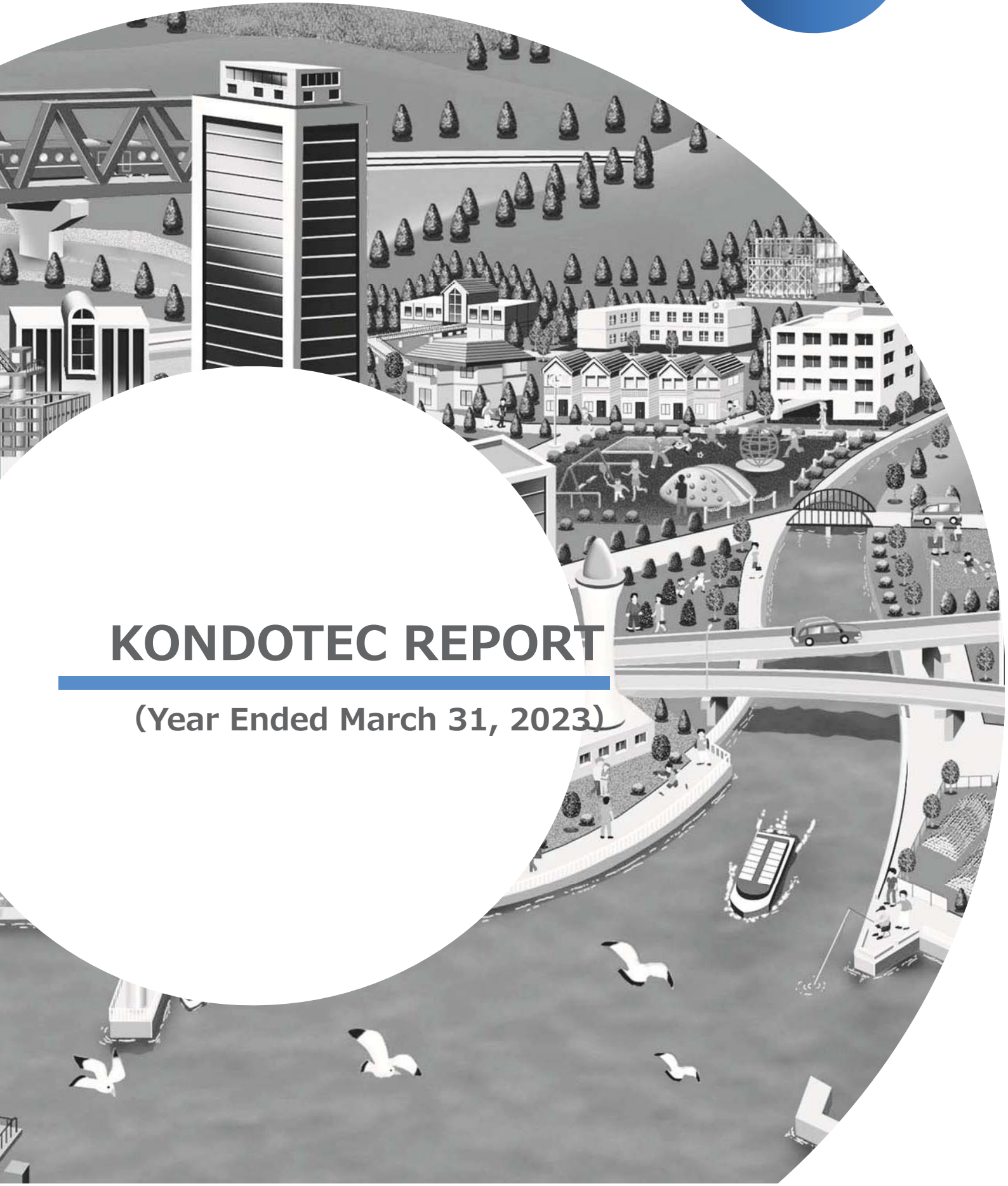


2023

KONDOTEC REPORT

(Year Ended March 31, 2023)



Message

Thanks to our supporters, KONDOTEC reached its 70th year in 2023. Since our establishing in 1953, we have aimed to achieve “safe and secure societies” by contributing to the enhancement of social infrastructure for a variety of industries while expanding our lineup of products and merchandise. We have done so under the spirit enshrined in our corporate philosophy: “We strive to contribute to the creation of an affluent society by nurturing our employees, who would shape the future, and by conducting corporate activities with innovative and pioneering way.”

This report was designed in order to have more stakeholders gain a better understanding of our

businesses and initiatives that have become diversified as we have accumulated history. Toward that end, we have made many refinements allowing us to communicate our business model, materialities, and sustainability-related initiatives in a simple manner, based on the International Integrated Reporting Framework, to enhance understanding of our past and future growth as a company. Looking ahead, we will continue to work together as a Group as a Company that continues to be relied upon in this Age of Change. We greatly appreciate your continued understanding and support.

President and Representative Director

Katsuhiko Kondo



Forward

This year marks the seventh release of our Integrated Report, which we launched in 2017. Behind our decision to create an Integrated Report was the thought that, when considering our business model aimed at achieving a sustainable society, we wished to have stakeholders better understand our efforts in the areas of women's advance into society and environment-related initiatives within the framework of ESG, which are key factors indicating corporate value.

We held discussions within the Company aimed at creating a full-fledged integrated report and took up themes such as the setting of SDG items within our materialities and the enhancement of TCFD recommendations, all of which has led to this year's Integrated Report. It is our sincere hope that this report, the product of considerable trial and error, will serve as a tool that better lets stakeholders gain a deep understanding of our Group overall, including our growth strategies, financial strategies, and ESG-related initiatives.

Tomoya Ando,
Adviser of Management Headquarters

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WE ARE KONDOTEC

Profile of KONDOTEC

Company Overview

The KONDOTEC Group is a manufacturer and wholesale company that maintains in-house factories and handles approximately 50,000 or more products and merchandise. Ever since its establishment, KONDOTEC has been providing a wide range of basic materials

that support infrastructures essential for social activities by responding to the needs of customers and expanding products and merchandise handled. By so doing, we have been supporting the establishment of an affluent society.

| | |
|--|--|
| Company name | KONDOTEC INC. |
| Group companies | Sanwa Denzai Co., Ltd. KONDOTEC 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 March 31, 2023) |
| Established | January 1953 |
| President and Representative Director | Katsuhiko Kondo |
| Head office | 2-2-90 Sakaigawa, Nishi-ku, Osaka 550-0024 Japan Tokyo Headquarters: 1-9-3 Minami Suna, Koto-ku, Tokyo |
| Number of Employees | Consolidated:1,278 Non-consolidated:754 (As of March 31, 2023) |
| Capital stock | 2,666 million yen (As of March 31, 2023) |
| Listed stock market | Tokyo Stock Exchange (Prime Market) Securities code:7438 |
| Business areas | <ul style="list-style-type: none"> □ Manufacturing, procurement and sales of industrial materials primarily in the retail hardware business □ Manufacturing, procurement, and sale of structural steel materials mainly for steel fabricators □ Procurement and sales of electrical equipment for electrical construction contractors and electronics retailers □ Procurement, sale and rentals of temporary scaffolding materials and providing scaffolding construction services for building contractors and medium-sized general contractors |
| Major items handled | <ul style="list-style-type: none"> □ Products (in-house manufactured products) Turn buckles, braces, scaffolding chains, screws, anchor bolts, die-forged products, construction materials, machinery and equipment, aluminum extrusions, etc. □ Merchandise (products procured from domestic and foreign suppliers/OEM products) Hardware, chains, wire ropes, screws, construction materials, lighting equipment, panel boards, air-conditioning equipment, eco items, etc. |
| Network | KONDOTEC INC. 48 operating sites Sanwa Denzai Co., Ltd. 14 operating sites KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD. CHUOH GIKEN Co., Ltd. 2 operating sites Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. 17 operating sites TOKAI STEP CO., LTD. 15 operating sites FUKOKU, Ltd. 5 operating sites KURIYAMA ALUMINUM Co., Ltd. 2 operating sites (As of March 31, 2023) |
| Factories | Consolidated:6 Non-consolidated:4 |

History

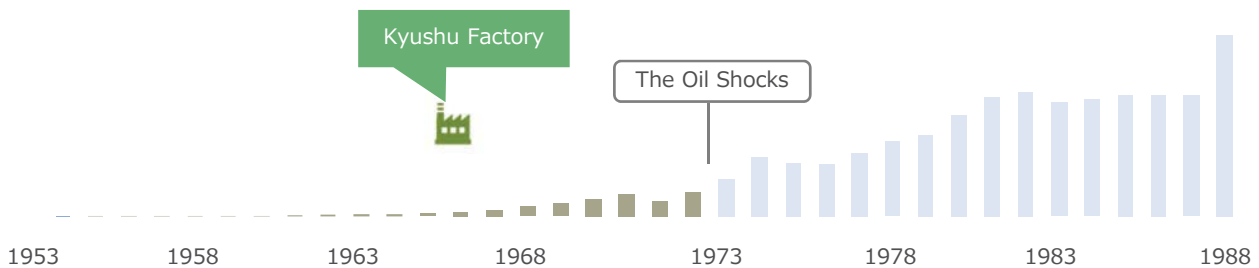
75 Years of the Company's History

- Challenge for Value Creation -

The company has been striving to meet the needs of customers since our founding. KONDOTEC has been able to grow as a manufacturer and wholesale company precisely because the company has continued to challenge and create to meet the needs of customers, and because of the support from stakeholders. We will continue to challenge and create facing various issues in order to contribute to the development of society going forward.

2023 [Consolidated]

Net sales **75,447** million yen
 Network **105** operating sites
 Number of Employees **1,278** members



1947 ▶▶ 1972

Established and Gaining ground in Tokyo, "shifting from sea to land", Kyushu Factory Opened

The Company started business from the ashes of the war, entered into Tokyo, developed large-scale production systems by opening the Kyushu Factory, expansion operating sites, and thus strengthened its business base.

- 1947** Founded Kondo Shoten in Izu, Taisho-ku, Osaka
- 1953** Established Kondo Shoten Co., Ltd.
- 1955** Changed the company name to KONDO IRON WORKS CO., LTD.
- 1956** Began production of shackles.
- 1962** Began production of turn buckles.
- 1965** Began sale of wire ropes.
- 1966** Opened Kyushu Factory.
- 1967** Began production of scaffolding chains.



Kyushu Factory

1973 ▶▶ 1988

From the expansion across Japan and completion of the head office building to the next stage

The Company tackled quality improvement at factories while completing the head office building and expanding merchandise from metal construction materials to overall industrial materials. It expanded customers with the establishment of the New Business Division as a direct sales department.

- 1973** Began manufacturing and sale of hardware and screws for civil engineering and construction use.
- 1974** Relocated the head office to Sakaigawa, Nishi-ku, Osaka.
- 1985** Body of turnbuckle for building was accredited as JIS No. 1
Established the New Business Division (Structural Steel Sales Division).



Shackles



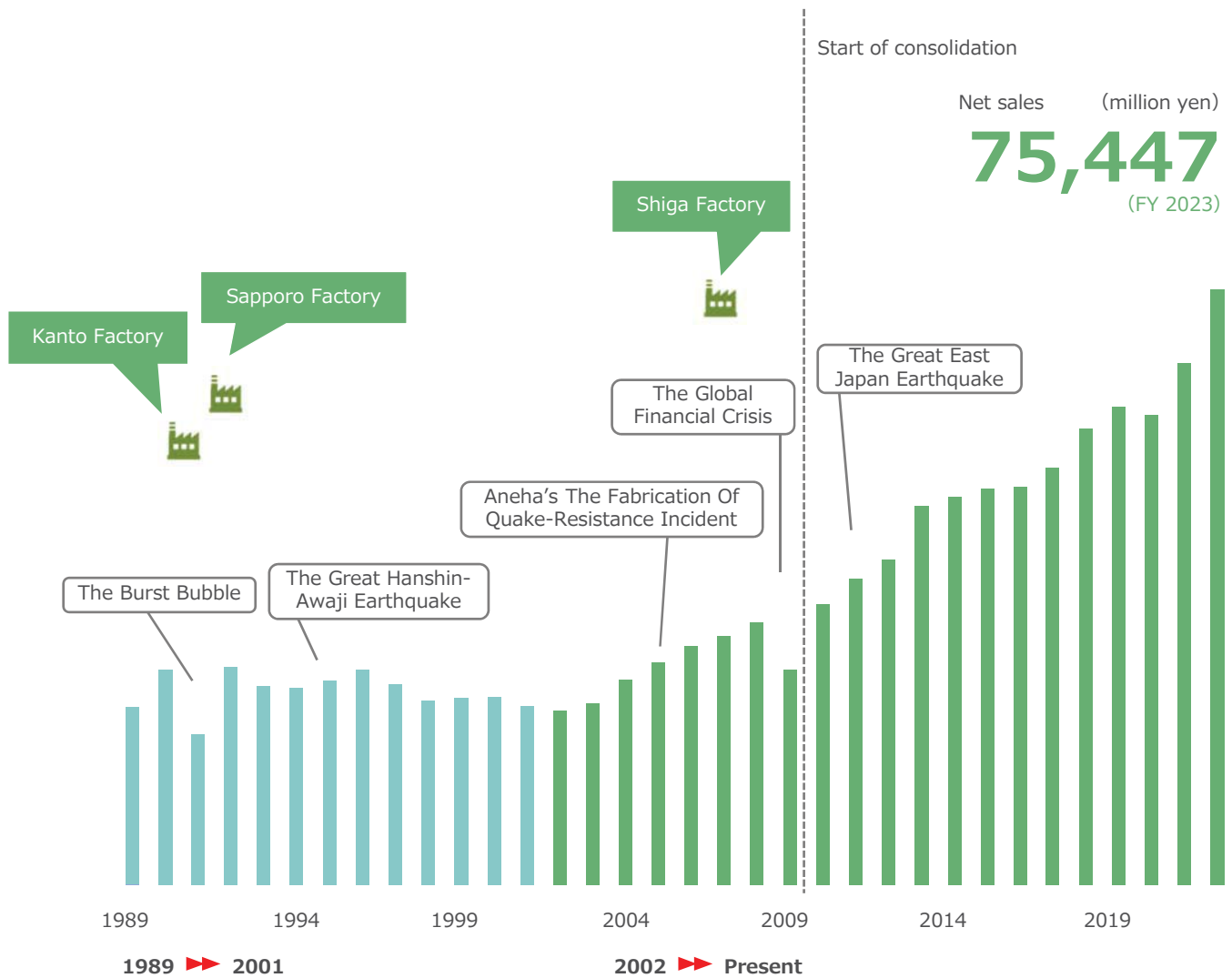
Turn buckles



Wire ropes



Screws



Reborn KONDOTEC developed the base to leap toward a stock listing

The Company made a fresh start by changing the company name in preparation for the Heisei era. Following the development of the product supply system by establishing factories in Ibaraki and Hokkaido, it changed the internal system for the listing. The Company busily tackled emergencies caused by the Great Hanshin-Awaji Earthquake. Merchandise saw further increases in responding to the needs.

- 1989** Changed the company name to KONDOTEC INC.
- 1991** Opened Kanto Factory.
- 1992** Opened Sapporo Factory.
- 1995** Listed on the Second Section of the Osaka Stock Exchange.
- 1999** Listed on the Second Section of the Tokyo Stock Exchange.
Opened Kanto Logistics Center.
- 2000** Started our website.
- 2001** Started Product Catalogs.

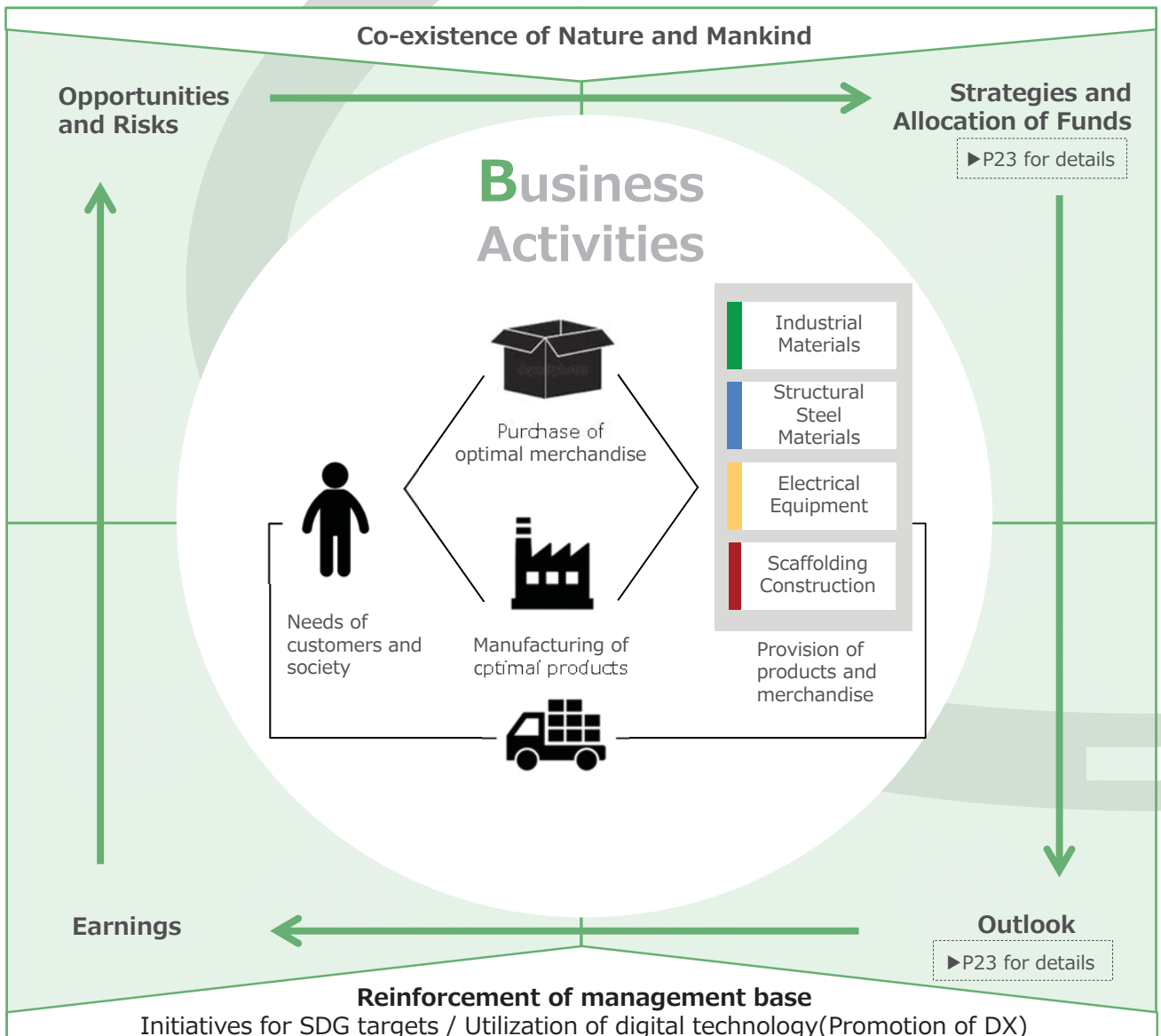
Business Expansion, Entering a new stage by M&A

- 2003** Opened Homecenter Division. (currently Homecenter Group)
- 2004** Implemented Yantai Distribution Warehouse based on a contract concluded with a Chinese logistics trading company.
- 2005** Entered into an agency contract with pewag in Austria.
- 2007** Opened Shiga Factory.
- 2010** Acquired shares of Sanwa Denzai Co., Ltd. to make the company a consolidated subsidiary.
- 2011** Designated as the First Section stock by the Tokyo Stock Exchange and the Osaka Stock Exchange.
- 2014** Turned KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. into a consolidated subsidiary.
Acquired shares of CHUOH GIKEN Co., Ltd. to make the company a consolidated subsidiary.
Introduced the shareholder incentive plan.
- 2017** Opened E-commerce Group
- 2019** Purchased the business from Mechatro Engineering Co., Ltd.
Acquired shares of TECBUILD CO., LTD. to make the company a consolidated subsidiary.
- 2020** Acquired shares of TOKAI STEP CO., LTD. to make the company a consolidated subsidiary.
- 2021** Acquired shares of FUKOKU, Ltd. to make the company a consolidated subsidiary.
Established Nippon Scaffolding Holdings Co., Ltd.
Acquired shares of KURIYAMA ALUMINUM Co., Ltd. to make the company a consolidated subsidiary.
- 2022** Shifted to the new Prime Market from the First Section under the previous Tokyo Stock Exchange structure.

Value Creation Process

Input

| | |
|---|--|
| F inancial capital | Total cash and deposits: 10,733 million yen (FY 2023) |
| M anufacturing capital | Number of domestic production factories: 6 place (KONDOTEC INC., CHUOH GIKEN Co., Ltd., KURIYAMA ALUMINUM Co., Ltd.) Increase in non-current assets for replacement of production facilities in the manufacturing division: 148 million yen (FY 2023) |
| I ntellectual capital | Establishment of R&D Department in Kyushu Factory Patents, utility model, design registrations, trademark registrations acquired Establishment of Mechatro Laboratory in Shiga Factory :Utilizing image processing technologies which purchasing business Design and manufacturing technology to automation machine of CHUOH GIKEN Co., Ltd. |
| H uman capital | Employees: 1,278 people (consolidated) Holders of internal certified qualification "Lifting equipment advisor" : 63 people (As of March 31, 2023) ▶P51 for details |
| S ocial capital N atural capital | Customers: about 26,000 companies (only for KONDOTEC INC., Sanwa Denzai Co., Ltd.) Subsidiaries: 9 companies, Items handled: about 50,000 items, Operating sites in Japan: 105 offices (As of March 31, 2023) |



Impact

Realization of safe and secure society



Corporate Philosophy

We strive to contribute to the creation of an affluent society by nurturing our employees, who would shape the future, and by conducting corporate activities with innovative and pioneering way.

Output

| Relevant Sector | Products and Merchandise, Service, Initiative |
|--|--|
| <p>Industrial Materials ▶ P13 for details</p> | <ul style="list-style-type: none"> ○ Widely provides infrastructure-related materials required for social activities ○ Transactions with not only construction-related industry but also various industries |
| <p>Structural Steel Materials ▶ P15 for details</p> | <ul style="list-style-type: none"> ○ Expansion of the handling of environment-related merchandise ○ Provides LED/solar power related merchandise |
| <p>Electrical Equipment ▶ P17 for details</p> | <ul style="list-style-type: none"> ○ Operating site opening plan according to the needs communities ○ Selects locations for operating site to enable co-existence with local communities |
| <p>Scaffolding Construction ▶ P19 for details</p> | <ul style="list-style-type: none"> ○ Inventories in warehouses of each operating site for quick delivery of necessary materials at the time of disasters |
| <p>Manufacturing division ▶ P21 for details</p> | <ul style="list-style-type: none"> ○ Acquisition of ISO14001 ○ Labor and manpower saving efforts through collaborative creation with Group companies ○ Procurement and provision of high-value-added products, merchandise and services |
| <p>Headquarters</p> | <ul style="list-style-type: none"> ○ Meeting on complaints, information sharing ○ Enhancement of catalogues ○ Employee education ○ Safety measures for employees ○ Promotion of utilization of digital technology (Promotion of DX) |

Outcome

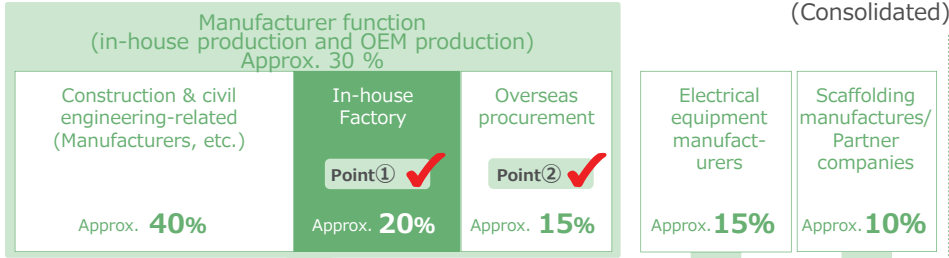
Values KONDOTEC provides to society

- Co-existence and development with local communities
- Recovery/reconstruction of disaster-stricken areas
- Contribution to the environment
- Improvement in customer satisfaction

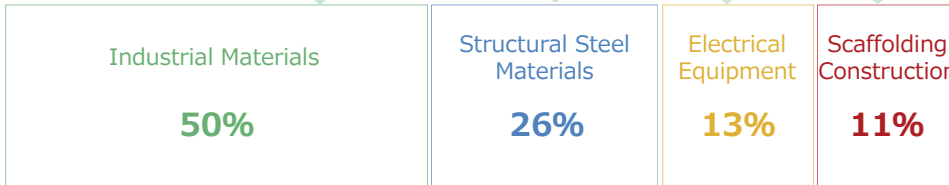
SDGs mainly related to our businesses

Business Model

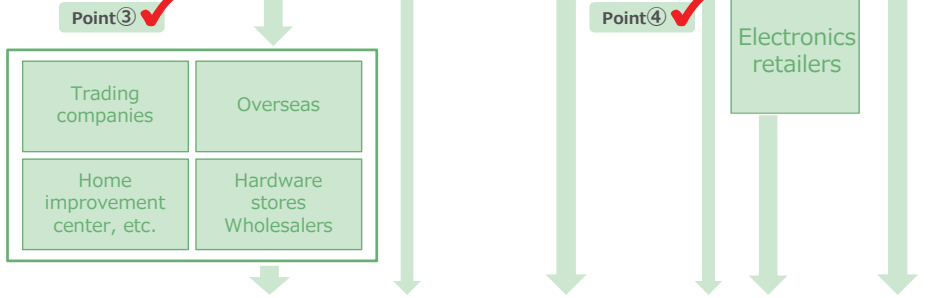
Suppliers



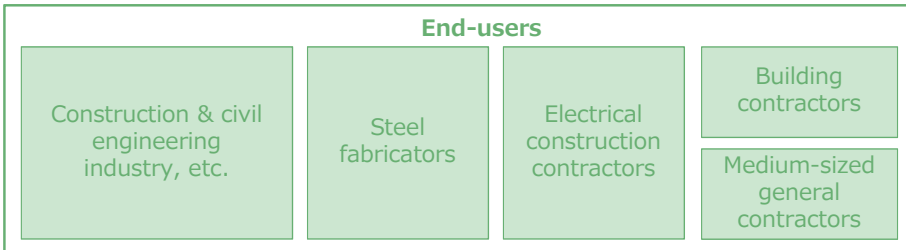
Business Segments of sales structure (sales contribution ratio)



Customers



End-users



Demanders [Entire infrastructure]



Point① ✓
 Manufacturer function in net sales
 Approx. 30%
 * In-house manufactured products and OEM products

Point② ✓
 Overseas procurement includes products manufactured in local OEM factories.

Point③ ✓
 Customer breakdown by business segment

Total
 Approx. 26,000 customers (2023)

| | |
|-----|----------------------------|
| 62% | Industrial Materials |
| 19% | Structural Steel Materials |
| 19% | Electrical Equipment |

* Scaffolding Construction is not included.

Point④ ✓
 We provide direct sales to some end-users

Point⑤ ✓
 Demand for products and merchandise
 Public 21%
 Private 79%

■ Strength (1): Strength in procurement

Characteristics

- Many various suppliers
- Handling not only domestic goods but also imported ones
- Establishment of in-house factories at six sites in Japan
- Dealing of special orders
- Owning of OEM production factories in Japan and abroad
- Cultivation/development of new products and merchandise considering customer feedback, which can only be done by a manufacturer and wholesale company

⇒

Effects

- Capable of providing products and merchandise according to needs by having not only cheap imported merchandise (procurement) but also high-quality and highly value-added in-house manufactured products.
- Capable of stable supply due to many suppliers, and not depending on specific suppliers

(Expected risks)

Dependence on imported merchandise and FX fluctuation/china risk/defect liability risk/impact of market fluctuations for raw materials, etc./product liability risk/impact of disasters on supply chain

Response to the risks: Derivative transactions, offering of highly value-added merchandise

■ Strength (2): Strength in sales methods

Characteristics

- Development of the quick delivery system with all operating sites fully equipped with warehouses
- Capture of demand in each area of Japan through expansion across the country
- Proposals for products and merchandise rooted in the region by employees with knowledge of products and merchandise
- Dealing with about 50,000 items of various products and merchandise
- Quick delivery of made-to-order products from six factories in Japan
- Expand business not only in sales of products and merchandise but also in the construction field

⇒

Effects

- Realization of the quick delivery system with all operating sites having inventories
- Thorough small-lot sales rooted in the region

(Expected risks)

Industrial accidents from warehouse operations/insufficient labor force for inventory management/accidents at the time of delivery

Response to the risks: Holding of the Safety and Health Committee⇒P58, Safety driving initiative⇒P58

■ Strength (3) Strength in customers

Characteristics

- Sales to various industries/businesses
- Diversified small-lot sales (many counter-parties)
- Establishment of a sales desk specialized in targets (Tokyo metropolitan area, railway environment, home improvement center, e-commerce, etc.)

⇒

Effects

- Not prone to be affected by conditions of particular industries, by selling to various industries

(Expected risks)

Dependence on public investments and private capital investments/management of many customers/insufficient staff for marketing and operations/Price competition/Credit risk of customers

Response to the risks: Introduction of the core system, implementation of training to improve marketing and operational abilities⇒P59
Setting credit limits on customers based on the degree of credibility, executing growth strategies

The KONDOTEC group has not incurred a deficit for ordinary profit since establishment to the present (*excluding irregular periods for financial settlement). In our 70 years of history, we have responded to changes in external environments each time, and continued changing the business portfolio and expanding the merchandise we handle (Our Company's history and changes in earnings ⇒ P 5)

The three strengths described on this page have been nurtured in such history of reforms. With external environments expected to change even more rapidly going forward, we will continue to be conscious about what should be changed and what should not to reflect them in our management. Moreover, having decided growth strategies separately for sustainable growth going forward, the Company will strive for further development. (Growth strategies ⇒ P23-)

Materiality

In engaging in corporate activities, we recognize that management that takes social sustainability into consideration leads to the sustainable growth of the Company. Accordingly, we have established the ESG Basic Policy to fulfill our social responsibilities in management activities

by determining the current state of management from the perspective of SDGs, and identifying materialities in the form of goals to be pursued, and the challenges faced in doing so, for each ESG area.

Verification of materiality and the process of formulating the ESG Basic Policy

STEP 1 Listing our issues

We identified potential items for our issues, and identified issues for each stakeholder referring to various guidelines (IIRC and Guidance for Collaborative Value Creation*)

*IIRC: Framework within the International Integrated Reporting Council
Guidance for Collaborative Value Creation: Guidance for information disclosure and improving quality of dialogue with investors



STEP 2 Judgement on the importance of each item

We evaluated the importance of issues identified in STEP 1 with the importance for stakeholders and the importance for the Company, and selected items of high importance as issues.



STEP 3 Identification of materiality and ESG Basic Policy formulation

At the Board of Directors, we discussed again the order of priority for important items selected in STEP 2, and based on the result, identified materialities and determined the ESG Basic Policy while focusing on value creation from the perspective of SDGs based on our corporate philosophy of “affluent society”.

What’s SDGs?

SDGs stands for Sustainable Development Goals, which are the global long-term goals from 2016 to 2030 for which international agreement was achieved at the United Nations in 2015. With 17 goals and 169 targets, they were adopted as the action plan for the prosperity of mankind and the earth.















Covering a wide range of problems from hunger and poverty to economic disparity, human rights and environmental measures, it advocates realizing a world that “leaves behind no one” where all people can live with dignity regardless of their social and economic situations.



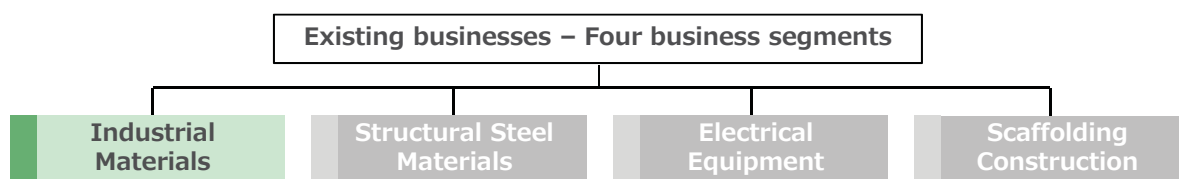
Decision on materiality (key issues) and ESG Basic Policy

We decided on materiality as follows after the three steps. We will regard this materiality as the ESG Basic Policy and link it to sustainable corporate growth by incorporating it in the management strategy.

We will explain in detail in chapters on p.39 and after what we are doing and the content we will focus on going forward according to the ESG Basic Policy.

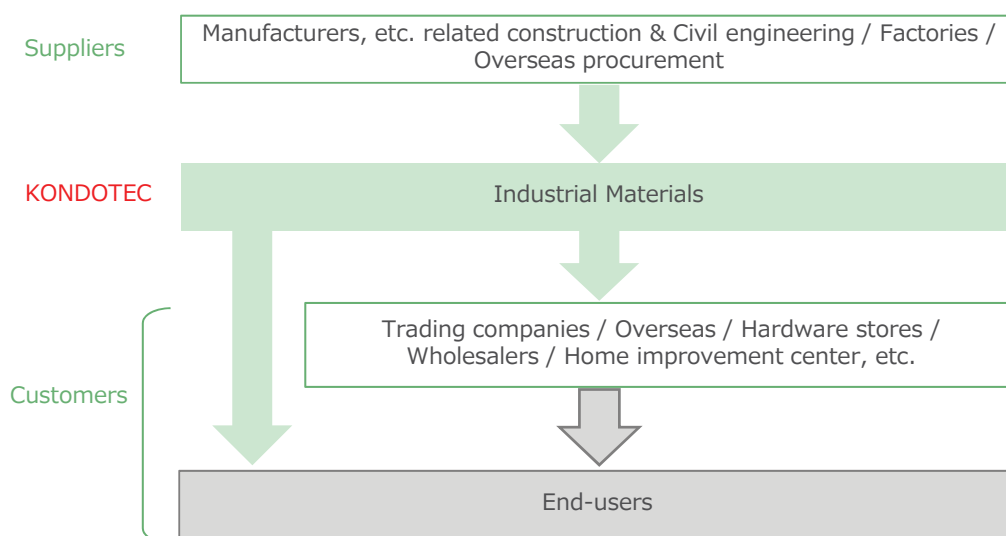
| ESG | Materiality | | Relevant SDGs |
|-------------|--|--|---|
| Environment | (1) Provision of optimal products and merchandise for environmental measures | Products and merchandise handled by the Company (Presentation of environment related products and merchandise) |   |
| | (2) Business activities paying attention to the environment | Initiatives for environmental protection and energy-saving Management of emissions (material balance) |   |
| Social | (1) Product liability and quality assurance | Quality control of products and merchandise Stance for security and safety |          |
| | (2) Procurement and provision of high-value-added products, merchandise and services | Provision of better products, merchandise and services for customers | |
| | (3) Communication with stakeholders | Engagement with stakeholders | |
| | (4) Appropriate information disclosure and security | Stance for information disclosure Information security measures | |
| | (5) Co-existence with local communities | Operating site opening plan Response to disasters and contributions to them | |
| | (6) Safety measures and work style reform | Risk control for disasters and others For employees' health, safety and hygiene | |
| | (7) Human resources development and diversity | Policy on human resources development Diversity Employee benefits | |
| Governance | (1) Strengthening of corporate governance | Corporate governance |  |
| | (2) Thorough compliance | Compliance Basic Policy | |

Business Report



■ Industrial Materials

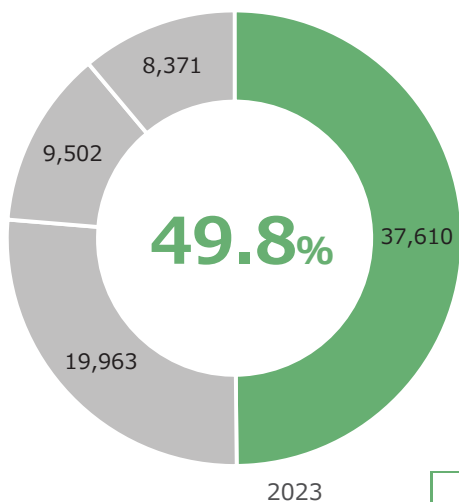
With the retail hardware business at the core, we manufacture, procure and sell civil engineering and construction materials, machinery and equipment. Of the subsidiaries, KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. , CHUOH GIKEN Co., Ltd. and KURIYAMA ALUMINUM Co., Ltd. are included.



| | |
|-----------------------------|---|
| Number of operating sites | KONDOTEC INC. 30 operating sites (Subsidiaries) KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. 2 operating sites KURIYAMA ALUMINUM Co., Ltd. 2 operating sites (As of March 31, 2023) |
| Number of customers | Approximately 16,000 companies |
| Number of new customers* | 1,581 customers (As of March 31, 2023) |
| Net sales of new customers* | 1,129 million yen (As of March 31, 2023) |
| Characteristics | <ul style="list-style-type: none"> • Wide range of products and merchandise handled; stable performance • Earnings driver |

* The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year (non-consolidated).

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2023

Segment sales came to 37,610 million yen (+11.1% year on year) due to passing through higher manufacturing costs and procurement prices to selling prices, in addition to the contribution to sales by KURIYAMA ALUMINUM Co., Ltd., which became a consolidated subsidiary in the fiscal year ended March 31,

2022. Segment profit was 2,352 million yen (+17.9% year on year) due to increased SG&A expenses associated with an increase in personnel costs being absorbed by increased profit, as well as the passing through of increases in manufacturing costs and procurement prices to selling prices.

Initiatives Going Forward

Recovery in economic activity is expected as COVID-19 infection-related restrictions on economic and social activities are eased, yet the outlook remains highly uncertain due to factors including persistent high crude oil and material prices. At the same time, there are also expectations for demand involving renewable energy and large-scale projects such as construction related to the Expo 2025 Osaka Kansai and the Linear Chuo Shinkansen, as well as for the expansion of infrastructure development in the ASEAN region. To capture

these sources of demand, we will work to increase sales through the expansion of e-commerce sales, the enhancement of competitive products through the development of new aluminum products that meet needs for weight reduction, and the development of new and dormant customers. By taking these initiatives, we aim to expect net sales of 39,293 million yen and an operating income of 2,597 million yen for the year ending March 31, 2024.

Risks

- Dependence on public investments and private capital investments

Since sales associated with public investments and private capital investments account for a considerable percentage of the segment's sales, stagnation in the conditions of the construction industry and a decline in demand caused by such conditions may have a significant impact on the operating performance and financial position of the segment.

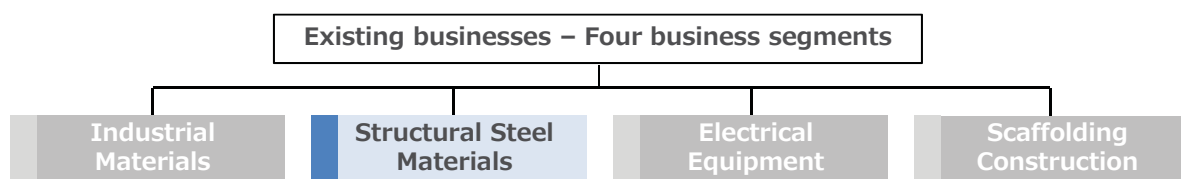
- Dependence on imported merchandise and FX fluctuation

While having been increasing the procurement of imported merchandise from overseas, such as China, for the purpose of selling competitive merchandise,

the segment is currently procuring about 90% of them from China. Accordingly, there is a possibility that securing merchandise will become difficult, because the pursuit of business by the suppliers is greatly influenced by U.S.-China trade friction, changes in statutory regulations in China and others. In addition, major volatility in the foreign exchange market may have a significant impact on the operating performance and financial position of the segment.

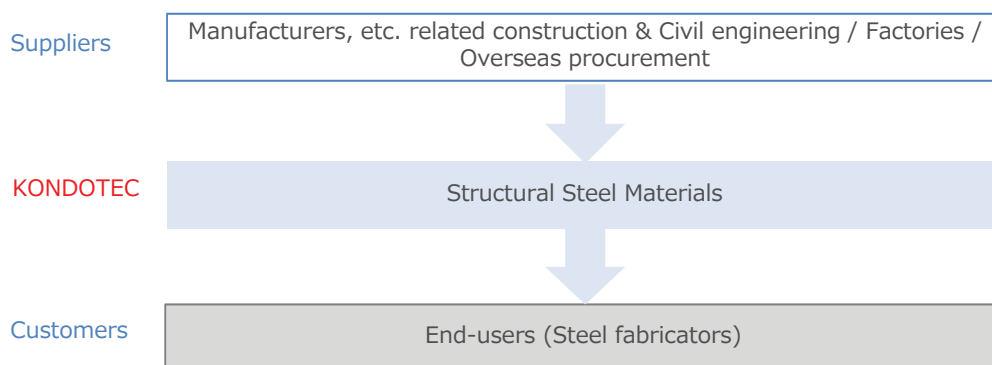
- Price competition
- Impact of market fluctuations for raw materials, etc.
- Impact of communicable diseases on business activities

▶ P16 Risks



■ Structural Steel Materials

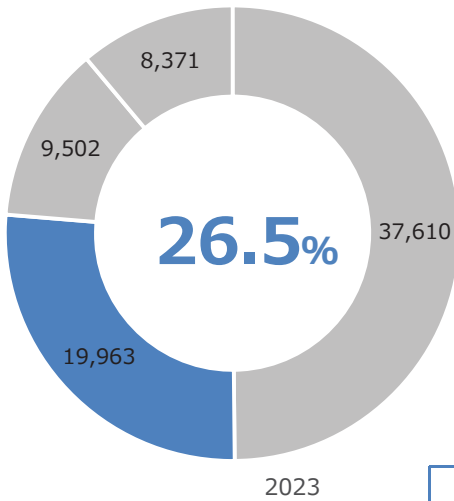
We manufacture, procure, and sell structural steel materials for steel fabricators.



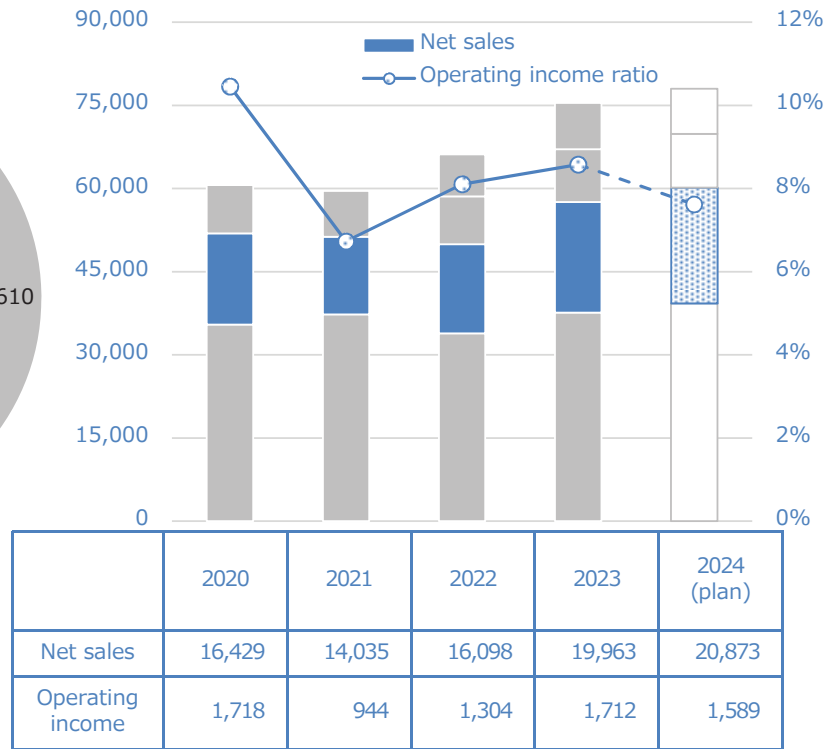
| | |
|-----------------------------|--|
| Number of operating sites | KONDOTEC INC. 18 operating sites (As of March 31, 2023) |
| Number of customers | Approximately 5,000 companies |
| Number of new customers* | 657 customers (As of March 31, 2023) |
| Net sales of new customers* | 811 million yen (As of March 31, 2023) |
| Characteristics | <ul style="list-style-type: none"> • Operating performance increases/decreases in connection with the demand for steel frames • High percentage of in-house manufactured products • High market share |

* The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year.

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2023

Segment sales were 19,963 million yen (+24.0% year on year) due to continued strong sales of steel frame materials, anchor bolts, braces, etc. amid recovery in demand for steel frames materials, especially for large-scale properties, as well as the passing through of increases in manufacturing costs and procurement prices to

selling prices. Segment profit was 1,712 million yen (+31.2% year on year) due to increased SG&A expenses, particularly freight costs and personnel expenses, being absorbed by increased profit, as well as the passing through of increases in manufacturing costs and procurement prices to selling prices.

Initiatives Going Forward

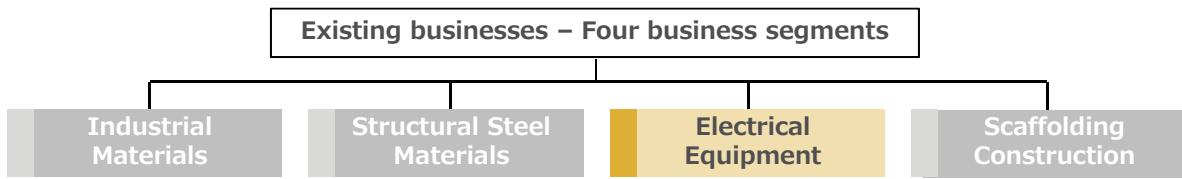
Recovery in economic activity is expected as COVID-19-related restrictions on economic and social activities are eased, yet the outlook remains highly uncertain due to factors including persistent high crude oil and material prices. At the same time, there are many areas in which we have not opened operating sites in this segment. We will work to increase sales through actions including the examination of new operating site openings, expansion of the anchor

bolt installation business, expansion of sales for high-value-added products that meet social needs, and the development of new and dormant customers. By taking these initiatives, we aim to expect net sales of 20,873 million yen for the year ending March 31, 2024. For operating income, we expect 1,589 million yen due to the expected increase in various costs, such as manufacturing costs and freightage expenses.

Risks

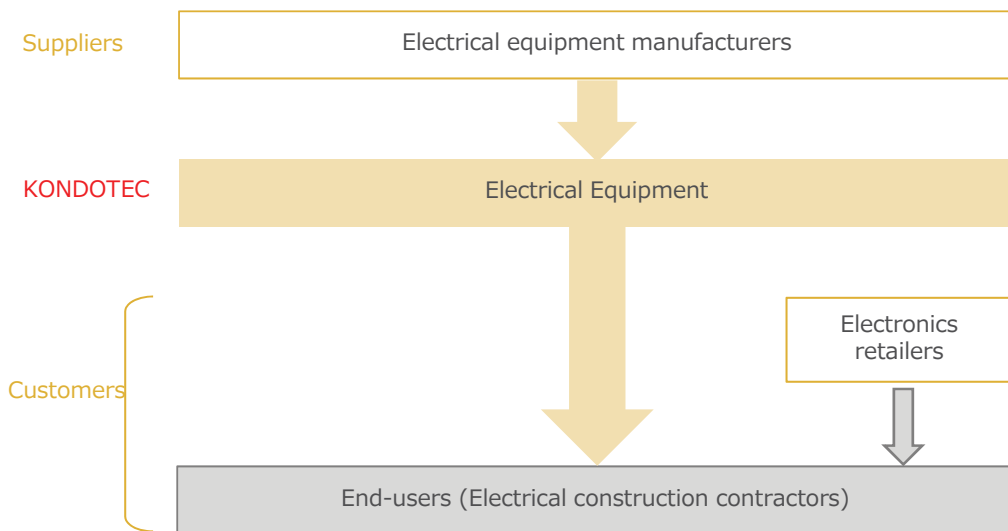
- Price competition
If price competition with competitors continues to intensify in each of the product markets and local markets to which the segment belongs and it becomes difficult to maintain fair prices, this may have a significant impact on the operating performance and financial position of the segment.
- Impact of market fluctuations for raw materials, etc.
Procurement prices of main raw materials for the products and merchandise of the segment tend to fluctuate depending on the global demand & supply trends of steel materials, copper and aluminum. Major volatility in the steel materials market may have a significant impact on the operating performance and financial position of the segment.

- Impact of communicable diseases on business activities
This segment engages in business activities through operating sites around the country. In cases of the spread of communicable diseases without established cures such as COVID-19, accompanied by prolonged turmoil in global supply chains, delays in the progress of property projects, and restraints on private capital investments, or in cases of events that affect the continuation of business activities such as infection among employees or infection clusters at business sites, significant impacts on the business performance or financial situation of this segment may arise.
- Dependence on public investments and private capital investments



■ Electrical Equipment

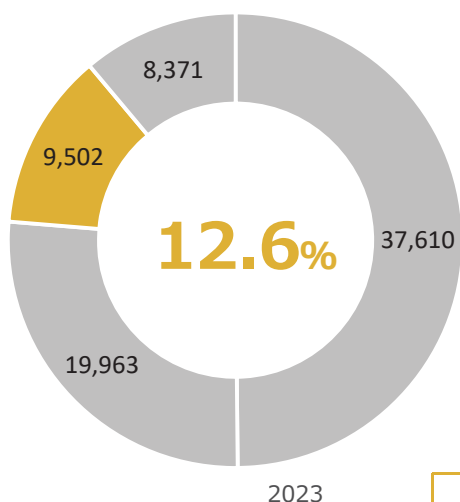
We procure and sell electrical equipment to electrical work operators engaged in construction of houses, buildings, facilities, factories and other structures and to electrical appliance stores. This business is handled by a consolidated subsidiary, Sanwa Denzai Co., Ltd.



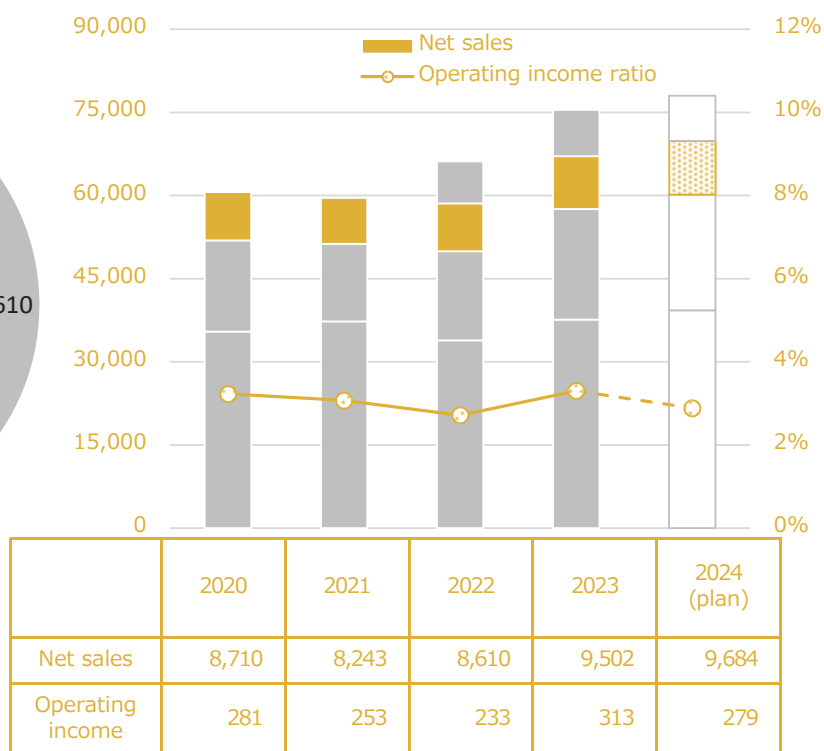
| | |
|-----------------------------|---|
| Number of operating sites | (Subsidiary) Sanwa Denzai Co., Ltd. 14 operating sites (As of March 31, 2023) |
| Number of customers | Approximately 5,000 companies |
| Number of new customers* | 303 customers (As of March 31, 2023) |
| Net sales of new customers* | 662 million yen (As of March 31, 2023) |
| Characteristics | <ul style="list-style-type: none"> • Handling a wide range of merchandise, from electrical equipment to housing equipment • Securing stable sales volumes • Dominant store openings mainly in Aichi and Gifu Prefectures |

* The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year.

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2023

Segment sales were 9,502 million yen (+10.4% year on year) due to sales development aligned with carbon neutrality, including the shift to installing LED lighting in stores and the setting of prices matched to increases in procurement prices from manufacturers, in addition to recovery in capital investment and the elimination of merchandise supply delays caused

by semiconductor shortages. Segment profit was 313 million yen (+34.2% year on year) due to increased SG&A expenses being absorbed by increased profit as well as the passing through of increases in procurement prices to selling prices, thorough negotiations to reduce procurement prices, the utilization of special pricing, and sales activities with gross profit margin in mind.

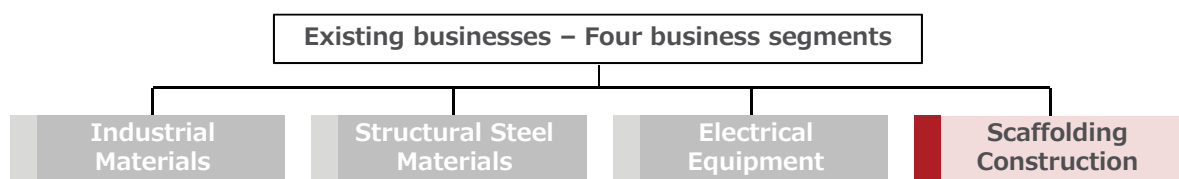
Initiatives Going Forward

Recovery in economic activity is expected as COVID-19-related restrictions on economic and social activities are eased, yet the outlook remains highly uncertain due to factors including persistent high crude oil and material prices. We will work to increase sales by undertaking actions including the development of new and dormant customers, expansion of the range of goods handled (including new merchandise), capture of demand from end users such as electrical work

operators though strengthening of construction work functions, entry into new fields such as FA and equipment engineers, and strengthening of synergies with Group companies. By taking these initiatives, we aim to expect net sales of 9,684 million yen for the year ending March 31, 2024. For operating income, we expect 279 million yen due to the expected increase in various costs, such as promotion expenses.

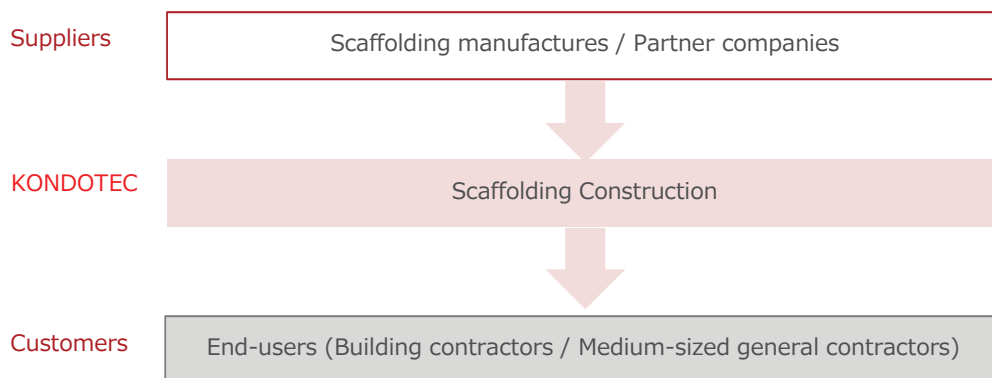
Risks

- Dependence on public investments and private capital investments (in Tokai area) ▶ P14 Risks
- Price competition ▶ P16 Risks
- Impact of market fluctuations for raw materials, etc. ▶ P16 Risks
- Impact of communicable diseases on business activities ▶ P16 Risks



■ Scaffolding Construction

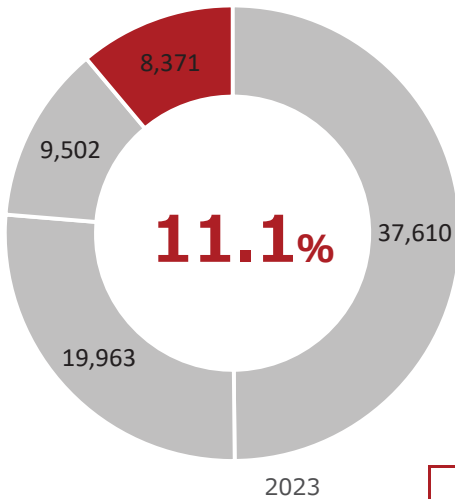
We provide scaffolding construction services and procures, sell and rent out temporary scaffolding materials to building contractors and medium-sized general contractors.



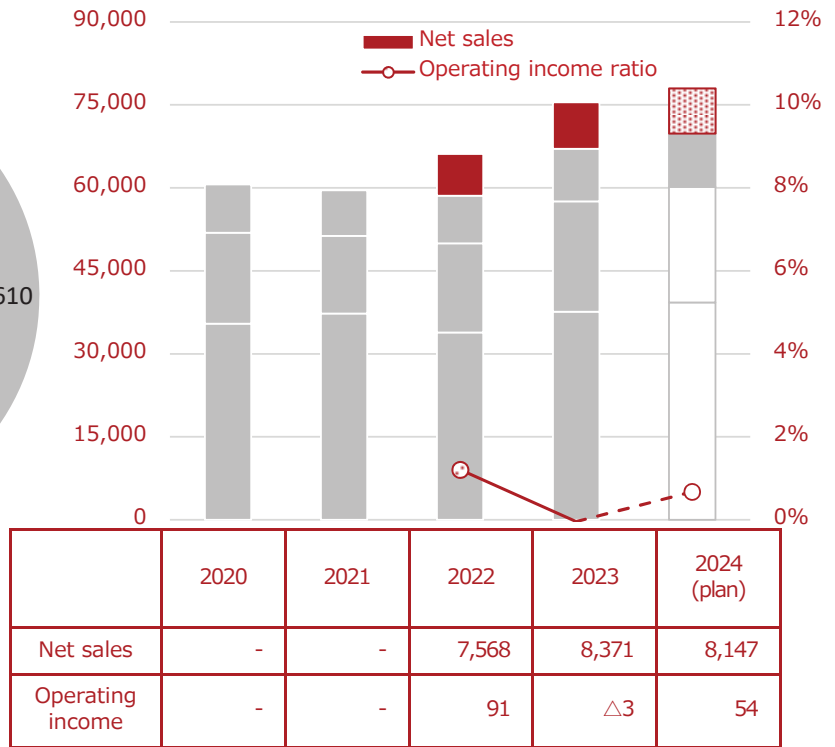
| | |
|--------------------------------------|---|
| Number of operating sites | (Subsidiaries) Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. 17 operating sites TOKAI STEP CO., LTD. 15 operating sites FUKOKU, Ltd. 5 operating sites (As of March 31, 2023) |
| Number of employees | 323 (construction workers: 126) (As of March 31, 2023) |
| Capex for scaffolding materials | 205 million yen (As of March 31, 2023) |
| Book value of scaffolding materials* | 584 million yen (As of March 31, 2023) |
| Characteristics | <ul style="list-style-type: none"> Addressing the field of maintenance/repair associated with aging infrastructure, a field in which demand is expected Nationwide business area, with properties covering a wide domain from residential to medium-rise buildings and civil engineering projects such as bridges |

* Book value of scaffolding materials refer to the balance sheet.

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2023

While private-sector capital investment is on a recovery trend, construction sales remained nearly flat due to a decline in demand for residential properties. Segment sales were 8,371 million yen (+10.6% year on year) due to strong rental sales and sales of scaffolding materials amid growth in rental demand associated with increases in scaffolding material prices and

multiple spot orders. Segment loss was 3 million yen (against segment profit of 91 million yen in the previous year) due to increased SG&A expenses, particularly personnel expenses, in addition to a decline in gross profit margin due to an increase in the outsourced construction work ratio.

Initiatives Going Forward

Recovery in economic activity is expected as COVID-19-related restrictions on economic and social activities are eased, yet the outlook remains highly uncertain due to factors including persistent high crude oil and material prices. At the same time, demand for maintenance and repair construction work associated with the aging of social infrastructure is expected to increase. To capture these sources of demand, we will expand our customer base through the development of new customers while expanding

construction work orders for high-unit-price medium-rise buildings and civil engineering projects, and through increased sales by means including expansion of material sales and rental sales that are new areas of our business.

By taking these initiatives, we aim to expect net sales of 8,147 million yen and an operating income of 54 million yen for the year ending March 31, 2024.

Risks

- Dependence on public investments and private capital investments ▶ P14 Risks
- Impact of communicable diseases on business activities ▶ P16 Risks

TOPICS Changes to reportable segments

The reportable segments of the Group, previously "Industrial Materials," "Structural Steel Materials," and "Electrical Equipment," were changed to "Industrial Materials," "Structural Steel Materials," "Electrical Equipment," and "Scaffolding Construction" from the fiscal year ended March 31, 2023, with scaffolding construction work that had been included in

"Industrial Materials" now categorized as "Scaffolding Construction". This change was made for the purpose of promoting understanding of the Group's business, given the increasing importance of scaffolding construction work, which is positioned as a core business in the Company's Medium-term Management Plan.

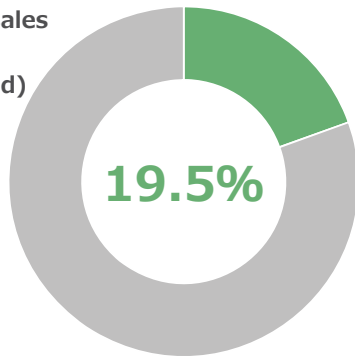
■ Functions as a manufacturer (Roles of factories)

With a view to promoting a local community-oriented sales structure, the Company, as a wholesale company with a manufacturing function, maintains four factories in Japan (non-consolidated) and makes an effort to pay careful attention to customer feedback in distributing products.

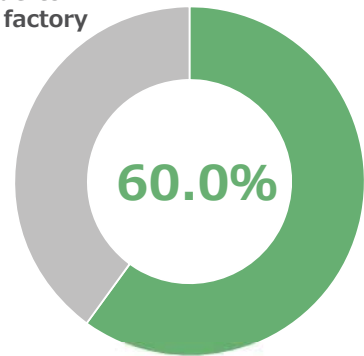
The majority of the Company's products are **made-to-order products** that require high-level precision and short-term delivery. This prevents encroachment from overseas and leads to achieving a high profitability.

Percentage of factory products to net sales of KONDOTEC (non-consolidated)

(2023)



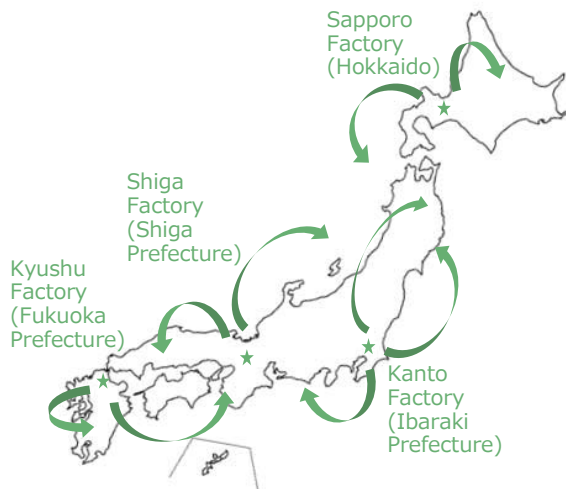
Percentage of made-to-order products to factory products



■ Local community-oriented structure

The Company maintains four factories in Hokkaido, Ibaraki, Shiga and Fukuoka (non-consolidated). All factories manufacture turn buckle braces and anchor bolts, which are our core products. By having these four factories supply products to our sales network across the country, we are able to realize quick delivery and operate a local community-oriented sales structure.

Setting our first priority on responding to customer needs with speed, we have a production structure in place that makes the best of our comprehensively capability that integrates production and sales.



Why are KONDOTEC factory products selected?

While there are differences in size and other specifications for turn buckle braces, which are our core products, we take in their demand by using our sales and marketing capabilities and engaging in made-to-order products at factories and short-term delivery. Moreover, for turn buckle braces, we manufacture a majority of the component parts at Company factories, and by not using outsourced parts, we are expanding our product lineup in an aim to differentiate from other companies.

In terms of deliveries, turn buckle braces and anchor bolts are often long and heavy, incurring high transportation costs. Therefore, we established four factories spread out across Japan to have each factory supply products to the operating sites in their respective regions for addressing the need for prompt delivery in order to reduce costs and risks associated with delivery and reduce CO₂ emissions.

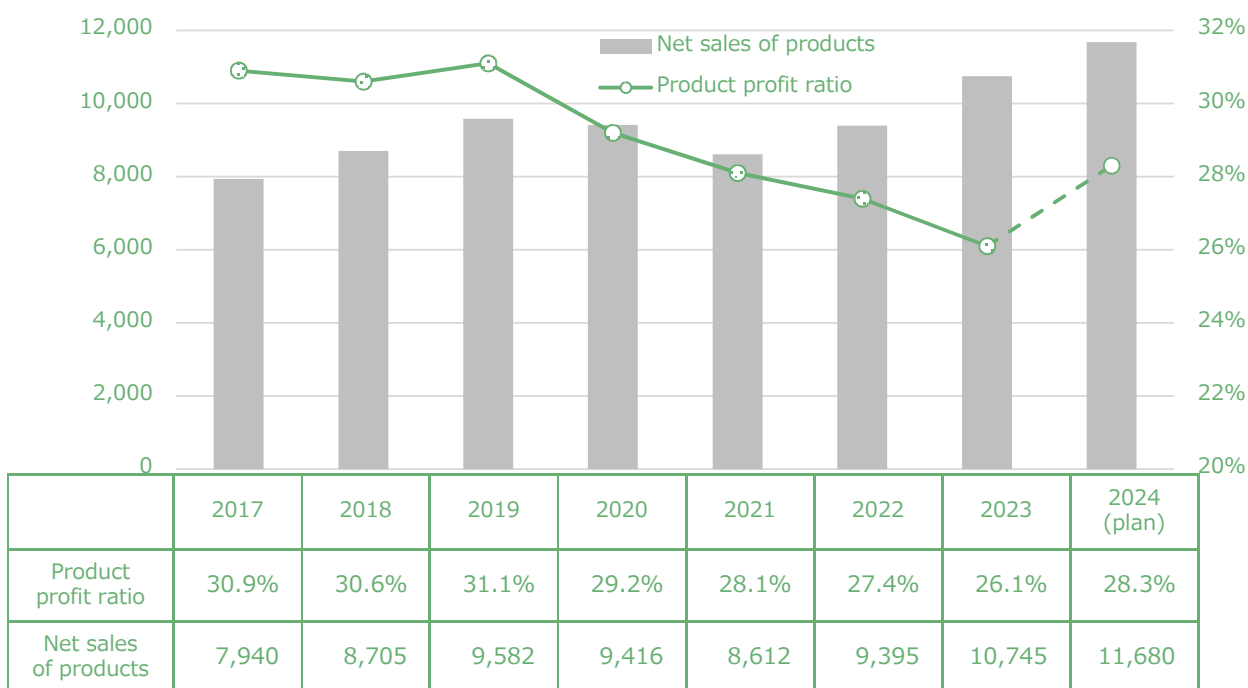
Pursuing the safety of products

The Company is a brace manufacturer that our factories has acquired JIS from the production of turn buckle bodies to turn buckle products.

Moreover, we are actively acquiring ISO (International Organization for Standardization) certification.

Changes in Product Profit Ratio(non-consolidated)

(million yen)



■ Initiative to improve productivity

In April 2019, we newly started operating No. 2 Factory on the premises of our Shiga Factory (Hino-cho, Gamou-gun, Shiga).
To improve productivity, we will actively

introduce labor saving solutions and optimize the manufacturing process, including digital transformation of production and process management and utilization of robotics. ▶ P53

■ Towards the provision of highly value-added products

In August 2014, we made CHUOH GIKEN Co., Ltd. a consolidated subsidiary. The company is actively developing manufacturing lines in our factories. Furthermore, in January 2019, we established "Mechatro Laboratory" within our organization by purchasing business from Mechatro Engineering Co., Ltd. The Laboratory aims to utilize image processing technologies for manufacturing lines. Furthermore, KURIYAMA

ALUMINUM Co., Ltd., which became a consolidated subsidiary in October 2021, is conducting manufacturing development of aluminum extrusions that are garnering attention from the construction industry as a lightweight material. We strive to improve productivity of our products by utilizing the know-how of each Group company and provide high value-added products using excellent technologies. ▶ P50,53

Business areas of the group Company manufacturing-related organization

| | |
|-----------------------------|---|
| CHUOH GIKEN Co., Ltd. | Design and manufacture of various machine devices, labor-saving equipment and transport, including industrial machinery and electronic parts for automobiles and household appliances |
| Mechatro Laboratory | Design and manufacturing of labor-saving, image processing equipment, various inspection equipment, and inspection tools |
| KURIYAMA ALUMINUM Co., Ltd. | Development and manufacture of aluminum extrusions |

Image processing equipment (Mechatro Laboratory)



We propose for the development image to customers and develop equipment.

Factory of KURIYAMA ALUMINUM Co., Ltd.



Development and manufacture



Top Message



Contributing to the development of social infrastructure Becoming a company with a powerful presence

**President and Representative Director
Katsuhiko Kondo**

■ Pursuing added value and contributing to the development of social infrastructure

Our Company celebrated the 75th anniversary of our founding in 2022. In 2023, we marked the 70th anniversary of our establishment since organization into a stock company. I would like to express my sincere gratitude to our customers, suppliers, employees, shareholders, and other stakeholders for their support. From our start as a manufacturer of metal fittings for ships and rigging, we have expanded our business domains by selling these products to the construction and civil engineering industries. In recent years, we have broadened our activities into fields including electrical materials, railways, agriculture, forestry, and indirect materials for factories, always evolving to meet customers' needs amid changing times.

Problems emerge in line with those ever-changing times, even under the recent subsiding of the COVID-19 pandemic and the ramping up of economic activity. Depletion of materials continues

to drive up prices, and the supply of workers is also becoming exhausted as job offers increase rapidly. As the low cost-based strategies of the past fade away, I believe that a time has come in which we need to consider how we can provide goods and services with high added value. In such times, acting under our corporate philosophy of "We strive to contribute to the creation of an affluent society by nurturing our employees, who would shape the future, and by conducting corporate activities with innovative and pioneering way," we will work to enhance human capabilities through investments in employees, make efforts in the development of new products, provide products and merchandise that pursue added value, and enhance our services in the maintenance/repair field, so that we can contribute to the development of social infrastructure and grow to become a company with a powerful presence.

■ Making the resolution of social issues our business

As labor shortages deepen at construction and civil engineering work sites, workers are aging and the employment rate of women is rising. The growing need for lighter materials at these work sites represents new demand that we intend to meet. Our manufacturing division reviewed scaffolding chains, the main product we handle, beginning with the materials used, and achieved weight reductions of up to 27%. The division also reduced the number of construction bolts, bringing the weight of individual boxes to less than 20kg.

As another initiative on this theme of weight reduction, in October 2021 our Company acquired KURIYAMA ALUMINUM CO., LTD., a manufacturer of aluminum extrusions that can reduce weight. While many of the products we handle are made of steel, aluminum offers a number of advantages including a weight about one-third that of steel, ease of processing, and resistance to rust. In

2022, KURIYAMA ALUMINUM began sales of Alpaca, an aluminum square-shaped pipe for use as a building material. In these ways, we are undertaking the enhancement of our medium- to long-term corporate value by broadening the possibilities for aluminum products in our mainstay field of construction.

In 2023, we developed HI TEN CONBRACE, a labor-saving product that is easier to install than conventional angle braces.

The world is now drawing toward wind power generation as a source of renewable energy. Offshore wind power generation that makes use of vast sea areas is seen as promising in Japan. Our company, too, intends to focus on expanding our business in this field, handling materials for offshore wind power generation and expanding our lineup of products and merchandise for renewable energy facilities.

■ Initiatives for Net Sales of 100 Billion Yen

Growth strategy

As for growth strategies, the Company has organic growth as strategies for existing businesses and periphery-strengthening growth those other than the existing businesses.

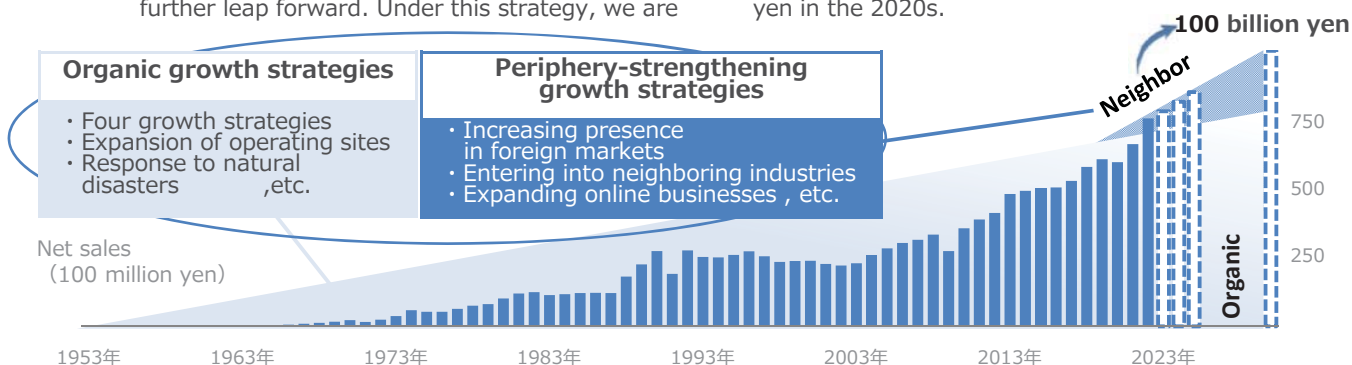
Organic growth is the strategy that has established KONDOTEC's earnings to date, while the Company has developed its businesses with the strength of responding flexibly to changes of the time, while broadening the scope of our business.

Periphery-strengthening growth is the strategy that is a possible new earnings driver, aiming for a further leap forward. Under this strategy, we are

engaged in expanding businesses looking for a further leap forward without being constrained by the framework of our organic growth.

Based on our Medium-term Management Plan (P 26), we are actively making growth investments with capital efficiency in mind and a ROE of 10% or more as our goal.

Going forward, we will continue improving sensitivity to the needs of society, while differentiating ourselves from other companies by implementing the above growth strategies, including M&As, aiming for net sales of 100 billion yen in the 2020s.



Initiatives Going Forward

-Further expansion of our existing business domains-

The construction market can be broadly separated into architecture and civil engineering. While our main field at present is the architecture field, we will build a business foundation by which our business fields strike a good balance between the relatively short-span construction field and the long-span civil engineering field. Turn buckle braces and other construction materials, products mainly handled by our Structural Steel Materials division, are auxiliary materials, a category said to account for about 10% of the steel materials used in steel-frame buildings. We plan to approach remaining untapped areas to further expand our domains of business.

-Creating synergies in scaffolding construction-

For some time, our Company has engaged in sales of temporary scaffolding materials. However, as new construction demand slackens amid the declining birthrate of recent years, we are entering an era in which aging facilities are used under skilled maintenance. Our focus is on demand for

scaffolding, the first thing needed at such work sites. Our Group companies involved in scaffolding construction work, brought into the Group through M&A, have expertise in differing areas, such as low-rise buildings, medium-to-high-rise buildings, bridges, and civil engineering. With Nippon Scaffolding Holdings Co., Ltd., which we established in April 2021, at the core, we have built a structure that allows us to cover wide-ranging areas of scaffolding construction work by sharing the know-how of the individual companies.

-Promotion of DX-

At KONDOTEC, we believe digital technologies serve as the key element to our everlasting growth. With our DX Promotion Project Team as the point of origin, we seek to fuse digital technologies with our know-how in areas such as development using digital technology and the use of the IoT in manufacturing divisions, to build new business models closely aligned with our customers.

TOPICS Promotion of digital transformation(DX)

In order to actively promote DX, we established the DX Promotion Project Team and began considering rolling out new businesses in 2019. As a specific initiative for DX, we introduced Salesforce in 2021 to internally store and share know-how acquired through our sales activities, which enabled prompt proposal of solutions and response tailored to customer needs. In addition to operating "Tsurikata," a lifting equipment inspection site that lets users manage products

via smartphone, we are advancing the use of the IoT in manufacturing divisions. By promoting DX, we hope to deliver attractive products, merchandise and services to our customers to further promote our brand as the first choice for our customers, applying digital technologies to expand revenue earning opportunities, while also improving business processes and productivity.

KONDOTEC

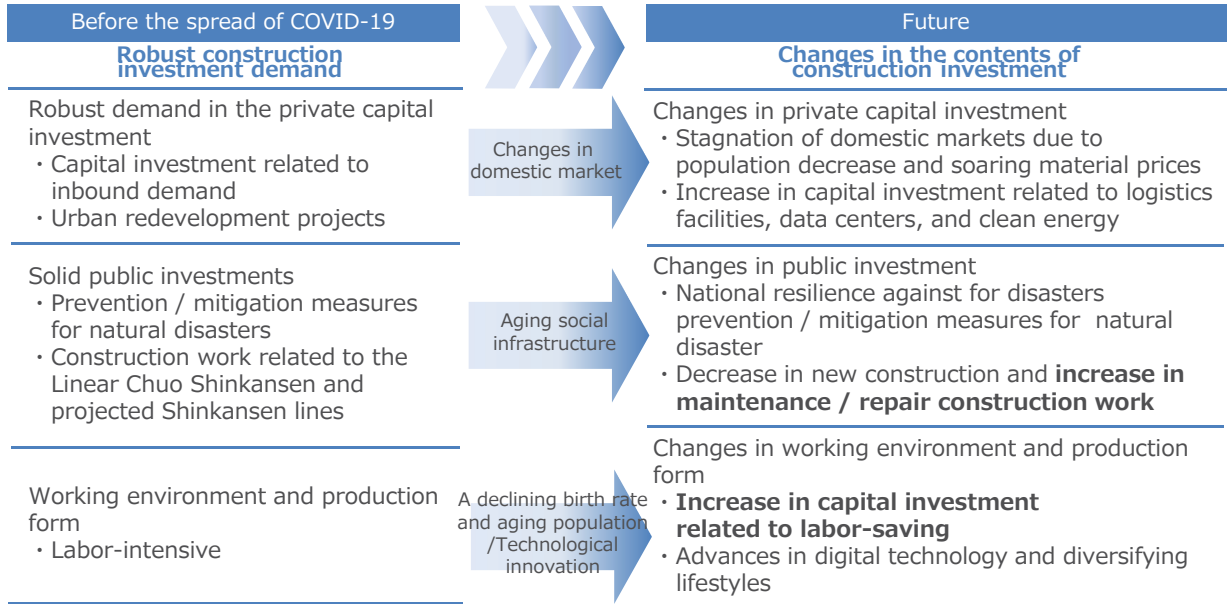
VISION

Growth strategy of
KONDOTEC

Medium-term Management Plan

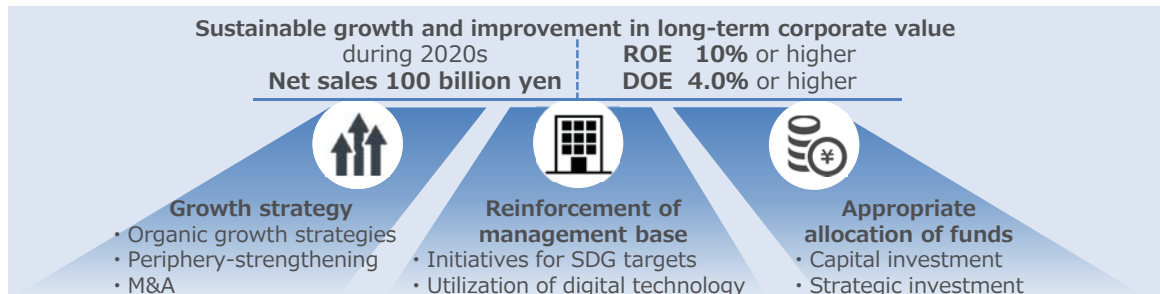
■ Recognition of the Business Environment

Before the COVID-19 pandemic hit, capital investment related to inbound demand and urban redevelopment projects had continued. We expect that there will be changes in the makeup of construction investment due to the shift to new industrial structures and business models and the increase of attention to sustainable development with change in social values.



■ Basic Policy

We will strive for sustainable growth and improvement in long-term corporate value, while responding to changes in the business environment, by strengthening our management base and promoting growth strategies through appropriate allocation of funds.



■ Financial Target

《Long-term Target》

During 2020s Net sales(Consolidated) 100 billion yen

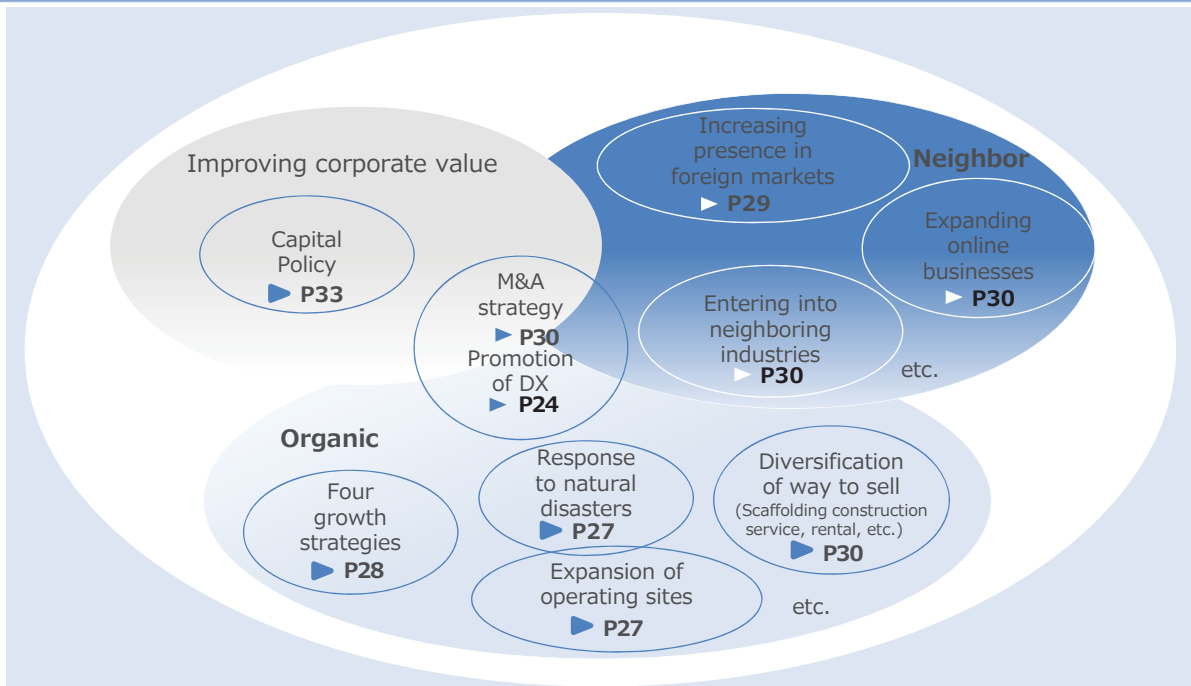
《Medium-term Target》 We will aim to achieve increase in net sales and income by financial target based on the existing sales structure

| Consolidated target (million yen) | 2023 (Actual) | 2024 (Plan) | 2025 (Plan) | 2026 (Plan) |
|---|---------------|-------------|-------------|-------------|
| Net sales | 75,447 | 78,000 | 81,500 | 85,000 |
| Operating income | 4,355 | 4,500 | 4,650 | 4,800 |
| Ordinary income | 4,563 | 4,700 | 4,800 | 5,000 |
| Profit attributable to owners of parent | 2,414 | 2,900 | 3,000 | 3,150 |

*The Medium-term Management Plan adopts the rolling method which responds to changes in the business environment while verifying the outcome and issues every year in an effort to realize the mid-to-long vision.

Growth Strategy

Basic structure



Existing business strategies (organic growth strategies)

■ Expansion of operating sites

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

Risks

If the intensified price competition continues with competitors in the local market of each operating site, it may significantly affect earnings.

* Response to the risks
P10 ▶ Strength in sales methods



Gunma office

■ Response to natural disasters

Our products and merchandise support recovery/restoration efforts from disasters and are in demand in the event of abnormal weather conditions, such as extremely heavy rainfall everywhere. All operating sites have inventories and maintain a structure across Japan that enables us to immediately respond to such urgent demand for products and merchandise and carry out our responsibility to supply. ▶ P57

Risks

With many applicable merchandise being imported ones, securing merchandise may become difficult due to unexpected events such as changes in overseas economic situations, including China. In addition, substantial changes in foreign exchange markets may significantly affect earnings and financial position.

* Response to the risks
P10 ▶ Strength in procurement

One of merchandise for natural disasters
Tarpaulins (Left)
Flexible container bags (Right)



■ Four growth strategies

KONDOTEC is taking the following four initiatives toward expanding orders.

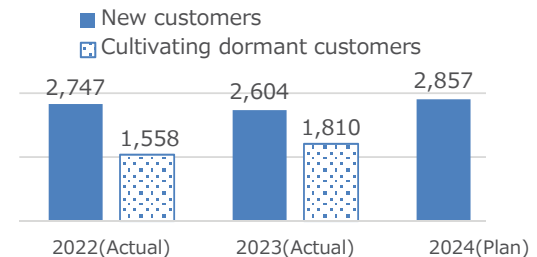
① Cultivation of new customers

KONDOTEC achieves a monthly average of one new customer per sales representative and a yearly average of 1,500 new customers as a company.

In addition, we exploit a yearly average of 10 dormant customers per sales representative and these activities form the source for 20,000 sales customers.

P10 ▶ Strength in customers

Net sales (million yen)



② Offer of new products and merchandise

For the purpose of developing new merchandise, joint New Products and Merchandise Committee meetings are held between the sales division and the manufacturing division periodically to discuss requests from customers and proposals for improvement. As one example, we began selling products with a focus on weight reduction, including lightweight forging hooks "LS Hook" (manufactured at our Kyushu Factory) in 2021 and aluminum square-shaped pipes "Alpaca"

(manufactured by KURIYAMA ALUMINUM) in 2022.

We will continue to develop and cultivate products and merchandise with even higher added value in order to offer such products and merchandise.



③ Adoption of flexible sales methods

KONDOTEC not only sells merchandise but also maintains a structure to enable the undertaking of anchor construction by having construction managing engineers and acquiring a construction business license. By becoming involved in the initial phase of a construction project, we are able to acquire information on necessary construction materials ahead of others and make use of such information on sales activities. Furthermore, we also issue product catalogs specific to certain sectors and customers, such as those on lifting equipment, emergency supplies,

in addition to the general product catalog containing products and merchandise with high customer needs.



Catalog of lifting equipment



Catalog of emergency supplies

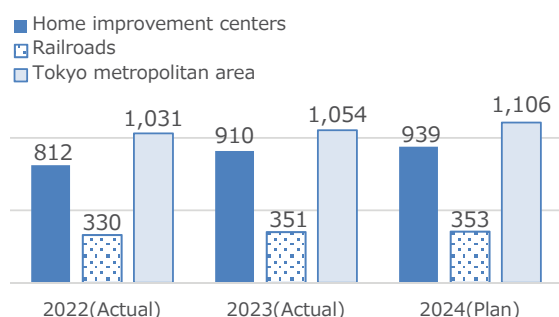
④ Cultivation of distribution routes

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 have also established an E-commerce Group within our organization, making approaches to new customer base through online sales of a broad selection of the products and merchandise we handle.

Further, 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.

Net sales (million yen)



Risks

- Price competition

If price competition with competitors continues to intensify in each of the product markets and local markets to which the Group belongs and it becomes difficult to maintain fair prices, this may have a significant impact on the operating performance and financial position of the

KONDOTEC Group.

- Credit risk of customers

If bad debt expenses arise due to the bankruptcy of a customer, this may have an impact on operating performance and financial position of the KONDOTEC Group.

P10 ▶ Strength in customers

Initiatives for enhancing activities in non-existing business (Periphery-strengthening growth strategies)

■ Increasing presence in foreign markets

Based on our view that increasing presence in foreign markets where growth is expected will contribute to enhancing our earnings 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 substantially made the company our fully-owned subsidiary. Currently, we are moving ahead with activities to expand our business in ASEAN countries with Thailand as our base location. Going forward, 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.

Risks

Problems in pursuing business due to unexpected events may occur, including changes in political, laws and regulations, as well as economic turmoil in countries such as China and Thailand.

Moreover, a substantial change in foreign exchange markets may affect earnings and the financial position of the KONDOTEC group.

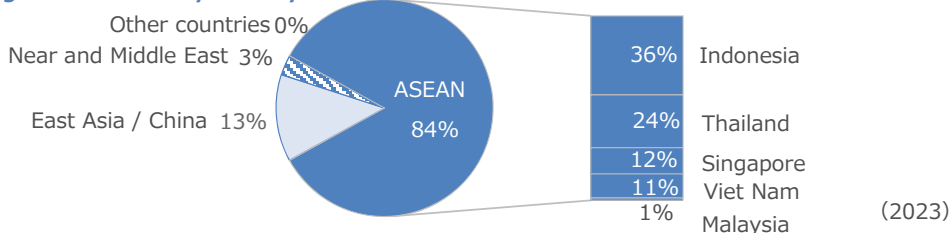
P10 ▶ Strength in customers

KONDOTEC INC. and overseas expansion

While the planned figure for net sales from overseas business in the year ending March 31, 2024 is 416 million yen (total for International Sales Division and subsidiary in Thailand), our export business was active prior to the Plaza Accord in 1985 and handled exports worth approximately 2,000 million yen. However, given

the currency crisis in 1997, when Asian currencies slumped, the export business became difficult and we shifted from export to import. Subsequently, we established a dozen OEM plants in China to establish a structure that is not affected by the yen's appreciation and resumed exports around 2006.

Percentage of Net Sales by country

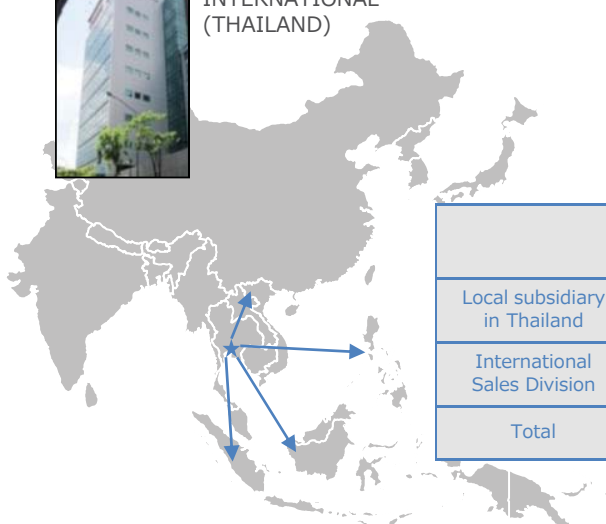


Subsidiary in Thailand

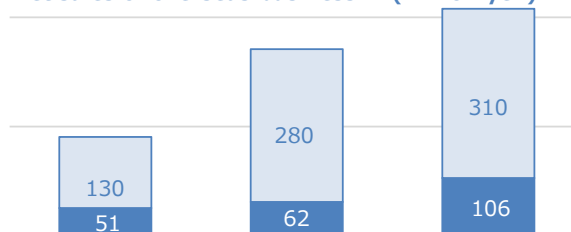
| | |
|------------------|---|
| Company name | KONDOTEC INTERNATIONAL(THAILAND) CO.,LTD. |
| Location | Bangkok, Thailand |
| Date established | November 1, 2012 |
| Paid-in capital | 102 million baht (approximately 316 million yen) |
| Business areas | Import, export and local sale of industrial materials,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



KONDOTEC INTERNATIONAL (THAILAND)



Net sales of overseas business (million yen)



| | 2022 (Actual) | 2023 (Actual) | 2024 (Plan) |
|------------------------------|---------------|---------------|-------------|
| Local subsidiary in Thailand | 130 | 280 | 310 |
| International Sales Division | 51 | 62 | 106 |
| Total | 181 | 342 | 416 |

*Amounts of inter-company transactions are not included.

Toward accelerating the growth of the present's KONDOTEC (Organic) and the future's KONDOTEC (Periphery-strengthening)

■ M&A strategy

We view that pursuing corporate acquisitions and capital/business tie-ups is an important strategy to strengthen our business platform. We actively review potential acquisition and tie-up opportunities by analyzing and discussing the growth potential of the relevant business, while taking capital cost into consideration. From 2019 to 2021, we have acquired three companies engaged in the scaffolding construction to strengthen the maintenance/repair field, aiming to expand businesses in the maintenance/repair field, and in 2021 we have acquired KURIYAMA ALUMINUM Co., Ltd., which is involved in the manufacturing and development of aluminum extrusions in response to the demand for light weight.

Going forward, we will continue endeavoring to improve medium to long term corporate value taking into account M&A strategies for growth by periphery-strengthening, such as entering into neighboring industries and expanding online business. ▶ P50, P53

Risks

Although we carefully consider the financial standing and business plans of targets for M&As when conducting M&As, a substantial change in economic conditions or business circumstances may result in an impairment loss on fixed assets, or otherwise have a serious impact on the earnings and the financial position of the KONDOTEC Group.

Four perspectives 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 Denzai Co., Ltd.
KURIYAMA ALUMINUM Co., Ltd.

② Deepening the business

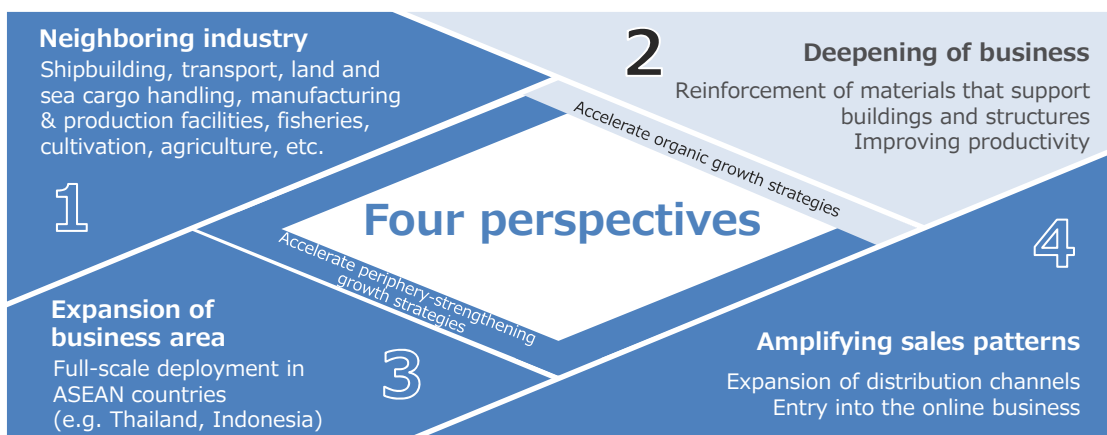
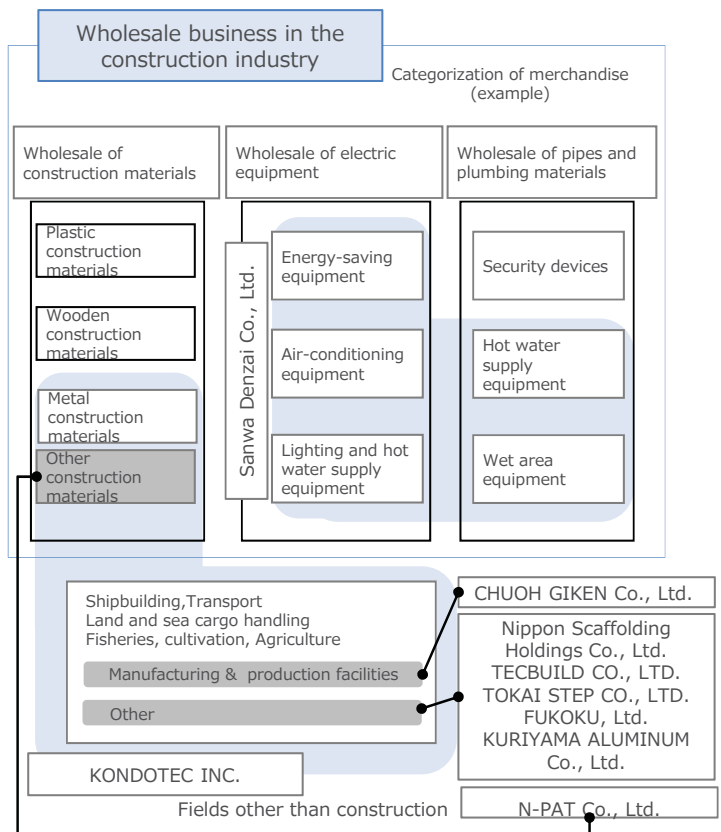
Pursue M&A with material manufacturers, etc.
Actual case: CHUOH GIKEN Co., Ltd.
TECBUILD CO., LTD.
TOKAI STEP CO., LTD.
FUKOKU, Ltd.

③ Expansion of business area

Pursue M&A with companies that maintain overseas sites to promote business area expansion

④ Amplifying sales patterns

Pursue M&A with companies that operates different sales patterns from those of KONDOTEC, such as retail, catalog-based selling, and online sales.



Financial Strategies

■ Improving corporate value and financial strategies

To improve corporate value, the Company considers it necessary to improve profitability, improve capital efficiency and optimize finance. In particular, we place importance on dividend policy and appropriate allocation of funds to optimize finance.

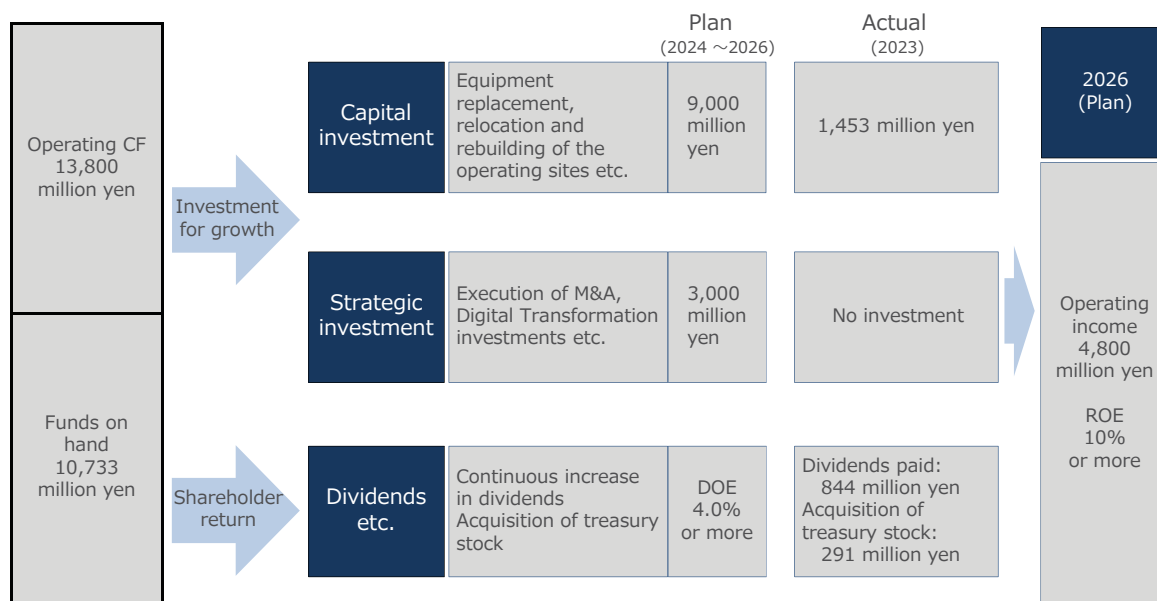
In terms of dividend policy, while fully taking into account both consolidated operating results and the consolidated dividend payout ratio, we have the basic policy of distributing dividends to shareholders continuously and increasingly, targeting a dividend on equity (DOE) ratio of 4.0% or more. The Company has never reduced dividends since our listing. While we could have reduced dividends at the time of the Lehman Shock, since our profit was stable, we decided not to reduce but to distribute dividends continuously, using DOE as the indicator.

Please refer to Figure 1 for the allocation of funds. We make growth investments while being conscious of capital costs as well as stable shareholder returns, aiming to maintain highly efficient capital.

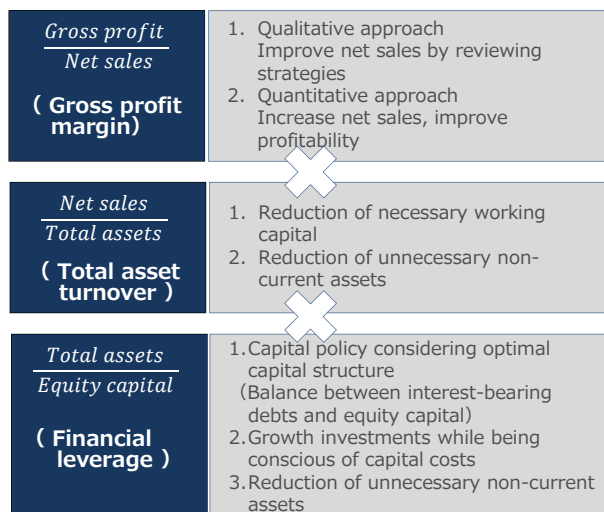
For the improvement of capital efficiency, the Company places importance on capital costs, which are targeted at 5.8% for the year ending March 31, 2024.

As a result of these initiatives, an improvement in ROE will be required. Accordingly, we aim for an ROE of 10% or more as the capital efficiency target, aiming to improve ROE from the perspective of Figure 2, which structurally breaks down ROE.

(Figure 1 : Kondotec’s Process of allocation of funds)



(Figure 2 : Initiatives based on structural breaking down of ROE)



■ Message from Director in charge of Finance



Hiroyuki Yada
**Senior Executive Director and General Manager of Management Headquarters,
Manager of General Affairs Division and Manager of Business Strategy
Department of the Company**

He joined the Company in 1985. He served as Manager of Yokohama Branch in 2006, Executive Officer, Manager of Delivery Division in 2011, Executive Officer, Manager of Western Japan Sales Division in 2013, Director, Manager of Western Japan Sales Division in 2016, Director, General Manager of Sales Headquarters, Manager of Western Japan Sales Division and Manager of Business Strategy Department in 2019, Executive Director, General Manager of Sales Headquarters, Manager of Western Japan Sales Division and Manager of Business Strategy Department in 2020 of the Company before assuming his current position.

He engages in management by which he integrates sales measures and financial strategies through a thorough understanding of the front lines of sales work.

Management with enhancement of profitability and shareholder returns in mind

We have set an ROE target of 10% as a targeted financial indicator, and have pursued management with return on invested capital in mind. Accordingly, every fiscal year we conduct a review of our weighted average cost of capital (WACC). When examining new investments, we set return on the investment in excess of our WACC as one of our investment criteria guidelines.

Due in part to the COVID-19 pandemic and soaring costs of resources and raw materials, our most recent ROE has fallen short of our target. However, as noted on p. 31, we aim to achieve our target through capital investments including the opening of new operating sites and the relocation and expansion of sites for which capacity has not changed despite a doubling of sales, as well as through strategic investments that include M&A and promotion of DX in areas where future growth is expected.

Looking at M&A in particular, since 2019 we have brought three scaffolding construction work-related companies into the Group with an eye toward repair and renovation demand, and have brought an aluminum product manufacturer into the Group with an eye toward weight reduction and recyclability. We continue to conduct studies of M&A when appropriate, as a pillar of our growth strategy.

In the area of DX investment, our sales division has adopted Sales Force Automation (SFA) tools and has demonstrated achievements in rapid sharing of information, enhanced customer service, and increased order rate.

Efficient management under a unified Group

We have begun rebuilding our head office building, with completion planned for the summer of 2025. Although the current building has a history of over 50 years, it is undeniably behind the times in terms of contemporary accessibility measures and environmental measures. We want to create a workplace where diverse talent can work, including people with disabilities, and where employee engagement is enhanced.

Another key financial indicator is the consolidated dividend on equity (DOE) ratio, which expresses the degree of shareholder returns. For the fiscal year ending March 31, 2024, we have raised our DOE target from 2.5% or higher to 4.0% or higher.

Our dividend policy has always been continuous increase in dividends without reductions. To further strengthen our return of profit to shareholders by raising our dividend level, we have raised our target following comprehensive consideration of medium- to long-term business performance and capital efficiency. As the level of employee participation in the shareholders association is high in our Company, our DOE-conscious management also looks at the enhancement of employee incentives and shoulders the role of thinking from the perspective of shareholders and boosting awareness of our stock price.

Under the above basic policy, we plan to raise our dividend forecast for the fiscal year ending March 31, 2024 by 6 yen to 40 yen.

Looking ahead, we will strive for management with enhancement of profitability and of shareholder returns in mind, and with capital investment, strategic investment, and continuous increase in dividend at the core of our process of allocation of funds. Doing so, we seek to be a company that is held in high regard by our stakeholders.

▶ P31, P33, P34

The new building will also have the purpose of consolidating the bases of our Group companies located in Osaka. Bringing Group companies together into one place will enable closer communication and faster decision-making, which we expect will yield further synergies. Working together as a Group, we will carry out efficient and daring strategies and will strive to continuously enhance our corporate value.

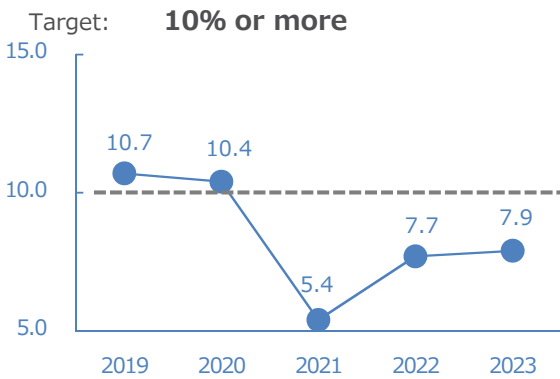
Improving corporate value

■ Capital policy

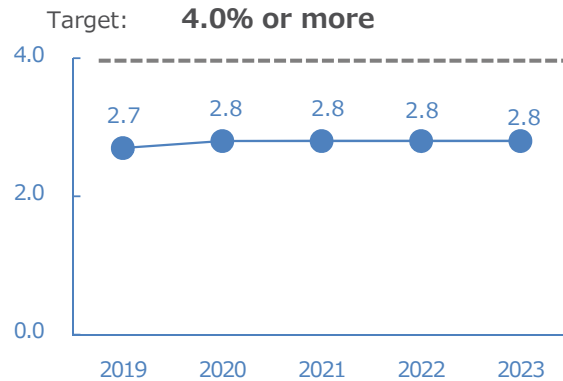
Our capital policy stands on two key components; capital efficiency target and shareholder return target. We set the capital efficiency target by using ROE, an index that reflects the efficiency of capital investment in pursuit of business expansion, in an effort to promote creation of corporate value. Moreover, capital cost based on actual figures in the fiscal year ended March 31, 2023 is set at 5.8%; we

are also paying attention to exceed this capital cost. Meanwhile, the shareholder return target is set to determine dividends by means of DOE, an index that takes into account both consolidated operating results and the dividend payout ratio. And we have the basic policy of distributing dividends to shareholders continuously and increasingly.

Actual ROE (%)



Actual DOE (%)



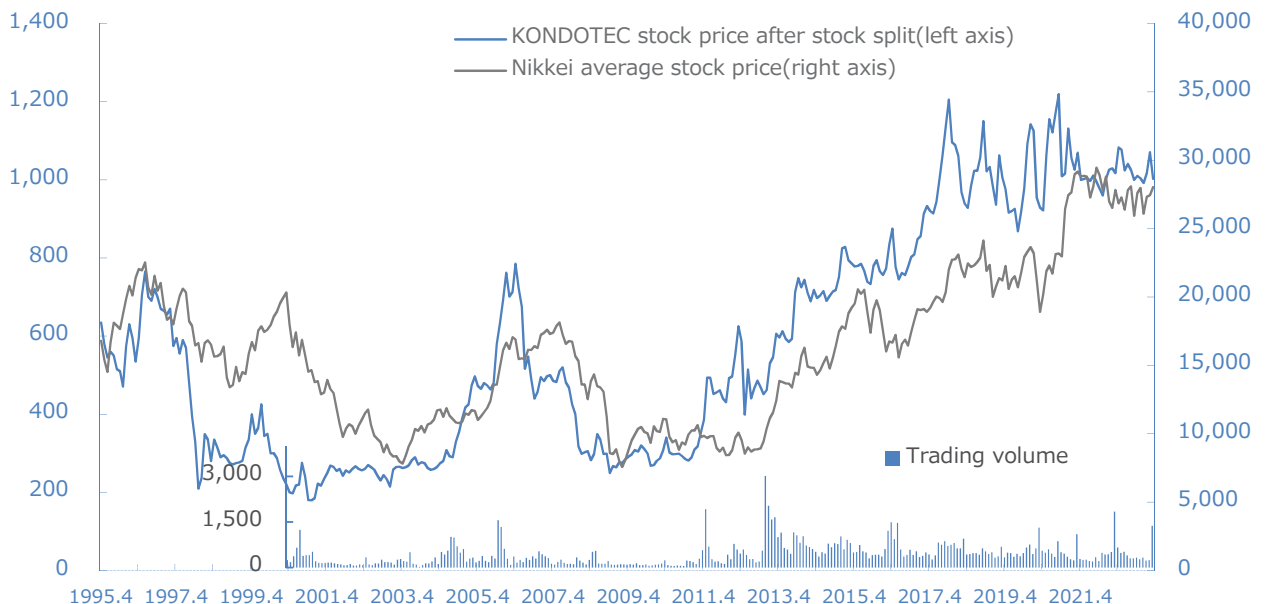
In addition to DOE target, we have a target ROE of 10% or more. As a result of increasing net assets, which are the bases to determine dividends by recording above a certain level of profits every fiscal year, we will be able to distribute dividends continuously and increase them constantly.

TOPICS Increase in our DOE target

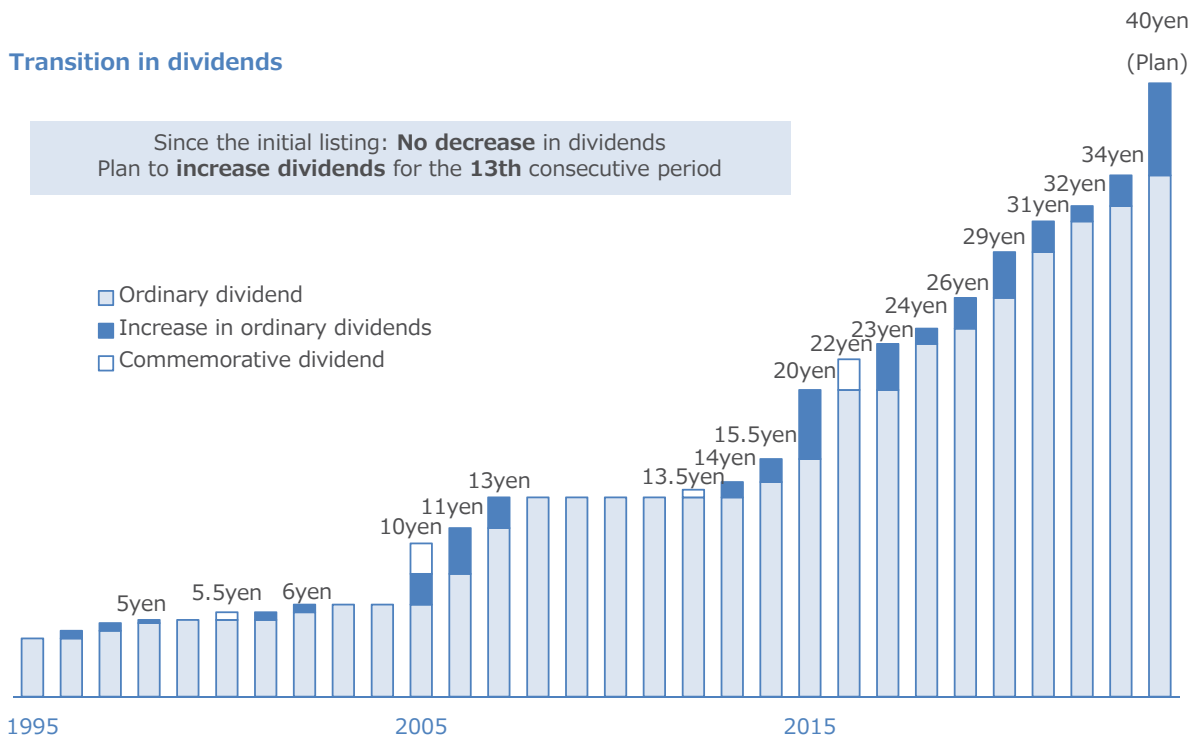
To increase our level of dividends and further strengthen the return of profits to shareholders, from the fiscal year ending March 31, 2024 we have raised our consolidated dividend on equity (DOE) ratio target from 2.5% or more to 4.0% or more, following comprehensive consideration of medium- to long-term business performance and capital efficiency. With both capital efficiency and shareholder returns in mind, we will continue working to enhance our corporate value.

Capital cost (Based on actual figures in 2023) **5.8%**

Transition of stock price (Yen)



Transition in dividends



■ Acquisition of Treasury Stocks

The Company acquires treasury stocks to implement flexible capital measures in response to changes in the management environment, and considers the cancellation of treasury stocks as necessary to increase shareholders' profit.

Recently, the Company has been acquiring treasury stock since January 2022 until July 2022.

Latest acquisition of Treasury Stocks

| | |
|---------------------------|--------------------------------------|
| Acquired number of shares | 859 thousand shares |
| Acquisition price | 899 million yen |
| Acquisition period | January 4, 2022 through July 7, 2022 |

■ Dividend yield

Calculated based on closing price on March 31, 2023, **1,002 yen**

| | |
|---|--------------|
| Dividend yield | 3.4% |
| Dividend yield including shareholder incentives | 4.0%~ |

■ Shareholder incentive plan

Reward points are awarded, which can be redeemed for food, electronics, travel, experiences, and more from around 4,000 merchandise from the shareholders-only website based on the number of points required.

Shareholder benefit criteria

The benefit is intended for shareholders who hold at least 5 units (500 shares) of the company's shares, listed or recorded in the shareholder registry as of the end of March each year.

| 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 |

* 1 point is worth 1 yen.

FINANCIAL

DATA

Financial Information

Consolidated Financial Highlights

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 |
|--|---------|----------|----------|----------|----------|-----------|
| ■ Results of Operations (million yen and Thousand U.S. dollars) | | | | | | |
| Net sales | ¥57,828 | ¥60,599 | ¥59,562 | ¥66,139 | ¥75,447 | \$565,025 |
| Ordinary income | 4,023 | 4,177 | 3,455 | 3,810 | 4,563 | 34,178 |
| Profit attributable to owners of parent | 2,748 | 2,875 | 1,561 | 2,284 | 2,414 | 18,082 |
| Capital investment | 981 | 917 | 1,097 | 1,694 | 1,453 | 10,888 |
| Depreciation | 404 | 697 | 897 | 1,091 | 1,134 | 8,499 |
| ※1 EBITDA | 4,425 | 4,916 | 3,783 | 5,095 | 5,482 | 41,059 |
| ■ Financial Position (million yen and Thousand U.S. dollars) | | | | | | |
| Total assets | ¥43,820 | ¥46,335 | ¥49,426 | ¥56,009 | ¥58,163 | \$435,583 |
| Net assets | 26,756 | 28,387 | 29,022 | 32,066 | 33,285 | 249,269 |
| Interest-bearing debt | 853 | 1,106 | 3,875 | 5,315 | 4,513 | 33,798 |
| ■ Cash Flows (million yen and Thousand U.S. dollars) | | | | | | |
| Cash flows from operating activities | ¥2,699 | ¥4,385 | ¥4,196 | ¥1,227 | ¥3,961 | \$29,669 |
| Cash flows from investing activities | (1,551) | (5,205) | (2,264) | (2,373) | (1,389) | (10,405) |
| Cash flows from financing activities | (915) | (992) | 1,060 | (22) | (2,025) | (15,167) |
| Cash and cash equivalents, end of year | 10,133 | 8,305 | 11,317 | 10,164 | 10,733 | 80,385 |
| ■ Per Share Information (Yen and U.S. dollars) | | | | | | |
| Profit attributable to owners of parent per share | ¥102.65 | ¥107.46 | ¥59.60 | ¥87.26 | ¥94.75 | \$0.70 |
| Net assets per share | 996.99 | 1,071.09 | 1,110.01 | 1,170.84 | 1,227.81 | 9.19 |
| Dividend per share | 26.00 | 29.00 | 31.00 | 32.00 | 34.00 | 0.25 |
| ■ Financial Indicators | | | | | | |
| Gross profit margin (%) | ¥21.6 | ¥22.4 | ¥22.8 | ¥22.3 | ¥21.5 | |
| Ordinary income margin (%) | 7.0 | 6.9 | 5.8 | 5.8 | 6.0 | |
| Profit attributable to owners of parent margin (%) | 4.8 | 4.7 | 2.6 | 3.5 | 3.2 | |
| ※2 Total asset turnover (%) | 139.1 | 134.4 | 124.4 | 125.5 | 132.2 | |
| ※3 Financial leverage (Times) | 1.6 | 1.6 | 1.7 | 1.9 | 1.9 | |
| ※4 ROE (%) | 10.7 | 10.4 | 5.4 | 7.7 | 7.9 | |
| ※5 ROA (%) | 6.6 | 6.4 | 3.3 | 4.3 | 4.2 | |
| ※6 Equity ratio (%) | 61.0 | 61.2 | 58.7 | 53.7 | 53.8 | |
| DOE (%) | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 | |
| ※7 Current ratio (%) | 200.9 | 181.1 | 167.6 | 157.6 | 165.3 | |
| ※8 D/E ratio (%) | 3.2 | 3.9 | 13.4 | 17.7 | 14.4 | |
| ※9 Fixed ratio (%) | 47.1 | 61.5 | 61.6 | 71.0 | 66.4 | |
| Ratio of retained earnings to total assets (%) | 53.3 | 55.0 | 53.1 | 48.0 | 49.0 | |
| ■ Stock Price Index | | | | | | |
| Stock closing price (Yen) | ¥1,006 | ¥929 | ¥1,069 | ¥1,017 | ¥1,002 | |
| Price earnings ratio (Times) | 9.8 | 8.6 | 17.9 | 11.7 | 10.6 | |

※1 EBITDA = Income before income taxes + Interest expenses + Depreciation + Amortization of goodwill
 ※2 Total asset turnover = Net sales / Total assets of average two years
 ※3 Financial leverage = Total assets / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※4 ROE = Profit attributable to owners of parent / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※5 ROA = Profit attributable to owners of parent / Total assets of average two years

※6 Equity ratio = (Net assets - Subscription rights to shares - Non-controlling interests) / Total assets
 ※7 Current ratio = Current assets / Current liabilities
 ※8 D/E ratio = Interest-bearing debt / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※9 Fixed ratio = Non-current assets / (Net assets - Subscription rights to shares - Non-controlling interests)

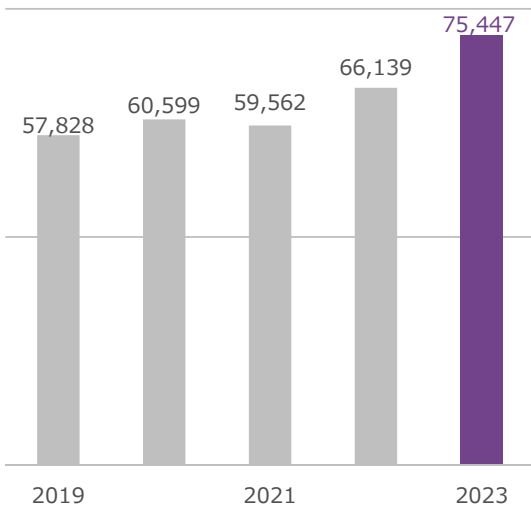
Consolidated Financial Performance

■ Net sales

75,447 million yen

14.1 % UP ↗

(million yen)

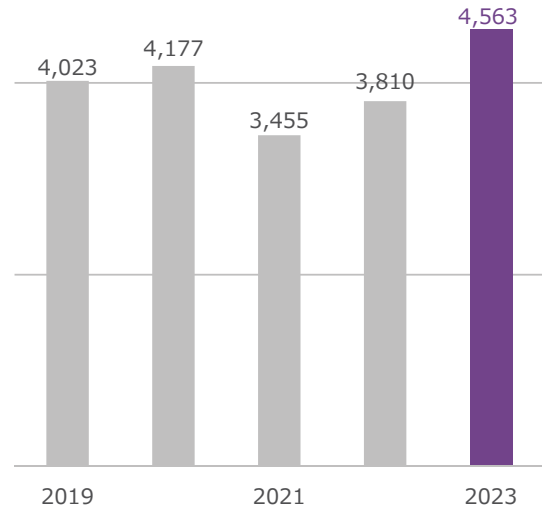


■ Ordinary income

4,563 million yen

19.8 % UP ↗

(million yen)

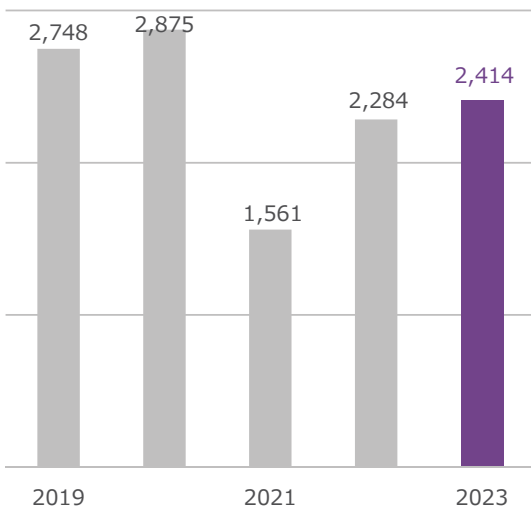


■ Profit attributable to owners of parent

2,414 million yen

5.7 % UP ↗

(million yen)

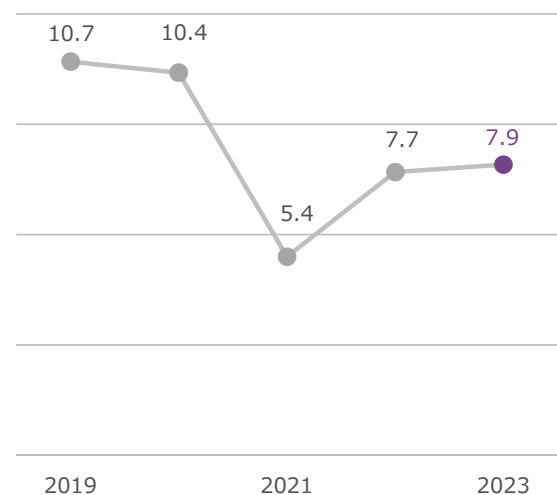


■ Return on Equity (ROE)

7.9 %

0.2 point UP ↗

(%)

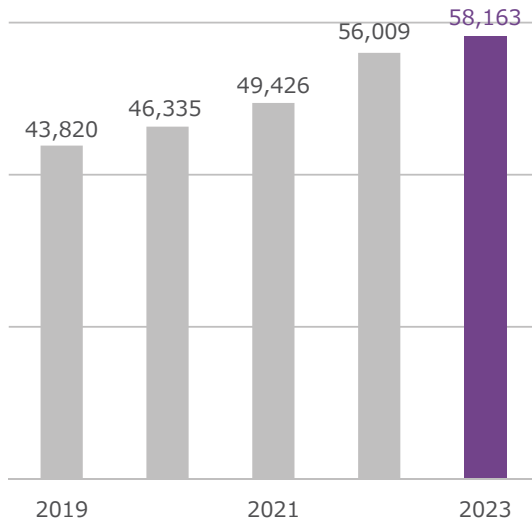


■ Total assets

58,163 million yen

3.8 % UP 

(million yen)

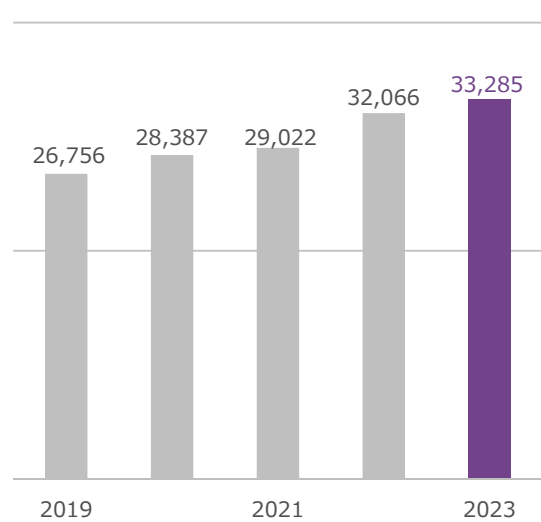


■ Net assets

33,285 million yen

3.8 % UP 

(million yen)

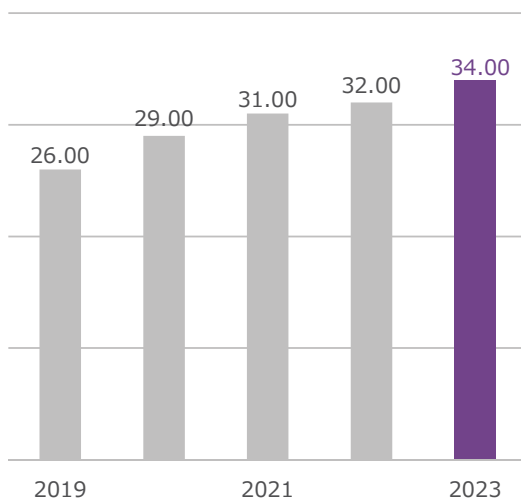


■ Dividend per share

34.00 yen

2 yen UP 

(Yen)

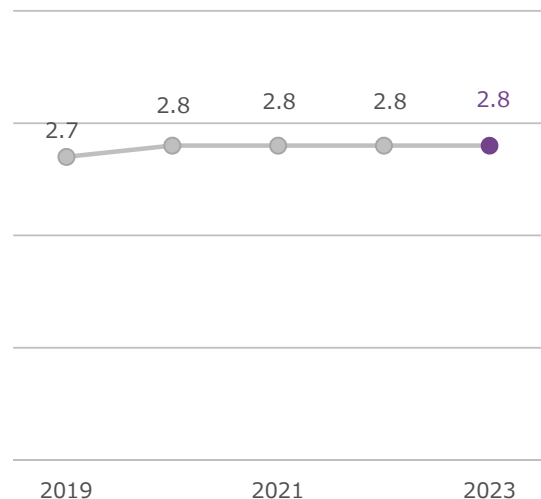


■ Dividend on Equity ratio (DOE)

2.8 %

0.0 point UP 

(%)



Environment
Social
Governance

Environment / Social / Governance

From the Establishment of Corporate Identity (CI) to ESG Basic Policy

The company which started as a private concern, changed its company name in 1989, almost 30 years ago. While it was a time when the concept of ESG has yet to be born, our corporate identity was established with the wish to “Be a company which continues to develop regardless of how society and the economy change, and which is indispensable for society.” The spirit remains the same today, and is inherited in the ESG Basic Policy.



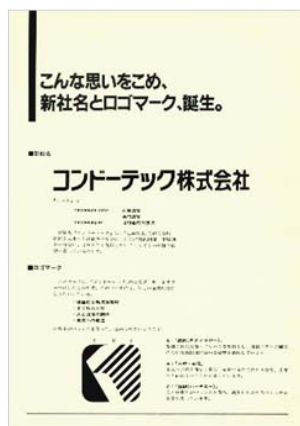
■ Logo

This logo uses the first letter of KONDOTEC “K” as the motif, implying the following meaning expressed in the corporate philosophy:

| | | |
|--|--|--|
| Proactive development of new technologies | | This shape of placing the foot firmly on the ground and aiming for further ascendance expresses our stance of striving to develop new technologies to establish our own brand based on the accumulated technologies and know-how. |
| Harmony of people and technologies | | This expresses a company that is formed from the balance and harmony between people and technologies. It also expresses the harmony and trust among employees, between companies and with surrounding local communities. |
| Excellent human resources and progress into the future | | The uprising vector expresses excellent human resources who make progress and grow continuously into the future. It expresses the movement of their strong aspiration working on proactive development of new technologies and leading to further development. |

■ Corporate Color [Deep green]

Green trees, the color of whose leaves in hills and fields keep deep green without change through four seasons and thus has been regarded as a “happy color” since ancient times. Their leaves of deep green create oxygen through photosynthesis benefiting the whole world. The Company has selected “deep green” as its corporate color because we also strongly wish to be a company that continues to develop regardless of how society and the economy change, and which is indispensable for society.



KONDO News・CI special issue (extra edition)














Example of CI used (mailed items, seals)



Company badge worn

ESG Basic Policy Outline (1)










The figure shows the targets to be achieved and their issues in each ESG area.
 In identifying the materiality of the Company, we considered the relationship with 17 SDGs goals to sort out materiality.

| | Materiality | | Relevant SDGs |
|-------------|--|---|--|
| Environment | (1) Provision of optimal products and merchandise for environmental measures | Products and merchandise handled by the Company (Presentation of environment related products and merchandise) |    |
| | (2) Business activities paying attention to the environment | Initiatives for environmental protection and energy-saving |    |
| | | Management of emissions (material balance) | |
| Social | (1) Product liability and quality assurance | Quality control of products and merchandise |   |
| | | Stance for security and safety | |
| | (2) Procurement and provision of high-value-added products, merchandise and services | Provision of better products, merchandise and services for customers |    |

We will solve the issues of each materiality in management going forward to realize a sustainable society.

| Current specific initiatives | Future issues |
|--|---|
| Expansion of the handling of environment related merchandise Sale of LED/solar power related merchandise | Utilization of ISO26000 Manufacturing of products with further due consideration to the environment New product and merchandise development for renewable energy facilities Increased number of product sales related to environment |
| Identify risks and opportunities related to climate change Implementation of energy-saving measures (switch to LED lighting, achieving 10% cut in power usage) Installation of solar power generation Information dissemination on internal and external environment Acquisition of ISO14001 at Sapporo Factory, Kanto Factory, Shiga Factory and Kyushu Factory Introduction of EVs into our Head Office Switch to renewable energy sources to supply power to Head Office facilities | Support of the TCFD, development of more specific strategy Promotion of lighting equipment switch works at operating sites which have not switched to LED lighting Purchase of environment-friendly items for office supplies Budgeting of expenses for environmental measures |
| Management of factory drainage Inspect and review the oil separation tub as necessary for appropriate storage and disposal of used oil in the factory Implementation of self-inspection on water distribution and land oil by a specialized organization Confirmed the figures which met the criteria | |
| Replacement of the transformer at the Kyushu Factory with high-efficiency transformers | Replacement of equipment (measures against deterioration and decay) |
| Reduce transportation costs and greenhouse gases emissions by deploying 4 factories across the country | Strengthening logistics facility functions CO ₂ emissions calculation during upstream and downstream transportation. |
| Reduce transportation costs, greenhouse gases emissions and realize quick deliveries with each operating site having inventories | |
| Participation in environmental conservation activities (Implementation of cool/warm biz, Implementation of forest preservation activities and cleaning activities, Participation in "Fun to Share") Adoption of online fax service Use of plant ink for business reports (shareholder letters) | Participation in environmental conservation activities in each region |
| Reuse of wooden pallets | |
| Submission of the regular report to the Ministry of Economy, Trade and Industry every year | Establishment of specific reduction plan of greenhouse gases emissions (environmental vision) Introduction of EMS |
| Compliance with JIS, Ministry certifications, and other industry standards Establishment of the Department to have the audit function, for quality assurance of in-house manufactured products including standardized products and others Implementation of quality inspection by various inspection organizations Establishment of the Quality Management Section in our factories Sale of highly safe products and merchandise | Continuous provision of products and merchandise with high market value Increase and securing of personnel who can do marketing of technologies based on accurate knowledge |
| Improvement of production capacity and product development technologies by utilizing CHUOH GIKEN Co., Ltd. and Mechatro Laboratory Meeting on complaints, information sharing | Increase in initiatives for labor-saving and flexible manpower line |
| Implementation of study groups for customers, education of personnel who can handle products based on accurate knowledge regardless of inside or outside of the Company | |
| Clear description in catalogues of usage methods, points to note and disposal standards | Promoting merchandise management using the "Tsurikata" inspection site for lifting equipment |
| Introduction of internal training and the lifting equipment advisor system | Increase in the lifting equipment advisor who passed Promotion of seminar on lifting equipment held outside the Company |
| Provision of a broad range of products and merchandise aiding in robust infrastructure development required for social activities (handling about 50,000 items) Realization of low prices and short delivery times for products and merchandise, including JIS-certified products Provision of products and merchandise to diverse industries responding to the times and needs of customers (Development of new merchandise and merchandise to be imported by the New Merchandise Committee) | |
| Cultivation of suppliers which offer lower prices (including OEM and imports), scale merits by purchasing together by a unit of containers | Development of systems to ensure quality as well Strengthening of China Plus One initiatives |
| Expansion business in the maintenance/repair field mainly by Nippon Scaffolding Holdings Co., Ltd., TECBUILD CO., LTD., TOKAI STEP CO. LTD and FUKOKU, Ltd. Expansion of aluminum product sales via KURIYAMA ALUMINIUM Co., Ltd. | Provision of products, merchandise, and services created with synergies among KONDOTEC and group companies |
| Productivity improvement through exhaustive process management Production innovation through capital investment in Factories | Deployment to all factories |

ESG Basic Policy Outline (2)

| | Materiality | | Relevant SDGs |
|------------------------|--|---|---|
| Social | (3)Communication with stakeholders | Engagement with stakeholders |   |
| | (4)Appropriate information disclosure and security | Stance for information disclosure |   |
| | | Information security measures | |
| | | (5)Co-existence with local communities | |
| | (6)Safety measures and work style reform | Risk control for disasters and others |   |
| | | For employees' health, safety and hygiene | |
| | (7)Human resources development and diversity | Policy on human resources development |   |
| | | Diversity |  |
| | | Employee benefits | |
| | Governance | (1)Strengthening of corporate governance | Corporate governance |
| (2)Thorough compliance | | Compliance Basic Policy | |

| Current specific initiatives | Future issues |
|--|---|
| Participation in IR events for individual investors Running advertisements in stations to boost name recognition | Consideration of increase in exposure to various media such as newspapers and commercials |
| Implementation of IR meetings with institutional investors Holding of briefings for institutional investors Implementation of acquisition of treasury stocks | Increase in the IR meetings |
| Preparation of the notice of General meeting of shareholders in English Preparation of the integrated report in English Implementation of IR meetings with overseas investors | Enhancement of IR documents in English Development of personnel who are fluent in English |
| Adoption of a system allowing the exercise of voting rights over the Internet, or through other electromagnetic means Use of universal design font for deliveries to shareholders (for easy reading by everyone) | Preparation of business report in English |
| Actively providing information to business partners Opening of official social media accounts | |
| Upload of disclosure documents on the Company website Providing information to shareholders, institutional investors and analysts | Consideration of facilitating financial settlement operations (Disclosure within 31 days of the closing date) |
| Disclosure in corporate governance report Consideration of information disclosure based on TCFD recommendations | Enhancement of information disclosure based on TCFD recommendations |
| Management of customer/shareholder information Management of employees' personal information | Implementation of specific measures against cyber attacks |
| Selection of possible areas to capture demand Selection of the site for opening operating site paying due consideration to the nuisance for neighbors | Formulation and promotion of operating site opening plan according to the needs of communities |
| Employment promotion through operating sites across the country Possible to provide products and merchandise immediately even at the time of local disasters by having inventories at operating sites across Japan | Opening of operating sites in prefectures where there is no base |
| Introduction of the Risk Management Manual Transfer of the core system to the data center Introduction of dual head offices system | Examination of the effectiveness of the Risk Management Manual |
| Safe driving training for new employees, Introduction of telematics No accident campaign Sharing of accident reports, warning for the whole company Management of driver's license information Bringing the "Traffic accident handling card" when driving company cars | Further increasing the consciousness about safe driving Decrease in the number of traffic accidents |
| Decision on policy to adopt safety devices for company cars such as automated brakes Introduction of the drive recorder for company cars Promotion of safe driving awareness raising activities (formulation and dissemination of the Five Rules for Safe Driving) | |
| Work style reform Reduction of collection by sales staff (promotion of transfer to Densai) Reduction of internal documents and review of approval authority Digitalization of salary statement, Adoption of the workflow system / time and attendance management system | Improvement in the acquisition rate of paid vacation Reinforcement of the management system for employees' working hours Securing of manpower |
| Implementation of regular health check-ups and stress checks Implementation of counter-measures for the infection (introduction of work from home schemes, subsidies for vaccination costs, etc.) Implementation of counter-measures for heatstroke at factories | Expansion of the employee consultation center |
| Monthly regular safety patrols Holding of Safety and Health Committee | Decrease in industrial accidents |
| Implementation of regular training Award (reward) system for operating sites and individuals according to sales results and President's Award etc. Introduction of one-to-one instructional guidance schemes | Introduction of more appropriate personnel evaluation, and spread of the self declaration system for transfer request, etc. |
| Online education freely available to all employees and assistance for expenses to acquire qualifications | Securing and development of experts in digital technologies |
| Non-discriminatory hiring policy Initiatives of diversity and training policy for human resources | Increase in female managers and recruitment of handicapped persons Acquisition of Kurumin (next generation support certification), establishment of a day-care center, and improvement in the ratio of taking maternity leave/childcare leave and returning to work Acquisition of certification as a leading company for the participation of women in the workplace |
| Maternity leave/childcare leave/support for returning to work, recruitment of qualified people and foreign students studying in Japan Creation of track & field club | |
| Employee shareholders association system, Introduction of the restricted stock remuneration plan Introduction of GLTD (Group Long Term Disability income indemnity insurance) Introduction of a system of rented accommodations provided by the Company | Development of the awareness about stock price of the Company through the implementation of internal IR |
| Composition of the Board of Directors, with at least one-third Outside Directors Evaluation of the effectiveness of the Board of Directors Prevention of the manifestation of potential costs by the development of governance system | Reinforcement based on improvement proposals Increase in the ratio of Outside Directors Improvement in the effectiveness of internal audit |
| Establishment of a Nomination and Compensation Committee, Transition to a Company with an Audit & Supervisory Committee Implementation of investments being conscious of capital costs | |
| Compliance action guideline, Formulation of a compliance manual, and implementation of employee education Thorough checks on anti-social forces before transaction Information exchange and development of communication system between police and the companies Membership in Crime Prevention Association | Securing of manpower Simplification of operations |

WE ARE KONDOTEC

KONDOTEC VISION

FINANCIAL DATA

ENVIRONMENT

SOCIAL

GOVERNANCE

SUPPLEMENT

ENVIRONMENT

Environmental Policy

Since its foundation in 1953, KONDOTEC has created and co-existed with future environmental value and engaged in business activities paying due consideration to the environment for the realization of a sustainable society, while contributing to the creation of an affluent society through the enhancement of social infrastructure by providing products and merchandise to various industries over a half century.

1. We will comply with legal regulations and matters agreed on by the Company for the environment regarding business activities, products and services.
2. We will endeavor to reduce environmental burdens, reduce environmental pollution risks, and protect biological diversity and ecological systems by saving energy and resources, promoting recycling, reducing waste, reducing the consumption of chemical substances and engaging in green procurement.
3. We will continue to improve our activities by utilizing the environmental management system, setting environmental targets to achieve the Environmental Policy, conducting evaluations on environmental performance, and reviewing them regularly.
4. We will thoroughly inform all employees of the Environmental Policy and endeavor to conduct necessary education and enlightenment activities to engage in environment conservation activities.

Provision of Optimal Products and Merchandise for Environmental Measures



- Expansion of the handling of environment related merchandise (Presentation of products and merchandise)

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 (left photo), and construction deck plates made from biomass plastics (right photo), both of which an Eco Mark certified.

TOPICS

ECO FRIEND



A new concrete release agent based on petroleum stock. As over 95% of its raw materials have a biodegradability of approximately 75% in the OECD 310F test of biodegradability, it is considered to degrade rapidly in the natural environment.

TOPICS

Mash up cover



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

Business Activities Paying Attention to the Environment



■ Response to climate change and information disclosure in line with TCFD recommendations

At KONDOTEC, in considering a path for sustainable growth, we do take into account the significant impact issues associated with climate change will have on future business activities. We are currently taking steps to recognize the impact our business activities have on the environment by management of emissions, and other measures. ▶ P48

We view the shift to a low-carbon society as a key opportunity for us, and looking ahead we will look to pursue information disclosure in line with TCFD recommendations, while implementing measures addressing climate change.

Risk management system

In collaboration with all divisions Company-wide, SDGs Promotion Department compile, assess, and identify risks and opportunities facing the Company in relation to climate change. Climate-related risks and opportunities that have been assessed and identified are reported to the Board of Directors for further supervision.

Main risks and opportunities associated with climate change

Climate-related risks and opportunities currently identified through extensive discussion with each Company division are outlined in the table below. The corresponding SDG targets are sized according to their degree of relevance.

Looking ahead, we will delve deeper into ways we can continue to better serve society, including strengthening current value creation processes, and in the specific ways we tackle issues that come to light, and tie this back to information disclosure based on TCFD recommendations.

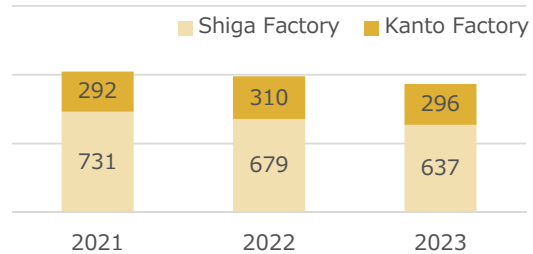
| | Item | Risks | Opportunities | Degree of impact | Future issues | Corresponding SDGs |
|----------------------|---|---|---|------------------|--|--------------------|
| Transition scenarios | Political policy and laws and regulations | <ul style="list-style-type: none"> Increased costs through the implementation of a carbon tax on CO₂ emissions from business activities (mainly the manufacturing process and logistics) | <ul style="list-style-type: none"> Business expansion related to renewable energy Reduction of CO₂ emissions and transportation costs by developing local suppliers to promote local production and consumption | | <ul style="list-style-type: none"> Bolster procurement capabilities and production system for increased demand for products used in renewable energy facilities | |
| | Market | <ul style="list-style-type: none"> Impact on business performance by disrupted supply-demand balance due to reduced production at blast furnace companies and decreased construction demand Increased construction/running costs of energy-saving facilities, rising purchasing prices Possibility of being eliminated from the market if not compliant with regulation related to supporting low carbon Strengthened regulation on existing products and merchandise | <ul style="list-style-type: none"> Increased demand for low carbon facility development (wooden construction, etc.) Increased possibilities for product ideas and development related to eco and environment through a wide range of commercial channels Enhanced market value via disclosure that promotes environmental measures | Major | <ul style="list-style-type: none"> Reduction of energy consumption and introduction of energy-saving facilities and equipment at factories Strengthen synergies with Group companies (promoting sales of solar power generation facilities and LED lighting, enhanced facility development capacity) Review changes to environmentally-friendly products and merchandise and packaging materials Inspect low carbon initiatives at partner factories and suppliers | |
| | Acute | <ul style="list-style-type: none"> Fluctuations in purchasing prices and the cost of raw materials due to sudden and unexpected changes in energy costs | <ul style="list-style-type: none"> Increase in orders due to an increase in renewable energy facilities | | <ul style="list-style-type: none"> Expand the lineup and inventory of disaster preparation products and merchandise Expand sales channels for products and merchandise used in civil engineering works Ensure multiple avenues for purchasing Prepare logistics simulations and plans for emergencies Utilization of the logistics network between operating sites | |
| Tangible scenarios | Chronic | <ul style="list-style-type: none"> The normalization of extraordinary climate events causing massive damage, including frequent typhoons and torrential rainfall Impact on the supply of raw materials and merchandise due to damages to the supply chain | <ul style="list-style-type: none"> Increased opportunity to sell disaster preparation merchandise Increased demand for repair and reinforcement work on rivers and banks | Major | <ul style="list-style-type: none"> Expansion in our seasonal merchandise lineup Promotion of greenery on office and factory premises Setting of break times and drink times during periods of rising temperatures | |
| | Chronic | <ul style="list-style-type: none"> Rising in the average temperature Changes in rainfall patterns Extreme variability in weather patterns | <ul style="list-style-type: none"> Reduced productivity due to heat stroke and other factors brought on by temperature rises Construction delays due to rainfall and strong winds, etc. | | | |

■ Initiatives for Environmental protection and Energy-saving

Installation Solar power generation

Our two factories, Sanwa Denzai Co., Ltd. and TOKAI STEP CO., LTD. operate the solar power generation system in our power sales business. In Electrical Equipment and Structural Steel Materials segments, we handle materials related to solar power generation systems and frames respectively, and focus on sales through synergies within the Group.

Transition of annual power generation (thousand kWh)



Quick delivery by four-factory structure and inventories at each operating site

We have established factories at four locations in Japan (Hokkaido, Ibaraki, Shiga and Fukuoka), with made-to-order products such as braces and anchor bolts produced at and shipped from the nearest factory to the customer. Using the four-factory structure, we reduce environmental burdens and transportation costs as well as deliver products quickly.

For products and merchandise which can be stored as inventories, in addition to inventories at logistics centers, we keep a certain amount at warehouses established at individual operating sites so that we can respond to abrupt demand while realizing environmental burdens and cost reduction, and quick delivery.

Acquisition of ISO14001

We obtained ISO14001, international standards for environmental management, at all four factories, engaging in environment-friendly operations for factories.



Use this code to access information on the scope of application.

Environmental conservation activities

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. Such moves

to EVs and renewable energy power sources have already gotten underway at our Head Office in 2021.

TOPICS

Reuse of wooden pallets

As a component of our initiatives to reduce waste, from the current fiscal year we are running a trial program to circulate wooden pallets used in-house. In the transport of materials from factories and logistics center to operating sites, we are operating a model by which wooden pallets, previously discarded at sites, are gathered at sites and returned to nearby factories or logistics center for reuse.



■ Management of emissions (Material balance)

GHG emissions comparison (non-consolidated)

| | (t-CO ₂) |
|--------|----------------------|
| Scope1 | 1,286 |
| Scope2 | 2,769 |

(FY 2023)

From the previous fiscal year, our Company has measured CO₂ emissions using a calculation method compliant with the international GHG Protocol. We are currently examining CO₂ reduction targets that are calculated using the GHG Protocol.

About the GHG Protocol

The GHG Protocol is an international standard for calculating greenhouse gas (GHG) emissions, divided into Scope 1 to Scope 3 as follows.

Scope1: Direct emissions of greenhouse gases by business operators from fuel combustion, industrial processes, etc.

Scope2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies

Scope3: Other indirect emissions (emissions by other parties related to the activities of the reporting business operator)

Source: "Guidance for Encouraging Japanese Companies to Address International Initiatives on Climate Change" (March 2021 edition)

Material balance

The following illustrates the overall input-output balance and expenditures and revenues during the course from research and development to manufacturing within the business activities of KONDOTEC.

* Actual results of four factories of the Company are used.

| INPUT | | | OUTPUT | | |
|------------------|------------------|--------------------------|----------------------------|-------------------------------|-----------------|
| Raw materials | Iron and steel | 29,412t | Production | Iron & steel products | 28,743t |
| | Coating Material | 78.0m ³ | | Air emission | CO ₂ |
| Energy | Electricity | 5,519thousand kWh | Industrial waste/byproduct | Recycled volume | 2,568t |
| | Natural gas | 0m ³ ·N or PJ | | Amount of outsourced disposal | |
| | LPG | 63t | Drainage | | Water |
| | Diesel fuel | 3.6kl | | | |
| | Kerosene | 13kl | | | |
| | Heavy oil | 0.4kl | | | |
| Irrigation water | Water | 4,647m ³ | | | |

Business activities

FY 2023

< Main expenditure relating to environmental protection >

Kanto Factory : Disposal expenses of industrial/general waste (3 million yen)

Kyushu Factory : Introduction of battery-powered forklift trucks (3 units, 3t each) (7 million yen)

Replacement of LED (22 million yen)

Paint thinner recycling equipment (1 million yen)

Sapporo Factory : Expenses related to acquiring ISO14001 certification (1 million yen)

< Main revenues relating to environmental protection >

Revenues in business for recycling waste (e.g. steel scraps) generated from major business activities or recycling used products, etc. (113 million yen)

SOCIAL

Product Liability and Quality Assurance



As a wholesale company with a manufacturing function, we strive to provide security and safety to customers through the maintenance of the quality of products and merchandise we handle, as well as the development and improvement of products. This section presents our quality control system and the education conducted for our employees on the knowledge of products and merchandise regarding safety.

Quality Control of products and merchandise

From the perspective of providing safe, quality products, all of our factories have achieved ISO9001. In addition, to further enhance the quality of products we handle, the Quality Control Section has been established in our factory and the section performs strength testing and inspections on a day-to-day basis in an effort to increase safety of products. Further, the SDGs Promotion Department, acting under the direct supervision of the President, is engaged in auditing quality assurance matters.



ISO9001 certification



Break testing machine in Manufacturing Headquarters



Use this code to access information on the scope of application of ISO 9001.

Acquisition of certification of JIS and industry group

Regarding external standards for products manufactured in-house, we are producing products in compliance with the standards of various industries, including the acquisition of the Japanese Industrial Standard (JIS) certification (see table on the right). Scaffolding chains was awarded the first certification from the Scaffolding and Construction Equipment Association of Japan.

Regarding products other than those from our directly operated factories (OEM products), our technology service staff or procurement section staff visits OEM contractors in Japan and abroad to give technical instruction.

Moreover, our Directors serve as committee members of industry groups such as the Construction Turn Buckle Council of Japan and Anchor Bolt Manufacturer Association, etc., indicating their responsibility to comply with product standards by participating as committee members.

Standard certification list for products manufactured in-house

| JIS no. | Product name |
|---|--|
| JIS A 5540 | Turnbuckle for building |
| JIS A 5541 | Body of turnbuckle for building |
| JIS B 1220 | Set of anchor bolt for structures |
| JIS B 2809 | Wire ropes-Grips for rope or wire strand |
| Standardization body name | Product name |
| Scaffolding and Construction Equipment Association of Japan | Suspension chain |
| Scaffolding and Construction Equipment Association of Japan | Suspension chain clamp |
| Scaffolding and Construction Equipment Association of Japan | Suspension chain adjuster |
| Japan Housing and Wood Technology Center | Compound screw bolt nut M20 |

Response to complaints

In the event that a complaint is raised, we first has the sales representative meet with the customer and prepare a report. When there is a need to investigate the cause, if the case pertains to a product manufactured in-house, the Quality Control Section in our factory takes the necessary steps, while if the case pertains to procured merchandise, we take steps jointly

with the supplier. We have a mechanism to share complaints whereby holding a meeting on complaints (irregularly held) and cases that should be shared on a corporate-wide basis are addressed to the entire organization by issuing a sales report or guidance to draw attention in order to share information.

Technical strength through co-creation with group companies

Mechatro Laboratory (former Mechatro Engineering Co., Ltd.) came under KONDOTEC INC. by purchasing business in January 2019. We engage in product development and development of labor-saving lines by adding the technological strengths of Mechatro Laboratory to CHUOH GIKEN Co., Ltd. which is our group company. Thus far, CHUOH GIKEN Co., Ltd. has developed brace manufacturing lines in the factory and automated chain cutters for chain slings.

We will continue striving to improve the production capacity for the Company's products using synergies with group companies.



Chain cutter



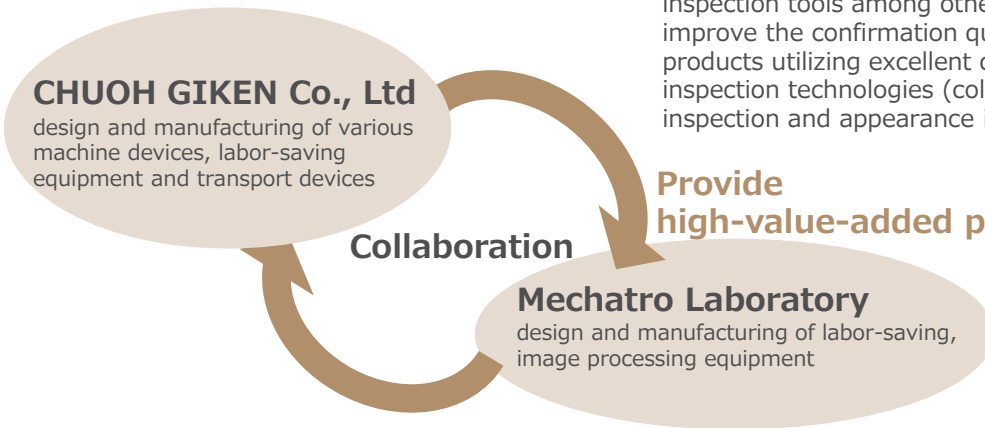
Pewag chain sling

CHUOH GIKEN Co., Ltd.

This company has strengths in design and manufacturing of various machine devices, labor-saving equipment and transport devices etc., realizing labor-saving for the Company's factories.

Mechatro Laboratory (former Mechatro Engineering Co., Ltd.)

This company has strengths in design and manufacturing of labor-saving, image processing equipment, various inspection equipment, and inspection tools among others. It is expected to improve the confirmation quality of factory products utilizing excellent capabilities for image inspection technologies (color discrimination inspection and appearance inspection).



Stance for Security and Safety

We believe that by providing knowledge about handling when we provide products and merchandise to customers, they can use them more securely and safely. For that purpose, we prescribe the handling methods in the comprehensive catalogue and pamphlets, etc., issued by the Company, and clearly describe the matters to note and the standards for disposal.

Moreover, for our employees to obtain the correct knowledge about products and merchandise, we offer many opportunities to learn by: conducting training on our core products of lifting equipment and temporary construction materials, steel related materials, and products manufactured in-house, and by holding study groups for new products by inviting suppliers (manufacturers), etc., among others.



↑ Examples of pages on usage method described in the "Lifting equipment catalogue" issued by the Company



Demonstration of assembly at the temporary construction materials training



Welding practice at steel material training



Study group by suppliers



Site visit during Kyushu factory training

Implementing study groups for customers

In order for products and merchandise of the Company to be used safely, we host study groups across Japan responding to requests from various industry groups including customers. Technical service staff of the Company (belonging to Tokyo/Osaka head offices) become lecturers to provide information about safe lifting operations at study groups. We would like to contribute to our customers' efforts to create safe environments by letting as many people as possible understand about safety.



Voluntary quality control activities (QC activities)

We engage in quality control activities (QC activities) at every manufacturing division of factories for the purpose of improving quality control systems. We strive to develop an understanding about quality control throughout the whole factory by hosting presentations of activity results annually, to award divisions which make excellent presentations and share proposals for improvement through presentations among others.



Presentations of QC activities in Kyushu Factory

Internally certified qualification "Lifting equipment advisor"

For the purpose of public relations for our corporate image as a lifting equipment manufacturer and improvement in employee knowledge of products and merchandise and abilities to propose and sell, we introduced the "Lifting equipment advisor" system as an internally certified qualification in 2015. Employees can be qualified as a "Lifting equipment advisor" after external safety/hygiene education, obtaining public qualifications, participating in internal three-day seminars, and passing the written examination. By the end of March 2023, 63 employees had

become qualified as lifting equipment advisors, and engage in not only supplying lifting equipment but also providing their knowledge at operating sites across Japan. Moreover, while Technical service staff at Osaka/Tokyo head offices have been in charge of seminars on lifting equipment for people outside the Company, with lifting equipment advisors coming into existence study groups on lifting equipment can now be held all over Japan.

<Lifting equipment advisor Seminar schedule>

Internal seminar

- Lectures, practices, and examination at Kyushu factory (three days)

External seminar

- Slinging skill seminar (three days)
- Slinging operator safety/hygiene education (one day)
- Wire rope safety inspection standards seminar (one day)



Lecture at Kyushu factory



Demonstration of actual lifting operation

Lifting equipment advisor Pass rate **75.9%**
(Including those who passed after retaking the test)

Procurement and Provision of High-Value-added Products, Merchandise and Services



As a manufacturer and wholesale company, the Company develops and sells products and merchandise which satisfy customers. This section introduces initiatives of the Company to procure and provide products, merchandise and services.

■ Provision of Products, Merchandise and Services responding to Changes in the Times and Needs of Customers

In addition to providing necessary materials for the construction of hard infrastructure, the Company deals with materials for recovery/reconstruction used at the time of disasters and any other items needed at construction sites.

After its foundation, the Company sold hardware for vessels, and subsequently started dealing with construction materials during the high growth period; we currently provide more than 50,000 products and merchandise. At the New Merchandise Committee held every other month, sales staff propose to deal with new products and merchandise based on the needs of customers, generating numerous hot selling products and merchandise from the adopted proposals.

At present, we also operate the “Tsurikata” inspection site for lifting equipment to simplify the individual management and inspection of merchandise centered on cargo handling

equipment.

Moreover, we not only sell products and merchandise but also proactively disclose information and provide services on the Company website.

Along with our online catalog and technical information, we have opened an online showroom to display new products and merchandise, drawings, instruction manuals, and usage videos. We will continue to not only sell products and merchandise but to also provide high-value-added services, such as disclosing software to support the selection of wire ropes according to the weight of lifted loads.



Emergency supplies poster



“Tsurikata”
Inspection site for lifting equipment

TOPICS

Adoption of Z-COAT

Our Company had long used PREBIN YELLOW surface treatment for primary rust prevention on the hooks with forged rings and the round rings manufactured at our Kyushu Factory. While the treatment is low-cost and stands out for its yellow coloration, it presented considerable trouble in terms of quality control, including uneven color and stickiness. The coating is also a Class 2 organic solvent that falls under Category 4 hazardous materials, Class 2 petroleum. Taking ISO 14001 certification as an opportunity to make a change, we reviewed surface treatments and adopted Z-COAT dry zinc alloy plating in May 2021, addressing all of our

concerns.

Based on the same principle as shot blasting, Z-COAT blasts target items with iron-zinc alloy powder at high speed to form a zinc-alloy coating. This dramatically enhances corrosion resistance through sacrificial anti-corrosion action. As no pickling process is involved, hydrogen embrittlement is not a concern.

The treatment is also chromium-free, with no RoHS 10 restricted substances or REACH 233 SVHCs.



PREBIN YELLOW



Z-COAT

TOPICS

Opening of an online showroom

In 2022, we opened an online showroom for new products and merchandise, drawings, instruction manuals, and usage videos. In line with the recent digital shift by companies and consumers, we created the online showroom to provide additional information on products and merchandise that we were unable to convey via our existing website and catalogs, further enhancing convenience. We invite you to visit the showroom as we continue to increase and enhance its content.



Online showroom URL
<https://www.kondotec.co.jp/showroom/>

■ Cultivation of Suppliers and Efficient Purchase, Management and Delivery

To make bulk purchases of merchandise from suppliers, the Company has logistics center at two bases in Japan (Osaka and Ibaraki) as well as one base in China. We are reducing the cost of purchase by delivering in-demand merchandise to operating sites using in-house delivery systems after purchasing them in bulk from manufacturers in Japan and abroad, and storing in logistics center. Moreover, we always take a stance of reviewing costs by having established the Delivery Division to constantly find better suppliers as well as concluding OEM production contracts with manufacturers.

Furthermore, we can search on our own system for the status of inventories at logistics center or individual operating sites. As a result, by grasping the status of inventories at our own sites in real time, we can measure the timing for our own sites to purchase inventories as well as immediately reply to inquiries from customers. For deliveries, we have a system to deliver to customers safely and quickly by employees of the Company or cooperating companies.

Logistics center in Japan Delivery Division(Osaka)



■ Entry into the new fields

We are actively undertaking entry into new fields in which we expect growth. To expand our business in the field of maintenance and repair of aging social infrastructure, we have acquired three companies engaged in scaffolding construction (see table below) and established Nippon Scaffolding Holdings Co., Ltd. as an intermediate holding company to oversee them. Working around this core, we will expand the areas we handle by sharing the know-how of the companies, which differ in their business areas and the construction properties in which they specialize, and will otherwise aim to achieve synergies among them.

At the same time, there is a tendency in the construction industry to replace the main material of iron with aluminum, which is suitable for weight saving. Therefore, the demand for aluminum is expected to rise. Given this condition, KONDOTEC has acquired KURIYAMA ALUMINUM Co., Ltd., which is involved in the manufacturing and development of aluminum extrusions, in aiming to expand our product and merchandise line up with new materials. Going forward, we will continue striving to enter new fields by utilizing our wide range of business fields as the KONDOTEC Group.

Group companies assumed the maintenance/repair field

| | TECBUILD CO., LTD. | TOKAI STEP CO., LTD. | FUKOKU, Ltd. |
|-----------|--|--|--|
| Location | (Head office) Ota-ku, Tokyo (Business area) Kanto, Hokuriku, Kansai, Chugoku, Kyushu | (Head office) Fujieda-shi, Shizuoka (Business area) Kanto, Tokai | (Head office) Sendai-shi, Miyagi (Business area) Tohoku |
| Specialty | low-rise buildings / Rental of scaffolding equipment  Detached housing construction | mid to high-rise buildings / low-rise buildings  Accommodation construction | Bridge / mid to high-rise buildings  Aqueduct bridge repair |

(Intermediate holding company) Nippon Scaffolding Holdings Co., Ltd.

| | |
|----------------|---|
| Location | (Head office) Koto-ku, Tokyo |
| Business areas | Management of subsidiaries that provide scaffolding construction services |

Strengthening of collaboration

- Expanding businesses further in the maintenance/repair field
- Sustainable growth and improvement in medium to long term corporate value

■ Production Innovation through Capital Investment in Factories

We invest in production facilities based on the annual plan to improve quality and productivity at factories. In FY2019, we newly established a plant on the premises of Shiga Factory which realized labor-saving through the introduction of robots, aiming to promote work style reform and solve labor shortages. At the plant, we strive to improve productivity by changing the processes undertaken by workers manually erenow to welding, transportation and assembly by robots. If productivity is improved, we plan to expand the system horizontally to other plants.

The Company's Medium-term Management Plan from FY2024 to FY2026 plans to make capital investments of about 9 billion yen for the replacement of production equipment and relocation/rebuilding of bases.

| | |
|---------------------------|---------------------------|
| Shiga Factory No. 2 Plant | |
| Address | Hino-cho, Gamo-gun, Shiga |
| Total floor area | About 4,095㎡ |
| Investment | About 440 million yen |



Introduced Robots

We offer fair, accurate and speedy information disclosure in an effort to have all stakeholders deepen their understanding of the KONDOTEC Group.

We recognize the importance of having stakeholders gain an understanding of the KONDOTEC Group. For this reason, we bear in mind the need to offer careful explanations to stakeholders as well as to ensure fair, accurate and speedy information disclosure.

Further, in order to contribute to improvement the corporate value of the KONDOTEC Group, we work to enhance our earnings capability by pursuing strategic investment by M&A and other means, as well as actively expanding business investment aimed at growth. At the same time, we take initiatives to improve capital efficiency.

■ IR policy

1. Basic policy

KONDOTEC will make efforts to have all stakeholders, including shareholders and investors, gain a better understanding about our Company and will disclose important information on the Company by considering fairness, accuracy and timeliness in order to support stakeholders make appropriate assessments.

2. Information disclosure standards

KONDOTEC will conduct information disclosure in accordance with the Financial Instruments and Exchange Act and other relevant laws and also with the timely disclosure rules set forth by the stock exchange on which the stock of the Company is listed. KONDOTEC will also actively disclose information not required to be disclosed under laws, regulations and rules if such information is judged to be useful for shareholders and investors.

3. Information disclosure methods

KONDOTEC will disclose information via the Timely Disclosure Network (TDnet) provided by the stock exchange as well as actively make use of the Company's website in an effort to conduct fair and speedy information disclosure.

4. Future projections

Future operating performance projections that the Company releases are based on data available at the time of making the release. Actual results may differ considerably from projections due to various factors and changes.

5. IR quiet period

In order to prevent leakage of financial results information and ensure fairness, KONDOTEC observes a quiet period which runs for a few weeks up to the release of financial results. During this quiet period, we will refrain from responding to comments, questions, etc. regarding financial results. If, however, we become aware of the possibility during the quiet period that operating performance figures will deviate significantly from the Company's forecasts, we will disclose information as needed.

■ Invigoration of the General Meeting of Shareholders

We regard the General Meeting of Shareholders as an important opportunity to communicate with shareholders, and in order to invigorate the General Meeting of Shareholders we strive to

have as many shareholders as possible participate, understand the Company, and secure a sufficient period for examining proposals for the Meeting.

| | |
|--|---|
| Setting of the General Meeting of Shareholders by avoiding concentrated dates | The date of General Meeting of Shareholders is set to avoid the concentrated dates for many other general meetings of shareholders. |
| Earlier dispatch of convocation notice | Notice is dispatched 22 days before the Meeting (FY 2023) |
| Disclosure of convocation notice before dispatch | Disclosed on the KONDOTEC website 6 days before the dispatching (FY2023) *Date of dispatching : June 1, 2023 Date of disclosure : May 26, 2023 |
| Voting by electromagnetic means | We have adopted a system allowing the exercise of voting rights over the Internet, or through other electromagnetic means. |
| Participation in electronic voting platforms, and other initiatives to facilitate the exercise of voting rights by institutional investors | We participate in the electronic voting platform for institutional investors maintained by ICJ, Inc. |
| Provision of the Notice of Convocation (Summary) in English | The English version of the Notice of Convocation of the Annual General Meeting of Shareholders and Reference Documents for the General Meeting of Shareholders is published on our website, and the homepage of the Japan Exchange Group. |
| Other | For the Company to be fully understood, we visualize the reporting items on power points in the explanation. |

■ IR activities

Bearing in mind the need to offer information disclosure that takes into account fairness, accuracy and timeliness, KONDOTEC organizes briefings for analysts by the President and individual meetings, participates actively in IR events for individual investors, and discloses IR materials via the Company's website. Comments, etc. obtained through dialogue with institutional investors and analysts are shared with the President and General Manager of

Management Headquarters and reported to the Board of Directors as necessary. Following the revision of market divisions of the Tokyo Stock Exchange, KONDOTEC's stock listing has moved from the First Section to the Prime Market as of April 2022. Going forward, we will strive for continued growth and long-term corporate value enhancement as well as actively engage in dialogue with investors as a listed company on the Prime Market.

Track records of dialogue with institutional investors and analysts

| Event | Frequency |
|--------------------------------|------------|
| Individual meetings | 13 (total) |
| Company briefings for analysts | 2 |

(FY 2023)

* Including Online

| | |
|-------------------------|---|
| Main themes of dialogue | Topics for the fiscal year, business environment, Medium-term Management Plan, etc. |
|-------------------------|---|

Actual participation in IR events for individual investors

| Name | Visitors to our booth |
|--|-----------------------|
| Nikkei IR/Investment Fair 2022 (held in August 26th through August 27th, 2022) | 408 |
| Nomura IR Fair 2023 (held in January 12th through January 31th, 2023) * Online | 1,736 |

(FY2023)



Hand out in Nomura IR Fair 2023

Actual coverage

| | |
|----------------------|------------|
| IwaiCosmo Securities | Rating : A |
|----------------------|------------|

(September 2018)

TOPICS

IR Site Awards (Gomez and Nikko Investor Relations)

Our IR page was chosen as an "AA Website" in the All Japanese Listed Companies' Website Rankings 2022 hosted by Nikko Investor Relations Co., Ltd., as well as "Excellent Company Silver Award" in Gomez IR website ranking 2022 conducted by BroadBand Security, Inc. We received the Bronze Award in the Gomez IR website rankings for six consecutive years through the previous fiscal year. In this year, we took our first Silver Award.

We will continue to improve our website / IR materials and provide timely and fair information disclosure to all stakeholders including shareholders.

▶ P56



Information Disclosure

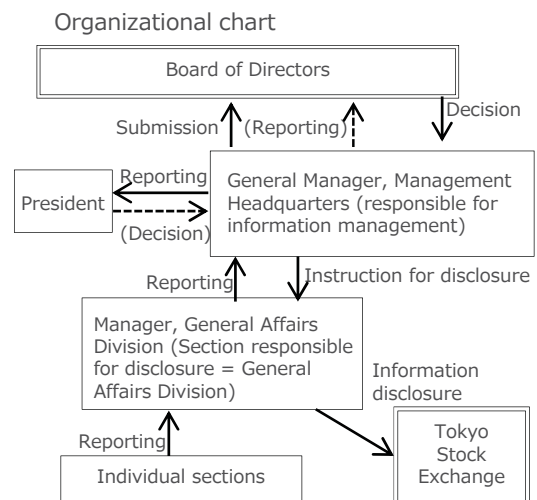
Basic policy on information disclosure

We have established the “Internal Information Management Regulations” for appropriate disclosure of company information, and endeavors to disclose information quickly and fairly in accordance with the Companies Act, Financial Instruments and Exchange Act, and other laws and regulations, etc., stipulated by stock exchanges (hereinafter referred to as the

“Timely Disclosure Rules”). Moreover, even for information not falling under various laws and regulations and Timely Disclosure Rules, we disclose information quickly and fairly if information is deemed to widely affect the judgement of people in society, including stakeholders.

Method of timely disclosure

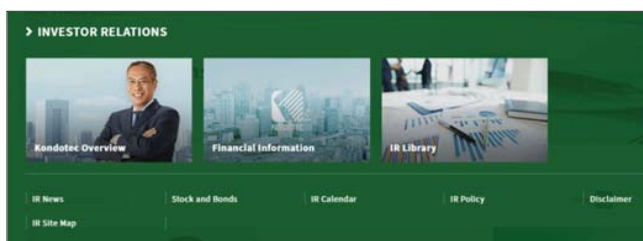
- (1) We will disclose the information falling under Timely Disclosure Rules by Tdnet provided by the Tokyo Stock Exchange, as well as disclose to news organizations such as relevant press clubs.
- (2) Even for information not falling under Timely Disclosure Rules, if information is deemed to widely affect the judgement of people in society including stakeholders, we will disclose it by TDnet provided by the Tokyo Stock Exchange, as well as disclose to news organizations such as relevant press clubs.
- (3) We will upload the disclosed information on our website without delay.



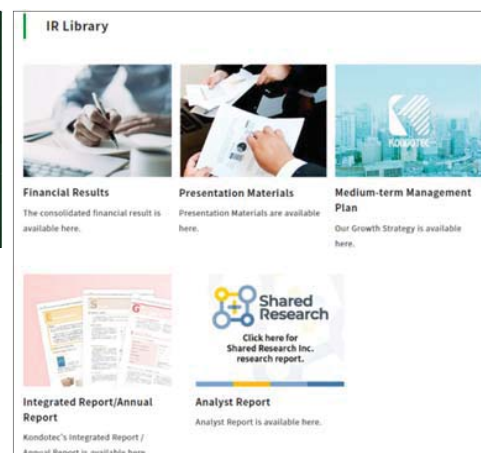
IR Information Disclosure on the Company Website

Besides timely disclosure materials, the Company posts the latest IR materials on the Company website, in addition to financial and earnings data, stock information, and information on IR

event participation. With the aim of our website being used by more people, we will provide timely information while further enhancing the contents.



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



Information Security Measures

We have Computer System Section in the company that manages the security situation and the status, etc., of system operations for business on a daily basis, and reports to the General Manager, Management Headquarters overseeing the General Affairs Division.

Moreover, we have decided on the internal regulation “Information System Risk Management Manual” organizing information system operations, and review it when appropriate.

Co-existence with Local Communities



Operating site Opening Plan

Currently, we have 48 operating sites (as of March 31, 2023). Among sales activities areas, a precondition for selecting areas for operating site openings is that the area should be far away and have prospects for increased sales. We have expanded areas for operating site openings by way of branching out from relatively large-scale operating sites (branch class). KONDOTECH makes sure to establish warehouses to store inventory at operating sites.

Because we make deliveries, as for the location of operating sites, we select places near expressway ICs, or industrial parks that are unlikely to affect neighboring residents in terms of noise and traffic. As for personnel, while several employees from branch operating sites are transferred at the time of a new operating site opening, we recruit several local people to help create employment in the community.

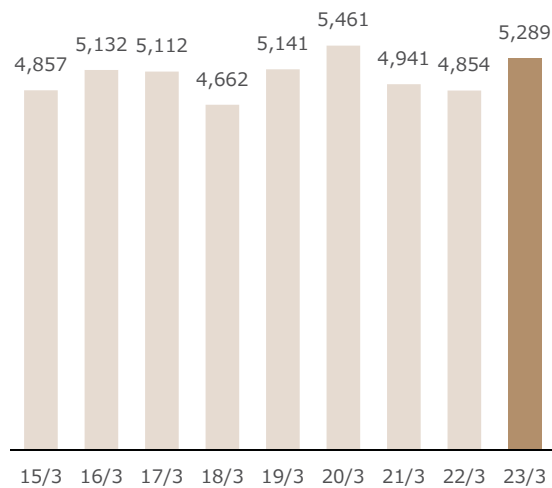
Response to disasters and contribution to them

With the inventories of necessary materials at the time of disasters at 48 operating sites across Japan, we have established a system to deliver necessary materials immediately even if the disaster is just local, thereby contributing to the security and safety of local communities.

Examples of disaster-related merchandise
 [Flexible Container bag]
 [Tarpaulin, sandbag, etc.]
 [Net, sheet] and others

Examples for use of container bag
 It is used in various scene such as transportation and storage of feed, fertilizer, resin pellets, industrial waste, etc., and as a large-size sandbag for rubble clearing, decontamination, and recovery work after disasters.

Net sales of disaster-related materials (million yen)



Related merchandise

Flexible Container bag



Tarpaulin



Net, sheet etc.



Response to “New Stage” Published by Ministry of Land, Infrastructure, Transport and Tourism

The Ministry of Land, Infrastructure, Transport and Tourism recognizes the apparent change in the way it rains as a “New Stage” and recommends taking disaster prevention/mitigation measures with a sense of crisis. To respond to the “New Stage,” we will also focus on advance preparations 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 to **mitigate damage to infrastructures as much as possible** and **make advance preparations for early recovery.**



■ Risk Control for Disasters and Others

We have formulated a Risk Management Manual to ensure the safety of employees and other relevant personnel, prevent the disruption of important operations of the Company, and recover as quickly as possible after disruptions when an unexpected event such as a natural disaster occurs. For accomplishment of important operations, we transfer of the core system to the data center and introduce of dual head offices system at Osaka and Tokyo.

| | |
|---|---|
| For employees | <ul style="list-style-type: none"> Thorough dissemination of measures in advance, during and after a disaster, etc. Establishment and dissemination of the Risk Management Manual |
| Counter-measures against COVID-19 (examples) Implementing working from home in rotation Conducting web conferences in place of business trips Introduction of special leave for vaccination ,etc. | |

■ For Employees' Health, Safety and Hygiene

We are taking the following initiatives to ensure the safety and health of employees. Representative matters in need of safety measures in conducting business activities include

receiving and shipping operations in warehouses, marketing activities, delivery of products and merchandise, and production activities in factories.

| Category | Detail | |
|--------------------|--|---|
| Marketing/delivery | Implementation of safety driving training | Upon the increase in traffic accidents involving new employees who were not accustomed to driving company cars, we implemented safety driving training at the time of new employee training, reducing accidents involving young employees. |
| Marketing/delivery | Implementation of no accident campaign | Sending warning notice to all operating sites when an accident occurs at other sites. Notifying monthly the cumulative number of accidents at all operating sites in the past year even if there was no accident. For the site which had an accident, installing the safety driving support device to all company cars. |
| Marketing/delivery | Introduction of safety driving device (Telematics) Installation of the drive recorder | When dangerous driving (sudden braking, speeding, etc.) is detected by G Sensor/GPS, immediately give a warning notice by voice guidance to the driver each time while sending a notifying e-mail of dangerous driving to the head office. |
| Factory/warehouse | Implementation of Safety and Health Committee Implementation of safety patrol | Holding a Safety and Health Committee at head office and factories monthly. Implementing safety patrols by employees to prevent industrial accidents. |

Work Style Reform and Work-Life Balance

We aim to create a corporate culture where employees can have "a fulfilling individual life and involvement in society," while promoting work style reform to enable them to do "worthwhile and high-quality work" efficiently.

In 2014, we conducted training for all supervisors aiming for more efficient operations and less overtime work, and have been promoting work style reform since then, on the condition of improved earnings. Since 2017, led by head office, we have been engaged in reform for efficient operations by reviewing various operational rules, decreasing collections by sales staff, reducing internal documents, and reviewing approving authority.

As an indicator to realize appropriate work-life balance, we have established a paid vacation acquisition target for the company, and internally publish the figures for each section to promote the acquisition.

Paid vacation acquisition target for the company

| April 1, 2023 – March 31, 2024 | |
|-----------------------------------|----------|
| 【Target】 | — |
| Acquisition rate of 70% or higher | — |
| April 1, 2022 – March 31, 2023 | |
| 【Target】 | 【Actual】 |
| Acquisition rate of 70% or higher | 81.7% |
| April 1, 2021 – March 31, 2022 | |
| 【Target】 | 【Actual】 |
| Acquisition rate of 70% or higher | 75.1% |
| April 1, 2020 – March 31, 2021 | |
| 【Target】 | 【Actual】 |
| Acquisition rate of 70% or higher | 74.5% |
| April 1, 2019 – March 31, 2020 | |
| 【Target】 | 【Actual】 |
| Acquisition rate of 60% or higher | 68.8% |

Human resources development and Diversity



Policy on human resources development

To contribute to sustainable growth and long-term enhancement of our corporate value as a "proposal-oriented company" that leverages our employees' diversity by creating a work environment where all employees can engage in active roles with motivation, we have set "respect for the

individuality and values of employees from diverse backgrounds" and "creation of a working environment in which all employees can fully display their capabilities and work with a sense of purpose" as basic policies.

Examples of Training Conducted

We carry out educational programs for developing human resources that shape the future, in accordance with the Company's corporate philosophy. We offer new employee training programs for younger employees, and follow up on new employees by designating a more experienced employee of a similar age at the assigned department to serve as a one-to-one supervisor for new employees. We then offer training for new employees six months after they enter the company

and again three years later and ten years later. Meanwhile, for mid-management-level employees and next-generation senior managers, we provide education timely to reinforce management skills and hold senior manager candidate development training programs according to the number of years of employment. Furthermore, we established an internally authorized "lifting equipment advisor" qualification, which leads to enhancing employees' knowledge on products and merchandise.

| | |
|------------------------------|---|
| Purpose-specific training | Training for specific fields, advanced management skills training and candidate training for executive positions ,etc. |
| Training by experience level | Training for new employees training 6 months after joining the Company and 3rd-year training and 10th-year training ,etc. |

Enhancement of remuneration and benefits programs (Various award system)

Besides bonuses paid biannually, we have introduced the award (reward) system by site and individual according to the contribution to sales

performance and priority issues to increase motivations and spread priority issues of the whole company.

Enhancement of online education system and assistance for acquisition of qualifications

We assist the self-development of abilities by establishing an online education system in which any employee can freely take courses. Moreover, we

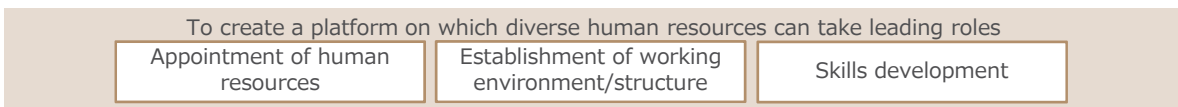
endeavor to develop personnel with qualifications by assisting tuition and examination fees to promote the acquisition of public qualifications.

As of March 31, 2023 (Including contract and part-time employees)

| List of qualified personnel | Qualification | Number of persons | Qualification | Number of persons |
|--|----------------------------------|---|---|-------------------|
| | First and Second-class architect | 2 | Completion of special training on crane operation | 300 or more |
| First and Second-class civil engineering works execution managing engineer | 6 | Completion of sling work skills training ,etc. *1 | 500 or more | |
| First and Second-class building construction managing engineer | 8 | Completion of forklift operation skills training | 500 or more | |
| Class B Group 4 hazardous materials engineer | 67 | Certified public accountant | 2 | |

*1 Total number of persons who completed sling work skills training and safety and hygiene education for slinging operator

Diversity - Basic principle



Non-discriminatory hiring policy and Support for diversification of employment formats

In hiring employees, we respect the diverse characteristics of individuals, including age, gender and nationality. Moreover, with the introduction of year-round recruitment (for 2008 recruits and after), we have been hiring employees with various careers, experience, etc. Further, we offer support to athletes as well as appoint highly motivated contract workers

as regular employees. In addition, we are expanding support for the participation of women in the workplace, and have appointed three female Directors in order to incorporate diverse values and perspectives into the business management of the Company.

■ Diversity Non-discriminatory hiring policy and Support for diversification of employment formats

Male-female ratio of new employees with main career track in the last six years and home countries of international students

| Year of employment | Male | Female | Total | Nationality of international students (other than Japan) |
|--------------------|------------|------------|------------|--|
| April-2023 | 13 persons | 6 persons | 19 persons | China |
| April-2022 | 8 persons | 5 persons | 13 persons | |
| April-2021 | 10 persons | 10 persons | 20 persons | |
| April-2020 | 11 persons | 7 persons | 18 persons | |
| April-2019 | 19 persons | 4 persons | 23 persons | Brazil |
| April-2018 | 12 persons | 6 persons | 18 persons | Korea |

Appointment of a female executive members



Number of employees taking childcare leave

In order for employees and spouses to give birth and raise children with peace of mind, we have prepared a handbook compiling child-raising-related laws and various internal systems so that employees can freely view and obtain it from the internal portal site. Furthermore, we present various systems including a shortened working-

time program which can be taken until a child graduates from primary school, which is longer than what is legally mandated, and clarify the contact point for consultation and thus endeavor to have employees engage in childbirth and child-raising with peace of mind.

| | Those who newly took childcare leave during the period | Return to work rate after childcare leave during the period | Rate of those currently on childcare leave who started childcare leave during the period |
|--------------------------------|--|---|--|
| April 1, 2022 – March 31, 2023 | 13 persons | 53.8% | 46.2% |
| April 1, 2021 – March 31, 2022 | 6 persons | 100% | - |
| April 1, 2020 – March 31, 2021 | 7 persons | 100% | - |
| April 1, 2019 – March 31, 2020 | 4 persons | 100% | - |
| | | Female | Male |
| Rate of taking childcare leave | | 100% | 38.1% |

Diversity-related indicators and targets

Based on our recognition of the need to ensure diversity, particularly among the managerial-position staff who play central roles in management, we have set the following best-effort targets for ratios of mid-career hires, women, and foreign nationals in managerial positions.

| Indicators | Actual (As of March 31, 2023) | Target | Achievement period |
|---|-------------------------------|---|--------------------|
| Ratio of mid-career hires in managerial positions | 31.3% | 20%-40% | March 31, 2025 |
| Ratio of women in managerial positions | 1.0% | 5% or higher | March 31, 2030 |
| Ratio of female managers (excluding managerial positions) | 8.9% | 15% or higher | March 31, 2030 |
| Number of foreign nationals in managerial positions | 1 person | Maintaining of the status quo or higher | March 31, 2025 |

(Notes) Number of foreign nationals in managerial positions only, as an indicator for the Group as a whole.

The three items other than number of foreign nationals in managerial positions are indicators for the Company.

G GOVERNANCE

Basic concept to Corporate Governance

KONDOTEC recognizes that strengthening and enhancing corporate governance through increasing soundness, transparency and efficiency of management and maximizing corporate value is one of the most important management objectives. To realize this objective, our basic concept of corporate governance calls

for reinforcing our compliance and internal audit systems, conducting timely disclosure of management information, operating results and other pieces of information via our website and other means, and strengthening functions for speedy decision-making and management supervision.

Corporate Governance



■ Corporate governance structure summary table

| | |
|---|---|
| Type of organizational design | Company with an Audit & Supervisory Committee |
| Number of directors * excluding directors who are Audit and Supervisory Committee Members (including the number of outside directors) | 10 (2) |
| Number of directors who are Audit and Supervisory Committee Members (including the number of outside directors) | 4 (3) |
| Term of office of directors * excluding directors who are Audit and Supervisory Committee Members | 1 year |
| Adoption of executive officer system | Yes |
| Incentive remuneration | The restricted stock remuneration plan |
| Accounting Auditor | Deloitte Touche Tohmatsu LLC |

■ Reasons for adopting the current corporate governance system

KONDOTEC believes that putting in place an Audit & Supervisory Committee and having an audit system where Directors who are Audit & Supervisory Committee Members supervise management is effective and hence operates as a company with an Audit & Supervisory Committee system.

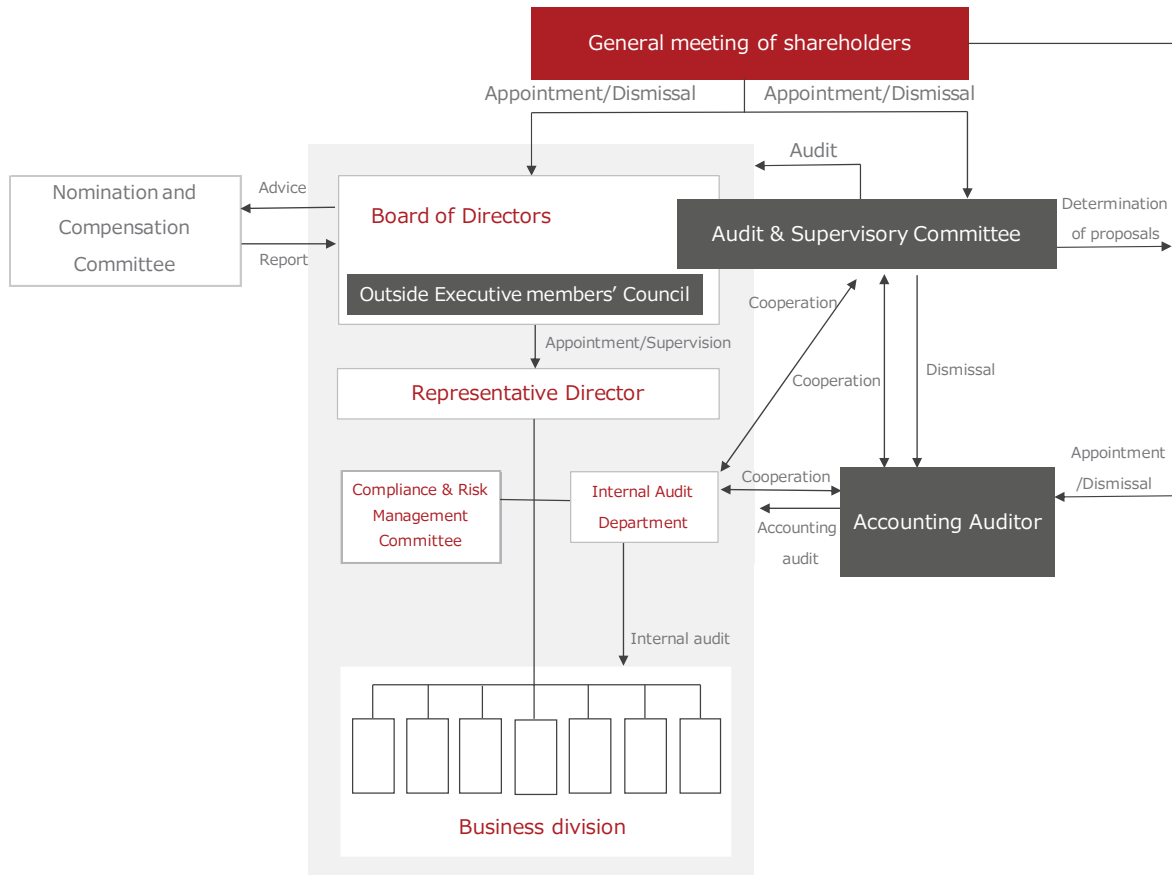
The Audit & Supervisory Committee comprises four Directors who are Audit & Supervisory Committee Members, including one full-time Director, and three part-time Outside Directors

with specialist knowledge on finance, accounting and laws, as well as experience in corporate management at other companies, and carries out supervision from an objective and fair point of view.

The Board of Directors holds a regular monthly meeting as well as an extraordinary meeting whenever necessary, promotes efficiency of decision-making for the execution of important business activities and reinforcement of the supervision function.

■ Corporate governance system

KONDOTEK's corporate governance system is shown in the diagram below.



■ KONDOTEC's managing organ

Board of Directors

KONDOTEC holds a meeting of the Board of Directors at least once a month and complies with the policy of addressing all matters provided in the Board of Directors' Regulations and those corresponding to agenda items to the Board of Directors in making decisions on important matters.

In addition, the Board of Directors receives reports on the status of business execution of KONDOTEC and its subsidiaries from each of the respective directors on a periodic basis and carries out supervision, etc. on the reasonableness and efficiency of business execution.

KONDOTEC conducts the Board of Directors assessment questionnaire based on self-assessments made by all Directors once a year. The Board of Directors deliberates on and considers the results of the questionnaire and makes necessary improvements to secure effectiveness and increase the quality of the Board of Directors as a whole. KONDOTEC adopts an executive officer system and Executive Officers and Directors in charge of business operations promote speedy business execution.

Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)

KONDOTEC appoints two Outside Directors (one lawyer, one Director with experience in corporate management), who supervise management and offer advice from an objective point of view in consideration of the corporate business community on the whole, including laws and regulations, in an effort to increase the transparency and efficiency of the Board of Directors.

Audit & Supervisory Committee / Outside Directors who are Audit & Supervisory Committee Members

KONDOTEC adopts the Audit & Supervisory Committee system. The Audit & Supervisory Committee comprises four members, three of whom are Outside Directors (one CPA, one attorney-at-law and one Director with experience in corporate management). The Audit & Supervisory Committee members exchange opinions on audit methods and audit standards from their professional points of view at the meeting of the Audit & Supervisory Committee, which is held at least once a month in order to improve the appropriateness and efficiency of audits. In this manner, we strive to enhance and reinforce our audit system.

Furthermore, the Members receive a report on the results of the accounting audit from the Accounting Auditor at each financial closing. If needed, Directors who are Audit & Supervisory Committee Members accompany the Accounting Auditor in the audit of an office, exchange information and opinions.

Moreover, Audit & Supervisory Committee Members receive reports on financial results for every quarter from internal control sections, as well as reports on other matters related to internal control as necessary.

Internal Audit Department

Our Internal Audit Department is placed as a unit directly under the President. There are three full-time staff members to bolster internal audit operations.

These internal auditors audit the status of

compliance with laws, regulations and internal rules and the appropriateness and efficiency of business processes, etc. of each division, provide guidance for improvement and perform follow-ups.

In addition, they conduct audits to continuously verify whether the system to ensure the reliability of financial reporting functions appropriately and makes corrections where necessary.

Further, internal Audit Department holds reporting sessions on the findings of internal audits. These are attended by the Representative Director, Directors in charge of content in the reports, and full-time Audit and Supervisory Committee Members.

Moreover, the Accounting Auditor review reports on the results of internal audits and the minutes of debrief meeting conducted by the Internal Audit Department. Accounting Auditor and internal audit sections exchange information and opinions as necessary, striving to improve the appropriateness and efficiency of audits through close cooperation.

Accounting Auditor

KONDOTEC has appointed Deloitte Touche Tohmatsu LLC as the Accounting Auditor and establishes an environment in which the Accounting Auditor is able to perform audits from a fair and unbiased perspective, by providing the auditor accurate management information in a timely manner. The Accounting Auditor receives quarterly briefings from the internal control sections on the financial results and standing of the Company, and exchange opinions on accounting-related matters.

Compliance & Risk Management Committee

The Compliance & Risk Management Committee is in place.

The Compliance & Risk Management Committee promotes the dissemination of awareness to comply with relevant laws, regulations, corporate ethical standards and internal regulations among all employees and creates a structure to prevent scandals and other problems by developing plans and measures on compliance, including education and guidance for practicing compliance. The Committee also collects information on various risks surrounding KONDOTEC and its subsidiaries and analyzes the information to develop specific preventive measures. It also puts in place a structure to minimize the impact of risks should any such risk becomes apparent, in an effort to reinforce the corporate platform.

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee as a voluntary advisory organization, composed of Independent Outside Directors (excluding Outside Directors who are Audit & Supervisory Committee Members) and the President & Representative Director to strengthen the transparency and objectiveness of the decision-making process for appointment and remuneration of Directors.

Outside Executive members' Council

The Outside Executive members' Council comprising Outside Directors has been established. The Council meets periodically to promote the exchange of opinions among outside Executive members.

■ Executive members As of June 23, 2023

| Title | Name | Area of responsibility and important concurrent positions | Independent member | Number of shares held (Thousand shares) |
|---|-------------------|---|--------------------|---|
| President and Representative Director | Katsuhiko Kondo | Representative Director of Towa Kosan Corp. Representative Director of Toto Kosan INC. | | 162 |
| Senior Executive Director | Hiroyuki Yada | General Manager, Management Headquarters Manager, General Affairs Division and Manager, Business Strategy Department Director, Nippon Scaffolding Holdings Co., Ltd. Director, TECBUILD CO., LTD. Director, TOKAI STEP CO., LTD. Director, FUKOKU, Ltd. | | 38 |
| Executive Director | Noboru Hamano | General Manager, Sales Headquarters | | 22 |
| Director | Kazuyuki Asakawa | Manager, Eastern Japan Sales Division and Manager, Tokyo Branch | | 19 |
| Director | Kazuhiro Ishino | Manager, Western Japan Sales Division Manager, Development Sales Division and Manager, E-commerce Group Director, Sanwa Denzai Co., Ltd. Director, CHUOH GIKEN Co., Ltd. Director, KURIYAMA ALUMINUM Co., Ltd. | | 16 |
| Director | Tomoyuki Ejiri | President and Representative Director, Nippon Scaffolding Holdings Co., Ltd. Representative Director and Chairman, TOKAI STEP CO.,LTD. | | 21 |
| Director | Yasushi Ishibashi | General Manager, Manufacturing Headquarters and Manager, Kyushu Factory | | 20 |
| Director | Soichi Furuta | Manager of International Sales Division Managing Director, KONDOTEC INTERNATIONAL (THAILAND) Co.,LTD. | | 6 |
| Outside Director | Michiko Kanai | Attorney-at-law (Oh-Ebashi LPC & Partners partner) Outside Audit & Supervisory Board Member, Sankyo Seiko Co., Ltd. Outside Director, IDEC CORPORATION (Audit and Supervisory Committee Member) Outside Director, AS ONE CORPORATION | ○ | 5 |
| Outside Director | Takashi Maruyama | | ○ | - |
| Director (Full-time Audit & Supervisory Committee Member) | Norio Nishida | Audit & Supervisory Board Member, Sanwa Denzai Co., Ltd. Audit & Supervisory Board Member, CHUOH GIKEN Co., Ltd. Audit & Supervisory Board Member, Nippon Scaffolding Holdings Co., Ltd. Audit & Supervisory Board Member, TECBUILD CO., LTD. Audit & Supervisory Board Member, TOKAI STEP CO., LTD. Audit & Supervisory Board Member, FUKOKU, Ltd. Audit & Supervisory Board Member, KURIYAMA ALUMINUM Co., Ltd. | | 21 |
| Outside Director (Audit & Supervisory Committee Member) | Kana Yasuda | Certified Public Accountant, Tax Accountant (Yasuda Accounting Firm Representative) Outside Audit & Supervisory Board Member, SUGI HOLDINGS Co., Ltd. Outside Director, GEO HOLDINGS CORPORATION Outside Director, CHUO SPRING CO., LTD. Outside Director, The Monogatari Corporation | ○ | 4 |
| Outside Director (Audit & Supervisory Committee Member) | Taku Tokuda | Attorney-at-law (Managing Principal Lawyer, TOKUDA LAW OFFICE) | ○ | 3 |
| Outside Director (Audit & Supervisory Committee Member) | Minako Yamaoka | Outside Director, NICCA CHEMICAL CO., LTD. | ○ | 0 |

■ Directors and Audit & Supervisory Board Members

Terms of Executive members

KONDOTEC appoints candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) by considering individuals who fulfill respective statutory requirements, who are excellent both in terms of personality and insight, who can carry out their professional responsibilities, and who are capable of making accurate and timely decisions and of cooperating and working with and covering each function and division of the Company. Such individuals are deliberated on by the Nomination and Compensation Committee -- a voluntary advisory organization composed of mainly Independent Outside Directors -- based on whose report the Board of Directors determines a proposal for the General Meeting of Shareholders.

KONDOTEC appoints candidates for Directors who are the Audit & Supervisory Committee Members by considering individuals who have expertise in legal, financial and accounting matters, who hold knowledge on the business activities of the Company, and who maintain diverse perspectives concerning corporate management in a comprehensive manner. Such individuals are deliberated on by the Nomination and Compensation Committee, based on whose report the Board of Directors determines, with prior the consent of the Audit & Supervisory Committee, a proposal for the General Meeting of Shareholders.

Further, based on the recognition that diverse values and points of view are essential in

business management going forward, KONDOTEC appoints a female director and audit & supervisory board members.

When in violation of professional duties of Directors or Directors as Audit & Supervisory Committee Members, or if deemed not suitable for Directors or Directors as Audit & Supervisory Committee Members of the Company due to negligence of their duties, such individuals are deliberated on by the Nomination and Compensation Committee, based on whose report the Board of Directors determines their treatment, and in the case of dismissal it should be resolved by the General Meeting of Shareholders.

The independence standards for Outside Directors

KONDOTEC appoints Outside Directors and Outside Directors as Audit & Supervisory Committee Members who fulfill the requirements under the Companies Act, and the independence standards set forth by the Tokyo Stock Exchange. The former is required to provide advice and proposal for management, and the later is required to offer advice for management and perform management audits.

KONDOTEC registers all Outside Directors and Outside Directors who are Audit & Supervisory Committee Members as independent Executive members based on the rules of the Tokyo Stock Exchange with the said exchange.

Skills Matrix for the Board of Directors and the Audit & Supervisory Committee

| Position | Name | Managerial experience | Sales & Marketing | Manufacturing & Procurement | Finance & Accounting | Legal affairs & Risk Management | |
|---|-------------------|-----------------------|-------------------|-----------------------------|----------------------|---------------------------------|---|
| Directors | Katsuhiko Kondo | | ○ | ○ | ○ | | |
| | Hiroyuki Yada | | ○ | ○ | | | |
| | Noboru Hamano | | ○ | | | | |
| | Kazuyuki Asakawa | | ○ | | | | |
| | Kazuhiro Ishino | | ○ | ○ | | | |
| | Tomoyuki Ejiri | | ○ | ○ | ○ | | |
| | Yasushi Ishibashi | | ○ | ○ | ○ | | |
| | Soichi Furuta | | ○ | ○ | | | |
| | Michiko Kanai | Outside | | | | | ○ |
| | Takashi Maruyama | Outside | ○ | ○ | | | |
| Directors (Audit & Supervisory Committee Members) | Norio Nishida | | | | ○ | | |
| | Kana Yasuda | Outside | | | ○ | | |
| | Taku Tokuda | Outside | | | | ○ | |
| | Minako Yamaoka | Outside | ○ | ○ | | | |

(Notes) It does not represent all of the expertise and experience possessed by each Director and each Director who is Audit & Supervisory Committee Member.

Status of attendance by Outside Directors/Outside Audit & Supervisory Board Members

71th term (April 1, 2022 to March 31, 2023)

| Position | Name | Board of Directors (12 board meetings) | Audit & Supervisory Committee (17 board meetings) |
|--|------------------|---|---|
| Outside Directors | Michiko Kanai | Attended 12 meetings (100%) | — |
| | Takashi Maruyama | Attended 12 meetings (100%) | — |
| Outside Director (Audit & Supervisory Committee Members) | Kana Yasuda | Attended 12 meetings (100%) | Attended 17 meetings (100%) |
| | Taku Tokuda | Attended 12 meetings (100%) | Attended 17 meetings (100%) |
| | Minako Yamaoka | Attended 12 meetings (100%) | Attended 17 meetings (100%) |

■ Descriptions based on the Corporate Governance Code

Analysis and assessment of effectiveness of the Board of Directors as a whole

KONDOTEC makes decisions on important matters at the regular meeting of the Board of Directors held every month based on discussions by attendees, including Outside Directors who state their opinions. In this way, we make an effort to heighten the effectiveness of the Board of Directors.

Once a year, we conduct an analysis and assessment of the effectiveness of the Board of Directors as a whole.

In April 2023, we made an assessment of the effectiveness of the Board of Directors. We discussed and made considerations on the results of the assessment at the meeting of the Board of Directors in May 2023.

1. Period: April 2023 to May 2023
2. Method: Anonymous self-assessment by all Directors(Including Outside Directors)
3. Assessment items :
Structure and operation of the Board of Directors, deliberation, governance system, promotion digital transformation, initiatives for sustainability, general assessment of the Board of Directors

4. Summary of results

While all executive members have rendered the evaluation that the effectiveness of the Board of Directors overall is ensured, we have received comments to the effect that sustainability initiatives should be appropriately discussed and that Representative Director succession plans should be appropriately discussed and supervised. We would like to continue to make improvements based on these opinions.

Training policy for Directors

KONDOTEC offers opportunities for Directors to participate in various training programs, including training sessions and lectures by internal and external instructors, external seminars, and web-based seminars, in an effort to have Executive members gain necessary knowledge and understand/promote duties and responsibilities.

Policy concerning cross-held shares

1. Policy on cross-shareholding
KONDOTEC maintains cross-held shares for the purpose of contributing to the improvement of corporate value in the medium to long term by maintaining and reinforcing relationships with important business partners.
KONDOTEC will reduce issues deemed to have insufficient grounds to hold after the verification of cross-held shares.
2. Verification on cross-held shares
Each year, KONDOTEC's Board of Directors scrutinizes and verifies the purpose of holdings, benefits from transactions, etc., of individual cross-held shares.
As of March 31, 2023, we held 6 issues of cross-held shares worth 39 million yen in book value and 217 million yen in market value. These are equivalent to 0.1% and 0.7% respectively of net assets of 33,285 million yen, 0.1% and 0.4% respectively of total assets of 58,163 million yen.
3. Exercise of voting rights on cross-held shares
KONDOTEC respects the management policies, strategies, etc., of investee companies, judges individual proposals based on whether shareholding contributes to sustainable growth and medium to long term corporate value of the Company and investee companies, and exercises voting rights.

Basic policy concerning constructive dialogues with shareholders

KONDOTEC promotes constructive dialogues with shareholders through holding briefings for individual investors and financial results briefings, in addition to the general meeting of shareholders and participating in IR fairs.

We also appoint the Director who manages the General Affairs Division responsible for IR as the Director in charge of IR, and share information with other departments to strengthen cooperation.

In order to reflect the opinions of shareholders

on management, when important feedback given from an objective viewpoint arises, we make an effort to report the matter to the Board of Directors as needed.

In addition, KONDOTEC has put in place its IR Policy, which defines the quiet period and other matters, and Internal Information Management Regulations, which set forth rules on communicating important facts and internal information, and performs accordingly in managing information.

■ Whistle-blowing system

KONDOTEC has formulated internal regulations on whistle-blowing and put in place two points of contact for whistle-blowing inside and outside the company. The Company's whistle-blowing system is such that when whistle-blowing occurs, the Manager of General Affairs Division, which is the internal point of contact for whistle-blowing, reports the matter to the President, General Manager of Management Headquarters, Outside Directors and full-time Directors who are Audit & Supervisory Committee Members, requests that the responsible department investigates the matter; and proposes and notifies the measure for response.

The status of operation for whistle-blowing is reported at the Compliance & Risk Management Committee and the Board of Directors once a year, and the Board of Directors supervises the status of operation.

We also maintain internal regulations and a system to ensure that whistle-blowers are not treated unfairly.

The number reported was zero case in FY 2023. If the cases filed, we dealt with them appropriately by conducting internal investigations, while paying due consideration to privacy.

Remuneration for Executive members

■ Remuneration (April 1, 2022 to March 31, 2023)

| Position | Number of persons paid | Total amount by type of remuneration (Million yen) | | | Amount of payment (Million yen) |
|---|------------------------|---|--------------------------|---|------------------------------------|
| | | Base remuneration | Stock-based remuneration | Performance-linked stock-based remuneration | |
| Directors (excluding Audit & Supervisory Committee Members) | 10 persons | 193 | 22 | 14 | 229 |
| Directors (Audit & Supervisory Committee Members) | 4 persons | 32 | – | – | 32 |
| Total | 14 persons | 225 | 22 | 14 | 262 |

■ Policy for determining the details of remuneration for Executive members

The Board of Directors reviewed the Company's Executive member remuneration system at its meeting held on February 9, 2021. At the meeting, the policy for determining the details of remuneration for individual directors was resolved (excluding Directors serving as members of the Audit & Supervisory Committee; hereafter, "Directors").

In addition, at the Board of Directors meeting, it was confirmed that the method of determining the details of remuneration and approved remuneration of individual Directors for the current fiscal year are consistent with this policy, while reports from the Nomination and Remuneration Committee was respected, which was deemed to be in line with the policy of determination.

The policy for determining the details of remuneration for Directors are as follows.

(1) Basic policy for determining the remuneration of Directors

The Company's basic approach is as follows, which aims to achieve the Medium-term Management Plan in realizing the management vision of the Group.

- Continued development of the Group and medium- to long-term corporate value enhancement
- Remuneration system that enables a shared awareness of profit with shareholders
- Ensure objectivity and transparency in the process of determining remuneration

Remuneration for Directors comprises fixed remuneration, stock-based remuneration and performance-linked stock-based remuneration offered upon reaching the targets of the Medium-term Management Plan as an incentive reward. The determination of remuneration for each Director is based on the appropriate standard in conjunction with their individual responsibilities.

(2) Policy for determining the amount of fixed remuneration (monetary remuneration) for each individual

The fixed remuneration for Directors of the Company is monthly fixed remuneration that is determined based on comprehensive consideration of the Director's position, duties, length in office relative to the standards at other companies, the Company's performance, and standards of employee compensation.

(3) Policy for determining the details, amount, and numerical calculation method for performance-linked remuneration and Non-monetary remuneration

(i) Stock-based remuneration

The Company offers Directors with stock-based remuneration that clearly highlights the connections between business performance and share value, which not only benefits the Director as the share price rises, but also enables the Director to share the risk with shareholders if the share price falls, in aiming to encourage Directors to contribute to improving medium- to long-term performance and enhance corporate value. The Company's stock-based remuneration is offered in accordance with position and duties. Restrictions on the transfer of restricted stock are generally lifted upon retirement from the position of Director.

(ii) Performance-linked stock-based remuneration

The Company's performance-linked remuneration is provided as performance-linked stock-based compensation that reflects the performance indicators as an incentive reward to encourage awareness towards improving business performance each fiscal year. Shares will be granted at a certain time each year based on the achievement of the consolidated ordinary income target for each business year.

Restrictions on the transfer of restricted stock are generally lifted upon retirement from the position of Director.

(4) Policy for determining the ratio of monetary remuneration amount and performance-linked remuneration amount to the amount of remuneration for each Director

The ratio of remuneration composition is based on the remuneration standard in companies of similar size, industry type and format as the Company used as a benchmark, in which the weight of stock-based remuneration is higher for higher ranked positions, while the ratio of stock-based remuneration to the total remuneration amount is set to be approximately 10-15% of the target for consolidated ordinary income for each fiscal year as it is achieved.

(5) Matters concerning decisions regarding the content of individual Director remuneration

Individual Director remuneration is determined by resolution of the Board of Directors based on results of the review by the voluntary Nomination and Remuneration Committee, which consists primarily of independent outside directors, in order to ensure objectivity and transparency as well as enhance accountability for the level and appropriateness of remuneration and the determination process.

SUPPLEMENT

Supporting Materials

Stock Information As of March 31, 2023

■ Company's stock

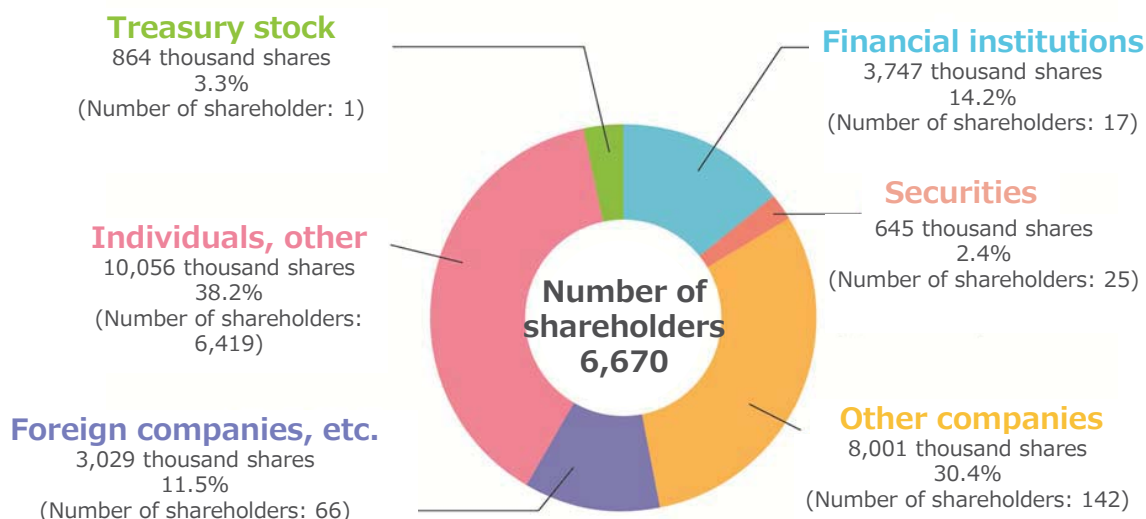
| | |
|-----------------------------------|-------------------|
| Total number of shares authorized | 60,000,000 shares |
| Total number of shares issued | 26,344,400 shares |
| Shares per unit | 100 shares |

■ Major shareholders

| Name of shareholder | Number of shares held (Thousand shares) | Percentage |
|---|--|------------|
| Towa Kosan Corp. | 3,014 | 11.8% |
| BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO) | 1,595 | 6.3% |
| The Master Trust Bank of Japan, Ltd. (trust account) | 1,472 | 5.8% |
| KONDOTEC employees shareholders association | 1,401 | 5.5% |
| Osaka Small and Medium Business Investment & Consultation Co., Ltd. | 1,247 | 4.9% |
| F-planning INC. | 900 | 3.5% |
| MUFG Bank, Ltd. | 753 | 3.0% |
| Toto Kosan INC. | 676 | 2.7% |
| Masahide Kondo | 664 | 2.6% |
| Jun Corp. | 535 | 2.1% |

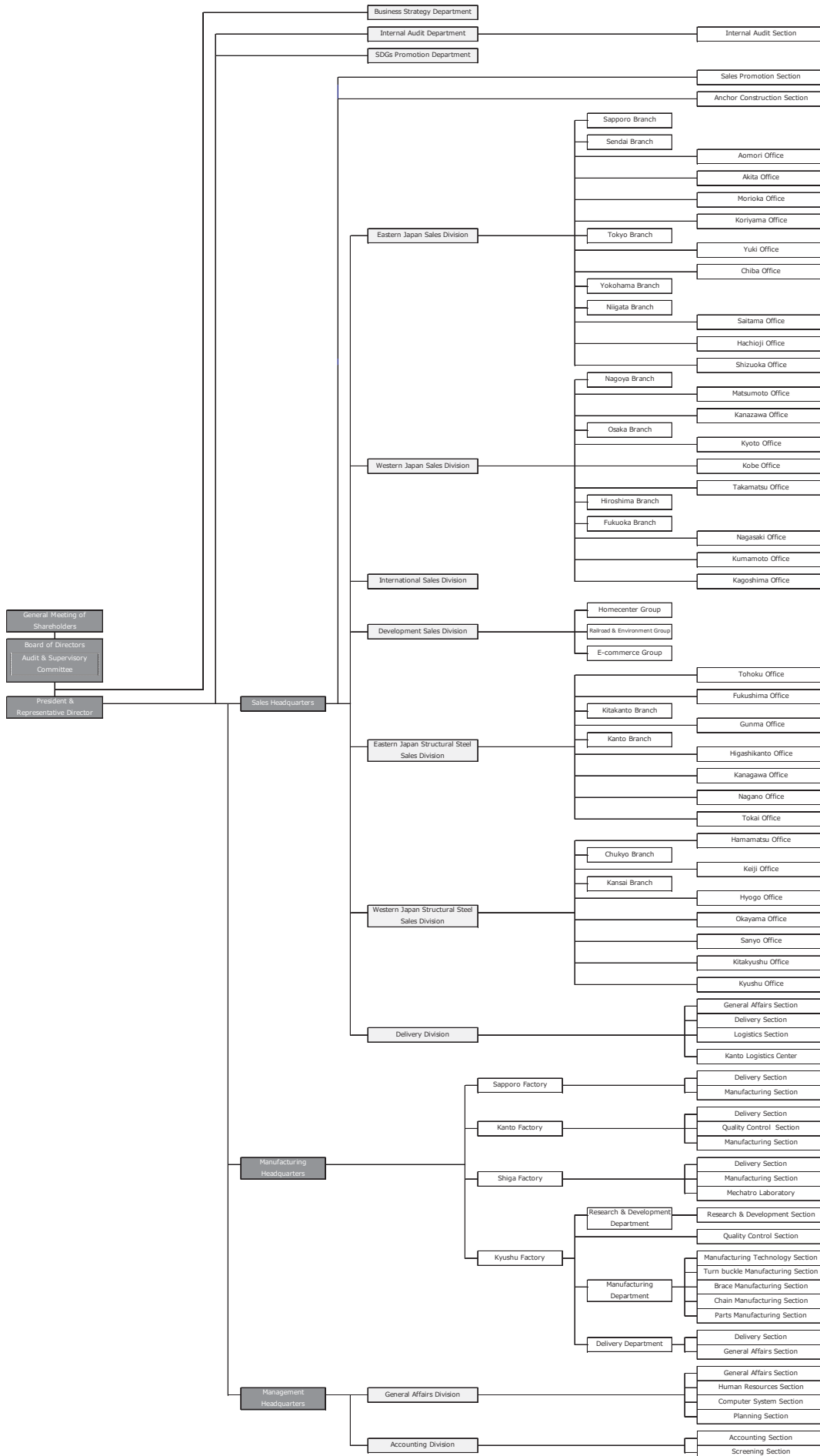
*864 thousand shares in treasury stock is not included in the listing of major shareholders above.
Percentage is calculated by excluding treasury stock.

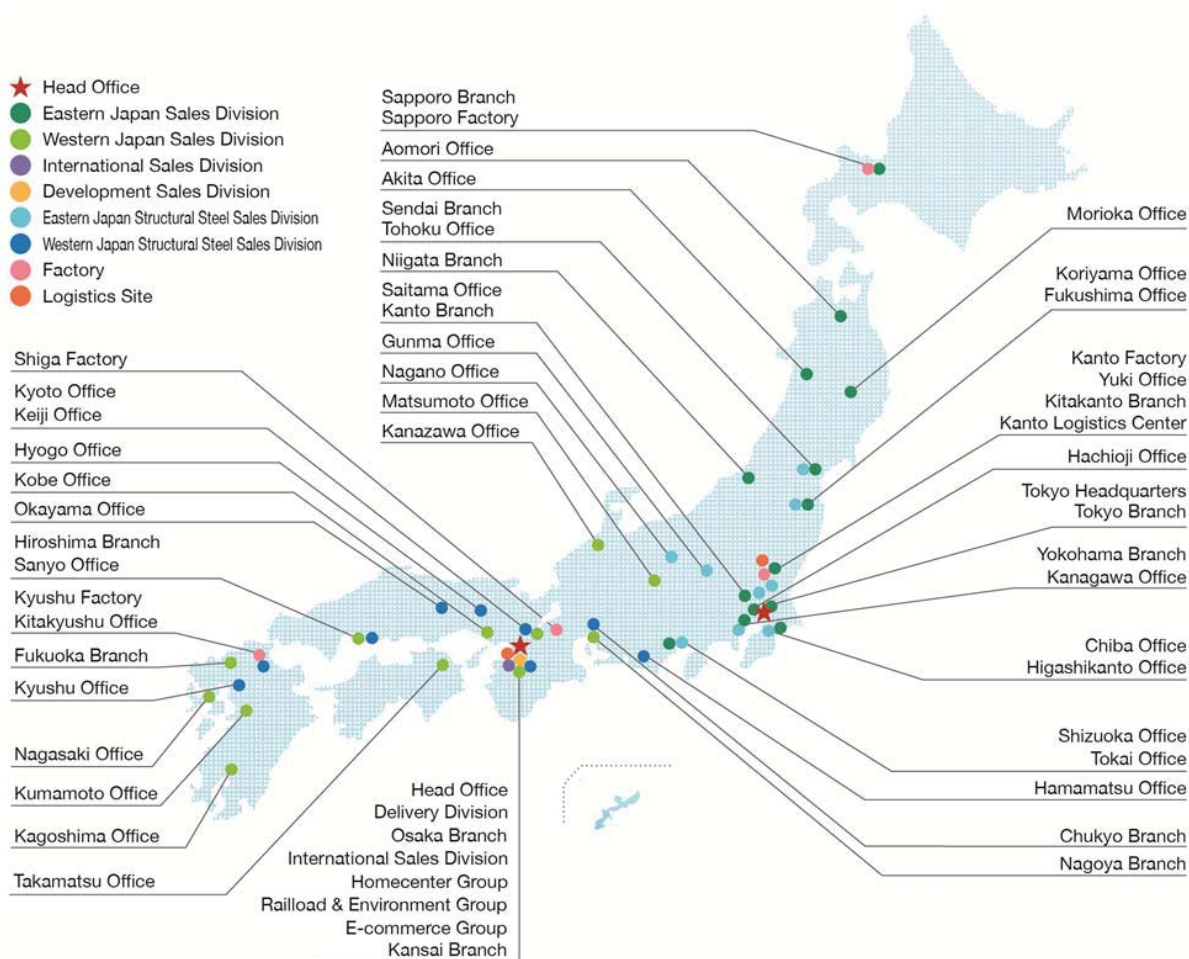
■ Stock distribution by shareholder category



Organization Chart

As of April 1, 2023





| Group company name | Location of head office | Network |
|---|-------------------------|--------------------------------|
| Sanwa Denzai Co., Ltd. | Nishi-ku, Nagoya-shi | 12 operating sites |
| KONDOTEC INTERNATIONAL (THAILAND) Co., Ltd. | Bangkok, Thailand | — |
| CHUOH GIKEN Co., Ltd. | Inukami-gun, Shiga | 2 operating sites 1 factory |
| Nippon Scaffolding Holdings Co., Ltd. | Koto-ku, Tokyo | — |
| TECBUILD CO., LTD. | Ota-ku, Tokyo | 17 operating sites |
| TOKAI STEP CO., LTD. | Fujieda-shi, Shizuoka | 15 operating sites |
| FUKOKU, Ltd. | Izumi-ku, Sendai-shi | 5 operating sites |
| KURIYAMA ALUMINUM Co., Ltd. | Nakamura-ku, Nagoya-shi | 2 operating sites 1 factory |

Consolidated Financial Statements

■ Consolidated Balance Sheet

| | (Million yen) | | (Thousand U.S. dollars) |
|---|---------------|--------|-------------------------|
| | 2022 | 2023 | 2023 |
| Assets | | | |
| Current assets | | | |
| Cash and deposits | 10,164 | 10,733 | 80,385 |
| Notes receivable – trade | 4,320 | 3,932 | 29,449 |
| Accounts receivable – trade | 8,809 | 10,161 | 76,099 |
| Contract assets | 70 | 88 | 659 |
| Electronically recorded monetary claims operating | 2,861 | 3,695 | 27,673 |
| Merchandise and finished goods | 5,828 | 6,446 | 48,279 |
| Work in process | 687 | 770 | 5,768 |
| Raw materials and supplies | 666 | 915 | 6,859 |
| Other | 1,232 | 670 | 5,022 |
| Allowance for doubtful accounts | (6) | (12) | (92) |
| Total current assets | 34,636 | 37,402 | 280,104 |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures (net) | 3,314 | 3,664 | 27,442 |
| Machinery, equipment and vehicles (net) | 1,625 | 1,453 | 10,885 |
| Land | 9,164 | 9,380 | 70,250 |
| Other (net) | 907 | 905 | 6,779 |
| Total property, plant and equipment | 15,011 | 15,403 | 115,357 |
| Intangible assets | | | |
| Goodwill | 3,876 | 2,883 | 21,595 |
| Customer-related assets | 1,370 | 1,286 | 9,637 |
| Other | 121 | 116 | 870 |
| Total intangible assets | 5,368 | 4,286 | 32,103 |
| Investments and other assets | | | |
| Investment securities | 326 | 331 | 2,483 |
| Deferred tax assets | 287 | 366 | 2,744 |
| Retirement benefit asset | 141 | 110 | 830 |
| Other | 244 | 283 | 2,119 |
| Allowance for doubtful accounts | (6) | (21) | (160) |
| Total investments and other assets | 993 | 1,070 | 8,017 |
| Total non-current assets | 21,373 | 20,761 | 155,478 |
| Total assets | 56,009 | 58,163 | 435,583 |

* All financial information presented in Japanese yen has been rounded down to the nearest million. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of exchange at March 31, 2023. U.S. dollar amounts are rounded down to the nearest thousand.

| | (Million yen) | | (Thousand U.S. dollars) |
|---|----------------|----------------|-------------------------|
| | 2022 | 2023 | 2023 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and accounts payable – trade | 4,346 | 5,015 | 37,563 |
| Electronically recorded obligations – operating | 9,114 | 9,738 | 72,929 |
| Short-term loans payable | 4,610 | 3,610 | 27,035 |
| Current portion of long-term borrowings | 214 | 224 | 1,679 |
| Income taxes payable | 814 | 946 | 7,091 |
| Provision for bonuses | 820 | 878 | 6,581 |
| Other | 2,062 | 2,216 | 16,600 |
| Total current liabilities | <u>21,983</u> | <u>22,630</u> | <u>169,480</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 347 | 512 | 3,840 |
| Deferred tax liabilities | 917 | 927 | 6,948 |
| Deferred tax liabilities for land revaluation | 178 | 178 | 1,338 |
| Provision for stocks payment | 17 | – | – |
| Retirement benefit liability | 283 | 316 | 2,370 |
| Other | 214 | 311 | 2,334 |
| Total non-current liabilities | <u>1,959</u> | <u>2,247</u> | <u>16,832</u> |
| Total liabilities | <u>23,942</u> | <u>24,878</u> | <u>186,313</u> |
| Net assets | | | |
| Shareholders' equity | | | |
| Capital stock | 2,666 | 2,666 | 19,969 |
| Capital surplus | 2,434 | 2,434 | 18,232 |
| Retained earnings | 26,903 | 28,472 | 213,225 |
| Treasury stock | (661) | (893) | (6,692) |
| Total shareholders' equity | <u>31,342</u> | <u>32,679</u> | <u>244,735</u> |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 121 | 124 | 933 |
| Deferred gains or losses on hedges | 53 | (11) | (86) |
| Revaluation reserve for land | (1,510) | (1,510) | (11,314) |
| Foreign currency translation adjustment | 45 | 69 | 518 |
| Remeasurements of defined benefit plans | 35 | (66) | (500) |
| Total accumulated other comprehensive income | <u>(1,255)</u> | <u>(1,395)</u> | <u>(10,450)</u> |
| Non-controlling interests | 1,979 | 2,000 | 14,984 |
| Total net assets | <u>32,066</u> | <u>33,285</u> | <u>249,269</u> |
| Total liabilities and net assets | <u>56,009</u> | <u>58,163</u> | <u>435,583</u> |

■ Consolidated Income Statement

| | (Million yen) | | (Thousand U.S. dollars) |
|---|---------------|--------|-------------------------|
| | 2022 | 2023 | 2023 |
| Net sales | 66,139 | 75,447 | 565,025 |
| Cost of sales | 51,408 | 59,194 | 443,301 |
| Gross profit | 14,730 | 16,253 | 121,723 |
| Selling, general and administrative expenses | 11,136 | 11,898 | 89,108 |
| Operating income | 3,594 | 4,355 | 32,615 |
| Non-operating income | | | |
| Interest income | 3 | 1 | 10 |
| Dividends income | 6 | 7 | 54 |
| Purchase discounts | 123 | 135 | 1,015 |
| Gain on investments in silent partnerships | 39 | – | – |
| Miscellaneous income | 71 | 83 | 628 |
| Total non-operating income | 245 | 228 | 1,709 |
| Non-operating expenses | | | |
| Interest expenses | 15 | 9 | 67 |
| Miscellaneous loss | 14 | 10 | 77 |
| Total non-operating expenses | 29 | 19 | 145 |
| Ordinary income | 3,810 | 4,563 | 34,178 |
| Extraordinary income | | | |
| Gain on sales of non-current assets | 6 | 18 | 138 |
| Gain on sale of investment securities | 1 | – | – |
| Gain on reversal of share acquisition rights | 0 | – | – |
| Total extraordinary income | 9 | 18 | 138 |
| Extraordinary loss | | | |
| Loss on sales of non-current assets | 7 | 0 | 1 |
| Loss on disposal of non-current assets | 10 | 13 | 99 |
| Impairment losses | – | 611 | 4,575 |
| Loss on sale of investment securities | 0 | 0 | 6 |
| Loss on valuation of investment securities | 9 | – | – |
| Loss on termination of performance-linked stock-based compensation plan | 120 | – | – |
| Total extraordinary loss | 147 | 625 | 4,683 |
| Income before income taxes | 3,672 | 3,957 | 29,634 |
| Income taxes – current | 1,339 | 1,516 | 11,355 |
| Income taxes – deferred | 30 | 2 | 18 |
| Total income taxes payable | 1,369 | 1,518 | 11,374 |
| Profit | 2,303 | 2,438 | 18,260 |
| Profit attributable to non-controlling interests | 18 | 23 | 177 |
| Profit attributable to owners of parent | 2,284 | 2,414 | 18,082 |

■ Consolidated Statement of Comprehensive Income

| | (Million yen) | | (Thousand U.S. dollars) |
|--|---------------|-------|-------------------------|
| | 2022 | 2023 | 2023 |
| Profit | 2,303 | 2,438 | 18,260 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | (19) | 3 | 27 |
| Deferred gains or losses on hedges | 23 | (64) | (484) |
| Foreign currency translation adjustment | 14 | 23 | 178 |
| Remeasurements of defined benefit plans | (57) | (102) | (765) |
| Total other comprehensive income | (39) | (139) | (1,044) |
| Comprehensive income | 2,263 | 2,298 | 17,215 |
| (Breakdown) | | | |
| Comprehensive income attributable to owners of parent | 2,244 | 2,275 | 17,037 |
| Comprehensive income attributable to non-controlling interests | 18 | 23 | 178 |

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■ Consolidated Statement of Cash Flows

| | (Million yen) | | (Thousand U.S. dollars) |
|---|---------------|---------|-------------------------|
| | 2022 | 2023 | 2023 |
| Cash flows from operating activities | | | |
| Income before income taxes | 3,672 | 3,957 | 29,634 |
| Depreciation | 1,091 | 1,134 | 8,499 |
| Impairment losses | – | 611 | 4,575 |
| Amortization of goodwill | 315 | 381 | 2,857 |
| Share-based compensation expenses | 45 | 24 | 182 |
| Gain on reversal of share acquisition rights | (0) | – | – |
| Loss on termination of performance-linked stock-based compensation plan | 120 | – | – |
| Increase (decrease) in allowance for doubtful accounts | (0) | 20 | 156 |
| Increase (decrease) in provision for bonuses | 64 | 57 | 433 |
| Increase (decrease) in provision for stocks payment | (61) | 0 | 2 |
| Decrease (increase) in retirement benefit asset | (90) | (116) | (874) |
| Increase (decrease) in retirement benefit liability | (79) | 33 | 250 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (508) | – | – |
| Interest and dividends income | (10) | (8) | (65) |
| Interest expenses | 15 | 9 | 67 |
| Loss (gain) on sale of investment securities | (1) | 0 | 6 |
| Loss (gain) on valuation of investment securities | 9 | – | – |
| Loss (gain) on sales of non-current assets | 0 | (18) | (138) |
| Loss on disposal of non-current assets | 10 | 13 | 99 |
| Decrease (increase) in notes and accounts receivable – trade | (1,227) | (1,793) | (13,428) |
| Decrease (increase) in inventories | (2,031) | (949) | (7,111) |
| Increase (decrease) in notes and accounts payable – trade | 1,287 | 1,292 | 9,678 |
| Increase (decrease) in accrued consumption taxes | (197) | 412 | 3,092 |
| Other | (51) | 284 | 2,133 |
| Sub-total | 2,372 | 5,348 | 40,051 |
| Interest and dividends income received | 10 | 8 | 65 |
| Interest expenses paid | (15) | (8) | (66) |
| Income taxes paid | (1,139) | (1,386) | (10,380) |
| Cash flows from operating activities | 1,227 | 3,961 | 29,669 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (1,566) | (1,377) | (10,312) |
| Proceeds from withdrawal of time deposits | 5,372 | – | – |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (6,219) | – | – |
| Other | 40 | (12) | (92) |
| Cash flows from investing activities | (2,373) | (1,389) | (10,405) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term loans payable | 1,500 | (1,000) | (7,488) |
| Proceeds from long-term borrowings | 300 | 450 | 3,370 |
| Repayments of long-term borrowings | (294) | (274) | (2,056) |
| Purchase of treasury stock | (611) | (291) | (2,180) |
| Proceeds from sales of treasury stock | 0 | – | – |
| Cash dividends paid | (827) | (843) | (6,316) |
| Dividends paid to non-controlling interests | (2) | (2) | (20) |
| Other | (86) | (63) | (475) |
| Cash flows from financing activities | (22) | (2,025) | (15,167) |
| Effect of exchange rate change on cash and cash equivalents | 15 | 22 | 167 |
| Net increase (decrease) in cash and cash equivalents | (1,153) | 569 | 4,263 |
| Cash and cash equivalents, beginning of year | 11,317 | 10,164 | 76,122 |
| Cash and cash equivalents, end of year | 10,164 | 10,733 | 80,385 |

* All financial information presented in Japanese yen has been rounded down to the nearest million.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of exchange at March 31, 2023. U.S. dollar amounts are rounded down to the nearest thousand.

Editor's Note

Thank you very much for reading the "KONDOTEC REPORT".

This year marks the seventh release of our Integrated Report. The report has features not found in other materials disclosed by our Company. In addition to rounding out information on our materiality items, the report goes beyond discussing the history and business of our Company to describe our growth strategies and our responses to climate change issues and other ESG-related issues, and is structured to convey a sense of our growth potential. The project members behind creation of the report consisted solely of employees from divisions including our general affairs section, human resource section, sales section, and SDGs-related sections, without reliance on any outside organizations. It is our hope that, by communicating our corporate value as seen from inside and by expressing it as only our employees can, this report will let stakeholders deepen their understanding of our Company. Looking ahead, as we engage in corporate activities aimed at achieving a sustainable society, we will aim for an integrated report that helps people understand our sustainable growth and the appeal of our Company not visible through performance alone.

Senior Executive Director and General Manager of Management Headquarters
Hiroyuki Yada

Please support the KONDOTEC Track & Field Club !

The KONDOTEC Track & Field Club established in 2016, currently has four members.
Your continued support is greatly appreciated.

Athlete employees (From left)

| Name | Competition category | Personal best |
|---------------|----------------------|---------------|
| Sara Fujimoto | Hammer Throw | 62m59 |
| Mika Yamamoto | Discus Throw | 50m51 |
| Kiho Kuze | Javelin Throw | 59m16 |
| Yuki Noshi | Pole Vault | 3m90 |



The track & field club's activities and blogs by athletes

URL ▶ <https://www.kondotec.co.jp/corporate/track.html>

Official SNS accounts

Official Instagram



https://www.instagram.com/kondotec_official/

Official Facebook



<https://www.facebook.com/kondotec.official/>

Notes on forward-looking statements

This document contains forward-looking statements including operating forecasts and business plans. Future operating performance projections that the Company releases are based on data available at the time of making the release. Actual results may differ considerably from projections due to various factors and changes.

Detailed information on financial results

For details of financial results for the year ended March 31, 2023, please refer to the Annual Securities Report.
URL : https://www.kondotec.co.jp/ir/library/asset_securities.html

Reporting coverage period

- ◆ Reporting period : April 1, 2022 through March 31, 2023
(Activities in April 2023 and thereafter are included in part.)
- ◆ Reporting organization : KONDOTEC INC. and its group companies
- ◆ Accounting standard : Japanese GAAP

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