

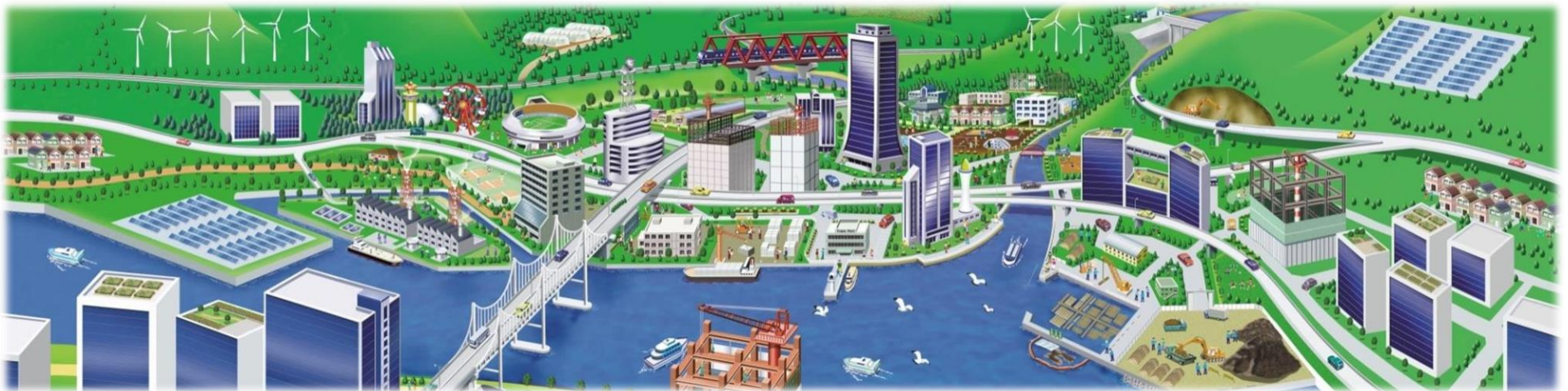
KONDOTECH INC.

Financial Results

Q3 FY2022

February 9, 2022

Securities Code : 7438



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1. Highlights of Q3 FY2022 Financial Results

- Net sales increased due to demand recovery in construction and sales contributions from Fukoku (which became a subsidiary in January 2021) and KURIYAMA ALUMINUM (which became a subsidiary in October 2021).
- Operating income and ordinary income increased with the rise 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 three subsidiaries.

Net sales	49,167 million yen	YoY	+11.6%
Operating income	2,682 million yen	YoY	+5.3%
Ordinary income	2,815 million yen	YoY	+7.2%
Profit attributable to owner of parent	1,642 million yen	YoY	△3.3%
EBITDA	3,708 million yen	YoY	+8.2%

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

1 Change of the shareholder incentive plan and introduction of new shareholder incentive plan

- In December 2021, KONDOTEC has changed the existing shareholder incentive plan and has introduced new shareholder incentive plan called, “KONDOTEC Premium Special Club” to enhance the attractiveness of its shares.

Details of the change

Previous plan	Offer rice gift certificates
Eligible shareholders	Shareholders holding 1 unit (100 shares) or more.
Benefits	Offer rice gift certificates based on the number of shares held.



New plan	Offer shareholder reward points
Eligible shareholders	Shareholders holding 5 units (500 shares) or more.
Benefits	<ul style="list-style-type: none"> Offer shareholder reward points based on the number of shares held. Shareholders can redeem reward points for over 2,000 choices (including food, appliances, electronics, travel, activities and much more) through the Premium Special Club PORTAL.

2 Acquisition of ISO14001 at Kyushu Factory

- In January 2022, Kyushu Factory obtained ISO14001 for environmental management system. In order to achieve a sustainable society, we will continue to create environmental value for the future and foster coexistence between people and nature through our business activities in harmony with nature.



Certification



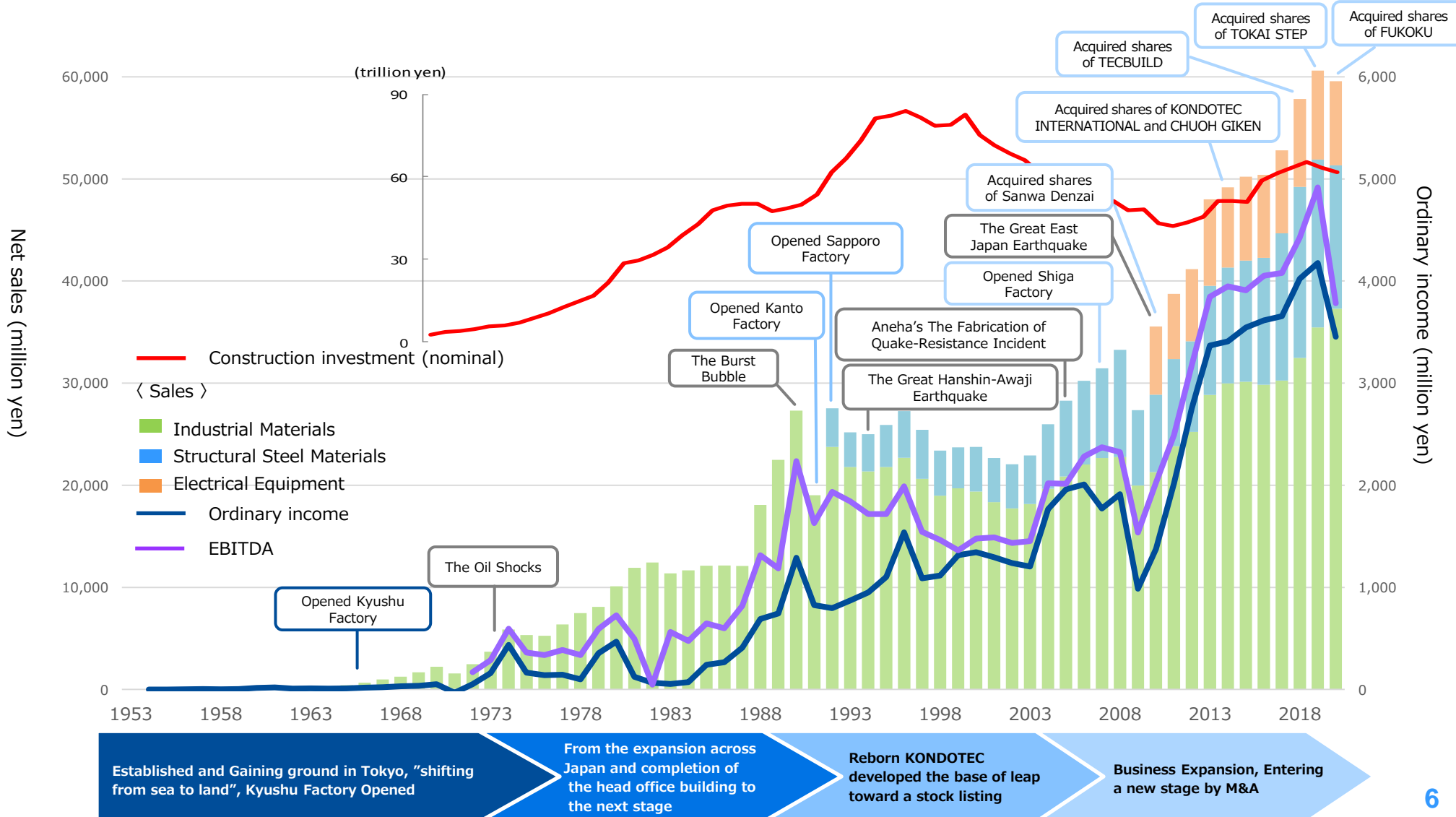
Annex on certification

2. Company Overview

Performance Trends



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



Company Overview

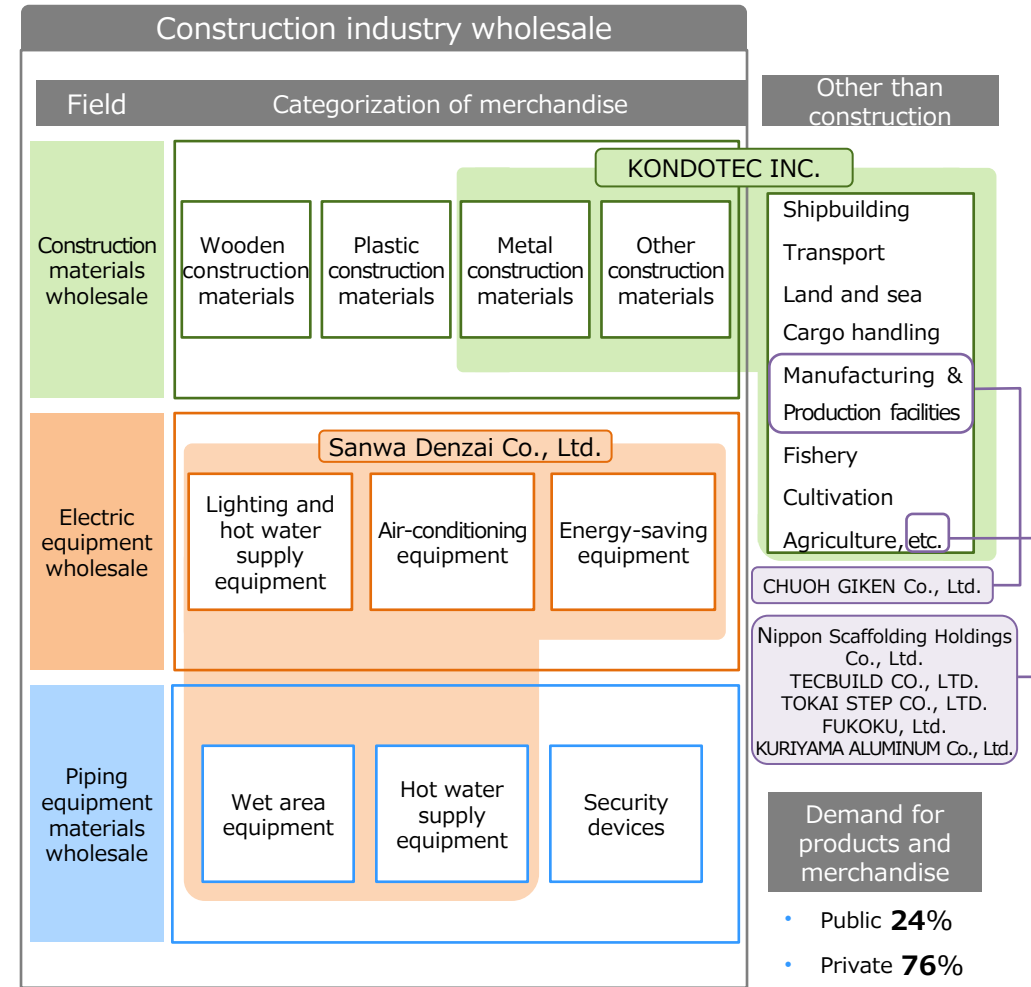


Company name	KONDO TEC INC.
Group companies	Sanwa Denzai Co., Ltd. KONDO TEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. FUKOKU, Ltd. KURIYAMA ALUMINUM Co., Ltd. (As of December 31, 2021)
Established	January 1953
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:721 Consolidated:1,140 (As of March 31, 2021)
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

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

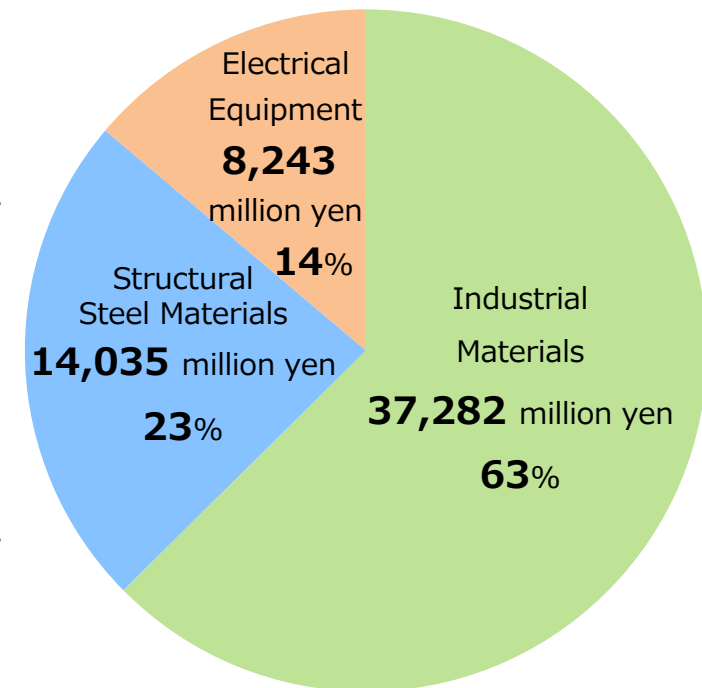
- Public **24%**
- Private **76%**

(As of September 2021)

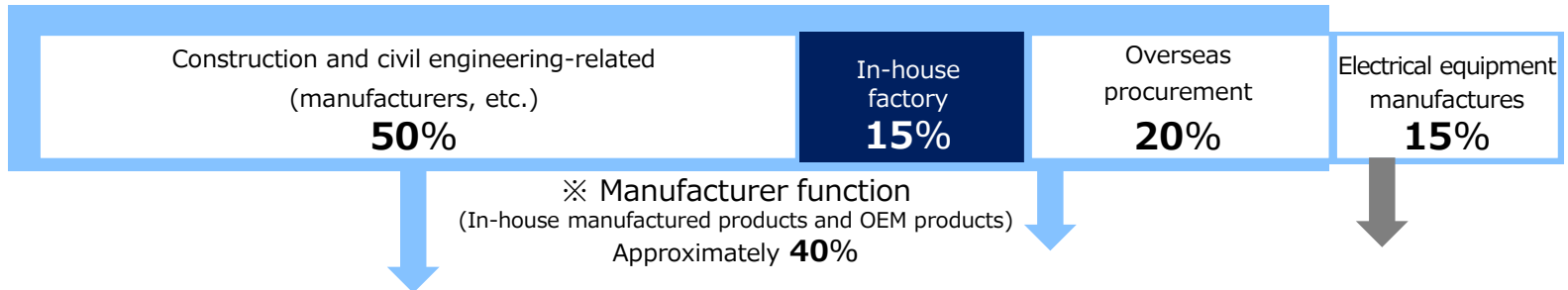
Net Sales by Segment

Segment	Main customers	Main products & merchandise
Industrial Materials	<ul style="list-style-type: none"> ■ 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 (FY2021)



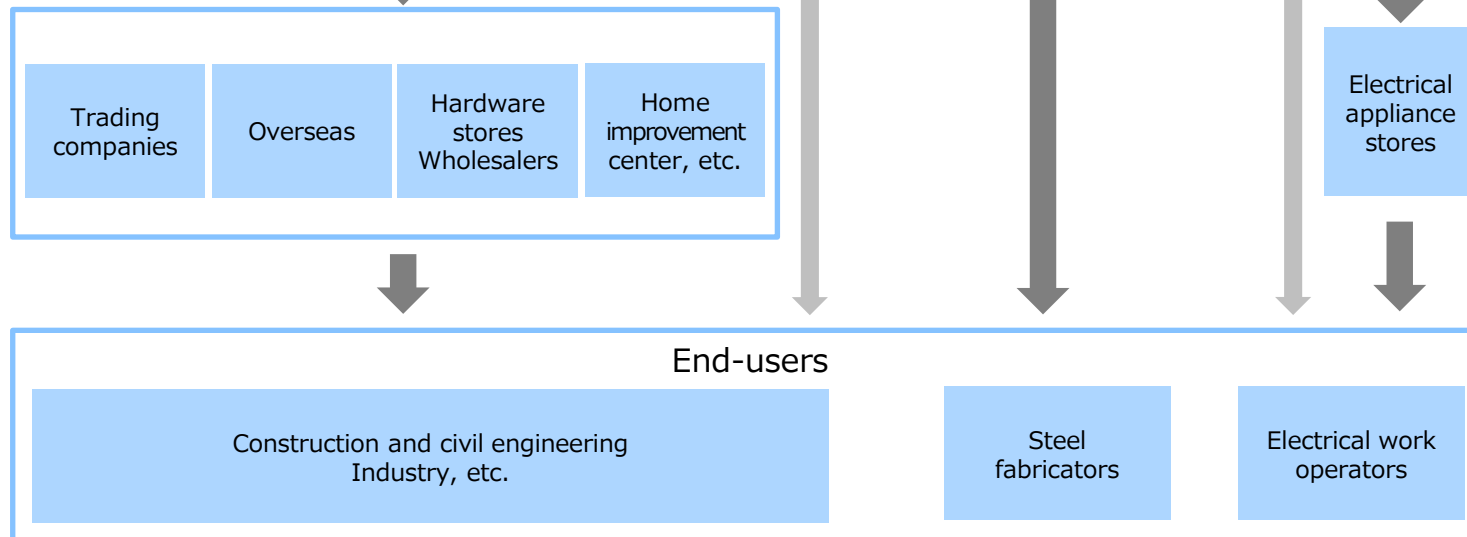
Suppliers



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.

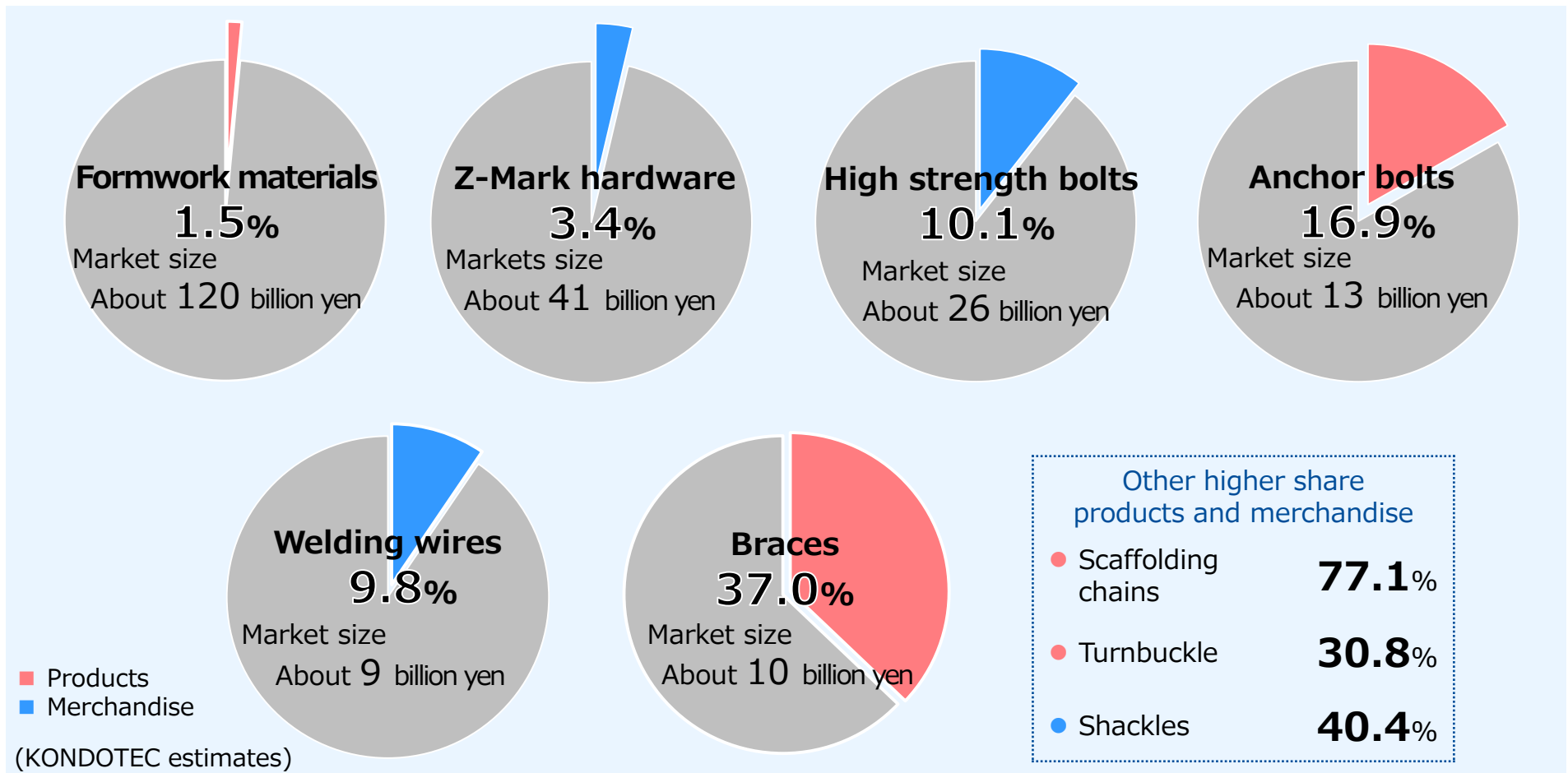
Note: New customers show sum of this year and previous year's results.

Market Size for Main Products and Merchandise



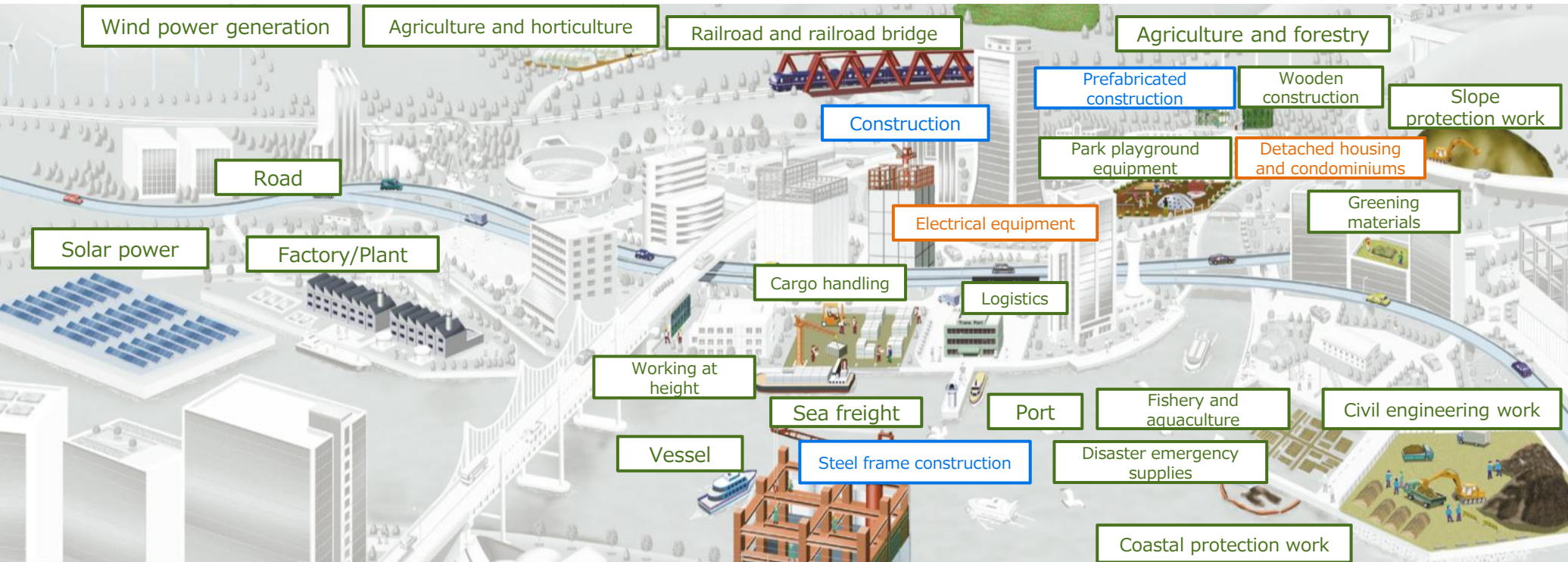
Market size for main products, merchandise and corresponding market shares (As of end March 2021)

- 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

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.

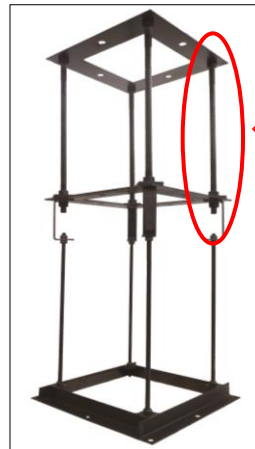


Anchor Bolts

- 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. Q3 FY2022 Financial Results and Analysis

Q3 FY2022 Consolidated Financial Results



(million yen)

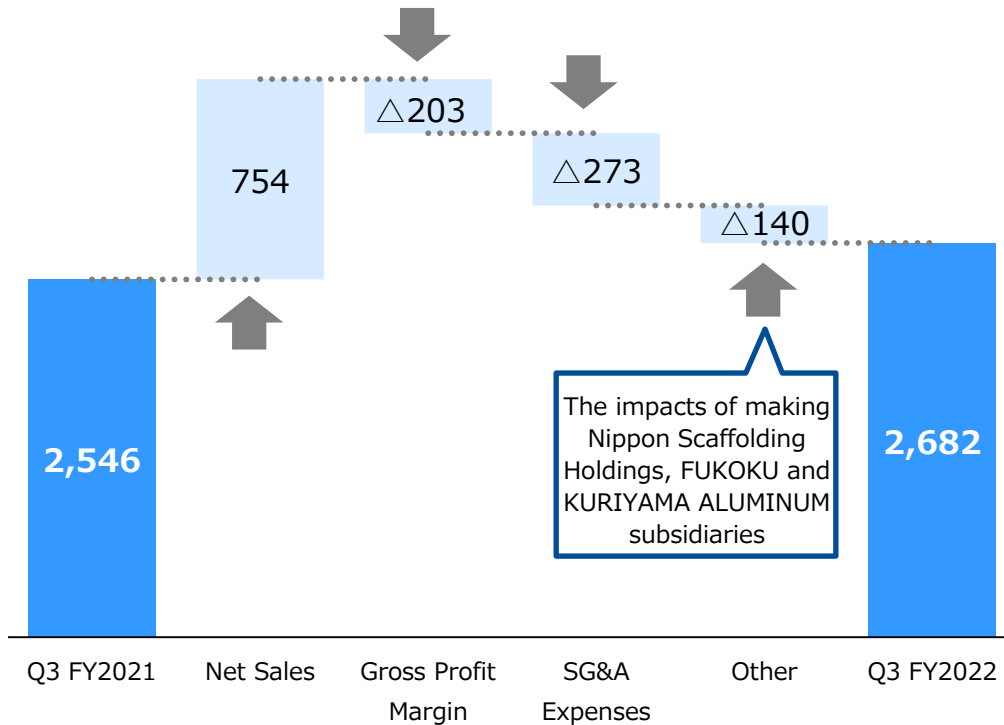
	Q3	Q3	YoY	
	FY2021	FY2022	Amount	%
Net sales	44,069	49,167	+5,098	+11.6%
Gross profit	10,181	11,056	+874	+8.6%
SG&A expenses	7,635	8,373	+738	+9.7%
Operating income	2,546	2,682	+135	+5.3%
Ordinary income	2,626	2,815	+189	+7.2%
Profit attributable to owner of parent	1,699	1,642	△56	△3.3%
EBITDA	3,428	3,708	+279	+8.2%

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

Operating Income Analysis (Consolidated)

Operating income analysis

(million yen)

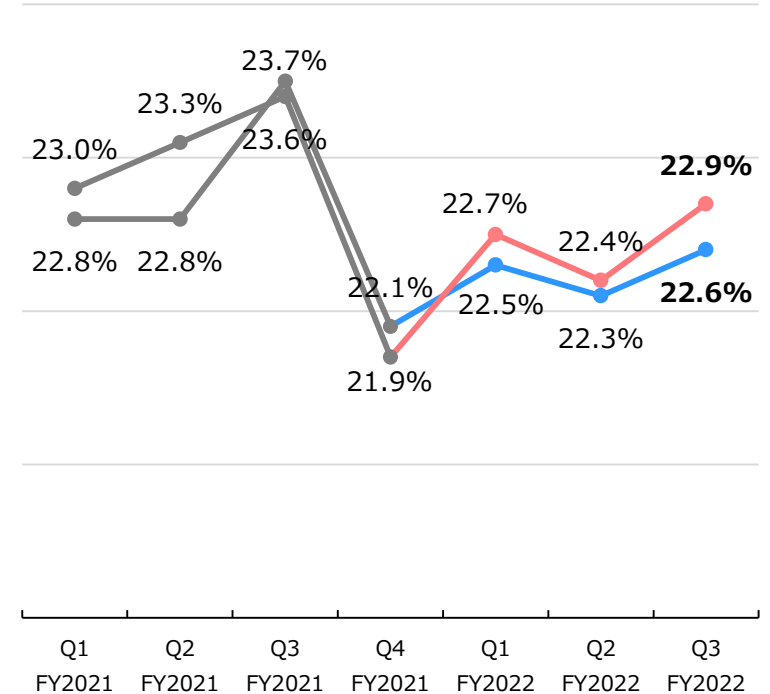


Note: The following figures do not include Nippon Scaffolding Holdings and FUKOKU.

Gross Profit Margin	23.1%→22.7%
SG&A Expenses	Bonuses +107 million yen Salaries +65 million yen Freight and packing costs +62 million yen

Quarterly GPM

Consolidated Parent

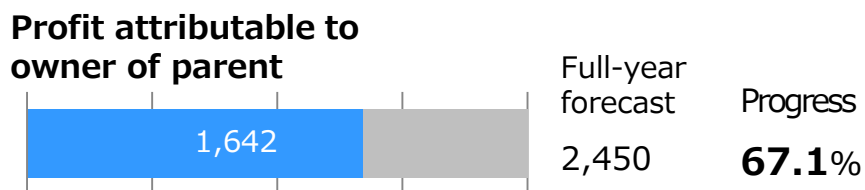
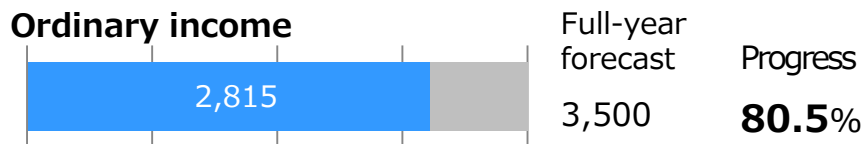
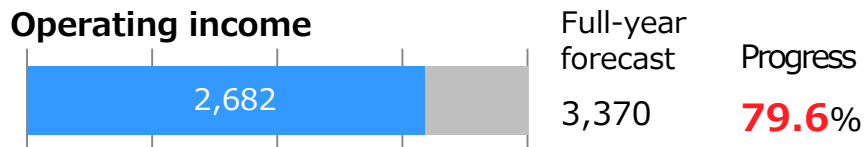


Q3 FY2022 Consolidated Financial Results Progress for FY2022 Forecast



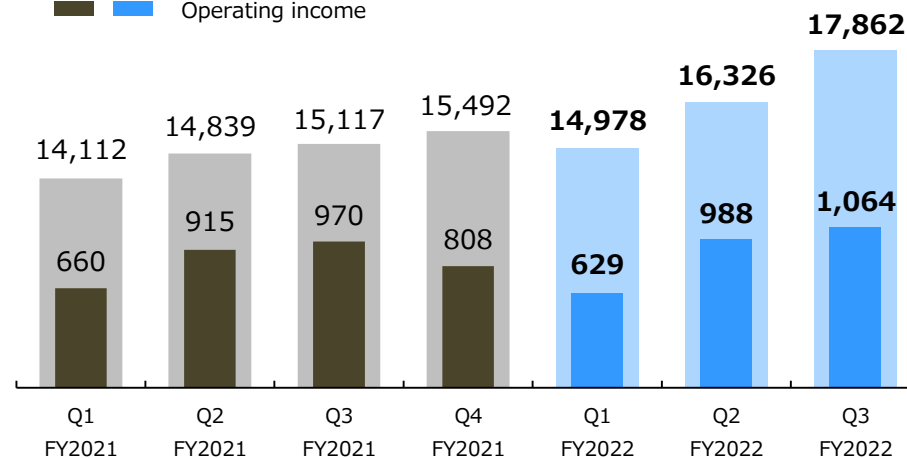
Progress for FY2022 forecast (million yen)

■ Q3 FY2022 ■ Full-year forecast

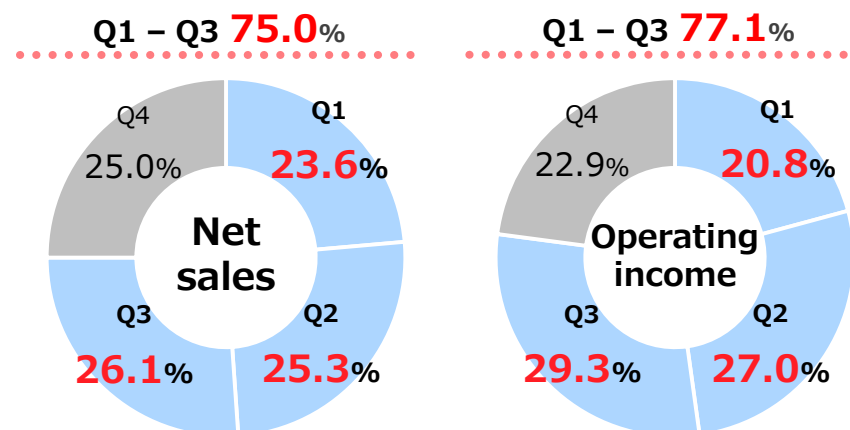


Net sales and operating income (million yen)

■ Net sales ■ Operating income



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



Consolidated Balance Sheet [Assets]



(million yen)

		FY2021	Q3 FY2022	Change
Current assets	Cash and deposits	11,317	14,659	+3,342
	Notes and receivable –trade, and contract assets	12,372	13,603	+1,231
	Electronically recorded monetary claims operating	1,984	3,103	+1,119
	Inventories	4,932	6,697	+1,764
	Other	962	1,084	+121
	Total current assets	31,569	39,149	+7,579
Non-current assets	Property, plant and equipment	11,848	15,011	+3,163
	Intangible assets	5,044	5,477	+433
	Investments and other assets	963	847	△116
	Total non-current-assets	17,856	21,336	+3,479
Total assets		49,426	60,485	+11,059

Consolidated Balance Sheet [Liabilities and Net Assets]

(million yen)

		FY2021	Q3 FY2022	Change	
Current liabilities	Notes and accounts payable – trade	3,978	4,241	+263	
	Electronically recorded obligations – operations	8,029	9,085	+1,055	
	Breakdown	Electronically recorded obligations–operations	9,202	10,823	+1,620
		Repayment before maturity	△1,173	△1,738	△564
	Short-term loans payable	3,110	9,910	+6,800	
	Income taxes payable	596	305	△291	
	Other	3,124	3,130	+6	
	Total current liabilities	18,838	26,672	+7,834	
	Non-current liabilities	1,564	1,824	+260	
	Total liabilities	20,403	28,497	+8,094	
Net assets	Shareholder’s equity	30,210	31,310	+1,100	
	Accumulated other comprehensive income	△1,216	△1,293	△76	
	Subscription rights to shares	28	–	△28	
	Non-controlling interests	0	1,970	+1,970	
	Total net assets	29,022	31,987	+2,965	
	Total liabilities and net assets	49,426	60,485	+11,059	

5. Q3 FY2022 Financial Results and Analysis by Segment

Q3 FY2022 Financial Results by Segment



(million yen)

		Q3 FY2021	Q3 FY2022	Change (%)	Full-year forecast	Progress
Industrial Materials	Net sales	27,320	30,736	+12.5%	40,452	76.0%
	Segment profit or loss	1,615	1,520	△5.9%	2,265	67.1%
	EBITDA	2,125	2,157	+1.5%	–	–
Structural Steel Materials	Net sales	10,742	12,144	+13.0%	14,687	82.7%
	Segment profit or loss	812	1,052	+29.5%	940	111.9%
	EBITDA	832	1,082	+30.1%	–	–
Electrical Equipment	Net sales	6,006	6,286	+4.7%	8,560	73.4%
	Segment profit or loss	140	137	△2.1%	214	64.2%
	EBITDA	161	162	+0.7%	–	–

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

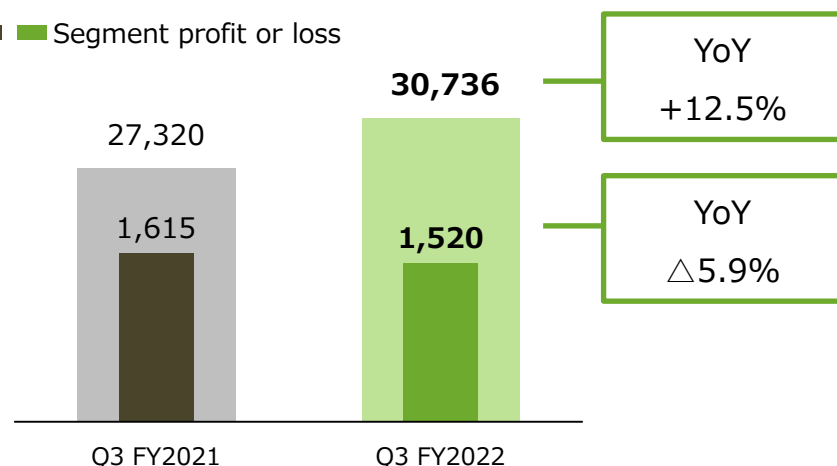
Note: EBITDA= Segment profit or loss + Depreciation + Amortization of goodwill

Net sales and segment profit or loss

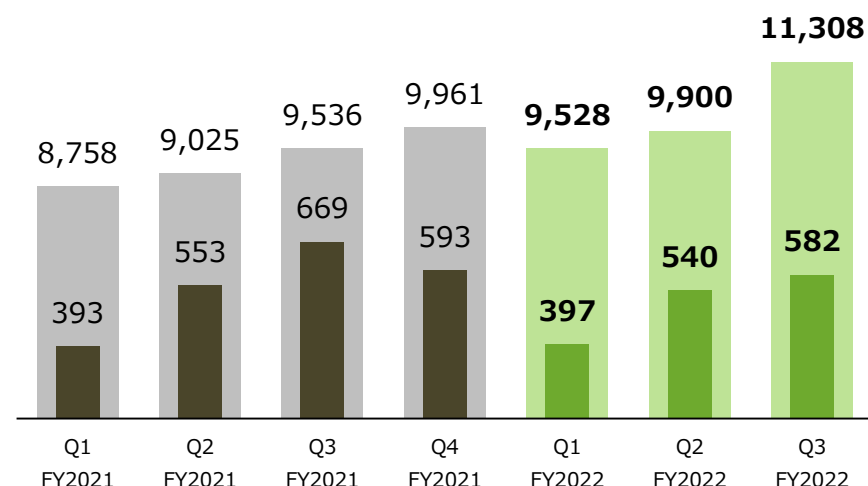
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 3,420 million yen YoY.

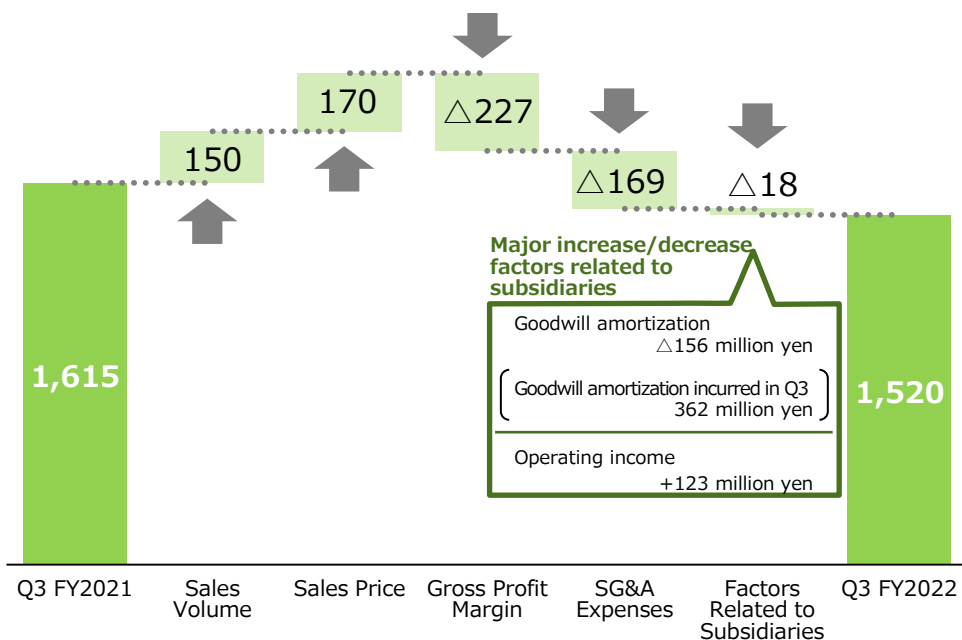
Sales of hardware for wooden homes, temporary scaffolding materials and worksite equipment remained solid, supported by demand recovery in the construction market and the last-minute demand before the price hike. There was also sales contributions from Fukoku (which became a subsidiary in January 2021)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

Increased/decreased amount in net sales (million yen)

Products (approximate)	+230	Braces	/ +111	Sales increased due to a rise in demand and sales prices.
Merchandise (approximate)	+1,630	Hardware for wooden homes	/ +366	Sales increased due to the demand recovery from the impact of the COVID-19 infection and a rise in sales prices.
Other	+1,563	Nippon Scaffolding Holdings	/ +59	Sales increased on the contributions from new subsidiaries.
		FUKOKU	/+1,066	
		KURIYAMA ALUMINUM	/ +437	

Segment profit or loss analysis

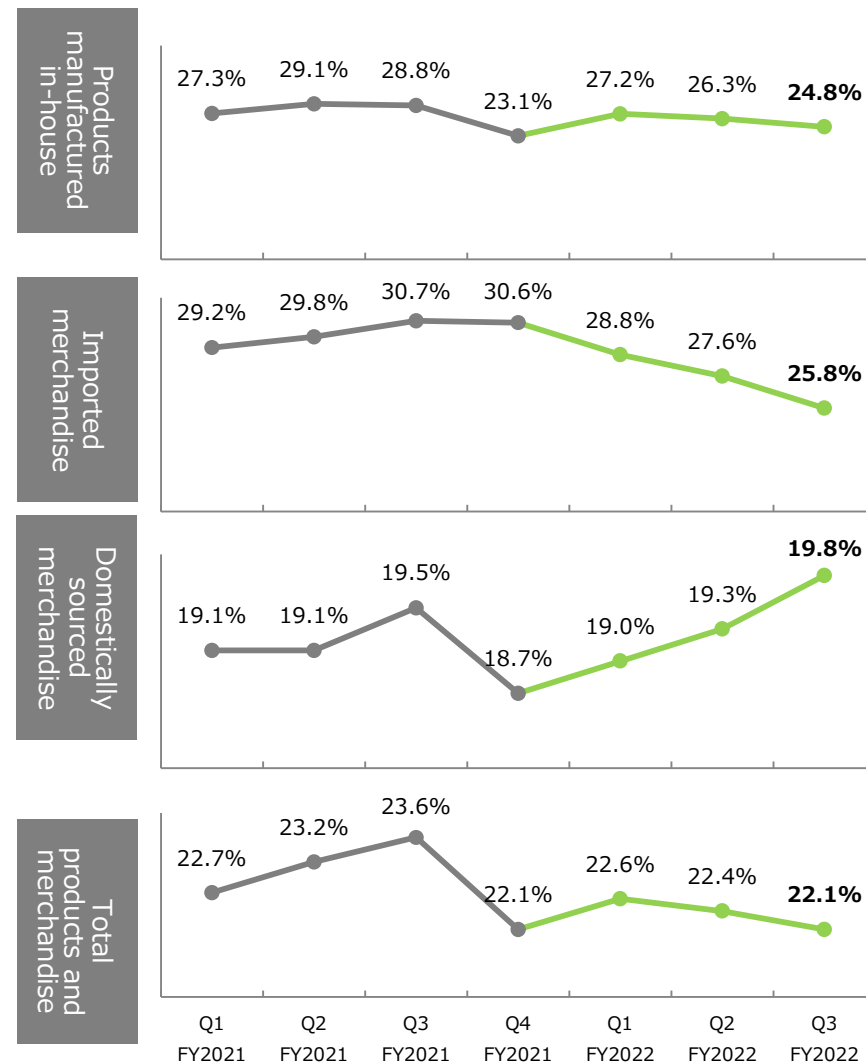
(million yen)



Note: The following figures do not include subsidiaries.

Sales Volume	Products +4 million yen Merchandise +146 million yen
Sales Price	Products +41 million yen Merchandise +128 million yen
Gross Profit Margin	Products 28.4% → 26.0% Merchandise 22.3% → 22.2% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Bonuses +62 million yen Freight and packing costs +11 million yen Depreciation +14 million yen Salaries +10 million yen

Quarterly GPM

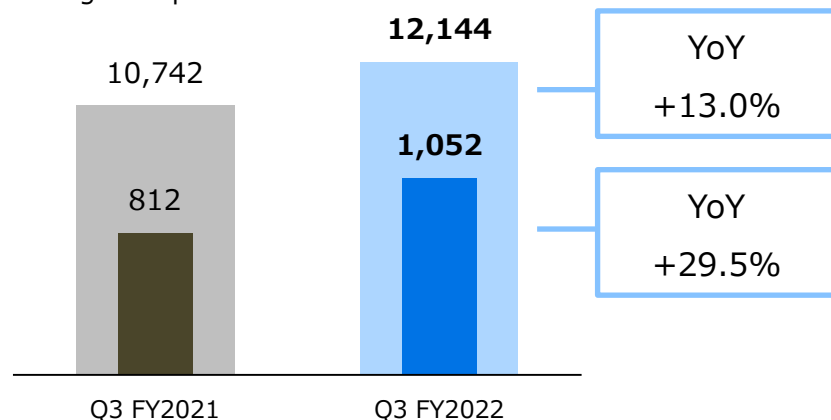


Net sales and segment profit or loss

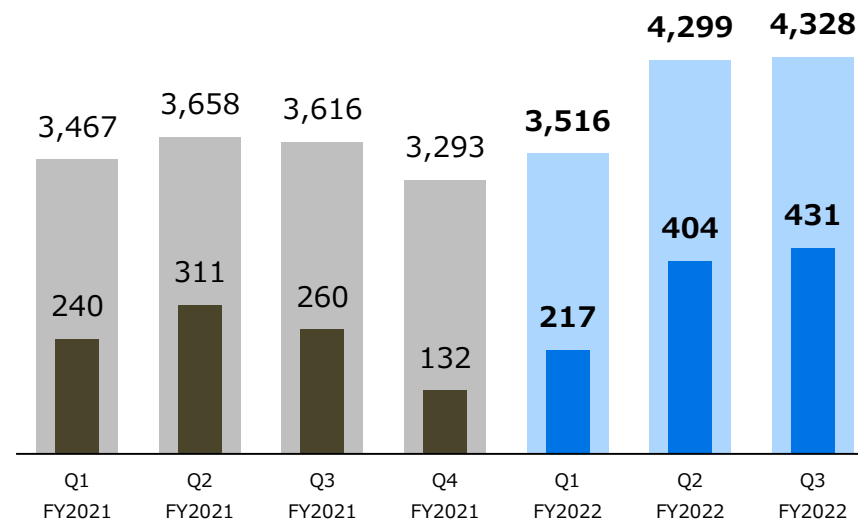
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 1,400 million yen YoY.

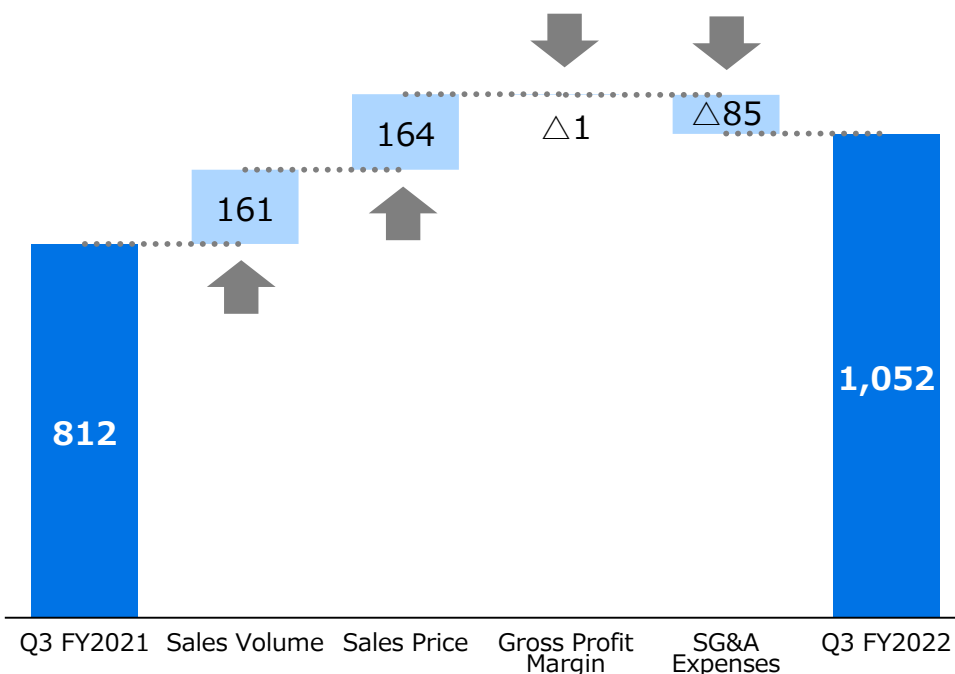
Sales of high strength bolts, steel frame materials and screws remained firm, supported by recovery in steel frame demand from large properties.

Increased/decreased amount in net sales (million yen)

Products (approximate)	+370	Anchor bolts	/+177	Sales increased due to a rise in the number of anchor bolt installation works and an increase in bulk orders.
Merchandise (approximate)	+1,030	High strength bolts	/+353	Orders increased due to the demand recovery from the impact of the COVID-19 infection.

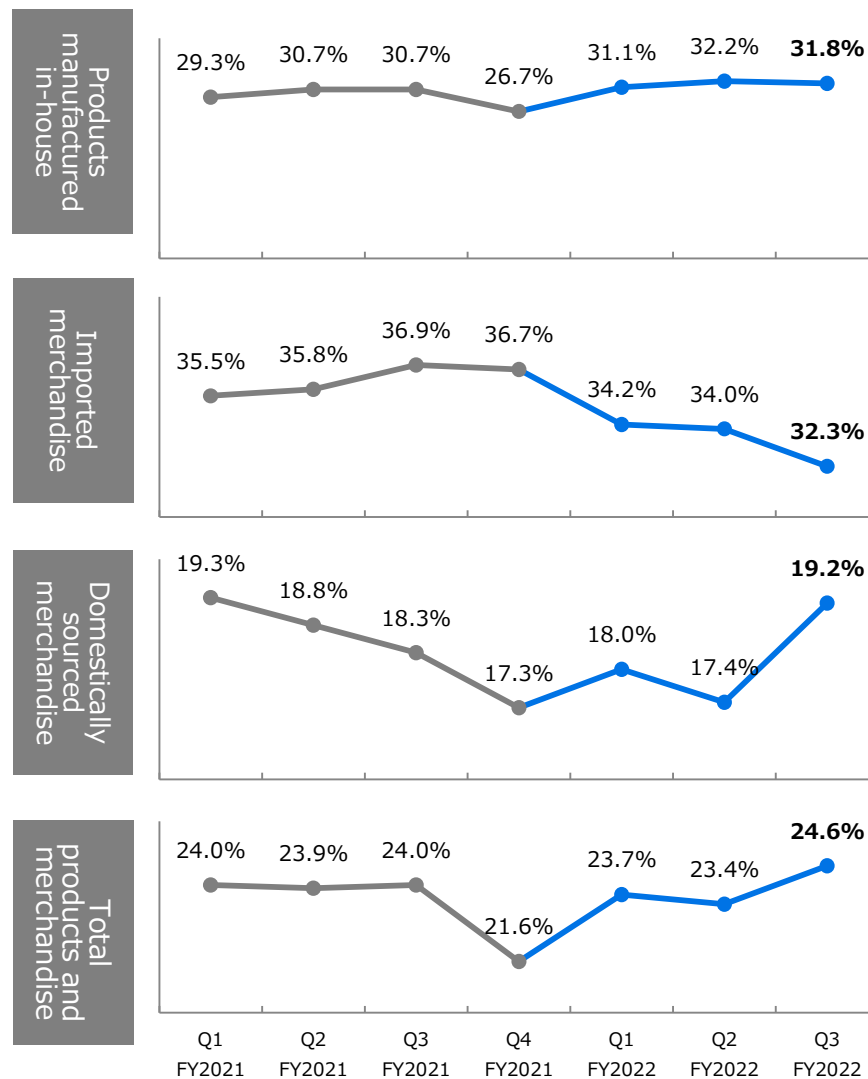
Segment profit or loss analysis

(million yen)



Sales Volume	Products +41 million yen Merchandise +120 million yen
Sales Price	Products +71 million yen Merchandise +93 million yen
Gross Profit Margin	Products 30.2% → 31.7% Merchandise 20.8% → 20.0% (including imported merchandise and domestically sourced merchandise)
SG&A Expenses	Freight and packing costs +51 million yen Depreciation +15 million yen

Quarterly GPM

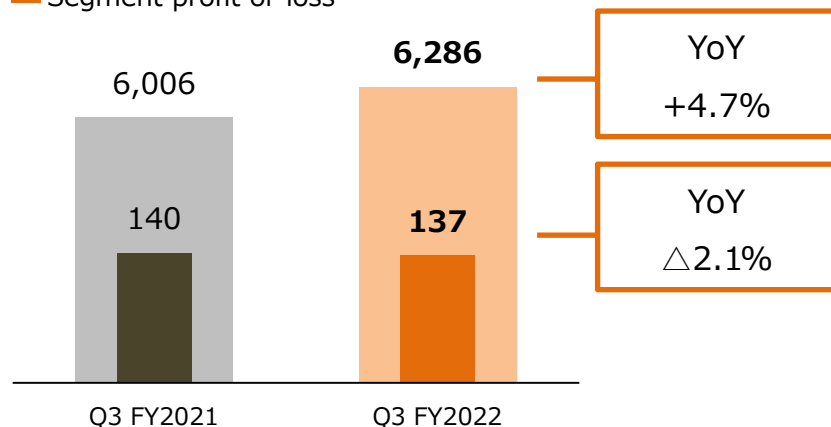


Net sales and segment profit or loss

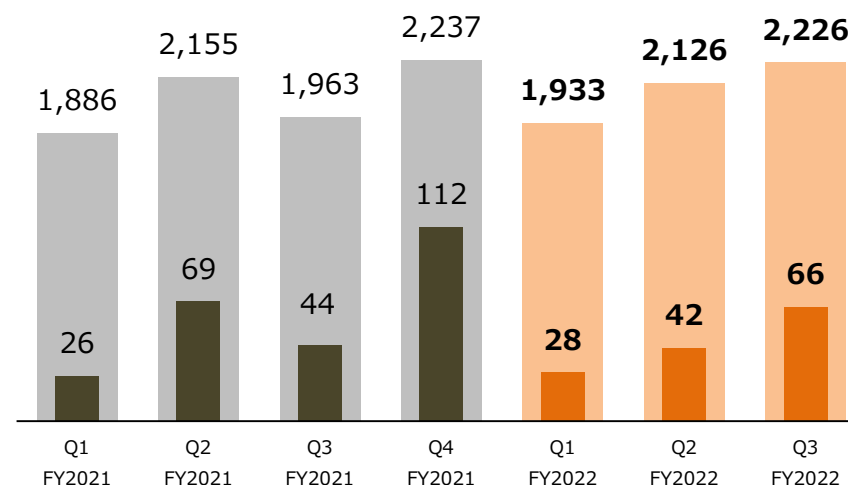
(million yen)

■ YoY

- Net sales
- Segment profit or loss



■ Quarterly



Factors affecting net sales

Net sales increased by about 280 million yen YoY.

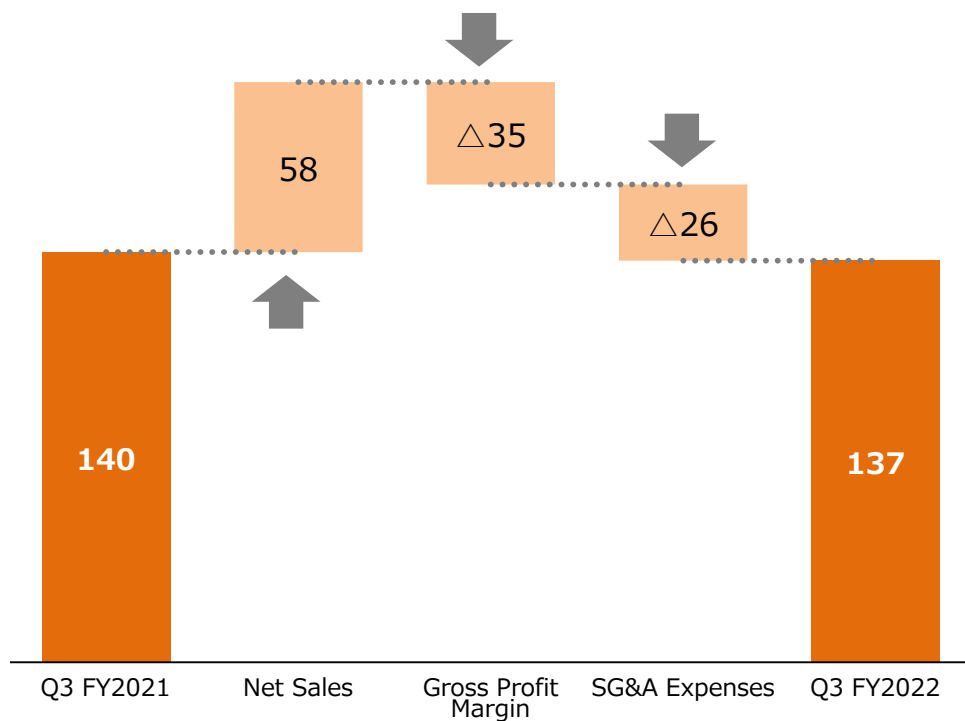
Despite sluggishness in the market environment due to construction delays caused by the spread of the coronavirus and supply delays caused by the semiconductor shortage, sales increased thanks to securing large-scale LED lighting installation works and a rise in sales prices.

Increased/decreased amount in net sales (million yen)

Electrical wires	+240	Sales increased due an increase in unit sales prices.
Lighting fixtures	+91	Orders related to new detached homes and condominiums remained firm. The number of LED lighting replacement works increased.

Segment profit or loss analysis

(million yen)



Gross Profit Margin	16.9% → 16.5%
SG&A Expenses	Commission expenses +15 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

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

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

- We have established our ESG basic policy and link it to sustainable corporate growth by incorporating it in the management strategy.
- 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 restricted stock remuneration plan ● Evaluation of the effectiveness of the Board of Directors ● Establishment of a Nomination and Compensation Committee and transition to a Company with an Audit & Supervisory Committee

Improve Productivity and Profitability

Sales Growth and Business Expansion

Sustainable Growth

Environment

Provision of optimal products and merchandise for environment measures

■ Oil hunter

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



■ Merchandise using renewable plastics

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



■ 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, Kanto Factory and Kyusyu Factory. We will continue to work on business activities with full consideration for environmental preservation.

With regard to Sapporo Factory, 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

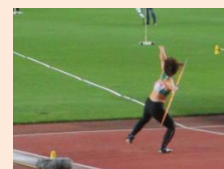
■ Benefit program

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.

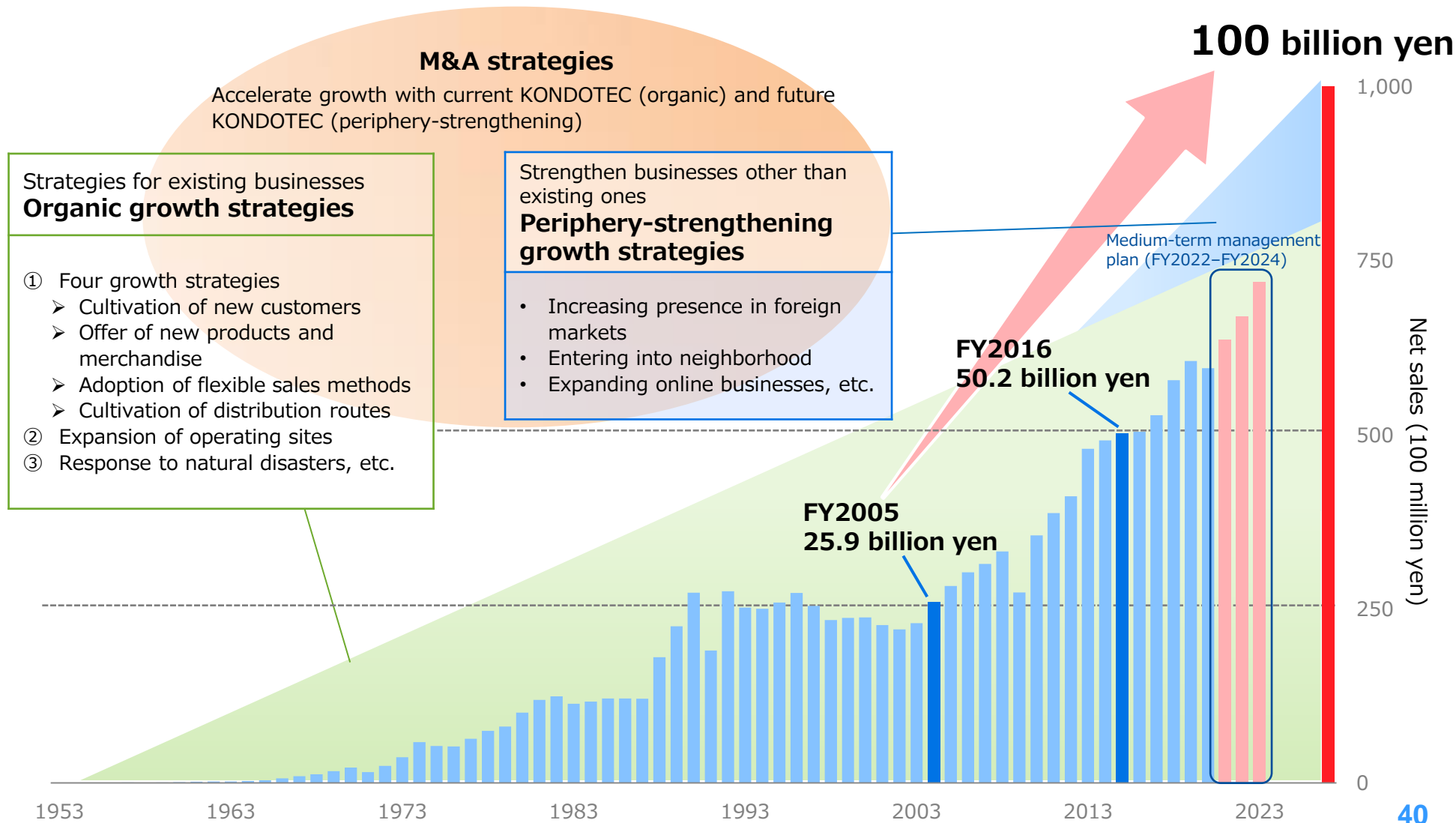
Formulation and announcement of management strategy and management plan

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

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

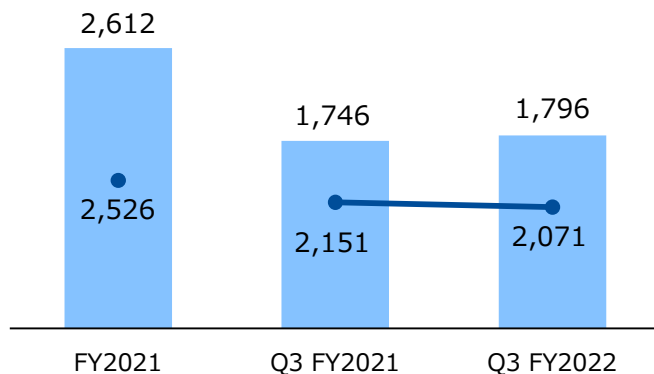
~ Cultivation of New Customers and Offer of New Products and Merchandise ~

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.

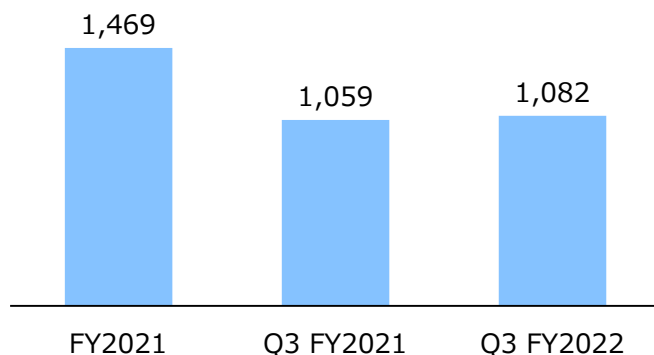
Cultivation of new customers

■ Net sales (million yen) ● New customers






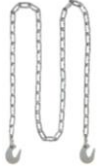
Cultivation of dormant customers

■ 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)	Q3 FY2021	Q3 FY2022
KONDO furring bolts 	146	186
Hook bolts with square shank 	145	126
KT safely harness 	14	14
Lightweight scaffolding chains "Carina" 	-	13

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 run our website called, "Tsurikata" that allows individual management for lifting equipment to simplify inspection and maintenance of lifting equipment on the website.

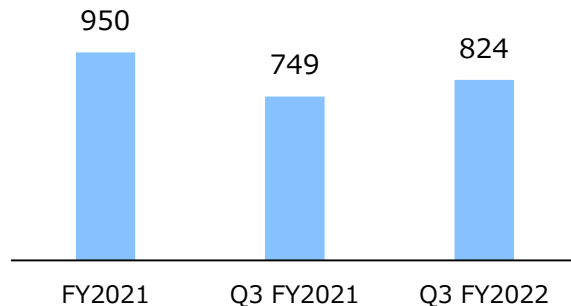
Traditionally, inspection checklists have been recorded manually on paper, Tsurikata helps to carry out inspection and keep inspection records on mobile devices, including smartphones and tablets.



■ 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.

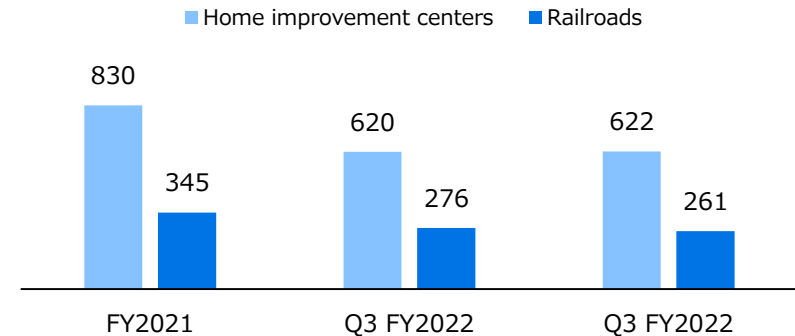
Net sales from anchor construction work (million yen)



Cultivation of distribution routes

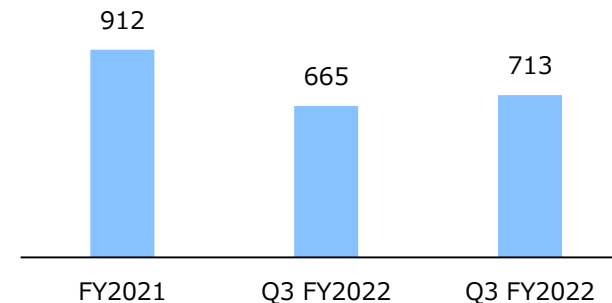
- We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.
- We established the "E-commerce Group" in July 2017 to explore sales through the Internet.

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

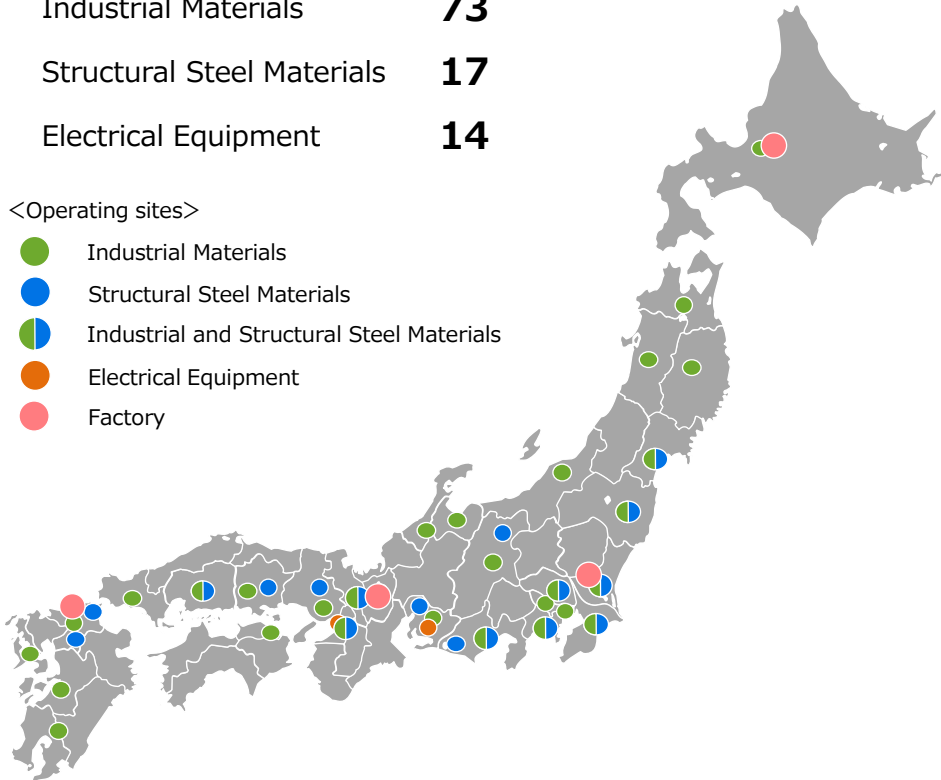
- We strive for expansion of operating sites which maintained a local-community-oriented sales structures in order to respond quickly to customer needs. Recently we opened the Okayama office in April 2018. We will continue to execute quick deliveries in an effort to realize customer-focused management.

Expanding sales network: 104 operating sites (As of end December 2021)

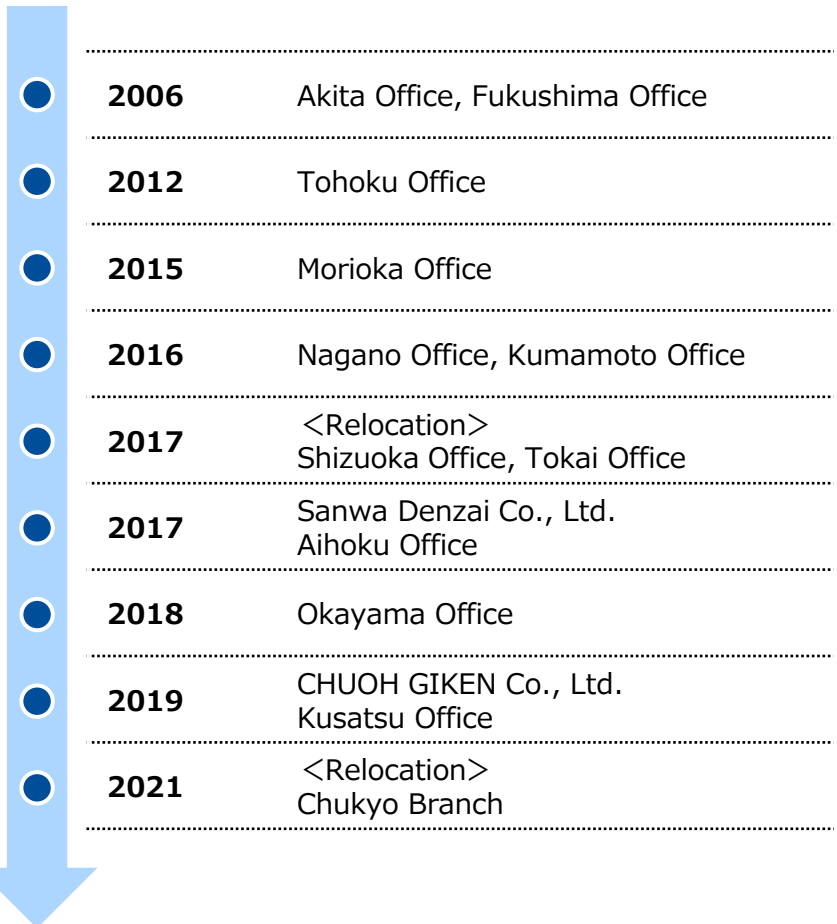
Industrial Materials	73
Structural Steel Materials	17
Electrical Equipment	14

<Operating sites>

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

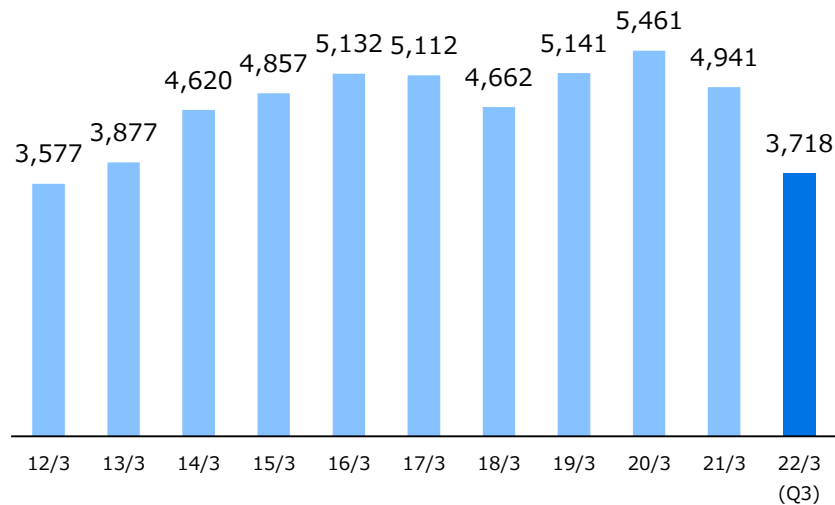


History of operating site network expansion



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

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 FY2022)

(million yen)	Q3 FY2021	Q3 FY2022	FY2022 forecast
International Sales Division	15	39	24
Local Subsidiary in Thailand	129	92	210
Total	145	132	234

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

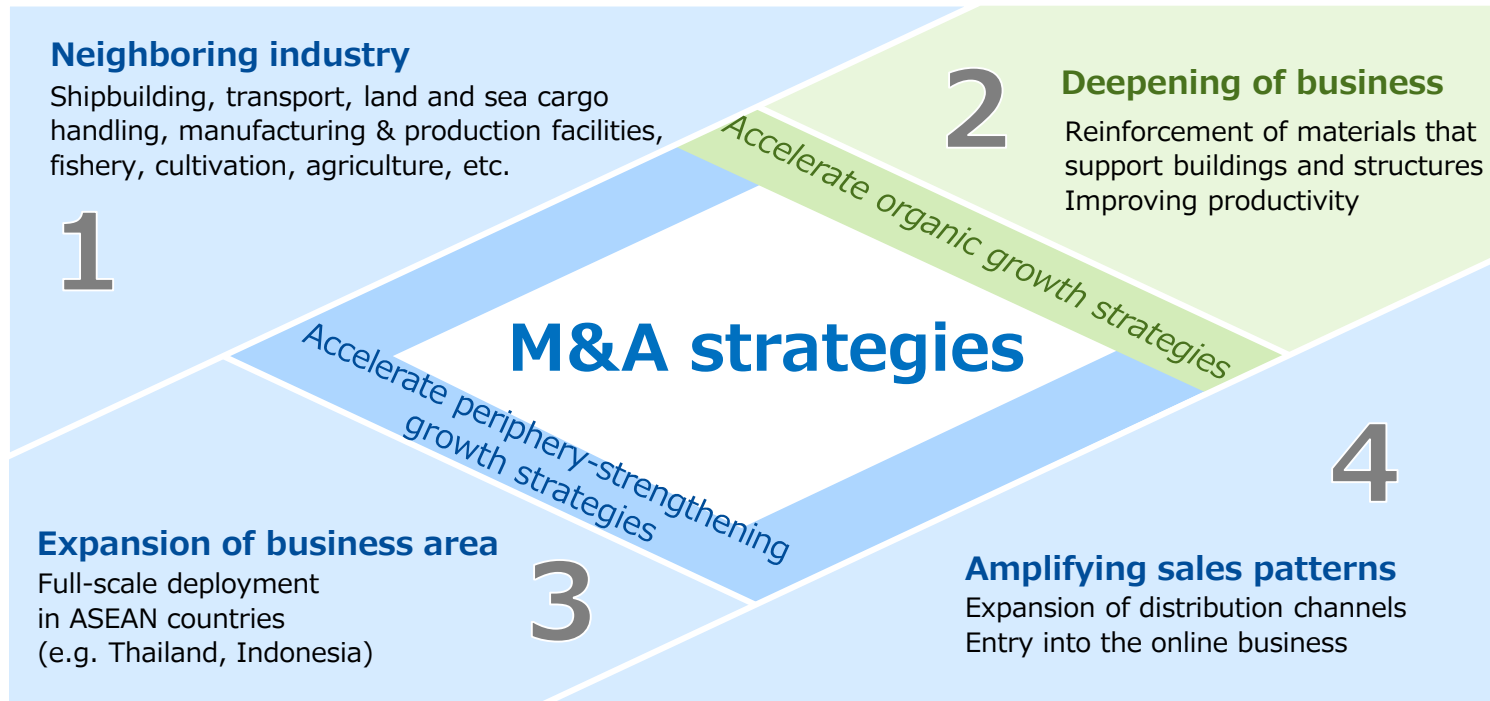
Percentage of sales by country (Q3 FY2022)

ASEAN	81%	Thailand	29%
East Asia/China	14%	Indonesia	28%
Near and Middle East	4%	Vietnam	12%
Other countries	1%	Singapore	11%
		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 KONDOTECH, such as retail, catalog-based selling, and online sales.

NEW ! KURIYAMA ALUMINUM Co., Ltd.

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.

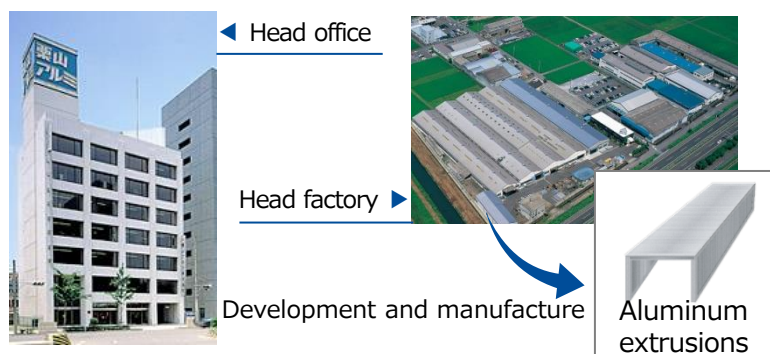
Company overview

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.

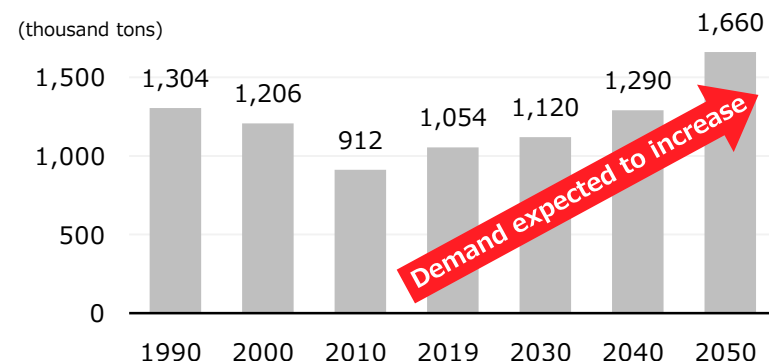
Telecommunications
Mobile phones, PCs etc.

Properties 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

- We target ROE of 10% or more and DOE of 2.5% or more with the aim of continuing to increase dividends.

Transition in dividends

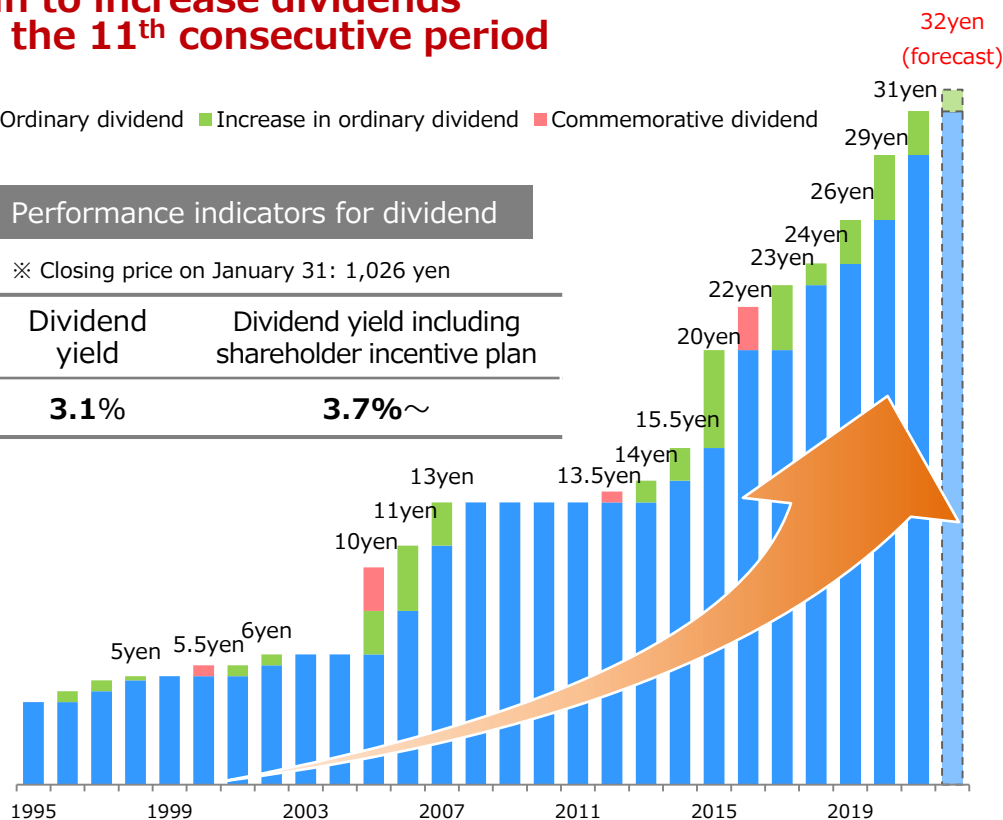
**Since initial listing: No decrease in dividends
Plan to increase dividends
for the 11th consecutive period**

■ Ordinary dividend ■ Increase in ordinary dividend ■ Commemorative dividend

Performance indicators for dividend

※ Closing price on January 31: 1,026 yen

Dividend yield	Dividend yield including shareholder incentive plan
3.1%	3.7%~



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

Shareholder incentive plan

- Shareholders can redeem reward points for over 2,000 choices (including food, appliances, electronics, travel, activities and much more) through the Premium Special Club PORTAL.

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

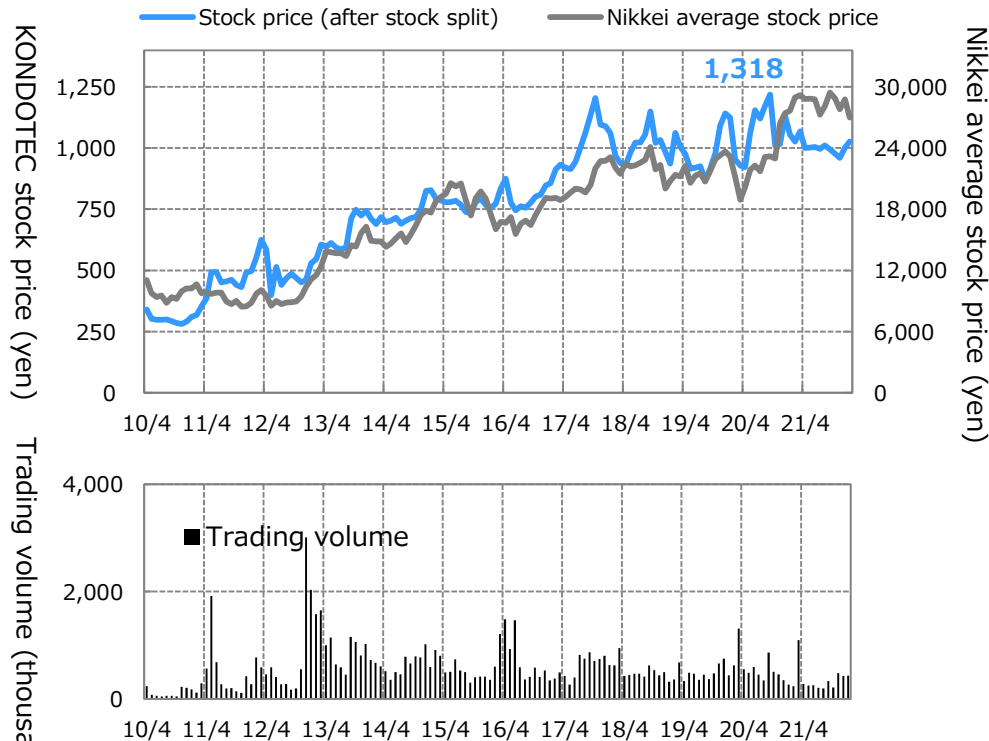
Note: 1 point is worth 1 yen.

(As of March 31)

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

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 31

1,026 yen

PER : 11.0 PBR : 0.9

EPS : 93.40 yen (FY2022 forecast)

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

Ranking among listed companies

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

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

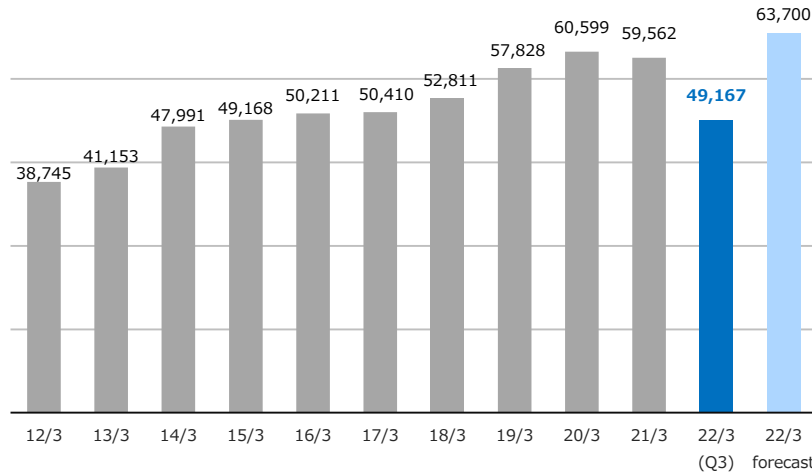
Source: Mizuho Securities Co., Ltd. (As of September 30, 2021)

9. Highlights of Results

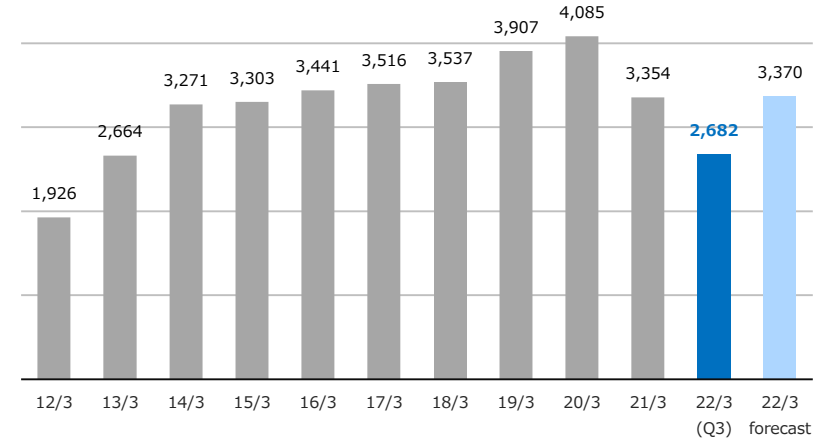
Highlights of Consolidated Financial Results



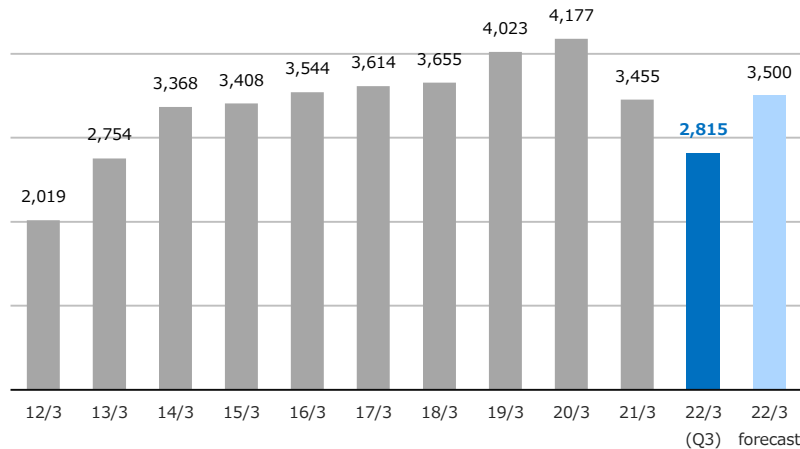
Net sales
(million yen) **49,167** million yen **77.2%** Progress



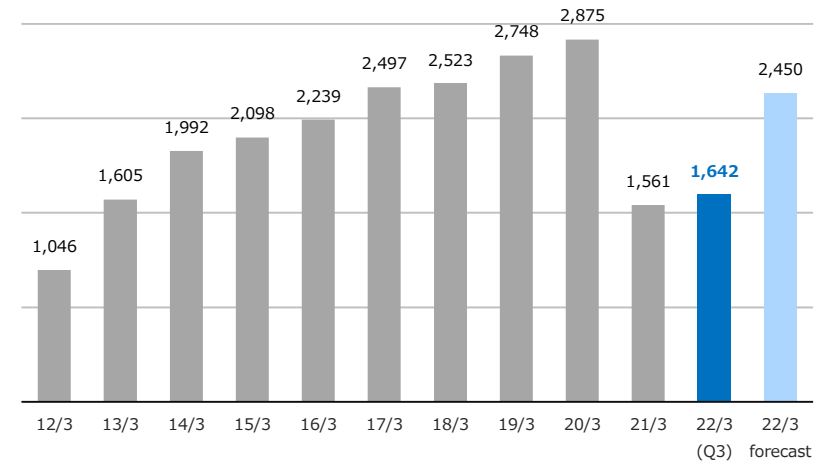
Operating income
(million yen) **2,682** million yen **79.6%** Progress



Ordinary income
(million yen) **2,815** million yen **80.5%** Progress



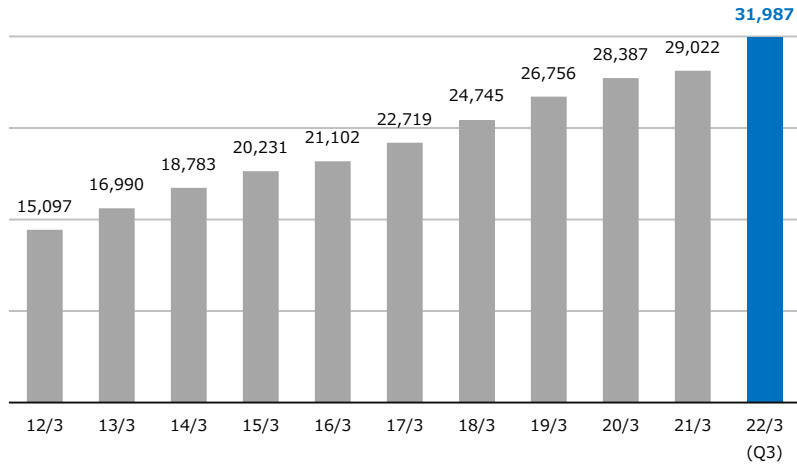
Profit attributable to owner of parent
(million yen) **1,642** million yen **67.1%** Progress



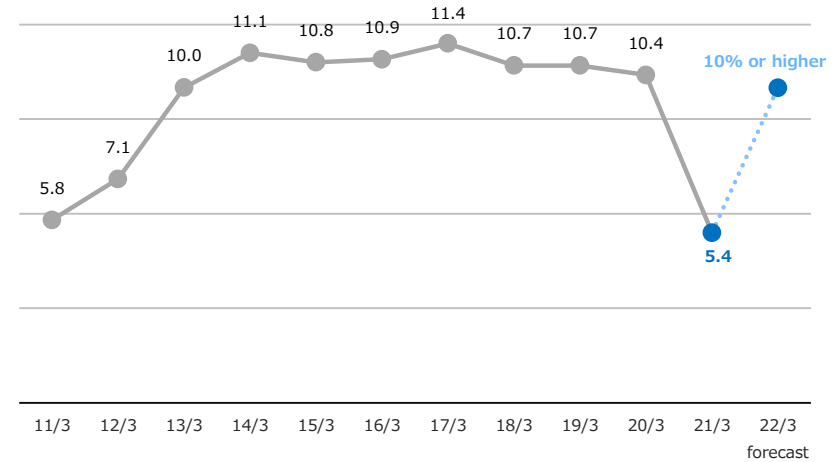
Highlights of Consolidated Financial Results



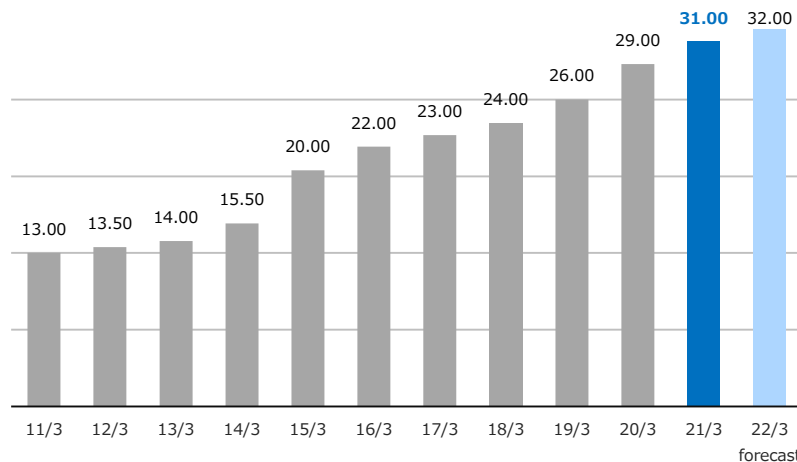
Net assets (million yen) **31,987** million yen



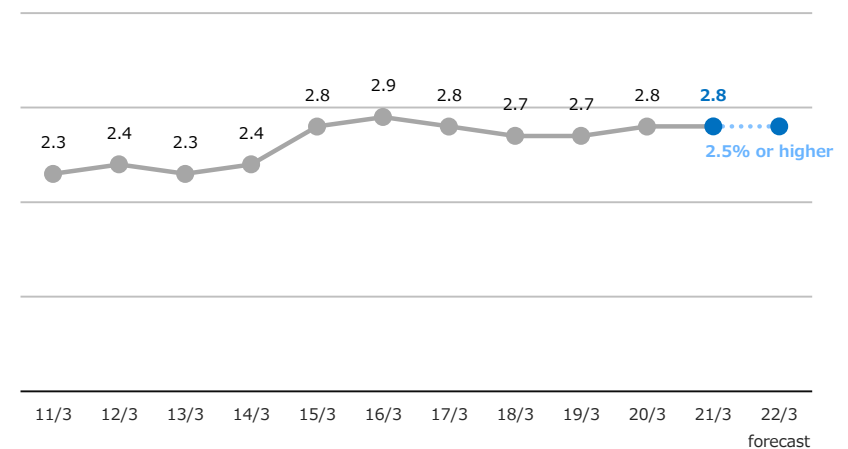
ROE (%) Target **10** % or higher



Dividend per share (yen) **32.00** yen



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



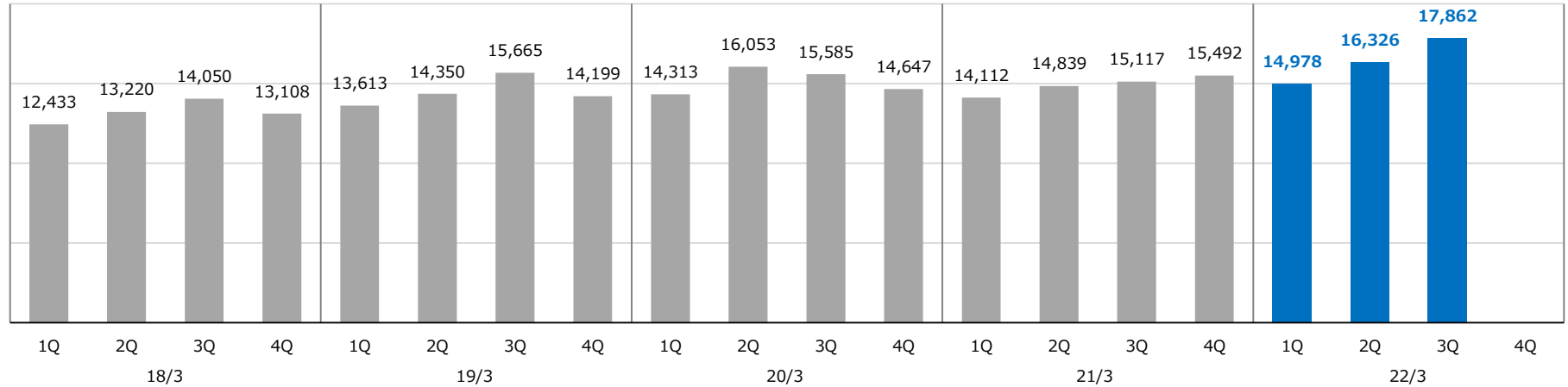
Highlights of Consolidated Financial Results



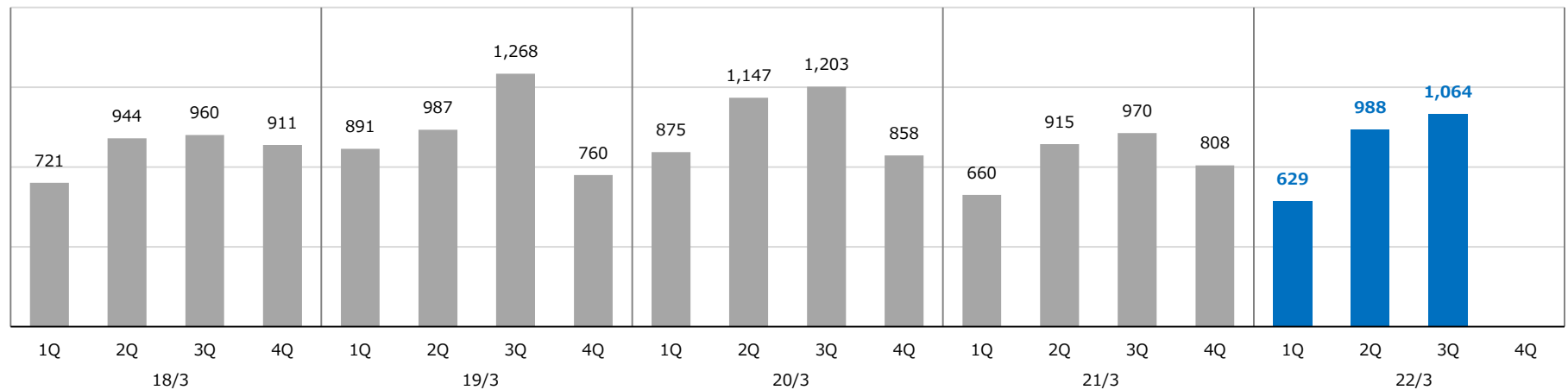
	12/3	13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3 Q3	22/3 (forecast)
Result of Operations (million yen)												
Net sales	38,745	41,153	47,991	49,168	50,211	50,410	52,811	57,828	60,599	59,562	49,167	63,700
Operating profit	1,926	2,664	3,271	3,303	3,441	3,516	3,537	3,907	4,085	3,354	2,682	3,370
Ordinary income	2,019	2,754	3,368	3,408	3,544	3,614	3,655	4,023	4,177	3,455	2,815	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	1,642	2,450
EBITDA	2,492	3,178	3,846	3,948	3,910	4,052	4,079	4,425	4,916	3,783	3,708	-
Capital investment	180	566	679	403	842	695	423	981	917	1,097	-	-
Depreciation	428	390	418	449	405	438	423	404	697	897	-	-
Financial Position (million yen)												
Total assets	28,403	31,192	34,481	35,186	34,645	36,524	39,313	43,820	46,335	49,426	60,485	-
Net assets	15,097	16,990	18,783	20,231	21,102	22,719	24,745	26,756	28,387	29,022	31,987	-
Interest-bearing debt	705	808	806	636	508	501	500	853	1,106	3,875	-	-
Cash Flows (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	-	-
Cash flows from investing activities	△ 1,511	△ 494	△ 660	828	△ 829	△ 646	△ 506	△ 1,551	△ 5,205	△ 2,226	-	-
Cash flows from financing activities	△ 550	426	△ 389	△ 699	△ 1,092	△ 1,032	△ 703	△ 915	△ 992	1,060	-	-
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	14,659	-
Per Share Information (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	62.67	93.40
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
Financial Indicators												
Gross profit margin (%)	5.0	6.5	6.8	6.7	6.9	7.0	6.7	6.8	6.7	5.6	5.5	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	49.6	-
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
Stock Price Index												
Stock closing price (yen)	625	606	718	786	834	933	939	1,006	929	1,069	1,002	-
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)

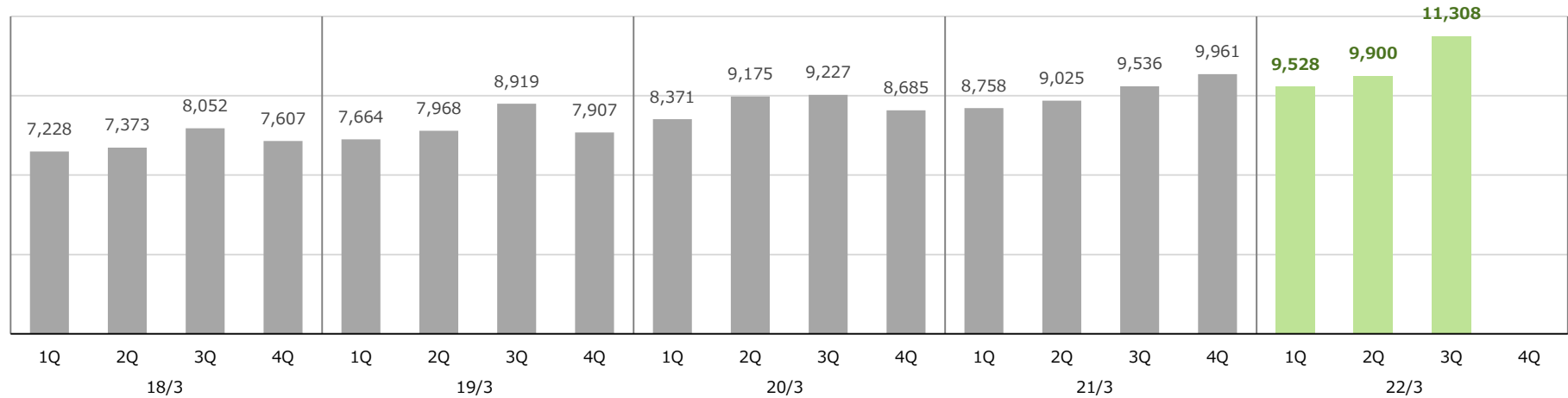


Operating income (million yen)

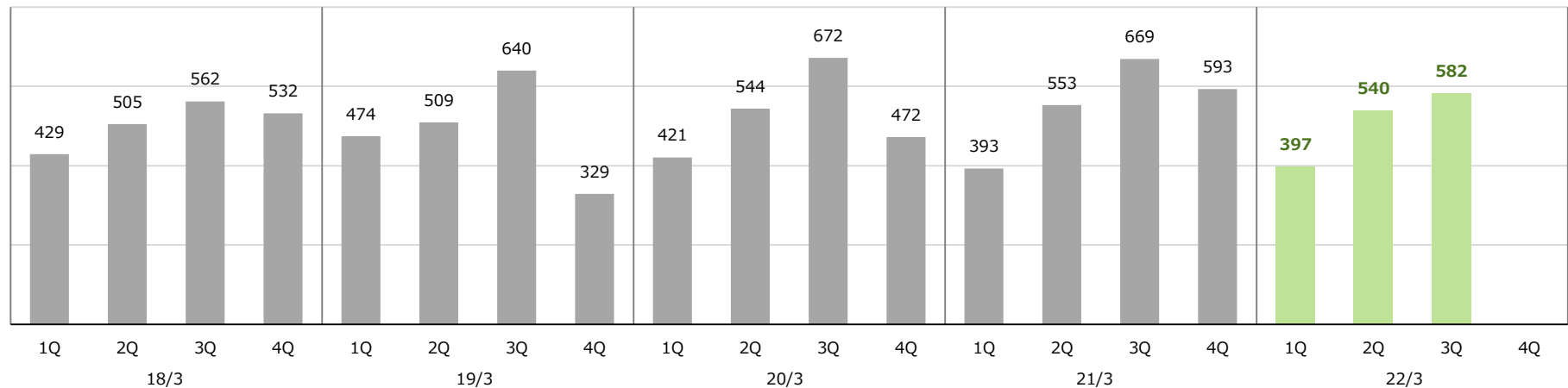


Industrial Materials

Net sales (million yen)

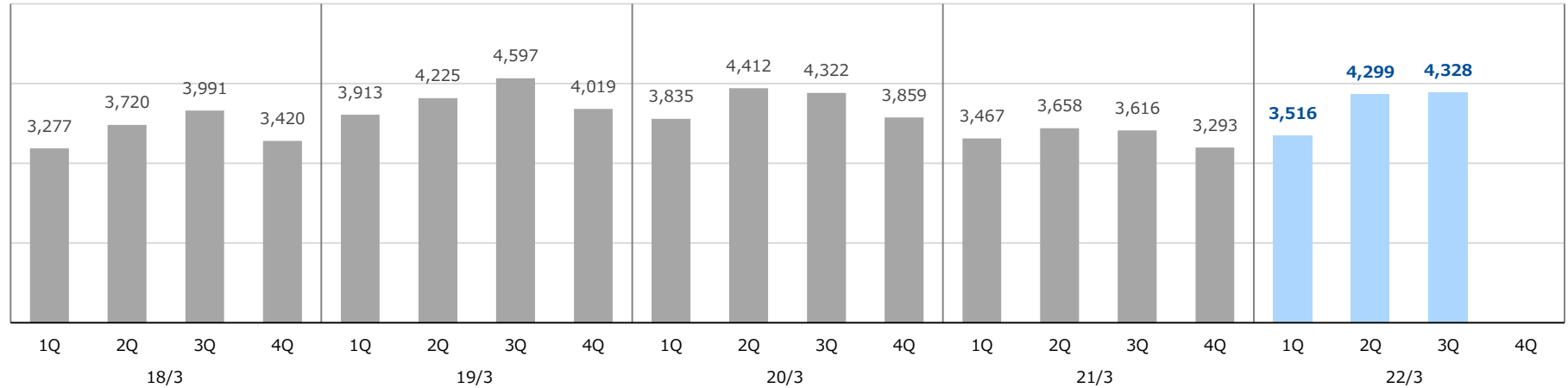


Segment profit or loss (million yen)

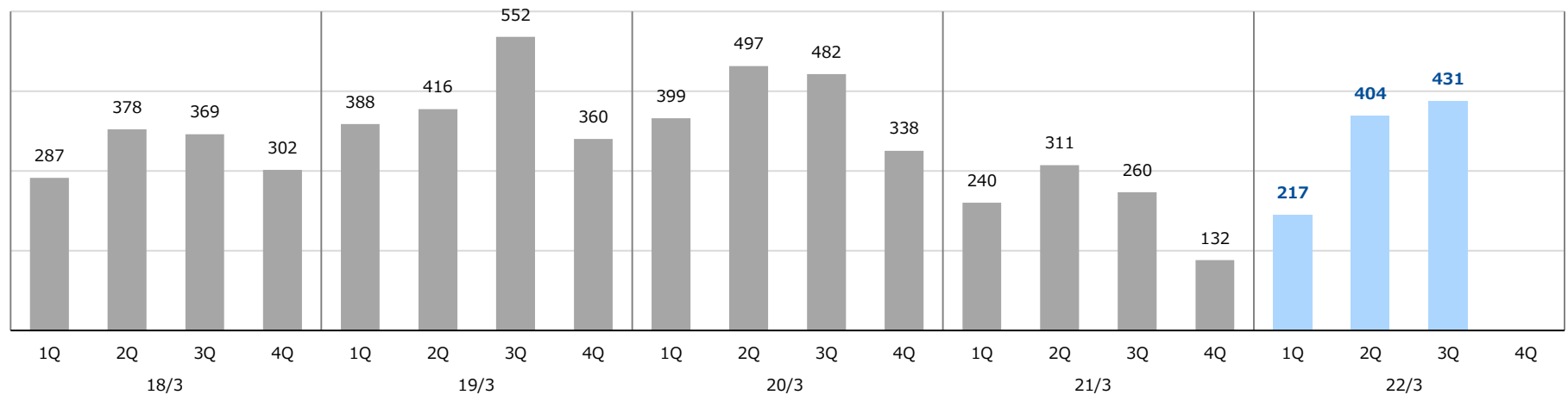


Structural Steel Materials

Net sales (million yen)

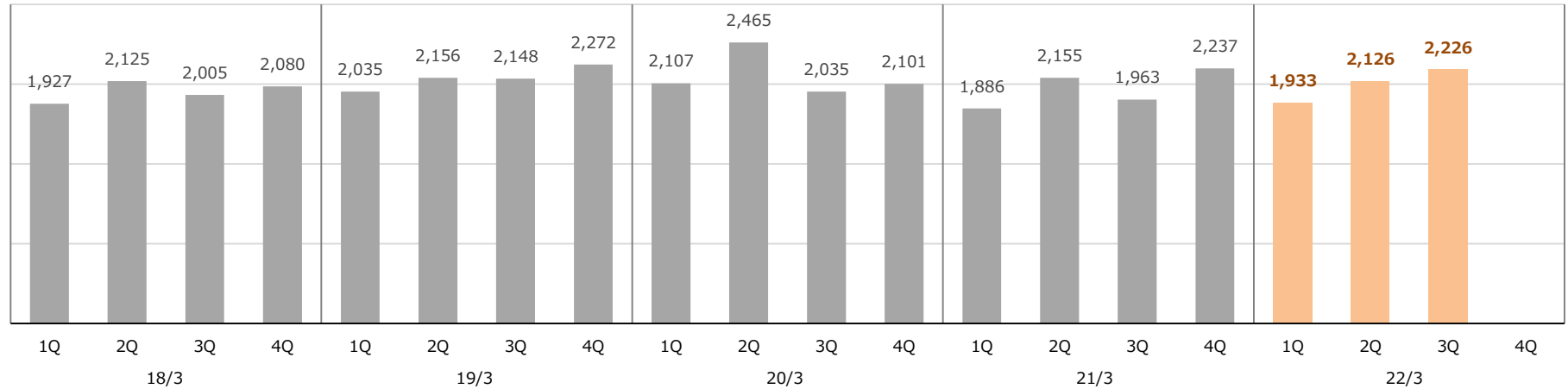


Segment profit or loss (million yen)

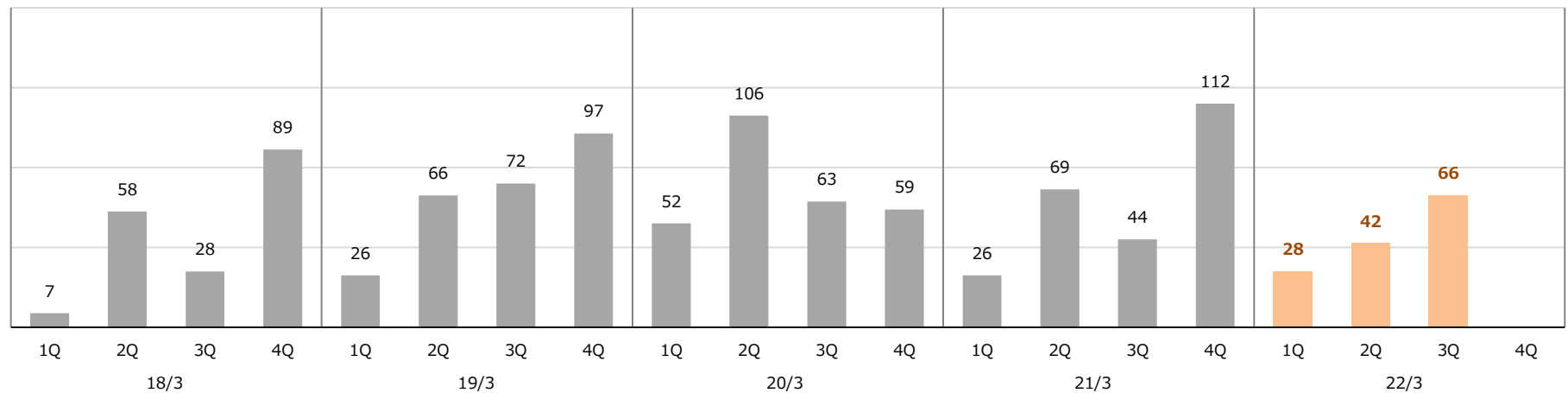


Electrical Equipment

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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