



Medium-term Management Plan (2022-2024)

May 13, 2021

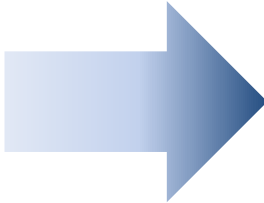


Tekka Kuba

Revisions to the Medium-term Management Plan

KONDOTEC have set new targets in light of the acquisition of FUKOKU, Ltd. and the influence of COVID-19 infection.

Revised	Million yen	2022	2023	2024
	Net Sales	63,700	67,000	71,900
	Operating income	3,370	3,540	4,370
	Ordinary income	3,500	3,700	4,450
	Profit attributable to owners of parent	2,450	2,550	2,880

Previous	Million yen	2021		2023
	Net Sales	62,000		67,000
	Operating income	3,700		4,350
	Ordinary income	3,800		4,420
	Profit attributable to owners of parent	2,500		2,940

Overview of the 2021

- Net sales and operating profit declined. Although the Industrial Materials segment achieved an increase in net sales and operating profit due to the contribution from making Tokai Step a subsidiary in February 2020 and product offerings to a wide range of customers, net sales and operating profit in the Structural Steel Materials and Electrical Equipment segments were down under the impact of the COVID-19 infection.
- Under the impact of the COVID-19 infection, KONDOTEC have made investments —specifically M&A, office relocation and strengthening its efforts towards achieving SDGs targets— to improve its corporate value over the long term.

Million yen		2020	2021	YoY	Overview	Topics
Industrial Materials	Net Sales	35,459	37,282	+1,823	Net sales and profits increased due to the contribution from new subsidiary TOKAI STEP CO., LTD. and the improvement in the gross profit ratio.	Acquired shares of FUKOKU, Ltd.
	Operating income	2,111	2,208	+ 97		
Structural Steel Materials	Net Sales	16,429	14,035	△2,394	Net sales and profits decreased due to the impact of the COVID-19 infection.	Relocation of Chukyo Branch
	Operating income	1,718	944	△ 773		
Electrical Equipment	Net Sales	8,710	8,243	△ 467	Net sales and profits decreased due to the impact of the COVID-19 infection.	
	Operating income	281	253	△ 28		
Total (Consolidated)	Net Sales	60,599	59,562	△1,037		<ul style="list-style-type: none"> • Establishment of SDGs Promotion Department • Transition to a Company with an Audit & Supervisory Committee
	Operating income	4,085	3,354	△ 730		

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

Sustainable growth and improvement in long term corporate value

During 2020s
Net sales
100 billion yen

ROE **10%** or more
DOE **2.5%** or more



Growth strategy

- Organic growth
- Periphery-strengthening
- M&A



Reinforcement of management base

- Initiatives for SDGs
- Utilization of digital technology



Appropriate allocation of funds

- Capital investment
- Strategic investment

Aim for breaking past sales and profits records, and further enhancement of shareholder returns (continuous dividend growth).

Financial Target

The final fiscal year of our new
Medium-term Management Plan (2024)

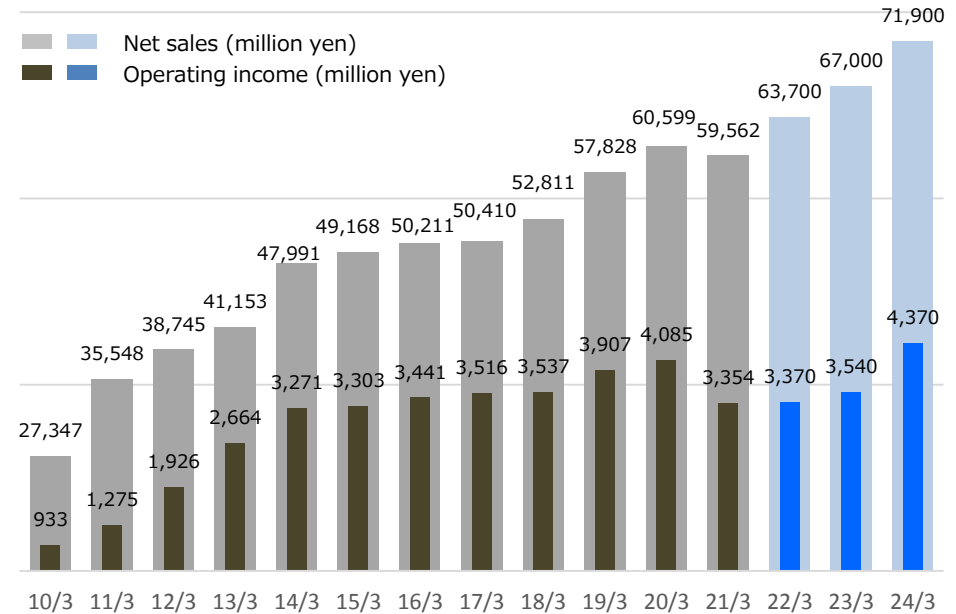
Net Sales 71 billion yen

Operating income 4 billion yen

2021(Actual)

Net Sales 59 billion yen

Operating income 3 billion yen



Capital Efficiency Target

ROE 10% or more

2021(Actual) **5.4%**

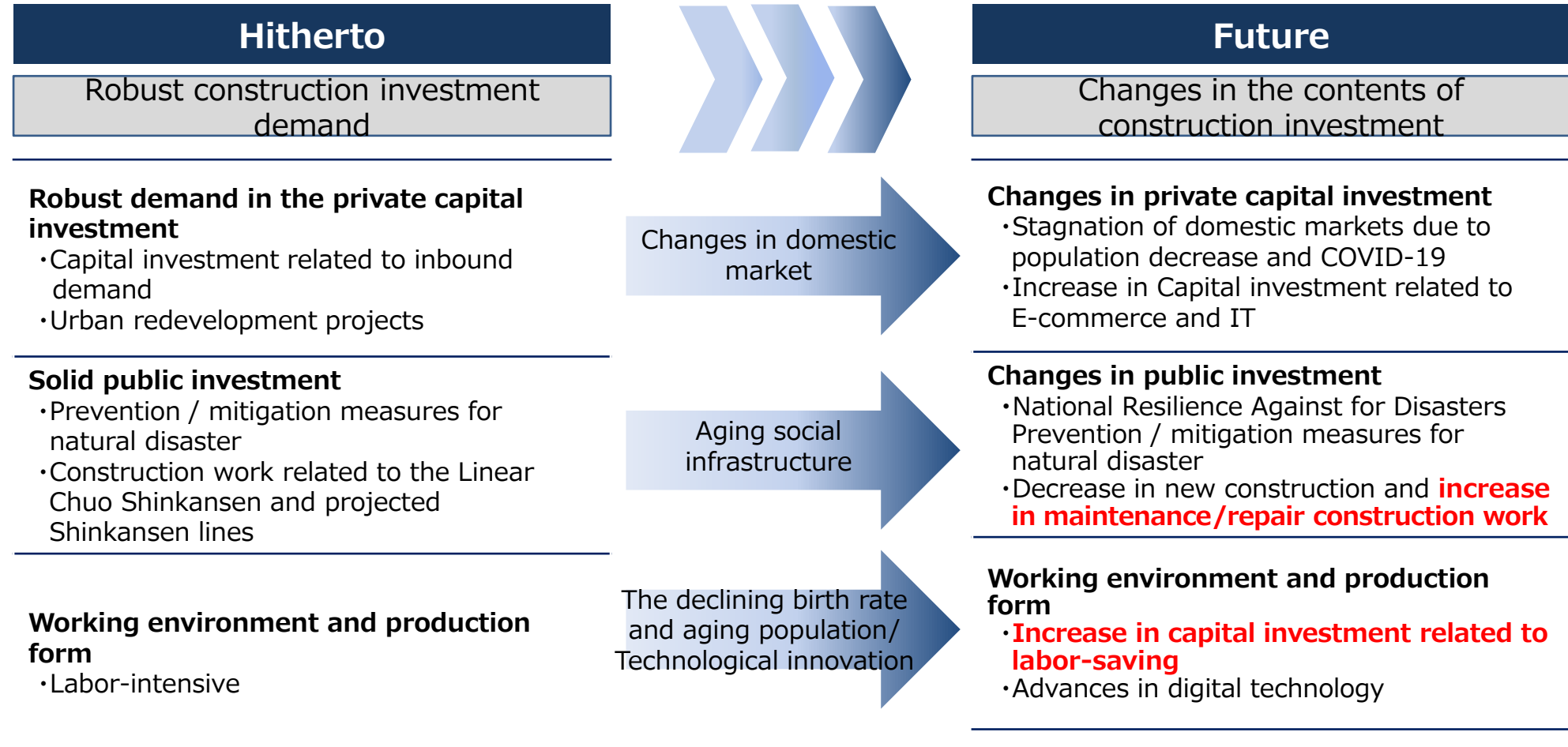
Shareholder Return Target

DOE 2.5% or more

2021(Actual) **2.8%**(dividends 31 yen)

**Increase dividends
for the 10th consecutive period**

- So far, capital investment related to inbound demand and urban redevelopment projects had continued.
- The impact of the COVID-19 has caused changes in industrial structure and business models and the increase of attention to sustainable development due to change in social values. We expect that from now on, these factors will change demand for construction investment.



《Long-term target》

During 2020s

Net Sales(Consolidated)

100 billion yen

《Medium-term target》

We will aim to achieve an increase in net sales and income by financial target based on the existing sales structure.

Consolidated target (Million yen)	2021 (Actual)	2022 (Plan)	2023 (Plan)	2024 (Plan)
Net sales	59,562	63,700	67,000	71,900
Operating income	3,354	3,370	3,540	4,370
Ordinary income	3,455	3,500	3,700	4,450
Profit attributable to owners of parent	1,561	2,450	2,550	2,880

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.

Organic growth strategies

Continue to supply "staple products and merchandise" for industrial infrastructure by strengthening existing businesses by capturing diverse demands

Main initiatives

- Expansion of operating sites, Offer of new products and merchandise
- Diversification of sales methods
- Response to natural disasters
- Cultivation of new customers etc.

Periphery-strengthening strategies

Invest actively for the future to strengthen initiatives other than existing businesses

Main initiatives

- Increasing presence in foreign markets
- Entry into the neighboring industry
- Expansion of the online business
- Adapting to digitalization etc.

accelerating the growth

M&A Strategy

Accelerate growth through existing business growth and periphery-strengthening strategies by transforming funds into profitable businesses

Four perspectives in pursuing M&A

- | | |
|-------------------------------------|---|
| ① Neighboring industry | Pursue M&A with companies associated with industries other than the construction industry |
| ② Deepening the business | Pursue M&A with material manufacturers |
| ③ Expansion of business area | Pursue M&A with companies that maintain overseas sites |
| ④ Amplifying sales patterns | Pursue M&A with companies that operates different sales patterns from those of KONDOTEC |

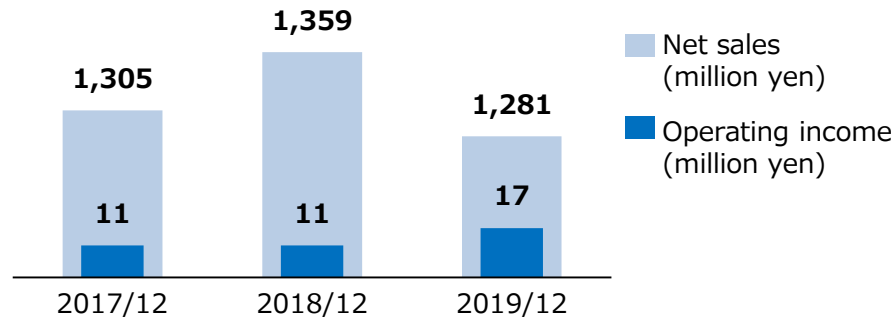
Recent M&A

- | | | |
|-----------------|-----------------------------|---------------------|
| • February 2019 | TECBUILD CO., LTD. | Became a subsidiary |
| • February 2020 | TOKAI STEP CO., LTD. | Became a subsidiary |
| • January 2021 | FUKOKU, Ltd. | Became a subsidiary |

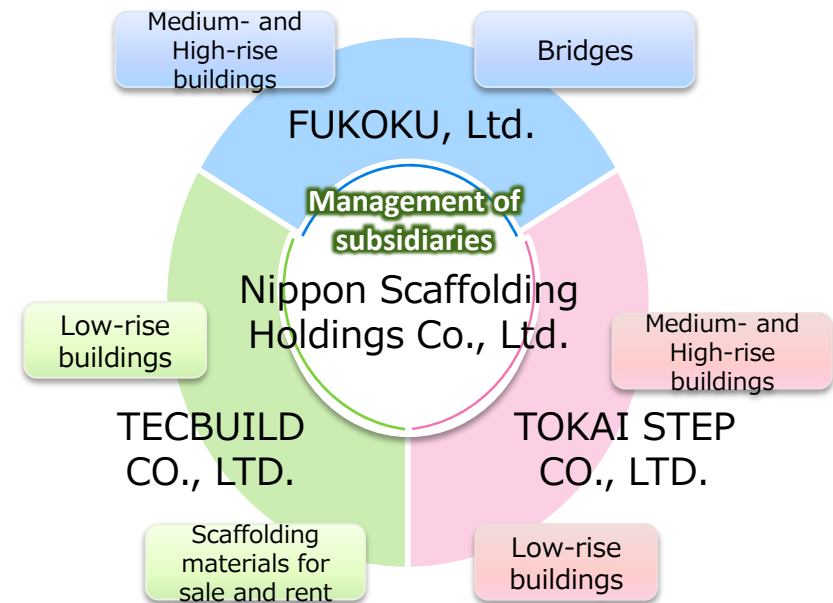
In order to strengthen its maintenance and repair business, KONDOTEC acquired FUKOKU, Ltd. in January 2021 and established an intermediate holding company and place three subsidiaries -which provide scaffolding construction services- under its umbrella to manage the operations of these three subsidiaries.

Company name	FUKOKU, Ltd.	Company name	Nippon Scaffolding Holdings Co., Ltd.
Location	Izumi-Ku, Sendai, Miyagi	Location	Koto-ku, Tokyo
Business areas	Scaffolding services for civil engineering and construction	Business areas	Management of subsidiaries that provide scaffolding construction services

【Latest performance】



【Specialized areas】



【Past projects】

Overpass repair construction



Condominium construction



We fulfill our social responsibility through business activities and advance the initiatives from an ESG perspective to achieve the SDGs. Moreover, we will strive to reinforce our management base to achieve our growth strategy.

E Reduction of environmental burden

- Expansion of the handling of environment-related products and merchandise
- Environmental protection and Energy-saving initiatives
- Management of emissions



S Initiatives for work style reform

- Recruiting diverse human resources year-round recruitment
- Reconsidering initiatives to adapt to work system reforms



G Reinforcement of governance

- Prevention of the manifestation of potential costs by reinforcement of corporate governance
- Investment with conscious of capital costs
- Initiatives to improve of effectiveness of the board of directors



DX Utilizing digital technology

- Development of systems to promote digital transformation
- Expanding opportunity to profit and improving of business process and productivity by utilizing digital technology



To contribute to the continuation of business activities and enhancement of corporate value over the long term, the following initiatives were taken.

Response to the COVID-19 infection

■ Ensuring the safety of all stakeholders including employees and customers and preventing the spread of the infection

Utilizing the online meeting service.

Implementation of international and domestic travel restrictions.

Installation of Alcohol-based hand sanitizer at operating sites.

Implementation of work from home to the extent possible.

Initiatives towards achieving SDGs targets

■ Establishment of SDGs Promotion Department

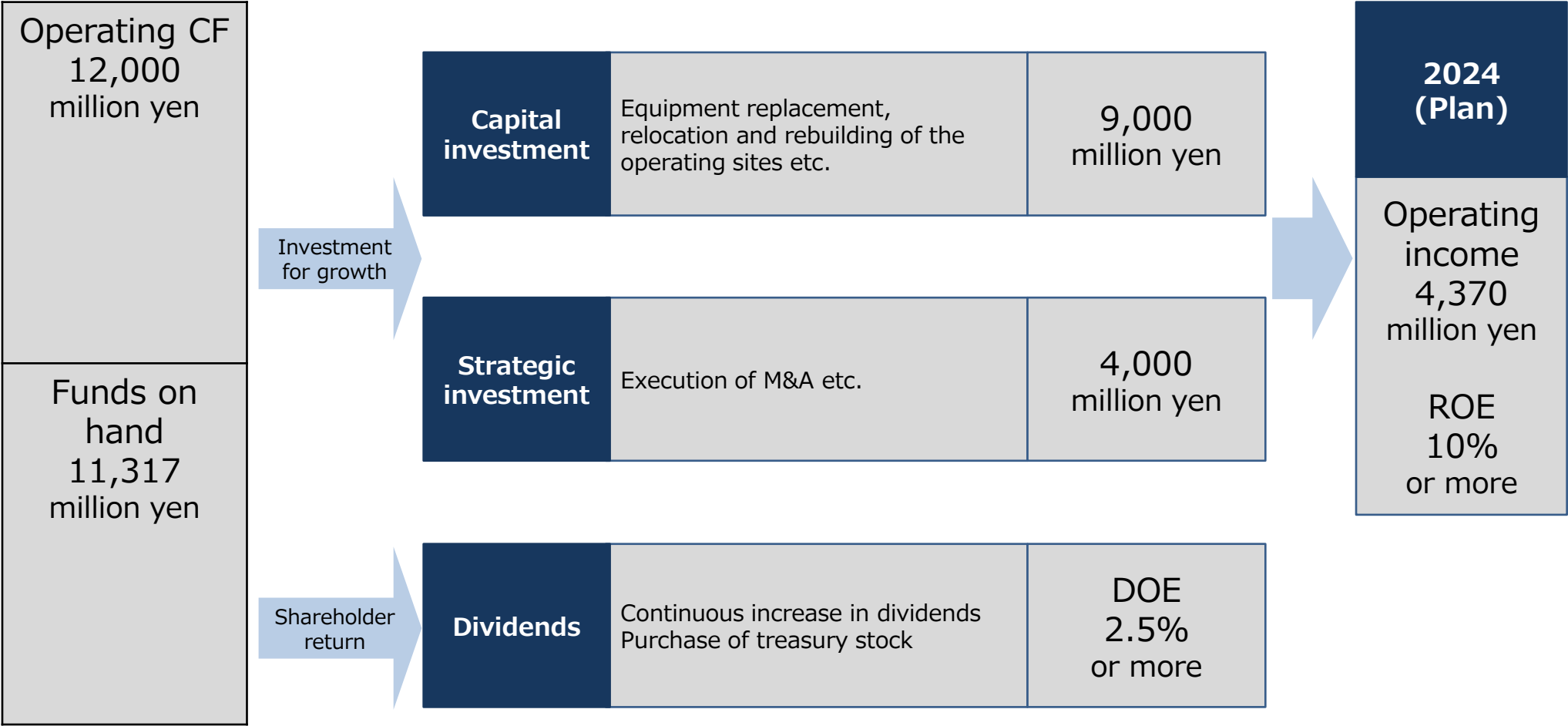
Quality Assurance Department changed the name to SDGs Promotion Department to work actively towards achieving the SDGs targets. In addition to auditing Quality Assurance by formerly Quality Assurance Department, SDGs Promotion Department will explore, research and design initiatives to facilitate achieving the SDGs.

Reinforcement of governance

■ Transition to a Company with Audit & Supervisory Committee

We shifted to a Company with Audit & Supervisory Committee. The purpose is to improve the transparency and objectivity of management as well as reinforcement of the supervision function of the Board of Directors in order to further enhance corporate value as well as further enhance corporate governance.

We maintain high capital efficiency through growth investments with conscious of capital costs and stable shareholder returns.



We have made the necessary investments under the previous plan (2021-2023).

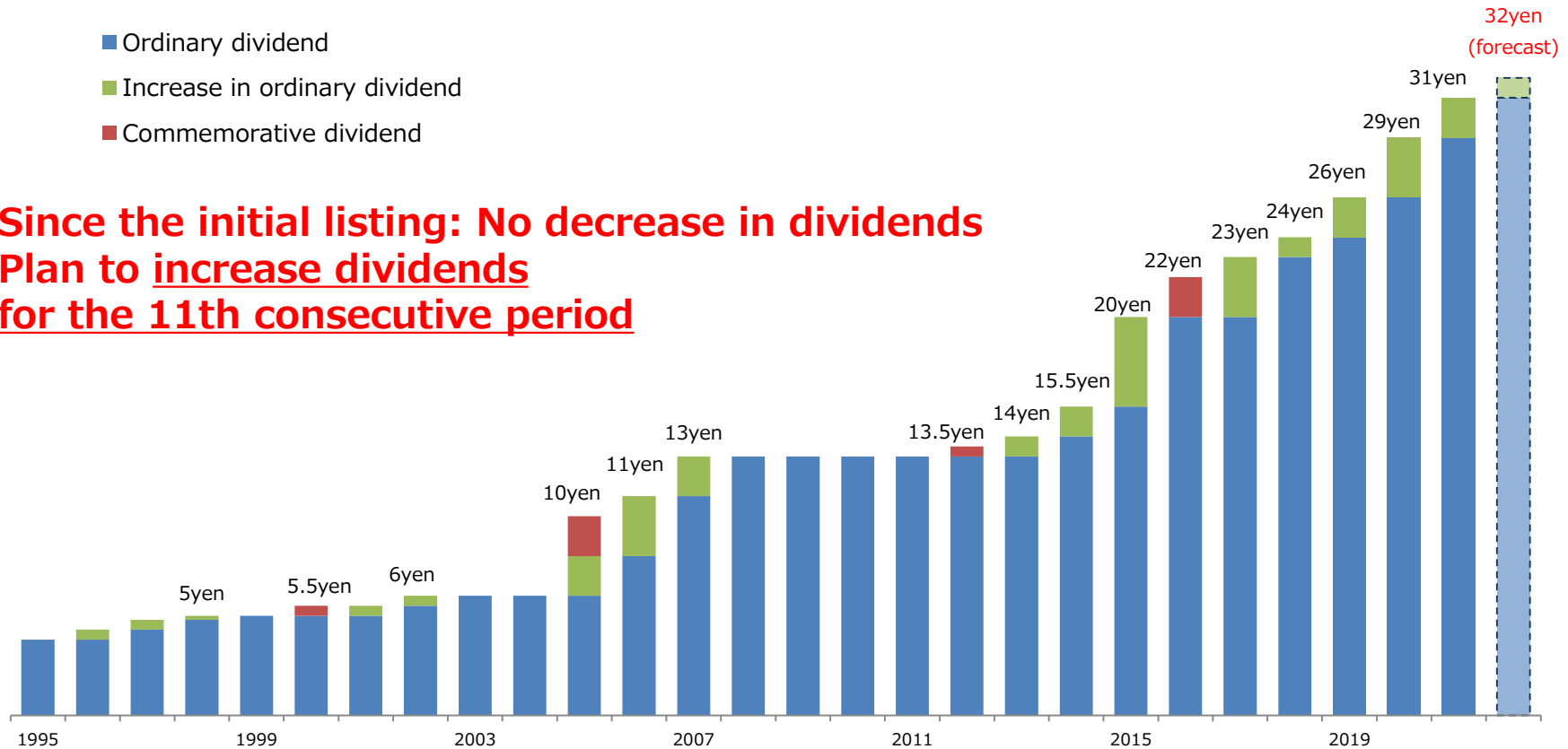
Contents	Previous Plan 2021-2023	Revised Plan 2022-2024
	<div> <div></div> 2021(Actual) <div></div> Total (3year plan) </div>	
Investment in people Transformation of lump-sum retirement allowance to defined-benefit corporate pension plan	<div> <div>400</div> <div>Execution rate 100.0%</div> </div> <div> 400 million yen </div>	Completed the payment of contribution for the system transfer.
Capital investment Equipment replacement, Relocation and rebuilding of the operating sites etc.	<div> <div>1,097</div> <div>Execution rate 14.4%</div> </div> <div> 7,600 million yen </div>	Total (3year plan) 9,000 million yen Rate of change +18.4%
Strategic investment Execution of M&A etc.	<div> <div>1,255</div> <div>Execution rate 31.4%</div> </div> <div> 4,000 million yen </div>	Total (3year plan) 4,000 million yen Rate of change ±0.0%

KONDOTEC targets consolidated DOE of at least 2.5% and ROE of at least 10.0%. We have a policy of continuous increases in dividends.

【Transition in dividends】

- Ordinary dividend
- Increase in ordinary dividend
- Commemorative dividend

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



Note : We executed a 2-for-1 stock split of common stock on January 1, 2012.
 Dividend per share have been retroactively adjusted to reflect the impact of the stock split



◆ Notes on forward-looking statements

This document contains forward-looking statements including operating forecasts and business plans.

These statements are based on information available at the time of the release.

Actual results may differ considerably from projections due to various factors and changes.

