

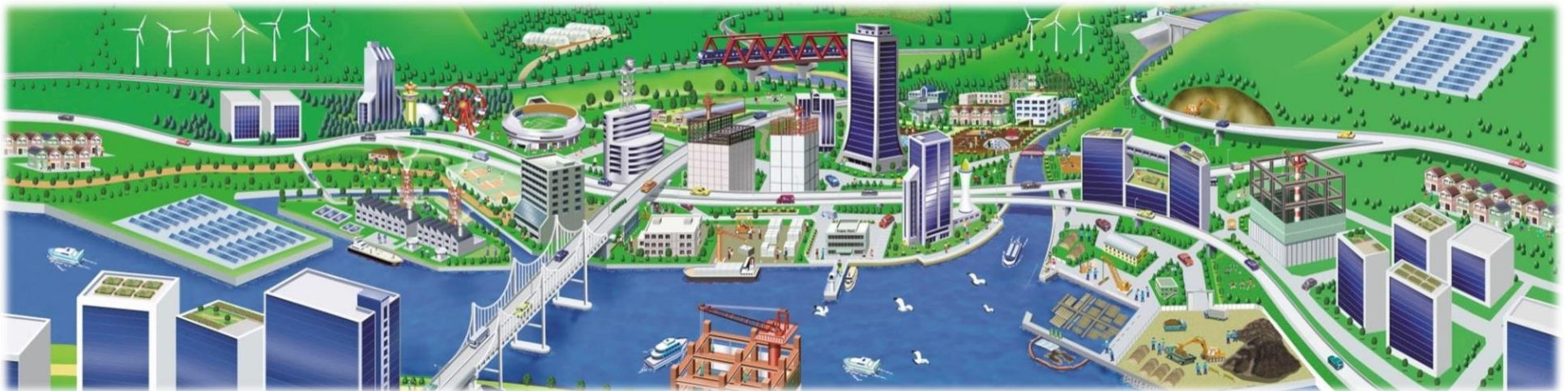
KONDOTEC INC.

Financial Results

Q1 FY2021

August 6, 2020

Securities Code : 7438



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1. Summary of Q1 FY2021 Financial Results and Full-year Forecasts

Summary of Q1 FY2021 Consolidated Financial Results



- Net sales decreased due to the sales contribution from TOKAI STEP was unable to offset the drop in sales caused by the impact of the COVID-19 infection.
- Operating income decreased. Although we worked to cut SG&A expenses and improve efficiency, were unable to offset the impact of the sales decline.

Net sales

14,112 million yen

YoY Δ **1.4%**

**Operating
income**

660 million yen

YoY Δ **24.5%**

**Ordinary
income**

678 million yen

YoY Δ **24.7%**

**Profit
attributable to
owner of parent**

424 million yen

YoY Δ **29.0%**

FY2021 Full-year Forecasts

- FY2021 forecasts are made based on projections and information available at the time of release.

(million yen)

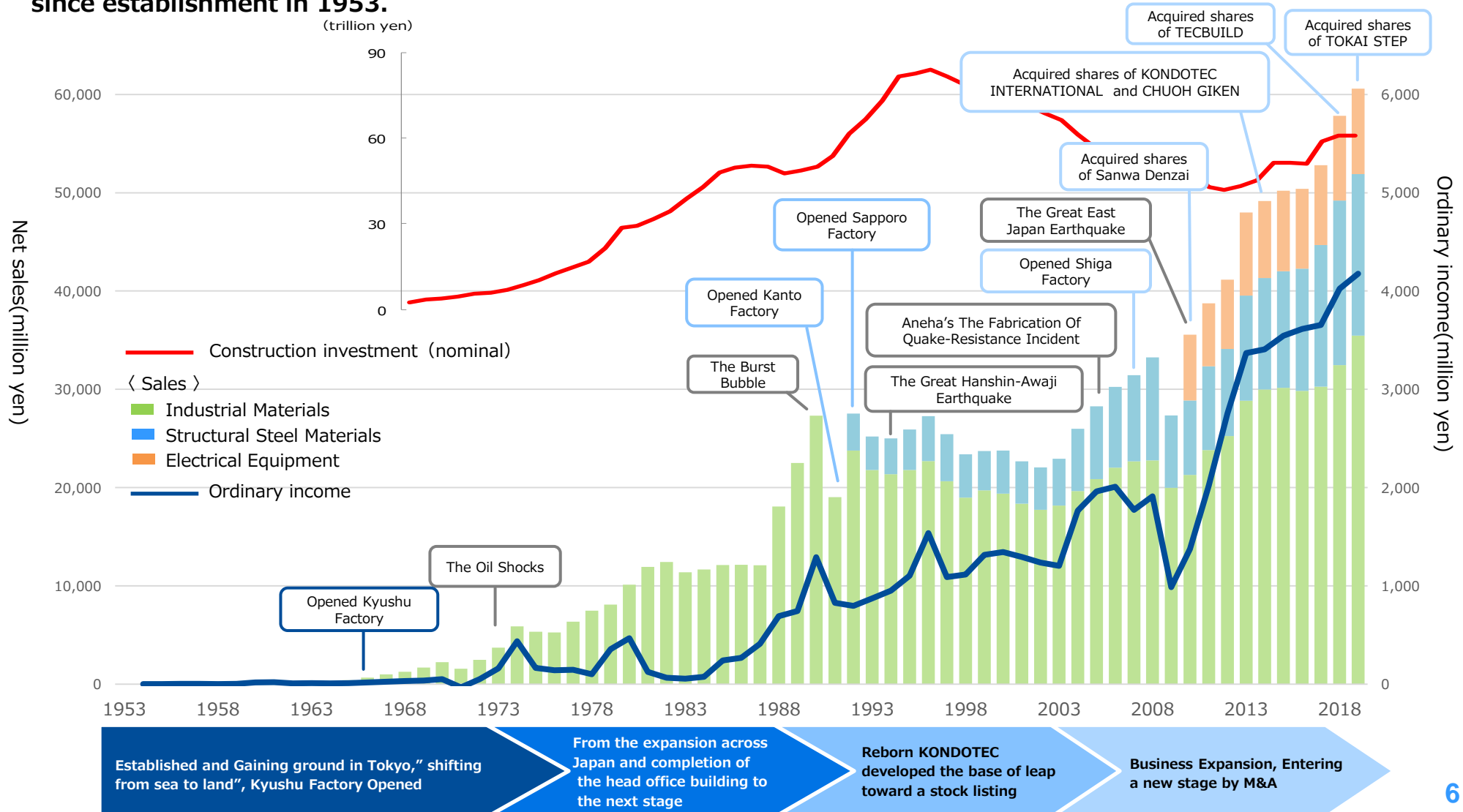
	Actual FY2020	Forecast FY2021	YoY	
			amount	%
Net sales	60,599	62,000	+ 1,400	+ 2.3%
Gross profit	13,564	14,300	+ 735	+ 5.4%
SG&A expenses	9,479	10,600	+ 1,120	+ 11.8%
Operating income	4,085	3,700	△ 385	△ 9.4%
Ordinary income	4,177	3,800	△ 377	△ 9.0%
Profit attributable to owner of parent	2,875	2,500	△ 375	△ 13.1%

2. Company Overview

Performance Trends



We achieved our **9th consecutive year** of record sales and profit as a result of efforts to supply products and merchandise to various industries in response to changes of the times and customer needs since establishment in 1953.



Company Overview

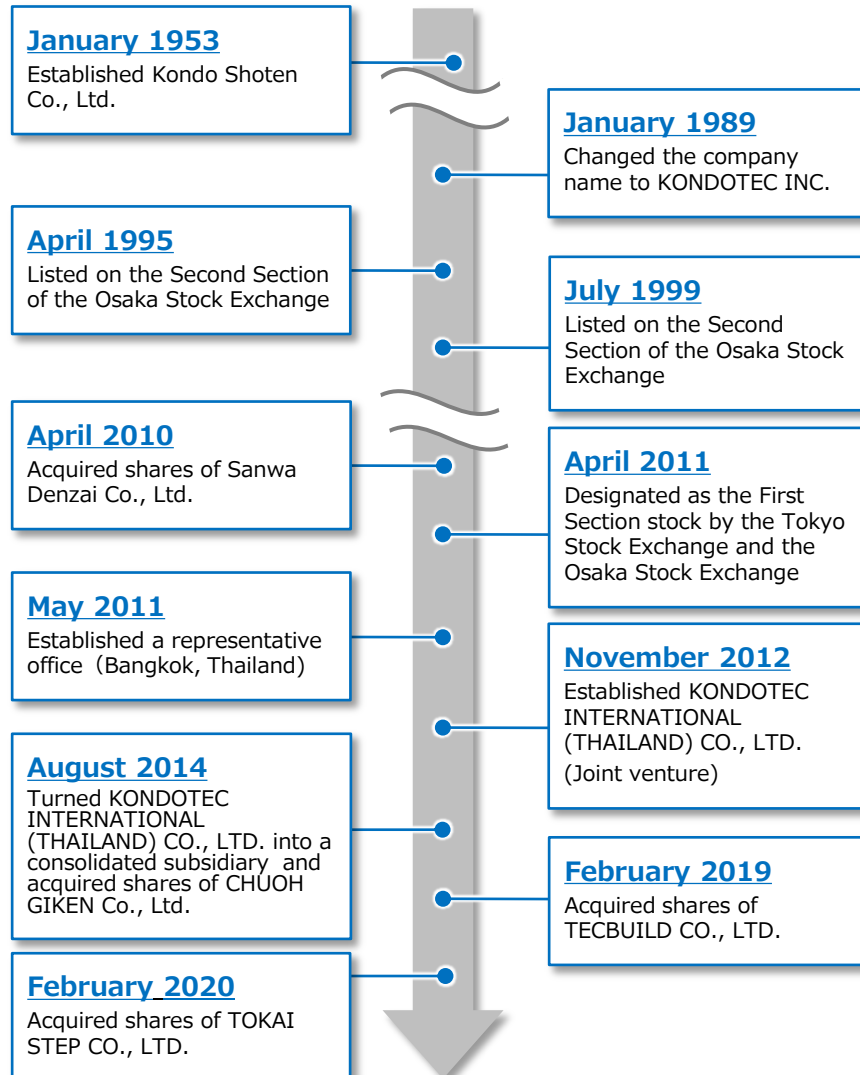


Company name	KONDOTEC INC.
Group companies	Sanwa Denzai Co., Ltd. KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD.
Established	January 1953
President and Representative Director	Katsuhiko Kondo
Head office	2-2-90 Sakaigawa, Nishi-ku, Osaka 550-0024 Japan
	Tokyo Headquarters : 1-9-3 Minami Suna, Koto-ku, Tokyo
Number of employees	Parent:696 Consolidated:1,035 (As of March 31, 2020)
Capital stock	2,666 million yen
Listed stock market	Tokyo Stock Exchange (First Section) (Securities Code :7438)
Business areas	<ul style="list-style-type: none">■ Manufacturing, procurement, sale and rental of industrial materials primarily in the retail hardware business.■ Manufacturing, procurement and sale of structural steel materials mainly for steel fabricators.■ Procurement and sales of electrical equipment for electrical work operators and electrical appliance stores.
Major items handled	<ul style="list-style-type: none">■ Products Turn buckles, braces, scaffolding chains, screws, anchor bolts, construction materials, machinery and equipment etc.■ Merchandise Hardware, chains, wire ropes, screws, construction materials, lighting equipment, panel board, air-conditioning equipment, eco items etc.

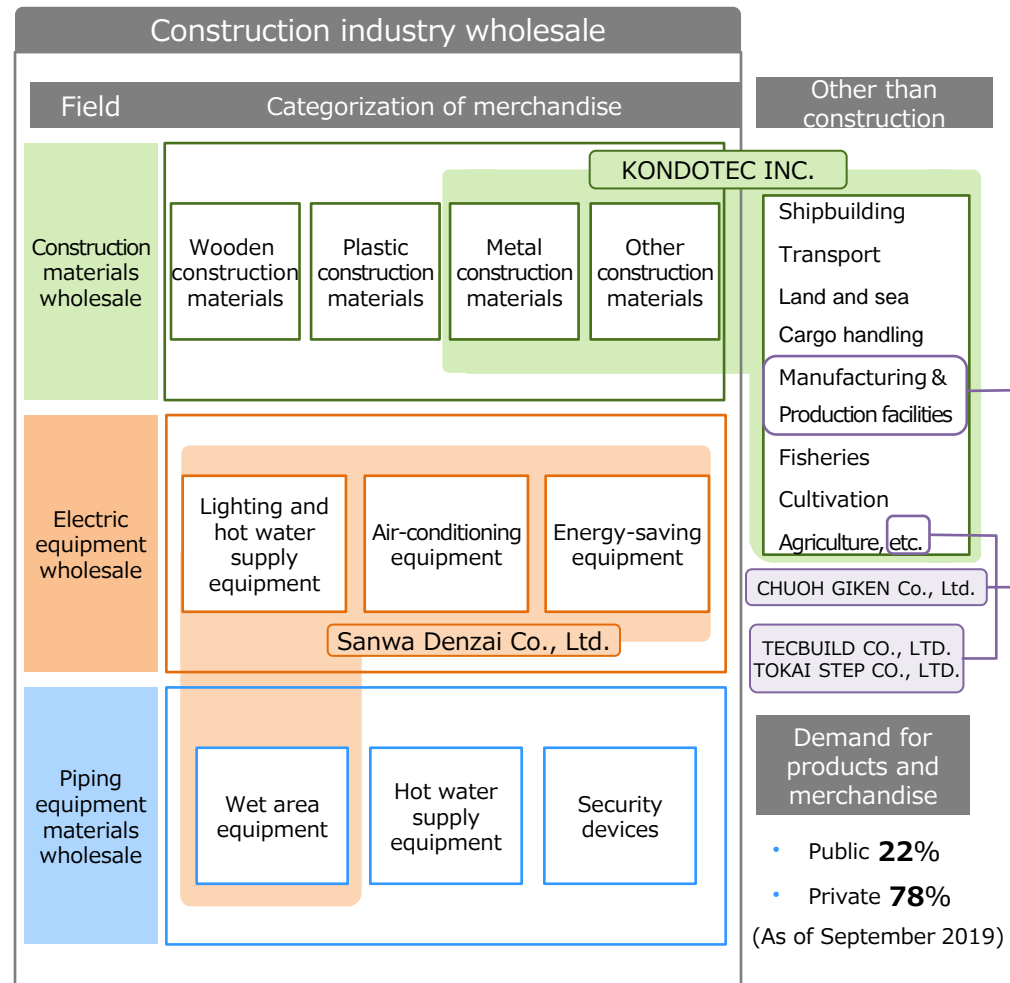
Company History and Business Areas



Company history



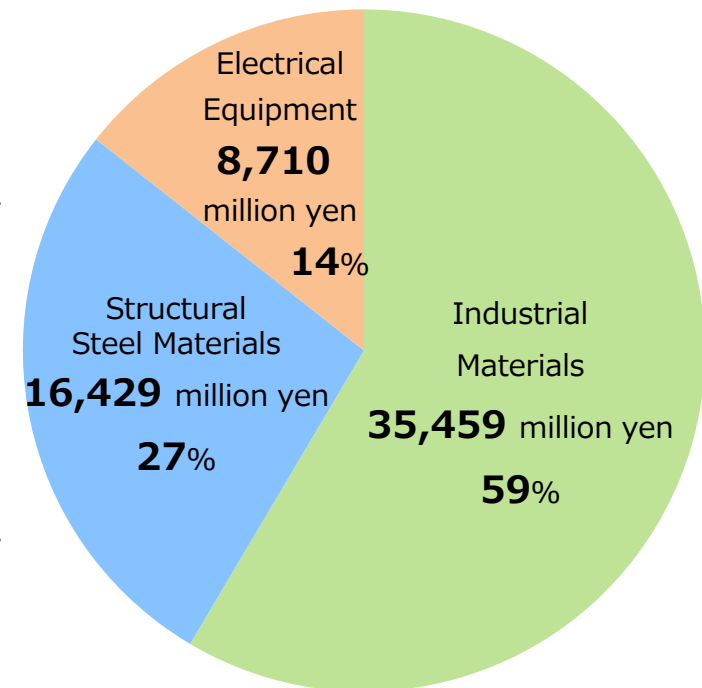
Business areas



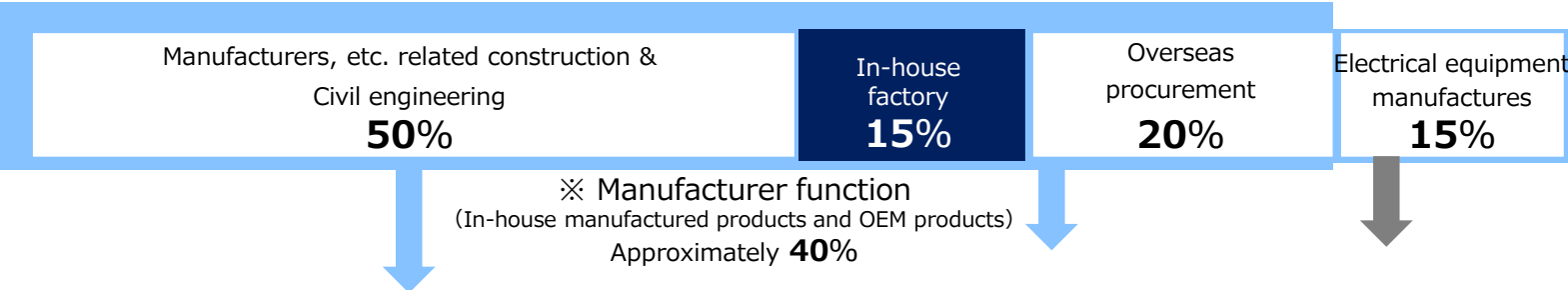
Net Sales by Segment

Segment	Main customers	Main products & merchandise
Industrial Materials	<ul style="list-style-type: none"> Hardware stores Wholesalers Home improvement center 	<ul style="list-style-type: none"> Turn buckles Shackles Scaffolding chains Hooks and clips Screws Container bags Tarpaulins Machinery and equipment
Structural Steel Materials	<ul style="list-style-type: none"> Steel fabricators 	<ul style="list-style-type: none"> Turnbuckle braces Anchor bolts High strength bolts Self-supporting Kon-pieces Kon-deck bars Ceramic tabs
Electrical Equipment	<ul style="list-style-type: none"> Electrical work operators Electrical appliance stores 	<ul style="list-style-type: none"> Air-conditioning equipment (Air-conditioners, ventilation fans and duct fans) Lighting equipment (LED lightings, lighting fixtures for housing) Environmentally friendly items (solar power generation, energy-efficient hot water tanks [EcoCute]) Electrical wires, panel boards, control panels, various sensors

Net sales by segment (FY2020)



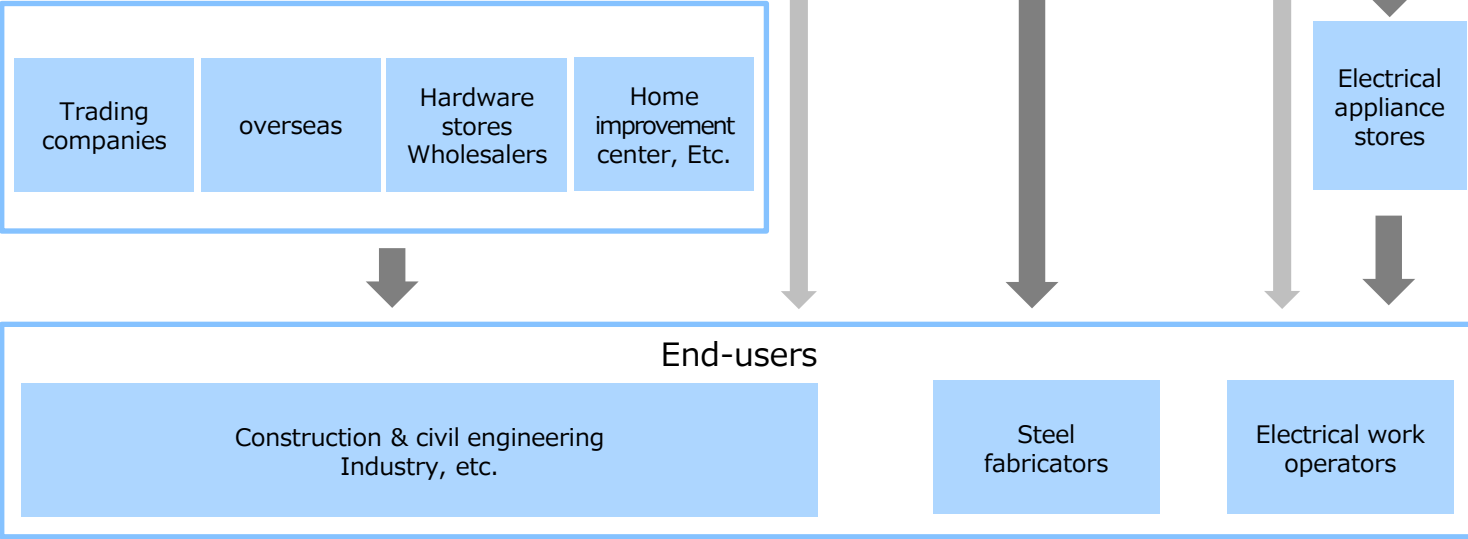
Suppliers



Sales contribution ratio by business segments (FY2020)

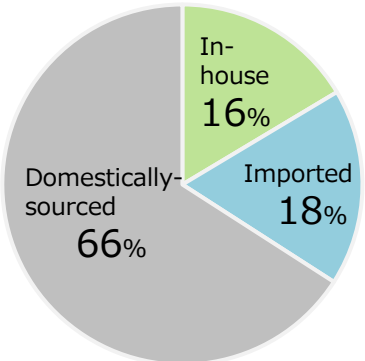
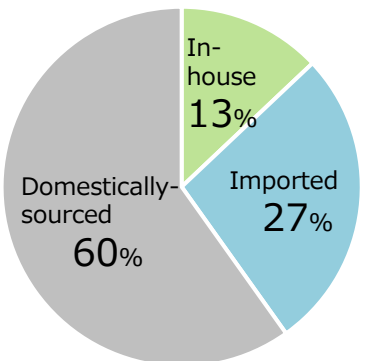
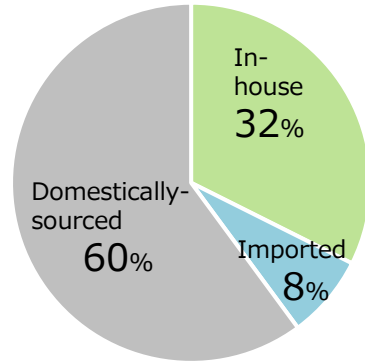
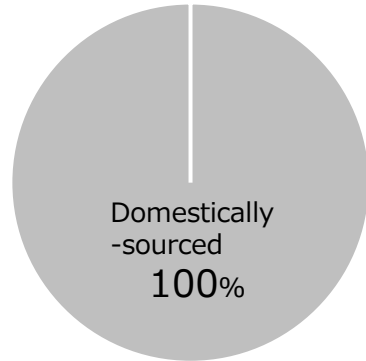


Customers



Segment Overview

(As of end March 2020)

Net sales		Consolidated	Industrial Materials	Structural Steel Materials	Electrical Equipment
		60,599 million yen	35,459 million yen	16,429 million yen	8,710 million yen
					
Note: KONDOTEC and Sanwa Denzai are included in the pie charts.					
Number of operating sites		94	64	17	13
Number of items		Approx. 50,000	Approx. 40,000		Approx. 10,000
Number of customers		Approx. 25,000	Approx. 15,000	Approx. 5,000	Approx. 5,000
New customers	Number of customers	2,428	1,523	667	238
	Net sale (million yen)	2,581	1,104	934	542

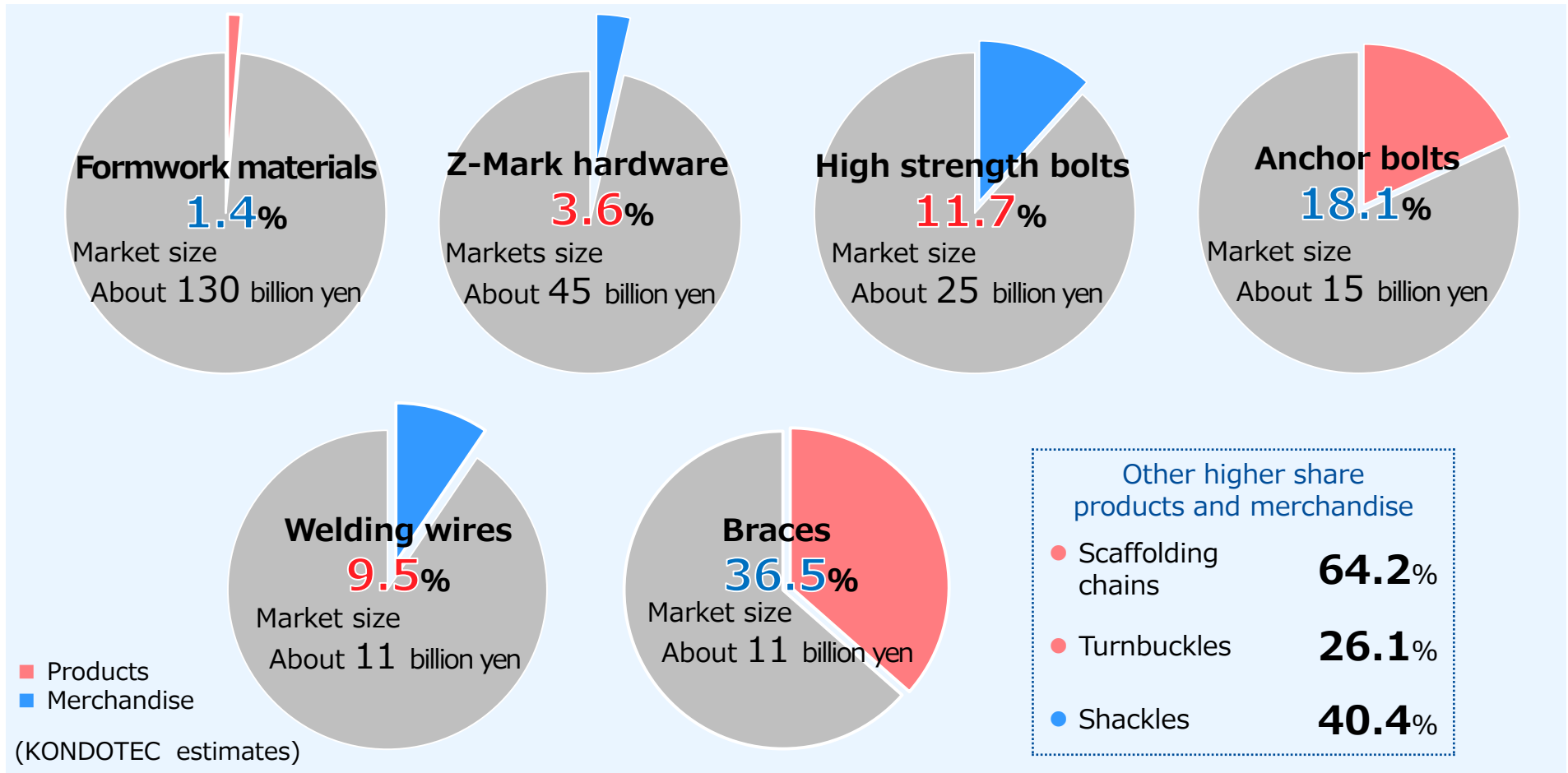
Note: Number of customers and new customers include KONDOTEC and Sanwa Denzai.

Note: New customers show sum of this year and previous year's results.

Market Size for Main Products and Merchandise

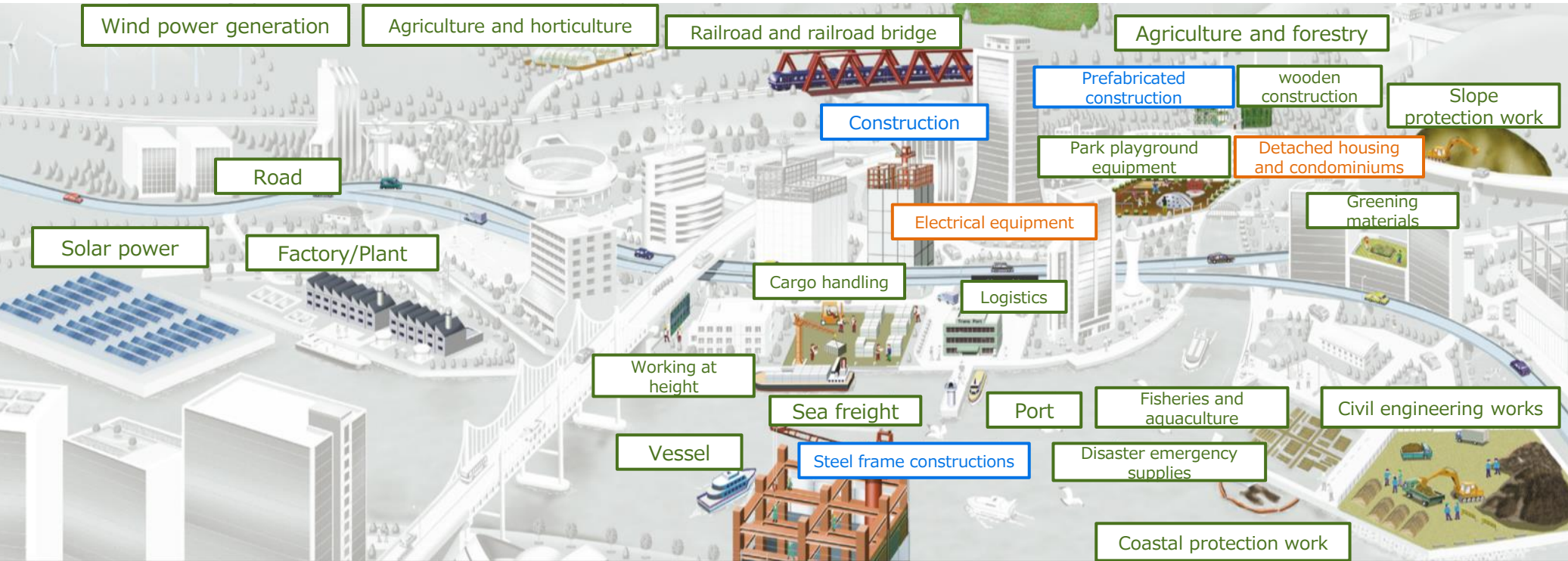
Market size for main products, merchandise and corresponding market shares (As of end March 2019)

- We offer an extensive range of products including higher market shares products and merchandise (such as wire ropes, nets, sheets and screws) and products and merchandise with potential for growth other than the following.



3. Main Products and Merchandise

We supply roughly 50,000 products and merchandise to various industries in response to changes of the times and customer needs.



Construction

The construction field is one of the biggest sales field. Materials for Steel-frame structures such as turnbuckle braces and round separators for reinforced concrete buildings are main products manufactured in-house. We obtained Z-mark certification and X-mark certification in wooden construction field. We offer various temporary scaffolding materials used in a wide range of constructions.

- Lifting equipment
- Turnbuckle braces
- Steel frame materials
- Foundation materials
- Formwork materials
- Architectural hardware

Railroads

When railroad construction has specific requirements that differ from other constructions, we offer specific products to Japan Railways Group and other railway companies.

- Screws
- Lifting equipment
- Materials for river improvement and slope protection

Civil engineering

There are various fields with growth prospects in civil engineering including infrastructure-related projects (such as road construction and port engineering), slope protection and river engineering. Demand for materials for urgent post-disaster reconstruction is growing along with the increasing frequency of natural disasters in recent years. We keep inventory at all of our operating sites to facilitate quick delivery in the event of a disaster.

- Street materials and greening materials
- Materials for river improvement and slope protection
- Lifting equipment
- Worksite equipment
- Nets and sheets
- Port materials

Turnbuckle Braces

- Turnbuckle braces are connected cornerwise to prevent the collapse of buildings exposed to lateral pressure.
- Turnbuckle braces are used as seismic bracing products in prefabricated steel-frame houses and steel constructions such as shopping centers, factories and warehouses. They can also be seen in everyday locations, including on ceilings of railway station platforms.

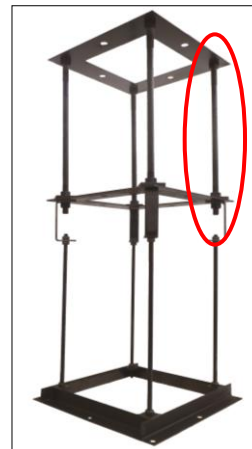


Anchor Bolts

- Anchor bolts are important materials used to connect a building structure to a concrete foundation. Their main purpose is to prevent the building connected to the concrete foundation from tilting and falling over.



After
constructions
work



Anchor bolts



Anchor frame (Kon-base Eco)

Container Bags

- Container bags are used in a wide range of settings such as 1) transportation and storage of feedstuff, fertilizer, plastic pellets, and industrial waste; 2) rubble disposal and decontamination work; and 3) post-disaster reconstruction work (used as large sandbags).



Strengthened Business and Products for Last Year

Scaffolding Installation

- TOKAI STEP and TECBULID handle assembly and disassembly of Scaffolding is used for construction and repairs such as warehouses, detached homes and condominiums.

Overpass repair



Condominium construction



4. Q1 FY2021 Financial Results and Analysis

Q1 FY2021 Consolidated Financial Results



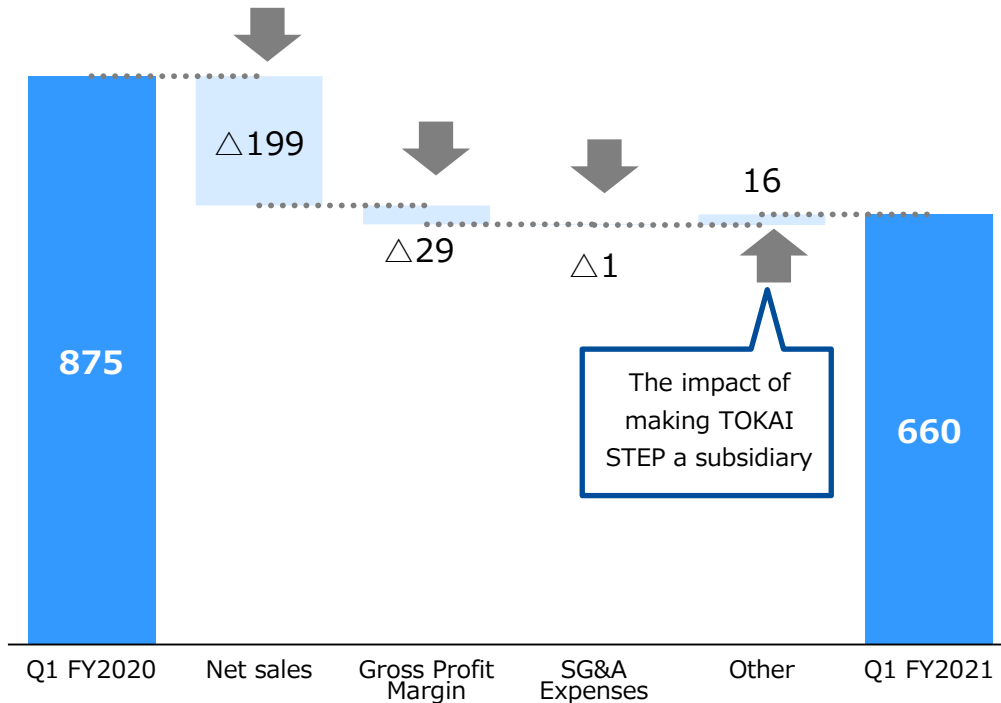
(million yen)

	Q1 FY2020	Q1 FY2021	YoY	
			Amount	%
Net sales	14,313	14,112	△ 200	△ 1.4%
Gross profit	3,216	3,218	+1	+0.0%
SG&A expenses	2,341	2,557	+216	+9.2%
Operating income	875	660	△ 214	△ 24.5%
Ordinary income	901	678	△ 223	△ 24.7%
Profit attributable to owner of parent	597	424	△ 173	△ 29.0%

Operating Income Analysis (consolidated)

Operating income analysis

(million yen)

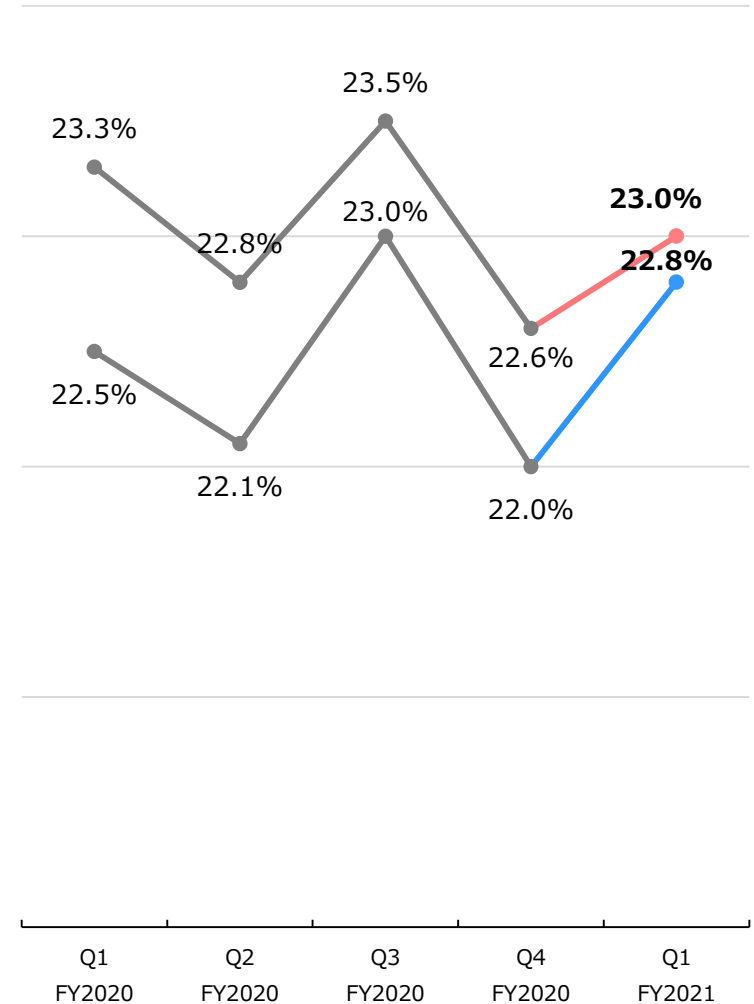


Note: The following figures do not include TOKAI STEP.

Gross Profit Margin	22.5%→22.3%
SG&A expenses	Retirement benefit expenses +14 million yen Commission expenses +7 million yen Travel and transportation expenses △9 million yen Vehicle expenses △9 million yen

Quarterly GPM

Consolidated Parent



Q1 FY2021 Consolidated Financial Results

Progress for FY2021 Forecast



Progress for FY2021 forecast (million yen)

■ Q1 FY2021 ■ Full-year forecast

Net sales



Gross profit



Operating income



Ordinary income

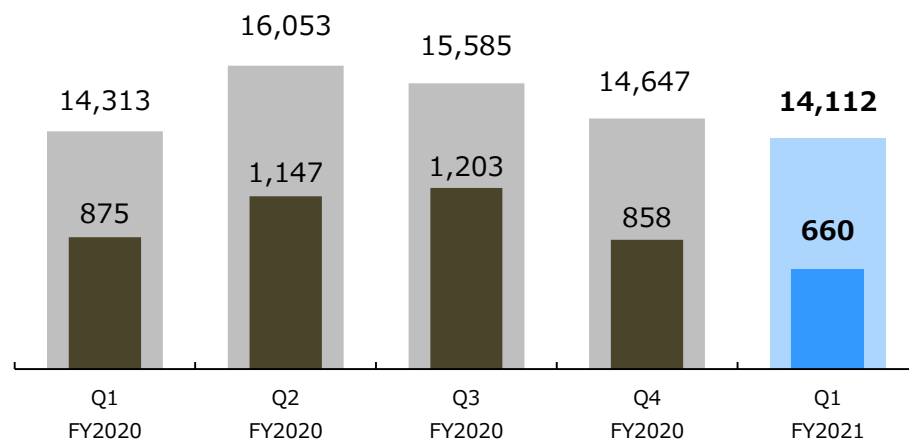


Profit attributable to owner of parent

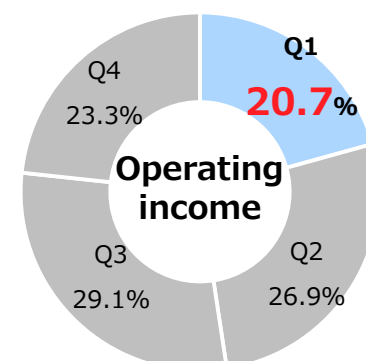
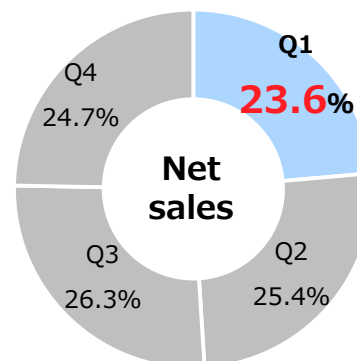


Net sales and Operating income (million yen)

■ Net sales ■ Operating income



Percentage of net sales and operating income by quarter (5-year average)



Consolidated Balance Sheet [Assets]

(million yen)

FY2020		Q1 FY2021	Change	
Current assets	Cash and deposits	8,305	8,187	△118
	Notes and receivable –trade	13,207	12,109	△ 1,098
	Electronically recorded monetary claims operating	1,695	1,692	△ 3
	Inventories	5,026	5,486	+ 460
	Other	672	869	+ 196
Total current assets		28,908	28,344	△ 563
Non-current assets	Property, plant and equipment	11,312	11,298	△ 13
	Intangible assets	5,085	5,026	△ 59
	Investments and other assets	1,030	809	△ 220
	Total non-current-assets	17,427	17,134	△ 292
Total assets		46,335	45,479	△ 856

Consolidated Balance Sheet [Liabilities and Net Assets]

(million yen)

		FY2020	Q1 FY2021	Change
Current liabilities	Notes and accounts payable – trade	3,333	3,508	+ 174
	Electronically recorded obligations – operations	8,400	7,132	△ 1,267
	Breakdown Electronically recorded obligations–operations	10,006	8,917	△ 1,089
	Repayment before maturity	△ 1,606	△ 1,784	△ 178
	Short-term loans payable	610	2,110	+ 1,500
	Income taxes payable	678	98	△ 579
	Other	2,935	2,563	371
Total current liabilities		15,958	15,414	△ 544
Non-current liabilities		1,989	1,861	△ 128
Total liabilities		17,948	17,275	△ 672
Net assets	Shareholder's equity	29,819	29,635	△ 184
	Accumulated other comprehensive income	△ 1,463	△ 1,460	+ 3
	Subscription rights to shares	31	28	△ 2
	Total net assets	28,387	28,203	△ 183
Total liabilities and net assets		46,335	45,479	△ 856

5. Q1 FY2021 Financial Results by Segment and Analysis

Q1 FY2021 Financial Results by Segment



(million yen)

		Q1 FY2020	Q1 FY2021	Change (%)	Full-year forecast	Progress
Net sales	Industrial Materials	8,371	8,758	+ 4.6%	38,900	22.5%
	Structural Steel Materials	3,835	3,467	△ 9.6%	14,800	23.4%
	Electrical Equipment	2,107	1,886	△ 10.5%	8,300	22.7%
	Adjustments	-	-	-	-	-
	Total	14,313	14,112	△ 1.4%	62,000	22.8%
Segment profit or loss	Industrial Material	421	393	△ 6.8%	2,068	19.0%
	Structural Steel Materials	399	240	△ 39.8%	1,453	16.5%
	Electrical Equipment	52	26	△ 48.5%	209	12.9%
	Adjustments	2	0	-	△ 30	-
	Total	875	660	△ 24.5%	3,700	17.9%

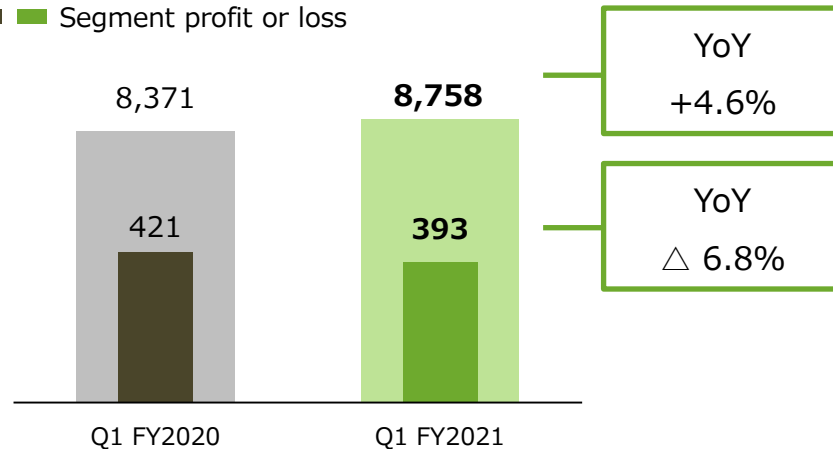
Note: Segment profit or loss has been adjusted with Operating income on the quarterly consolidated financial statements.

Net sales and segment profit or loss

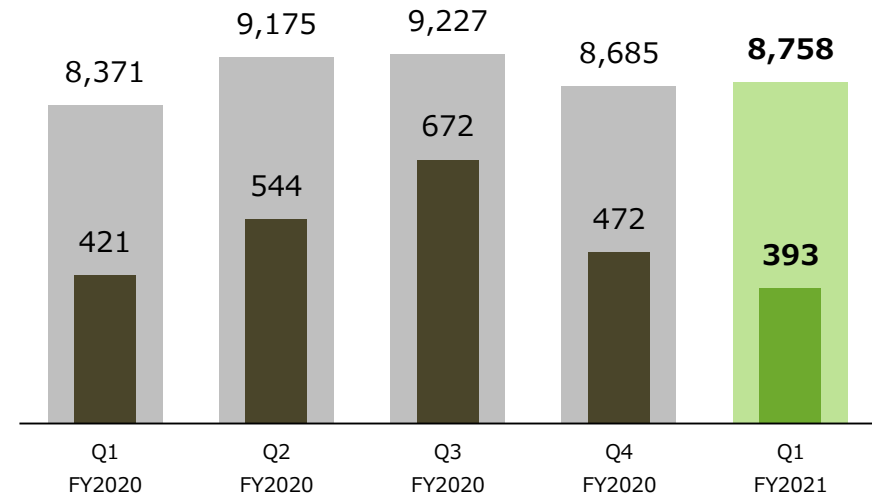
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales increased by about 390 million yen YoY.

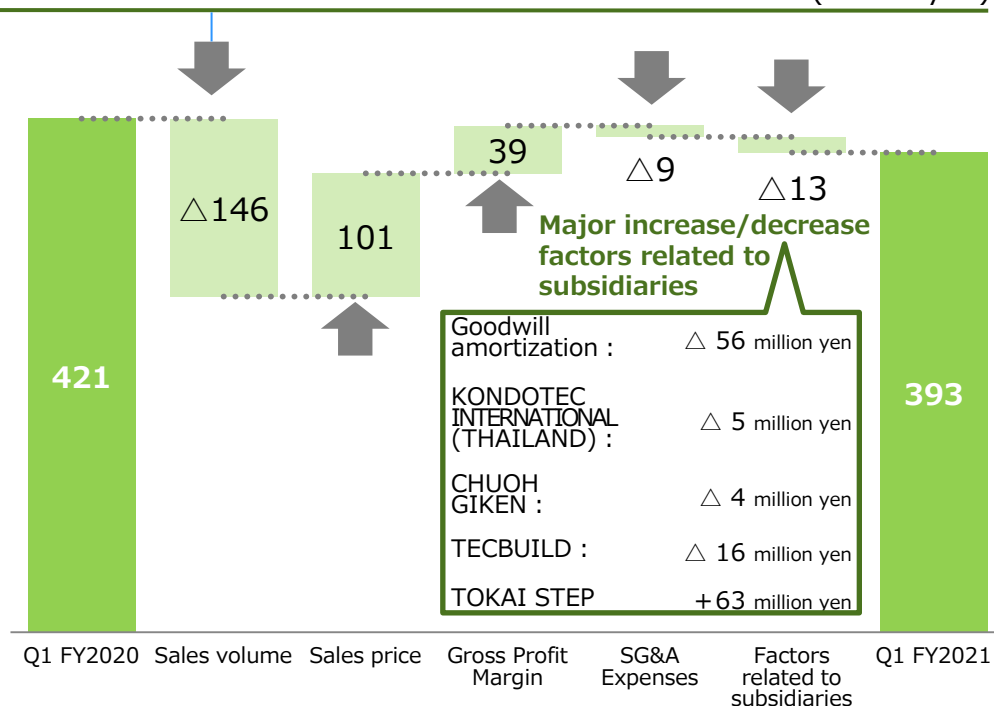
Although sales of hardware for wooden homes and braces were down due to the impact of the COVID-19 infection, the segment achieved an increase in net sales thanks mainly to a contribution from TOKAI STEP, which became a subsidiary in February 2020.

Increased/decreased amount in net sales (million yen)

Products (approximate)	Δ 70	Braces	/ Δ 36	Orders decreased due to projects that have been cancelled, postponed, and reassessed.
Merchandise (approximate)	Δ 230	hardware for wooden homes	/ Δ 46	Demand for detached homes and condominiums decreased due to the impact of the COVID-19 infection and reactionary drop following the consumption tax hike.
TOKAI STEP	+ 688	Sales increased on the contribution from new subsidiary Tokai step		

Segment profit or loss analysis

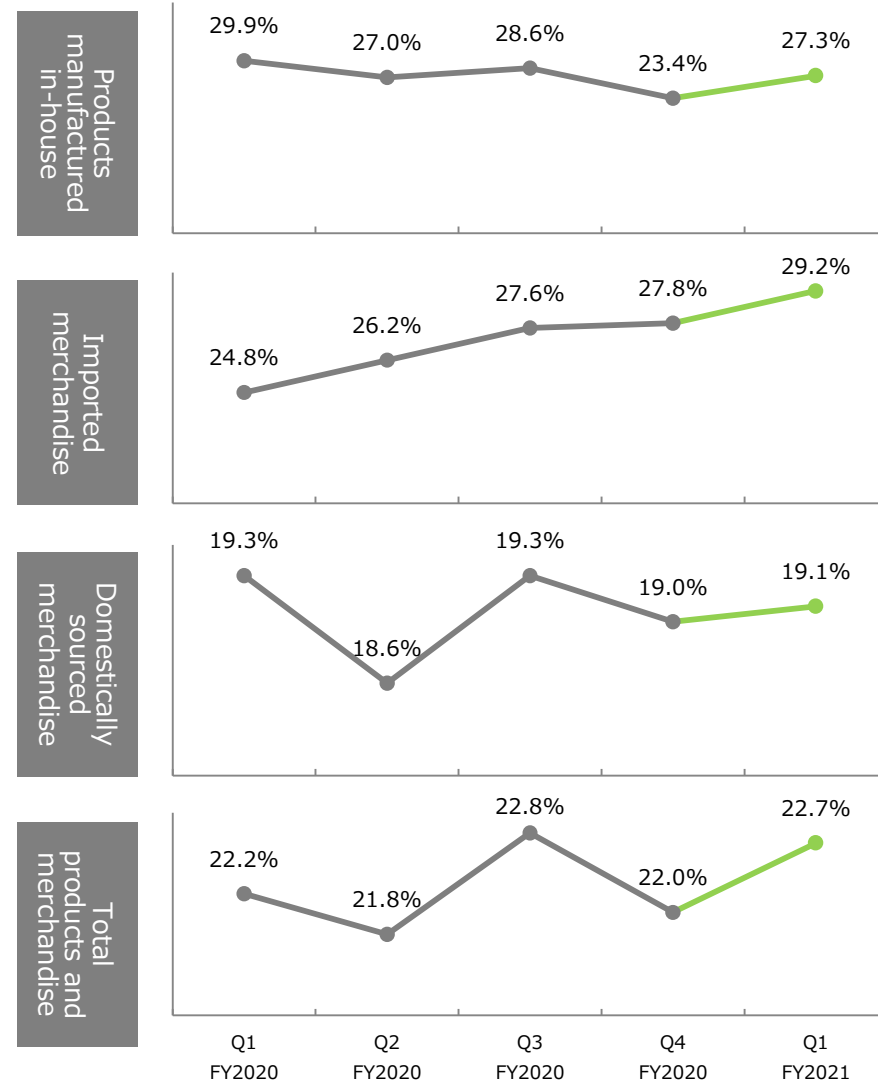
(million yen)



Note: The following figures do not include subsidiaries.

Sales volume	Products Δ4 million yen Merchandise Δ141 million yen
Sales price	Products Δ14 million yen Merchandise +115 million yen
Gross Profit Margin	Products 29.9% → 27.3% Merchandise 21.0% → 22.0% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Freight and packing costs +3 million yen Repair expenses +2 million yen Travel and transportation expenses Δ2 million yen

Quarterly GPM

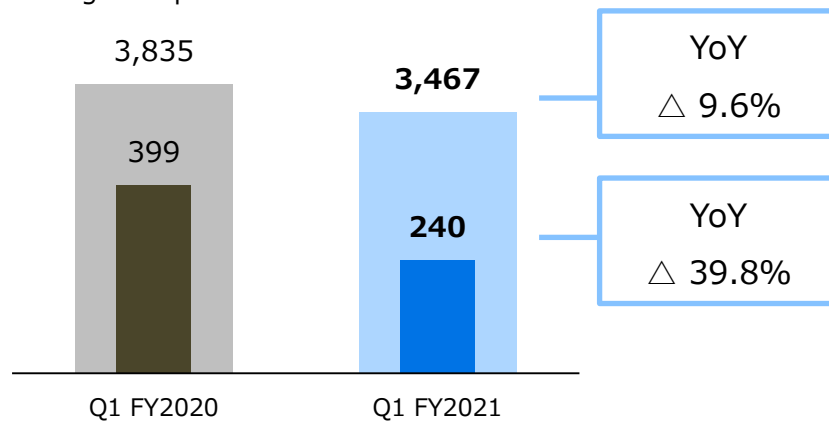


Net sales and segment profit or loss

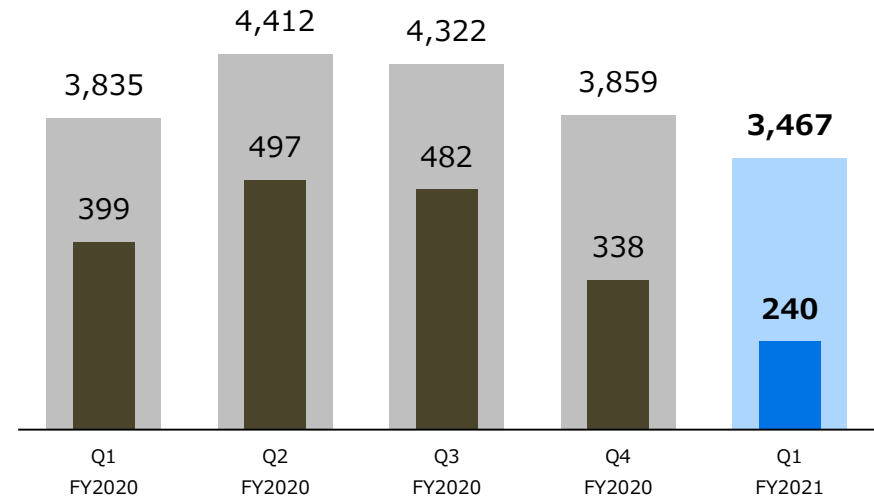
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales decreased by about 370 million yen YoY.

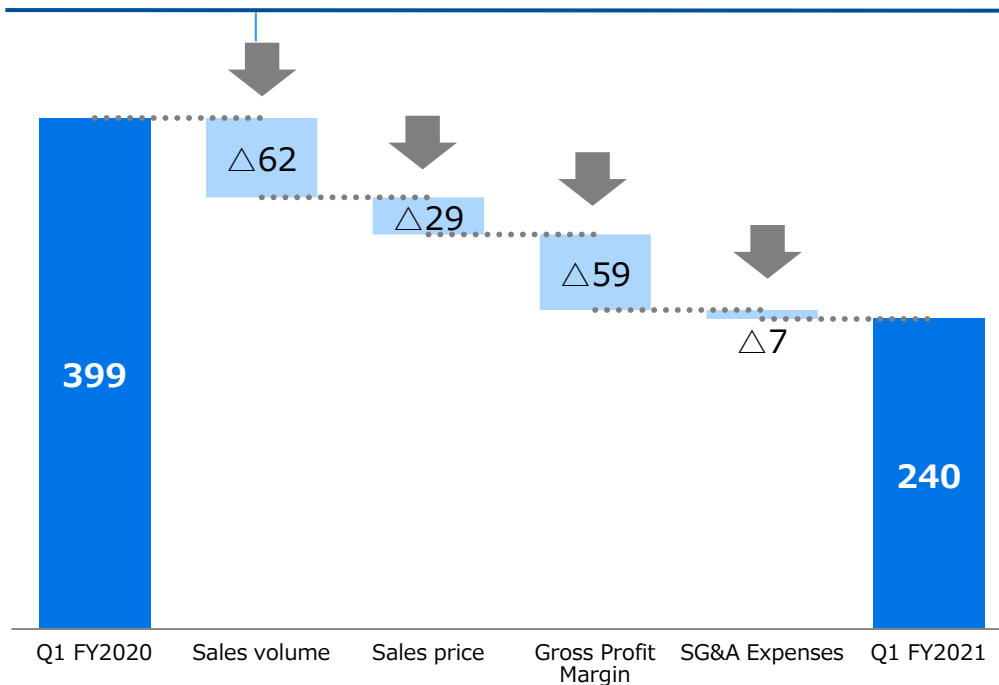
Net sales of steel frame materials, anchor bolts and high strength bolts were severely affected by the COVID-19 infection.

Increased/decreased amount in net sales (million yen)

Products (approximate)	$\triangle 90$	Braces	/ $\triangle 30$	Orders decreased due to projects that have been cancelled, postponed, and reassessed.
Merchandise (approximate)	$\triangle 280$	Steel frame materials	/ $\triangle 86$	The number of properties decreased due to construction delays.

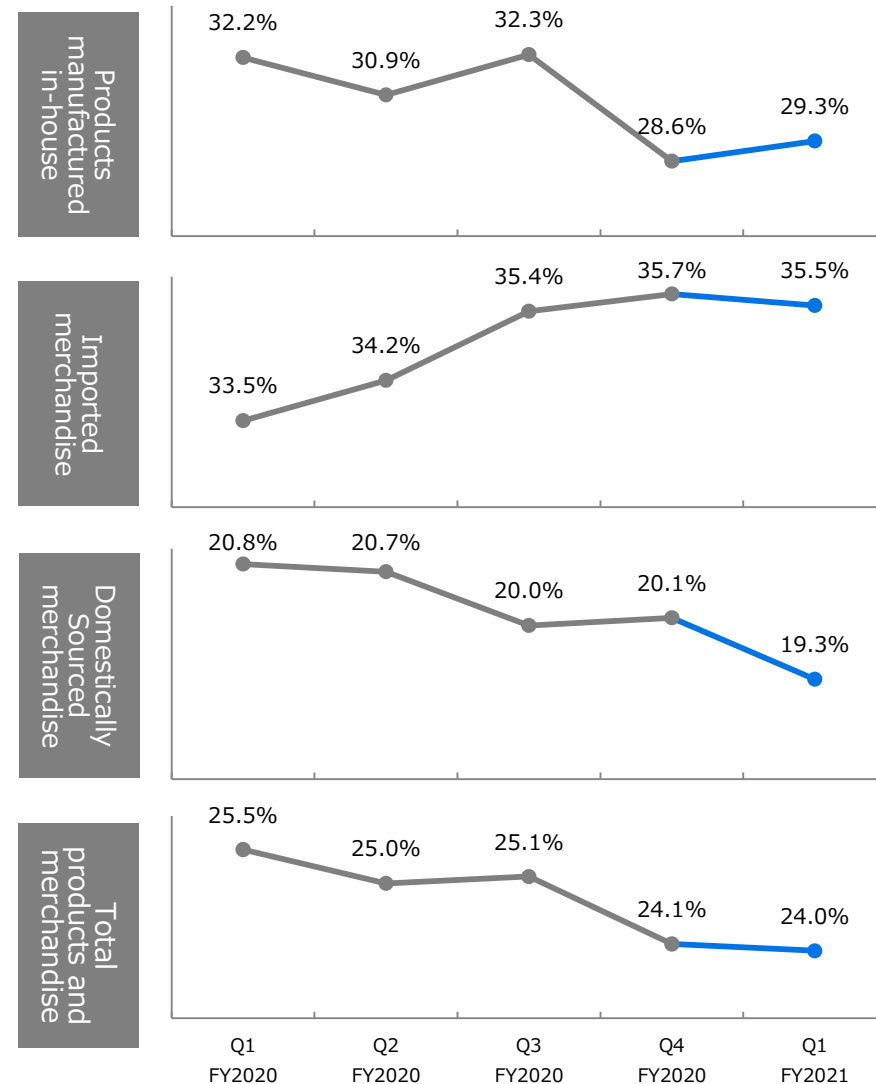
Segment profit or loss analysis

(million yen)



Sales volume	Products $\Delta 9$ million yen Merchandise $\Delta 52$ million yen
Sales price	Products $\Delta 20$ million yen Merchandise $\Delta 9$ million yen
Gross Profit Margin	Products 32.2% \rightarrow 29.3% Merchandise 22.4% \rightarrow 21.2% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Salaries +4 million yen Bonuses +3 million yen Freight and packing costs $\Delta 5$ million yen

Quarterly GPM

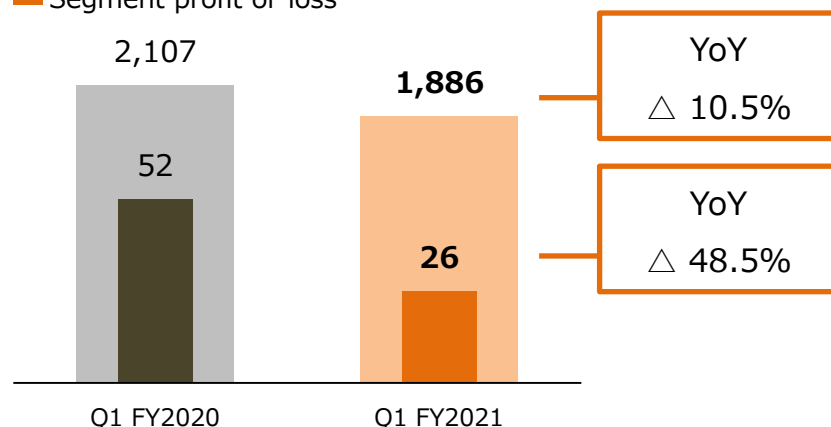


Net sales and segment profit or loss

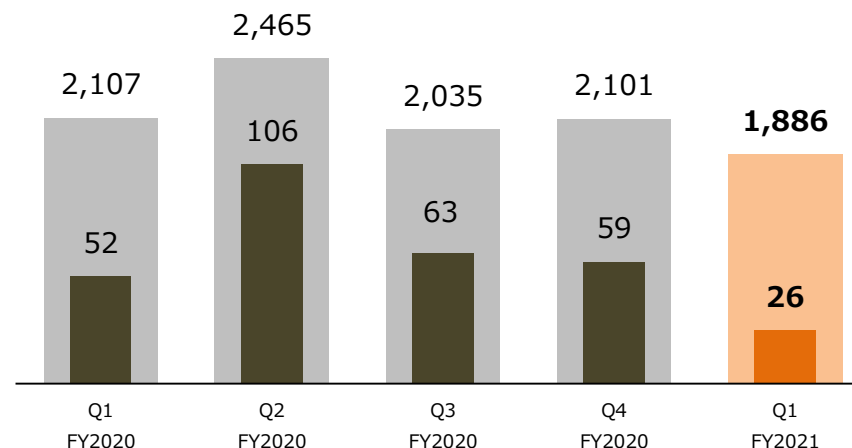
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales decreased by about 220 million yen YoY.

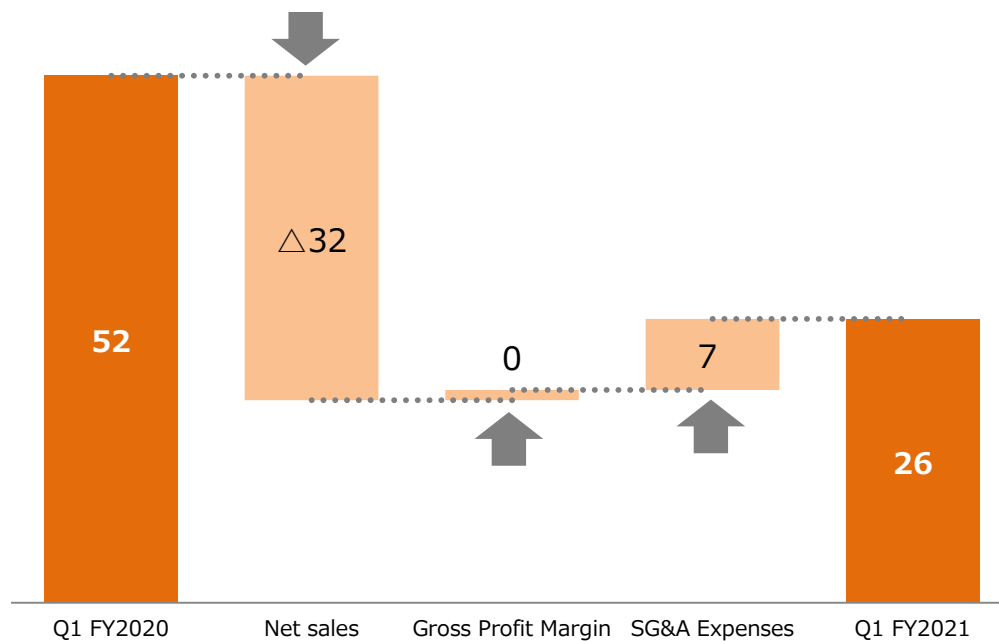
Net sales decreased due to a drop in demand for air conditioners at commercial facilities, factories, and primary and junior high schools and the impact of the COVID-19 infection.

Increased/decreased amount in net sales (million yen)

Lighting fixtures	△ 66	Sales decreased due to a drop in the number of projects after the consumption tax hike and drop in the number of orders related to detached housing and condominiums.
Electrical wires	△ 60	Sales decreased due to the impact of the COVID-19 infection.

Segment profit or loss analysis

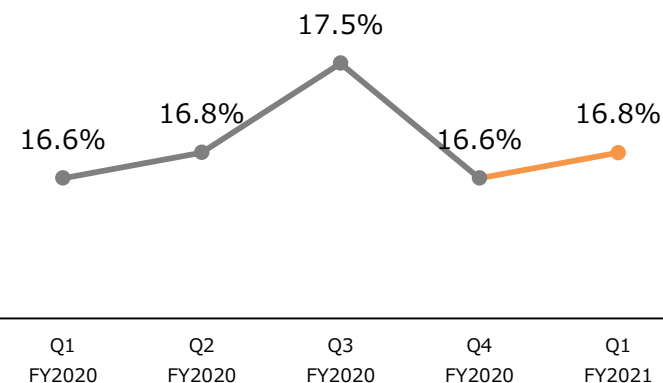
(million yen)



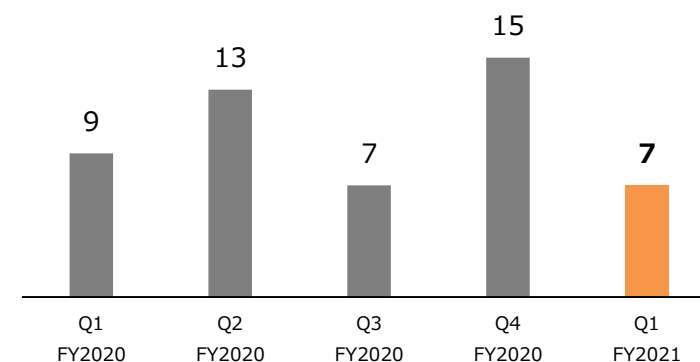
Gross Profit Margin	16.6% → 16.8%
SG&A Expenses	Retirement benefit expenses △5 million yen Vehicle expenses △2 million yen

Quarterly GPM and number of projects

Gross Profit Margin














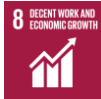









Number of project※



※Orders worth over 5 million yen from electrical work operators.

6. Response to ESG Issues

- In engaging in corporate activities, we recognize that management promoting response to ESG(environment, social and governance) issues will lead to sustainable growth.

		Materiality	Relevant SDGs			
Environment	● Provision of optimal products and merchandise for environment measures	Expansion of the handling of environment-related products and merchandise				
	● Business activities paying attention to the environment	Initiatives for environmental protection and energy-saving				
		Management of emissions (material balance)				
Social	● Product liability and quality assurance	Quality control of products and merchandise Stance for security and safety				
	● Procurement and provision of high-value-added products, merchandise and services	Provision of better products, merchandise for customers				
	● Communication with shareholders and investors	Engagement with shareholders				
	● Appropriate information disclosure and security	Stance for information disclosure Information security measures				
	● Co-existence with local communities	Operating site opening plan Response to disasters and contributions to them				
	● Safety measures and work-style reform	Risk control for disasters and others For employees' health, safety and hygiene				
	● Human resource development and diversity	•Policy on human resource development •Diversity •Employee benefits				
Governance	● Strengthening of corporate governance	Corporate governance				
	● Thorough compliance	Compliance Basic Policy				

- We have established our ESG basic policy and link it to sustainable corporate growth by incorporating it in the management strategy.

Current Specific Initiatives		
	Cost Reduction and Risk Management	Enhancement of Corporate Value
Environment	<ul style="list-style-type: none"> ● Implementation of energy-saving measures(LED installations, Achieving 10% cut in power usage) ● Acquisition of ISO14001 <div> <div>September 2018</div> <div>Obtained for Shiga Factory</div> </div> <div> <div>March 2020</div> <div>Obtained for Kanto Factory</div> </div> 	<ul style="list-style-type: none"> ● Sale of environment-related merchandise ● Installation of solar power generation
Social	<ul style="list-style-type: none"> ● Acquisition of ISO9001 ● Compliance with ISO/JIS and other industry standards ● Introduction of the risk control manual ● Holding of Safety and Health Committee 	<ul style="list-style-type: none"> ● Sale of highly safe products and merchandise ● Introduction of internal training and “Lifting equipment advisor” system (as an internally certified qualification) ● Implementation of acquisition of treasury stocks ● Maternity leave/childcare leave/support for returning to work ● Recruitment of foreign students studying in Japan ● Employee shareholders association system ● Introduction of Employee stock ownership plan(ESOP)
Governance	<ul style="list-style-type: none"> ● Prevention of the manifestation of potential costs by the development governance system ● Formulation of a compliance manual 	<ul style="list-style-type: none"> ● Introduction of the performance-based stock option ● Evaluation of the effectiveness of the Board of Directors ● Establishment of a Nomination and Compensation Committee ● Transition to a Company with Audit & Supervisory Committee

Improve Productivity and Profitability

Sales Growth and Business Expansion

Sustainable Growth

Environment

Provision of optimal products and merchandise for environment measures

■ Green Sweeper

This is a biodegradable high-performance cleaner, water-soluble and phosphate-free, satisfying everything from cleaning power, environment to cost. It does not have a negative effect on metals, rubbers and plastics, either.



■ Hand soap Eco-pro

With the heightened movements especially in the U.S. and Europe to eliminate microbeads(plastic particles in facial cleaners, etc.), this is constituted of highly biodegradable and environment-friendly natural scrubs originating from wood.



■ Oil hunter

This is an eco-mark certified oil absorption mat using recycled materials. It is used for the disposing of oil at the time of marine pollution caused by oil spills and at factories which use oil.



Business activities paying attention to the environment

■ Initiatives for environmental protection and energy-saving

➤ ISO14001 certification for Kanto Factory

We obtained ISO14001 certification for Kanto Factory in March 2020(already obtained for Shiga Factory in September 2018. We are targeting certification for two other factories). We will continue to work on business activities with full consideration for environmental preservation.

<Certification>



<Annex on certification>



➤ LED installations

In 2015, we completed installing LED lighting in factories and are currently in the process of installing LED lighting in our operating sites. Having completed installation in operating sites we own, we will further proceed with LED installation in operating sites we lease. These LED installations are being carried out in cooperation with Sanwa Denzai Co., Ltd., our subsidiary and wholesaler of electric equipment.

Social

Human resource development and diversity

- We aim to create a working environment in which employees with diverse backgrounds fully demonstrate their respective abilities and are motivated to work.

■ Male-female ratio of new employees with main career track

Year of employment	Male	Female	Total	Nationality of international student (other than Japan)	Number of turnover (※)
April-2020	11 persons	7 persons	18 persons		0 person
April-2019	19 persons	4 persons	23 persons	Brazil	0 person
April-2018	12 persons	6 persons	18 persons	Korea	2 persons
April-2017	8 persons	10 persons	18 persons		3 persons
April-2016	9 persons	9 persons	18 persons		6 persons (employee who resigned due to marriage : 2 persons)

(※ As of end-March 2020)

■ List of qualified personnel

Qualification	Number of qualified personnel	Qualification	Number of qualified personnel
First and Second-class architect	3 persons	Crane operation skill	395 persons
First and Second-class civil engineering works execution managing engineer	4 persons	Sliding work skill	489 persons
First and Second-class building construction managing engineer	7 persons	Forklift operation skill	484 persons
Class B Group 4 hazardous materials engineer	61 persons	Certified public accountant	2 persons

(As of end-March 2020)

■ Benefit program

➤ Number of employees taking childcare leave

	Those who took childcare leave during the period	Those who newly took childcare leave during the period	Those who returned to work during the period
2019.4.1~2020.3.31	3 persons	4 persons	4 persons
2018.4.1~2019.3.31	5 persons	2 persons	3 persons
2017.4.1~2018.3.31	5 persons	2 persons	1 person

(As of end-March 2020)

➤ Incentive program for employees and directors

- Performance-based bonus system for employees
- Employee stock ownership plan
- Board Benefit Trust (performance-based stock incentive system)

TOPIC Introduction of athlete employees aspiring to participate in the Tokyo Olympic Games

We have been supporting its employees in competitive sports.



Athlete employee

Name Competitive category

(Left) Kiho Kuze Javelin

(Right) Mika Yamamoto Discus

Governance

Corporate governance

- KONDOTEC recognize that strengthening and enhancing corporate governance through increasing soundness, transparency and efficiency of management and maximizing corporate value is one of the most important management objectives.

Determination of compensation for executive members

A performance-based stock compensation plan, “Board Benefit Trust (BBT)”, was introduced for the purpose of increasing incentives for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers of the Company to contribute to the improvement of medium to long term earning and corporate value.

Transition to a Company with an Audit & Supervisory Committee

We work to enhance corporate governance and corporate value by increasing soundness and transparency of management. Furthermore, we grant voting rights for the Board of Directors to Directors who are Audit & Supervisory Committee with the aim of strengthening supervisory functions.

Formulation and announcement of management strategy and management plan

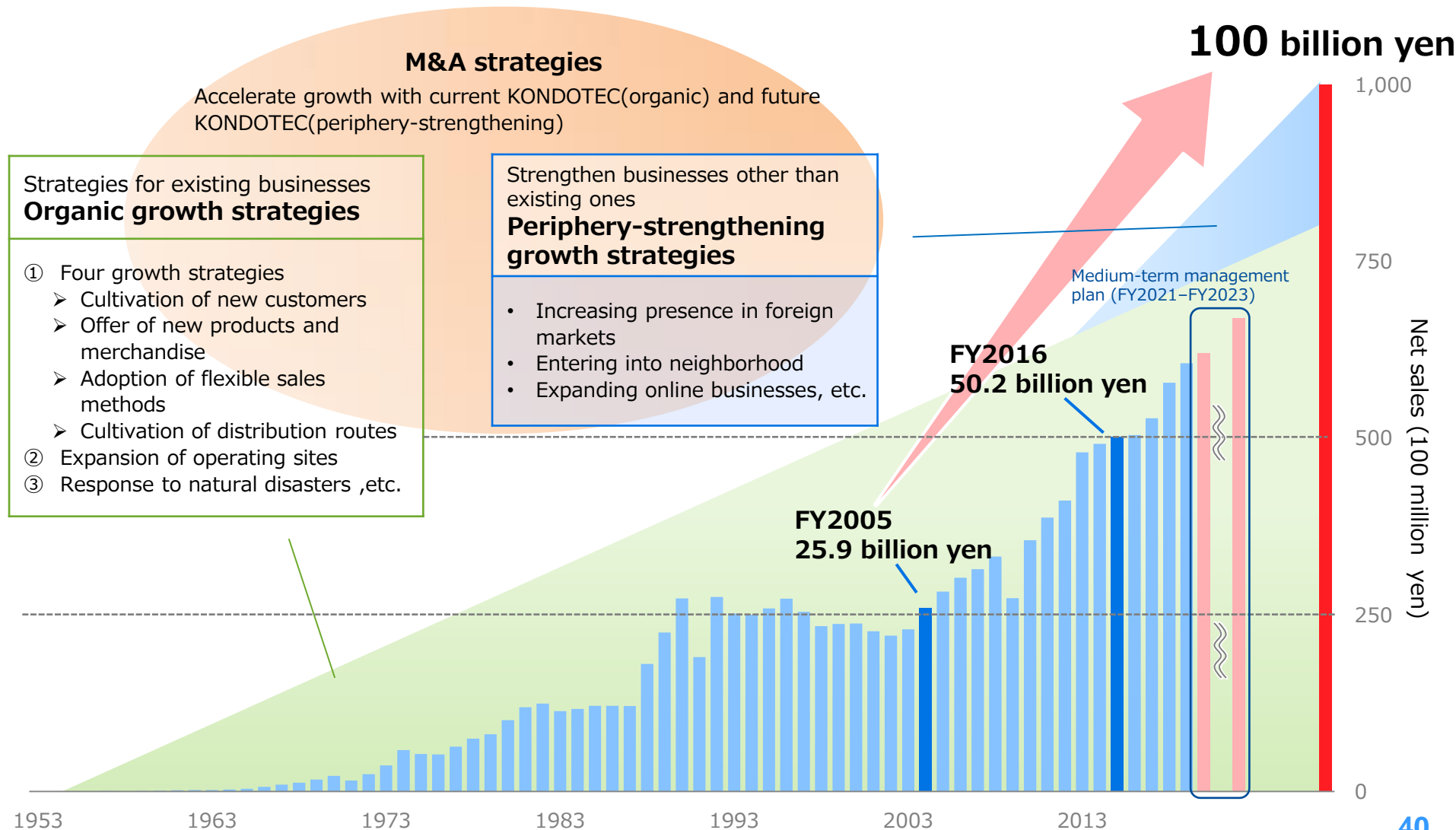
We accurately track its cost of capital (Weighted Average Cost of Capital[WACC]), formulates a medium-term management plan, and publishes a management resources allocation plan that includes growth investments (personnel, capital, investment and strategic investment) aimed at achieving targets for net sales, operating income, ROE, and DOE on our website and other platforms. In addition, we explain concrete measures for achieving its targets at financial results briefings. We review its medium-term plan each year in light of earnings and anticipated social and economic trends. In cases when we revise plans, we explain the changes and the reasons for them at financial results briefings or shareholder meetings.

7. Growth Strategies

Toward Achieving 100 Billion yen Sales Target



- We target consolidated **sales of 100 billion yen** in the 2020s by strengthening the earnings capability of existing core businesses and expanding into fields with growth prospects.



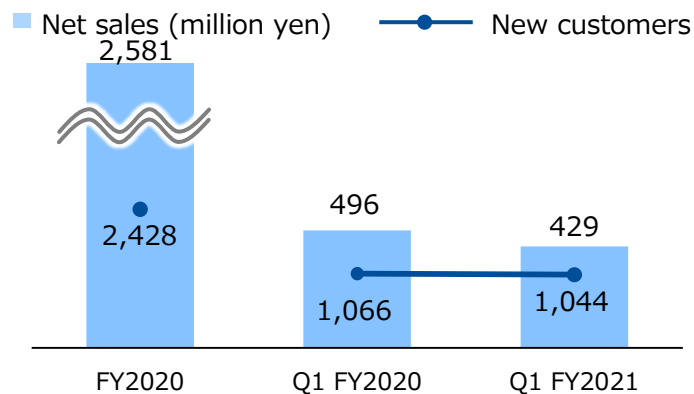
① Four Growth Strategies

~ Cultivation of New Customers and Offer of New Products and Merchandise ~

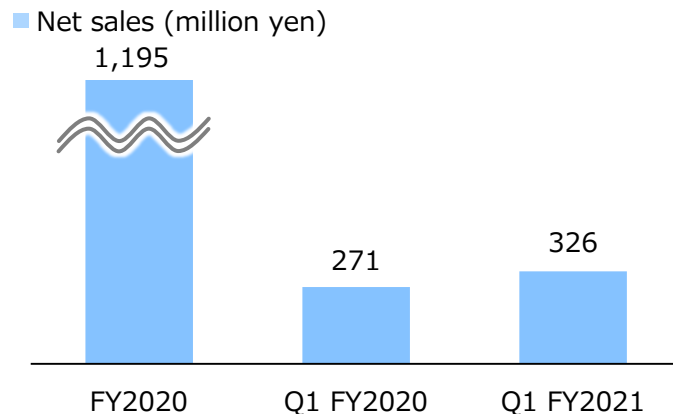
Cultivation of new customers

- We achieve a monthly average of one new customer per sales representative. In addition, we exploit a yearly average of 10 dormant customers per sales representative. These activities from the source for 20,000 sales customers.

Cultivation of new customers







Cultivation of dormant customers



Offer of new products and merchandise

- For the purpose of developing new merchandise, joint New Products and Merchandise Committee meeting are held between the sales division and the manufacturing division periodically to discuss requests from customers and proposals for improvement. We will continue to develop and cultivate products and merchandise with even higher added value in order to offer such products and merchandise.

	Net sales(million yen)	Q1 FY2020	Q1 FY2021
KONDO furring strips bolts 		38	44
Hook bolts with square shank 		48	42
KT safely harness 		6	4
CM lever hoist 		6	4

① Four Growth Strategies

～ Adoption of Flexible Sales Methods and Cultivation of Distribution Routes ～

Adoption of flexible sales methods

■ Differentiation strategies

➢ Launch of website, “Tsurikata” for lifting equipment inspection

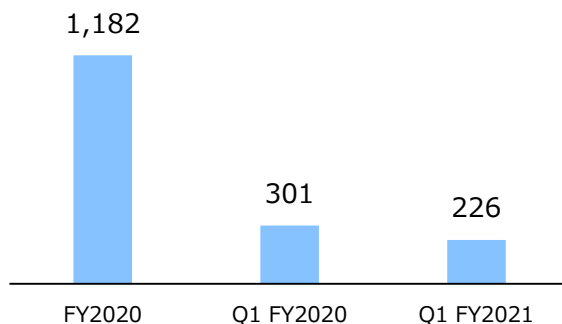
We have launched our website called, “Tsurikata” that allows individual management for lifting equipment to simplify inspection and maintenance of lifting equipment on the website. Traditionally, inspection checklists have been recorded manually on paper, Tsurikata helps to carry out inspection and keep inspection records on mobile devices, including smartphones and tablets.



■ Engaging in anchor bolt installation work

By engaging in anchor bolt installation work and thus gaining early-stage access to construction sites, we are able to rapidly collect information on required construction materials and leverage it in sales.

Net sales from anchor construction work (million yen)

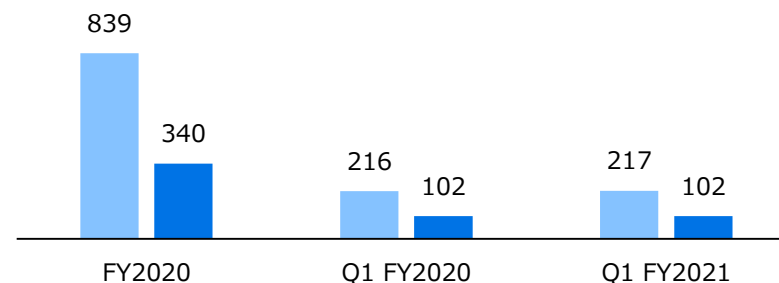


Cultivation of distribution routes

- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the “E-commerce Group” in July 2017 to explore sales through the Internet.

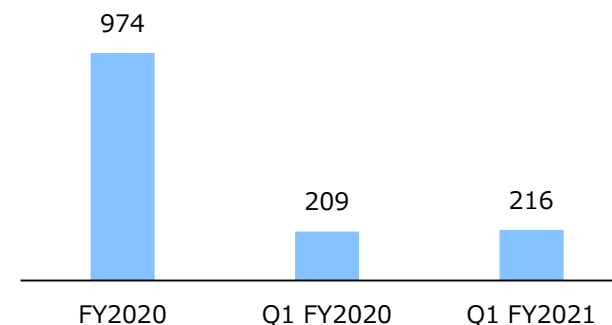
Net sales (million yen)

■ Home improvement centers ■ Railroads



- We have in place a sales force dedicated to the Tokyo metropolitan area to accommodate bulk purchasing from large trading companies and headquarters of general construction companies from which orders have been increasing in recent years.

Tokyo metropolitan sales (million yen)



② Expansion of Operating Sites

- We strive for expansion of operating sites which maintained a local-community-oriented sales structures in order to respond quickly to customer needs. Recently we established the “E-commerce Group” in July 2017 and opened the Okayama office of the Company in April 2018. We will continue to execute quick deliveries in an effort to realize customer-focused management.

Expanding sales network: 93 operating sites (As of end June 2020)

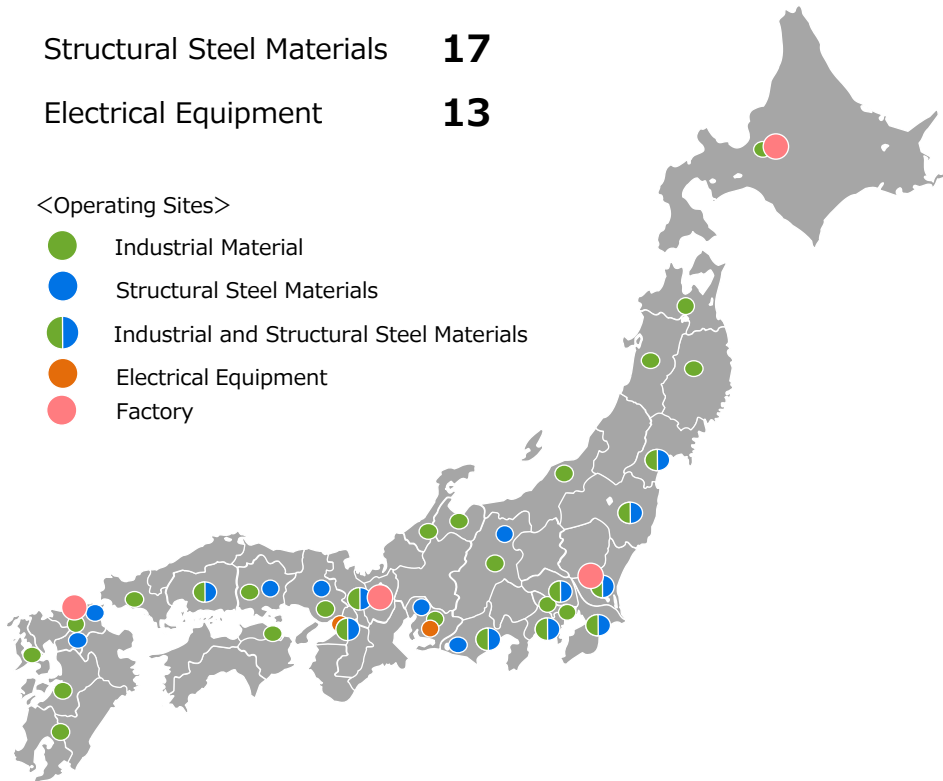
Industrial Material **63**

Structural Steel Materials **17**

Electrical Equipment **13**

<Operating Sites>

- Industrial Material
- Structural Steel Materials
- ● Industrial and Structural Steel Materials
- Electrical Equipment
- Factory



History of operating site network expansion

April 2016 **Kumamoto Office**



April 2018 **Okayama Office**



2006 Akita Office
Fukushima Office

2012 Tohoku Office

2015 Morioka Office

2016 Nagano Office

<Relocation>
2017 Shizuoka Office
Tokai Office

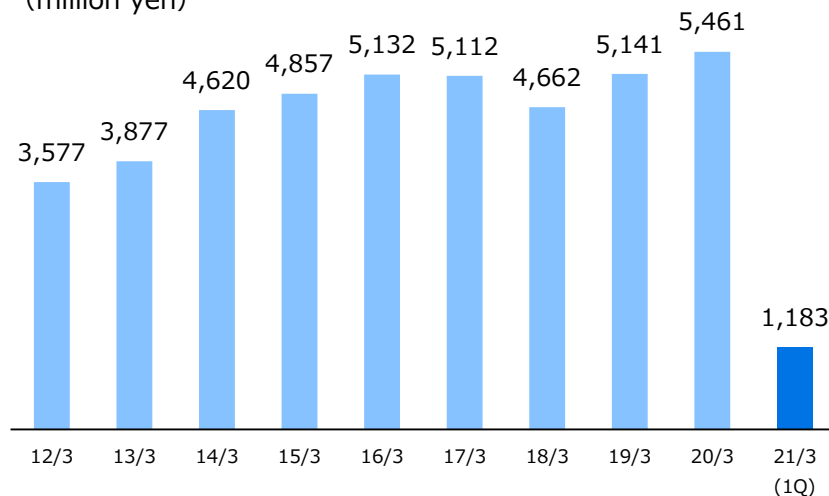
Sanwa Denzai Co., Ltd.
2017 Aihoku Office

CHUOH GIKEN Co., Ltd.
2019 Kusatsu Office

Response to natural disasters

- We have established a structure that allows it to rapidly respond to demand for products and merchandise that are generally urgently required for reconstruction work in the wake of natural disasters that affect various regions throughout Japan, such as earthquakes or abnormal weather conditions, including extremely heavy rainfall.

■ Net sales of disaster-related products and merchandise (million yen)



Related merchandise

Flexible container bags



Tarpaulins



Net, Sheet etc.



Response to “New stage” published by Ministry of Land, Infrastructure, Transport and Tourism

- The Ministry of Land, Infrastructure, Transport and Tourism recognize the apparent change in the way it rains as a “New Stage” recommends taking disaster prevention/mitigation measures with a sense of crisis.
- To respond to the “New Stage”, we will also focus on advance preparation to minimize damage.

Extraordinary climate in recent years

Heavy rains with hourly rainfall exceeding 50mm have increased across Japan, raining locally, intensively and severely

→ **Recognized as a “New Stage”**

Examples of weather conditions bringing disasters

August 2014 heavy rain	Heavy rainfall in a wide range of areas from west to eastern Japan (Landslide disaster occurred in Hiroshima prefecture)
July 2018 heavy rain	Record-breaking heavy rainfall in a wide range of areas across Japan centered on western Japan
October 2019 Typhoon No.19	Rain storm centered on eastern Japan
July 2020 heavy rain	Heavy rainfall in a wide range of areas centered on northern Kyushu

To respond to the “New Stage”, we need mitigate damage to infrastructures as much as possible and make advance preparations for early recovery.

Source: the website of Ministry of Land, Infrastructure, Transport and Tourism

Periphery-strengthening Growth Increasing Presence in Foreign Markets



- Based on our view that increasing presence in foreign markets where growth is expected will contribute to enhancing our earning capability, we established a subsidiary in Thailand in November 2012. We executed a capital increase in August 2014, acquired all shares from the two joint venture companies and subsidiary.
- Currently, we are moving ahead with activities to expand our business in ASEAN countries with Thailand as our base location.
- We will further strengthen our sales & marketing capabilities by widening our sales network and reinforcing manpower with a view to increasing the ratio of net sales from our overseas business.

Subsidiary in Thailand

Company name	KONDOTEC INTERNATIONAL(THAILAND) CO.,LTD.
Location	Bangkok, Thailand
Business areas	Import, export and local sale of industrials, structural steel materials and electrical equipment, etc. in Thailand
Paid-in capital	102 million baht (approximately 316 million yen)
Date established	November 1, 2012

Net sales of overseas business Q1 FY2021

(million yen)	Q1 FY2020	Q1 FY2021	FY2021 forecast
International Sales Division	10	4	48
Local Subsidiary in Thailand	91	29	293
Total	102	34	341

Note: Amounts of inter-company transaction are not included.

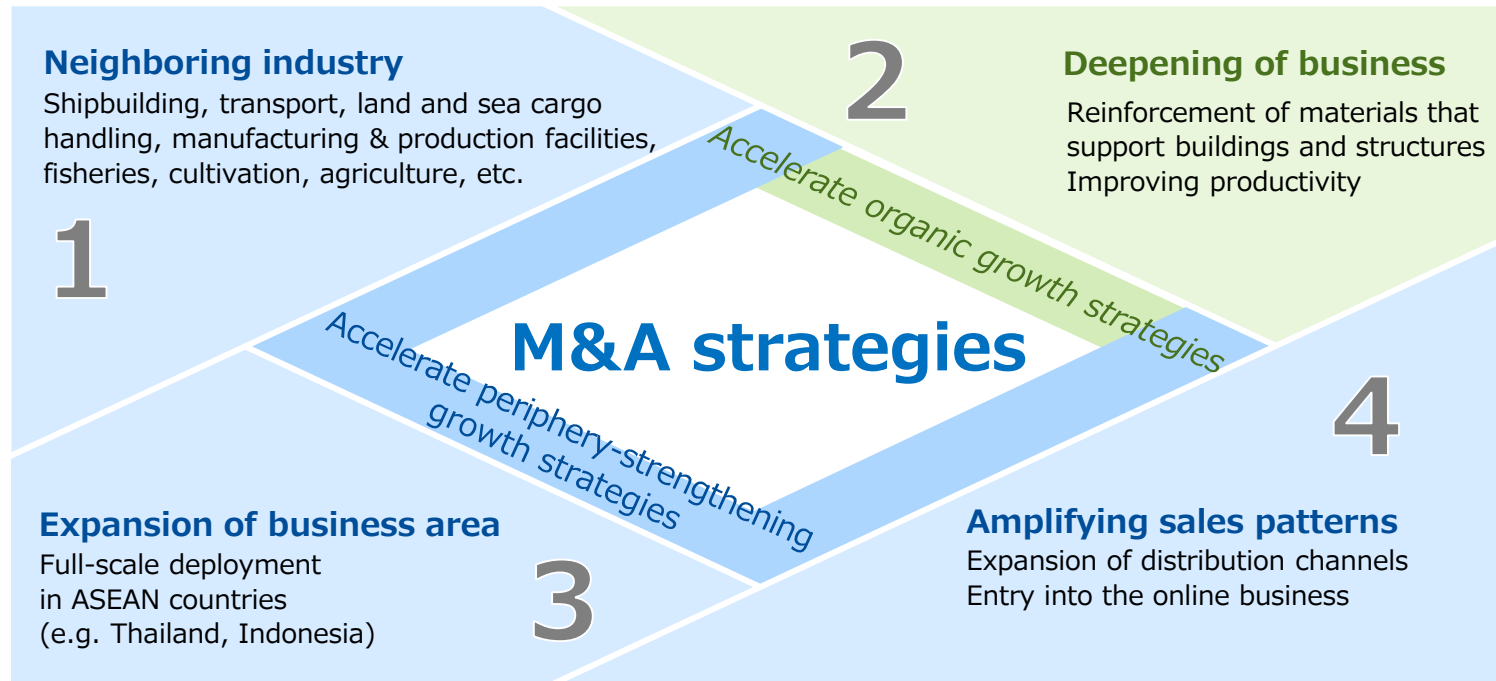
Percentage of sales by country Q1 FY2021

ASEAN	89%	Thailand	39%
		Indonesia	29%
		Vietnam	20%
		Singapore	1%
East Asia/China	10%		
Near and Middle East	1%		
Other countries	0%		



- We view that pursuing corporate acquisitions and capital/business tie-ups is an important strategy to strengthen our business platform.

Four perspective in pursuing M&A



1. Neighboring industry

Pursue M&A with companies associated with industries other than the construction industry and promote business expansion.

Actual case :
Sanwa Deazai Co., Ltd.

2. Deepening of business

Pursue M&A with material manufactures, etc.

Actual case :
CHUOH GIKEN Co., Ltd.
TECBUILD CO., LTD.
TOKAI STEP CO., LTD.

3. Expansion of business area

Pursue M&A with companies that maintain overseas sites to promote business area expansion.

4. Amplifying sales patterns

Pursue M&A with companies that operates different sales patterns from those of KONDOTEC, such as retail, catalog-based selling, and online sales.

8. Shareholder Return

Dividends and Shareholder Incentive Plan



- we target ROE of 10% or more and DOE of 2.5% or more with the aim of continuing to increase dividends.
- Shareholders receive the rice certificate per share once a year.

Transition in dividends

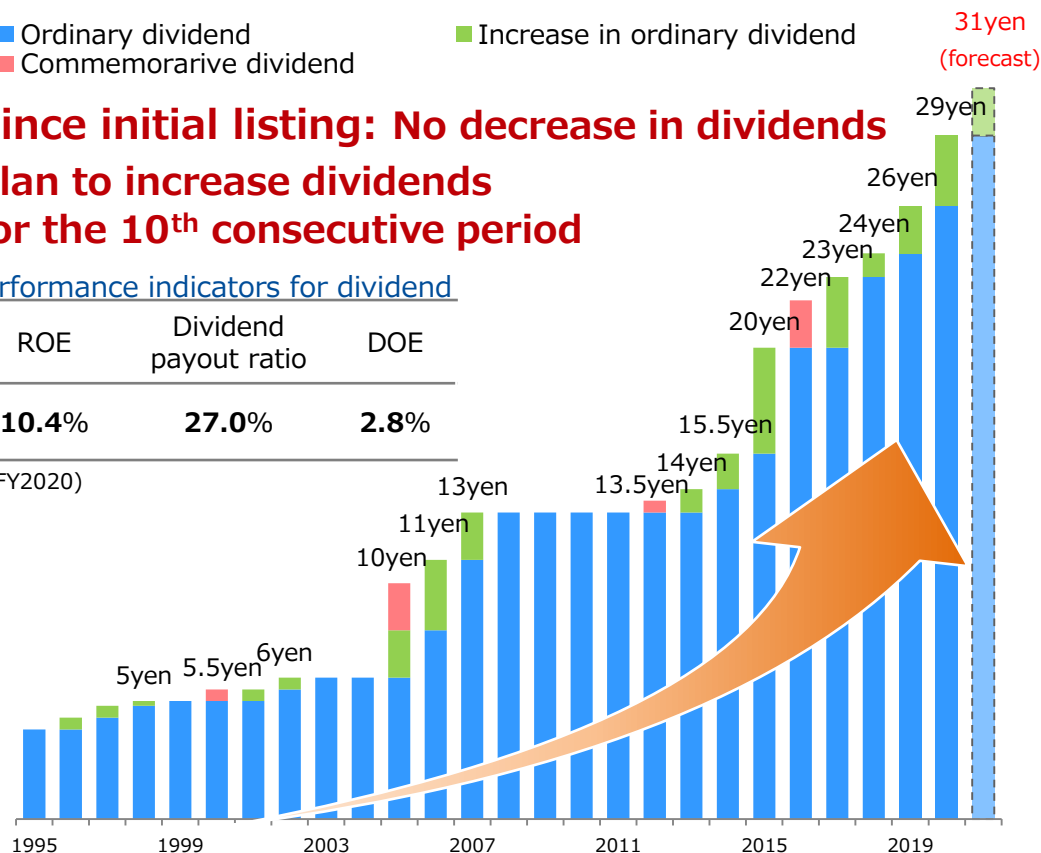
- Ordinary dividend
- Commemorative dividend

- Increase in ordinary dividend

Since initial listing: No decrease in dividends
Plan to increase dividends
for the 10th consecutive period

Performance indicators for dividend

ROE	Dividend payout ratio	DOE
10.4%	27.0%	2.8%
(FY2020)		



Note: Dividend per share have been retroactively adjusted to reflect the impact of the stock split effective January 1, 2012.

Dividend yield

Closing price on July 31, 2020: 1,121 yen

Dividend yield※

2.8%

Dividend yield including shareholder incentive plan※

~3.6%

Shareholder incentive plan

Number of shares held	Shareholder incentive
100 or more shares, fewer than 1,000 shares	2 kg-rice certificate (equivalent to 880 yen)
1,000 or more shares, fewer than 10,000 shares	5 kg-rice certificate (equivalent to 2,200 yen)
10,000 or more shares	10 kg-rice certificate (equivalent to 4,400 yen)

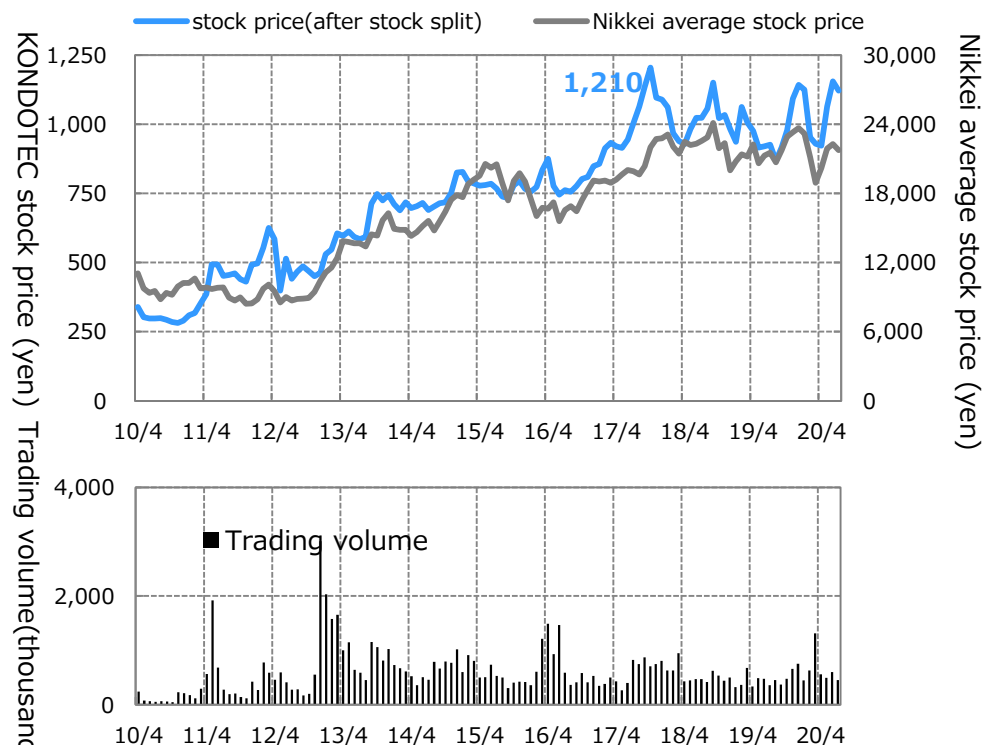
Note: 1 kg-rice certificate is worth 440 yen.

Acquisition of treasury stocks

Acquisition price	800 million yen (maximum)
Number of shares can be acquired	800,000 shares (maximum)
Acquisition period	November 8, 2019 through September 30, 2020

Transition of Stock Price

Transition of stock price



Note: The closing prices and trading volumes have been retroactively adjusted to reflect the impact of the stock split effective January 1, 2012.

Note: In December 2012, KONDOTEC issued new shares through a public offering and third-party allotment.

Closing price on July 31

1,121 Yen

PER : **11.8** PBR : **1.05**

EPS : 95.14 Yen (FY2021 forecast)

BPS : 1,071.09 Yen (As of end-March 2020)

Ranking among listed companies

Among **3,816** listed companies ...

ROE	806 th
Profit attributable to owner of parent	1,030 th
Ordinary income	1,108 th
Net assets	1,414 th
Market capitalization	1,363 rd
PBR	1,787 th
PER	2,588 th

Source: Mizuho Securities Co., Ltd. (As of June 30, 2020)

9. Highlights of Results

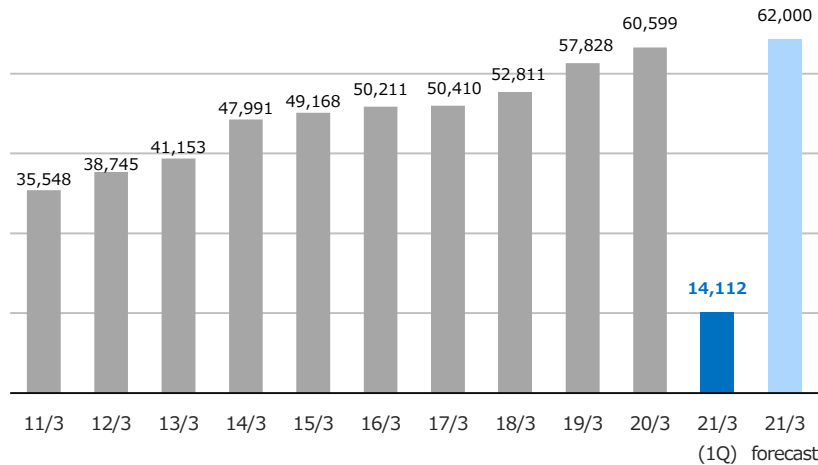
Highlights of Consolidated Financial Results



Net sales
(million yen)

14,112 million yen

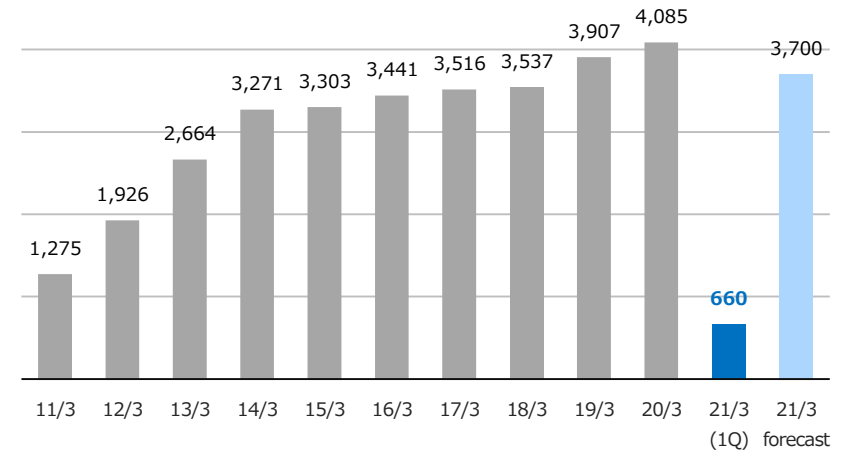
Progress **22.8%**



Operating income
(million yen)

660 million yen

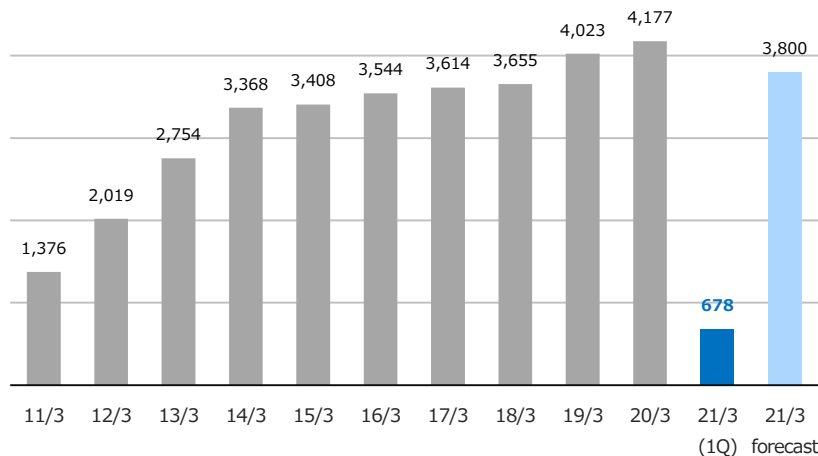
Progress **17.9%**



Ordinary income
(million yen)

678 million yen

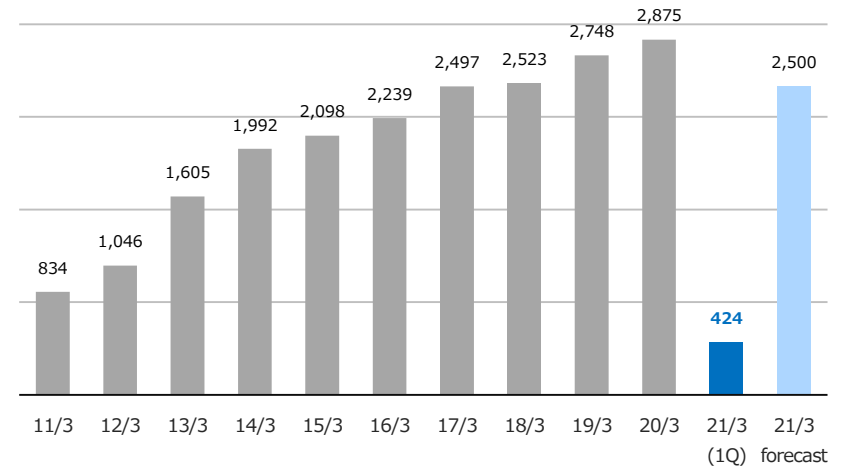
Progress **17.9%**



Profit attributable to owner of parent
(million yen)

424 million yen

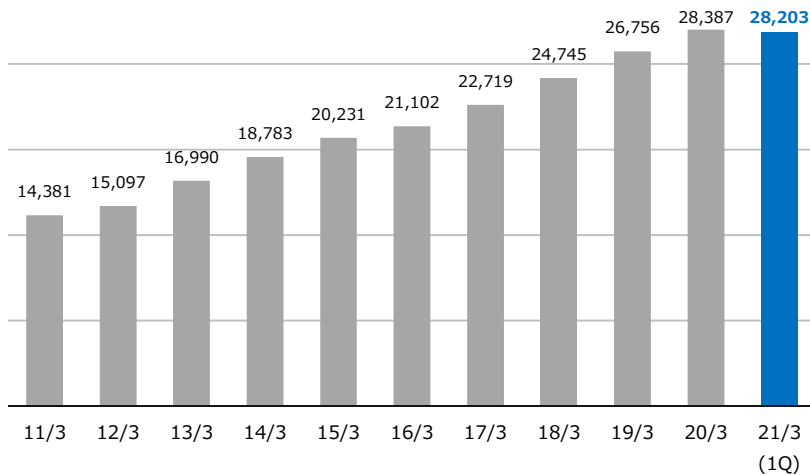
Progress **17.0%**



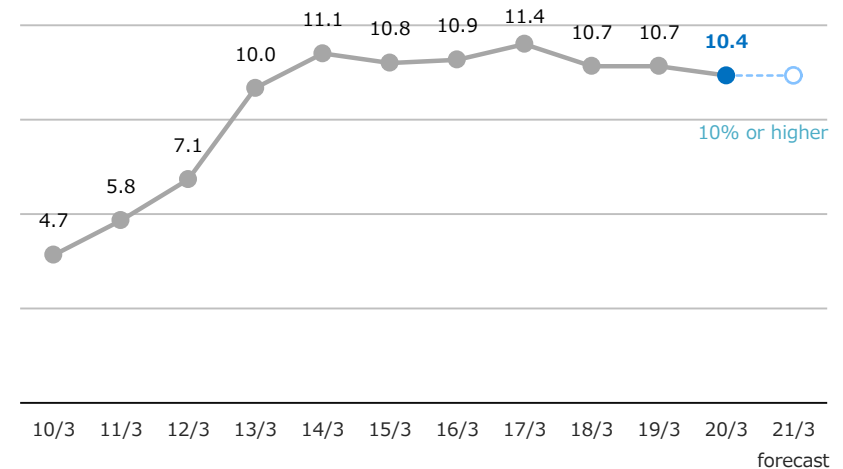
Highlights of Consolidated Financial Results



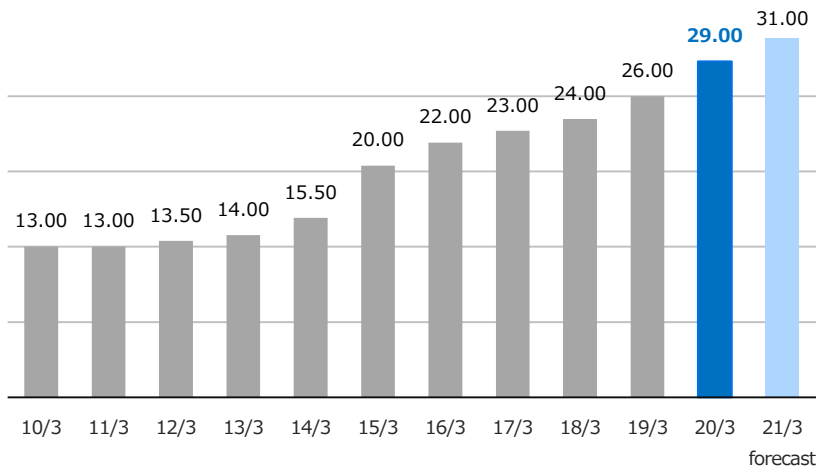
Net assets (million yen) **28,203** million yen



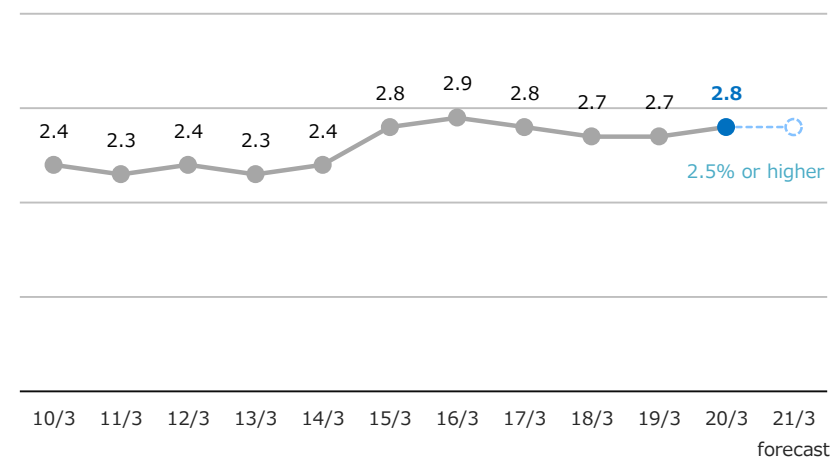
ROE (%) Target **10** % or higher



Dividend per share (yen) **31.00** yen (forecast)



DOE (%) Target **2.5** % or higher



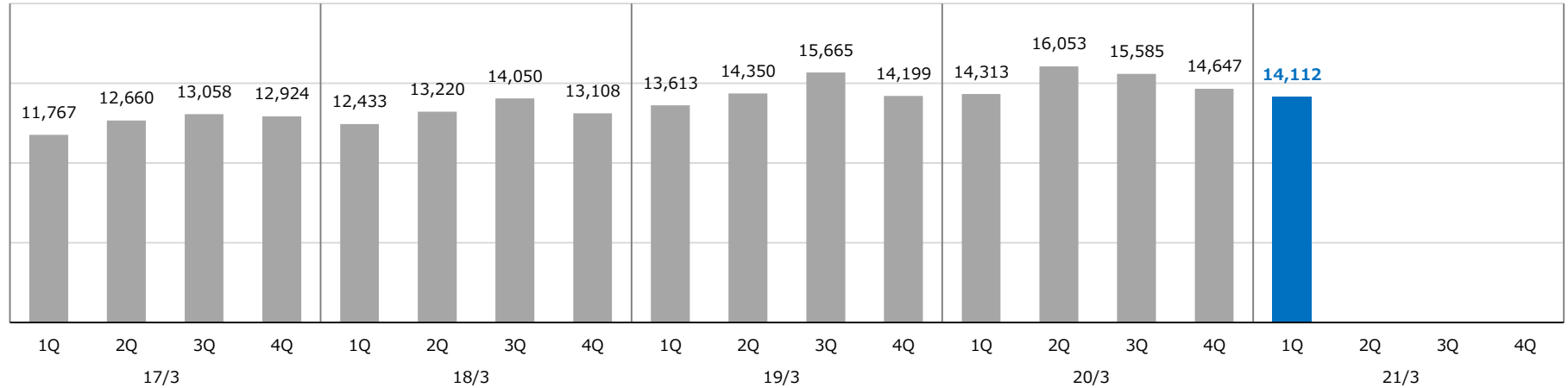
Highlights of Consolidated Financial Results



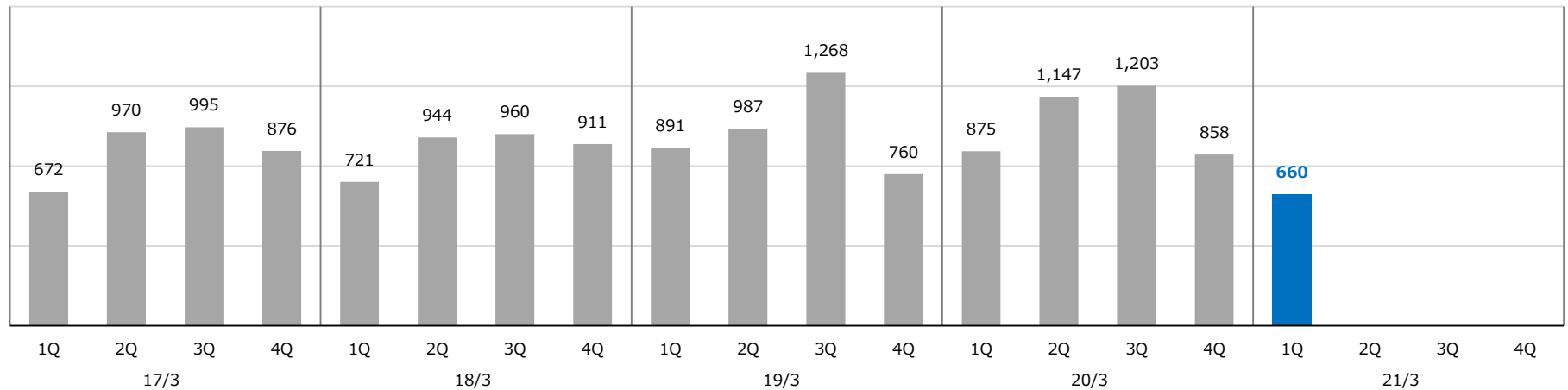
	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	Q1 21/3	21/3 (forecast)
Result of Operations (million yen)												
Net sales	35,548	38,745	41,153	47,991	49,168	50,211	50,410	52,811	57,828	60,599	14,112	62,000
Operating profit	1,275	1,926	2,664	3,271	3,303	3,441	3,516	3,537	3,907	4,085	660	3,700
Ordinary income	1,376	2,019	2,754	3,368	3,408	3,544	3,614	3,655	4,023	4,177	678	3,800
Profit attributable to owner of parent	834	1,046	1,605	1,992	2,098	2,239	2,497	2,523	2,748	2,875	424	2,500
Capital investment	240	180	566	679	403	842	695	423	981	917	-	-
Depreciation	457	428	390	418	449	405	438	423	404	697	-	-
Financial Position (million yen)												
Total assets	26,194	28,403	31,192	34,481	35,186	34,645	36,524	39,313	43,820	46,335	45,479	-
Net assets	14,381	15,097	16,990	18,783	20,231	21,102	22,719	24,745	26,756	28,387	28,203	-
Interest-bearing debt	900	705	808	806	636	508	501	500	853	1,106	-	-
Cash Flows (million yen)												
Cash flows from operating activities	1,219	1,454	2,077	1,887	1,818	1,945	2,737	2,429	2,699	4,385	-	-
Cash flows from investing activities	△ 320	△ 1,511	△ 494	△ 660	828	△ 829	△ 646	△ 506	△ 1,551	△ 5,205	-	-
Cash flows from financing activities	△ 736	△ 550	426	△ 389	△ 699	△ 1,092	△ 1,032	△ 703	△ 915	△ 992	-	-
Cash and cash equivalents, end of year	3,396	2,790	4,798	5,636	7,626	7,594	8,660	9,893	10,133	8,305	8,187	-
Per Share Information (yen)												
Profit attributable to owners of parent per share	32.19	40.36	60.77	72.13	75.91	81.01	93.29	94.25	102.65	107.46	16.10	95.14
Net assets per share	554.79	582.41	615.12	679.27	730.49	774.18	846.59	922.62	996.99	1,071.09	-	-
Dividend per share	13.00	13.50	14.00	15.50	20.00	22.00	23.00	24.00	26.00	29.00	-	31.00
Financial Indicators												
Gross profit margin (%)	3.6	5.0	6.5	6.8	6.7	6.9	7.0	6.7	6.8	6.7	4.7	6.0
ROE (%)	5.8	7.1	10.0	11.1	10.8	10.9	11.4	10.7	10.7	10.4	-	10% or higher
Equity ratio (%)	54.9	53.2	54.5	54.4	57.4	60.8	62.1	62.8	61.0	61.2	62.0	-
DOE (%)	2.3	2.4	2.3	2.4	2.8	2.9	2.8	2.7	2.7	2.8	-	2.5% or higher
Stock Price Index												
Stock closing price (yen)	353	625	606	718	786	834	933	939	1,006	929	1,155	-
Price earnings ratio (times)	11.0	15.5	10.0	10.0	10.4	10.3	10.0	10.0	9.8	8.6	-	-

Consolidated

Net sales (million yen)

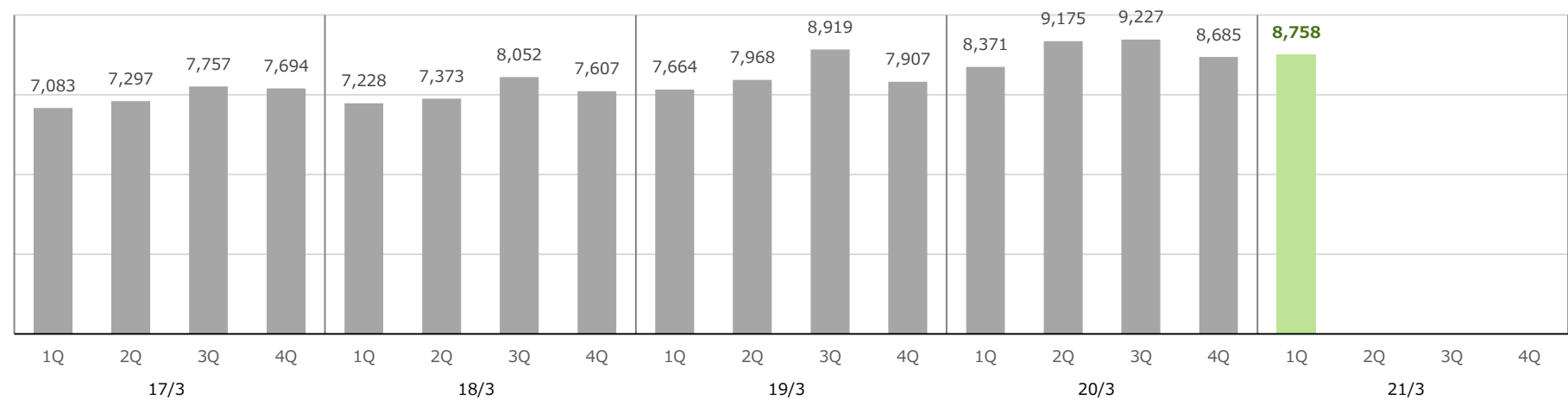


Operating income (million yen)

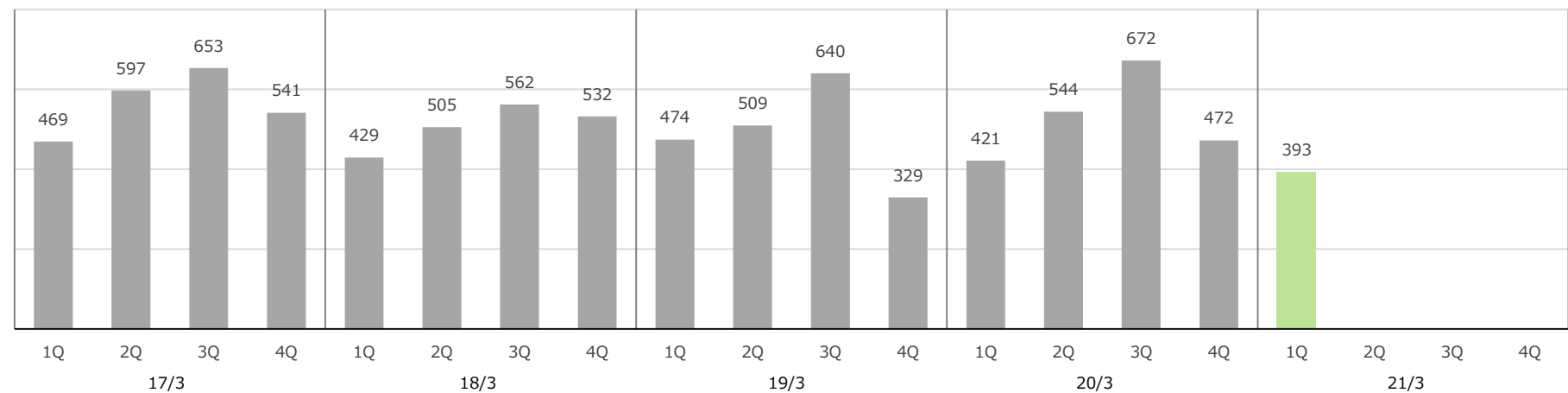


Industrial Materials

Net sales (million yen)

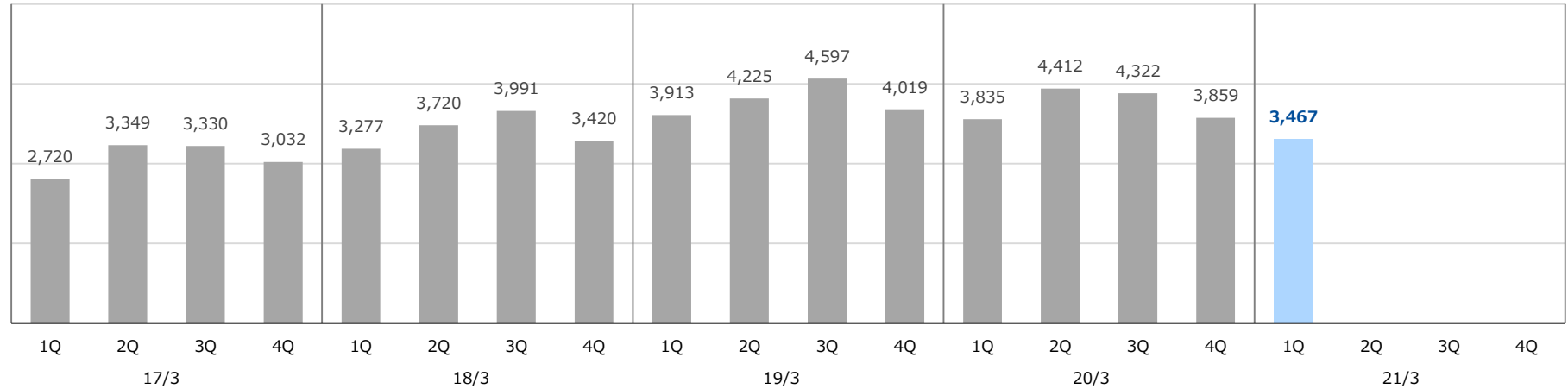


Segment profit or loss (million yen)

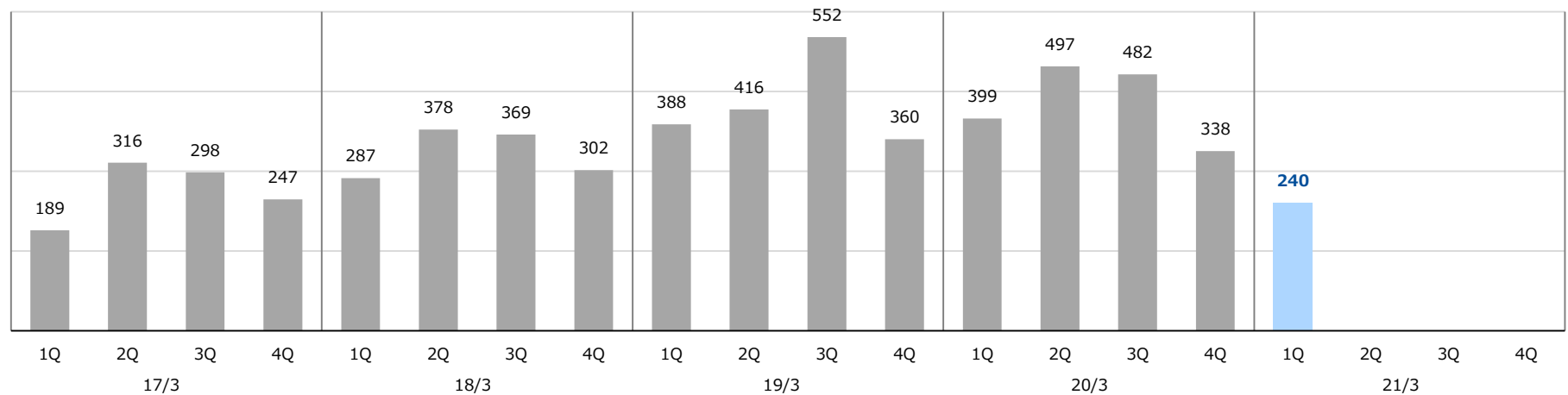


Structural Steel Materials

Net sales (million yen)

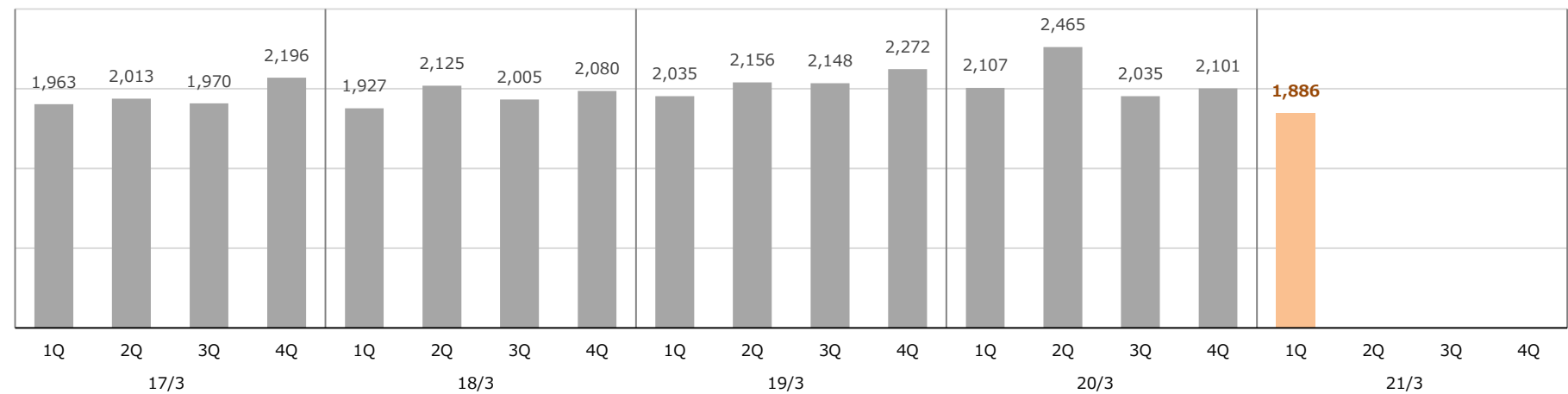


Segment profit or loss (million yen)

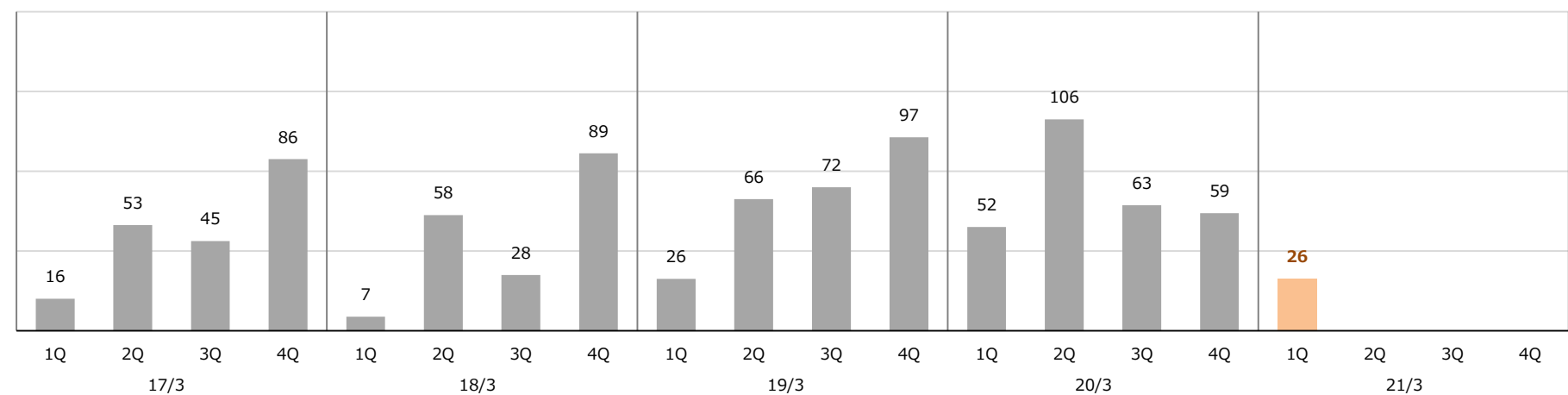


Electrical Equipment

Net sales (million yen)



Segment profit or loss (million yen)



Notes on forward-looking statements

This document contains forward-looking statements including operating forecasts and business plan. Future operating performance projections that the company releases are based on data available at the time of release. Actual results may differ considerably from projections due to various factors and changes.



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