

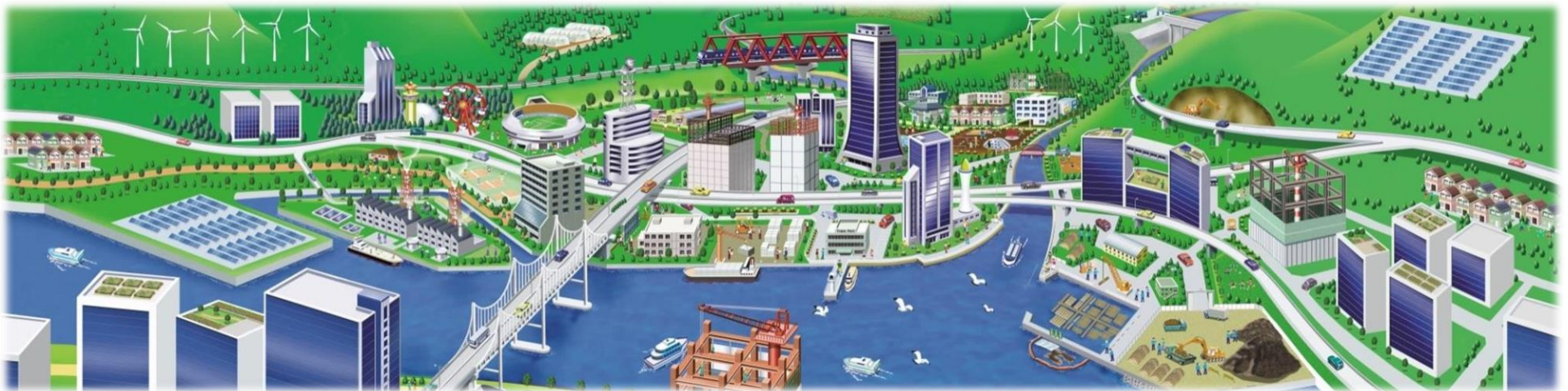
KONDOTEC INC.

Financial Results

Q3 FY2021

February 9, 2021

Securities Code : 7438



1. Highlights of Q3 FY2021 Financial Results and Recent Initiatives	P.3
2. Company Overview	P.6
3. Main Products and Merchandise	P.14
4. Q3 FY2021 Financial Results and Analysis	P.20
5. Q3 FY2021 Financial Results and Analysis by Segment	P.26
6. Response to ESG Issues	P.34
7. Growth Strategies	P.40
8. Shareholder Return	P.48
9. Highlights of Results	P.51

1. Highlights of Q3 FY2021 Financial Results and Recent Initiatives

Summary of Q3 FY2021 Consolidated Financial Results



- Net sales decreased due to the sales contribution from TOKAI STEP was unable to offset the drop in sales caused by the impact of the COVID-19 infection.
- Operating 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

44,069 million yen

YoY Δ **4.1%**

**Operating
income**

2,546 million yen

YoY Δ **21.1%**

**Ordinary
income**

2,626 million yen

YoY Δ **20.3%**

**Profit
attributable to
owner of parent**

1,699 million yen

YoY Δ **23.2%**

E B I T D A

3,428 million yen

YoY Δ **10.9%**

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

Acquisition of FUKOKU, Ltd. in January 2021

- KONDOTEC acquired all shares in FUKOKU, Ltd. with the aim of achieving sustainable growth and improving the corporate value of the KONDOTEC 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.

<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

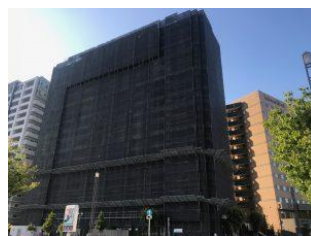
Note: EBITDA= Income before income taxes + Interest expenses + Depreciation

<Past installation projects>

Aqueduct bridge repair



Condominium repair



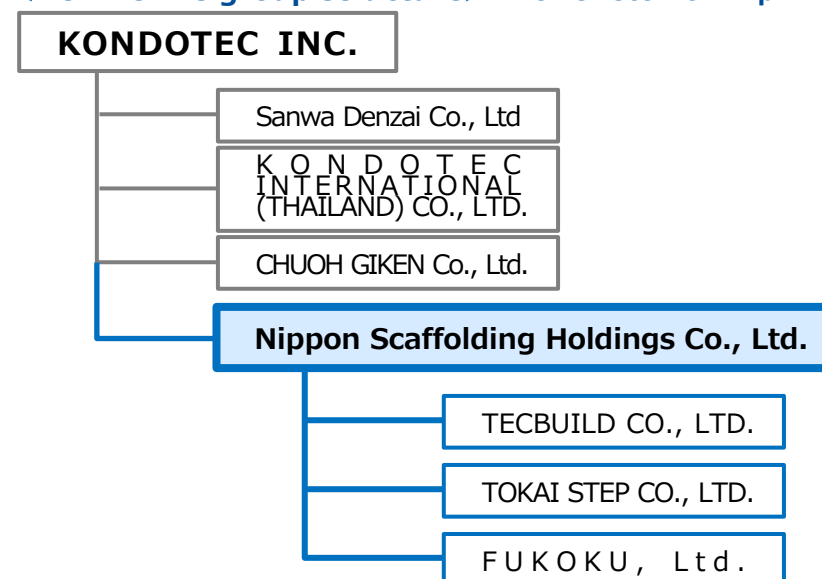
Establishment of intermediate holding company

- KONDOTEC 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.

<Company overview>

Company name	Nippon Scaffolding Holdings Co., Ltd.
Location	Koto-ku, Tokyo
Business areas	Management of subsidiaries that provide scaffolding construction services
Capital stock	50 million yen

<KONDOTEC group structure> with effect from April 1, 2021

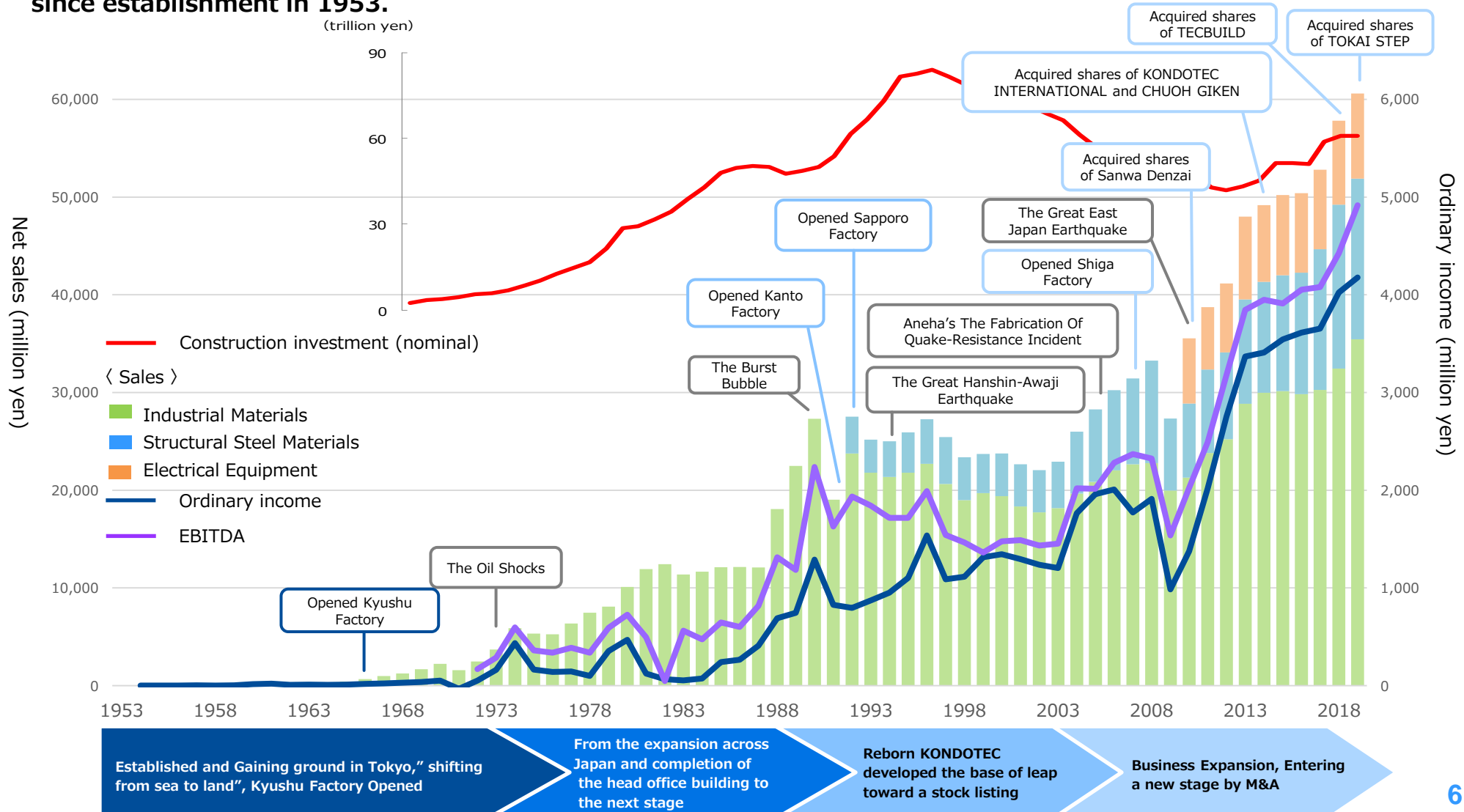


2. Company Overview

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



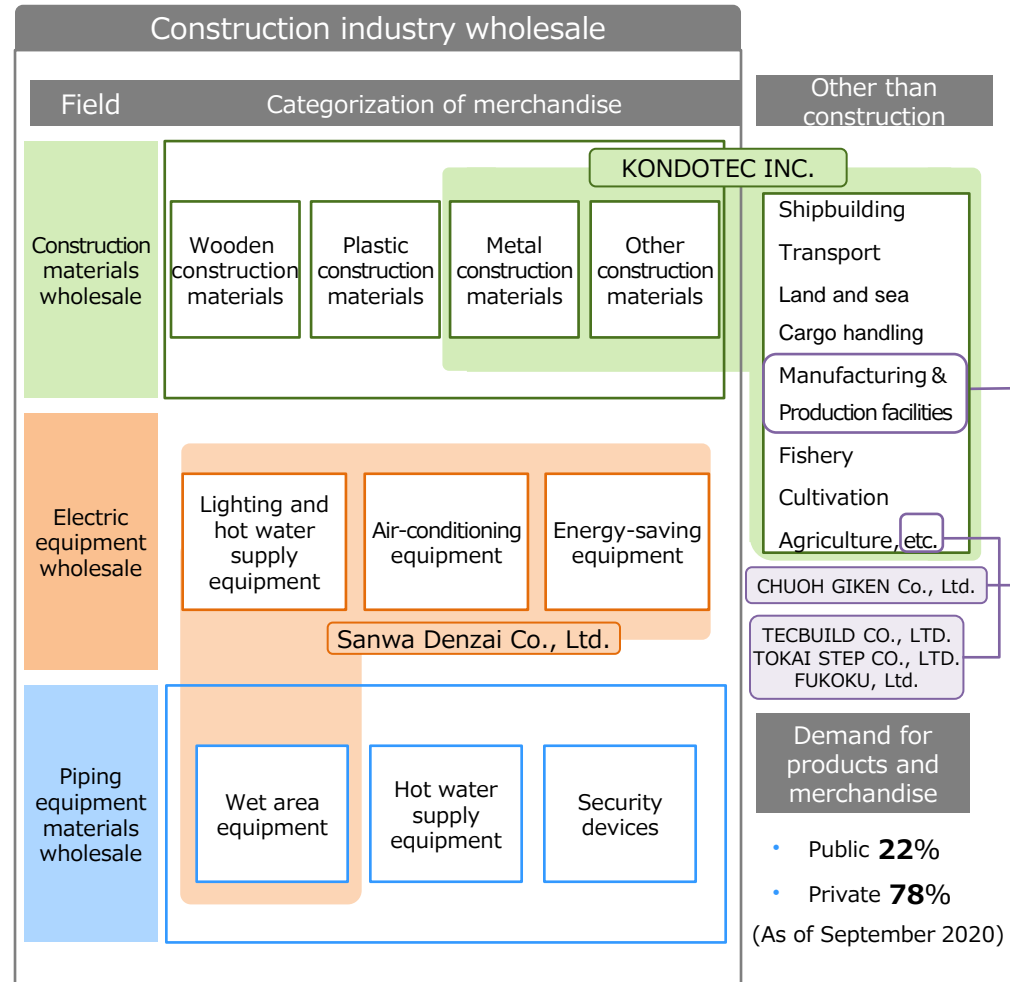
Company name	KONDOTEC INC.
Group companies	Sanwa Denzai Co., Ltd. KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. FUKOKU, Ltd.
Established	January 1953
President and Representative Director	Katsuhiko Kondo
Head office	2-2-90 Sakaigawa, Nishi-ku,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

Company History and Business Areas

Company history

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.

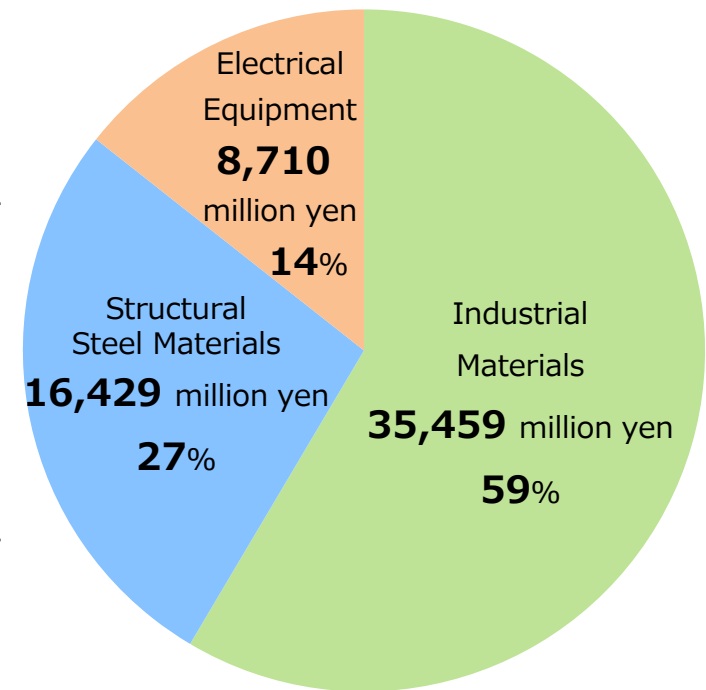
Business areas



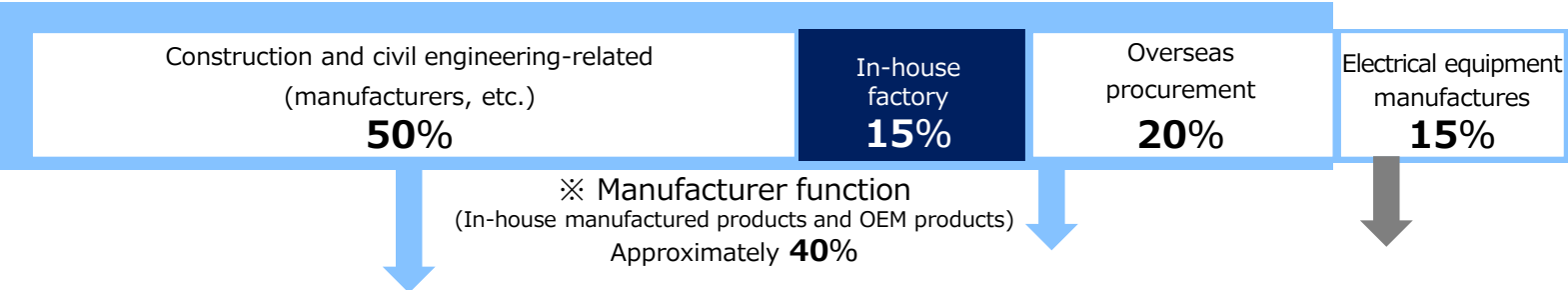
Net Sales by Segment

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)



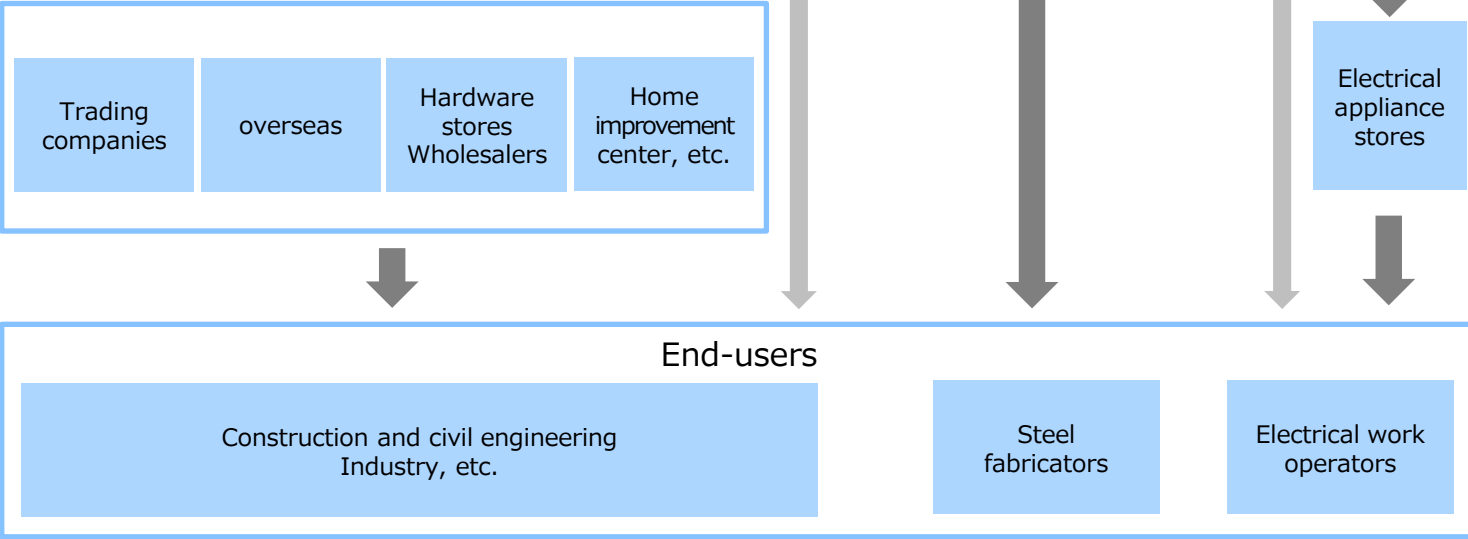
Suppliers



Sales contribution ratio by business segments (FY2020)

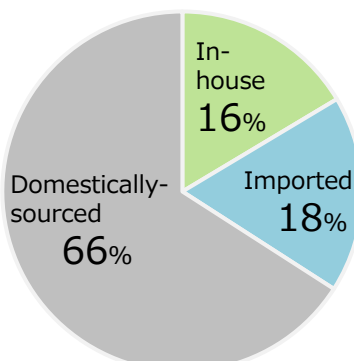
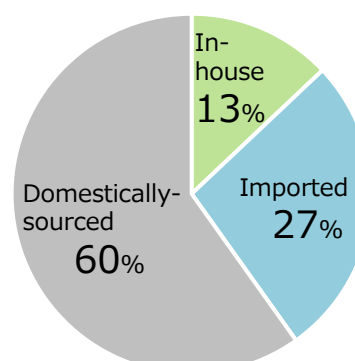
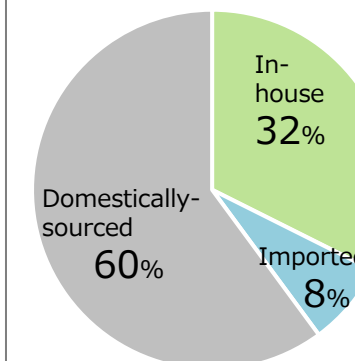
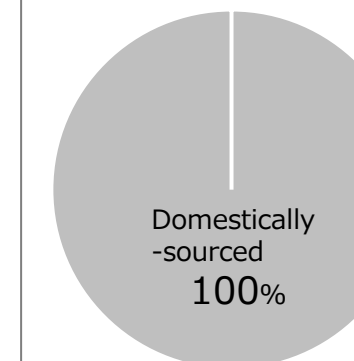


Customers



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

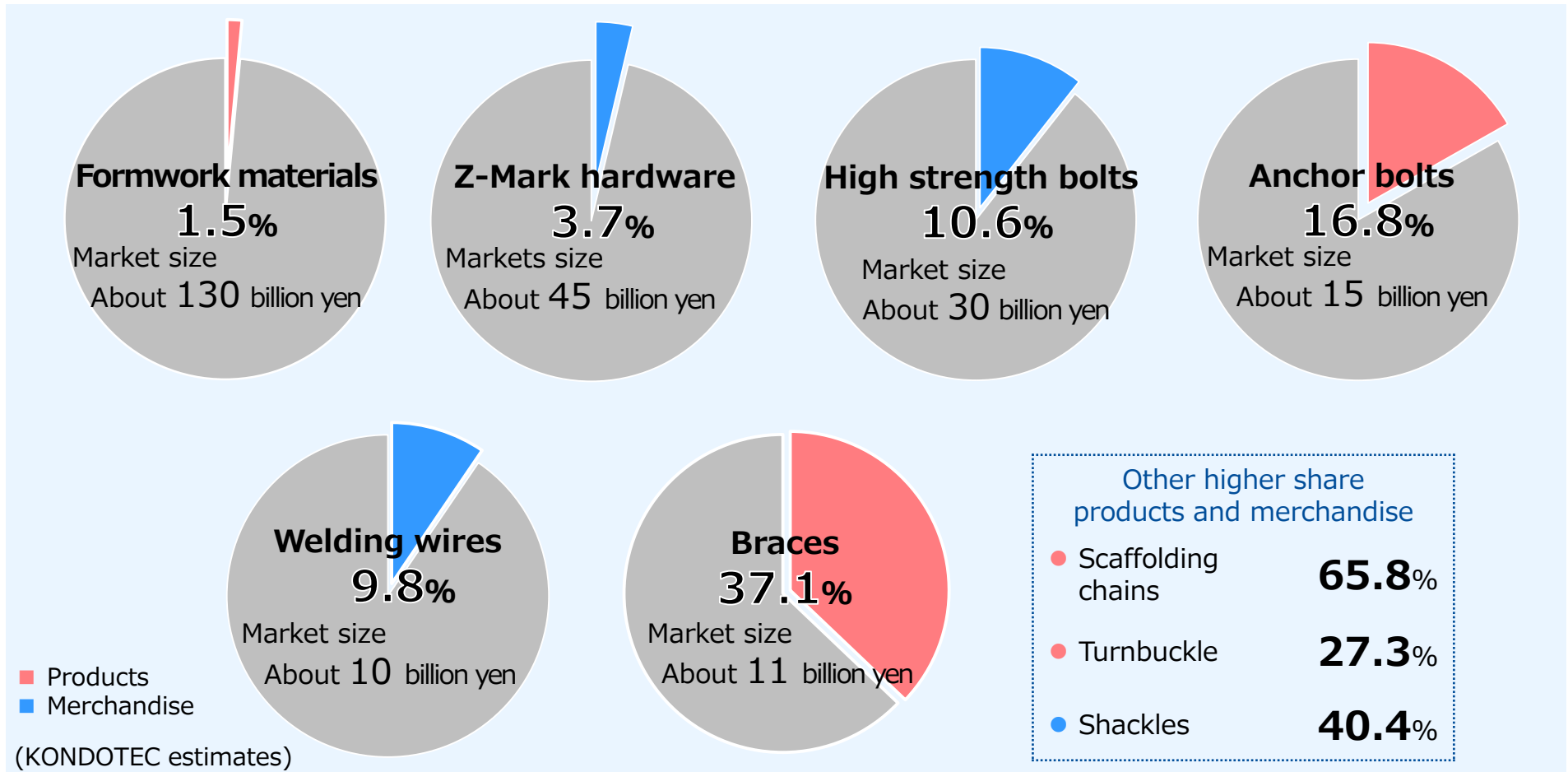
Note: Number of customers and new customers include KONDOTEC and Sanwa Denzai.

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

Market Size for Main Products and Merchandise

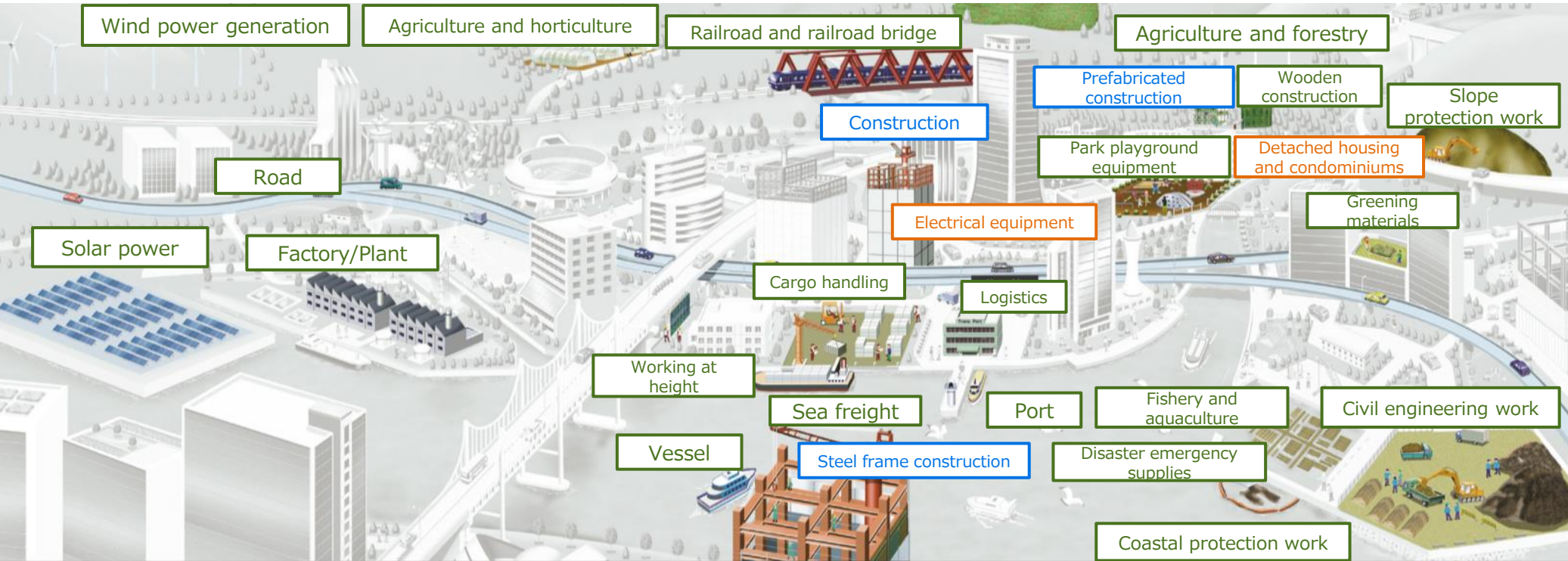
Market size for main products, merchandise and corresponding market shares (As of end March 2020)

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

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

Railroads

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

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

Civil engineering

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

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

Turnbuckle Braces

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

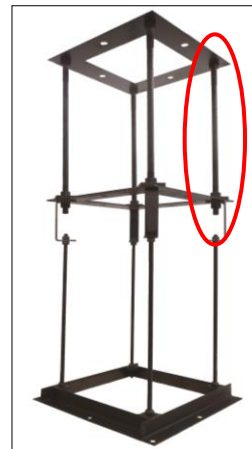


Anchor Bolts

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



After
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

- FUKOKU (shares acquired in January 2021) as well as TECBULID and TOKAI STEP handle assembly and disassembly of scaffolding is used for construction and repairs of warehouses, detached homes and condominiums.

Overpass repair



Condominium construction



4. Q3 FY2021 Financial Results and Analysis

Q3 FY2021 Consolidated Financial Results



(million yen)

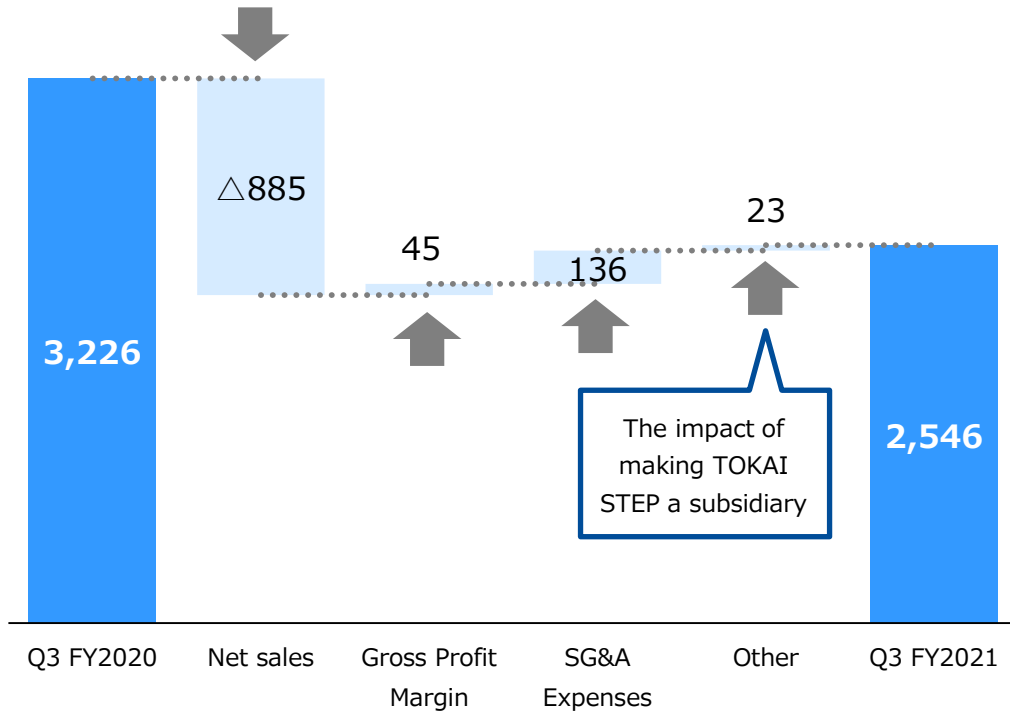
	Q3 FY2020	Q3 FY2021	YoY	
			Amount	%
Net sales	45,952	44,069	△1,883	△4.1%
Gross profit	10,342	10,181	△160	△1.6%
SG&A expenses	7,115	7,635	+ 519	+ 7.3%
Operating income	3,226	2,546	△680	△21.1%
Ordinary income	3,295	2,626	△668	△20.3%
Profit attributable to owner of parent	2,213	1,699	△514	△23.2%
EBITDA	3,849	3,428	△421	△10.9%

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

Operating Income Analysis (Consolidated)

Operating income analysis

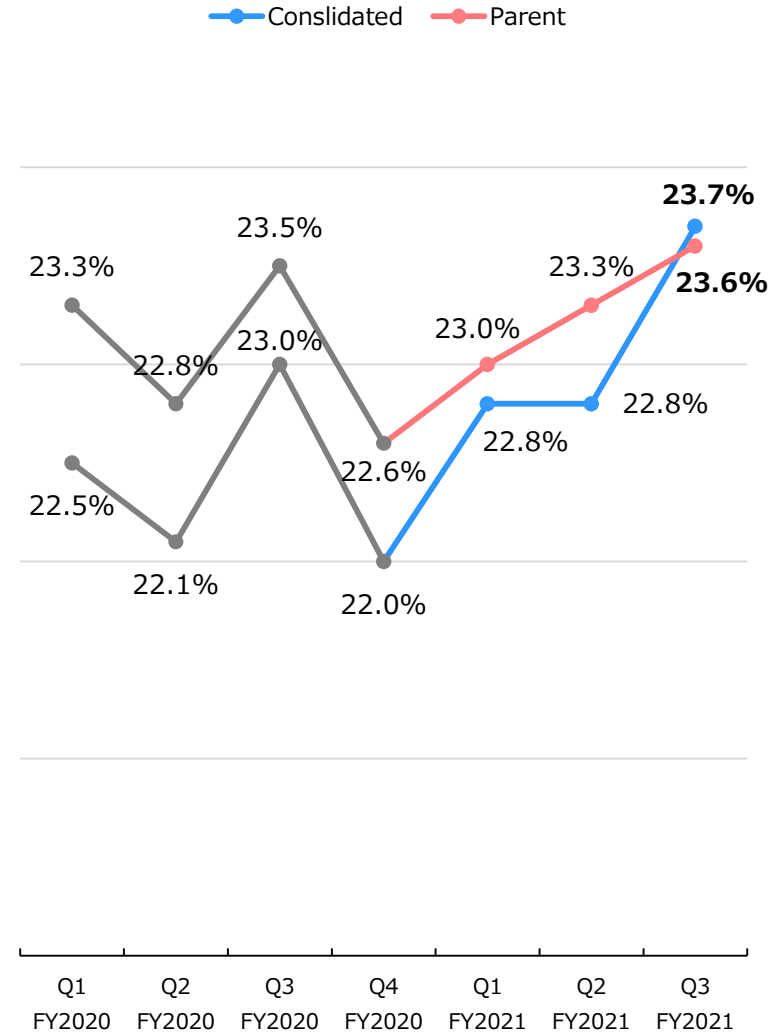
(million yen)



Note: The following figures do not include TOKAI STEP.

Gross Profit Margin	22.5%→22.6%
SG&A expenses	Bonuses △120 million yen Freight and packing costs △39 million yen Commission expenses △21 million yen

Quarterly GPM



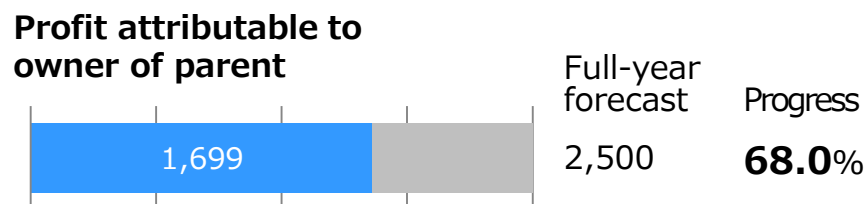
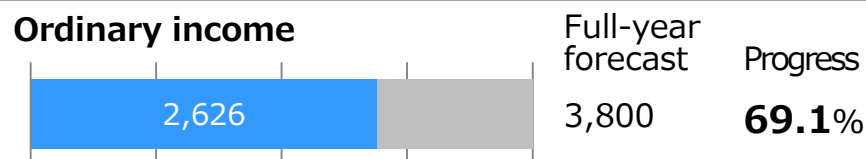
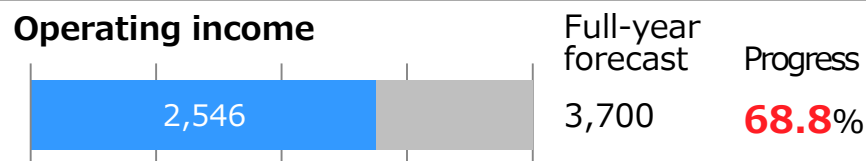
Q3 FY2021 Consolidated Financial Results

Progress for FY2021 Forecast

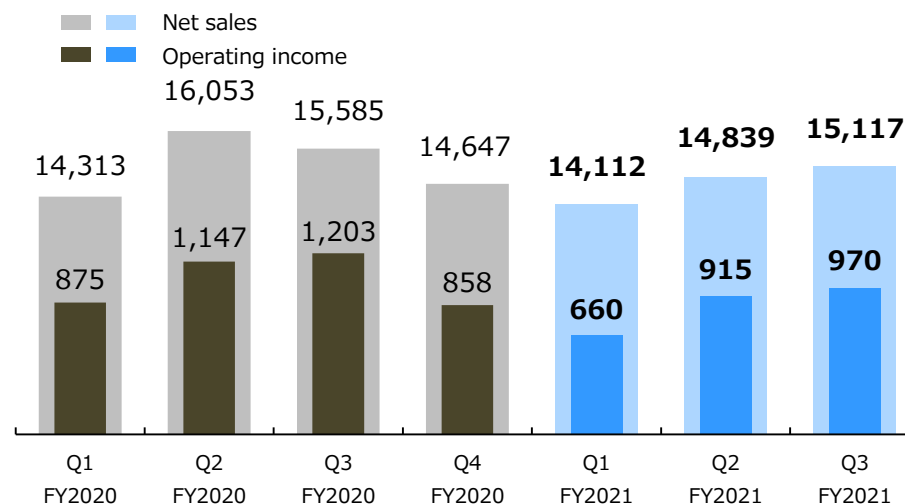


Progress for FY2021 forecast (million yen)

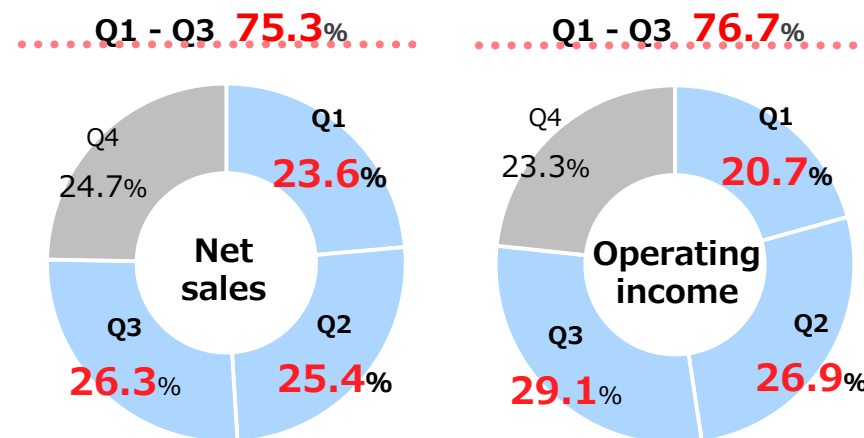
■ Q3 FY2021 ■ Full-year forecast



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	Q3 FY2021	Change
Current assets	Cash and deposits	8,305	8,746	+ 440
	Notes and receivable –trade	13,207	12,173	△1,033
	Electronically recorded monetary claims operating	1,695	2,337	+ 642
	Inventories	5,026	5,023	△2
	Other	672	857	+ 184
	Total current assets	28,908	29,139	+ 231
Non-current assets	Property, plant and equipment	11,312	11,489	+ 177
	Intangible assets	5,085	4,861	△224
	Investments and other assets	1,030	802	△227
	Total non-current-assets	17,427	17,153	△274
	Total assets	46,335	46,292	△42

Consolidated Balance Sheet [Liabilities and Net Assets]

(million yen)

		FY2020	Q3 FY2021	Change
Current liabilities	Notes and accounts payable – trade	3,333	3,293	△40
	Electronically recorded obligations – operations	8,400	7,416	△984
	Breakdown Electronically recorded obligations–operations	10,006	9,471	△535
	Repayment before maturity	△1,606	△2,055	△448
	Short-term loans payable	610	2,110	+ 1,500
	Income taxes payable	678	139	△539
	Other	2,935	2,764	△170
Total current liabilities		15,958	15,723	△234
Non-current liabilities		1,989	1,605	△384
Total liabilities		17,948	17,329	△619
Net assets	Shareholder's equity	29,819	30,348	+ 528
	Accumulated other comprehensive income	△1,463	△1,413	+ 49
	Subscription rights to shares	31	28	△2
	Total net assets	28,387	28,963	+ 576
Total liabilities and net assets		46,335	46,292	△42

5. Q3 FY2021 Financial Results and Analysis by Segment

Q3 FY2021 Financial Results by Segment



(million yen)

		Q3 FY2020	Q3 FY2021	Change (%)	Full-year forecast	Progress
Industrial Materials	Net sales	26,773	27,320	+2.0%	38,900	70.2%
	Segment profit or loss	1,638	1,615	△1.4%	2,068	78.1%
	EBITDA	1,938	2,125	+9.6%	—	—
Structural Steel Materials	Net sales	12,569	10,742	△14.5%	14,800	72.6%
	Segment profit or loss	1,379	812	△41.1%	1,453	55.9%
	EBITDA	1,398	832	△40.5%	—	—
Electrical Equipment	Net sales	6,609	6,006	△9.1%	8,300	72.4%
	Segment profit or loss	221	140	△36.7%	209	67.2%
	EBITDA	243	161	△33.6%	—	—

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

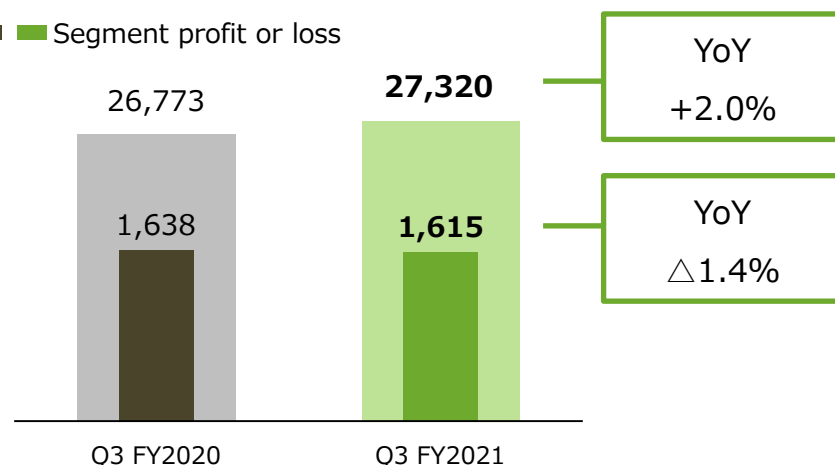
Note: EBITDA= Segment profit or loss + Depreciation + Amortization of goodwill

Net sales and segment profit or loss

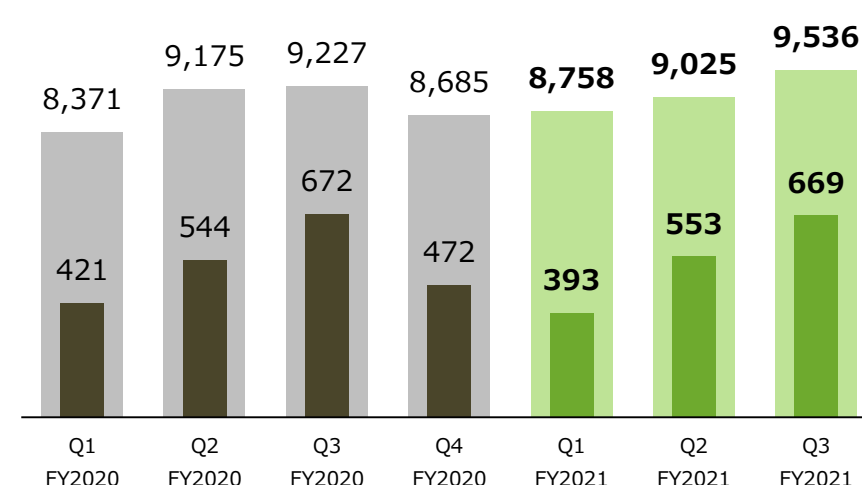
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales increased by about 550 million yen YoY.

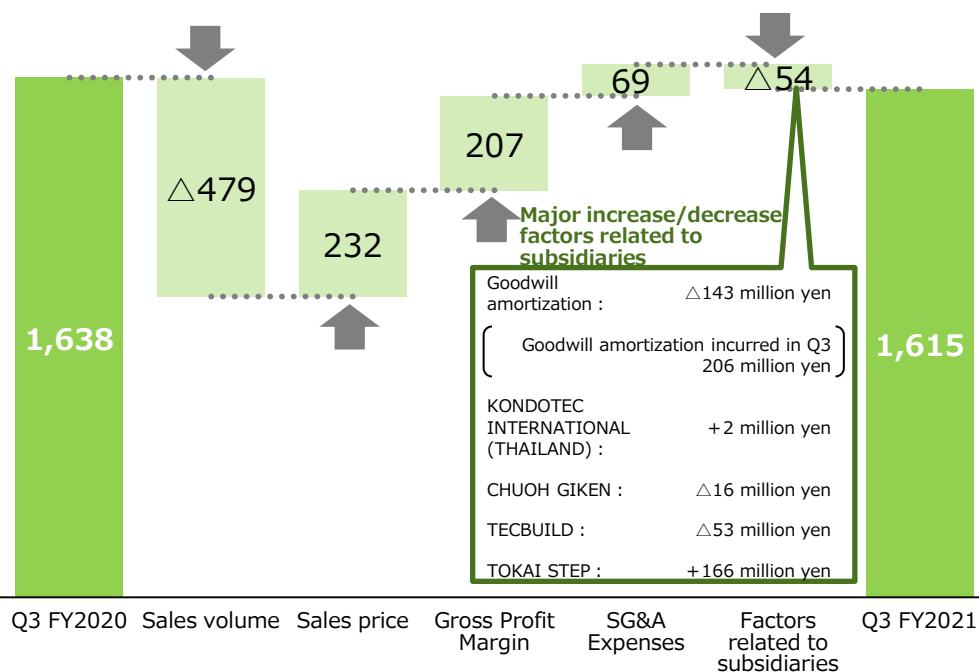
Although sales of hardware for wooden homes, secondary steel products, tarpaulins and sandbags were down due to the impact of the COVID-19 infection, the segment achieved an increase in net sales thanks mainly to a contribution from TOKAI STEP, which became a subsidiary in February 2020.

Increased/decreased amount in net sales (million yen)

Products (approximate)	Δ 190	Braces	/ Δ 51	Orders decreased due to projects that have been cancelled, postponed, and reassessed.
Merchandise (approximate)	Δ 1,300	Hardware for wooden homes	/ Δ 218	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	+2,044	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 △25 million yen Merchandise △453 million yen
Sales price	Products △2 million yen Merchandise +235 million yen
Gross Profit Margin	Products 28.5% → 28.4% Merchandise 21.3% → 22.3% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Bonuses △36 million yen Vehicle expenses △8 million yen Freight and packing costs △7 million yen Travel and transportation expenses △3 million yen

Quarterly GPM

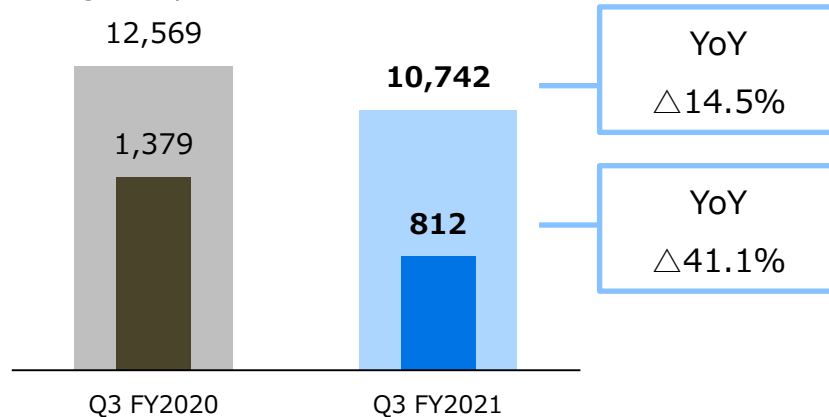


Net sales and segment profit or loss

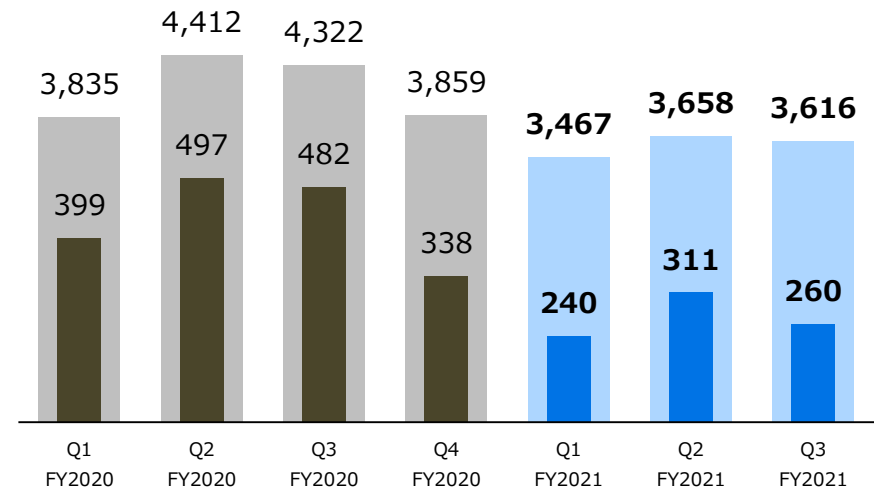
(million yen)

YoY

- Net sales
- Segment profit or loss



Quarterly



Factors affecting net sales

Net sales decreased by about 1,830 million yen YoY.

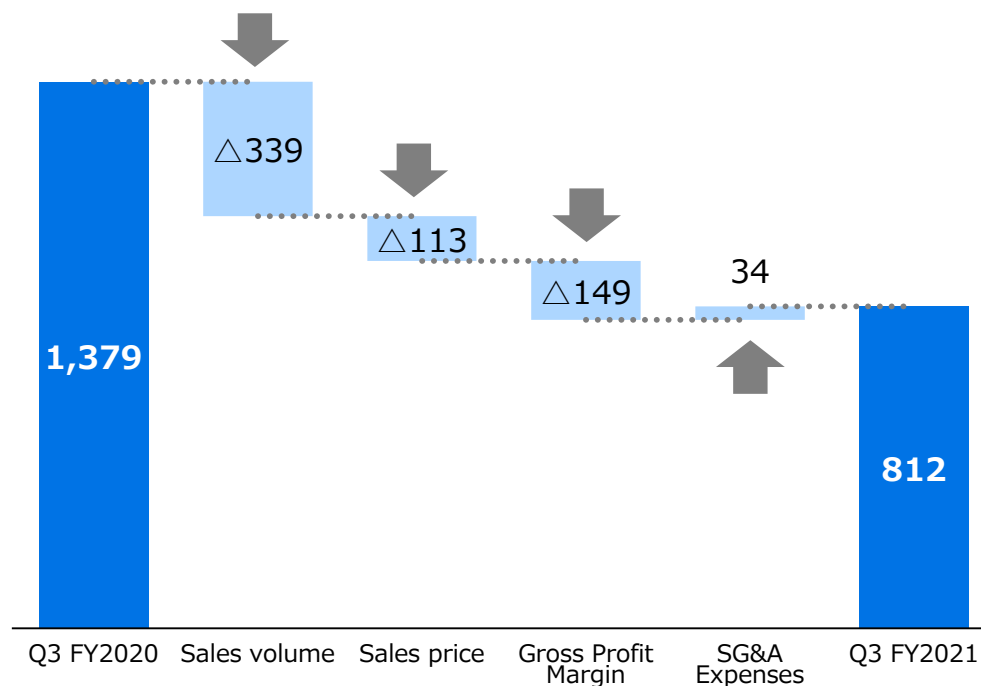
In addition to the originally planned down period accompanying the Tokyo Olympics and Paralympics Games, net sales of steel frame materials, high strength bolts and braces were severely affected by the COVID-19 infection.

Increased/decreased amount in net sales (million yen)

Products (approximate)	$\Delta 500$	Braces	/ $\Delta 297$	Orders decreased due to projects that have been cancelled, postponed, and reassessed.
Merchandise (approximate)	$\Delta 1,330$	Steel frame materials	/ $\Delta 552$	The number of properties decreased due to construction delays caused by the COVID-19 infection.

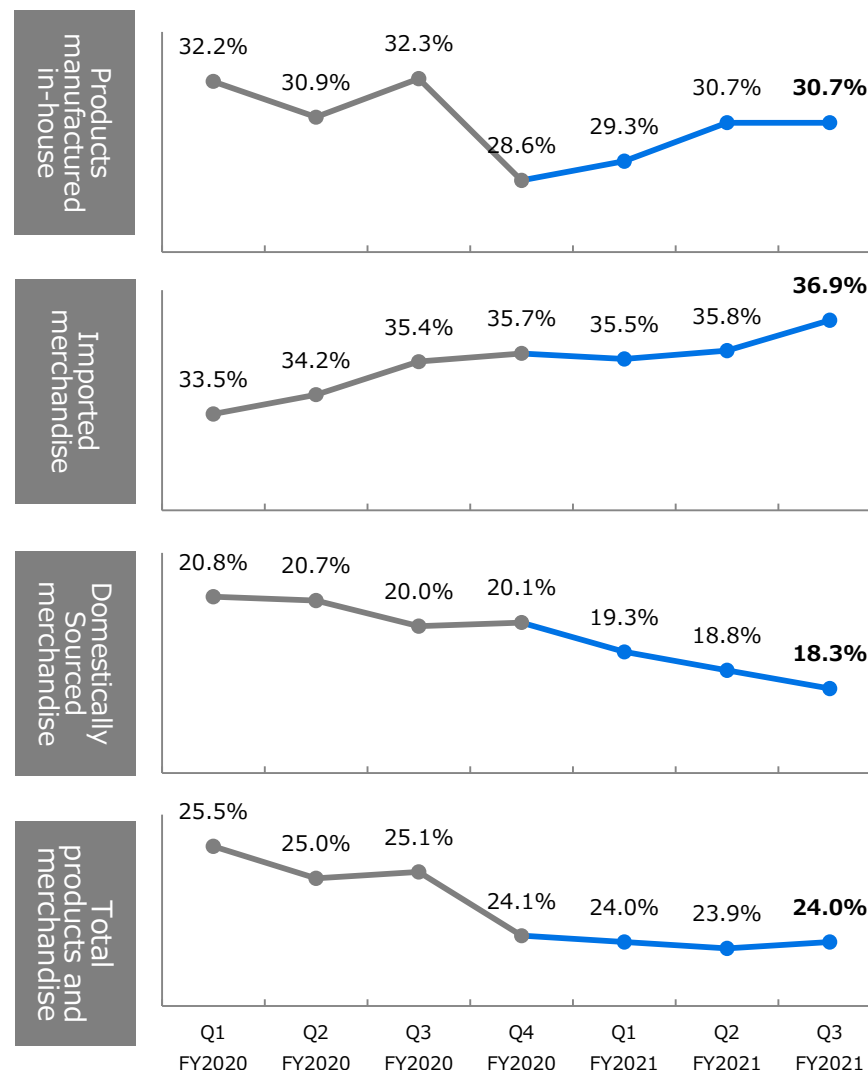
Segment profit or loss analysis

(million yen)



Sales volume	Products △78 million yen Merchandise △260 million yen
Sales price	Products △81 million yen Merchandise △32 million yen
Gross Profit Margin	Products 31.8% → 30.2% Merchandise 22.1% → 20.8% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Freight and packing costs △37 million yen

Quarterly GPM

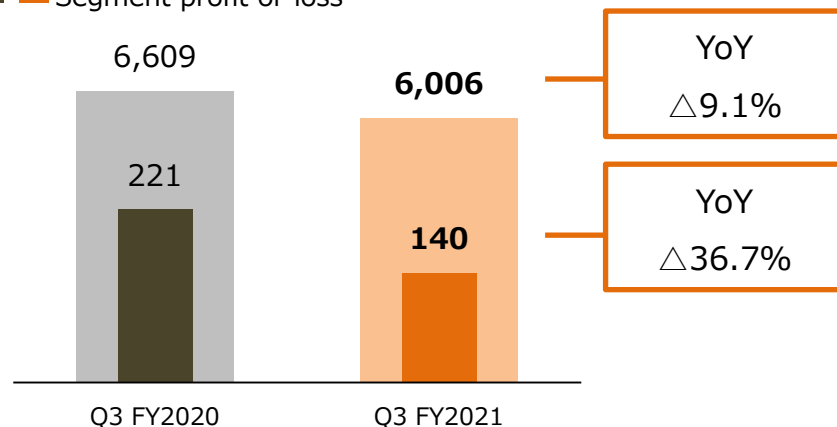


Net sales and segment profit or loss

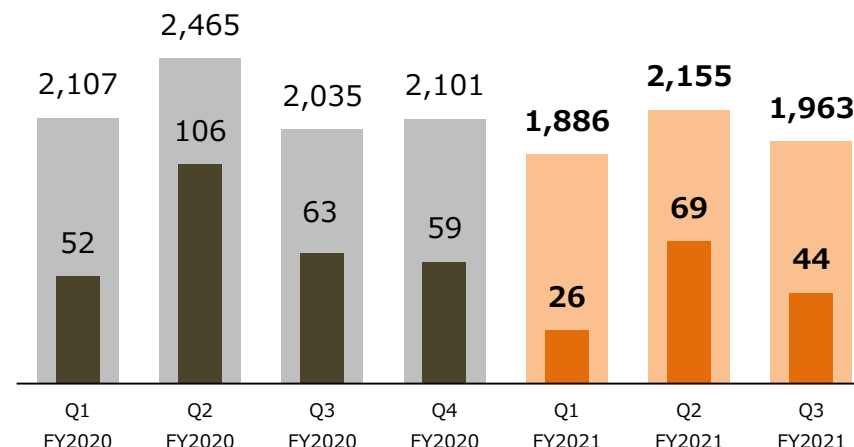
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales decreased by about 600 million yen YoY.

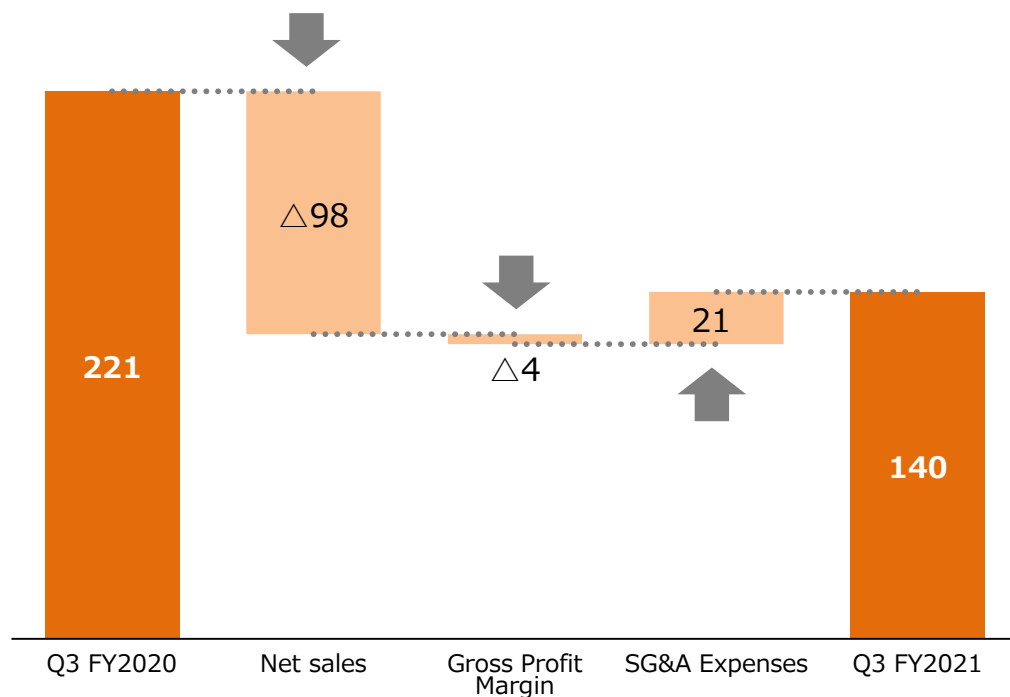
Net sales were down due to the impact of delays in merchandise supply, delays in construction projects, and a drop in capex demand despite efforts to concentrate on selling high-end air conditioners in light of increased working from home and the government's special cash payments.

Increased/decreased amount in net sales (million yen)

Electrical wires	$\Delta 180$	Sales decreased due to the impact of the COVID-19 infection.
Lighting fixtures	$\Delta 131$	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

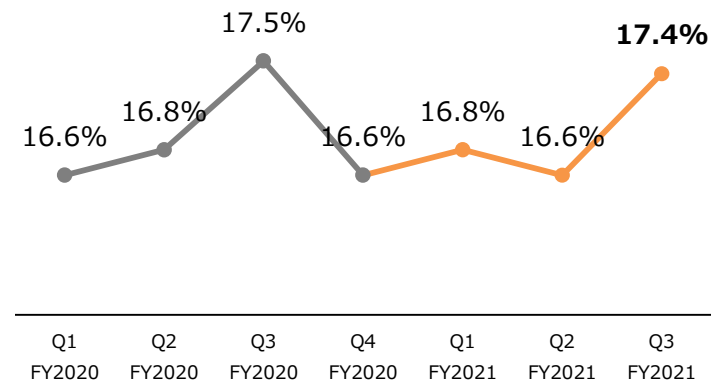
(million yen)



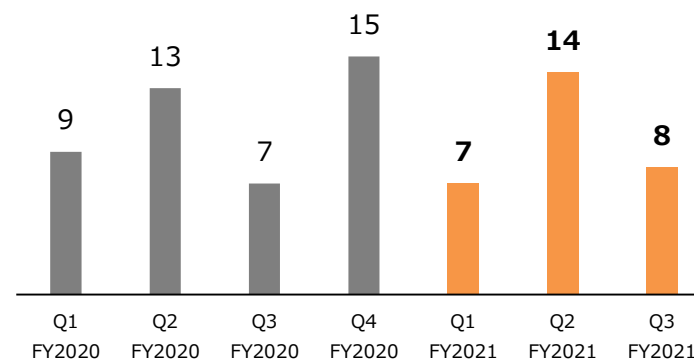
Gross Profit Margin	16.9% → 16.9%
SG&A Expenses	Salaries △14 million yen Bonuses △6 million yen

Quarterly GPM and number of projects

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				
	<ul style="list-style-type: none"> • Procurement and provision of high-value-added products, merchandise and services 	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				
Governance	<ul style="list-style-type: none"> • Human resource development and diversity 	For employees' health, safety and hygiene				
	<ul style="list-style-type: none"> • Policy on human resource development • Diversity • Employee benefits 					
	<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.

NEWS January 2021 Establishment of SDGs promotion department

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

Improve Productivity and Profitability

Sales Growth and Business Expansion

Sustainable Growth

Environment

Provision of optimal products and merchandise for environment measures

■ Green sweeper

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



■ Hand soap Eco-pro

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



■ Oil hunter

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



Business activities paying attention to the environment

■ Initiatives for environmental protection and energy-saving

➤ ISO14001 certification for Kanto Factory

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

<Certification>



<Annex on certification>



➤ LED installations

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

Social

Human resource development and diversity

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

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

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

(※ As of end March 2020)

■ List of qualified personnel

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

(As of end March 2020)

■ Benefit program

➤ Number of employees taking childcare leave

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

(As of end March 2020)

➤ Incentive program for employees and directors

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

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

We have been supporting its employees in competitive sports.



Athlete employee

Name	Competitive category
(Left) Kiho Kuze	Javelin
(Right) Mika Yamamoto	Discus

Governance

Corporate governance

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

Determination of compensation for executive members

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

Transition to a Company with an Audit & Supervisory Committee

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

Formulation and announcement of management strategy and management plan

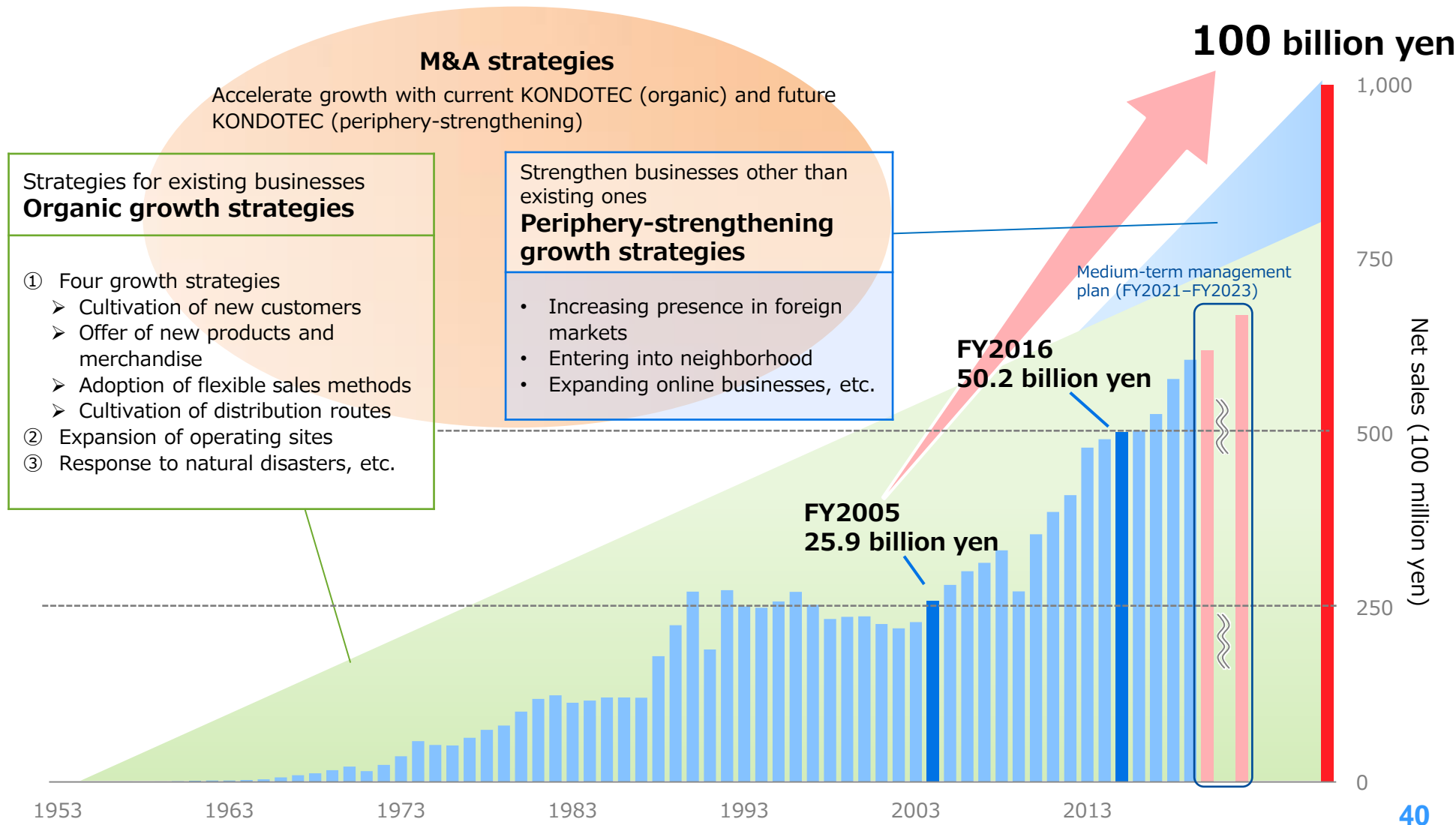
We accurately track its cost of capital (Weighted Average Cost of Capital[WACC]), formulates a medium-term management plan, and publishes a management resources allocation plan that includes growth investments (personnel, capital, investment and strategic investment) aimed at achieving targets for net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

7. Growth Strategies

Toward Achieving 100 Billion Yen Sales Target



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



① Four Growth Strategies

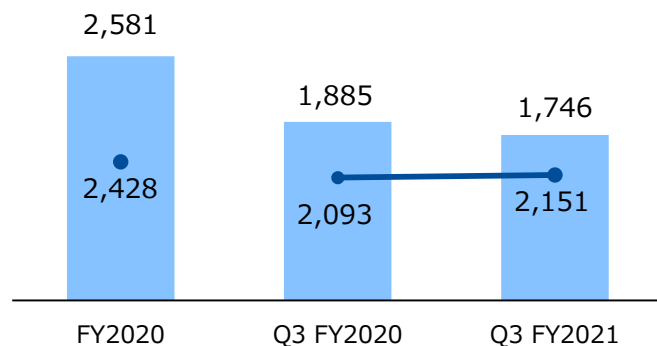
~ Cultivation of New Customers and Offer of New Products and Merchandise ~

Cultivation of new customers

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

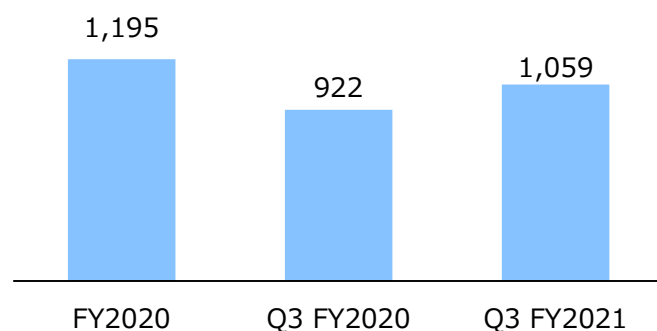
Cultivation of new customers

■ 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)		Q3 FY2020	Q3 FY2021
KONDO furring bolts		133	146
Hook bolts with square shank		139	145
KT safely harness		17	14
CM lever hoist		15	9

① Four Growth Strategies

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

Adoption of flexible sales methods

■ Differentiation strategies

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

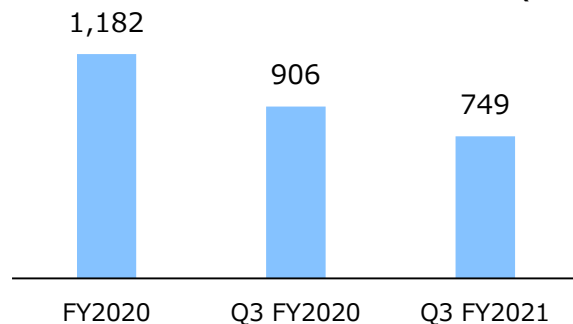
We have launched our website called, “Tsurikata” that allows individual management for lifting equipment to simplify inspection and maintenance of lifting equipment on the website. Traditionally, inspection checklists have been recorded manually on paper, Tsurikata helps to carry out inspection and keep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



■ Engaging in anchor bolt installation work

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

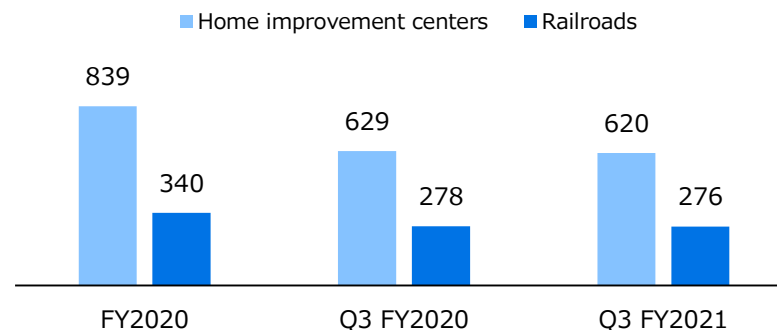
Net sales from anchor construction work (million yen)



Cultivation of distribution routes

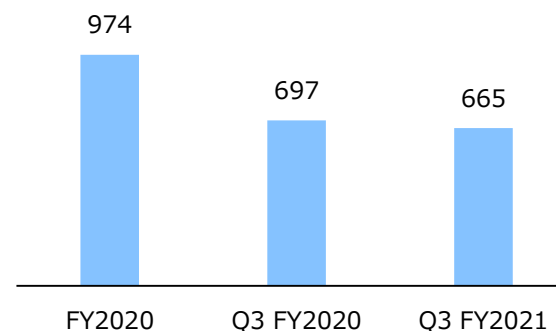
- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the “E-commerce Group” in July 2017 to explore sales through the Internet.

Net sales (million yen)



- 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:






93 operating sites (As of end December 2020)

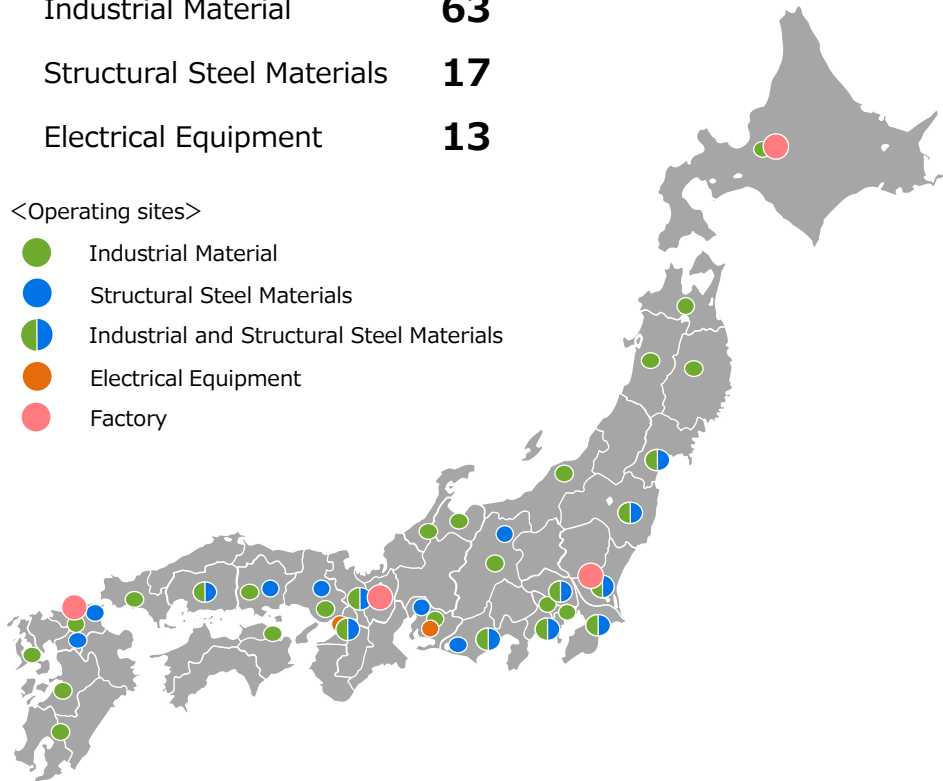
Industrial Material **63**

Structural Steel Materials **17**




Electrical Equipment **13**

<Operating sites>

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

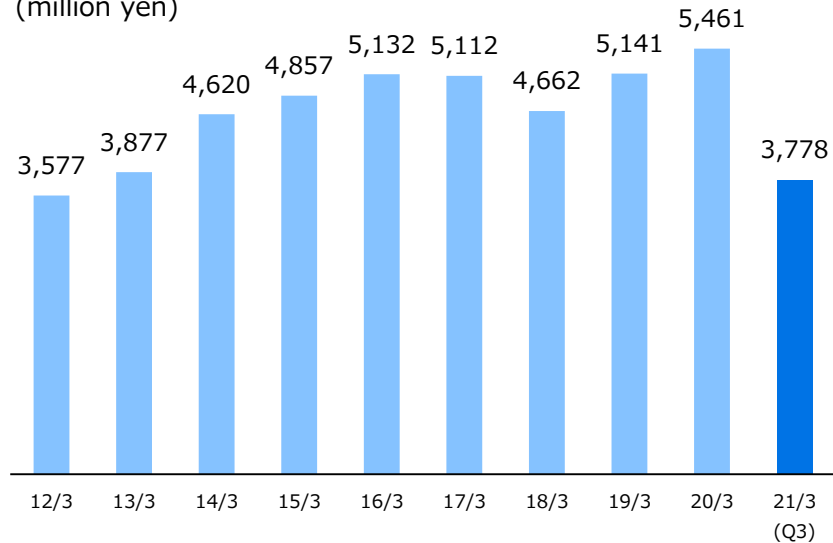


History of operating site network expansion

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

Response to natural disasters

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



Related merchandise

Flexible container bags Tarpaulins, sandbags etc.

Net, Sheet etc.



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

- The Ministry of Land, Infrastructure, Transport and Tourism has acknowledged that rainfall patterns are clearly changing and is therefore calling on companies to remain alert and prepare for a “new stage” of disaster prevention/mitigation measures.
- To respond to the “New Stage”, we will also focus on advance preparation to minimize damage.

Extraordinary climate in recent years

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

→ **Recognized as a “New Stage”**

Examples of weather conditions bringing disasters

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

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

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

Periphery-Strengthening Growth Increasing Presence in Foreign Markets



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

Subsidiary in Thailand

Company name	KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD.
Location	Bangkok, Thailand
Business areas	Import, export and local 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 Q3 FY2021

(million yen)	Q3 FY2020	Q3 FY2021	FY2021 forecast
International Sales Division	30	15	48
Local Subsidiary in Thailand	218	129	293
Total	248	145	341

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

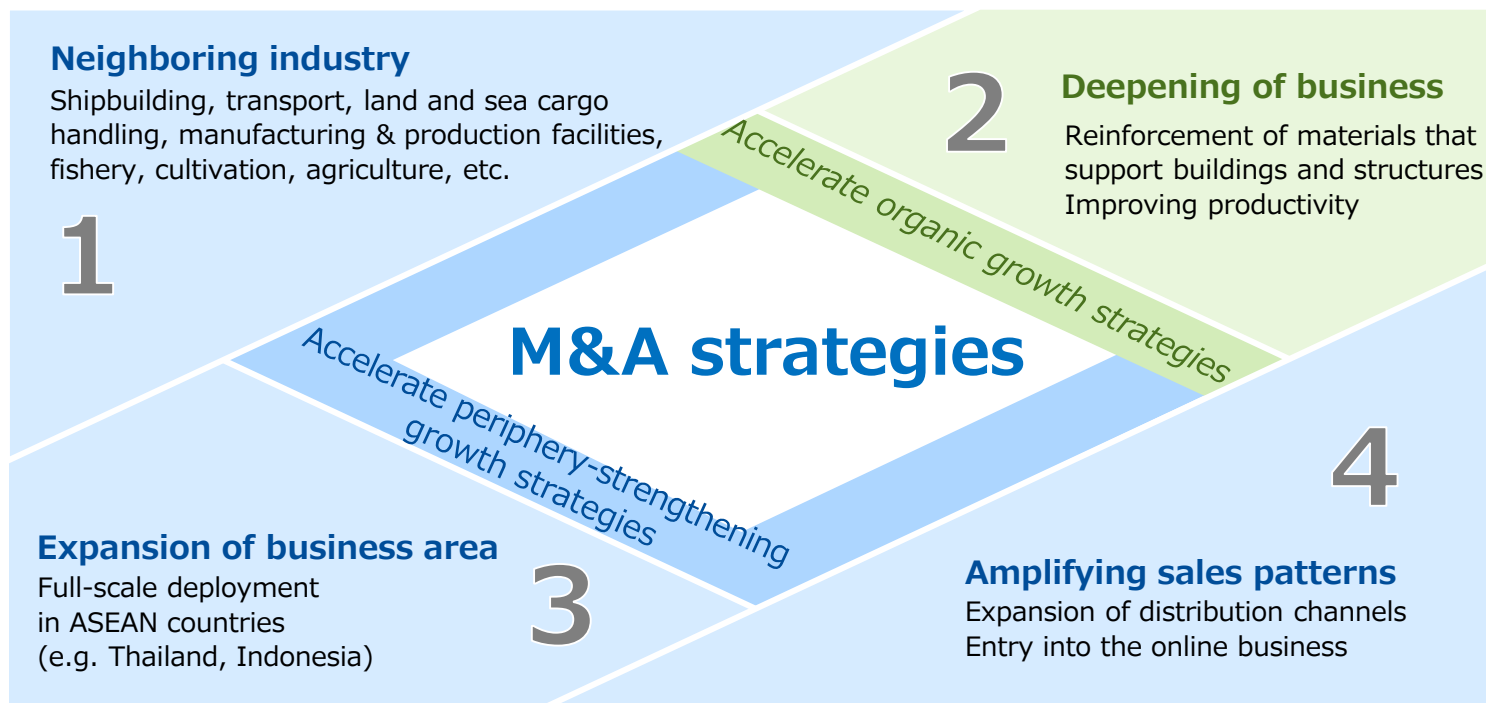
Percentage of sales by country Q3 FY2021

ASEAN	90%	Thailand	37%
East Asia/China	8%	Indonesia	20%
Near and Middle East	1%	Vietnam	19%
Other countries	1%	Singapore	14%



- 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.
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 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
- Commemorative dividend

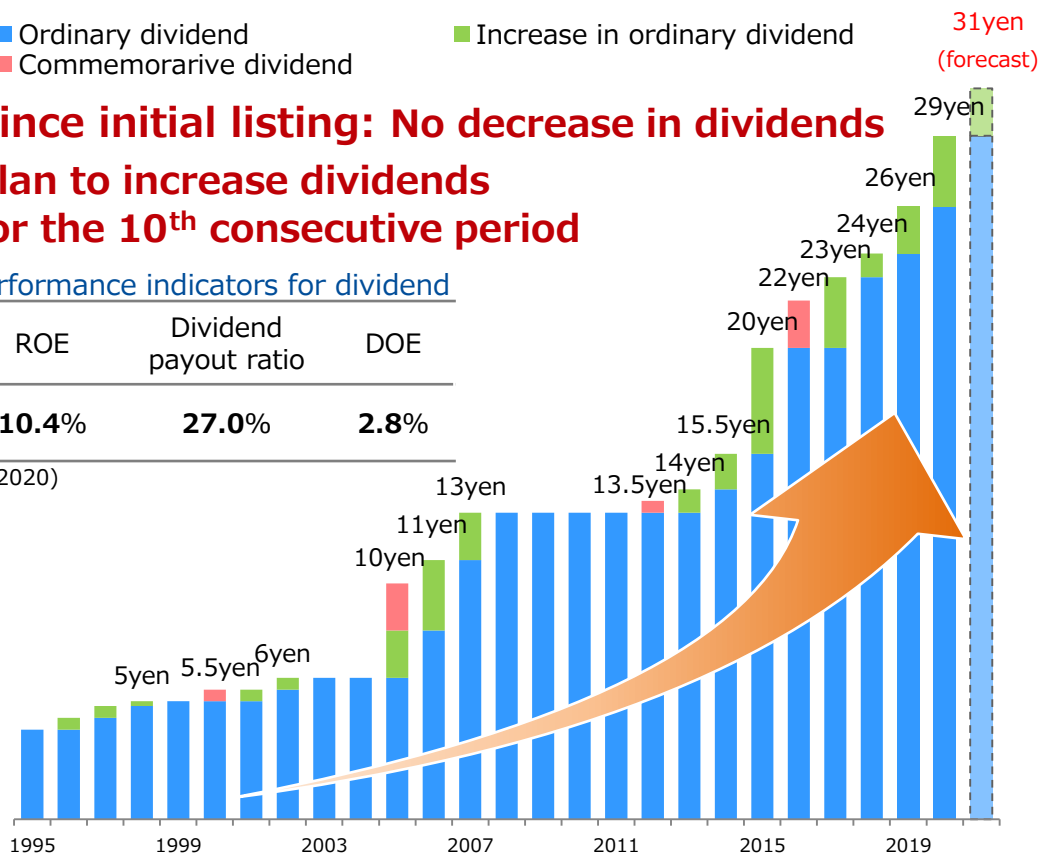
■ Increase in ordinary dividend

Since initial listing: No decrease in dividends

Plan to increase dividends for the 10th consecutive period

Performance indicators for dividend

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



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

Transition in dividends

Closing price on January 29: 1,056 yen

Dividend yield※

2.9%

Dividend yield including shareholder incentive plan

~3.8%

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.

Transition of Stock Price

Transition of stock price



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

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

Closing price on January 29

1,056 yen

PER : **11.1** PBR : **0.99**

EPS : 95.46 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)

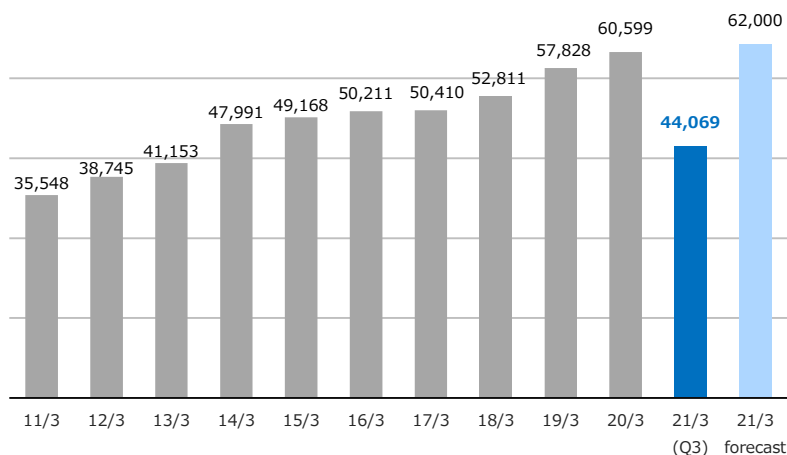
9. Highlights of Results

Highlights of Consolidated Financial Results



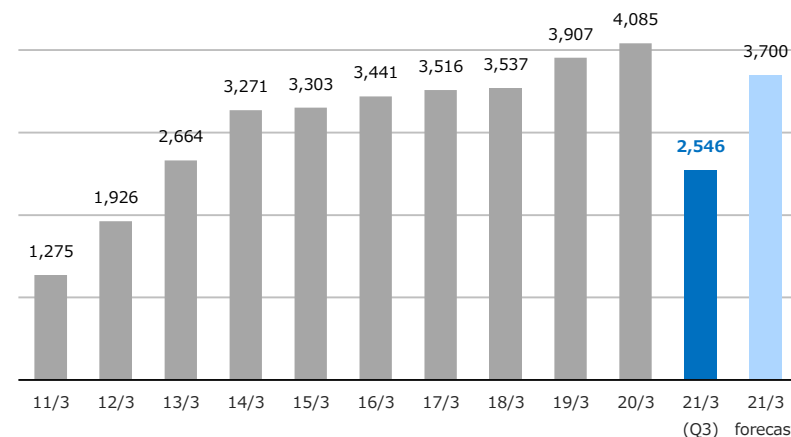
Net sales
(million yen)

44,069 million yen **71.1%** Progress



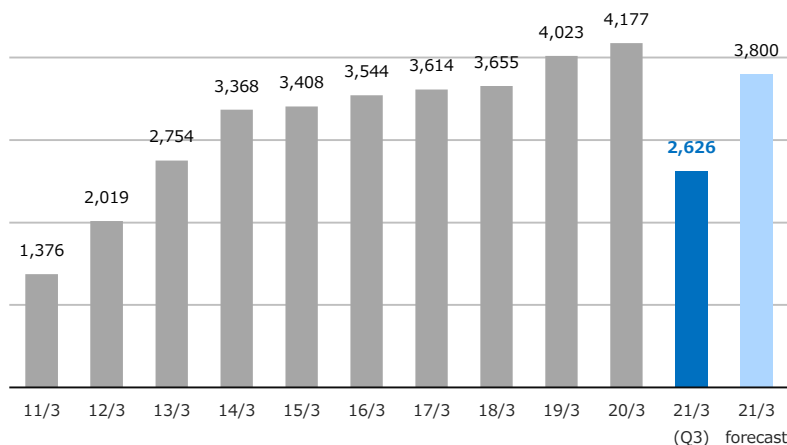
Operating income
(million yen)

2,546 million yen **68.8%** Progress



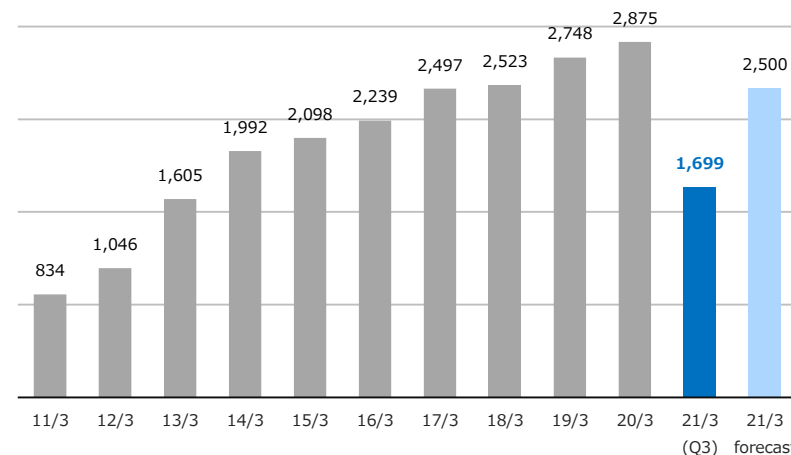
Ordinary income
(million yen)

2,626 million yen **69.1%** Progress



Profit attributable to owner of parent
(million yen)

1,699 million yen **68.0%** Progress

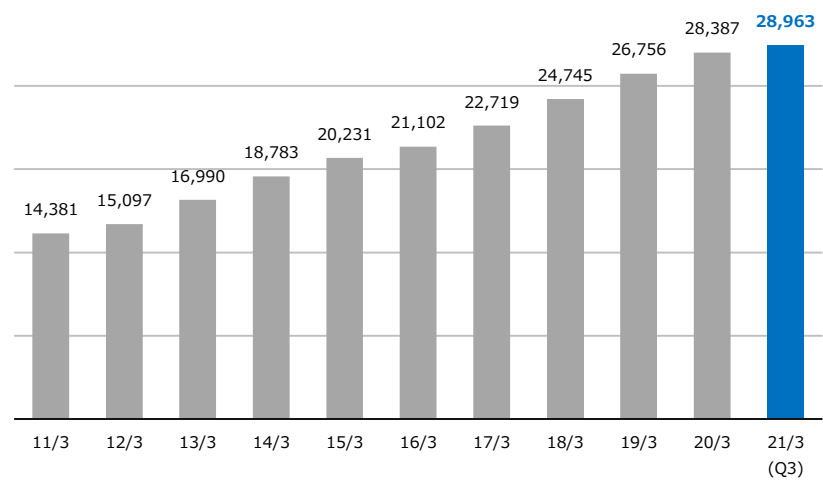


Highlights of Consolidated Financial Results



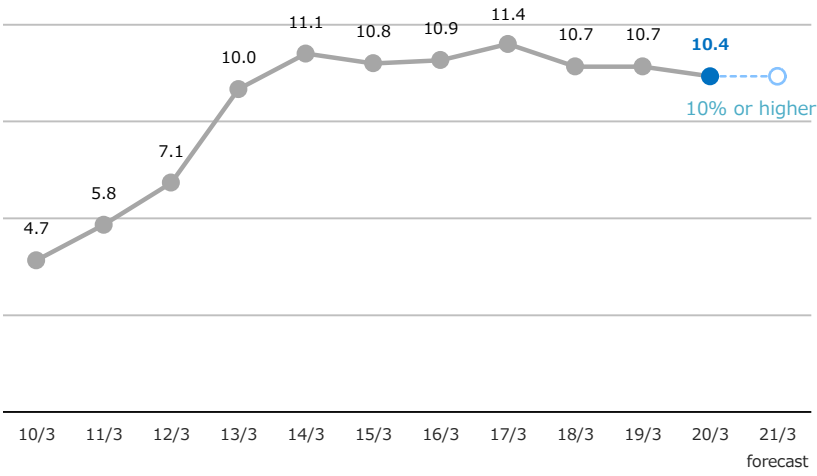
Net assets (million yen)

28,963 million yen



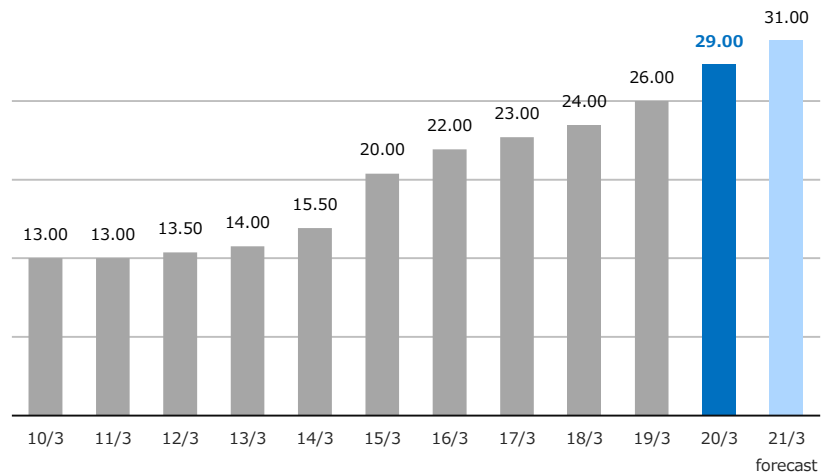
ROE (%)

Target 10 % or higher



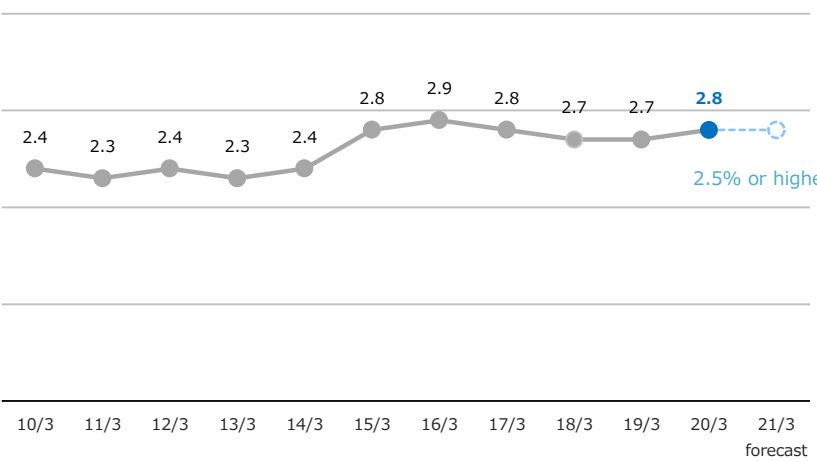
Dividend per share (yen)

31.00 yen (forecast)



DOE (%)

Target 2.5 % or higher



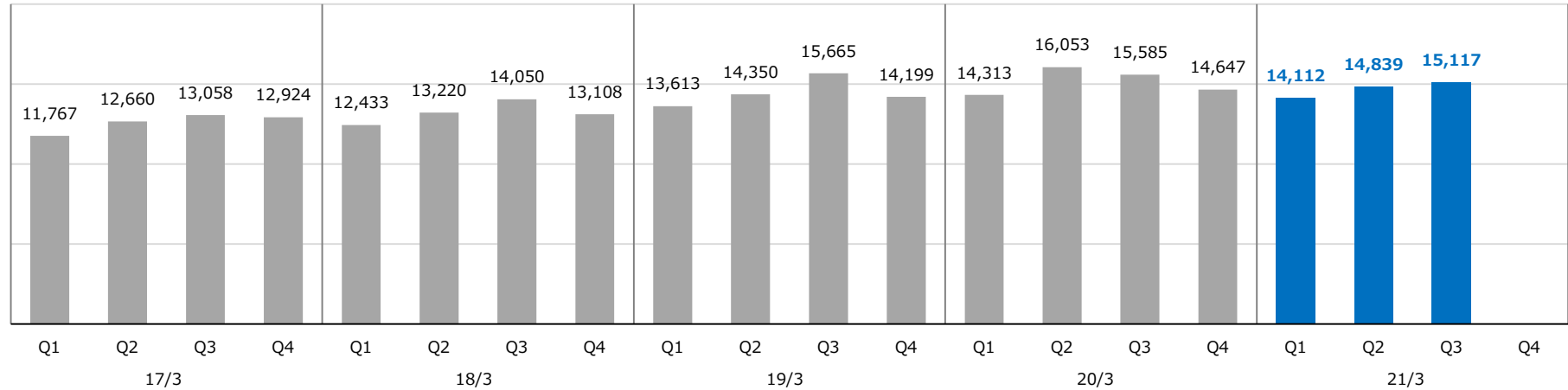
Highlights of Consolidated Financial Results



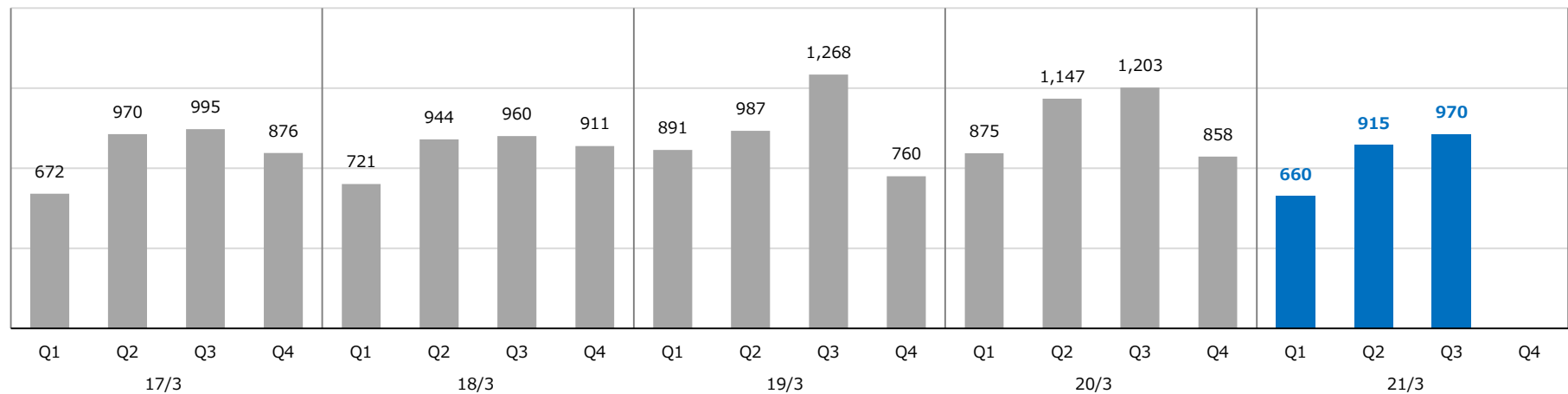
	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3 Q3	21/3 (forecast)
Result of Operations (million yen)												
Net sales	35,548	38,745	41,153	47,991	49,168	50,211	50,410	52,811	57,828	60,599	44,069	62,000
Operating profit	1,275	1,926	2,664	3,271	3,303	3,441	3,516	3,537	3,907	4,085	2,546	3,700
Ordinary income	1,376	2,019	2,754	3,368	3,408	3,544	3,614	3,655	4,023	4,177	2,626	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	1,699	2,500
EBITDA	2,025	2,492	3,178	3,846	3,948	3,910	4,052	4,079	4,425	4,916	3,428	-
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	46,292	-
Net assets	14,381	15,097	16,990	18,783	20,231	21,102	22,719	24,745	26,756	28,387	28,963	-
Interest-bearing debt	900	705	808	806	636	508	501	500	853	1,106	-	-
Cash Flows (million yen)												
Cash flows from operating activities	1,219	1,454	2,077	1,887	1,818	1,945	2,737	2,429	2,699	4,385	-	-
Cash flows from investing activities	△ 320	△ 1,511	△ 494	△ 660	828	△ 829	△ 646	△ 506	△ 1,551	△ 5,205	-	-
Cash flows from financing activities	△ 736	△ 550	426	△ 389	△ 699	△ 1,092	△ 1,032	△ 703	△ 915	△ 992	-	-
Cash and cash equivalents, end of year	3,396	2,790	4,798	5,636	7,626	7,594	8,660	9,893	10,133	8,305	8,746	-
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	64.83	95.46
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	5.8	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	62.5	-
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	1,131	-
Price earnings ratio (times)	11.0	15.5	10.0	10.0	10.4	10.3	10.0	10.0	9.8	8.6	-	-

Consolidated

Net sales (million yen)

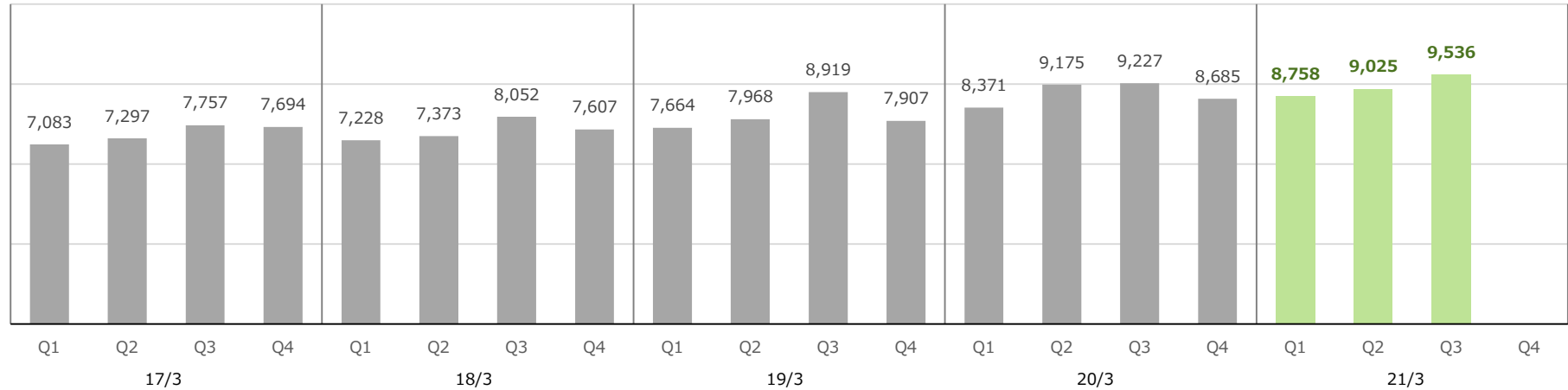


Operating income (million yen)

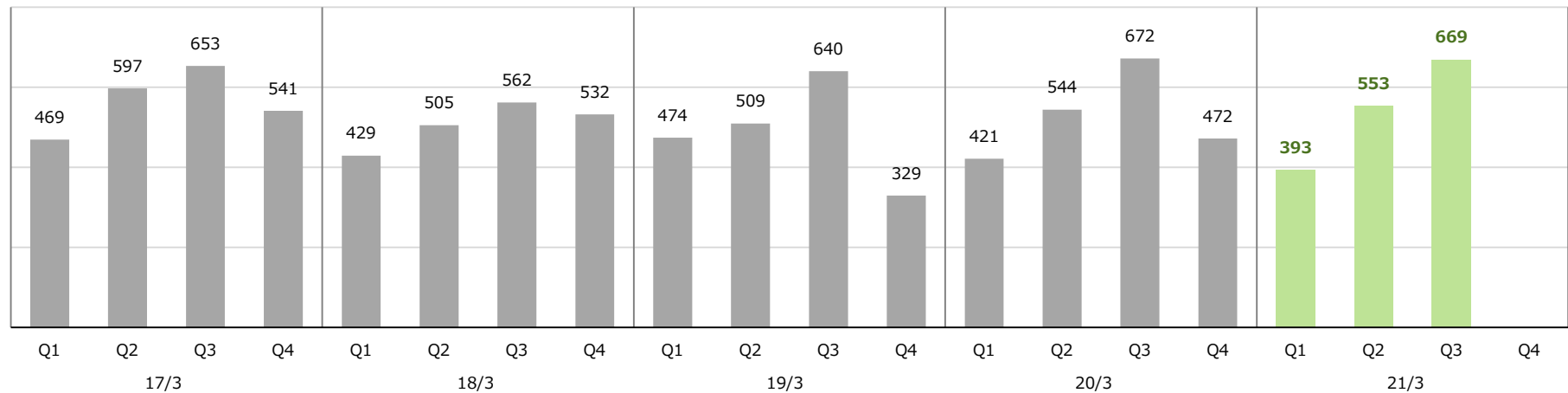


Industrial Materials

Net sales (million yen)

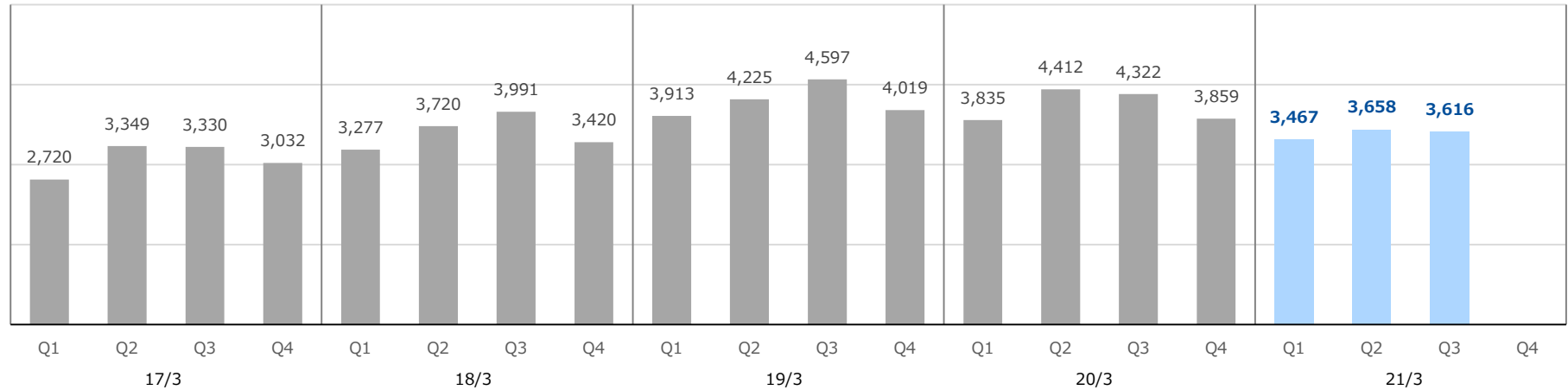


Segment profit or loss (million yen)

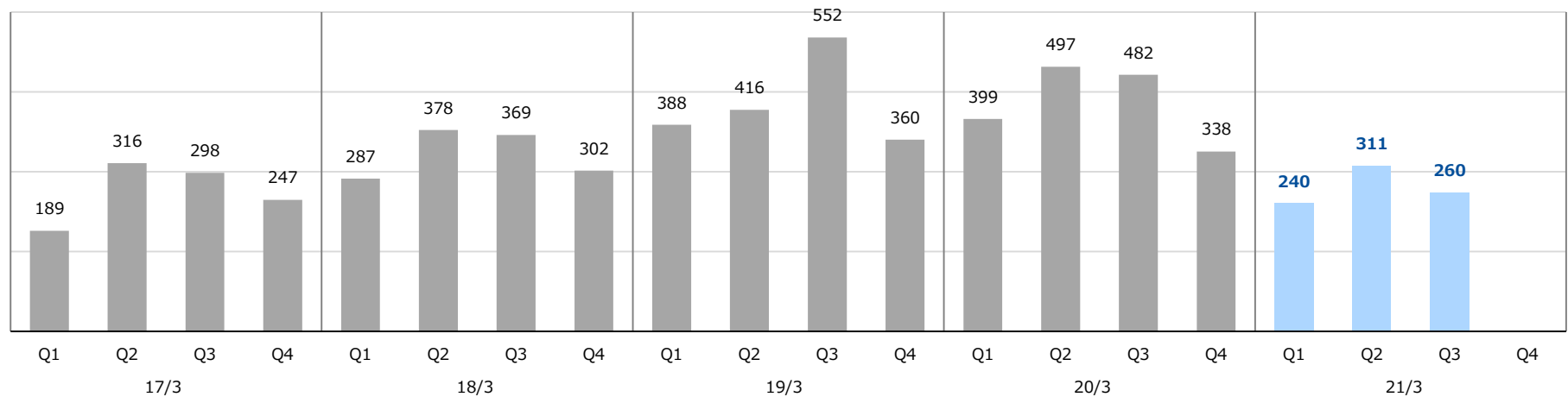


Structural Steel Materials

Net sales (million yen)

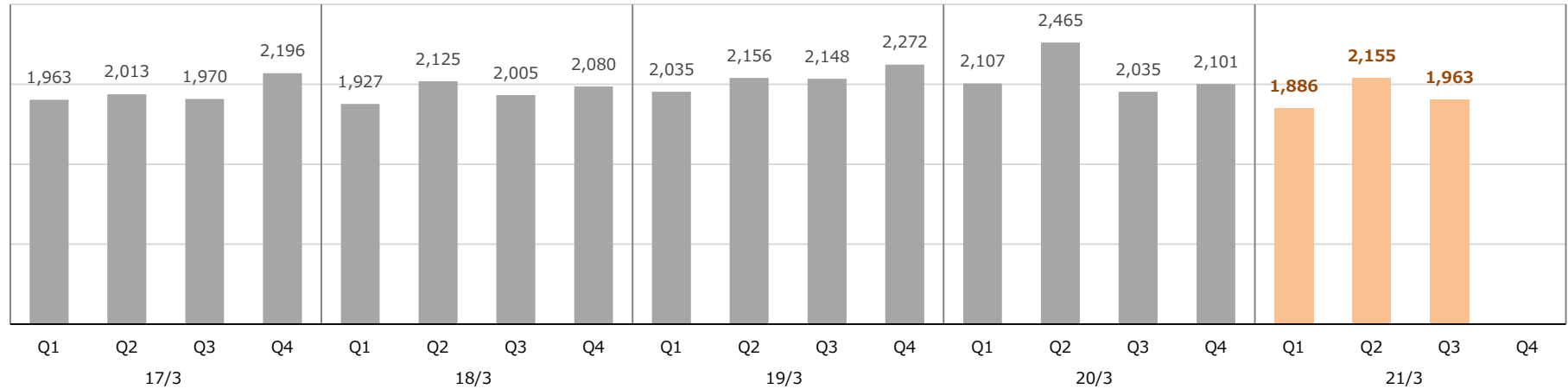


Segment profit or loss (million yen)

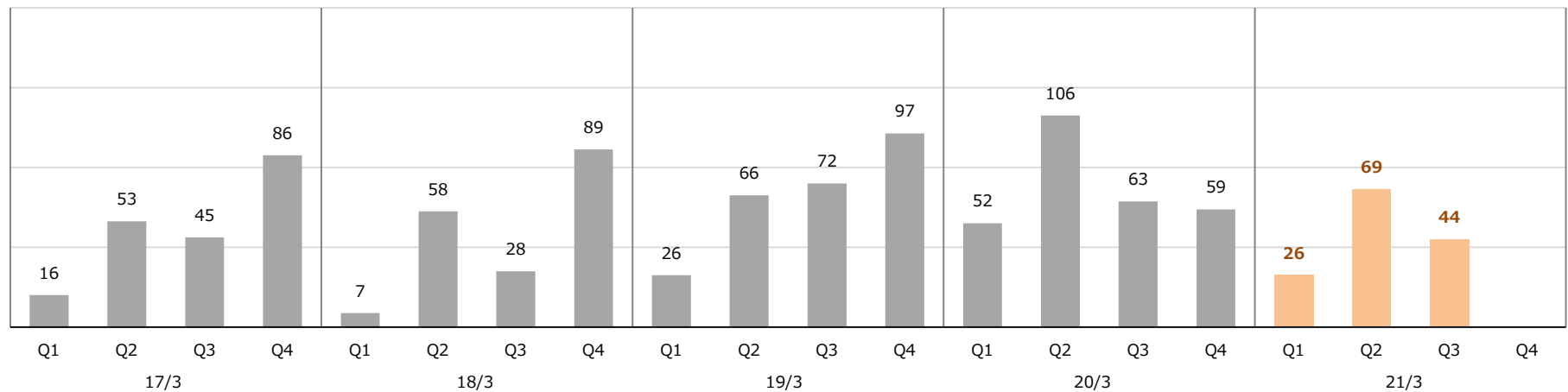


Electrical Equipment

Net sales (million yen)



Segment profit or loss (million yen)



Notes on forward-looking statements

This document contains forward-looking statements 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.



2-2-90 Sakaigawa, Nishi-ku, Osaka

550-0024 Japan

Telephone: +81-6-6582-8441

Website: <https://www.kondotec.co.jp>

E-mail : kikaku@kondotec.co.jp