KONDOTEC GROUP VISION 2040

Ideal in the long-term vision VISION 2040

We will offer five types of inspiration

Inspiring **the workplace**	We will value human relationships and create new value as a business partner.
Inspiring **people**	We will do business that delivers happiness to everyone concerned with the KONDOTEC Group.
Inspiring **the world**	We will deliver safety and security to the world with the use of networks and technologies.
Inspiring **the earth**	We will help build a sustainable society as a responsible company.
Inspiring **the future**	We will aim to be a company that can be the pride of future generations.

A pledge for achieving the VISION 2040

We will <u>transform ourselves</u> (functional enhancement and building of foundations)

– We will aim to be a company that will combine human resource with technologies to create innovative value. –

We will <u>make a difference</u> (growth and higher additional value)

– We will carry out business activities that will be conducive to innovation in social infrastructure. –

Philosophical Framework

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.

The long-term vision

VISION2040

We will offer five types of inspiration.

- Inspiring **the workplace**
- Inspiring **people**
- Inspiring **the world**
- Inspiring **the earth**
- Inspiring **the future**

Medium-term Management Plan

- Growth strategies
- Reinforcement of management base
- Appropriate allocation of funds

Creation of social value

Contribution to the global environment
[Environmental contribution target]
2040 GHG emissions to be reduced by 30%

Contribution to safe and secure communities

Coexistence and development with local communities

Creation of an environment where diversity is respected and where all personnel can display their potential

Creation of financial value

300 billion yen in net sales for 2040

Value Creation Story

Input

Financial capital
Robust financial foundations for adapting to the changing business environment

Manufacturing capital
Multiple factories utilizing group synergy

Intellectual capital
Intellectual property (Patents, utility model, design, trademark)
Design and manufacturing technology to automation machine, image processing technologies, etc.

Human capital
Diverse employees including those with qualifications

Social capital / Natural capital
Business partners in many different industries and a broad array of goods

Business Activities

Business that leverages our strengths

Industrial Materials
Structural Steel Materials
Electrical Equipment
Scaffolding Construction
New businesses

Strength in Kondotec group

Strength in procurement
- Many various suppliers
- Establishment of in-house factories

Strength in sales methods
- The quick delivery system of extensive products and merchandise
- Professional sales capabilities

Synergies (Group's collective strength)
- Comprehensive services from design to construction

Promotion of growth strategies and functional strategies

Products, merchandise, services and initiatives that will lead to solution of social issues

Output Outcome

Vision 2040

Inspiring **the workplace**
Inspiring **people**
Inspiring **the world**
Inspiring **the earth**
Inspiring **the future**

Social value

Contribution to the global environment

Contribution to safe and secure communities

Coexistence and development with local communities

Creation of an environment where diversity is respected and where all personnel can display their potential

Financial value

300 billion yen in net sales for 2040

Changes in business environment

Environment/society
Economy
Technology

Initiatives for materiality

Future Changes in business environment

Future changes in business environment will bring about changes in both "opportunities" and "risks" for the KONDOTEC Group.

Focus on changes in business environment

Environment/society

- Decrease in labor force participation
- Responding to climate change
- Transition to a Sound Material-Cycle Society

Economy

- Slump in domestic demand due to the declining birth rate and aging population
- Economic growth in overseas markets

Technology

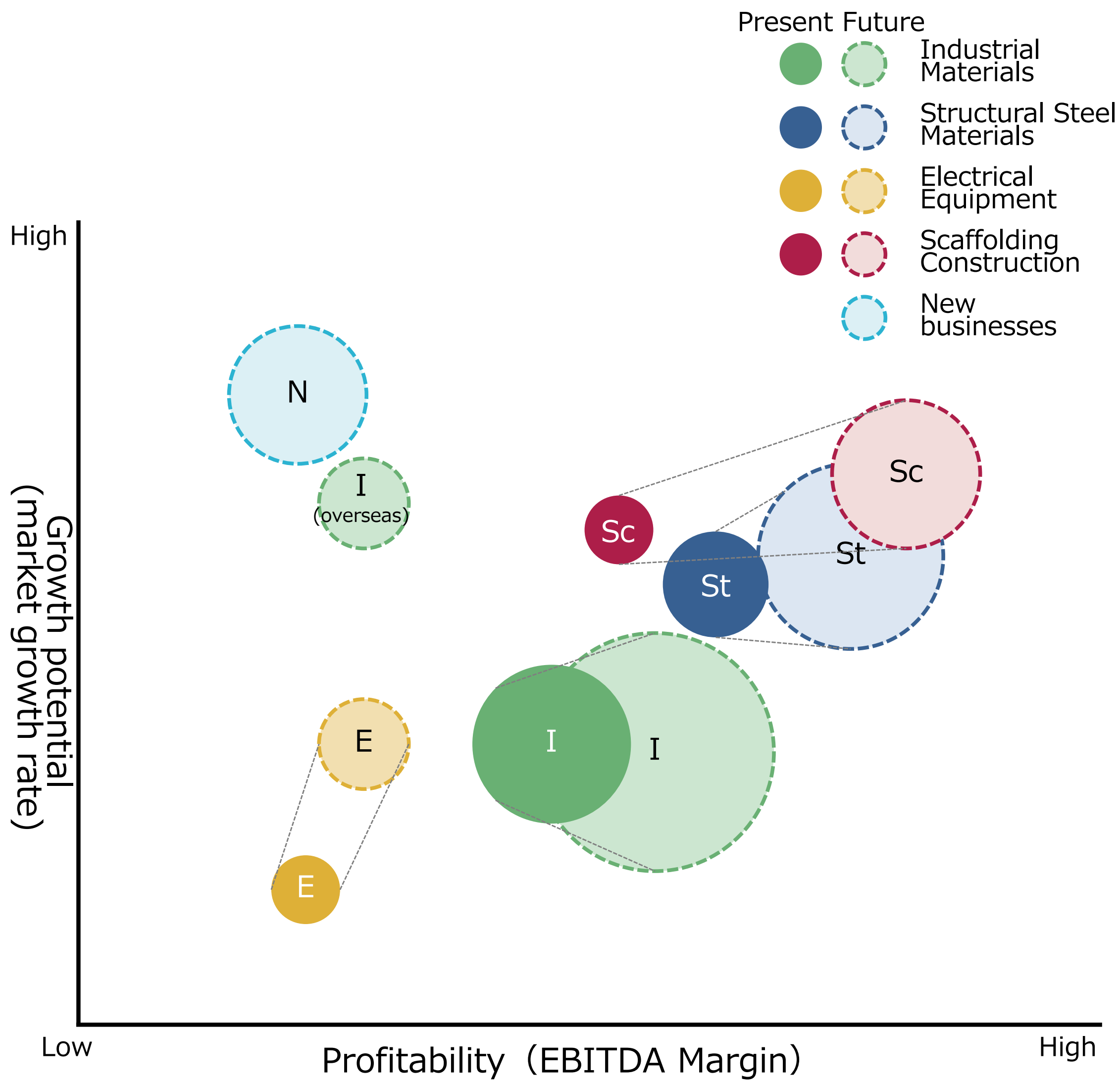
- Development of digital technologies
- Expanding a range of utilization of AI/robotics technologies
- Merging of real and virtual worlds

Impacts on KONDOTEC group

- **Changes in the contents of construction investment (increasing large-scale buildings and maintenance/repair work)**
- **Increase in demand related to labor-saving**
- **Responding to climate change**
- **Increase in the importance of overseas markets**
- **Transformation to business models responding to advances in digital technologies**

Business Portfolio

We will strive to increase the profitability of our existing businesses and expand their business domains. We will also work to achieve growth of overseas businesses and new businesses in a bid to create a sustainable business portfolio with a high capacity to create cash flows.



* The size of a circle roughly represents the sales scale.

Main initiatives

Industrial Materials	• Broaden the lineup of products and merchandise we handle • Enhance distribution functions and construction and manufacturing capacity • Develop overseas sales channel	(Growth rate) Mid
Structural Steel Materials	• Developing new products and merchandise • Advance the design function • Increase in construction capacity	(Growth rate) High
Electrical Equipment	• Broaden the lineup of products and merchandise we handle • Enhancement of distribution functions and construction capacity • Cultivate distribution routes other than wholesaling in the direct demand area	(Growth rate) Mid
Scaffolding Construction	• Expand the sales coverage regions and expand the types of construction we can perform • Continuously invest in scaffolding materials • Increase in construction capacity	(Growth rate) High

Industrial Materials

The Industrial Materials segment offers extensive products, merchandise and services to support infrastructure in many different industries.

Opportunities and Risks	Focus Fields	Initiatives
● Decrease in labor force participation due to the declining birthrate and aging population	**Labor-saving, weight reduction**	● **Development of new products and merchandise that leverage the Group's strengths**
● Increase in investment related to national resilience after a rise in the frequency of natural disasters	**Repair, Rental sales**	● **Expand products and merchandise lineup**
● Increase in investment for replacement following an increase in aged buildings and in investment in infrastructure in adaptation to changes in the environment	**Foreign Markets, mainly ASEAN**	● **Enhancement of distribution functions and construction and manufacturing capacity**
● Increase in investment in infrastructure outside Japan		● **Sales activities that combine digital and analog approaches**
		● **Develop overseas sales channel**

Structural Steel Materials

The Structural Steel Materials segment has high market share products and a local community-oriented, quick delivery system. This segment offers products, merchandise and services to support infrastructure.

Opportunities and Risks	Focus Fields	Initiatives
● Shift to larger private properties and acceleration of concentration in urban areas ● Decrease in steel fabricators ● Decrease in labor force participation due to the declining birthrate and aging population ● Spread of DX in construction	**Upstream areas of the supply chain** **Acquisition of orders including construction works** **Labor-saving, weight reduction**	**● Cultivation of sales channel in the field of steel trading companies and neighboring fields** **● Developing new products and merchandise** **● Advancement of design functions (support for three-dimensional models)** **● Increase in construction capacity**

Electrical Equipment

The Electrical Equipment segment offers extensive merchandise and services, focusing on electrical equipment, factory automation-related materials and housing equipment.

Opportunities and Risks	Focus Fields	Initiatives
● Growing demand for renovation due to increasing building ages ● Increasing demand for energy-saving and other environmental products and merchandise ● Shrinkage in housing investment mainly in new construction of detached houses	**Factory automation-related fields** **Housing equipment** **Acquisition of orders including construction works** **Carbon Neutral**	● **Expand our sales coverage areas** ● **Expand merchandise lineup** ● **Enhancement of distribution functions and construction capacity** ● **Cultivate distribution routes other than wholesaling in the direct demand area**

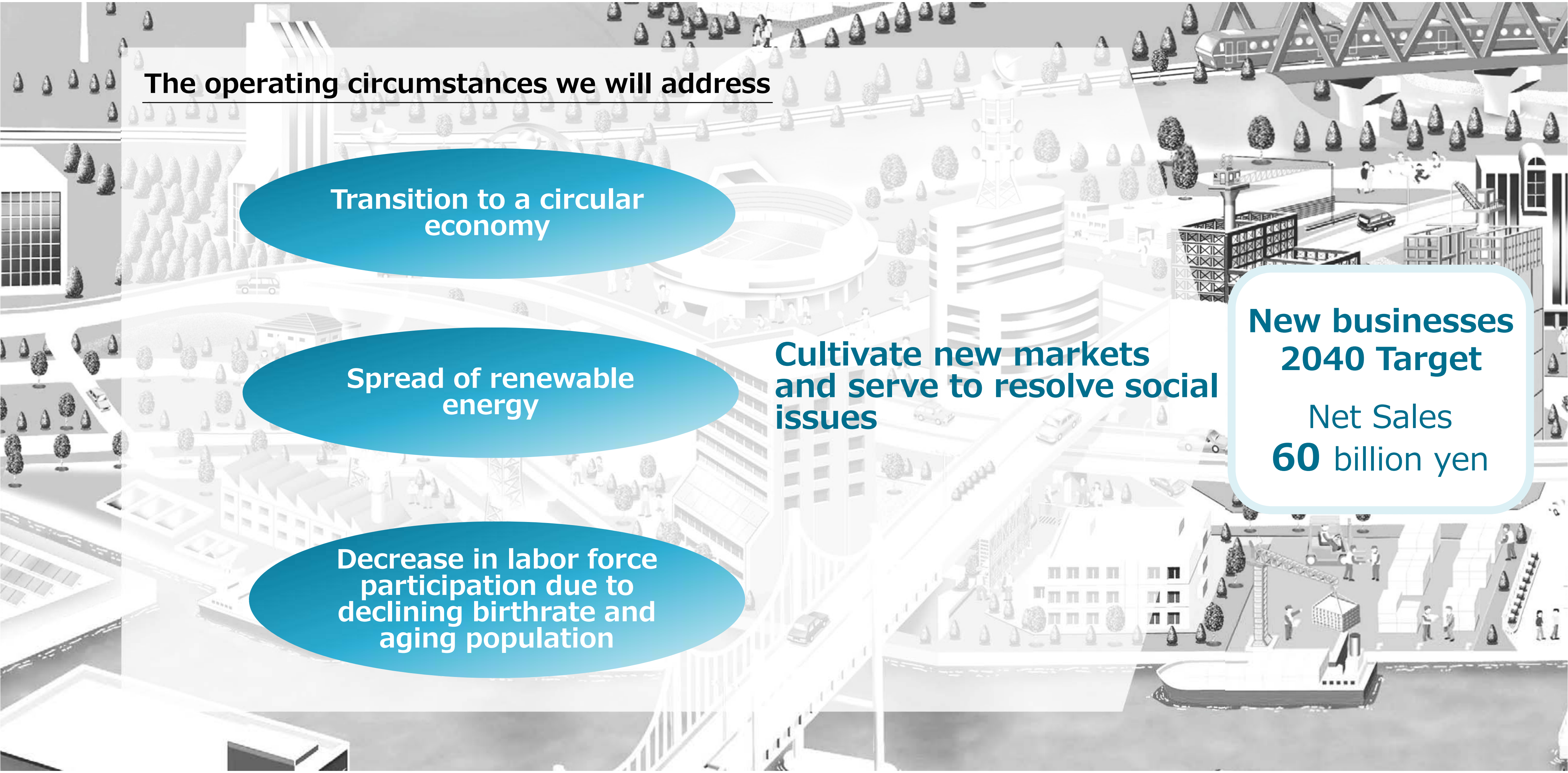
Scaffolding Construction

The Scaffolding Construction segment has developed a business structure that covers extensive properties and areas, and offers products, merchandise and services to support the maintenance and repair field.

Opportunities and Risks	Focus Fields	Initiatives
● Increase in investment for replacement following an increase in aged buildings and in investment in infrastructure in adaptation to changes in the environment ● Increase in investment related to national resilience after a rise in the frequency of natural disasters ● Shrinkage in housing investment mainly in new construction of detached houses ● Decrease in labor force participation due to the declining birthrate and aging population	**Rental sales** **Civil engineering / Bridges** **Medium- and high-rise buildings**	● **Expand the sales coverage regions and expand the types of construction we can perform** ● **Continuously invest in scaffolding materials** ● **Increase in construction capacity** ● **Use digital technologies to increase productivity**

New Businesses

The KONDOTEC Group will seek to operate new businesses and address social issues in a bid to offer the five types of inspiration.



The operating circumstances we will address

- Transition to a circular economy
- Spread of renewable energy
- Decrease in labor force participation due to declining birthrate and aging population

Cultivate new markets and serve to resolve social issues

New businesses 2040 Target

Net Sales
60 billion yen

Environmental Initiatives

In order to build a sustainable society, based on our environmental policy, we will operate our business with consideration given to creating future environmental value, coexistence and harmony with the environment.

We will contribute to building a sustainable society and inspire our earth planet.

2040 target

GHG emissions to be reduced by 30%
(From the level in the fiscal year ended March 31, 2024, Scope1・2)

Main initiatives

- **Reducing the environmental impact in the supply chains**
- **Provision of products, merchandise and services best suited for environmental measures**
- **Reduction of environmental impacts by introducing and replacing internal equipment**
- **Information disclosures based on TCFD Recommendations**

DX

By utilizing digital technologies, we will realize growth strategies and business transformation, accelerating the growth of each business.

Seize selling opportunities to increase revenue

- Development of a platform for matching
- Active implementation of omnichannel approaches
- Digital marketing

Accelerate business growth

Accomplish business transformation for improving productivity

- Automation and integration of operations
- Encouragement of sharing and effective use of information
- Introduction of IoT technologies to factories
- Standardization of IT platforms

Strengthening the system for promoting DX

Human Capital

We aim to be a group in which employees create inspiration through a
"diversity conscious talent developmental organization"
where everyone can work with motivation for the long term.

The company

Training

- Support for employees' development
- Capacity development for implementing strategies
- Identification and training of personnel for the Group's management who will take responsibility for future management

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- Improvement of education programs and systems
- Support for internal career building

Diversity

- Year-round recruitment
- Establishment of safety
- Business improvement
- Support suited for different life stages

Women / Foreign nationals / Parenting generation / Caregiving generation / Experienced hires / Senior Generation

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- Increase in dialogues with employees
- Improving productivity
- Improving work environments
- Improving safety

Implementation of engagement surveys and measures to improve engagement

Inspiring the future

2040 Target

Ratio of mid-career hires in managerial positions
20-40%

Ratio of women and foreign nationals in managerial positions
5% or higher

Ratio of female employees with job titles (excluding managerial positions)
15% or higher

Employees

Employees' development

- Career selection and realization of growth
- Increase in personnel with qualification
- Increase in autonomous learning

Ease of working

- Improving retention rates
- Respect for diversity
- Individuals' demonstration of their capacity

Increasing employees' engagement

Financial Strategies

We aim to improve corporate value while keeping the balance between profitability, capital efficiency, and shareholder returns.

Improving corporate value

Shareholder returns

- Allocation of profit based on **continued dividend increase**
- Flexible acquisition of treasury shares

Improve profitability

- Business portfolio management with **an emphasis on capabilities to create positive cash flows**
- Investment for business growth and higher additional value

Improve capital efficiency

- Attainment of **an optimal capital composition**
- Investment in growth **in consideration of the capital costs**

Through these efforts, the KONDOTEC Group aims to become a company that can offer five types of inspiration while transforming ourselves and making a difference in social infrastructure.