

KONDOTEC REPORT

(Year Ended March 31, 2020)

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, which are required for our sustainable growth.

In the Age of Change, as we strive to continue serving behind the scenes, accommodating diverse customer needs as a group, 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.

The Integrated Report was prepared by a team of female project members same at last. The report outlines our efforts to go forward to further increase the corporate value of the Company by paying attention to SDGs at the same time taking into account perspectives of ESG.

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

Tomoya Ando,
Vice President and Director /
General Manager,
Management Headquarters

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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. TECBUILD CO., LTD. TOKAI STEP CO., LTD.
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	696 Consolidated:1,035 (As of March 31, 2020)
Capital stock	2,666 million yen (As of March 31, 2020)
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. 13 operating sites KONDOTEC INTERNATIONAL (THAILAND) CO.,LTD. CHUOH GIKEN Co., Ltd. 2 operating sites TECBUILD CO., LTD. 20 operating sites TOKAI STEP CO., LTD. 11 operating sites (As of March 31, 2020)
Factories	4 factories in Japan

History

Over 65 Years of the Company's History

- Challenge for Value Creation -

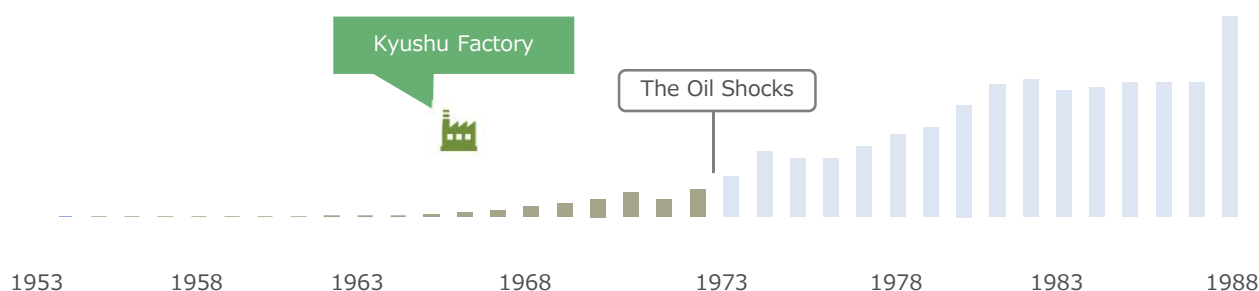
The company has been striving to meet the needs of customers since its establishment. KONDOTEC has been able to grow as a manufacturer and wholesale company precisely because the company has continued to challenge and create to meet the needs of customers, and because of the support from stakeholders.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

2020 [Consolidated]

Net sales **60,599** million yen

Network **94** operating sites

Number of Employees **1,035** 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.

- 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.

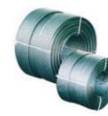
- 1973** Began manufacturing and sale of hardware and screws for civil engineering and construction use.
- 1974** Relocated the head office to Sakaigawa, Nishi-ku, Osaka.
- 1985** Body of turnbuckle for building was accredited as JIS No. 1
Established the New Business Division (currently Structural Steel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



Shackles



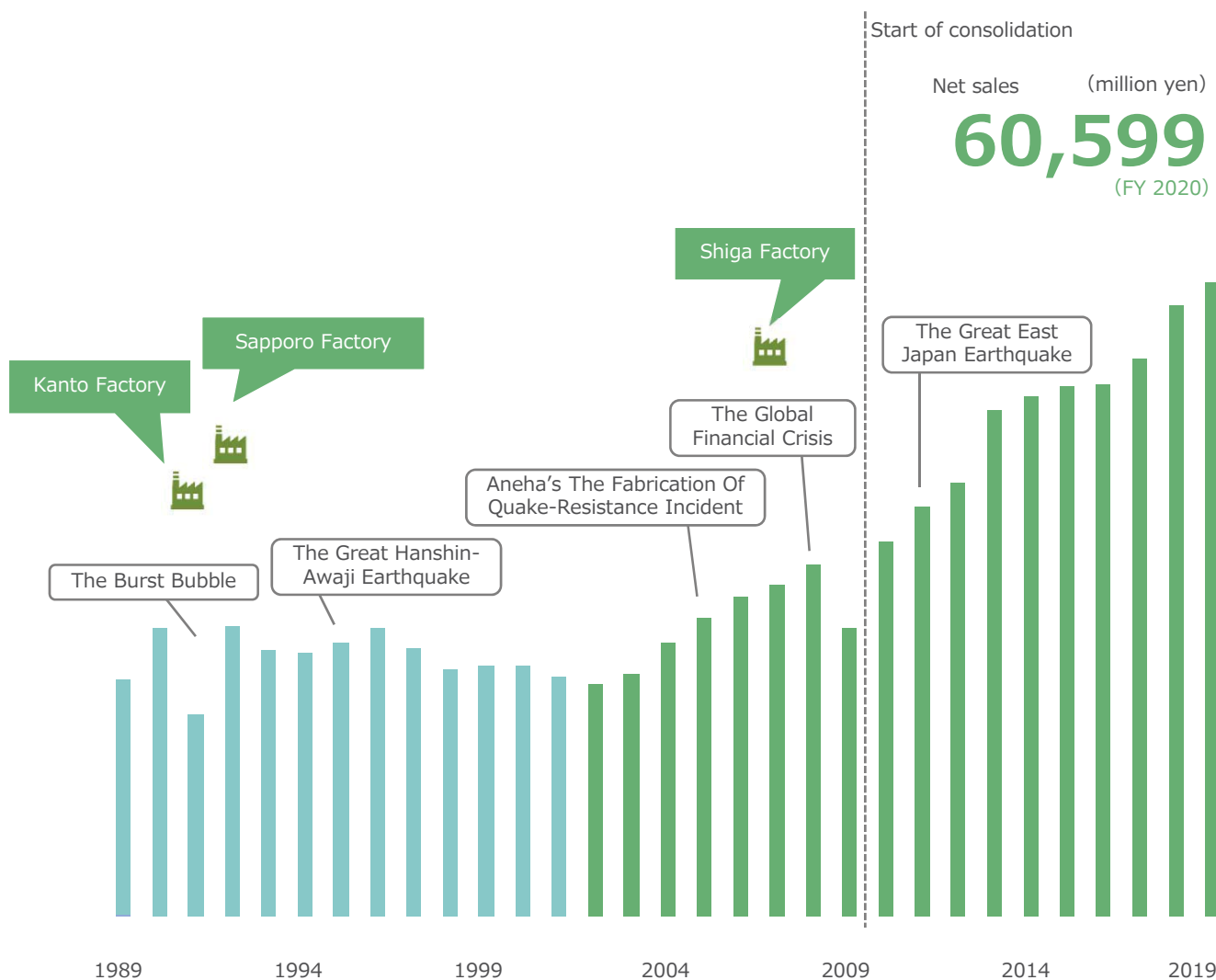
Turn buckles



Wire ropes



Screws



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.

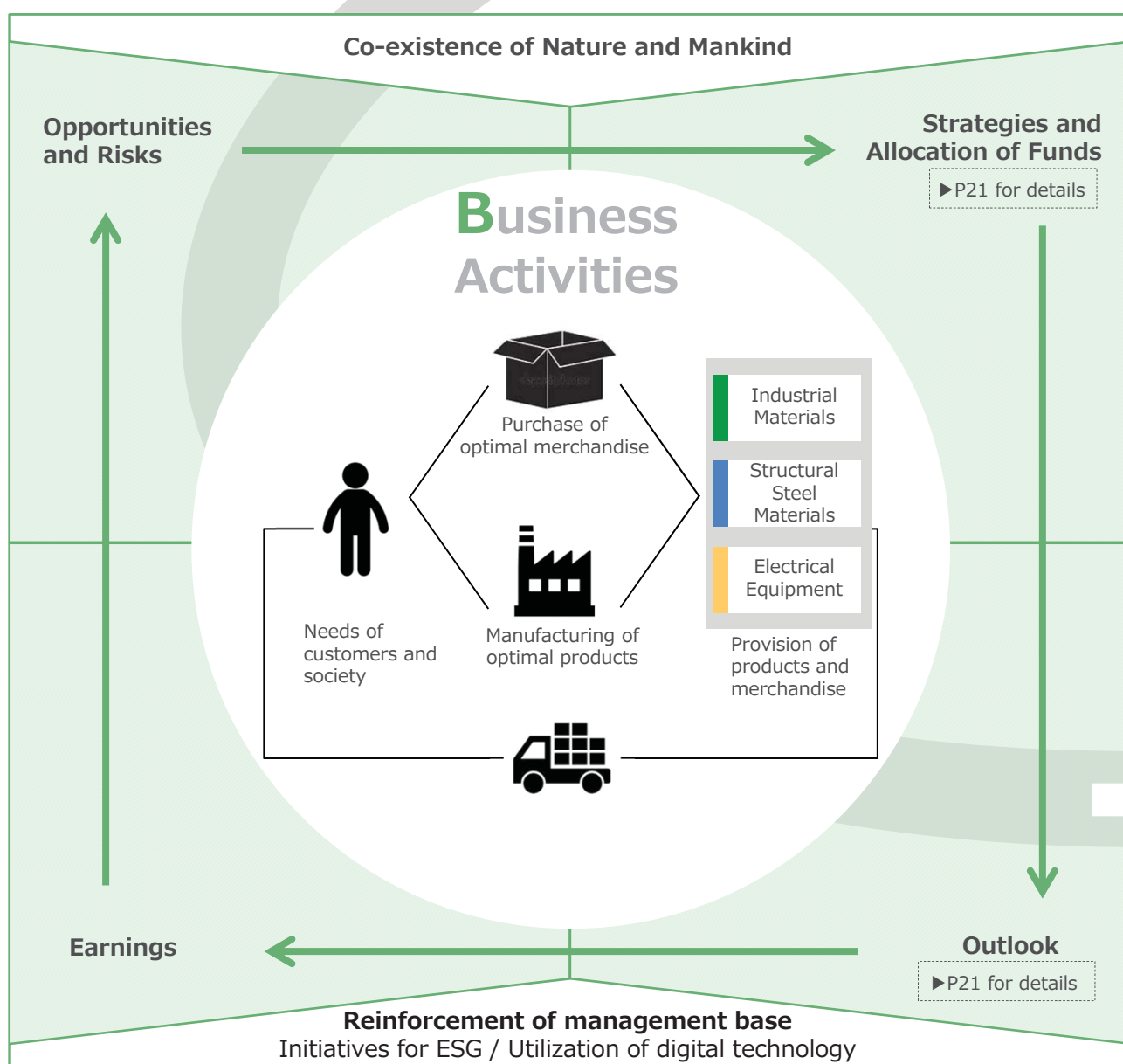
Business Expansion, Entering a new stage by M&A

- 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.

Value Creation Process

Input

F inancial capital	Total cash and deposits: 8,305 million yen (FY 2020)
M anufacturing capital	Number of domestic production factories: 4 place Increase in non-current assets for replacement of production facilities in the manufacturing division: 378 million yen (FY 2020)
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: 1,035 people (consolidated) Holders of internal certified qualification "Lifting equipment advisor" : 56 people ▶P48 for details
S ocial capital N atural capital	Customers: about 25,000 companies (only for KONDOTEC INC., Sanwa Denzai Co., Ltd.) Subsidiaries: 5 companies, Items handled: about 50,000 items, Operating sites in Japan: about 90 offices



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
<div>Industrial Materials</div> <div>► P13 for details</div>	<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
<div>Structural Steel Materials</div> <div>► P15 for details</div>	<ul style="list-style-type: none"> ○ Provides LED/solar power related merchandise ○ Operating site opening plan according to the needs communities
<div>Electrical Equipment</div> <div>► P17 for details</div>	<ul style="list-style-type: none"> ○ 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
<div>Manufacturing division</div> <div>► P19 for details</div>	<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
<div>Headquarters</div>	<ul style="list-style-type: none"> ○ Meeting on complaints, information sharing ○ Enhancement of catalogues ○ Safety measures for employees ○ Promotion of utilization of digital technology

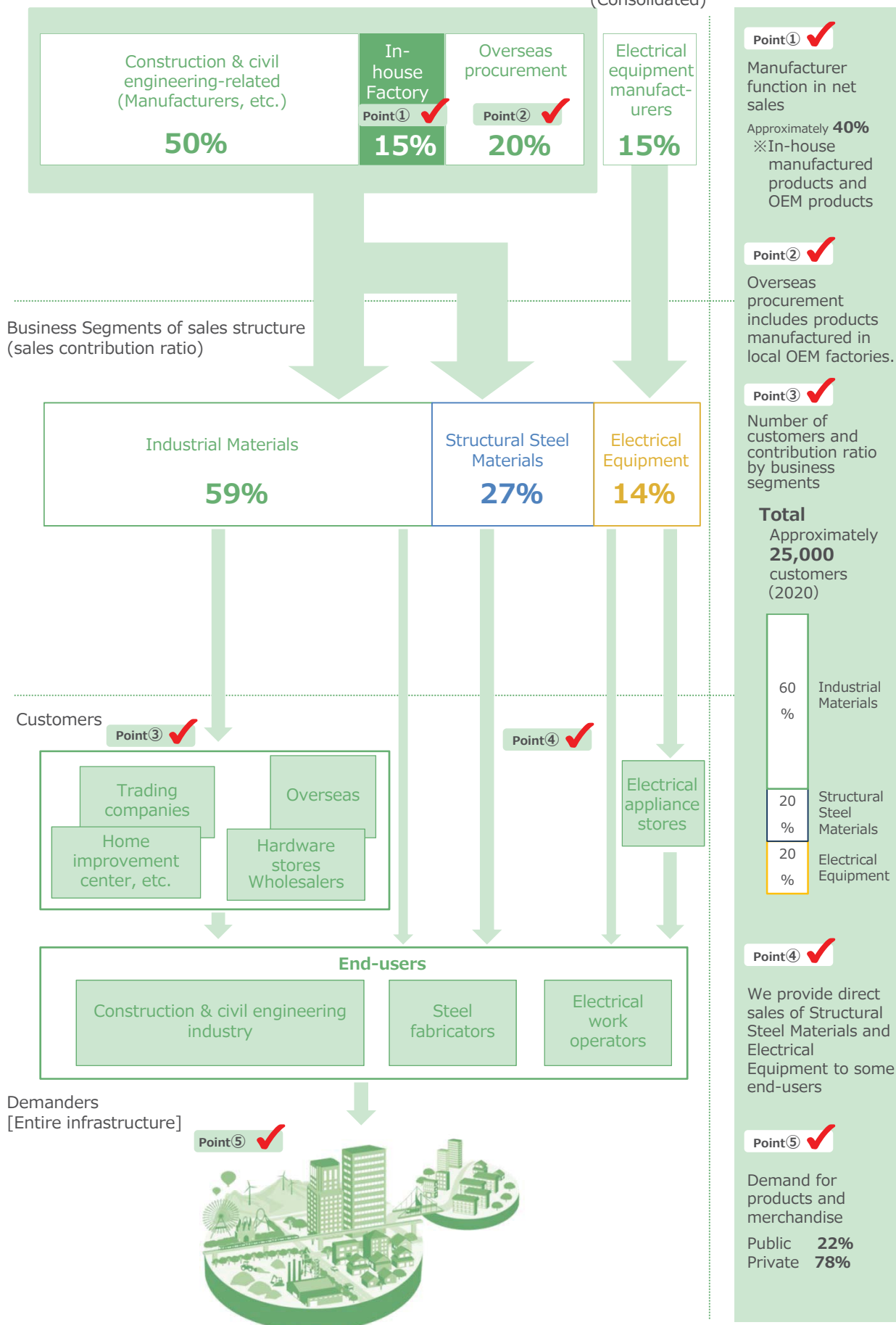
Outcome

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
Relevant S D G s
<div>3 GOOD HEALTH AND WELL-BEING</div> <div>4 QUALITY EDUCATION</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>15 LIFE ON LAND</div>

Business Model

Suppliers

(Consolidated)



■ 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

⇒

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

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 manufacturing sites

■ 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⇒P55, Safety driving initiative⇒P55

■ 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⇒P56
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 65 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 promoting responses to ESG (environment, social and governance) issues will lead to sustainable growth. Accordingly, we have established the ESG Basic Policy in the following sequence to identify the goals to be achieved in each ESG area in management and related issues, and fulfil social responsibilities in management activities.

Materiality was sorted out by considering SDGs [sustainability of global environment, sustainability of human society and elimination of poverty] published in the 2015 Paris Agreement and taking into consideration the relevance to 17 SDGs goals.

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 in ESG and 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 materiality and decided the ESG Basic Policy.

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.



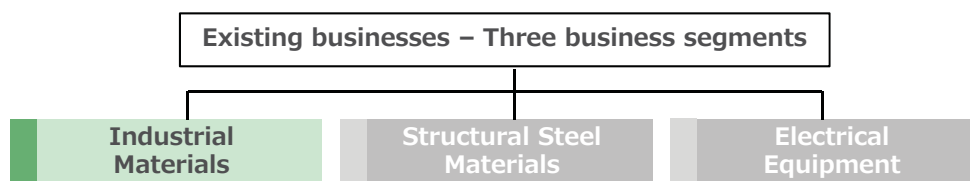
Decision on materiality (key issues) and ESG Basic Policy

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.

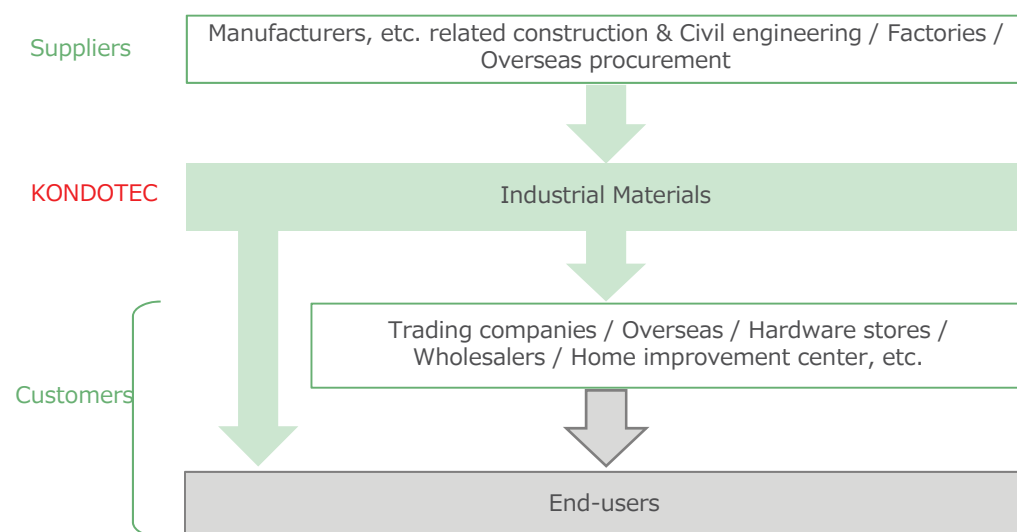
ESG	Materiality		Relevant SDGs
Environment	(1) Provision of optimal products and merchandise for environmental measures	Products and merchandise handled by the Company (Presentation of environment related products and merchandise)	       
	(2) Business activities paying attention to the environment	Initiatives for environmental protection and energy-saving	
		Management of emissions (material balance)	
Social	(1) Product liability and quality assurance	Quality control of products and merchandise	        
		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	
	(3) Communication with shareholders and investors	Engagement with shareholders	
	(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	
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. , TECBUILD CO., LTD. and TOKAI STEP CO., LTD. *¹ are included.

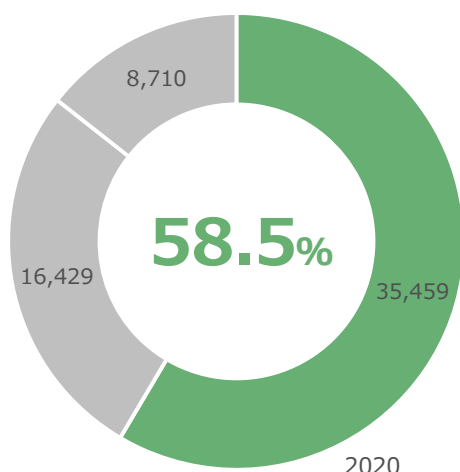


Number of operating sites	KONDOTEC INC. 30 operating sites (Subsidiaries) KONDOTEC INTERNATIONAL (THAILAND) CO., LTD. CHUOH GIKEN Co., Ltd. 2 operating sites TECBUILD CO., LTD. 20 operating sites TOKAI STEP CO., LTD. 11 operating sites
Number of customers	Approximately 15,000 companies
Number of new customers* ²	1,523 customers
Net sales of new customers* ²	1,104 million yen
Characteristics	<ul style="list-style-type: none"> • Wide range of products and merchandise handled; stable performance • Earnings driver

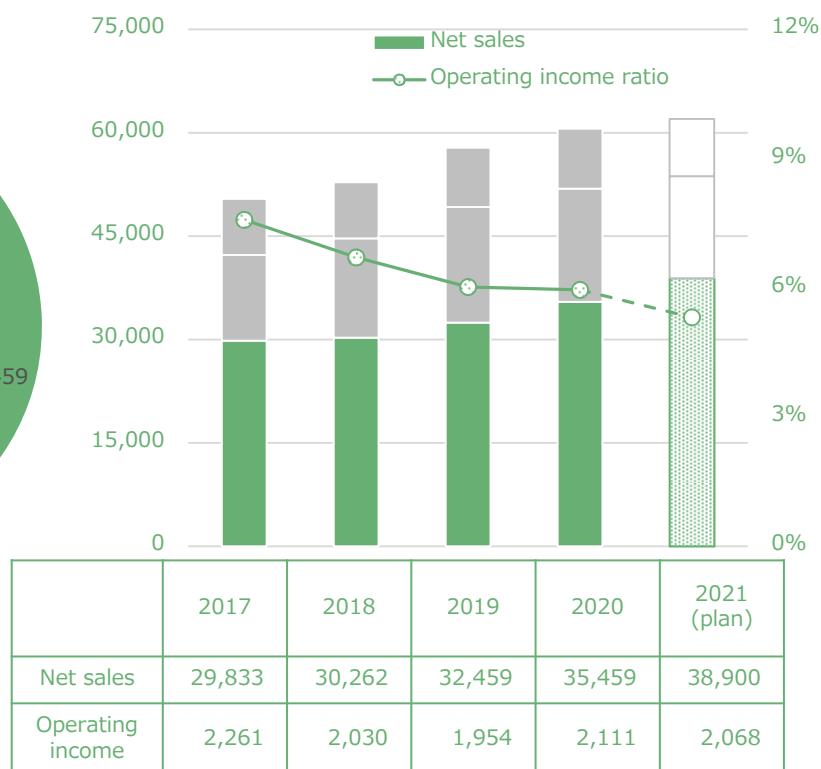
*¹ TOKAI STEP CO., LTD. is included in the consolidated results only for BS in FY 2020, and for both BS and PL from FY 2021.

*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, 2020

Segment sales came to 35,459 million yen (+9.2% year on year) due to sales of TECBUILD CO., LTD. which we made a consolidated subsidiary in the year ended March 2019. In terms of profit, gross profit ratio improved due to passing on the increased manufacturing costs and procurement costs to selling prices, in

addition to increased revenue, despite increased personnel expenses and higher selling, general, and administrative expenses associated with making TECBUILD CO., LTD. a consolidated subsidiary. Consequently, operating income came to 2,111 million yen (+8.0% 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 expansion of synergies with group companies, which have strengths in the maintenance/repair field, enhancement of EC sites and spread of the KONDO brand overseas, among others.

By taking these initiatives, we aim to achieve net sales of 38,900 million yen for the year ending March 31, 2021 due to sales of TOKAI STEP CO., LTD. which we made a consolidated subsidiary in the year ended March 2020. For operating income, we plan on 2,068 million yen considering price competition due to COVID-19 infection.

Risks

- Dependence on public investments and private capital investments
- 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.

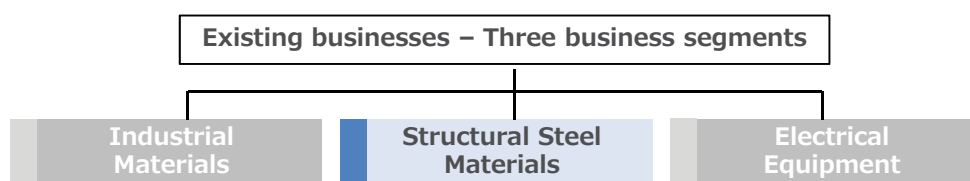
- Dependence on imported merchandise and FX fluctuation

While having been increasing the procurement of imported merchandise from overseas, such as China,

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 an impact on the operating performance and financial position of the segment.

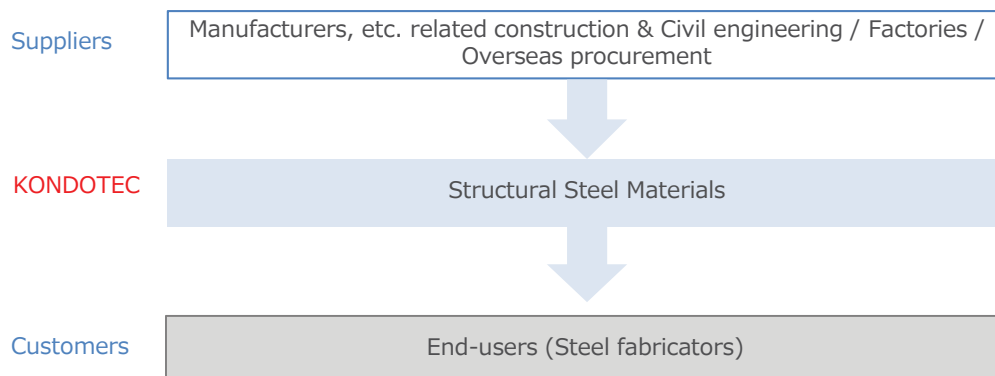
- Price competition
- Impact of fluctuation in product markets

P16 Risks
P16 Risks



■ Structural Steel Materials

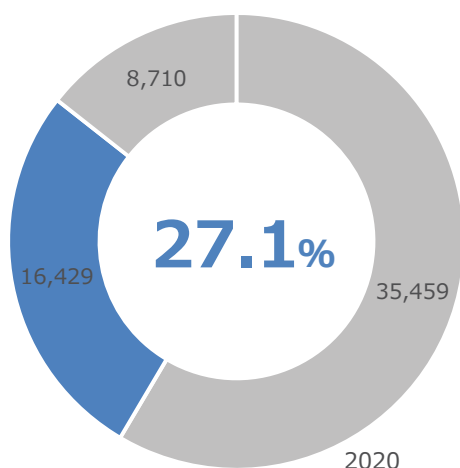
We manufacture, procure, and sell construction-related materials for steel fabricators.



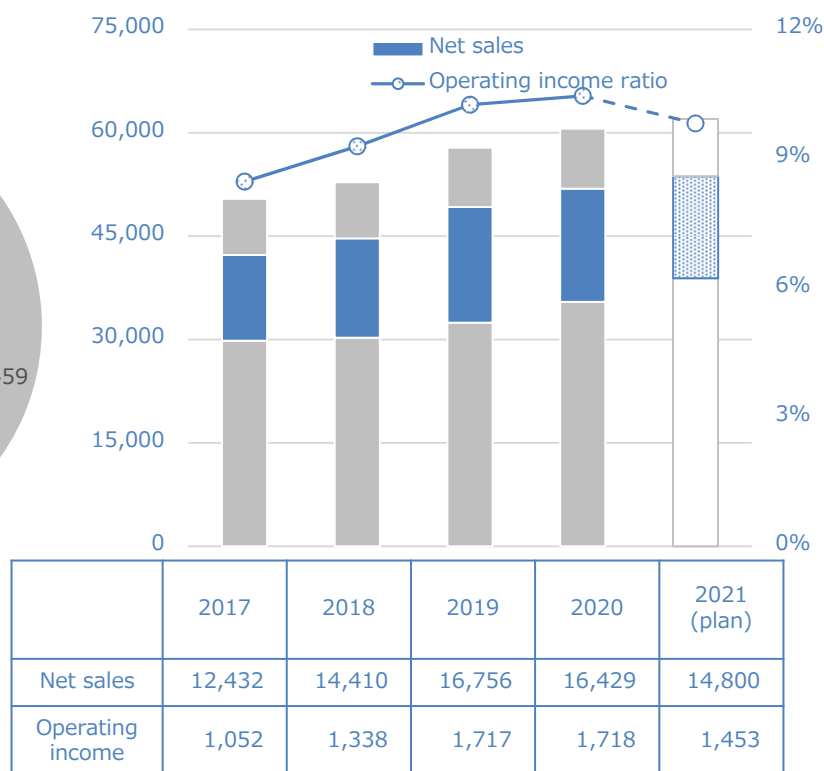
Number of operating sites	KONDOTEC INC. 17 operating sites
Number of customers	Approximately 5,000 companies
Number of new customers*	667 customers
Net sales of new customers*	934 million yen
Characteristics	<ul style="list-style-type: none"> • Operating performance increases/decreases in connection 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, 2020

Segment sales came to 16,429 million yen (-2.0% year on year) on the severe sales of steel frame materials, anchor bolts, braces, due to difficulty in procuring some materials. In terms of profit, operating income came to 1,718 million yen (+0.0% year on year) as a result of the

improvement in gross profit ratio due to passing on the increased in manufacturing costs and procurement costs to selling prices, despite increased in selling, general and administrative expenses, in particular personnel expenses.

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

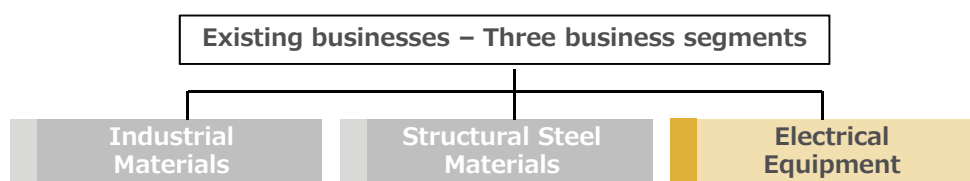
expanding businesses, strengthening sales of major products centered on factory products and expanding sales of products and merchandise in line with the need to respond to labor shortages. For the year ending March 31, 2021, we aim to achieve net sales of 14,800 million yen due to COVID-19 infection. For operating income, we plan on 1,453 million yen due to the expected increase in various costs, such as manufacturing costs and freight 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 an impact on the operating performance and financial position of the segment.

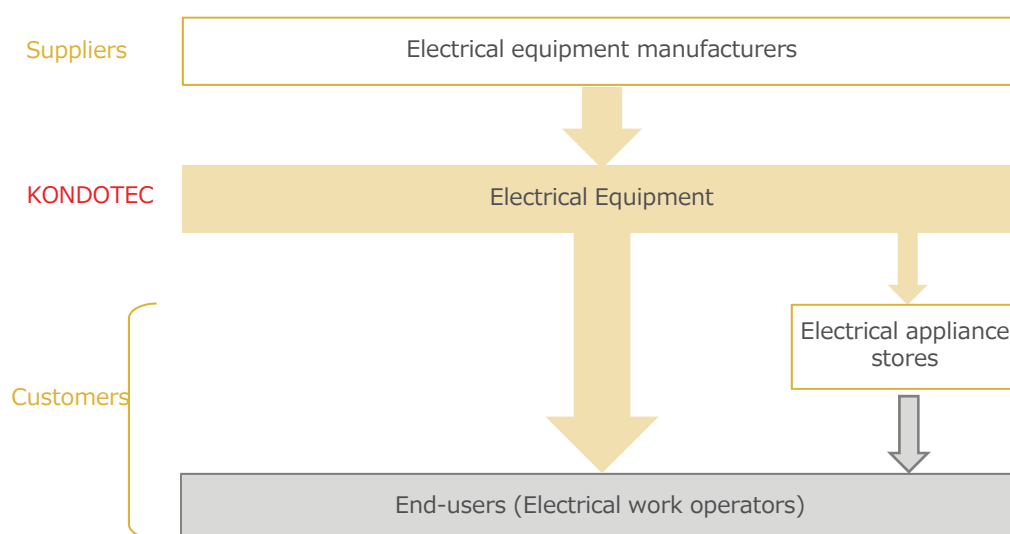
- Impact of fluctuation in product markets
Procurement prices of main raw materials for the products of the segment tend to fluctuate depending on the demand & supply trends of steel materials. Fluctuations in the steel materials market may have an impact on the operating performance and financial position of the segment.

- Dependence on public investments and private capital investments ▶ P14 Risks



■ Electrical Equipment

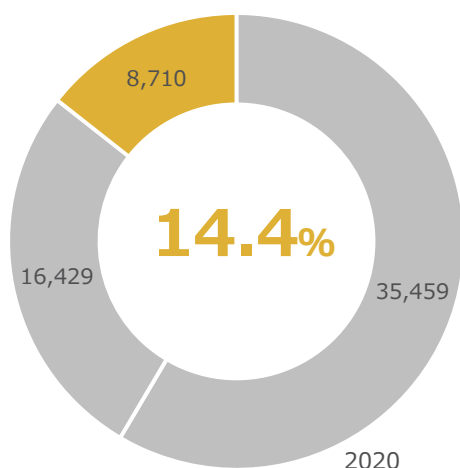
We procure and sell electrical equipment to electrical work operators engaged in construction of houses, buildings, facilities, factories and other structures and to electrical appliance stores. This business is handled by a consolidated subsidiary, Sanwa Denzai Co., Ltd.



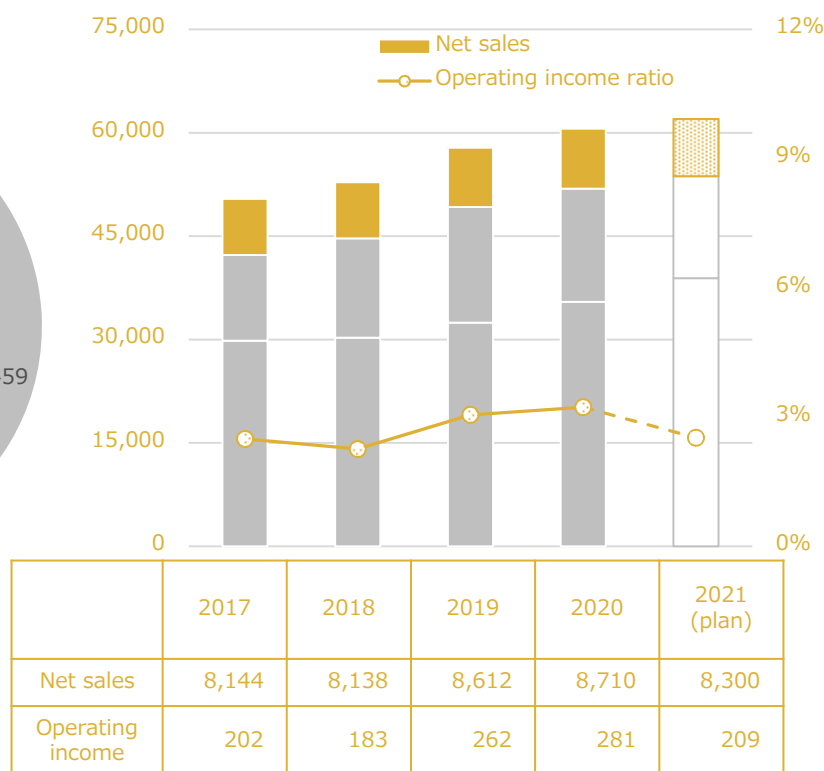
Number of operating sites	(Subsidiary) Sanwa Denzai Co., Ltd. 13 operating sites
Number of customers	Approximately 5,000 companies
Number of new customers*	238 customers
Net sales of new customers*	542 million yen
Characteristics	<ul style="list-style-type: none"> • Merchandise handled are mainly electrical 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)



Overview of the Year Ended March 31, 2020

Segment sales came to 8,710 million yen (+1.1% year on year) on firm sales of air conditioners for commercial facilities, factories and primary and junior high schools due to high temperatures across the country last year, and on strong sales in orders related to detached housing and condominiums, despite falling orders related to large electrical works. In terms of

profit, operating income came to 281 million yen (+7.1% year on year), as a result of the improved gross profit ratio through efforts to engage in marketing conscious of profit margins and reducing procurement costs, despite increased in selling, general and administrative expenses, in particular personnel expenses.

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 factory facilities projects and renovation projects were expected to be solid, we will make efforts to attract factory facilities projects, new and dormant customers to ensure bringing in orders and increasing net sales.

To achieve incremental growth, we will strengthen our construction functions and the structure of divisions for housing-related facilities and systems, housing manufacturers, and construction materials, and enhance merchandise handled.

We plan on achieving net sales of 8,300 million yen and operating income of 209 million yen for the year ending March 31, 2021 due to the COVID-19 infection.

Risks

• Dependence on public investments and private capital investments (in Tokai area) ▶ P14 Risks

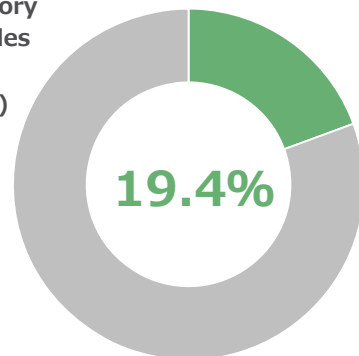
• Price competition ▶ P16 Risks

■ Functions as a manufacturer (Roles of factories)

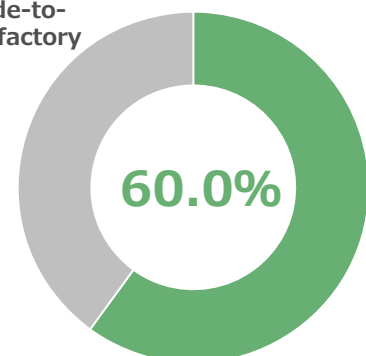
With a view to promoting a local community-oriented sales structure, the Company, as a wholesale company with a manufacturing function, maintains four factories in Japan and makes an effort to pay careful attention to customer feedback in distributing products.

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)
(2020)

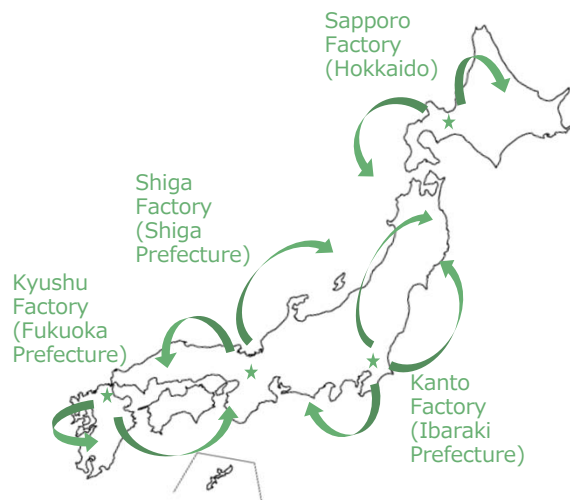


Percentage of made-to-order products to factory products



■ 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 all component parts at factories, and by not using outsourced parts, we are expanding production capacity and aiming 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.

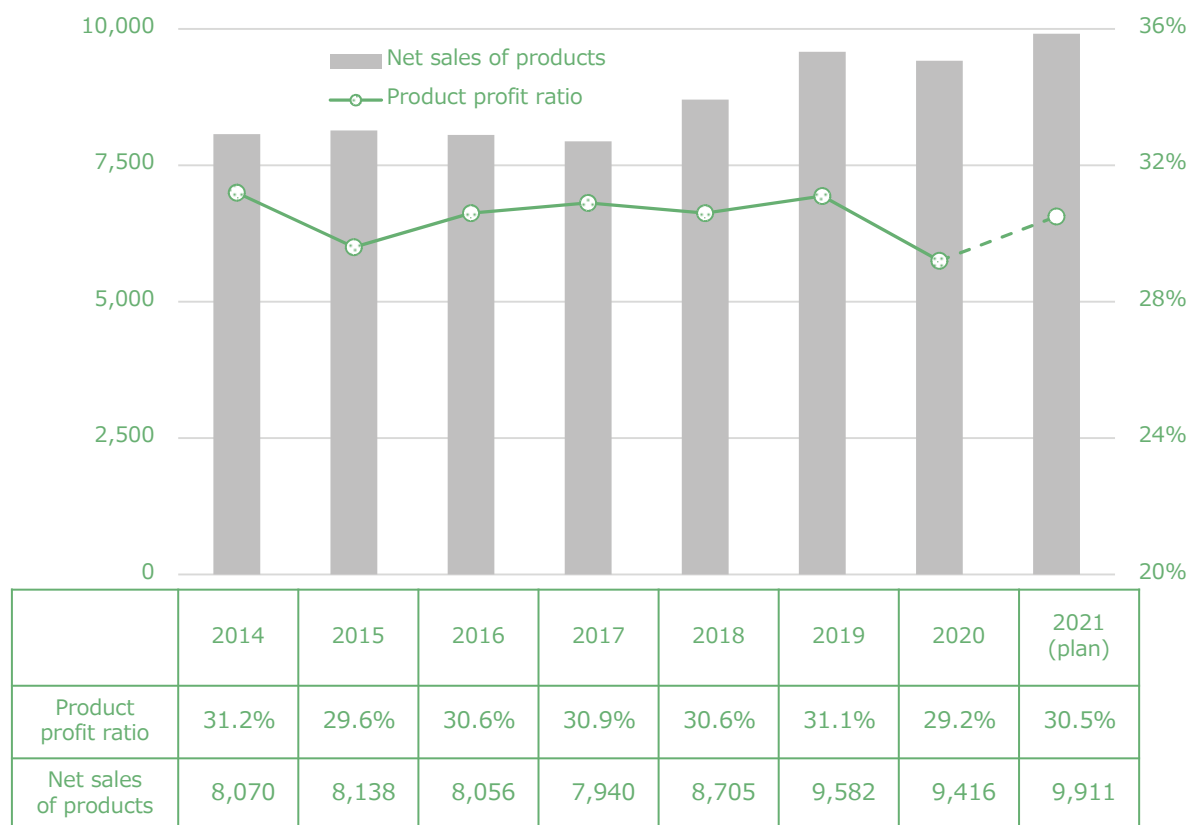
Pursuing the safety of products

The Company is a brace manufacturer that all 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.

▶ P45, P46

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.

▶ P50

■ 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.

▶ P47

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



What The Group Can Do in the 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 evolve.

President and Representative Director Katsuhiko Kondo

■ Our strengths based on our corporate philosophy

Our corporate philosophy (P.8) incorporates the three major themes of “nurturing our employees”, “innovative and pioneering way” and “contribution to the creation of an affluent society.” With this corporate philosophy as the pillar, we are engaged in activities while utilizing our strengths, aiming “To realize a safe and secure society.”

Compiling our strengths, we can first mention that we have many products and merchandise in a wide range of fields. No other companies in the industry can emulate us for the breadth of products and merchandise handled. Some of our other strengths include the following:

- All operating sites fully equipped with warehouse, enabling us to immediately deliver from inventories at the nearest operating site possible even if supply chains to deliver products and merchandise are cut off due to a disaster.
- Employees with expert knowledge engaged in

face-to-face marketing activities to as many as 25,000 customers across the country.

- Having manufacturing functions and the capability of making products by ourselves
- Capable of procuring in line with needs from all over the world.
- Having no problem with hard-to-handle products and merchandise that are non-standard items, i.e., long items and heavy items, among others.

In addition, there are not many companies that can distribute such products and merchandise across the country at low cost, while there are even fewer companies that can combine that with the above-mentioned strengths.

We are striving “To realize a safe and secure society” with the marketing pillars of letting our customers know our strengths, strongly presenting our unique presence, and leading transactions with us to improve mutual interests.

■ To Prepare for the Age of Change

Twenty-five years have passed since the occurrence of the Great Hanshin-Awaji Earthquake. In our industry, it led to the recognition of the importance of anchor bolts again, paving the way for the current JIS standardization. Every time an earthquake or disaster occurs, the importance of products and merchandise handled increase, and at the same time, we strongly feel the social responsibility to renew our determination to fulfil our role steadfastly.

Even after the change to a new era from Heisei when there were many large earthquakes and disasters, it is becoming the norm to have natural disasters larger than we have expected before, such as heavy rains. In 2020, furthermore, the COVID-19 infection has placed us in confusion all over the world.

In the coming age, it will be important to be prepared from usual, recognizing that a peaceful and happy life cannot be obtained by wishing for it but must be obtained by ourselves. The

Company will develop business models to remain an evolving company in the age of change without being constrained by the existing businesses, while being ready to deal with disaster situations, etc., such as by stockpiling emergency materials including tarpaulins and sandbags needed at the time of natural disasters based on the existing business strategies. Recent initiatives include the launch of new products with labor-saving or weight reduction suitable for work-style reforms, and improvement in technologies such as automation, mechanization, etc., by group companies that specialize in inspection tools and image processing. Moreover, we will strive to contribute to efforts “To realize a safe and secure society” required in a new era by cooperating with Group companies that engage in scaffolding construction service as an expansion of business into the maintenance/repair field, which is expected to see higher demand going forward in addition to the construction of new buildings.

■ 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 to strengthen those other than the existing businesses.

Organic growth is the strategy that has established KONDOTEC's earnings base to date, while the Company has developed its businesses in its history of more than 65 years with the strength of responding flexibly to changes of the time.

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.

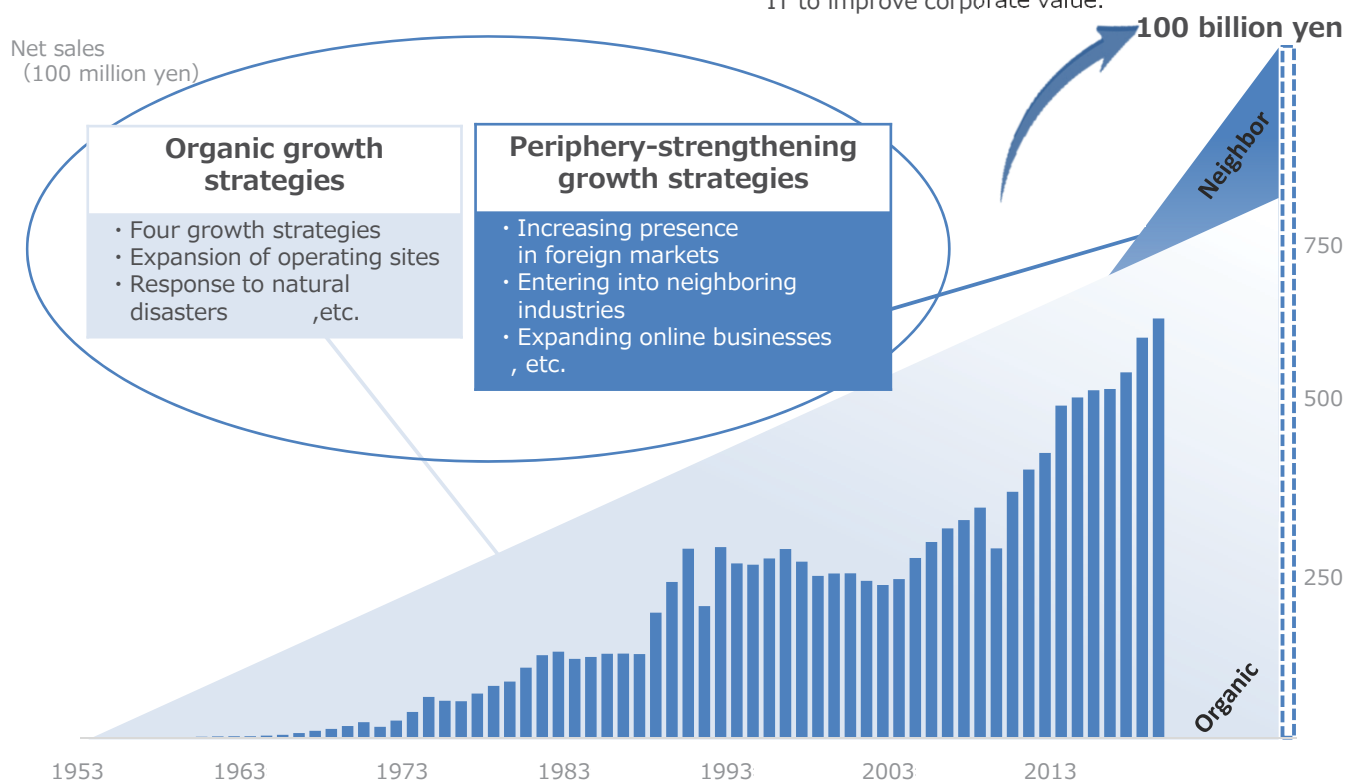
Going forward, we will continue improving sensitivity to the needs of society, while differentiating ourselves from other companies by implementing the above growth strategies and M&As, aiming for net sales of 100 billion yen in the 2020s.

Initiatives Going Forward

As specific initiatives in each segment going forward, for industrial materials, we will engage in expanding business in the maintenance/repair field centered on Group companies, enhancement of EC sites and spread of the KONDO brand overseas, among others, in response to the business environment including the increase in demand for maintenance/repair construction work in response to the aging of social infrastructure, expansion of online sales, and the increase in infrastructure development in the ASEAN region. For structural steel materials, we will open new operating sites and boost sales of products and merchandise in line with the need to deal with labor shortages in response to the business environment of demand in regions without our operating sites and labor shortages in construction work sites, among others.

For electrical equipment, we will strengthen our construction functions and the structure of divisions for housing-related facilities and systems, housing manufacturers, and construction materials and enhance merchandise handled, in response to the business environment such as factory facilities projects and renovation projects which are expected to move solidly.

Moreover, initiatives for digitalization in Japan are said to be behind those in the U.S. and Europe in recent years. While engaging in online sales through e-commerce, etc., we are also in the process of developing initiatives for IT toward further expansion of our business. In such circumstances, the Company launched the DX Promotion Project Team in the last fiscal year. Through the promotion of DX, we will actively explore the construction of business models using IT to improve corporate value.



KONDOTEC

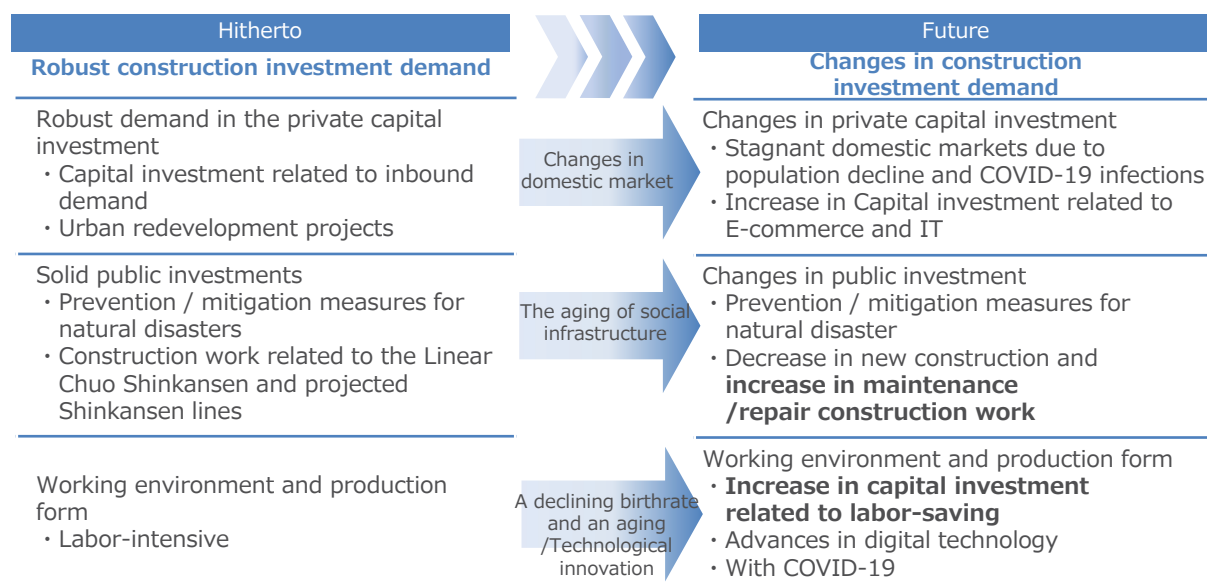
VISION

Growth strategy of
KONDOTEC

Medium-term Management Plan

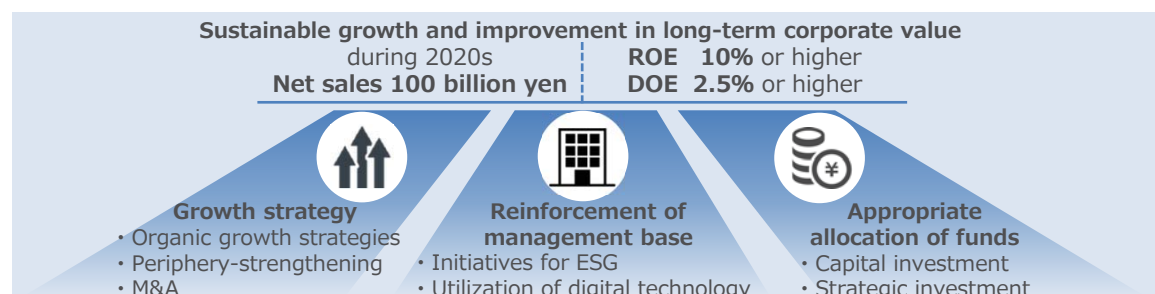
■ Recognition of the Business Environment

So far, capital investment related to inbound demand and urban redevelopment projects had continued. We assume that in the future, in the short term, there will be a temporary decline in capital investment due to COVID-19, and in the medium to long term there will be various demands for construction investment, but the content will change.



■ 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》

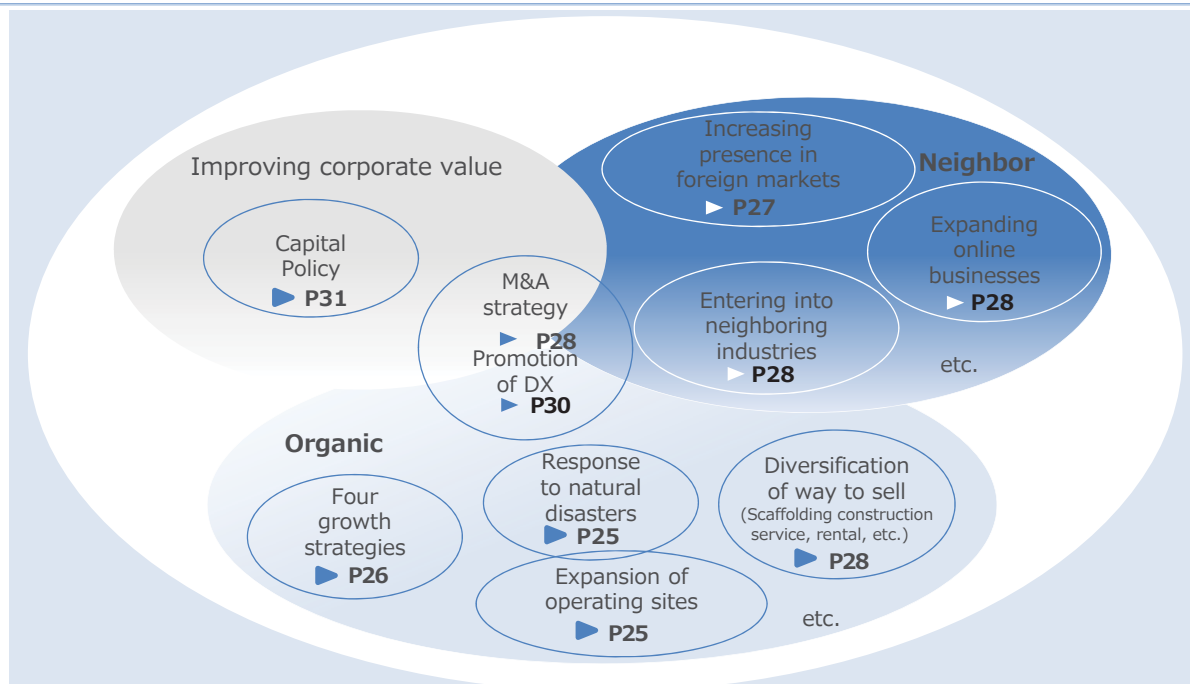
We will aim to achieve increase in net sales and income by financial target based on the existing sales structure

Consolidated target (million yen)	2020 (Actual)	2021 (Plan)	2023 (Plan)
Net sales	60,599	62,000	67,000
Operating income	4,085	3,700	4,350
Ordinary income	4,177	3,800	4,420
Profit attributable to owners of parent	2,875	2,500	2,940

*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 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. ▶ P54

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 affect earnings.

* 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.

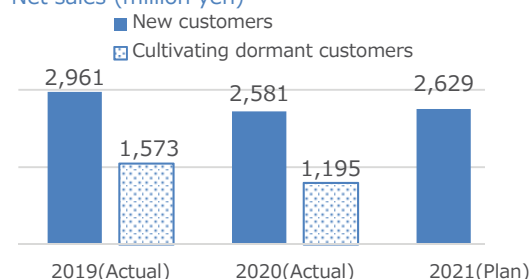
① Cultivation of new customers

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 KT suspension balance in 2018 (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)



The KT suspension balance

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



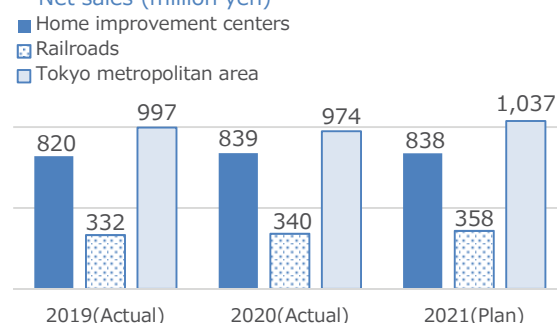
Catalog of materials to prevent damage from wildlife, and agricultural equipment

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 an 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 or legal environments, 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.

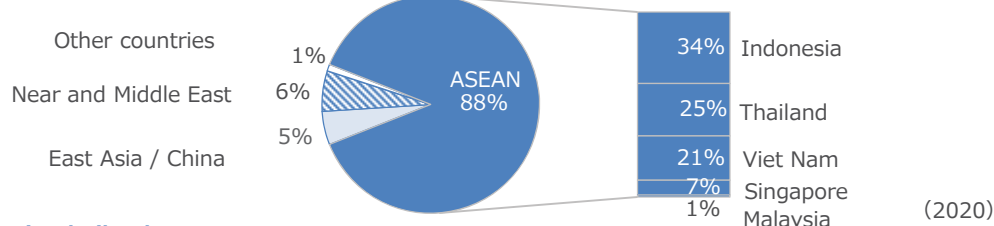
* Response to the risks ▶ P10 Strength in customers

KONDOTEC INC. and overseas expansion

While the planned figure for net sales from overseas business in the year ending March 31, 2021 is 341 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

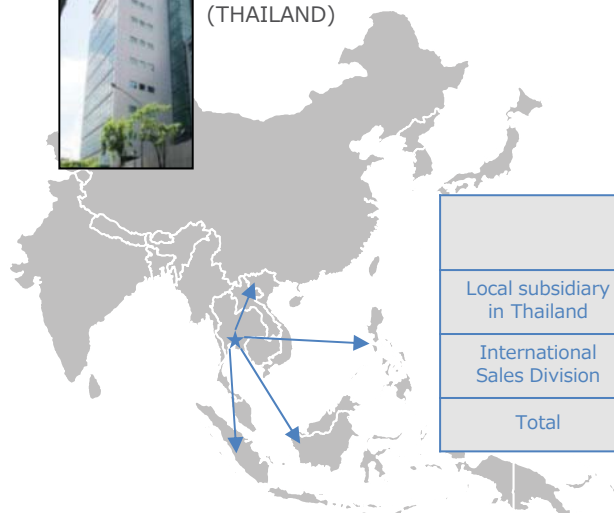


Subsidiary in Thailand

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



KONDOTEC
INTERNATIONAL
(THAILAND)



Net sales of overseas business (million yen)

	2019 (Actual)	2020 (Actual)	2021 (Plan)
Local subsidiary in Thailand	299	289	293
International Sales Division	44	37	48
Total	343	327	341

*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 acquired TECBUILD CO., LTD. and TOKAI STEP CO., LTD. in 2019 and beyond 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. ▶ P47, P50

Risks

A substantial change in economic conditions and unexpected events may affect earnings and the financial position of the KONDOTEC group, although we examine the acquisition of companies and capital/business alliances using multiple indicators and standards, while considering the market environment, etc., we are placed in.

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

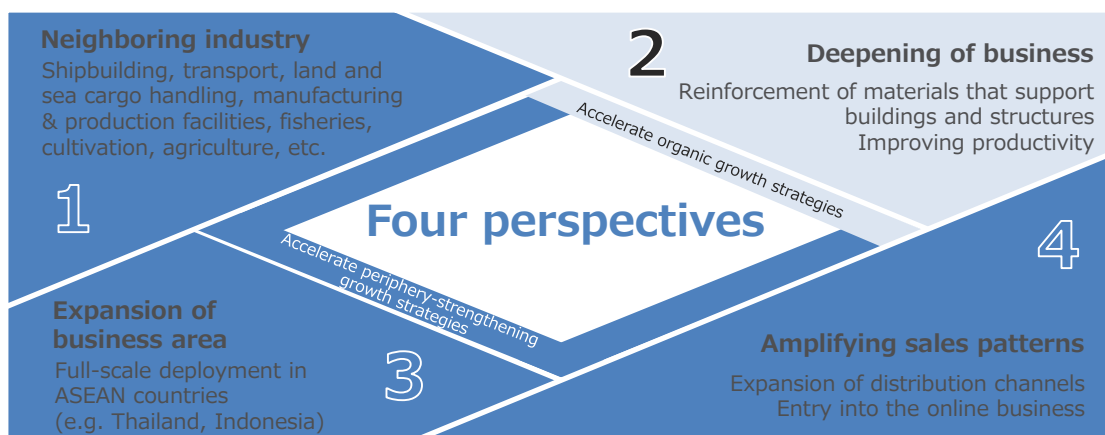
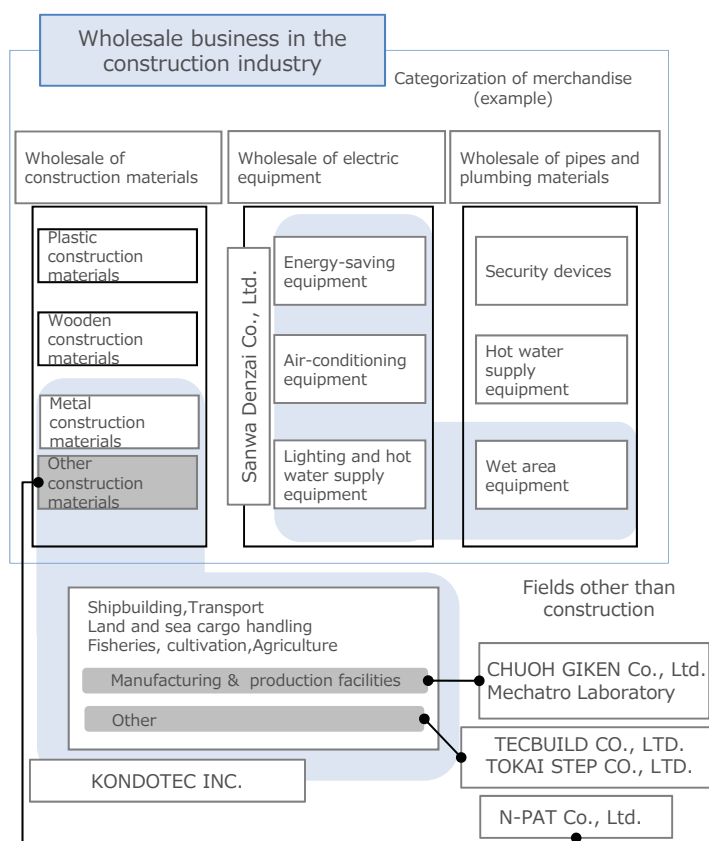
Pursue M&A with material manufacturers, etc.
Actual case: CHUOH GIKEN Co., Ltd.
TECBUILD CO., LTD.
TOKAI STEP CO., LTD.

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,

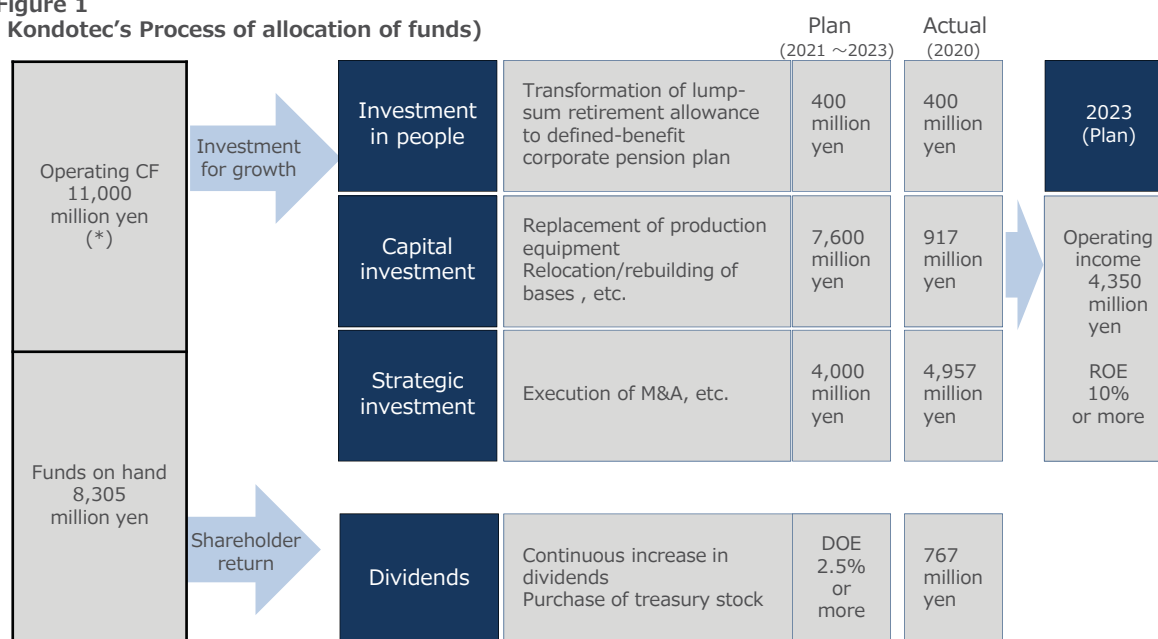
using DOE as the indicator.

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 6.4% for the year ending March 31, 2021.

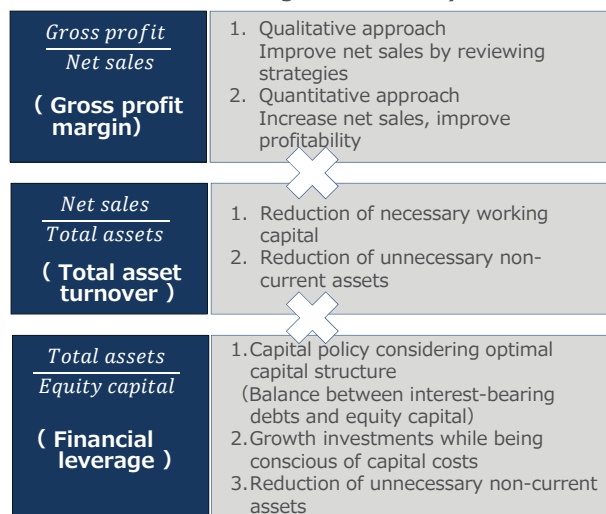
As a result of these initiatives, an improvement in ROE will be required. Accordingly, we aim for an ROE of 10% or more as the capital efficiency target, aiming to improve ROE from the perspective of Figure 2, which structurally breaks down ROE.

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



(*) Temporary increase in contributions due to the transformation of lump-sum retirement allowance to defined-benefit corporate pension plan is not included.

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



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



Tomoya Ando
Vice President and Director, General Manager of Management Headquarters and Manager of General Affairs Division 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. (He is concurrently serving as Part-time Director of Subsidiaries.)

Digital and human resources are mutually enhanced under the KONDO brand

Entering 2020, when people were expected to be buzzing with life all over Japan from hosting the Tokyo Olympic and Paralympic Games, the spread of COVID-19 suddenly changed the economic environment. Amid an uncertain outlook, the Company is doing "What we can do now." First, IT investment. I feel that the COVID-19 infection is highlighting the online systematization of various activities, making IT investment essential to improve corporate value going forward. In 2019, the Company established the DX Promotion Project Team to promote DX (Digital Transformation). With this Project as the pillar, we are striving to construct business models using IT. Recently, we have introduced an RFID tag (noncontact automatic recognition function) to make inspections of products and merchandise easy, among other initiatives.

Moreover, we cannot neglect human resources in promoting digital initiatives. For reforms in response to the age of change, we are focusing on recruiting and developing human resources who will play key roles for future growth. Even amidst the COVID-19 infection, we do not intend to stop recruiting or engaging in recruiting activities to the extent possible. The Company has been conducting year-round recruitment, without limiting itself to new graduates. As a result, we see many personnel with various careers and experiences joining the Company. My theory is that we will have many applicants as a matter of course if we are a "Company that shows growth prospects for the future" and a "Company where employees are working enthusiastically." We are striving to recruit personnel who will support the Company's growth together, by making them understand the motivations of our employees to work.

As for the development of human resources, we are actively conducting various training, having introduced training to implement corporate reforms including digital utilization and new business development, in addition to training for young employees, middle class, and supervisors.

We believe that such seeds of digitalization and human resources we are currently planting will lead to the growth of KONDOTEC in 10 or 20 years.

Current position of KONDOTEC

During our IR activities several years ago, an individual investor asked us if there was a specific long-term target, which hit me hard. Since around that time, we have been targeting net sales of 100 billion yen in the 2020s, which the Company is currently striving to achieve. For the year ended March 31, 2008, when I joined the Company, net sales were 31.4 billion yen. For the year ended March 31, 2020, net sales became 60.5 billion yen, almost doubling. We will continue implementing growth strategies, striving to achieve 100 billion yen.

Moreover, we believe that M&A is essential to accelerate the growth of the Company. We list four perspectives as the M&A strategy. With these perspectives as pillars, we are actively considering companies that are expected to generate synergies, while conscious about capital costs. Recently, we acquired TOKAI STEP CO. LTD. in February 2020, aiming to generate synergies with our subsidiary TECBUILD CO. LTD.

Along with improving earnings, we are focusing on IR to improve corporate value. As an example of outside evaluation, the Company was selected as a "Future Blue Chip" in 2019 by Nikkei Corporate Information PREMIUM, a paid stock information site. We feel that the Company was selected because it was expected to grow, as well because of the implementation of various growth strategies and its continued record highs through increased revenue and profit for eight consecutive terms.

In terms of the Company's stock price, however, the Company ranks 1,185th in profit among listed companies, while 1,562nd in market capitalization. This data indicates the latter rank does not match the one for profit. Going forward, aiming to achieve appropriately evaluated corporate value, we will continue disseminating the attractiveness of the Company through IR.

Going forward, in accordance with the allocation of funds based on financial strategies, we will continue steadily implementing growth strategies to build KONDOTEC, which will be positively evaluated by stakeholders including investors.

Improving corporate value

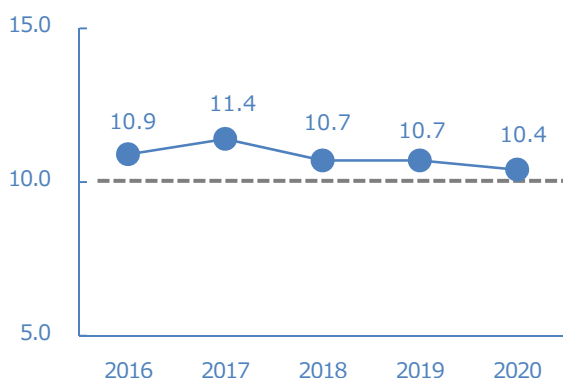
■ Capital policy

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, 2020 is set at 6.4%; 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 (%)

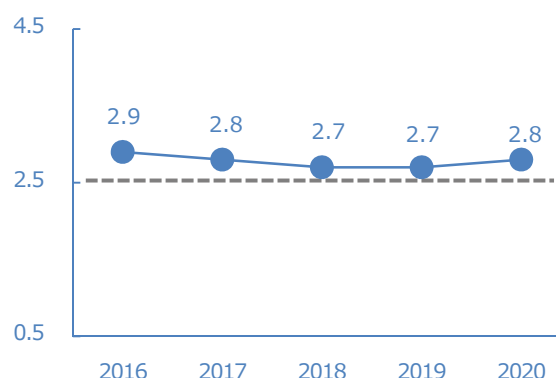
Target: **10% or more**



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.

Actual DOE (%)

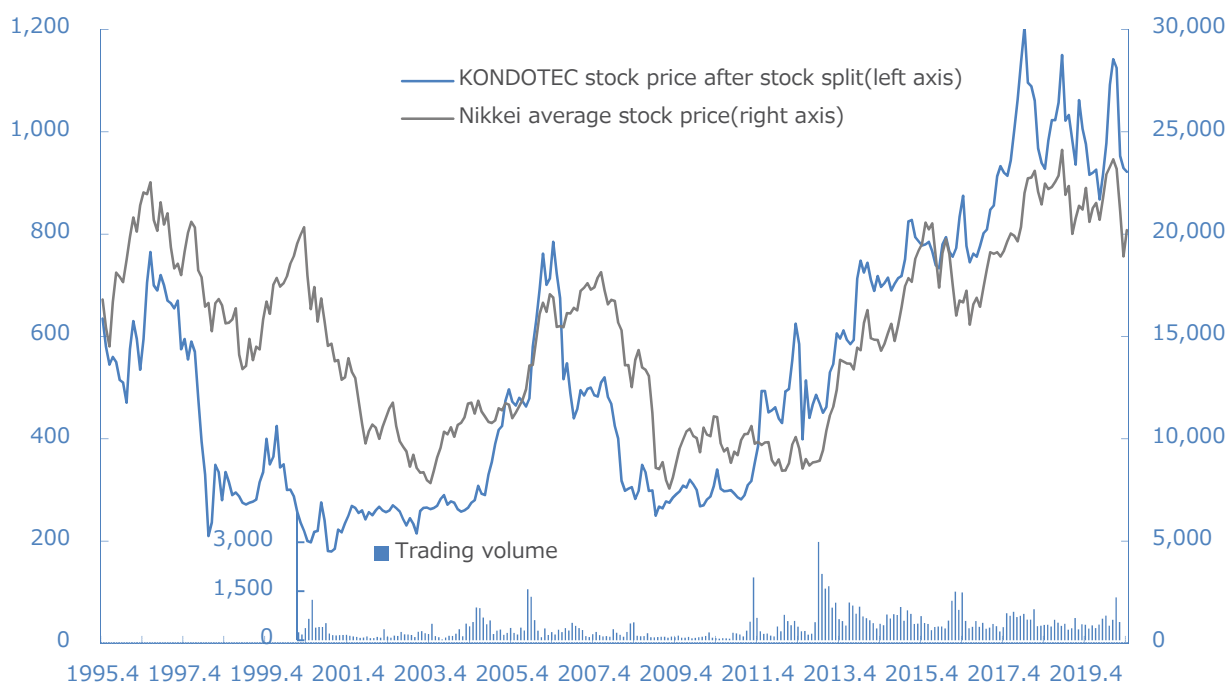
Target: **2.5% or more**



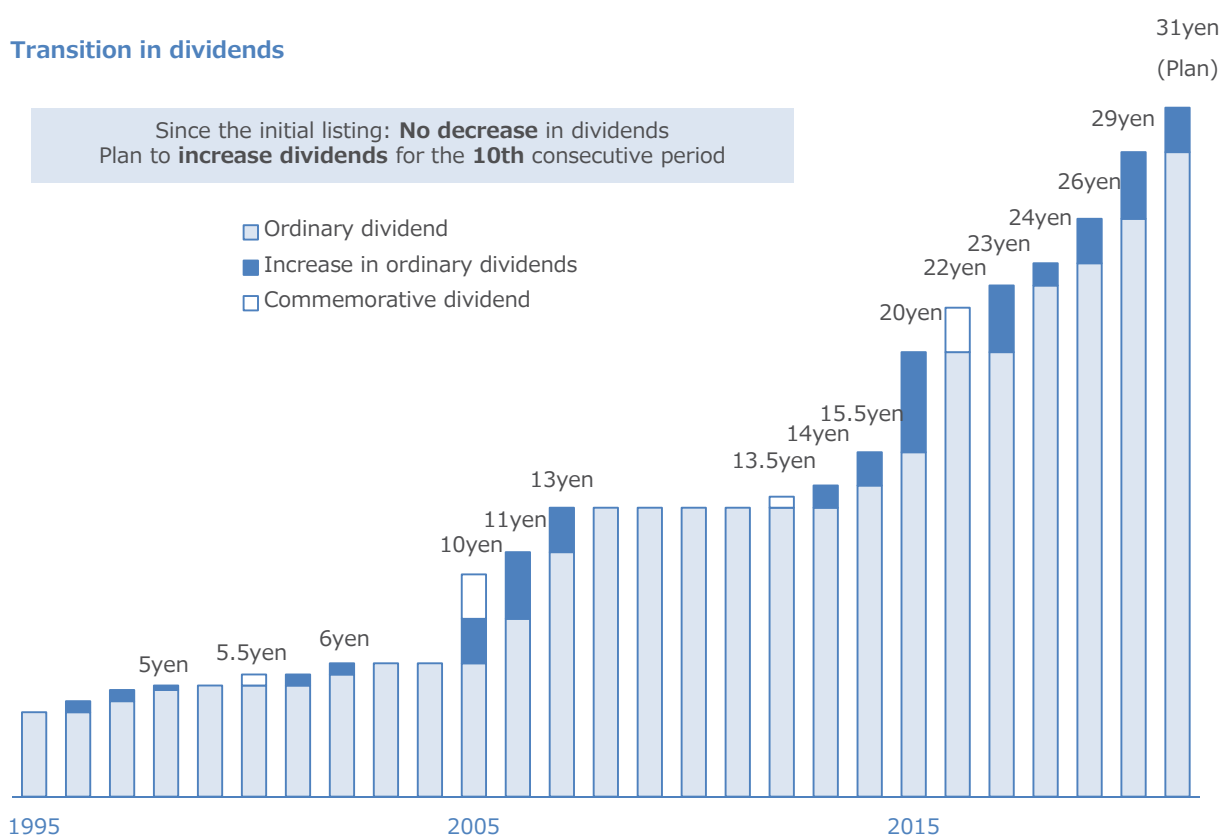
Moreover, the target DOE of 2.5% or more can be achieved if profit and dividends increase 10% every fiscal year (Equity capital is assumed to be increased by the amount of profit in the previous year).

Capital cost (Based on actual figures in 2020) **6.4%**

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 scheduled September 2020.

Latest acquisition of Treasury Stocks

Number of shares can be acquired	800,000 shares (maximum)
Acquisition price	800 million yen (maximum)
Acquisition period	November 8, 2019 through September 30, 2020

■ Dividend yield

Closing price on March 31, 2020: **929 yen**

Dividend yield	3.1%
Dividend yield including shareholder incentives	~4.1%

■ 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

	2016	2017	2018	2019	2020	2020
■ Results of Operations (million yen and Thousand U.S. dollars)						
Net sales	¥50,211	¥50,410	¥52,811	¥57,828	¥60,599	\$556,831
Ordinary income	3,544	3,614	3,655	4,023	4,177	38,388
Profit attributable to owners of parent	2,239	2,497	2,523	2,748	2,875	26,421
Capital investment	842	695	423	2,455	5,560	51,097
Depreciation	405	438	423	404	697	6,413
※1 EBITDA	3,910	4,052	4,079	4,425	4,916	45,176
■ Financial Position (million yen and Thousand U.S. dollars)						
Total assets	¥34,645	¥36,524	¥39,313	¥43,820	¥46,335	\$425,762
Net assets	21,102	22,719	24,745	26,756	28,387	260,842
Interest-bearing debt	508	501	500	853	1,106	10,164
■ Cash Flows (million yen and Thousand U.S. dollars)						
Cash flows from operating activities	¥1,945	¥2,737	¥2,429	¥2,699	¥4,385	\$40,294
Cash flows from investing activities	(829)	(646)	(506)	(1,551)	(5,205)	(47,833)
Cash flows from financing activities	(1,092)	(1,032)	(703)	(915)	(992)	(9,118)
Cash and cash equivalents, end of year	7,594	8,660	9,893	10,133	8,305	76,317
■ Per Share Information (Yen and U.S. dollars)						
Profit attributable to owners of parent per share	¥81.01	¥93.29	¥94.25	¥102.65	¥107.46	\$0.98
Net assets per share	774.18	846.59	922.62	996.99	1,071.09	9.84
Dividend per share	22.00	23.00	24.00	26.00	29.00	0.26
■ Financial Indicators						
Gross profit margin (%)	¥21.2	¥22.2	¥21.5	¥21.6	¥22.4	
Ordinary income margin (%)	7.1	7.2	6.9	7.0	6.9	
Profit attributable to owners of parent margin (%)	4.5	5.0	4.8	4.8	4.7	
※2 Total asset turnover (%)	143.8	141.7	139.3	139.1	134.4	
※3 Financial leverage (Times)	1.6	1.6	1.6	1.6	1.6	
※4 ROE (%)	10.9	11.4	10.7	10.7	10.4	
※5 ROA (%)	6.4	7.0	6.7	6.6	6.4	
※6 Equity ratio (%)	60.8	62.1	62.8	61.0	61.2	
DOE (%)	2.9	2.8	2.7	2.7	2.8	
※7 Current ratio (%)	205.8	212.4	219.9	200.9	181.1	
※8 D/E ratio (%)	2.4	2.2	2.0	3.2	3.9	
※9 Fixed ratio (%)	48.0	45.6	42.4	47.1	61.5	
Ratio of retained earnings to total assets (%)	51.9	54.4	55.4	53.3	55.0	
■ Stock Price Index						
Stock closing price (Yen)	¥834	¥933	¥939	¥1,006	¥929	
Price earnings ratio (Times)	10.3	10.0	10.0	9.8	8.6	

※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

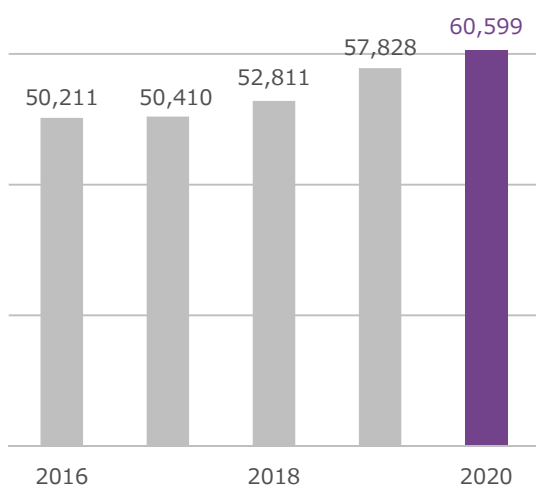
※7 Current ratio = Current assets / Current liabilities

※8 D/E ratio = Interest-bearing debt / (Net assets - Subscription rights to shares - Non-controlling interests)

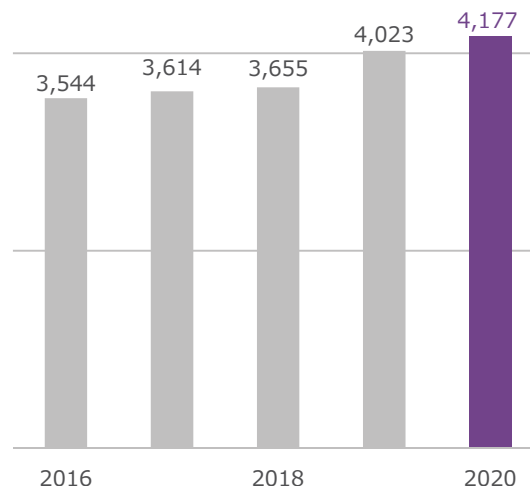
※9 Fixed ratio = Non-current assets / (Net assets - Subscription rights to shares - Non-controlling interests)

Consolidated Financial Performance

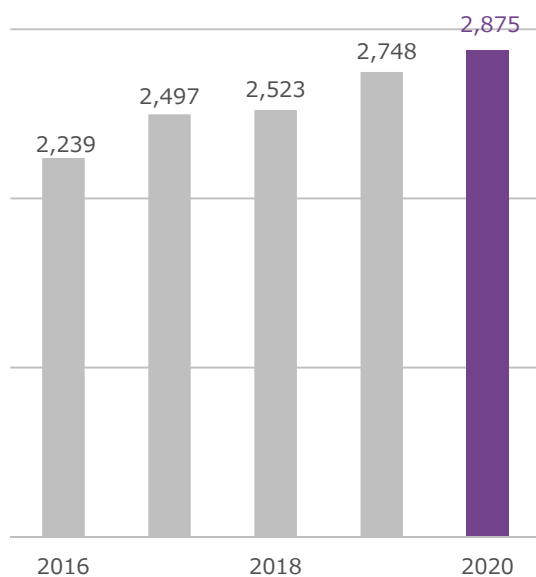
■ Net sales (million yen)

60,599 million yen**4.8 % UP**

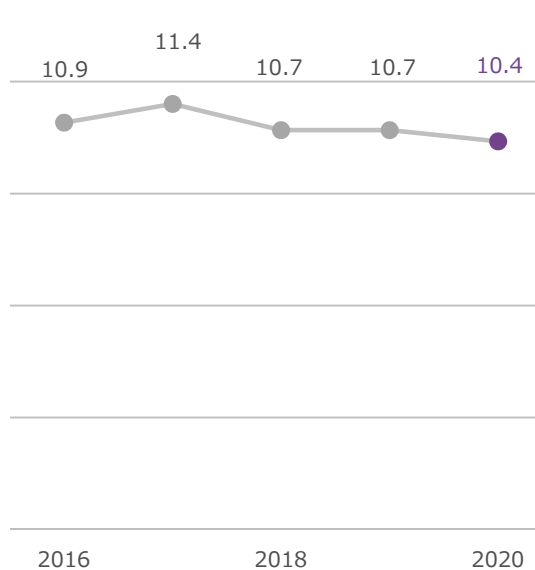
■ Ordinary income (million yen)

4,177 million yen**3.8 % UP**

■ Profit attributable to owners of parent (million yen)

2,875 million yen**4.6 % UP**

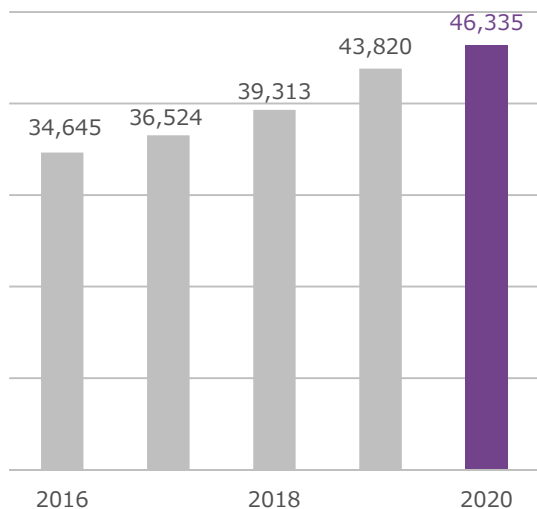
■ Return on Equity (ROE) (%)

10.4 %**0.3 point DOWN**

■ Total assets (million yen)

46,335 million yen

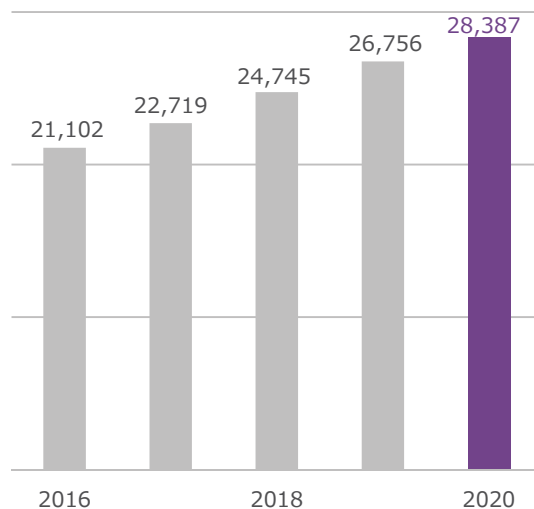
5.7 % UP



■ Net assets (million yen)

28,387 million yen

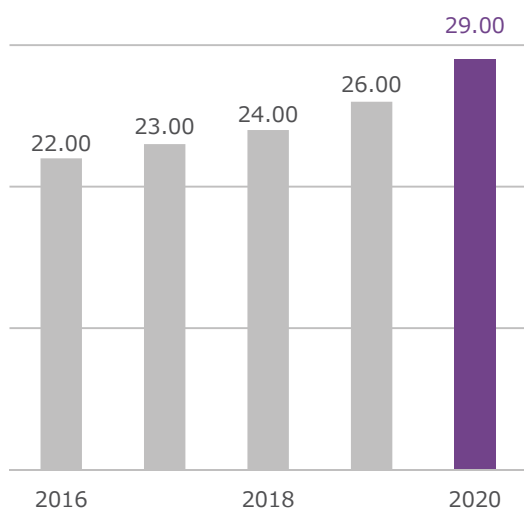
6.1 % UP



■ Dividend per share (Yen)

29.00 yen

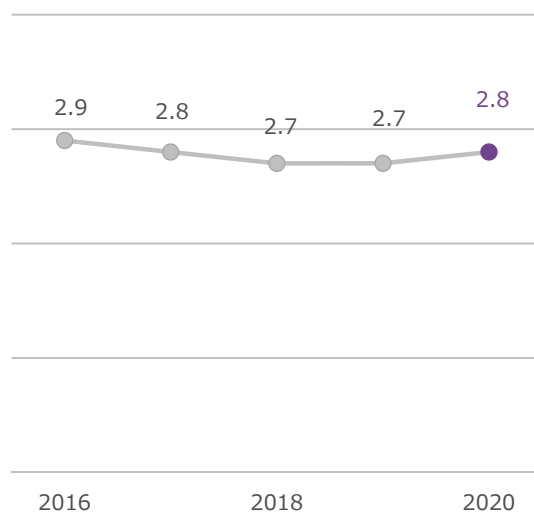
3 yen UP



■ Dividend on Equity ratio (DOE) (%)

2.8 %

0.1 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.



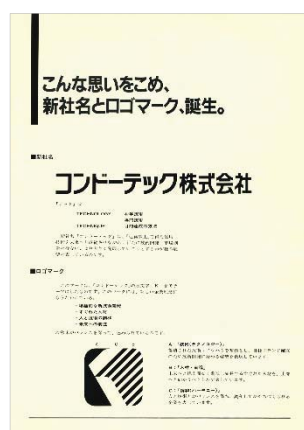
■ Logo

This logo uses the first letter of KONDOTEC “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 ARE KONDOTEC

KONDOTEC VISIONFINANCIAL DATA











APPENDIX

COCTAL

COLLEGE

SUPPLEMENT

ESG Basic Policy Outline (2)

	Materiality		Relevant SDG s
Social	(3)Communication with shareholders and investors	Engagement with shareholders	 
	(4)Appropriate information disclosure and security	Stance for information disclosure	
		Information security measures	
	(5)Co-existence with local communities	Operating site opening plan	 
		Response and contributions to disasters	
	(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 acquisition of treasury stocks	
Implementation of IR meetings with institutional investors	Increase in the IR meetings
Holding of briefings for institutional investors	
Preparation of the integrated report in English	Enhancement of IR documents in English
Implementation of IR meetings with overseas investors	Development of personnel who are fluent in English
Use of universal design font for deliveries to shareholders (for easy reading by everyone)	Preparation in English of the notice of General meeting of shareholders and business report for foreign investors
	Consideration of facilitating financial settlement operations (Disclosure within 31 days of the closing date)
Upload of disclosure documents on the Company website	
Disclosure in corporate governance report	
Management of customer/shareholder information	Implementation of specific measures against cyber attacks
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	
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	
Transfer of the core system to the data center	Examination of the effectiveness of the risk control manual
Introduction of dual head offices system	
Safety 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	
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	
Implementation of counter-measures for the infection and heatstroke at factories	
Installation of toilets for women	
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.	
Online education freely available to all employees and assistance for expenses to acquire qualifications	Securing and development of experts in digital technologies
Non-discriminatory hiring policy	Increase in female managers and recruitment of handicapped persons
	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
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 performance-based stock option	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)	
Evaluation of the effectiveness of the Board of Directors	
Prevention of the manifestation of potential costs by the development of governance system	Reinforcement based on improvement proposals
Establishment of a Nomination and Compensation Committee,	Increase in the ratio of Outside Directors
Transition to a Company with Audit & Supervisory Committee	Improvement in the effectiveness of internal audit
Implementation of investments being conscious of capital costs	
Compliance action guideline	
Thorough checks on anti-social forces before transaction	Securing of manpower
Formulation of a compliance manual, and implementation of employee education	Simplification of operations
Information exchange and development of communication system between police and the companies	
Membership in Crime Prevention Association	

ENVIRONMENT

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.

Oil gator



This is a powder oil absorbent using 100% natural cellulose. With the addition of microbes capable of dissolving mineral oil and nutritional supplements, it can work as a material for improving soil.

Biodegradable high-performance alkaline cleaner Green sweeper



This is a biodegradable high-performance cleaner, water-soluble and phosphate-free, satisfying everything from cleaning power, environment to cost. It does not have a negative effect on metals, rubbers and plastics, either.

Hand soap Eco-pro



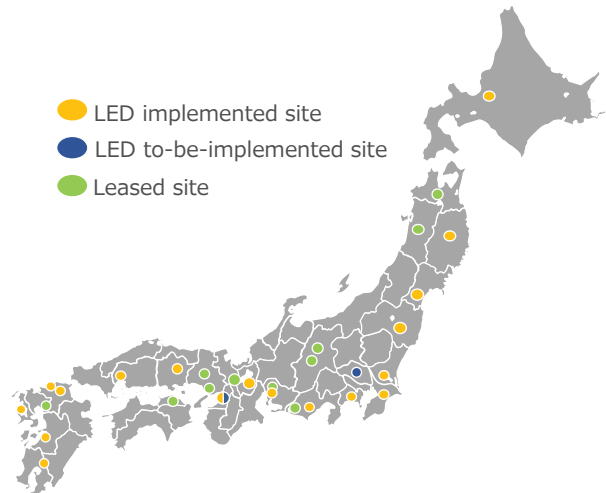
With the heightened movements especially in the U.S. and Europe to eliminate microbeads (plastic particles in facial cleansers, etc.), this is constituted of highly biodegradable and environment-friendly natural scrubs originating from wood.

Business Activities Paying Attention to the Environment

■ Initiatives for Environmental protection and Energy-saving

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

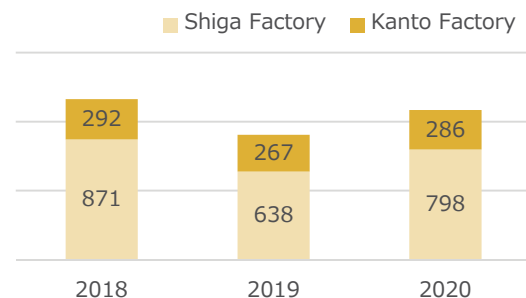
In 2015, we completed installing LED lighting in factories and are currently in the process of installing LED lighting in our operating sites. Having completed installation in operating sites we own, we will further proceed with LED installation in operating sites we lease. These LED installations are 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)



Participation in environmental conservation activities

We clean neighboring areas and provides new recruits as volunteers for forest preservation as part of environment conservation activities, and has introduced cool biz and warm biz as part of energy-saving measures to realize a low carbon society. Going forward, we will also take initiatives to increase interest in environmental measures while continuing business activities.



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

	2016	2017	2018	2019	2020	Change in 5-year average consumption rate
Year-on-Year change (%)	98.2	105.6	98.2	98.0	104.5	101.6

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	31,313 t
	Coating Material	116.1m ³
Energy	Electricity	5,774 thousand kWh
	Natural gas	0m ³ ·N or PJ
	LPG	59 t
	Diesel fuel	6kl
	Kerosene	20kl
	Heavy oil	2kl
Irrigation water	Water	4,700m ³



OUTPUT

Production	Iron & steel products	30,533 t
Air emission	CO ₂	2,307 t
Industrial waste/byproduct	Recycled volume	2,654 t
	Amount of outsourced disposal	201 t
Drainage	Water	4,700m ³

FY 2020

< Expenditure relating to environmental protection >

Kanto Factory : Disposal expenses of industrial/general waste (2,761 thousand yen)
Expenses of environmental management from document review to on-site review (1,421 thousand yen)
Shiga Factory : Filter-type dust collector (3,350 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. (52,261 thousand yen)

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. Furthermore, in April 2019, the “Quality Assurance Department” was newly established to bear the audit function for quality assurance.



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 Cross Laminated Timber Association	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.

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.



Chain cutter



Pewag chain sling

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).

CHUOH GIKEN Co., Ltd

design and manufacturing of various machine devices, labor-saving equipment and transport devices

Collaboration

Provide high-value-added products

Mechatro Laboratory

design and manufacturing of labor-saving, image processing equipment

■ 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 2020, 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

- Slings skill seminar (three days)
- Slings 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.

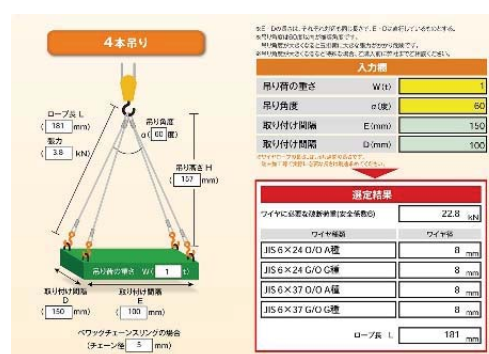
After its foundation, the Company sold hardware for vessels, and subsequently started dealing with construction materials during the high growth period; we currently provide more than 50,000 products and merchandise. At the New Merchandise Committee held every other month, sales staff propose to deal 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 have also introduced an RFID tag (noncontact automatic recognition function) to simplify 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



Wire rope selection software (Input result)

■ 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

As growth strategies, the Company is currently investing in prospective growth fields going forward (overseas, maintenance/repair in response to the aging of social infrastructure, and labor-saving in response to labor shortages and work-style reforms) to deal with changes in the business environment in addition to further strengthening profitability of existing core businesses.

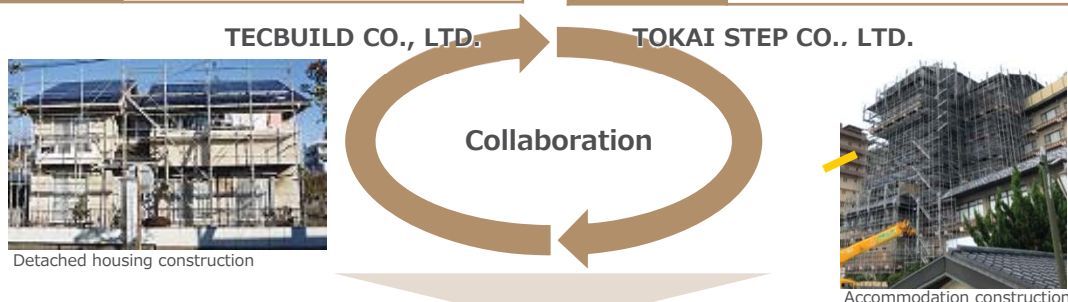
Among such efforts, we acquired two companies with a solid customer base in the field of installation/removal of temporary scaffolds used at civil engineering construction sites and repair sites, among others, to expand businesses in the maintenance/repair field in response to the aging

of social infrastructure (Table below). Of these two companies, TECBUILD CO., LTD. undertakes construction mainly for low-rise buildings, while TOKAI STEP CO., LTD. also deals with mid to high-rise buildings. As a result, exchanges of personnel between the two companies is expected to generate new synergies, such as expansion of fields handled.

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 the knowhow of group companies and our business fields as the KONDOTEC Group.

Group companies assumed the maintenance/repair field

TECBUILD CO., LTD.		TOKAI STEP CO., LTD.	
Location	(Head office) Shinagawa-ku, Tokyo (Business area) Kanto, Hokuriku, Kansai, Chugoku, Kyusyu	Location	(Head office) Fujieda-shi, Shizuoka (Business area) Kanto, Tokai
Paid-in capital	210 million yen	Paid-in capital	100 million yen
Business areas	<ul style="list-style-type: none"> Scaffolding construction service and sales of related materials Rental of scaffolding equipment 	Business areas	Scaffolding construction service for civil engineering and architecture



- 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 up to FY2023 plans to make capital investments

of about 7.6 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 Shareholders and Investors

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 shareholders and investors gain an understanding of the KONDOTEC Group. For this reason, we bear in mind the need to offer careful explanations to shareholders and investors 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 strengthen our financial position and take other steps to enhance our earnings capability while 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 19 days before the Meeting
Disclosure of convocation notice before dispatch	Disclosed on the KONDOTEC website 22 days before the Meeting
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	26 (total)
Acceptance of interviews by telephone	6
Company briefings for analysts (Tokyo)	2
Company briefings for securities companies (Osaka)	1

(FY 2020)

Actual coverage

IwaiCosmo Securities	Rating : A
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(September 2018)

Actual participation in IR events for individual investors

Name	Visitors to our booth
Nikkei IR/Investment Fair 2019 (held in August 2019)	536 persons
Nomura IR Fair 2019 (held in December 2019)	369 persons
Company briefings hosted by SMBC Nikko Securities Inc. (held in January 2020)	81 persons

(FY 2020)



← Nomura IR asset management Fair 2019



↑ Company briefings hosted by SMBC Nikko Securities Inc.

TOPICS

We aim to present IR information about the Company in an easy-to-understand way. ► P53

The company's website was selected by

★Nikko IR as AAA Website

and by

★GOMEZ IR as an excellent company for four consecutive in the IR website rankings 2019.

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

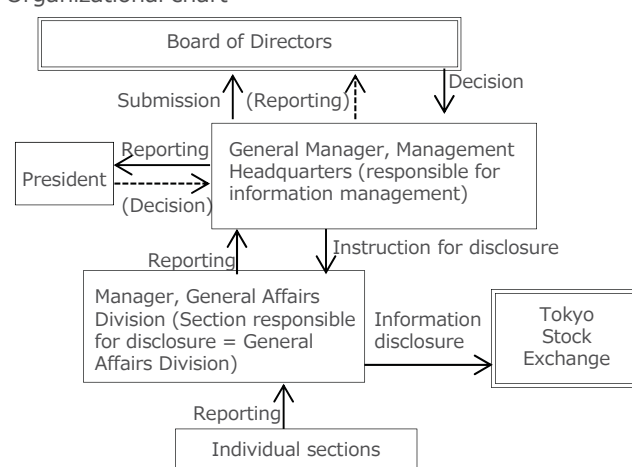
“Timely Disclosure Rules”).

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.

Organizational chart



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.



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 and contribution to disasters

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.

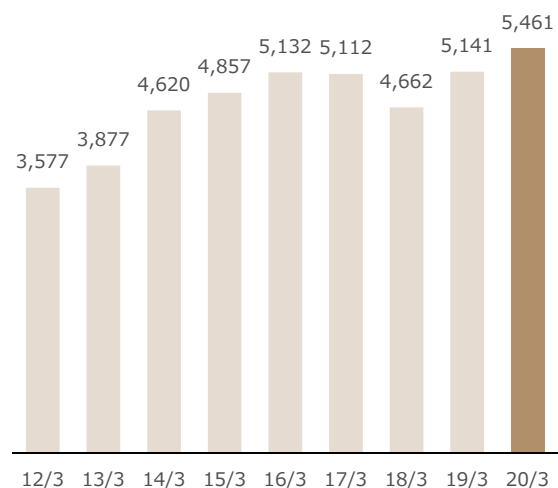
Examples of disaster-related merchandise

- [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.



[TOPIX: 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

July 2012 heavy rain in northern Kyushu	Heavy rainfall centered on northern Kyushu
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

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.'
Counter-measures against COVID-19 (examples) Grouping personnel on sites to implement 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, 2017 – March 31, 2018	
【Target】	【Actual】
Acquisition rate of 40% or higher	48.9%
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】	
Acquisition rate of 70% or higher	—
April 1, 2021 – March 31, 2022	
【Target】	
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 for new business development	Conducted for the first time for females only in 2019, and two new business proposals from female perspectives were presented at the Board of Directors meeting.
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	100 or more
	First and Second-class civil engineering works execution managing engineer	4	Slings work skill	100 or more
	First and Second-class building construction managing engineer	7	Forklift operation skill	100 or more
	Class B Group 4 hazardous materials engineer	61	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.

To create a platform on which diverse human resources can take leading roles

Appointment of human resources

Establishment of working environment/structure

Skills development

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. We appointed one female Director in June 2015 and appointed one female Audit & Supervisory Board Member (currently Directors (Audit & Supervisory Committee Members)) in June 2019, who widen female appeal.

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-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	
April-2015	12 persons	9 persons	21 persons	Thailand, Vietnam

Appointment of a female executive members

2 out of 13



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
2020.4.1 ~ present	2 person	3 person	0 person	At May-2020
2019.4.1 ~ 2020.3.31	4 person	3 person	4 person	
2018.4.1 ~ 2019.3.31	2 person	5 person	3 person	
2017.4.1 ~ 2018.3.31	2 person	5 person	1 person	
2016.4.1 ~ 2017.3.31	3 person	3 person	0 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.

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.

Incentives given to date

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of shares	25,600 shares	20,200 shares	32,400 shares	23,400 shares	17,200 shares	13,400 shares
Eligible persons	48 persons	47 persons	57 persons	55 persons	62 persons	63 persons

<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.



Hurrah! KONDOTEC Track & Field Club!

We have been supporting its employees in competitive sports, and currently two employees are training daily with the aim of participating in the Tokyo Olympic games.

Introduction of athlete employees aspiring to participate in the Tokyo Olympic Games



Kiho Kuze

Competition category	Javelin
Personal best	59m98
2019 Seasonal best	56m77

2019 main performance	Record
6th Michitaka Kinami Memorial Meet	56m77
103rd Japan National Championships	55m95
The 2019 World Athletics Trials in Fuji Hokuroku	55m90



Mika Yamamoto

Competition category	Discus
Personal best	49m33
2019 Seasonal best	48m02

2019 main performance	Record
63rd Kansai Industrial Teams Championships	48m02
Mito Invitational Meet 2019	46m11
103rd Japan National Championships	44m49

Development of an athletic field in Shiga Factory

In December 2019, we developed an athletic field in Shiga Factory for the two athletes Kuze and Yamamoto. Equipped with runways for the javelin as well as circles and safety nets for discus, it provides an environment where both athletes can concentrate on training.



Runways for the javelin



Circles and safety nets for discus

Trial sessions held for javelin and discus

To commemorate the completion of the Shiga Factory Athletic Field, 22 volunteers participated in trial sessions for javelin and discus. Coached by two athletes Kuze and Yamamoto, volunteers had the rare experience of throwing the javelin and discus, while promoting communication with other participants.



Trial sessions for the javelin and discus



On the KONDOTEC INC. website, we regularly report the track & field club's activities and recent events. In addition to the schedules of competitions in which they will participate and the reports on their records, we also have blogs by athletes. We, the athletes and the Company together, will strive to participate in the Tokyo Olympic Games. Your support would be greatly appreciated.

G OVERNANCE

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 (4)
Number of directors who are Audit and Supervisory Committee Members (including the number of outside directors)	3 (2)
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	Performance-based stock compensation plan (BBT (=Board Benefit Trust))
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 three directors who are Audit & Supervisory Committee Members, including one full-time directors who are Audit & Supervisory Committee Members and two part-time outside directors who are Audit & Supervisory Committee Members with specialist knowledge on finance, accounting and laws, and carries out supervision

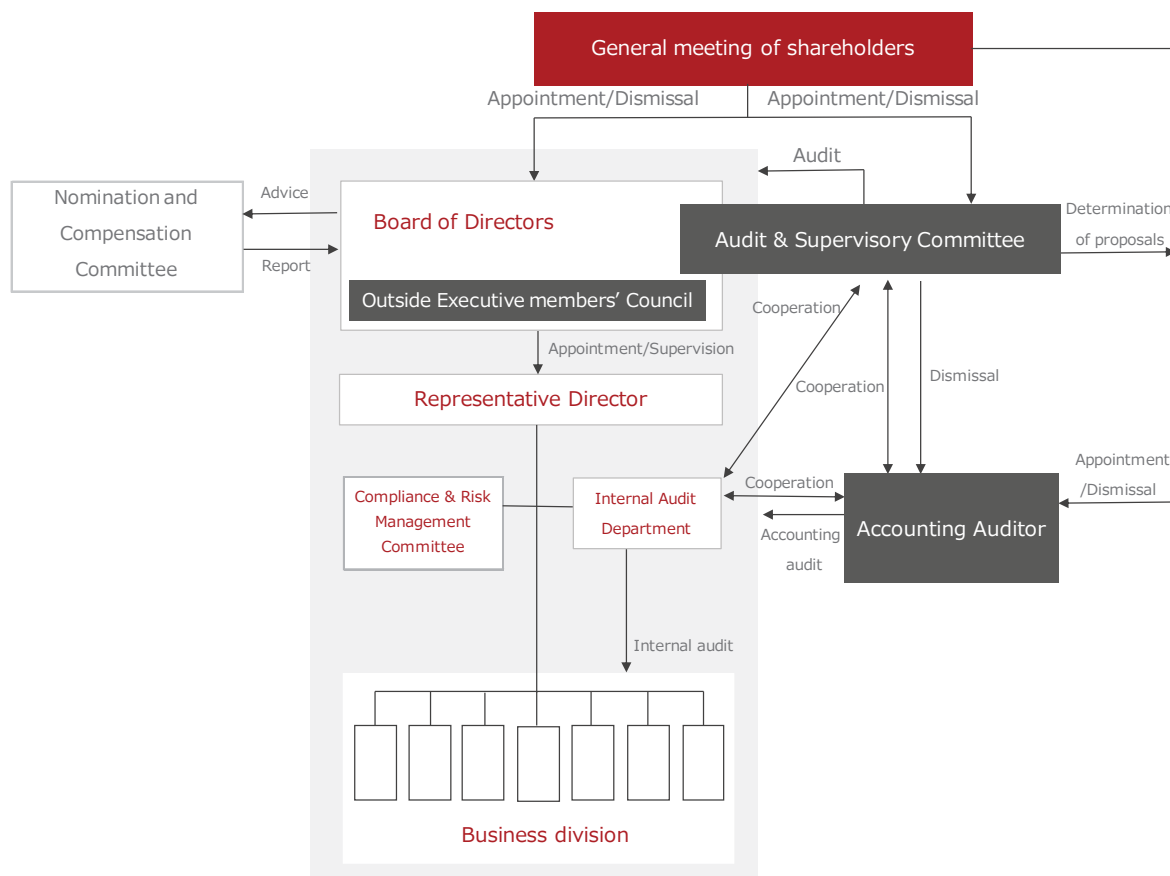
from an objective and fair point of view.

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.

As the 68th Ordinary General Meeting of Shareholders held on June 24, 2020 passed the resolution to change the Articles of Incorporation for the transition to an Audit & Supervisory Committee, the Company changed from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee.

■ 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)

KONDOTEC appoints two Outside Directors (one lawyer and one law school professor), 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 transparency of the Board of Directors and reinforce the supervision function.

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

KONDOTEC adopts the Audit & Supervisory Committee system. Two of the three Directors who are Audit & Supervisory Committee Members are Outside Directors who are Audit & Supervisory Committee Members (one lawyer and one CPA) 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. 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.

Compliance & Risk Management Committee

The Compliance & Risk Management Committee, led by the President as the committee chairman, 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), the President & Representative Director, and General Manager of Management Headquarters 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 24, 2020

Title	Name	Area of responsibility and important concurrent positions	Independent member	Number of shares held (Thousand shares)
President and Representative Director	Katsuhiko Kondo	Representative Director of Towa Kosan Corp. Representative Director of Toto Kosan INC.		104
Vice President and Director	Tomoya Ando	General Manager, Management Headquarters and Manager, General Affairs Division Director, Sanwa Denzai Co., Ltd. Director, CHUOH GIKEN Co., Ltd. Director, TECBUILD CO., LTD. Director, TOKAI STEP CO., LTD.		69
Executive Director	Hiroyuki Yada	General Manager, Sales Headquarters Manager, Western Japan Sales Division and Manager, Business Strategy Department		13
Executive Director	Yoichi Hyakuda	General Manager, Manufacturing Headquarters and Manager, Kyusyu Factory		0
Director	Masahiko Yano	Manager, Development Sales Division; Manager, Homecenter Group; and Manager, E-commerce Group		31
Director	Tomoyuki Ejiri	Representative Director and Chairman, TOKAI STEP CO.,LTD.		9
Director	Kazuyuki Asakawa	Manager, Eastern Japan Sales Division and Manager, Tokyo Branch		8
Director	Noboru Hamano	Manager, Structural Steel Sales Division		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 Members)	○	2
Outside Director	Masashi Yamato	Professor at Graduate School of Law, Kansai University	○	1
Director (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, TECBUILD CO., LTD. Audit & Supervisory Board Member, TOKAI STEP CO., LTD.		17
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 (TOKUDA LAWOFFICE)	○	—

■ 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.

Standards and qualities for Independent Outside Directors

KONDOTEC appoints Independent Outside Directors by considering individuals who fulfill the requirements under the Companies Act and the independence standards set forth by the Tokyo Stock Exchange. The Company elects individuals who are capable of carrying out supervision and giving advice based on abundant experience and insights as Outside Directors.

KONDOTEC registers all four Outside Directors as independent Executive members based on the rules of the Tokyo Stock Exchange with the said exchange.

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

68th term (April 1, 2019 to March 31, 2020)

Position	Name	Board of Directors (12 board meetings)	Audit & Supervisory Board (14 board meetings)
Outside Directors	Michiko Kanai	Attended 11 meetings (92%)	—
	Masashi Yamato	Attended 12 meetings (100%)	—
Outside Audit & Supervisory Board Members	Yoshinobu Muratsuji *Retired as of June 24, 2020	Attended 12 meetings (100%)	Attended 14 meetings (100%)
	Kana Yasuda	Attended 9 out of 10 meetings since taking office as of June 25, 2019	Attended all 12 meetings since taking office as of June 25, 2019

■ 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 2020, 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 2020.

1. Period: April 2020 to May 2020
2. Method: Anonymous self-assessment by all Executive members
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 the Board of Directors should appropriately discuss and supervise the plan for succession of representative director 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, 2020, we held 6 issues of cross-held shares worth 39 million yen in book value and 248 million yen in market value, equivalent to 0.1% and 0.5% respectively of total assets of 46,335 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

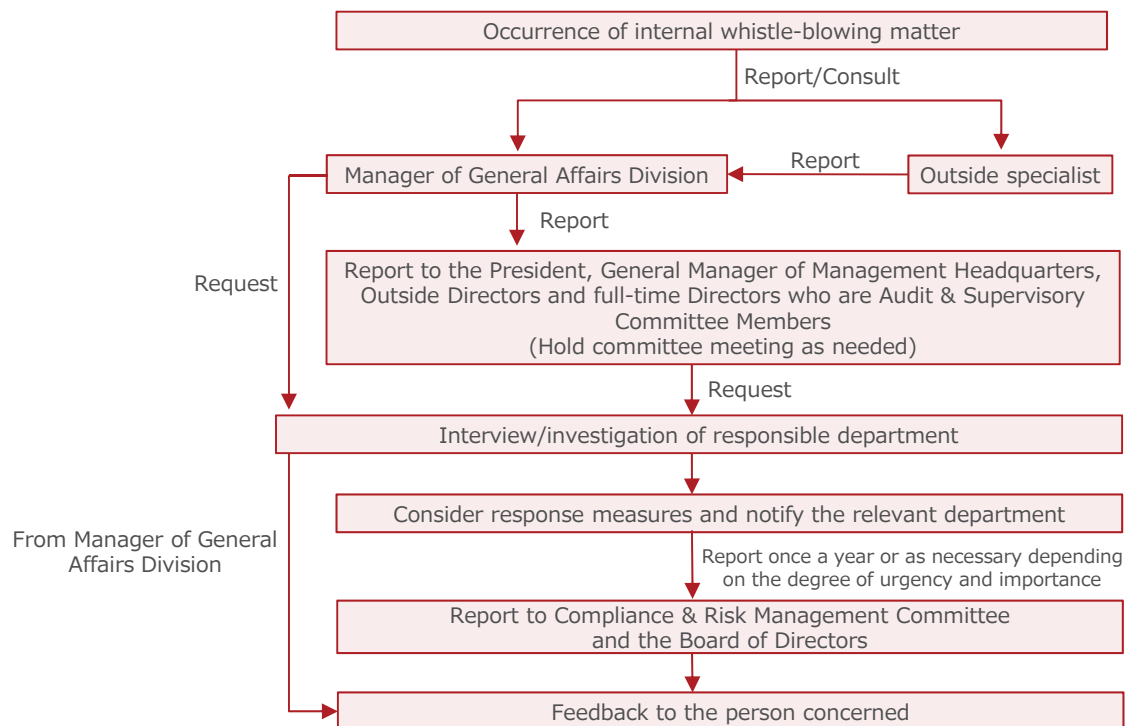
KONDOTEC has formulated internal regulations on whistle-blowing and put in place two points of contact for whistle-blowing inside and outside the company. The Company's whistle-blowing system is such that when whistle-blowing occurs, the Manager of General Affairs Division, which is the internal point 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 two cases in FY 2020. Regarding the filed cases, we dealt with them appropriately by conducting internal investigations, while paying due consideration to privacy.

Whistle-blowing system flow



Remuneration for Executive members

■ Remuneration for Directors and Audit & Supervisory Board Members (April 1, 2019 to March 31, 2020)

Position	Number of persons paid	Amount of payment (Thousand yen)
Directors	13 persons	209,370
Audit & Supervisory Board Members	4 persons	23,160
Total	17 persons	232,530

- (Notes)
1. The payment to Directors and Audit & Supervisory Board Members includes 20,535 thousand yen paid to Outside Executive members (two Outside Directors and three Outside Audit & Supervisory Board Members).
 2. The number of Directors and Audit & Supervisory Board Members to whom payment is made includes three Directors and one Audit & Supervisory Board Member who retired from office as of the conclusion of the 67th ordinary general meeting of shareholders held on June 25, 2019.
 3. The payment to Directors includes 41,809 thousand yen for the expenses of the performance-based stock compensation plan, Board Benefit Trust (BBT) in the current fiscal year.
 4. In addition to the above amounts, it was resolved at the 52nd ordinary general meeting of shareholders held on June 29, 2004 to abolish the systems of retirement benefit for Directors and Audit & Supervisory Board Members and make payment upon the abolishment. Based on this resolution, the retirement benefit of 8,726 thousand yen was paid to a Director who retired from office as of the conclusion of the 67th ordinary general meeting of shareholders held on June 25, 2019.

■ 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. Moreover, the systems of retirement benefit for Directors and Audit & Supervisory Board Members were abolished as of the conclusion of the 52nd ordinary general meeting of shareholders held on June 29, 2004.

SUPPLEMENT

Supporting Materials

Stock Information As of March 31, 2020

■ Company's stock

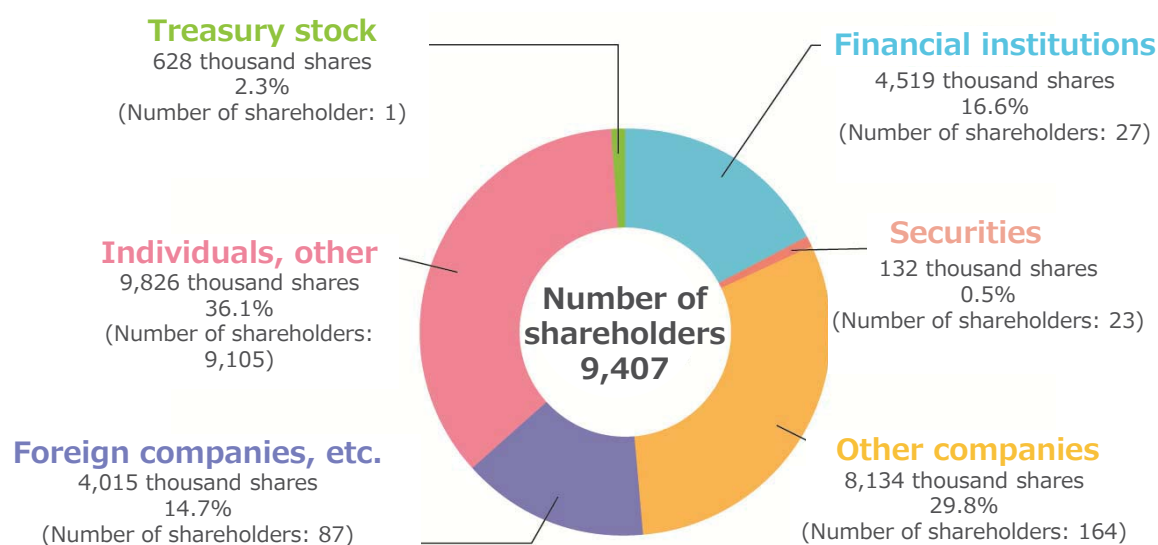
Total number of shares authorized	60,000,000 shares
Total number of shares issued	27,257,000 shares
Shares per unit	100 shares

■ Major shareholders

Name of shareholder	Number of shares held (Thousand shares)	Percentage
Towa Kosan Corp.	3,014	11.3%
BBH FOR FIDELITY LOW – PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,619	6.1%
KONDOTEC employees shareholders association	1,306	4.9%
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	1,247	4.7%
F-planning INC.	900	3.4%
The Master Trust Bank of Japan, Ltd. (trust account)	871	3.3%
MUFG Bank, Ltd.	753	2.8%
Toto Kosan INC.	676	2.5%
Masahide Kondo	664	2.5%
Jummi Kondo	652	2.5%

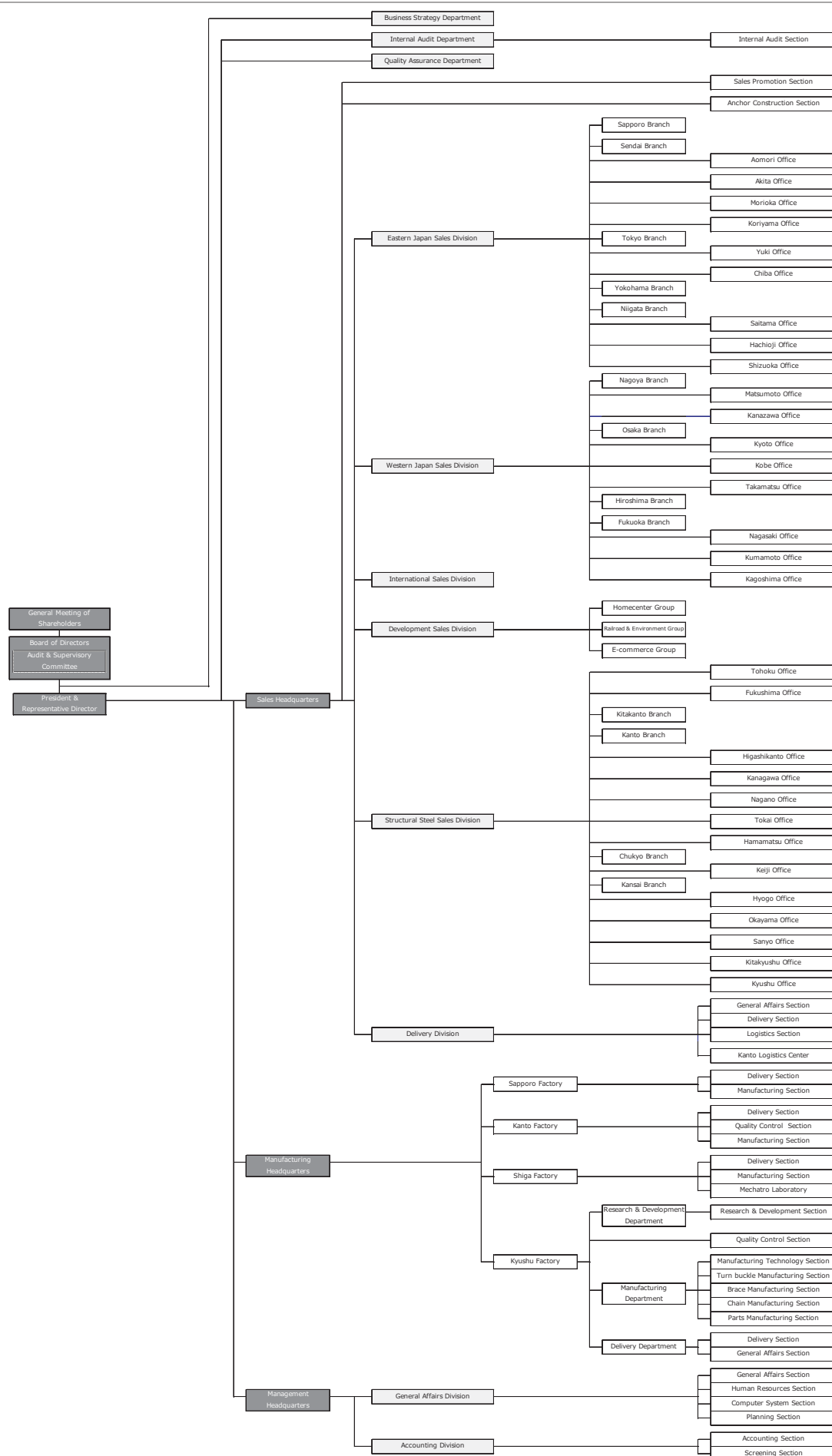
※ Percentage is calculated by excluding 628 thousand shares of treasury stock (excluding 26 thousand shares in the ESOP trust account and 128 thousand shares in the BBT trust account)

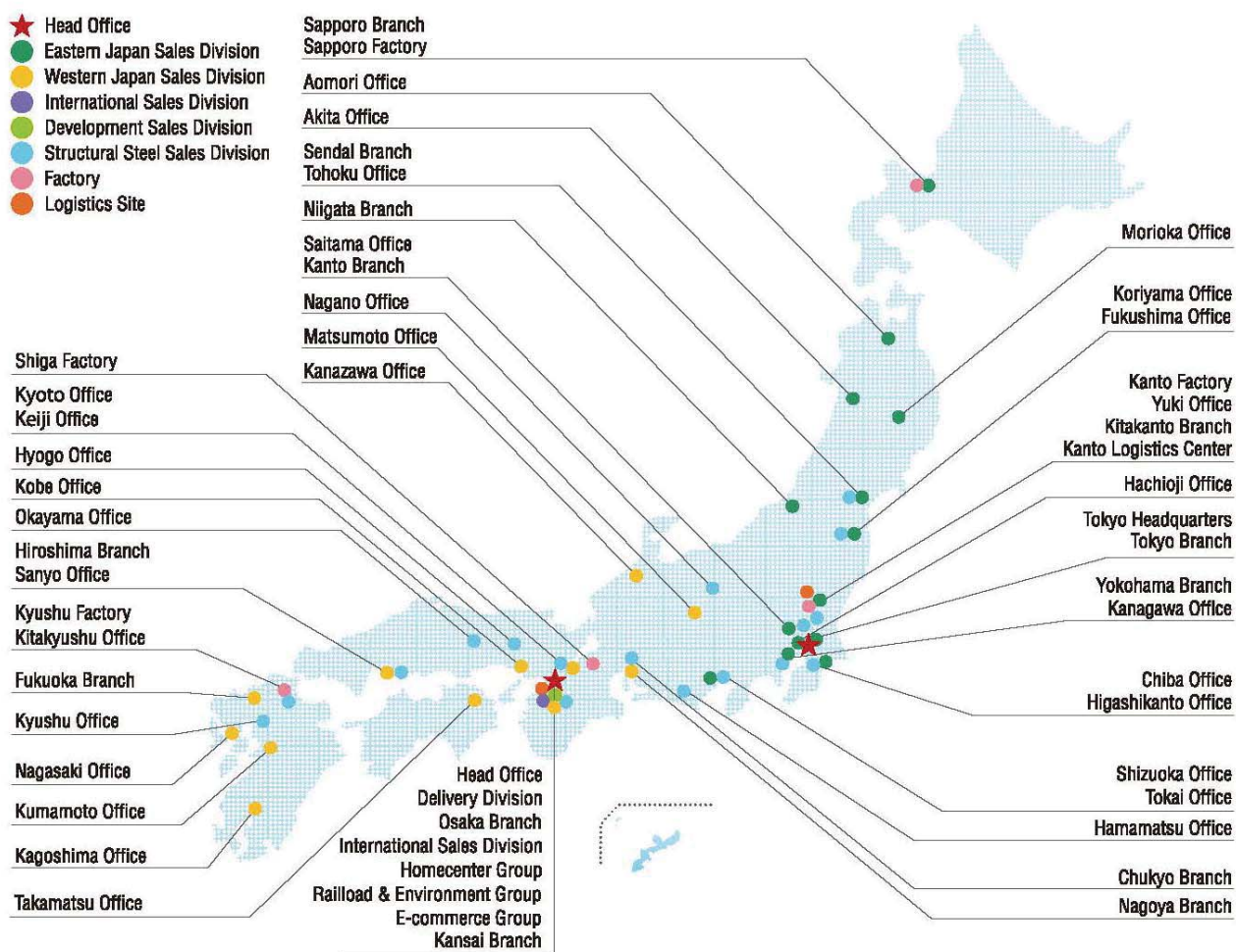
■ Stock distribution by shareholder category



Organization Chart

As of July 1, 2020





Group Companies

- Sanwa Denzai Co., Ltd. (Head office: Nishi-ku, Nagoya-shi) 13 offices
- KONDOtec INTERNATIONAL (THAILAND) Co., Ltd. (Head office: Bangkok, Thailand)
- CHUOH GIKEN Co., Ltd. (Head office: Inukami-gun, Shiga) 2 offices
- TECBUILD CO., LTD. (Head office: Shinagawa-ku, Tokyo) 19 offices
- TOKAI STEP CO., LTD. (Head office: Fujieda-shi, Shizuoka) 11 offices

Consolidated Financial Statements

■ Consolidated Balance Sheet

(Thousand yen) (Thousand U.S. dollars)

	2019	2020	2020
Assets			
Current assets			
Cash and deposits	10,133,693	8,305,639	76,317
Notes and accounts receivable - trade	14,306,048	13,207,644	121,360
Electronically recorded monetary claims operating	1,759,968	1,695,792	15,582
Merchandise and finished goods	3,589,063	4,031,424	37,043
Work in process	348,629	567,692	5,216
Raw materials and supplies	410,515	426,945	3,923
Other	694,050	680,955	6,257
Allowance for doubtful accounts	(9,676)	(8,004)	(73)
Total current assets	31,232,292	28,908,089	265,626
Non-current assets			
Property, plant and equipment			
Buildings and structures (net)	3,044,956	3,043,788	27,968
Machinery, equipment and vehicles (net)	865,512	1,023,599	9,405
Land	6,140,938	6,520,181	59,911
Other (net)	491,352	724,474	6,656
Total property, plant and equipment	10,542,760	11,312,044	103,942
Intangible assets			
Goodwill	452,370	3,142,346	28,873
Customer-related assets	458,752	1,818,534	16,709
Other	137,699	124,747	1,146
Total intangible assets	1,048,821	5,085,629	46,730
Investments and other assets			
Investment securities	419,147	342,007	3,142
Deferred tax assets	346,176	431,692	3,966
Other	239,911	266,606	2,449
Allowance for doubtful accounts	(8,887)	(10,288)	(94)
Total investments and other assets	996,347	1,030,016	9,464
Total non-current assets	12,587,930	17,427,690	160,136
Total assets	43,820,223	46,335,780	425,762

* All financial information presented in Japanese yen has been rounded down to the nearest million.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of exchange at March 31, 2020. U.S. dollar amounts are rounded down to the nearest thousand.

	(Thousand yen)	(Thousand U.S. dollars)	
	2019	2020	2020
Liabilities			
Current liabilities			
Notes and accounts payable – trade	3,596,694	3,333,966	30,634
Electronically recorded obligations – operating	8,233,936	8,400,084	77,185
Short-term loans payable	430,000	610,000	5,605
Current portion of long-term borrowings	156,627	129,144	1,186
Income taxes payable	764,930	678,720	6,236
Provision for bonuses	716,886	768,924	7,065
Other	1,646,998	2,037,590	18,722
Total current liabilities	15,546,073	15,958,430	146,636
Non-current liabilities			
Long-term borrowings	242,363	248,546	2,283
Deferred tax liabilities	–	529,098	4,861
Deferred tax liabilities for land revaluation	178,749	178,749	1,642
Provision for retirement benefits for directors	4,050	30,015	275
Provision for stocks payment	40,156	63,088	579
Net defined benefit liability	978,562	817,011	7,507
Other	73,570	123,380	1,133
Total non-current liabilities	1,517,453	1,989,889	18,284
Total liabilities	17,063,526	17,948,320	164,920
Net assets			
Shareholders' equity			
Capital stock	2,666,485	2,666,485	24,501
Capital surplus	2,434,555	2,434,555	22,370
Retained earnings	23,348,008	25,477,148	234,100
Treasury stock	(410,910)	(758,247)	(6,967)
Total shareholders' equity	28,038,137	29,819,941	274,004
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	199,454	145,678	1,338
Deferred gains or losses on hedges	(2,061)	777	7
Revaluation reserve for land	(1,510,852)	(1,510,852)	(13,882)
Foreign currency translation adjustment	25,858	10,704	98
Remeasurements of defined benefit plans	(41,363)	(109,972)	(1,010)
Total accumulated other comprehensive income	(1,328,964)	(1,463,663)	(13,449)
Subscription rights to shares	47,523	31,181	286
Non-controlling interests	0	0	0
Total net assets	26,756,696	28,387,460	260,842
Total liabilities and net assets	43,820,223	46,335,780	425,762

■ Consolidated Income Statement

(Thousand yen) (Thousand U.S. dollars)

	2019	2020	2020
Net sales	57,828,491	60,599,962	556,831
Cost of sales	45,336,027	47,034,965	432,187
Gross profit	12,492,463	13,564,996	124,643
Selling, general and administrative expenses	8,584,896	9,479,717	87,105
Operating income	3,907,566	4,085,279	37,538
Non-operating income			
Interest income	2,204	2,275	20
Dividends income	6,381	5,824	53
Purchase discounts	136,241	126,995	1,166
Miscellaneous income	49,153	37,644	345
Total non-operating income	193,980	172,740	1,587
Non-operating expenses			
Sales discounts	61,609	63,309	581
Interest expenses	796	5,506	50
Miscellaneous loss	15,368	11,346	104
Total non-operating expenses	77,774	80,161	736
Ordinary income	4,023,772	4,177,858	38,388
Extraordinary income			
Gain on sales of non-current assets	2,293	566	5
Total extraordinary income	2,293	566	5
Extraordinary loss			
Loss on sales of non-current assets	315	214	1
Loss on disposal of non-current assets	4,353	10,361	95
Loss on valuation of investment securities	1,804	—	—
Total extraordinary loss	6,473	10,576	97
Income before income taxes	4,019,592	4,167,848	38,296
Income taxes - current	1,259,820	1,223,804	11,245
Income taxes - deferred	11,193	68,610	630
Total income taxes payable	1,271,013	1,292,415	11,875
Profit	2,748,579	2,875,433	26,421
Profit attributable to non-controlling interests	0	0	0
Profit attributable to owners of parent	2,748,579	2,875,433	26,421

■ Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income		(Thousand yen)	(Thousand U.S. dollars)
	2019	2020	2020
Profit	2,748,579	2,875,433	26,421
Other comprehensive income			
Valuation difference on available-for-sale securities	(110,099)	(53,776)	(494)
Deferred gains or losses on hedges	14,493	2,839	26
Foreign currency translation adjustment	8,924	(15,153)	(139)
Remeasurements of defined benefit plans	6,131	(68,608)	(630)
Total other comprehensive income	(80,549)	(134,699)	(1,237)
Comprehensive income	2,668,029	2,740,734	25,183
(Breakdown)			
Comprehensive income attributable to owners of parent	2,668,029	2,740,734	25,183
Comprehensive income attributable to non-controlling interests	0	(0)	(0)

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■ Consolidated Statement of Changes in Shareholders' Equity

2019

(Thousand 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	2,666,485	2,485,413	21,760,388	(970,535)	25,941,751	309,554	(16,555)
Changes of items during the period							
Cash dividends			(674,283)		(674,283)		
Profit attributable to owners of parent			2,748,579		2,748,579		
Purchase of treasury stock				(4)	(4)		
Disposal of treasury stock			(1,226)	23,320	22,094		
Cancellation of treasury stock		(50,858)	(485,450)	536,308	—		
Net changes of items other than shareholders' equity						(110,099)	14,493
Total changes of items during the period	—	(50,858)	1,587,619	559,625	2,096,386	(110,099)	14,493
Balance at the end of the period	2,666,485	2,434,555	23,348,008	(410,910)	28,038,137	199,454	(2,061)

	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	(1,510,852)	16,933	(47,495)	(1,248,414)	52,494	0	24,745,831
Changes of items during the period							
Cash dividends							(674,283)
Profit attributable to owners of parent							2,748,579
Purchase of treasury stock							(4)
Disposal of treasury stock							22,094
Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	—	8,924	6,131	(80,549)	(4,971)	0	(85,521)
Total changes of items during the period	—	8,924	6,131	(80,549)	(4,971)	0	2,010,864
Balance at the end of the period	(1,510,852)	25,858	(41,363)	(1,328,964)	47,523	0	26,756,696

2020

(Thousand 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	2,666,485	2,434,555	23,348,008	(410,910)	28,038,137	199,454	(2,061)
Changes of items during the period							
Cash dividends			(742,204)		(742,204)		
Profit attributable to owners of parent			2,875,433		2,875,433		
Purchase of treasury stock				(400,005)	(400,005)		
Disposal of treasury stock			(4,088)	52,669	48,581		
Cancellation of treasury stock					—		
Net changes of items other than shareholders' equity						(53,776)	2,839
Total changes of items during the period	—	—	2,129,140	(347,336)	1,781,804	(53,776)	2,839
Balance at the end of the period	2,666,485	2,434,555	25,477,148	(758,247)	29,819,941	145,678	777

	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	(1,510,852)	25,858	(41,363)	(1,328,964)	47,523	0	26,756,696
Changes of items during the period							
Cash dividends							(742,204)
Profit attributable to owners of parent							2,875,433
Purchase of treasury stock							(400,005)
Disposal of treasury stock							48,581
Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	—	(15,153)	(68,608)	(134,699)	(16,342)	(0)	(151,041)
Total changes of items during the period	—	(15,153)	(68,608)	(134,699)	(16,342)	(0)	1,630,763
Balance at the end of the period	(1,510,852)	10,704	(109,972)	(1,463,663)	31,181	0	28,387,460

2020

(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	24,501	22,370	214,536	(3,775)	257,632	1,832	(18)
Changes of items during the period							
Cash dividends			(6,819)		(6,819)		
Profit attributable to owners of parent			26,421		26,421		
Purchase of treasury stock				(3,675)	(3,675)		
Disposal of treasury stock			(37)	483	446		
Cancellation of treasury stock							
Net changes of items other than shareholders' equity						(494)	26
Total changes of items during the period	—	—	19,563	(3,191)	16,372	(494)	26
Balance at the end of the period	24,501	22,370	234,100	(6,967)	274,004	1,338	7

	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	(13,882)	237	(380)	(12,211)	436	0	245,857
Changes of items during the period							
Cash dividends							(6,819)
Profit attributable to owners of parent							26,421
Purchase of treasury stock							(3,675)
Disposal of treasury stock							446
Cancellation of treasury stock							
Net changes of items other than shareholders' equity	—	(139)	(630)	(1,237)	(150)	0	(1,387)
Total changes of items during the period	—	(139)	(630)	(1,237)	(150)	0	14,984
Balance at the end of the period	(13,882)	98	(1,010)	(13,449)	286	0	260,842

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■ Consolidated Statement of Cash Flows

	(Thousand yen)		(Thousand U.S. dollars)
	2019	2020	2020
Cash flows from operating activities			
Income before income taxes	4,019,592	4,167,848	38,296
Depreciation	404,640	697,975	6,413
Amortization of goodwill	—	45,237	415
Share-based compensation expenses	17,115	13,333	122
Increase (decrease) in allowance for doubtful accounts	(11,339)	(5,211)	(47)
Increase (decrease) in provision for bonuses	171,210	37,376	343
Increase (decrease) in provision for stocks payment	22,398	41,809	384
Increase (decrease) in net defined benefit liability	(278,456)	(295,649)	(2,716)
Interest and dividends income	(8,585)	(8,100)	(74)
Interest expenses	796	5,506	50
Loss on valuation of investment securities	1,804	—	—
Loss (gain) on sales of non-current assets	(1,977)	(352)	(3)
Loss on disposal of non-current assets	4,353	10,361	95
Decrease (increase) in notes and accounts receivable – trade	(1,185,534)	1,465,007	13,461
Decrease (increase) in inventories	(492,934)	(498,155)	(4,577)
Increase (decrease) in notes and accounts payable – trade	1,087,234	(105,188)	(966)
Increase (decrease) in accrued consumption taxes	14,040	183,378	1,684
Other	79,789	(73,139)	(672)
Sub-total	3,844,147	5,682,039	52,210
Interest and dividends income received	8,585	8,100	74
Interest expenses paid	(800)	(5,773)	(53)
Income taxes paid	(1,152,787)	(1,299,127)	(11,937)
Cash flows from operating activities	2,699,144	4,385,238	40,294
Cash flows from investing activities			
Purchase of property, plant and equipment	(747,024)	(916,552)	(8,421)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(806,926)	(4,283,280)	(39,357)
Other	2,179	(5,884)	(54)
Cash flows from investing activities	(1,551,770)	(5,205,717)	(47,833)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(270,000)	180,000	1,653
Proceeds from long-term borrowings	30,000	350,000	3,216
Repayments of long-term borrowings	(1,071)	(371,300)	(3,411)
Purchase of treasury stock	(4)	(401,205)	(3,686)
Proceeds from sales of treasury stock	8	26	0
Cash dividends paid	(673,750)	(742,370)	(6,821)
Other	(626)	(7,555)	(69)
Cash flows from financing activities	(915,444)	(992,405)	(9,118)
Effect of exchange rate change on cash and cash equivalents	8,627	(15,168)	(139)
Net increase (decrease) in cash and cash equivalents	240,556	(1,828,053)	(16,797)
Cash and cash equivalents, beginning of year	9,893,136	10,133,693	93,114
Cash and cash equivalents, end of year	10,133,693	8,305,639	76,317

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Editor's Note

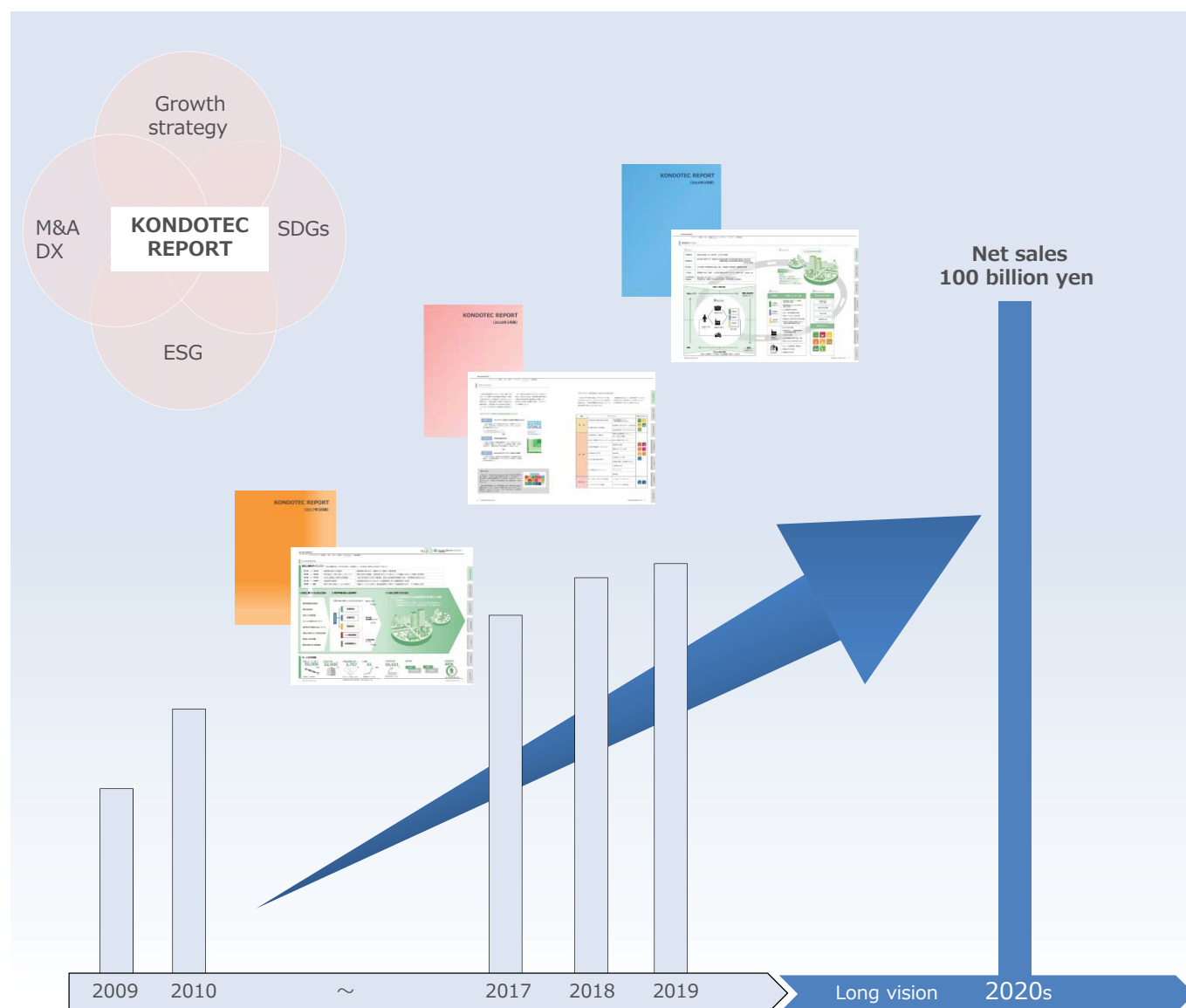
Thank you very much for reading the "KONDOTEC REPORT (Integrated Report)" to the last.

We started preparing the Integrated Report, which became the fourth publication since 2017, to disseminate the attractiveness of the Company that we would like many stakeholders to know, including institutional investors in Japan and overseas. Recently, many people are informing us that they have read the Report, with some overseas investors complimenting us as well. As we have been preparing the Report by our employees without the help of outside organizations since the start of preparation, the seeds we have planted to honestly disseminate our story of value creation seem to be sprouting at last.

This time, you are seeing a re-start, as two project members from the first year of the Integrated Report's publication have taken childcare leave. Looking back, while more than ten years have passed since I joined the Company, the KONDOTEC Group has evolved significantly during that time as it has been reassigned from the Tokyo Stock Exchange Second Section to the First Section, subsidiaries have increased to five (including overseas locations), and net sales have almost doubled, among other things. To disseminate our evolution, we have prepared this Report by mulling over every detail for more enhanced content based on the previous ones.

From the Report, you can see not only our business activities but also our overall corporate activities, which incorporate the perspectives of SDGs (Sustainable Development Goals). As the Company aims to achieve net sales of 100 billion yen in the 2020s, we will clarify what the Company can do for the realization of a sustainable society, and evolve the Report with the Company's growth while improving corporate value.

Vice President and Director /
General Manager, Management Headquarters
Tomoya Ando



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, 2020, 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, 2019 through March 31, 2020

(Activities in April 2020 and thereafter are included in part.)

◆ Reporting organization

KONDOTEC INC. and its group companies

◆ Accounting standard

Japanese GAAP

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