



Medium-term Management Plan (2024-2026)

May 12, 2023



Tekka Kuba

Revisions to the Medium-term Management Plan

- FY2023 results exceed the initial forecast excluding the impact of impairment loss. As a result, KONDOTEC revised the earnings targets in the Medium-term Management plan it announced on May 13, 2022.

	Million yen	2024	2025	2026
Revised	Net Sales	78,000	81,500	85,000
	Operating income	4,500	4,650	4,800
	Ordinary income	4,700	4,800	5,000
	Profit attributable to owners of parent	2,900	3,000	3,150

	Million yen	2023	2024	2025
Previous	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

Overview of 2023

- The Industrial Materials, Structural Steel Materials and Electrical Equipment segments resulted in higher sales and profit due to a recovery in demand and good progress in passing through higher costs to selling prices.
- While construction demand recovered, Scaffolding Construction Segment profit fell despite higher sales due to an increase in the ratio of outsourced construction work.

Million yen		2022	2023	YoY	Overview	Topic
Industrial Materials	Net Sales	33,861	37,610	+3,748	• Increased due to a recovery in demand and good progress in passing through higher costs to selling prices	
	Operating income	1,995	2,352	+ 356		
Structural Steel Materials	Net Sales	16,098	19,963	+3,864	• Increased due to due to a recovery in steel frame demand associated with large properties and good progress in passing through higher costs to selling prices	• Opened Gunma office
	Operating income	1,304	1,712	+ 407		
Electrical Equipment	Net Sales	8,610	9,502	+ 892	• Increased due to a recovery in capital investment and good progress in passing through higher costs to selling prices	
	Operating income	233	313	+ 79		
Scaffolding Construction	Net Sales	7,568	8,371	+ 803	• Decreased in profits despite higher sales due to a lower GPM caused by an increase in the ratio of outsourced construction work on the back of a recovery for construction demand	• Separated from the Industrial Materials segment
	Operating income	91	△ 3	△ 94		
Total (Consolidated)	Net Sales	66,139	75,447	+9,308		• Acquisition of ISO14001 for Sapporo Factory • Purchase of treasury stock
	Operating income	3,594	4,355	+ 760		

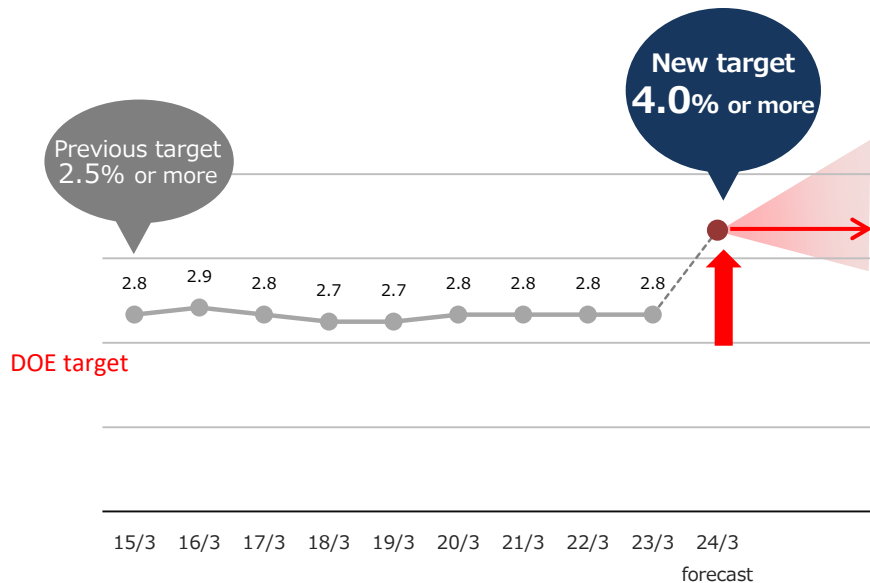
- Factoring in medium- to long-term performance and capital efficiency in future, Kondotec has made a change to its dividend policy regarding the return of profits in FY2024 to further enhance shareholder returns due to an overall increase in dividends in the market.

Decided to **increase the DOE target to 4.0% from 2.5%** in FY2024.

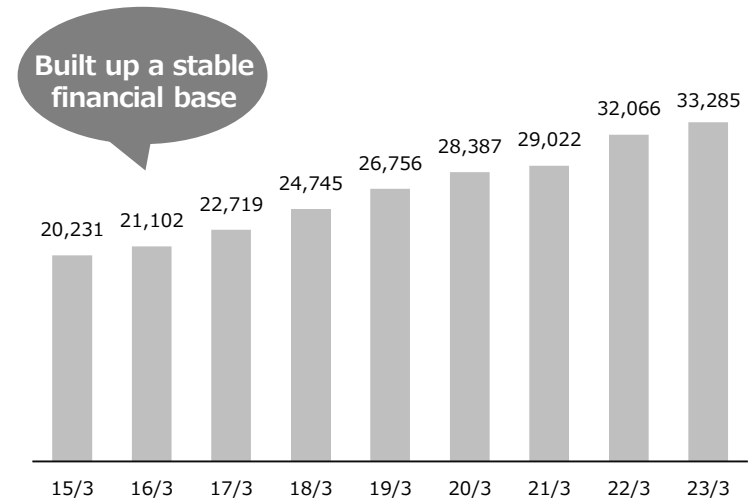
DOE

DOE is the ratio of the dividend paid to shareholders to net assets. It measures a company's ability to pay out dividends sustainably despite short term impacts on profits.

■ DOE



■ Net assets (million yen)



- 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 **4.0%** 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).

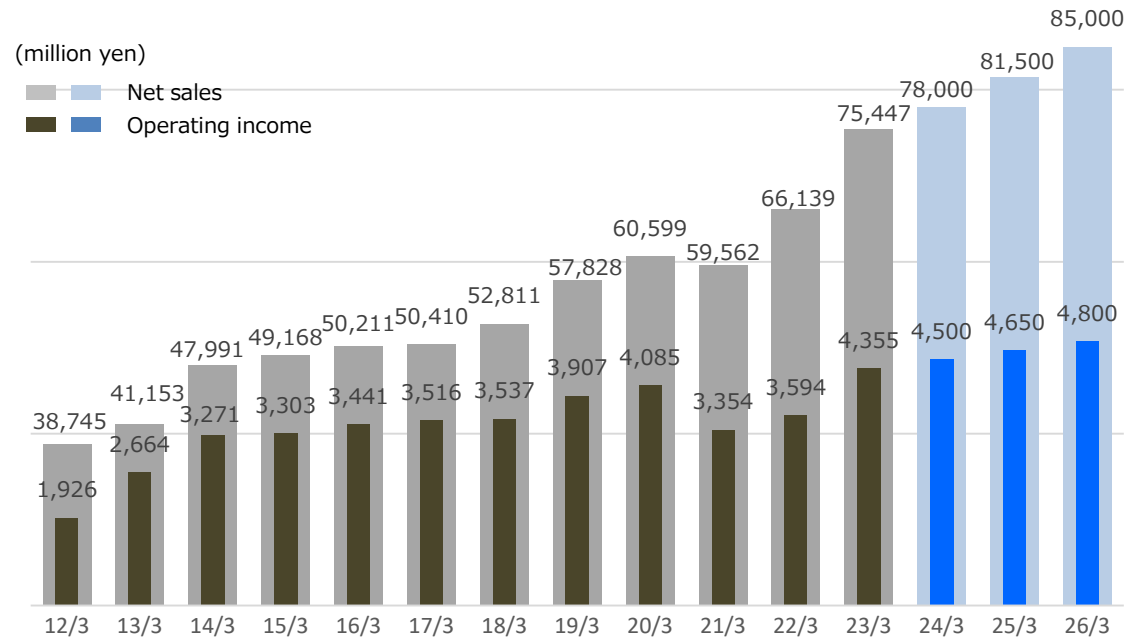
Financial Target

The final fiscal year of new Medium-term Management Plan (2026)

Net Sales 85 billion yen
Operating income 4 billion yen

2023(Actual)

Net Sales 75 billion yen
Operating income 4 billion yen



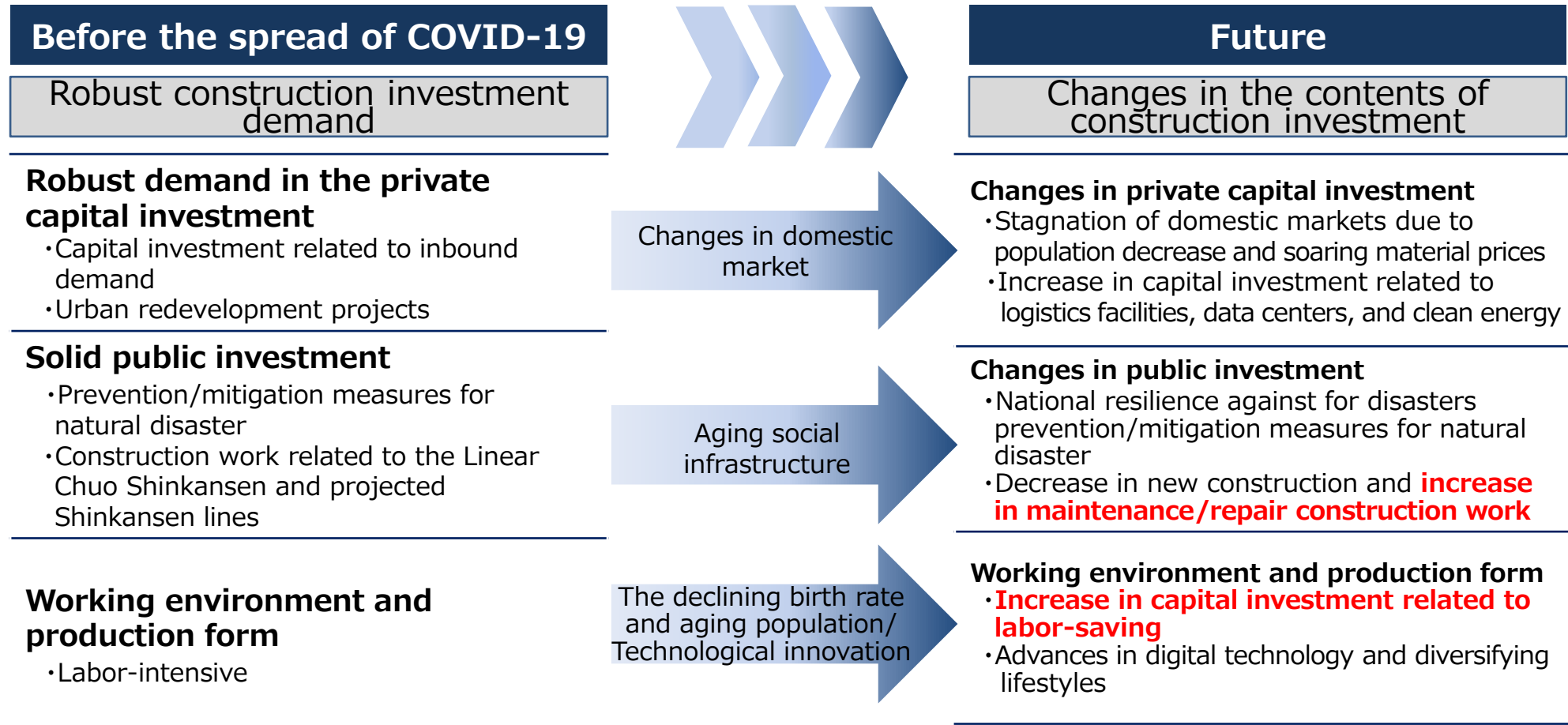
Capital Efficiency Target

ROE 10% or more
2023(Actual) **7.9%**

Shareholder Return Target

DOE 4.0% or more
2023(Actual) **2.8%**(Dividends 34 yen)
12th consecutive fiscal year of higher dividends

- 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.



《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)	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.

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 |

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 and year-round
- Creating a working environment where employees with diverse backgrounds can reach their full potential



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

Implementation of Initiative to Promote the Achievement of SDGs Targets

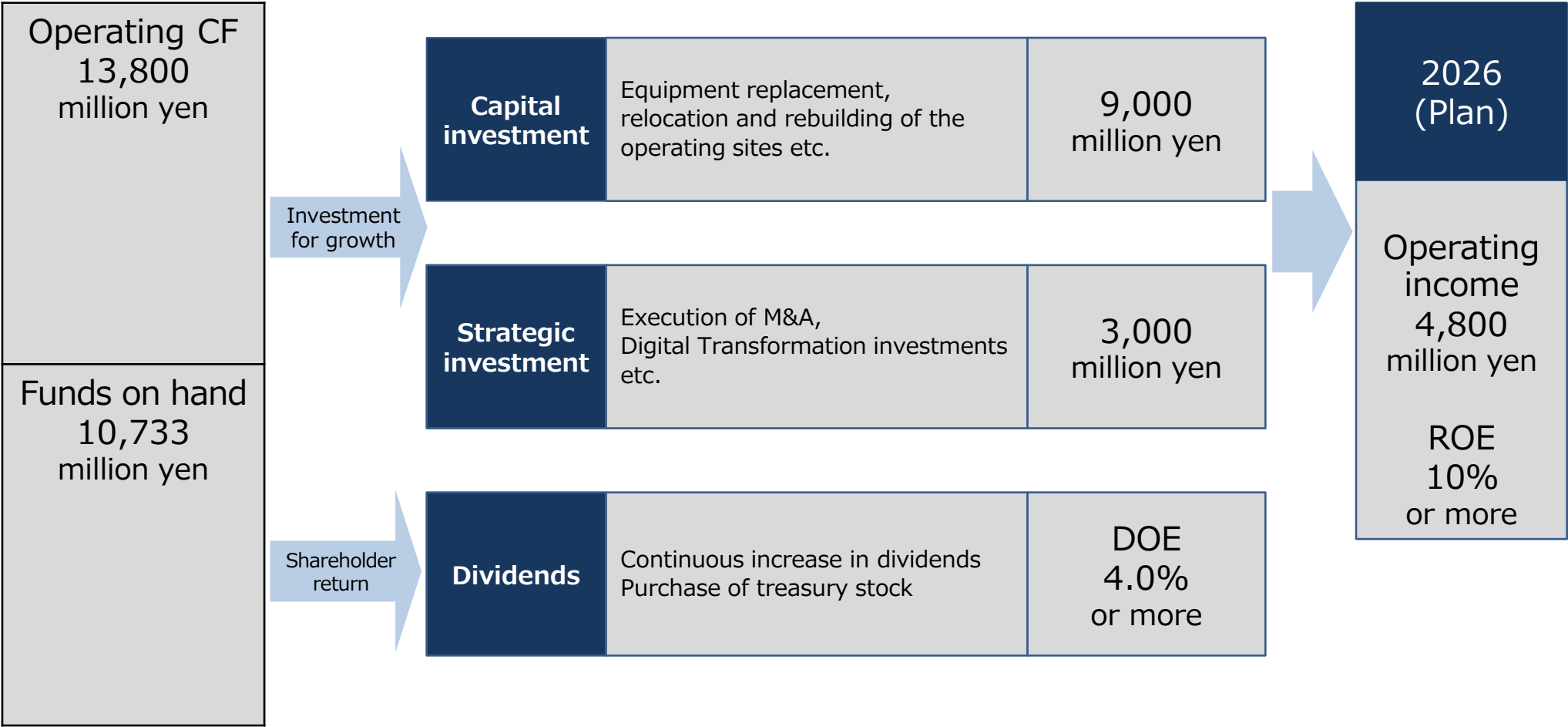
- Established SDGs Promotion Department to explore, research and design initiatives to facilitate achieving the SDGs targets including auditing quality assurance function.
- Completed to obtain ISO14001 certification for all parent factories (Sapporo, Kanto, Shiga, and Kyushu).

Utilizing digital technology

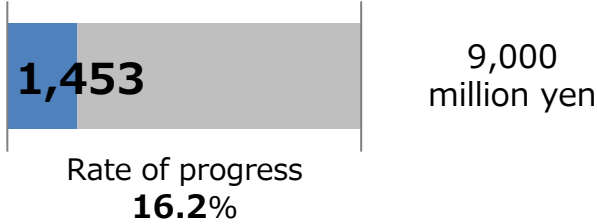
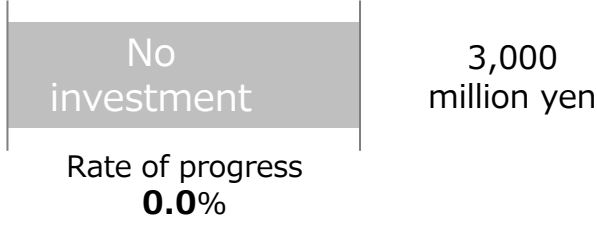
Launch of an Online Showroom

- In April 2022, launched an online showroom which provides more convenience and detailed product and merchandise information than the current website and catalog.

- 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 (2023-2025), and also sought to enhance shareholder returns in light of the progress in capital and strategic investment.

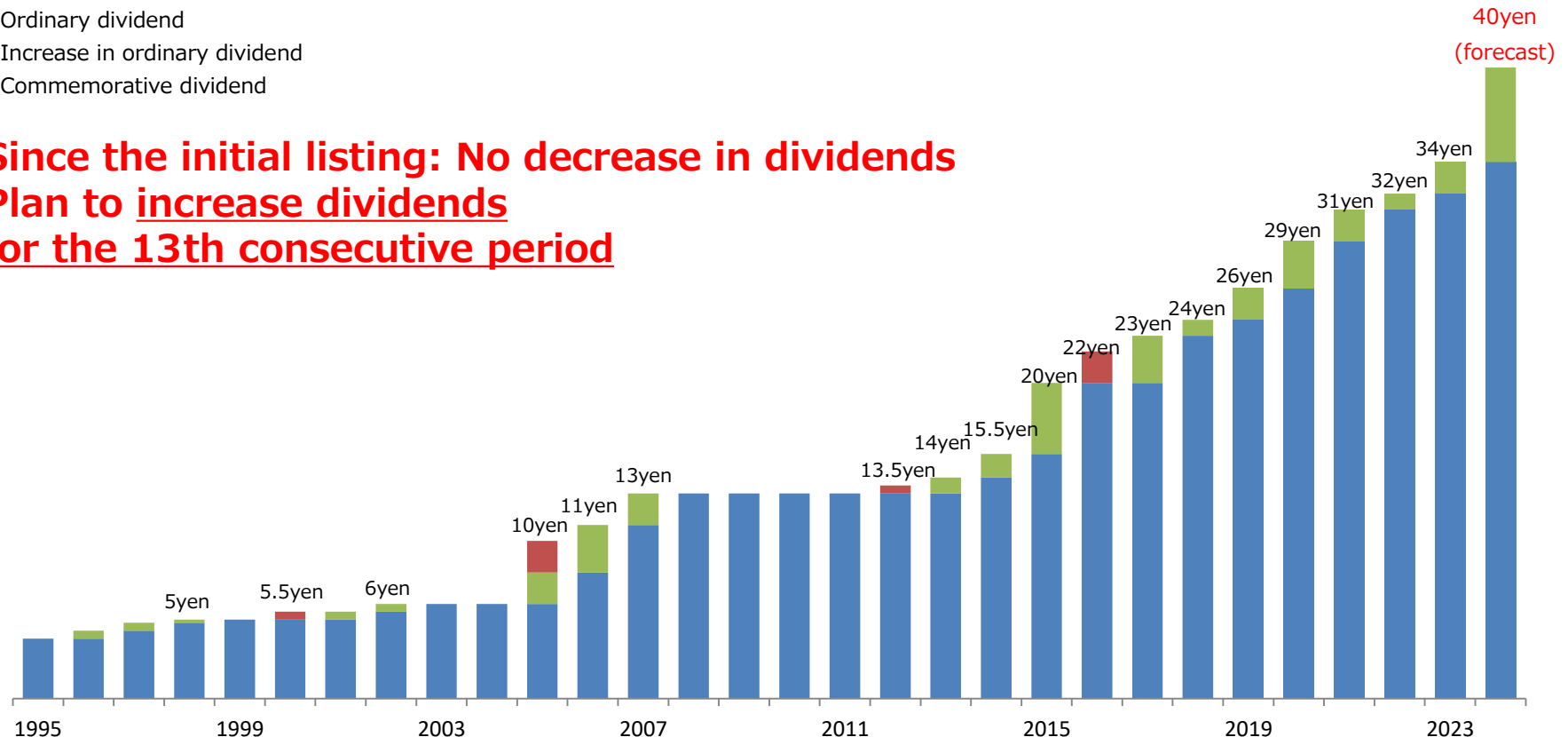
Contents	Previous plan 2023-2025	Revised plan 2024-2026
	<div> <div>2023(Actual)</div> <div>Total(3-year plan)</div> </div>	
Capital investment Equipment replacement, Relocation and rebuilding of the operating sites etc.	 <p>1,453</p> <p>9,000 million yen</p> <p>Rate of progress 16.2%</p>	<p>Total (3-year plan) 9,000 million yen</p> <p>Rate of change ±0.0%</p>
Strategic investment Execution of M&A etc.	 <p>No investment</p> <p>3,000 million yen</p> <p>Rate of progress 0.0%</p>	<p>Total (3-year plan) 3,000 million yen</p> <p>Rate of change ±0.0%</p>
Shareholder return Continuous increase in dividends Purchase of treasury stock	<p>Dividends paid 844 million yen (DOE 2.8%)</p> <p>Purchase of treasury stock 291 million yen</p>	<p>DOE target 4.0% or more</p> <p>Increase in DOE target +1.5%</p>

- KONDOTEC targets consolidated DOE of 4.0% or more and ROE of 10.0% or more.
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 13th 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.

