

KONDOTEC REPORT

(Year Ended March 31, 2021)

Message

The KONDOTEC Group has been providing products and merchandise to customers in a wide range of fields and aiming to realize “safe and secure societies” by contributing to development of the social infrastructure for more than half a century since its establishment in 1953 to carry out its responsibilities as a corporation based on the 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.”

This report was designed in order to have more stakeholders gain a better understanding of our businesses and initiatives that have become

diversified as we have accumulated history. For that purpose, we have made various efforts to disseminate our business model in an easy to understand way by referencing the International Integrated Reporting Framework while also considering SDGs based on an understanding that management that takes social sustainability into account will lead to the long-term growth of the Company.

Looking ahead, we will continue to work together as a Group in pursuing activities that lead to sustainable growth as a Company that continues to be relied upon in this Age of Change. We strive to continue serving behind the scenes. To this end, we would greatly appreciate your continued understanding and support.



President and Representative Director
Katsuhiko Kondo

Forward

Ever since its establishment, the KONDOTEC Group has been committed to carrying out its business activities in line with the times by updating the lineup of products and merchandise handled while constantly responding to the changing times. On the other hand, initiatives toward the realization of a sustainable society have attracted attention in the world, and the concept of ESG has been born. We have also taken various initiatives for growth of us in consideration of ESG perspective. This is a report that has once again compiled such our businesses and initiatives.

In January 2021 we established the SDGs Promotion Department to more actively pursue SDG targets in promoting ESG management. This Integrated Report provides an overview of the Group’s efforts to go forward to further increase corporate value, including our SDG-related initiatives.

Through the report, we sincerely hope that more stakeholders will understand our Group.

Tomoya Ando,
Vice President and Director

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WE ARE KONDOTEC

Profile of KONDOTEC

Company Overview

The KONDOTEC Group is a manufacturer and wholesale company that maintains in-house factories and handles approximately 50,000 or more products and merchandise.

Ever since its establishment, KONDOTEC has been providing a wide range of basic materials

that support infrastructures essential for social activities by responding to the needs of customers and expanding products and merchandise handled. By so doing, we have been supporting the establishment of an affluent society.

Company name	KONDOTEC INC.
Group companies	Sanwa Denzai Co., Ltd. KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD. CHUOH GIKEN Co., Ltd. Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. TOKAI STEP CO., LTD. FUKOKU, Ltd. (As of June 30, 2021)
Established	January 1953
President and Representative Director	Katsuhiko Kondo
Head office	2-2-90 Sakaigawa, Nishi-ku, Osaka 550-0024 Japan Tokyo Headquarters: 1-9-3 Minami Suna, Koto-ku, Tokyo
Number of Employees	721 Consolidated:1,140 (As of March 31, 2021)
Capital stock	2,666 million yen (As of March 31, 2021)
Listed stock market	Tokyo Stock Exchange (First Section)
Business areas	<ul style="list-style-type: none"> □ Manufacturing, procurement, sale and rental of industrial materials primarily in the retail hardware business □ Manufacturing, procurement and sale of structural steel materials mainly for steel fabricators □ Procurement and sale of electrical equipment for electrical work operators and electrical appliance stores
Major items handled	<ul style="list-style-type: none"> □ Products (in-house manufactured products) Turn buckles, braces, scaffolding chains, screws, anchor bolts, construction materials, machinery and equipment, etc. □ Merchandise (products procured from domestic and foreign suppliers/OEM products) Hardware, chains, wire ropes, screws, construction materials, lighting equipment, panel boards, air-conditioning equipment, eco items, etc.
Network	KONDOTEC INC. 47 operating sites Sanwa Denzai Co., Ltd. 14 operating sites KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD. CHUOH GIKEN Co., Ltd. 2 operating sites Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. 18 operating sites TOKAI STEP CO., LTD. 11 operating sites FUKOKU, Ltd. 5 operating sites (As of June 30, 2021)
Factories	4 factories in Japan

History

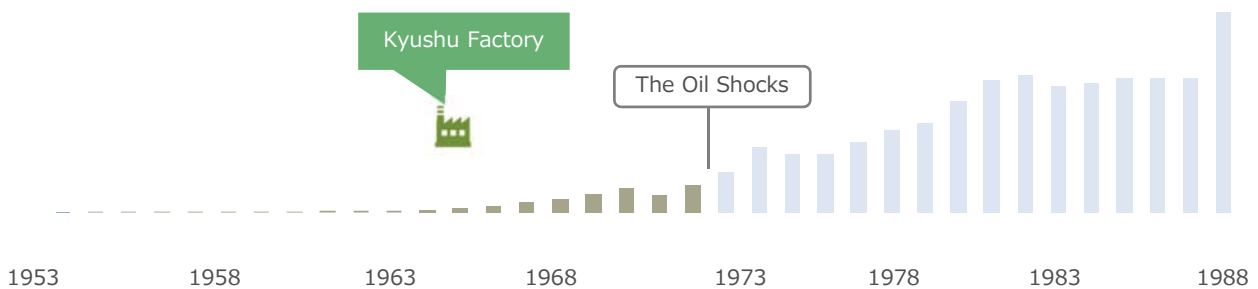
Over 70 Years of the Company's History

- Challenge for Value Creation -

The company has been striving to meet the needs of customers since our founding. KONDOTEC has been able to grow as a manufacturer and wholesale company precisely because the company has continued to challenge and create to meet the needs of customers, and because of the support from stakeholders. We will continue to challenge and create facing various issues in order to contribute to the development of society going forward.

2021 [Consolidated]

Net sales **59,562** million yen
 Network **98** operating sites
 Number of Employees **1,140** members



1947 ▶▶ 1972

Established and Gaining ground in Tokyo, "shifting from sea to land", Kyushu Factory Opened

The Company started business from the ashes of the war, entered into Tokyo, developed large-scale production systems by opening the Kyushu Factory, expansion operating sites, and thus strengthened its business base.

- 1947** Founded Kondo Shoten in Izu, Taisho-ku, Osaka
- 1953** Established Kondo Shoten Co., Ltd.
- 1955** Changed the company name to KONDO IRON WORKS CO., LTD.
- 1956** Began production of shackles.
- 1962** Began production of turn buckles.
- 1965** Began sale of wire ropes.
- 1966** Opened Kyushu Factory.
- 1967** Began production of scaffolding chains.



Kyushu Factory

1973 ▶▶ 1988

From the expansion across Japan and completion of the head office building to the next stage

The Company tackled quality improvement at factories while completing the head office building and expanding merchandise from metal construction materials to overall industrial materials. It expanded customers with the establishment of the New Business Division as a direct sales department.

- 1973** Began manufacturing and sale of hardware and screws for civil engineering and construction use.
- 1974** Relocated the head office to Sakaigawa, Nishi-ku, Osaka.
- 1985** Body of turnbuckle for building was accredited as JIS No. 1
 Established the New Business Division (currently Structural Steel Sales Division).



Shackles



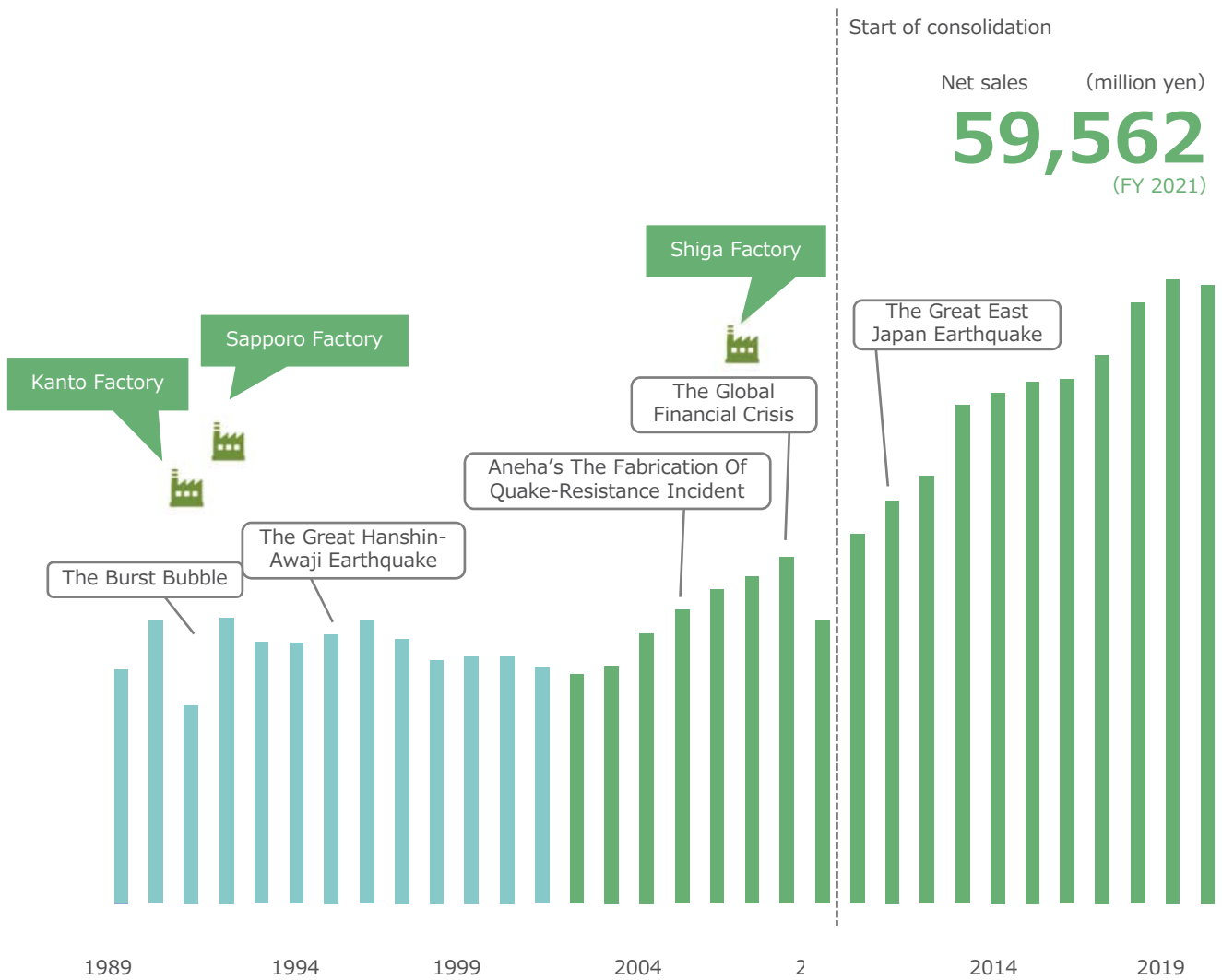
Turn buckles



Wire ropes



Screws



1989 ▶▶ 2001

Reborn KONDOTEC developed the base to leap toward a stock listing

The Company made a fresh start by changing the company name in preparation for the Heisei era. Following the development of the product supply system by establishing factories in Ibaraki and Hokkaido, it changed the internal system for the listing. The Company busily tackled emergencies caused by the Great Hanshin-Awaji Earthquake. Merchandise saw further increases in responding to the needs.

- 1989** Changed the company name to KONDOTEC INC.
- 1991** Opened Kanto Factory.
- 1992** Opened Sapporo Factory.
- 1995** Listed on the Second Section of the Osaka Stock Exchange.
- 1999** Listed on the Second Section of the Tokyo Stock Exchange.
Opened Kanto Logistics Center.
- 2000** Started our website.
- 2001** Started Product Catalogs.

2002 ▶▶ Present

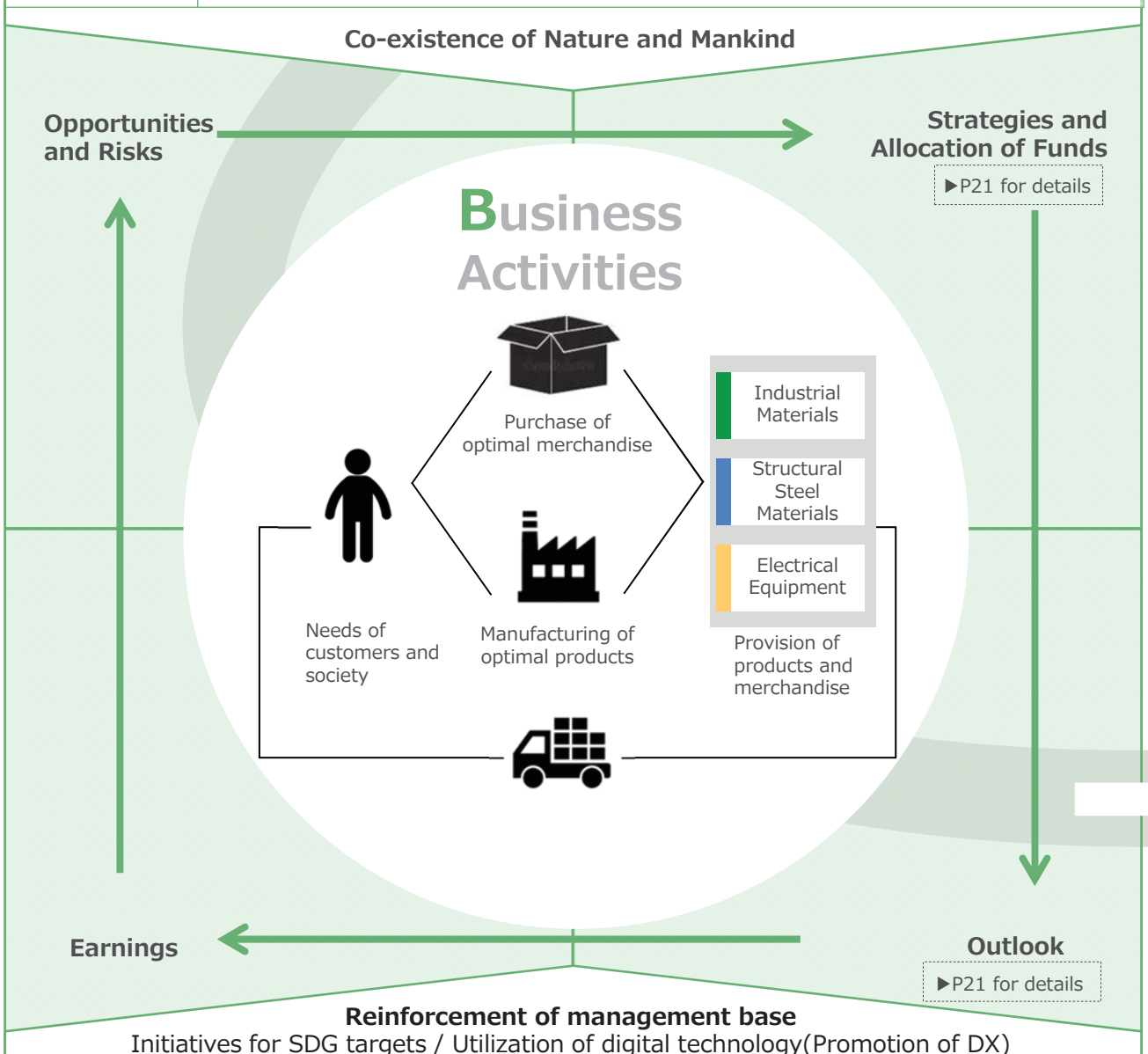
Business Expansion, Entering a new stage by M&A

- 2003** Opened Homecenter Division. (currently Homecenter Group)
- 2004** Implemented Yantai Distribution Warehouse based on a contract concluded with a Chinese logistics trading company.
- 2005** Entered into an agency contract with pewag in Austria.
- 2007** Opened Shiga Factory.
- 2010** Acquired shares of Sanwa Denzai Co., Ltd. to make the company a consolidated subsidiary.
- 2011** Designated as the First Section stock by the Tokyo Stock Exchange.
- 2014** Turned KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. into a consolidated subsidiary.
Acquired shares of CHUOH GIKEN Co., Ltd. to make the company a consolidated subsidiary.
Introduced the shareholder incentive plan. (Offering rice certificates once a year)
- 2017** Opened E-commerce Group
- 2019** Purchased the business from Mechatro Engineering Co., Ltd.
Acquired shares of TECBUILD CO., LTD. to make the company a consolidated subsidiary.
Completed Shiga Factory No. 2 Plant.
- 2020** Acquired shares of TOKAI STEP CO., LTD. to make the company a consolidated subsidiary.
- 2021** Acquired shares of FUKOKU, Ltd. to make the company a consolidated subsidiary.
Established Nippon Scaffolding Holdings Co., Ltd.

Value Creation Process

Input

F inancial capital	Total cash and deposits: 11,317 million yen (FY 2021)
M anufacturing capital	Number of domestic production factories: 4 place Increase in non-current assets for replacement of production facilities in the manufacturing division: 435 million yen (FY 2021)
I ntellectual capital	Establishment of R&D Department in Kyushu Factory Patents, utility model, design registrations, trademark registrations acquired Establishment of Mechatro Laboratory in Shiga Factory :Utilizing image processing technologies which purchasing business Design and manufacturing technology to automation machine of CHUOH GIKEN Co., Ltd.
H uman capital	Employees: 1,140 people (consolidated) Holders of internal certified qualification "Lifting equipment advisor" : 56 people (As of March 31, 2021) ▶P49 for details
S ocial capital N atural capital	Customers: about 25,000 companies (only for KONDOTEC INC., Sanwa Denzai Co., Ltd.) Subsidiaries: 7 companies, Items handled: about 50,000 items, Operating sites in Japan: about 100 offices (As of June 30, 2021)



Impact

Realization of safe and secure society



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.

Output

Relevant Sector	Products and Merchandise, Service, Initiative
<ul style="list-style-type: none"> Industrial Materials ▶ P13 for details Structural Steel Materials ▶ P15 for details Electrical Equipment ▶ P17 for details 	<ul style="list-style-type: none"> ○ Widely provides infrastructure-related materials required for social activities ○ Transactions with not only construction-related industry but also various industries ○ Expansion of the handling of environment-related merchandise ○ Provides LED/solar power related merchandise ○ Operating site opening plan according to the needs communities ○ Selects locations for operating site to enable co-existence with local communities ○ Inventories in warehouses of each operating site for quick delivery of necessary materials at the time of disasters
<p>Manufacturing division ▶ P19 for details</p>	<ul style="list-style-type: none"> ○ Acquisition of ISO14001 ○ Manufacturing of high-quality products by automated production lines and image processing technologies ○ Management of factory drainage ○ Appropriate storage and disposal of used oil in the factory ○ Efforts to restrain CO₂ emissions from transportation
<p>Headquarters</p>	<ul style="list-style-type: none"> ○ Meeting on complaints, information sharing ○ Enhancement of catalogues ○ Safety measures for employees ○ Promotion of utilization of digital technology (Promotion of DX)

Outcome

Values KONDOTEC provides to society

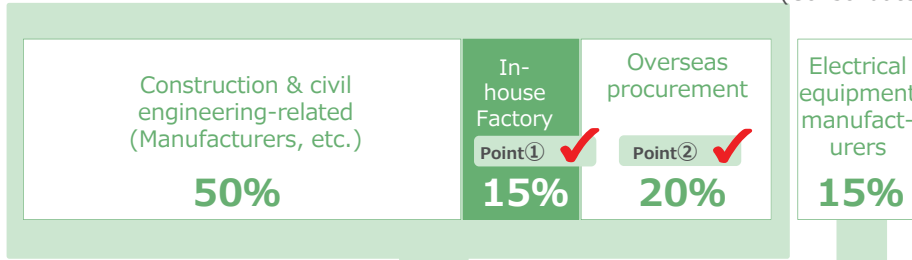
- Co-existence and development with local communities
- Recovery/reconstruction of disaster-stricken areas
- Contribution to the environment
- Improvement in customer satisfaction

Especially relevant SDGs

Business Model

Suppliers

(Consolidated)



Point① ✓

Manufacturer function in net sales
Approximately **40%**
※In-house manufactured products and OEM products

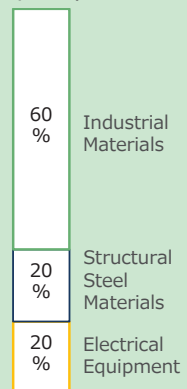
Point② ✓

Overseas procurement includes products manufactured in local OEM factories.

Point③ ✓

Number of customers and contribution ratio by business segments

Total
Approximately **25,000** customers (2021)



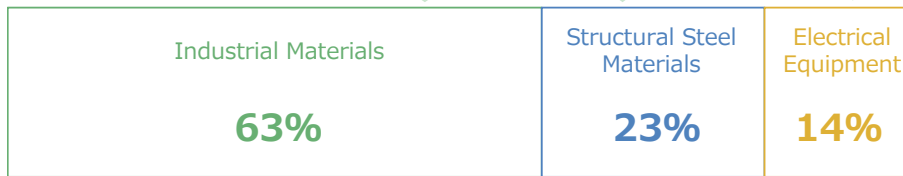
Point④ ✓

We provide direct sales of Structural Steel Materials and Electrical Equipment to some end-users

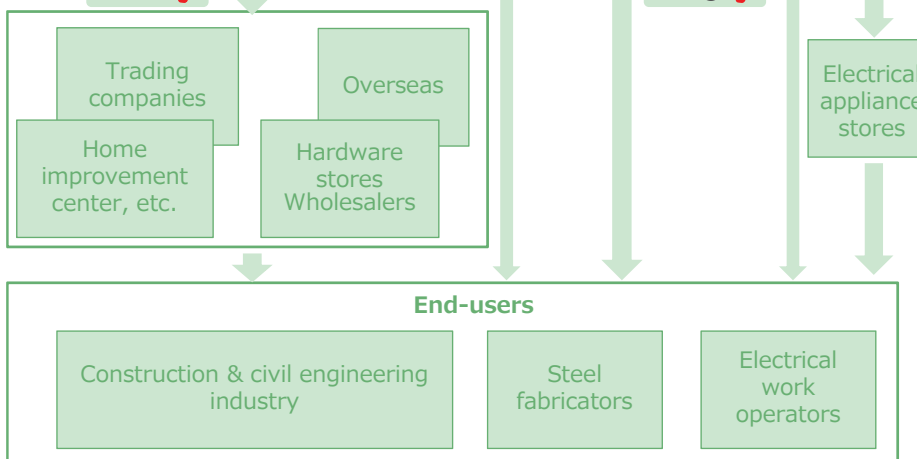
Point⑤ ✓

Demand for products and merchandise
Public **22%**
Private **78%**

Business Segments of sales structure (sales contribution ratio)



Customers



Demanders [Entire infrastructure]



■ Strength (1): Strength in procurement

Characteristics

- Many various suppliers
- Handling not only domestic goods but also imported ones
- Establishment of in-house factories at four sites in Japan
- Dealing of special orders
- Owning of OEM production factories in Japan and abroad
- Cultivation/development of new products and merchandise considering customer feedback, which can only be done by a manufacturer and wholesale company

⇒

Effects

- Capable of providing products and merchandise according to needs by having not only cheap imported merchandise (procurement) but also high-quality and highly value-added in-house manufactured products.
- Capable of stable supply due to many suppliers, and not depending on specific suppliers

(Expected risks)

Dependence on imported merchandise and FX fluctuation/higher raw material prices/china risk/defect liability risk/Impact of fluctuation in product markets/product liability risk/impact of disasters on supply chain

Response to the risks: Derivative transactions, offering of highly value-added merchandise

■ Strength (2): Strength in sales methods

Characteristics

- Development of the quick delivery system with all operating sites fully equipped with warehouses
- Capture of demand in each area of Japan through expansion across the country
- Proposals for products and merchandise rooted in the region by employees with knowledge of products and merchandise
- Dealing with about 50,000 items of various products and merchandise
- Quick delivery of made-to-order products from four factories in Japan
- Expand business not only in sales of products and merchandise but also in the construction field

⇒

Effects

- Realization of the quick delivery system with each operating site having inventories
- Thorough small-lot sales rooted in the region

(Expected risks)

Industrial accidents from warehouse operations/insufficient labor force for inventory management/accidents at the time of delivery

Response to the risks: Holding of the Safety and Health Committee⇒P56, Safety driving initiative⇒P56

■ Strength (3) Strength in customers

Characteristics

- Sales to various industries/businesses
- Diversified small-lot sales (many counter-parties)
- Establishment of a sales desk specialized in targets (Tokyo metropolitan area, railway environment, home improvement center, e-commerce, etc.)

⇒

Effects

- Not prone to be affected by conditions of particular industries, by selling to various industries

(Expected risks)

Dependence on public investments and private capital investments/management of many customers/insufficient staff for marketing and operations/Price competition/Credit risk of customers

Response to the risks: Introduction of the core system, implementation of training to improve marketing and operational abilities⇒P57
Setting credit limits on customers based on the degree of credibility, executing growth strategies

The KONDOTEC group has not incurred a deficit for ordinary profit since establishment to the present (*excluding irregular periods for financial settlement). In our more than 70 years of history, we have responded to changes in external environments each time, and continued changing the business portfolio and expanding the merchandise we handle (Our Company's history and changes in earnings ⇒ P 5)

The three strengths described on this page have been nurtured in such history of reforms. With external environments expected to change even more rapidly going forward, we will continue to be conscious about what should be changed and what should not to reflect them in our management. Moreover, having decided growth strategies separately for sustainable growth going forward, the Company will strive for further development. (Growth strategies ⇒ P21-)

Materiality

In engaging in corporate activities, we recognize that management that takes social sustainability into consideration leads to the sustainable growth of the Company. Accordingly, we have established the ESG Basic Policy to fulfill our social responsibilities in management activities

by determining the current state of management from the perspective of SDGs, and identifying materialities in the form of goals to be pursued, and the challenges faced in doing so, for each ESG area.

Verification of materiality and the process of formulating the ESG Basic Policy

STEP 1 Listing our issues

We identified potential items for our issues, and identified issues for each stakeholder referring to various guidelines (IIRC and Guidance for Collaborative Value Creation*)

*IIRC: Framework within the International Integrated Reporting Council
Guidance for Collaborative Value Creation: Guidance for information disclosure and improving quality of dialogue with investors

STEP 2 Judgement on the importance of each item

We evaluated the importance of issues identified in STEP 1 with the importance for stakeholders and the importance for the Company, and selected items of high importance as issues.

STEP 3 Identification of materiality and ESG Basic Policy formulation

At the Board of Directors, we discussed again the order of priority for important items selected in STEP 2, and based on the result, identified materialities and determined the ESG Basic Policy while focusing on value creation from the perspective of SDGs based on our corporate philosophy of “affluent society”.

TOPICS Establishment of the SDGs Promotion Department

In January 2021, the Quality Assurance Department was renamed the SDGs Promotion Department in order to more actively pursue SDG targets.

With the establishment of the SDGs Promotion Department, we will look to review our business activities from the perspective of SDGs, further promote SDGs in collaboration with other internal departments, and plan new initiatives contributing to the realization of SDG targets.



Information on SDGs is published in our Company newsletter, KONDO NEWS to help promote SDGs internally and externally

What's SDGs?

SDGs stands for Sustainable Development Goals, which are the global long-term goals from 2016 to 2030 for which international agreement was achieved at the United Nations in 2015. With 17 goals and 169 targets, they were adopted as the action plan for the prosperity of mankind and the earth.









Covering a wide range of problems from hunger and poverty to economic disparity, human rights and environmental measures, it advocates realizing a world that “leaves behind no one” where all people can live with dignity regardless of their social and economic situations.



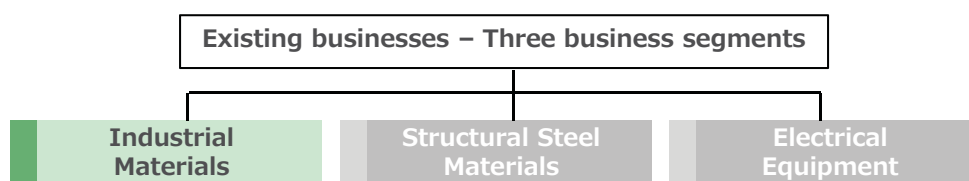
Decision on materiality (key issues) and ESG Basic Policy

We decided on materiality as follows after the three steps. We will regard this materiality as the ESG Basic Policy and link it to sustainable corporate growth by incorporating it in the management strategy.

We will explain in detail in chapters on p.37 and after what we are doing and the content we will focus on going forward according to the ESG Basic Policy.

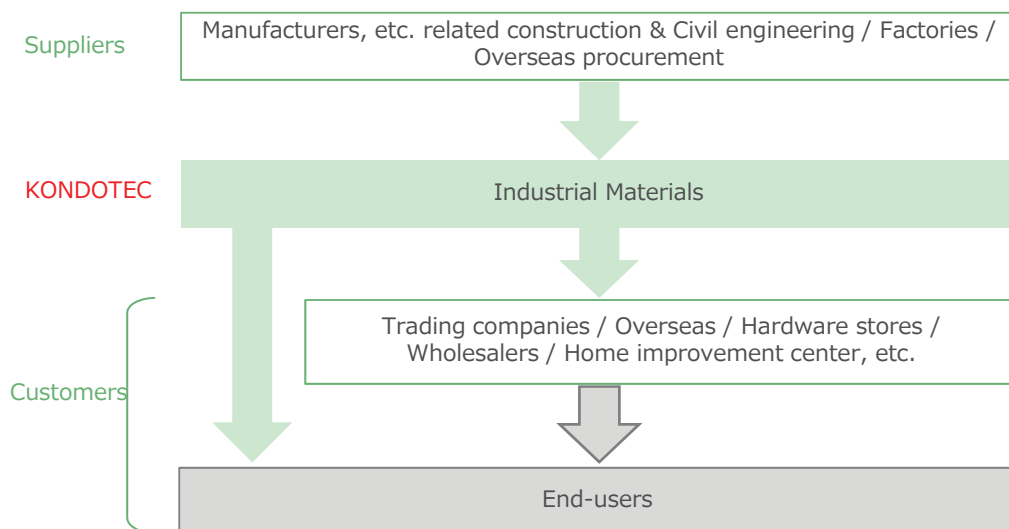
ESG	Materiality		Relevant SDGs
Environment	(1) Provision of optimal products and merchandise for environmental measures	Products and merchandise handled by the Company (Presentation of environment related products and merchandise)	 
	(2) Business activities paying attention to the environment	Initiatives for environmental protection and energy-saving	 
		Management of emissions (material balance)	 
Social	(1) Product liability and quality assurance	Quality control of products and merchandise	 
	(2) Procurement and provision of high-value-added products, merchandise and services	Stance for security and safety	
		Provision of better products, merchandise and services for customers	
	(3) Communication with stakeholders	Engagement with stakeholders	
	(4) Appropriate information disclosure and security	Stance for information disclosure	
		Information security measures	
	(5) Co-existence with local communities	Operating site opening plan	
		Response to disasters and contributions to them	
	(6) Safety measures and work style reform	Risk control for disasters and others	
		For employees' health, safety and hygiene	
(7) Human resources development and diversity	Policy on human resources development		
	Diversity		
	Employee benefits		
Governance	(1) Strengthening of corporate governance	Corporate governance	 
	(2) Thorough compliance	Compliance Basic Policy	

Business Report



■ Industrial Materials

With the retail hardware business at the core, we manufacture, procure, sell and rental civil engineering and construction materials, machinery and equipment. Of the subsidiaries, KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. , CHUOH GIKEN Co., Ltd. , Nippon Scaffolding Holdings Co., Ltd. , TECBUILD CO., LTD. , TOKAI STEP CO., LTD. and FUKOKU, Ltd.*¹ are included.

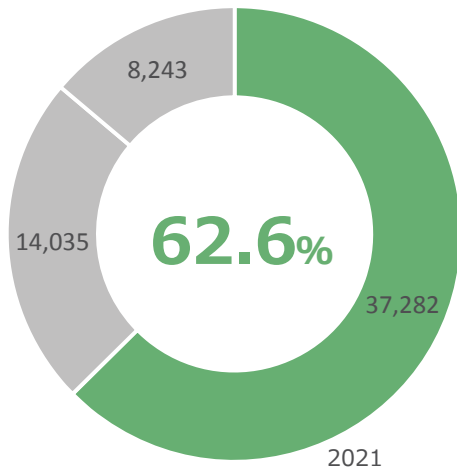


Number of operating sites	KONDOTEC INC. 30 operating sites (Subsidiaries) KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. 2 operating sites Nippon Scaffolding Holdings Co., Ltd. TECBUILD CO., LTD. 18 operating sites TOKAI STEP CO., LTD. 11 operating sites FUKOKU, Ltd. 5 operating sites (As of June 30, 2021)
Number of customers	Approximately 15,000 companies
Number of new customers* ²	1,621 customers (As of March 31, 2021)
Net sales of new customers* ²	1,230 million yen (As of March 31, 2021)
Characteristics	<ul style="list-style-type: none"> • Wide range of products and merchandise handled; stable performance • Earnings driver

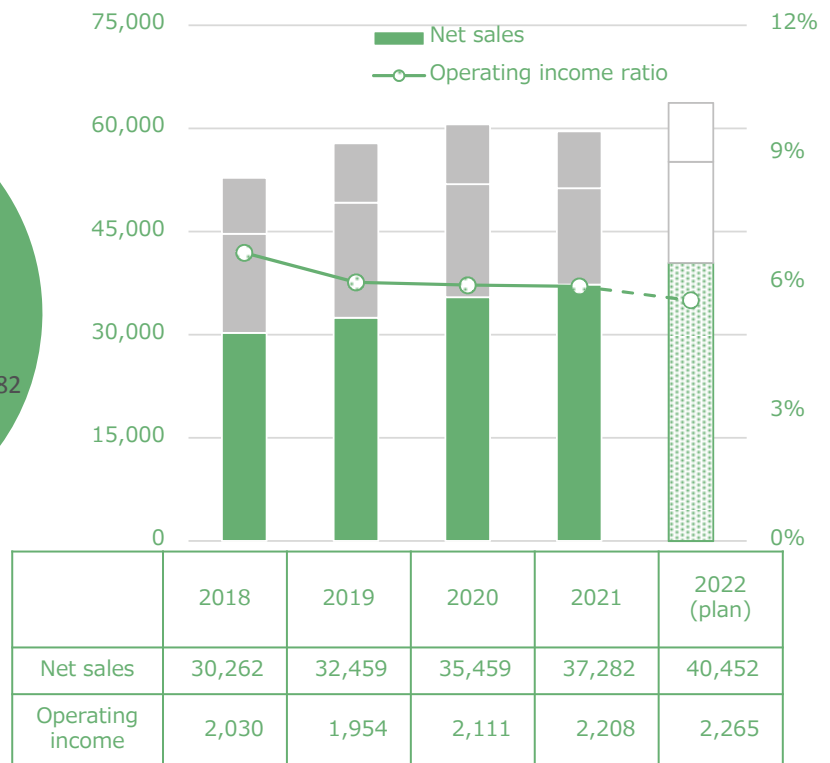
*¹ FUKOKU, Ltd. and Nippon Scaffolding Holdings Co., Ltd. will be included in the consolidated results from Q4 FY2021, and the beginning of FY2022, respectively.

*² The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year (non-consolidated).

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2021

Despite reduced sales of hardware for wooden homes, tarpaulins, sandbags, and secondary steel products, due to the COVID-19 infection, segment sales came to 37,282 million yen (+5.1% year on year) due to sales of TOKAI STEP CO., LTD. and FUKOKU, Ltd., which were made consolidated subsidiaries in the year ended

March 2020 and 2021, respectively. In terms of profit, gross profit margins improved due to reduced purchase prices for imports and other materials, combined with contributions made by TOKAI STEP CO., LTD. Consequently, operating income came to 2,208 million yen (+4.6% year on year).

Initiatives Going Forward

While the outlook is very uncertain due to the spread of COVID-19 infection, we expect an increase in maintenance/repair construction work due to the aging of social infrastructure, expansion of online sales, and expansion of the development of infrastructure in the ASEAN region among others. To capture this demand, we will take steps to attract new and dormant customers, and build up our products and merchandise lines with competitive items to increase net sales.

Initiatives we must take toward achieving further growth include the expansion of synergies with

Group companies beginning with Nippon Scaffolding Holdings Co., Ltd., a company established in April 2021 to consolidate our scaffolding business, the enhancement of EC sites, together with efforts to capture demand for renewable energy.

In addition to these initiatives, together with the contribution made by FUKOKU, a new subsidiary as of the year ended March 2021, we expect achieve net sales of 40,452 million yen and an operating income of 2,265 million yen for the year ending March 2022.

Risks

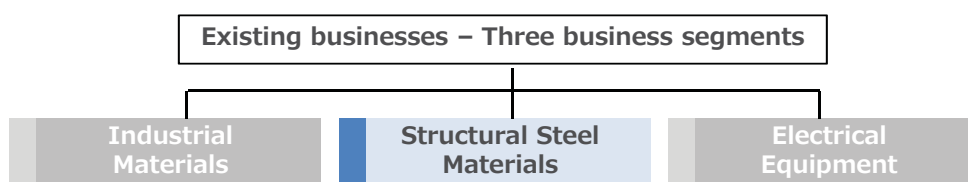
- Dependence on public investments and private capital investments
- Dependence on imported merchandise and FX fluctuation

Since sales associated with public investments and private capital investments account for a considerable percentage of the segment's sales, stagnation in the conditions of the construction industry and a decline in demand caused by such conditions may have an impact on the operating performance and financial position of the segment.

for the purpose of selling competitive merchandise, the segment is currently procuring about 90% of them from China. Accordingly, there is a possibility that securing merchandise will become difficult, because the pursuit of business by the suppliers is greatly influenced by U.S.-China trade friction, changes in statutory regulations in China and others. In addition, major volatility in the foreign exchange market may have a significant impact on the operating performance and financial position of the segment.

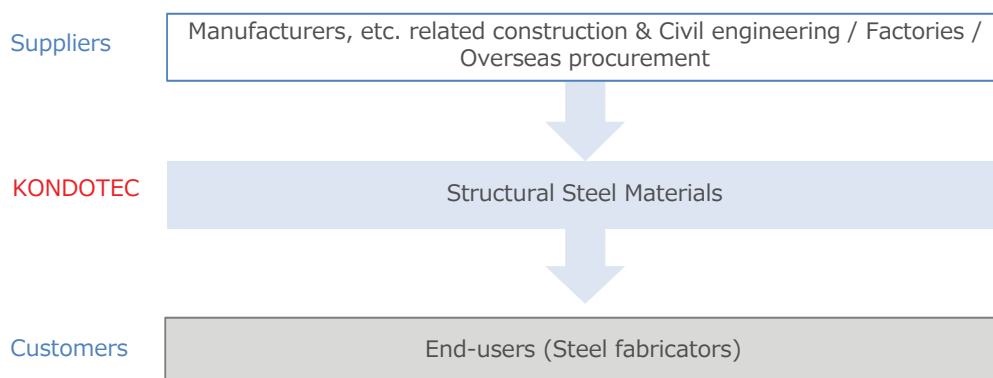
- Price competition
- Impact of fluctuation in product markets
- COVID-19 infection

▶ P16 Risks



■ Structural Steel Materials

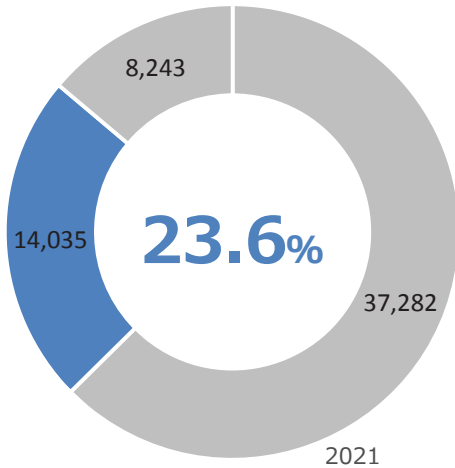
We manufacture, procure, and sell construction-related materials for steel fabricators.



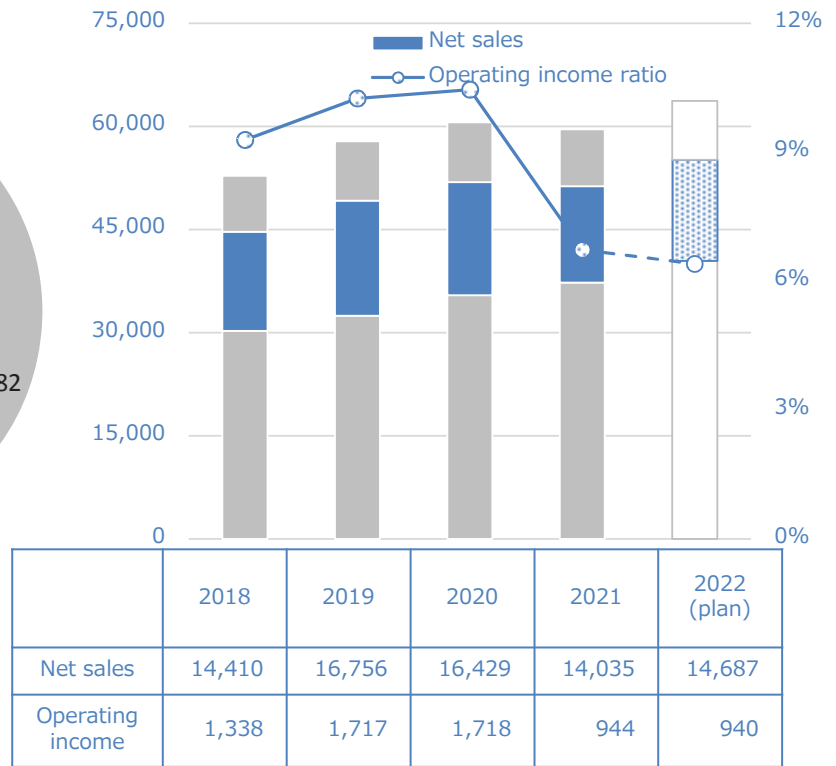
Number of operating sites	KONDOTEC INC. 17 operating sites (As of June 30, 2021)
Number of customers	Approximately 5,000 companies
Number of new customers*	627 customers (As of March 31, 2021)
Net sales of new customers*	555 million yen (As of March 31, 2021)
Characteristics	<ul style="list-style-type: none"> • Operating performance increases/decreases in connection with the demand for steel frames • High percentage of in-house manufactured products • High market share

* The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year.

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



Overview of the Year Ended March 31, 2021

Segment sales trended down to 14,035 million yen (-14.6% year on year) due to the slowdown following the Tokyo Olympic and Paralympic Games, in addition to the spread of COVID-19 infection adversely impacting sales of steel frame materials, high-tension bolts, braces, and other products. In terms of profit, despite efforts to

reduce costs and improve efficiency resulting in reduced SG&A expenses, operating income came to 944 million yen (-45.0% year on year) as a result of reduced sales and lower gross profit margins due to intensifying pricing competition caused by declining demand.

Initiatives Going Forward

While the outlook is very uncertain due to the spread of COVID-19 infection, there are many areas without operating sites for this segment. Under these circumstances, we will actively consider new operating sites, attract new and dormant customers, and boost sales of products to increase net sales. Key initiatives to take toward achieving further growth going forward are human resource development for opening new operating sites and

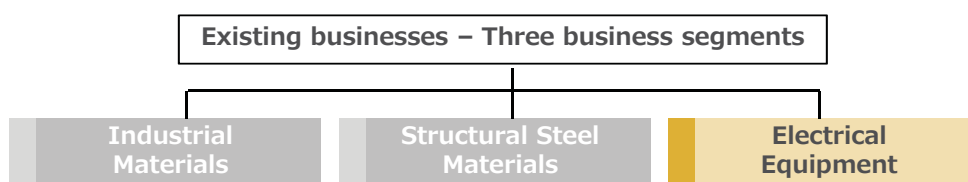
expanding businesses, strengthening sales of major products centered on factory products and introducing new products in line with customer needs. By taking these initiatives, we aim to expect net sales of 14,687 million yen for the year ending March 31, 2022. For operating income, we expect 940 million yen due to the expected increase in various costs, such as manufacturing costs and freightage expenses.

Risks

- Price competition
If price competition with competitors continues to intensify in each of the product markets and local markets to which the segment belongs and it becomes difficult to maintain fair prices, this may have a significant impact on the operating performance and financial position of the segment.
- Impact of fluctuation in product markets
Procurement prices of main raw materials for the products of the segment tend to fluctuate depending on the demand & supply trends of steel materials. Major volatility in the steel materials market may have a significant impact on the operating performance and financial position of the segment.

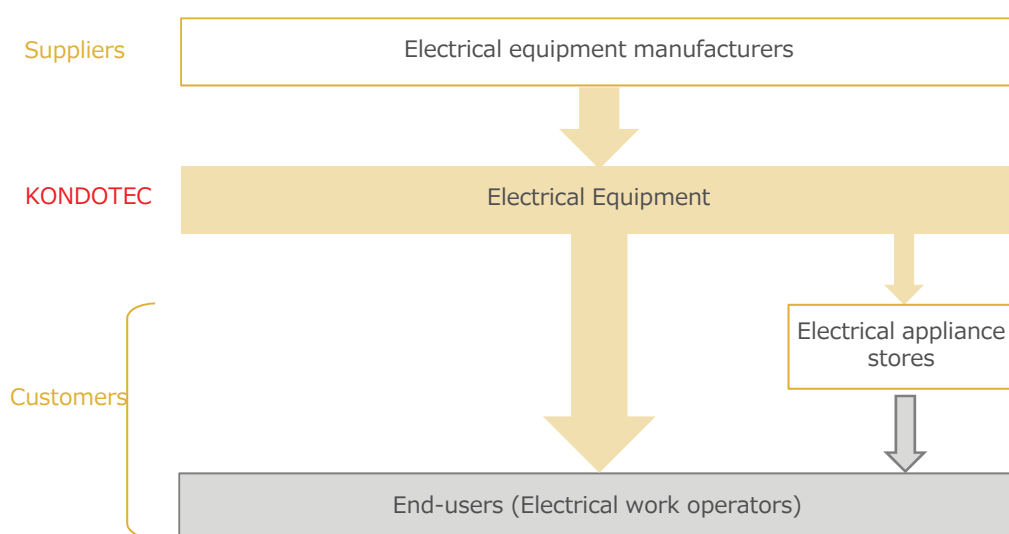
- COVID-19 infection
The performance and financial position of the segment may be significantly impacted if the spread of COVID-19 infection fails to subside, resulting in ongoing delays in property developments and private capital investment, or the inability to continue business activities due to employee infection.
- Dependence on public investments and private capital investments

▶ P14 Risks



■ Electrical Equipment

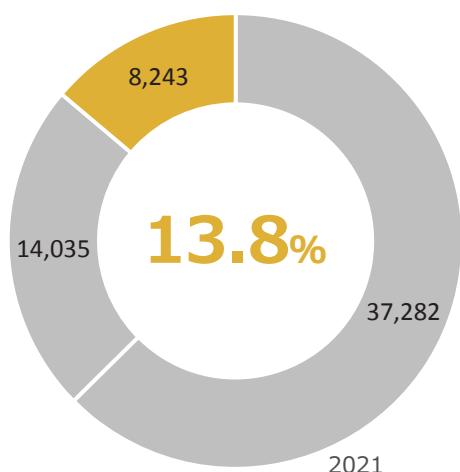
We procure and sell electrical equipment to electrical work operators engaged in construction of houses, buildings, facilities, factories and other structures and to electrical appliance stores. This business is handled by a consolidated subsidiary, Sanwa Denzai Co., Ltd.



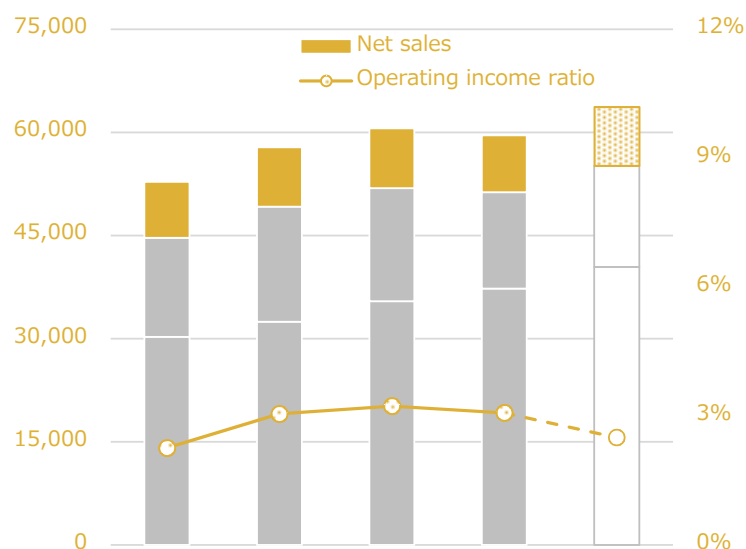
Number of operating sites	(Subsidiary) Sanwa Denzai Co., Ltd. 13 operating sites (As of April 1, 2021)
Number of customers	Approximately 5,000 companies
Number of new customers*	278 customers (As of March 31, 2021)
Net sales of new customers*	826 million yen (As of March 31, 2021)
Characteristics	<ul style="list-style-type: none"> • Merchandise handled are mainly electrical equipment • Securing stable sales volumes • Dominant store openings mainly in Aichi and Gifu Prefectures

* The number of new customers and of net sales represent the number and net sales of customers exploited this fiscal year and in the previous fiscal year, and for which actual sales were made this fiscal year.

Percentage of Total Sales per business segment
(million yen)



Changes in Net Sales (million yen)



	2018	2019	2020	2021	2022 (plan)
Net sales	8,138	8,612	8,710	8,243	8,560
Operating income	183	262	281	253	214

Overview of the Year Ended March 31, 2021

Segment sales came to 8,243 million yen (-5.4% year on year) despite efforts to increase sales focusing on high-end air conditioners and direct sales activities to clients for LED lighting fixtures propped up by an increase in people working from home and special cash payments in light of the spread of COVID-19 infection. This was due to delays in merchandise supplies and construction projects, and halted investments brought on by a decline in demand for capital

investments. In terms of profit, operating income came to 253 million yen (-10.0% year on year). Efforts to reduce SG&A expenses, and negotiations to reduce purchasing prices amidst intensifying price competition, secure set profit margins through the use of merchandise at a special set price, and Company-wide sales activities oriented at ensuring profit margins were not enough to completely offset the impact of the sales decline.

Initiatives Going Forward

While the outlook is very uncertain due to the spread of COVID-19 infection, given the projection that housing construction will decline in the long term due to a decreasing birthrate and population while renovation projects were expected to be solid, we will make efforts to attract renovation/maintenance projects, new and dormant customers to ensure bringing in orders and increasing net sales. To achieve further growth in the future, we will

strengthen our construction functions, and our housing-related facilities and systems and FA divisions, strengthen synergies with Group companies, and enhance merchandise handled. By taking these initiatives, we aim to expect net sales of 8,560 million yen for the year ending March 31, 2022. For operating income, we expect 214 million yen due to the expected increase in various costs, such as promotion expenses.

Risks

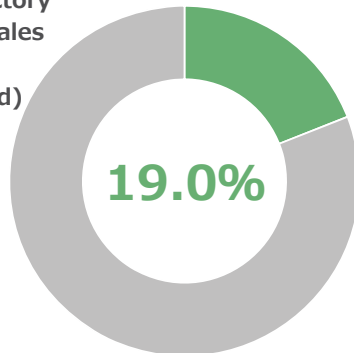
- Dependence on public investments and private capital investments (in Tokai area) ▶ P14 Risks
- Price competition ▶ P16 Risks
- COVID-19 infection ▶ P16 Risks

■ Functions as a manufacturer (Roles of factories)

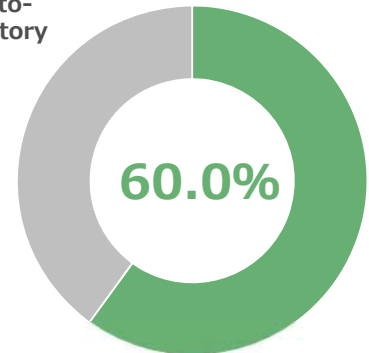
With a view to promoting a local community-oriented sales structure, the Company, as a wholesale company with a manufacturing function, maintains four factories in Japan and makes an effort to pay careful attention to customer feedback in distributing products.

The majority of the Company's products are **made-to-order products** that require high-level precision and short-term delivery. This prevents encroachment from overseas and leads to achieving a high profitability.

Percentage of factory products to net sales of KONDOTEC (non-consolidated) (2021)

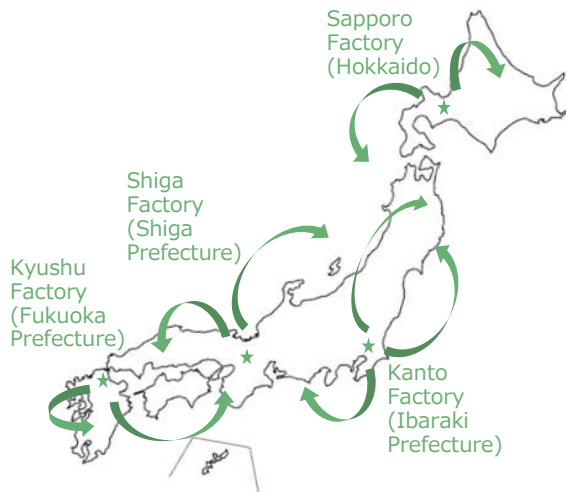


Percentage of made-to-order products to factory products



■ Local community-oriented structure

The Company maintains four factories in Hokkaido, Ibaraki, Shiga and Fukuoka. All factories manufacture turn buckle braces and anchor bolts, which are our core products. By having these four factories supply products to our sales network across the country, we are able to realize quick delivery and operate a local community-oriented sales structure. Setting our first priority on responding to customer needs with speed, we have a production structure in place that makes the best of our comprehensively capability that integrates production and sales.



Why are KONDOTEC factory products selected?

While there are differences in size and other specifications for turn buckle braces, which are our core products, we take in their demand by using our sales and marketing capabilities and engaging in made-to-order products at factories and short-term delivery. Moreover, for turn buckle braces, we manufacture a majority of the component parts at Company factories, and by not using outsourced parts, we are expanding our product lineup in an aim to differentiate from other companies.

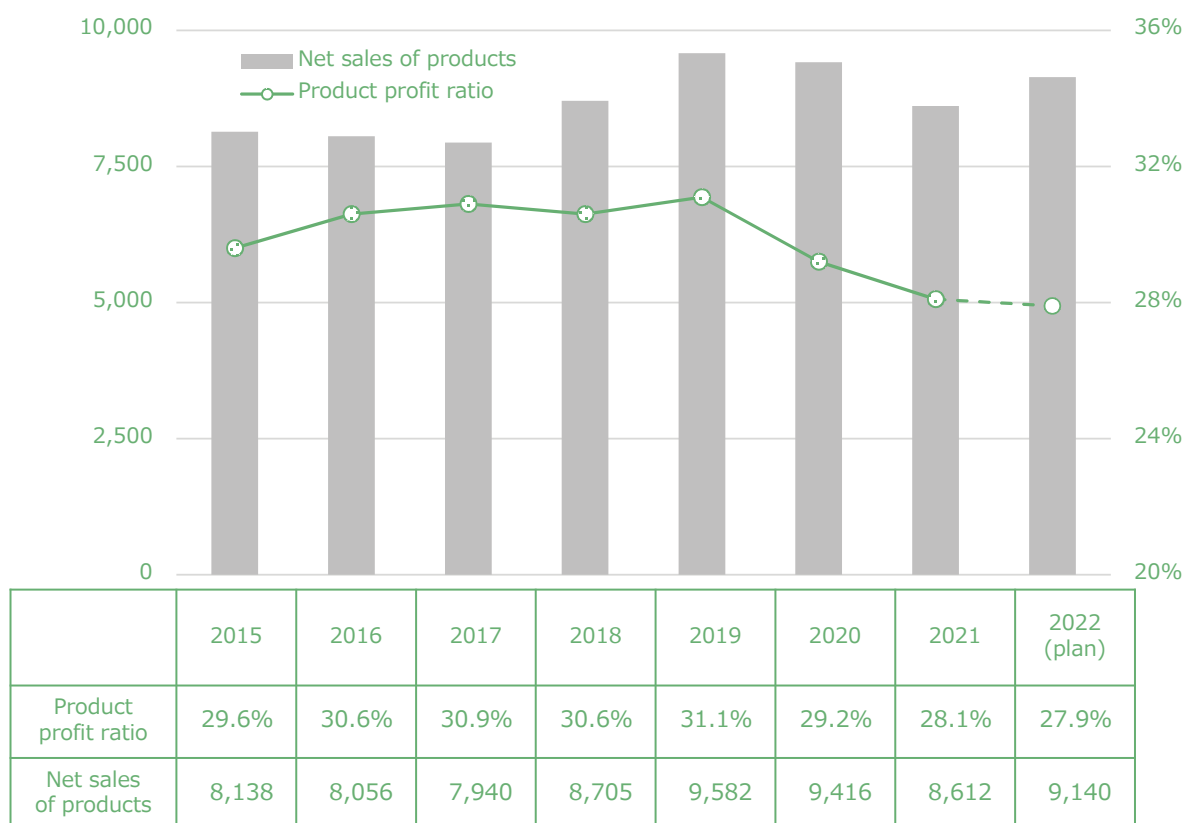
In terms of deliveries, turn buckle braces and anchor bolts are often long and heavy, incurring high transportation costs. Therefore, we established four factories in distant locations across the country to have each factory supply products to the operating sites in their respective regions in order to reduce costs and risks associated with delivery and to deal with short-term delivery.

Pursuing the safety of products

The Company is a brace manufacturer that our factories has acquired JIS from the production of turn buckle bodies to turn buckle products.

Moreover, we are actively acquiring ISO (International Organization for Standardization) certification.

Transition of Product Profit Ratio (million yen)



■ Initiative to improve productivity

In April 2019, we newly started operating No. 2 Factory on the premises of our Shiga Factory (Hino-cho, Gamou-gun, Shiga).

To improve productivity, we will actively introduce labor saving and optimize the manufacturing process.

▶ P51

■ Towards the provision of highly value-added products

In August 2014, we made CHUOH GIKEN Co., Ltd. a consolidated subsidiary. The company is actively developing manufacturing lines in our factories. Furthermore, in January 2019, we established “Mechatro Laboratory” within our organization by purchasing business from Mechatro Engineering Co., Ltd. The Laboratory

aims to utilize image processing technologies for manufacturing lines. We strive to improve productivity of our products by utilizing the know-how of these group companies and provide highly value-added products using excellent technologies.

▶ P48

Company Profile of CHUOH GIKEN Co., Ltd.

Location	Inukami-gun, Shiga
Paid-in capital	45 million yen
Business areas	Design and manufacture of various machine devices, labor-saving equipment and transport, including industrial machinery and electronic parts for automobiles and household appliances

Businesses purchased from Mechatro Engineering Co., Ltd.

Business areas	Design and manufacturing of labor-saving, image processing equipment, various inspection equipment, and inspection tools
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← Image processing equipment

In response to customers’ needs to “want to automatically manufacture or inspect this part”, we propose for the development image and develop equipment.

Top Message



Serving as a Company to be chosen in an Age of Change

KONDOTEC has been evolving by responding to the needs of customers and society.

With a spirit based on our corporate philosophy, we will continue to strive toward sustainable growth.

President and Representative Director Katsuhiko Kondo

■ Continuing to Serve as a Company to be chosen in an Age of Change

KONDOTEC has remained in step with the changes of the times, continually capturing new customers, expanding our product and merchandise lineup, and broadening our network to cover all regions, as well as the fields in which we serve.

We have made efforts to engage in diversified small-lot sales to cushion the impact of fluctuations in the economy and deliver stable business results without being majorly impacted by any particular company or industry.

Now, some 70 years since our founding, the times have changed once now, and we now find ourselves in an age where anything can be purchased online. In order to further flesh out services in line with customer-needs – one of the founding principles of the Company – we will look to promote the online sales arm of our business while continuing to address all other needs. In addition to sales of pre-made products, we will also focus our efforts on sales of made-to-order products, in-house product development, and manned construction projects.

We aim to improve efficiency at construction sites wherever possible, focusing efforts on the construction of anchor bolts – a key component of

construction foundations. Further, in light of declining demand for new facilities in relation to Japan's shift to a declining birthrate and an aging, we have now entered a period where buildings, bridge piers, and other facilities built during Japan's period of rapid economic expansion are now being carefully used while maintained and repaired. With such, we are turning our focus to scaffolding construction – a core component of such repair and maintenance work – as part of efforts to contribute to a sustainable society through the “construction” of scaffolding, which forms the base foundation of such construction sites.

Our corporate philosophy (P8) incorporates the three major themes of “nurturing our employees”, “innovative and pioneering way” and “contribution to the creation of an affluent society”. In this Age of Change, we strive to achieve perpetual growth by continuing to serve as a company to be chosen in an age of change, and developing human resources in need to benefit and contribute to the development of an affluent society.

■ Working Towards a Sustainable Society

We now live in a time where we can no longer simply look out for ourselves, to pursue profit no matter the cost. In order to survive, everyone must share an awareness that only management that takes social sustainability into account will lead to sustainable growth as a company. At KONDOTEC, we strive to achieve sustainable development by improving on areas which we may have thought were acceptable, but upon closer reflection realized that somebody else was picking up the bill, and activities that seem fine in the moment, but cannot be continued over the long-term.

In the beginning of 2021, we established the SDGs Promotion Department, marking our first step in our sustainability efforts. Looking ahead, we will use the SDGs Promotion Department as a basis for expanding what we can achieve, and for entering new fields backed by a spirit of serving where needed.

In terms of specific measures, in addition to current steps to sell environment related products and merchandise, some of the other initiatives we are pursuing include the following.

* The 5Ps

People, Planet, Prosperity, Peace, Partnership

Review of packaging materials

In addition to adopting environmentally-friendly packaging for product and merchandise shipping, we are working to reduce packaging materials by rethinking the use of boxes and tape to reduce waste.

Weight saving

We are looking to reduce the weight of shipping items by switching to stronger materials to reduce the weight of the product itself, and by reducing the number of boxes required. With these weight saving efforts, we hope to make our products easier to use for a broader user base, including women and elderly persons.

Enhancing our product development capabilities

Our manufacturing divisions are working to deliver technological innovation in the form of unique proprietary-development products in a short time-frame.

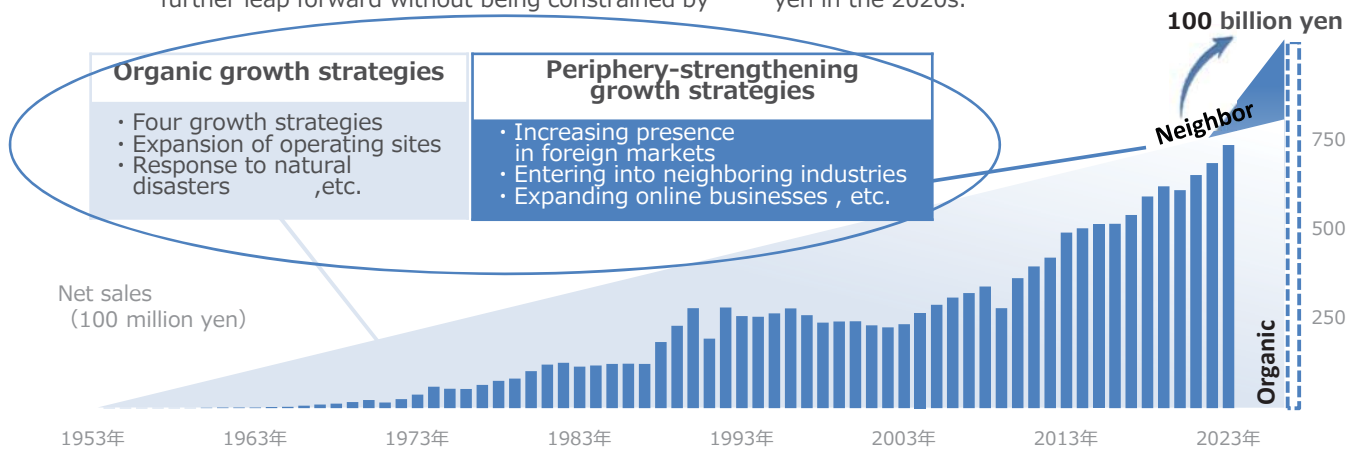
Our corporate philosophy also ties back to the 5Ps(*) behind the SDGs philosophy of establishing a society of change, where “no one is left behind”. With this philosophy in mind, we will continue to serve to support the development of a sustainable society.

■ Initiatives for Net Sales of 100 Billion Yen

Growth strategy

As for growth strategies, the Company has organic growth as strategies for existing businesses and periphery-strengthening growth those other than the existing businesses. Organic growth is the strategy that has established KONDOTEC's earnings to date, while the Company has developed its businesses in its history of more than 70 years with the strength of responding flexibly to changes of the time, while broadening the scope of our business. Periphery-strengthening growth is the strategy that is a possible new earnings driver, aiming for a further leap forward. Under this strategy, we are engaged in expanding businesses looking for a further leap forward without being constrained by

the framework of our organic growth. Furthermore, to accelerate growth by organic growth strategies and periphery-strengthening strategies, we strive to expand business fields aggressively through M&A strategies. One such example of this is the establishment of Nippon Scaffolding Holdings Co., Ltd. in April 2021, which will manage Group companies engaged in scaffolding construction. Going forward, we will continue improving sensitivity to the needs of society, while differentiating ourselves from other companies by implementing the above growth strategies, including M&As, aiming for net sales of 100 billion yen in the 2020s.



Initiatives Going Forward

Establishing a well-balanced business domain

While KONDOTEC has supplied products and merchandise to a broad range of fields without being overly focused in any specific industry, the spread of the COVID-19 infection has exposed a weakness in that we were overly concentrated on construction. To counter this, we will look to establish a good balance in industry focus with differing periodic cycles, between construction works with a relatively short time span, and long-term civil engineering works in order to further blunt the impact of economic fluctuations.

Creating synergies in scaffolding construction

Group companies engaged in scaffolding constructions have different areas of expertise, from low-rise, mid- to high rise buildings, bridges, and civil engineering works. There are many deteriorating

facilities in Japan, and many highways, bridges, and other facilities require scheduled maintenance. To meet this demand, Group companies are working together under the supervision of Nippon Scaffolding Holdings Co., Ltd. to share know-how, and to further improve the quality of services provided in scaffolding construction.

Utilization of digital technologies

While KONDOTEC does provide online sales through an e-commerce site, our IT initiatives are still only just getting underway.

With this in mind, we are striving to develop new business models that establish closer connections with our customers through the roll out of merchandise utilizing digital technologies led by the DX Promotion Project Team established in 2019.

TOPICS

Promotion of digital transformation(DX)

The DX Promotion Project Team was established in 2019 to launch new services and business models utilizing data and digital technologies, and to promote DX to introduce radical changes to how we go about our business.

Led by the DX Promotion Project Team, we are working to put plans raised by each department on the use of IT into action, including the automation of business tasks, the switch to paperless operations, and the implementation of IoT at production facilities. One such initiative

implemented by this team includes the "Tsurikata" site for inspecting lifting equipment using RFID tags.

By promoting DX, we hope to deliver attractive products, merchandise and services to our customers to further promote our brand as the first choice for our customers, applying digital technologies to expand revenue earning opportunities, while also improving business processes and productivity.

KONDOTEC

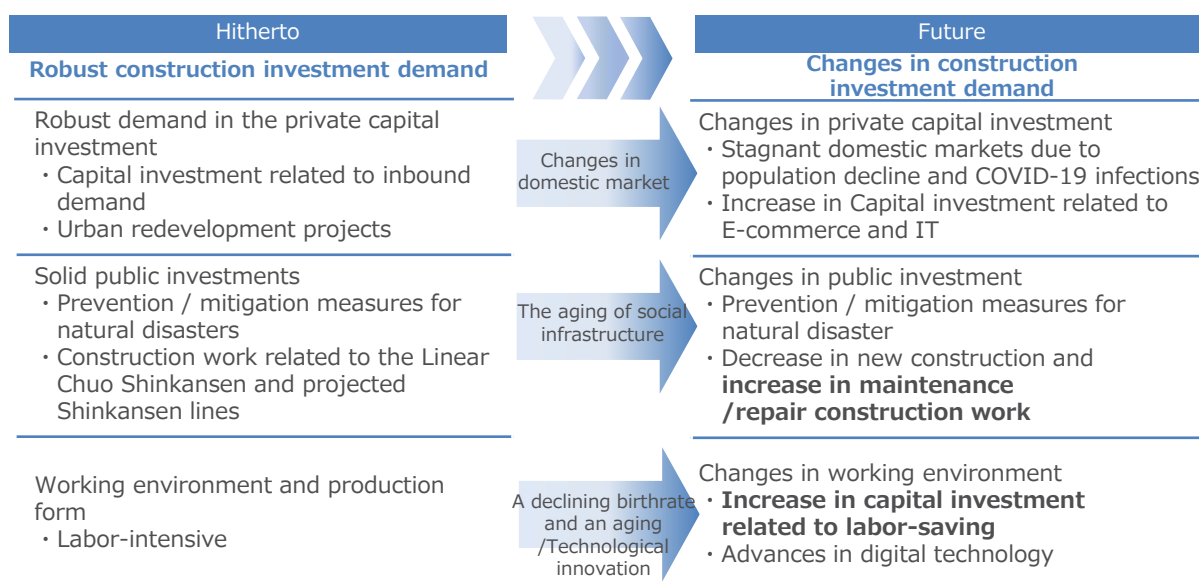
VISION

**Growth strategy of
KONDOTEC**

Medium-term Management Plan

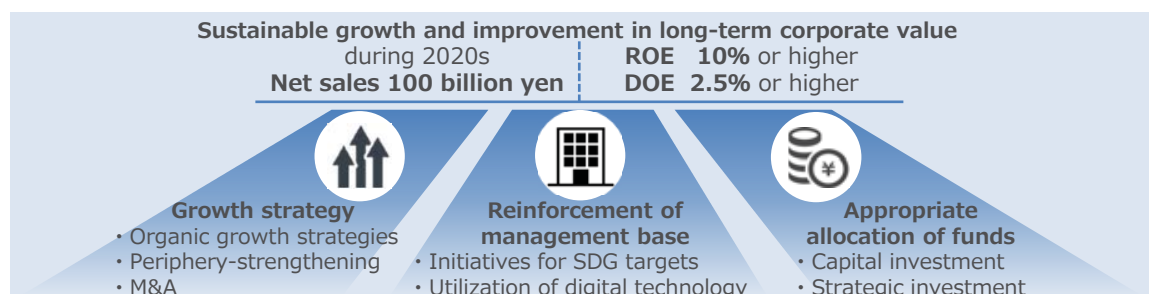
■ Recognition of the Business Environment

So far, capital investment related to inbound demand and urban redevelopment projects had continued. We assume that in the future there will be a shift in the nature of construction investment due to changes in the industry structure and business models brought about by the spread of the COVID-19 infection, and a shift in values toward a more sustainability-focused society.



■ Basic Policy

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



■ Financial Target

《Long-term Target》

During 2020s Net sales(Consolidated) 100 billion yen

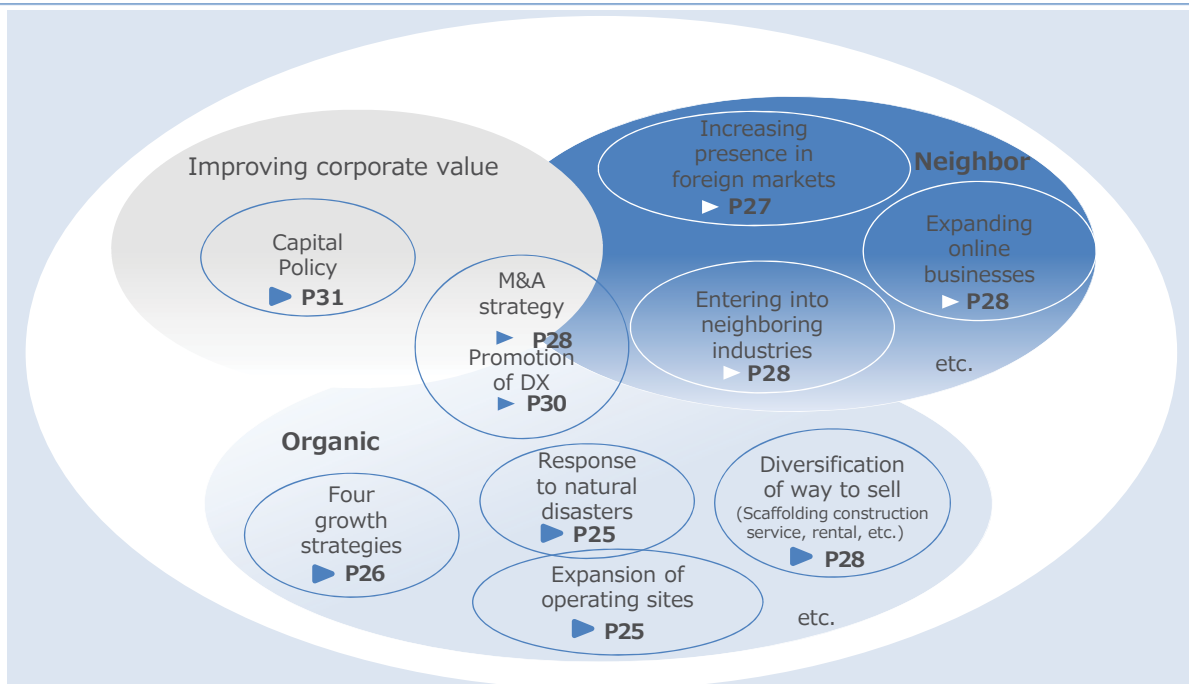
《Medium-term Target》 We will aim to achieve increase in net sales and income by financial target based on the existing sales structure

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.

Growth Strategy

Basic structure



Existing business strategies (organic growth strategies)

■ Expansion of operating sites

We strive for expansion of operating sites which maintained a local-community-oriented sales structure in order to respond quickly to customer needs.

Recently, we opened the Okayama office of the Company in April 2018 and the kusatsu office of CHUOH GIKEN Co., Ltd. which is our group company in April 2019.

We will continue to execute quick deliveries in an effort to realize customer-focused management.

Risks

If the intensified price competition continues with competitors in the local market of each operating site, it may significantly affect earnings.

* Response to the risks

P10 ▶ Strength in sales methods



Okayama office

■ Response to natural disasters

Our products and merchandise support recovery/restoration efforts from disasters and are in demand in the event of abnormal weather conditions, such as extremely heavy rainfall everywhere.

All operating sites have inventories and maintain a structure across Japan that enables us to immediately respond to such urgent demand for products and merchandise and carry out our responsibility to supply. ▶ P55

Risks

With many applicable merchandise being imported ones, securing merchandise may become difficult due to unexpected events such as changes in overseas economic situations, including China. In addition, substantial changes in foreign exchange markets may significantly affect earnings and financial position.

* Response to the risks

P10 ▶ Strength in procurement



One of merchandise for natural disasters
Tarpaulins (Left)
Flexible container bags (Right)

■ Four growth strategies

KONDOTEC is taking the following four initiatives toward expanding orders.

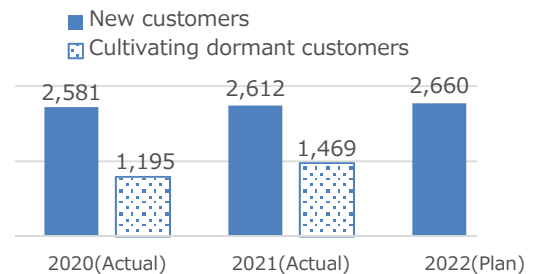
① Cultivation of new customers

KONDOTEC achieves a monthly average of one new customer per sales representative and a yearly average of 1,500 new customers as a company.

In addition, we exploit a yearly average of 10 dormant customers per sales representative and these activities form the source for 20,000 sales customers.

P10 ▶ Strength in customers

Net sales (million yen)



② Offer of new products and merchandise

For the purpose of developing new merchandise, joint New Products and Merchandise Committee meetings are held between the sales division and the manufacturing division periodically to discuss requests from customers and proposals for improvement.

We have adopted imported products and merchandise including the Yellow Point series from Yoke Industrial Corp., which is a lifting equipment manufacturer in Taiwan, as well as developing the weight saving forging hook "LS hook" in 2020 (Manufacturing by Kyushu Factory

of the Company).

We will continue to develop and cultivate products and merchandise with even higher added value in order to offer such products and merchandise.



YOKE Industrial Corp.'s eye bolt (Yellow Point Series)



LS hook

③ Adoption of flexible sales methods

KONDOTEC not only sells merchandise but also maintains a structure to enable the undertaking of anchor construction by having construction managing engineers and acquiring a construction business license. By becoming involved in the initial phase of a construction project, we are able to acquire information on necessary construction materials ahead of others and make use of such information on sales activities. Furthermore, we also issue product catalogs specific to certain sectors and customers, such as those on lifting equipment, materials to prevent

damage from wildlife, and agricultural equipment, in addition to the general product catalog containing products and merchandise with high customer needs.



Catalog of lifting equipment



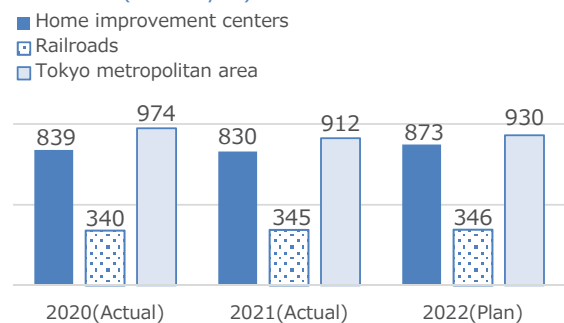
Catalog of materials to prevent damage from wildlife, and agricultural equipment

④ Cultivation of distribution routes

We are working to expand our business into new sectors, such as Home improvement centers and railroad companies, in addition to the existing sales routes.

We also established the "E-commerce Group" in July 2017 to explore sales through the Internet. Further, we have in place a sales force dedicated to the Tokyo metropolitan area to accommodate bulk purchasing from large trading companies and headquarters of general construction companies from which orders have been increasing in recent years.

Net sales (million yen)



Risks

- Price competition

If price competition with competitors continues to intensify in each of the product markets and local markets to which the Group belongs and it becomes difficult to maintain fair prices, this may have a significant impact on the operating performance and financial position of the

KONDOTEC Group.

- Credit risk of customers

If bad debt expenses arise due to the bankruptcy of a customer, this may have an impact on operating performance and financial position of the KONDOTEC Group.

* Response to the risks

P10 ▶ Strength in customers

Initiatives for enhancing activities in non-existing business (Periphery-strengthening growth strategies)

■ Increasing presence in foreign markets

Based on our view that increasing presence in foreign markets where growth is expected will contribute to enhancing our earnings capability, we established a subsidiary in Thailand in November 2012. We executed a capital increase in August 2014, acquired all shares from the two joint venture companies and substantially made the company our fully-owned subsidiary. Currently, we are moving ahead with activities to expand our business in ASEAN countries with Thailand as our base location. Going forward, we will further strengthen our sales & marketing capabilities by widening our sales network and reinforcing manpower with a view to increasing

the ratio of net sales from our overseas business.

Risks

Problems in pursuing business due to unexpected events may occur, including changes in political, laws and regulations, as well as economic turmoil in countries such as China and Thailand.

Moreover, a substantial change in foreign exchange markets may affect earnings and the financial position of the KONDOTEC group.

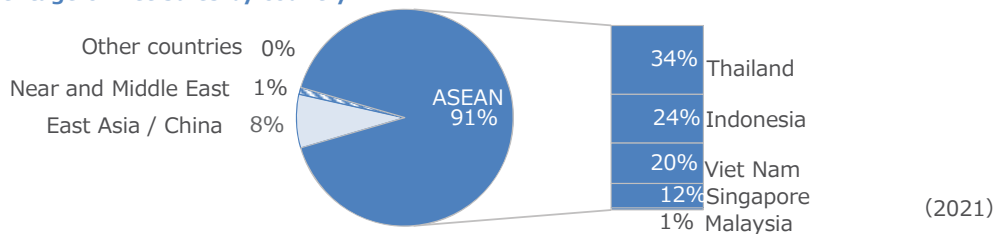
P10 ▶ Strength in customers

KONDOTEC INC. and overseas expansion

While the planned figure for net sales from overseas business in the year ending March 31, 2022 is 234 million yen (total for International Sales Division and subsidiary in Thailand), our export business was active prior to the Plaza Accord in 1985 and handled exports worth approximately 2,000 million yen. However, given

the currency crisis in 1997, when Asian currencies slumped, the export business became difficult and we shifted from export to import. Subsequently, we established a dozen OEM plants in China to establish a structure that is not affected by the yen's appreciation and resumed exports around 2006.

Percentage of Net Sales by country

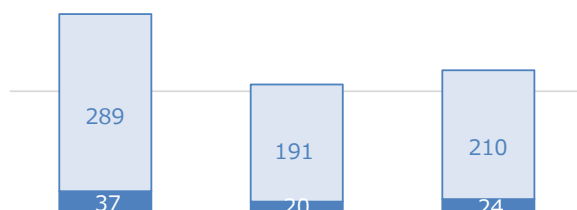


Subsidiary in Thailand

Company name	KONDOTEC INTERNATIONAL(THAILAND) CO.,LTD.
Location	Bangkok, Thailand
Date established	November 1, 2012
Paid-in capital	102 million baht (approximately 316 million yen)
Business areas	Import, export and local sale of industrial materials, structural steel materials, electrical equipment, etc. in Thailand



Net sales of overseas business (million yen)



	2020 (Actual)	2021 (Actual)	2022 (Plan)
Local subsidiary in Thailand	289	191	210
International Sales Division	37	20	24
Total	327	211	234

*Amounts of inter-company transactions are not included.

Toward accelerating the growth of the present's KONDOTEC (Organic) and the future's KONDOTEC (Periphery-strengthening)

■ M&A strategy

We view that pursuing corporate acquisitions and capital/business tie-ups is an important strategy to strengthen our business platform. We actively review potential acquisition and tie-up opportunities by analyzing and discussing the growth potential of the relevant business, while taking capital cost into consideration. Moreover, in January 2019, we purchased labor-saving and image processing equipment businesses from Mechatro Engineering Co., Ltd. to strengthen the labor-saving field, aiming to provide high value-added products, and since 2019 we have acquired three companies engaged in the scaffolding construction to strengthen the maintenance/repair field.

Going forward, we will continue endeavoring to improve medium to long term corporate value taking into account M&A strategies for growth by periphery-strengthening, such as entering into neighboring industries and expanding online business. ▶ P48, P51

Risks

Although we carefully consider the financial standing and business plans of targets for M&As when conducting M&As, a substantial change in economic conditions or business circumstances may result in an impairment loss on fixed assets, or otherwise have a serious impact on the earnings and the financial position of the KONDOTEC Group.

Four perspectives in pursuing M&A

① Neighboring industry

Pursue M&A with companies associated with industries other than the construction industry and promote business expansion
Actual case: Sanwa Denzai Co., Ltd.

② Deepening the business

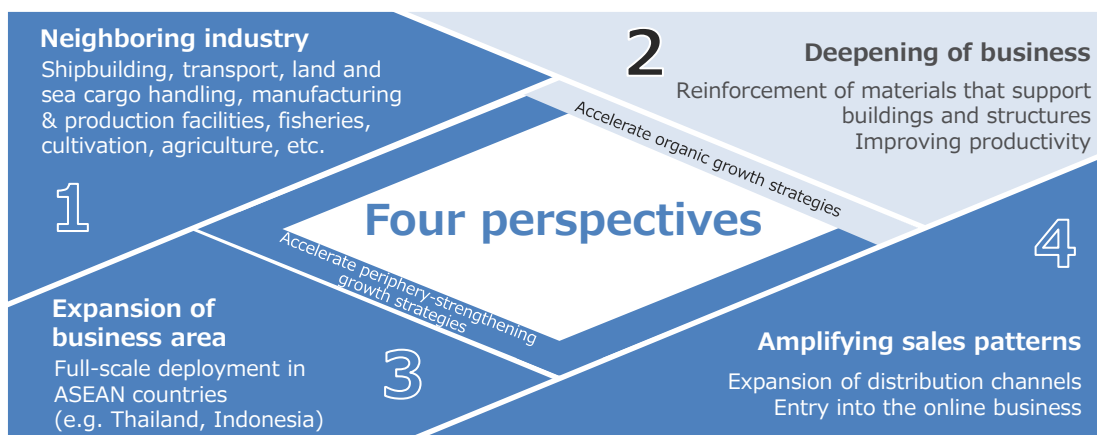
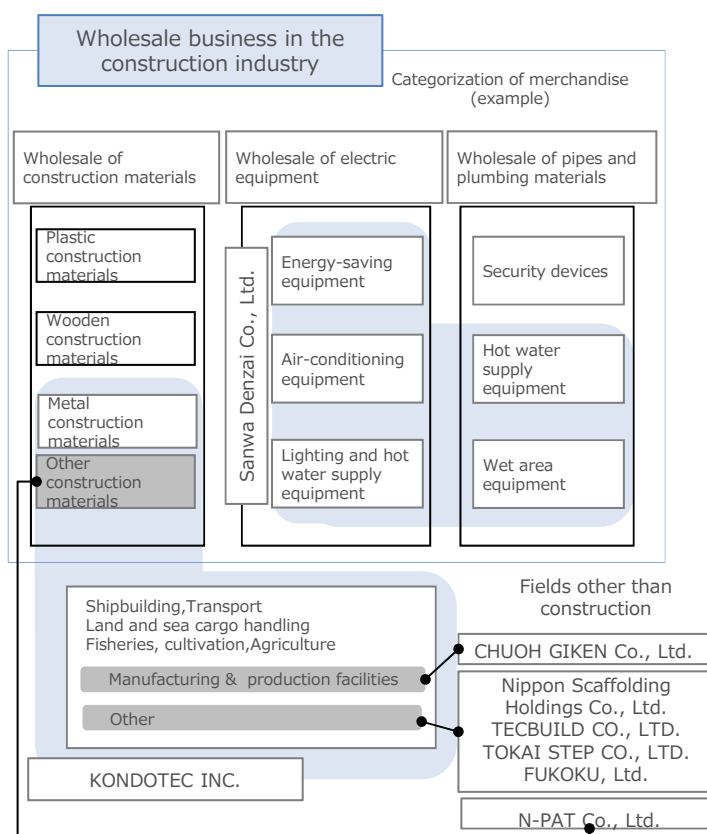
Pursue M&A with material manufacturers, etc.
Actual case: CHUOH GIKEN Co., Ltd.
TECBUILD CO., LTD.
TOKAI STEP CO., LTD.
FUKOKU, Ltd.

③ Expansion of business area

Pursue M&A with companies that maintain overseas sites to promote business area expansion

④ Amplifying sales patterns

Pursue M&A with companies that operates different sales patterns from those of KONDOTEC, such as retail, catalog-based selling, and online sales.



Financial Strategies

■ Improving corporate value and financial strategies

To improve corporate value, the Company considers it necessary to improve profitability, improve capital efficiency and optimize finance. In particular, we place importance on dividend policy and appropriate allocation of funds to optimize finance.

In terms of dividend policy, while fully taking into account both consolidated operating results and the consolidated dividend payout ratio, we have the basic policy of distributing dividends to shareholders continuously and increasingly, targeting a dividend on equity (DOE) ratio of 2.5% or more. The Company has never reduced dividends since our listing. While we could have reduced dividends at the time of the Lehman Shock, since our profit was stable, we decided not to reduce but to distribute dividends continuously,

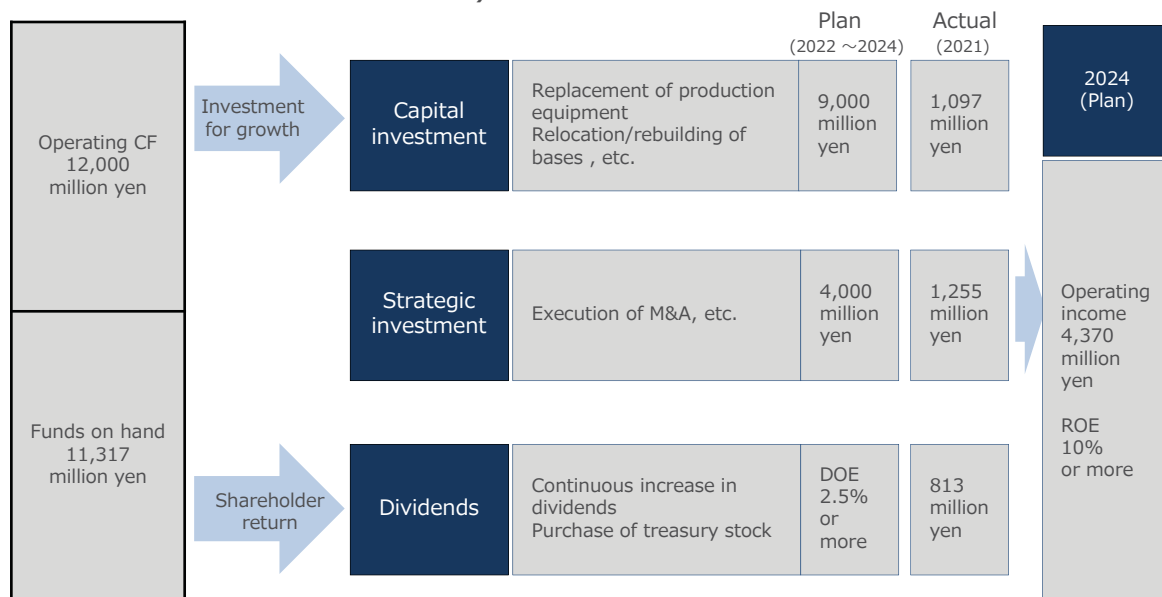
using DOE as the indicator.

Please refer to Figure 1 for the allocation of funds. We make growth investments while being conscious of capital costs as well as stable shareholder returns, aiming to maintain highly efficient capital.

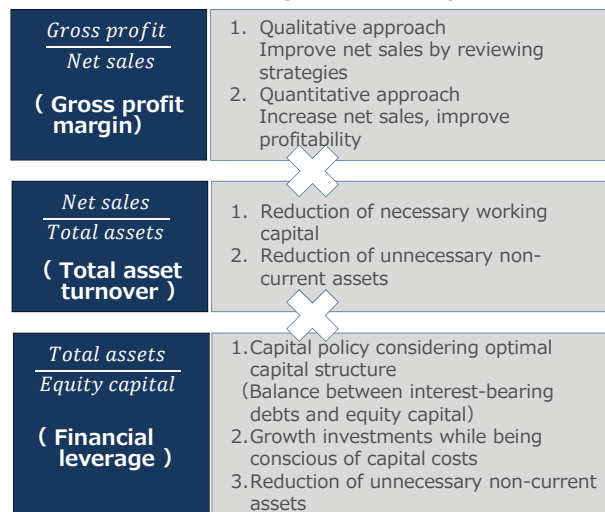
For the improvement of capital efficiency, the Company places importance on capital costs, which are targeted at 6.0% for the year ending March 31, 2022.

As a result of these initiatives, an improvement in ROE will be required. Accordingly, we aim for an ROE of 10% or more as the capital efficiency target, aiming to improve ROE from the perspective of Figure 2, which structurally breaks down ROE.

(Figure 1 : Kondotec's Process of allocation of funds)



(Figure 2 : Initiatives based on structural breaking down of ROE)



■ Message from Vice President and Director



Tomoya Ando
Vice President and Director of the Company

After serving as Manager of Nakanoshima Branch of MUFG Bank, Ltd., he became Manager of General Affairs Division of KONDOTEC in 2007. At the Bank, he spent about ten years, respectively, in banking operations in general (counter, marketing, loans, etc.), securities operations in general (primary, support for stock-offering, cross-shareholding, portfolio management, securities subsidiary management, etc.) and management in general (serving as branch manager at five branches of three banks in three areas of Tokyo, Nagoya and Osaka). After joining the Company, he served as Executive Director and Senior Executive Director, General Manager of Management Headquarters and Manager of General Affairs Division of the Company before assuming his current position.

Steps toward value creation and sharing

Since 2019 we have made a series of M&As, bringing the total number of Group companies to seven. KONDOTEC views its M&A strategy as a means of accelerating growth, and is actively considering potential M&As from four key perspectives, while also taking capital costs into account. In addition, we established Nippon Scaffolding Holdings Co., Ltd. in April 2021 to manage subsidiaries involved in scaffolding construction in an aim to leverage our Group network to deliver new synergy. While each Group company will naturally pursue business activities in line with their individual strengths, we view this sharing of individual business characteristics as giving way to new value creation.

Our target for shareholder return is a DOE of 2.5% or more. As outlined on P29, while our dividend policy looks to continuously raise dividends without decreasing dividends, we are also looking at improving employee incentives.

Shares held by current and former employees (excluding owners) account for around 20% of the total shares outstanding, which means, assuming a market capitalization of 30 billion yen, around 6 billion yen in market value is owned by current and former employees. An increase in the stock price will correspond to an increase in assets held by current and former employees. Some former employees tell me they hold these shares as a pension substitute.

Further, in June 2021 we introduced a restricted stock (RS) compensation plan as part of our executive compensation system. We are also working on increasing incentives for Directors which tie back to increasing the stock price and corporate value.

Looking ahead, we will work together as a unified group that builds on improving corporate value and establishing KONDOTEC as a Group held in high regard by all, while also sharing value with our shareholders, employees, and other stakeholders.

■ Message from General Manager of Management Headquarters (Chief Financial Officer)



Hiroyuki Yada
Senior Executive Director and General Manager of Management Headquarters, Manager of General Affairs Division and Manager of Business Strategy Department of the Company

He joined the Company in 1985. He served as Manager of Yokohama Branch in 2006, Executive Officer, Manager of Delivery Division in 2011, Executive Officer, Manager of Western Japan Sales Division in 2013, Director, Manager of Western Japan Sales Division in 2016, Director, General Manager of Sales Headquarters, Manager of Western Japan Sales Division and Manager of Business Strategy Department in 2019, Executive Director, General Manager of Sales Headquarters, Manager of Western Japan Sales Division and Manager of Business Strategy Department in 2020 of the Company before assuming his current position.

Corporate growth that demonstrates our strengths

We continue to face strong external headwinds in the form of the COVID-19 infection. The grounds propping up inbound tourism and the holding of events, which is main demand for the construction industry, have fallen by the wayside, and we are now facing a turning point in the demand structure, with attitudes towards consumption changing.

Amidst these circumstances, KONDOTEC has been backed by its ability to deliver stable business performance by delivering a variety of materials to a broad range of industries. To further bolster this strength, we will look to capturing demand across a wide domain based on our growth strategy of organic growth, periphery-strengthening growth, and our M&A strategy.

As described on P29, we aim to improve share liquidity and raise the stock price as part of our medium-term financial strategy as a result of increased capital investment in updating production facilities and expanding operating sites, pursuing M&As and other strategic investments, and delivering returns to shareholders, as outlined in our Medium-term Management Plan.

Further, we have targeted an ROE of 10% or more, a DOE of 2.5% or more, and are also working towards a sales target of 100 billion yen in the 2020s. We will continue to work to improve corporate value over the long-term with a firm awareness that it is management that tackles ESG issues head on that will lead to sustainable growth.

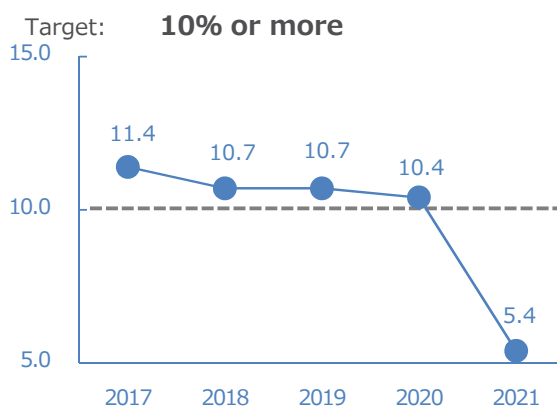
Improving corporate value

■ Capital policy

Our capital policy stands on two key components; capital efficiency target and shareholder return target. We set the capital efficiency target by using ROE, an index that reflects the efficiency of capital investment in pursuit of business expansion, in an effort to promote creation of corporate value. Moreover, capital cost based on actual figures in the fiscal year ended March 31, 2021 is set at 6.0%; we

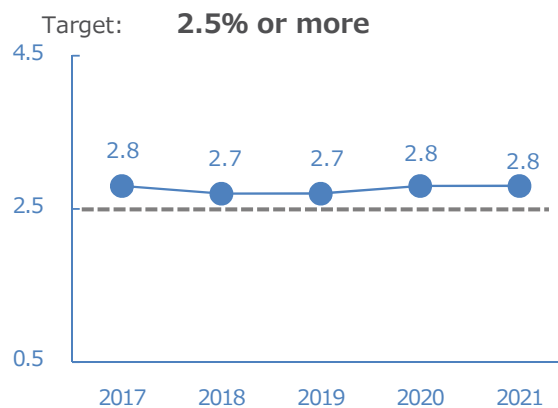
are also paying attention to exceed this capital cost. Meanwhile, the shareholder return target is set to determine dividends by means of DOE, an index that takes into account both consolidated operating results and the dividend payout ratio. And we have the basic policy of distributing dividends to shareholders continuously and increasingly.

Actual ROE (%)



We have a target ROE of 10% or more. As a result of increasing net assets, which are the bases to determine dividends by recording no less than a certain level of profits every fiscal year, we intend to be able to distribute dividends continuously and increasingly. ROE for the year ended March 2021 fell below our target at 5.4%

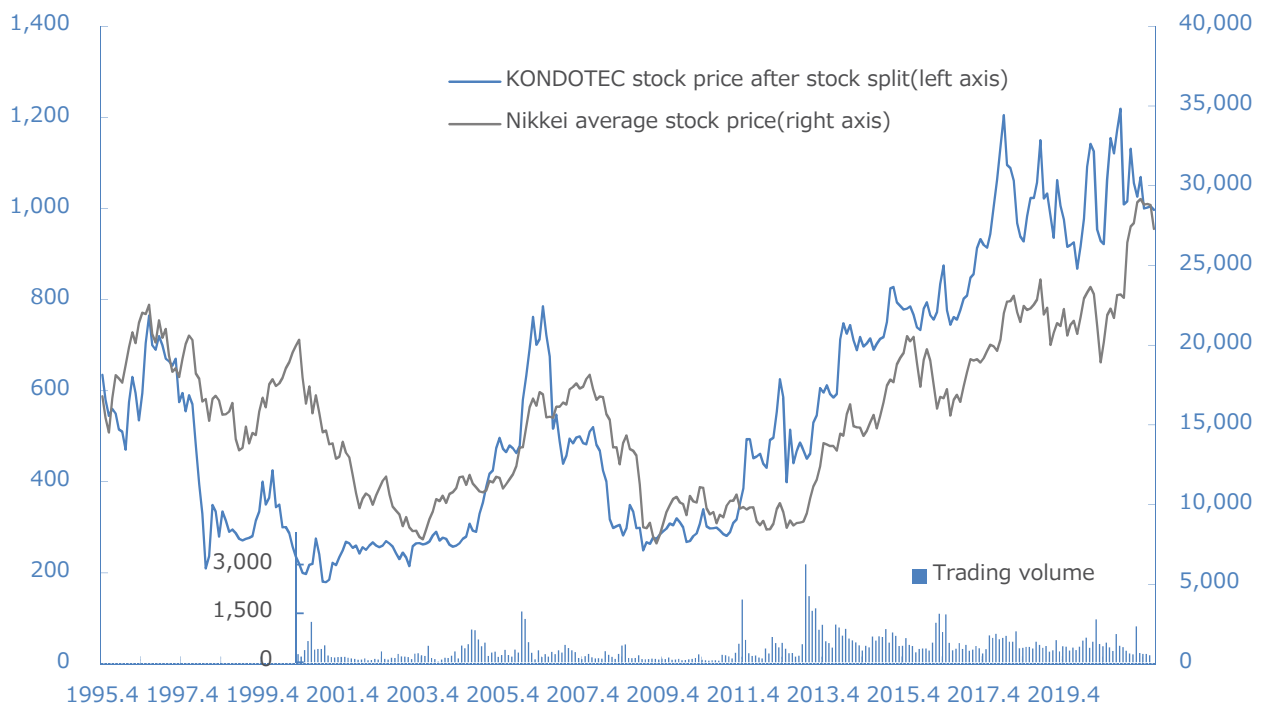
Actual DOE (%)



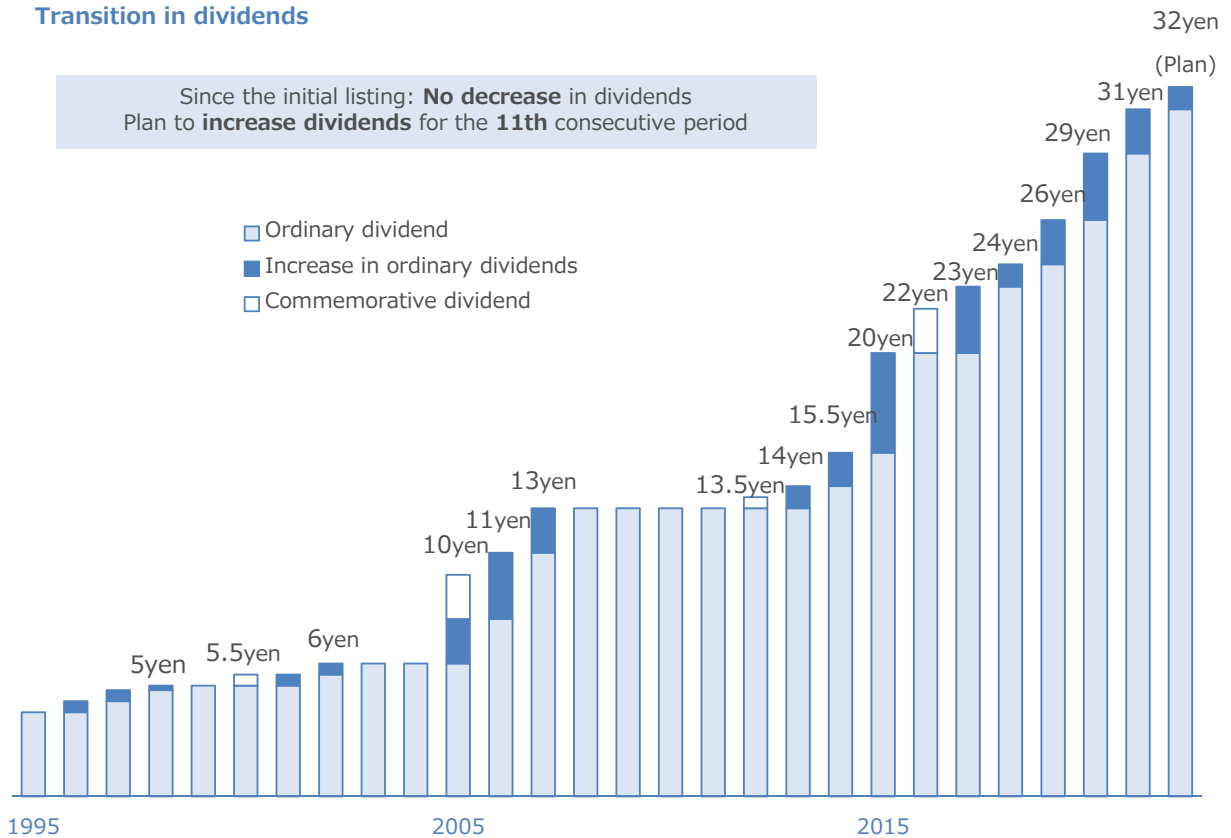
due to reduced profits resulting from the spread of COVID-19 infection. Moreover, the target DOE of 2.5% or more can be achieved if profit and dividends increase 10% every fiscal year (Equity capital is assumed to be increased by the amount of profit in the previous year).

Capital cost (Based on actual figures in 2021) **6.0%**

Transition of stock price (Yen)



Transition in dividends



Acquisition of Treasury Stocks

The Company acquires treasury stocks to implement flexible capital measures in response to changes in the management environment, and considers the cancellation of treasury stocks as necessary to increase shareholders' profit.

Recently, the Company has been acquiring treasury stock since November 2019 until September 2020.

Latest acquisition of Treasury Stocks

Acquired number of shares	750 thousand shares
Acquisition price	799 million yen
Acquisition period	November 8, 2019 through September 23, 2020

Dividend yield

Closing price on March 31, 2021: **1,069 yen**

Dividend yield	2.9%
Dividend yield including shareholder incentives	~3.7%

Shareholder incentive plan

Number of shares held	Shareholder incentives
100 or more shares, fewer than 1,000 shares	2 kg-rice certificate (equivalent to 880 yen)
1,000 or more shares, fewer than 10,000 shares	5 kg-rice certificate (equivalent to 2,200 yen)
10,000 or more shares	10 kg-rice certificate (equivalent to 4,400 yen)

* 1 kg-rice certificate is worth 440 yen.

FINANCIAL

DATA

Financial Information

Consolidated Financial Highlights

	2017	2018	2019	2020	2021	2021
■ Results of Operations (million yen and Thousand U.S. dollars)						
Net sales	¥50,410	¥52,811	¥57,828	¥60,599	¥59,562	\$538,001
Ordinary income	3,614	3,655	4,023	4,177	3,455	31,215
Profit attributable to owners of parent	2,497	2,523	2,748	2,875	1,561	14,100
Capital investment	695	423	981	917	1,097	9,909
Depreciation	438	423	404	697	897	8,108
※1 EBITDA	4,052	4,079	4,425	4,916	3,783	34,176
■ Financial Position (million yen and Thousand U.S. dollars)						
Total assets	¥36,524	¥39,313	¥43,820	¥46,335	¥49,426	\$446,448
Net assets	22,719	24,745	26,756	28,387	29,022	262,151
Interest-bearing debt	501	500	853	1,106	3,875	35,003
■ Cash Flows (million yen and Thousand U.S. dollars)						
Cash flows from operating activities	¥2,737	¥2,429	¥2,699	¥4,385	¥4,196	\$37,901
Cash flows from investing activities	(646)	(506)	(1,551)	(5,205)	(2,264)	(20,453)
Cash flows from financing activities	(1,032)	(703)	(915)	(992)	1,060	9,576
Cash and cash equivalents, end of year	8,660	9,893	10,133	8,305	11,317	102,228
■ Per Share Information (Yen and U.S. dollars)						
Profit attributable to owners of parent per share	¥93.29	¥94.25	¥102.65	¥107.46	¥59.60	\$0.53
Net assets per share	846.59	922.62	996.99	1,071.09	1,110.01	10.02
Dividend per share	23.00	24.00	26.00	29.00	31.00	0.28
■ Financial Indicators						
Gross profit margin (%)	¥22.2	¥21.5	¥21.6	¥22.4	¥22.8	
Ordinary income margin (%)	7.2	6.9	7.0	6.9	5.8	
Profit attributable to owners of parent margin (%)	5.0	4.8	4.8	4.7	2.6	
※2 Total asset turnover (%)	141.7	139.3	139.1	134.4	124.4	
※3 Financial leverage (Times)	1.6	1.6	1.6	1.6	1.7	
※4 ROE (%)	11.4	10.7	10.7	10.4	5.4	
※5 ROA (%)	7.0	6.7	6.6	6.4	3.3	
※6 Equity ratio (%)	62.1	62.8	61.0	61.2	58.7	
DOE (%)	2.8	2.7	2.7	2.8	2.8	
※7 Current ratio (%)	212.4	219.9	200.9	181.1	167.6	
※8 D/E ratio (%)	2.2	2.0	3.2	3.9	13.4	
※9 Fixed ratio (%)	45.6	42.4	47.1	61.5	61.6	
Ratio of retained earnings to total assets (%)	54.4	55.4	53.3	55.0	53.1	
■ Stock Price Index						
Stock closing price (Yen)	¥933	¥939	¥1,006	¥929	¥1,069	
Price earnings ratio (Times)	10.0	10.0	9.8	8.6	17.9	

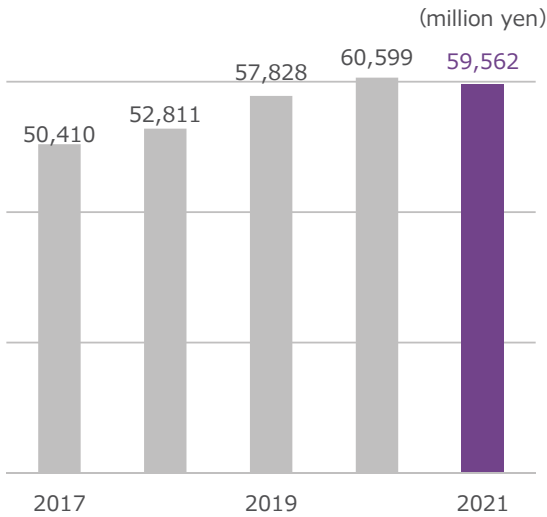
※1 EBITDA = Income before income taxes + Interest expenses + Depreciation + Amortization of goodwill
 ※2 Total asset turnover = Net sales / Total assets of average two years
 ※3 Financial leverage = Total assets / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※4 ROE = Profit attributable to owners of parent / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※5 ROA = Profit attributable to owners of parent / Total assets of average two years

※6 Equity ratio = (Net assets - Subscription rights to shares - Non-controlling interests) / Total assets
 ※7 Current ratio = Current assets / Current liabilities
 ※8 D/E ratio = Interest-bearing debt / (Net assets - Subscription rights to shares - Non-controlling interests)
 ※9 Fixed ratio = Non-current assets / (Net assets - Subscription rights to shares - Non-controlling interests)

Consolidated Financial Performance

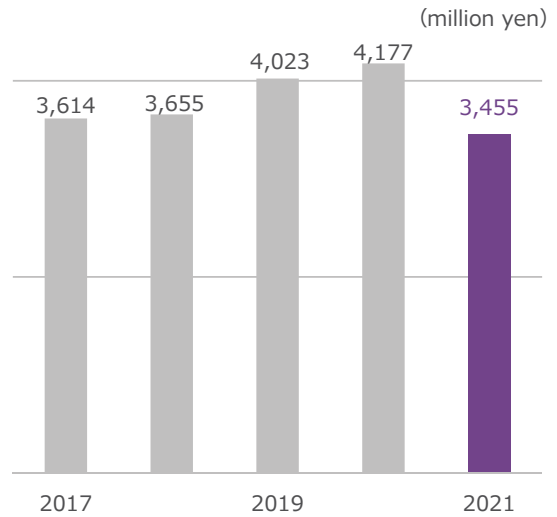
■ Net sales

59,562 million yen
1.7 % DOWN ↘



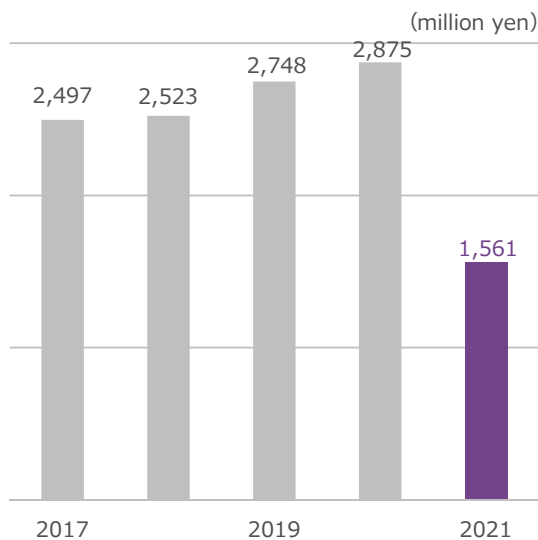
■ Ordinary income

3,455 million yen
17.3 % DOWN ↘



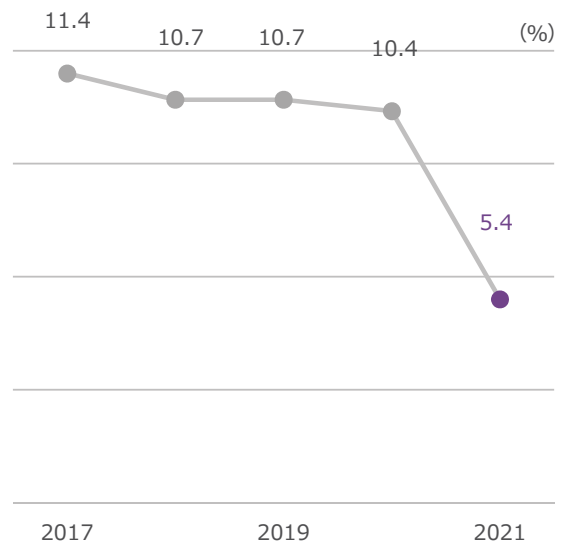
■ Profit attributable to owners of parent

1,561 million yen
45.7 % DOWN ↘



■ Return on Equity (ROE)

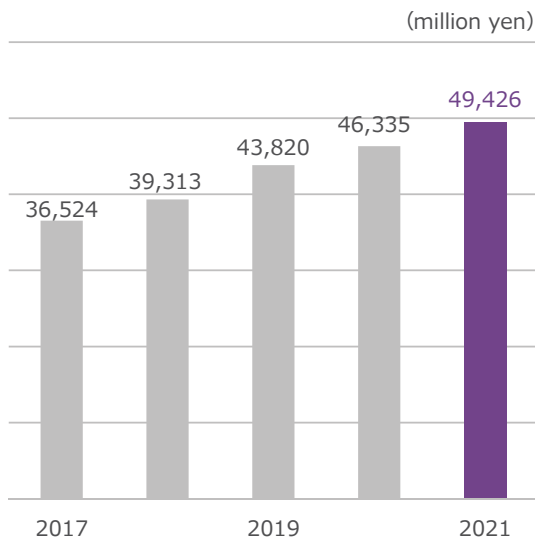
5.4 %
5.0 point DOWN ↘



■ Total assets

49,426 million yen

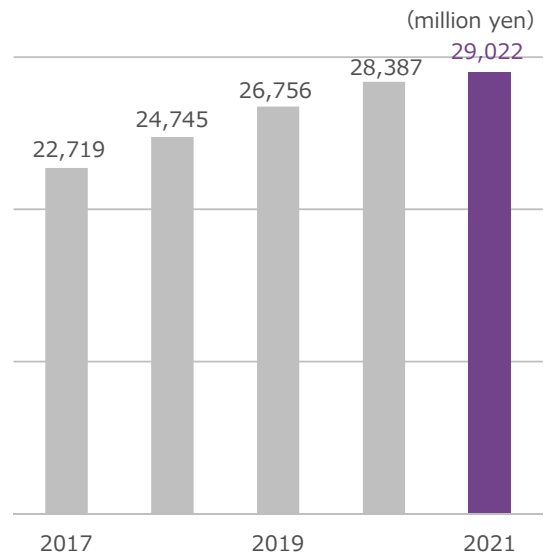
6.7 % UP 



■ Net assets

29,022 million yen

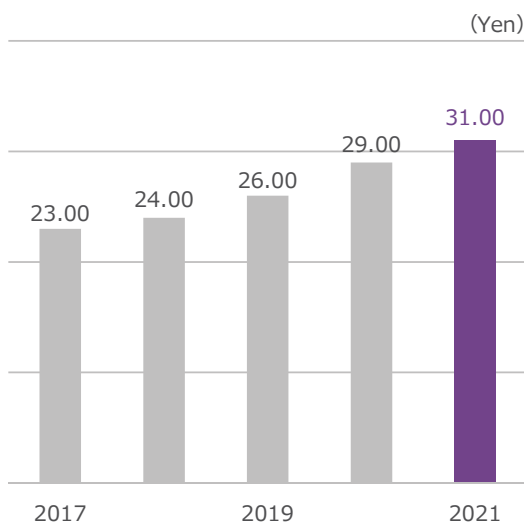
2.2 % UP 



■ Dividend per share

31.00 yen

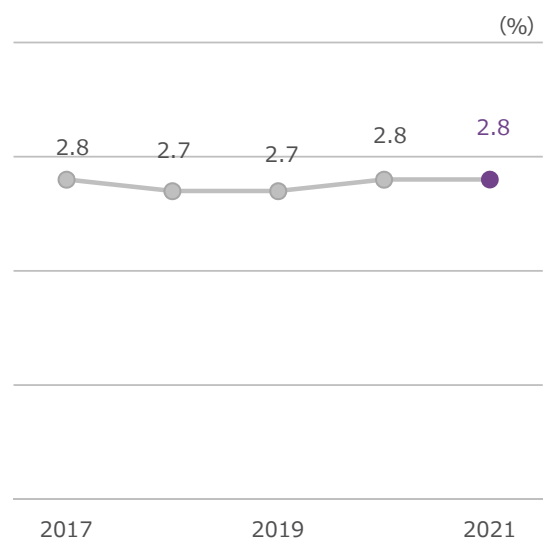
2 yen UP 



■ Dividend on Equity ratio (DOE)

2.8 %

0.0 point UP 



Environment
Social
Governance

Environment / Social / Governance




From the Establishment of Corporate Identity (CI) to ESG Basic Policy

KONDO IRON WORKS Co.,Ltd. which started as a private concern, changed its company name in 1989, almost 30 years ago. While it was a time when the concept of ESG has yet to be born, our corporate identity was established with the wish to “Be a company which continues to develop regardless of how society and the economy change, and which is indispensable for society.” The spirit remains the same today, and is inherited in the ESG Basic Policy.



■ Logo

This logo uses the first letter of KONDOTEK “K” as the motif, implying the following meaning expressed in the corporate philosophy:

Proactive development of new technologies		This shape of placing the foot firmly on the ground and aiming for further ascendance expresses our stance of striving to develop new technologies to establish our own brand based on the accumulated technologies and know-how.
Harmony of people and technologies		This expresses a company that is formed from the balance and harmony between people and technologies. It also expresses the harmony and trust among employees, between companies and with surrounding local communities.
Excellent human resources and progress into the future		The uprising vector expresses excellent human resources who make progress and grow continuously into the future. It expresses the movement of their strong aspiration working on proactive development of new technologies and leading to further development.

■ Corporate Color [Deep green]

Green trees, the color of whose leaves in hills and fields keep deep green without change through four seasons and thus has been regarded as a “happy color” since ancient times. Their leaves of deep green create oxygen through photosynthesis benefiting the whole world. The Company has selected “deep green” as its corporate color because we also strongly wish to be a company that continues to develop regardless of how society and the economy change, and which is indispensable for society.



KONDO News · CI special issue (extra edition)





















Example of CI used (mailed items, seals)



Company badge worn

ESG Basic Policy Outline (1)

The figure shows the targets to be achieved and their issues in each ESG area.
 In identifying the materiality of the Company, we considered the relationship with 17 SDGs goals to sort out materiality.

	Materiality		Relevant SDG s
Environment	(1) Provision of optimal products and merchandise for environmental measures	Products and merchandise handled by the Company (Presentation of environment related products and merchandise)	   
	(2) Business activities paying attention to the environment	Initiatives for environmental protection and energy-saving	       
		Management of emissions (material balance)	
Social	(1) Product liability and quality assurance	Quality control of products and merchandise	  
		Stance for security and safety	
	(2) Procurement and provision of high-value-added products, merchandise and services	Provision of better products, merchandise and services for customers	  

We will solve the issues of each materiality in management going forward to realize a sustainable society.

Current specific initiatives	Future issues
Expansion of the handling of environment related merchandise Sale of LED/solar power related merchandise	Utilization of ISO26000 Manufacturing of products with further due consideration to the environment New product and merchandise development for renewable energy facilities
Identify risks and opportunities related to climate change Implementation of energy-saving measures (switch to LED lighting, achieving 10% cut in power usage) Installation of solar power generation Acquisition of ISO14001 at Kanto Factory and Shiga Factory Use EVs as Company cars Switch to renewable energy sources to supply power to Head Office facilities	Support for TCFD recommendations Promotion of lighting equipment switch works at operating sites which have not switched to LED lighting Purchase of environment-friendly items for office supplies Budgeting of expenses for environmental measures Expansion of ISO14001-certified factories, and implementation on continual improvements
Management of factory drainage Inspect and review the oil separation tub as necessary for appropriate storage and disposal of used oil in the factory Implementation of self-inspection on water distribution and land oil by a specialized organization Confirmed the figures which met the criteria	
Replacement of the transformer at the Kyushu Factory with high-efficiency transformers	Replacement of equipment (measures against deterioration and decay)
Reduce transportation costs and greenhouse gases emissions by deploying 4 factories across the country	Strengthening logistics facility functions
Reduce transportation costs, greenhouse gases emissions and realize quick deliveries with each operating site having inventories	
Participation in environmental conservation activities (Implementation of cool/warm biz, Implementation of forest preservation activities and cleaning activities, Participation in "Fun to Share") Use of plant ink for business reports (shareholder letters)	Participation in environmental conservation activities in each region
Submission of the regular report to the Ministry of Economy, Trade and Industry every year	Establishment of specific reduction plan of greenhouse gases emissions (environmental vision) Introduction of EMS
Compliance with JIS, Ministry certifications, and other industry standards Establishment of the Department to have the audit function, for quality assurance of in-house manufactured products including standardized products and others	Continuous provision of products and merchandise with high market value Increase and securing of personnel who can do marketing of technologies based on accurate knowledge
Implementation of quality inspection by various inspection organizations Establishment of the Quality Management Section in our factories	
Sale of highly safe products and merchandise	
Improvement of production capacity and product development technologies by utilizing CHUOH GIKEN Co., Ltd. and Mechatro Laboratory	Increase in initiatives for labor-saving and flexible manpower line
Meeting on complaints, information sharing	
Implementation of study groups for customers, education of personnel who can handle products based on accurate knowledge regardless of inside or outside of the Company	
Clear description in catalogues of usage methods, points to note and disposal standards	Promotion of merchandise control using RFID
Introduction of internal training and the lifting equipment advisor system	Increase in the lifting equipment advisor who passed Promotion of seminar on lifting equipment held outside the Company
Provision of a broad range of products and merchandise aiding in robust infrastructure development required for social activities (handling about 50,000 items) Realization of low prices and short delivery times for products and merchandise, including JIS-certified products Provision of products and merchandise to diverse industries responding to the times and needs of customers (Development of new merchandise and merchandise to be imported by the New Merchandise Committee)	
Cultivation of suppliers which offer lower prices (including OEM and imports), scale merits by purchasing together by a unit of containers	Development of systems to ensure quality as well Strengthening of China Plus One initiatives
Expansion business in the maintenance/repair field mainly by Nippon Scaffolding Holdings Co., Ltd., TECBUILD CO., LTD., TOKAI STEP CO. LTD and FUKOKU, Ltd.	Provision of products, merchandise, and services created with synergies among KONDOTEC, TECBUILD CO., LTD., TOKAI STEP CO. LTD. and FUKOKU, Ltd.
Productivity improvement through exhaustive process management Production innovation through capital investment in Factories	Deployment to all factories

WE ARE KONDOTEC

KONDOTEC VISION

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ENVIRONMENT

SOCIAL

GOVERNANCE

SUPPLEMENT

ESG Basic Policy Outline (2)

	Materiality		Relevant SDGs
Social	(3)Communication with stakeholders	Engagement with stakeholders	
	(4)Appropriate information disclosure and security	Stance for information disclosure	
		Information security measures	
	(5)Co-existence with local communities	Operating site opening plan	
		Response to disasters and contributions to them	
	(6)Safety measures and work style reform	Risk control for disasters and others	
For employees' health, safety and hygiene			
(7)Human resources development and diversity	Policy on human resources development		
	Diversity		
	Employee benefits		
Governance	(1)Strengthening of corporate governance	Corporate governance	
	(2)Thorough compliance	Compliance Basic Policy	

Current specific initiatives	Future issues
Participation in IR events for individual investors	Consideration of exposure to various media such as newspapers and commercials to improve name recognition
Implementation of IR meetings with institutional investors	Increase in the IR meetings
Holding of briefings for institutional investors	
Implementation of acquisition of treasury stocks	
Preparation of the notice of General meeting of shareholders in English	Enhancement of IR documents in English
Preparation of the integrated report in English	Development of personnel who are fluent in English
Implementation of IR meetings with overseas investors	
Use of universal design font for deliveries to shareholders (for easy reading by everyone)	
Actively providing information to business partners	Preparation in English of business report
Upload of disclosure documents on the Company website	Consideration of facilitating financial settlement operations (Disclosure within 31 days of the closing date)
Disclosure in corporate governance report	Enhancement of information disclosure based on TCFD recommendations
Consideration of information disclosure based on TCFD recommendations	Implementation of specific measures against cyber attacks
Management of customer/shareholder information	
Management of employees' personal information	
Selection of possible areas to capture demand	Formulation and promotion of operating site opening plan according to the needs of communities
Selection of the site for opening operating site paying due consideration to the nuisance for neighbors	
Employment promotion through operating sites across the country	
Possible to provide products and merchandise immediately even at the time of local disasters by having inventories at operating sites across Japan	Opening of operating sites in prefectures where there is no base
Introduction of the risk control manual	Examination of the effectiveness of the risk control manual
Transfer of the core system to the data center	
Introduction of dual head offices system	
Safe driving training for new employees, Introduction of telematics	Further increasing the consciousness about safe driving
No accident campaign	Decrease in the number of traffic accidents
Sharing of accident reports, warning for the whole company	
Confirmation of the license by monthly vehicle reports	
Bringing the "Traffic accident handling card" when driving company cars	
Decision on policy to adopt safety devices for company cars such as automated brakes	
Introduction of the drive recorder for company cars	
Promotion of safe driving awareness raising activities (formulation and dissemination of the Five Rules for Safe Driving)	
Work style reform	Improvement in the acquisition rate of paid vacation
Reduction of collection by sales staff (promotion of transfer to Densai)	Reinforcement of the management system for employees' working hours
Reduction of internal documents and review of approval authority	Securing of manpower
Digitalization of salary statement	
Implementation of regular health check-ups and stress checks	Expansion of the employee consultation center
Implementation of counter-measures for the infection (introduction of work from home schemes, subsidies for vaccination costs, etc.)	
Implementation of counter-measures for heatstroke at factories	
Monthly regular safety patrols	Decrease in industrial accidents at factories and operating sites
Holding of Safety and Health Committee	
Implementation of regular training	Introduction of more appropriate personnel evaluation, and spread of the self declaration system for transfer request, etc.
Award (reward) system for operating sites and individuals according to sales results and President's Award etc.	
Introduction of one-to-one instructional guidance schemes	Securing and development of experts in digital technologies
Online education freely available to all employees and assistance for expenses to acquire qualifications	Increase in female managers and recruitment of handicapped persons
Non-discriminatory hiring policy	Acquisition of Kurumin (next generation support certification), establishment of a day-care center, and improvement in the ratio of taking maternity leave/childcare leave and returning to work
	Acquisition of certification as a leading company for the participation of women in the workplace
Maternity leave/childcare leave/support for returning to work, recruitment of qualified people and foreign students studying in Japan	
Creation of track & field club	
Employee shareholders association system, Introduction of the Employee Stock Ownership Plan (ESOP) and the restricted stock remuneration plan	Development of the awareness about stock price of the Company through the implementation of internal IR
Introduction of GLTD (Group Long Term Disability income indemnity insurance)	
Introduction of a system of rented accommodations provided by the Company	
Increase in the number of Outside Directors	Reinforcement based on improvement proposals
Evaluation of the effectiveness of the Board of Directors	Increase in the ratio of Outside Directors
Prevention of the manifestation of potential costs by the development of governance system	Improvement in the effectiveness of internal audit
Establishment of a Nomination and Compensation Committee, Transition to a Company with an Audit & Supervisory Committee	
Implementation of investments being conscious of capital costs	
Compliance action guideline, Formulation of a compliance manual, and implementation of employee education	
Thorough checks on anti-social forces before transaction	Securing of manpower
Information exchange and development of communication system between police and the companies	Simplification of operations
Membership in Crime Prevention Association	

WE ARE KONDOTEC

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Environmental Policy

Since its foundation in 1953, KONDOTEC has created and co-existed with future environmental value and engaged in business activities paying due consideration to the environment for the realization of a sustainable society, while contributing to the creation of an affluent society through the enhancement of social infrastructure by providing products and merchandise to various industries over a half century.

1. We will comply with legal regulations and matters agreed on by the Company for the environment regarding business activities, products and services
2. We will endeavor to reduce environmental burdens, reduce environmental pollution risks, and protect biological diversity and ecological systems by saving energy and resources, promoting recycling, reducing waste, reducing the consumption of chemical substances and engaging in green procurement.
3. We will continue to improve our activities by utilizing the environmental management system, setting environmental targets to achieve the Environmental Policy, conducting evaluations on environmental performance, and reviewing them regularly.
4. We will thoroughly inform all employees of the Environmental Policy and endeavor to conduct necessary education and enlightenment activities to engage in environment conservation activities.

Provision of Optimal Products and Merchandise for Environmental Measures

- Expansion of the handling of environment related merchandise (Presentation of products and merchandise)

Oil hunter



This is an eco-mark certified oil absorption mat using recycled materials. It is used for the disposing of oil at the time of marine pollution caused by oil spills and at factories which use oil.

Merchandise using renewable plastics



KONDOTEC also offers recycled PP strapping merchandise made from plastic collected from consumers (left photo), and construction deck plates made from biomass plastics (right photo), both of which an Eco Mark certified.

Hardware for CLT construction



[Certified X mark metal product]
Double end stub bolt set M20
(RSP2.3×45×147/
RSP2.3×45×82)

Our double end stub bolt set manufactured at our Shiga Factory is certified as an "x (cross mark) hardware" for meeting the requirements for metallic hardware used in CLT panel construction (set by the Japan Housing and Wood Technology Center). The metallic hardware standard for CLT panel construction is a standard for metallic hardware used in construction works using CLT, a next-generation lumber material that contributes to reducing CO₂ emissions.

TOPICS

Introduction of environmentally-friendly packaging materials

In addition to the sale of environmentally-friendly products and merchandise, KONDOTEC is using PP band made from renewable plastic as a packaging material for shipping the Company's products and merchandise. We have also made improvements to how the PP band is applied in an effort to reduce packaging materials.

Business Activities Paying Attention to the Environment

■ Response to climate change and information disclosure in line with TCFD recommendations

At KONDOTEC, in considering a path for sustainable growth, we do take into account the significant impact issues associated with climate change will have on future business activities. We are currently taking steps to recognize the impact our business activities have on the environment by management of emissions, and other measures. ▶ P46

We view the shift to a low-carbon society as a key opportunity for us, and looking ahead we will look to pursue information disclosure in line with TCFD recommendations, while implementing measures addressing climate change.














Risk management system

In collaboration with all divisions Company-wide, SDGs Promotion Department compile, assess, and identify risks and opportunities facing the Company in relation to climate change. Climate-related risks and opportunities that have been assessed and identified are reported to the Board of Directors for further supervision.

Main risks and opportunities associated with climate change

Climate-related risks and opportunities currently identified through extensive discussion with each Company division are outlined in the table below. The corresponding SDG targets are sized according to their degree of relevance.

Looking ahead, we will delve deeper into ways we can continue to better serve society, including strengthening current value creation processes, and in the specific ways we tackle issues that come to light, and tie this back to information disclosure based on TCFD recommendations.

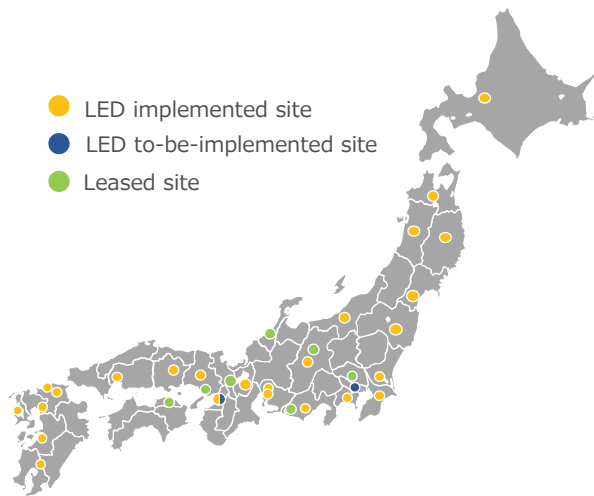
	Item	Climate-related risks	Climate-related opportunities	Degree of impact	Future challenges for the Company	Corresponding SDG targets	
Transition scenarios	Political policy and laws and regulations	<ul style="list-style-type: none"> Increased costs through the implementation of a carbon tax on CO₂ emissions from business activities 	<ul style="list-style-type: none"> Business expansion related to renewable energy 		<ul style="list-style-type: none"> Bolster production system to meet increased demand for products for wind power generator systems Strengthen procurement capabilities for wind power generation systems 	 	
	Tightening of regulations concerning low carbon initiatives	<ul style="list-style-type: none"> Reduced demand for construction resulting from tighter restrictions in relation to environmental costs Increased construction/running costs of energy-saving facilities, rising purchasing prices 	<ul style="list-style-type: none"> Increased demand for low carbon facility development Increased inquiries concerning eco/environmentally-friendly merchandise 	Major	<ul style="list-style-type: none"> Introduction of energy-saving facilities and equipment at factories Strengthen synergies with Group companies (promoting sales of solar power generation facilities and LED lighting, enhanced facility development capacity) 	    	
	Market	<ul style="list-style-type: none"> Promoting the spread of renewable energy 	<ul style="list-style-type: none"> Fluctuations in purchasing prices and the cost of raw materials due to sudden and unexpected changes in energy costs 	<ul style="list-style-type: none"> Increase in orders due to an increase in renewable energy facilities 		<ul style="list-style-type: none"> Review changes to environmentally-friendly products and merchandise and packaging materials Inspect low carbon initiatives at partner factories and suppliers 	 
Tangible scenarios	Acute	<ul style="list-style-type: none"> The normalization of extraordinary climate events causing massive damage, including frequent typhoons and torrential rainfall 	<ul style="list-style-type: none"> Impact on the supply of raw materials and merchandise due to damages to the supply chain 	<ul style="list-style-type: none"> Increase in inquiries for disaster preparation merchandise Increased demand for repair and reinforcement work on rivers and banks 	Major	<ul style="list-style-type: none"> Expand the lineup and inventory of disaster preparation products and merchandise Expand sales channels for products and merchandise used in civil engineering works Ensure multiple avenues for purchasing Prepare logistics simulations and plans for emergencies Utilization of the logistics network between operating sites 	  
	Chronic	<ul style="list-style-type: none"> Rising in the average temperature Changes in rainfall patterns Extreme variability in weather patterns 	<ul style="list-style-type: none"> Reduced productivity due to heat stroke and other factors brought on by temperature rises Construction delays due to rainfall and strong winds, etc. 	<ul style="list-style-type: none"> Increased opportunity to sell seasonal merchandise addressing heat stroke and other issues 		<ul style="list-style-type: none"> Expansion in our seasonal merchandise lineup Promotion of greenery on office and factory premises Setting of break times and drink times during periods of rising temperatures 	

■ Initiatives for Environmental protection and Energy-saving

Energy-saving initiatives (LED installations, renewing deteriorating transformer facilities, Achieving 10% cut in power usage)

In 2015, we completed installing LED lighting in factories and are currently in the process of installing LED lighting in our operating sites. Having completed installation in operating sites we own, we will further proceed with LED installation in operating sites we lease. In addition, we are renewing deteriorating transformer facilities in factories, replacing the aging transformers with high-efficiency transformers.

These LED installations are being carried out in cooperation with Sanwa Denzai Co., Ltd., our subsidiary and wholesaler of electric equipment. We promote transparency of power usage by making the monthly power usage information open to all operating sites and conducting analyses and comparisons of data. We have been updating energy-saving daily with a view to reducing power usage in our operating sites by 10% year on year.

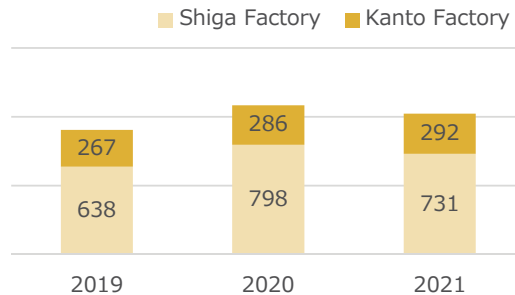


Installation Solar power generation

Our two factories and Sanwa Denzai Co., Ltd. operate the solar power generation system as the installation model in our power sales business.

Our subsidiary Sanwa Denzai Co., Ltd. and our Structural Steel Sales Division handle parts of solar power generation systems and frames respectively, and we pursue sales by leveraging synergistic effects.

Transition of annual power generation (thousand kWh)



Environmental conservation activities

As part of efforts to reduce CO₂ emissions, KONDOTEC has begun plans to replace Company cars with EVs, and to switch to renewable energy sources to power Company facilities. Such moves to EVs and renewable energy power sources have already gotten underway at our Head Office in 2021.

We are also working daily to promote an interest in environmental conservation efforts through efforts to clean up neighboring areas, implementing a warm biz/cool biz system, and by disseminating information through our Company newsletter.



Quick delivery by four-factory structure and inventories at each operating site

We have established factories at four locations in Japan (Hokkaido, Ibaraki, Shiga and Fukuoka), with made-to-order products such as braces and anchor bolts produced at and shipped from the nearest factory to the customer. Using the four-factory structure, we reduce environmental burdens and transportation costs as well as deliver products quickly.

For products and merchandise which can be stored as inventories, in addition to inventories at logistics centers, we keep a certain amount at warehouses established at individual operating sites so that we can respond to abrupt demand while realizing environmental burdens and cost reduction ,and quick delivery.

Acquisition of ISO14001

We obtained ISO14001, international standards for environmental management, at two of our factories, engaging in environment-friendly operations for factories. Going forward, we will aim to achieve ISO14001 in all four factories.

■ Management of emissions (Material balance)

Energy consumption comparison

The table presents a year-on-year comparison of unit of energy consumption, which is reported to the Kansai Bureau of Economy, Trade and Industry each year. *KONDOTEC non-consolidated

	2017	2018	2019	2020	2021	Change in 5-year average consumption rate
Year-on-Year change (%)	105.6	98.2	98.0	104.5	105.0	101.4

Material balance

The following illustrates the overall input-output balance and expenditures and revenues during the course from research and development to manufacturing within the business activities of KONDOTEC.

* Actual results of four factories are used.

INPUT

Raw materials	Iron and steel	27,657 t
	Coating Material	69.1m ³
Energy	Electricity	5,475千kWh
	Natural gas	0m ³ ·N or PJ
	LPG	54 t
	Diesel fuel	4kl
	Kerosene	19kl
	Heavy oil	1kl
	Irrigation water	Water

OUTPUT

Production	Iron & steel products	27,385 t
Air emission	CO ₂	2,323 t
Industrial waste/byproduct	Recycled volume	2,495 t
	Amount of outsourced disposal	167 t
Drainage	Water	4,644m ³

Business activities

< Expenditure relating to environmental protection >

- Kanto Factory : Disposal expenses of industrial/general waste (3,157 thousand yen)
 Replacement of pressing machines/reduction in hydraulic oil consumption, replacement of air conditioners in break rooms/reduction in power consumption, etc. (16,541 thousand yen)
 Expenses related to ongoing certification inspections of environmental management systems (330 thousand yen)
 Expenses related to external environmental training (56 thousand yen)
- Kyusyu Factory : Costs associated with upgrading and operating the environmental management system (19,800 thousand yen)

< Revenues relating to environmental protection >

- Revenues in business for recycling waste (e.g. steel scraps) generated from major business activities or recycling used products, etc. (57,065 thousand yen)

FY 2021

SOCIAL

Product Liability and Quality Assurance

As a wholesale company with a manufacturing function, we strive to provide security and safety to customers through the maintenance of the quality of products and merchandise we handle, as well as the development and improvement of products. This section presents our quality control system and the education conducted for our employees on the knowledge of products and merchandise regarding safety.

Quality Control of products and merchandise

From the perspective of providing safe, quality products, all of our factories have achieved ISO9001. In addition, to further enhance the quality of products we handle, the Quality Control Section has been established in our factory and the section performs strength testing and inspections on a day-to-day basis in an effort to increase safety of products. Further, the SDGs Promotion Department, acting under the direct supervision of the President, is engaged in auditing quality assurance matters.



ISO9001 certification



Break testing machine in Manufacturing Headquarters

Acquisition of certification of JIS and industry group

Regarding external standards for products manufactured in-house, we are producing products in compliance with the standards of various industries, including the acquisition of the Japanese Industrial Standard (JIS) certification (see table on the right). Scaffolding chains was awarded the first certification from the Scaffolding and Construction Equipment Association of Japan. Regarding products other than those from our directly operated factories (OEM products), our technology service staff or procurement section staff visits OEM contractors in Japan and abroad to give technical instruction. Moreover, our Directors serve as committee members of industry groups such as the Construction Turn Buckle Council of Japan and Anchor Bolt Manufacturer Association, etc., indicating their responsibility to comply with product standards by participating as committee members.

Standard certification list for products manufactured in-house

JIS no.	Product name
JIS A 5540	Turnbuckle for building
JIS A 5541	Body of turnbuckle for building
JIS B 1220	Set of anchor bolt for structures
JIS B 2809	Wire ropes-Grips for rope or wire strand
Standardization body name	Product name
Scaffolding and Construction Equipment Association of Japan	Suspension chain
Scaffolding and Construction Equipment Association of Japan	Suspension chain clamp
Scaffolding and Construction Equipment Association of Japan	Suspension chain adjuster
Japan Housing and Wood Technology Center	Compound screw bolt nut M20

Response to complaints

In the event that a complaint is raised, we first has the sales representative meet with the customer and prepare a report. When there is a need to investigate the cause, if the case pertains to a product manufactured in-house, the Quality Control Section in our factory takes the necessary steps, while if the case pertains to procured merchandise, we take steps jointly

with the supplier. We have a mechanism to share complaints whereby holding a meeting on complaints (irregularly held) and cases that should be shared on a corporate-wide basis are addressed to the entire organization by issuing a sales report or guidance to draw attention in order to share information.

Technical strength through co-creation with group companies

Mechatro Laboratory (former Mechatro Engineering Co., Ltd.) came under KONDOTEC INC. by purchasing business in January 2019. We engage in product development and development of labor-saving lines by adding the technological strengths of Mechatro Laboratory to CHUOH GIKEN Co., Ltd. which is our group company. Thus far, CHUOH GIKEN Co., Ltd. has developed brace manufacturing lines in the factory and automated chain cutters for chain slings. We will continue striving to improve the production capacity for the Company's products using synergies with group companies.



Chain cutter



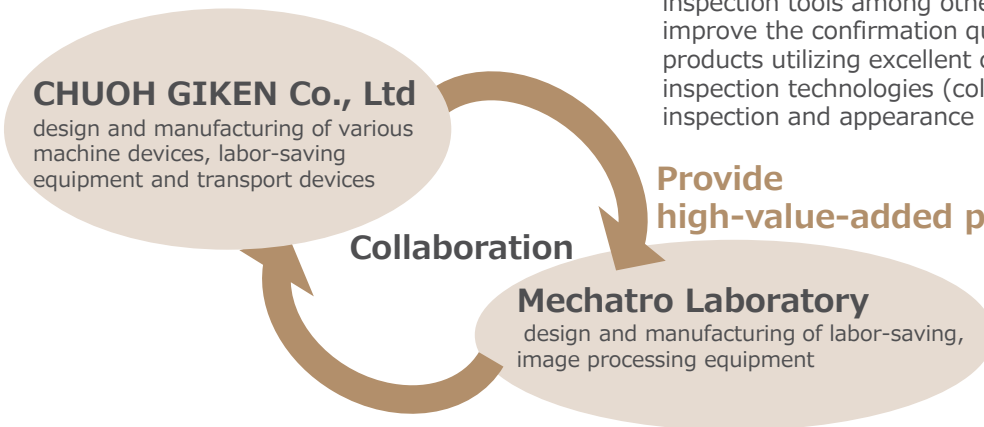
Pewag chain sling

CHUOH GIKEN Co., Ltd.

This company has strengths in design and manufacturing of various machine devices, labor-saving equipment and transport devices etc., realizing labor-saving for the Company's factories.

Mechatro Laboratory (former Mechatro Engineering Co., Ltd.)

This company has strengths in design and manufacturing of labor-saving, image processing equipment, various inspection equipment, and inspection tools among others. It is expected to improve the confirmation quality of factory products utilizing excellent capabilities for image inspection technologies (color discrimination inspection and appearance inspection).



Stance for Security and Safety

We believe that by providing knowledge about handling when we provide products and merchandise to customers, they can use them more securely and safely. For that purpose, we prescribe the handling methods in the comprehensive catalogue and pamphlets, etc., issued by the Company, and clearly describe the matters to note and the standards for disposal. Moreover, for our employees to obtain the correct knowledge about products and merchandise, we offer many opportunities to learn by: conducting training on our core products of lifting equipment and temporary construction materials, steel related materials, and products manufactured in-house, and by holding study groups for new products by inviting suppliers (manufacturers), etc., among others.



↑ Examples of pages on usage method described in the "Lifting equipment catalogue" issued by the Company



Demonstration of assembly at the temporary construction materials training



Welding practice at steel material training



Study group by suppliers



Site visit during Kyushu factory training

Implementing study groups for customers

In order for products and merchandise of the Company to be used safely, we host study groups across Japan responding to requests from various industry groups including customers. Technical service staff of the Company (belonging to Tokyo/Osaka head offices) become lecturers to provide information about safe lifting operations at study groups. We would like to contribute to our customers' efforts to create safe environments by letting as many people as possible understand about safety.



Voluntary quality control activities (QC activities)

We engage in quality control activities (QC activities) at every manufacturing division of factories for the purpose of improving quality control systems. We strive to develop an understanding about quality control throughout the whole factory by hosting presentations of activity results annually, to award divisions which make excellent presentations and share proposals for improvement through presentations among others.



Presentations of QC activities in Kyushu Factory

Internally certified qualification "Lifting equipment advisor"

For the purpose of public relations for our corporate image as a lifting equipment manufacturer and improvement in employee knowledge of products and merchandise and abilities to propose and sell, we introduced the "Lifting equipment advisor" system as an internally certified qualification in 2015. Employees can be qualified as a "Lifting equipment advisor" after external safety/hygiene education, obtaining public qualifications, participating in internal three-day seminars, and passing the written examination. By the end of March 2021, 56 employees had

become qualified as lifting equipment advisors, and engage in not only supplying lifting equipment but also providing their knowledge at operating sites across Japan. Moreover, while Technical service staff at Osaka/Tokyo head offices have been in charge of seminars on lifting equipment for people outside the Company, with lifting equipment advisors coming into existence study groups on lifting equipment can now be held all over Japan.

<Lifting equipment advisor Seminar schedule>

Internal seminar

- Lectures, practices, and examination at Kyushu factory (three days)

External seminar

- Slinging skill seminar (three days)
- Slinging operator safety/hygiene education (one day)
- Wire rope safety inspection standards seminar (one day)



Lecture at Kyushu factory



Demonstration of actual lifting operation

Lifting equipment advisor Pass rate **73.6%**
(Including those who passed after retaking the test)

Procurement and Provision of High-Value-added Products, Merchandise and Services

As a manufacturer and wholesale company, the Company develops and sells products and merchandise which satisfy customers. This section introduces initiatives of the Company to procure and provide products, merchandise and services.

■ Provision of Products, Merchandise and Services responding to Changes in the Times and Needs of Customers

In addition to providing necessary materials for the construction of hard infrastructure, the Company deals with materials for recovery/reconstruction used at the time of disasters and any other items needed at construction sites.

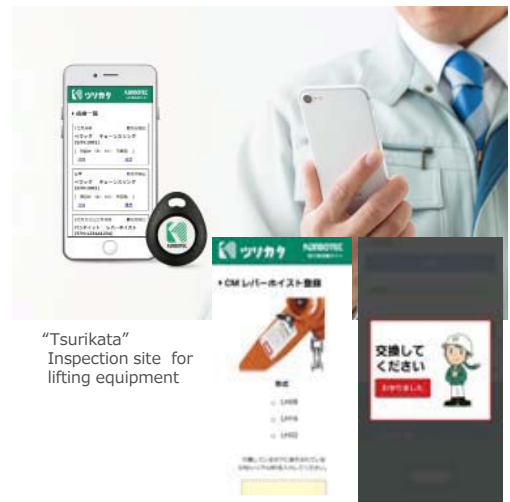
After its foundation, the Company sold hardware for vessels, and subsequently started dealing with construction materials during the high growth period; we currently provide more than 50,000 products and merchandise. At the New Merchandise Committee held every other month, sales staff propose to deal with new products and merchandise based on the needs of customers, generating numerous hot selling products and merchandise from the adopted proposals.

At present, we also operate the "Tsurikata" inspection site for lifting equipment, which uses RFID tags (noncontact automatic recognition function) to simplify the individual management and inspection of merchandise centered on cargo handling equipment.

Moreover, we not only sell products and merchandise but also proactively disclose information and provide services on the Company website. Besides web catalogues and technical information, we will continue to not only sell products and merchandise but to also provide high-value-added services, such as disclosing software to support the selection of wire ropes according to the weight of lifted loads.



"Box Wall"
Flood protection system for severe local rainstorms



"Tsurikata"
Inspection site for lifting equipment

■ Cultivation of Suppliers and Efficient Purchase, Management and Delivery

To make bulk purchases of merchandise from suppliers, the Company has logistics center at two bases in Japan (Osaka and Ibaraki) as well as one base in China. We are reducing the cost of purchase by delivering in-demand merchandise to operating sites using in-house delivery systems after purchasing them in bulk from manufacturers in Japan and abroad, and storing in logistics center.

Moreover, we always take a stance of reviewing costs by having established the Delivery Division to constantly find better suppliers as well as concluding OEM production contracts with manufacturers.

Furthermore, we can search on our own system for the status of inventories at logistics center or individual operating sites. As a result, by grasping the status of inventories at our own sites in real time, we can measure the timing for our own sites to purchase inventories as well as immediately reply to inquiries from customers. For deliveries, we have a system to deliver to customers safely and quickly by employees of the Company or cooperating companies.

Logistics center in Japan



Delivery Division
(Osaka Prefecture)

Kanto Logistics Center
(Ibaraki Prefecture)




■ Entry into the new field

The Company is currently investing in prospective growth fields going forward (overseas, maintenance/repair for the aging of social infrastructure, and labor-saving in response to labor shortages and work-style reforms) in an aim to achieve sustainable growth and improve corporate value over the long-term while responding to changes in the business environment.

Among such efforts, we have acquired three companies with a solid customer base in the field of installation/removal of temporary scaffolds used at civil engineering sites and repair sites, among others, to expand businesses in the maintenance/repair field in response to the increasing number of the aging of social infrastructure (table below). In addition, Nippon Scaffolding Holdings Co., Ltd.

was established in April 2021 as an intermediate holding company managing of these three companies. The three companies each have different business areas of focus, and specialize in different construction projects. We hope to coordinate the operations of these three companies under the leadership of Nippon Scaffolding Holdings Co., Ltd. to create synergies by expanding the areas of business covered through the increased sharing of know-how between the companies. Going forward, we will continue striving to enter new fields to realize sustainable growth and improve corporate value in the medium to long term, while endeavoring to generate further synergies by utilizing our wide range of business fields as the KONDOTEC Group.

Group companies assumed the maintenance/repair field

	TECBUILD CO., LTD.	TOKAI STEP CO., LTD.	FUKOKU, Ltd.
Location	(Head office) Ota-ku, Tokyo (Business area) Kanto, Hokuriku, Kansai, Chugoku, Kyusyu	(Head office) Fujieda-shi, Shizuoka (Business area) Kanto, Tokai	(Head office) Sendai-shi, Miyagi (Business area) Tohoku
Specialty	<ul style="list-style-type: none"> • low-rise buildings • Rental of scaffolding equipment  <p>Detached housing construction</p>	<ul style="list-style-type: none"> • mid to high-rise buildings • low-rise buildings  <p>Accommodation construction</p>	<ul style="list-style-type: none"> • Bridge • mid to high-rise buildings  <p>Aqueduct bridge repair</p>
(Intermediate holding company) Nippon Scaffolding Holdings Co., Ltd.			
Location	(Head office) Koto-ku, Tokyo		
Business areas	Management of subsidiaries that provide scaffolding construction services		

Strengthening of collaboration

- Expanding businesses further in the maintenance/repair field
- Sustainable growth and improvement in medium to long term corporate value

■ Production Innovation through Capital Investment in Factories

We invest in production facilities based on the annual plan to improve quality and productivity at factories. In FY2019, we newly established a plant on the premises of Shiga Factory which realized labor-saving through the introduction of robots, aiming to promote work style reform and solve labor shortages.

At the plant, we strive to improve productivity by changing the processes undertaken by workers manually erenow to welding, transportation and assembly by robots. If productivity is improved, we plan to expand the system horizontally to other plants.

The Company's Medium-term Management Plan from FY2022 to FY2024 plans to make capital

investments of about 9 billion yen for the replacement of production equipment and relocation/rebuilding of bases.

Shiga Factory No. 2 Plant	
Address	Hino-cho, Gamo-gun, Shiga
Total floor area	About 4,095m ²
Investment	About 440 million yen
Operation start date	April 1, 2019



Introduced Robots

Communication with Stakeholders

We offer fair, accurate and speedy information disclosure in an effort to have all stakeholders deepen their understanding of the KONDOTEC Group.

We recognize the importance of having stakeholders gain an understanding of the KONDOTEC Group. For this reason, we bear in mind the need to offer careful explanations to stakeholders as well as to ensure fair, accurate and speedy information disclosure.

Further, in order to contribute to improvement the corporate value of the KONDOTEC Group, we work to enhance our earnings capability by pursuing strategic investment by M&A and other means, as well as actively expanding business investment aimed at growth. At the same time, we take initiatives to improve capital efficiency.

■ IR policy

1. Basic policy

KONDOTEC will make efforts to have all stakeholders, including shareholders and investors, gain a better understanding about our Company and will disclose important information on the Company by considering fairness, accuracy and timeliness in order to support stakeholders make appropriate assessments.

2. Information disclosure standards

KONDOTEC will conduct information disclosure in accordance with the Financial Instruments and Exchange Act and other relevant laws and also with the timely disclosure rules set forth by the stock exchange on which the stock of the Company is listed. KONDOTEC will also actively disclose information not required to be disclosed under laws, regulations and rules if such information is judged to be useful for shareholders and investors.

3. Information disclosure methods

KONDOTEC will disclose information via the Timely Disclosure Network (TDnet) provided by the stock exchange as well as actively make use of the Company's website in an effort to conduct fair and speedy information disclosure.

4. Future projections

Future operating performance projections that the Company releases are based on data available at the time of making the release. Actual results may differ considerably from projections due to various factors and changes.

5. IR quiet period

In order to prevent leakage of financial results information and ensure fairness, KONDOTEC observes a quiet period which runs for a few weeks up to the release of financial results. During this quiet period, we will refrain from responding to comments, questions, etc. regarding financial results. If, however, we become aware of the possibility during the quiet period that operating performance figures will deviate significantly from the Company's forecasts, we will disclose information as needed.

■ Invigoration of the General Meeting of Shareholders

We regard the General Meeting of Shareholders as an important opportunity to communicate with shareholders, and in order to invigorate the General Meeting of Shareholders we strive to

have as many shareholders as possible participate, understand the Company, and secure a sufficient period for examining proposals for the Meeting.

Setting of the General Meeting of Shareholders by avoiding concentrated dates	The date of General Meeting of Shareholders is set to avoid the concentrated dates for many other general meetings of shareholders.
Earlier dispatch of convocation notice	Notice is dispatched 21 days before the Meeting (FY 2021)
Disclosure of convocation notice before dispatch	Disclosed on the KONDOTEC website 6 days before the dispatching (FY2021) *Date of dispatching : June 1, 2021 Date of disclosure : May 26, 2021
Voting by electromagnetic means	We have adopted a system allowing the exercise of voting rights over the Internet, or through other electromagnetic means.
Participation in electronic voting platforms, and other initiatives to facilitate the exercise of voting rights by institutional investors	We participate in the electronic voting platform for institutional investors maintained by ICJ, Inc.
Provision of the Notice of Convocation (Summary) in English	The English version of the Notice of Convocation of the Annual General Meeting of Shareholders and Reference Documents for the General Meeting of Shareholders is published on our website, and the homepage of the Japan Exchange Group.
Other	For the Company to be fully understood, we visualize the reporting items on power points in the explanation.

■ IR activities

Bearing in mind the need to offer information disclosure that takes into account fairness, accuracy and timeliness, KONDOTEC organizes briefings for institutional investors by the

President and individual meetings, participates actively in IR events for individual investors, and discloses IR materials via the Company's website.

Track records of dialogue with institutional investors

Event	Frequency
Individual meetings (Including Online or telephone meetings)	8 (total)
Company briefings for analysts (Tokyo)	1

(FY 2021)

Actual coverage

IwaiCosmo Securities	Rating : A
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(September 2018)

Actual participation in IR events for individual investors

Name	Viewers to our page
Nikkei IR/Investment Fair 2020 Online (held in November 2020) (the archive distribution period: as of December 31, 2020)	402 * Excluding the archive distribution period
Nomura online festival Nomura IR Fair 2021 (held in January 2021) (the archive distribution period: as of January 31, 2021)	1,484 * Including the archive distribution period

(FY2021)



Hand out in Nikkei IR/Investment Fair 2020 and Nomura IR Fair 2021

【 TOPICS 】

We aim to present IR information about the Company in an easy-to-understand way. ► P54

The company's website was selected by

★Nikko IR as AA Website in all Japanese Listed Companies' Website Rankings 2020 and by

★GOMEZ IR as an excellent company for five consecutive in the IR website rankings 2020.

We will continue to further enhance our website and conduct timely and fair information disclosure to all stakeholders including shareholders.



Appropriate Information Disclosure and Security

Information Disclosure

Basic policy on information disclosure

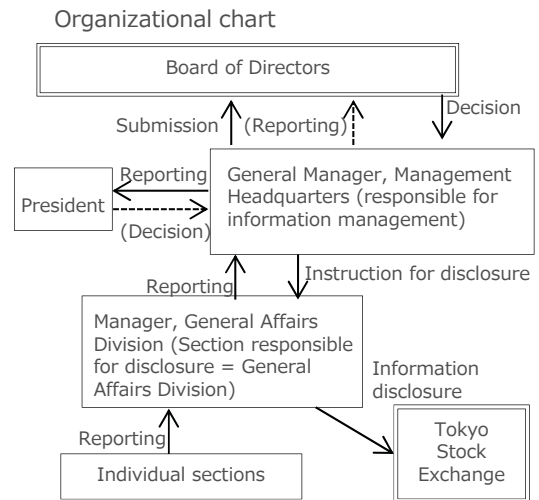
We have established the “Internal Information Management Regulations” for appropriate disclosure of company information, and endeavors to disclose information quickly and fairly in accordance with the Companies Act, Financial Instruments and Exchange Act, and other laws and regulations, etc., stipulated by stock exchanges (hereinafter referred to as the

“Timely Disclosure Rules”).

Moreover, even for information not falling under various laws and regulations and Timely Disclosure Rules, we disclose information quickly and fairly if information is deemed to widely affect the judgement of people in society, including stakeholders.

Method of timely disclosure

- (1) We will disclose the information falling under Timely Disclosure Rules by Tdnet provided by the Tokyo Stock Exchange, as well as disclose to news organizations such as relevant press clubs.
- (2) Even for information not falling under Timely Disclosure Rules, if information is deemed to widely affect the judgement of people in society including stakeholders, we will disclose it by TDnet provided by the Tokyo Stock Exchange, as well as disclose to news organizations such as relevant press clubs.
- (3) We will upload the disclosed information on our website without delay.



IR Information Disclosure on the Company Website

Besides timely disclosure materials, the Company posts the latest IR materials on the Company website, in addition to financial and earnings data, stock information, and information on IR

event participation.

With the aim of our website being used by more people, we will provide timely information while further enhancing the contents.



<https://www.kondotec.co.jp>

KONDOTEC 検索



Information Security Measures

We have Computer System Section in the company that manages the security situation and the status, etc., of system operations for business on a daily basis, and reports to the General Manager, Management Headquarters overseeing the General Affairs Division.

Moreover, we have decided on the internal regulation “Information System Risk Management Manual” organizing information system operations, and review it when appropriate.

Co-existence with Local Communities

■ Operating site Opening Plan

Currently, we have 47 operating sites. Among sales activities areas, a precondition for selecting areas for operating site openings is that the area should be far away and have prospects for increased sales. We have expanded areas for operating site openings by way of branching out from relatively large-scale operating sites (branch class).

KONDOTEC makes sure to establish warehouses to store inventory at operating sites.

Because we make deliveries, as for the location of operating sites, we select places near expressway ICs, or industrial parks that are unlikely to affect neighboring residents in terms of noise and traffic.

As for personnel, while several employees from branch operating sites are transferred at the time of a new operating site opening, we recruit several local people to help create employment in the community.

■ Response to disasters and contribution to them

With the inventories of necessary materials at the time of disasters at 47 operating sites across Japan, we have established a system to deliver necessary materials immediately even if the disaster is just local, thereby contributing to the security and safety of local communities.

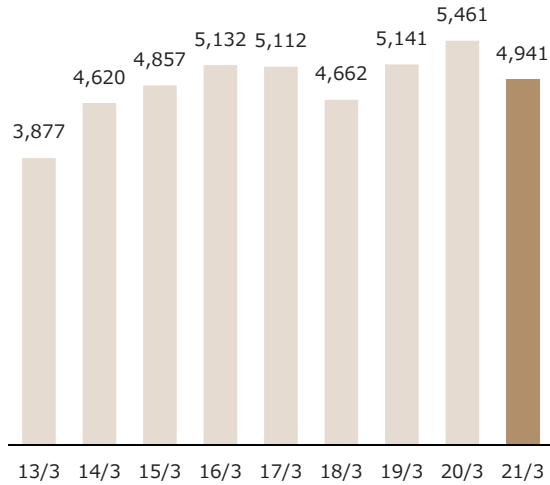
Examples of disaster-related merchandise

- [Flexible Container bag]
- [Tarpaulin, sandbag, etc.]
- [Net, sheet] and others

Examples for use of container bag

It is used in various scene such as transportation and storage of feed, fertilizer, resin pellets, industrial waste, etc., and as a large-size sandbag for rubble clearing, decontamination, and recovery work after disasters.

Net sales of disaster-related materials (million yen)



Related merchandise

Flexible Container bag



Tarpaulin



Net, sheet etc.



[TOPICS : Response to “New Stage” Published by Ministry of Land, Infrastructure, Transport and Tourism]

The Ministry of Land, Infrastructure, Transport and Tourism recognizes the apparent change in the way it rains as a “New Stage” and recommends taking disaster prevention/mitigation measures with a sense of crisis.

To respond to the “New Stage,” we will also focus on advance preparations to minimize damage.

Extraordinary climate in recent years

Heavy rains with hourly rainfall exceeding 50mm have increased across Japan, raining locally, intensively and severely
→ Recognized as a “New Stage”

Examples of weather conditions bringing disasters

August 2014 heavy rain	Heavy rainfall in a wide range of areas from west to eastern Japan (Landslide disaster occurred in Hiroshima Prefecture)
July 2018 heavy rain	Record-breaking heavy rainfall in a wide range of areas across Japan centered on western Japan
October 2019 Typhoon No.19	Rain storm centered on eastern Japan
July 2020 heavy rain	Heavy rainfall in a wide range of areas centered on Northern Kyusyu

To respond to the “New Stage,” we need to **mitigate damage to infrastructures as much as possible** and **make advance preparations for early recovery.**

Safety Measures and Work Style Reform

■ Risk Control for Disasters and Others

We have formulated a Risk Management Manual and are taking the following initiatives to ensure the safety of employees and other relevant personnel, prevent the disruption of important operations of the Company, and recover as quickly as possible after disruptions when an unexpected event such as a natural disaster occurs.

For accomplishment of important operations, we transfer of the core system to the data center and introduce of dual head offices system at Osaka and Tokyo.

For employees	<ul style="list-style-type: none"> • Thorough dissemination of measures in advance, during and after a disaster, etc. • Establishment and dissemination of 'Rules of actions for initial response to a large earthquake, etc.'
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Counter-measures against COVID-19 (examples)

Implementing working from home in rotation
 Conducting web conferences in place of business trips
 Conducting final recruitment interviews with foreigners on the web ,etc.

■ For Employees' Health, Safety and Hygiene

We are taking the following initiatives to ensure the safety and health of employees. Representative matters in need of safety measures in conducting business activities include

receiving and shipping operations in warehouses, marketing activities, delivery of products and merchandise, and production activities in factories.

Category	Detail	
Marketing/delivery	Implementation of safety driving training	Upon the increase in traffic accidents involving new employees who were not accustomed to driving company cars, we implemented safety driving training at the time of new employee training, reducing accidents involving young employees.
Marketing/delivery	Implementation of no accident campaign	Sending warning notice to all operating sites when an accident occurs at other sites. Notifying monthly the cumulative number of accidents at all operating sites in the past year even if there was no accident. For the site which had an accident, installing the safety driving support device to all company cars.
Marketing/delivery	Introduction of safety driving device (Telematics) Installation of the drive recorder	When dangerous driving (sudden braking, speeding, etc.) is detected by G Sensor/GPS, immediately give a warning notice by voice guidance to the driver each time while sending a notifying e-mail of dangerous driving to the head office.
Factory/warehouse	Implementation of Safety and Health Committee Implementation of safety patrol	Holding a Safety and Health Committee at head office and factories monthly. Implementing safety patrols by employees to prevent industrial accidents.

Work Style Reform and Work-Life Balance

We aim to create a corporate culture where employees can have "a fulfilling individual life and involvement in society," while promoting work style reform to enable them to do "worthwhile and high-quality work" efficiently.

In 2014, we conducted training for all supervisors aiming for more efficient operations and less overtime work, and have been promoting work style reform since then, on the condition of improved earnings. Since 2017, led by head office, we have been engaged in reform for efficient operations by reviewing various operational rules, decreasing collections by sales staff, reducing internal documents, and reviewing approving authority.

As an indicator to realize appropriate work-life balance, we have established a paid vacation acquisition target for the company, and internally publish the figures for each section to promote the acquisition.

Paid vacation acquisition target for the company

April 1, 2018 – March 31, 2019	
[Target]	[Actual]
Acquisition rate of 50% or higher	57.3%
April 1, 2019 – March 31, 2020	
[Target]	[Actual]
Acquisition rate of 60% or higher	68.8%
April 1, 2020 – March 31, 2021	
[Target]	[Actual]
Acquisition rate of 70% or higher	74.5%
April 1, 2021 – March 31, 2022	
[Target]	[Actual]
Acquisition rate of 70% or higher	–
April 1, 2022 – March 31, 2023	
[Target]	[Actual]
Acquisition rate of 70% or higher	–

Human resources development and Diversity

Policy on human resources development

We carry out educational programs for developing human resources that shape the future, in accordance with the Company’s corporate philosophy. We offer new employee training programs for younger employees, and follow up on new employees by designating a more experienced employee of a similar age at the assigned department to serve as a one-to-one supervisor for new employees. We then offer training for new employees six months after they enter the company and again three years later.

Meanwhile, for mid-management-level employees and next-generation senior managers, we provide education to reinforce management skills and hold senior manager candidate development training programs according to the number of years of employment in order to develop human resources. Furthermore, we established an internally authorized “lifting equipment advisor” qualification, which leads to enhancing employees’ knowledge on products and merchandise.

Examples of Training Conducted

Training for specific fields	Conducted every year to improve knowledge of products/merchandise through practical training at in-house factory or counterparty, among others.
Training on the use of digital technologies	Conducted training on the creation of educational tools using digital technologies for new employees.
Training for new recruits	Conducting training when joining the Company and conducting follow-up training when six months later.
In addition, we conduct various training according to employees, including management training for supervisors and for those in their 3rd/10th years after joining the Company, among others.	

Enhancement of remuneration and benefits programs (Various award system)

Besides bonuses paid biannually, we have introduced the award (reward) system by site and individual according to the contribution to sales

performance and priority issues to increase motivations and spread priority issues of the whole company.

Enhancement of online education system and assistance for acquisition of qualifications

We assist the self-development of abilities by establishing an online education system in which any employee can freely take courses. Moreover, we

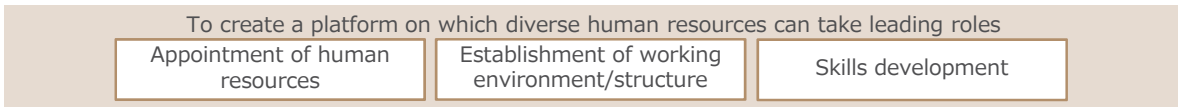
endeavor to develop personnel with qualifications by assisting tuition and examination fees to promote the acquisition of public qualifications.

List of qualified personnel	Qualification	Number of persons	Qualification	Number of persons
	First and Second-class architect	3	Crane operation skill	300 or more
First and Second-class civil engineering works execution managing engineer	6	Slinging work skill	500 or more	
First and Second-class building construction managing engineer	7	Forklift operation skill	400 or more	
Class B Group 4 hazardous materials engineer	60	Certified public accountant	2	

Diversity - Basic principle

We recognize the importance of establishing a working environment in which employees with diverse backgrounds fully demonstrate their respective abilities and are motivated to work, in order to contribute to creating an affluent society as

stated in our corporate philosophy. For this reason, we take initiatives to promote diversity and a good work-life balance, and make efforts to nurture a corporate climate where employees can work with lively.



Non-discriminatory hiring policy and Support for diversification of employment formats

In hiring employees, we respect the diverse characteristics of individuals, including age, gender and nationality. Moreover, with the introduction of year-round recruitment (for 2008 recruits and after), we have been hiring employees with various careers, experience, etc., and were noted in The Nikkei Newspaper. Further, we offer support to athletes as well as appoint highly motivated contract workers as regular employees. In addition, we are expanding support for the participation of women in the workplace, and have appointed three female Directors (as of June 22, 2021) in order to incorporate diverse values and perspectives into the

business management of the Company. In order for employees and spouses to give birth and raise children with peace of mind, we have prepared a handbook compiling child-raising-related laws and various internal systems so that employees can freely view and obtain it from the internal portal site. Furthermore, we present various systems including a shortened working-time program which can be taken until a child reaches his/her 3rd year in primary school, which is longer than what is legally mandated, and clarify the contact point for consultation and thus endeavor to have employees engage in childbirth and child-raising with peace of mind.

■ Diversity Non-discriminatory hiring policy and Support for diversification of employment formats

Male-female ratio of new employees with main career track in the last six years and home countries of international students

Year of employment	Male	Female	Total	Nationality of international students (other than Japan)
April-2021	10 persons	10 persons	20 persons	
April-2020	11 persons	7 persons	18 persons	
April-2019	19 persons	4 persons	23 persons	Brazil
April-2018	12 persons	6 persons	18 persons	Korea
April-2017	8 persons	10 persons	18 persons	
April-2016	9 persons	9 persons	18 persons	

Appointment of a female executive members



Number of employees taking childcare leave

	Those who newly took childcare leave during the period	Those who took childcare leave during the period	Those who returned to work during the period	Remarks
2021.4.1 ~ present	1 person	9 persons	7 persons	At June-2021
2020.4.1 ~ 2021.3.31	7 persons	10 persons	2 persons	
2019.4.1 ~ 2020.3.31	4 persons	3 persons	4 persons	
2018.4.1 ~ 2019.3.31	2 persons	5 persons	3 persons	
2017.4.1 ~ 2018.3.31	2 persons	5 persons	1 person	

Enhancement of remuneration and benefits programs

With the introduction of remuneration and benefits programs, including those listed below, the Company strives to improve motivation for employees while increasing corporate value in the medium and long term.

<Employee stock ownership plan (ESOP) & trust-type ESOP (E-Ship®)>

In October 2013, we introduced an ESOP which offers shares to employees who have been promoted or assumed a position.

By issuing shares as an incentive to employees of the Company, we encourage employees to heighten their motivation and morale toward enhancing performance.

Incentives given to date

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of shares	20,200 shares	32,400 shares	23,400 shares	17,200 shares	13,400 shares	13,000 Shares
Eligible persons	47 persons	57 persons	55 persons	62 persons	63 persons	55 persons

In 2008, we introduced E-Ship® which is the trust system utilizing employees' stock ownership associations, and we are 4th company in Japan. It was reported in the Nihonkeizai Shimbun newspaper as planning to distribute about 100,000 yen per person on a simple average in 2012 at the end of the first period.

<GLTD (Group Long Term Disability income indemnity insurance)>

Since October 2019, we have introduced the "GLTD (group long term disability income indemnity insurance)", which indemnifies a certain revenue up to 60 years old (retirement age) for employees who become unable to work for a long period of time due to illness or injury. While widespread in the U.S., the GLTD program

is a relatively new program in Japan, which was permitted in 1994. With the introduction of GLTD, we have covered a long-term "Risk of becoming unable to work" to eliminate uncertainties for employees to work, striving to improve their motivation.

G GOVERNANCE

Basic concept to Corporate Governance

KONDOTEC recognizes that strengthening and enhancing corporate governance through increasing soundness, transparency and efficiency of management and maximizing corporate value is one of the most important management objectives. To realize this objective, our basic concept of corporate governance calls

for reinforcing our compliance and internal audit systems, conducting timely disclosure of management information, operating results and other pieces of information via our website and other means, and strengthening functions for speedy decision-making and management supervision.

Corporate Governance

■ Corporate governance structure summary table

Type of organizational design	Company with an Audit & Supervisory Committee
Number of directors (including the number of outside directors)	13 (5)
Number of directors who are Audit and Supervisory Committee Members (including the number of outside directors)	4 (3)
Term of office of directors (excluding outside directors who are Audit and Supervisory Committee Members)	1 year
Adoption of executive officer system	Yes
Incentive remuneration	The restricted stock remuneration plan
Accounting Auditor	Deloitte Touche Tohmatsu LLC

■ Reasons for adopting the current corporate governance system

KONDOTEC believes that putting in place an Audit & Supervisory Committee and having an audit system where Directors who are Audit & Supervisory Committee Members supervise management is effective and hence operates as a company with an Audit & Supervisory Committee system.

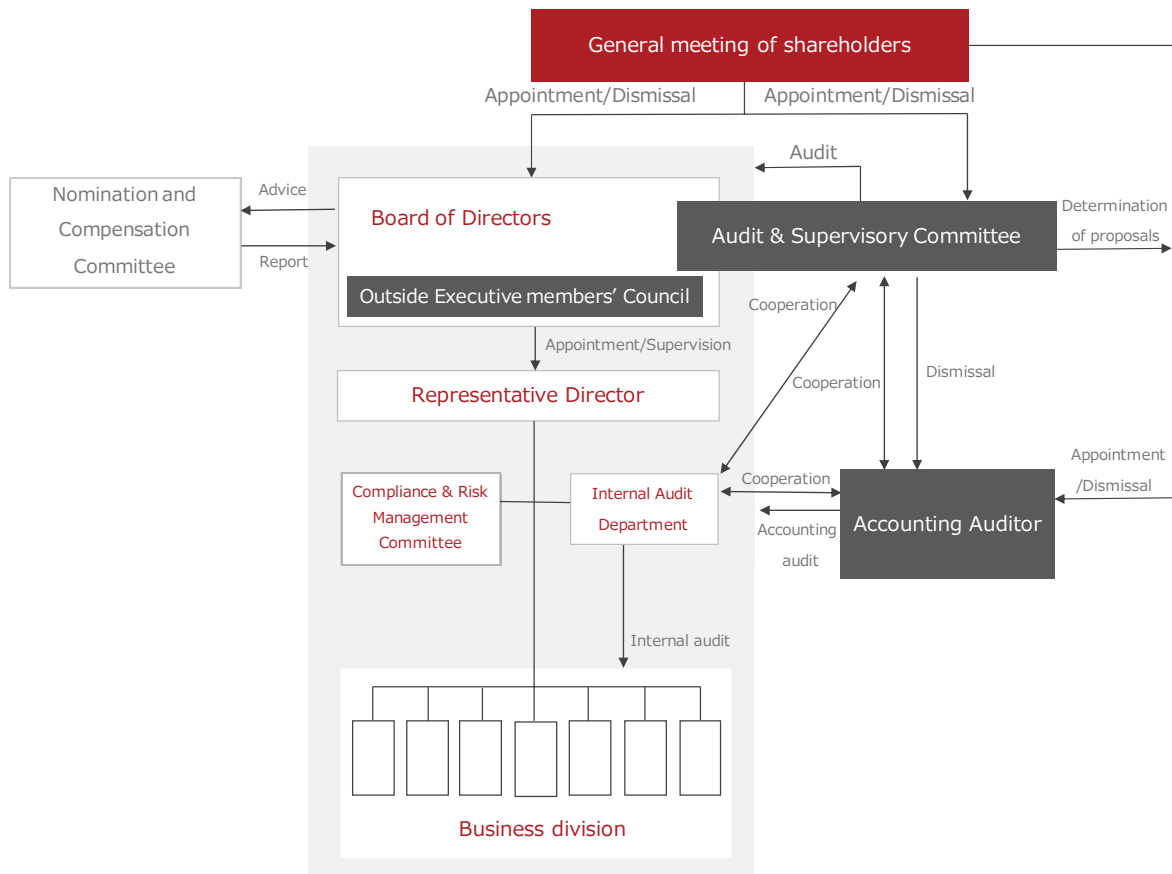
The Audit & Supervisory Committee comprises four Directors who are Audit & Supervisory Committee Members, including one full-time Director, and three part-time Outside Directors

with specialist knowledge on finance, accounting and laws, as well as extensive experience in corporate management, and carries out supervision from an objective and fair point of view.

The Board of Directors holds a regular monthly meeting as well as an extraordinary meeting whenever necessary, promotes efficiency of decision-making for the execution of important business activities and reinforcement of the supervision function.

■ Corporate governance system

KONDOTEC's corporate governance system is shown in the diagram below.



■ KONDOTEC's managing organ

Board of Directors

KONDOTEC holds a meeting of the Board of Directors at least once a month and complies with the policy of addressing all matters provided in the Board of Directors' Regulations and those corresponding to agenda items to the Board of Directors in making decisions on important matters.

In addition, the Board of Directors receives reports on the status of business execution of KONDOTEC and its subsidiaries from each of the respective directors on a periodic basis and carries out supervision, etc. on the reasonableness and efficiency of business execution.

KONDOTEC conducts the Board of Directors assessment questionnaire based on self-assessments made by all Directors once a year. The Board of Directors deliberates on and considers the results of the questionnaire and makes necessary improvements to secure effectiveness and increase the quality of the Board of Directors as a whole. KONDOTEC adopts an executive officer system and Executive Officers and Directors in charge of business operations promote speedy business execution.

Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)

Since June 2021, KONDOTEC appoints two Outside Directors (one lawyer, one Director with experience in corporate management), who supervise management and offer advice from an objective point of view in consideration of the corporate business community on the whole, including laws and regulations, in an effort to increase the transparency and efficiency of the Board of Directors.

Audit & Supervisory Committee / Outside Directors who are Audit & Supervisory Committee Members

KONDOTEC adopts the Audit & Supervisory Committee system. Since June 2021, three of the four Directors who are Audit & Supervisory Committee Members are Outside Directors who are Audit & Supervisory Committee Members (one lawyer, one CPA and one Director with experience in corporate management) who exchange opinions on audit methods and audit standards from their professional points of view at the meeting of the Audit & Supervisory Committee which is held at least once a month in order to improve the appropriateness and efficiency of the audit. In this way, we strive to enhance and reinforce our audit system.

Furthermore, the Members receive a report on the results of the accounting audit from the Accounting Auditor at each financial closing. If needed, Directors who are Audit & Supervisory Committee Members accompany the Accounting Auditor in the audit of an office, exchange information and opinions. Moreover, Audit & Supervisory Committee Members receive reports on financial results for every quarter from internal control sections, as well as reports on other matters related to internal control as necessary.

Internal Audit Department

Our Internal Audit Department is placed as a unit directly under the President. There are two full-time staff members. An additional full-time staff member was added in April 2021 to bolster internal audit operations with a three full-time staff member structure.

These internal auditors audit the status of compliance with laws, regulations and internal rules and the appropriateness and efficiency of business processes, etc. of each division, provide guidance for improvement and perform follow-ups.

In addition, they conduct audits to continuously verify whether the system to ensure the reliability of financial reporting functions appropriately and makes corrections where necessary.

Our Internal Audit Department, which is an internal audit section, holds reporting meetings on the results of internal audits conducted, with Directors who are Audit & Supervisory Committee Members and internal control sections in attendance.

Moreover, the Accounting Auditor review reports on the results of internal audits conducted by the Internal Audit Department. Accounting Auditor and internal audit sections exchange information and opinions as necessary, striving to improve the appropriateness and efficiency of audits through close cooperation.

Accounting Auditor

KONDOTEC has appointed Deloitte Touche Tohmatsu LLC as the Accounting Auditor and establishes an environment in which the Accounting Auditor is able to perform audits from a fair and unbiased perspective, by providing the auditor accurate management information in a timely manner. Further, the Accounting Auditor receives quarterly briefings from the internal control sections on the financial results and standing of the Company, and exchange opinions on accounting-related matters.

Compliance & Risk Management Committee

The Compliance & Risk Management Committee is in place.

The Compliance & Risk Management Committee promotes the dissemination of awareness to comply with relevant laws, regulations, corporate ethical standards and internal regulations among all employees and creates a structure to prevent scandals and other problems by developing plans and measures on compliance, including education and guidance for practicing compliance. The Committee also collects information on various risks surrounding KONDOTEC and its subsidiaries and analyzes the information to develop specific preventive measures. It also puts in place a structure to minimize the impact of risks should any such risk becomes apparent, in an effort to reinforce the corporate platform.

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee as a voluntary advisory organization, composed of Independent Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) and the President & Representative Director to strengthen the transparency and objectiveness of the decision-making process for appointment and remuneration of Directors.

Outside Executive members' Council

The Outside Executive members' Council comprising Outside Directors has been established. The Council meets periodically to promote the exchange of opinions among outside Executive members.

■ Executive members As of June 22, 2021

Title	Name	Area of responsibility and important concurrent positions	Independent member	Number of shares held (Thousand shares)
President and Representative Director	Katsuhiko Kondo	Director, Sanwa Denzai Co., Ltd. Director, KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD. Representative Director of Towa Kosan Corp. Representative Director of Toto Kosan INC.		106
Vice President and Director	Tomoya Ando	Director, Nippon Scaffolding Holdings Co., Ltd.		72
Senior Executive Director	Hiroyuki Yada	General Manager, Management Headquarters and Manager, General Affairs Division Manager, Business Strategy Department Director, Nippon Scaffolding Holdings Co., Ltd. Director, TECBUILD CO., LTD. Director, TOKAI STEP CO., LTD. Director, FUKOKU, Ltd.		13
Executive Director	Noboru Hamano	General Manager, Sales Headquarters and Manager, Structural Steel Sales Division		9
Executive Director	Yoichi Hyakuda	General Manager, Manufacturing Headquarters and Manager, Kyusyu Factory		1
Director	Kazuyuki Asakawa	Manager, Eastern Japan Sales Division and Manager, Tokyo Branch		8
Director	Tomoyuki Ejiri	President and Representative Director, Nippon Scaffolding Holdings Co., Ltd. Representative Director and Chairman, TOKAI STEP CO.,LTD.		9
Outside Director	Michiko Kanai	Attorney-at-law (Oh-Ebashi LPC & Partners partner) Outside Audit & Supervisory Board Member, Sankyo Seiko Co., Ltd. Outside Director, IDEC CORPORATION (Audit and Supervisory Committee Member) Outside Director, AS ONE CORPORATION	○	3
Outside Director	Takashi Maruyama	(A former Representative Director and Chairman, KNT-CT Holdings Co., Ltd.)	○	-
Director (Full-time Audit & Supervisory Committee Member)	Norio Nishida	Audit & Supervisory Board Member, Sanwa Denzai Co., Ltd. Audit & Supervisory Board Member, CHUOH GIKEN Co., Ltd. Audit & Supervisory Board Member, Nippon Scaffolding Holdings Co., Ltd. Audit & Supervisory Board Member, TECBUILD CO., LTD. Audit & Supervisory Board Member, TOKAI STEP CO., LTD. Audit & Supervisory Board Member, FUKOKU, Ltd.		18
Outside Director (Audit & Supervisory Committee Member)	Kana Yasuda	Certified Public Accountant, Tax Accountant (Yasuda Accounting Firm Representative) Outside Audit & Supervisory Board Member, SHINPO Co., LTD. Outside Audit & Supervisory Board Member, SUGI HOLDINGS Co., Ltd. Outside Director, GEO HOLDINGS CORPORATION Outside Director, CHUO SPRING CO., LTD.	○	2
Outside Director (Audit & Supervisory Committee Member)	Taku Tokuda	Attorney-at-law (Managing Principal Lawyer, TOKUDA LAW OFFICE) Visiting Professor, KYOTO UNIVERSITY LAW SCHOOL	○	0
Outside Director (Audit & Supervisory Committee Member)	Minako Yamaoka	Director in charge of CMM Business, Ands Corporation Outside Director, NICCA CHEMICAL CO., LTD.	○	-

WE ARE KONDOTEC

KONDOTEC VISION

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■ Directors and Audit & Supervisory Board Members

Terms of Executive members

KONDOTEC appoints candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) by considering individuals who fulfill respective statutory requirements, who are excellent both in terms of personality and insight, who can carry out their professional responsibilities, and who are capable of making accurate and timely decisions and of cooperating and working with and covering each function and division of the Company. Such individuals are deliberated on by the Nomination and Compensation Committee -- a voluntary advisory organization composed of Independent Outside Directors -- based on whose report the Board of Directors determines a proposal for the General Meeting of Shareholders.

KONDOTEC appoints candidates for Directors who are the Audit & Supervisory Committee Members by considering individuals who have expertise in legal, financial and accounting matters, who hold knowledge on the business activities of the Company, and who maintain diverse perspectives concerning corporate management in a comprehensive manner. Such individuals are deliberated on by the Nomination and Compensation Committee, based on whose report the Board of Directors determines, with prior the consent of the Audit & Supervisory Committee, a proposal for the General Meeting of Shareholders.

Further, based on the recognition that diverse values and points of view are essential in business management going forward,

KONDOTEC appoints a female director and audit & supervisory board members.

When in violation of professional duties of Directors or Directors as Audit & Supervisory Committee Members, or if deemed not suitable for Directors or Directors as Audit & Supervisory Committee Members of the Company due to negligence of their duties, such individuals are deliberated on by the Nomination and Compensation Committee, based on whose report the Board of Directors determines their treatment, and in the case of dismissal it should be resolved by the General Meeting of Shareholders.

The independence standards for Outside Directors

KONDOTEC appoints Outside Directors and Outside Directors as Audit & Supervisory Committee Members who fulfill the requirements under the Companies Act, and the independence standards set forth by the Tokyo Stock Exchange. The Company elects Outside Directors capable of providing management supervision and advice based on abundant experience and insight, and Outside Directors as Audit & Supervisory Committee Members for their ability to audit the management of the Company in a fair manner. KONDOTEC registers all Outside Directors and Outside Directors who are Audit & Supervisory Committee Members as independent Executive members based on the rules of the Tokyo Stock Exchange with the said exchange.

Skills Matrix for the Board of Directors and the Audit & Supervisory Committee

Position	Name	Managerial experience	Sales & Marketing	Manufacturing & Procurement	Finance & Accounting	Legal affairs & Risk management
Board of Directors	Katsuhiko Kondo	○	○	○		
	Tomoya Ando		○		○	○
	Hiroyuki Yada		○	○		
	Noboru Hamano		○			
	Yoichi Hyakuda			○		
	Kazuyuki Asakawa		○			
	Tomoyuki Ejiri	○	○	○		
	Michiko Kanai	Outside				○
	Takashi Maruyama	Outside	○	○		
Audit & Supervisory Committee	Norio Nishida				○	
	Kana Yasuda	Outside			○	
	Taku Tokuda	Outside				○
	Minako Yamaoka	Outside	○	○		

Status of attendance by Outside Directors/Outside Audit & Supervisory Board Members

69th term (April 1, 2020 to March 31, 2021)

Position	Name	Board of Directors (12 board meetings)	Audit & Supervisory Board * Audit & Supervisory Committee (18 board meetings)
Outside Directors	Michiko Kanai	Attended 11 meetings (92%)	—
	Masashi Yamato	Attended 11 meetings (92%) *Retired as of June 22, 2021	—
Outside Audit & Supervisory Board Members / Outside Director (Audit & Supervisory Committee Members)	Kana Yasuda	Attended 12 meetings (100%)	Attended 18 meetings (100%)
	Taku Tokuda	Attended all 10 meetings since taking office as of June 24, 2020	Attended all 15 meetings since taking office as of June 24, 2020

*KONDOTEC transitioned from Audit & Supervisory Board to company with an Audit & Supervisory Committee as of June 24, 2020.

■ Descriptions based on the Corporate Governance Code

Analysis and assessment of effectiveness of the Board of Directors as a whole

KONDOTEC makes decisions on important matters at the regular meeting of the Board of Directors held every month based on discussions by attendees, including Outside Directors who state their opinions. In this way, we make an effort to heighten the effectiveness of the Board of Directors.

Once a year, we conduct an analysis and assessment of the effectiveness of the Board of Directors as a whole.

In April 2021, we made an assessment of the effectiveness of the Board of Directors. We discussed and made considerations on the results of the assessment at the meeting of the Board of Directors in May 2021.

1. Period: April 2021 to May 2021
2. Method: Anonymous self-assessment by all Directors(Including Outside Directors)
3. Assessment items :
Structure and operation of the Board of Directors, deliberation, governance system, promotion digital transformation, general assessment of the Board of Directors

4. Summary of results

While all executive members evaluated that the effectiveness of the Board of Directors was secured as a whole, there were some opinions that materials from meetings of the Board of Directors should be distributed within an earlier time frame, and that the Board of Directors should appropriately discuss and supervise the plan for succession of Representative Directors, and that remunerations for management should be further discussed.

We would like to continue to make improvements based on these opinions.

Training policy for Directors

KONDOTEC offers opportunities for Directors to participate in various training programs, including training sessions and lectures by internal and external instructors, external seminars, and web-based seminars, in an effort to have Executive members gain necessary knowledge and understand/promote duties and responsibilities.

Policy concerning cross-held shares

1. Policy on cross-shareholding
KONDOTEC maintains cross-held shares for the purpose of contributing to the improvement of corporate value in the medium to long term by maintaining and reinforcing relationships with important business partners.
KONDOTEC will reduce issues deemed to have insufficient grounds to hold after the verification of cross-held shares.
2. Verification on cross-held shares
Each year, KONDOTEC's Board of Directors scrutinizes and verifies the purpose of holdings, benefits from transactions, etc., of individual cross-held shares.
As of March 31, 2021, we held 6 issues of cross-held shares worth 39 million yen in book value and 239 million yen in market value, equivalent to 0.1% and 0.5% respectively of total assets of 49,426 million yen.
3. Exercise of voting rights on cross-held shares
KONDOTEC respects the management policies, strategies, etc., of investee companies, judges individual proposals based on whether shareholding contributes to sustainable growth and medium to long term corporate value of the Company and investee companies, and exercises voting rights.

Basic policy concerning constructive dialogues with shareholders

KONDOTEC promotes constructive dialogues with shareholders through holding briefings for individual investors and financial results briefings, in addition to the general meeting of shareholders and participating in IR fairs. We also appoint the Director who manages the General Affairs Division responsible for IR as the Director in charge of IR, and share information with other departments to strengthen cooperation. In order to reflect the opinions of shareholders

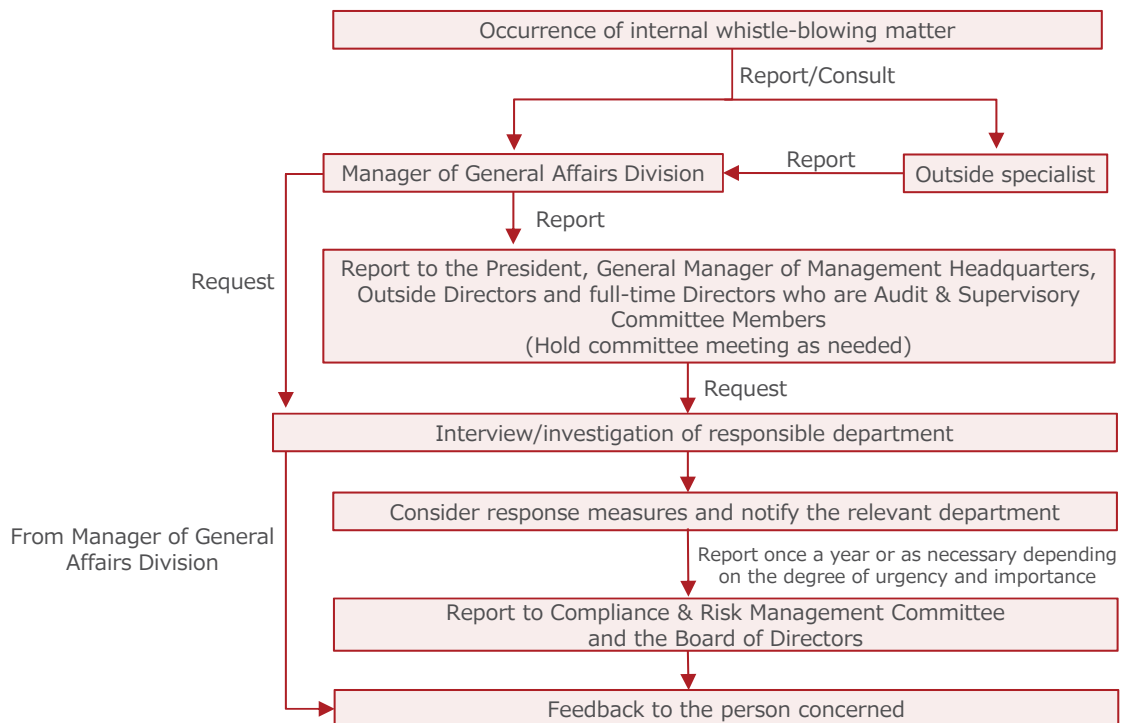
on management, when important feedback given from an objective viewpoint arises, we make an effort to report the matter to the Board of Directors as needed. In addition, KONDOTEC has put in place its IR Policy, which defines the quiet period and other matters, and Internal Information Management Regulations, which set forth rules on communicating important facts and internal information, and performs accordingly in managing information.

■ Whistle-blowing system

KONDOTEC has formulated internal regulations on whistle-blowing and put in place two points of contact for whistle-blowing inside and outside the company. The Company's whistle-blowing system is such that when whistle-blowing occurs, the Manager of General Affairs Division, which is the internal point of contact for whistle-blowing, reports the matter to the President, General Manager of Management Headquarters, Outside Directors and full-time Directors who are Audit & Supervisory Committee Members, requests that the responsible department investigates the matter; and proposes and notifies the measure for response.

The status of operation for whistle-blowing is reported at the Compliance & Risk Management Committee and the Board of Directors once a year, and the Board of Directors supervises the status of operation. We also maintain internal regulations and a system to ensure that whistle-blowers are not treated unfairly. The number reported was zero case in FY 2021. If the cases filed, we dealt with them appropriately by conducting internal investigations, while paying due consideration to privacy.

Whistle-blowing system flow



Remuneration for Executive members

■ Remuneration (April 1, 2020 to March 31, 2021)

Position	Number of persons paid	Total amount by type of remuneration (Million yen)			Amount of payment (Million yen)
		Base remuneration	Stock remuneration	The performance-based stock remuneration	
Directors (excluding Audit & Supervisory Committee Members)	11 persons	181	23	–	204
Directors who are Audit & Supervisory Committee Members	3 persons	20	–	–	20
Audit & Supervisory Board Members	3 persons	5	–	–	5
Total	17 persons	207	23	–	230

- (Notes)
1. With the transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee as resolved at the 68th Ordinary General Meeting of Shareholders held June 24, 2020, details on remuneration to Audit & Supervisory Board Members are provided for the period through to June 2020, and details of remuneration for Directors as Audit & Supervisory Committee Members are provided for the period from July 2020.
 2. The payment to Directors (excluding members of the Audit & Supervisory Committee), Directors who are Audit & Supervisory Committee Members (base remuneration) includes 22 million yen paid to two Outside Directors, two Outside Directors serving as members of the Audit & Supervisory Committee, and two Outside Audit & Supervisory Board Members.
 3. The number of Directors (excluding Audit & Supervisory Committee Members) and Audit & Supervisory Board Members to whom payment is made includes one Directors and three Audit & Supervisory Board Member who retired from office as of the conclusion of the 68th ordinary general meeting of shareholders held on June 24, 2020.
 4. With regard to performance metrics used for the performance-based stock remuneration plan, a consolidated ordinary profit of 3,455 million yen was achieved against a target of 3,800 million yen. This metric was selected as an incentive to raise awareness toward improving business performance each fiscal year. KONDOTEK's performance-based stock remuneration plan only issues a predetermined allocation of Company stock in the event said performance targets are met. As the performance target set for the performance-based stock remuneration plan was not met for the current fiscal year, performance-based stock remuneration has not been provided.

■ Policy for determining the amount of remuneration, etc., for Executive members

Remuneration for Director (excluding Directors who are Audit & Supervisory Committee Members) is to be decided by the Board of Directors based on report from the Nomination and Compensation Committee within the limit on the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) approved by the General Meeting of Shareholders. The Nomination and Compensation Committee is a voluntary advisory organization and mainly composed of independent outside directors. Furthermore, a performance-based stock compensation plan, "Board Benefit Trust (BBT)", was introduced for the purpose of increasing incentives for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive

Officers of the Company to contribute to the improvement of medium to long term earnings and corporate value.

Further, the Company reviewed the executive member remuneration system at the Board of Directors meeting held May 13, 2021. At the meeting, it was resolved that a restricted stock remuneration system (hereafter, "this system") would be implemented for Company Directors (excluding Directors and Outside Directors serving as members of the Audit & Supervisory Committee, hereafter "applicable Directors"). A proposal concerning the payment of monetary remuneration claims to the equivalent amount paid in restricted stock allocated under this system was put forward and approved at the 69th Ordinary General Meeting of Shareholders held June 22, 2021.

SUPPLEMENT

Supporting Materials

Stock Information As of March 31, 2021

■ Company's stock

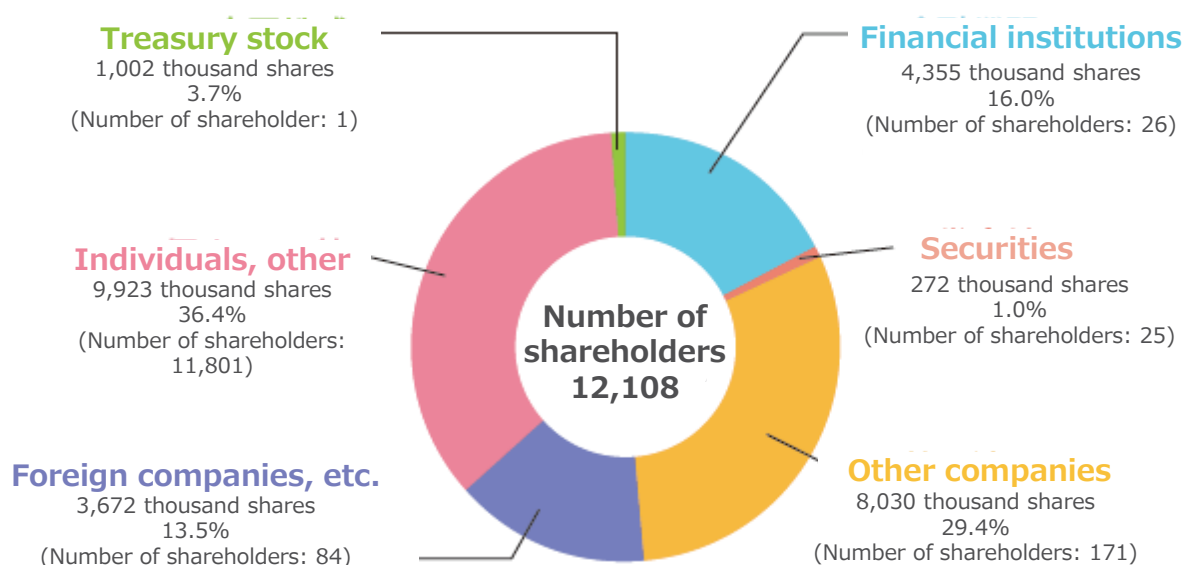
Total number of shares authorized	60,000,000 shares
Total number of shares issued	27,257,000 shares *27,144,400 shares (As of August 2, 2021)
Shares per unit	100 shares

■ Major shareholders

Name of shareholder	Number of shares held (Thousand shares)	Percentage
Towa Kosan Corp.	3,014	11.5%
BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,615	6.2%
KONDOTEC employees shareholders association	1,355	5.2%
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	1,247	4.8%
F-planning INC.	900	3.4%
The Master Trust Bank of Japan, Ltd. (trust account)	879	3.4%
MUFG Bank, Ltd.	753	2.9%
Toto Kosan INC.	676	2.6%
Masahide Kondo	664	2.5%
Jummi Kondo	652	2.5%

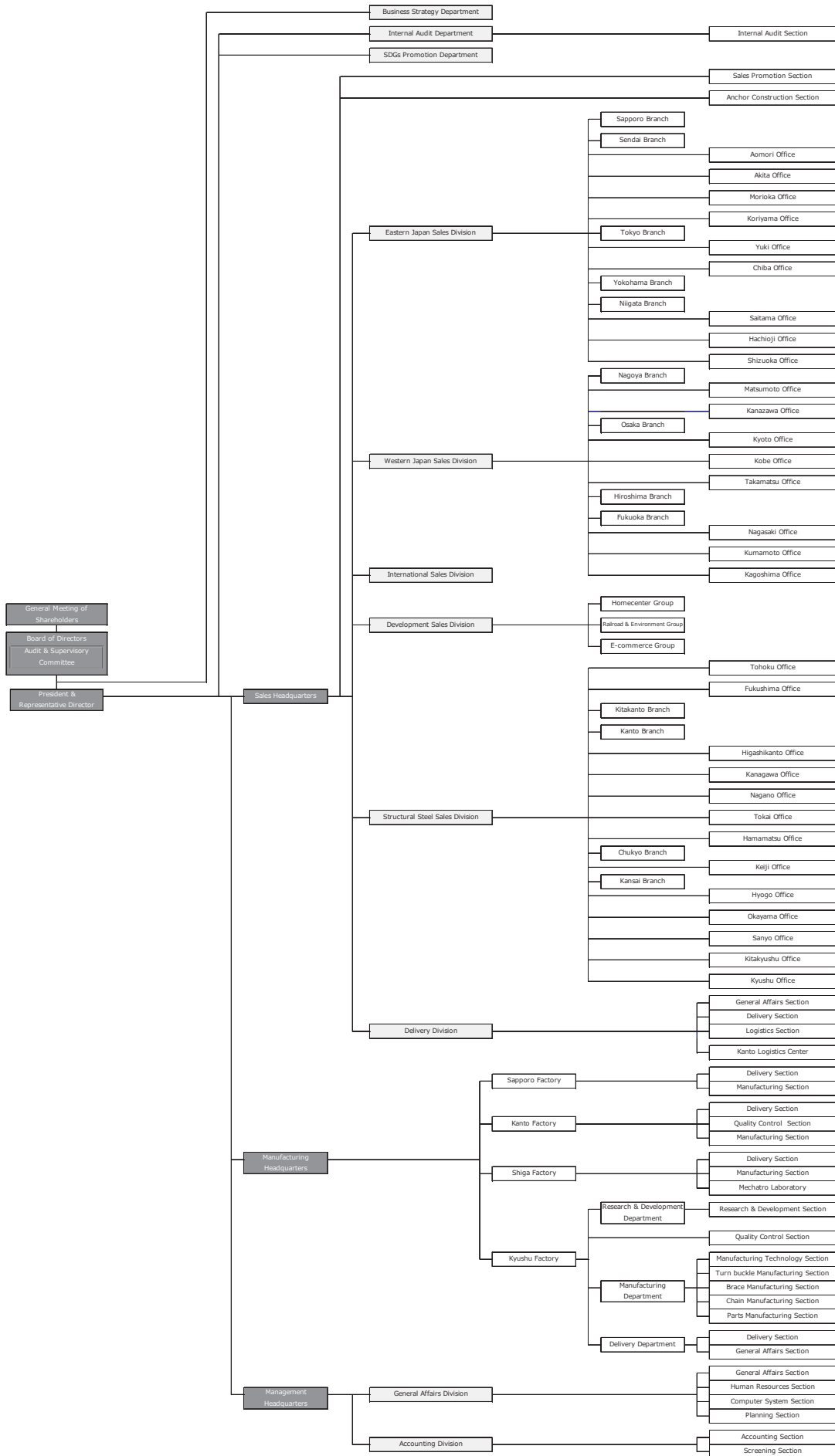
*1,002 thousand shares in treasury stock (excluding 13 thousand shares in the ESOP trust account, and 121 thousand shares in the BBT trust account) is not included in the listing of major shareholders above.
Percentage is calculated by excluding treasury stock.

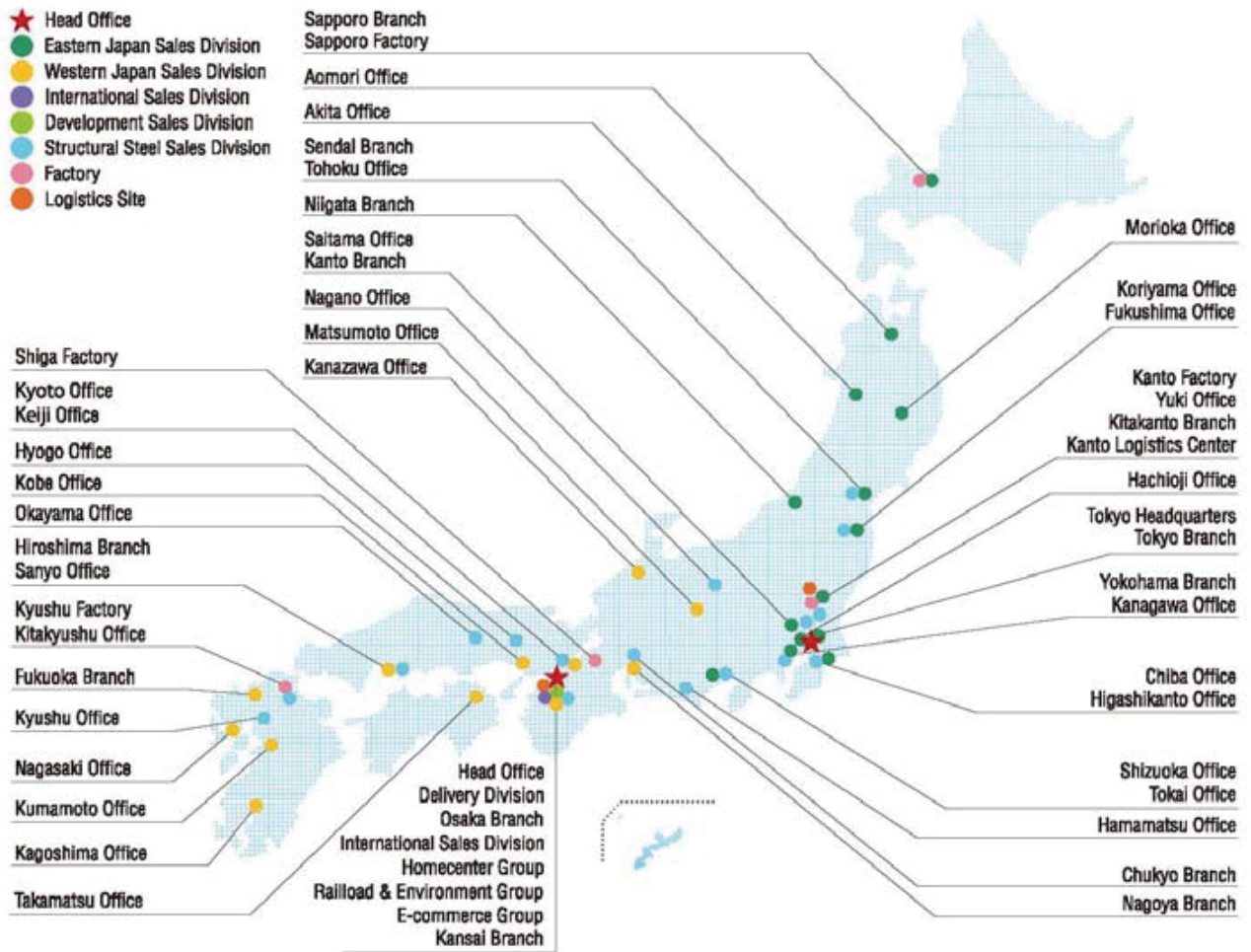
■ Stock distribution by shareholder category



Organization Chart

As of July 1, 2021





Group Companies Sanwa Denzai Co., Ltd. (Head office: Nishi-ku, Nagoya-shi) 14 offices
 KONDOTEC INTERNATIONAL (THAILAND)Co.,Ltd.(Head office: Bangkok, Thailand)
 CHUOH GIKEN Co., Ltd. (Head office: Inukami-gun, Shiga) 2 offices
 Nippon Scaffolding Holdings Co., Ltd. (Head office: Koto-ku, Tokyo)
 TECBUILD CO., LTD. (Head office: Shinagawa-ku, Tokyo) 18 offices
 TOKAI STEP CO., LTD. (Head office: Fujieda-shi, Shizuoka) 11 offices
 FUKOKU, Ltd. (Head office: Izumi-ku, Sendai-shi) 5 offices

WE ARE KONDOTEK

KONDOTEK VISION

FINANCIAL DATA

ENVIRONMENT

SOCIAL

GOVERNANCE

SUPPLEMENT

Consolidated Financial Statements

■ Consolidated Balance Sheet

	(Million yen)		(Thousand U.S. dollars)
	2020	2021	2021
Assets			
Current assets			
Cash and deposits	8,305	11,317	102,228
Notes and accounts receivable - trade	13,207	12,372	111,752
Electronically recorded monetary claims operating	1,695	1,984	17,926
Merchandise and finished goods	4,031	3,959	35,766
Work in process	567	589	5,322
Raw materials and supplies	426	383	3,465
Other	680	968	8,746
Allowance for doubtful accounts	(8)	(5)	(48)
Total current assets	28,908	31,569	285,159
Non-current assets			
Property, plant and equipment			
Buildings and structures (net)	3,043	3,131	28,281
Machinery, equipment and vehicles (net)	1,023	1,212	10,954
Land	6,520	6,620	59,803
Other (net)	724	883	7,979
Total property, plant and equipment	11,312	11,848	107,019
Intangible assets			
Goodwill	3,142	3,495	31,576
Customer-related assets	1,818	1,453	13,133
Other	124	94	857
Total intangible assets	5,085	5,044	45,567
Investments and other assets			
Investment securities	342	335	3,027
Deferred tax assets	431	276	2,495
Retirement benefit asset	-	59	535
Other	266	300	3,253
Allowance for doubtful accounts	(10)	(8)	(74)
Total investments and other assets	1,030	963	9,237
Total non-current assets	17,427	17,856	161,824
Total assets	46,335	49,426	446,448

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		(Million yen)	(Thousand U.S. dollars)
	2020	2021	2021
Liabilities			
Current liabilities			
Notes and accounts payable – trade	3,333	3,978	35,938
Electronically recorded obligations – operating	8,400	8,029	72,528
Short-term loans payable	610	3,110	28,091
Current portion of long-term borrowings	129	275	2,492
Income taxes payable	678	596	5,386
Provision for bonuses	768	748	6,759
Other	2,037	2,099	18,967
Total current liabilities	15,958	18,838	170,165
Non-current liabilities			
Long-term borrowings	248	279	2,528
Deferred tax liabilities	529	466	4,210
Deferred tax liabilities for land revaluation	178	178	1,614
Provision for retirement benefits for directors	30	–	–
Provision for stocks payment	63	78	711
Net defined benefit liability	817	288	2,606
Other	123	272	2,459
Total non-current liabilities	1,989	1,564	14,131
Total liabilities	17,948	20,403	184,296
Net assets			
Shareholders' equity			
Capital stock	2,666	2,666	24,085
Capital surplus	2,434	2,434	21,990
Retained earnings	25,477	26,243	237,049
Treasury stock	(758)	(1,134)	(10,245)
Total shareholders' equity	29,819	30,210	272,879
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	145	140	1,271
Deferred gains or losses on hedges	0	29	268
Revaluation reserve for land	(1,510)	(1,510)	(13,646)
Foreign currency translation adjustment	10	31	281
Remeasurements of defined benefit plans	(109)	92	838
Total accumulated other comprehensive income	(1,463)	(1,216)	(10,986)
Subscription rights to shares	31	28	259
Non-controlling interests	0	0	0
Total net assets	28,387	29,022	262,151
Total liabilities and net assets	46,335	49,426	446,448

■ Consolidated Income Statement

	(Million yen)		(Thousand U.S. dollars)
	2020	2021	2021
Net sales	60,599	59,562	538,001
Cost of sales	47,034	45,957	415,120
Gross profit	13,564	13,604	122,881
Selling, general and administrative expenses	9,479	10,249	92,578
Operating income	4,085	3,354	30,302
Non-operating income			
Interest income	2	0	8
Dividends income	5	4	38
Purchase discounts	126	113	1,026
Subsidy income	9	26	237
Miscellaneous income	27	27	251
Total non-operating income	172	172	1,562
Non-operating expenses			
Interest expenses	5	6	59
Sales discounts	63	54	490
Miscellaneous loss	11	11	99
Total non-operating expenses	80	71	649
Ordinary income	4,177	3,455	31,215
Extraordinary income			
Gain on sales of non-current assets	0	3	32
Total extraordinary income	0	3	32
Extraordinary loss			
Loss on sales of non-current assets	0	1	18
Loss on disposal of non-current assets	10	2	20
Impairment losses	-	821	7,420
Total extraordinary loss	10	825	7,458
Income before income taxes	4,167	2,633	23,789
Income taxes - current	1,223	1,152	10,412
Income taxes - deferred	68	(80)	(723)
Total income taxes payable	1,292	1,072	9,689
Profit	2,875	1,561	14,100
Profit attributable to non-controlling interests	0	0	0
Profit attributable to owners of parent	2,875	1,561	14,100

■ Consolidated Statement of Comprehensive Income

	(Million yen)		(Thousand U.S. dollars)
	2020	2021	2021
Profit	2,875	1,561	14,100
Other comprehensive income			
Valuation difference on available-for-sale securities	(53)	(4)	(44)
Deferred gains or losses on hedges	2	28	261
Foreign currency translation adjustment	(15)	20	185
Remeasurements of defined benefit plans	(68)	202	1,831
Total other comprehensive income	(134)	247	2,233
Comprehensive income	2,740	1,808	16,333
(Breakdown)			
Comprehensive income attributable to owners of parent	2,740	1,808	16,333
Comprehensive income attributable to non-controlling interests	(0)	0	0

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■ Consolidated Statement of Changes in Shareholders' Equity

2020

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at beginning of the period	2,666	2,434	23,348	(410)	28,038	199	(2)
Changes of items during the period							
Cash dividends			(742)		(742)		
Profit attributable to owners of parent			2,875		2,875		
Purchase of treasury stock				(400)	(400)		
Disposal of treasury stock			(4)	52	48		
Net changes of items other than shareholders' equity						(53)	2
Total changes of items during the period	-	-	2,129	(347)	1,781	(53)	2
Balance at the end of the period	2,666	2,434	25,477	(758)	29,819	145	0
	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	(1,510)	25	(41)	(1,328)	47	0	26,756
Changes of items during the period							
Cash dividends							(742)
Profit attributable to owners of parent							2,875
Purchase of treasury stock							(400)
Disposal of treasury stock							48
Net changes of items other than shareholders' equity	-	(15)	(68)	(134)	(16)	(0)	(151)
Total changes of items during the period	-	(15)	(68)	(134)	(16)	(0)	1,630
Balance at the end of the period	(1,510)	10	(109)	(1,463)	31	0	28,387

2021

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at beginning of the period	2,666	2,434	25,477	(758)	29,819	145	0
Changes of items during the period							
Cash dividends			(793)		(793)		
Profit attributable to owners of parent			1,561		1,561		
Purchase of treasury stock				(400)	(400)		
Disposal of treasury stock			(1)	24	22		
Net changes of items other than shareholders' equity						(4)	28
Total changes of items during the period	-	-	766	(376)	390	(4)	28
Balance at the end of the period	2,666	2,434	26,243	(1,134)	30,210	140	29

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	(1,510)	10	(109)	(1,463)	31	0	28,387
Changes of items during the period							
Cash dividends							(793)
Profit attributable to owners of parent							1,561
Purchase of treasury stock							(400)
Disposal of treasury stock							22
Net changes of items other than shareholders' equity	-	20	202	247	(2)	0	244
Total changes of items during the period	-	20	202	247	(2)	(0)	635
Balance at the end of the period	(1,510)	31	92	(1,216)	28	0	29,022

2021

(Thousand U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at beginning of the period	24,085	21,990	230,125	(6,848)	269,351	1,315	7
Changes of items during the period							
Cash dividends			(7,163)		(7,163)		
Profit attributable to owners of parent			14,100		14,100		
Purchase of treasury stock				(3,614)	(3,614)		
Disposal of treasury stock			(12)	217	205		
Net changes of items other than shareholders' equity						(44)	261
Total changes of items during the period	-	-	6,924	(3,396)	3,527	(44)	261
Balance at the end of the period	24,085	21,990	237,049	(10,245)	272,879	1,271	268

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	(13,646)	96	(993)	(13,220)	281	0	256,412
Changes of items during the period							
Cash dividends							(7,163)
Profit attributable to owners of parent							14,100
Purchase of treasury stock							(3,614)
Disposal of treasury stock							205
Net changes of items other than shareholders' equity	-	185	1,831	2,233	(22)	0	2,211
Total changes of items during the period	-	185	1,831	2,233	(22)	(0)	5,739
Balance at the end of the period	(13,646)	281	838	(10,986)	259	0	262,151

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■ Consolidated Statement of Cash Flows

	(Million yen)		(Thousand U.S. dollars)	
	2020	2021	2021	
Cash flows from operating activities				
Income before income taxes	4,167	2,633	23,789	
Depreciation	697	897	8,108	
Impairment losses	–	821	7,420	
Amortization of goodwill	45	245	2,219	
Share-based compensation expenses	13	12	116	
Increase (decrease) in allowance for doubtful accounts	(5)	(5)	(46)	
Increase (decrease) in provision for bonuses	37	(20)	(186)	
Increase (decrease) in provision for stocks payment	41	23	208	
Increase (decrease) in net defined benefit liability	(295)	(303)	(2,737)	
Interest and dividends income	(8)	(5)	(46)	
Interest expenses	5	6	59	
Loss (gain) on sales of non-current assets	(0)	(1)	(14)	
Loss on disposal of non-current assets	10	2	20	
Decrease (increase) in notes and accounts receivable – trade	1,465	708	6,403	
Decrease (increase) in inventories	(498)	185	1,675	
Increase (decrease) in notes and accounts payable – trade	(105)	235	2,130	
Increase (decrease) in accrued consumption taxes	183	(109)	(987)	
Other	(73)	108	976	
Sub-total	5,682	5,437	49,111	
Interest and dividends income received	8	5	46	
Interest expenses paid	(5)	(6)	(61)	
Income taxes paid	(1,299)	(1,239)	(11,195)	
Cash flows from operating activities	4,385	4,196	37,901	
Cash flows from investing activities				
Purchase of property, plant and equipment	(916)	(1,080)	(9,763)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,283)	(1,153)	(10,420)	
Other	(5)	(29)	(269)	
Cash flows from investing activities	(5,205)	(2,264)	(20,453)	
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	180	2,500	22,581	
Proceeds from long-term borrowings	350	–	–	
Repayments of long-term borrowings	(371)	(171)	(1,549)	
Purchase of treasury stock	(401)	(401)	(3,625)	
Proceeds from sales of treasury stock	0	0	0	
Cash dividends paid	(742)	(792)	(7,157)	
Other	(7)	(74)	(672)	
Cash flows from financing activities	(992)	1,060	9,576	
Effect of exchange rate change on cash and cash equivalents	(15)	20	181	
Net increase (decrease) in cash and cash equivalents	(1,828)	3,012	27,206	
Cash and cash equivalents, beginning of year	10,133	8,305	75,021	
Cash and cash equivalents, end of year	8,305	11,317	102,228	

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Editor's Note

Thank you very much for reading the "KONDOTEC REPORT".

We have now published our 5th Integrated Report.

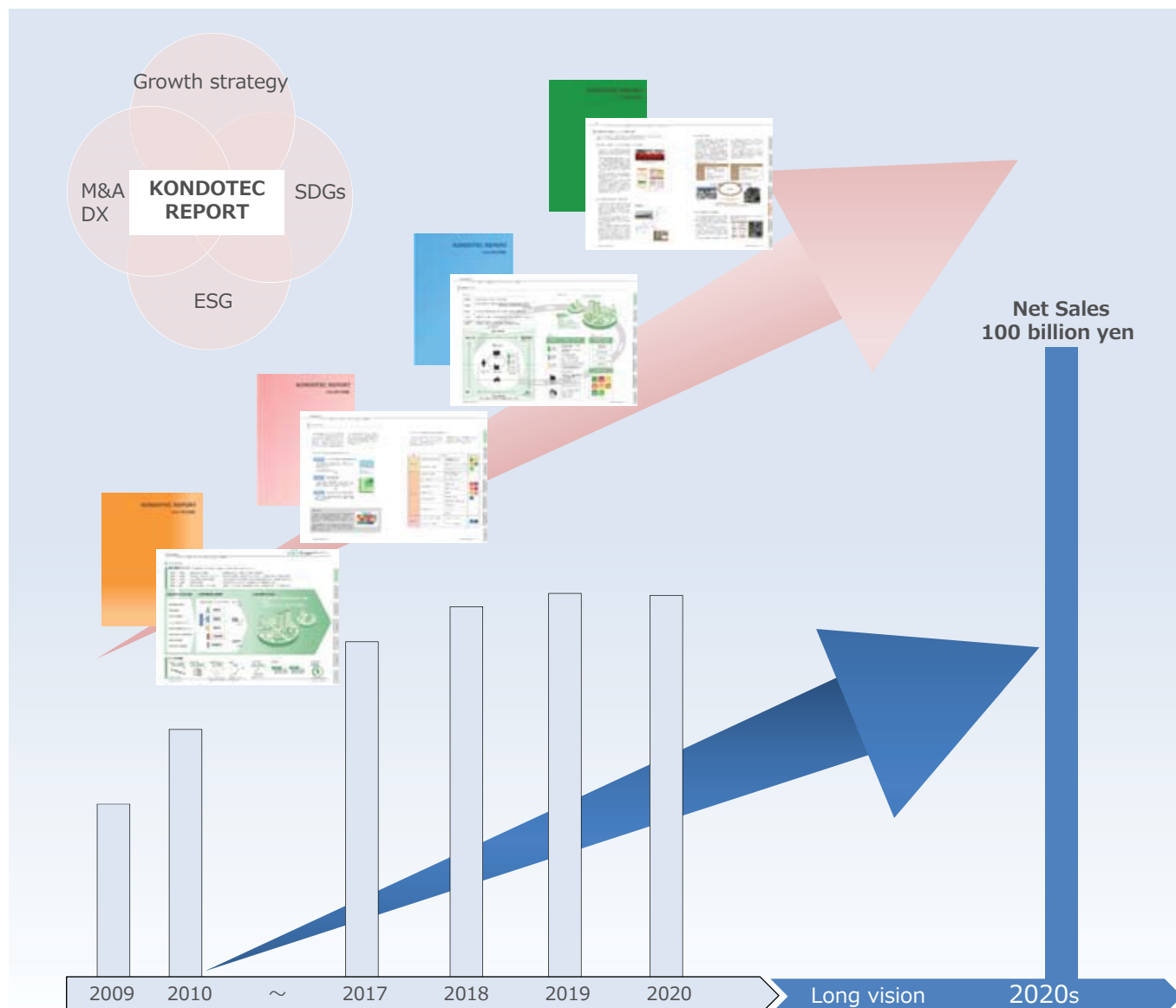
In the some 70 years since the KONDOTEC's founding we have strived in earnest to meet the needs of our customers, yet in today's world sustainability is increasingly coming into the limelight, and this is an area that we as a company need to step up our efforts.

In January 2021, we established the SDGs Promotion Department to review initiatives contributing to SDGs for the realization of a sustainable society.

With this push towards an increased focus on sustainability, we view our Integrated Report as an increasingly important tool for communication. In preparing this Integrated Report, we have exhaustively reviewed its contents to ensure that it does not simply touch on the Company's history and business, but rather gives real insight into our growth strategy, and our approach to climate change and other ESG issues, so that readers can get a real sense of what lies ahead for the Company. In addition, our Integrated Reports are solely prepared by Company employees, without using the services of an external organization. We hope that by expressing the corporate value of our Company in a way only our employees can, we can provide our stakeholder with a better understanding of KONDOTEC.

Looking ahead, we will continue to conduct our corporate activities in pursuit of our SDG targets, and to realize a sustainable society, and aim to prepare an Integrated Report that conveys our sustainable growth in a way that is understood by all.

Senior Executive Director and General Manager of Management Headquarters
Hiroyuki Yada



TOPICS

Please support the KONDOTEC Track & Field Club !

The KONDOTEC Track & Field Club was established in 2016. In April 2021, we welcomed two new members to bring the number of athletes in the club to four. While the athletes unfortunately missed out on participating in the Tokyo Olympic Games, all four athletes are training daily to reach greater heights in the future.

Your continued support is greatly appreciated.

Athlete employees (From left)

Name	Competition category	Personal best
Sakura Fujimoto	Hammer Throw	60m40
Mika Yamamoto	Discus Throw	49m33
Kiho Kuze	Javelin Throw	58m98
Yuki Noshi	Pole Vault	3m90



Pictures of the competitions



Fujimoto



Yamamoto



Kuze



Noshi



The track & field club's activities and blogs by athletes

URL ▶ <https://www.kondotec.co.jp/corporate/track.html>

Notes on forward-looking statements

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

Future operating performance projections that the Company releases are based on data available at the time of making the release. Actual results may differ considerably from projections due to various factors and changes.

Detailed information on financial results

For details of financial results for the year ended March 31, 2021, please refer to the Annual Securities Report.

URL : https://www.kondotec.co.jp/ir/library/asset_securities.html

Reporting coverage period

- ◆ Reporting period
April 1, 2020 through March 31, 2021
(Activities in April 2021 and thereafter are included in part.)
- ◆ Reporting organization
KONDOTEC INC. and its group companies
- ◆ Accounting standard
Japanese GAAP

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