



Tokyo Stock Exchange (Prime Market)
Securities Code : 7438

FY2024 Q1

Financial Results

August 10, 2023



Notes on forward-looking statements

This document contains forward-looking statements and business plans. These statements were made based on economic environment and business policies at the time of the release. Actual results may differ materially from these forward-looking statements due to various factors and changes.

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1. Highlights of Q1 FY2024 Financial Results

Summary of Q1 FY2024 Consolidated Financial Results



- Net sales increased due to a demand recovery in private-sector capital investment and price pass-through in response to higher manufacturing and procurement costs.
- Operating results increased thanks to the sales growth offsetting a dip in gross profit margin and higher SG&A expenses including freight costs and personnel expenses.

Net sales	18,762 million yen	YoY	+10.1%
Operating income	981 million yen	YoY	+10.8%
Ordinary income	1,032 million yen	YoY	+9.8%
Profit attributable to owner of parent	673 million yen	YoY	+14.1%
EBITDA	1,419 million yen	YoY	+7.7%

※Note: EBITDA= Income before income taxes + Interest expenses + Depreciation + Amortization of goodwill

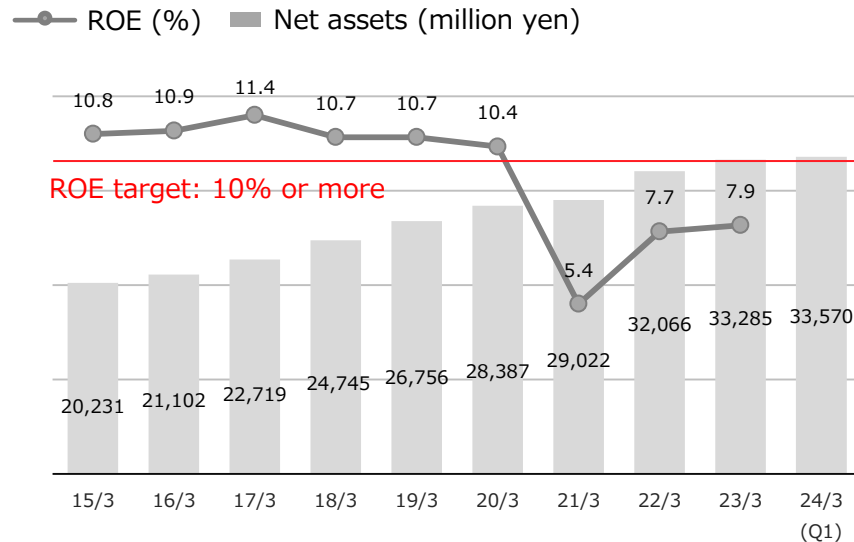
New DOE target

- Factoring in medium-to long-term performance and capital efficiency in future, Kondotec has decided to **increase the DOE target to 4.0% from 2.5%** in FY2024 to further enhance shareholder returns due to an overall increase in dividends in the market.

DOE

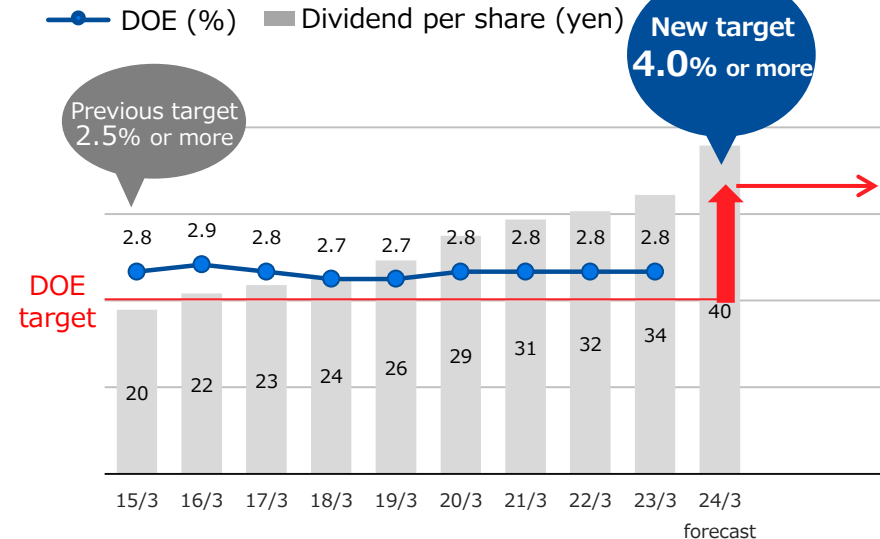
DOE is the ratio of the dividend paid to shareholders to net assets. It measures a company's ability to pay out dividends sustainably despite short term impacts on profits.

ROE and net assets



- We have set ROE of 10% or more as a capital efficiency target.
- We book higher profit than dividend payment every year, and the resulting increase in net assets means we have developed a stable financial base and increased dividend resource.

DOE and dividends



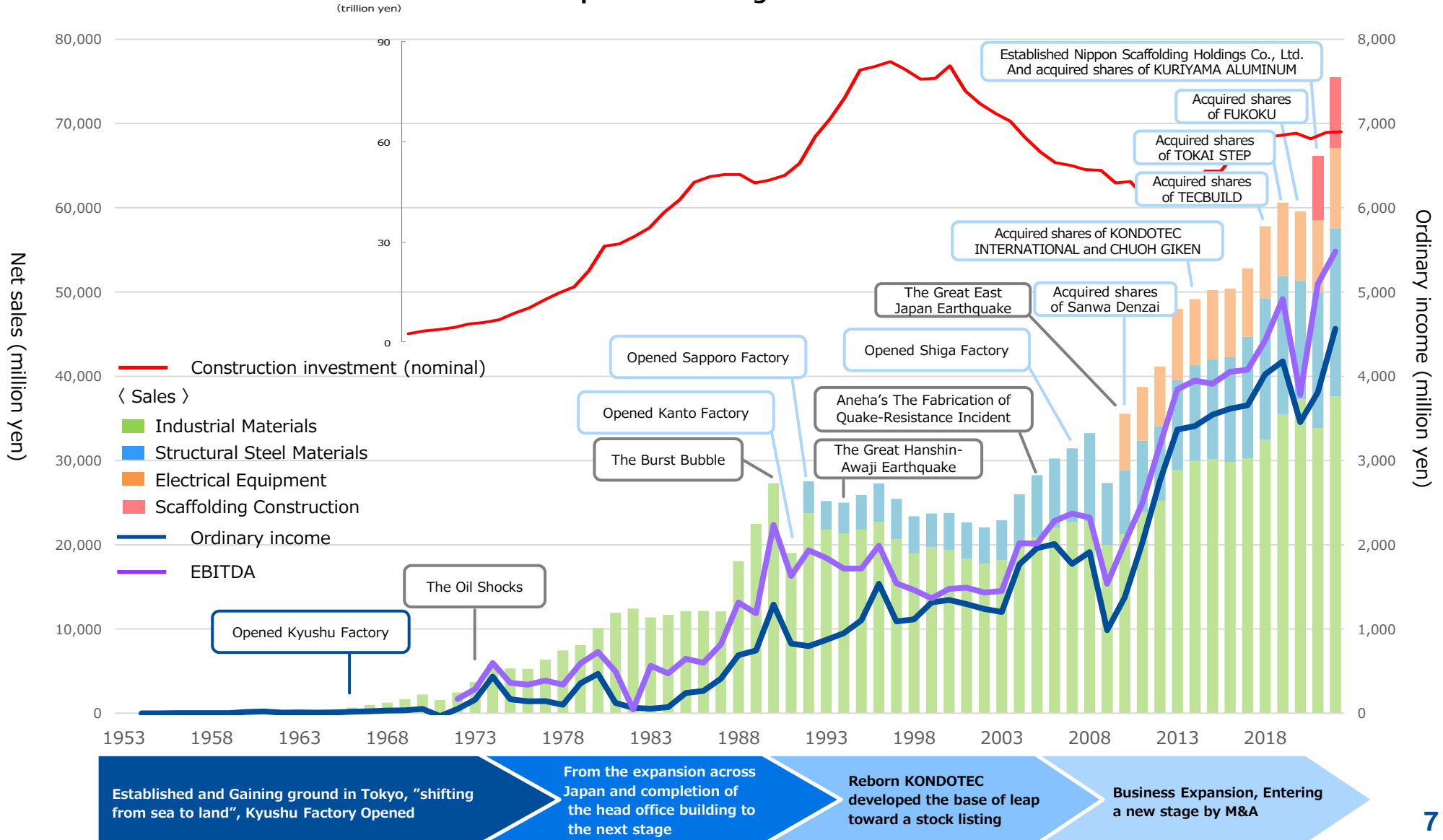
- FY2024 will be **the 13th consecutive fiscal year of higher dividends.**
- We target DOE of 4.0% or more as one of its medium-term goals and look to **pay shareholders ongoing increases in dividends.**

2. Company Overview

Performance Trends



Since establishment in 1953, we have not incurred an ordinary loss as a result of efforts to supply products and merchandise to various industries in response to changes of the times and customer needs.



Company Overview



Company name	KONDOTECH INC.
Group companies	Sanwa Denzai Co., Ltd. KONDOTECH INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. FUKOKU, Ltd. KURIYAMA ALUMINUM Co., Ltd. (as of June 30, 2023)
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	Consolidated:1,278 Parent:754 (as of March 31, 2023)
Capital stock	2,666 million yen
Listed stock market	Tokyo Stock Exchange (Prime Market) (Securities Code :7438)
Business areas	<ul style="list-style-type: none">■ Manufacturing, procurement and sales 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 construction contractors and electronics retailers.■ Procurement, sale and rentals of temporary scaffolding materials and providing scaffolding construction services for building contractors and medium-sized general contractors.
Major items handled	<ul style="list-style-type: none">■ Products Turn buckles, braces, scaffolding chains, screws, anchor bolts, closed-die forged products, construction materials, machinery, equipment, and aluminum extrusions etc.■ Merchandise Hardware, chains, wire ropes, screws, construction materials, lighting equipment, panel board, air-conditioning equipment, and eco items etc.

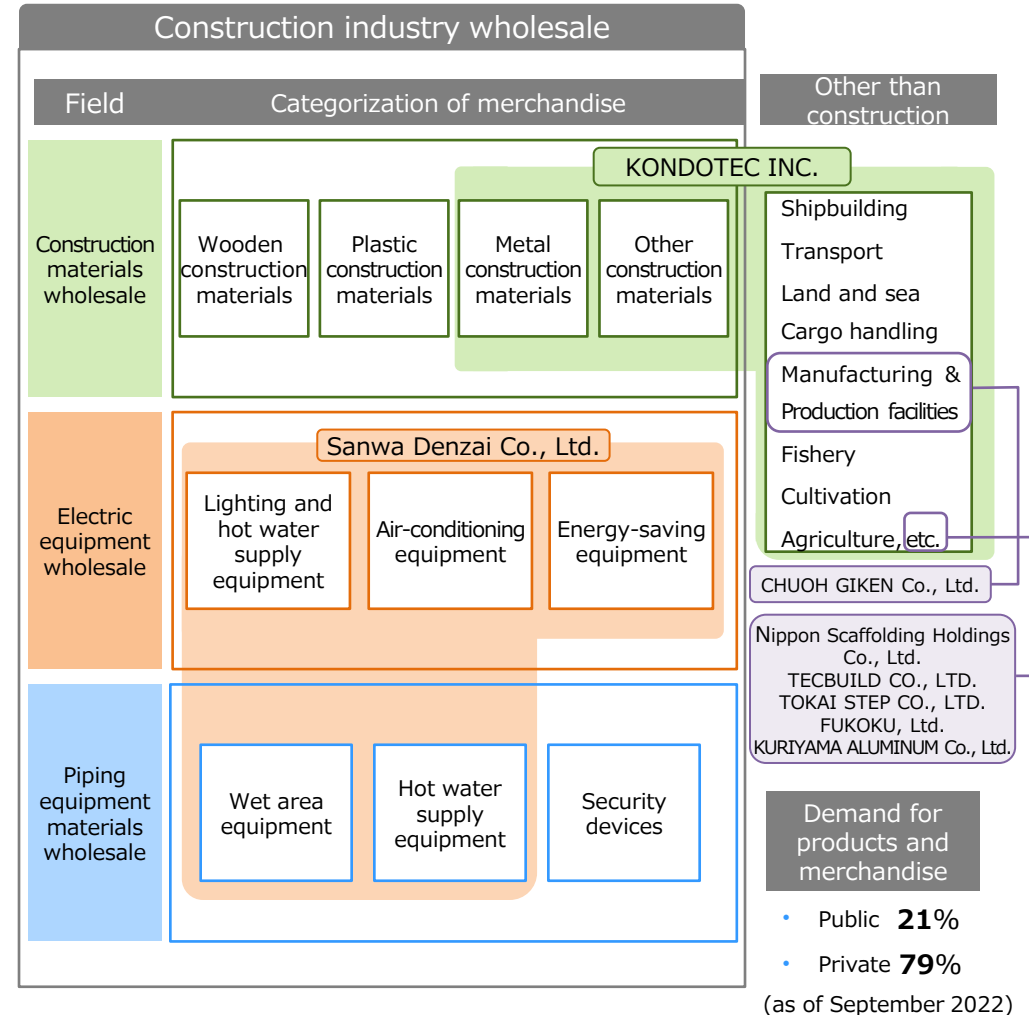
Company History and Business Areas



Company history

January 1953	Established Kondo Shoten Co., Ltd.
January 1989	Changed the company name to KONDOTEC INC.
April 1995	Listed on the Second Section of the Osaka Stock Exchange
July 1999	Listed on the Second Section of the Tokyo Stock Exchange
April 2010	Acquired shares of Sanwa Denzai Co., Ltd.
April 2011	Designated as the First Section stock by the Tokyo Stock Exchange and the Osaka Stock Exchange
May 2011	Established a representative office (Bangkok, Thailand)
November 2012	Established KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. (Joint venture)
August 2014	Turned KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. into a consolidated subsidiary and acquired shares of CHUOH GIKEN Co., Ltd.
February 2019	Acquired shares of TECBUILD CO., LTD.
February 2020	Acquired shares of TOKAI STEP CO., LTD.
January 2021	Acquired shares of FUKOKU, Ltd.
April 2021	Established Nippon Scaffolding Holdings Co., Ltd.
October 2021	Acquired shares of KURIYAMA ALUMINUM Co., Ltd.
April 2022	Shifted to the Prime Market from the First Section under the previous Tokyo Stock Exchange structure.

Business areas



Sales by Segment

(as of end March 2023)

Industrial Materials



Net sales **37,610** million yen
Sales weighting **50 %**

Customers Hardware stores, Wholesalers, Home improvement centers

Products/
Merchandise



Structural Steel Materials



Net sales **19,963** million yen
Sales weighting **26 %**

Customers Steel structure fabricators

Products/
Merchandise



Electrical Equipment



Net sales **9,502** million yen
Sales weighting **13 %**

Customers Electrical construction contractors, Electronics appliance stores

Products/
Merchandise



Scaffolding Construction



Net sales **8,371** million yen
Sales weighting **11 %**

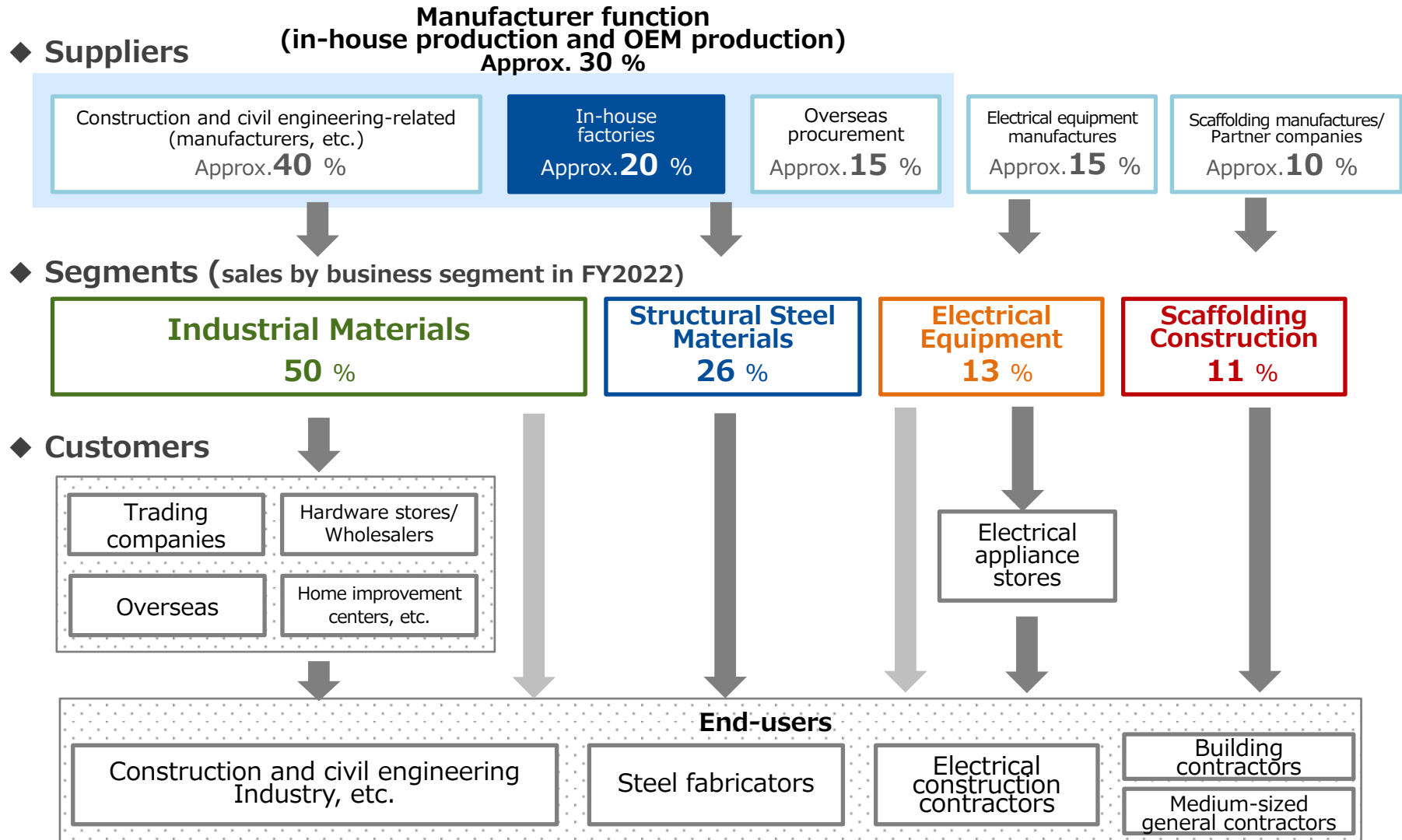
Customers building contractors, medium-sized general contractors

Business
description



Distribution Channels

- By offering in-house products with added value and sourcing products and merchandise from various suppliers, we have adopted a structure that allows it to meet the diversifying needs of customers.



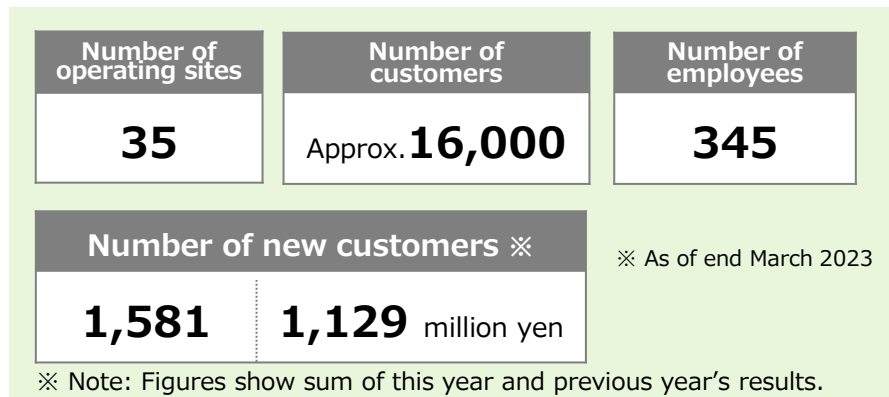
Segment Overview : Industrial Materials

Business areas

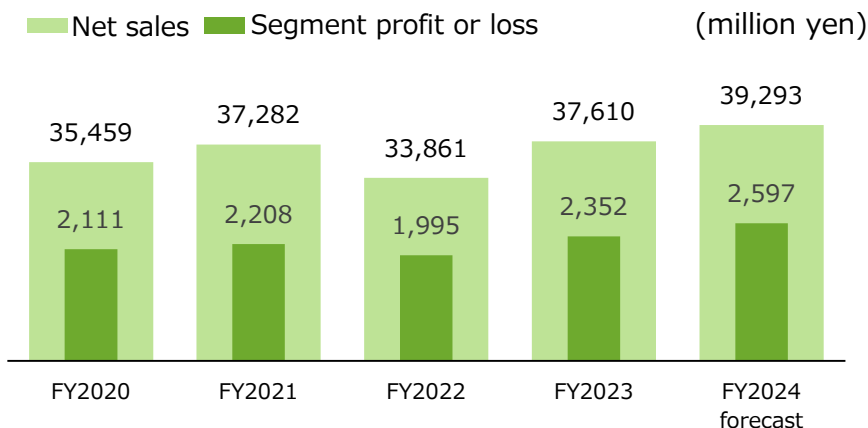
The Industrial Materials Segment manufactures, procures, and sells civil engineering and construction materials (primarily metal fittings through retail).

Strengths

By selling products and merchandise to a wide range of industries, the segment has built up a diverse customer base that is not skewed toward any particular industry, it is able to generate stable earnings that do not hinge on any particular customer.



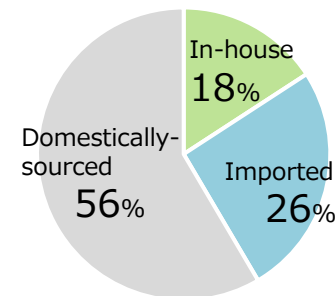
Results in the past 5 years



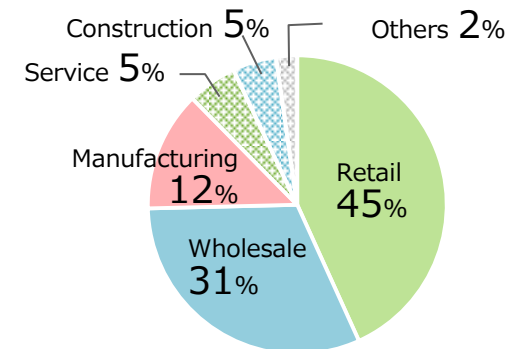
※ Figures for sales and segment profit or loss are calculated based on new segments since FY2022.

Ratio of segment sales FY2023

Procurement source(consolidated)



Customers by industry(parent)



Initiatives

- Cultivate new customers, expand sales channels and expand product lineup
- Capture the demands for renewable energy and large-scale projects (including the construction work related to the Linear Shinkansen and the Osaka-Kansai Japan Expo 2025).
- Develop new aluminum products in response to the need for lightweight materials.
- Enhance the e-commerce website.

Segment Overview : Structural Steel Materials

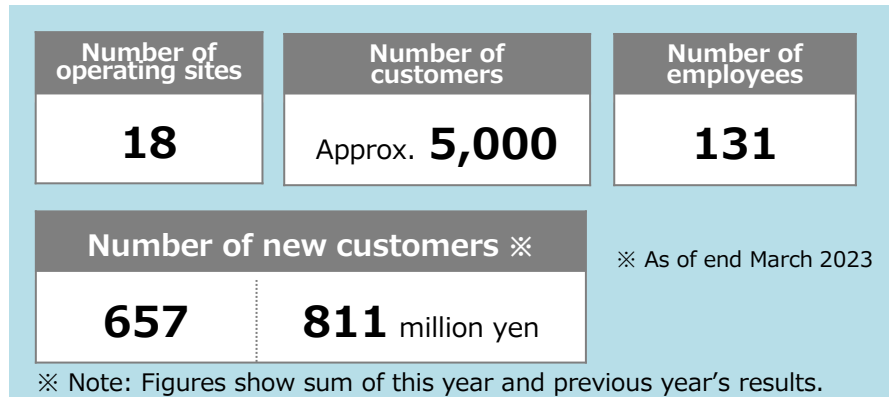


Business areas

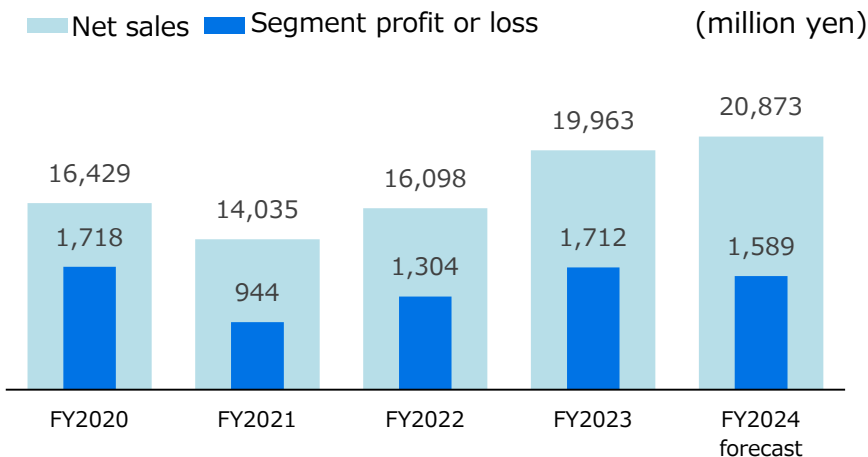
The Structural Steel Materials Segment manufactures, procures, and sells construction-related materials to nationwide steel structure fabricators.

Strengths

High-margin business maintained through supply of high market share products with a high percentage of in-house production.

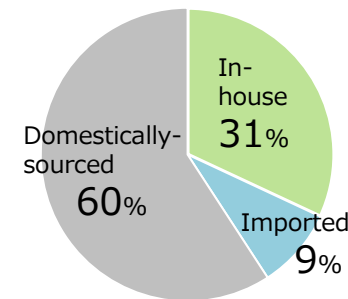


Results in the past 5 years

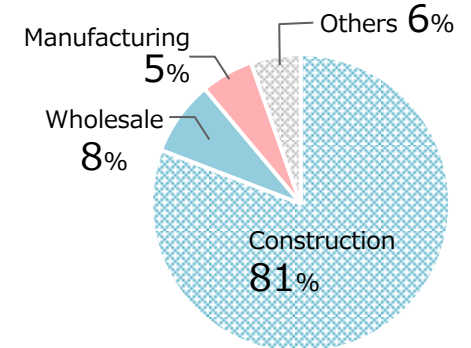


Ratio of segment sales FY2023

Procurement source



Customers by industry



Initiatives

- Cultivate new customers and expand product lineup
- Plan to open new operating sites seeking to capture the demands in unexplored areas.
- Expand anchor bolt installation business.

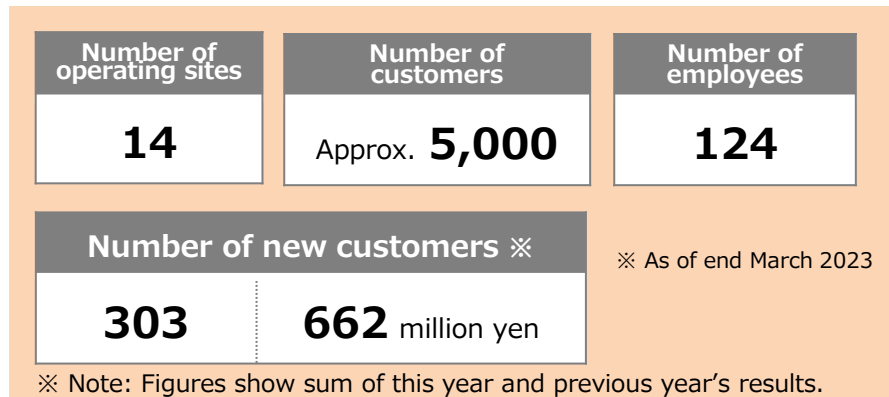
Segment Overview : Electrical Equipment

Business areas

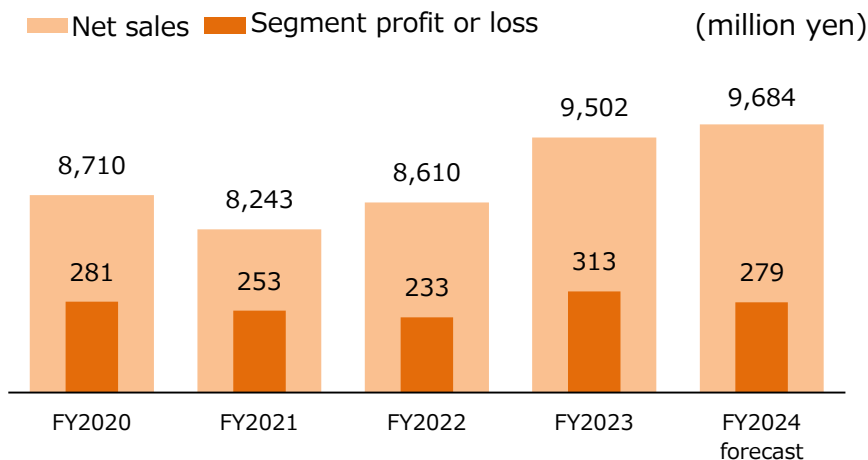
The Electrical Equipment Segment procures and sells electrical equipment to consumer electrical appliance stores and electrical construction contractors.

Strengths

The segment generates steady earnings through providing a wide range of merchandise from electrical materials to building materials to various industries.



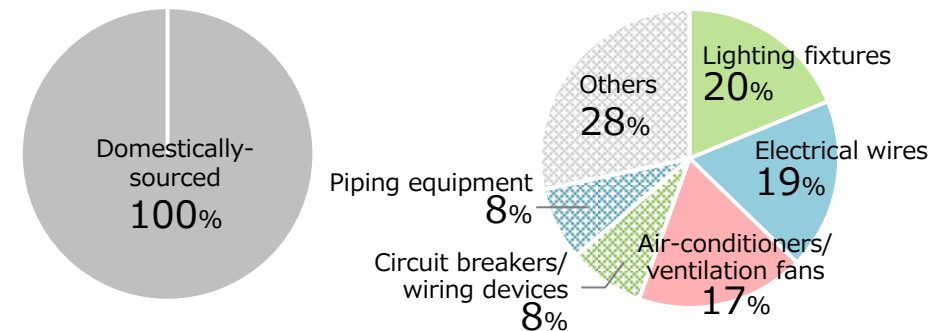
Results in the past 5 years



Ratio of segment sales FY2023

Procurement source

Merchandise category



Initiatives

- Cultivate new customers and expand merchandise lineup
- Expand the electrical work-related construction business and capture demands from end users (such as electrical construction contractors).
- Enter into new fields such as factory automation and equipment engineering.
- Expand sales of Eco-friendly and environment-related merchandise.

Segment Overview : Scaffolding Construction

Business areas

The Scaffolding Construction Segment provides scaffolding construction services and procures, sells and rents out temporary scaffolding materials to building contractors and medium-sized general contractors

Strengths

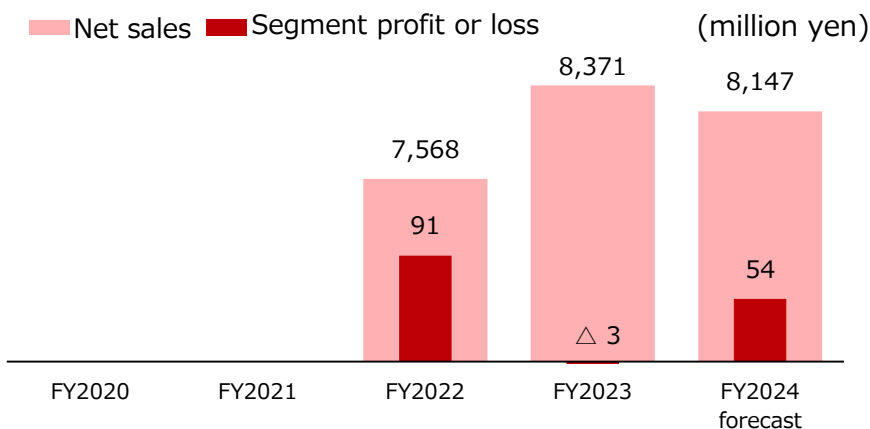
The segment provides a wide range of construction services from residential buildings and medium-rise properties to civil engineering structures (such as bridges)

Number of operating sites	Number of employees
38	323 (construction workers: 126)
Capex for scaffolding materials	Book value of scaffolding materials
205 million yen	584 million yen

※ As of end March 2023

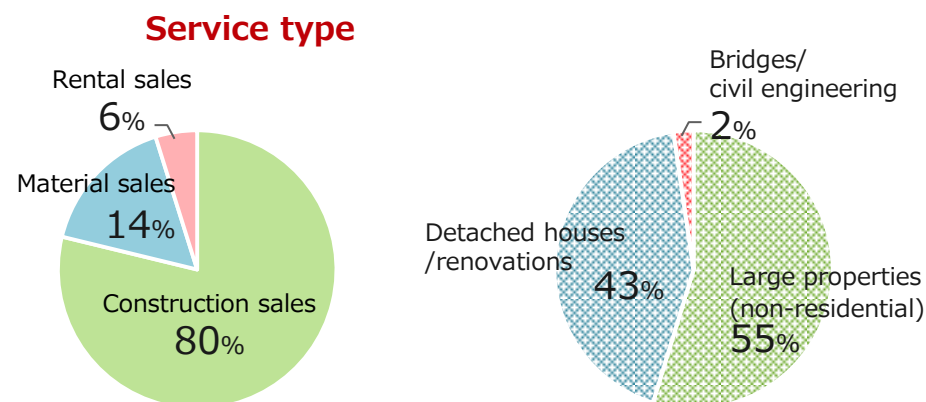
※ The amount of investment in the last year

Results in the past 5 years



※ Figures for sales and segment profit or loss are calculated based on new segments since FY2022.

Ratio of segment sales FY2023



Initiatives

- Step up orders with higher unit prices for medium-rise properties and civil engineering structures.
- Expand sales of scaffolding materials and sales of scaffolding rental.
- Expand customer base through developing new customers.

Market Size for Main Products and Merchandise

Market size for main products, merchandise and corresponding market shares (FY2022)

Market overview and initiatives

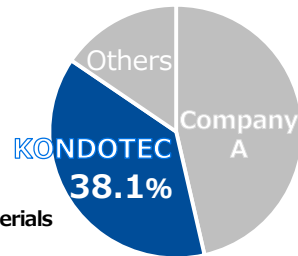
JIS certification Turnbuckle braces

Markets size
About **10** billion yen

They are seismic bracing products used in steel constructions

Segment

- Structural Steel Materials
- Industrial Materials



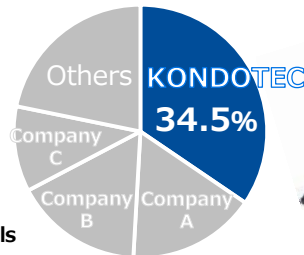
JIS certification Anchor bolts

Markets size
About **3** billion yen

They are important materials used to connect a building structure to a concrete foundation.

Segment

- Structural Steel Materials
- Industrial Materials



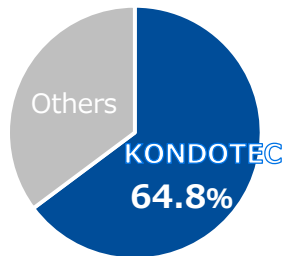
Scaffolding suspension chains

Markets size
About **1** billion yen

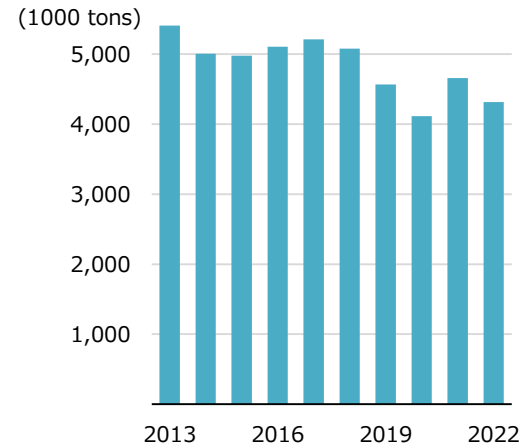
They are scaffolding materials to provide a safe working platform for work at height in bridge and expressway construction.

Segment

- Industrial Materials



Estimated volume of steel frame demand



※Source: The website of Ministry of Land, Infrastructure, Transport and Tourism

➤ Market overview

The demand is gradually recovering after the COVID pandemic.

The robust demand for large low-rise properties such as logistics facilities, data centers and factories is expected to continue.

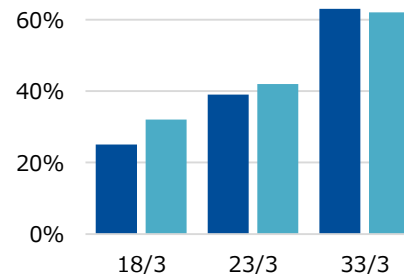
➤ initiatives to maintain and expand the market share

- Strengthen upstream sales
- Expand anchor bolt installation work
- Plan to open new operating sites

Demand for maintenance and repair of deteriorating social infrastructure

Percentage of 50+ year old infrastructure

■ Road bridges ■ Water control structures



※Source: The website of Ministry of Land, Infrastructure, Transport and Tourism

➤ Market overview

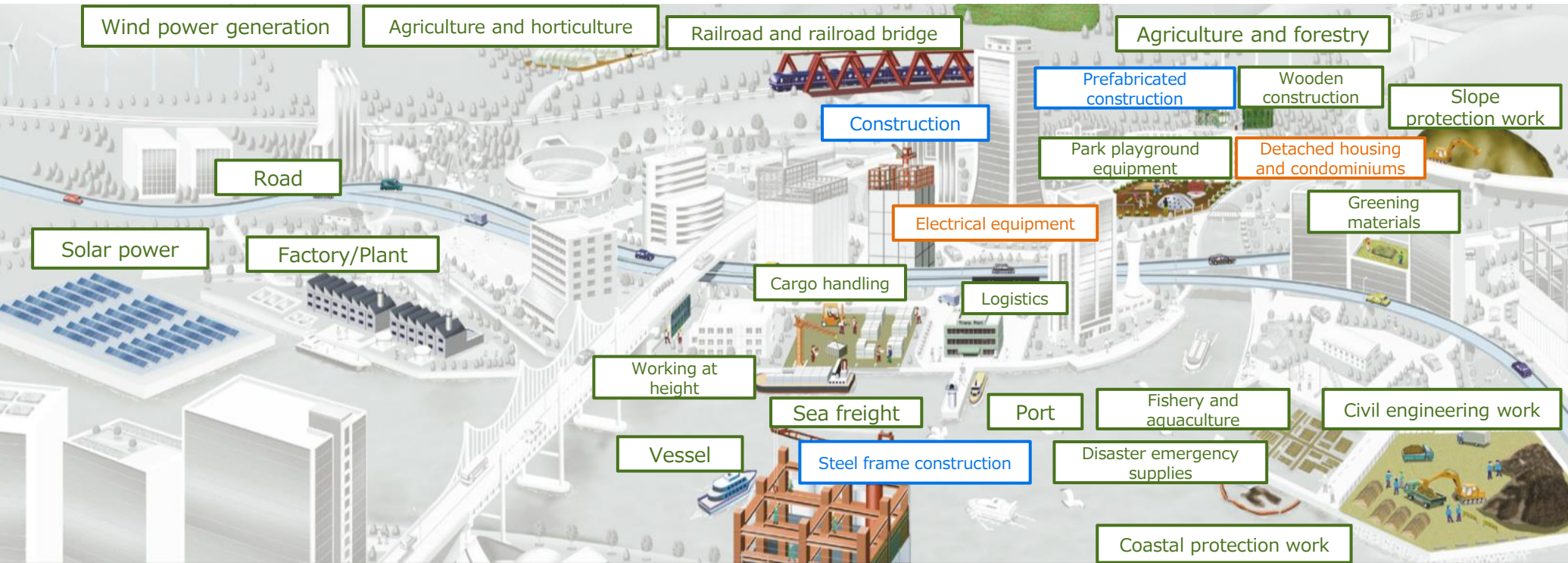
The number of 50-plus-year-old infrastructure is expected to increase exponentially in the next decade.

➤ initiatives to maintain and expand the market share

- Develop new products (such as lightweight chains)
- Expand sales of products and merchandise through cooperation between Industrial Materials and Scaffolding Construction segments.

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 fields. 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.

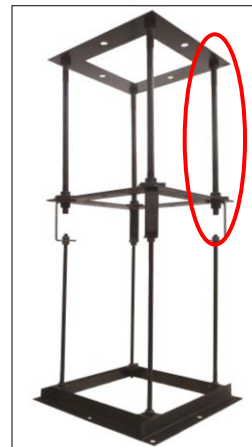


Anchor Bolts

- 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 construction work



Anchor frame (Kon-base Eco)



Anchor bolts



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).



Scaffolding Installation

- Our subsidiaries, TECBULID, TOKAI STEP, and FUKOKU handle assembly and disassembly of scaffolding is used for construction and repair of warehouses, detached homes and condominiums.

Overpass repair



Condominium construction



4. Q1 FY2024 Financial Results and Analysis

Q1 FY2024 Consolidated Financial Results



(million yen)

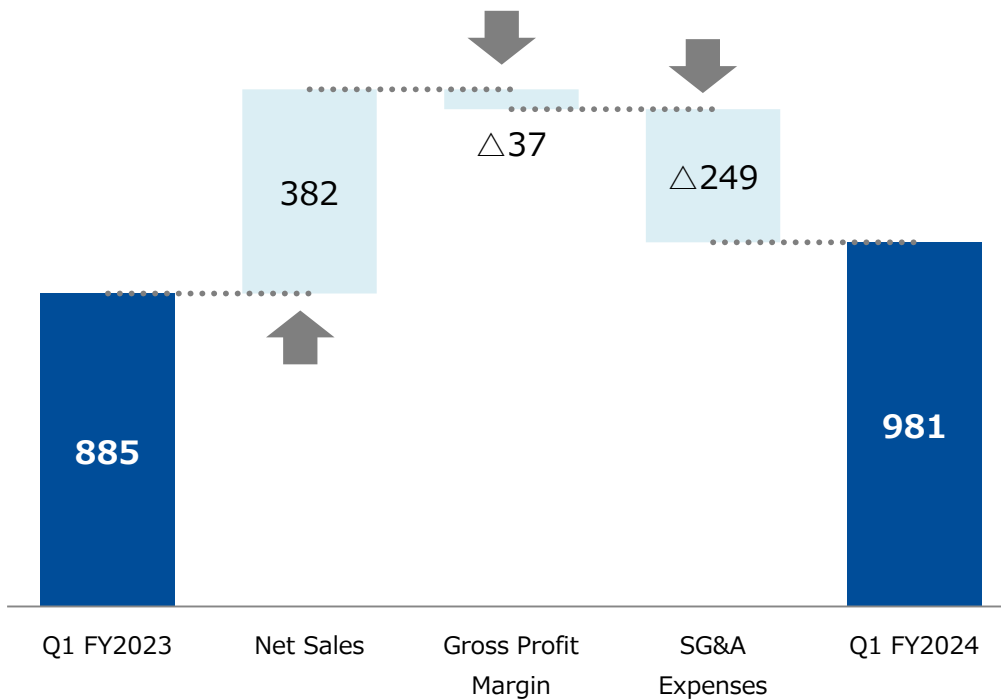
	Q1 FY2023	Q1 FY2024	YoY	
			Amount	%
Net sales	17,036	18,762	+1,726	+10.1%
Gross profit	3,777	4,122	+345	+9.1%
SG&A expenses	2,892	3,141	+249	+8.6%
Operating income	885	981	+95	+10.8%
Ordinary income	940	1,032	+92	+9.8%
Profit attributable to owner of parent	590	673	+83	+14.1%
EBITDA	1,317	1,419	+101	+7.7%

※ Note: EBITDA= Income before income taxes + Interest expenses + Depreciation + Amortization of goodwill

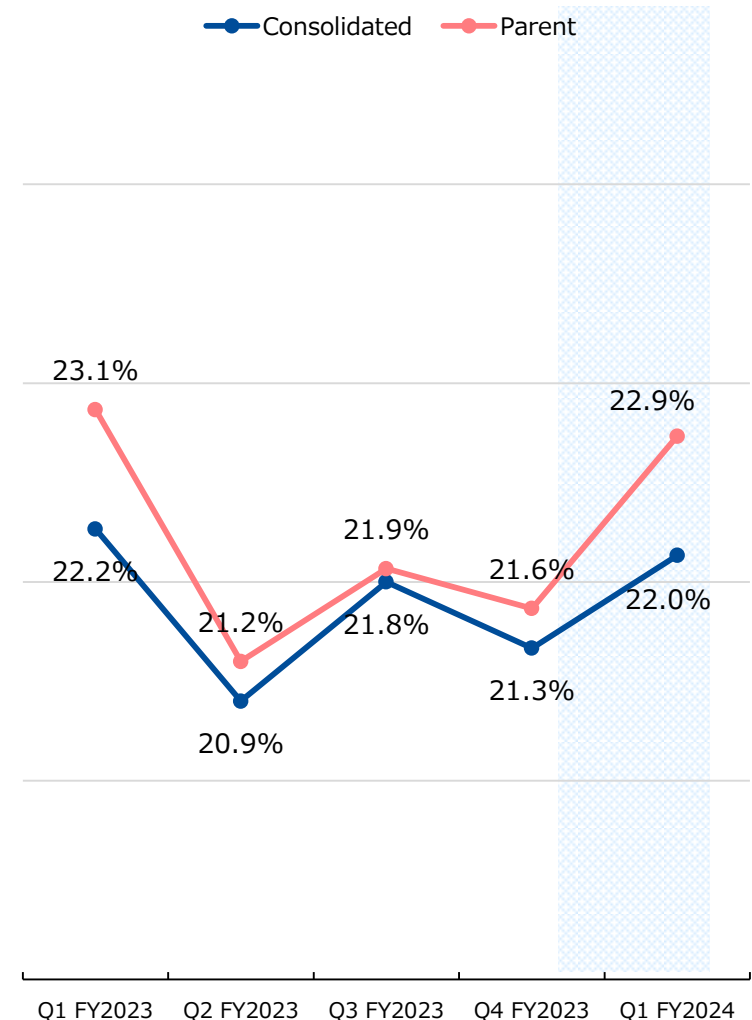
Operating Income Analysis (Consolidated)

Operating income analysis

(million yen)



Quarterly GPM



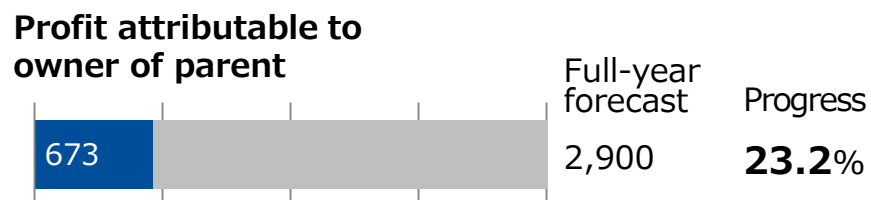
Gross Profit Margin	22.2% → 22.0%
SG&A Expenses	Bonuses +57 million yen Freight and packing costs +48 million yen Salaries +37 million yen Commission expenses +21 million yen

Q1 FY2024 Consolidated Financial Results Progress for FY2024 Forecast

Progress for FY2024 forecast

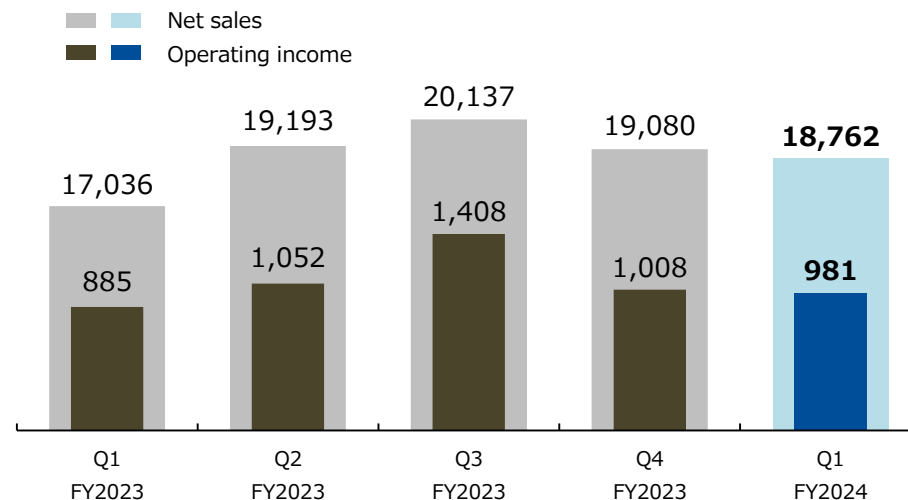
(million yen)

■ Q1 FY2024 ■ Full-year forecast

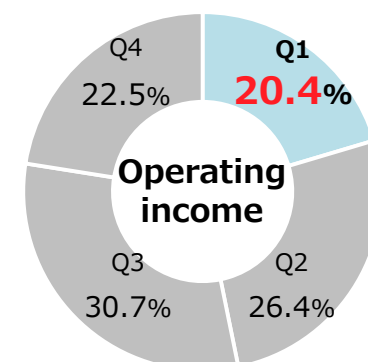
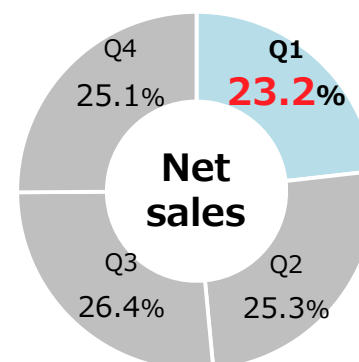


Net sales and operating income

(million yen)



Quarterly percentage breakdown (5-year average)



Consolidated Balance Sheet [Assets]

(million yen)

		FY2023	Q1 FY2024	Change
Current assets	Cash and deposits	10,733	9,997	△736
	Notes and receivable-trade, and contract assets	14,181	13,444	△737
	Electronically recorded monetary claims operating	3,695	4,085	+390
	Inventories	8,132	8,293	+160
	Other	658	715	+57
	Total current assets	37,402	36,536	△865
Non-current assets	Property, plant and equipment	15,403	15,820	+416
	Intangible assets	4,286	4,233	△53
	Investments and other assets	1,070	896	△173
	Total non-current-assets	20,761	20,950	+189
	Total assets	58,163	57,487	△675

Consolidated Balance Sheet [Liabilities and Net Assets]



(million yen)

		FY2023	Q1 FY2024	Change
Current liabilities	Notes and accounts payable-trade	5,015	4,766	△249
	Electronically recorded obligations-operations	9,738	9,465	△272
	Breakdown			
	Electronically recorded obligations-operations	11,439	11,144	△295
	Repayment before maturity	△1,701	△1,678	+22
	Short-term loans payable	3,610	3,610	-
	Income taxes payable	946	246	△700
	Other	3,319	3,295	△24
	Total current liabilities	22,630	21,383	△1,246
	Non-current liabilities	2,247	2,533	+285
	Total liabilities	24,878	23,917	△960
Net assets	Shareholder's equity	32,679	32,919	+240
	Accumulated other comprehensive income	△1,395	△1,352	△43
	Non-controlling interests	2,000	2,002	+1
	Total net assets	33,285	33,570	+285
	Total liabilities and net assets	58,163	57,487	△675

5. Q1 FY2024 Financial Results and Analysis by Segment

Q1 FY2024 Financial Results by Segment



(million yen)

	Q1 FY2023	Q1 FY2024	Change (%)	Full-year forecast	Progress	
Industrial Materials	Net sales	8,591	9,256	+7.7%	39,293	23.6%
	Segment profit or loss	538	576	+6.9%	2,597	22.2%
	EBITDA	605	643	+6.2%	–	–
Structural Steel Materials	Net sales	4,475	5,019	+12.2%	20,873	24.0%
	Segment profit or loss	376	380	+1.2%	1,589	24.0%
	EBITDA	385	390	+1.2%	–	–
Electrical Equipment	Net sales	2,223	2,401	+8.0%	9,684	24.8%
	Segment profit or loss	57	53	△6.7%	279	19.1%
	EBITDA	66	66	+0.1%	–	–
Scaffolding Construction	Net sales	1,746	2,085	+19.5%	8,147	25.6%
	Segment profit or loss	△81	△20	–	54	–
	EBITDA	97	143	+46.9%	–	–

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

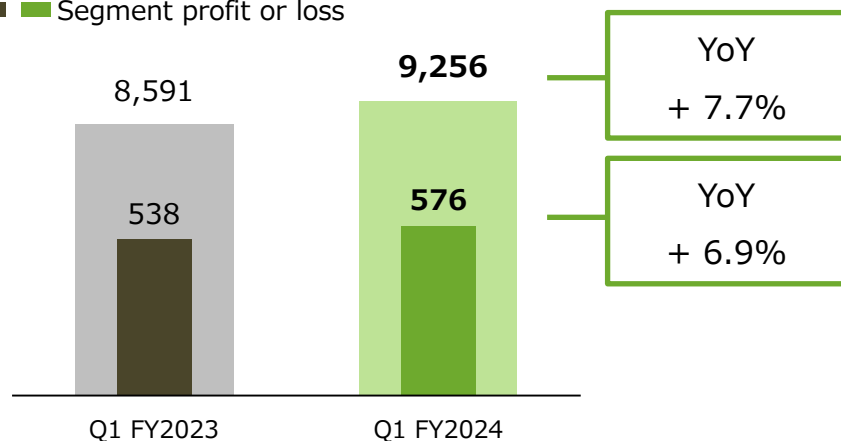
※ Note: EBITDA= Segment profit or loss + Depreciation + Amortization of goodwill

Net sales and segment profit or loss

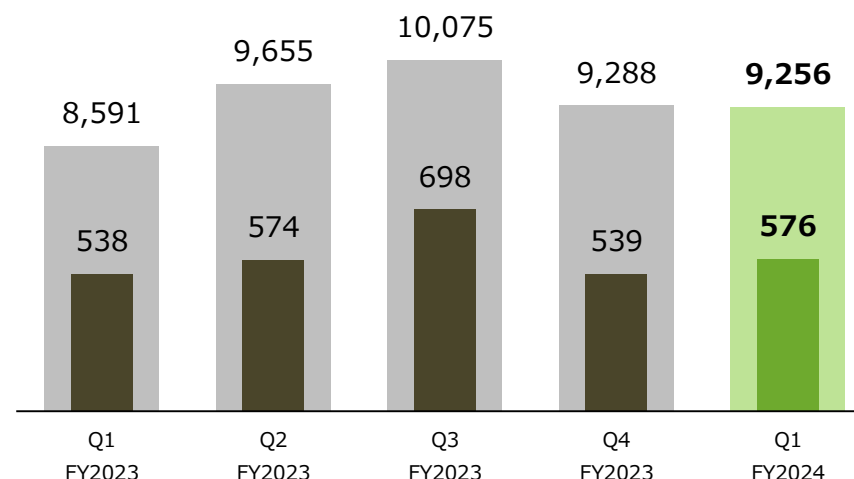
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 670 million yen YoY.

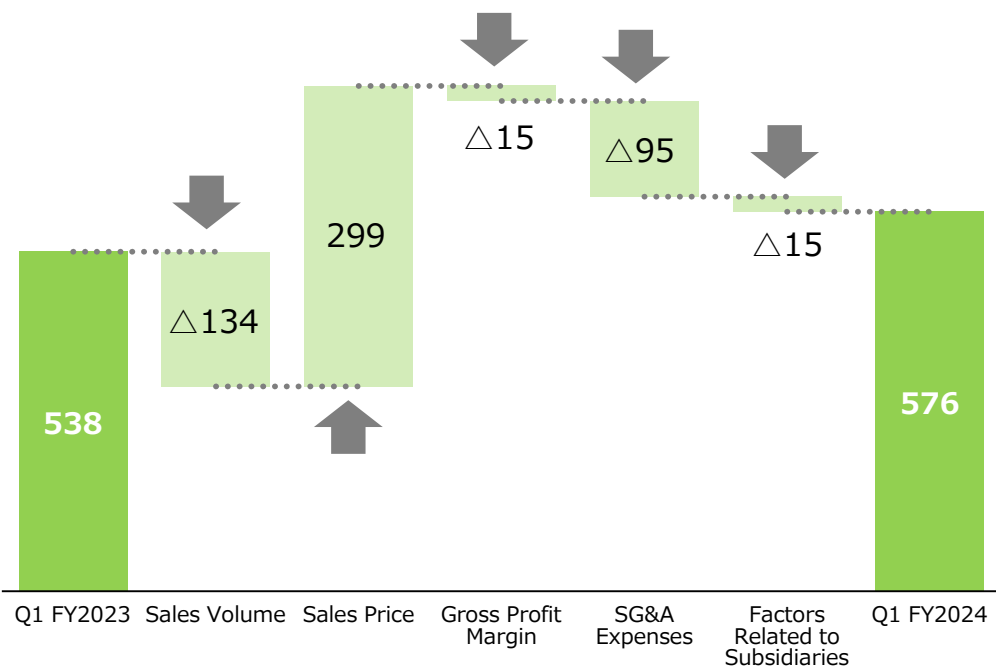
Sales increased due to price pass-through in response to higher manufacturing and procurement costs.

Increased/decreased amount in net sales (million yen)

Products (approx.)	+20	Scaffolding suspension chains	+38	Sales increased due to demands for maintenance and repairs as well as bridge renewal projects.
Merchandise (approx.)	+650	Temporary scaffolding materials	+107	On the customer side, there seems to be growing less reluctant about purchasing merchandise. Therefore, sales increased due to this environment as well as a rise in large orders

Segment profit or loss analysis

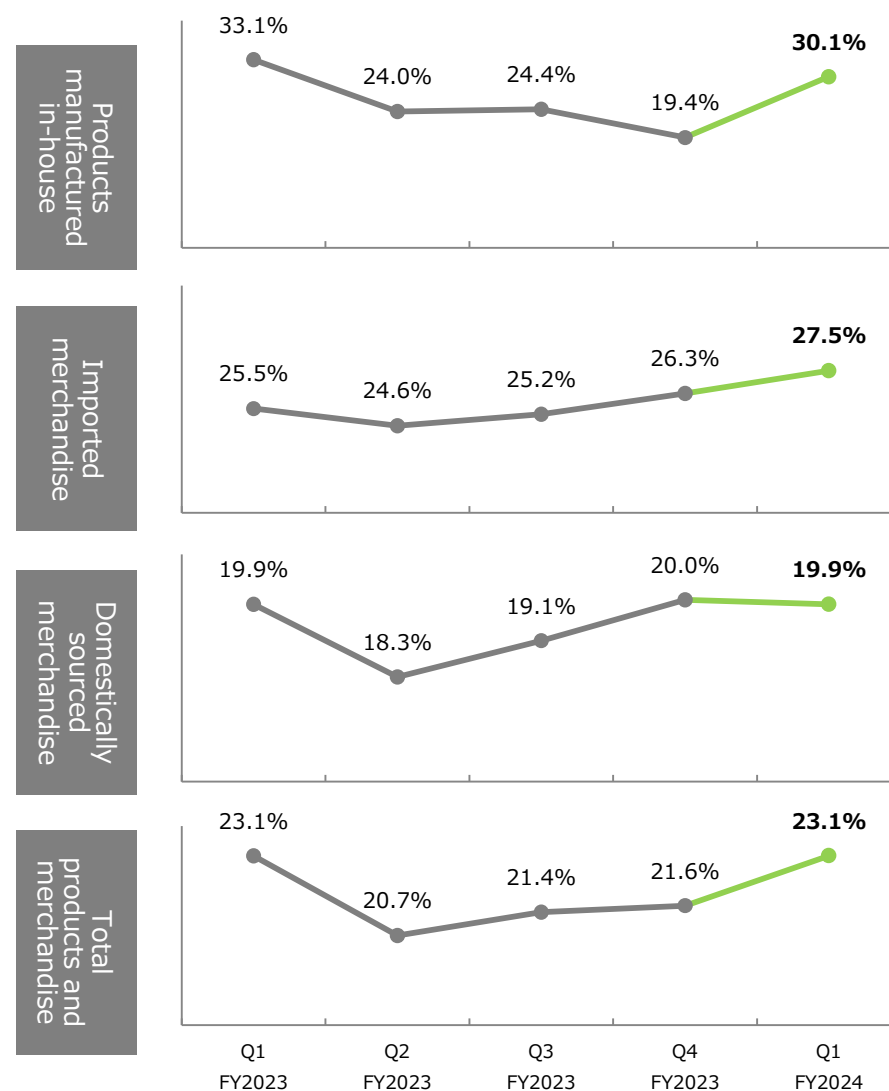
(million yen)



※ Note: The following figures do not include subsidiaries.

Sales Volume	Products Δ 25 million yen Merchandise Δ 109 million yen
Sales Price	Products +49 million yen Merchandise +250 million yen
Gross Profit Margin	Products 33.1% \rightarrow 30.1% Merchandise 21.6% \rightarrow 21.8% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Freight and packing costs +23 million yen Bonuses +11 million yen Salaries +7 million yen Repair expenses +5 million yen

Quarterly GPM

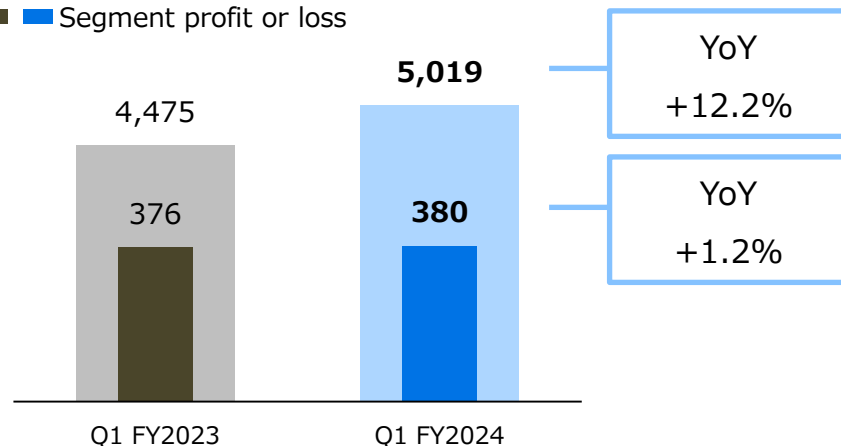


Net sales and segment profit or loss

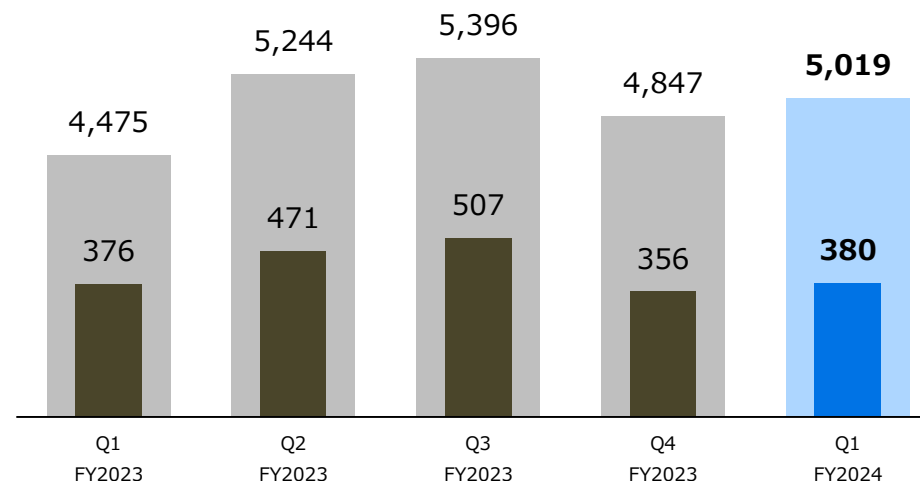
(million yen)

■ YoY

■ Net sales
■ Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 540 million yen YoY.

Demand for large properties has recovered, while demand for small and medium-sized properties has remained flat. Despite volatile environment surrounding the Structural Steel Materials segment, sales increased due to efforts to capture recovering demand and price pass-through in response to higher manufacturing and procurement costs.

Increased/decreased amount in net sales (million yen)

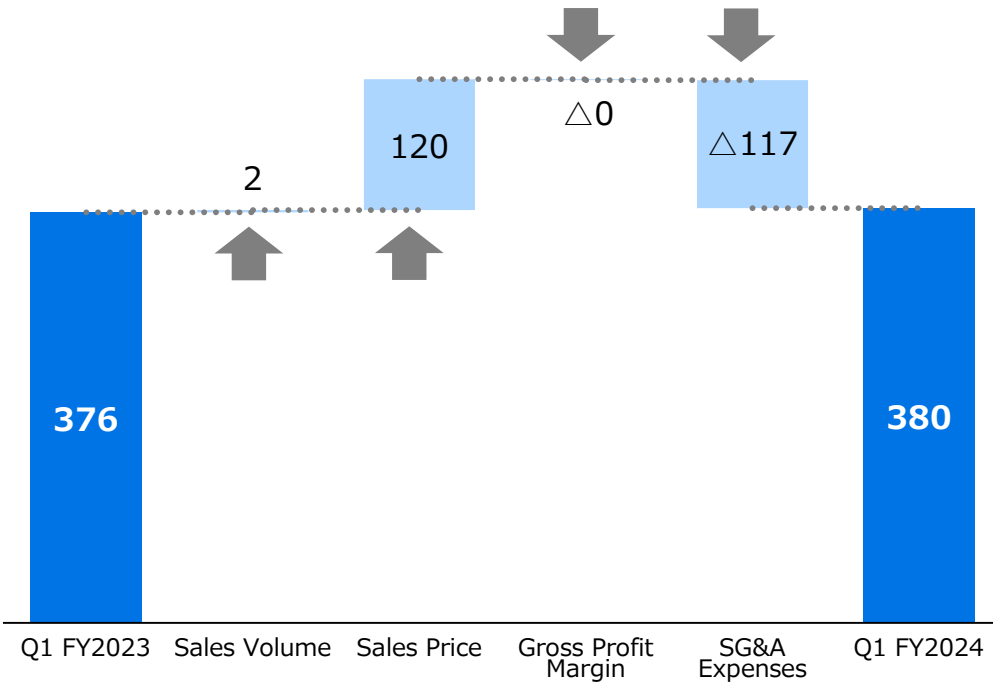
Products (approx.)	+120	Braces	+60	Sales increased due to a rise in sales prices and the number of large property projects as well as a recovery in steel frame demand.
Merchandise (approx.)	+420	Screws	+184	

Sales increased due to robust sales of bolts for H-grade fabricators and steel companies against the backdrop of higher demand for large-scale projects.

Structural Steel Materials

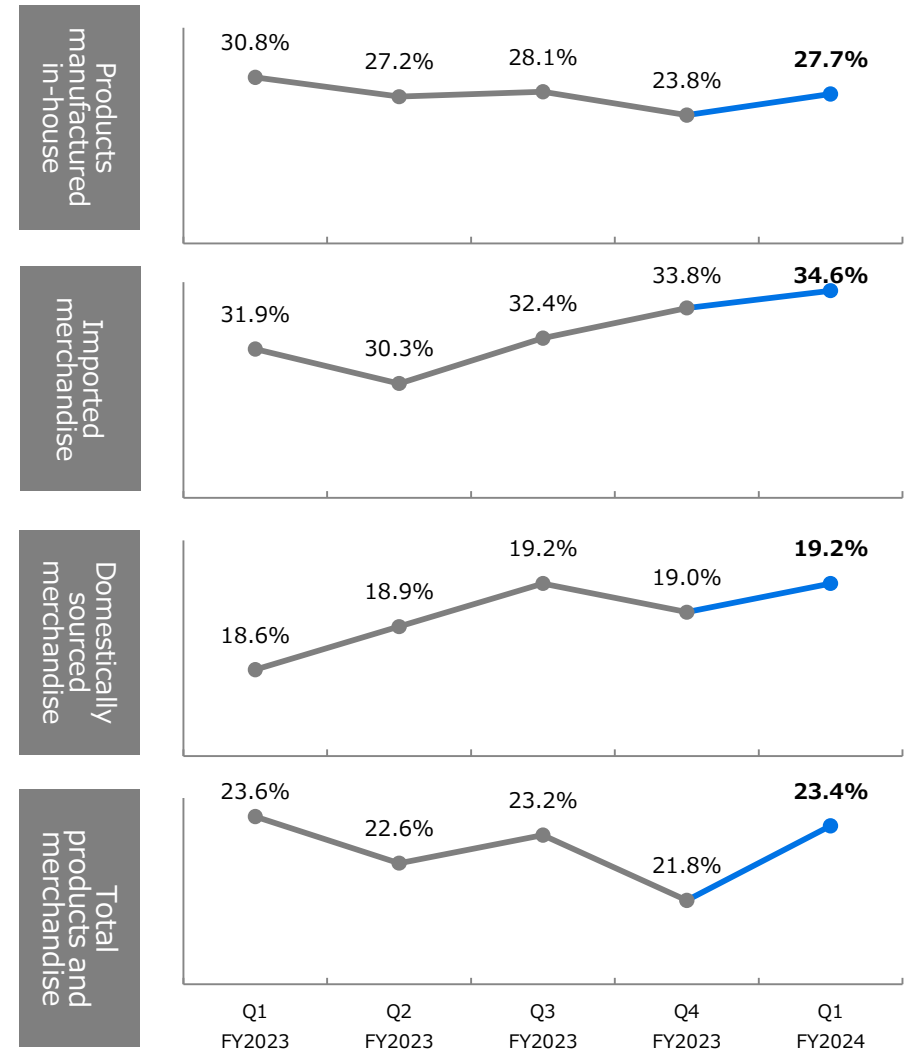
Segment profit or loss analysis

(million yen)



Sales Volume	Products Δ19 million yen Merchandise +21 million yen
Sales Price	Products +55 million yen Merchandise +64 million yen
Gross Profit Margin	Products 30.8% → 27.7% Merchandise 20.2% → 21.5% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Bonuses +36 million yen Freight and packing costs +26 million yen Salaries +12 million yen

Quarterly GPM

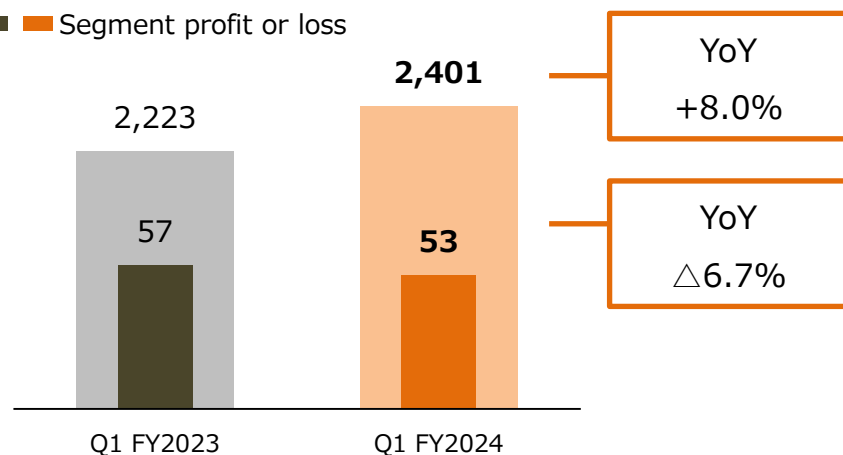


Net sales and segment profit or loss

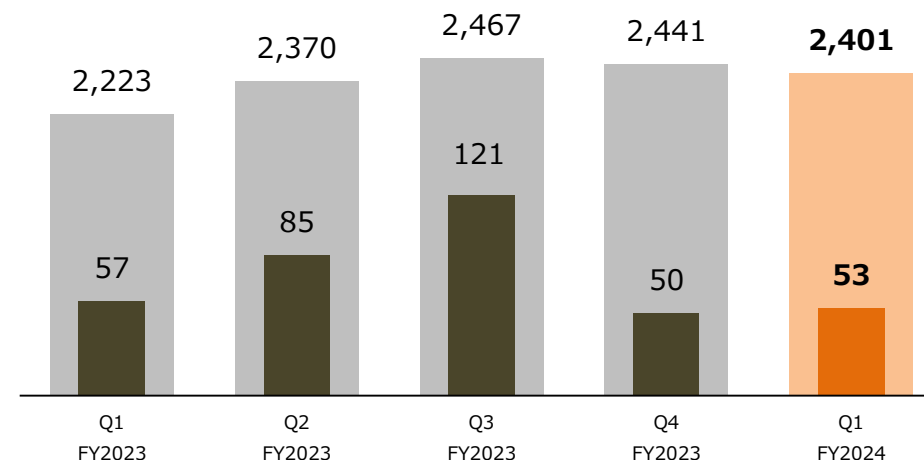
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales increased by about 180 million yen YoY.

Since the semiconductor shortages have eased and private-sector capital investment has recovered, sales increased as a result of the penetration of price pass-through in response to price revision requests from manufacturers and acquisition of orders related to carbon neutrality.

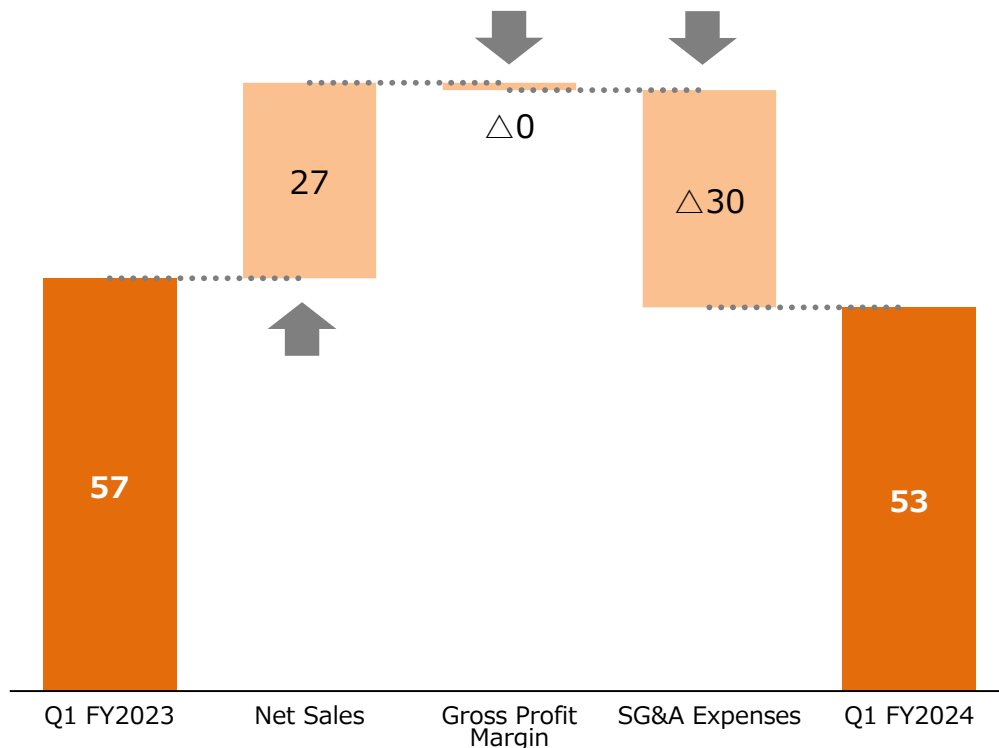
Increased/decreased amount in net sales (million yen)

Piping equipment	+61	Orders increased due to a rise in the number of large-scale projects.
Electrical panels	+48	Sales increased due to a rise in large orders such as commercial electrical panels.

Electrical Equipment

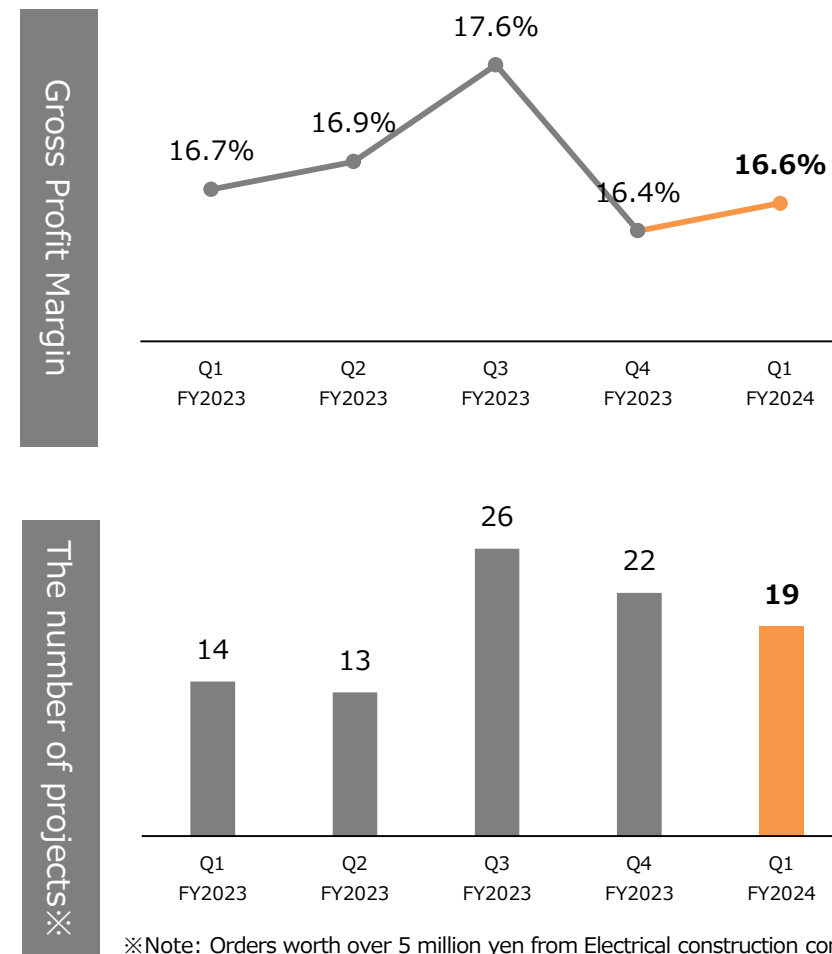
Segment profit or loss analysis

(million yen)



Gross Profit Margin	16.7% → 16.6%
SG&A Expenses	Commission expenses +8 million yen Bonuses +6 million yen Supplies expenses +5 million yen Salaries +4 million yen

Quarterly GPM and the number of projects



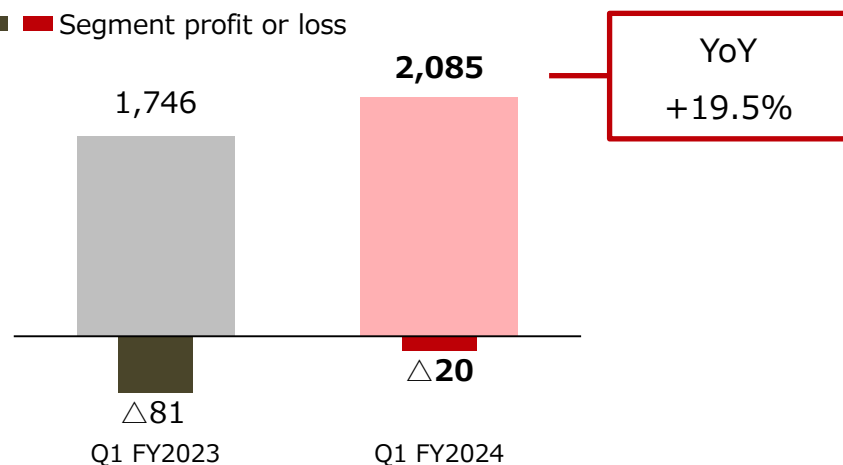
※Note: Orders worth over 5 million yen from Electrical construction contractors.

Net sales and segment profit or loss

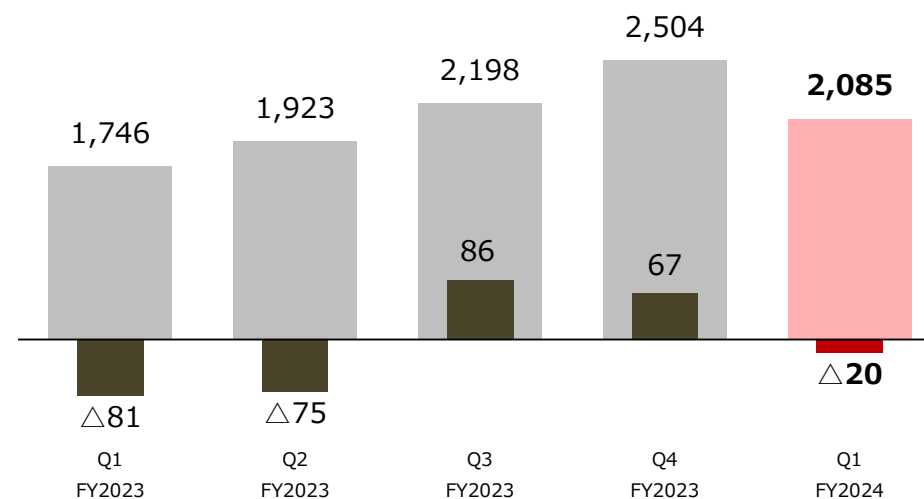
(million yen)

■ YoY

■ Net sales
■ Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 340 million yen YoY.

Against the backdrop of a recovery in private-sector capital investment, sales increased due to favorable construction sales with a focus on large properties (non-residential) and rental sales, while large orders for scaffolding materials contributed to the rise in sales.

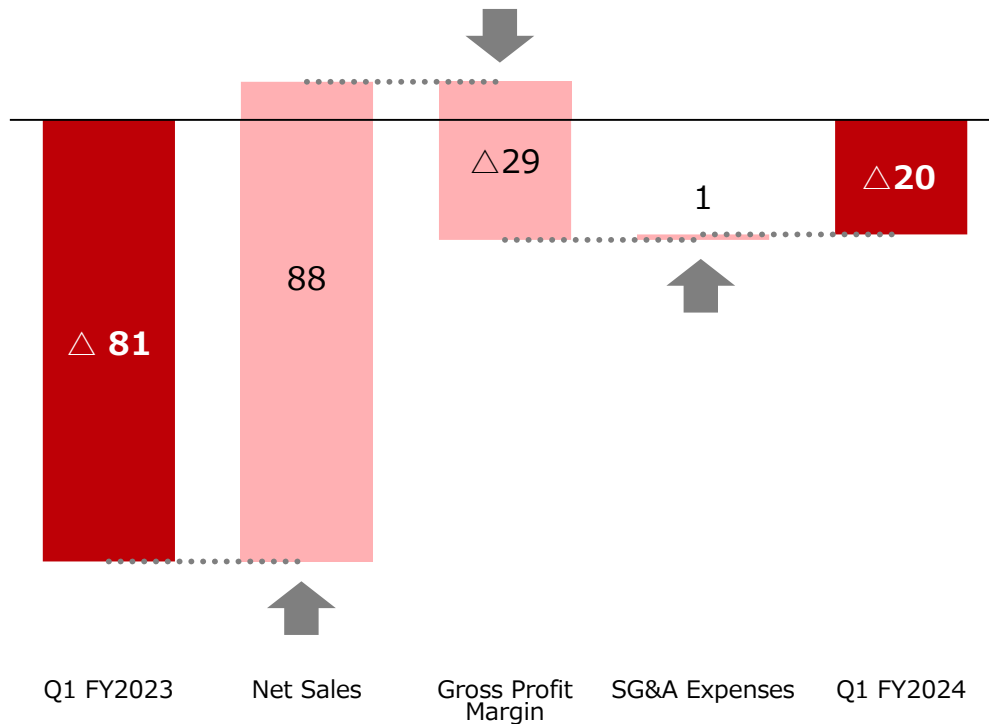
Increased/decreased amount in net sales (million yen)

Material sales	+149	Sales increased due to some large orders.
Construction sales	+140	Sales increased due to a rise in large-scale renovation projects for existing condominiums and non-residential constructions such as stores and factories.

Scaffolding Construction

Segment profit or loss analysis

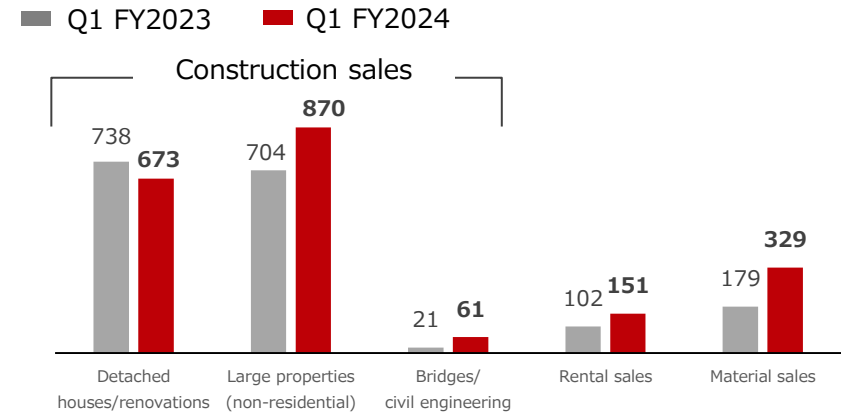
(million yen)



Gross Profit Margin	26.1% → 24.7%
SG&A Expenses	Commission expenses +7 million yen Depreciation +3 million yen Amortization of goodwill △11 million yen

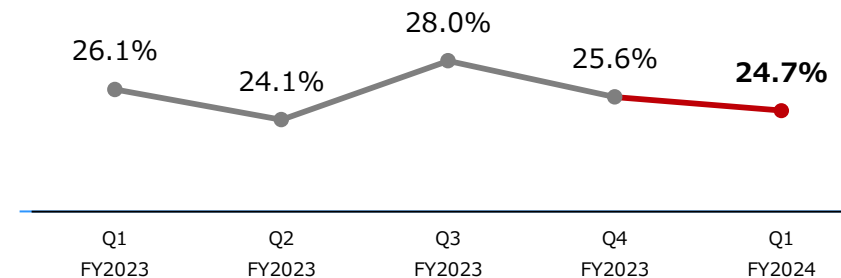
Sales fluctuations by service type

(million yen)



Unfilled orders	As of end June 2022	As of end June 2023
	2,003 million yen	2,760 million yen















Quarterly GPM



6. Response to ESG Issues

ESG Basic Policy

- 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	<ul style="list-style-type: none"> Provision of optimal products and merchandise for environment measures 	Expansion of the handling of environment-related products and merchandise	   
	<ul style="list-style-type: none"> Business activities paying attention to the environment 	Initiatives for environmental protection and energy-saving Management of emissions (material balance)	
Social	<ul style="list-style-type: none"> Product liability and quality assurance 	Quality control of products and merchandise Stance for security and safety	        
	<ul style="list-style-type: none"> Procurement and provision of high-value-added products, merchandise and services 	Provision of better products, merchandise for customers	
	<ul style="list-style-type: none"> Communication with shareholders and investors 	Engagement with shareholders	
	<ul style="list-style-type: none"> Appropriate information disclosure and security 	Stance for information disclosure Information security measures	
	<ul style="list-style-type: none"> Co-existence with local communities 	Operating site opening plan Response to disasters and contributions to local communities	
	<ul style="list-style-type: none"> Safety measures and work-style reform 	Risk control for disasters and others Employee health, safety, and hygiene	
	<ul style="list-style-type: none"> Human resource development and diversity 	Policy on human resource development Diversity Employee benefits	
Governance	<ul style="list-style-type: none"> Strengthening of corporate governance 	Corporate governance	
	<ul style="list-style-type: none"> 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.
- SDGs Promotion Department established to explore, research and design initiatives to facilitate achieving the SDGs targets.

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 	<ul style="list-style-type: none"> ● Sales of environment-related merchandise ● Installation of solar power generation
Social	<ul style="list-style-type: none"> ● 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"> ● Introduction of internal training and “Lifting equipment advisor” system (as an internally certified qualification) ● Maternity leave/childcare leave/support for returning to work/Recruitment of foreign students studying in Japan ● Introduction of a restricted stock compensation plan and employee shareholders association system
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"> ● Evaluation of the effectiveness of the Board of Directors ● Establishment of a Nomination and Compensation Committee and transition to a Company with an Audit & Supervisory Committee

Improve Productivity and Profitability

Sales Growth and Business Expansion

Sustainable Growth

Environment

Provision of optimal products and merchandise for environment measures

■ 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.



■ Merchandise using renewable plastics

KONDOTEC also offers recycled PP strapping merchandise made from plastic collected from consumers and construction deck plates made from biomass plastics, both of which an Eco Mark certified.



■ Mash-up cover

Joints in building materials intentionally create rust to fix building materials to each other through friction bonding. For this reason, masking tape or other means that was used on surfaces as covering to prevent paint from coating the joints. Our development of the mash-up cover makes this covering possible without generating tape waste.



(SAKUMIGUMI Co., Ltd.'s co-developed product with KONDOTEC)

Business activities paying attention to the environment

■ Initiatives for environmental protection and energy-saving

➤ Initiatives for environmental protection

As part of efforts to reduce CO2 emissions, KONDOTEC has begun plans to replace Company cars with EVs, and to switch to renewable energy sources to power Company facilities.

➤ Acquisition of ISO14001

We obtained ISO14001 certification for all parent factories. We will continue to work on business activities with full consideration for environmental preservation.

➤ Reuse of wooden pallets

As one of our initiatives to reduce waste, from this year we are running a trial program to circulate wooden pallets used in-house among our locations.

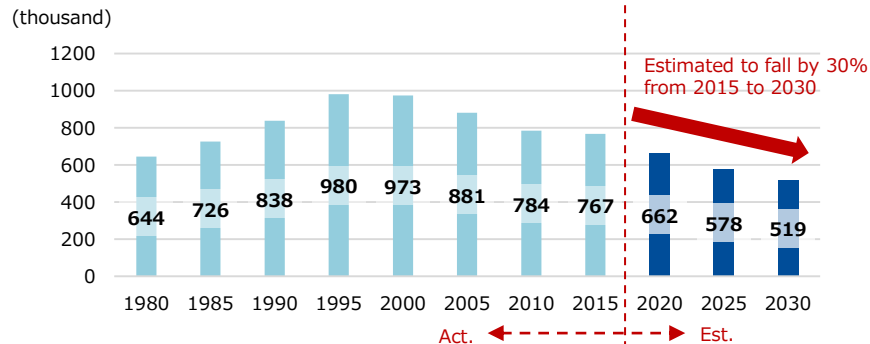


Social

The 2024 problem in the logistics industry

- Logistics function is as an important element to maintain our rapid-delivery system, one of the KONDOTEC's strengths.
- Regulations on truckers' overtime will come into effect in 2024. The regulations are expected to cause problems in the logistics industry, including truck driver shortages.

Number of drivers in the road haulage industry



Source: "Logistics Concepts 2030" (Japan Institute of Logistics Systems, February 2020)

Introduction of regulations to limit overtime for drivers in the logistics industry

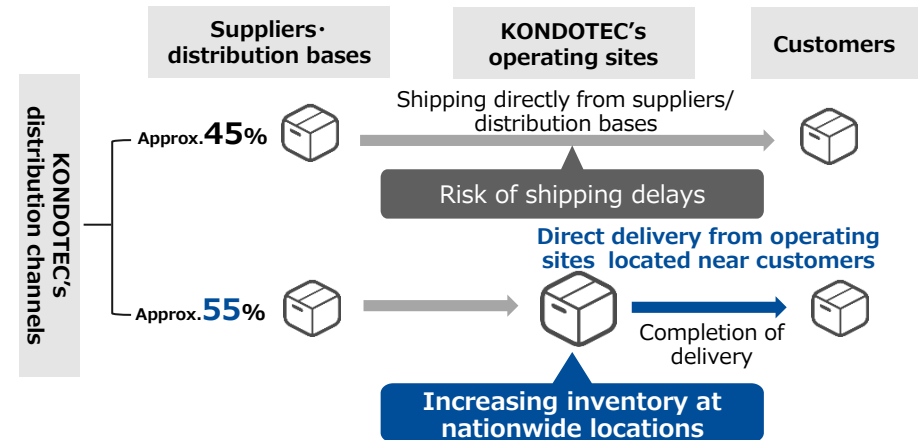


Concerns

- Unable to secure long-distance transportation services
- Take a long time for transportation and more

Response to the 2024 problem in the logistics industry

- In response to the 2024 problem in the logistics industry, we plan to expand inventory at all of our nationwide locations to facilitate rapid delivery of products and merchandise against potential risks such as shipping delays.



Our initiatives

- We will expand inventory of long products that are considered more difficult than previously to transport.
- Also, we will expand existing warehouses and storage spaces of long-products.



▲ Example of long product: Alpacá (collaborative product with KURIYAMA ALUMINUM Co., Ltd.)



▲ Inventory space for long objects

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 (※ as of end March 2023)

Year of employment	Male	Female	Total	Nationality of international student	Number of turnover (※)
April-2023	13 persons	6 persons	19 persons	China	0 person
April-2022	8 persons	5 persons	13 persons		0 person
April-2021	10 persons	10 persons	20 persons		1 person
April-2020	11 persons	7 persons	18 persons		6 persons
April-2019	19 persons	4 persons	23 persons	Brazil	1 person

■ Benefit program Number of employees taking childcare leave

	Those who took childcare leave during the period	Return to work rate after childcare leave during the period	Rate of those who are currently on childcare leave during the period
2022.4.1~2023.3.31	13 persons	53.8%	46.2%
2021.4.1~2022.3.31	6 persons	100%	—
2020.4.1~2021.3.31	7 persons	100%	—

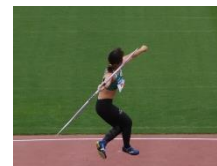
(as of end March 2023)

■ Diversity indicators and targets

Indicator	As of end March 2023	Target	Target completion date
Rate of mid-career individuals in management positions	31.3%	20% ~ 40%	March 2025
Rate of women with job titles (excluding management positions)	8.9%	15% or more	March 2030

■ Support for athletes

We have been supporting our employees in competitive sports.



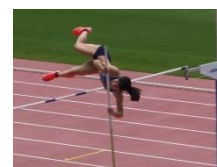
◀ Javelin Throw

Kiho Kuze



◀ Discus Throw

Mika Yamamoto



◀ Pole Vault

Yuki Noshi



◀ Hammer Throw

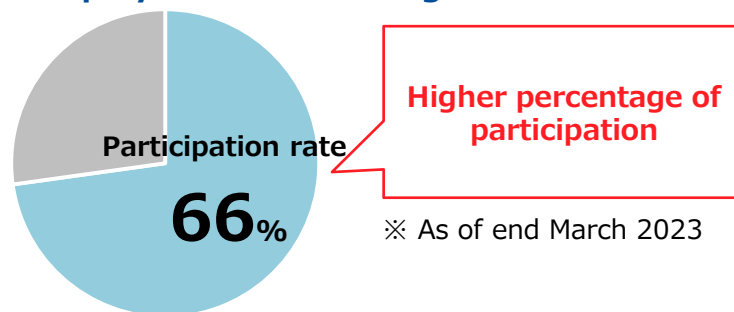
Sara Fujimoto

Social

Improving employee motivation

- We have introduced an employee restricted stock program. By issuing shares as an incentive to employees, we encourage employees to boost their motivation and morale toward enhancing performance.
- We target DOE of at least 4.0% and looks to pay continuously raise dividends. We have not lowered dividend since listing, and increased dividend for the twelfth consecutive year. This target serves as a benchmark aimed at improving employee incentives, which improves employee awareness of stock price.

■ Percentage of participation in employees shareholding association

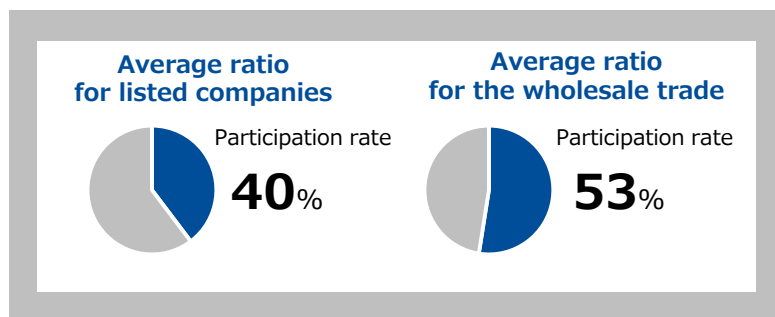


■ Shareholding status (excluding the founding family)

- The shareholding ratios of executive members, employees and former employees exceeded the average ratios for listed companies and the wholesale trade.
- KONDOTEK has not lowered its dividend since its listing, and plans to increase its dividend for the twelfth consecutive year. Dividends can serve the same function as pensions for former employees.

	Executive members Excluding the founding family	Employees Including the employees shareholding association	Former employees	Total	
Shareholding ratio	KONDOTEK	1.2%	8.4%	11.7%	21.3%
	Average ratio for listed companies	–	1.1%	–	1.1%
	Average ratio for the wholesale trade	–	1.2%	–	1.2%

- ※ As of end March 2023
- ※ Shareholding ratio is calculated based on all outstanding shares (treasury stock is not included).
- ※ For details on average ratio/participation rate for listed companies and the wholesale trade, refer to “Summary of 2020 Employee Stock Ownership Plan,” published by Japan Exchange Group, Inc., June 2022.



Governance

Corporate governance

- KONDOTEK recognizes 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

KONDOTEK has introduced a restricted stock compensation plan to promote its shared values with its shareholders and increase the contribution of its Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers to performance and enhancement of corporate value.

Establishment of Audit & Supervisory Committee

KONDOTEK works 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 members with the aim of strengthening supervisory functions.

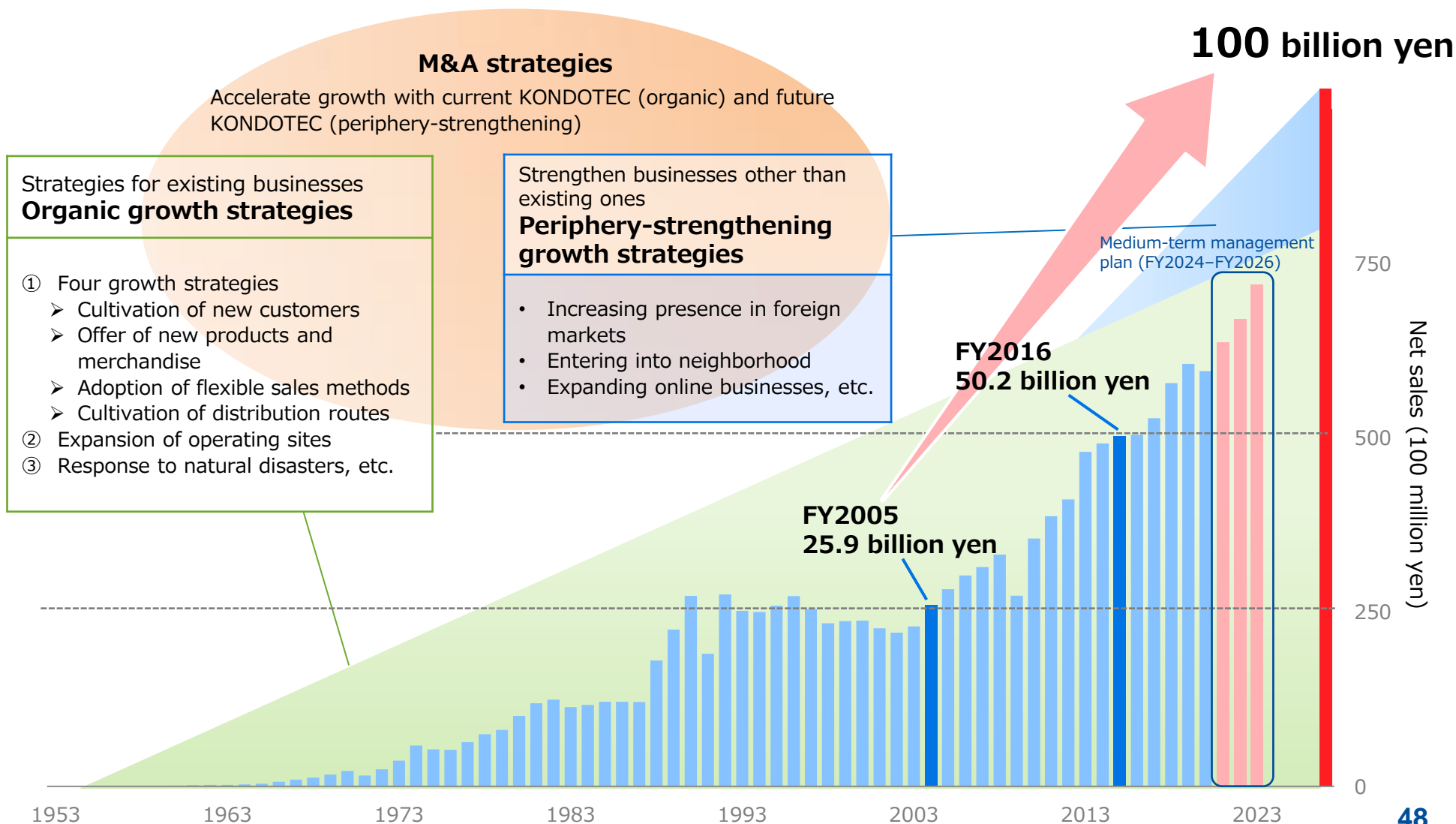
Formulation and announcement of management strategy and management plan

KONDOTEK accurately tracks 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, capex, and strategic investment) aimed at achieving targets for net sales, operating income, ROE, and DOE on its website and other platforms. In addition, we explain concrete measures for achieving our targets at financial results briefings. We review our 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

Towards 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

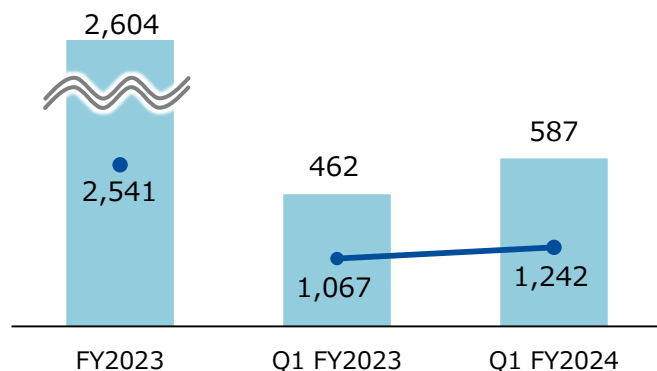
~ Cultivation of New Customers and Offer of New Products and Merchandise ~

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.

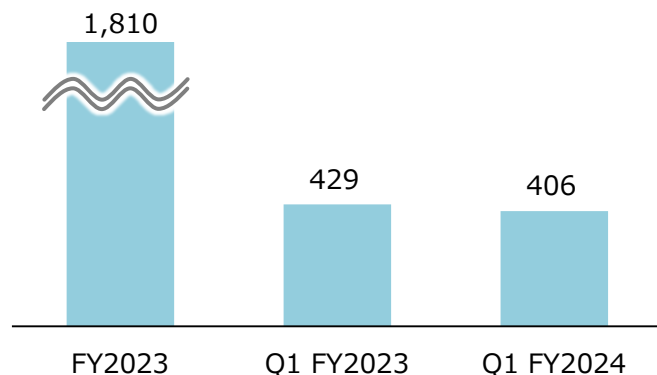
Cultivation of new customers

■ Net sales (million yen) ●—● New customers







Cultivation of dormant customers

■ Net sales (million yen)



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 FY2023	Q1 FY2024
KONDO furring bolts 		77	99
Square shaped hook bolts for railroad tie 		25	21
KT suspension balance 		2	3
Heavy duty chain 		2	14

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

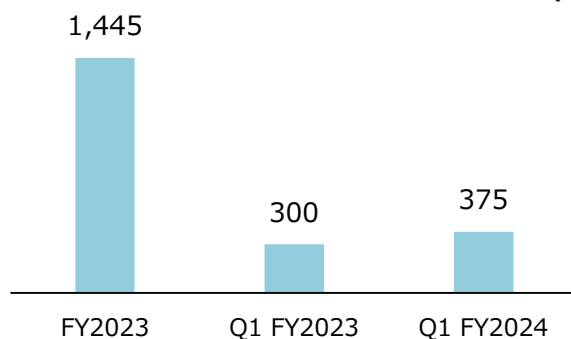
We operate the "Tsurikata" inspection site for lifting equipment to simplify the individual management and inspection of merchandise centered on cargo handling equipment. We will continue to not only sell products and merchandise but to also provide high-value-added services.



■ 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.

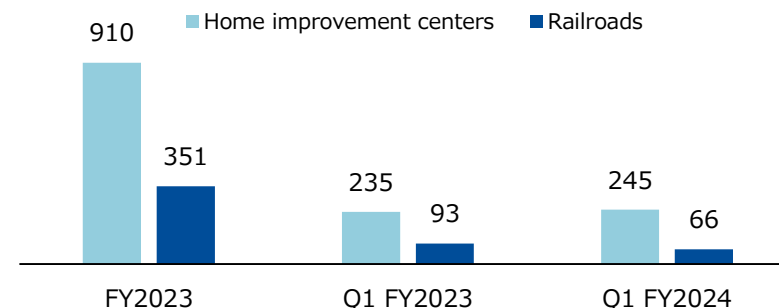
Net sales from anchor construction work (million yen)



Cultivation of distribution routes

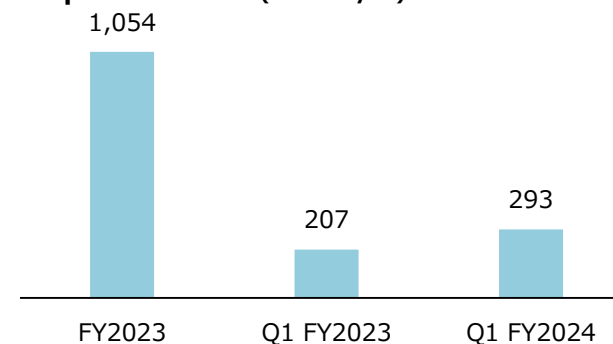
- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the "E-commerce Group" in July 2017 to explore sales through the Internet.

Net sales (million yen)



- 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

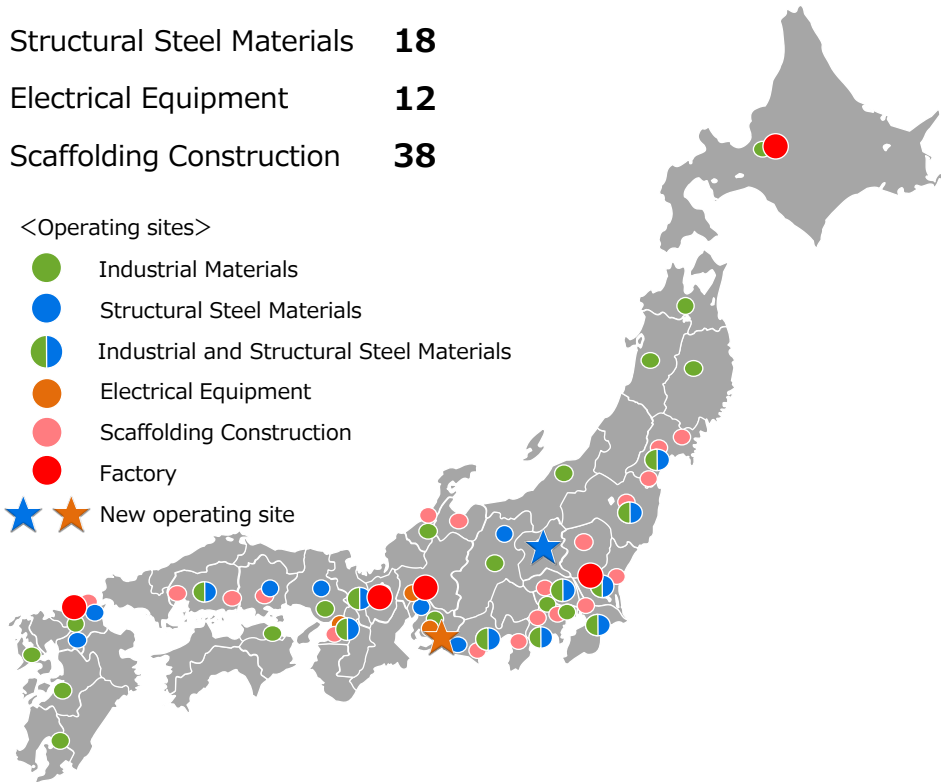
- We strive for expansion of operating sites which maintained a local-community-oriented sales structures in order to respond quickly to customer needs. Recently we opened the Gunma office in April 2022. We will continue to execute quick deliveries in an effort to realize customer-focused management.

Expanding sales network: 103 operating sites (as of end June 2023)

Industrial Materials	35
Structural Steel Materials	18
Electrical Equipment	12
Scaffolding Construction	38

<Operating sites>

- Industrial Materials
- Structural Steel Materials
- Industrial and Structural Steel Materials
- Electrical Equipment
- Scaffolding Construction
- Factory
- ★ ★ New operating site



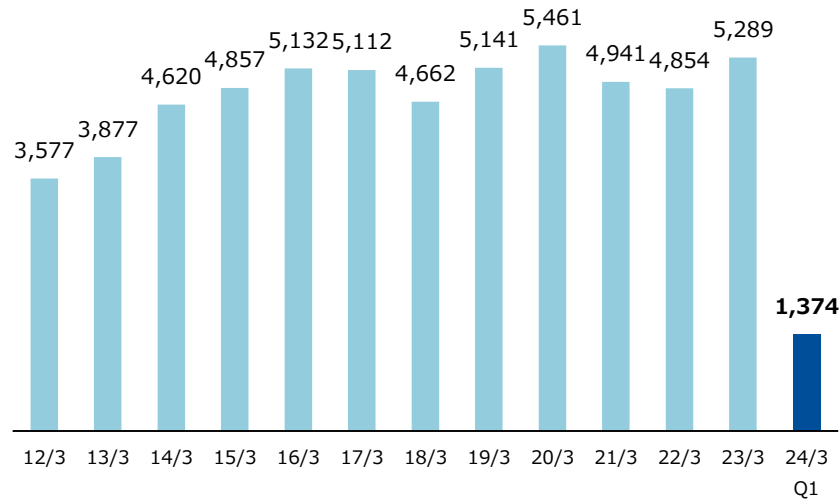
History of operating site network expansion

●	2006	Akita Office, Fukushima Office
●	2012	Tohoku Office
●	2015	Morioka Office
●	2016	Nagano Office, Kumamoto Office
●	2017	<Relocation> Shizuoka Office, Tokai Office
●	2017	Sanwa Denzai Co., Ltd. Aihoku Office
●	2018	Okayama Office
●	2019	CHUOH GIKEN Co., Ltd. Kusatsu Office
●	2021	<Relocation> Chukyo Branch
●	2022	Gunma Office
●	2023	Sanwa Denzai Co., Ltd. Nagoya-Higashi Branch

③ Response to Natural Disasters

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, Sandbags etc. Net, Sheet etc.



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

- The Ministry of Land, Infrastructure, Transport and Tourism has acknowledged that rainfall patterns are clearly changing and is therefore calling on companies to remain alert and prepare for a “new stage” of disaster prevention/mitigation measures.
- 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 sales 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 FY2024)

(million yen)	Q1 FY2023	Q1 FY2024	FY2024 forecast
International Sales Division	11	6	106
Local Subsidiary in Thailand	83	65	310
Total	95	72	416

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

Percentage of sales by country (Q1 FY2024)

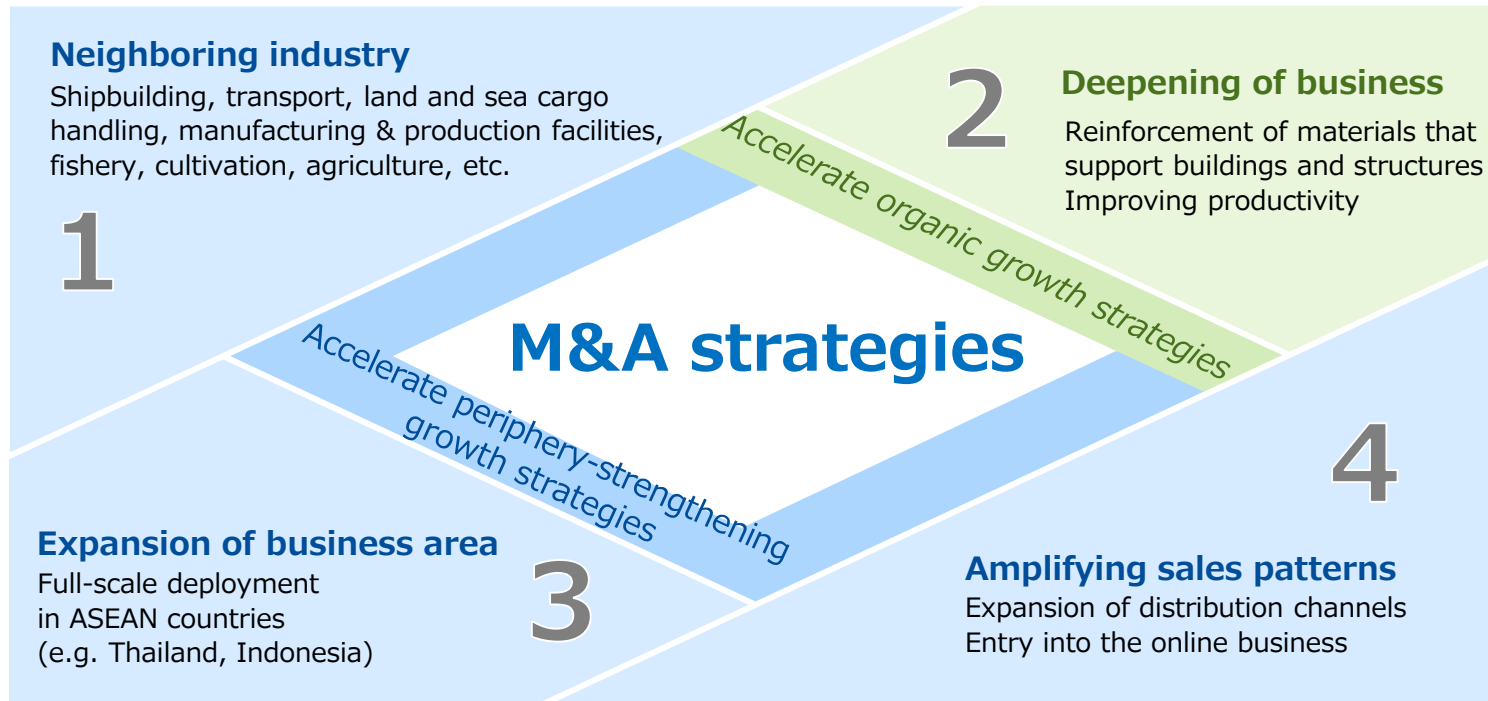
ASEAN	91%	Indonesia	29%
East Asia/China	8%	Thailand	28%
Near and Middle East	1%	Singapore	19%
Other countries	0%	Vietnam	14%
		Malaysia	1%



M&A Strategy (Corporate Acquisitions and Capital/Business Tie-Ups)

- 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.
KURIYAMA ALUMINUM 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.
FUKOKU, 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 KONDOTEK, 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 4.0% or more with the aim of continuing to increase dividends.

Transition in dividends

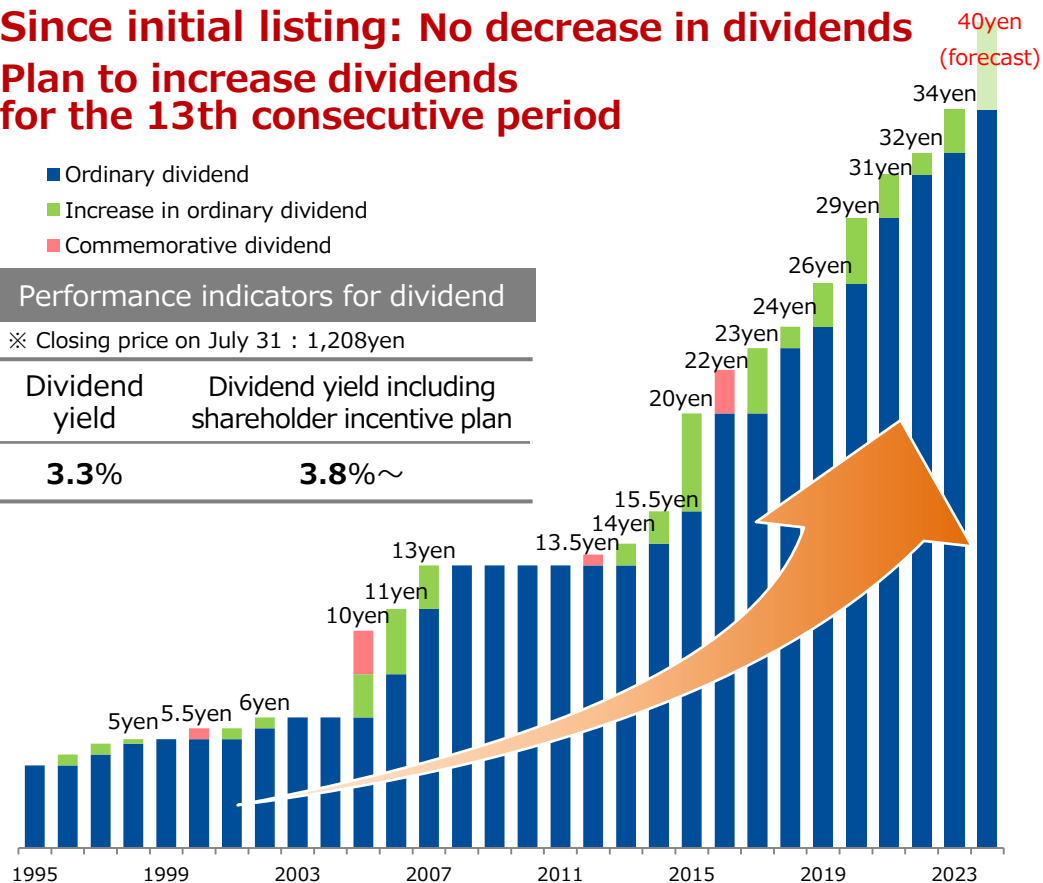
Since initial listing: No decrease in dividends
Plan to increase dividends for the 13th consecutive period

- Ordinary dividend
- Increase in ordinary dividend
- Commemorative dividend

Performance indicators for dividend

※ Closing price on July 31 : 1,208yen

Dividend yield	Dividend yield including shareholder incentive plan
3.3%	3.8%~



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

Shareholder incentive plan

- Shareholders can redeem reward points for over 4,000 choices (including food, appliances, electronics, travel, activities and much more) through the Premium Special Club PORTAL.



Amass
points



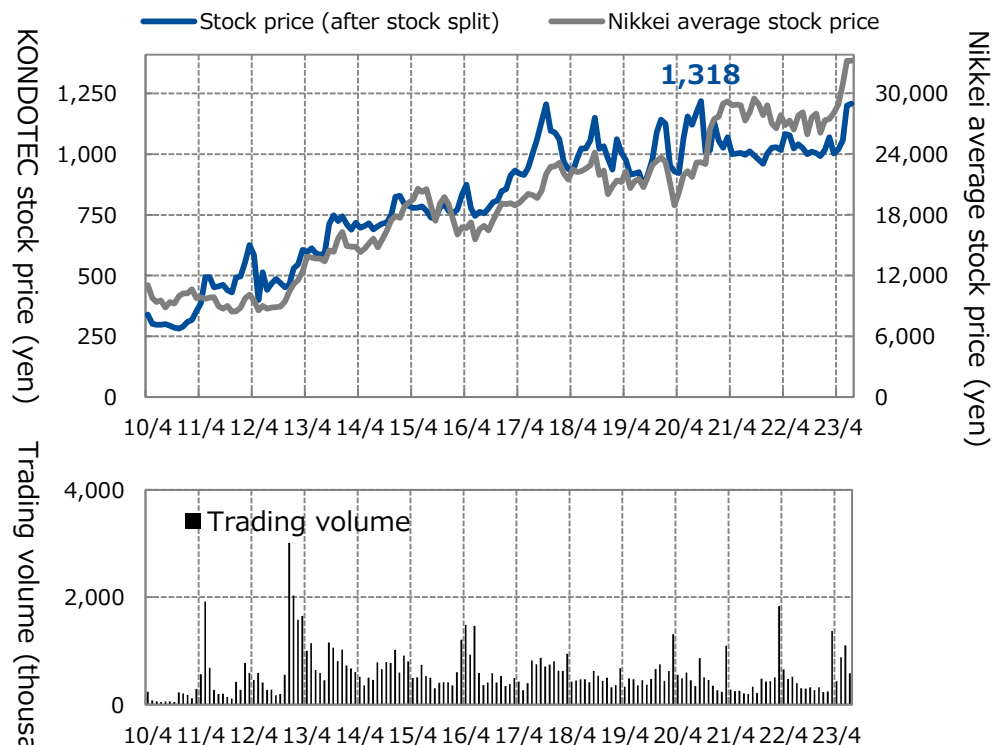
Redeem points
for gifts

Number of shares held	Reward points
500 to less than 600	3,000 points
600 to less than 700	4,000 points
700 to less than 800	5,000 points
800 to less than 900	6,000 points
900 to less than 1,000	7,000 points
1,000 or more	10,000 points

※Note: 1 point is worth 1 yen.

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, KONDOTECH issued new shares through a public offering and third-party allotment.

Closing price on July 31
1,208 yen
PER : 10.6 PBR : 1.0

EPS : 113.82 yen (FY2024 forecast)
 BPS : 1,227.81 yen (as of end March 2023)

Ranking among listed companies

Among **3,986** listed companies ...

ROE	1,517th
Profit attributable to owner of parent	1,341st
Ordinary income	1,196th
Net assets	1,442nd
Market capitalization	1,494th
PBR	2,220th
PER	2,654th

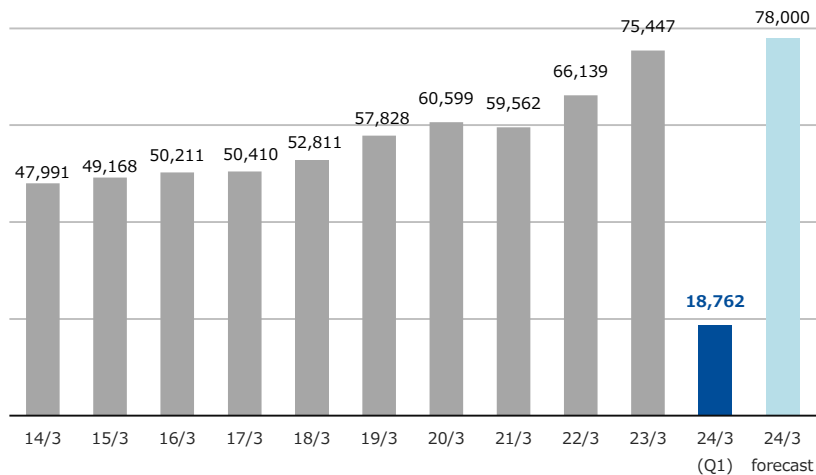
Source: Mizuho Securities Co., Ltd. (as of June 30, 2023)

9. Highlights of Results

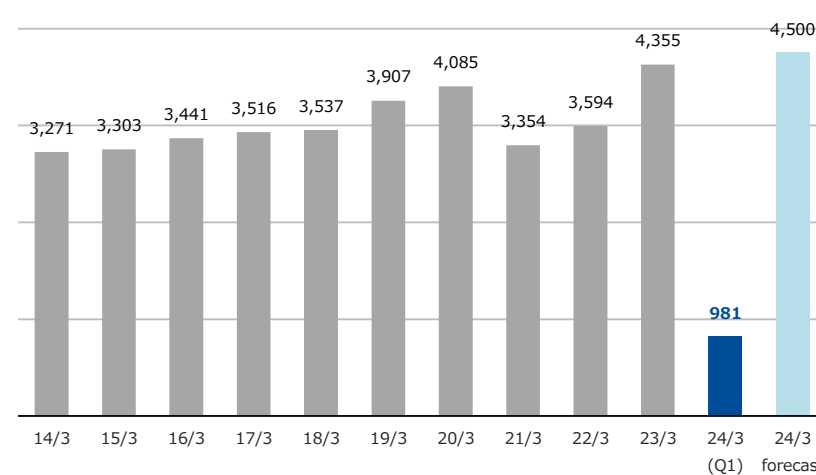
Highlights of Consolidated Financial Results



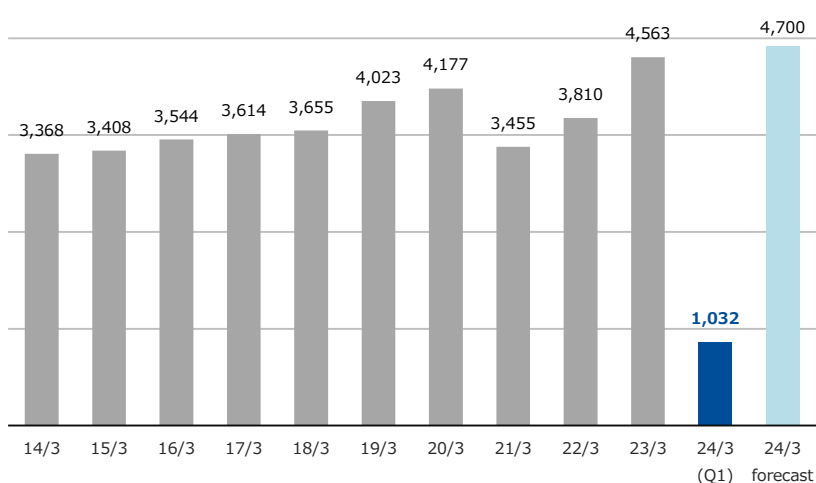
Net sales
(million yen) **18,762** million yen Progress **24.1%**



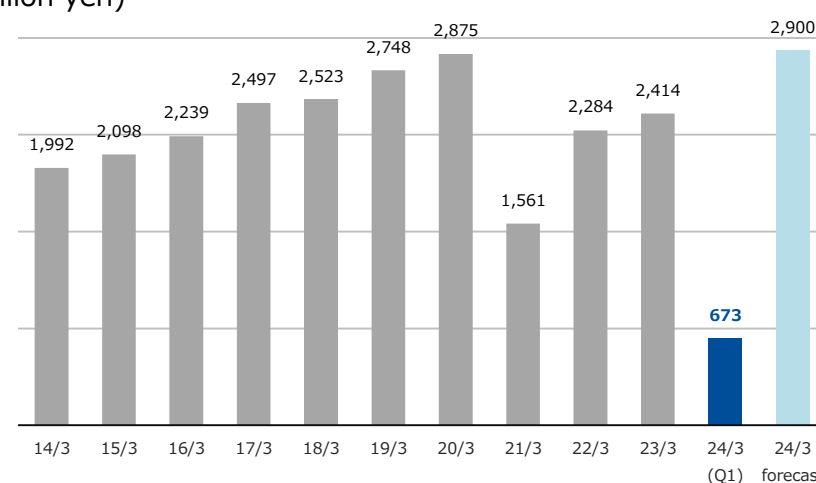
Operating income
(million yen) **981** million yen Progress **21.8%**



Ordinary income
(million yen) **1,032** million yen Progress **22.0%**



Profit attributable to owner of parent
(million yen) **673** million yen Progress **23.2%**

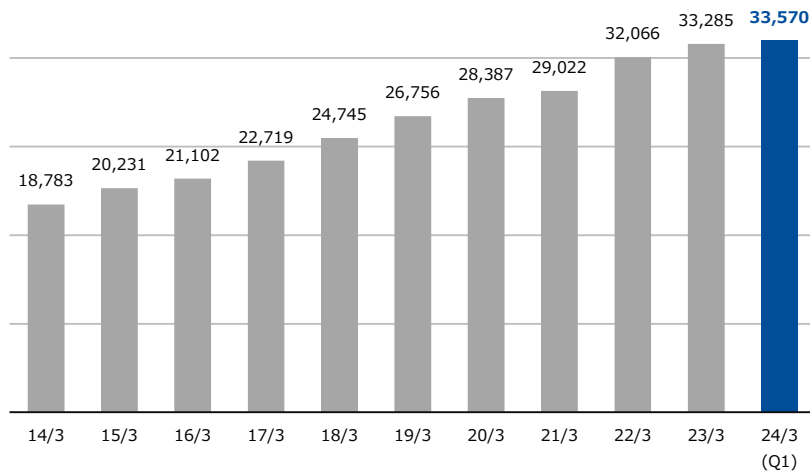


Highlights of Consolidated Financial Results



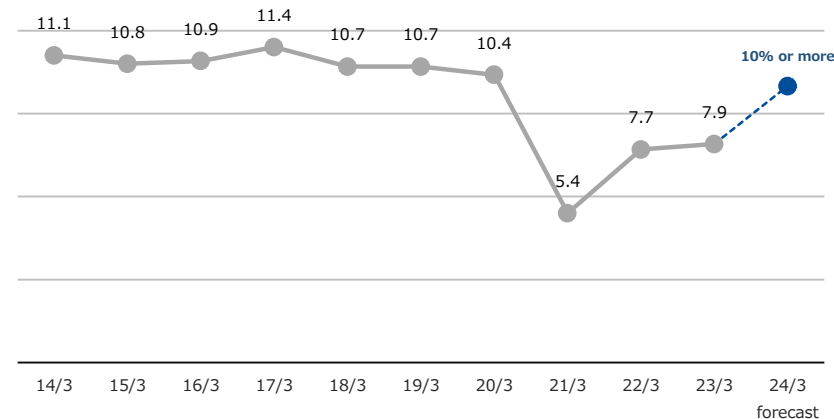
Net assets (million yen)

33,570 million yen



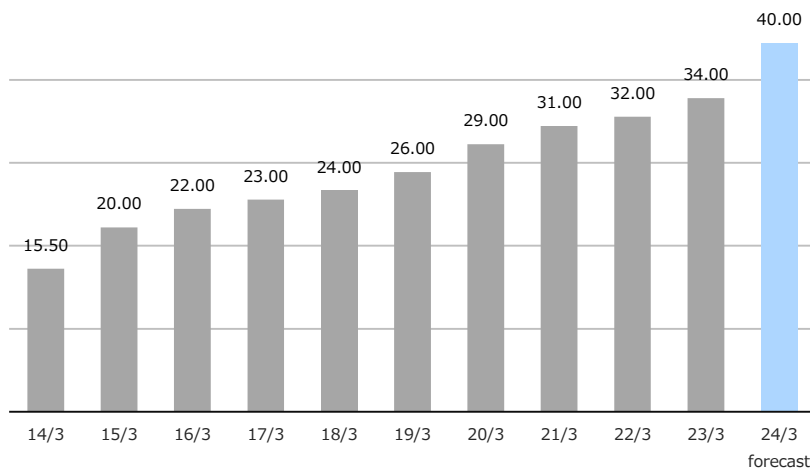
ROE (%)

Target **10** % or more



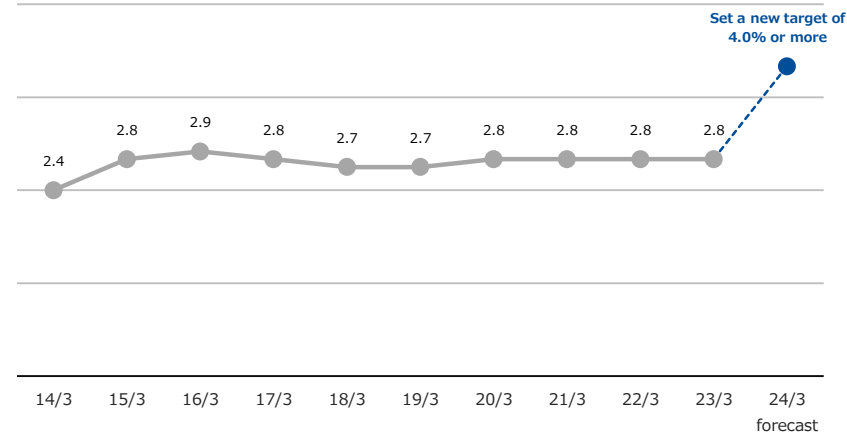
Dividend per share (yen)

40.00 yen



DOE (%)

New target in FY2024 **4.0** % or more

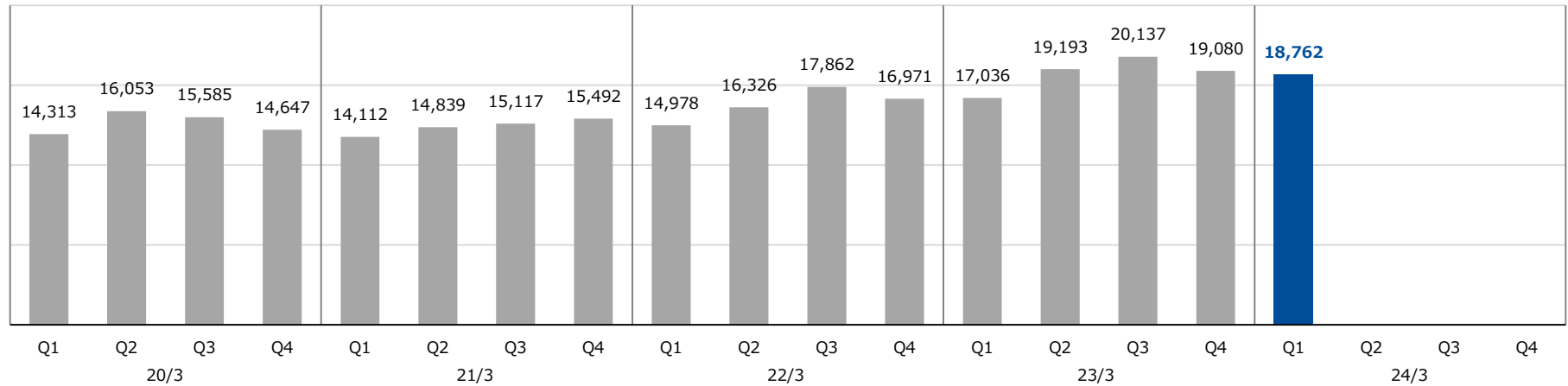


Highlights of Consolidated Financial Results

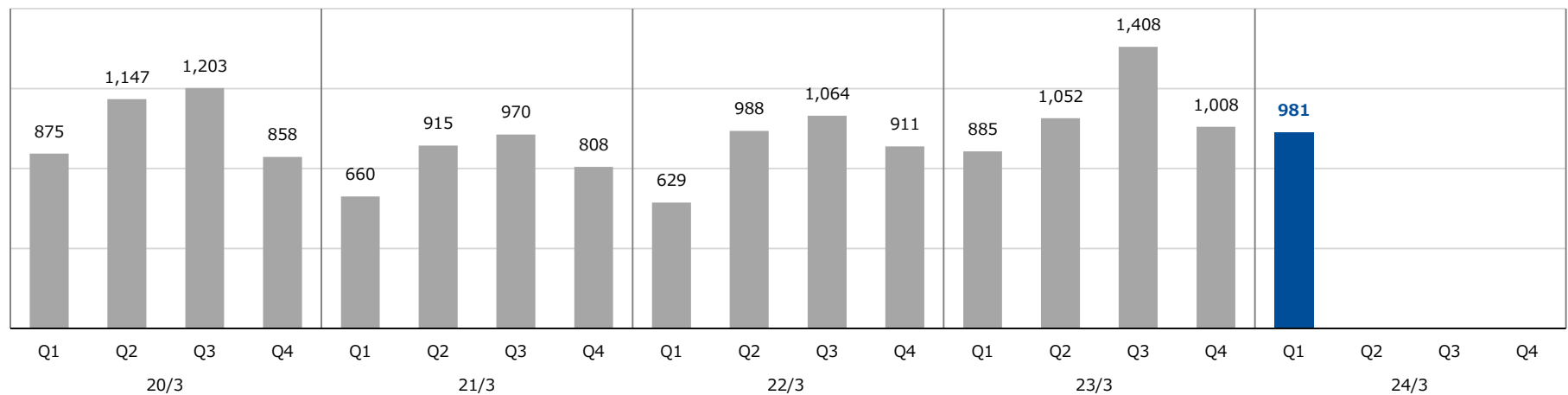
	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3 Q1	24/3 (forecast)
Result of Operations (million yen)												
Net sales	47,991	49,168	50,211	50,410	52,811	57,828	60,599	59,562	66,139	75,447	18,762	78,000
Operating profit	3,271	3,303	3,441	3,516	3,537	3,907	4,085	3,354	3,594	4,355	981	4,500
Ordinary income	3,368	3,408	3,544	3,614	3,655	4,023	4,177	3,455	3,810	4,563	1,032	4,700
Profit attributable to owner of parent	1,992	2,098	2,239	2,497	2,523	2,748	2,875	1,561	2,284	2,414	673	2,900
EBITDA	3,846	3,948	3,910	4,052	4,079	4,425	4,916	3,783	5,095	5,482	1,419	-
Capital investment	679	403	842	695	423	981	917	1,097	1,694	1,453	-	-
Depreciation	418	449	405	438	423	404	697	897	1,091	1,134	-	-
Financial Position (million yen)												
Total assets	34,481	35,186	34,645	36,524	39,313	43,820	46,335	49,426	56,009	58,163	57,487	-
Net assets	18,783	20,231	21,102	22,719	24,745	26,756	28,387	29,022	32,066	33,285	33,570	-
Interest-bearing debt	806	636	508	501	500	853	1,106	3,875	5,315	4,513	-	-
Cash Flows (million yen)												
Cash flows from operating activities	1,887	1,818	1,945	2,737	2,429	2,699	4,385	4,196	1,227	3,961	-	-
Cash flows from investing activities	△ 660	828	△ 829	△ 646	△ 506	△ 1,551	△ 5,205	△ 2,264	△ 2,373	△ 1,389	-	-
Cash flows from financing activities	△ 389	△ 699	△ 1,092	△ 1,032	△ 703	△ 915	△ 992	1,060	△ 22	△ 2,025	-	-
Cash and cash equivalents, end of year	5,636	7,626	7,594	8,660	9,893	10,133	8,305	11,317	10,164	10,733	9,997	-
Per Share Information (yen)												
Profit attributable to owners of parent per share	72.13	75.91	81.01	93.29	94.25	102.65	107.46	59.60	87.26	94.75	26.43	113.82
Net assets per share	679.27	730.49	774.18	846.59	922.62	996.99	1,071.09	1,110.01	1,170.84	1,227.81	-	-
Dividend per share	15.50	20.00	22.00	23.00	24.00	26.00	29.00	31.00	32.00	34.00	-	40.00
Financial Indicators												
Gross profit margin (%)	6.8	6.7	6.9	7.0	6.7	6.8	6.7	5.6	5.4	5.8	5.2	5.8
ROE (%)	11.1	10.8	10.9	11.4	10.7	10.7	10.4	5.4	7.7	7.9	-	10% or higher
Equity ratio (%)	54.4	57.4	60.8	62.1	62.8	61.0	61.2	58.7	53.7	53.8	54.9	-
DOE (%)	2.4	2.8	2.9	2.8	2.7	2.7	2.8	2.8	2.8	2.8	-	4.0% or higher
Stock Price Index												
Stock closing price (yen)	718	786	834	933	939	1,006	929	1,069	1,017	1,002	1,200	-
Price earnings ratio (times)	10.0	10.4	10.3	10.0	10.0	9.8	8.6	17.9	11.7	10.6	-	-

Consolidated

Net sales (million yen)

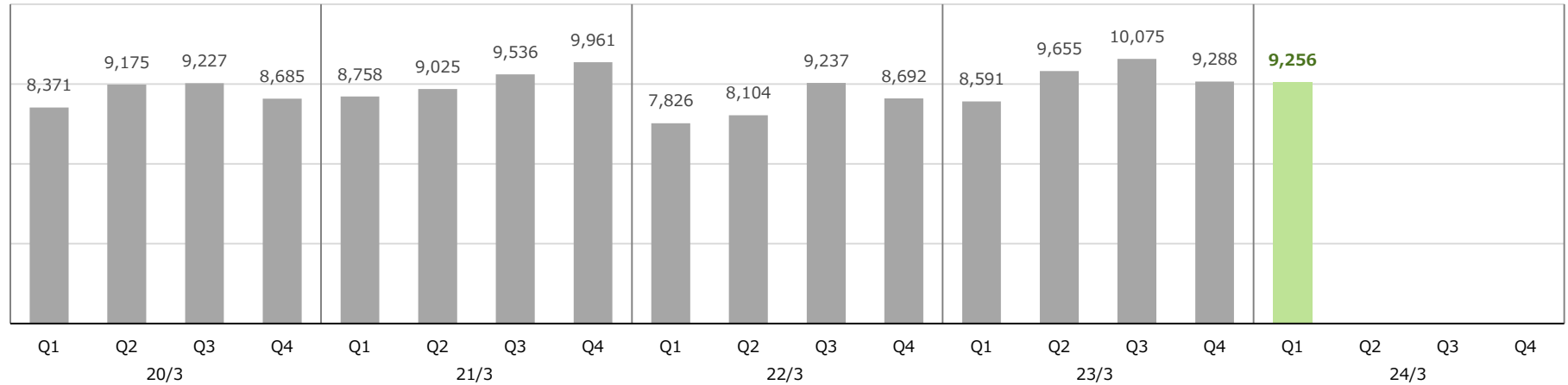


Operating income (million yen)

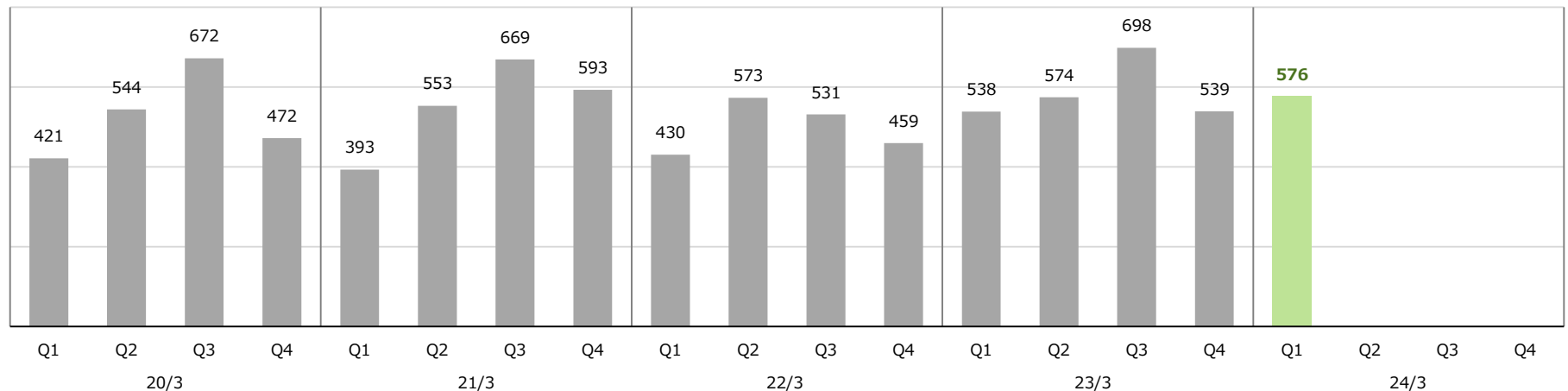


Industrial Materials

Net sales (million yen)



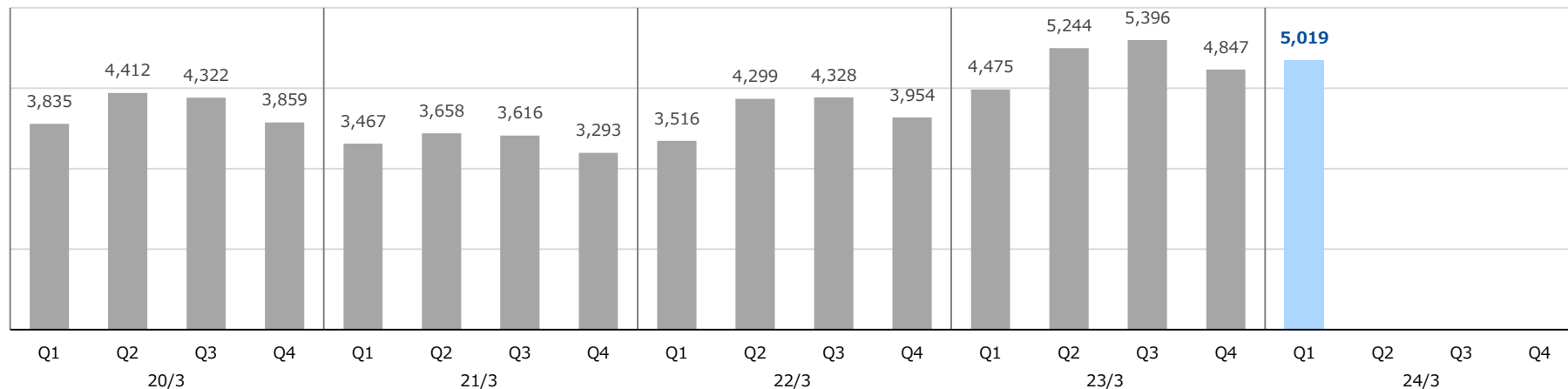
Segment profit or loss (million yen)



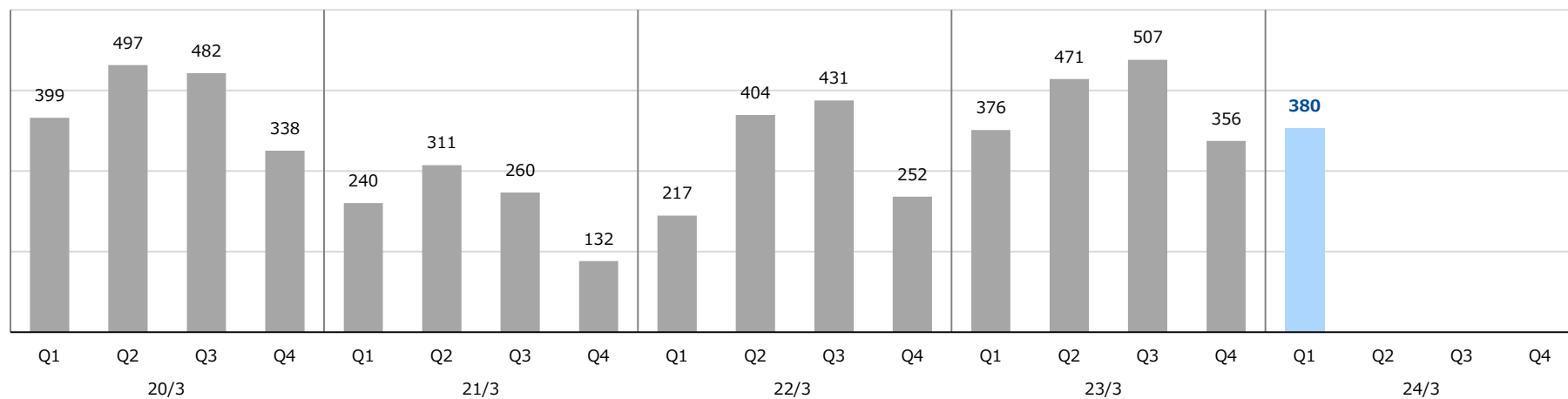
※ Figures for sales and segment profit or loss are calculated based on new segments since FY2022.

Structural Steel Materials

Net sales (million yen)

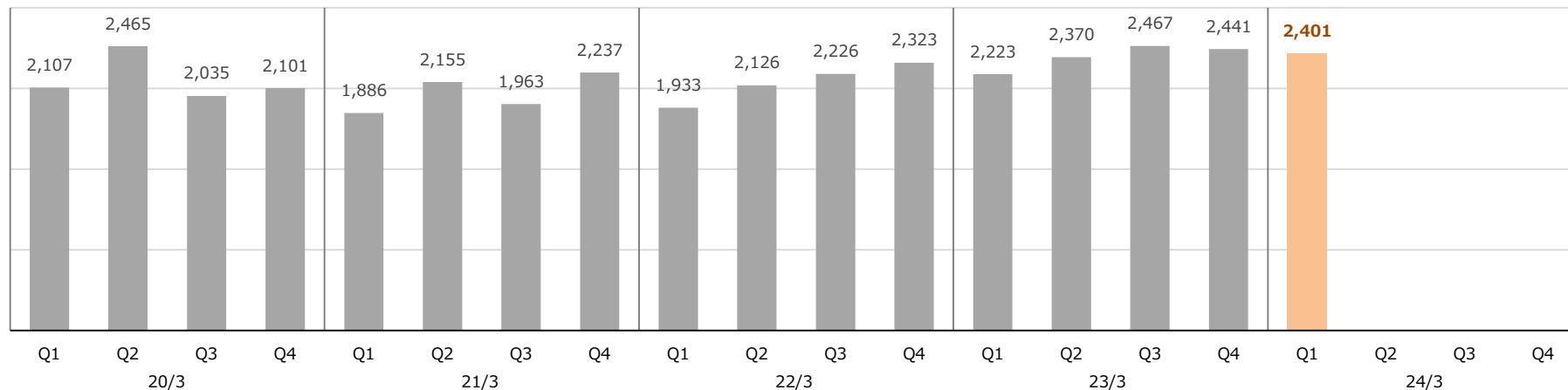


Segment profit or loss (million yen)

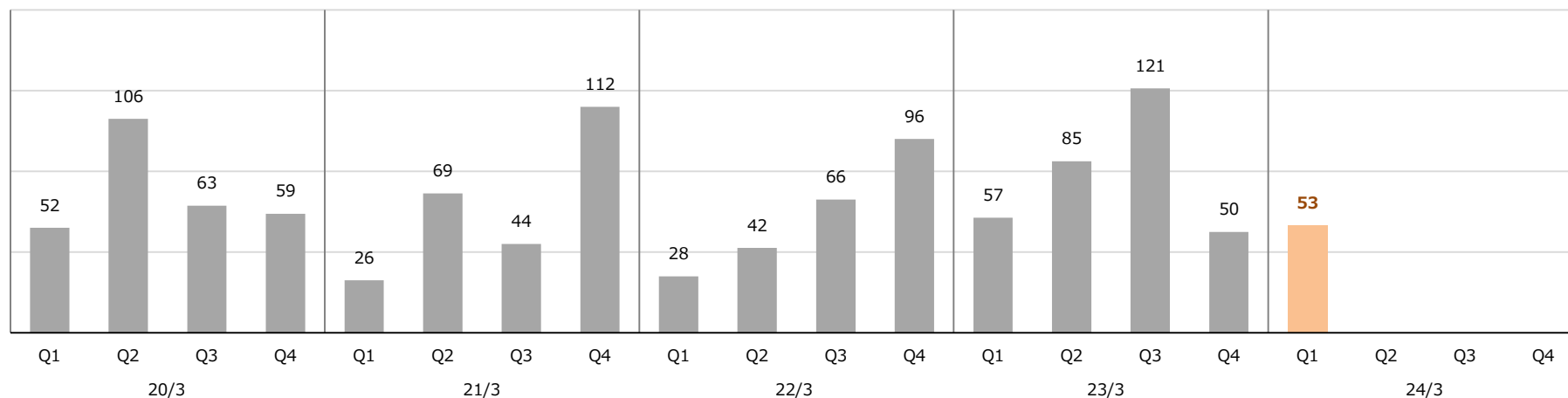


Electrical Equipment

Net sales (million yen)

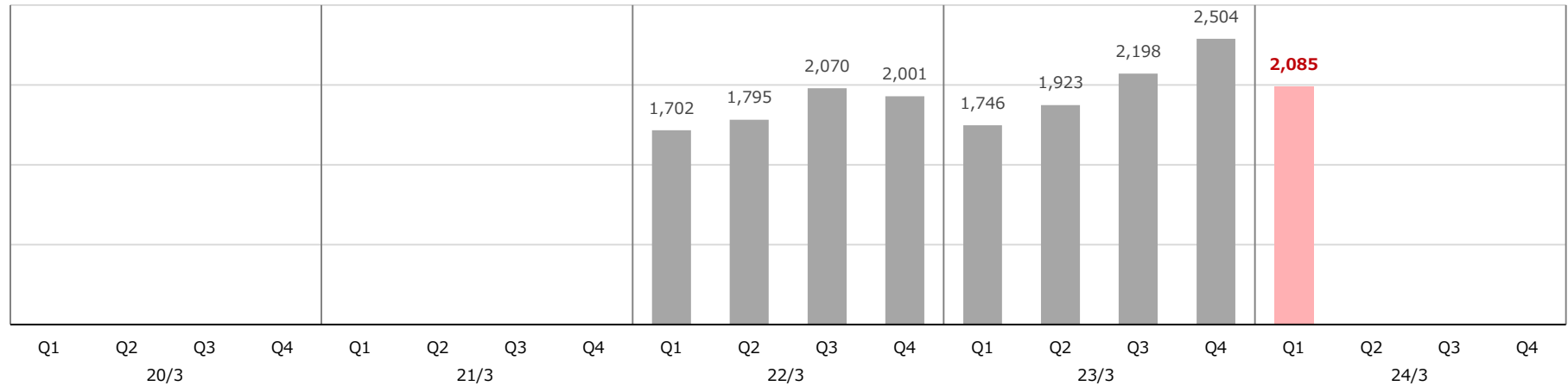


Segment profit or loss (million yen)

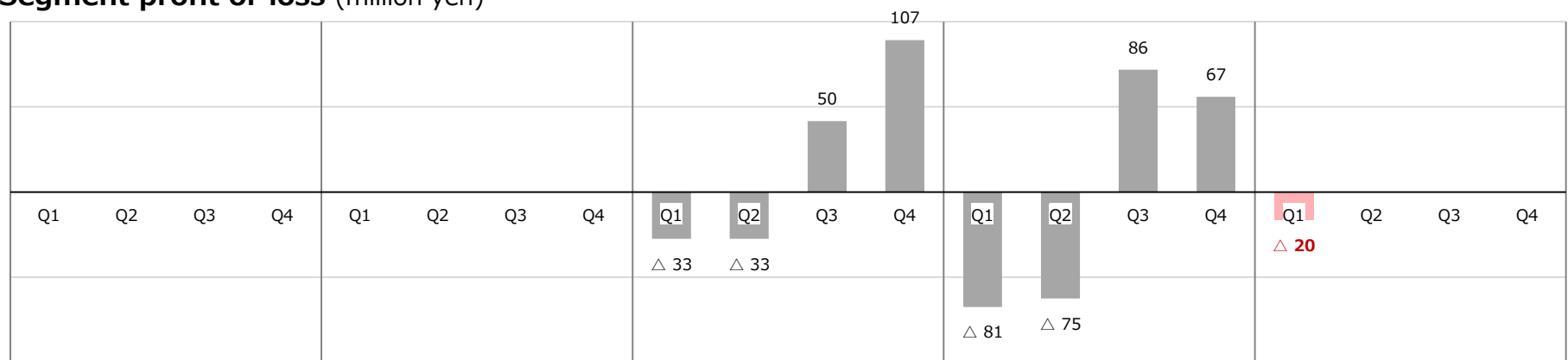


Scaffolding Construction

Net sales (million yen)



Segment profit or loss (million yen)



20/3

21/3

22/3

23/3

24/3

※ Figures for sales and segment profit or loss are calculated based on new segments since FY2022.

Official SNS accounts

KONDTEC opened official Instagram and Facebook accounts. Please follow us to get to know us better and for information and updates on our products and merchandise.



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