

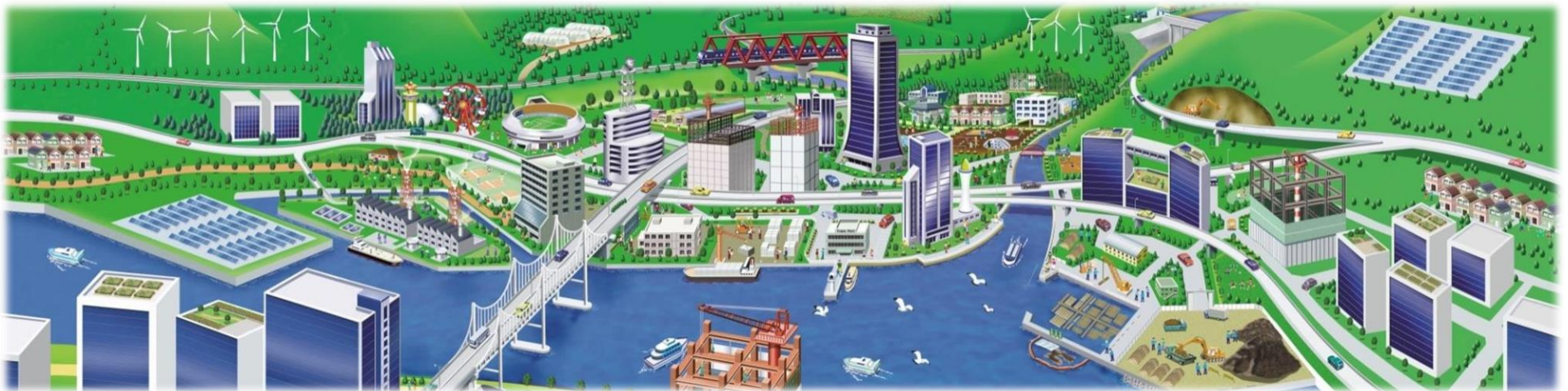
KONDOTECH INC.

Financial Results

Q2 FY2021

November 6, 2020

Securities Code : 7438



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 release. Actual results may differ materially from these forward-looking statements due to various factors and changes.

| | |
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1. Highlights of Q2 FY2021 Financial Results and Recent Initiatives

- 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 results decreased. Although we worked to cut SG&A expenses and improve efficiency, were unable to offset the impact of the sales decline.

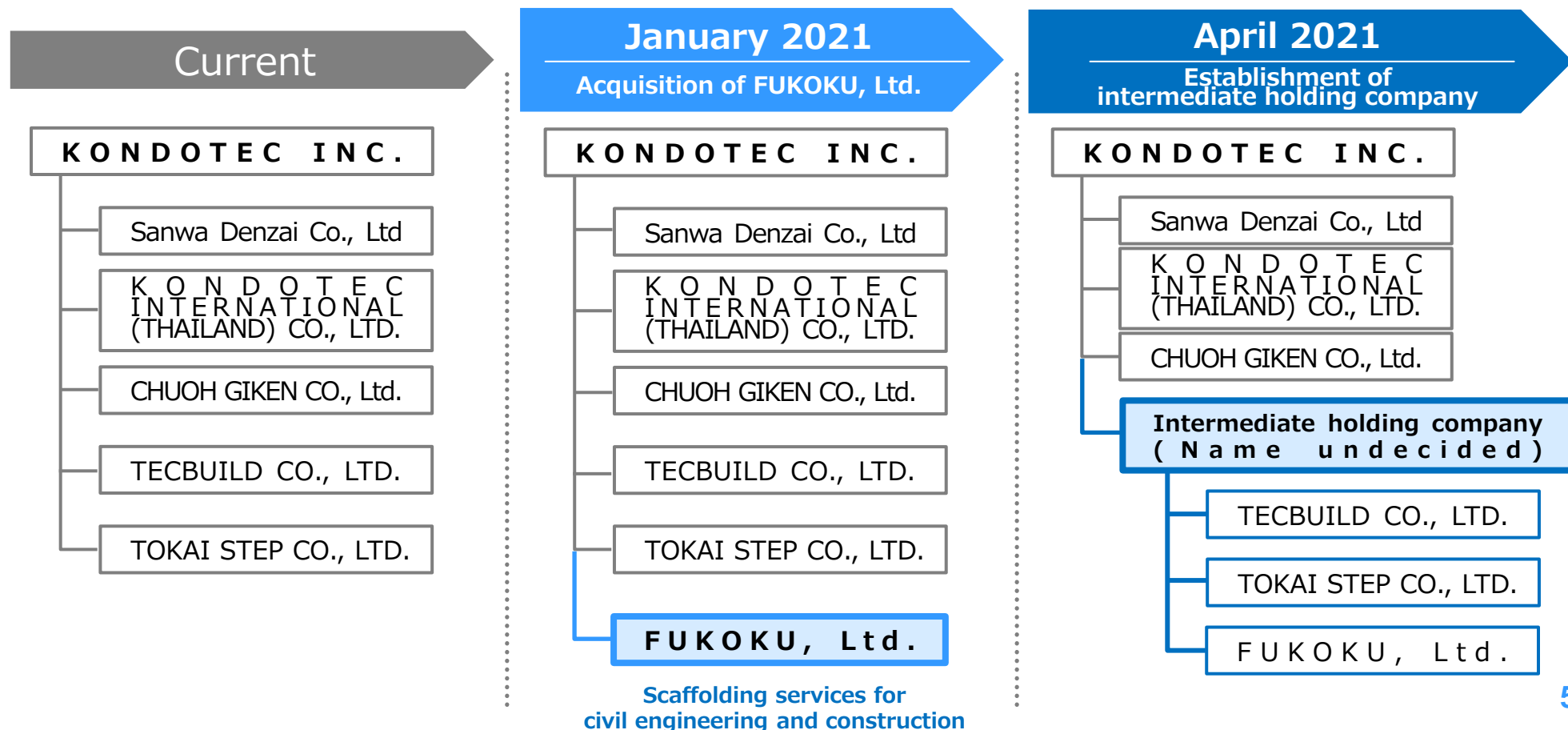
| | | | |
|---|---------------------------|-----|----------------|
| Net sales | 28,952 million yen | YoY | △ 4.7% |
| Operating income | 1,576 million yen | YoY | △ 22.1% |
| Ordinary income | 1,626 million yen | YoY | △ 21.5% |
| Profit attributable to owner of parent | 1,042 million yen | YoY | △ 25.1% |
| EBITDA | 2,148 million yen | YoY | △ 12.2% |

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

Purpose of establishment of intermediate holding company

KONDO TEC has three subsidiaries – TECBUILD CO., LTD., TOKAI STEP CO., LTD. and FUKOKU, Ltd. -each operating independently and providing scaffolding construction services. We announced the establishment of an intermediate holding company to manage the operations of these three subsidiaries with the aim of promoting collaboration with these subsidiaries by sharing management resources.

KONDO TEC group structure



Acquisition of FUKOKU, Ltd. in January 2021

KONDOTECH acquired all shares in FUKOKU, Ltd. with the aim of achieving sustainable growth and improving the corporate value of the KONDOTECH group over the medium to long term. We anticipate further business expansion through cooperation with TECBUILD, TOKAI STEP and FUKOKU on maintenance and repair projects for deteriorating social infrastructure.

Overview of FUKOKU, Ltd.

<Company overview>

| | |
|----------------|---|
| Company name | FUKOKU, Ltd. |
| Location | Izumi-Ku, Sendai, Miyagi |
| Business areas | Scaffolding services for civil engineering and construction |
| Capital stock | 33 million yen (As of December 2019) |

<Recent financial results>

FY2019

(million yen)

| | | | |
|-----------------|-------|------------------|----|
| Net sales | 1,281 | Operating income | 17 |
| Ordinary income | 15 | EBITDA | 44 |

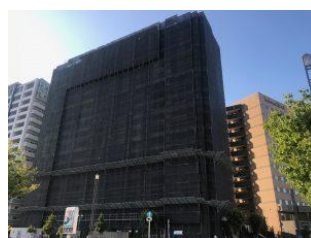
Note: EBITDA= Income before income taxes + Interest expenses + Depreciation

<Past installation projects>

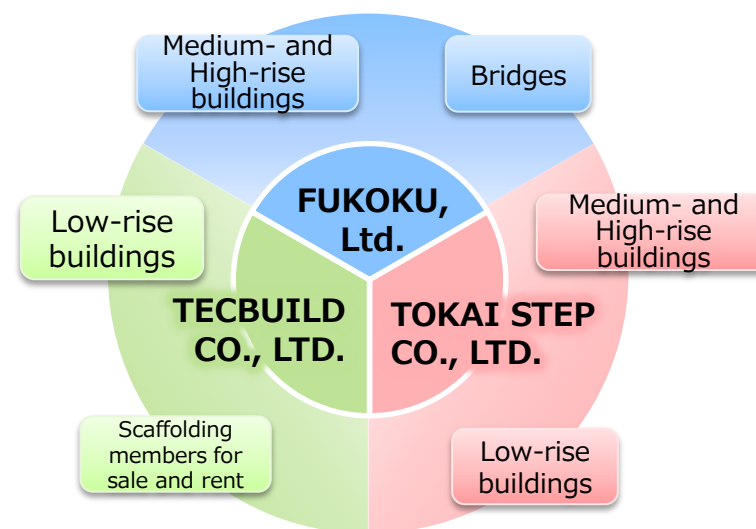
Aqueduct bridge repair



Condominium repair



Provision of wide range of scaffolding services



Schedule

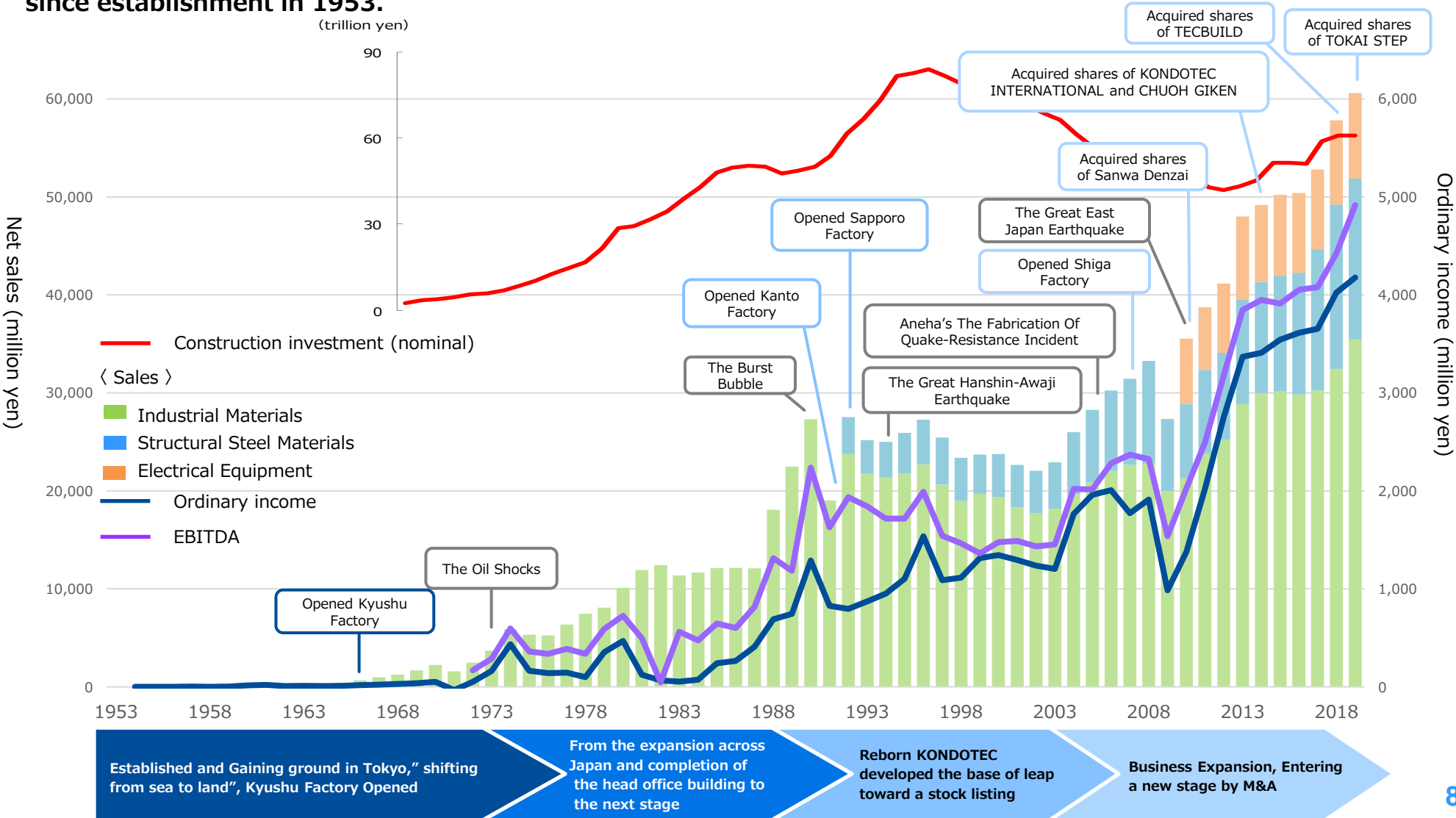
| | |
|-------------------------|--|
| November 6, 2020 | Execution date of the share purchase agreement |
| January 18, 2021 | Date of share transfer (scheduled) |

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.

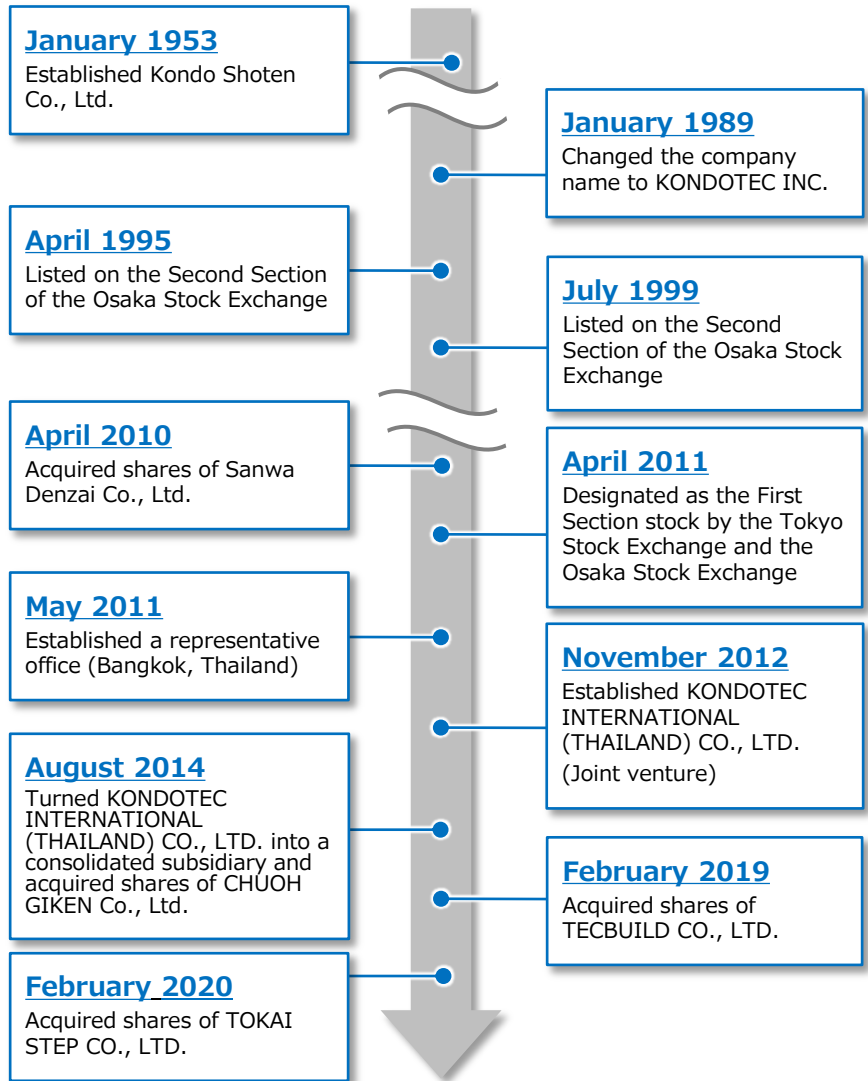


Company Overview

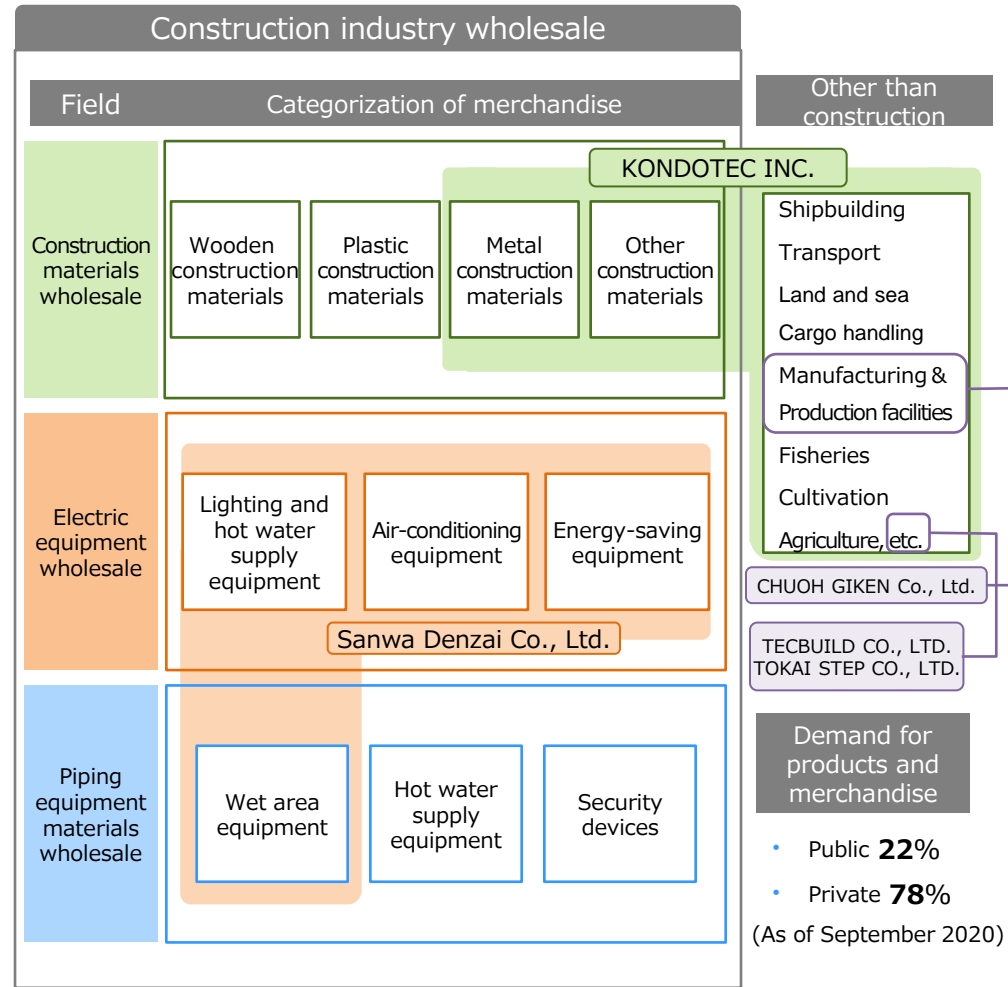


| | |
|--|---|
| Company name | KONDOTEC INC. |
| Group companies | Sanwa Denzai Co., Ltd. KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. |
| Established | January 1953 |
| President and Representative Director | Katsuhiko Kondo |
| Head office | 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



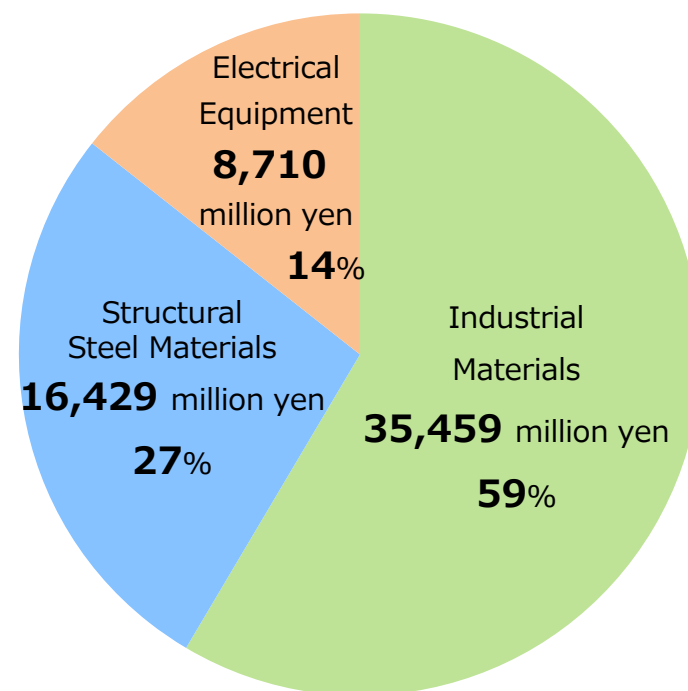
Business areas



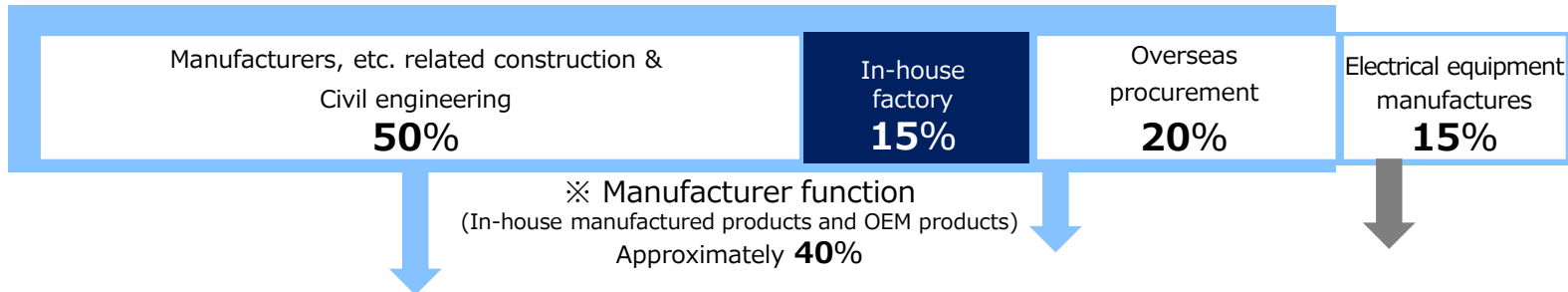
Net Sales by Segment

| 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, power distribution boards, control panels, various sensors |

Net sales by segment (FY2020)



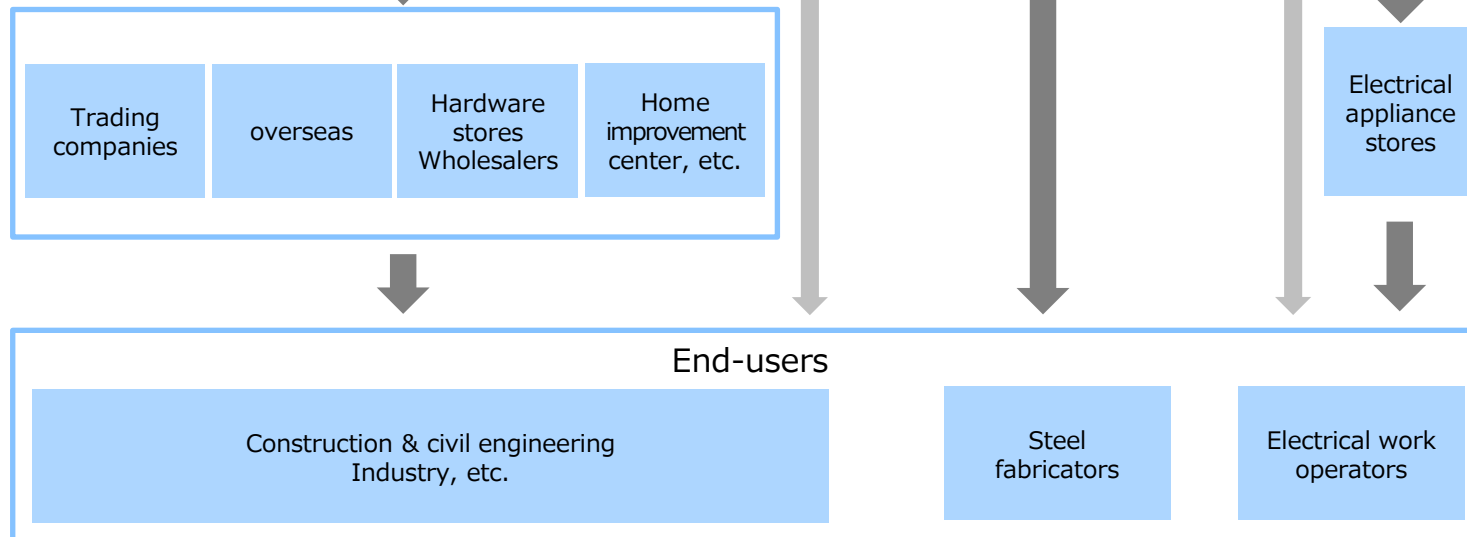
Suppliers



Sales contribution ratio by business segments (FY2020)

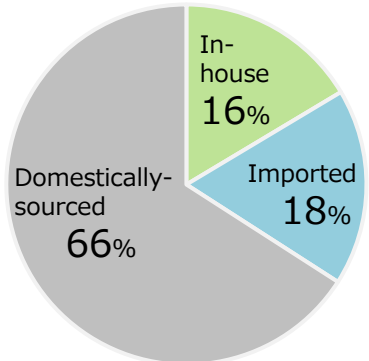
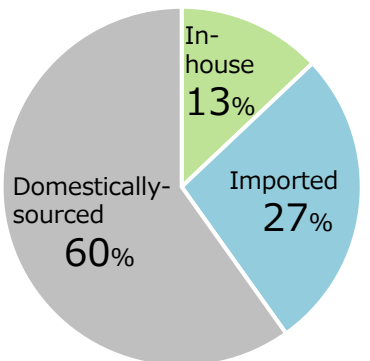
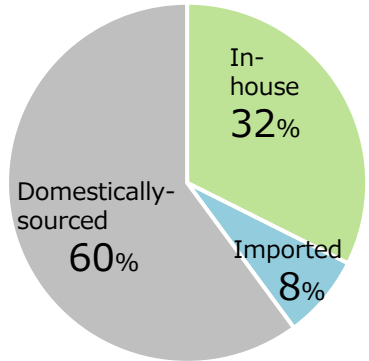
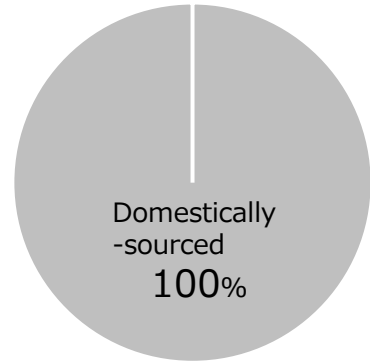


Customers



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 |

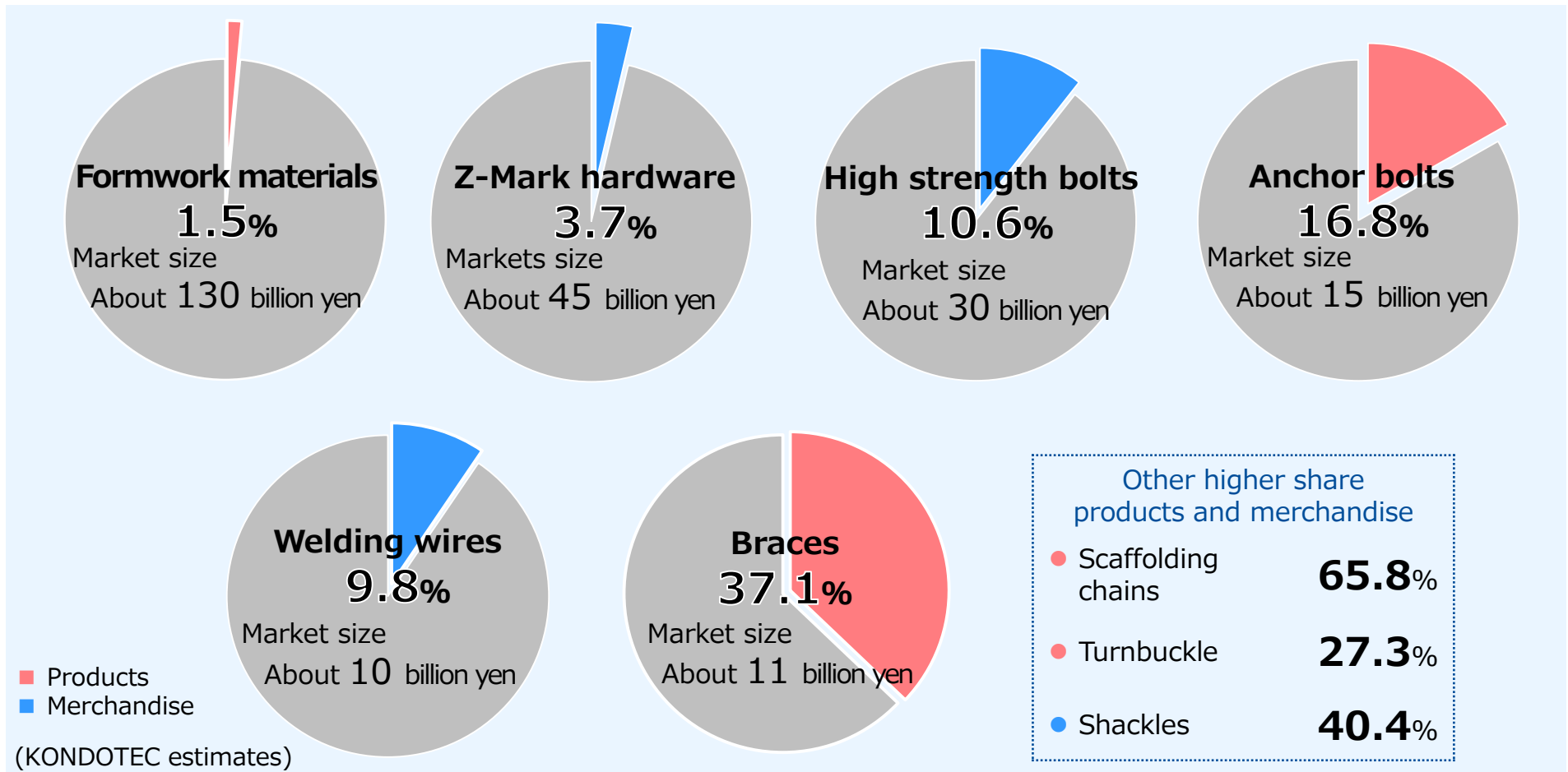
Note: Number of customers and new customers include KONDOTEC and Sanwa Denzai.

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

Market Size for Main Products and Merchandise

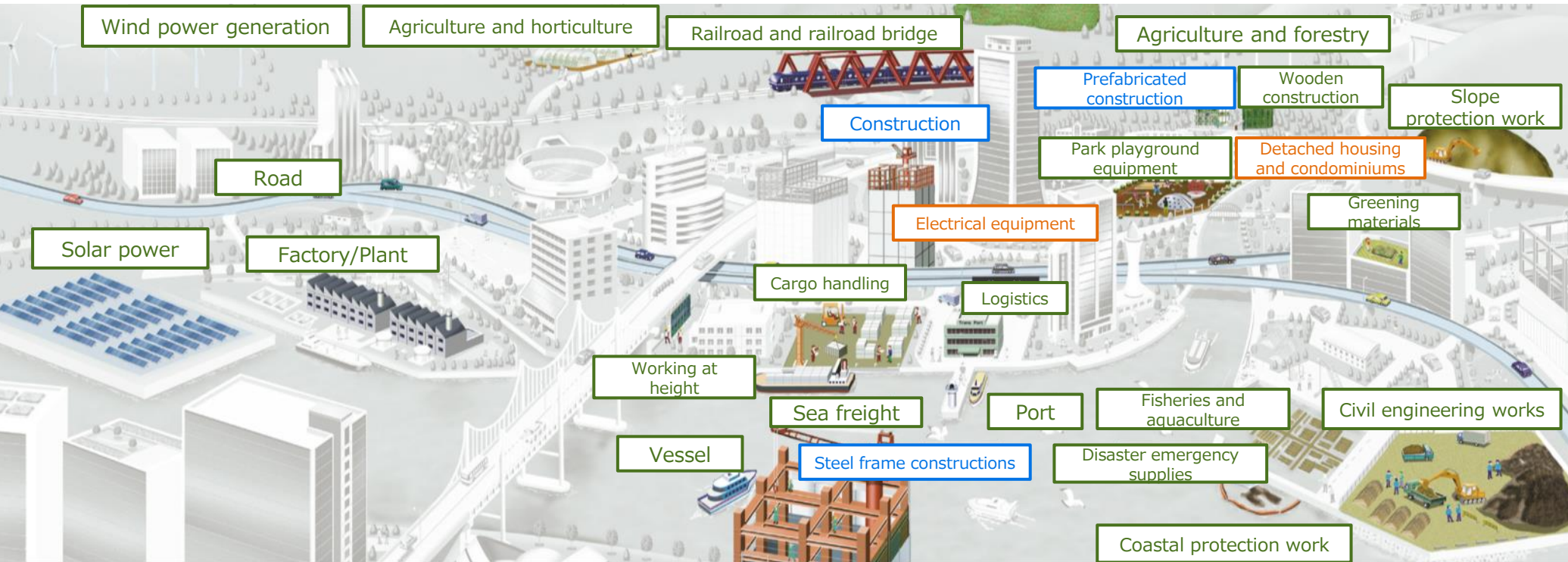
Market size for main products, merchandise and corresponding market shares (As of end March 2020)

- 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 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.

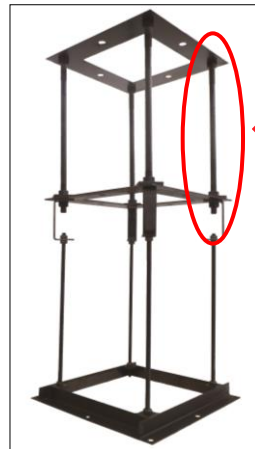


Anchor Bolts

- 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 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. Q2 FY2021 Financial Results and Analysis

Q2 FY2021 Consolidated Financial Results



(million yen)

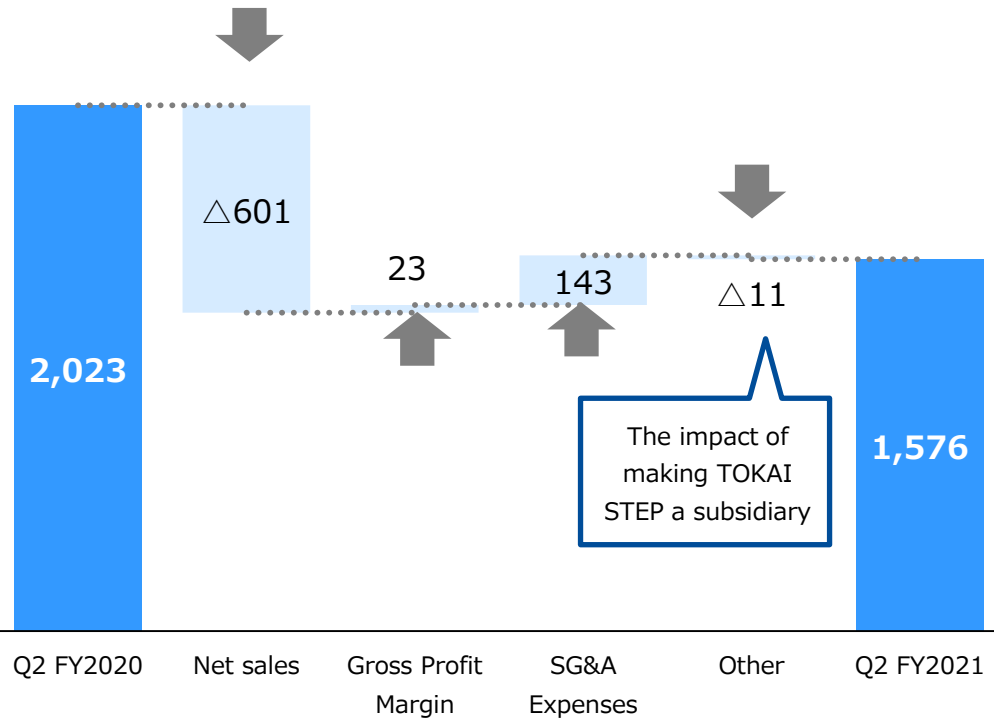
| | Q2 FY2020 | Q2 FY2021 | YoY | |
|---|--------------|---------------|--------|--------|
| | | | Amount | % |
| Net sales | 30,367 | 28,952 | △1,415 | △4.7% |
| Gross profit | 6,757 | 6,602 | △155 | △2.3% |
| SG&A expenses | 4,734 | 5,026 | +291 | +6.2% |
| Operating income | 2,023 | 1,576 | △446 | △22.1% |
| Ordinary income | 2,073 | 1,626 | △446 | △21.5% |
| Profit attributable to owner of parent | 1,392 | 1,042 | △349 | △25.1% |
| EBITDA | 2,445 | 2,148 | △297 | △12.2% |

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

Operating Income Analysis (Consolidated)

Operating income analysis

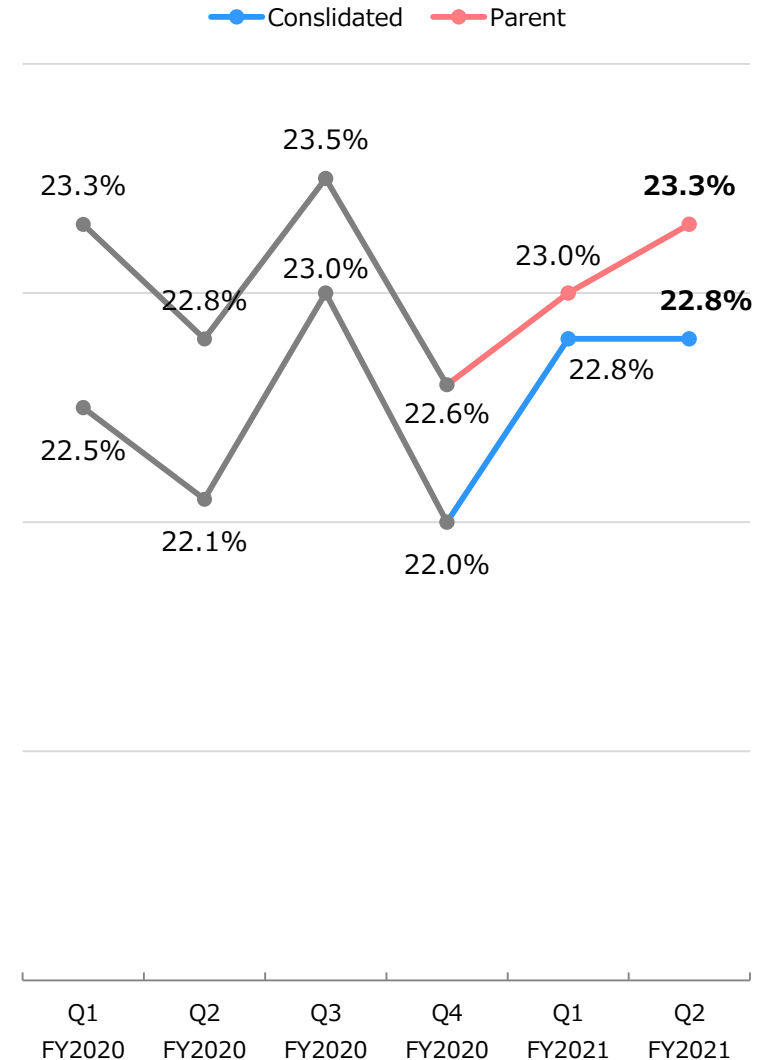
(million yen)



Note: The following figures do not include TOKAI STEP.

| | |
|---------------------|--|
| Gross Profit Margin | 22.3%→22.3% |
| SG&A expenses | Provision for bonuses △117 million yen Travel and transportation expenses △13 million yen Vehicle expenses △12 million yen |

Quarterly GPM

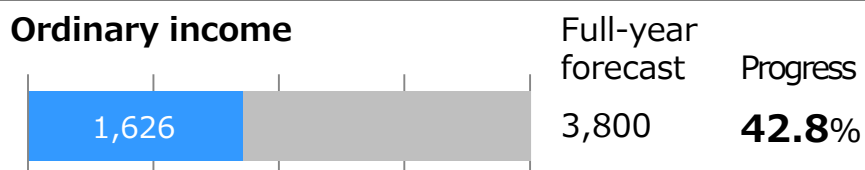
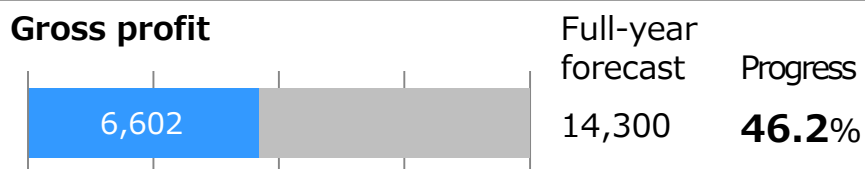


Q2 FY2021 Consolidated Financial Results Progress for FY2021 Forecast

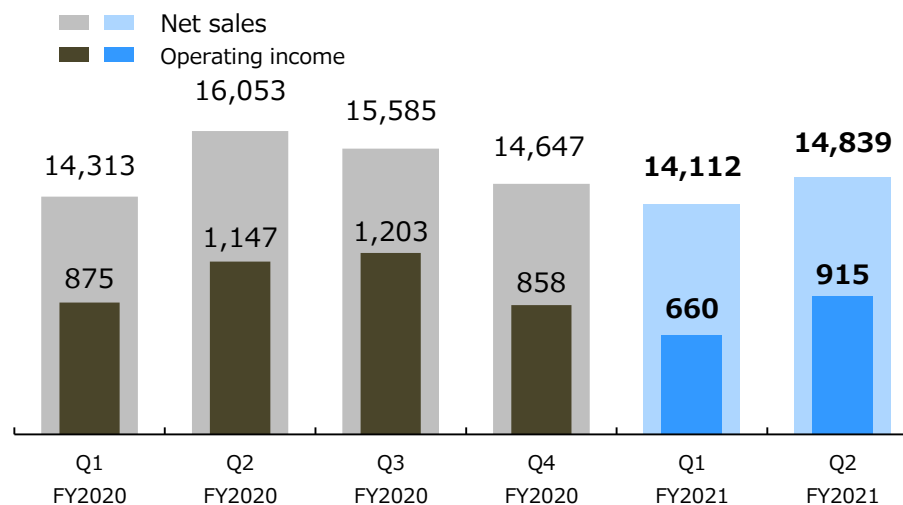


Progress for FY2021 forecast (million yen)

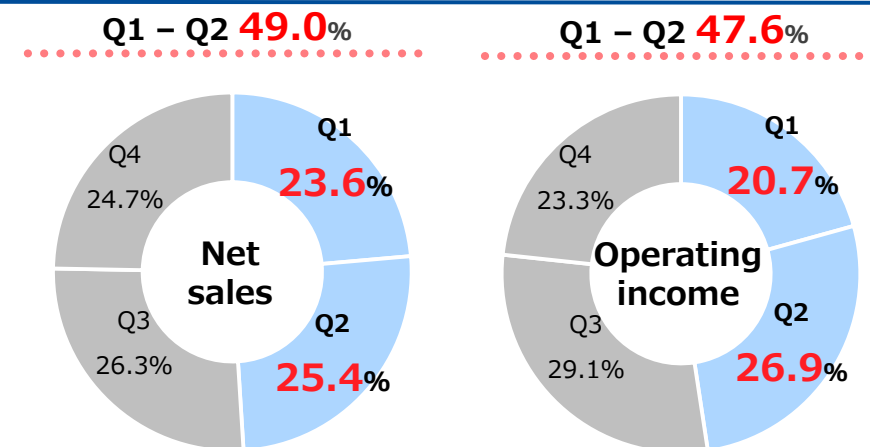
■ Q2 FY2021 ■ Full-year forecast



Net sales and operating income (million yen)



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



Consolidated Balance Sheet [Assets]



(million yen)

| | | FY2020 | Q2 FY2021 | Change |
|---------------------|---|--------|---------------|--------|
| Current assets | Cash and deposits | 8,305 | 9,009 | + 703 |
| | Notes and receivable –trade | 13,207 | 11,987 | △1,220 |
| | Electronically recorded monetary claims operating | 1,695 | 1,846 | + 150 |
| | Inventories | 5,026 | 5,038 | + 12 |
| | Other | 672 | 807 | + 134 |
| | Total current assets | 28,908 | 28,689 | △218 |
| Non-current assets | Property, plant and equipment | 11,312 | 11,406 | + 93 |
| | Intangible assets | 5,085 | 4,947 | △138 |
| | Investments and other assets | 1,030 | 875 | △154 |
| | Total non-current-assets | 17,427 | 17,228 | △198 |
| Total assets | | 46,335 | 45,918 | △417 |

Consolidated Balance Sheet [Liabilities and Net Assets]

(million yen)

| | | FY2020 | Q2 FY2021 | Change |
|---|--|---------------------------|-----------|---------|
| Current liabilities | Notes and accounts payable – trade | 3,333 | 3,333 | △0 |
| | Electronically recorded obligations – operations | 8,400 | 7,034 | △1,365 |
| | Breakdown Electronically recorded obligations–operations | 10,006 | 8,959 | △ 1,046 |
| | | Repayment before maturity | △ 1,606 | △ 1,925 |
| | Short-term loans payable | 610 | 2,110 | + 1,500 |
| | Income taxes payable | 678 | 572 | △106 |
| Other | 2,935 | 2,526 | △409 | |
| Total current liabilities | | 15,958 | 15,577 | △381 |
| Non-current liabilities | | 1,989 | 1,703 | △285 |
| Total liabilities | | 17,948 | 17,280 | △667 |
| Net assets | Shareholder’s equity | 29,819 | 30,086 | + 266 |
| | Accumulated other comprehensive income | △1,463 | △1,477 | △14 |
| | Subscription rights to shares | 31 | 28 | △2 |
| Total net assets | | 28,387 | 28,637 | + 249 |
| Total liabilities and net assets | | 46,335 | 45,918 | △417 |

5. Q2 FY2021 Financial Results and Analysis by Segment

Q2 FY2021 Financial Results by Segment



(million yen)

| | | Q2 FY2020 | Q2 FY2021 | Change (%) | Full-year forecast | Progress |
|----------------------------|------------------------|-----------|---------------|------------|--------------------|----------|
| Industrial Materials | Net sales | 17,546 | 17,783 | +1.4% | 38,900 | 45.7% |
| | Segment profit or loss | 966 | 946 | △2.1% | 2,068 | 45.8% |
| | EBITDA | 1,170 | 1,282 | +9.6% | – | – |
| Structural Steel Materials | Net sales | 8,247 | 7,126 | △13.6% | 14,800 | 48.1% |
| | Segment profit or loss | 896 | 551 | △38.5% | 1,453 | 38.0% |
| | EBITDA | 909 | 564 | △37.9% | – | – |
| Electrical Equipment | Net sales | 4,573 | 4,042 | △11.6% | 8,300 | 48.7% |
| | Segment profit or loss | 158 | 96 | △39.5% | 209 | 45.9% |
| | EBITDA | 172 | 109 | △36.5% | – | – |

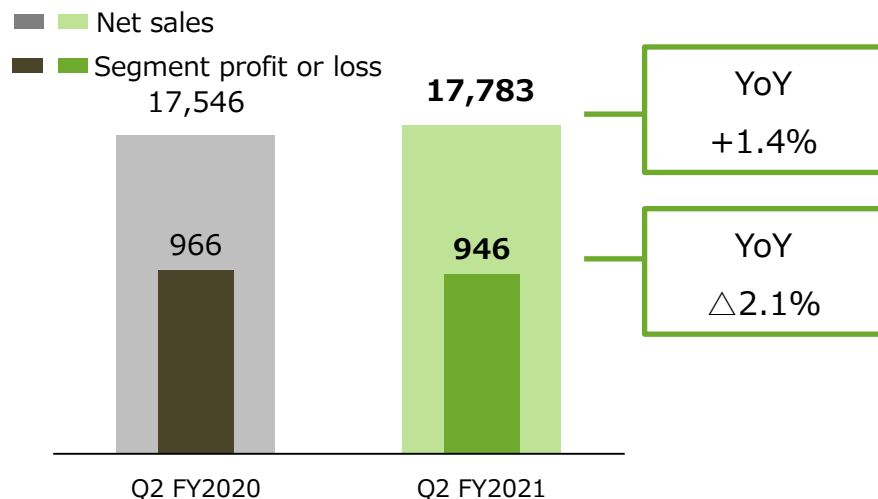
Note: Segment profit or loss has been adjusted with operating income on the quarterly consolidated financial statements.

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

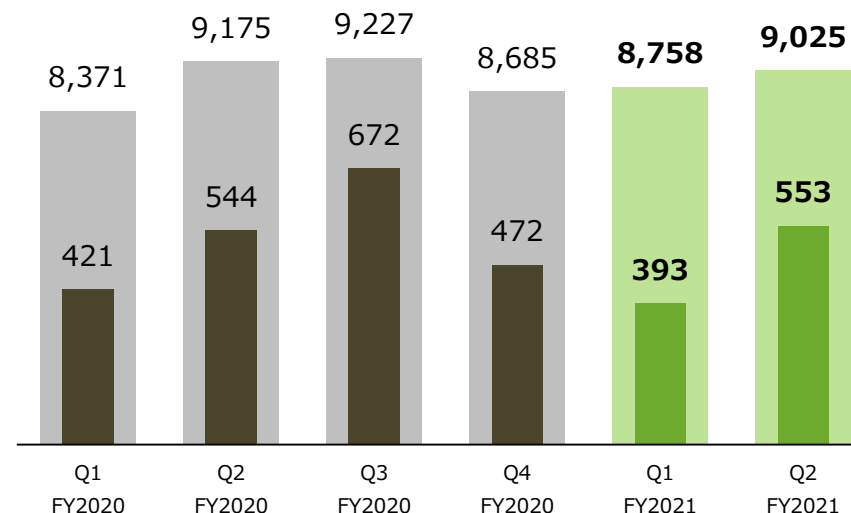
Net sales and segment profit or loss

(million yen)

■ YoY



■ Quarterly



Factors affecting net sales

Net sales increased by about 240 million yen YoY.

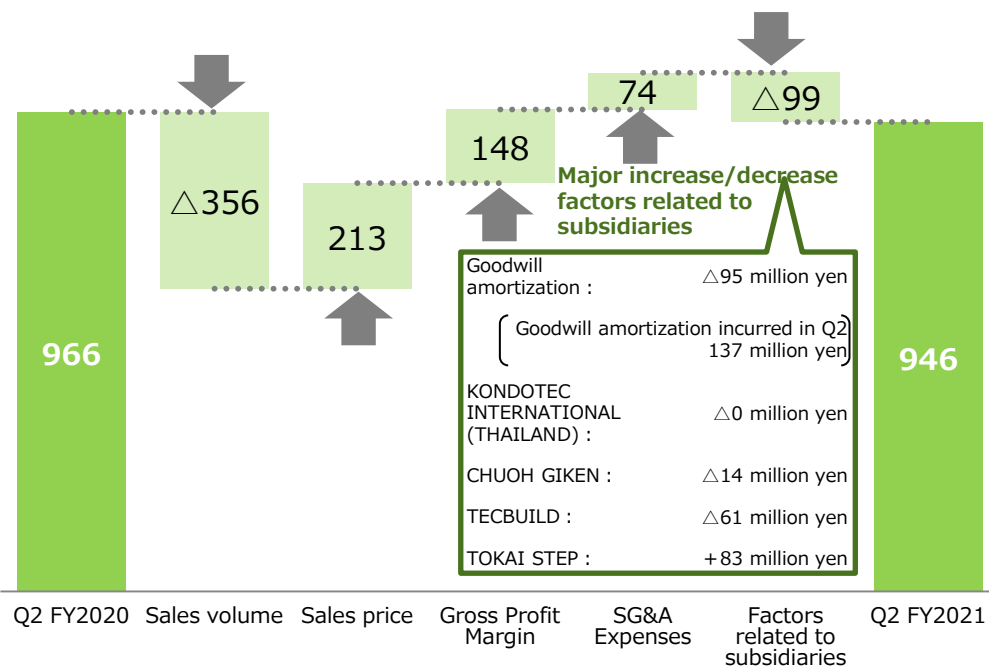
Although sales of hardware for wooden homes, secondary steel products and rope accessories were down due to the impact of the COVID-19 infection, the segment achieved an increase in net sales thanks mainly to a contribution from TOKAI STEP, which became a subsidiary in February 2020.

Increased/decreased amount in net sales (million yen)

| | | | | |
|---------------------------|--------------|---|----------------|---|
| Products (approximate) | Δ 170 | Braces | / Δ 60 | Orders decreased due to projects that have been cancelled, postponed, and reassessed. |
| Merchandise (approximate) | Δ 880 | Hardware for wooden homes | / Δ 185 | 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 | + 1,289 | Sales increased on the contribution from new subsidiary TOKAI STEP. | | |

Segment profit or loss analysis

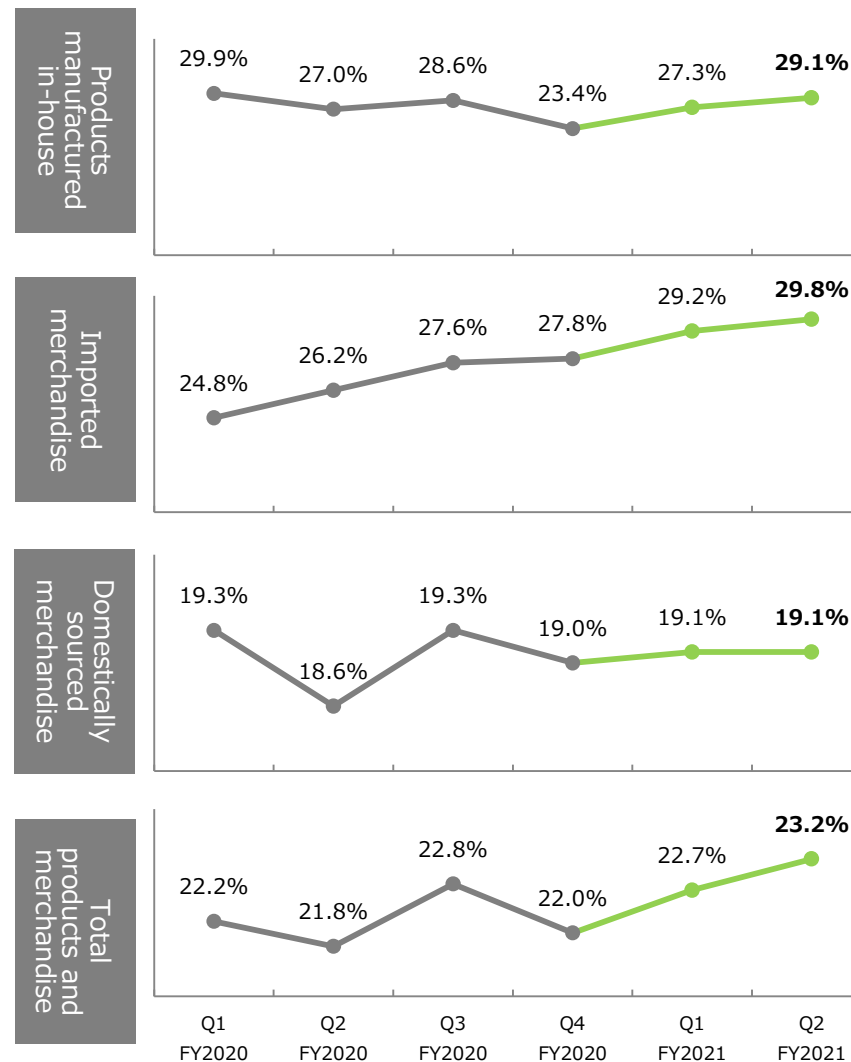
(million yen)



Note: The following figures do not include subsidiaries.

| | |
|---------------------|---|
| Sales volume | Products Δ11 million yen Merchandise Δ345 million yen |
| Sales price | Products Δ13 million yen Merchandise +226 million yen |
| Gross Profit Margin | Products 28.4% → 28.2% Merchandise 21.9% → 22.9% (including imported merchandise and domestically sourced merchandise) |
| SG&A Expenses | Provision for bonuses Δ79 million yen |

Quarterly GPM

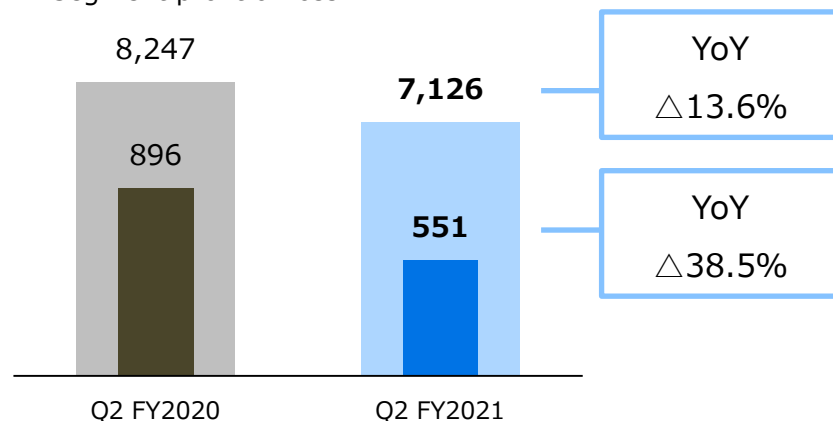


Net sales and segment profit or loss

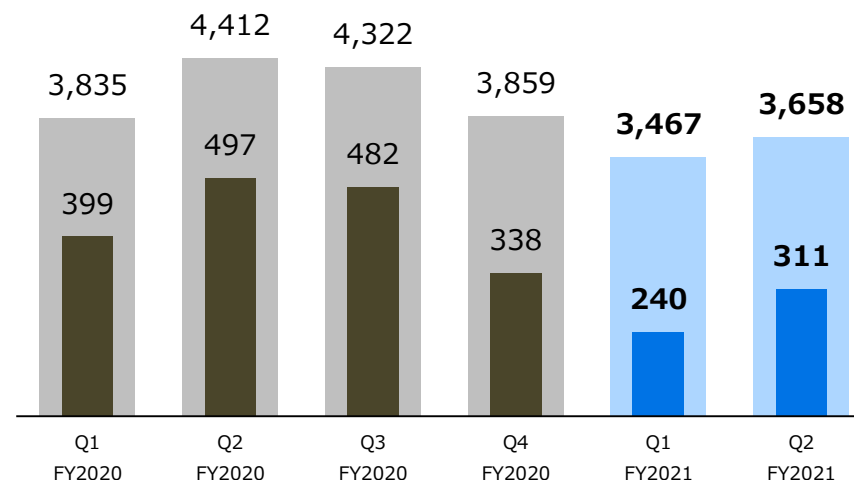
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales decreased by about 1,120 million yen YoY.

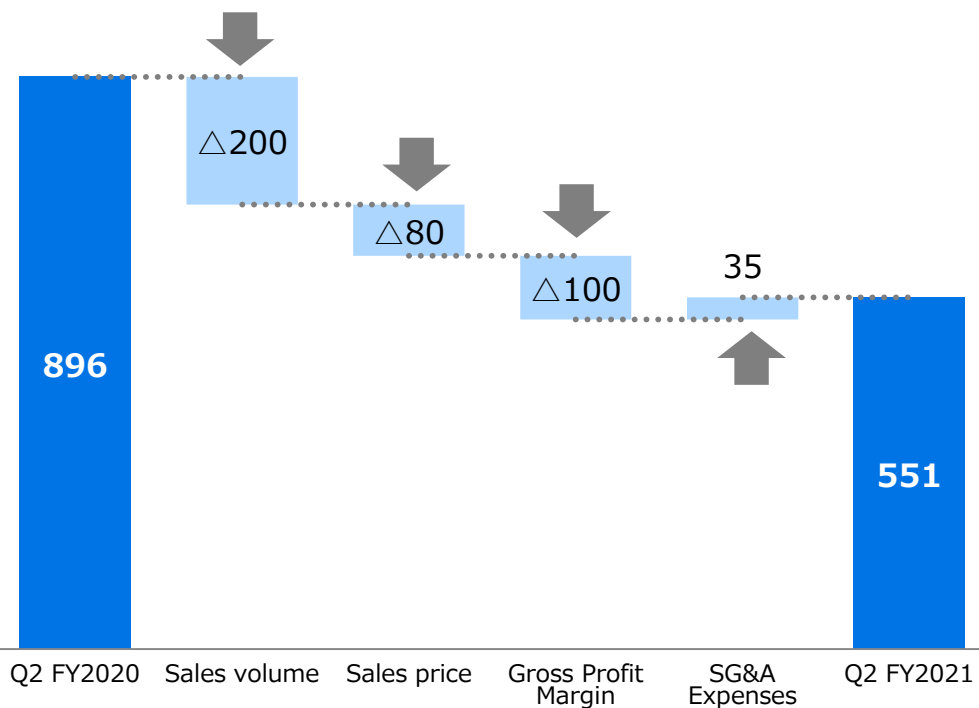
In addition to the originally planned down period accompanying the Tokyo Olympics and Paralympics Games, net sales of steel frame materials, high strength bolts and anchor bolts were severely affected by the COVID-19 infection.

Increased/decreased amount in net sales (million yen)

| | | | | |
|---------------------------|--------------|-----------------------|----------------|---|
| Products (approximate) | Δ 330 | Braces | / Δ 187 | Orders decreased due to projects that have been cancelled, postponed, and reassessed. |
| Merchandise (approximate) | Δ 790 | Steel frame materials | / Δ 284 | The number of properties decreased due to construction delays caused by the COVID-19 infection. |

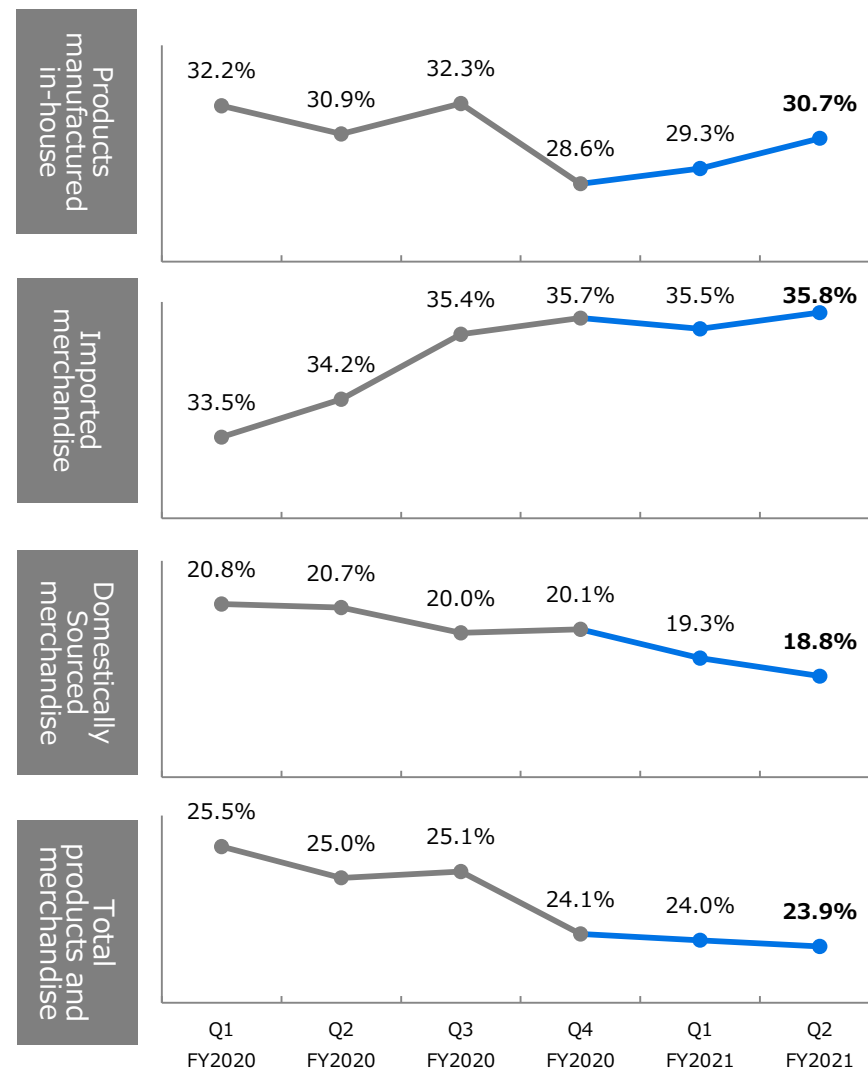
Segment profit or loss analysis

(million yen)



| | |
|---------------------|---|
| Sales volume | Products △56 million yen Merchandise △144 million yen |
| Sales price | Products △49 million yen Merchandise △31 million yen |
| Gross Profit Margin | Products 31.5% → 30.0% Merchandise 22.3% → 20.9% (including imported merchandise and domestically sourced merchandise) |
| SG&A Expenses | Provision for bonuses △32 million yen |

Quarterly GPM

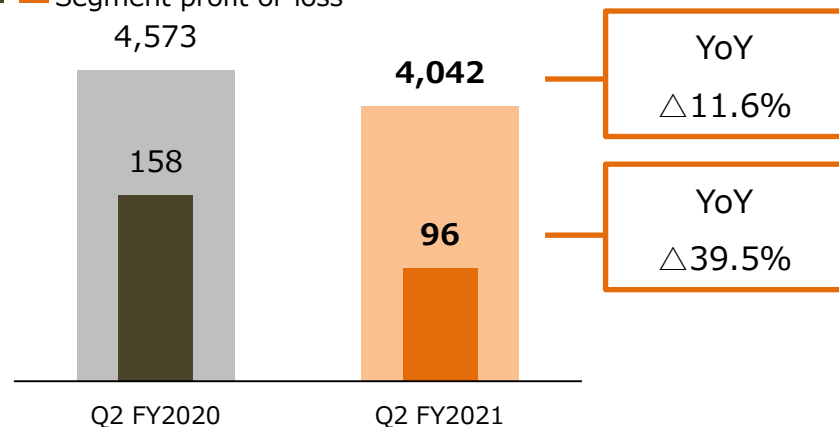


Net sales and segment profit or loss

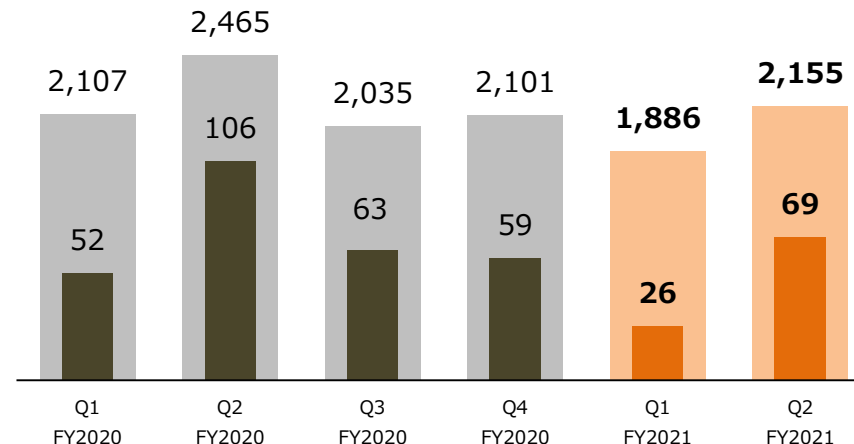
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales decreased by about 530 million yen YoY.

Net sales were down due to the COVID-19 infection despite efforts to concentrate on selling high-end air conditioners in light of increased working from home and the government's special cash payments during the pandemic.

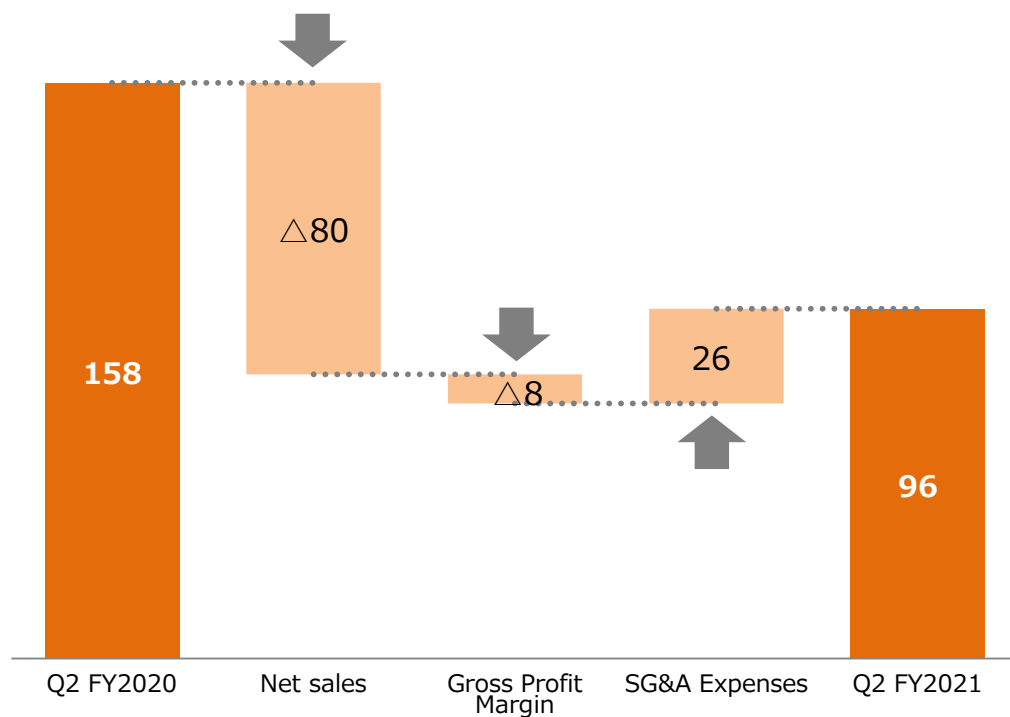
Increased/decreased amount in net sales (million yen)

| | | |
|-------------------|--------------|---|
| Electrical wires | Δ 135 | Sales decreased due to the impact of the COVID-19 infection. |
| Lighting fixtures | Δ 104 | The number of projects decreased due to the impact of the COVID-19 infection and drop in the number of orders after the consumption tax hike. |

Segment profit or loss analysis

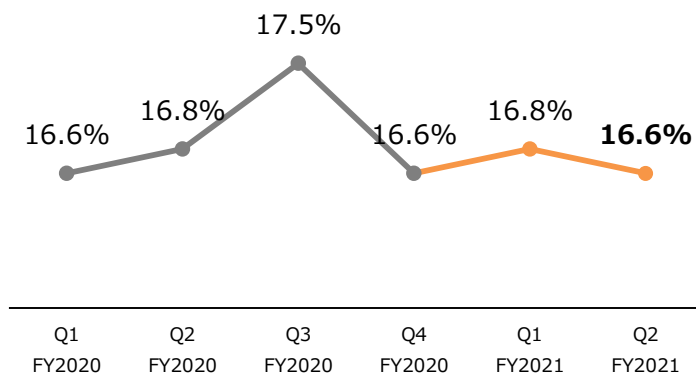
(million yen)

Quarterly GPM and number of projects

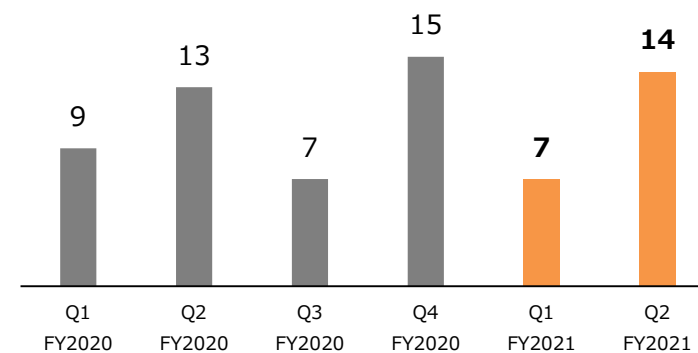


| | |
|---------------------|---|
| Gross Profit Margin | 16.7% → 16.7% |
| SG&A Expenses | Salaries △14 million yen Retirement benefit expenses △14 million yen |

Gross Profit Margin



Number of project*



Note: 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 | <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 them | |
| | <ul style="list-style-type: none"> Safety measures and work-style reform | Risk control for disasters and others For employees' 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.

| 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 <table border="0" style="margin-left: 20px;"> <tr> <td style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 5px;">September 2018</td> <td style="padding: 0 5px;">Obtained for Shiga Factory</td> </tr> <tr> <td style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 5px;">March 2020</td> <td style="padding: 0 5px;">Obtained for Kanto Factory</td> </tr> </table> | September 2018 | Obtained for Shiga Factory | March 2020 | Obtained for Kanto Factory | <ul style="list-style-type: none"> ● Sale of environment-related merchandise ● Installation of solar power generation |
| September 2018 | Obtained for Shiga Factory | | | | | |
| March 2020 | Obtained for Kanto Factory | | | | | |
| 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 | Slings 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

- KONDOTECH 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

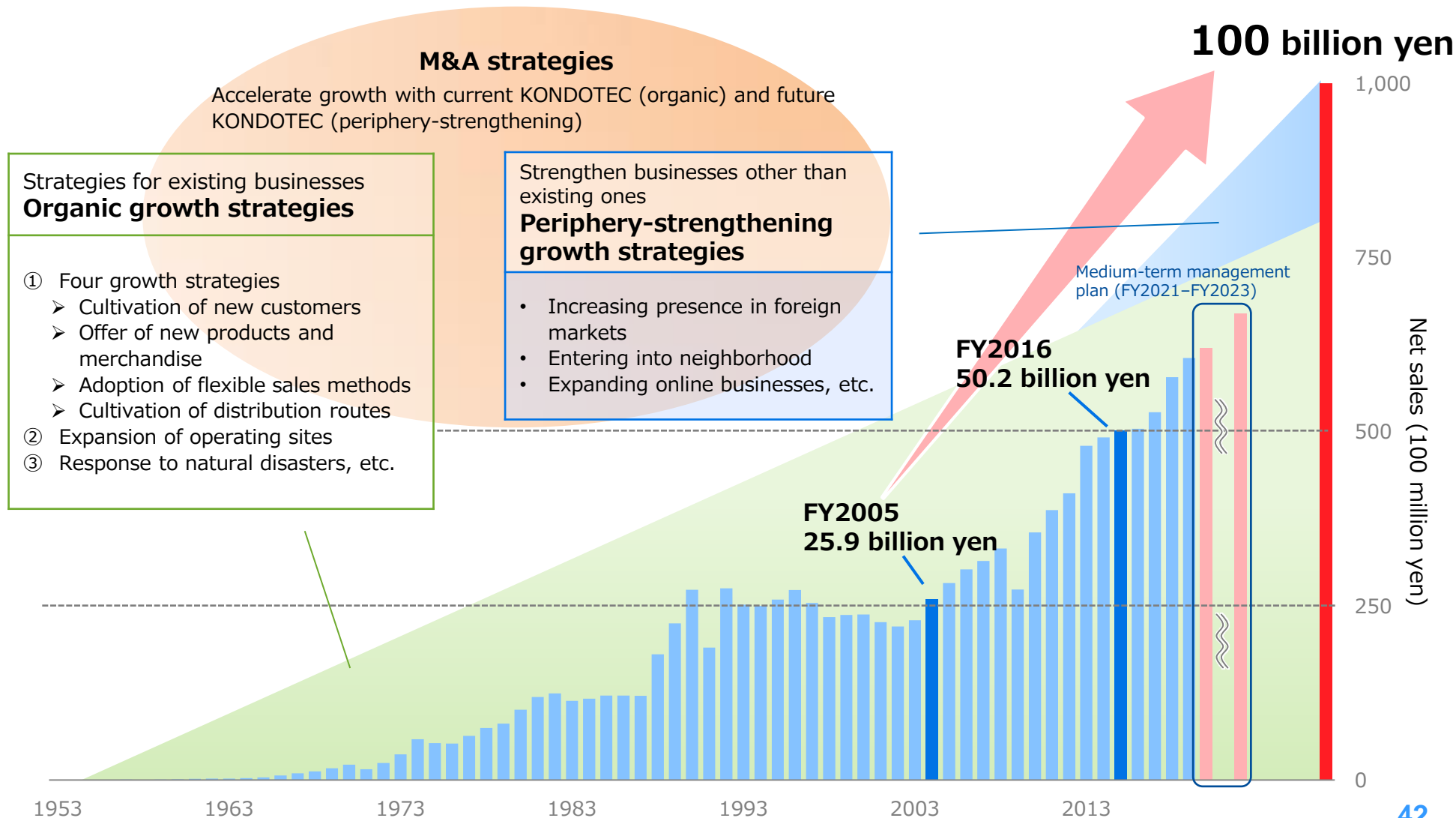
We accurately track its cost of capital (Weighted Average Cost of Capital[WACC]), formulates a medium-term management plan, and publishes a management resources allocation plan that includes growth investments (personnel, capital, investment and strategic investment) aimed at achieving targets for net 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

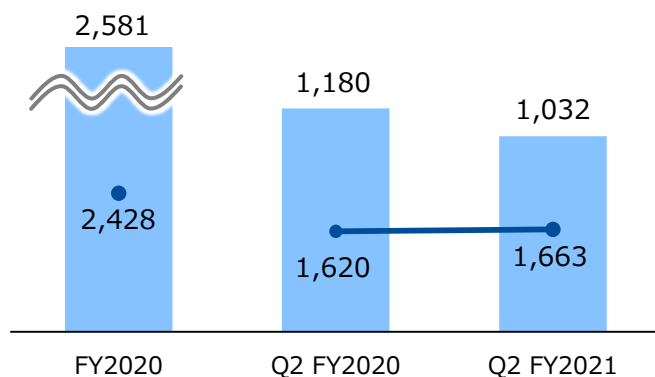
~ Cultivation of New Customers and Offer of New Products and Merchandise ~

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.

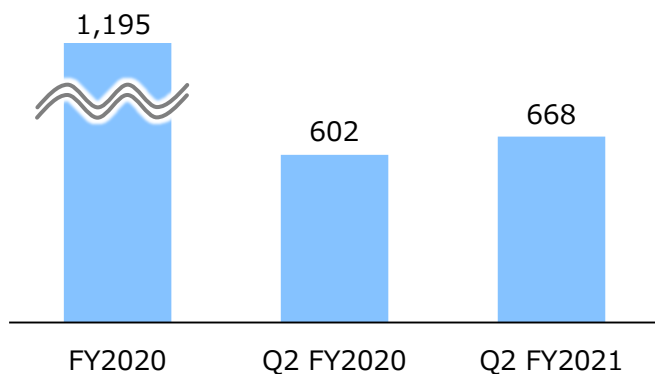
Cultivation of new customers

■ 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) | | Q2 FY2020 | Q2 FY2021 |
|------------------------------|---|-----------|-----------|
| KONDO furring strips bolts |  | 86 | 92 |
| Hook bolts with square shank |  | 98 | 106 |
| KT safely harness |  | 11 | 8 |
| CM lever hoist |  | 11 | 6 |

Adoption of flexible sales methods

■ Differentiation strategies

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

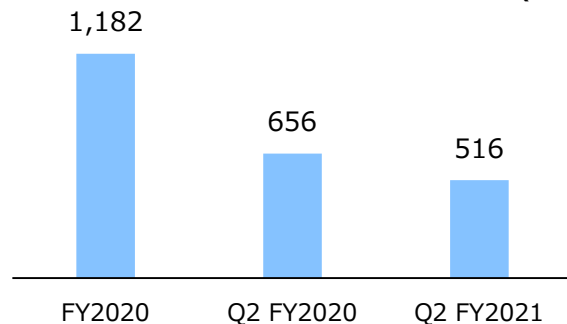
We have launched our website called, “Tsurikata” that allows individual management for lifting equipment to simplify inspection and maintenance of lifting equipment on the website. Traditionally, inspection checklists have been recorded manually on paper, Tsurikata helps to carry out inspection and keep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

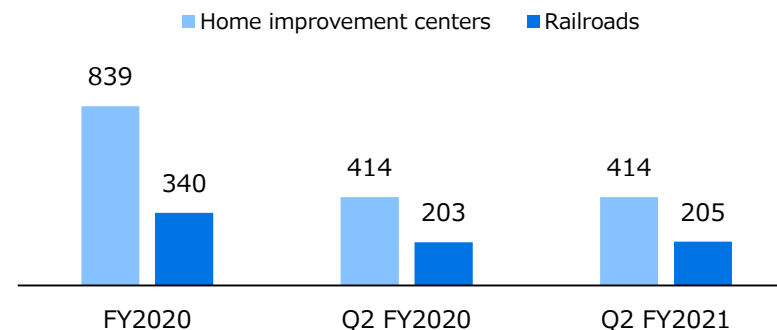
Net sales from anchor construction work (million yen)



Cultivation of distribution routes

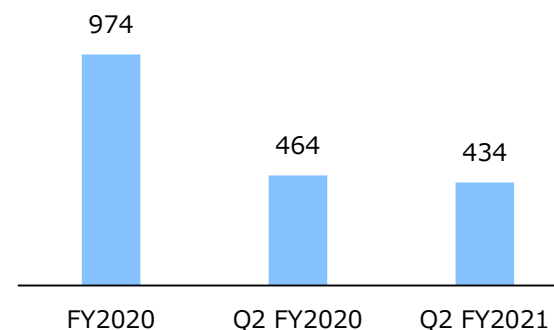
- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the “E-commerce Group” in July 2017 to explore sales through the Internet.

Net sales (million yen)



- 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

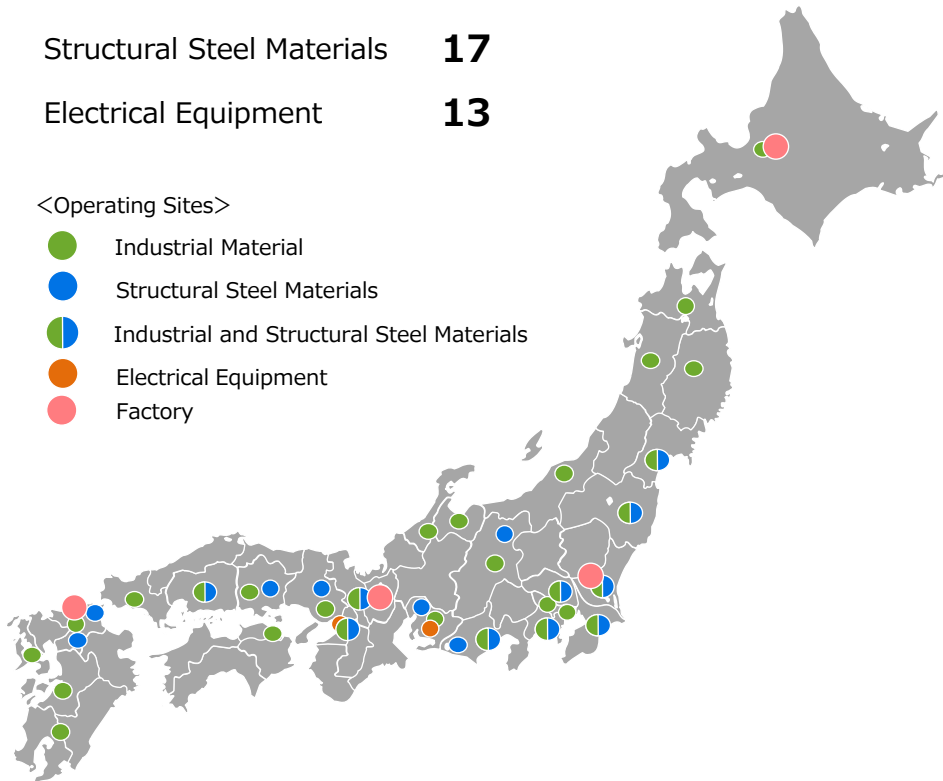
- We strive for expansion of operating sites which maintained a local-community-oriented sales structures in order to respond quickly to customer needs. Recently we opened the Okayama office of the Company in April 2018. We will continue to execute quick deliveries in an effort to realize customer-focused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

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

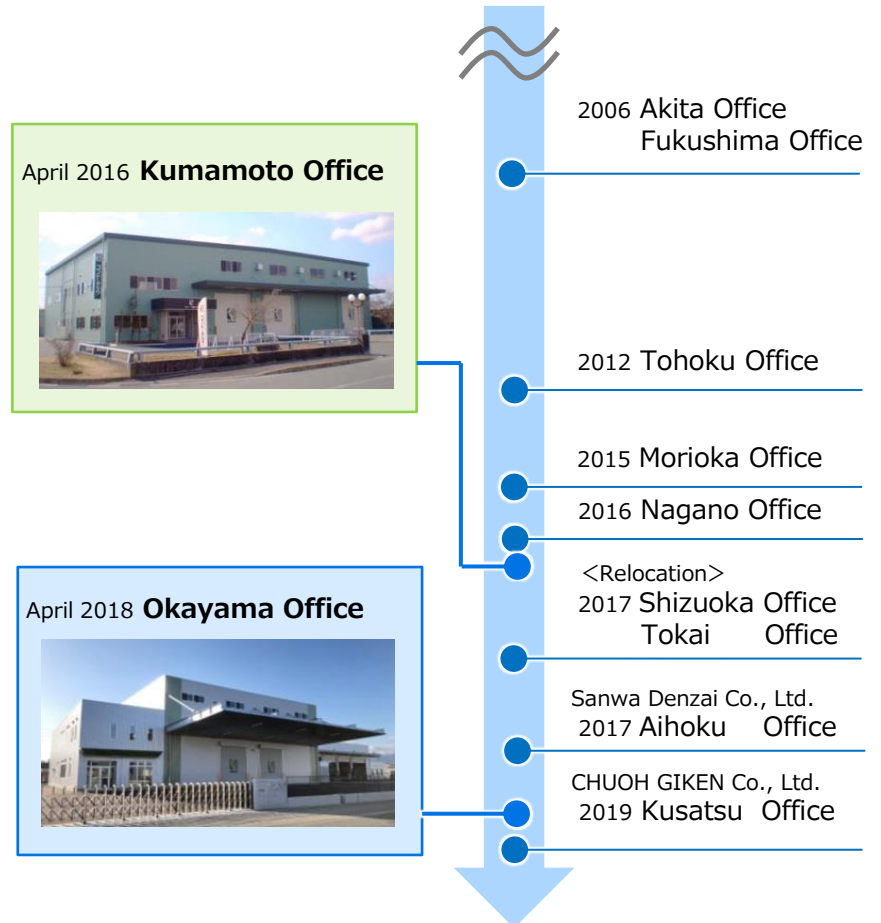
| | |
|----------------------------|-----------|
| Industrial Material | 63 |
| Structural Steel Materials | 17 |
| Electrical Equipment | 13 |

<Operating Sites>

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

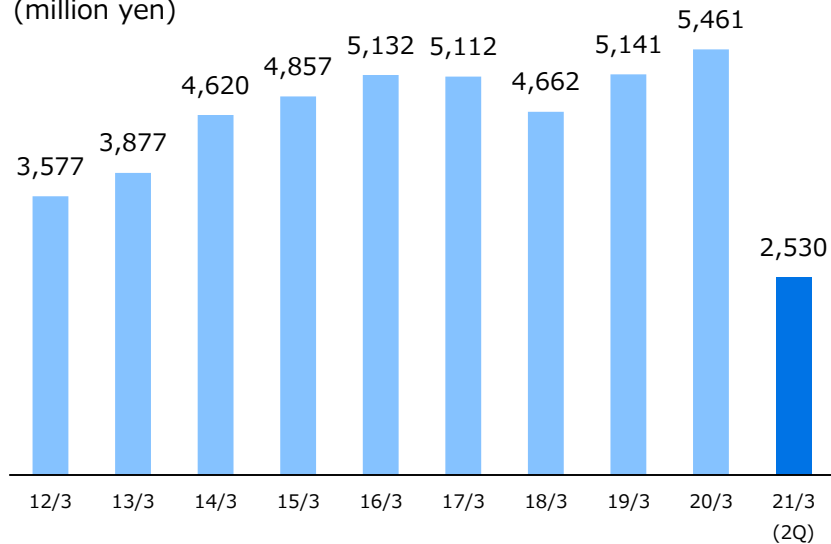


History of operating site network expansion



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 Taraulins, 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 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 Q2 FY2021

| (million yen) | Q2 FY2020 | Q2 FY2021 | FY2021 forecast |
|------------------------------|------------|-----------|-----------------|
| International Sales Division | 20 | 11 | 48 |
| Local Subsidiary in Thailand | 155 | 85 | 293 |
| Total | 176 | 97 | 341 |

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

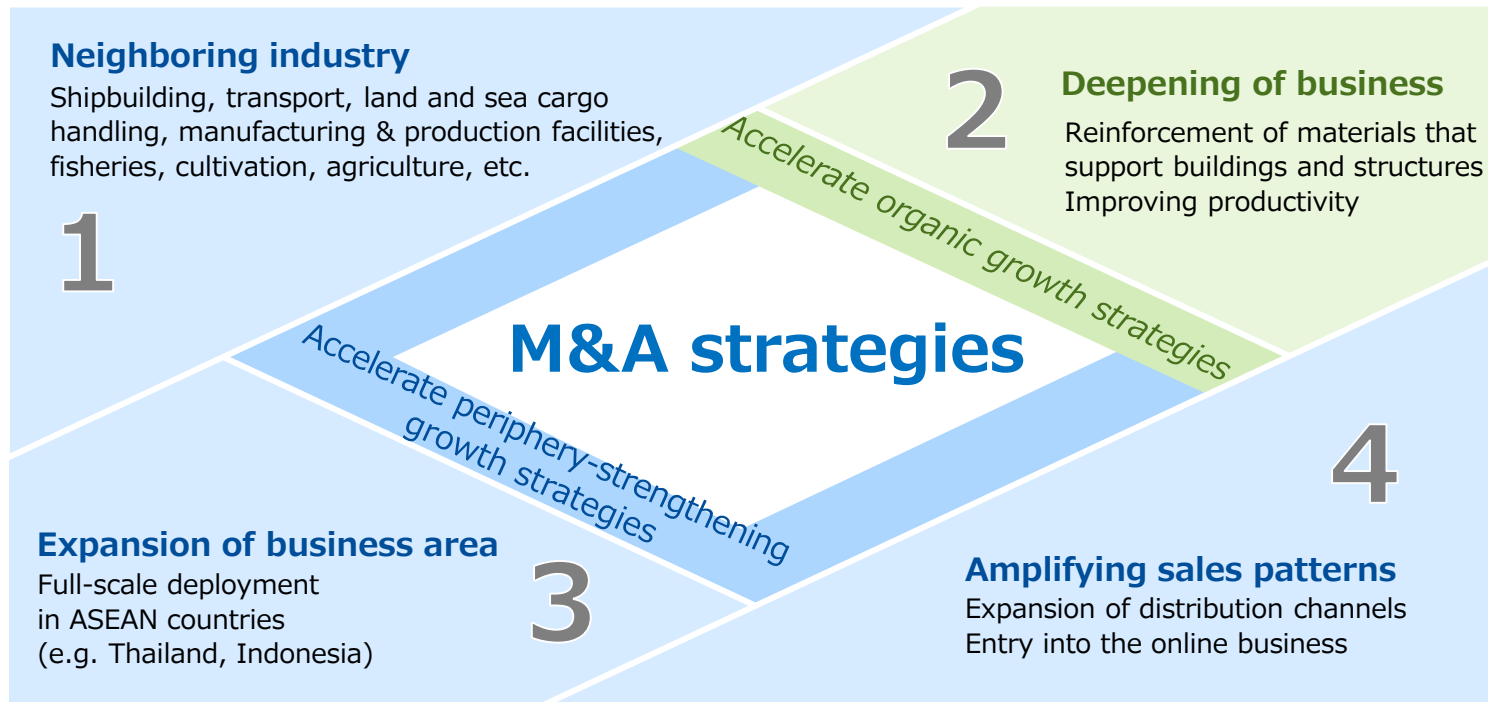
Percentage of sales by country Q2 FY2021

| | | | |
|----------------------|------------|-----------|-----|
| ASEAN | 89% | Thailand | 39% |
| East Asia/China | 8% | Vietnam | 19% |
| Near and Middle East | 2% | Indonesia | 18% |
| Other countries | 1% | Singapore | 13% |



- 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 KONDOTECH, 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

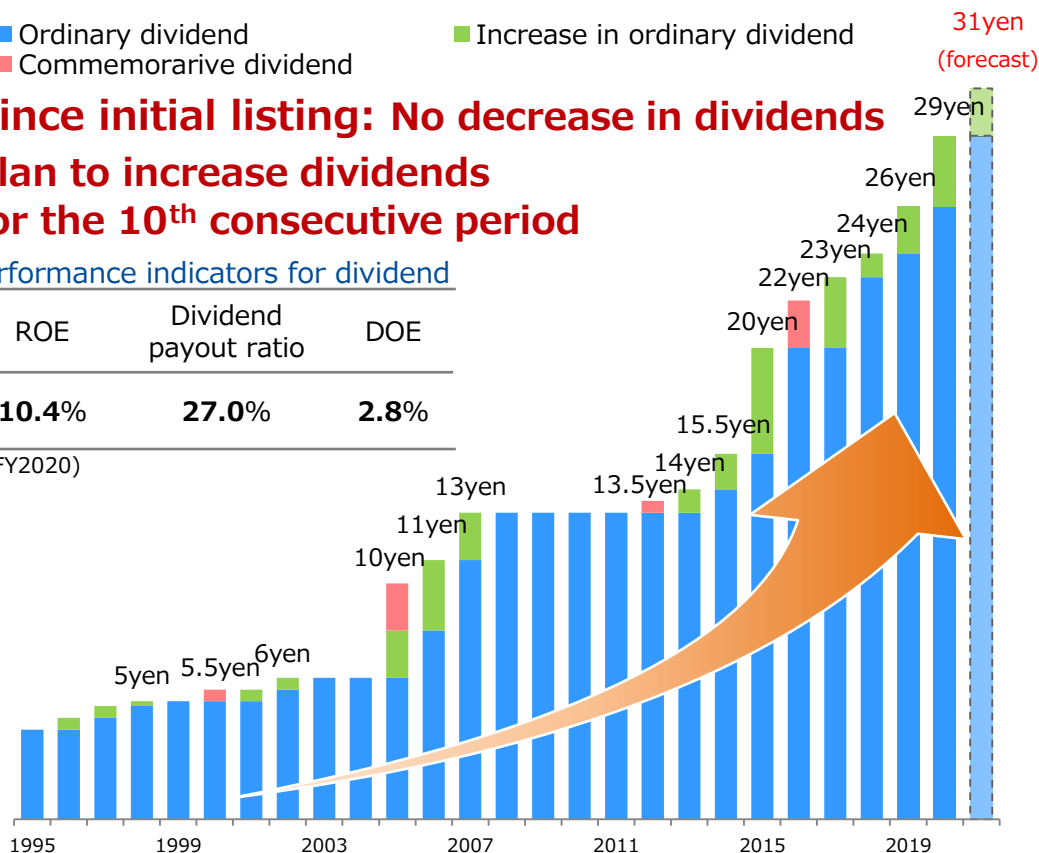
- Ordinary dividend
- Increase in ordinary dividend
- Commemorative dividend

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 October 30: 1,009 yen

| | |
|-----------------|--|
| Dividend yield* | Dividend yield including shareholder incentive plan* |
| 3.1% | ~3.9% |

Shareholder incentive plan

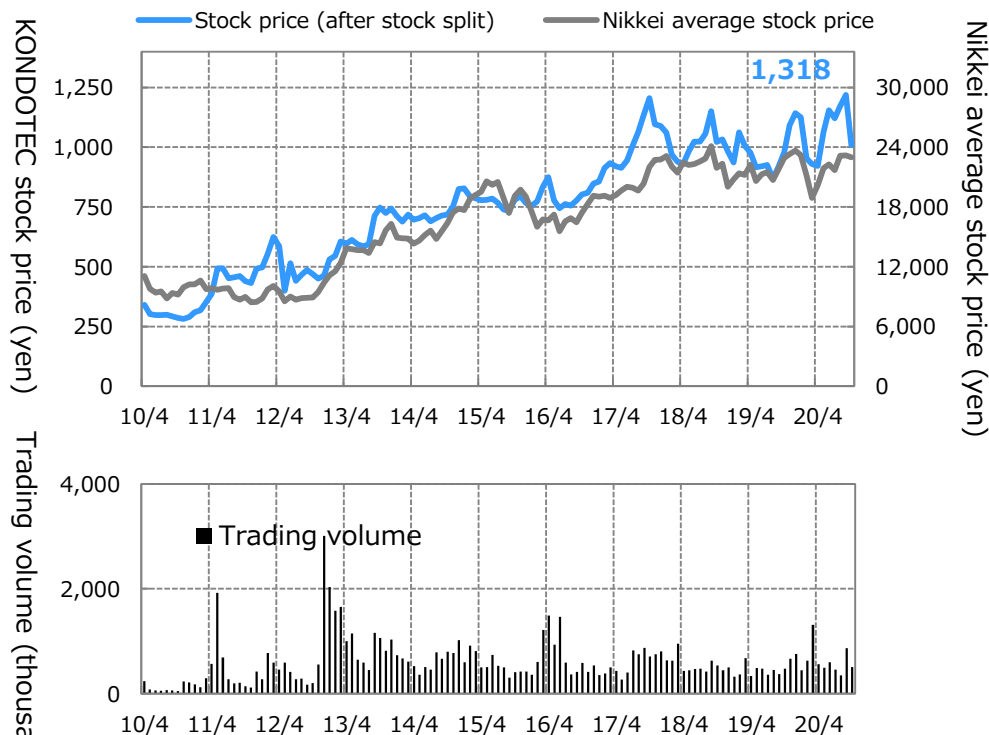
| Number of shares held | Shareholder incentive |
|--|--|
| 100 or more shares, fewer than 1,000 shares | 2 kg-rice certificate (equivalent to 880 yen) |
| 1,000 or more shares, fewer than 10,000 shares | 5 kg-rice certificate (equivalent to 2,200 yen) |
| 10,000 or more shares | 10 kg-rice certificate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

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

Acquisition of treasury stocks

| | |
|---------------------------------|---|
| Total acquisition price | 799 million yen |
| Total number of shares acquired | 750,700 shares |
| Acquisition period | November 8, 2019 through September 23, 2020 |

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

Closing price on October 30

1,009 yen

PER : 10.6 PBR : 0.94

EPS : 95.47 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)

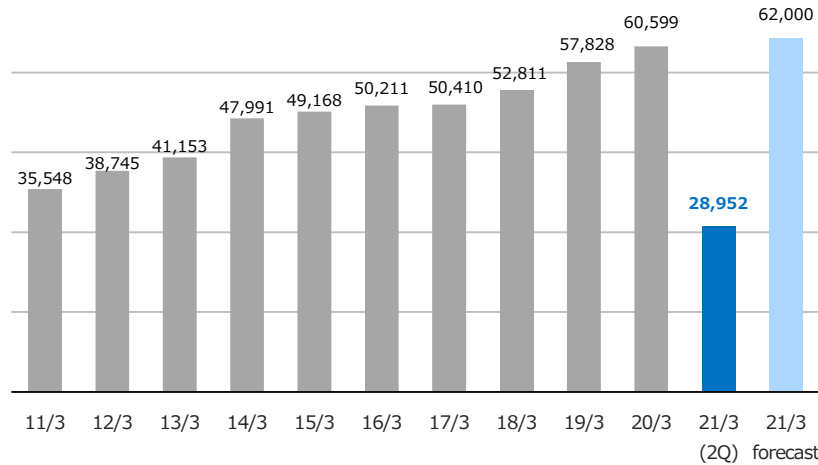
9. Highlights of Results

Highlights of Consolidated Financial Results



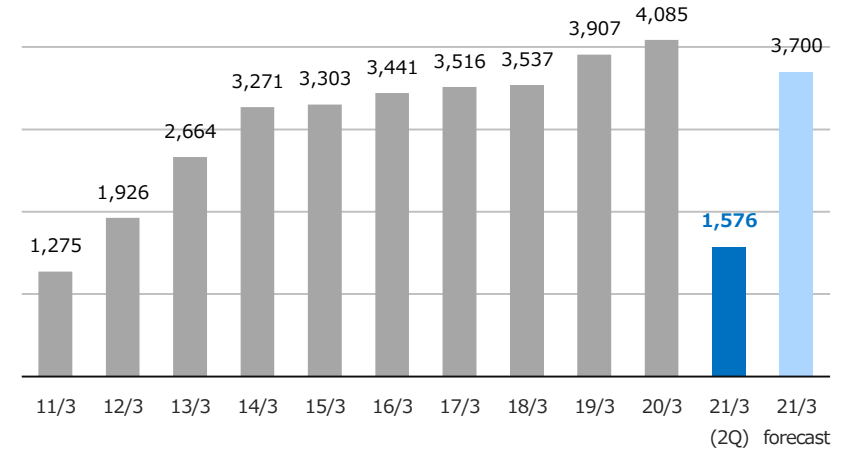
Net sales
(million yen)

28,952 million yen **46.7%** Progress



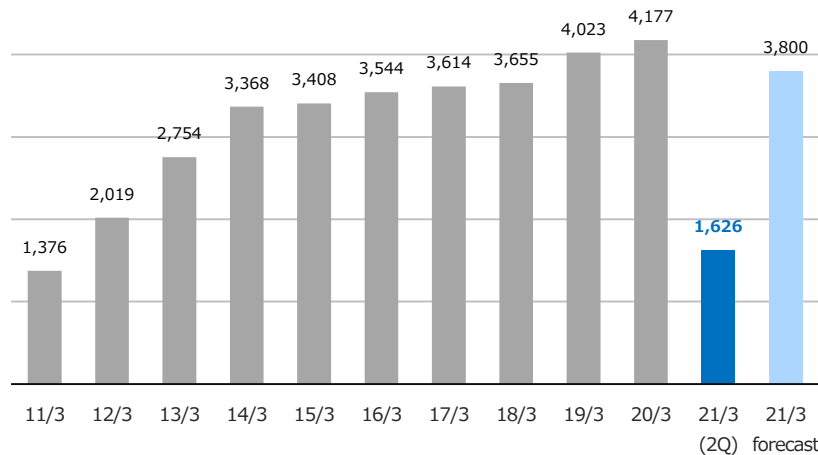
Operating income
(million yen)

1,576 million yen **42.6%** Progress



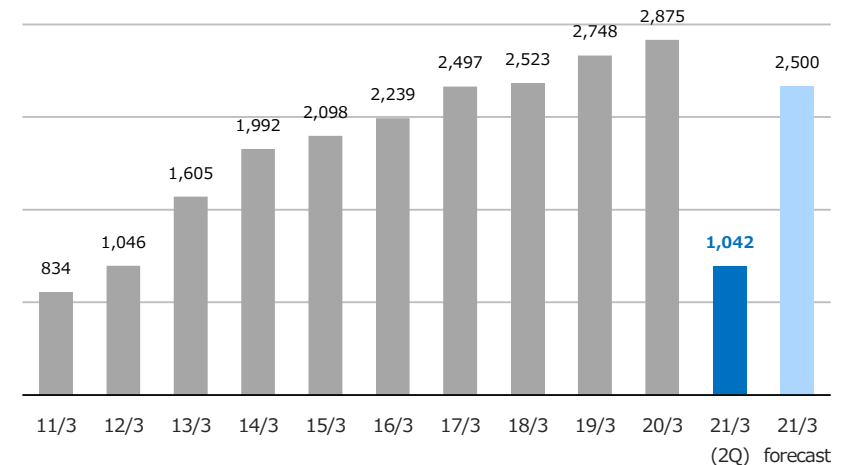
Ordinary income
(million yen)

1,626 million yen **42.8%** Progress



Profit attributable to owner of parent
(million yen)

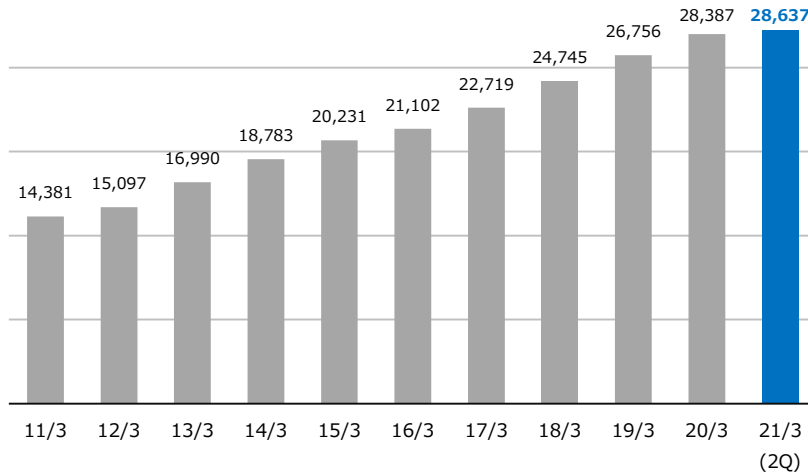
1,042 million yen **41.7%** Progress



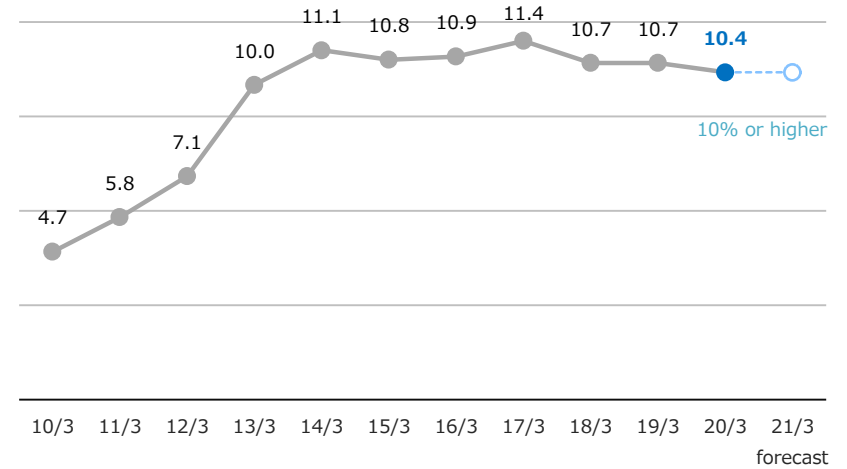
Highlights of Consolidated Financial Results



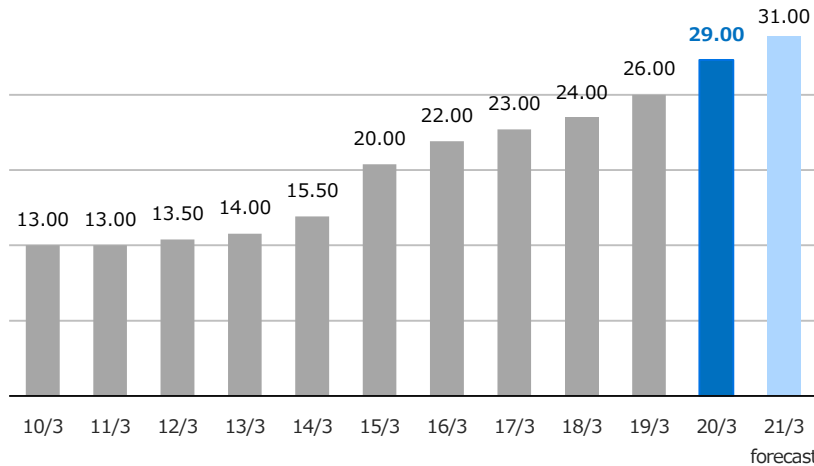
Net assets (million yen) **28,637** million yen



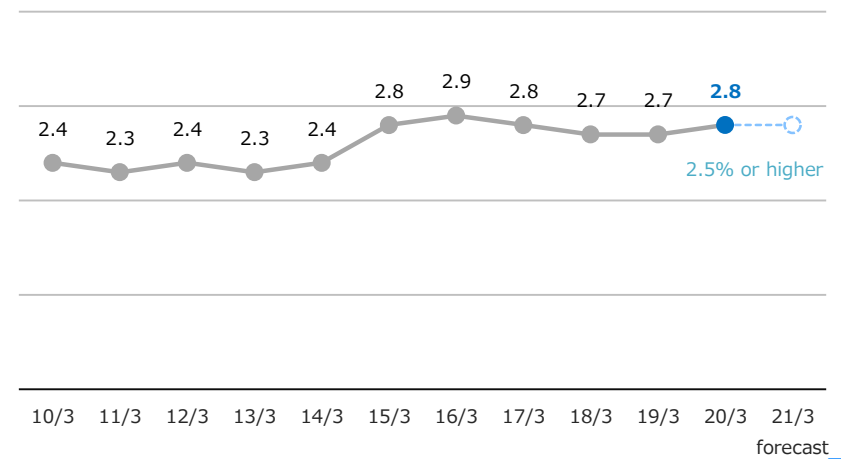
ROE (%) Target **10** % or higher



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



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



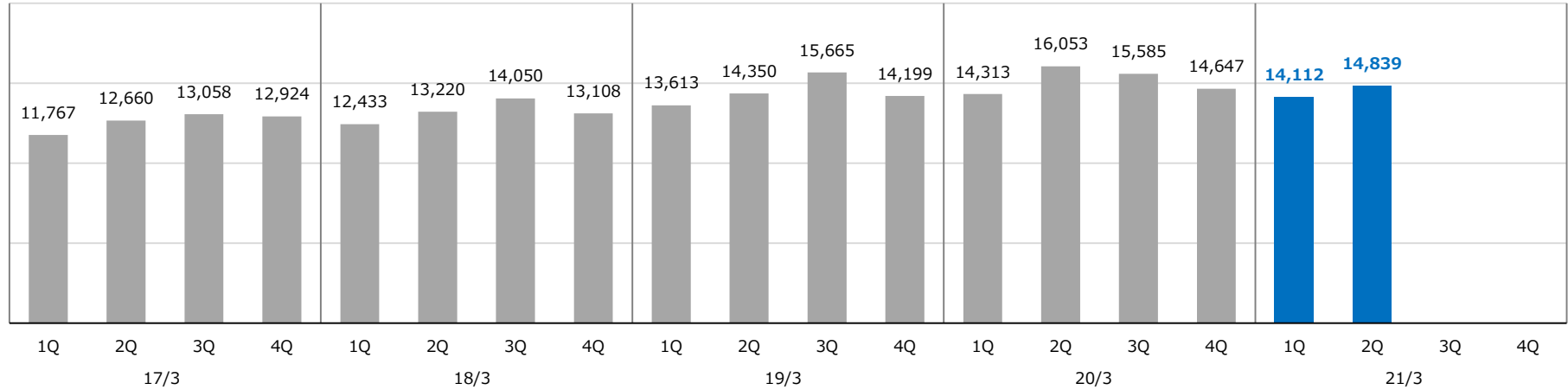
Highlights of Consolidated Financial Results



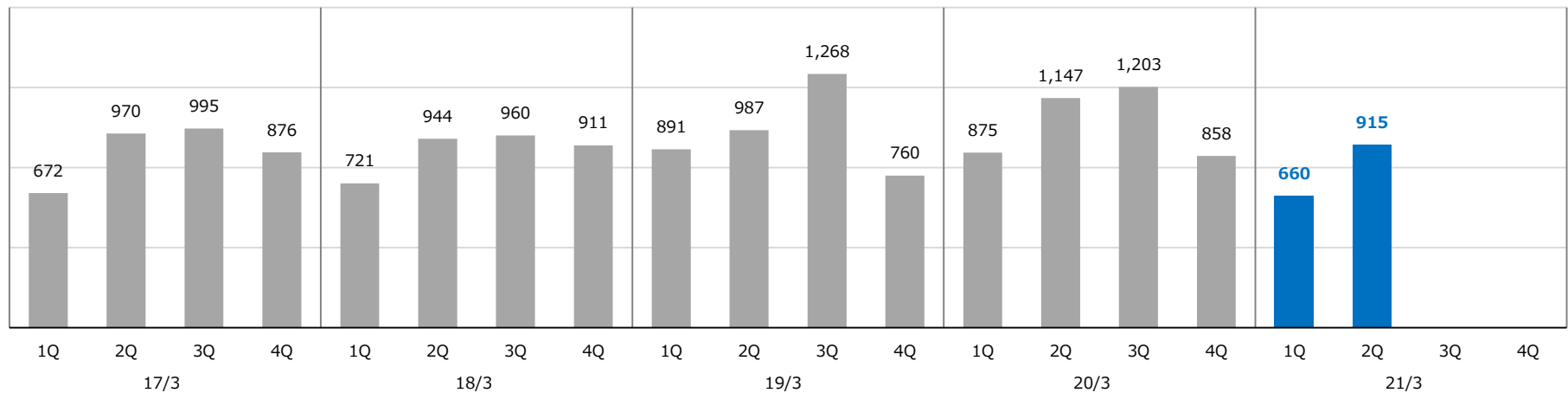
| | 11/3 | 12/3 | 13/3 | 14/3 | 15/3 | 16/3 | 17/3 | 18/3 | 19/3 | 20/3 | 21/3 2Q | 21/3 (forecast) |
|---|--------|---------|--------|--------|--------|---------|---------|--------|---------|----------|---------|-----------------|
| Result of Operations (million yen) | | | | | | | | | | | | |
| Net sales | 35,548 | 38,745 | 41,153 | 47,991 | 49,168 | 50,211 | 50,410 | 52,811 | 57,828 | 60,599 | 28,952 | 62,000 |
| Operating profit | 1,275 | 1,926 | 2,664 | 3,271 | 3,303 | 3,441 | 3,516 | 3,537 | 3,907 | 4,085 | 1,576 | 3,700 |
| Ordinary income | 1,376 | 2,019 | 2,754 | 3,368 | 3,408 | 3,544 | 3,614 | 3,655 | 4,023 | 4,177 | 1,626 | 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 | 1,042 | 2,500 |
| EBITDA | 2,025 | 2,492 | 3,178 | 3,846 | 3,948 | 3,910 | 4,052 | 4,079 | 4,425 | 4,916 | 2,148 | - |
| 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 | 45,918 | - |
| Net assets | 14,381 | 15,097 | 16,990 | 18,783 | 20,231 | 21,102 | 22,719 | 24,745 | 26,756 | 28,387 | 28,637 | - |
| 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 | 648 | - |
| Cash flows from investing activities | △ 320 | △ 1,511 | △ 494 | △ 660 | 828 | △ 829 | △ 646 | △ 506 | △ 1,551 | △ 5,205 | △ 568 | - |
| Cash flows from financing activities | △ 736 | △ 550 | 426 | △ 389 | △ 699 | △ 1,092 | △ 1,032 | △ 703 | △ 915 | △ 992 | 623 | - |
| 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 | 9,009 | - |
| 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 | 39.71 | 95.47 |
| 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 | 5.4 | 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 | 62.3 | - |
| 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 | 1,219 | - |
| 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)

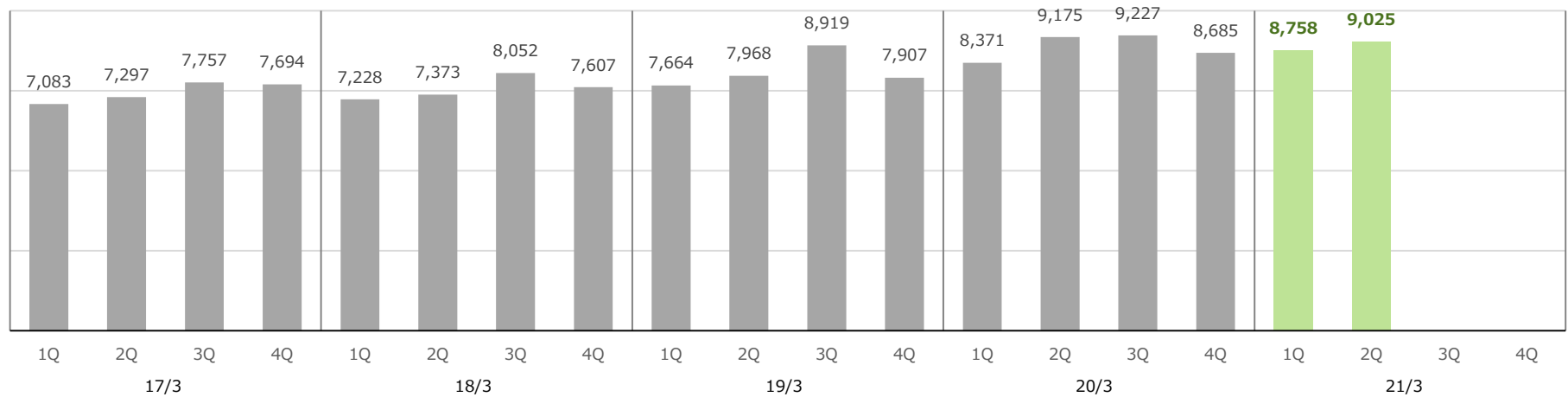


Operating income (million yen)

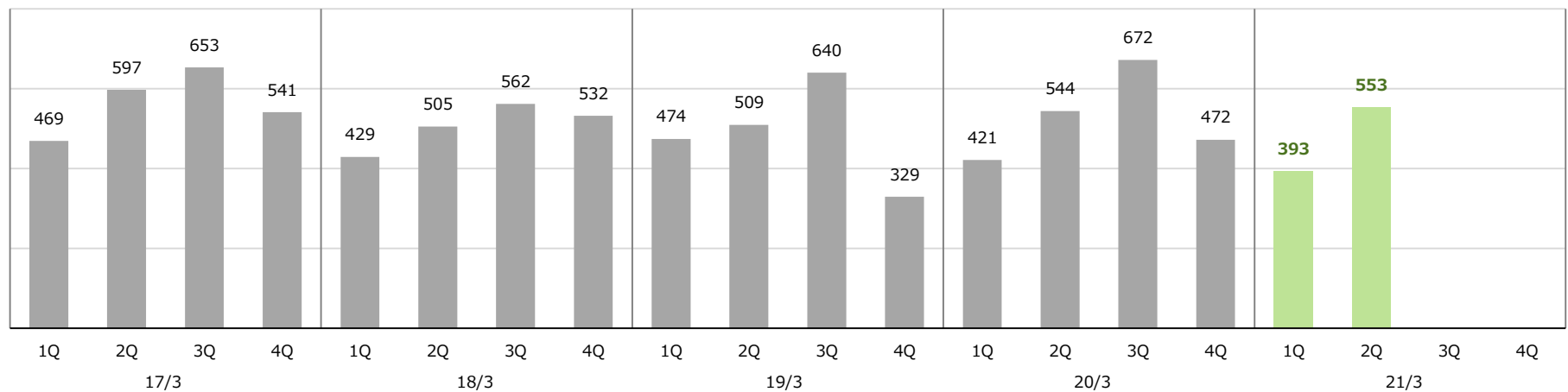


Industrial Materials

Net sales (million yen)

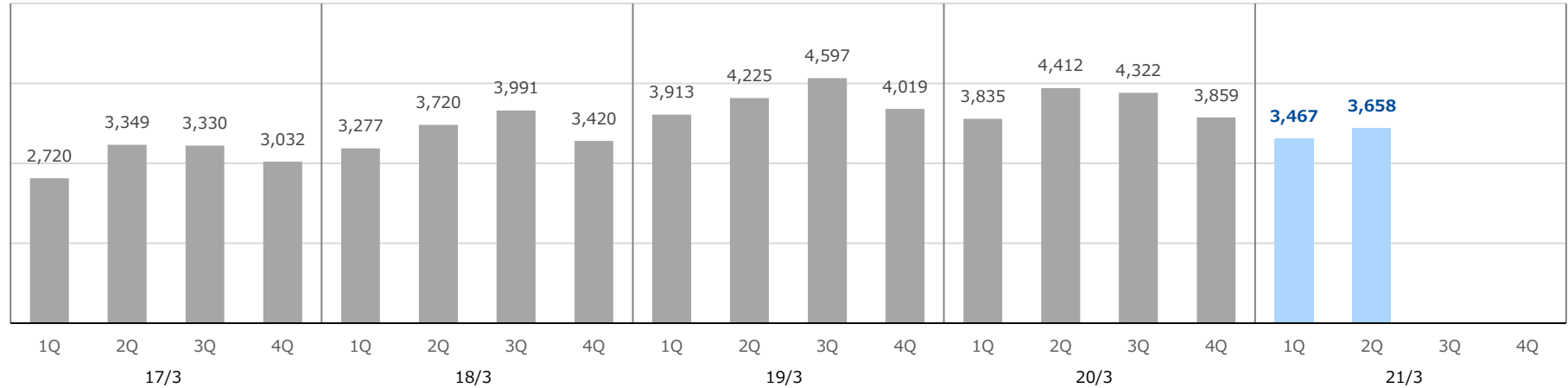


Segment profit or loss (million yen)

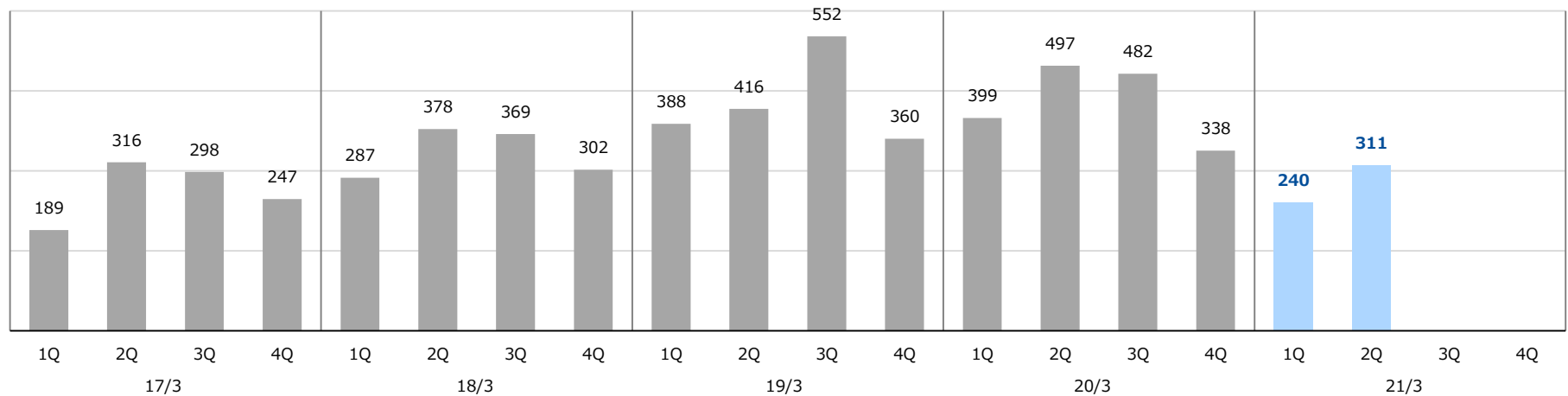


Structural Steel Materials

Net sales (million yen)

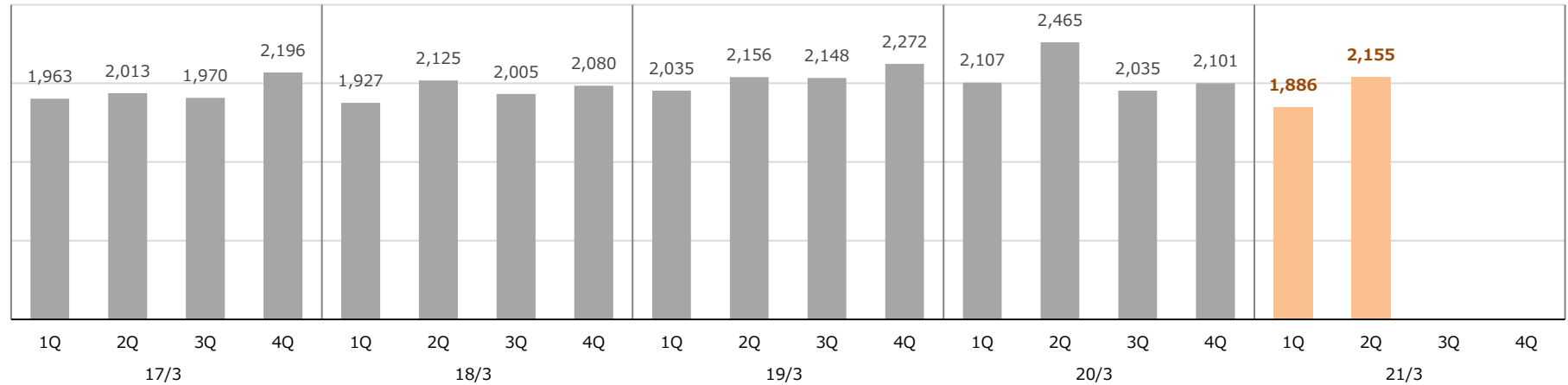


Segment profit or loss (million yen)

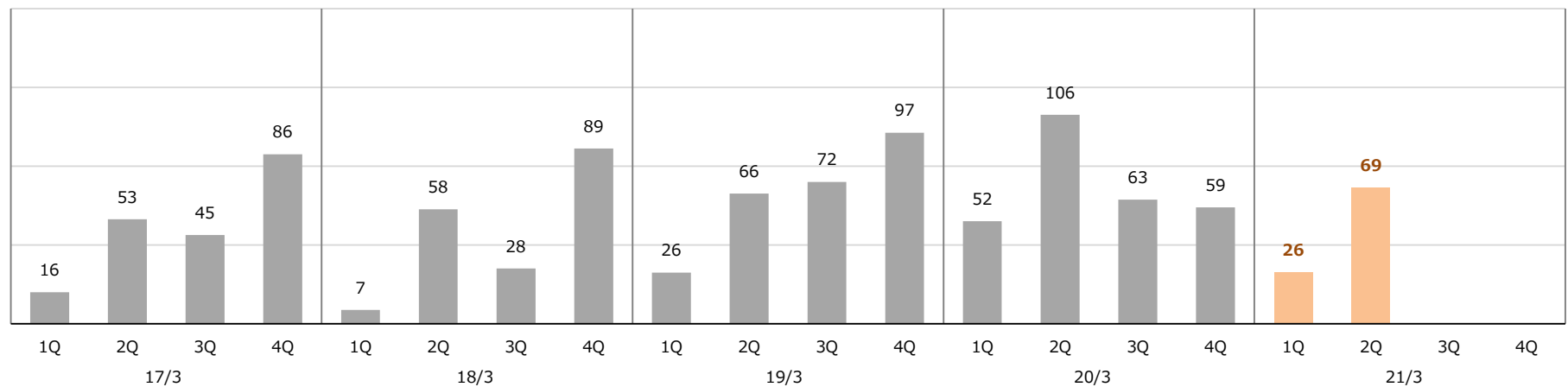


Electrical Equipment

Net sales (million yen)



Segment profit or loss (million yen)







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