

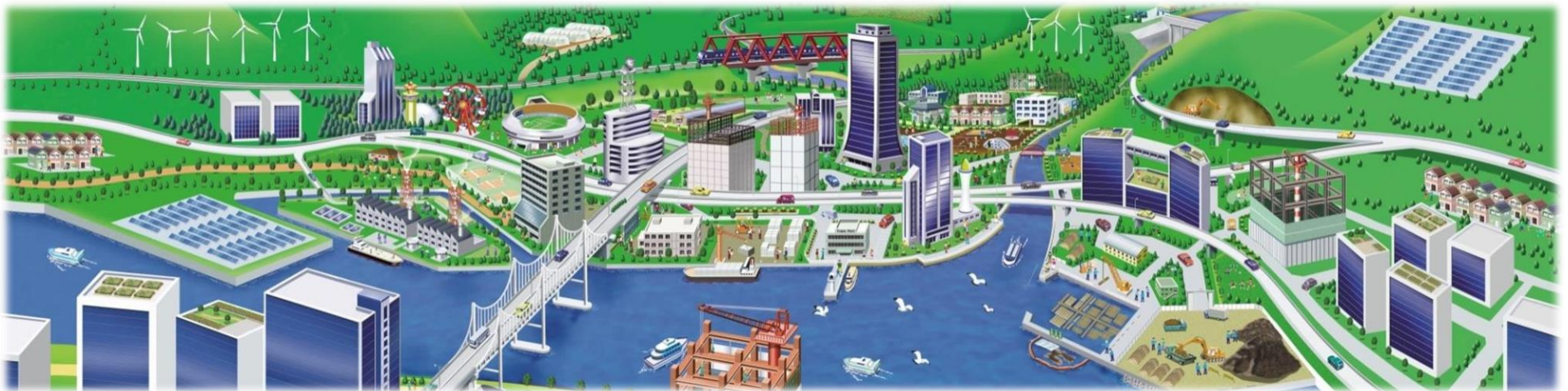
# **KONDOTECH INC.**

## **Financial Results**

**Q2 FY2022**

**November 9, 2021**

Securities Code : 7438



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# **1. Highlights of Q2 FY2022 Financial Results**

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- Net sales increased due to demand recovery in construction and a sale contribution from Fukoku, which was made a subsidiary in January 2021.
- Operating results increased with the increase in net sales offsetting a dip in gross profit margin, higher freight costs and personnel expenses, and higher SG&A expenses following the acquisition of two subsidiaries.

<b>Net sales</b>	<b>31,304</b> million yen	YoY	<b>+8.1%</b>
<b>Operating income</b>	<b>1,618</b> million yen	YoY	<b>+2.7%</b>
<b>Ordinary income</b>	<b>1,702</b> million yen	YoY	<b>+4.7%</b>
<b>Profit attributable to owner of parent</b>	<b>1,065</b> million yen	YoY	<b>+2.2%</b>
<b>EBITDA</b>	<b>2,336</b> million yen	YoY	<b>+8.8%</b>

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

## 1 Application for selection of new market segment “Prime Market”

- KONDOTEC (the “Company”) has received the result of the initial assessment of compliance with the continued listing criteria in the new market segment from Tokyo Stock Exchange, Inc. (“TSE”) and has confirmed that the Company is in compliance with the continued listing criteria for the Prime Market.
- In September 2021, based on this result the Company has completed the prescribed procedures related to **the application for the selection of the new market segment “Prime Market”** in accordance with the schedule set by TSE.

## 2 Acquisition of KURIYAMA ALUMINUM Co., Ltd.

- In October 2021, KONDOTEC resolved to acquire shares in KURIYAMA ALUMINUM Co., Ltd. which develops and manufactures aluminum extrusion products and made it a subsidiary with the aim of achieving sustainable growth and improving the corporate value of the KONDOTEC group over the medium to long term by bringing aluminum products (for which future demand is predicted to increase) into the range handled by the group.

### ● Company overview

Company name	KURIYAMA ALUMINUM Co., Ltd.
Location	Nakamura-ku, Nagoya
Business areas	Development and manufacture of aluminum extrusions
Capital stock	96 million yen (As of September 2020)

## 3 Decision on acquisition of treasury stocks

- In November 2021, KONDOTEC resolved to acquire its treasury shares to expand shareholder returns, improve its capital efficiency and implement a flexible capital policy in response to business environment.

### ● Acquisition of treasury stocks

Total acquisition price	900 million yen (maximum)
Total number of shares acquired	1,000,000 shares (maximum)
Acquisition period	January 4, 2022 - October 31, 2022

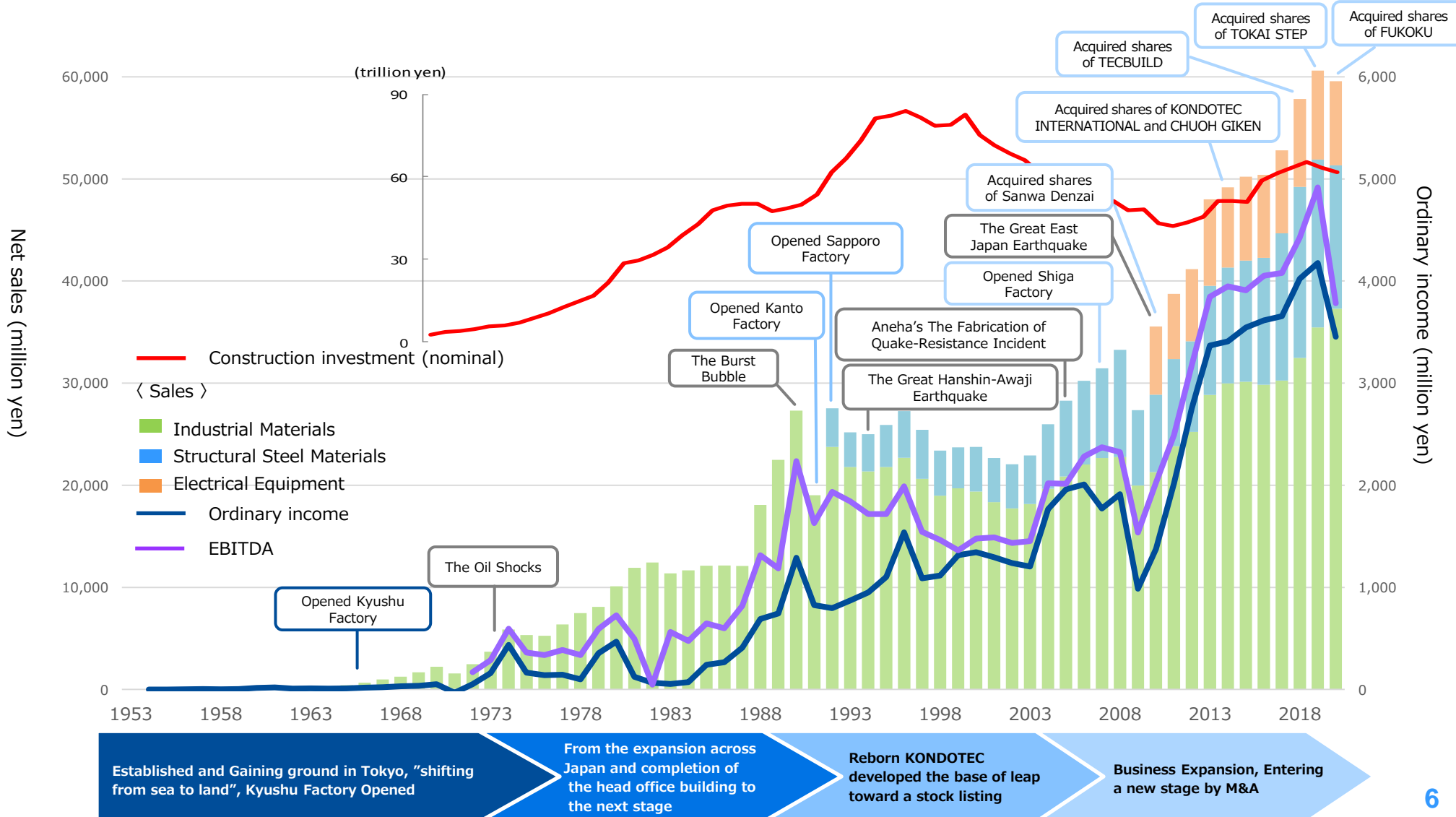
## **2. Company Overview**

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# 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



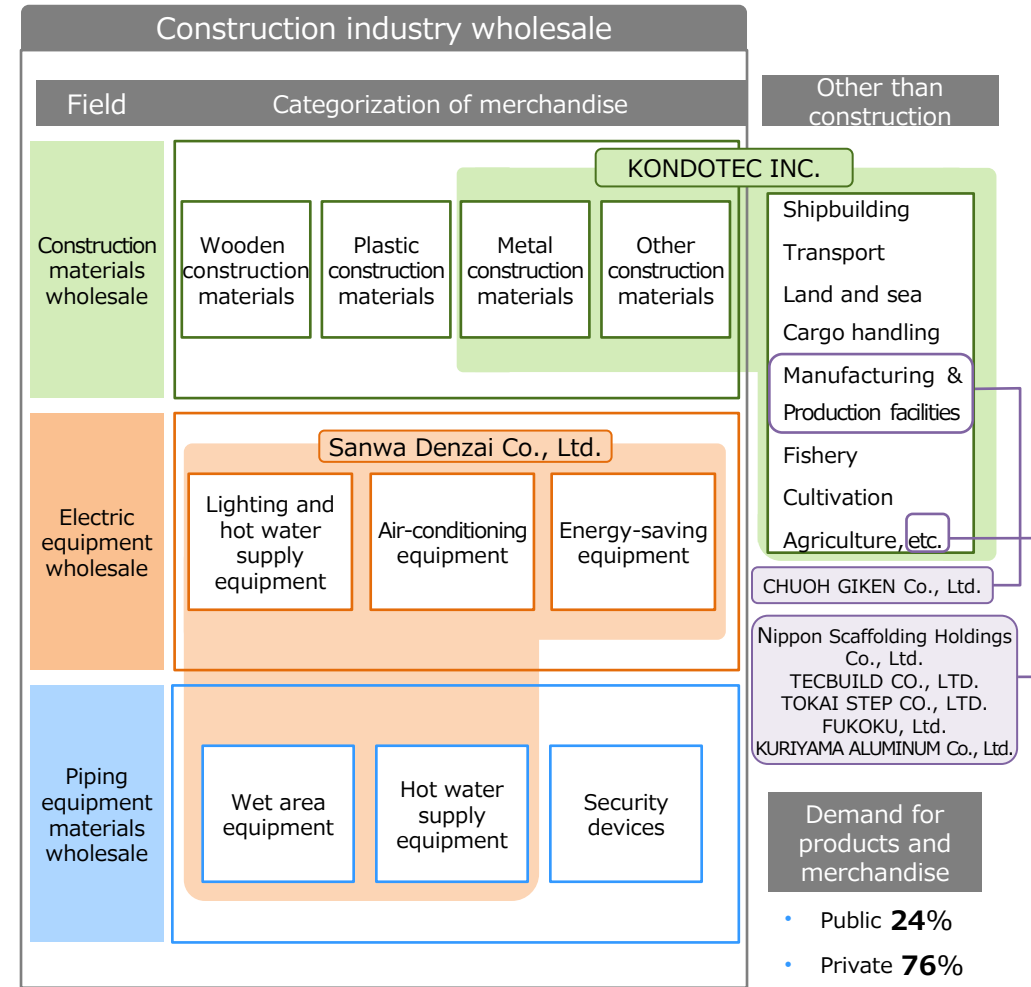
<b>Company name</b>	KONDO TEC INC.
<b>Group companies</b>	Sanwa Denzai Co., Ltd. KONDO TEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. FUKOKU, Ltd. KURIYAMA ALUMINUM Co., Ltd. (As of October 31, 2021)
<b>Established</b>	January 1953
<b>President and Representative Director</b>	Katsuhiko Kondo
<b>Head office</b>	2-2-90 Sakaigawa, Nishi-ku, Osaka 550-0024 Japan Tokyo Headquarters : 1-9-3 Minami Suna, Koto-ku, Tokyo
<b>Number of employees</b>	Parent:721 Consolidated:1,140 (As of March 31, 2021)
<b>Capital stock</b>	2,666 million yen
<b>Listed stock market</b>	Tokyo Stock Exchange (First Section) (Securities Code :7438)
<b>Business areas</b>	<ul style="list-style-type: none"><li>■ Manufacturing, procurement, sale and rental of industrial materials primarily in the retail hardware business.</li><li>■ Manufacturing, procurement and sale of structural steel materials mainly for steel fabricators.</li><li>■ Procurement and sales of electrical equipment for electrical work operators and electrical appliance stores.</li></ul>
<b>Major items handled</b>	<ul style="list-style-type: none"><li>■ <b>Products</b> Turn buckles, braces, scaffolding chains, screws, anchor bolts, construction materials, machinery and equipment etc.</li><li>■ <b>Merchandise</b> Hardware, chains, wire ropes, screws, construction materials, lighting equipment, panel board, air-conditioning equipment, eco items etc.</li></ul>



## 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.

## Business areas



Demand for products and merchandise

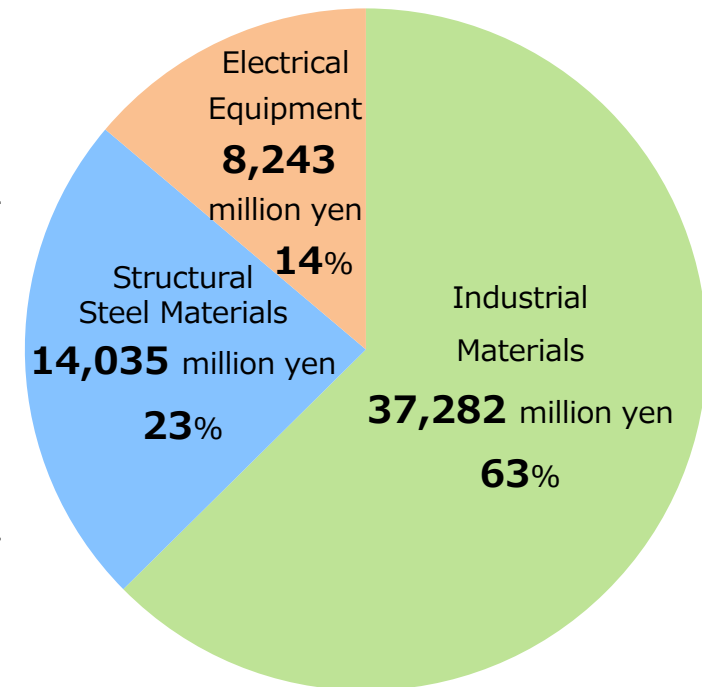
- Public **24%**
- Private **76%**

(As of September 2021)

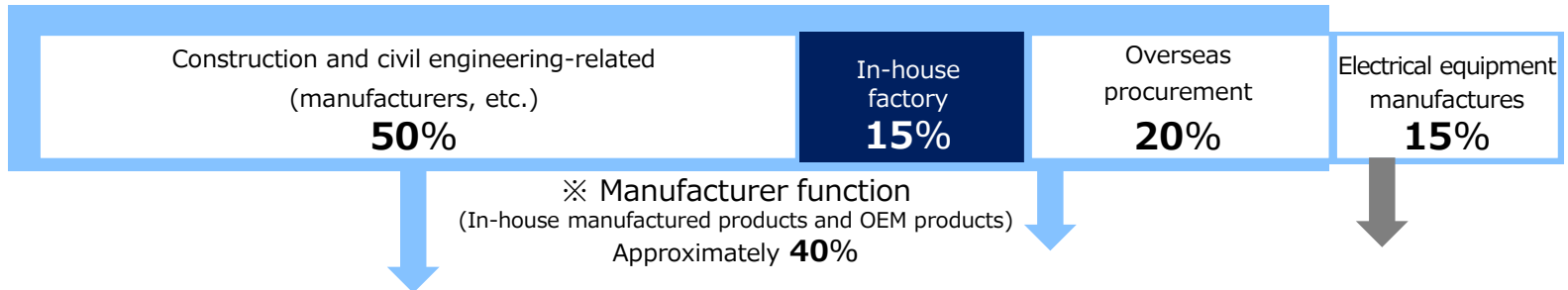
# Net Sales by Segment

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

Net sales by segment (FY2021)



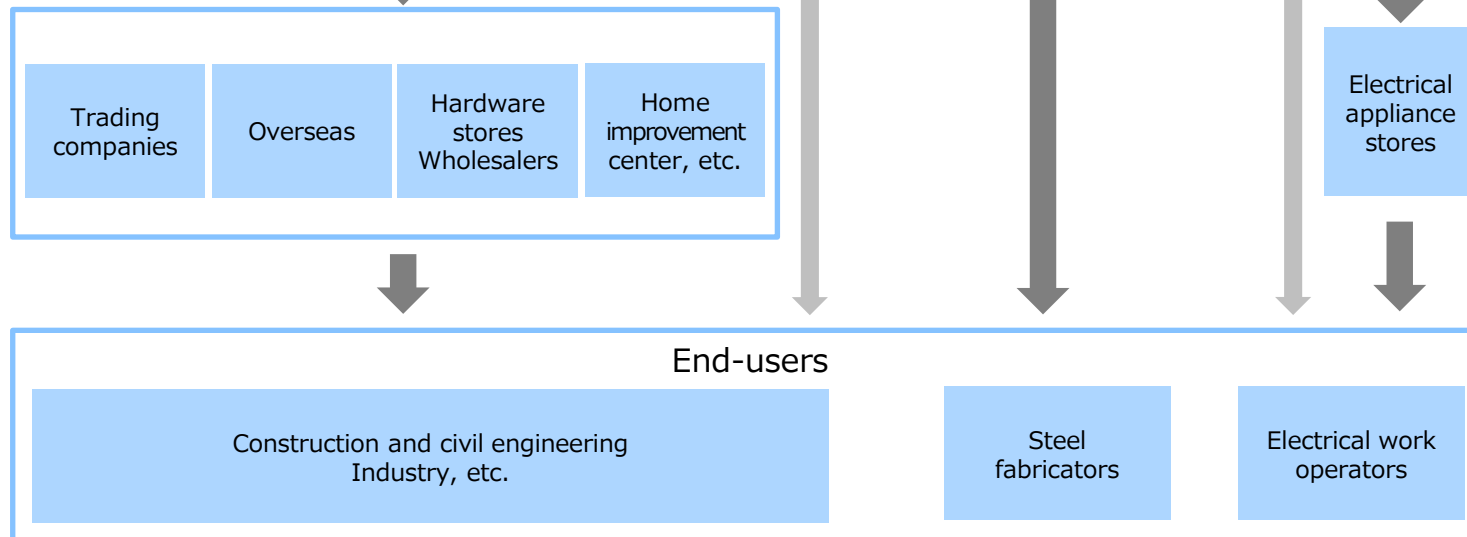
## Suppliers



## Sales contribution ratio by business segments (FY2021)



## Customers



# Segment Overview



(As of end March 2021)

Net sales		Consolidated	Industrial Materials	Structural Steel Materials	Electrical Equipment
		59,562 million yen	37,282 million yen	14,035 million yen	8,243 million yen
Note: KONDOTEC and Sanwa Denzai are included in the pie charts.					
Number of operating sites		98	68	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	2,526	1,621	627	278
	Net sales (million yen)	2,612	1,230	555	826

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

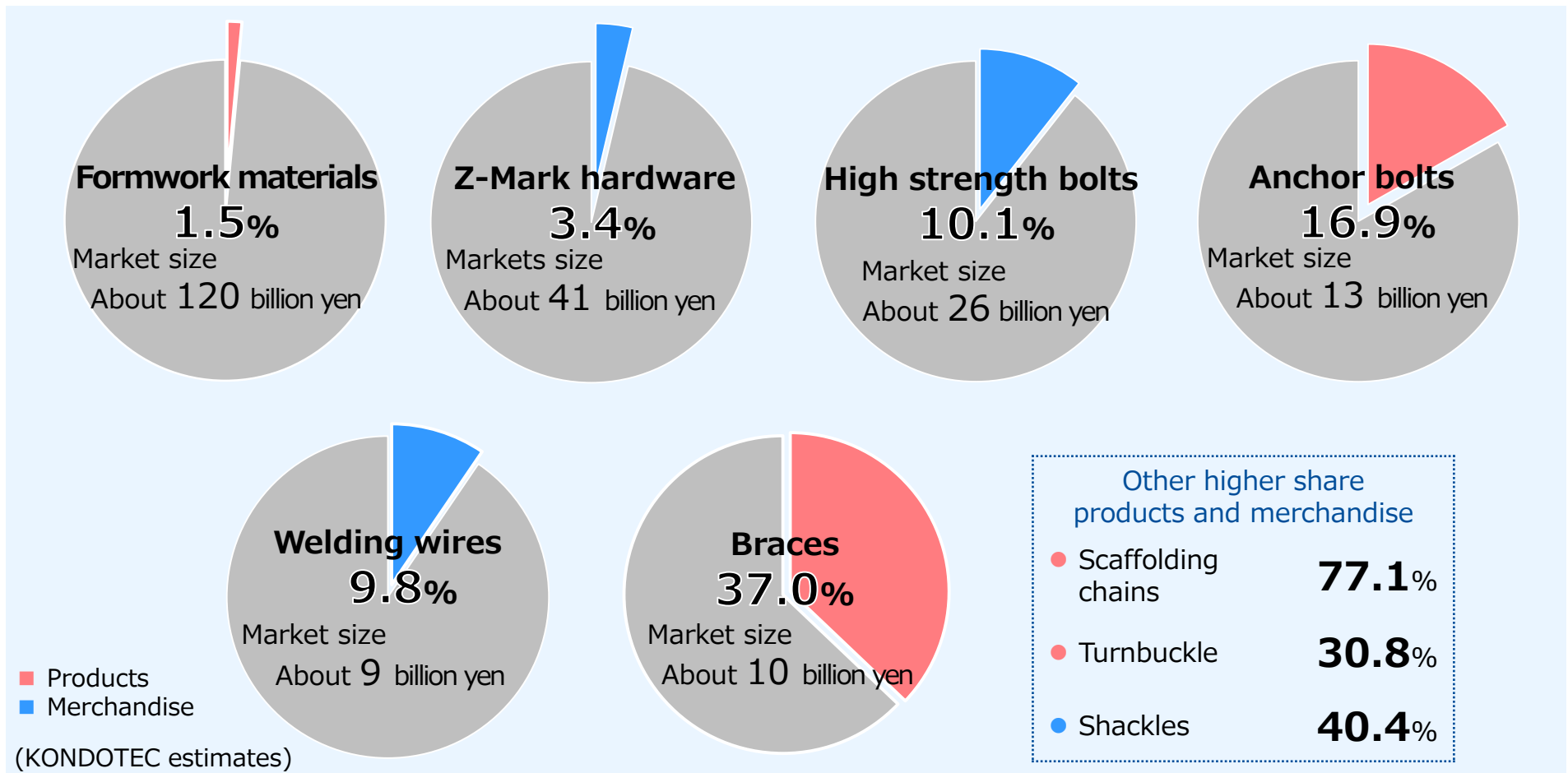
Note: New customers show sum of this year and previous year's results.

# Market Size for Main Products and Merchandise



## Market size for main products, merchandise and corresponding market shares (As of end March 2021)

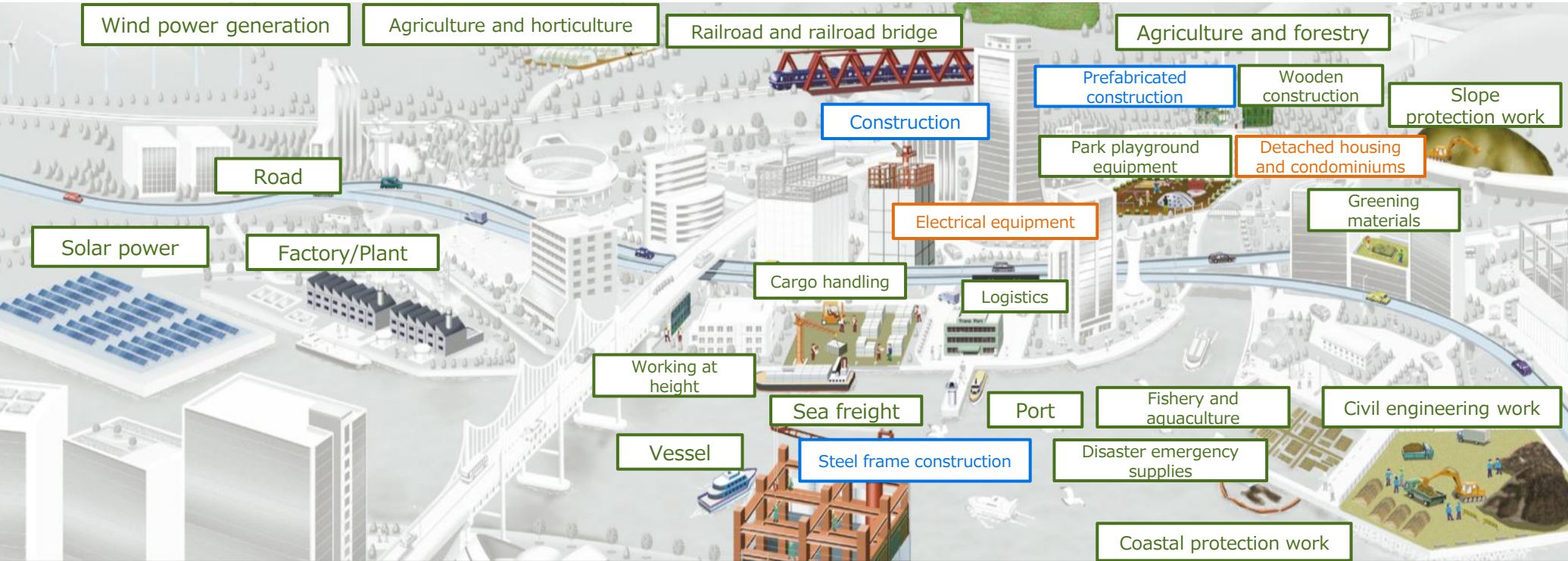
- We offer an extensive range of products including higher market shares products and merchandise (such as wire ropes, nets, sheets and screws) and products and merchandise with potential for growth other than the following.



### **3. Main Products and Merchandise**

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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.



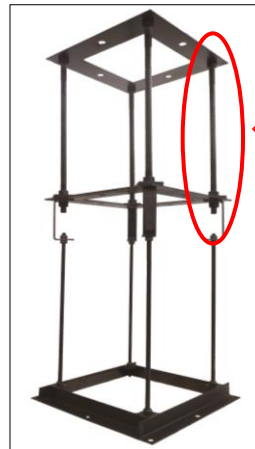


# Anchor Bolts

- 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).



- 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. Q2 FY2022 Financial Results and Analysis**

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# Q2 FY2022 Consolidated Financial Results



(million yen)

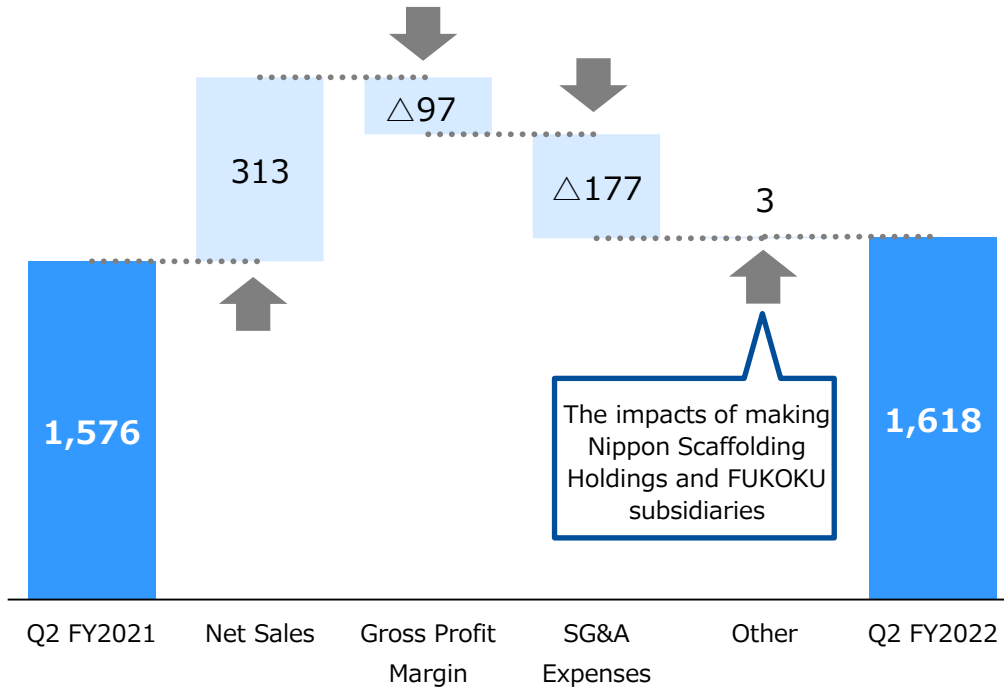
	Q2 FY20201	Q2 FY2022	YoY	
			Amount	%
<b>Net sales</b>	28,952	<b>31,304</b>	+2,352	+8.1%
<b>Gross profit</b>	6,602	<b>7,010</b>	+408	+6.2%
<b>SG&amp;A expenses</b>	5,026	<b>5,392</b>	+366	+7.3%
<b>Operating income</b>	1,576	<b>1,618</b>	+41	+2.7%
<b>Ordinary income</b>	1,626	<b>1,702</b>	+76	+4.7%
<b>Profit attributable to owner of parent</b>	1,042	<b>1,065</b>	+22	+2.2%
<b>EBITDA</b>	2,148	<b>2,336</b>	+188	+8.8%

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

# Operating Income Analysis (Consolidated)

## Operating income analysis

(million yen)

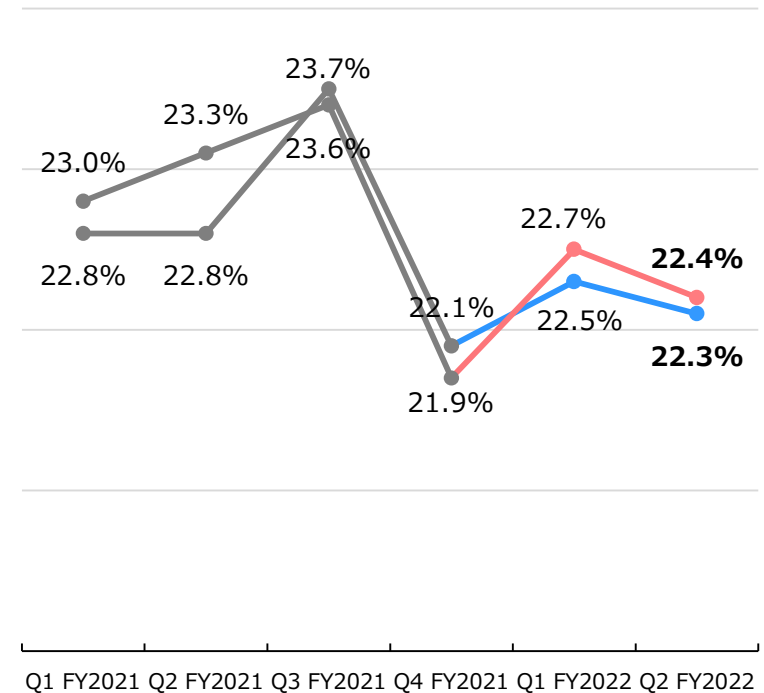


Note: **The following figures do not include Nippon Scaffolding Holdings and FUKOKU.**

Gross Profit Margin	22.8%→22.5%
SG&A expenses	Bonuses +56 million yen Salaries +43 million yen Freight and packing costs +34 million yen Supplies expenses +19 million yen Commission expenses +12 million yen

## Quarterly GPM

Consolidated Parent

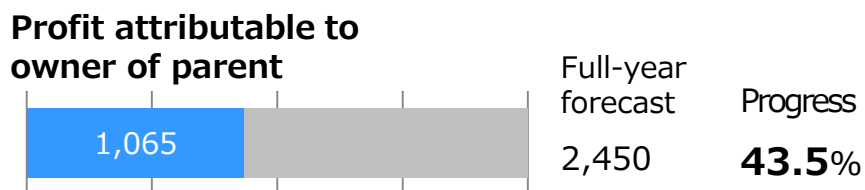


# Q2 FY2022 Consolidated Financial Results Progress for FY2022 Forecast



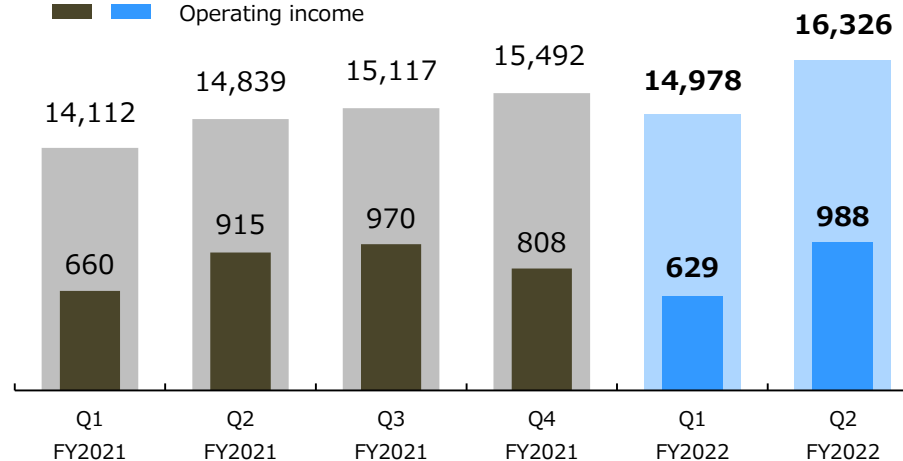
## Progress for FY2022 forecast (million yen)

■ Q2 FY2022 ■ Full-year forecast

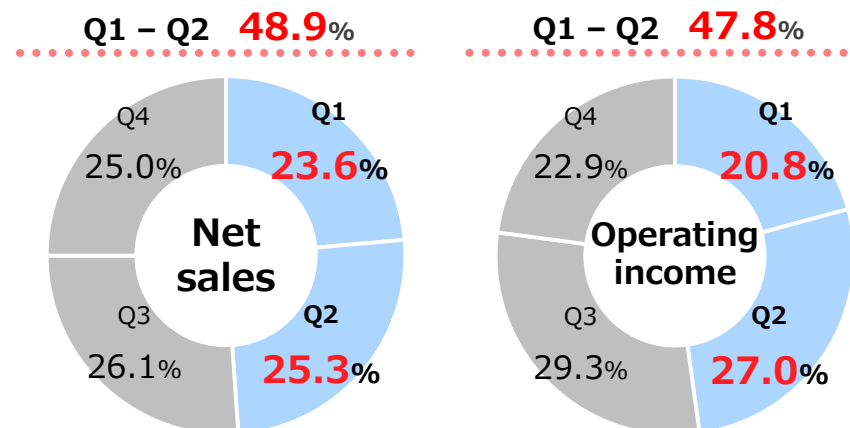


## Net sales and operating income (million yen)

■ Net sales ■ Operating income



## Quarterly percentage breakdown of net sales and operating income (5-year average)



# Consolidated Balance Sheet [Assets]



(million yen)

		FY2021	Q2 FY2022	Change
Current assets	Cash and deposits	11,317	<b>10,648</b>	△669
	Notes and receivable –trade, and contract assets	12,372	<b>12,397</b>	+25
	Electronically recorded monetary claims operating	1,984	<b>2,323</b>	+339
	Inventories	4,932	<b>5,783</b>	+851
	Other	962	<b>1,156</b>	+193
	Total current assets	31,569	<b>32,310</b>	+740
Non-current assets	Property, plant and equipment	11,848	<b>12,311</b>	+463
	Intangible assets	5,044	<b>4,903</b>	△141
	Investments and other assets	963	<b>913</b>	△50
	Total non-current-assets	17,856	<b>18,128</b>	+271
<b>Total assets</b>		49,426	<b>50,438</b>	+1,012



# Consolidated Balance Sheet [Liabilities and Net Assets]

(million yen)

		FY2021	Q2 FY2022	Change	
Current liabilities	Notes and accounts payable – trade	3,978	4,047	+69	
	Electronically recorded obligations – operations	8,029	8,380	+351	
	Breakdown Electronically recorded obligations–operations		9,202	10,083	+880
		Repayment before maturity	△1,173	△1,702	△529
	Short-term loans payable	3,110	3,110	–	
	Income taxes payable	596	624	+28	
	Other	3,124	3,151	+27	
<b>Total current liabilities</b>		18,838	19,314	+475	
<b>Non-current liabilities</b>		1,564	1,385	△178	
<b>Total liabilities</b>		20,403	20,700	+297	
Net assets	Shareholder’s equity	30,210	31,019	+809	
	Accumulated other comprehensive income	△1,216	△1,281	△65	
	Subscription rights to shares	28	–	△28	
	<b>Total net assets</b>	29,022	29,738	+715	
<b>Total liabilities and net assets</b>		49,426	50,438	+1,012	

## **5. Q2 FY2022 Financial Results and Analysis by Segment**

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# Q2 FY2022 Financial Results by Segment



(million yen)

		Q2 FY2021	Q2 FY2022	Change (%)	Full-year forecast	Progress
Industrial Materials	Net sales	17,783	<b>19,428</b>	+9.2%	40,452	48.0%
	Segment profit or loss	946	<b>937</b>	△0.9%	2,265	41.4%
	EBITDA	1,282	<b>1,329</b>	+3.6%	–	–
Structural Steel Materials	Net sales	7,126	<b>7,815</b>	+9.7%	14,687	53.2%
	Segment profit or loss	551	<b>621</b>	+12.6%	940	66.1%
	EBITDA	564	<b>641</b>	+13.6%	–	–
Electrical Equipment	Net sales	4,042	<b>4,060</b>	+0.5%	8,560	47.4%
	Segment profit or loss	96	<b>71</b>	△25.7%	214	33.3%
	EBITDA	109	<b>86</b>	△20.9%	–	–

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

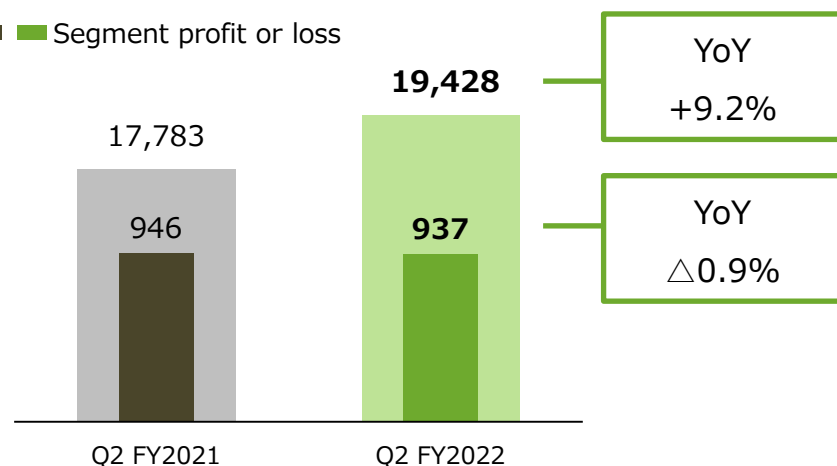
Note: EBITDA= Segment profit or loss + Depreciation + Amortization of goodwill

## Net sales and segment profit or loss

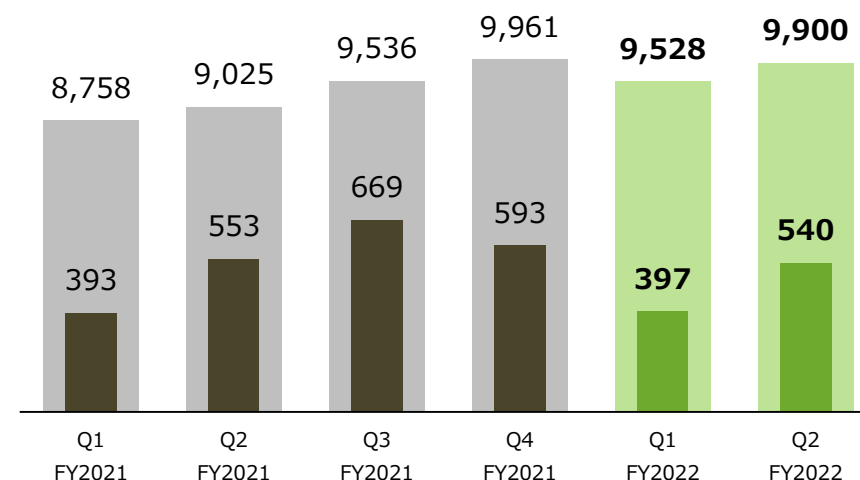
(million yen)

### ■ YoY

- Net sales
- Segment profit or loss



### ■ Quarterly



## Factors affecting net sales

### Net sales increased by about 1,650 million yen YoY.

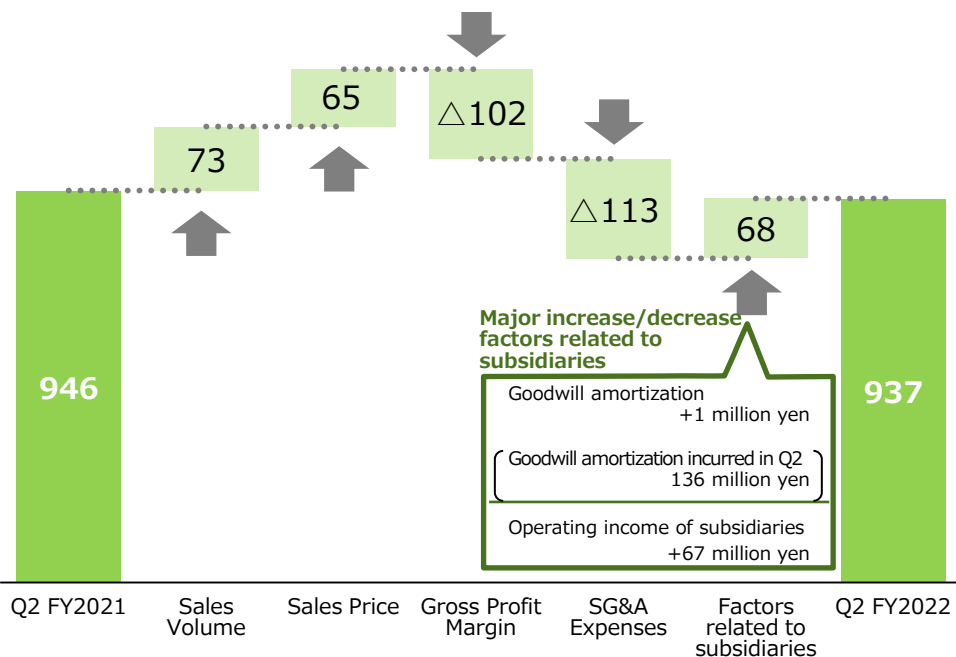
Sales of hardware for wooden homes, temporary scaffolding materials and worksite equipment remained solid, supported by demand recovery in the construction market and the last-minute demand before the price hike. There was also a sales contribution from making Fukoku a subsidiary in January 2021.

### Increased/decreased amount in net sales (million yen)

Products (approximate)	+130	Braces	/ +83	Sales increased due to some large orders.
Merchandise (approximate)	+770	Hardware for wooden homes	/ +201	Sales increased due to the demand recovery from the impact of the COVID-19 infection and a rise in sales prices.
Other	+746	FUKOKU	/ +701	Sales increased on the contributions from new subsidiaries.
		Nippon Scaffolding Holdings	/ +44	

## Segment profit or loss analysis

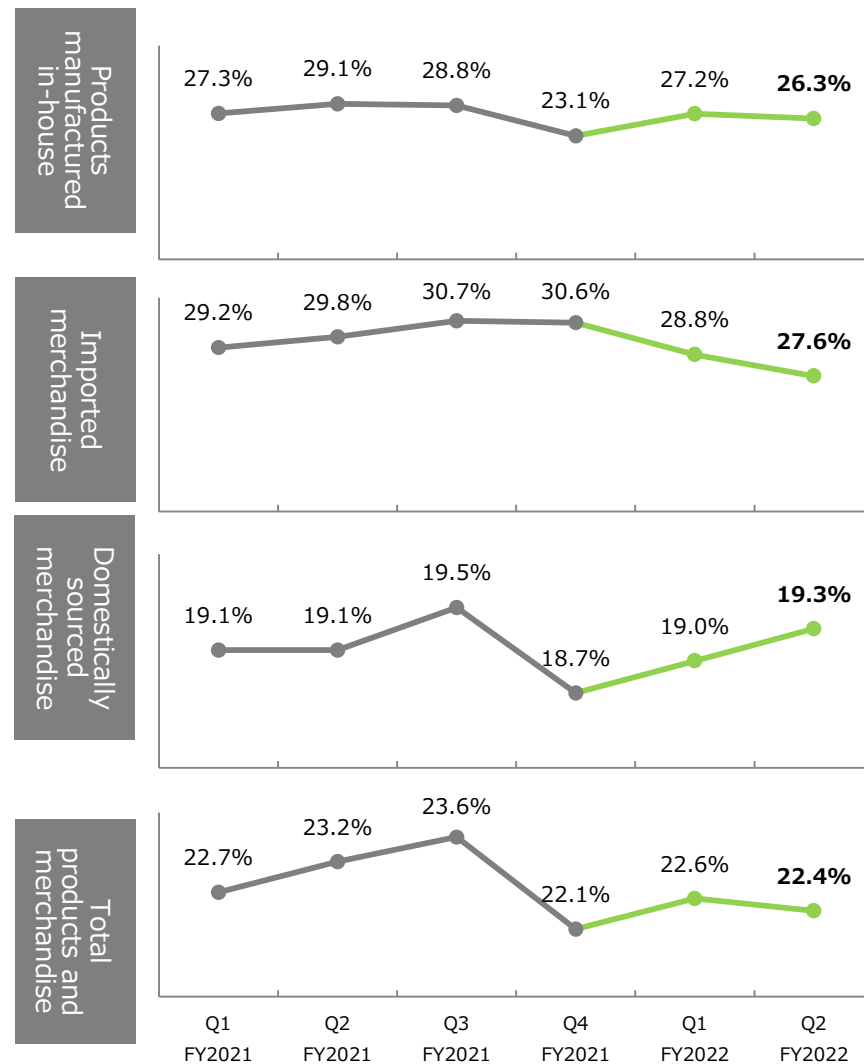
(million yen)



Note: The following figures do not include subsidiaries.

Sales volume	Products $\Delta$ 4 million yen Merchandise +78 million yen
Sales price	Products +26 million yen Merchandise +38 million yen
Gross Profit Margin	Products 28.2% $\rightarrow$ 26.7% Merchandise 22.1% $\rightarrow$ 21.6% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Bonuses +55 million yen Salaries +8 million yen Freight and packing costs +6 million yen

## Quarterly GPM

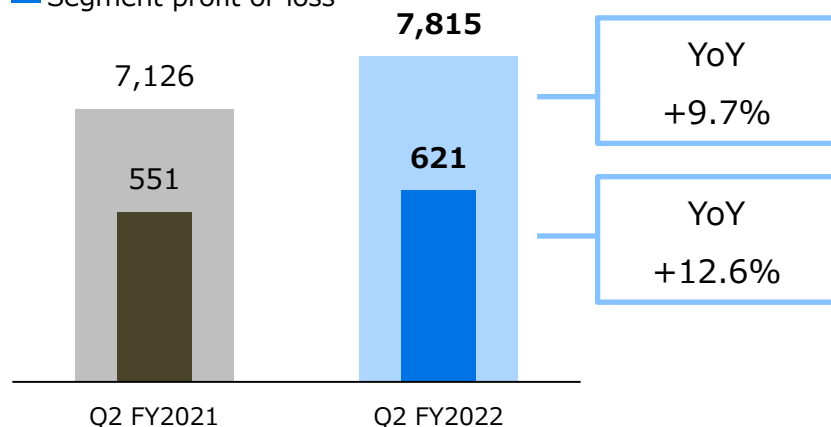


## Net sales and segment profit or loss

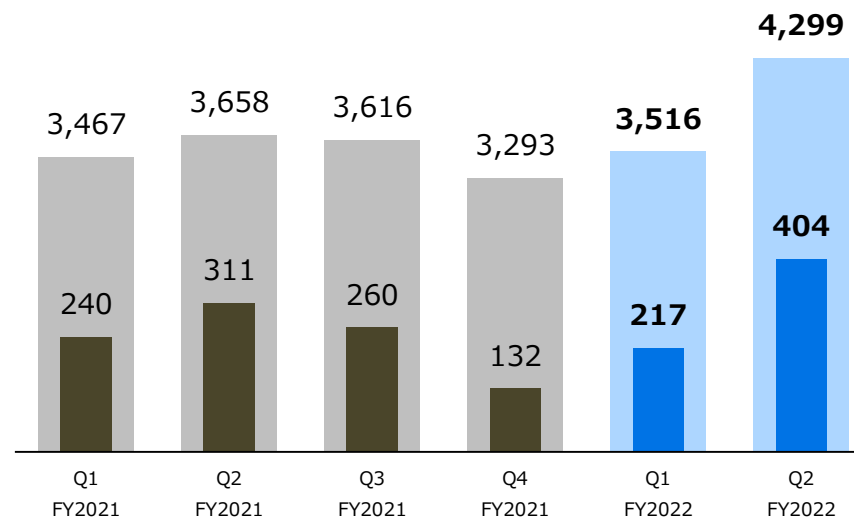
(million yen)

### YoY

- Net sales
- Segment profit or loss



### Quarterly



## Factors affecting net sales

### Net sales increased by about 690 million yen YoY.

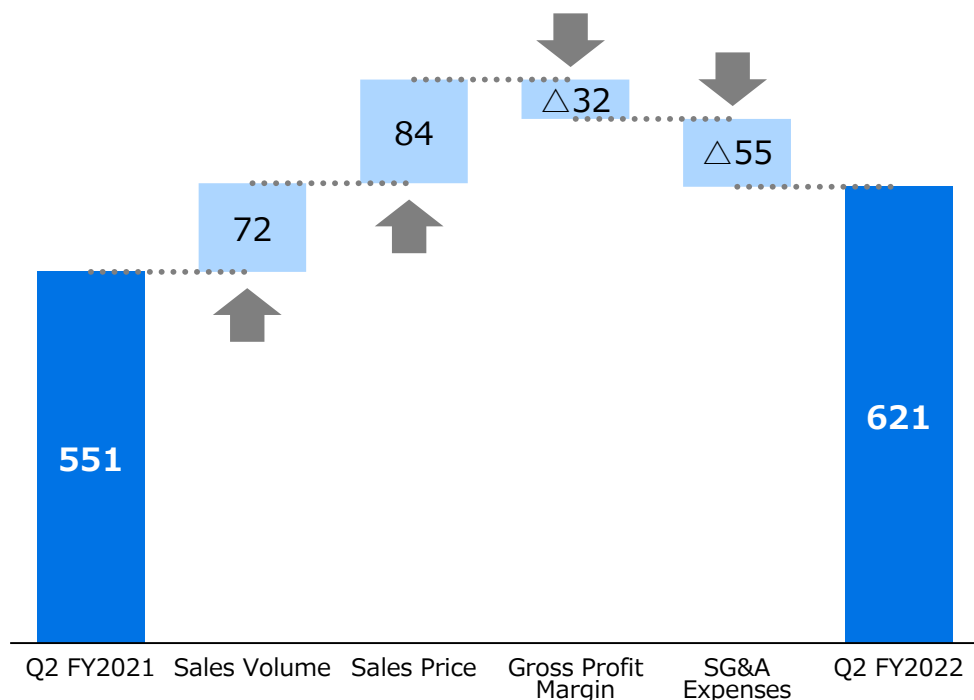
Sales of high strength bolts, screws and machine tools remained firm, supported by recovery in steel frame demand such as large properties.

#### Increased/decreased amount in net sales (million yen)

Products (approximate)	+140	Anchor bolts	/ +99	Sales increased due to higher sales prices and a rise in the number of anchor bolt installation works.
Merchandise (approximate)	+550	High strength bolts	/+231	Orders increased due to the demand recovery from the impact of the COVID-19 infection.

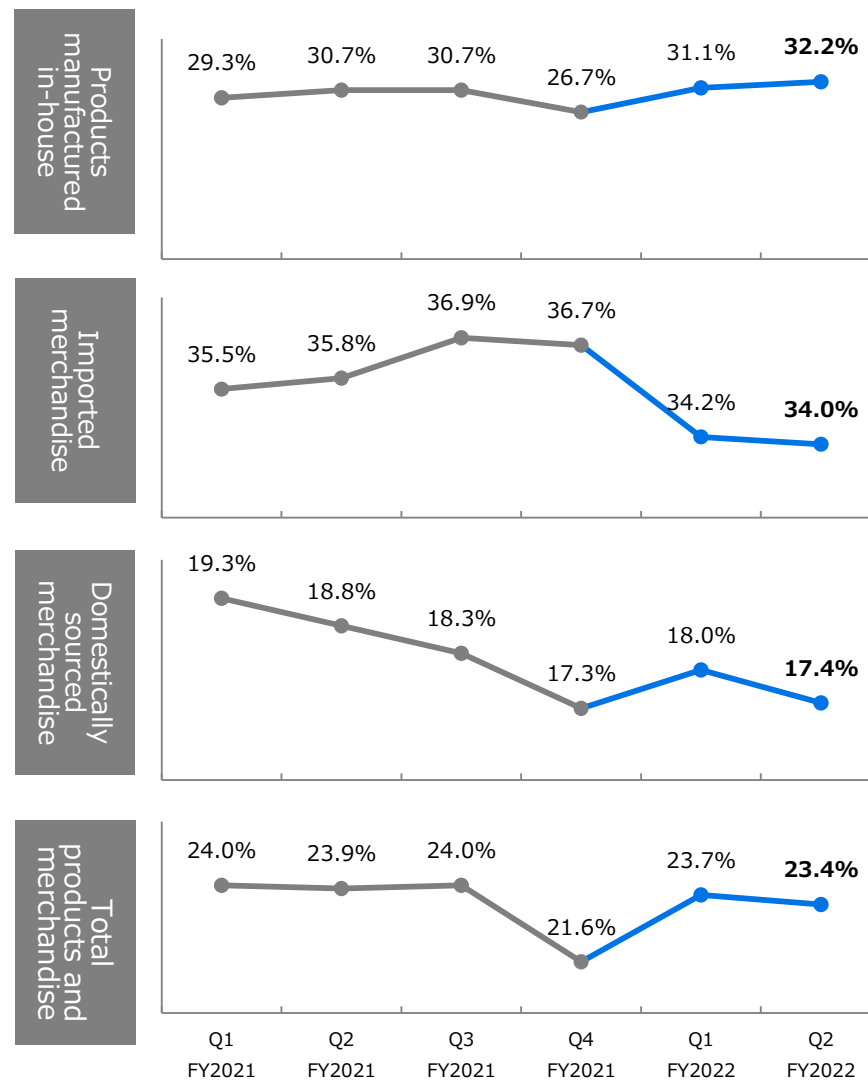
## Segment profit or loss analysis

(million yen)



Sales volume	Products $\Delta 0$ million yen Merchandise +72 million yen
Sales price	Products +42 million yen Merchandise +42 million yen
Gross Profit Margin	Products 30.0% $\rightarrow$ 31.7% Merchandise 20.9% $\rightarrow$ 19.5% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Freight and packing costs +27 million yen Depreciation +6 million yen

## Quarterly GPM

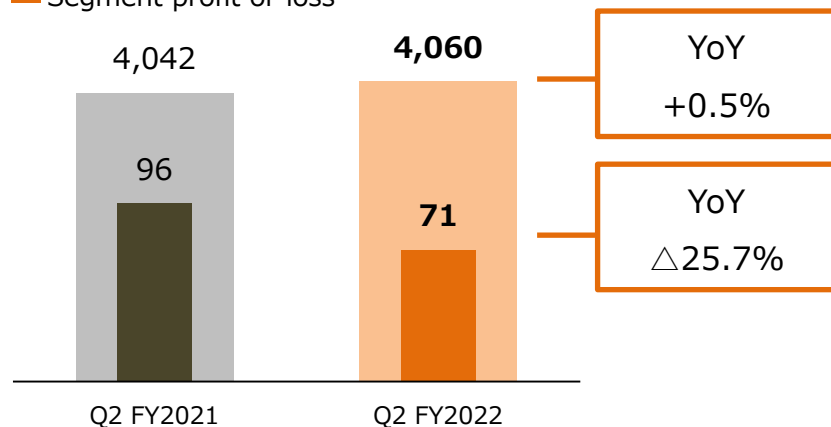


## Net sales and segment profit or loss

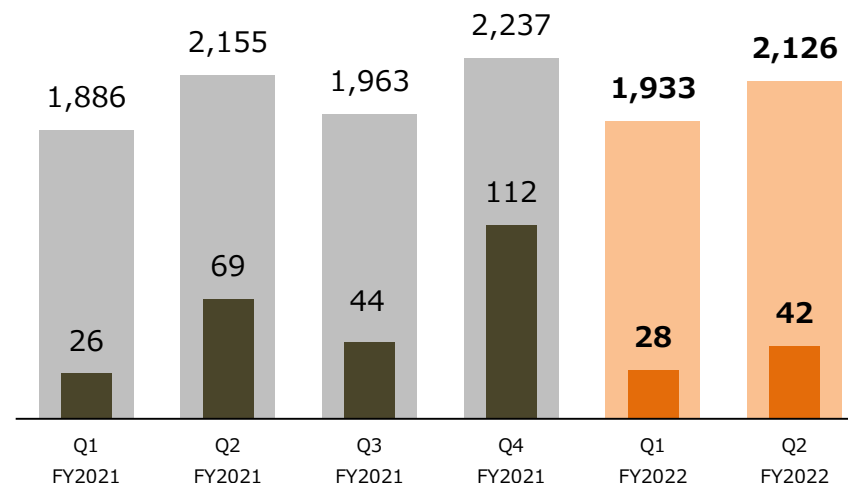
(million yen)

### YoY

- Net sales
- Segment profit or loss



### Quarterly



## Factors affecting net sales

### Net sales increased by about 20 million yen YoY.

Despite sluggishness in the market environment due to construction delays caused by the spread of the coronavirus and bad weather in the summer, sales increased thanks to securing large-scale LED lighting installation works and a rise in sales prices.

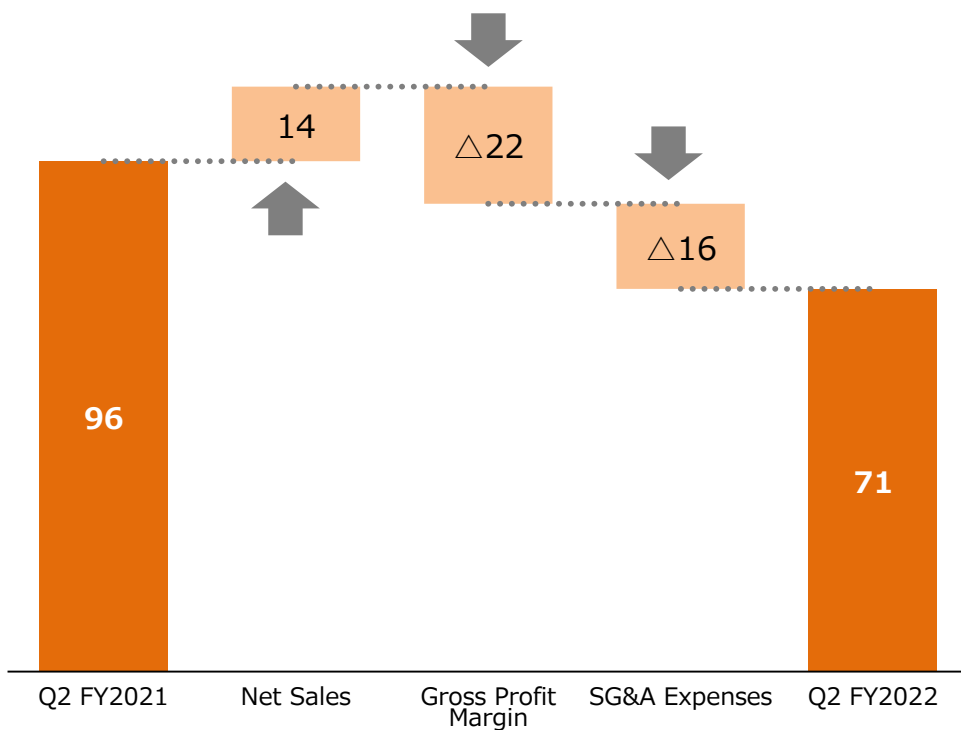
### Increased/decreased amount in net sales (million yen)

Electrical wires	+110	Sales increased due an increase in unit sales prices.
Air-conditioners Ventilation fans	$\Delta$ 77	Orders decreased due to bad weather in the summer.



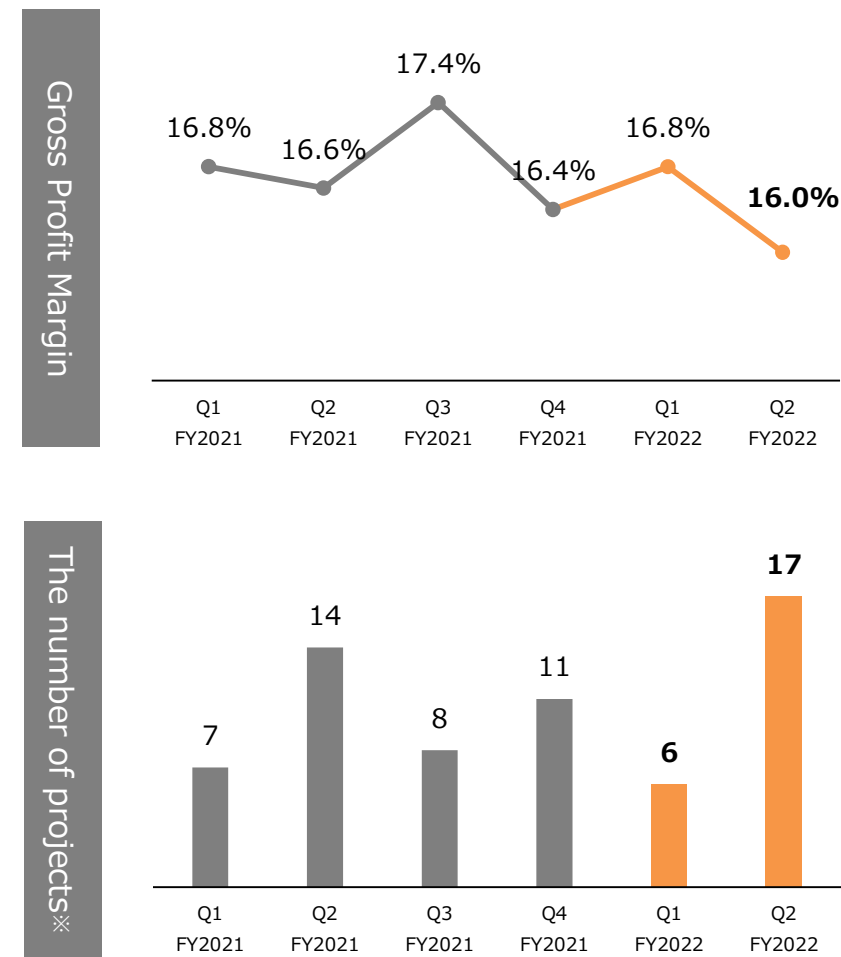
## Segment profit or loss analysis

(million yen)



Gross Profit Margin	16.7% → 16.4%
SG&A Expenses	Commission expenses +12 million yen

## Quarterly GPM and the number of projects



Note: Orders worth over 5 million yen from electrical work operators.

## **6. Response to ESG Issues**

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

- We have established our ESG basic policy and link it to sustainable corporate growth by incorporating it in the management strategy.
- Quality Assurance Department changed the name to SDGs Promotion Department to work actively towards achieving the SDGs targets. In addition to auditing Quality Assurance by formerly Quality Assurance Department, SDGs Promotion Department will explore, research and design initiatives to facilitate achieving the SDGs targets.

## Current Specific Initiatives

	Cost Reduction and Risk Management	Enhancement of Corporate Value
<b>Environment</b>	<ul style="list-style-type: none"> <li>● Implementation of energy-saving measures (LED installations, achieving 10% cut in power usage)</li> <li>● Acquisition of ISO14001</li> </ul>	<ul style="list-style-type: none"> <li>● Sale of environment-related merchandise</li> <li>● Installation of solar power generation</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>● Acquisition of ISO9001 and compliance with ISO/JIS and other industry standards</li> <li>● Introduction of the risk control manual</li> <li>● Holding of Safety and Health Committee</li> </ul>	<ul style="list-style-type: none"> <li>● Introduction of internal training and “Lifting equipment advisor” system (as an internally certified qualification)</li> <li>● Maternity leave/childcare leave/support for returning to work/Recruitment of foreign students studying in Japan</li> <li>● Introduction of Employee stock ownership plan (ESOP) and Employee shareholders association system</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>● Prevention of the manifestation of potential costs by the development governance system</li> <li>● Formulation of a compliance manual</li> </ul>	<ul style="list-style-type: none"> <li>● Introduction of the restricted stock remuneration plan</li> <li>● Evaluation of the effectiveness of the Board of Directors</li> <li>● Establishment of a Nomination and Compensation Committee and transition to a Company with an Audit &amp; Supervisory Committee</li> </ul>

**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.



#### ■ Hardware for CLT construction

Our double end stub bolt set manufactured at our Shiga Factory is certified as an “x (cross mark) hardware” for meeting the requirements for metallic hardware used in CLT panel construction (set by the Japan Housing and Wood Technology Center). The metallic hardware standard for CLT panel construction is a standard for metallic hardware used in construction works using CLT, a next-generation lumber material that contributes to reducing CO2 emissions.



### 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.

##### ➤ 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. These LED installations are being carried out in cooperation with Sanwa Denzai Co., Ltd., our subsidiary and wholesaler of electric equipment.

##### ➤ Acquisition of ISO14001

We obtained ISO14001 certification for Shiga Factory and Kanto Factory. We will continue to work on business activities with full consideration for environmental preservation. With regard to two other factories, we are targeting the acquisition of the certification.

## 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 2021)

Year of employment	Male	Female	Total	Nationality of international student (other than Japan)	Number of turnover (※)
April-2021	10 persons	10 persons	20 persons		0 person
April-2020	11 persons	7 persons	18 persons		1 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		4 persons

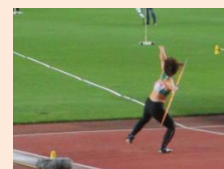
#### ■ Benefit program

Number of employees taking childcare leave (As of end March 2021)

	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
2020.4.1~2021.3.31	3 persons	7 persons	2 persons
2019.4.1~2020.3.31	3 persons	4 persons	4 persons
2018.4.1~2019.3.31	5 persons	2 persons	3 persons

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

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



Please check latest updates and Track & Field Club's activity reports on our website.

## Governance

### Corporate governance

- KONDOTEK 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

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 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 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**

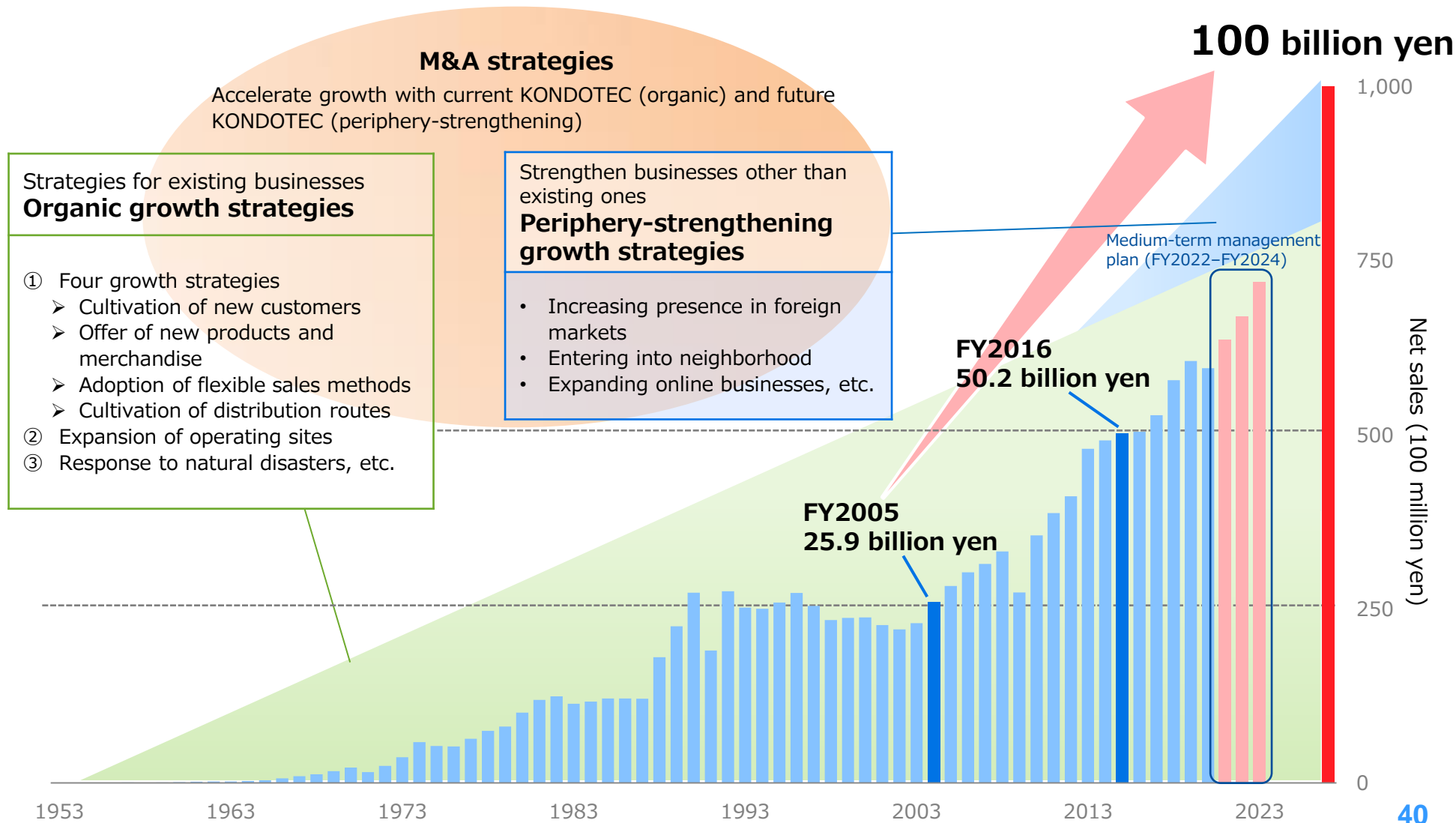
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# Towards Achieving 100 Billion Yen Sales Target



- 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

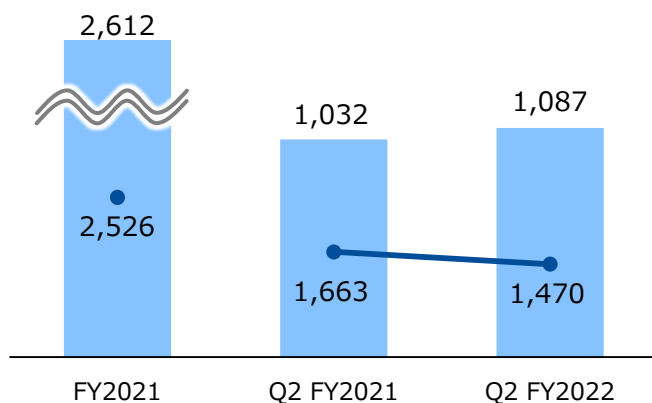
~ Cultivation of New Customers and Offer of New Products and Merchandise ~

## 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.

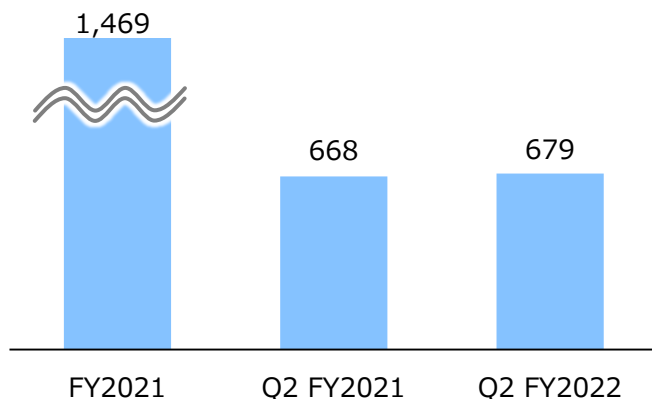
### Cultivation of new customers

■ Net sales (million yen) ● New customers






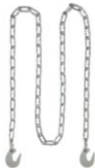
### Cultivation of dormant customers

■ 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)	Q2 FY2021	Q2 FY2022
KONDO furring bolts 	92	115
Hook bolts with square shank 	106	85
KT safely harness 	8	5
Lightweight scaffolding chains "Carina" 	-	7

## Adoption of flexible sales methods

### ■ Differentiation strategies

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

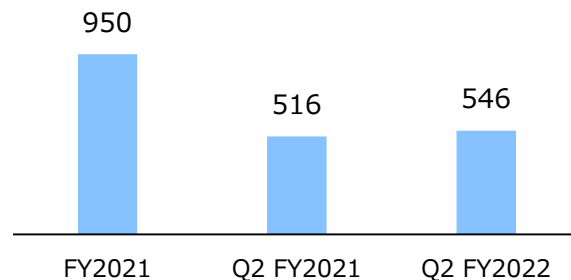
We have launched our website called, “Tsurikata” that allows individual management for lifting equipment to simplify inspection and maintenance of lifting equipment on the website. Traditionally, inspection checklists have been recorded manually on paper, Tsurikata helps to carry out inspection and keep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

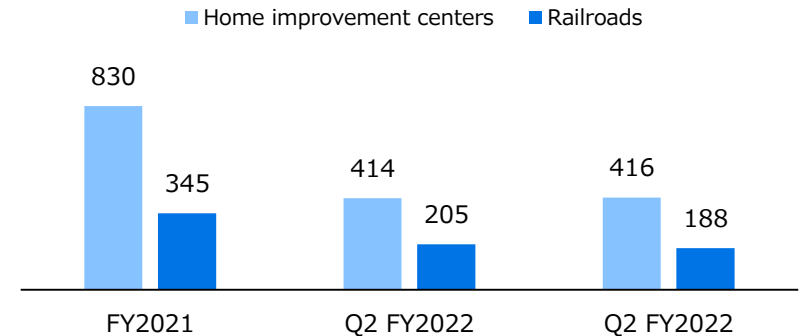
**Net sales from anchor construction work (million yen)**



## Cultivation of distribution routes

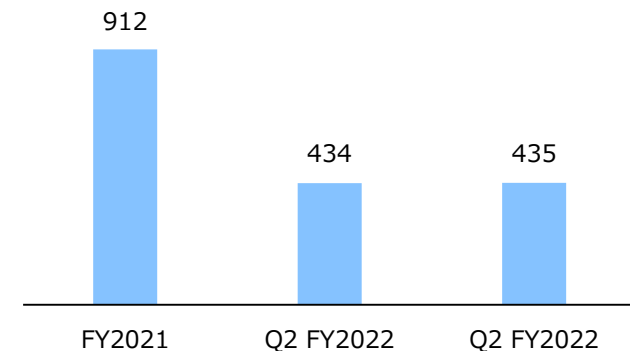
- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the “E-commerce Group” in July 2017 to explore sales through the Internet.

**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

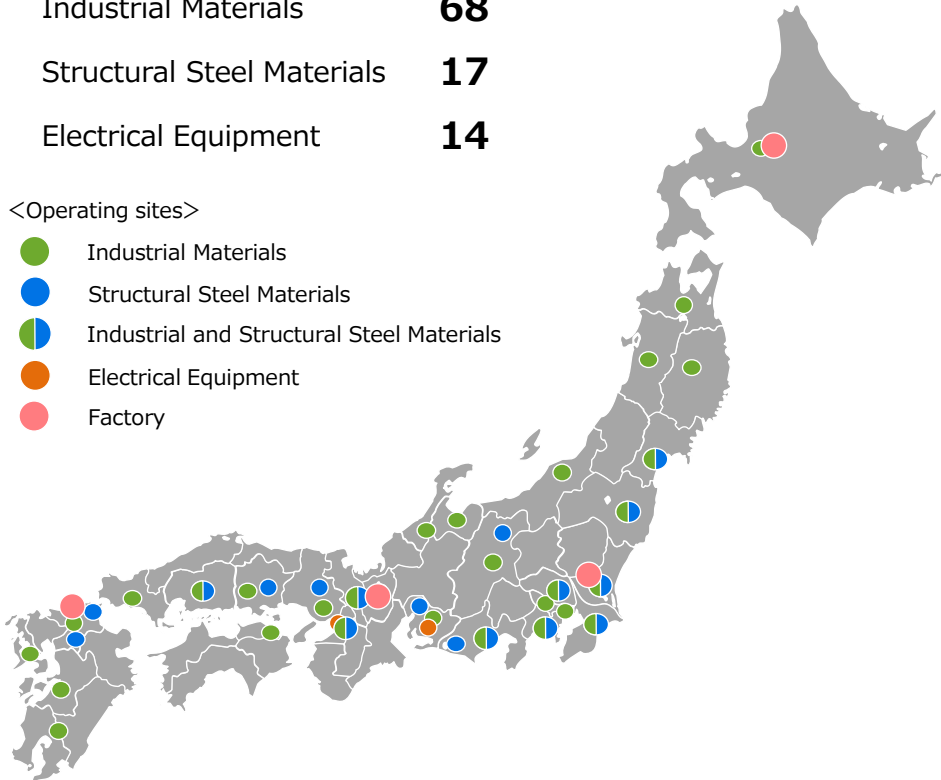
- We strive for expansion of operating sites which maintained a local-community-oriented sales structures in order to respond quickly to customer needs. Recently we opened the Okayama office in April 2018. We will continue to execute quick deliveries in an effort to realize customer-focused management.

### Expanding sales network: 99 operating sites (As of end September 2021)

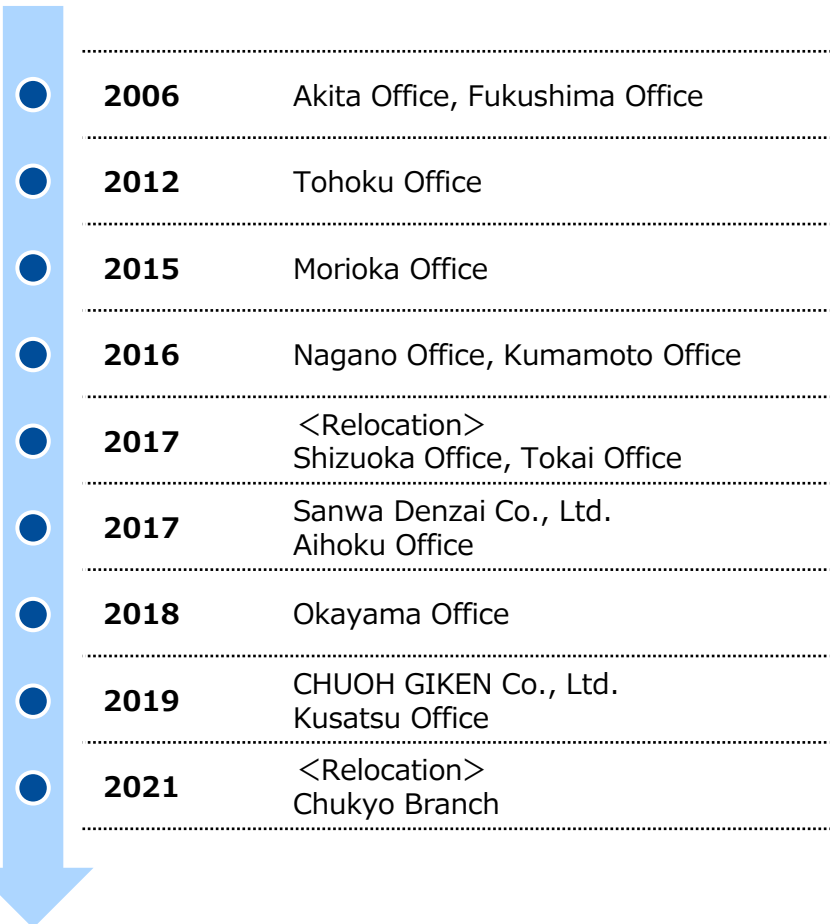
Industrial Materials	<b>68</b>
Structural Steel Materials	<b>17</b>
Electrical Equipment	<b>14</b>

<Operating sites>

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

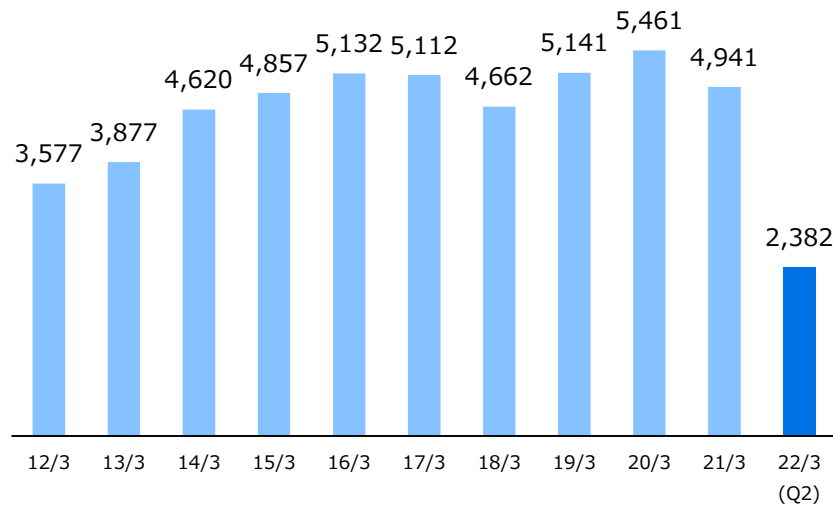


### History of operating site network expansion



## 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 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

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



## Net sales of overseas business (Q2 FY2022)

(million yen)	Q2 FY2021	Q2 FY2022	FY2022 forecast
International Sales Division	11	22	24
Local Subsidiary in Thailand	85	58	210
<b>Total</b>	<b>97</b>	<b>81</b>	<b>234</b>

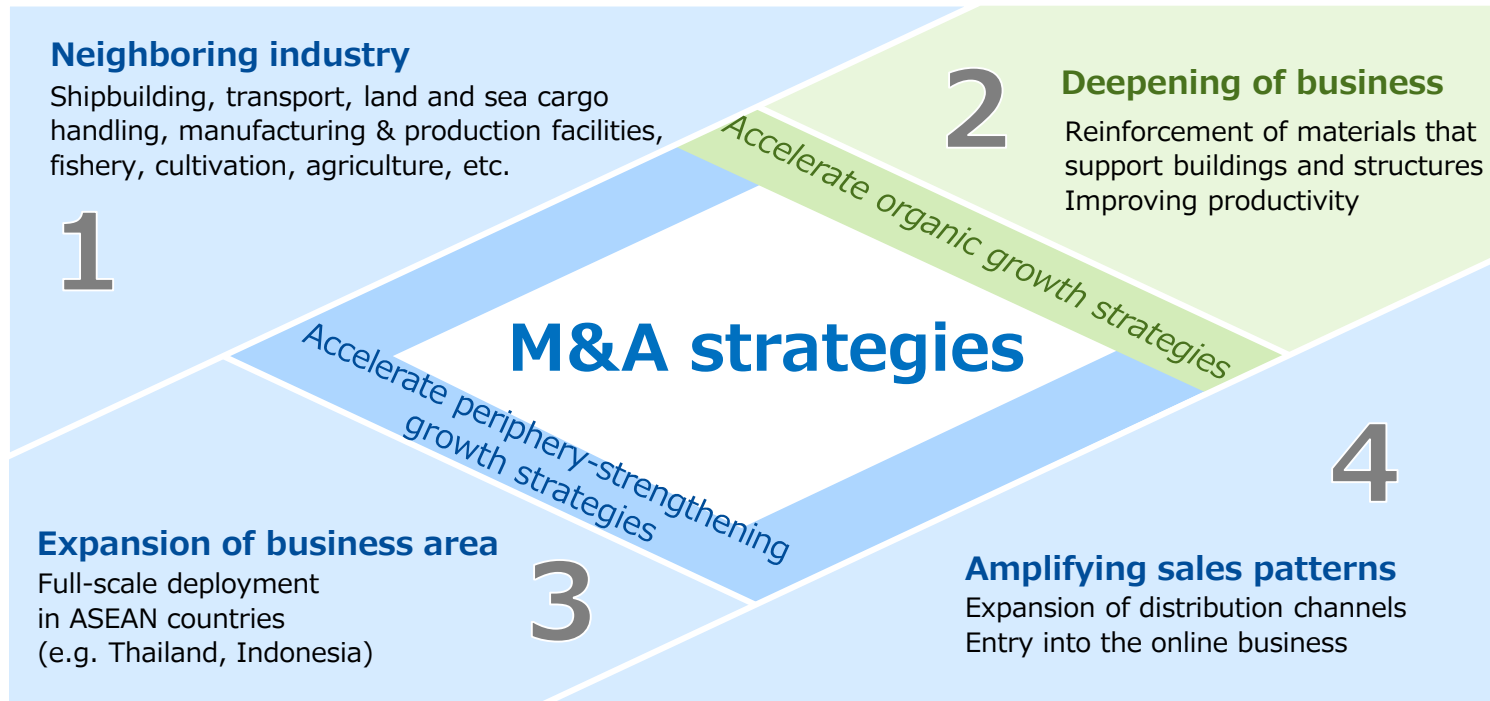
Note: Amounts of inter-company transaction are not included.

## Percentage of sales by country (Q2 FY2022)

ASEAN	74%		
East Asia/China	18%	Thailand	38%
Near and Middle East	7%	Indonesia	21%
Other countries	1%	Singapore	10%
		Vietnam	4%
		Malaysia	1%

- 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 KONDOTEC, such as retail, catalog-based selling, and online sales.

## Acquisition of KURIYAMA ALUMINUM Co., Ltd. in October 2021

- KONDOTEC resolved to acquire shares in KURIYAMA ALUMINUM Co., Ltd. which develops and manufactures aluminum extrusion products and made it a subsidiary with the aim of achieving sustainable growth and improving the corporate value of the KONDOTEC group over the medium to long term by bringing aluminum products (for which future demand is predicted to increase) into the range handled by the group.

### Overview of KURIYAMA ALUMINUM Co., Ltd.

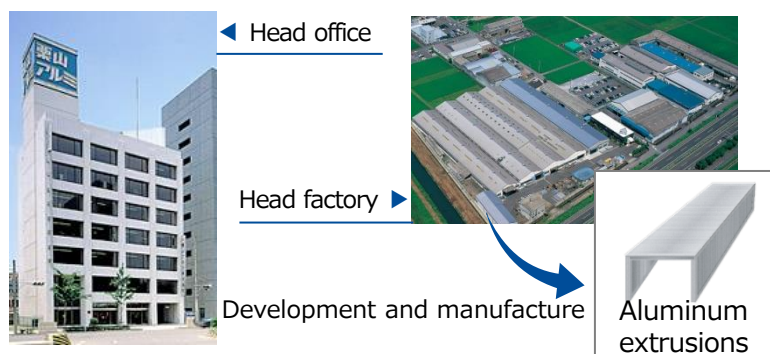
#### Company overview

Company name	KURIYAMA ALUMINUM Co., Ltd.
Location	Nakamura-ku, Nagoya
Business areas	Development and manufacture of aluminum extrusions
Capital stock	96 million yen (As of September 2020)

#### Recent financial results (FY2020) (million yen)

Net sales	1,382	Operating income	143
Ordinary income	162	EBITDA	187

※EBITDA=Operating income + Depreciation



### Uses of aluminum extrusions

**Transportation vehicles**  
Automobiles, trains, aircrafts, vessel etc.

**Products made of metal**  
Aluminum cans, home appliances etc.

**Civil engineering and construction**  
Bridges, roofing materials, window frames etc.

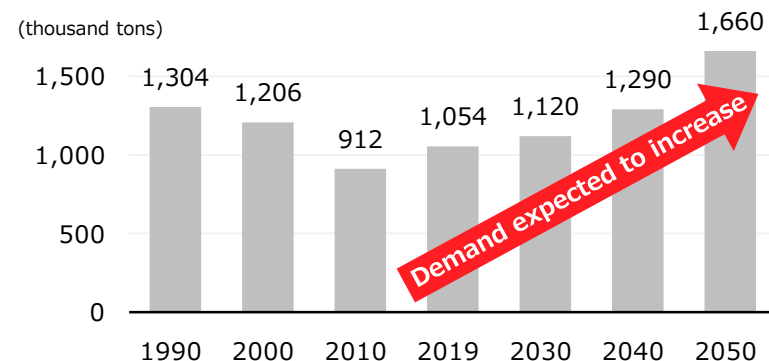
**Telecommunications**  
Mobile phones, PCs etc.

**Characteristics of aluminum**

- Lightweight and high-strength
- Easy to form into new shapes
- Easy to recycle

**Widely used in various fields !**

### Aluminum extrusions demand outlook to 2050



※Source: Graph created based on ALUMINIUM VISION2050 (JAPAN ALUMINIUM ASSOCIATION, September 2020).

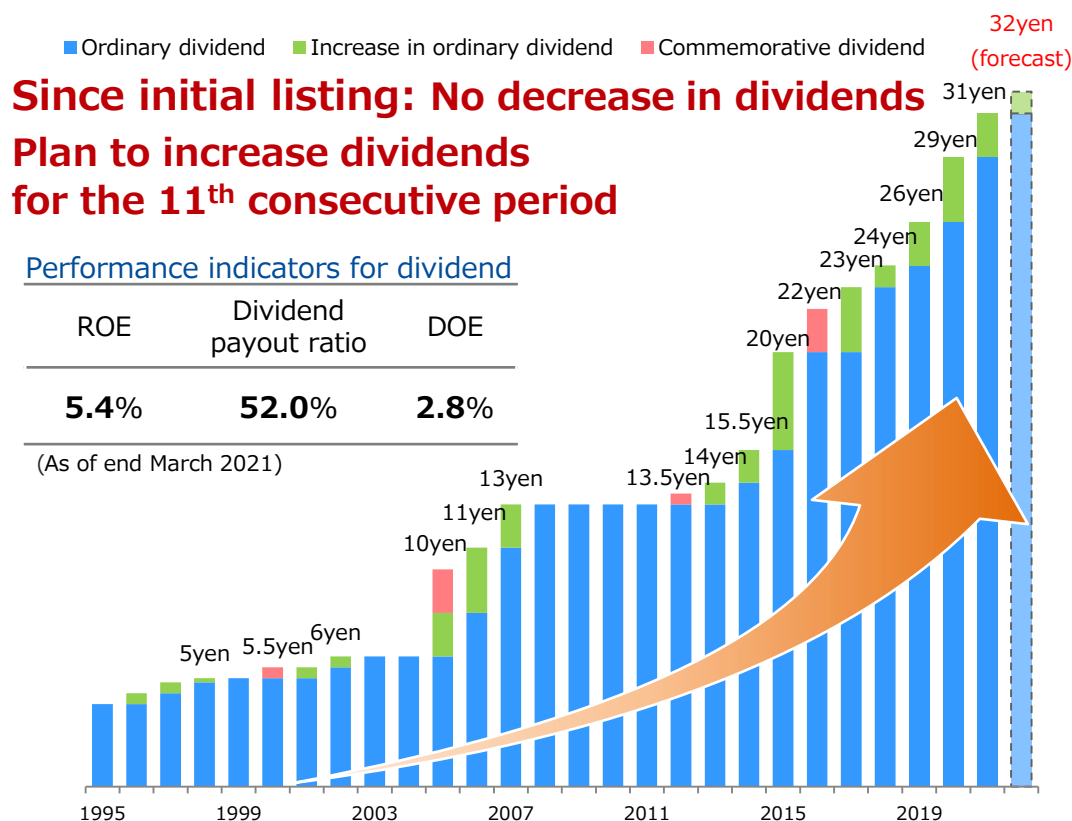


## **8. Shareholder Return**

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- 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



### Performance indicators for dividend

ROE	Dividend payout ratio	DOE
<b>5.4%</b>	<b>52.0%</b>	<b>2.8%</b>

(As of end March 2021)

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 29: 977 yen

Dividend yield\*  
**3.3%**

Dividend yield including shareholder incentive plan\*  
**~4.2%**

## Shareholder incentive plan

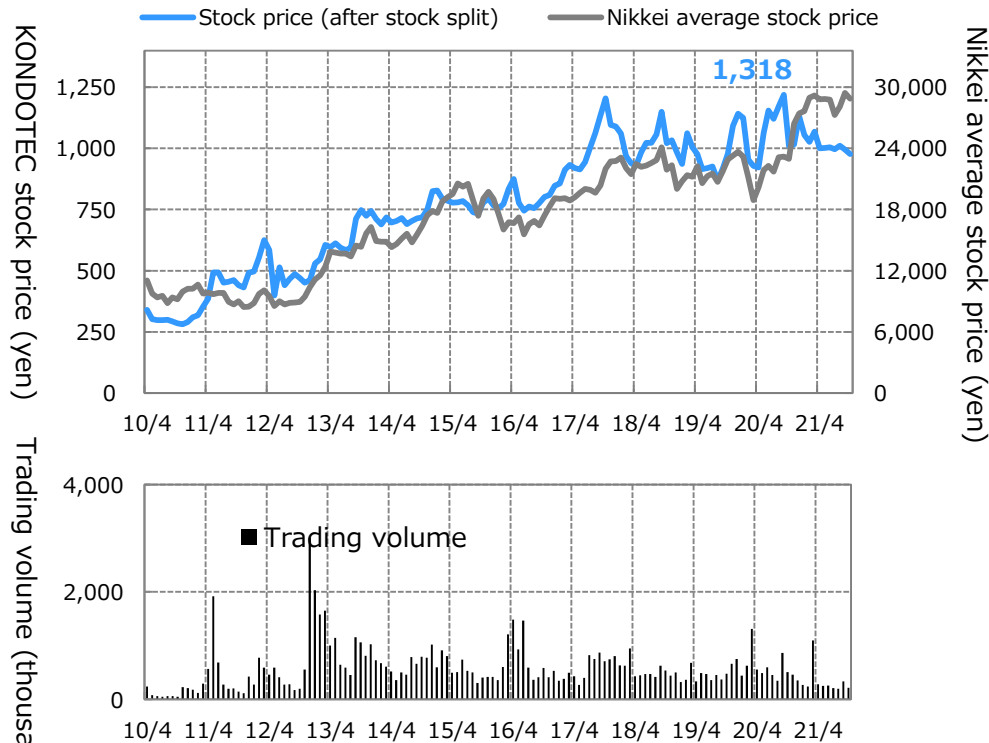
Number of shares held	Shareholder incentive
100 or more shares, fewer than 1,000 shares	2 kg-rice certificate (equivalent to 880 yen)
1,000 or more shares, fewer than 10,000 shares	5 kg-rice certificate (equivalent to 2,200 yen)
10,000 or more shares	10 kg-rice certificate (equivalent to 4,400 yen)

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

## Acquisition of treasury stocks

Total acquisition price	<b>900</b> million yen (maximum)
Total number of shares acquired	<b>1,000,000</b> shares (maximum)
Acquisition period	January 4, 2022 - October 31, 2022

## 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 29

**977 yen**

**PER : 10.5 PBR : 0.9**

EPS : 93.42 yen (FY2022 forecast)

BPS : 1,110.01 yen (As of end March 2021)

## Ranking among listed companies

Among **3,870** listed companies ...

<b>ROE</b>	1,614th
<b>Profit attributable to owner of parent</b>	1,359th
<b>Ordinary income</b>	1,154th
<b>Net assets</b>	1,421st
<b>Market capitalization</b>	1,618th
<b>PBR</b>	2,375th
<b>PER</b>	2,585th

Source: Mizuho Securities Co., Ltd. (As of September 30, 2021)

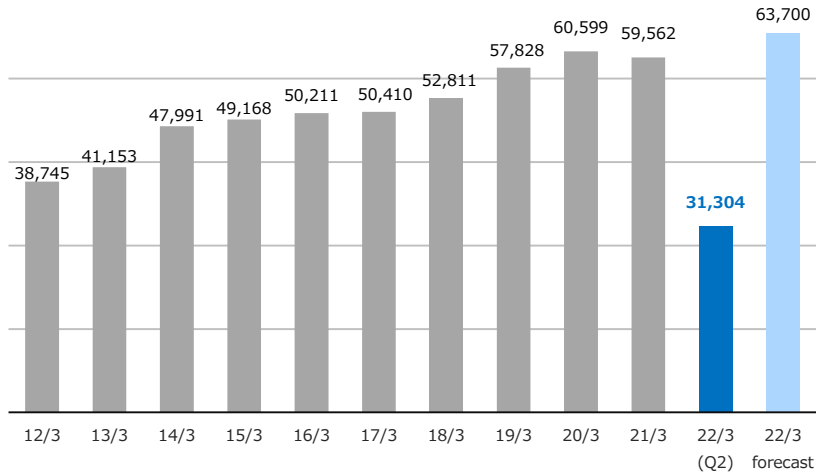
## **9. Highlights of Results**

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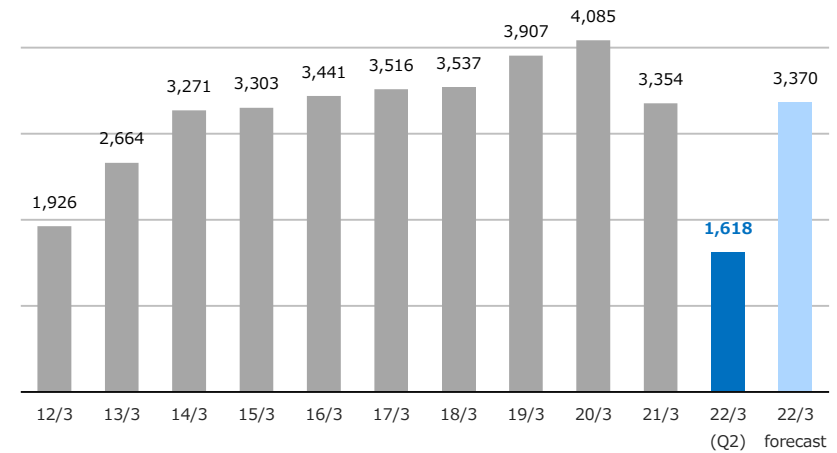
# Highlights of Consolidated Financial Results



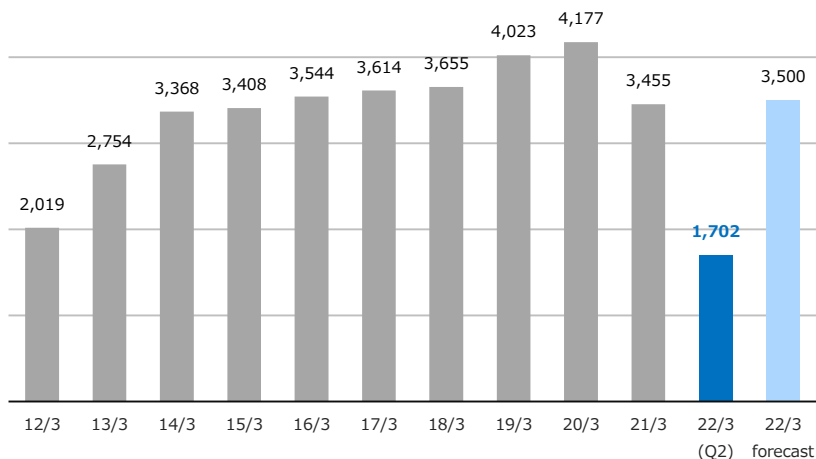
**Net sales**  
(million yen) **31,304** million yen **49.1%** Progress



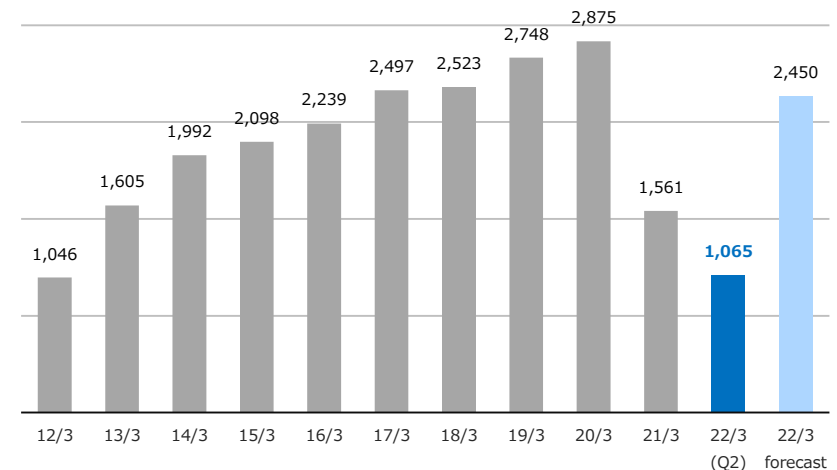
**Operating income**  
(million yen) **1,618** million yen **48.0%** Progress



**Ordinary income**  
(million yen) **1,702** million yen **48.7%** Progress



**Profit attributable to owner of parent**  
(million yen) **1,065** million yen **43.5%** Progress

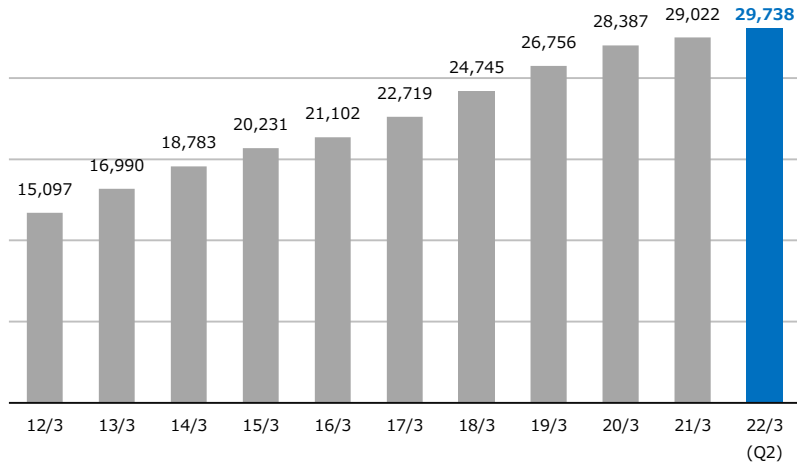


# Highlights of Consolidated Financial Results



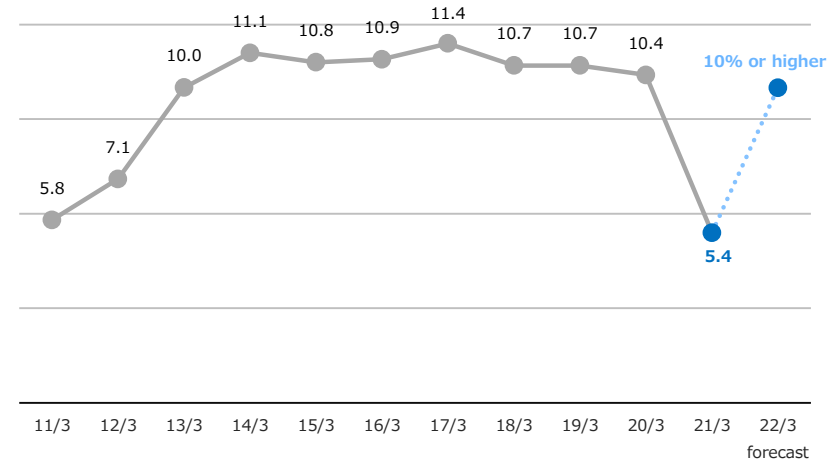
Net assets (million yen)

**29,738** million yen



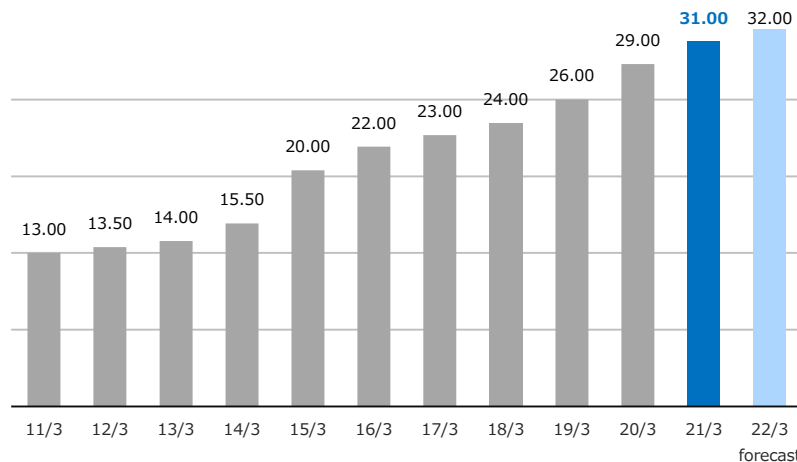
ROE (%)

Target **10** % or higher



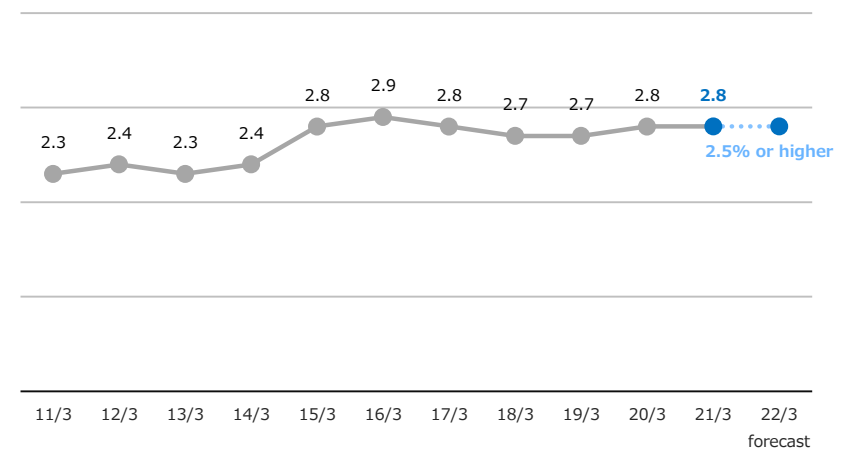
Dividend per share (yen)

**32.00** yen



DOE (%)

Target **2.5** % or higher



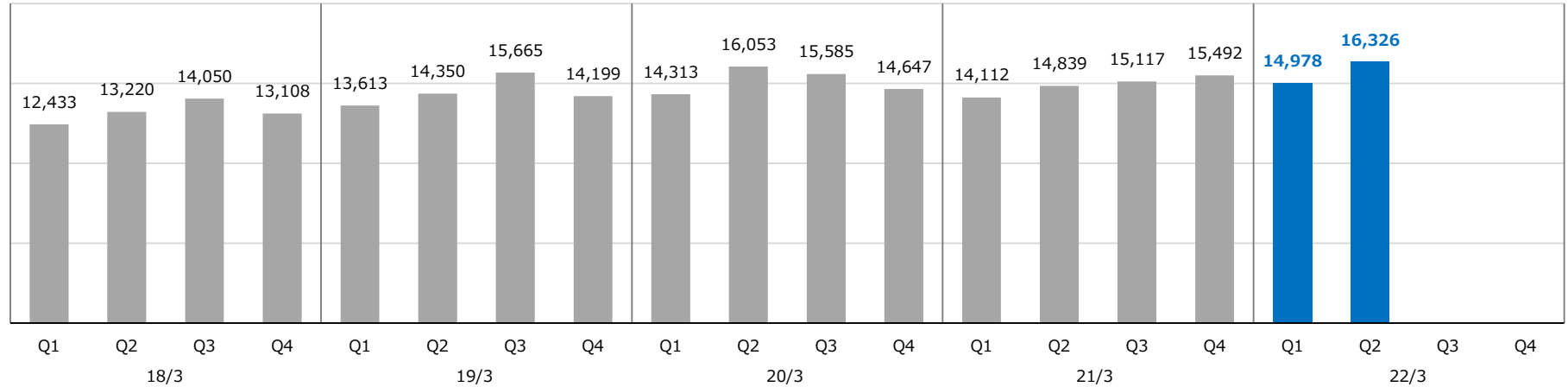
# Highlights of Consolidated Financial Results



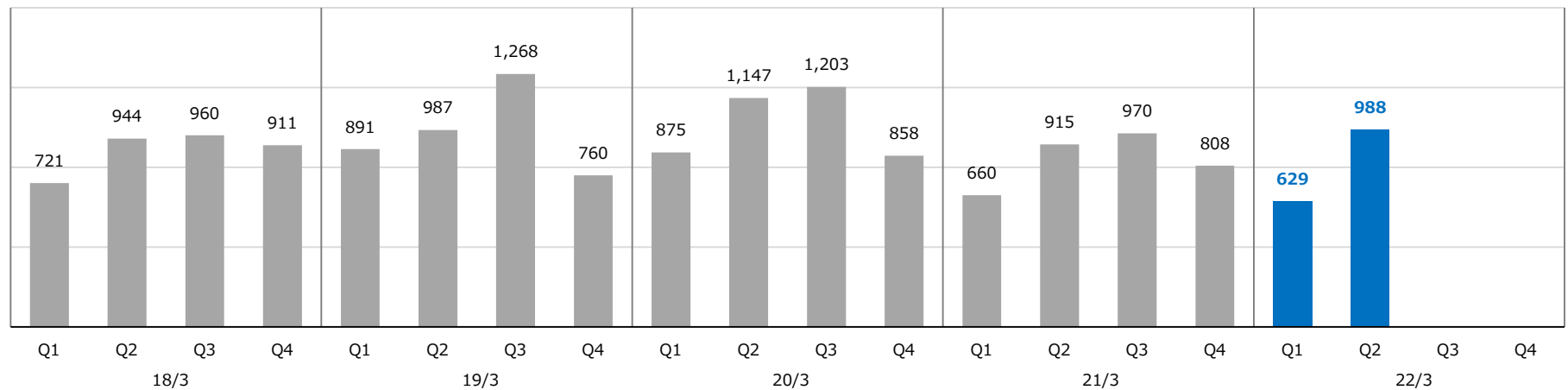
	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3 Q2	22/3 (forecast)
<b>Result of Operations</b> (million yen)												
Net sales	38,745	41,153	47,991	49,168	50,211	50,410	52,811	57,828	60,599	59,562	31,304	63,700
Operating profit	1,926	2,664	3,271	3,303	3,441	3,516	3,537	3,907	4,085	3,354	1,618	3,370
Ordinary income	2,019	2,754	3,368	3,408	3,544	3,614	3,655	4,023	4,177	3,455	1,702	3,500
Profit attributable to owner of parent	1,046	1,605	1,992	2,098	2,239	2,497	2,523	2,748	2,875	1,561	1,065	2,450
EBITDA	2,492	3,178	3,846	3,948	3,910	4,052	4,079	4,425	4,916	3,783	2,336	-
Capital investment	180	566	679	403	842	695	423	981	917	1,097	-	-
Depreciation	428	390	418	449	405	438	423	404	697	897	-	-
<b>Financial Position</b> (million yen)												
Total assets	28,403	31,192	34,481	35,186	34,645	36,524	39,313	43,820	46,335	49,426	50,438	-
Net assets	15,097	16,990	18,783	20,231	21,102	22,719	24,745	26,756	28,387	29,022	29,738	-
Interest-bearing debt	705	808	806	636	508	501	500	853	1,106	3,875	-	-
<b>Cash Flows</b> (million yen)												
Cash flows from operating activities	1,454	2,077	1,887	1,818	1,945	2,737	2,429	2,699	4,385	4,158	686	-
Cash flows from investing activities	△ 1,511	△ 494	△ 660	828	△ 829	△ 646	△ 506	△ 1,551	△ 5,205	△ 2,226	△ 834	-
Cash flows from financing activities	△ 550	426	△ 389	△ 699	△ 1,092	△ 1,032	△ 703	△ 915	△ 992	1,060	△ 496	-
Cash and cash equivalents, end of year	2,790	4,798	5,636	7,626	7,594	8,660	9,893	10,133	8,305	11,317	10,648	-
<b>Per Share Information</b> (yen)												
Profit attributable to owners of parent per share	40.36	60.77	72.13	75.91	81.01	93.29	94.25	102.65	107.46	59.60	40.70	93.42
Net assets per share	582.41	615.12	679.27	730.49	774.18	846.59	922.62	996.99	1,071.09	1,110.01	-	-
Dividend per share	13.50	14.00	15.50	20.00	22.00	23.00	24.00	26.00	29.00	31.00	-	32.00
<b>Financial Indicators</b>												
Gross profit margin (%)	5.0	6.5	6.8	6.7	6.9	7.0	6.7	6.8	6.7	5.6	5.2	4.9
ROE (%)	7.1	10.0	11.1	10.8	10.9	11.4	10.7	10.7	10.4	5.4	-	10% or higher
Equity ratio (%)	53.2	54.5	54.4	57.4	60.8	62.1	62.8	61.0	61.2	58.7	59.0	-
DOE (%)	2.4	2.3	2.4	2.8	2.9	2.8	2.7	2.7	2.8	2.8	-	2.5% or higher
<b>Stock Price Index</b>												
Stock closing price (yen)	625	606	718	786	834	933	939	1,006	929	1,069	995	-
Price earnings ratio (times)	15.5	10.0	10.0	10.4	10.3	10.0	10.0	9.8	8.6	17.9	-	-

## Consolidated

### Net sales (million yen)



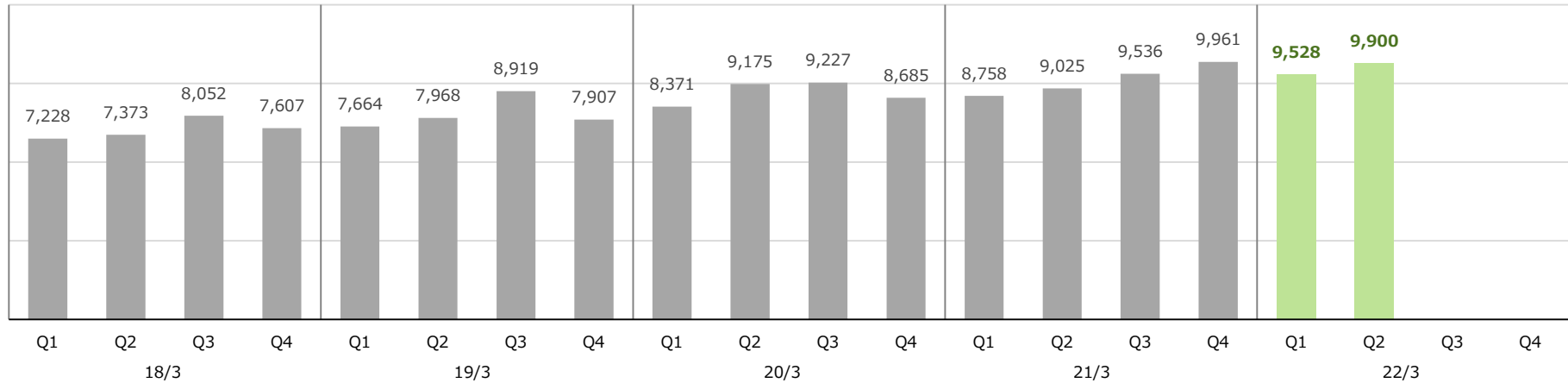
### Operating income (million yen)



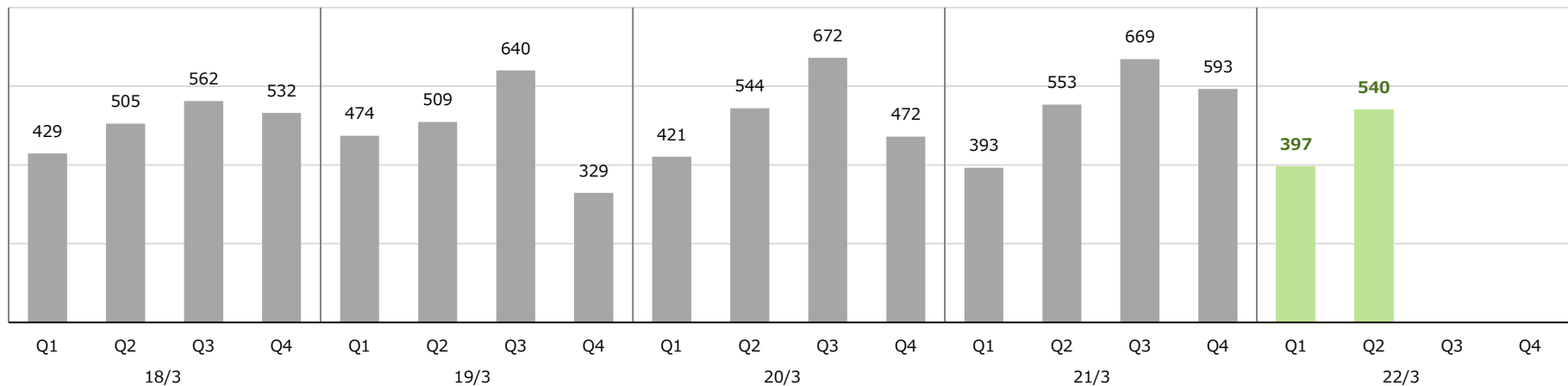


## Industrial Materials

Net sales (million yen)

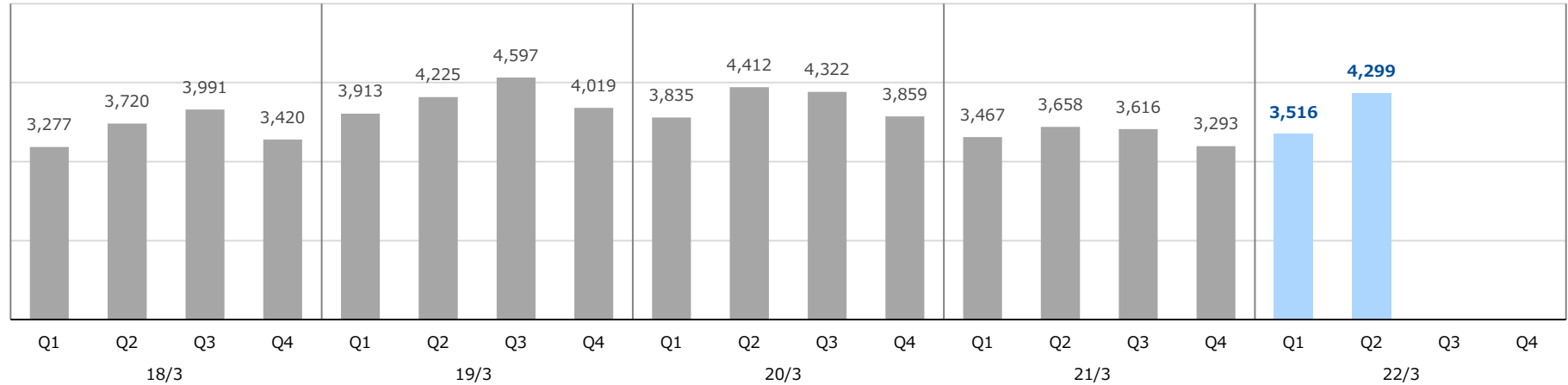


Segment profit or loss (million yen)

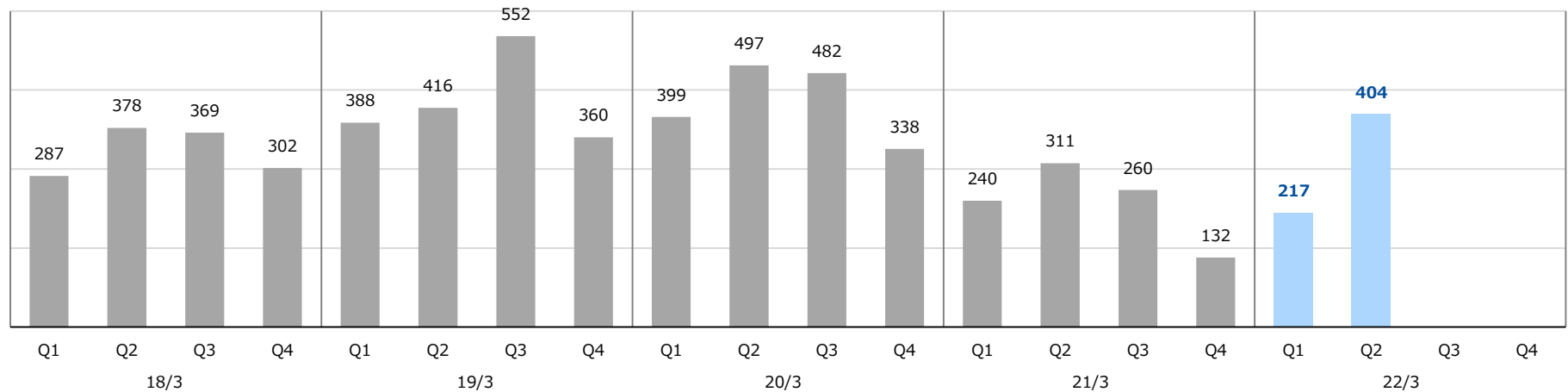


## Structural Steel Materials

Net sales (million yen)

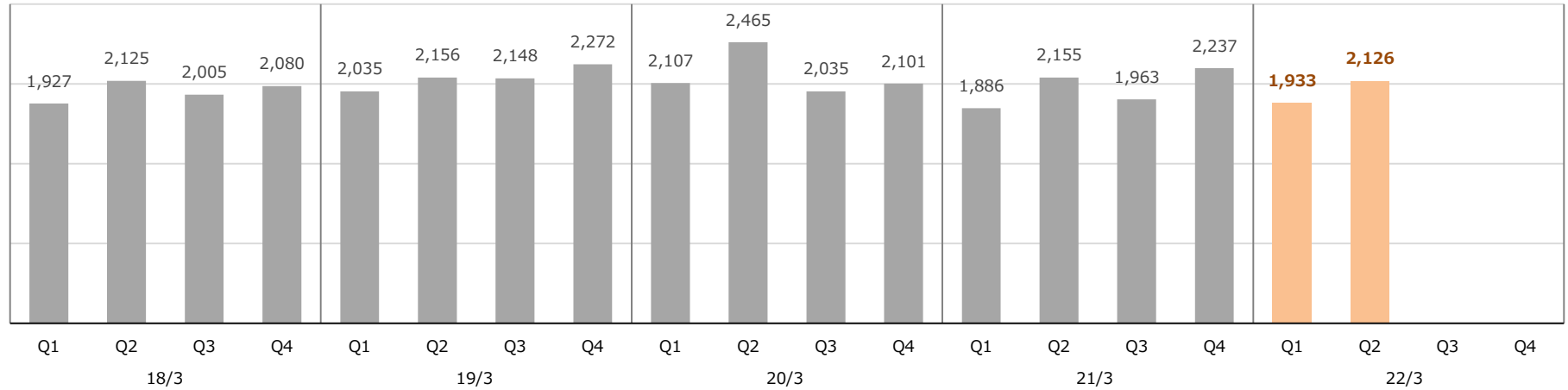


Segment profit or loss (million yen)

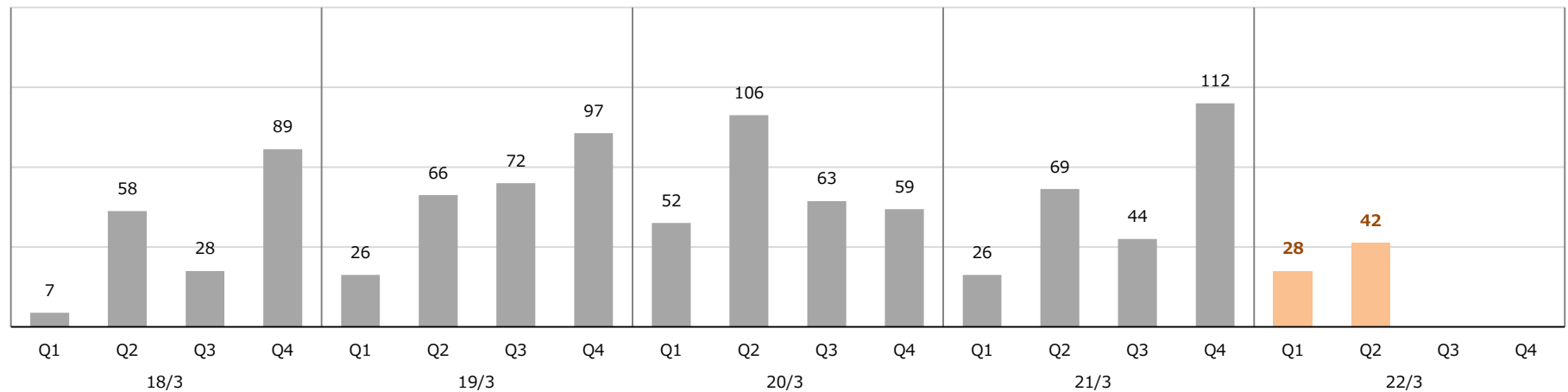


## Electrical Equipment

Net sales (million yen)



Segment profit or loss (million yen)



## Notes on forward-looking statements

This document contains forward-looking statements 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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