



Medium-term Management Plan (2025-2027)

May 14, 2024



Tekka Kuba

Revisions to the Medium-term Management Plan (updated on a rolling basis)

- As FY2024 results came in above the plan, KONDOTEC updated the earnings targets in the Medium-term Management plan announced on May 12, 2023 on a rolling basis annually.

	Million yen	2024	2025	2026
Previous	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	2024	2025	2026	2027
Revised	Net Sales	76,873	81,500	85,000	88,500
	Operating income	4,673	4,750	4,950	5,100
	Ordinary income	4,872	4,950	5,150	5,300
	Profit attributable to owners of parent	3,265	3,300	3,350	3,400

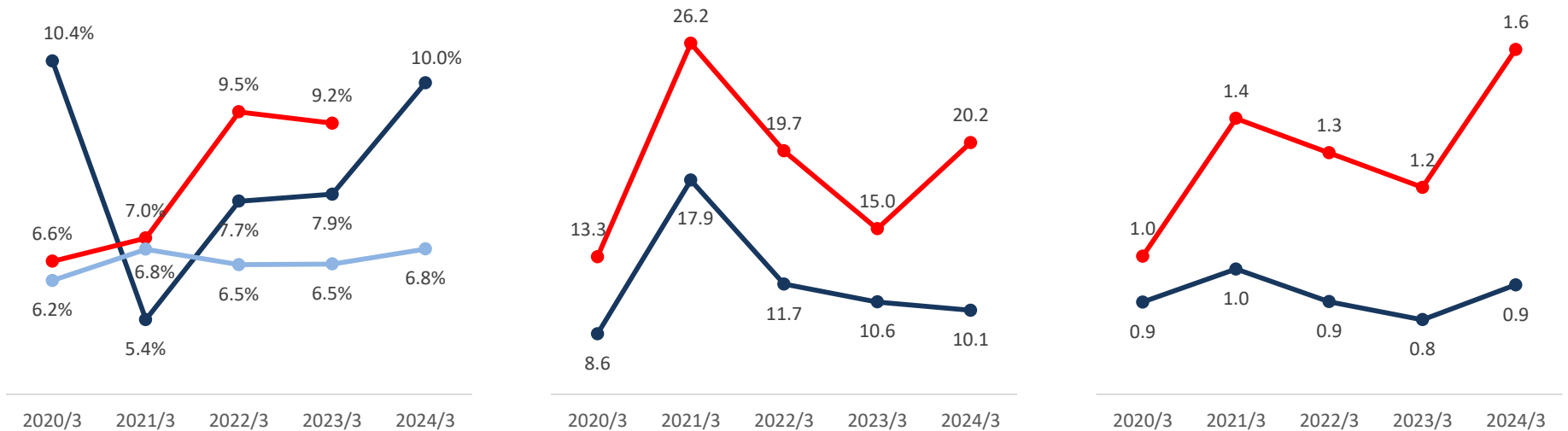
Break
5,000
million yen
mark

- The Structural Steel Materials, Electrical Equipment, and Scaffolding Construction segments resulted in higher sales due to capturing demand such as private-sector capital investment and price pass-through.
- The Industrial Materials, Electrical Equipment, and Scaffolding Construction segments resulted in higher profits due to sales growth and improvement in gross profit margin owing to price pass-through.

Million yen		2023	2024	YoY	Overview
Industrial Materials	Net Sales	37,610	37,188	△ 421	•Despite the decrease in sales on the back of the difference in demand trends between various fields, profit increased due to progress in price pass-through.
	Operating income	2,352	2,681	+ 329	
Structural Steel Materials	Net Sales	19,963	20,867	+ 904	•Despite the increase in sales, profit decreased due to the trend towards large-scale projects where price competition is intense.
	Operating income	1,712	1,526	△ 185	
Electrical Equipment	Net Sales	9,502	10,107	+ 604	•Sales and profit increased due to progress in price pass-through and higher carbon-neutral-related demand.
	Operating income	313	322	+ 8	
Scaffolding Construction	Net Sales	8,371	8,709	+ 337	•Sales and profit increased due to favorable construction sales for large properties and rental sales.
	Operating income	△ 3	197	+ 201	
Total (Consolidated)	Net Sales	75,447	76,873	+ 1,425	
	Operating income	4,355	4,673	+ 317	

- KONDOTEC's ROE is below the prime section average ROE which is a measure of a company's profitability and efficiency. However, excluding the temporary factor, KONDOTEC's ROE exceeds the cost of equity. It means the KONDOTEC Group generates a certain return on capital.
- KONDOTEC's PER is lower than the prime section average PER which reflects the market's expectation of future growth. It indicates that the market has lower growth expectations.

Relevant indicators



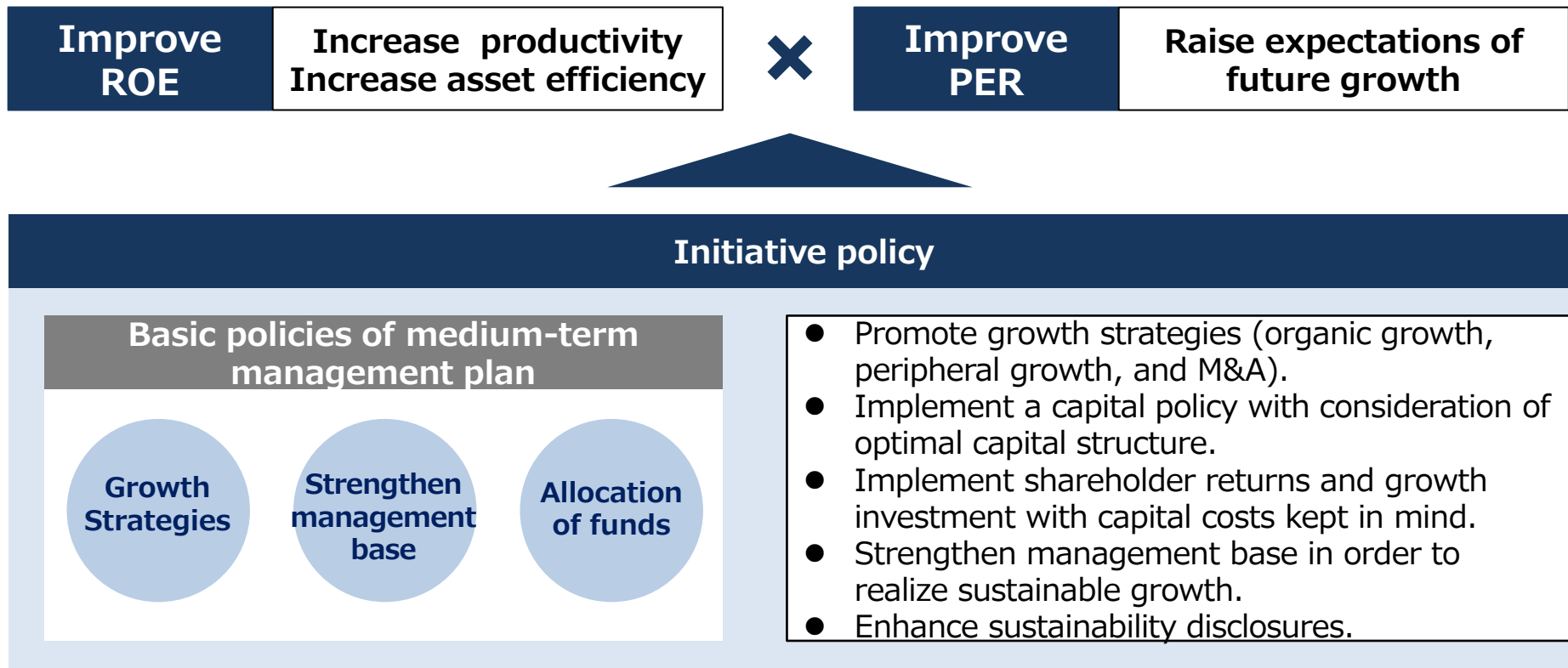
— KONDOTEC — KONDOTEC's cost of equity (based on CAPM)

— Companies in the Prime section (※)

※ROE : Refer to all Industries in prime section for each fiscal year in "Summary of Earnings Digests by Listed Companies" for Fiscal year ending Mar.2024 published by Japan Exchange Group, Inc., June 2024.
 ※PER・PBR: Refer to Weighted Average PER/PBR of prime section in March each year in "Other Statistics" published by Japan Exchange Group, Inc., June 2024.
 ※ : Refer to information before the market restructuring (Effective from April 1, 2022).

- Aim to improve ROE by increasing profitability and capital efficiency through promoting initiatives of the medium-term management plan.
- Aim to improve PER by promoting better understanding of the KONDOTEC group while promoting initiatives aimed at increasing productivity in the medium- to long-term and realizing sustainable growth.

Initiative policy



- The business environment surrounding the KONDOTEC group has changed and it has affected the KONDOTEC group in various ways.
- Need to deal with risks and opportunities accompanying the changes in the business environment to realize sustainable growth and the long-term vision.

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

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



Impacts on KONDOTEC group

- Slump in the domestic market and increasing size of constructions and buildings
- Increase in the importance of overseas markets
- Increase in National Resilience and disaster prevention and mitigation projects
- Decrease in new construction and increase in maintenance/repair work
- Increase in demand related to labor-saving
- Responding to advances in digital technologies

- Aim for sustainable growth and improvement in corporate value by working to improve profitability and capital efficiency while responding to changes in the business environment.

Sustainable growth and improvement in corporate value

During 2020s
Net sales
100 billion yen

ROE **10%** or more
DOE **4.0%** or more



Growth strategy

- Organic growth
- Peripheral growth
- M&A



Reinforcement of management base

- Initiatives for SDGs
- Utilization of digital technology



Appropriate allocation of funds

- Capital investment
- Strategic investment
- Shareholder returns

- Aim to break past sales and profits records, while further enhancing shareholder returns though continued dividend increases.

Final year's target
in the Medium-term Management Plan >>>

FY2027

Net Sales

88 billion yen

Compared with FY2024 +15.1%

Operating income

5 billion yen

Compared with FY2024 +9.1%

Ordinary income

5 billion yen

Compared with FY2024 +8.8%

EBITDA

7 billion yen

Compared with FY2024 +9.2%

ROE

10 % and more

Compared with FY2024 ± 0.0

- Promote growth strategies and strengthen the management base through the appropriate allocation of funds.
- Aim to accelerate sales and profit growth to achieve consolidated sales of JPY100.0bn in the 2020s.

Consolidated target (Million yen)	2024 (Actual)	2025 (Plan)	2026 (Plan)	2027 (Plan)
Net sales	76,873	81,500	85,000	88,500
Operating income	4,673	4,750	4,950	5,100
Ordinary income	4,872	4,950	5,150	5,300
Profit attributable to owners of parent	3,265	3,300	3,350	3,400
EBITDA	6,503	6,600	6,900	7,100

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 long-term vision.

1. Organic growth strategies

Improve a supply system of products, merchandise and services to further strengthen the existing businesses

Cultivation of new customers

- Expand into fields with potential for growing demand
- Develop distribution channels

Offer of new products and merchandise

- Develop and cultivate products and merchandise with added value in consideration of customer needs and social issues

Diversifying Sales Methods


- Increase services other than material sales such as installation works and rental sales

Expansion of operating sites


- Opening new operating sites with warehouse and yard space
- Expanding the warehouses and yard space of existing operating sites

Response to natural disasters

- Respond to demand for materials that are generally urgently required in the wake of natural disasters
- Sales of items related to disaster prevention/mitigation



Aim to expand earnings of existing businesses by developing markets with growth prospects and expanding lineup of products and merchandise.



Aim to expand earnings of existing businesses by improving customer satisfaction through expansion of sales area and improvement in supply system of products, merchandise and services.

2. Periphery-strengthening strategies

Aim to actively invest in the future to strengthen efforts in areas outside of existing businesses

Entering into overseas markets

- Expand markets in the ASEAN region
- Develop and cultivate products and merchandise for overseas markets

Entering into neighborhood

- Expand distribution channels in areas outside of its existing businesses

Utilizing digital technologies

- Increase in brand reach
- Expand the KONDOTEC group's range of services

Aim to expand business performance over the medium to long term by creating profitable businesses in the future

3. 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 industries	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

- Proceed with initiatives aimed at strengthening the management base to promote growth strategies

E Reduction of environmental burden

Business activities in harmony with nature

- Expand the range of environmentally friendly products and merchandise
- Initiatives to reduce greenhouse gas emissions and waste



S Promoting DE&I

Improving a diverse work environment

- Recruit diverse talent through year-round recruitment and experienced hires
- Develop the necessary skills to implement the strategies through training programs
- Improve the workplace environment in tangible and intangible aspects to increase employee engagement



G Reinforcement of governance

Driving sustainability into management operations

- Strengthen risk management system
- Enhance sustainability disclosures



DX Response to advances in digitalization

Expanding a range of utilization of digital technology

- Improve productivity by automating and consolidating tasks and processes
- Strengthen a structure that promote the utilization of digital technology



- Aim to improve profitability and capital efficiency through growth investments with conscious of capital costs and stable shareholder returns.

3-year		Detail	2027
Cash In	Cash Out		(Plan)
<p>Operating CF 14,500 million yen</p> <p>New borrowing (as necessary)</p> <p>Funds on hand 12,000 million yen</p>	<p>Capital investment 10,000 million yen</p> <p>Strategic investment 3,000 million yen</p> <p>Shareholder returns 3,500 million yen + α</p> <p>Funds on hand 10,000-13,000 million yen</p>	<p>Capital investment</p> <ul style="list-style-type: none"> ● Opening new locations/ expanding, relocating, rebuilding, and operating sites ● Update and expand production facilities and scaffolding materials <p>Strategic investment</p> <ul style="list-style-type: none"> ● Execution of M&A (take place if certain conditions are fulfilled) ● digital transformation-related investment <p>Shareholder returns</p> <ul style="list-style-type: none"> ● Dividends(continuous increase in dividends) ● Purchase of treasury stock(on a flexible basis) 	<p>Operating income 5,100 million yen</p> <p>EBITDA 7,100 million yen</p> <p>ROE 10% or more</p>

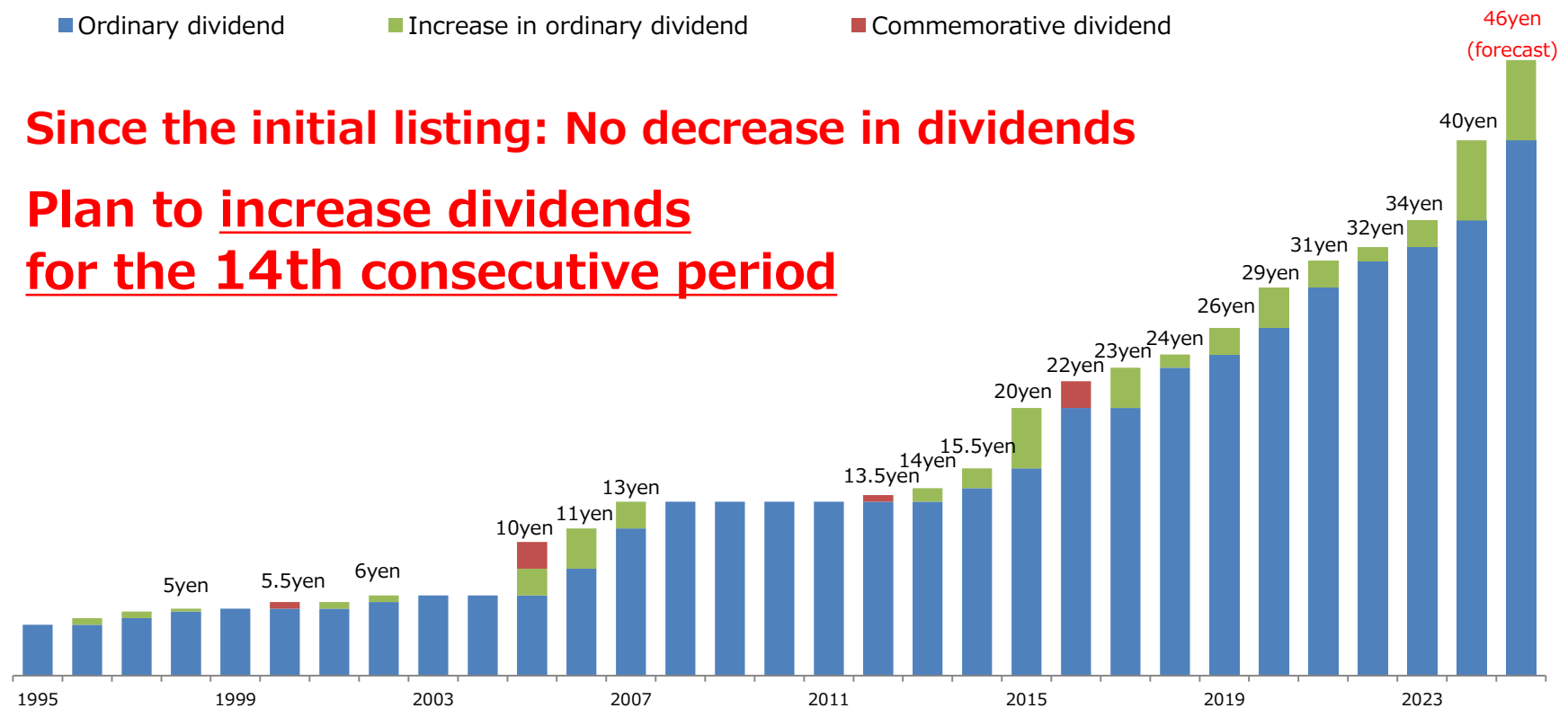
- KONDOTEC targets consolidated DOE of 4.0% or more and ROE of 10.0% or more and looks to pay shareholders ongoing increases in dividends(progressive dividend).

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 14th 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.

