



Medium-term Management Plan (2023-2025)

May 13, 2022



Tekka Kuba

Revisions to the Medium-term Management Plan

KONDOTEC have set new targets in response to the impact from the acquisition of KURIYAMA ALUMINUM Co., Ltd., the trend of COVID-19, and surging materials costs.

	Million yen	2023	2024	2025
Revised	Net Sales	70,000	74,700	78,000
	Operating income	3,810	4,150	4,400
	Ordinary income	3,970	4,230	4,500
	Profit attributable to owners of parent	2,470	2,700	2,900

	Million yen	2022	2023	2024
Previous	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

Overview of 2022

- Net sales in the Industrial Materials and Electrical Equipment segment increased due a recovery in demand and sales contributions from Fukoku (which became a subsidiary in January 2021) and KURIYAMA ALUMINUM (which became a subsidiary in October 2021). However, the operating profits in the segments declined due to a delay in passing on higher purchase prices.
- Net sales and operating profit in the Structural Steel Materials segment increased reflecting a recovery in demand.
- we have made investments in M&A and initiatives to strengthen efforts towards the SDGs targets to improve corporate value over the long term, although the impact of the COVID-19 has lingered.

Million yen		2021	2022	YoY	Overview	Topics
Industrial Materials	Net Sales	37,282	41,430	+4,147	•Increased due to sales contributions from Fukoku and KURIYAMA ALUMINUM	<ul style="list-style-type: none"> •Establishment of Nippon Scaffolding Holdings Co., Ltd. •Acquisition of KURIYAMA ALUMINUM Co., Ltd.
	Operating income	2,208	2,087	△121	•Decrease due to a delay in passing on higher purchase prices	
Structural Steel Materials	Net Sales	14,035	16,098	+2,063	•Increased due to a recovery in steel frame demand associated with large properties	
	Operating income	944	1,304	+360		
Electrical Equipment	Net Sales	8,243	8,610	+366	•Increased due to robust demand	
	Operating income	253	233	△19	•Decrease due to lower GPM	
Total (Consolidated)	Net Sales	59,562	66,139	+6,577		<ul style="list-style-type: none"> •Acquisition of ISO14001 at Kyushu Factory •Acquisition of treasury stocks
	Operating income	3,354	3,594	+ 239		

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).

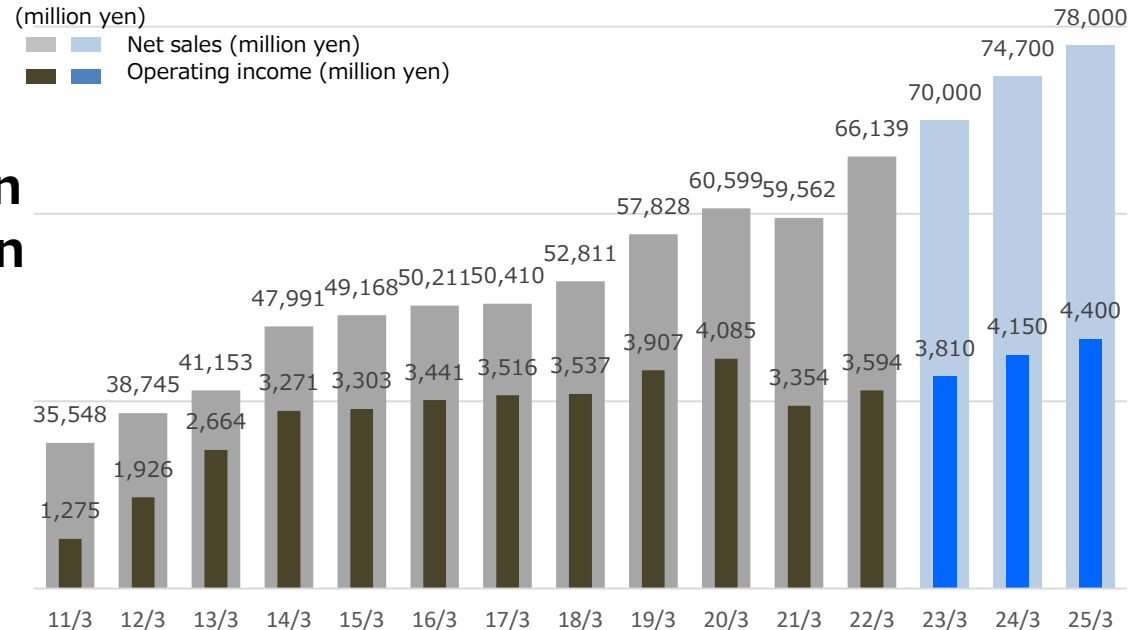
Financial Target

The final fiscal year of new Medium-term Management Plan (2025)

Net Sales 78 billion yen
Operating income 4 billion yen

2022(Actual)

Net Sales 66 billion yen
Operating income 3 billion yen



Capital Efficiency Target

ROE 10% or more
2022(Actual) **7.7%**

Shareholder Return Target

DOE 2.5% or more
2022(Actual) 2.8%(Dividends 32 yen)
Increase dividends for the 11th consecutive years

- Before the COVID-19 pandemic hit, 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 these factors will change demand for construction investment.

Before the spread of COVID-19

Robust construction investment demand

Robust demand in the private capital investment

- Capital investment related to inbound demand
- Urban redevelopment projects

Solid public investment

- Prevention/mitigation measures for natural disaster
- Construction work related to the Linear Chuo Shinkansen and projected Shinkansen lines

Working environment and production form

- Labor-intensive



Changes in domestic market

Aging social infrastructure

The declining birth rate and aging population/
Technological innovation

Future

Changes in the contents of construction investment

Changes in private capital investment

- Stagnation of domestic markets due to population decrease and the COVID-19
- Increase in Capital investment related to E-commerce and IT

Changes in public investment

- National Resilience Against for Disasters Prevention / mitigation measures for natural disaster
- Decrease in new construction and **increase in maintenance/repair construction work**

Working environment and production form

- **Increase in capital investment related to labor-saving**
- Advances in digital technology

《Long-term target》

During the 2020s Net Sales(Consolidated) 100 billion yen

《Medium-term target》

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

Consolidated target (Million yen)	2022 (Actual)	2023 (Plan)	2024 (Plan)	2025 (Plan)
Net sales	66,139	70,000	74,700	78,000
Operating income	3,594	3,810	4,150	4,400
Ordinary income	3,810	3,970	4,230	4,500
Profit attributable to owners of parent	2,284	2,470	2,700	2,900

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

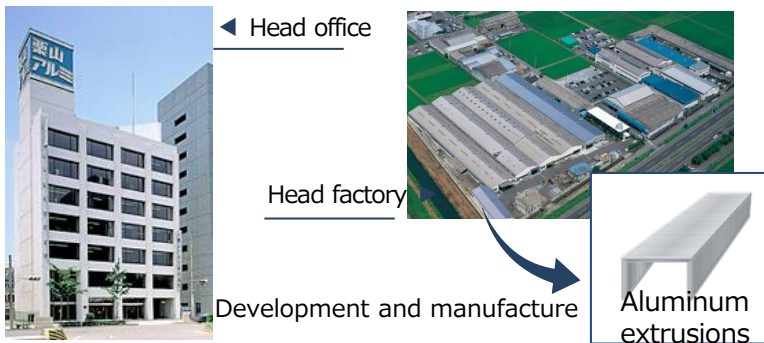
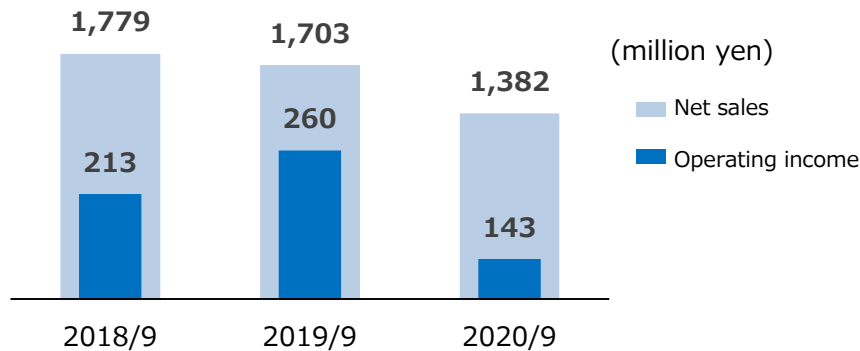
Recent M&A

● February 2019	TECBUILD CO., LTD.	Became a subsidiary
● February 2020	TOKAI STEP CO., LTD.	Became a subsidiary
● January 2021	FUKOKU, Ltd.	Became a subsidiary
● October 2021	KURIYAMA ALUMINUM Co., Ltd.	Became a subsidiary

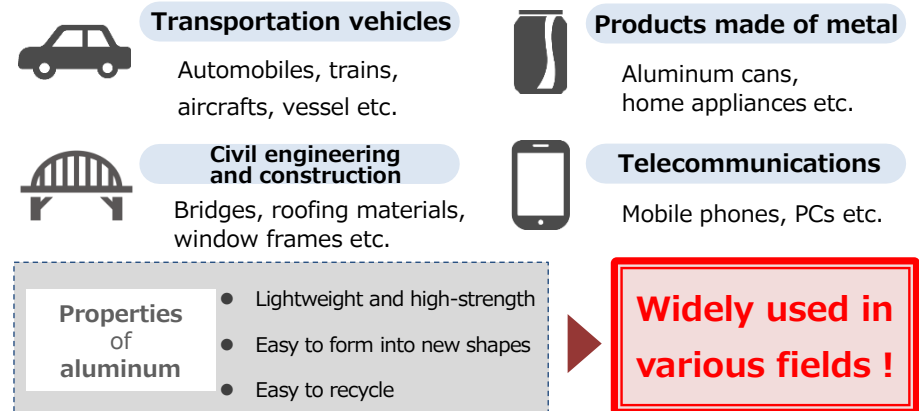
In October 2021, we made KURIYAMA ALUMINUM Co., Ltd. a subsidiary and aim to **expand the group's product lineup to include aluminum products, for which it expects demand to increase.**

Company name	KURIYAMA ALUMINUM Co., Ltd.
Location	Nakamura-ku, Nagoya
Business areas	Development and manufacture of aluminum extrusions

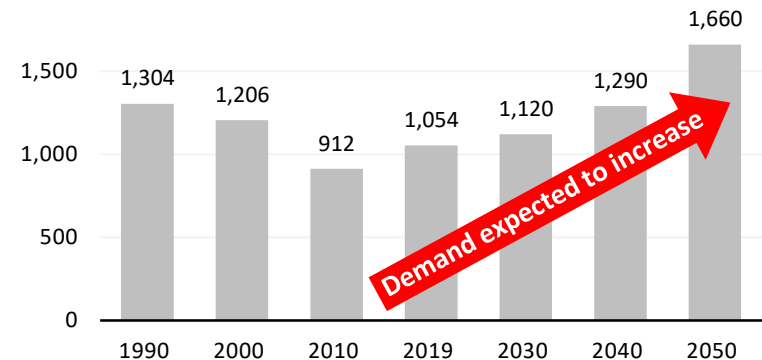
【 Recent financial results 】



【Uses of aluminum extrusions】



【Aluminum extrusions demand outlook to 2050】



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.

Enhancement of human capital

Encouraging Employees to Be More Active by Creating a Positive Working Environment

- Implementation of year-round recruitment and mid-career recruitment for recruiting personnel with various careers and experience
- Implementation of various type of training programs and correspondence courses/assistance for expenses to acquire qualifications
- Introduction of restricted stock compensation plan and GLTD (Group Long Term Disability income indemnity insurance)
- Implementation of work from home to the extent possible

Initiatives towards achieving SDGs targets

Establishment of SDGs Promotion Department

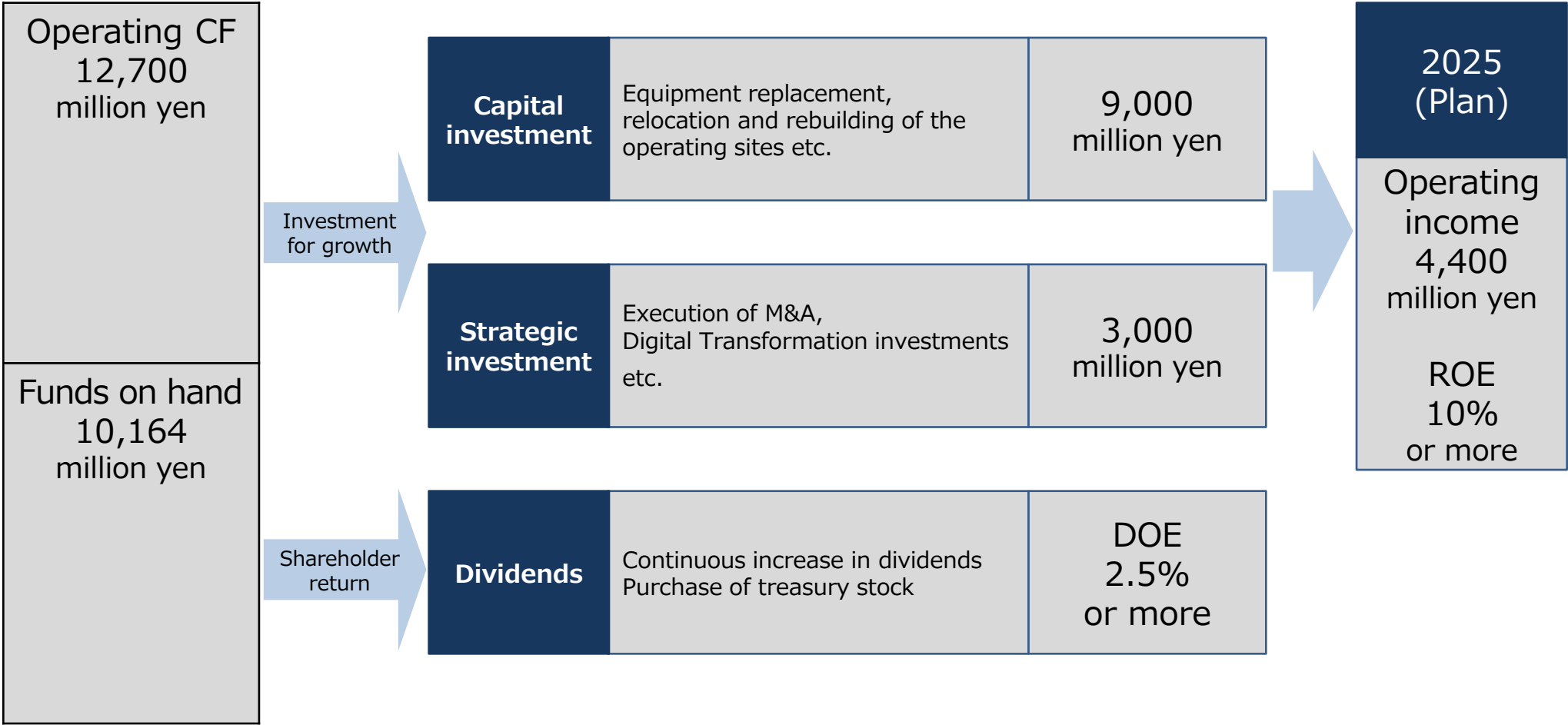
Quality Assurance Department changed the name to SDGs Promotion Department to work actively towards achieving the SDGs targets. In addition to auditing Quality Assurance by formerly Quality Assurance Department, SDGs Promotion Department will explore, research and design initiatives to facilitate achieving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

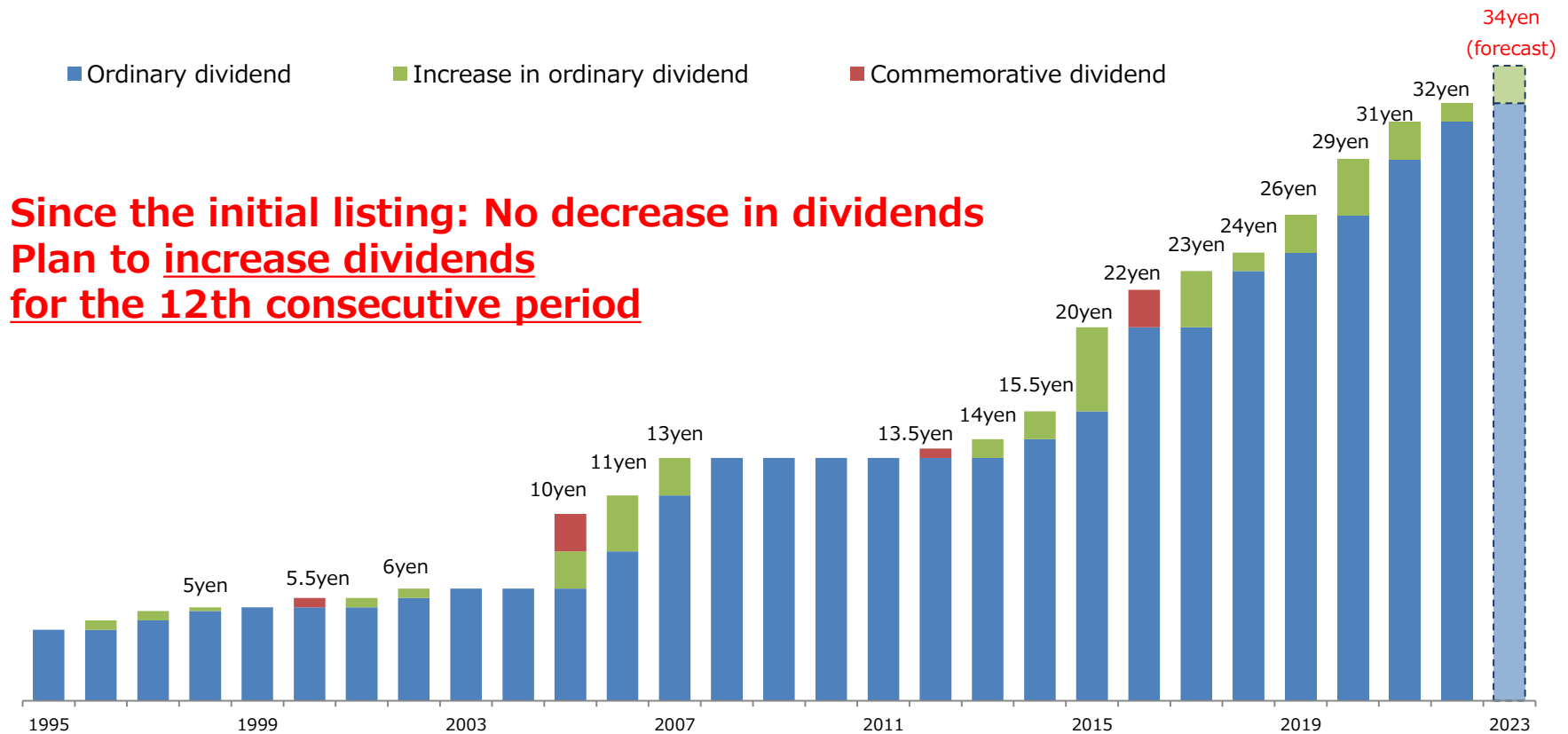


We have made the necessary investments under the previous plan (2022-2024).

Contents	Previous Plan 2022-2024	Revised Plan 2023-2025
	<div> <div>2022(Actual)</div> <div>Total (3 year plan)</div> </div>	
Capital investment Equipment replacement, Relocation and rebuilding of the operating sites etc.	<div> <div>1,694</div> <div>9,000 million yen</div> </div> <div> Rate of progress 18.8% </div>	<div> Total (3 year plan) 9,000 million yen Rate of change ±0.0% </div>
Strategic investment Execution of M&A etc.	<div> <div>6,717</div> <div>4,000 million yen</div> </div> <div> Rate of progress 167.9% </div>	<div> Total (3 year plan) 3,000 million yen Rate of change △25.0% </div>

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】



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.

