term borrowings	△632	△557
Repayments of lease liabilities	△760	△879
Dividends paid	△5,719	△5,925
Other	△56	△156
Net cash provided by (used in) financing activities	△7,789	△7,319
Effect of exchange rate change on cash and cash equivalents	100	90
Net increase (decrease) in cash and cash equivalents	10,236	△6,408
Cash and cash equivalents at beginning of period	57,187	67,423
Cash and cash equivalents at end of period	67,423	61,015

Non-financial information (As of March 31, 2023)

Item		Unit	Actual results				
			Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of employees (consolidated)	Overall	Persons	9,818	10,003	10,154	10,264	10,320
Number of employees	Overall	Persons	7,202	7,350	7,497	7,619	7,682
	Male		6,760	6,892	7,007	7,123	7,180
	Female		442	458	490	496	502
Average age	Overall	Age	41.5	41.6	41.7	41.9	42.1
	Male		41.5	41.6	41.6	41.8	42.1
	Female		41.4	41.7	42.1	42.6	43.4
Years of service	Overall	Years	19.1	19.1	19.0	19.1	19.4
	Male		19.3	19.2	19.2	19.3	19.5
	Female		16.0	16.3	16.5	16.4	16.9
Turnover rate	Overall	%	1.9	2.0	2.1	1.8	2.4
	Male		1.9	2.0	2.1	1.8	2.5
	Female		1.1	1.5	1.2	1.6	1.9
Promotion to managerial positions	Earliest age	Age	41	40	40	39	39
	Number of men in managerial positions	Persons	1,720	1,764	1,792	1,864	1,932
	Number of women in managerial positions	Persons	17	18	22	23	28
	Percentage of female employees in managerial positions	%	3.7	3.9	4.5	4.6	5.5
Employment of persons with disabilities	Employment rate	%	2.2	2.2	2.3	2.7	2.6
Number of regular hires	Overall	Persons	331	333	305	314	330
	Male		313	317	289	303	307
	Female		18	16	16	11	23
Number of mid-career hires	Overall	Persons	156	74	106	79	81
	Male		104	72	93	67	73
	Female		52	2	13	12	8
Percentage of mid-career hires of full-time workers	Overall	%	2.1	1.0	1.4	1.0	1.0
	Male		1.5	1.0	1.3	0.9	1.0
	Female		11.4	0.4	2.7	2.4	1.6
Number of users of the nursing care leave program	Overall	Persons	3	4	3	5	3
	Male		1	3	2	3	3
	Female		2	1	1	2	0

Item		Unit	Actual results				
			Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage of employees using the childcare leave program	Overall	%	5.7	6.2	13.1	11.2	18.3
	Male		0.0	0.7	6.3	5.6	10.9
	Female		100.0	100.0	100.0	100.0	100.0
Percentage of employees using the spouse childbirth leave program		%	58.8	70.6	60.6	58.8	63.0
Number of foreign employees		Persons	13	11	15	14	16
Female technical and engineering staff		Persons	81	84	94	105	108
Percentage of employees rehired after mandatory retirement age		%	87.3	81.8	86.8	89.8	89.1
Average annual salary	Overall	Thousands of Yen	7,562	7,752	7,689	7,547	7,449
	Male	Thousands of Yen	7,723	7,918	7,841	7,694	7,602
	Female	Thousands of Yen	5,222	5,335	5,496	5,486	5,367
	Ratio of women's wages to men's wages	%	67.6	67.4	70.1	71.3	70.6
Paid leave usage rate	Overall	%	49.3	56.5	59.9	66.9	72.4
Average total working hours per person/month	Overall	Hours	183.6	184.4	178.1	175.4	173.0
Ratio of employees who take stress check		%	93.1	93.8	95.2	95.6	96.8
Work engagement		%	—	—	—	82.5	82.7
Employee engagement		%	—	—	—	—	66.6
Number of employee training hours* (Company-wide joint training etc.)		Total hours	34,359	35,813	22,862	26,600	37,658
Number of employee training days* (Company-wide joint training etc.)		Total days	4,581	4,775	3,048	3,547	5,021
Number of participants in training* (company-wide joint training etc.)		Total number of persons	1,218	1,910	1,618	2,114	2,442

*Training provided by Education & Training Center

Company Profile (As of March 31, 2023)

Company outline

Company name	Kandenko Co., Ltd.
Established	September 1, 1944
Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, 108-8533 Japan
Paid in capital	¥10,264 million
Total number of shares issued	205,288,338 shares
Employees	Consolidated 10,320 persons, Non-consolidated 7,682 persons

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 to our technologies and services, and the latest news.

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

● To shareholders and investors:

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



Network

Domestic Offices

Head Office	4-8-33 Shibaura, Minato-ku, Tokyo, Japan	Tama Branch	2-24-6 Myojincho, Hachioji-shi, Tokyo, Japan
Tokyo Branch	4-8-33 Shibaura, Minato-ku, Tokyo, Japan	Kansai Branch	Nakanoshima Festival Tower 20th Floor, 2-3-18 Nakanoshima, Kita-ku, Osaka, Japan
Kanagawa Branch	1-1-8 Hiranuma, Nishi-ku, Yokohama-shi, Kanagawa, Japan	Nagoya Branch	Nagoya Toho Building 6th Floor, 1-2-7 Sakae, Na-ka-ku, Nagoya-shi, Aichi, Japan
Chiba Branch	2-1-24 Shinjuku, Chuo-ku, Chiba-shi, Chiba, Japan	Kyushu Branch	Yakuin Business Garden 4th Floor, 1-1-1 Yakuin, Chuo-ku, Fukuoka, Japan
Saitama Branch	1-195-1 Sakuragicho, Omiya-ku, Saitama-shi, Saitama, Japan	Hokkaido Branch	J&S Resona Building 3rd Floor, 4-1-2 Kitaichijo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan
Ibaraki Branch	2-7-14 Jonan, Mito-shi, Ibaraki, Japan	Tohoku Branch	Sendai Daiichi Seimei Tower Building, 4-6-1 Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi, Japan
Tochigi Branch	91-1 Imaizumicho, Utsunomiya-shi, Tochigi, Japan	Nagano Branch	1629-32 Midoricho, Nagano-shi, Nagano, 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		

Overseas Offices

Singapore Regional Branch	2 Leng Kee Road #05-08 Thyee Hong Centre, Singapore 159086	Yangon Branch	No (291), Corner of Yazathingyan 7th & 8th Street, Yatana Road, South Okkalapa Township, Yangon, Myanmar
Taiwan Branch	6F-1, No. 45, Section 1, Minchuan Eastern Road, Taipei, Taiwan		

► Overseas business

<https://www.kandenko.co.jp/business/construction/oversea>

● : Domestic Offices

○ : Overseas Offices



Stock Status

The shares of common stock of Kandenko are listed on the Prime Market of the Tokyo Stock Exchange.

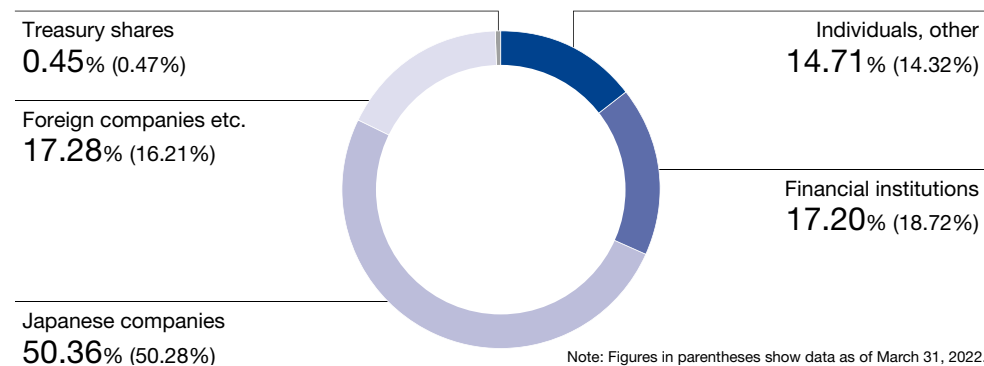
On March 31, 2023, there were a total of (in thousands) outstanding shares 14,973 shareholders. The table below lists our main shareholders.

Main shareholders (As of March 31, 2023)

	Name	Number of shares held	Shareholding ratio
1	TEPCO Power Grid, Inc.	94,753,552	46.36%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	15,584,900	7.62%
3	Custody Bank of Japan, Ltd. (Trust Account)	7,872,300	3.85%
4	Kandenko Group Employees Shareholding Association	6,429,630	3.14%
5	STATE STREET BANK AND TRUST COMPANY 505001	3,070,266	1.50%
6	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	2,744,500	1.34%
7	Mizuho Bank, Ltd.	2,177,439	1.06%
8	DFA INTL SMALL CAP VALUE PORTFOLIO	1,471,800	0.72%
9	STATE STREET BANK WEST CLIENT-TREATY 505234	1,452,900	0.71%
10	JP MORGAN CHASE BANK 385781	1,354,695	0.66%
	Total	136,911,982	66.99%

*The shareholding ratio is calculated by subtracting 938,779 shares of treasury stock from the total number of shares issued.

Number of Shares Held by Type of Shareholder (As of March 31, 2023)

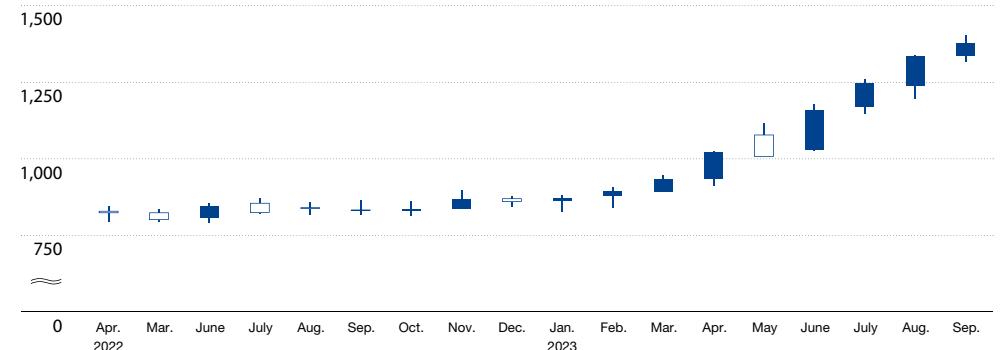


Stock-Related Information

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.
Public announcements	Public announcements will be posted 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)

Monthly Stock Price

(Unit: Yen)





Kandenko Co., Ltd.

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

TEL: 03-5476-2111

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