COMPANY RESEARCH AND ANALYSIS REPORT

YONDENKO CORPORATION

1939

Tokyo Stock Exchange Prime Market

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Summary

Forecast for increased operating and ordinary profit in FY3/27, with progress in large projects also contributing

1. General Facility Construction Company based in the Shikoku area, also expanding into the Tokyo metropolitan and Kansai areas

YONDENKO CORPORATION <1939> (hereafter, also "the Company") is a General Facility Construction Company based in the Shikoku area. The Company primarily engages in power transmission and distribution equipment construction work for power transmission and distribution companies in the Shikoku area—its core business since its founding—and undertakes a wide range of facility construction business for office buildings, commercial facilities, logistics facilities, public facilities, and factories, including electrical and instrumentation work, air-conditioning and plumbing work, and information and communications work. The Company is enhancing its construction capacity through proactive recruitment and development of human resources and the utilization of M&A, and is pursuing a strategy to expand its business area into the Tokyo metropolitan and Kansai areas.

2. FY3/26 ended with profit growth exceeding the upwardly revised forecast

The Company's FY3/26 consolidated results were a 6.1% year on year (YoY) decrease in net sales to ¥99,448mn, a 9.3% increase in operating profit to ¥8,822mn, a 9.3% increase in ordinary profit to ¥9,327mn, and a 45.0% increase in profit attributable to owners of parent to ¥7,500mn. Orders received increased 7.1% to ¥106,590mn, a record high. Net sales declined due to a pullback following multiple large projects completed in the previous fiscal year, but profits at each level exceeded the Company's forecast revised in January 2026 (which kept net sales unchanged and raised profit forecasts) and finished higher. In addition to construction progressing smoothly, thorough management of construction costs improved the profit margin beyond expectations. The gross profit margin rose 1.3 percentage points (pp) to 18.7%. As a result, the operating profit margin rose 1.3pp to 8.9%. Profit attributable to owners of parent increased substantially due to the recognition of gain on sale of investment securities and other factors.

3. Forecast for increased operating and ordinary profit in FY3/27, with progress in large projects also contributing

The Company's FY3/27 consolidated results forecast calls for an 8.6% YoY increase in net sales to ¥108,000mn, a 6.5% increase in operating profit to ¥9,400mn, a 6.1% increase in ordinary profit to ¥9,900mn, and a 12.0% drop in profit attributable to owners of parent to ¥6,600mn. With the balance of construction work carried over remaining at a high level and progress on large projects newly started in the previous fiscal year also contributing, the Company forecasts increased sales, operating profit, and ordinary profit. In addition, profit attributable to owners of parent is expected to decline, as the gain on sale of investment securities recorded in the previous fiscal year will not recur. Taking into account the effects of the Company's ongoing initiatives to enhance order profitability and strengthen construction cost management, FISCO thinks there is room for upside, similar to the previous fiscal year.

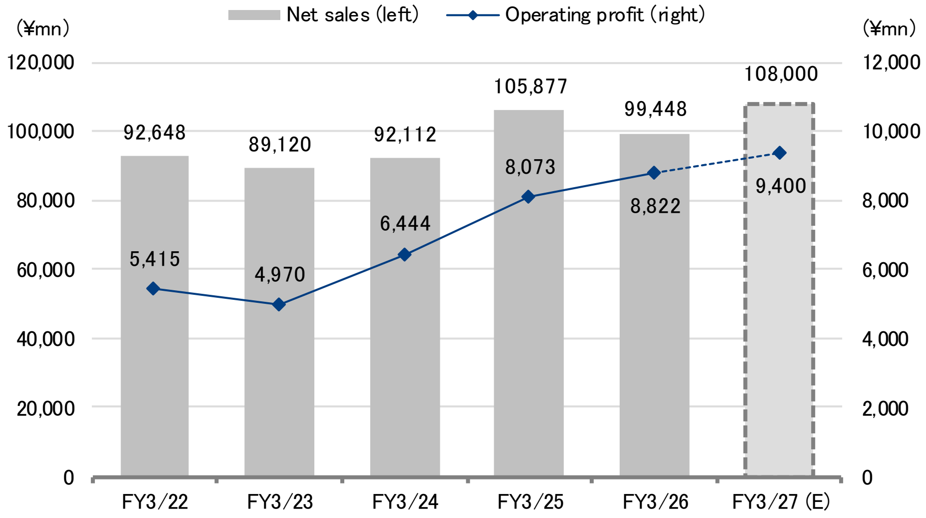
4. Promoting further expansion of construction capacity under Medium-Term Management Guidelines 2030 and strengthening shareholder returns

The Company achieved the numerical targets for the Medium-Term Management Guidelines 2025, which were formulated in July 2021, a year early in FY3/25. This can be considered the result of demand remaining at a high level and progress in improving the profitability of orders received, in addition to the Company's continuous efforts to ensure thorough cost management, such as the Cost Management Office handling the procurement of materials. In January 2026, the Company formulated its Medium-Term Management Guidelines 2030 (FY3/27 to FY3/31), with numerical targets of ¥120.0bn in net sales, ¥11.0bn in operating profit, and ROE of 10.0% in the final year of FY3/31. As priority themes, the Company will secure construction capacity to sustain growth and strengthen cost management, and, through the optimal allocation of engineers, expand construction capacity and orders received in the Tokyo metropolitan and Kansai areas, where construction demand is robust. Regarding shareholder returns, under the Medium-Term Management Guidelines 2025 the Company had set forth a policy of a consolidated dividend payout ratio of 40% or higher and of not reducing dividends even if profits temporarily declined, but under the Medium-Term Management Guidelines 2030 it changed this to a policy targeting a consolidated dividend payout ratio of around 60% and a DOE of around 5.0%, further strengthening shareholder returns.

Key Points

- YONDENKO CORPORATION is a General Facility Construction Company based in the Shikoku area
- FY3/26 ended with profit growth exceeding the upwardly revised forecast
- Forecast for increased operating and ordinary profit in FY3/27, with progress in large projects also contributing
- Promoting further expansion of construction capacity under the Medium-Term Management Guidelines 2030 and strengthening shareholder returns

Results trends



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

Company profile

General Facility Construction Company based in the Shikoku area also expanding into Tokyo metropolitan and Kansai areas

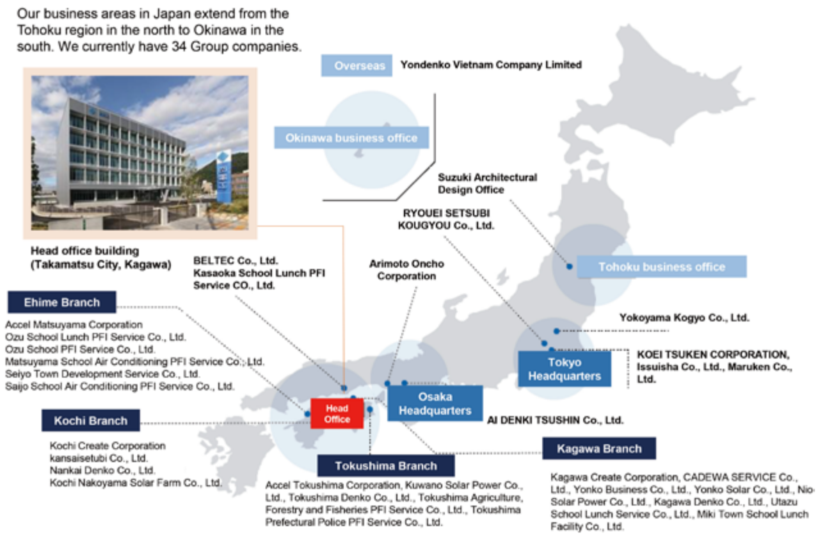
1. Company profile

YONDENKO CORPORATION is a General 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 General Facility Construction Company.” Mission & Value are “we build resilient infrastructure to sustainably support society,” “we create highly functional facility environments to meet customers’ expectations,” and “we value people and continue to refine our technical expertise.” Mindset is “passion, self directed, cooperation, and gratitude.” Armed with the technological capability and high-quality construction capacity and maintenance capabilities to provide a one-stop service from electrical facility construction to air-conditioning and plumbing system installation work, the Company is advancing a strategy of expanding its business area into the Tokyo metropolitan and Kansai areas.

At the end of FY3/26, total assets were ¥103,871mn, net assets were ¥71,199mn, the equity ratio was 68.4%, and the number of outstanding shares was 48,766,410 (including 1,431,731 treasury shares). The Company’s 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., kansaisetubi 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> (31.69% stake).

Business locations



Source: 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 company 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 March 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	Established Okayama business office 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	Established Bunri business office
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

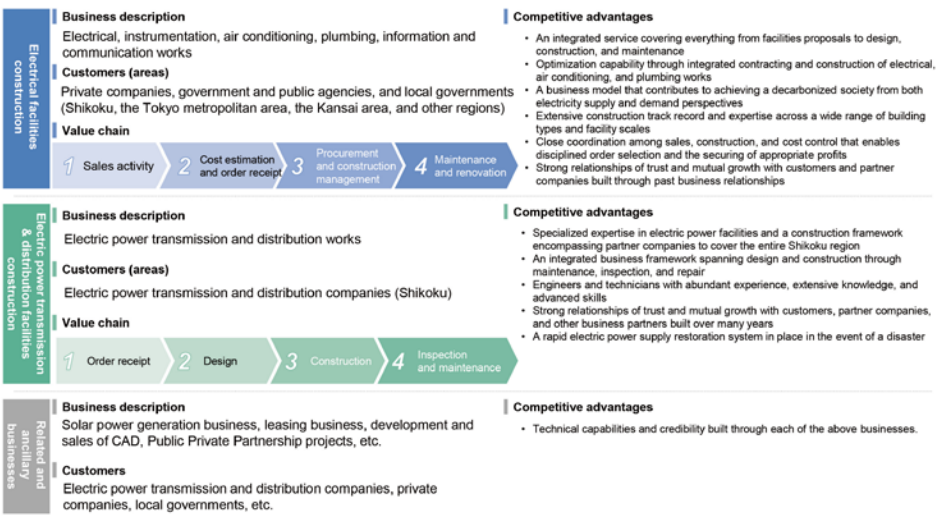
Business overview

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 Equipment Installation business mainly engages in the facility construction business for office buildings, commercial facilities, logistics facilities, public facilities, and factories (including electrical and instrumentation work, air-conditioning and plumbing work, and information and communications work), and in power transmission and distribution equipment construction work in the Shikoku area for power transmission and distribution companies—a core business since the Company's founding—handling a broad range of equipment 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 engage in architectural design, facility development, operation and management of public facilities under contract.

Business overview



Source: The Company's Medium-Term Management Guidelines 2030

(1) Electrical and instrumentation work, air-conditioning and plumbing work

It undertakes electrical and instrumentation work, such as internal wiring, as well as air-conditioning and plumbing work for all types of buildings, including 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 fulfilling orders for specialized facilities such as large-scale factories and operating rooms in hospitals.

(2) Information and communications work / system control work

Information and communications work contributes toward the building of network infrastructure that adapts to advances in telecommunications, including maintenance and operational support. Work includes the installation of optical cables and mobile base stations for telecommunications carriers, and building wireless-activated disaster warning systems and wireless systems for firefighting for local governments. For system control work, 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.

(3) Power transmission and distribution equipment construction work

Of the 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, towers, etc.) for transmitting electricity from power plants to local substations. Projects run for a long period because they often require large-scale construction work in mountains and similar areas. Power distribution work is related to power distribution equipment construction work (power distribution wires, poles, etc.) required to deliver electricity that has been stepped down at substations to companies and households. The Company undertakes a huge number of construction projects, moving from one site to another daily, based on contracts concluded with transmission and distribution companies. Construction work is performed in close collaboration with partner companies that work exclusively with the Company.

(4) Solar Power business

In the Solar Power business, subsidiaries including Yonko Solar sell electricity generated by solar power. In December 2024, 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) for solar power with a view to realizing a carbon-neutral society.

(5) Leasing business

In the Leasing business, subsidiary Yonko Business Co., Ltd. engages in the leasing of construction machinery, vehicles, equipment, and other items, and the Company also has lease transactions with this subsidiary. While working to increase sales by cultivating new customers and other means, it is also striving to reduce costs through initiatives such as rigorous credit management.

(6) Other businesses

In the CAD development and sales business, the Company engages in the development and sales of the CADEWA series of its proprietary construction equipment CAD software and the CRAFT DX series of software supporting the construction equipment industry. In January 2026, the Company began sales of full-3D construction equipment CAD software CADEWA Smart V7, the latest version of the CADEWA series, and in February of the same year, began sales of V4, the latest version of the CRAFT DX series.

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

2. Results trends by business segment

Looking at trends in segment results (before adjustments for elimination of inter-segment internal transactions, etc.), net sales in the Equipment Installation business in FY3/26 came to ¥94,034mn. Compared with the previous fiscal year, it decreased 7.2% YoY due to a pullback following the completion of multiple large projects in the previous fiscal year, but excluding this effect, it has been on an upward trend from ¥82,379mn in FY3/21. In the Equipment Installation business, operating profit increased from ¥3,899mn in FY3/21 to ¥7,311mn in FY3/26, and the operating profit margin rose from 4.7% to 7.8%. In addition to progress in raising the order unit price and improving order profitability against the backdrop of factors such as ongoing high levels of demand, this was the result of various initiatives promoted by the Company on an ongoing basis, such as thorough cost management that includes the procurement of materials and equipment, and streamlining construction work.

Although net sales in the Leasing business, Solar Power business, and others are on a slight downward trend, both businesses have recorded stable earnings. From FY3/21 to FY3/26, the Leasing business saw net sales decrease from ¥3,692mn to ¥3,027mn due to changes in revenue recognition standards, while operating profit remained roughly flat, moving from ¥279mn to ¥272mn, and the operating profit margin remained stable at around 9–10%. In the Solar Power business and others, net sales decreased from ¥2,413mn to ¥2,259mn and operating profit decreased from ¥997mn to ¥938mn, but the operating profit margin remained in the 35%–42% range.

Results trends by business segment

(¥mn)

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Consolidated net sales	89,629	92,648	89,120	92,112	105,877	99,448
Equipment Installation business	82,379	86,591	83,971	86,913	101,341	94,034
Leasing business	3,692	2,851	2,976	2,948	2,784	3,027
Solar Power business	2,413	2,312	2,287	2,145	2,110	2,259
Other businesses	2,522	2,164	1,218	1,415	1,347	1,546
Adjustments	-1,378	-1,272	-1,333	-1,310	-1,706	-1,419
Consolidated operating profit	5,089	5,415	4,970	6,444	8,073	8,822
Equipment Installation business	3,899	4,162	3,798	5,179	6,852	7,311
Leasing business	279	300	310	294	266	272
Solar Power business	997	933	857	769	800	938
Other businesses	-60	20	6	205	209	303
Adjustments	-26	-1	-2	-4	-56	-3
Consolidated operating profit margin	5.7%	5.8%	5.6%	7.0%	7.6%	8.9%
Equipment Installation business	4.7%	4.8%	4.5%	6.0%	6.8%	7.8%
Leasing business	7.6%	10.5%	10.4%	10.0%	9.6%	9.0%
Solar Power business	41.3%	40.4%	37.5%	35.9%	37.9%	41.5%
Other businesses	-	0.9%	0.5%	14.5%	15.5%	19.6%

Note: Consolidated operating profit margins are the ratio of operating profit to consolidated 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 the mainstays; 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 client, net sales by type of construction work are expanding in power distribution work and electrical and instrumentation work, although there are fluctuations associated with large projects. Net sales for power distribution work increased from ¥30,429mn in FY3/21 to ¥36,753mn in FY3/26. Net sales for electrical and instrumentation work came to ¥26,594mn in FY3/26, and while they decreased 25.1% from the previous fiscal year in reaction to large projects, with the exclusion of this effect, they have trended upward from ¥23,020mn in FY3/21. In terms of the net sales composition ratio, the mainstays are power distribution work and electrical and instrumentation work, accounting for around 40% and 30%, respectively.

Due to expansion in power distribution work and electrical and instrumentation work, results by client are growing for the Shikoku Electric Power Group (Shikoku Electric Power and Shikoku Electric Power Transmission & Distribution Company, Incorporated) and the private sector. Shikoku Electric Power Group's net sales increased from ¥35,239mn in FY3/21 to ¥42,771mn in FY3/26. Net sales to the private sector in FY3/26 were ¥33,210mn, a decrease of 24.8% YoY in reaction to large projects, although excluding this effect, they have remained on an upward trend from ¥31,256mn in FY3/21. In terms of the net sales composition ratio, the Shikoku Electric Power Group accounts for approximately 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, non-consolidated net sales by region for FY3/26 decreased ¥3.4bn YoY to ¥72.3bn for Shikoku and other areas, decreased ¥4.4bn to ¥8.0bn for the Tokyo metropolitan area, and decreased ¥2.2bn to ¥3.6bn for the Kansai areas.

Net sales by type of construction and client (non-consolidated basis)

(¥mn)

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Net sales						
Total non-consolidated net sales	76,412	77,965	74,399	77,207	94,108	84,072
Net sales by type of construction work						
Power distribution work	30,429	30,160	31,735	32,846	35,369	36,753
Power transmission and civil engineering work	4,423	6,464	5,111	6,083	5,091	5,255
Electrical and instrumentation work	23,020	24,521	23,937	23,309	35,528	26,594
Air-conditioning and plumbing work	10,372	7,957	8,326	9,763	10,840	9,222
Information and communications work	5,613	6,725	4,152	3,779	5,870	4,614
Sideline businesses	2,552	2,136	1,136	1,424	1,407	1,632
Net sales by client						
Shikoku Electric Power Group	35,239	37,112	37,585	39,532	41,119	42,771
Government offices	9,915	7,851	6,374	7,718	8,828	8,090
Private sector	31,256	33,000	30,439	29,955	44,160	33,210
Net sales composition ratio						
Breakdown by type of construction work						
Power distribution work	39.8%	38.7%	42.6%	42.5%	37.6%	43.7%
Power transmission and civil engineering work	5.8%	8.3%	6.9%	7.9%	5.4%	6.3%
Electrical and instrumentation work	30.1%	31.5%	32.2%	30.2%	37.8%	31.6%
Air-conditioning and plumbing work	13.6%	10.2%	11.2%	12.7%	11.5%	11.0%
Information and communications work	7.4%	8.6%	5.6%	4.9%	6.2%	5.5%
Sideline businesses	3.3%	2.7%	1.5%	1.8%	1.5%	1.9%
Breakdown by client						
Shikoku Electric Power Group	46.1%	47.6%	50.5%	51.2%	43.7%	50.9%
Government offices	13.0%	10.1%	8.6%	10.0%	9.4%	9.6%
Private sector	40.9%	42.3%	40.9%	38.8%	46.9%	39.5%

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 and intensifying competition for orders due to the economy; declining profitability in construction work due to the rising personnel expenses and costs of 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 the Company's earnings is small, because power transmission and distribution equipment construction work is a stable source of earnings. In terms of the rising personnel expenses and costs of materials and equipment, the industry as a whole appears to be making progress with passing on these costs to 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, because construction capacity has not been keeping up with robust demand in recent years, the Company is prioritizing profitability and being selective about projects, which has resulted in increased profitability in construction. It is strengthening cost management—including the procurement of materials and equipment—streamlining construction, and proactively hiring and training personnel. It also intends to enhance construction capacity while making use of M&A.

Results trends

FY3/26 ended with profit growth exceeding upwardly revised figures

1. Overview of FY3/26 consolidated results

The Company's FY3/26 consolidated results showed a 6.1% YoY decrease in net sales to ¥99,448mn, a 9.3% increase in operating profit to ¥8,822mn, a 9.3% increase in ordinary profit to ¥9,327mn, and a 45.0% increase in profit attributable to owners of parent to ¥7,500mn. Orders received increased 7.1% to ¥106,590mn, which was a record high (even on a non-consolidated basis, orders received increased 6.5% to ¥93,364mn, also a record high). Net sales decreased in reaction to multiple large projects completed in the previous fiscal year, but all profit lines exceeded the Company's revised forecasts of January 2026 (which left net sales unchanged and revised forecasts upward for all profit lines, and called for net sales of ¥100,000mn, operating profit of ¥8,000mn, ordinary profit of ¥8,500mn, and profit attributable to owners of parent of ¥6,000mn), and finished with increased profits. In addition to construction progressing smoothly, thorough management of construction costs improved the profit margin beyond expectations. Profit attributable to owners of parent increased significantly, driven by recognition of gain on sale of investment securities of ¥1,084mn under extraordinary income, and in reaction to ¥531mn of impairment losses recorded in the previous fiscal year, among other factors.

The breakdown of net sales is as follows. Net sales of completed construction contracts decreased 6.9% YoY to ¥93,860mn and sales in other businesses increased 11.1% to ¥5,588mn. Gross profit increased 1.1% (gross profit on completed construction contracts decreased 0.4% and increased 17.0% for other businesses), and the gross profit margin increased 1.3pp to 18.7% (gross profit margin for completed construction contracts increased 1.2pp to 17.8% and increased 1.7pp to 34.3% for other businesses). Gross profit increased only slightly due to the impact of decreased sales, but the gross profit margin improved thanks to thorough management of construction costs. SG&A expenses decreased 5.3%, but the SG&A expense ratio increased 0.1pp to 9.8%. As a result, the operating profit margin increased 1.3pp to 8.9% and the ordinary profit margin increased 1.3pp to 9.4%.

Overview of FY3/26 consolidated results

(¥mn)

	FY3/25		FY3/26				YoY		vs. revised forecast	
	Result	Composition ratio / profit margin	Initial forecast	Revised forecast	Result	Composition ratio / profit margin	Change	Change (%)	Change	Change (%)
Orders received	99,537	-	-	-	106,590	-	7,053	7.1%	-	-
Net sales	105,877	-	100,000	100,000	99,448	-	-6,428	-6.1%	-552	-0.6%
Gross profit	18,383	17.4%	-	-	18,588	18.7%	205	1.1%	-	-
SG&A expenses	10,310	9.7%	-	-	9,765	9.8%	-545	-5.3%	-	-
Operating profit	8,073	7.6%	7,000	8,000	8,822	8.9%	749	9.3%	822	10.3%
Ordinary profit	8,536	8.1%	7,500	8,500	9,327	9.4%	791	9.3%	827	9.7%
Profit attributable to owners of parent	5,173	4.9%	5,000	6,000	7,500	7.5%	2,327	45.0%	1,500	25.0%
Net sales breakdown										
Net sales of completed construction contracts	100,847	95.2%		-	93,860	94.4%	-6,987	-6.9%	-	-
Sales in other businesses	5,030	4.8%		-	5,588	5.6%	558	11.1%	-	-
Gross profit breakdown										
Gross profit on completed construction contracts	16,743	16.6%		-	16,668	17.8%	-75	-0.4%	-	-
Gross profit in other businesses	1,640	32.6%		-	1,919	34.3%	279	17.0%	-	-

Note: Initial forecasts are figures announced on April 30, 2025 and revised forecasts are revised figures as of January 30, 2026.
Source: Prepared by FISCO from the Company's financial results

Electrical and instrumentation work decreased in reaction to large projects in the previous fiscal year, but power distribution work remained steady

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

By segment (before adjustments for the elimination of intersegment transactions, etc.), the Equipment Installation business saw net sales decrease 7.2% YoY to ¥94,034mn, operating profit increase 6.7% to ¥7,311mn, and the operating profit margin increase 1.0pp to 7.8%. Net sales decreased in reaction to large projects in electrical and instrumentation work and air-conditioning and plumbing work recorded in the previous fiscal year, but profits increased as profit margins improved due to thorough management of construction costs. In the Leasing business, net sales increased 8.7% to ¥3,027mn, operating profit increased 2.3% to ¥272mn, and the operating profit margin decreased 0.6pp to 9.0%. Although the profit margin declined, overall performance was steady with increased sales and profits. Net sales in the Solar Power business increased 7.1% to ¥2,259mn, operating profit increased 17.3% to ¥938mn, and the operating profit margin increased 3.6pp to 41.5%. Sales and profits increased steadily, and the profit margin also increased. In other businesses, net sales increased 14.8% to ¥1,546mn, operating profit increased 45.0% to ¥303mn, and the operating profit margin increased 4.1pp to 19.6%. Sales of CAD software and other offerings were strong.

FY3/26 results trends by business segment

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	Composition ratio / profit margin	Result	Composition ratio / profit margin	Change	Change (%)
Net sales	105,877	-	99,448	-	-6,428	-6.1%
Equipment Installation business	101,341	95.7%	94,034	94.6%	-7,307	-7.2%
Leasing business	2,784	2.6%	3,027	3.0%	243	8.7%
Solar Power business	2,110	2.0%	2,259	2.3%	149	7.1%
Other businesses	1,347	1.3%	1,546	1.6%	199	14.8%
Adjustments	-1,706	-	-1,419	-	-	-
Operating profit	8,073	7.6%	8,822	8.9%	749	9.3%
Equipment Installation business	6,852	6.8%	7,311	7.8%	459	6.7%
Leasing business	266	9.6%	272	9.0%	6	2.3%
Solar Power business	800	37.9%	938	41.5%	138	17.3%
Other businesses	209	15.5%	303	19.6%	94	45.0%
Adjustments	-56	-	-3	-	-	-

Note: The composition ratio for net sales is the percentage of total net sales before adjustments.
Source: Prepared by FISCO from the Company's financial results

Non-consolidated net sales decreased 10.7% YoY to ¥84,072mn and net sales by type of construction work were as follows. Power distribution work increased 3.9% to ¥36,753mn, power transmission and civil engineering work increased 3.2% to ¥5,255mn, electrical and instrumentation work decreased 25.1% to ¥26,594mn, air-conditioning and plumbing work decreased 14.9% to ¥9,222mn, information and communications work decreased 21.4% to ¥4,614mn, and sideline businesses increased 15.9% to ¥1,632mn. Net sales by client were as follows. Net sales to the Shikoku Electric Power Group increased 4.0% to ¥42,771mn, sales to government offices decreased 8.4% to ¥8,090mn, and sales to the private sector decreased 24.8% to ¥33,210mn. While electrical and instrumentation work, air-conditioning and plumbing work, and information and communications work for the private sector declined in reaction to large projects in the previous fiscal year, power distribution work and power transmission and civil engineering work for the Shikoku Electric Power Group remained steady. As of the end of FY3/26, the balance of construction work carried over on a non-consolidated basis increased 19.5% from the end of the previous fiscal year to ¥56,992mn, maintaining a high level.

FY3/26 trends in net sales (non-consolidated basis) by type of construction work and client

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	Composition ratio	Result	Composition ratio	Change	Change (%)
Total non-consolidated net sales	94,108	-	84,072	-	-10,035	-10.7%
Net sales by type of construction work						
Power distribution work	35,369	37.6%	36,753	43.7%	1,383	3.9%
Power transmission and civil engineering work	5,091	5.4%	5,255	6.3%	163	3.2%
Electrical and instrumentation work	35,528	37.8%	26,594	31.6%	-8,933	-25.1%
Air-conditioning and plumbing work	10,840	11.5%	9,222	11.0%	-1,618	-14.9%
Information and communications work	5,870	6.2%	4,614	5.5%	-1,255	-21.4%
Sideline businesses	1,407	1.5%	1,632	1.9%	224	15.9%
Net sales by client						
Shikoku Electric Power Group	41,119	43.7%	42,771	50.9%	1,651	4.0%
Government offices	8,828	9.4%	8,090	9.6%	-737	-8.4%
Private sector	44,160	46.9%	33,210	39.5%	-10,950	-24.8%

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

Examples of construction projects in FY3/26 include Dai-ichi Life Kyobashi Kino Terrace (Tokyo, office building, electrical and instrumentation work), Patina Osaka (Osaka, hotel, electrical and instrumentation work), One Roof Residence Nakano Minamidai (Tokyo, condominium, air-conditioning and plumbing work), Kokoro Medical Center Goshikidai (Kagawa, hospital, electrical and instrumentation work / air-conditioning and plumbing work), Miroku Nissho Plant (Kochi, factory, air-conditioning and plumbing work), Sakaide Biomass Power Plant (Kagawa, renewable energy power plant, electrical and instrumentation work / air-conditioning and plumbing work), Yoshinogawa City Environmental Center (Tokushima, waste treatment facility, electrical and instrumentation work), Saijo City Eastern School Lunch Center (Ehime, school lunch center, electrical and instrumentation work / air-conditioning and plumbing work), Takata-kai Medical Corporation Kochi Memorial Hospital (Kochi, hospital, electrical and instrumentation work), Mitoyo Municipal Toyonaka Elementary School (Kagawa, school, air-conditioning and plumbing work), Fukuoka Sonoriku Fukushima Logistics Center (Fukushima, logistics center, electrical and instrumentation work), wireless free flow system for the eastern Kansai region (Shiga, Kyoto, and Osaka prefectures, traffic information system, information and communications work), wireless free flow system under the jurisdiction of Shikoku (throughout Shikoku, traffic information system, information and communications work), Matsuyama Expressway CCTV equipment (Ehime, traffic information system, information and communications work), partial reinforcement of the Tatsuta power line (Kochi, replacement of power transmission facility towers, JV, power transmission and civil engineering work), and the Kuramoto Aiba power line and other cables (Tokushima, replacement of underground transmission lines for power transmission facilities, power transmission and civil engineering work).

Equity ratio increases, favorable financial soundness

3. Financial position

The Company's financial condition as of the end of FY3/26 was as follows. Total assets increased ¥4,241mn from the end of the previous fiscal year to ¥103,871mn. Deposits paid to subsidiaries and associates (¥2,500mn), electronically recorded monetary claims - operating (¥917mn), and deferred tax assets (¥534mn) decreased, while cash and deposits (¥3,809mn), notes receivable - trade and accounts receivable - other from completed construction contracts, etc. (¥646mn), costs on construction contracts in progress (¥799mn), investment securities (¥877mn), and retirement benefit assets (¥880mn) all increased. Total liabilities decreased ¥2,067mn to ¥32,672mn. In particular, income taxes payable increased ¥409mn and advances received on construction contracts in progress increased ¥451mn, while notes payable - trade and accounts payable - other for construction contracts decreased ¥1,246mn. In addition, interest-bearing debt (total long- and short-term borrowings and bonds payable) decreased ¥571mn to ¥7,891mn. Total net assets increased ¥6,308mn to ¥71,199mn. In particular, retained earnings increased ¥4,331mn and valuation difference on available-for-sale securities increased ¥1,870mn. As a result, the equity ratio increased 3.3pp to 68.4%.

There are no particularly large items of fluctuation, and the equity ratio is on an upward trend due to an accumulation of retained earnings. Considering the fact that there are no particular concerns about the Company's cash flow situation, FISCO thinks that its financial soundness is favorable.

Balance sheets and cash flow statement (simplified)

(¥mn)

	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	End of FY3/26	vs. previous fiscal year end
Total assets	96,517	97,069	103,205	99,630	103,871	4,241
Current assets	50,343	53,644	58,195	55,270	58,398	3,128
Non-current assets	46,173	43,425	45,009	44,359	45,473	1,114
Total liabilities	42,341	41,160	41,408	34,739	32,672	-2,067
Current liabilities	29,400	29,506	31,430	26,191	24,674	-1,517
Non-current liabilities	12,941	11,654	9,978	8,548	7,997	-551
Total net assets	54,175	55,908	61,796	64,890	71,199	6,308
Shareholders' equity	53,691	55,927	58,784	61,337	65,740	4,403
Equity ratio	56.1%	57.5%	59.8%	65.1%	68.4%	3.3pp

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Cash flows from operating activities	9,918	3,809	6,037	-536	4,007
Cash flows from investing activities	-1,586	148	-598	-1,180	947
Cash flows from financing activities	-2,554	-3,134	-3,106	-4,280	-3,688
Cash and cash equivalents at FY end	19,095	19,917	22,306	16,308	17,575

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

Outlook

Forecast for increased operating and ordinary profit in FY3/27, with progress in large projects also contributing

● Overview of FY3/27 consolidated results forecast

The Company's FY3/27 consolidated results forecast calls for an 8.6% YoY increase in net sales to ¥108,000mn, a 6.5% increase in operating profit to ¥9,400mn, a 6.1% increase in ordinary profit to ¥9,900mn, and a 12.0% drop in profit attributable to owners of parent to ¥6,600mn. With the balance of construction work carried over remaining at a high level and progress on large projects newly started in the previous fiscal year also contributing, the Company forecasts increased sales, operating profit, and ordinary profit. In addition, profit attributable to owners of parent is expected to decline, as the gain on sale of investment securities recorded in the previous fiscal year will not recur. Taking into account the effects of the Company's ongoing initiatives to enhance order profitability and strengthen construction cost management, FISCO thinks there is room for upside, similar to the previous fiscal year.

Overview of FY3/27 consolidated results forecast

(¥mn)

	FY3/26		FY3/27		YoY	
	Result	% of sales	Forecast	% of sales	Change	Change (%)
Net sales	99,448	-	108,000	-	8,552	8.6%
Operating profit	8,822	8.9%	9,400	8.7%	578	6.5%
Ordinary profit	9,327	9.4%	9,900	9.2%	573	6.1%
Profit attributable to owners of parent	7,500	7.5%	6,600	6.1%	-900	-12.0%

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

Growth strategy

Formulated Medium-Term Management Guidelines 2030, promoting expanded construction capacity

1. Medium-Term Management Guidelines 2030

In July 2021, the Company formulated its Medium-Term Management Guidelines 2025 (FY3/22 to FY3/26), with numerical targets of ¥100.0bn in net sales, ¥6.0bn in operating profit, and ROE of 8.0% in the final fiscal year of FY3/26. Results in FY3/25 included net sales of ¥105,877mn, operating profit of ¥8,073mn, and ROE of 8.2%, thereby attaining the targets for all items one fiscal year early. In FY3/26, results included net sales of ¥99,448mn, operating profit of ¥8,822mn, and ROE of 11.0%. Although net sales declined in reaction to large projects in the previous fiscal year, operating profit continued to increase, and ROE increased to 11.0%, with the recording of extraordinary income also contributing. This was likely the result of improved order profitability due to ongoing high levels of construction demand, and of the Company's ongoing initiatives, for example, the Cost Management Office handling the procurement of materials to ensure thorough cost management.

Subsequently, in January 2026, the Company formulated the Medium-Term Management Guidelines 2030 (FY3/27 to FY3/31). For the final fiscal year of the guidelines, FY3/31, the Company set numerical targets of net sales of ¥120.0bn (breakdown: Net sales in facility construction business and other businesses of ¥37.0bn in the Tokyo metropolitan and Kansai areas and ¥36.0bn in the Shikoku and Kinki areas, and power transmission and distribution equipment construction work of ¥47.0bn in Shikoku and neighboring areas), operating profit of ¥11.0bn, and ROE of 10.0%. The Company plans the following cash allocation for the ¥55.0bn in cash flows it expects to generate over the target five-year period: ¥20.0bn for human capital investments such as personnel acquisition and training, ¥15.0bn for business investments (investment in M&A, ESG/DX, and maintenance and renewal), and ¥20.0bn for shareholder returns.

The Company has identified seven priority themes to pursue toward 2030: Securing medium- to long-term construction capacity for sustained growth (planned acquisition of personnel, labor-saving and improvements in productivity and profitability through the use of DX, AI, etc.); expanding construction capacity in major metropolitan areas (expanding construction capacity to increase orders in the Tokyo metropolitan and Kansai areas where construction demand is robust, etc.); responding to the need to reinforce power transmission and distribution facilities amid increasing power demand (enhancing construction capacity to meet demand for renewal and reinforcement of power facilities within the Shikoku area, labor-saving through new technologies and construction methods, etc.); mitigating risks such as rising prices for materials and equipment, rising outsourcing expenses, and procurement difficulties (confirming prerequisites at the time of order receipt, thorough price negotiations, strengthening cost management and procurement strategy, securing in-house construction capacity, etc.); contributing to the realization of a decarbonized society through equipment construction (capturing demand for renewable energy and energy-saving equipment construction, developing power generation businesses through renewable energy-related investment, etc.); creating added value and improving productivity through the use of DX and AI (utilizing AI technologies that contribute to strengthening earning capabilities and improving work efficiency, DX investments, etc.); and practicing ESG management (management decision-making and governance premised on sustainability, etc.).

As a basic policy, the Company positions sustained efforts to strengthen human capital as fundamental, and while securing stable earnings in the Shikoku area, aims to achieve business growth and enhance corporate value by significantly expanding earnings from the facility construction business as a growth engine in the Tokyo metropolitan and Kansai areas. In the facility construction business, the Company aims to expand its earnings base in the Tokyo metropolitan and Kansai areas by promoting initiatives such as expanding construction capacity, including local hiring and securing partner companies; establishing an order portfolio that contributes to strengthening medium- to long-term profitability; establishing orders and construction systems in the field of air-conditioning and plumbing work; and developing new orders for information and communications work. Within Shikoku, to secure a certain level of sales and profits over the medium to long term, the Company seeks to secure and expand orders as a prime contractor, focus on high-margin construction projects, and accumulate orders and a track record in the field of air-conditioning and plumbing work, thereby deepening its business. In power transmission and distribution equipment construction work, the Company aims to enhance construction systems and strengthen profitability through the planned hiring of engineers, effective training, and other measures, in anticipation of a gradual increase in renewal investment in power transmission and distribution equipment.

As part of its human capital investments to expand construction capacity, the Company will promote planned hiring based on the long-term headcount outlook and changes in age composition; enhanced education measures and on-the-job training (OJT) to accelerate the development of engineers and raise technical skill levels; the realization of optimal allocation of engineers that contributes to improved productivity; and improved employee engagement through improvements to the working environment and the return and reinvestment of business results. The Company has set the following as principal KPIs for human capital investment and targets for FY3/31: A total of 2,450 employees (2,158 in FY3/25), 750 qualified first-class electric works execution managers (696), 65 qualified management operation managers (61), operating profit per employee of ¥3.7mn (¥3.145mn), average overtime of 18 hours/month (21.9 hours/month), average of 15 days paid leave taken (13.4 days), number and ratio of female employees at 250 and 10% respectively (193 and 8.9%), number and ratio of mid-career hires at 10 and 8.9% respectively (7 and 5.8%), ratio of female managers of 3.6% (3.4%), and a male childcare leave uptake rate of 85% (100% including leave for childcare purposes; 34.5% and 89.7% respectively in FY3/25). The Company also 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. In addition, the Company is relocating and constructing a new employee training center, which is scheduled to open in early 2028.

Strengthening shareholder returns, consolidated dividend payout ratio around 60% and DOE around 5.0%

2. Shareholder return policy

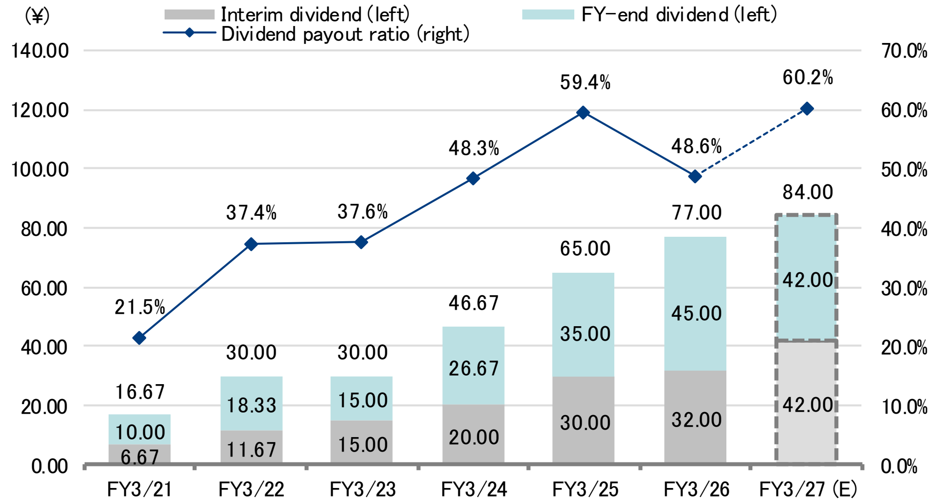
As its basic policy on shareholder returns under the Medium-Term Management Guidelines 2025, the Company had set forth a consolidated dividend payout ratio of 40% or higher and a policy of not reducing dividends, even in the event of a temporary decline in profits. However, as the Medium-Term Management Guidelines 2030 period is expected to see capital accumulation driven by profit growth, further improvement in capital efficiency will be required. Accordingly, to curb the accumulation of net assets and optimize the capital structure, the Company decided to review its shareholder return policy and changed it to a policy that includes a consolidated dividend payout ratio of around 60% and DOE of around 5.0% as targets. With respect to shareholder returns, the policy is to focus on dividends while keeping in mind, to the greatest extent possible, the avoidance of any decline in share liquidity, and to treat share buybacks as a matter for future consideration. The dividend for FY3/26 was set at ¥77.00, an increase of ¥12.00 compared with the previous fiscal year's dividend of ¥65.00 (converted based on a three-for-one stock split effective October 1, 2024), comprising an interim dividend of ¥32.00 and a fiscal year-end dividend of ¥45.00. The dividend payout ratio in FY3/26 was 48.6%. For FY3/27, based on the new basic policy, the Company expects a total dividend of ¥84.00 (¥42.00 interim and ¥42.00 fiscal year-end), up ¥7.00 YoY, and a dividend payout ratio of 60.2%. This represents a further strengthening of shareholder returns.

Shareholder return policy

Medium-Term Management Guidelines 2025		Medium-Term Management Guidelines 2030
Consolidated dividend payout ratio 40% or more	→	Consolidated dividend payout ratio Around 60%
No dividend reduction even if profit temporarily declines		DOE Around 5.0%

Source: Prepared by FISCO from Medium-Term Management Guidelines 2030

Progress of dividend per share and dividend payout ratio (converted after stock split)



Note: The Company conducted a two-for-one stock split on October 1, 2021, and a three-for-one stock split on October 1, 2024. Accordingly, dividends per share are listed as amounts converted to the current number of shares.
Source: Prepared by FISCO from the Company's financial results

Promoting sustainability management

3. Sustainability management

The Company is also engaged in promoting sustainability management. It formulated the YONDENKO CORPORATION 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 of the same year, the Company formulated the YONDENKO CORPORATION Group Human Rights Policy. In accordance with this policy, it 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.

As an example of the Company's initiatives, in October 2024, it invested in a Green Bond issued by Kochi Prefecture (Kochi Prefecture's first Public Offering Bond of FY2024). It also invested in the Group's first off-site PPA business, the Futatsuike Shitaike Solar Power Plant (Mikicho, Kagawa Prefecture), which began supplying electricity in December 2024. In March 2026, the Company was recognized for the third consecutive year in the Ministry of Economy, Trade and Industry's 2026 Outstanding Organizations of KENKO Investment for Health Program (Large Enterprise Category). In addition, the Company has donated to scholarship funds in Shikoku each year since FY2021 because it endorses the prefectural government's system for supporting the education of young people, encouraging them to take jobs in the prefecture, and creating employment opportunities.

Furthermore, as part of its human capital management, the Company has been conducting an employee engagement survey since 2023 and is also offering workshop-style training aimed at improving psychological safety in the workplace, including a workshop for reforming how to engage with junior colleagues. The Company also donates tomatoes grown at its farm to nonprofit organizations (NPOs).

Heading toward a new growth stage

4. FISCO's view

One of the Company's strengths lies in the technological capability and high-quality construction capacity that enable it to provide a one-stop service including everything from electrical construction to air-conditioning and plumbing work. Another is its ability to secure stable working capital for expanding orders in the facility construction business—capital that is generated through cash flow earned from power transmission and distribution equipment construction work. In FY3/26, although net sales decreased in reaction to large projects, the Company absorbed the impact through improved order profitability and strengthened cost management, and the effect of this enabled it to achieve higher operating profit. In addition, the Company realized higher profit margins. This demonstrates its ability to generate stable profits even when net sales are sluggish, which FISCO evaluates as being the result of the Company's ongoing initiatives. FISCO also notes the Company's announcement of a policy to further strengthen shareholder returns in its Medium-Term Management Guidelines 2030. Going forward, in addition to further improving profit margins, expansion into the Tokyo metropolitan and Kansai areas will be a challenge, but in its Medium-Term Management Guidelines 2030, the Company has set forth a policy to promote the planned hiring and training of personnel and the optimal allocation of engineers. Given that these initiatives are expected to move the Company toward a new stage of growth, FISCO will continue to monitor the progress of its priority measures.

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