COMPANY RESEARCH AND ANALYSIS REPORT

YONDENKO CORPORATION

1939

Tokyo Stock Exchange Prime Market

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Contents

Summary

Achieved final-year financial targets of Medium-Term Management Guidelines 2025 a year early

YONDENKO CORPORATION <1939> (hereafter, also "the Company") is a comprehensive facility construction company based in the Shikoku area. Its two business pillars include the core business of power transmission and distribution equipment construction work for power companies and transmission and distribution companies and facility construction business (electrical equipment, air-conditioning and plumbing system installation work, information and communications installation and construction work, system control installation and construction work, etc.) for office buildings, commercial, logistics, and public facilities, and factories in the Shikoku area. Its strength is the technological capability and high-quality construction and maintenance capabilities to provide a one-stop service from electrical facility construction to air-conditioning and plumbing system installation work. The Company is pursuing a strategy of expanding its business in the Tokyo metropolitan and Kansai areas utilizing M&A.

1. Marked record-high earnings in FY3/25, with significant increases in sales and profits surpassing the plan

In the FY3/25 consolidated results, the Company posted sharp increases in sales and profits with orders received increasing 1.8% year on year (YoY) to ¥99,537mn, net sales 14.9% to ¥105,877mn, operating profit rising 25.3% to ¥8,073mn, ordinary profit increasing 21.7% to ¥8,536mn, and profit attributable to owners of parent increasing 13.2% to ¥5,173mn. Results exceeded the Company's forecasts that were revised up in October 2024, with orders received, net sales, and all profit lines reaching record highs. Contributing factors include solid progress of several projects that had been delayed from the previous fiscal year, stable procurement of materials and equipment, and thorough cost management. The operating profit margin rose 0.6 percentage points (pp) to 7.6% and the ordinary profit margin was up 0.5pp to 8.1%.

2. Sales and profits are expected to decrease in FY3/26 in reaction to large projects completed in FY3/25, but orders received are firm

The Company's FY3/26 consolidated results forecast calls for a 5.6% YoY decrease in net sales to ¥100,000mn, a 13.3% fall in operating profit to ¥7,000mn, a 12.1% decline in ordinary profit to ¥7,500mn, and a 3.4% drop in profit attributable to owners of parent to ¥5,000mn. The Company forecasts a decrease in sales and profits despite a high level of balance of construction work carried over and outlook for orders received trending at a high level, because it completed several large electrical and instrumentation projects in FY3/25 and a large project started in FY3/26 is still in its early stages, making it difficult to increase the volume of work completed . Although results may slow somewhat in FY3/26 in reaction to large projects completed in FY3/25, the order environment remains strong, which should be reflected in net sales and profits in FY3/27 onward.

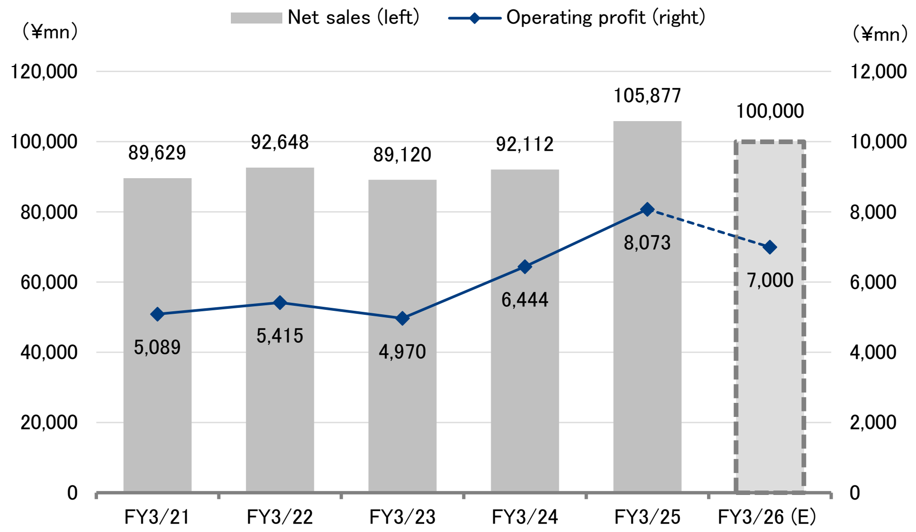
3. Achieved final-year financial targets of Medium-Term Management Guidelines 2025 a year early in FY3/25

In July 2021, the Company formulated its Medium-Term Management Guidelines 2025 with numerical targets of ¥100.0bn in net sales, ¥6.0bn in operating profit, and ROE of 8.0% in the final year of FY3/26. Its basic policies are as follows. For net sales, the Company seeks to strengthen sales and expand the quality and number of specialist engineers as well as aggressively pursue M&A of facility construction companies. For profit, the Company aims to improve profitability by increasing net sales and through thorough cost management. Progress in FY3/25 was net sales of ¥105,877mn, operating profit of ¥8,073mn, and ROE of 8.2%, attaining the FY3/26 targets a year early. The factors behind this achievement are the improved profitability of orders received due to increased demand for factories, distribution warehouses, and data centers, which account for a high percentage of facility construction work as well as various ongoing initiatives such as Cost Management Office handling the procurement of materials to ensure cost management. As a result, the Company made strong progress toward its targets.

Key Points

- Marked record-high earnings in FY3/25, with significant increases in sales and profits surpassing the plan
- Sales and profits are expected to decrease in FY3/26 in reaction to large projects completed in FY3/25, but orders received are firm
- Achieved final-year financial targets of Medium-Term Management Guidelines 2025 a year early in FY3/25

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Comprehensive facility construction company based in the Shikoku area also expanding into Tokyo metropolitan and Kansai areas

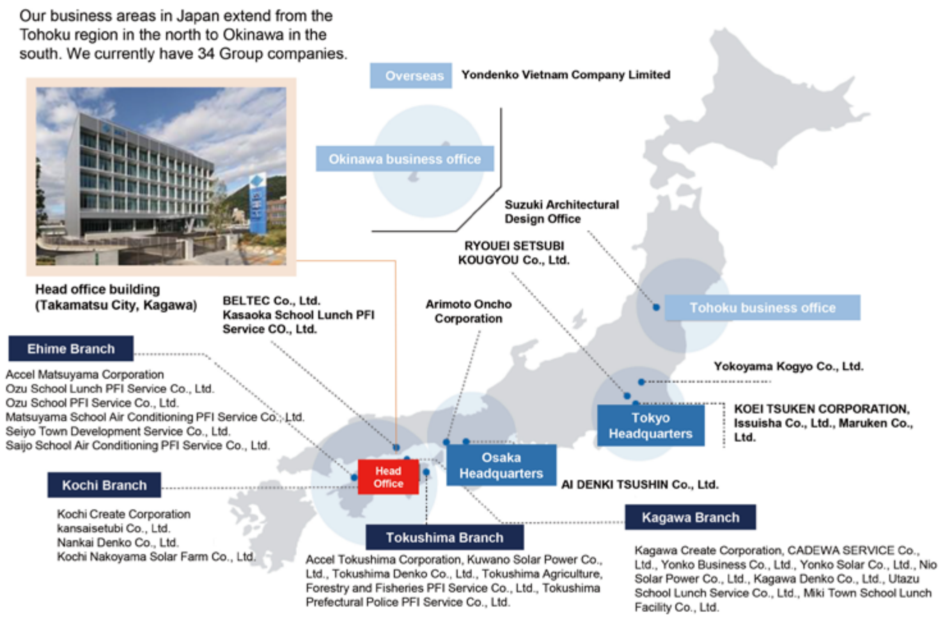
1. Company profile

YONDENKO CORPORATION is a comprehensive facility construction company based in the Shikoku area. Its new Management Philosophy established in May 2023 to mark its 60th anniversary incorporates Purpose, Mission & Value, and Mindset. Its Purpose is “we connect people, society, and the future as an evolving integrated facility company.” Mission & Value are “we build resilient infrastructure to support society sustainably,” “we create a highly functional facility environments that fulfill clients’ expectations,” and “we value people and continue to improve our technologies.” Mindset is “passion, self-directed, cooperation, and gratitude.” Armed with the technological capability and high-quality construction and maintenance capabilities to provide a one-stop service from electrical facility construction to air-conditioning and plumbing system installation work, the Company is progressing a strategy of expanding its business area into the Tokyo metropolitan and Kansai areas.

At the end of FY3/25, total assets were ¥99,630mn, net assets were ¥64,890mn, and the equity ratio was 65.1%. The number of outstanding shares was 48,766,410 (including 1,487,869 treasury shares) following a three-for-one stock split of common shares effective October 1, 2024. Its head office is in Takamatsu, Kagawa Prefecture, with branches in Tokyo (Tokyo Headquarters), Osaka (Osaka Headquarters), Tokushima, Kochi, Ehime, and Kagawa, and business offices in Tohoku, Kyoto, Kobe, Okayama, Hiroshima, Okinawa, and elsewhere.

There are 34 companies in the YONDENKO Group, consisting of the Company, 26 subsidiaries (including 15 consolidated subsidiaries) and 8 affiliates. Consolidated subsidiaries are Accel Tokushima Corporation, Accel Matsuyama Corporation, Kochi Create Corporation, Kagawa Create Corporation, CADEWA SERVICE Co., Ltd., Arimoto Oncho Corporation, AI DENKI TSUSHIN Co., Ltd., RYOUEI SETSUBI KOUGYOU Co., Ltd., kansaisetsubi Co., Ltd., Yokoyama Kogyo Co., Ltd. and BELTEC Co., Ltd.conducting the Equipment Installation business ; Yonko Business Co., Ltd. conducting the Leasing business, and Yonko Solar Co., Ltd., Nio Solar Power Co., Ltd., and Kuwano Solar Power Co., Ltd. conducting the Solar Power business. The Company has an overseas non-consolidated subsidiary YONDENKO VIETNAM Co., Ltd. in Vietnam. The Company is an equity-method affiliate of Shikoku Electric Power CO.,Inc. <9507> (31.72% stake).

Business locations



Source: Prepared by FISCO from the Company's results briefing materials

2. History

In May 1963, NANKAI DENKO CORPORATION was established in Takamatsu by the merger of four electrical construction companies—Tokushima, Nankai, Iyo and Kagawa. Its name was changed to SHIKOKU ELECTRIC CONSTRUCTION CORPORATION in December 1965 and to YONDENKO CORPORATION in November 1989. The Company continued to expand the scope of its business and business areas by opening new offices and through M&A, and marked the 60th anniversary of its founding in 2023.

Its stock was listed on the second section of the Osaka Securities Exchange (OSE) in November 1973 and the first section of the OSE in October 1979 (delisted in May 2004). The stock was listed on the first section of the Tokyo Stock Exchange (hereafter, TSE) in November 1979 and made a listing change to the TSE Prime Market in April 2022 following the TSE market restructuring.

History

Date	Main event
1963	NANKAI DENKO CORPORATION was established in Takamatsu by the merger of four electrical construction companies—Tokushima, Nankai, Iyo and Kagawa Established branches in Tokushima, Kochi, Ehime, and Kagawa and regional office in Osaka (now Osaka Headquarters)
1965	Established Hiroshima business office Company name changed to SHIKOKU ELECTRIC CONSTRUCTION CORPORATION Head office relocated to Nishihamashinmachi, Takamatsu
1966	Established Tokyo regional office (now Tokyo Headquarters)
1972	Merged with SHIKOKU ELECTRIC CONSTRUCTION CORPORATION based in Sakaide, Kagawa Prefecture due to change in face value of stock
1973	Stock listed on second section of the Osaka Securities Exchange (OSE)
1974	Obtained Construction Business License under the Construction Industry Law (licensed by Minister of Land, Infrastructure, Transport and Tourism)
1979	Listing change to first section of OSE (stock delisted in March 2004) Stock listed on first section of Tokyo Stock Exchange (TSE)
1989	Company name changed to YONDENKO CORPORATION
1992	Bunri business office established
1994	Acquired shares in Kochi Create Corporation (now a consolidated subsidiary)
1996	Established Accel Tokushima Corporation (now a consolidated subsidiary)
1997	Established Yonko Business Co., Ltd. (company name changed to YONKO LEASE CORPORATION in 2006) Established CADEWA SERVICE Co., Ltd. (now a consolidated subsidiary) Established Accel Matsuyama Corporation (now a consolidated subsidiary) Established Kagawa Create Corporation (now a consolidated subsidiary)
2006	Established Yonko Business Co., Ltd. (now a consolidated subsidiary) following incorporation-type company split of YONKO LEASE CORPORATION
2012	Established Tohoku business office Established Nio Solar Power Co., Ltd. (now a consolidated subsidiary)
2013	Established Yonko Solar Co., Ltd. (now a consolidated subsidiary)
2014	Established Kuwano Solar Power Co., Ltd. (now a consolidated subsidiary)
2015	Relocated head office to Hananomiya-cho, Takamatsu (current location)
2018	Acquired shares in Arimoto Oncho Corporation (now a consolidated subsidiary) Acquired shares in AI DENKI TSUSHIN Co., Ltd. (now a consolidated subsidiary) Acquired shares in RYOUEI SETSUBI KOUGYOU Co., Ltd. (now a consolidated subsidiary) Established Yondenko Vietnam Company Limited (now a non-consolidated subsidiary)
2019	Acquired shares in kansaisetubi, Co., Ltd. (now a consolidated subsidiary)
2020	Acquired shares in Suzuki Architectural Design Office (non-consolidated subsidiary) Established Kobe and Kyoto business offices
2021	Acquired shares in Yokoyama Kogyo Co., Ltd. (now a consolidated subsidiary) Okinawa office (established in 2018) upgraded to business office Acquired shares in BELTEC Co., Ltd. (now a consolidated subsidiary)
2022	Listing changed to the TSE Prime Market following the TSE market restructuring

Source: Prepared by FISCO from the Company's annual securities report and website

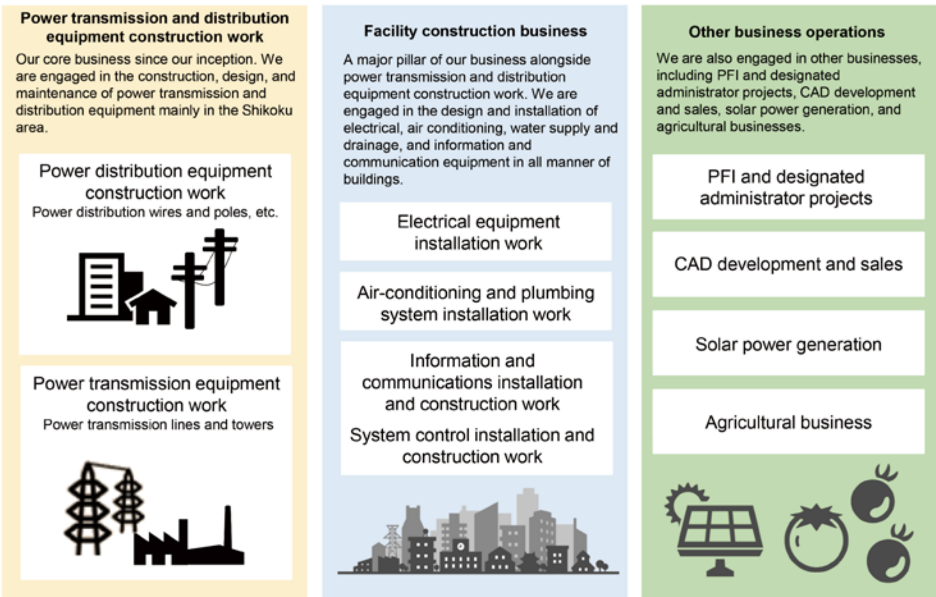
Business overview

Mainstay is Equipment Installation business, also operates Leasing and Solar Power businesses

1. Business overview

Reportable segments are the Equipment Installation business, Leasing business, and Solar Power business . The two main pillars of the Equipment Installation business are power transmission and distribution equipment construction work for power companies and transmission and distribution companies (its core business since its founding) and facility construction business (electrical equipment, air-conditioning and plumbing system installation work, information and communications installation and construction work, system control installation and construction work, etc.) for office buildings, commercial, logistics, and public facilities, and factories in the Shikoku area. Its strength is the technological capability and high-quality construction and maintenance capabilities to provide a one-stop service from electrical facility construction to air-conditioning and plumbing system installation work. The Company's primary role in construction is on-site supervision. It outsources the construction work to partner companies and the Company conducts site management. The Leasing business is engaged in the leasing of construction machinery, vehicles, and equipment. The Solar Power business sells electricity generated by solar power. Other businesses are development and sales of CAD software and PFI/designated administrator projects that engages in architectural design, facility development, operation and management of public facilities under contract.

Business overview



Source: Company's financial results briefing materials (Overview of Yondenko Group)

(1) Power transmission and distribution equipment construction work

Power transmission and civil engineering work is generally related to power transmission equipment construction work (power transmission lines and towers) for transmitting electricity from power plants to local substations. Projects run for a long period, because they often require large-scale civil engineering work in mountains and valleys. Power distribution work is related to power distribution equipment construction work (power distribution wires and poles) required to deliver electricity that has undergone voltage transformation at substations to companies and households. The Company undertakes a huge number of construction works, moving from one site to another daily , based on contracts concluded in advance with transmission and distribution companies. Construction work is performed in close collaboration with partner companies that work exclusively with the Company.

(2) Facility construction business

Electrical equipment, air-conditioning and plumbing system installation work undertakes electrical and instrumentation work such as internal wiring and air-conditioning and plumbing work for all types of building such as office buildings, commercial, logistics, and public facilities, and factories. It receives orders directly from project owners and from general contractors and boasts an extensive track record including specialized facilities such as large-scale factories and operating rooms in hospitals.

(3) Information and communications work

This business contributes toward the building of network infrastructure that adapts to advances in telecommunications, including maintenance and support. Work includes installation of optical cables and mobile base stations, and building wireless-activated disaster warning systems and wireless systems for firefighting for local governments under contract. For system control facilities, the Company provides control-related instrumentation work such as streamlining production lines in factories and automating logistics warehouses. It can build systems adapted to the current situation of the factory floor and save time and energy by fast updates following systems starting operation by harnessing the strength of in-house programming.

(4) Leasing business

In the Leasing business, subsidiary Yonko Business Co., Ltd. engages in leasing of construction machinery, vehicles, and equipment. Yonko Business also does some leasing business with the Company. It is working on cost reduction through initiatives such rigorous credit management and ways to increase sales such as pioneering new customers.

(5) Solar Power business

In the Solar Power business, subsidiaries including Yonko Solar sells electricity generated by solar power. In December 2023, SHIKOKU CHEMICALS CORPORATION, a subsidiary of SHIKOKU KASEI HOLDINGS <4099>, Shikoku Electric Power, and Yonko Solar entered into an off-site corporate Power Purchase Agreement (PPA) with a view to realizing a carbon neutral society. It is the first PPA project for the Group. As the power generation company, Yonko Solar installed a solar power generation facility at a storage pond in Mikicho, Kagawa Prefecture. The renewable energy electricity generated by the facility is supplied via Shikoku Electric Power to SHIKOKU CHEMICALS' Tokushima plant with environmental value (non-fossil fuel certificates). The Company began supplying renewable energy electricity in December 2024 and estimates total power generation output of 2,035kW and CO_2 reduction of 1,503 tons.

(6) Other businesses

The Company conducts development and sales of the CADEWA series of the Company's proprietary construction equipment CAD software and CRAFT DX series of software supporting the building equipment. In January 2025, the Company began sales of full-3D construction equipment CAD software CADEWA Smart V6, the latest version of the CADEWA series. In February 2025, it also began selling CRAFT DX V3, the latest version of the CRAFT DX series.

Higher profit margins of Equipment Installation business, while Leasing and Solar Power businesses post stable profits

2. Results trends by business segment

Looking at results trends by business segment (before elimination of intersegment transactions) in the past six fiscal years (FY3/20–FY3/25), net sales and operating profit are expanding in the Equipment Installation business. Net sales of the Equipment Installation business were ¥77,427mn (93.6% of total sales) and operating profit was ¥2,442mn in FY3/20 and in FY3/25, net sales and operating profit increased to ¥101,341mn (95.7% of total sales) and ¥6,852mn, respectively. The segment operating profit margin went up from 3.1% in FY3/20 to 6.8% in FY3/25, which was the result of various initiatives, progress in raising the order unit price and improving order profitability amid a labor shortage and other factors, as well as thorough cost management, including procurement of materials and equipment, and streamlining construction work. The Leasing business and Solar Power business are smaller in terms of sales scale than the Equipment Installation business, but both businesses have recorded stable earnings. Net sales of the Leasing business were ¥3,609mn (4.4% of total sales) and operating profit was ¥248mn in FY3/20 and in FY3/25, net sales were ¥2,784mn (2.6% of total sales) and operating profit was ¥266mn. Net sales of the Solar Power business were ¥1,954mn (2.4% of total sales) and operating profit was ¥731mn in FY3/20 and in FY3/25, net sales were ¥2,110mn (2.0% of total sales) and operating profit was ¥800mn. Performance of both segments has been more or less flat.

Results trends by business segment

(¥mn)

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Consolidated net sales						
Equipment Installation business	77,427	82,379	86,591	83,971	86,913	101,341
Leasing business	3,609	3,692	2,851	2,976	2,948	2,784
Solar Power business	1,954	2,413	2,312	2,287	2,145	2,110
Other businesses	1,053	2,522	2,164	1,218	1,415	1,347
Versus consolidated net sales						
Equipment installation business	93.6%	91.9%	93.5%	94.2%	94.4%	95.7%
Leasing business	4.4%	4.1%	3.1%	3.3%	3.2%	2.6%
Solar power business	2.4%	2.7%	2.5%	2.6%	2.3%	2.0%
Other businesses	1.3%	2.8%	2.3%	1.4%	1.5%	1.3%
Consolidated operating profit						
Equipment installation business	2,422	3,899	4,162	3,798	5,179	6,852
Leasing business	248	279	300	310	294	266
Solar power business	731	997	933	857	769	800
Other businesses	47	-60	20	6	205	209
Consolidated operating profit margin						
Equipment installation business	3.1%	4.7%	4.8%	4.5%	6.0%	6.8%
Leasing business	6.9%	7.6%	10.5%	10.4%	10.0%	9.6%
Solar power business	37.4%	41.3%	40.4%	37.5%	35.9%	37.9%
Other businesses	4.5%	-	0.9%	0.5%	14.5%	15.5%

Note: Operating profit margins are ratio of operating profit to net sales for the respective categories
Source: Prepared by FISCO from the Company's financial results

Power distribution work and electrical and instrumentation work are expanding; projects for Shikoku Electric Power Group are the Company's stable earnings source

3. Results trends by type of construction work and client (non-consolidated basis)

Looking at trends in net sales and composition ratio in non-consolidated results by type of construction work and customer in the past six fiscal years (FY3/20–FY3/25), net sales are expanding in power distribution work and electrical and instrumentation work, although there are fluctuations associated with large projects. Net sales from power distribution work were ¥30,021mn in FY3/20 and ¥35,369mn in FY3/25, while net sales from electrical and instrumentation work were ¥20,165mn in FY3/20 and ¥35,528mn in FY3/25. By customer, results are growing for the Shikoku Electric Power Group (Shikoku Electric Power and Shikoku Electric Power Transmission & Distribution Company, Incorporated) and the private sector. Net sales to the Shikoku Electric Power Group were ¥34,529mn in FY3/20 and ¥41,119mn in FY3/25, while net sales from the private sector were ¥26,647mn in FY3/20 and ¥44,160mn in FY3/25. In terms of net sales composition ratio by type of construction work, mainstays are power distribution work and electrical and instrumentation work, with each accounting for 30–40% share. By client, the Shikoku Electric Power Group accounts for roughly 50%, government offices approximately 10%, and the private sector approximately 40%. Net sales to the private sector fluctuate from year to year, but the Shikoku Electric Power Group is a stable source of earnings. According to the Company's materials, net sales (non-consolidated basis) by region for FY3/25 were ¥75.7bn for Shikoku and other area, ¥12.4bn for the Tokyo metropolitan area, and ¥5.8bn for the Kansai area.

Results trends by type of construction and client (non-consolidated basis)

(¥mn)

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Net sales by type of construction work						
Power distribution work	30,021	30,429	30,160	31,735	32,846	35,369
Power transmission and civil engineering work	4,510	4,423	6,464	5,111	6,083	5,091
Electrical and instrumentation work	20,165	23,020	24,521	23,937	23,309	35,528
Air-conditioning and plumbing	11,921	10,372	7,957	8,326	9,763	10,840
Information and communications work	3,436	5,613	6,725	4,152	3,779	5,870
Sideline businesses	1,031	2,552	2,136	1,136	1,424	1,407
Net sales by customer						
Shikoku Electric Power Group	34,529	35,239	37,112	37,585	39,532	41,119
Government offices	9,910	9,915	7,851	6,374	7,718	8,828
Private sector	26,647	31,256	33,000	30,439	29,955	44,160
Breakdown by type of construction work						
Power distribution work	42.2%	39.8%	38.7%	42.6%	42.5%	37.6%
Power transmission and civil engineering work	6.3%	5.8%	8.3%	6.9%	7.9%	5.4%
Electrical and instrumentation work	28.4%	30.1%	31.5%	32.2%	30.2%	37.8%
Air-conditioning and plumbing	16.8%	13.6%	10.2%	11.2%	12.7%	11.5%
Information and communications work	4.8%	7.4%	8.6%	5.6%	4.9%	6.2%
Sideline businesses	1.5%	3.3%	2.7%	1.5%	1.8%	1.5%
Breakdown by customer						
Shikoku Electric Power Group	48.6%	46.1%	47.6%	50.5%	51.2%	43.7%
Government offices	13.9%	13.0%	10.1%	8.6%	10.0%	9.4%
Private sector	37.5%	40.9%	42.3%	40.9%	38.8%	46.9%

Source: Prepared by FISCO from the Company's financial results

Labor shortage is a risk factor, but profitability improved as a result of careful screening and selection of project orders

4. Risk factors and associated challenges and responses

General risk factors in the construction industry include fluctuations in construction investment due to the economy and intensifying competition for orders, declining profit margins of construction work due to rising cost of labor, materials and equipment, constraints on construction capacity due to labor shortages, construction schedule delays due to changes in plans, etc., liability for construction defects, and delays in responding to environmental regulations and technological innovation.

Construction investment is expected to remain upbeat due to redevelopment projects in major cities and social capital projects in the regions, although private-sector construction volume may fluctuate. We at FISCO think that the risk of fluctuations in demand negatively impacting on the Company's earnings is small, because the Shikoku Electric Power Group is a stable source of earnings in the power transmission and distribution equipment construction work. In terms of the rising cost of labor materials and equipment, the industry as a whole appears to be making progress with passing these costs onto order prices.

With regard to the risk of construction capacity constraints stemming from labor shortages, regulations limiting maximum overtime hours that went into effect in FY2024 are a risk factor affecting the whole construction industry, not just the Company. That being said, the Company is prioritizing profitability more than ever in accepting orders (selective order), because construction capacity is not keeping up with brisk demand in recent years. It is also strengthening cost management including procurement of materials and equipment and streamlining construction as well as aggressively hiring and training personnel, and intends to enhance its construction capacity while also making use of M&A.

Results trends

Marked record-high earnings in FY3/25, with significant increases in sales and profits surpassing the plan

1. Overview of FY3/25 results

In the FY3/25 consolidated results, the Company posted sharp increases in sales and profits with orders received increasing 1.8% year on year (YoY) to ¥99,537mn, net sales increasing 14.9% to ¥105,877mn, operating profit rising 25.3% to ¥8,073mn, ordinary profit increasing 21.7% to ¥8,536mn, and profit attributable to owners of parent increasing 13.2% to ¥5,173mn. Results exceeded the Company's forecasts that were revised up in October 2024, which called for net sales of ¥105,000mn, operating profit of ¥7,000mn, ordinary profit of ¥7,500mn, and profit attributable to owners of parent of ¥4,600mn, with orders received, net sales, and all profit lines reaching record highs. Contributing factors include solid progress of several projects that had been delayed from the previous fiscal year, stable procurement of materials and equipment, and thorough cost management.

The breakdown of net sales is as follows. Net sales of completed construction contracts increased 16.2% YoY to ¥100,847mn and sales in other businesses declined 5.3% to ¥5,030mn. Companywide gross profit was up 13.9%, while the gross profit margin fell 0.1pp to 17.4% (down 0.1pp to 16.6% for completed construction contracts and up 1.7pp to 32.6% for other businesses). SG&A expenses increased 6.4%, but the SG&A expense ratio fell 0.8pp to 9.7%. As a result, the operating profit margin rose 0.6pp to 7.6% and the ordinary profit margin was up 0.5pp to 8.1%. The Company posted impairment losses of ¥531mn and loss on tax purpose reduction entry of non-current assets of ¥180mn as extraordinary losses.

FY3/25 consolidated results

(¥mn)

	FY3/24		FY3/25		YoY			vs. forecast	
	Result	% of sales	Result	% of sales	Change	Change (%)	Forecast	Value achieved	Achievement rate
Orders received	97,754	-	99,537	-	1,782	1.8%	-	-	-
Net sales	92,112	100.0%	105,877	100.0%	13,765	14.9%	105,000	877	100.8%
Gross profit	16,133	17.5%	18,383	17.4%	2,250	13.9%	-	-	-
SG&A expenses	9,689	10.5%	10,310	9.7%	621	6.4%	-	-	-
Operating profit	6,444	7.0%	8,073	7.6%	1,628	25.3%	7,000	1,073	115.3%
Ordinary profit	7,012	7.6%	8,536	8.1%	1,524	21.7%	7,500	1,036	113.8%
Profit attributable to owners of parent	4,571	5.0%	5,173	4.9%	601	13.2%	4,600	573	112.5%
Net sales breakdown									
Net sales of completed construction contracts	86,800	94.2%	100,847	95.2%	14,047	16.2%	-	-	-
Sales in other businesses	5,312	5.8%	5,030	4.8%	-282	-5.3%	-	-	-
Gross profit breakdown									
Gross profit on completed construction contracts	14,491	16.7%	16,743	16.6%	2,252	15.5%	-	-	-
Gross profit – other business	1,642	30.9%	1,640	32.6%	-2	-0.1%	-	-	-

Notes 1: Forecast is upwardly revised forecast of October 31, 2024.
2: % of sales of Gross profit on completed construction contracts and Gross profit – other business is profit ratio to their respective net sales.
Source: Prepared by FISCO from the Company's financial results

Power distribution work performed well, while electrical and instrumentation work grew sharply

2. Trends by business segment, type of construction, and client

Looking at trends by business segment (before elimination of intersegment transactions), the Equipment Installation business posted a 16.6% YoY increase in net sales to ¥101,341mn and operating profit rose 32.3% to ¥6,852mn. The Leasing business recorded a 5.6% decline in net sales to ¥2,784mn and a 9.5% drop in operating profit to ¥266mn. The Solar Power business posted a 1.6% decline in net sales to ¥2,110mn and a 4.0% rise in operating profit to ¥800mn, while Other businesses recorded a 4.8% decrease in net sales to ¥1,347mn and 2.0% increase in operating profit to ¥209mn. The mainstay Equipment installation business recorded sharp increases in sales and profit due to the contribution of large projects in electrical and instrumentation work, while the operating profit margin improved 0.8pp YoY with the contribution of stable procurement and rigorous cost management. The Leasing business, Solar Power business, and Other businesses mostly performed well.

FY3/25 results trends by business segment

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of sales	Result	% of sales	Change	Change (%)
Net sales	92,112	-	105,877	-	13,765	14.9%
Equipment Installation business	86,913	93.0%	101,341	94.2%	14,428	16.6%
Leasing business	2,948	3.2%	2,784	2.6%	-164	-5.6%
Solar Power business	2,145	2.3%	2,110	2.0%	-35	-1.6%
Other businesses	1,415	1.5%	1,347	1.3%	-68	-4.8%
Adjustments	-1,310	-	-1,706	-	-	-
Operating profit	6,444	7.0%	8,073	7.6%	1,629	25.3%
Equipment Installation business	5,179	6.0%	6,852	6.8%	1,673	32.3%
Leasing business	294	10.0%	266	9.6%	-28	-9.5%
Solar Power business	769	35.9%	800	37.9%	31	4.0%
Other businesses	205	14.5%	209	15.5%	4	2.0%
Adjustments	-4	-	-56	-	-	-

Notes 1: % of sales for net sales is percentage of total net sales before adjustments.
2: % of sales for operating profit is profit ratio to their respective net sales.
Source: Prepared by FISCO from the Company's financial results

Non-consolidated net sales increased 21.9% YoY to ¥94,108mn and net sales by type of construction work is as follows. Power distribution work increased 7.7% YoY to ¥35,369mn, power transmission and civil engineering work declined 16.3% to ¥5,091mn, electrical and instrumentation work was up 52.4% to ¥35,528mn, air-conditioning and plumbing work rose 11.0% to ¥10,840mn, information and communications work increased 55.3% to ¥5,870mn, and sideline businesses decreased 1.2% to ¥1,407mn. Despite lower net sales in power transmission and civil engineering work, the electrical and instrumentation work posted sharp sales growth due to steady progress of construction work of large projects in Shikoku and the power distribution work, air-conditioning and plumbing work, and the information and communications work all recorded solid sales growth. Non-consolidated net sales by customer were as follows. Sales to the Shikoku Electric Power Group were up 4.0% to ¥41,119mn, sales to government offices increased 14.4% to ¥8,828mn, and sales to the private sector rose 47.4% to ¥44,160mn. Sales to the private sector grew sharply, sales to government offices also increased, and sales to the Shikoku Electric Power Group held steady. Construction work carried over (non-consolidated basis) as of the end of FY3/25 declined 12.0% to ¥47,700mn, maintaining a high level due to steady progress of large projects despite decreasing YoY.

Trends in net sales (non-consolidated basis) by type of construction work and customer

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of sales	Result	% of sales	Change	Change (%)
Total non-consolidated net sales	77,207	100.0%	94,108	100.0%	16,901	21.9%
Net sales by type of construction work						
Power distribution work	32,846	42.5%	35,369	37.6%	2,523	7.7%
Power transmission and civil engineering work	6,083	7.9%	5,091	5.4%	-992	-16.3%
Electrical and instrumentation work	23,309	30.2%	35,528	37.8%	12,218	52.4%
Air-conditioning and plumbing work	9,763	12.7%	10,840	11.5%	1,076	11.0%
Information and communications	3,779	4.9%	5,870	6.2%	2,091	55.3%
Sideline businesses	1,424	1.8%	1,407	1.5%	-16	-1.2%
Net sales by customer						
Shikoku Electric Power Group	39,532	51.2%	41,119	43.7%	1,586	4.0%
Government offices	7,718	10.0%	8,828	9.4%	1,109	14.4%
Private sector	29,955	38.8%	44,160	46.9%	14,204	47.4%

Note: % of sales is percentage of total non-consolidated net sales
Source: Prepared by FISCO from the Company's financial results

Major completed properties in FY3/25 include Tokushima Bunri University Takamatsueki Campus, Kagawa Prefecture (electrical and instrumentation work, air-conditioning and plumbing work), Kagawa Prefectural Arena, Kagawa Prefecture (electrical and instrumentation work), Awa Paper & Technological Company, Inc. Shin-komatsushima Plant, Tokushima Prefecture (electrical and instrumentation work, air-conditioning and plumbing work), Hulic Logistics Noda II Chiba Prefecture (electrical and instrumentation work), Shikoku Labour Bank Matsuyama Bldg., Ehime Prefecture (electrical and instrumentation work, air-conditioning and plumbing work), Chamber management system, Miyoshi City New Government Bldg., Tokushima Prefecture (information and communications work), and Asahi Breweries Ibaraki Plant, Ibaraki Prefecture (electrical and instrumentation work).

Equity ratio goes up, improving financial soundness

3. Financial position

The Company's financial condition as of the end of FY3/25 was as follows. Total assets decreased ¥3,574mn from the end of the previous fiscal year to ¥99,630mn. The main reasons for the change were an increase in notes receivable, accounts receivable from completed construction contracts and other of ¥3,187mn offset against a ¥1,504mn decrease in cash and deposits and ¥4,600mn decrease in deposits paid to subsidiaries and associates. Total liabilities decreased ¥6,669mn to ¥34,739mn. There was an increase in advances received on construction contracts in progress of ¥406mn, however this was offset by decreases of ¥1,028mn in notes payable, accounts payable for construction contracts and other, ¥4,625mn in accounts payable – other, and ¥444mn in retirement benefit liability. Interest-bearing debt (long- and short-term borrowings and corporate bonds) decreased ¥1,587mn to ¥8,462mn. Total net assets increased ¥3,049mn to ¥64,890mn. This was due to an increase of ¥2,495mn in retained earnings and ¥704mn in remeasurements of defined benefit plans, which offset a decrease of ¥185mn in valuation difference on available-for-sale securities. As result, the equity ratio rose 5.3pp to 65.1%.

Large fluctuations in current assets and current liabilities were due to a one-time factor—a change in policy regarding payment for construction work, ending payment by draft and paying by cash transfer instead. This led to payment by draft drawn before the change took effect and an increase in cash transfer payments after the change arising in the same fiscal year. The equity ratio rose sharply because of increased retained earnings in addition to doing away with payment by draft. Given that there are no particular concerns about the Company's cash flow situation, we at FISCO think that its financial soundness is improving.

Balance sheets and cash flow statement (simplified)

(¥mn)

	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	Change
Total assets	98,998	96,517	97,069	103,205	99,630	-3,574
Current assets	52,127	50,343	53,644	58,195	55,270	-2,925
Non-current assets	46,870	46,173	43,425	45,009	44,359	-650
Total liabilities	47,430	42,341	41,160	41,408	34,739	-6,669
Current liabilities	33,414	29,400	29,506	31,430	26,191	-5,239
Non-current liabilities	14,015	12,941	11,654	9,978	8,548	-1,430
Total net assets	51,567	54,175	55,908	61,796	64,890	3,094
Shareholders' equity	50,894	53,691	55,927	58,784	61,337	2,553
Equity ratio	52.0%	56.1%	57.5%	59.8%	65.1%	5.3pp

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Cash flows from operating activities	9,422	9,918	3,809	6,037	-536
Cash flows from investing activities	-1,747	-1,586	148	-598	-1,180
Cash flows from financing activities	-2,371	-2,554	-3,134	-3,106	-4,280
Cash and cash equivalents at end of period	13,318	19,095	19,917	22,306	16,308

Source: Prepared by FISCO from the Company's financial results

Outlook

Sales and profits are expected to decrease in FY3/26 in reaction to large projects completed in FY3/25, but orders received are firm

● FY3/26 consolidated forecast

The Company's FY3/26 consolidated results forecast calls for a 5.6% YoY decrease in net sales to ¥100,000mn, a 13.3% fall in operating profit to ¥7,000mn, a 12.1% decline in ordinary profit to ¥7,500mn, and a 3.4% drop in profit attributable to owners of parent to ¥5,000mn. The Company forecasts a decrease in net sales and profits despite a high level of balance of construction work carried over and outlook for orders received trending at a high level, because it completed several large electrical and instrumentation projects in FY3/25 and a large project started in FY3/26 is still in its early stages, making it difficult to increase the volume of work completed. Although results may slow somewhat in FY3/26 in reaction to large projects completed in FY3/25, the order environment remains strong, which should be reflected in net sales and profits in FY3/27 onward.

FY3/26 consolidated forecast

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	% of sales	Forecast	% of sales	Change	Change (%)
Net sales	105,877	100.0%	100,000	100.0%	-5,877	-5.6%
Operating profit	8,073	7.6%	7,000	7.0%	-1,073	-13.3%
Ordinary profit	8,536	8.1%	7,500	7.5%	-1,036	-12.1%
Profit attributable to owners of parent	5,173	4.9%	5,000	5.0%	-173	-3.4%

Source: Prepared by FISCO from the Company's financial results

Growth strategy

Achieved final-year financial targets of Medium-Term Management Guidelines 2025 a year early

● Medium-Term Management Guidelines 2025

In July 2021, the Company formulated its Medium-Term Management Guidelines 2025 with numerical targets of ¥100.0bn in net sales, ¥6.0bn in operating profit, and ROE of 8.0% in the final year of FY3/26. Its basic policies are as follows. For net sales, the Company seeks to strengthen sales and expand the quality and number of specialist engineers as well as aggressively pursue M&A of facility construction companies. For profit, the Company aims to improve profitability by increasing net sales and practicing thorough cost management. It plans growth investments totaling ¥10.0bn comprising M&A, ESG-related, R&D and digitalization investments. The Company plans to hire approximately 2,800 employees on a consolidated basis as of April 2025, and plans to continue regular hiring (on a non-consolidated basis) of slightly more than 100 employees per year.

Medium-Term Management Guidelines 2025 addresses five priority issues. They are strengthening of multifaceted profitability as a general facility construction company, expansion of wide-area business development, maintenance of business foundation to ensure the reliability of lifelines, demonstration of the collective strengths of the YONDENKO Group, and commitment to ensure sustainability of the environment and society.

Looking at specific priority strategies, the Company will progress diversification and expansion of business formats and facility use for its construction services and expand opportunities for comprehensive facility construction under "strengthening of multifaceted profitability as a general facility construction company." For "expansion of wide-area business development," the Company will build an earnings base as a comprehensive facility construction company by strengthening its earning capability outside Shikoku (mainly in the Tokyo metropolitan and Kansai areas) while maximizing sales and profits in Shikoku through increased market share and improved profit margins. It will ensure the profitability of its business by maintaining its construction structure and technological capabilities (including those of partner companies) and further improving construction efficiency under "maintenance of business foundation to ensure the reliability of lifelines." In terms of "demonstration of the collective strengths of the YONDENKO Group," the Company will develop new capital and business alliances with facility construction companies in the Tokyo metropolitan and Kansai areas to collaborate and generate synergies in order-taking and construction. This will enable the Company to expand its construction system as a Group that includes partner companies and their subcontractors, thereby increasing consolidated earnings capability. It will engage in multifaceted initiatives under "commitment to ensure sustainability of the environment and society" such as securing employment and ensuring diversity, improving employee engagement, reducing environmental impact by the use of energy-saving technologies, developing renewable energy, etc., and undertaking activities to work together with and support local communities with the goal of achieving environmental and social sustainability.

Looking at progress of Medium-Term Management Guidelines 2025, the Company posted net sales of ¥105,877mn, operating profit of ¥8,073mn, and ROE of 8.2% in FY3/25, attaining the FY3/26 targets a year early. Factors behind this performance include improved order profitability against the backdrop of high level of demand for factories, warehouses, and data centers, which account for a high proportion of facility construction work as well as various ongoing initiatives by the Company such as Cost Management Office handling the procurement of materials to ensure cost management. As a result, the Company made strong progress toward the Medium-Term Management Guidelines 2025 targets.

In terms of the human resource plan, the number of employees in April 2025 was 2,773 (consolidated basis), not far off the target of around 2,800. For human resource investment, the Company increased base wages, introduced a student loan support scheme (repay loans on employee's behalf), reviewed personnel systems and relocated and constructed a new employee training center. The Company has increased base wages for three consecutive years, and implemented a base increase ¥15,000 per employee on top of regular salary increases in April 2025, as well as a ¥15,000 increase in starting salary. As a result, the average labor union member's wage increase (including regular salary increase) was 6.45% in FY3/25. The student loan support scheme (repay loans on employee's behalf) was launched in April 2025 as a way to strengthen recruitment of younger employees and improve retention rates. The Company will offer financial assistance up to ¥1.8mn over a maximum period of 10 years. As well, the Company reviewed its personnel systems to facilitate inter-regional transfers of personnel as a way to secure construction capacity in the Tokyo metropolitan and Kansai areas. It also announced the relocation and construction of a new employee training center in April 2025. The new training center is scheduled to open in early 2028. Its purpose is to secure and develop personnels who will take the lead in the sustainable growth of its businesses.

Shareholder return policy

Promoting initiatives to improve ROE

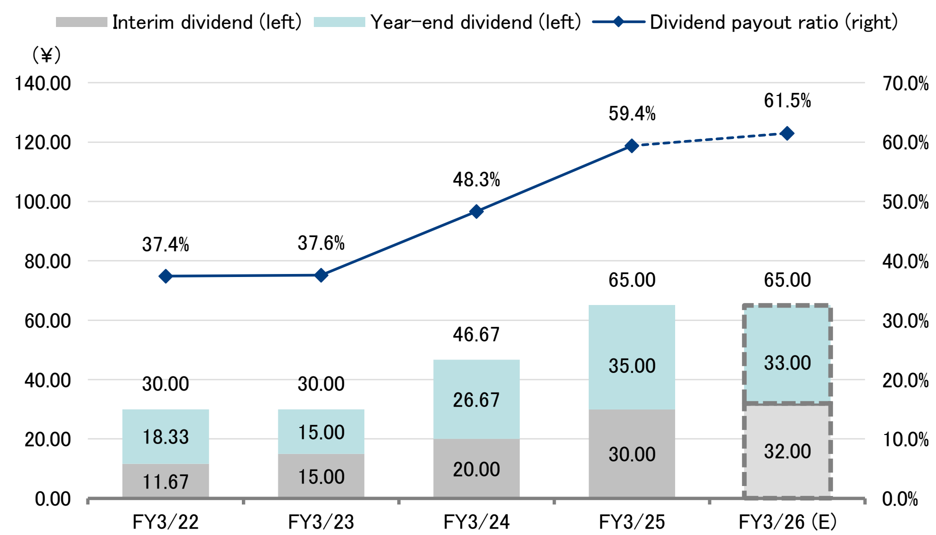
1. Shareholder return policy

In August 2023, the Company announced initiatives to improve capital profitability, which are focused on improving ROE. Its basic policy is to aim for sustainable profit growth by investing in human resources and other forms of growth. As well, it seeks to achieve an appropriate capital structure by enhancing shareholder returns and other measures.

With regard to shareholder returns, the Company changed its shareholder return policy in August 2023 based on Medium-Term Management Guidelines 2025, raising its target consolidated dividend payout ratio from 30% or more to 40% or more. Further, even if profits decline temporarily due to future economic trends and other factors, it will strive to maintain dividend levels as much as possible. In addition, the Company announced a policy of considering share buybacks to minimize the risk of reducing stock liquidity and stock splits to lower the trading unit, and conducted a three-for-one stock split in October 2024.

In accordance with the above policy and growth of earnings results, the Company set its FY3/25 interim dividend at ¥90.00 and period-end dividend at ¥35.00. Based on conversion following the stock split, the annual dividend was ¥46.67 in FY3/24 (¥20.00 interim, ¥26.67 period-end) and ¥65.00 in FY3/25 (¥30.00 interim, ¥35.00 period-end) for a ¥18.33 increase. The dividend payout ratio in FY3/25 was 59.4%. The Company's FY3/26 dividend forecast is ¥65.00 (¥32.00 interim, ¥33.00 period-end), which is the same total as in FY3/25, after the conversion following the three-for-one stock split, with a dividend payout ratio forecast of 61.5%. The Company left its FY3/26 annual dividend forecast unchanged from FY3/25 despite the outlook for a profit decline. Further improvement of shareholder returns is expected going forward as the Company's earnings results expand.

Dividend per share and dividend payout ratio



Note: The Company conducted a stock split on October 1, 2021, at a ratio of two shares for one common share. It also conducted a stock split on October 1, 2024, at a ratio of three shares for one common share. Values in the graph are converted amounts after the stock split.
Source: Prepared by FISCO from the Company's financial results

Formulated YONDENKO Group Sustainability Policy to move forward with sustainability management

2. Sustainability management

The Company is also engaged in promoting sustainability management. It formulated the YONKENKO Group Sustainability Policy in December 2021 and in January 2023, it endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and joined the TCFD Consortium. In December 2023, it also formulated the YONDENKO Group Human Rights Policy, and will engage in initiatives to respect the human rights of all stakeholders involved in its business activities and contribute toward the sustainable development of society.

Recent developments include investing in a Green Bond issued by Kochi Prefecture in October 2024 (first Public Offering Bond of FY2024), and Futatsuike Shitaike Solar Power Plant (its first off-site PPA business in Mikicho, Kagawa Prefecture) commencing electricity supply in December 2024. In March 2025, the Company donated a total of ¥4mn to scholarship funds of prefectures in Shikoku, including Kagawa Prefecture's Japan Student Services Organization (JASSO) Type 1 scholarship loan repayment support system. It is the fourth time that the Company has donated to these scholarship funds, which it started in FY2021, because it supports the purpose of Shikoku prefectural government's programs to support the education of young people in the region, encourage them to take jobs in their local prefecture, and create local employment opportunities for them. Also in FY3/25, the Company was recognized for two years in a row in the Ministry of Economy, Trade and Industry's KENKO Investment for Health (large enterprise category) program.

Focus on strategies for next stage of growth

3. FISCOs view

The Company's strength lies in the technological and high-quality construction capabilities that enable it to provide a one-stop service from the construction of electrical facility construction to air-conditioning systems and water supply, drainage, and sanitary plumbing work. Another strength is the stable cash flow earned from the electrical power transmission and distribution business, which is a reliable source of earnings that provides working capital for expanding orders in other general construction work. Reaching the final-year (FY3/26) financial targets of Medium-Term Management Guidelines 2025 a year early in FY3/25 is the result of the Company's ongoing efforts to expand general construction orders and improve the profitability of construction work. We at FISCO also rate the Company's positive stance on strengthening shareholder returns, such as raising the target dividend payout ratio. We expect the Company's next Medium-Term Management Guidelines to target aggressively its continuing challenges such as strengthening construction capacity through hiring and fostering human resources and M&A, accelerating business expansion beyond Shikoku into the Tokyo metropolitan and Kansai areas, and further improvement of capital profitability. We at FISCO are focused on the Company's strategies for the next stage of growth, although earnings results in FY3/26 may slow somewhat in reaction to large projects in FY3/25.

Disclaimer

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