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Consolidated Financial Report [Japanese GAAP] for the Fiscal Year Ended March 31, 2023

April 28, 2023

Company name: Kyudenko Corporation Listing: Tokyo Stock Exchange / Fukuoka Stock Exchange

Securities code: 1959 URL: <https://www.kyudenko.co.jp>

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Accounting Department

Scheduled date to hold regular shareholders' meeting: June 28, 2023
Scheduled date to commence dividend payments: June 6, 2023

Scheduled date to file annual securities report: June 29, 2023

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (For institutional investors and analysts)

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the fiscal year ended March 31, 2023

(From April 1, 2022 to March 31, 2023)

(1) Consolidated operating results (Percentages indicate change from corresponding period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	395,783	5.1	32,083	(3.2)	35,462	(3.7)	26,349	0.5
Year ended March 31, 2022	376,563	(3.9)	33,137	0.4	36,828	2.6	26,216	4.7

(Note) Comprehensive income Year ended March 31, 2023 ¥28,879 million (8.4%) Year ended March 31, 2022 ¥26,641 million (-15.2%)

	Profit per share	Diluted profit per share	Ratio of profit to equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	371.93	—	10.5	8.6	8.1
Year ended March 31, 2022	370.05	—	11.4	9.9	8.8

(Reference) Share of profit/loss of entities accounted for using equity method Year ended March 31, 2023 ¥732 million Year ended March 31, 2022 ¥1,514 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	446,410	263,017	58.4	3,681.85
As of March 31, 2022	378,396	241,194	63.2	3,375.43

(Reference) Equity Year ended March 31, 2023 ¥260,841 million Year ended March 31, 2022 ¥239,134 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	17,386	(3,113)	11,615	63,851
Year ended March 31, 2022	5,252	(7,536)	(10,191)	37,791

2. Dividends

	Annual dividends per share					Total dividends	Dividend ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	50.00	—	50.00	100.00	7,086	27.0	3.1
Year ended March 31, 2023	—	50.00	—	60.00	110.00	7,795	29.6	3.1
Year ending March 31, 2024 (Forecast)	—	55.00	—	55.00	110.00		29.4	

Note 1: Fiscal year ended March 31, 2023

2: Fiscal year ending March 31, 2024 (forecast)

Breakdown of year-end dividend

Breakdown of interim dividend

Breakdown of year-end dividend

Normal dividend: ¥60.00

Normal dividend: ¥55.00

Normal dividend: ¥55.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024

(From April 1, 2023 to March 31, 2024)

(Percentages indicate change from corresponding period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	460,000	16.2	35,500	10.7	38,000	7.2	26,500	0.6	374.05

*Notes

(1) Changes in important subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in the scope of consolidation) : None

Note: For details see "Important information used to compile consolidated financial statements" on p.18 of the attached materials.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: : Yes
- (ii) Changes in accounting policies due to other reasons: : None
- (iii) Changes in accounting estimates: : None
- (iv) Restatement: : None

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury stock)	Year ended March 31, 2023	70,864,961shares	Year ended March 31, 2022	70,864,961 shares
(ii) Number of treasury stock at the end of the period	Year ended March 31, 2023	19,743shares	Year ended March 31, 2022	19,332 shares
(iii) Average number of shares outstanding during the period	Year ended March 31, 2023	70,845,420shares	Year ended March 31, 2022	70,845,795 shares

(Reference) Overview of non-consolidated results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results (Percentages indicate change from corresponding period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	333,007	3.2	25,305	(4.6)	28,126	(2.4)	21,806	5.4
Year ended March 31, 2022	322,568	(4.4)	26,527	1.9	28,822	1.8	20,690	1.5
	Profit per share		Diluted profit per share					
	Yen		Yen					
Year ended March 31, 2023	307.73		—					
Year ended March 31, 2022	291.97		—					

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2023	395,807	214,457	54.2	3,026.33
Year ended March 31, 2022	336,952	199,176	59.1	2,810.67

(Reference) Equity Year ended March 31, 2023 ¥214,457 million Year ended March 31, 2022 ¥199,176 million

- * Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.
- * Proper use of consolidated earnings forecasts and other special matters

Forward-looking statements such as the earnings outlook included in these materials are based on information available to the company at the time of their compilation and on certain assumptions that have been determined to be reasonable. They do not constitute any commitment on the part of the company to achieve specific results. In addition, actual performance and other results may diverge significantly from forecasts for a variety of reasons. For precautionary information about the conditions that comprise the assumptions underlying earnings forecasts and about the use of earnings forecasts, see "Overview of operating results and other information" on p.5 of the attached materials.

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1. Overview of operating results

(1) Overview of operating results for the current fiscal year

During the current consolidated fiscal year, rising geopolitical risk drove up the cost of a variety of goods and services, including energy, while growing domestic capital investment, particularly in the manufacturing industry, underpinned the economy. The effects of the COVID-19 pandemic on business activities have been ebbing since a period of rising infections last summer.

The Group has received orders for multiple large projects even as rising material and labor costs manifest themselves, demanding strategies for booking orders despite challenges like ensuring construction workers and negotiating pricing. In addition, the start of full-scale work on large megasolar projects that had been delayed due to the effects of the pandemic has been further delayed.

Against the backdrop of this business environment, we chose “implementing operational reforms designed to accommodate environmental changes” as the theme for FY2022, the third year of our Mid-term Management Plan (a five-year plan covering FY2020 through FY2024), based on a review of FY2021, and we orchestrated a companywide effort to improve productivity by implementing operational reforms and advance price negotiations that reflect soaring material and labor costs in order to resolve the largest challenges facing us, specifically capturing and completing orders for large projects and contending with soaring material and labor costs.

This approach to our businesses yielded the following results for the current fiscal year:

[Consolidated operating results]

Construction orders	¥440,507 million	(up 17.3% from the previous year)
Sales	¥395,783 million	(up 5.1% from the previous year)
Operating income	¥32,083 million	(down 3.2% from the previous year)
Ordinary income	¥35,462 million	(down 3.7% from the previous year)
Profit attributable to owners of parent	¥26,349 million	(up 0.5% from the previous year)

Net sales rose for both the facilities construction business and other businesses, with the segment total rising ¥19,220 million from the corresponding period of the previous fiscal year to ¥395,783 million.

Operating income fell ¥1,054 million from the corresponding period of the previous fiscal year to ¥32,083 million, while ordinary income fell ¥1,365 million to ¥35,462 million.

Profit attributable to owners of parent rose ¥132 million from the corresponding period of the previous fiscal year to ¥26,349 million as a result of factors including posting of extraordinary income from the sale of investment securities.

Individual business segments performed as follows:

(Facilities construction business)

Construction orders rose ¥65,032 million (17.3%) from the previous consolidated fiscal year to ¥440,507 million as a result of coordinated sales activities undertaken by sales and engineer departments to earn orders for large redevelopment projects and projects that had been delayed due to the pandemic while accommodating demand for datacenter expansion projects and capital investments in the manufacturing industry, primarily in Kyushu.

Net sales rose ¥15,914 million (4.4%) from the previous year to ¥380,355 million against a backdrop of robust orders despite sluggish performance due to factors such as delays in the start of construction work on large solar projects.

Segment profit (operating income) fell ¥1,619 million (5.3%) from the previous consolidated fiscal year to ¥28,908 million as net sales growth was offset by the added weight of large new-construction projects with comparatively low profitability that were ordered during or prior to the previous fiscal year and by increases in fixed costs due to the addition of new consolidated subsidiaries, digital transformation (DX) investments, and efforts to move beyond the pandemic.

(Other)

Net sales rose ¥3,305 million (27.3%) from the previous consolidated fiscal year to ¥15,428 million as a result of factors including growth in our power generation and facility operation businesses.

Segment profit (operating income) rose ¥513 million (20.5%) from the previous consolidated fiscal year to ¥3,015 million as a result of growth in net sales.

(2) Overview of financial position during the current fiscal year

Overview of assets, liabilities, and net assets

(Assets)

Current assets rose ¥61,241 million from the end of the previous consolidated fiscal year to ¥278,220 million as a result of factors including increases in cash and deposits.

Fixed assets rose ¥6,773 million from the end of the previous consolidated fiscal year to ¥168,189 million as a result of factors including an increase in retirement benefit assets.

As a result, total assets rose ¥68,014 million from the end of the previous consolidated fiscal year to ¥446,410 million.

(Liabilities)

Current liabilities rose ¥18,244 million from the end of the previous consolidated fiscal year to ¥141,691 million as a result of factors including an increase in advances received on uncompleted construction contracts.

Long-term liabilities rose ¥27,947 million from the end of the previous consolidated fiscal year to ¥41,702 million as a result of factors including an increase in long-term borrowings.

As a result, total liabilities rose ¥46,192 million from the end of the previous consolidated fiscal year to ¥183,393 million.

(Net assets)

Total net assets rose ¥21,822 million from the end of the previous consolidated fiscal year to ¥263,017 million as a result of factors including the posting of profit attributable to owners of parent.

(3) Overview of cash flows during the current fiscal year

Cash and cash equivalents (“funds”) during the current consolidated fiscal year rose ¥26,060 million from the end of the previous consolidated fiscal year to ¥63,851 million.

(Cash flows from operating activities)

Funds gained from operating activities totaled ¥17,386 million (an increase in income of ¥12,134 million from the previous consolidated fiscal year).

This figure primarily reflects the fact that the posting of profit before income taxes and an increase in advances received on uncompleted construction contracts exceeded increases in trade receivables and inventory assets and payment of consumption tax.

(Cash flows from investing activities)

Funds expended in connection with investing activities totaled ¥3,113 million (a decrease in expenditures of ¥4,423 million from the previous consolidated fiscal year).

This figure primarily reflects the fact that expenditures on the acquisition of investment securities and property and equipment exceeded income from the sale of investment securities.

(Cash flows from financing activities)

Funds from financing activities totaled ¥11,615 million (an increase in income of ¥21,807 million from the previous consolidated fiscal year).

This figure primarily reflects the fact that income from the procurement of funds through long-term borrowing exceeded dividend payments and expenditures made to repay long-term borrowings.

(4) Outlook for results during the next fiscal year

Going forward, the construction industry is likely to be affected by rising prices, particularly for labor, prompting concerns about a shortage of construction workers, for example due to the need to put in place a labor environment that complies with upper limits on overtime work that are scheduled to take effect in FY2024. The Group, which has more uncompleted construction contracts than at any time in its history, finds itself faced with the need to establish optimal staffing structures while quickly accommodating the new upper limits on overtime work, which it considers to be its greatest challenge.

Based on this environment, we believe that resolving the issues we face will require us to improve productivity by radically reconsidering the procedures, approaches, and mechanisms upon which we've relied to date and mounting a group-wide effort to reform workstyles. To that end, we've identified "improving productivity to prepare for a new era" as our basic management theme for 2023, the fourth year of our Mid-term Management Plan, and we will accelerate workstyle reforms and leverage them to realize the Group's growth.

In addition, we believe that in order to adapt to an environment that's changing with unprecedented speed, we will need to ensure that environmental management and CSV management permeate our operations as management strategies while advancing DX, a renewable energy business guided by the roadmap set forth in the Mid-term Management Plan, and other initiatives. As a result, we recently augmented the reforms and issues identified by the Mid-term Management Plan by adding "implementing human capital management" as a "new issue being addressed." We've also targeted the following issues for particular attention during FY2023, and we will determine and implement specific measures for each of them going forward: implementing productivity reforms, implementing human capital management, strengthening and expanding platforms for earning orders, developing new business domains, implementing sustainability management, strengthening governance structures and ensuring compliance, and eliminating serious accidents.

As a result of the above initiatives, we expect the following operating results for the upcoming fiscal year (ending March 31, 2024):

(Consolidated financial results)

Construction orders	¥441.0 billion (up 0.1% from the current fiscal year)
Sales	¥460.0 billion (up 16.2% from the current fiscal year)
Operating income	¥35.5 billion (up 10.7% from the current fiscal year)
Ordinary income	¥38.0 billion (up 7.2% from the current fiscal year)
Profit attributable to owners of parent	¥26.5 billion (up 0.6% from the current fiscal year)

(5) Basic policy on profit allocation and dividends for the current and upcoming fiscal years

With regard to the allocation of profits, we strive to maintain appropriate financial structures based on awareness of capital costs and return profits to shareholders while setting aside sufficient internal reserves to strengthen our management base and expand our businesses in order to enhance performance.

With regard to dividends, we make comprehensive determinations based on such factors as the business environment, operating results, and financial position and endeavor to meet the expectations of shareholders by offering stable dividends on an ongoing basis using a consolidated payout ratio of 25% as a guideline.

Although we previously announced a year-end dividend of ¥50 per share for the current fiscal year in accordance with this basic policy, we have increased that figure to ¥60 per share based on financial results for the fiscal year ended March 2023, as announced today, and our record-high construction contract balance, which combined with the previously paid interim dividend of ¥50 per share will yield an annual dividend of ¥110 per share.

We're planning an annual dividend of ¥110 per share (including an interim dividend of ¥55) for the upcoming fiscal year (ending March 2024) based on the current earnings forecast and other data.

2. Basic approach to selection of accounting standards

Most of the Group's business is conducted in Japan, and most of the interested parties, including creditors and business partners, operate in Japan. As a result, we apply Japanese accounting standards so that consolidated financial statements from multiple fiscal years and for multiple businesses can be compared.

Our policy going forward will be to examine potential future use of international accounting standards as appropriate based on considerations such as the domestic and international situation and adoption of international accounting standards by other companies in our industry.

3. Consolidated financial statements and principal notes

(1) Consolidated balance sheet

(Millions of yen)

	Previous fiscal year As of March 31, 2022	Current fiscal year As of March 31, 2023
Assets		
Current assets		
Cash and deposits	39,021	67,534
Notes receivable, accounts receivable from completed construction contracts and other	136,676	148,902
Securities	987	—
Costs of uncompleted construction contracts	5,592	7,428
Merchandise	1,107	1,203
Raw materials and supplies	22,790	31,364
Other	10,838	21,790
Allowance for doubtful accounts	(34)	(3)
Total current assets	216,979	278,220
Fixed assets		
Property and equipment		
Buildings and structures	73,060	76,168
Machinery, vehicles, tools, furniture and fixtures	41,059	45,607
Land	29,677	29,914
Lease assets	7,628	8,087
Construction in process	1,112	382
Total cumulative depreciation	(71,694)	(78,415)
Total property and equipment	80,844	81,745
Intangible assets		
Goodwill	755	821
Customer-related assets	1,739	1,518
Other	1,873	1,938
Total intangible assets	4,368	4,278
Investments and other assets		
Investment securities	61,175	64,494
Long-term loans receivable	313	89
Retirement benefit assets	6,124	10,445
Deferred tax assets	4,288	2,468
Other	5,279	5,652
Allowance for doubtful accounts	(979)	(985)
Total investments and other assets	76,203	82,166
Total fixed assets	161,416	168,189
Total assets	378,396	446,410

(Millions of yen)

	Previous fiscal year As of March 31, 2022	Current fiscal year As of March 31, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	66,669	69,832
Electronically recorded obligations	22,078	28,762
Short-term borrowings	6,865	2,461
Income taxes payable	7,309	5,984
Advances received on uncompleted construction contracts	11,463	26,550
Provision for loss on construction contracts	187	21
Other	8,872	8,077
Total current liabilities	123,446	141,691
Long-term liabilities		
Long-term borrowings	3,494	30,604
Lease obligations	2,782	3,341
Provision for retirement benefits for directors (and other officers)	328	327
Retirement benefit liability	4,015	3,980
Other	3,134	3,448
Total long-term liabilities	13,754	41,702
Total liabilities	137,201	183,393
Net assets		
Shareholders' equity		
Share capital	12,561	12,561
Capital surplus	12,987	13,046
Retained earnings	214,655	233,918
Treasury stock, at cost	(9)	(10)
Total shareholders' equity	240,194	259,516
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,848	2,428
Deferred gains or losses on hedges	(218)	(16)
Foreign currency translation adjustment	208	688
Retirement benefit liability adjustments	(2,898)	(1,774)
Total accumulated other comprehensive loss	(1,059)	1,325
Non-controlling interests	2,059	2,175
Total net assets	241,194	263,017
Total liabilities and net assets	378,396	446,410

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales		
Construction contracts	364,440	380,355
Other	12,123	15,428
Total net sales	376,563	395,783
Cost of sales		
Construction contracts	310,615	326,874
Other	8,586	11,019
Total cost of sales	319,201	337,894
Gross profit		
Construction contracts	53,824	53,480
Other	3,536	4,408
Total gross profit	57,361	57,889
Selling, general and administrative expenses	24,224	25,806
Operating income	33,137	32,083
Non-operating income		
Interest income	48	63
Dividend income	747	716
Share of profit of entities accounted for using equity method	1,514	732
Gain on investments in partnerships	910	1,427
Rent income	329	322
Other	775	867
Total non-operating income	4,326	4,130
Non-operating expenses		
Interest expenses	387	424
Extra retirement payments	84	58
Payment fees	75	99
Transfer of allowance for doubtful accounts from affiliates	35	17
Settlement payments	—	87
Other	52	63
Total non-operating expenses	635	750
Ordinary income	36,828	35,462

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Extraordinary income		
Gain on sales of fixed assets	4	310
Gain on sales of investment securities	811	4,247
Total extraordinary income	816	4,558
Extraordinary losses		
Loss on disposal and sales of fixed assets	286	223
Loss on sales of investment securities	36	—
Loss on valuation of investment securities	489	602
Impairment losses	—	326
Loss on liquidation of a subsidiary	—	74
Total extraordinary losses	811	1,227
Profit before income taxes	36,833	38,793
Corporate, residence, and business taxes	11,365	11,157
Income taxes - deferred	(871)	1,198
Total income taxes	10,493	12,355
Profit	26,339	26,437
Profit attributable to non-controlling interests	123	88
Profit attributable to owners of parent	26,216	26,349

Consolidated statement of comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit	26,339	26,437
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,146)	577
Foreign currency translation adjustment	131	535
Retirement benefit liability adjustments	2,158	1,124
Share of other comprehensive income (loss) of entities accounted for using equity method	159	204
Total other comprehensive income (loss)	302	2,441
Comprehensive income	26,641	28,879
(of which)		
Comprehensive income attributable to owners of parent	26,490	28,735
Comprehensive income attributable to non-controlling interests	151	144

(3) Statement of changes in consolidated shareholders' equity, etc.

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at start of fiscal year under review	12,561	12,987	195,601	(8)	221,141
Change during fiscal year under review					
Dividend of surplus			(7,086)		(7,086)
Profit attributable to owners of parent			26,216		26,216
Purchase of treasury stock				(1)	(1)
Changes in the scope of consolidation			(76)		(76)
Change in equity due to acquisition of consolidated subsidiaries' treasury stock					—
Change in equity due to sale of shares of consolidated subsidiaries' shares					—
Change in items other than shareholders' equity during fiscal year under review (net)					—
Total change during fiscal year under review	—	—	19,054	(1)	19,052
Balance at end of fiscal year under review	12,561	12,987	214,655	(9)	240,194

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Retirement benefit liability adjustments	Total accumulated other comprehensive loss		
Balance at start of fiscal year under review	3,998	(381)	105	(5,057)	(1,334)	1,933	221,741
Change during fiscal year under review							
Dividend of surplus							(7,086)
Profit attributable to owners of parent							26,216
Purchase of treasury stock							(1)
Changes in the scope of consolidation							(76)
Change in equity due to acquisition of consolidated subsidiaries' treasury stock							—
Change in equity due to sale of shares of consolidated subsidiaries' shares							—
Change in items other than shareholders' equity during fiscal year under review (net)	(2,149)	162	102	2,158	274	125	400
Total change during fiscal year under review	(2,149)	162	102	2,158	274	125	19,453
Balance at end of fiscal year under review	1,848	(218)	208	(2,898)	(1,059)	2,059	241,194

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at start of fiscal year under review	12,561	12,987	214,655	(9)	240,194
Change during fiscal year under review					
Dividend of surplus			(7,086)		(7,086)
Profit attributable to owners of parent			26,349		26,349
Purchase of treasury stock				(1)	(1)
Changes in the scope of consolidation					—
Change in equity due to acquisition of consolidated subsidiaries' treasury stock		0			0
Change in equity due to sale of shares of consolidated subsidiaries' shares		59			59
Change in items other than shareholders' equity during fiscal year under review (net)					—
Total change during fiscal year under review	—	59	19,263	(1)	19,321
Balance at end of fiscal year under review	12,561	13,046	233,918	(10)	259,516

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Retirement benefit liability adjustments	Total accumulated other comprehensive loss		
Balance at start of fiscal year under review	1,848	(218)	208	(2,898)	(1,059)	2,059	241,194
Change during fiscal year under review							
Dividend of surplus							(7,086)
Profit attributable to owners of parent							26,349
Purchase of treasury stock							(1)
Changes in the scope of consolidation							—
Change in equity due to acquisition of consolidated subsidiaries' treasury stock							0
Change in equity due to sale of shares of consolidated subsidiaries' shares							59
Change in items other than shareholders' equity during fiscal year under review (net)	579	201	480	1,124	2,385	115	2,500
Total change during fiscal year under review	579	201	480	1,124	2,385	115	21,822
Balance at end of fiscal year under review	2,428	(16)	688	(1,774)	1,325	2,175	263,017

(4) Consolidated cash flow statement

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	36,833	38,793
Depreciation expenses	5,791	6,018
Impairment losses	—	326
Increase/decrease in allowance for doubtful accounts (with figures in parentheses indicating decreases)	(152)	(24)
Increase/decrease in retirement benefit assets (with figures in parentheses indicating increases)	(2,860)	(3,064)
Increase/decrease in retirement benefit liabilities and provision for retirement benefits for directors (and other officers)(with figures in parentheses indicating decreases)	(907)	1,544
Increase/decrease in provision for loss on construction contracts (with figures in parentheses indicating decreases)	123	(170)
Gain/loss on investments in partnerships (with figures in parentheses indicating gains)	(910)	(1,427)
Interest income and dividend income	(796)	(780)
Interest expenses	387	424
Foreign exchange gain or loss (with figures in parentheses indicating gains)	(126)	(168)
Share of profit/loss of entities accounted for using equity method (with figures in parentheses indicating profit)	(1,201)	(414)
Gain/loss on sale of property and equipment (with figures in parentheses indicating gains)	(4)	(310)
Loss on disposal of property and equipment	282	208
Gain/loss on valuation of securities and investment securities (with figures in parentheses indicating gains)	489	602
Gain/loss on sale of securities and investment securities (with figures in parentheses indicating gains)	(775)	(4,247)
Increase/decrease in accounts receivable (with figures in parentheses indicating increases)	(4,786)	(11,791)
Increase/decrease in costs of uncompleted construction contracts (with figures in parentheses indicating increases)	585	(1,689)
Increase/decrease in inventory assets (with figures in parentheses indicating increases)	(8,266)	(8,545)
Increase/decrease in accounts payable (with figures in parentheses indicating decreases)	153	9,552
Increase/decrease in advances received on uncompleted construction contracts (with figures in parentheses indicating decreases)	(3,923)	15,076
Increase/decrease in long-term accounts payable (with figures in parentheses indicating decreases)	(2)	87
Increase/decrease in unpaid or uncollected consumption tax	(6,036)	(4,090)
Other	2,298	(6,386)
Sub total	16,193	29,522
Interest income and dividend income received	796	763
Interest paid	(387)	(424)
Income taxes paid	(11,350)	(12,474)
Cash flows from operating activities	5,252	17,386

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Expenditures on deposits of time deposits	(1,352)	(3,738)
Income from redemption of time deposits	1,732	1,503
Expenditures on purchases of property and equipment	(3,931)	(2,940)
Income from sale of property and equipment	169	445
Expenditures on disposal of property and equipment	(210)	(126)
Expenditures on purchases of investment securities	(4,817)	(3,415)
Income from sale of investment securities	3,992	5,754
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,871)	(97)
Expenditures on long-term loans	(127)	(34)
Income from collection of long-term loans	153	366
Other	(273)	(831)
Cash flows from investing activities	(7,536)	(3,113)
Cash flows from financing activities		
Net increase/decrease in short-term borrowings (with figures in parentheses indicating decreases)	(34)	(18)
Income from long-term borrowings	—	27,000
Expenditures on repayment of long-term loans	(1,811)	(7,057)
Expenditures on purchases of treasury stock	(1)	(2)
Dividends paid	(7,086)	(7,087)
Dividends paid to non-controlling interests	(2)	(2)
Expenditures on refunds to non-controlling interests	(22)	(22)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	60
Other	(1,233)	(1,253)
Cash flows from financing activities	(10,191)	11,615
Translation differences related to cash and cash equivalents	301	171
Increase/decrease in cash and cash equivalents (with figures in parentheses indicating decreases)	(12,175)	26,060
Cash and cash equivalents at start of period	49,800	37,791
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	166	—
Cash and cash equivalents at end of period	37,791	63,851

(5) Notes on the consolidated financial statements

(Notes on the premise of a going concern)

None

(Important information used to compile consolidated financial statements)

With the exception of the following, disclosures have been omitted due to the absence of important changes to the information provided in the most recent annual securities report (submitted on June 29, 2022).

(Changes in the scope of consolidation)

Due to our partial acquisition of shares of Kirishima Biomass Power Co., Ltd., that company and its subsidiary Kirishima Biomass Fuel Co., Ltd. have been included in the scope of consolidation.

Atsumi Green Power Co., Ltd. which had been an equity-method affiliate, became a consolidated subsidiary due to an increase in the Company's equity ratio after the acquisition of its own shares.

Due to the completion of its liquidation, overseas subsidiary Kyudenko South East Asia Pte. Ltd. has been removed from the scope of consolidation.

These results brought the number of subsidiaries to 60.

(Changes in accounting policies)

We have applied the Application Guidelines for Accounting Standards Related to Calculation of Market Value (Corporate Accounting Standard Application Guideline No. 31 of June 17, 2021; "Application Guidelines for Market Value Standards") since the start of the first consolidated quarterly accounting period. In keeping with the transitional treatment described in Paragraph 27-2 of the Application Guidelines for Market Value Standards, new accounting policies set forth by the Application Guidelines for Market Value Standards will continue to be applied in the future. Those changes have had no effect on our quarterly consolidated financial statements.

(Business segment information)

1. Overview of reporting segments

It is possible to obtain discrete financial information for the reporting segments that make up the Group, which are subject to regular study by the Board of Directors as it makes decisions concerning the allocation of management resources and assesses performance.

The Head Office formulates medium- and long-term business strategies for the Group and carries out business activities involving facilities construction in cooperation with consolidated group companies, with a focus on local worksites.

Business activities in other industries, including the sale of construction-related materials and equipment, real-estate sales, and the generation of renewable energy, are carried out by consolidated group companies as independent business units.

Consequently, the Group, which consists of several business-specific segments, aggregates multiple business segments that are generally similar in terms of elements such as economic characteristics and services and treats them as the "facilities construction business" reporting segment so that it can provide appropriate information, for example descriptions of associated business activities.

The facilities construction business encompasses primarily design and installation for electrical work such as power distribution line work, indoor wiring work, and telecommunications work as well as HVAC facility work such as space conditioning, cooling and heating, water supply and wastewater sanitary equipment, and water treatment work.

2. Methods used to calculate sales, profit, assets, liabilities, and other amounts for each business segment

The accounting treatments used for reported business segments are generally the same as those described in "Important information used to compile consolidated financial statements."

However, as described in changes in accounting policies, revenue recognition and other standards have been applied from the start of the current fiscal year, resulting in changes to accounting treatments related to revenue recognition and associated changes in the methods for calculating profits and losses for business segments.

As a result of these changes, sales in the "Other" segment shrank ¥2,372 million during the current fiscal year compared to the previous method.

Reporting segment profits are given as operating income figures. Inter-segment internal rates of return and transfers are based on actual market prices.

3. Information related to sales, profit, assets, liabilities, and other amounts for each reporting segment

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment		Other (Note 1)	Total	Adjustment (Note 3)	Total
	Facilities construction business					
Net sales						
Sales to outside customers	364,440		12,123	376,563	—	376,563
Inter-segment internal sales and transfers	819		5,073	5,893	(5,893)	—
Total	365,260		17,196	382,456	(5,893)	376,563
Segment profit	30,528		2,501	33,029	107	33,137
Other items						
Depreciation expenses	3,794		2,104	5,899	(108)	5,791
Amortization of goodwill	107		—	107	—	107
Depreciation of customer-related assets	190		—	190	—	190

- Note 1: The “Other” category comprises a business segment that is not included in any other reporting segment and consists of businesses such as the following: sales of construction-related materials and equipment, real-estate sales, generation of renewable energy, temporary staffing, software development, environmental analysis and measurement, health care, golf course operation, business hotel operation, and retail facility planning and operation.
2. Segment assets and segment liabilities are not listed because assets and liabilities are not allocated to the business segment in question.
 3. The ¥107 million adjustment to segment profit serves to eliminate inter-segment transactions.
 4. Segment profit is derived from operating income as listed on the consolidated statement of income and adjustments.

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reporting segment		Other (Note 1)	Total	Adjustment (Note 3)	Total
	Facilities construction business					
Net sales						
Sales to outside customers	380,355		15,428	395,783	—	395,783
Inter-segment internal sales and transfers	1,265		5,074	6,340	(6,340)	—
Total	381,620		20,503	402,123	(6,340)	395,783
Segment profit	28,908		3,015	31,924	158	32,083
Other items						
Depreciation expenses	3,935		2,188	6,123	(104)	6,018
Amortization of goodwill	215		121	337	—	337
Depreciation of customer-related assets	220		—	220	—	220

- Note 1: The “Other” category comprises a business segment that is not included in any other reporting segment and consists of businesses such as the following: sales of construction-related materials and equipment, real-estate sales, generation of renewable energy, temporary staffing, software development, environmental analysis and measurement, health care, golf course operation, business hotel operation, and retail facility planning and operation.
2. Segment assets and segment liabilities are not listed because assets and liabilities are not allocated to the business segment in question.
 3. The ¥158 million adjustment to segment profit serves to eliminate inter-segment transactions.
 4. Segment profit is derived from operating income as listed on the consolidated statement of income and adjustments.
 5. A goodwill impairment loss of ¥326 million was posted for the Other segment.

(Per-share data)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	¥3,375.43	¥3,681.85
Profit per share	¥370.05	¥371.93

Note 1: Diluted profit per share is not listed as the company has no potential shares.

2. Profit per share is calculated as follows:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit per share		
Profit attributable to owners of parent(millions of yen)	26,216	26,349
Amount not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common stock (millions of yen)	26,216	26,349
Average number of common stock shares outstanding during the period (thousands of shares)	70,845	70,845

3. Net assets per share are calculated as follows:

	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Total net assets (millions of yen)	241,194	263,017
Amount excluded from total net assets (millions of yen)	2,059	2,175
(Of which, share warrants [millions of yen])	(—)	(—)
(Of which, non-controlling interests [millions of yen])	(2,059)	(2,175)
Net assets at end of period related to common stock (millions of yen)	239,134	260,841
Number of issued common stock shares (thousands of shares)	70,864	70,864
Number of common shares of treasury stock (thousands of shares)	19	19
Number of common stock shares at end of period used to calculate net assets per share (thousands of shares)	70,845	70,845

(Important subsequent events)

None

4. Other

Reference: Production, orders, and sales status

[Consolidated performance]

(1) Net sales

Accounting period Business segment	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	45,774	12.2	46,628	11.8	853	1.9
Electrical work	198,354	52.7	199,403	50.4	1,048	0.5
HVAC and sanitary facility work	120,311	31.9	134,323	33.9	14,012	11.6
Total, facilities construction business	364,440	96.8	380,355	96.1	15,914	4.4
Other businesses	12,123	3.2	15,428	3.9	3,305	27.3
Total	376,563	100	395,783	100	19,220	5.1

(2) Construction orders

Accounting period Business segment	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	45,646	12.1	48,409	11.0	2,763	6.1
Electrical work	197,779	52.7	237,405	53.9	39,625	20.0
HVAC and sanitary facility work	132,048	35.2	154,692	35.1	22,643	17.1
Total	375,474	100	440,507	100	65,032	17.3

(3) Construction contract balance at end of period

Accounting period Business segment	As of March 31, 2022 (2022.3)		As of March 31, 2023 (2023.3)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	1,247	0.3	3,029	0.7	1,781	142.8
Electrical work	285,008	69.9	323,010	69.0	38,002	13.3
HVAC and sanitary facility work	121,392	29.8	141,761	30.3	20,368	16.8
Total	407,649	100	467,801	100	60,152	14.8

(4) Construction sales by customer

Accounting period Customer	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Kyushu Electric Power Group*	46,428	12.7	46,743	12.3	315	0.7
General customers	318,011	87.3	333,611	87.7	15,599	4.9
Total	364,440	100	380,355	100	15,914	4.4

(5) Construction orders by customer

Accounting period Customer	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Kyushu Electric Power Group*	47,509	12.7	47,255	10.7	(254)	(0.5)
General customers	327,964	87.3	393,251	89.3	65,286	19.9
Total	375,474	100	440,507	100	65,032	17.3

(6) Full-year sales and construction order volume forecast for the fiscal year ending March 2024

Business segment	Sales (millions of yen)	Construction order volume (millions of yen)
Power distribution line work	49,000	49,000
Electrical work	250,000	244,000
HVAC and sanitary facility work	147,000	148,000
Total, facilities construction business	446,000	441,000
Other businesses	14,000	
Total	460,000	

*Kyushu Electric Power Group: Kyushu Electric Power Co., Inc., Kyushu Electric Power Transmission and Distribution Co., Inc., and Kyuden T&D Service Co., Inc.

[Non-consolidated performance]

(1) Net sales

Accounting period Business segment	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	43,619	13.5	44,273	13.3	654	1.5
Electrical work	180,647	56.0	178,281	53.5	(2,365)	(1.3)
HVAC and sanitary facility work	93,879	29.1	105,778	31.8	11,898	12.7
Total	318,145	98.6	328,333	98.6	10,187	3.2
Other businesses	4,422	1.4	4,674	1.4	252	5.7
Total	322,568	100	333,007	100	10,439	3.2

(2) Construction orders

Accounting period Business segment	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	43,603	13.1	46,141	12.2	2,537	5.8
Electrical work	182,465	54.9	213,006	56.1	30,541	16.7
HVAC and sanitary facility work	106,279	32.0	120,138	31.7	13,858	13.0
Total	332,349	100	379,286	100	46,937	14.1

(3) Construction contract balance at end of period

Accounting period Business segment	As of March 31, 2022 (2022.3)		As of March 31, 2023 (2023.3)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Power distribution line work	460	0.1	2,328	0.5	1,868	405.3
Electrical work	275,524	72.8	310,249	72.3	34,724	12.6
HVAC and sanitary facility work	102,348	27.1	116,709	27.2	14,360	14.0
Total	378,334	100	429,287	100	50,953	13.5

(4) Construction sales by customer

Accounting period Customer	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Kyushu Electric Power Group*	44,773	14.1	45,079	13.7	306	0.7
General customers	273,372	85.9	283,253	86.3	9,880	3.6
Total	318,145	100	328,333	100	10,187	3.2

(5) Construction orders by customer

Accounting period Customer	Previous fiscal year (April 2021 to March 2022)		Current fiscal year (April 2022 to March 2023)		Increase (Decrease)	
	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	As percent of total (%)	Amount (millions of yen)	Rate (%)
Kyushu Electric Power Group*	45,045	13.6	45,522	12.0	477	1.1
General customers	287,303	86.4	333,764	88.0	46,460	16.2
Total	332,349	100	379,286	100	46,937	14.1

*Kyushu Electric Power Group: Kyushu Electric Power Co., Inc., Kyushu Electric Power Transmission and Distribution Co., Inc., and Kyuden T&D Service Co., Inc.