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■ Company projects record-high profits for FY3/14, as construction investment is recovering in Japan

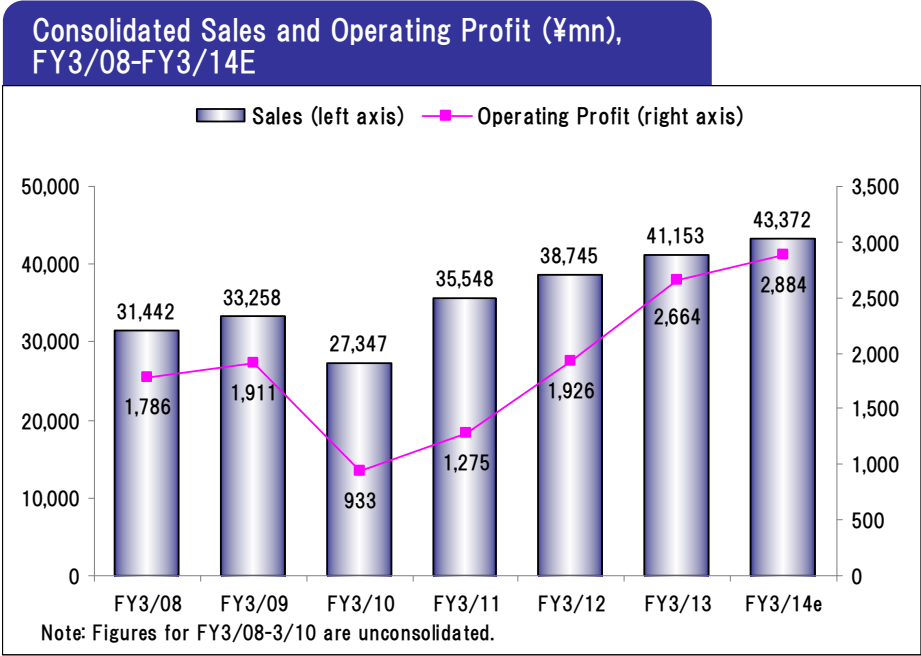
Kondotec supplies materials for infrastructure and environmental equipment that is indispensable for society. Specifically, it manufactures, purchases and sells industrial steel appurtenances, such as turnbuckles and shackles, and purchases and sells electrical equipment. The company's main commercial strengths are an extensive line of products and rapid delivery, enabled through close, local ties with customers. The company sells to a wide range of industries, from distributors of materials for civil engineering works and building construction, to shipbuilders, railroads, and manufacturers of environmental equipment. Because of this wide range of customer industries, the company's business is not affected much by economic cycles.

The company's sales of construction materials are growing briskly, reflecting a recovery of construction investment in Japan due to a rise in housing starts and the full-scale restoration of infrastructure, businesses, and homes destroyed by the Great East Japan Earthquake of March 11, 2011. Kondotec imports many of its products, and imports have become more expensive due to yen depreciation since late 2012, but the company raises the prices of its products to offset an increase in their cost. The company foresees a substantial increase in construction work in Japan from summer 2013, due to the earthquake recovery work and other public investment in infrastructure. Therefore, the company projects record-high profits for FY3/14.

Kondotec's strategy for growth is to increase sales to railroads, manufacturers of environmental equipment, and companies in Southeast Asia, to strengthen business in Greater Tokyo, and to increase its share of the Japanese market for structural steel materials.

■ Check Points

- Earnings are stable, as the company has about 16,000 corporate customers from a wide range of industries
- The company earned record-high profits in FY3/13 because of strong sales to the construction industry
- With earnings growth in FY3/14, the company is likely to raise its dividend



■ Company Description

With the start of the in-house production of turnbuckles, their sales increased rapidly

Company History

The company was founded as Kondo Shoten (Commerce) Co. in 1947 by Mr. Fujio Kondo, who had previously worked at an iron works. Initially, the company sold fittings for ships and barges to specialized wholesalers of such items. At the time, Japan's economy was rapidly recovering from the destruction of World War II, and the company's sales of industrial materials, such as shackles (*1), wire rope clips, and chains, grew each year. From its inception, the company aimed to sell a wide range of products and to deliver them quickly. These remain its main goals. With the aim of selling products to manufacturers, in 1955, the company changed its name to Kondo Iron Works. Until 1956, the company engaged in only minor product processing, such as putting holes some products. From 1956, however, it forged its own shackles.

(*1) A shackle is a U-shaped metal device which is attached to the ends of a wire rope to connect more than one wire rope or to suspend heavy objects

Photos of Shackles

Light Type Shackle



KONDO Standard Shackle



Super Strong Shackle



Source: Company website



■ Company Description

(*2) A turnbuckle is a metal device used to adjust the tension in a rope or wire. A turnbuckle consists of a frame and two threaded bolts. Each end of the frame has a hole, one with a left-hand screw thread, the other with a right-hand screw thread. By rotating the frame, the tension is increased or decreased. Turnbuckles have a wide range of uses. Turnbuckles of about 10 grams in mass are used in the thin cable of garden fences. Turnbuckles of thousands of kilograms in mass are used in structural elements of buildings and suspension bridges.

Japan enjoyed exceptionally rapid economic growth through the mid-1960's. During this period, the company's business expanded and changed notably, mainly to serve the construction industry primarily. From 1956, the company's three main products were shackles forged in-house, wire rope clips assembled in-house, and turnbuckles which were purchased. However, it could not satisfy the demand for turnbuckles (*2) from the construction industry, so in 1962, it stopped producing shackles and switched to producing turnbuckles in-house, while purchasing shackles. Kondo Iron Works supplied turnbuckles for many large infrastructure projects in Japan, including the Tokaido Shinkansen, and its sales grew rapidly. At the same time, its main products changed from ship fittings to materials for construction and civil engineering works. In 1966, the company opened its Kyushu plant in Nogata City, Fukuoka Prefecture. That plant is now its main plant.

Photos of Turnbuckles

Split-frame
Turnbuckle
(hook & hook)



PS-type
Turnbuckle



Anchor Stopper
Turnbuckle



Source: Company website

In 1957, the company opened an office in Tokyo, and since then, it has established offices throughout Japan. The company added new products to satisfy customer needs, and its sales composition changed significantly. In 1962, metal appurtenances, such as shackles and turnbuckles, supplied 67% of its total sales, but by 1985, these appurtenances accounted for only 22% of total sales, while other construction materials accounted for 24%, wire rope accounted for 23%, threaded studs accounted for 14%, and chains accounted for 9%.

In 1985, the company started selling directly to processors of steel beams, and it subsequently sold directly to other customer industries, not just through wholesalers. Until the mid-1980's, the company exported about ¥2bn of products per year to Southeast Asia. Because of rapid yen appreciation from 1985, the company stopped promoting exports and switched to imports, but it continued to export about ¥100-200mn of goods to long-term customers.

In 1989, the company changed its name from Kondo Iron Works to Kondotec. As the company opened sales office throughout Japan, it also built plants around the country to minimize the delivery time to customers. In 1991, it constructed the Kanto plant in Yuki City, Ibaraki Prefecture. In 1992, it built the Sapporo plant in Ishikari City, Hokkaido. In 2007, it opened the Shiga plant, in Gamo town, Shiga Prefecture. From the mid-1990's, the company began importing products from Southeast Asia and selling them in Japan. It was one of the first companies in its industry to do so, and these imports supported its profits over the past 18 years or so, while Japan's economy has remained weak.

■ Company Description

In 1995, Kondotec listed its shares on the Second Section of the Osaka Securities Exchange, and in 2011, it listed them on the First Section of the Tokyo Stock Exchange. The company listed its shares for several reasons. It wanted to increase public trust and thereby strengthen and diversify its fund procurement. It wanted to raise its name recognition and thus increase the number of companies with which it does business and attract talented staff. Finally, it aimed to boost the morale of its employees.

In 2010, Kondotec bought Sanwa Denzai Co., a wholesaler of electrical equipment based in Nagoya City, to expand the range of products it can offer to the construction industry. In 2011, it established a representative office in Thailand and resumed its efforts to promote exports to Southeast Asia.

At the end of the fiscal year through March 2013, i.e., at the end of FY3/13, the company had 42 sales offices and four plants in Japan and a representative office and an affiliate in Thailand. In addition, subsidiary Sanwa Denzai now has 13 offices in Japan. In July 2013, the company established a main office in Tokyo to complement its main office in Osaka. It has 556 employees on a parent-company basis and 660 employees on a consolidated basis.

Company History

Year	
1905	Mr. Fujio Kondo established the proprietorship Kondo Shoten (Commerce) Co. in Izuo, Taisho Ward, Osaka City
1953	Kondo Shoten became a stock company and began selling metal appurtenances for ships
1955	Kondo Shoten changed its name to Kondo Iron Works
1956	Began forging shackles at a plant adjacent to the head office
1957	Established a satellite office in Tokyo, which is now a branch office
1962	Opened the Tokyo plant in Koto Ward, Tokyo, and began manufacturing turnbuckles there
1966	Opened the Kyushu plant in Nogata City, Fukuoka Prefecture
1967	Began producing chain for suspending scaffolding
1973	Began producing and selling threaded studs and metal appurtenances for construction and civil engineering works
1974	Moved the head office to Nishi (West) Ward, Osaka City
1985	Opened a new business department (now the steel structures department) and began selling directly to steel beam processors
1989	Kondo Iron Works changed its name to Kondotec, Inc.
1991	Opened the Kanto plant in Yuki City, Ibaraki Prefecture
1992	Opened the Sapporo plant in Ishikari City, Hokkaido
1995	Listed shares on the Second Section of the Osaka Securities Exchange (listed on the First Section of the Tokyo Stock Exchange in 2011)
2004	Established a distribution warehouse in China under an agreement with a Chinese distribution company
2005	Concluded an agency contract with the Pewag International GmbH, of Austria, and began selling grade 10 chain sling and components and materials for this chain
2007	Opened the Shiga plant in Gamo town, Shiga Prefecture
2010	Purchased all of the voting stock of Sanwa Denzai Co., a wholesaler of electrical equipment, and made the company a subsidiary
2011	Opened a representative office in Bangkok, Thailand
2012	Established affiliate Kondotec International (Thailand) Co., Ltd.

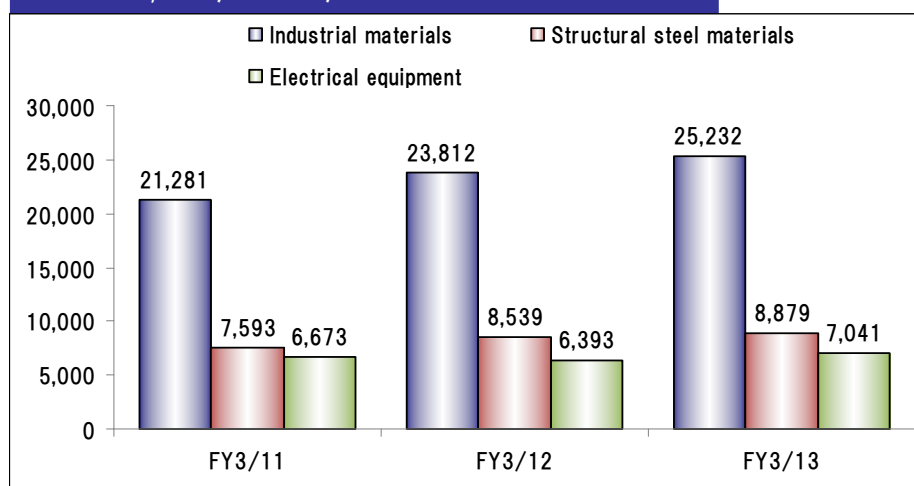
■ Company Description

Industrial materials supply a majority of total sales

Description of Businesses

Kondotec has three main businesses: 1) the production, purchase, and sale of industrial materials, mainly to retailers of metal goods, 2) the production, purchase, and sale of structural steel materials to processors of steel structures, and 3) the purchase and sale of electrical equipment to retailers of such equipment and the electrical equipment installation industry. The purchase and sale of electric equipment is conducted by Sanwa Denzai Co., which was made a subsidiary in 2010. As detailed in the bar chart below, in FY3/13, industrial materials supplied 61% of Kondotec's total consolidated sales, structural steel materials supplied 22%, and electrical equipment provided 17%.

Breakdown of Consolidated Sales (¥mn) by Business, FY3/11-FY3/13



Kondotec's main products are listed in the tables below. Turnbuckles and braces are its main products made in-house, while shackles are its main purchased product.

Main Products by Source

Manufactured	Turnbuckles, Braces, Chain for suspending scaffolding, Screw products, Anchor bolts, Construction materials, etc.
Purchased	Shackles, Clips, Hooks and other metal goods, Chains, wire ropes, Threaded studs, Construction materials, Lighting fixtures, Power distribution boards, Air-conditioning equipment, Ecological equipment such as solar power equipment and energy-efficient hot water tanks; etc.

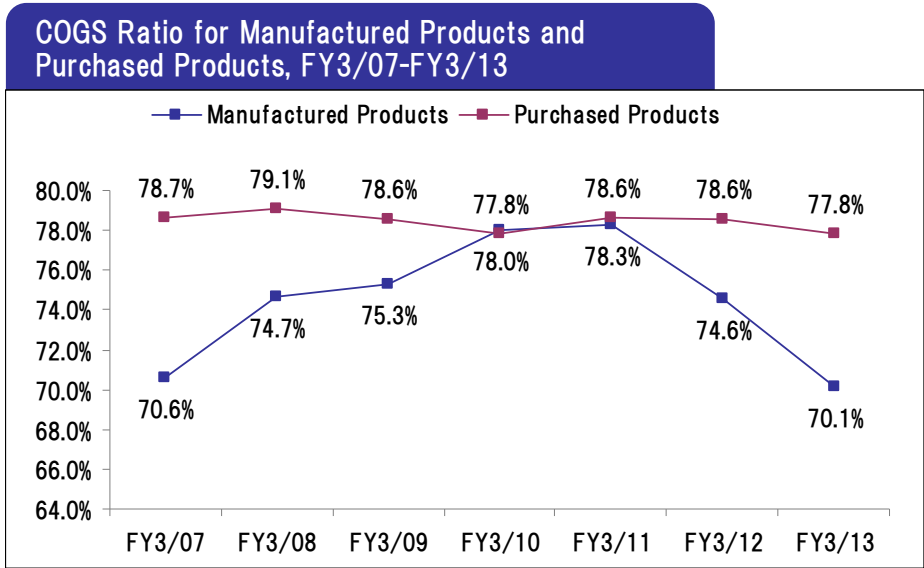
Main Products by Business

Industrial materials	Turnbuckles, Shackles, Clips, Hooks, Screw products, Container bags, Sheets, Nets, etc.
Structural steel materials	Braces, Anchor bolts, High-tension bolts, Self-supporting cone pieces, Column supports, Bracing sheets, etc.
Electrical equipment	Air-conditioning equipment, Lighting fixtures, Ecological equipment, Electric wires, Power distribution boards, Sensors, etc.

■ Company Description

Kondotec is a trading company with manufacturing capability. In FY3/13, products made in-house provided 21.2% of the parent company's sales of industrial materials and structural steel materials. The remaining 78.8% of these sales were of products purchased from Japanese or foreign makers. About 25% of the purchased products were imported. Of the imports, 65% came from China, 25% from Korea, and the rest from other Asian countries and Australia. In FY3/13, exports provided sales of only ¥194mn, but Kondotec plans to expand its exports.

As detailed in the graph below, the cost-of-goods-sold ratio for Kondotec's purchased products has remained about 78%. This constancy reflects the company's pricing power. If the company's cost of purchased goods rises due to an increase in the cost of steel or to foreign exchange changes, the company can raise its prices to offset the increase in its cost because its customers value its wide range of products and its rapid delivery, even for small amounts of many different products.



For products manufactured in-house, the cost-of-goods-sold ratio fluctuates depending on such factors as changes in product mix, depreciation cost, and plant operating rates. In FY3/13, this ratio fell to 70.1% for two reasons. First, the cost of steel declined. Second, the demand for the company's high value-added braces (*3) increased, and the company raised its production of braces while outsourcing the production of anchor bolts.

(*3) A brace is a cross-coupled wire device used to strengthen a building with a steel structure. Usually, this device is called a turnbuckle brace.



■ Company Description

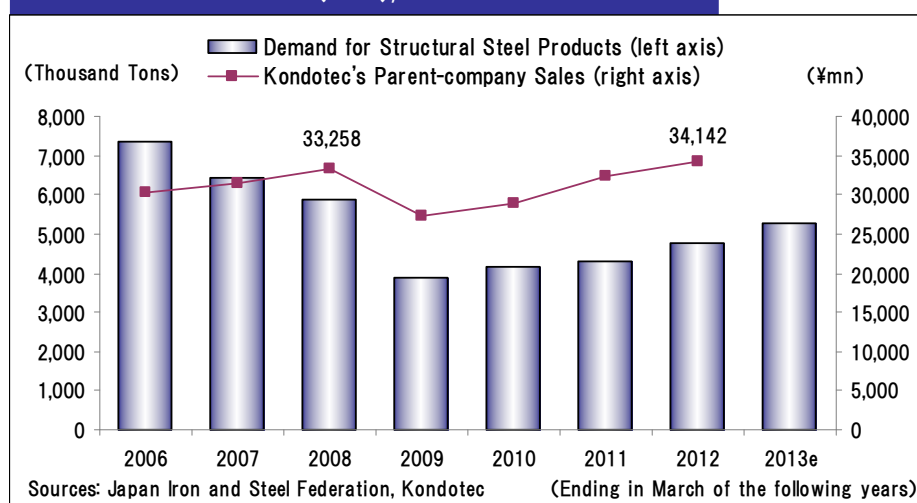
Business is stable because company serves 16,000 customers from a wide range of industries

Strengths and competitors

Kondotec's sales and profits remain solid, even during periods of economic downturn, partly because the company serves many industries. Although the construction industry is its main customer, it also sells to many other industries, including shipbuilding, ports and harbor construction and maintenance, electric power, railroads, environmental equipment, and industrial waste disposal.

The demand for structural steel products, mainly steel bars and beams, is an accurate indicator of the demand for construction work in general. As shown in the chart below, Japanese demand for structural steel products contracted sharply in fiscal 2009, due to the global recession stemming from the financial crisis. Yet, Kondotec's parent-company sales fell only moderately that fiscal year (FY3/10). In FY3/13, the pace of recovery in Japanese demand for structural steel products slowed, but Kondotec recorded higher parent-company sales than ever before, largely because of sales to industries other than the construction industry.

Japanese Demand for Structural Steel Products and Kondotec's Sales (¥mn), FY2006-2012



Kondotec has about 16,000 corporate customers, but its top 10 customers supply only 6% of its total sales. This widely dispersed customer base also supports business stability. Only 0.06% of the company's sales receivable are irrecoverable because the company reviews the creditworthiness of all its customers once a year and adjusts its credit policy accordingly. Although Kondotec's industry tends to be sensitive to economic fluctuations, Kondotec has suffered losses only once, and they were due to a change in accounting practice. Kondotec also has a strong balance sheet. On a parent-company basis, it has been debt free since FY3/01.

■ Company Description

The parent company trades about 40,000 items, and the consolidated entity trades about 50,000 items. Every month, the company convenes a meeting of sales representatives from each of its sales offices to review its product lines and to discuss the development of new products. Representatives of the company's plants and its overseas operations also attend these meetings to help determine which products will be made in-house and which will be imported from China or elsewhere. These meetings also underlie business stability.

Approximately 60% of the orders for the company's manufactured products are for small amounts and short delivery times. The company manufactures products that it cannot readily procure from overseas, and its reliable supply limits its exposure to the risk of price competition. Kondotec's four plants are distributed throughout Japan, enabling the company to quickly supply customers nationwide. Its main factory is the Kyushu plant, but it also has plants in Greater Osaka, Greater Tokyo and Hokkaido. Kondotec is the only Japanese maker of braces that has received JIS standard certification for all phases of production, from turnbuckle manufacture to brace production.

In the business of structural steel materials, Kondotec's main competitor is Furusato Industries Ltd. (8087), which holds about 60% of the Japanese market, compared with Kondotec's roughly 30% share. In the business of industrial materials, competitors vary by product. In processed shackles and wire rope products, its main competitors are unlisted companies, such as Shitaya Kinzoku Co. and Taiyo Seiki Iron Works Co. In general construction materials, its main competitors are Okabe Co. (5959), Marui Sangyo Co., Kunimoto Corp., and Mitsubishi Shoji Co. In industrial tools, its main competitors are Trusco Nakayama Corp. (9830) and Gnet.

■ Business Trends

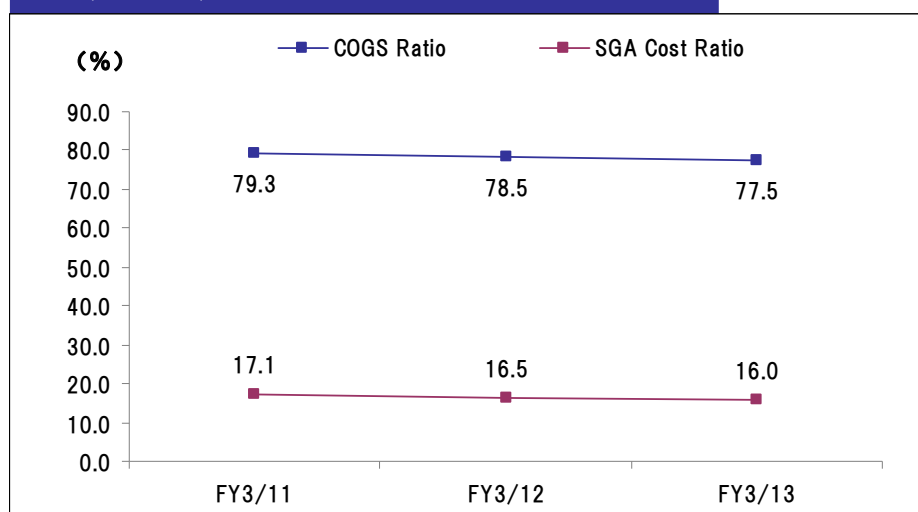
Record-high sales and profits

FY3/13 Results

In FY3/13, Kondotec's consolidated sales grew by 6.2% y-o-y to ¥41,153mn, its consolidated operating profit advanced by 38.3% to ¥2,664mn, its recurring profit rose by 36.4% to ¥2,754mn, and its net profit increased by 53.5% to ¥1,605mn. All these figures were the highest levels recorded to date. The parent company raised its sales to ¥34,142mn, eclipsing the previous high set four years earlier, and its recurring profit to ¥2,550mn, exceeding the previous high set six years before.

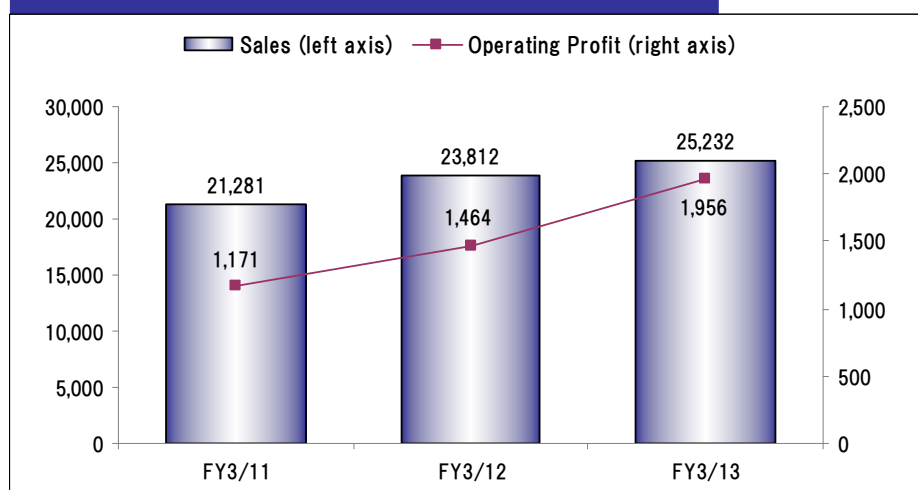
These strong results for FY3/13 stemmed primarily from stronger sales of products to the construction industry, due to the reconstruction of facilities destroyed by the Great East Japan Earthquake of March 11, 2011 and to a recovery of housing starts. The consolidated operating profit margin improved by 1.5ppts y-o-y to 6.5%, reflecting sales growth, a decline in the cost of steel materials, and strong sales of high value-added braces. The cost-of-goods-sold ratio and the SGA cost ratio declined, as shown in the graph below. The results of each business are explained hereafter.

■ Business Trends

Consolidated COGS Ratio and SGA Cost Ratio,
FY3/11-FY3/13

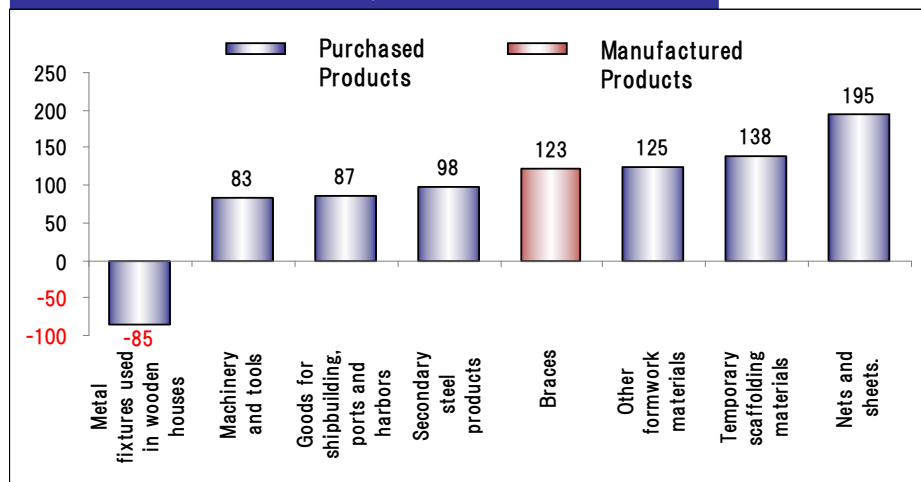
Industrial materials

Consolidated sales of industrial materials increased by 6.0% y-o-y in FY3/13 to ¥25,232mn, and operating profit from these sales rose by 33.6% to ¥1,956mn. Sales of purchased industrial materials increased by about ¥1bn y-o-y, as sales of nets, sheets and temporary scaffolding materials grew, mainly for the restoration of ports and harbors and civil engineering works in the wake of the earthquake. Sales of industrial materials produced in-house, mainly braces, grew by about ¥400mn y-o-y. Due to restoration demand, sales in eastern Japan increased by about ¥900mn y-o-y, while sales in western Japan advanced by about ¥500mn. Thus, the sales weighting of eastern Japan increased to 54%, from 53% in FY3/12.

Consolidated Sales and Operating Profit (¥mn) from the
Industrial Materials Business, FY3/11-FY3/13

■ Business Trends

Absolute y-o-y Changes in Sales (¥mn) of Industrial Materials in FY3/13

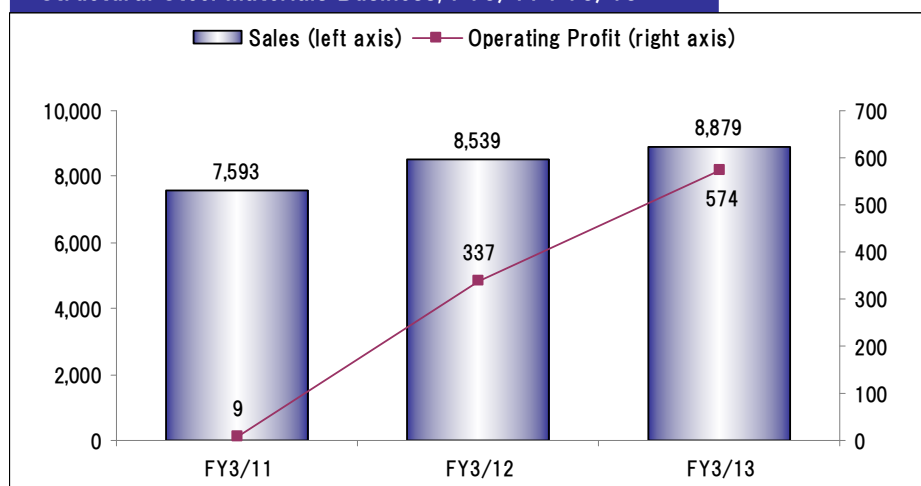


Operating profit in the industrial materials business increased by ¥492mn y-o-y. An increase in sales volume raised profit by ¥364mn, and an increase in the gross profit margin added ¥244mn, more than offsetting a ¥27mn profit drop due to lower prices and an ¥89mn rise in SGA costs, mainly the cost of transportation.

Structural steel materials

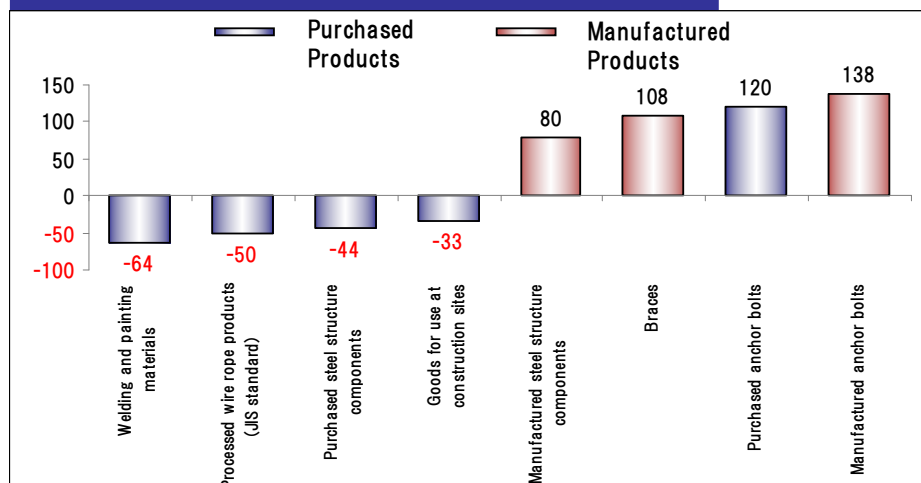
Consolidated sales of structural steel materials increased by 4.0% y-o-y in FY3/13 to ¥8,879mn, while operating profit jumped by 70.2% to ¥574mn. In H2 FY3/13, the demand to restore buildings destroyed by the earthquake increased, and throughout the fiscal year, there was an increase in work to strengthen public infrastructure facilities, such as schools, against earthquakes. Sales of structural steel materials made in-house grew by about ¥310mn y-o-y, reflecting strong increases in sales of anchor bolts and braces. Due to the earthquake recovery demand, sales in eastern Japan rose by about ¥400mn y-o-y, while sales in western Japan fell by about ¥60mn. Thus, the sales weighting of sales in eastern Japan rose to 44%, from 41% in FY3/12.

Consolidated Sales and Operating Profit (¥mn) from the Structural Steel Materials Business, FY3/11-FY3/13



■ Business Trends

Absolute y-o-y Changes in Sales (¥mn) of Structural Steel Materials in FY3/13

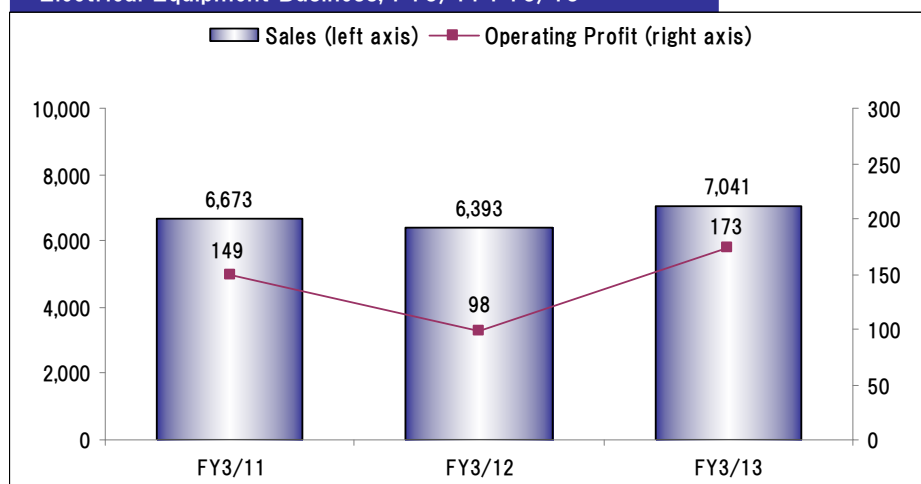


Operating profit from structural steel materials grew by ¥237mn y-o-y in FY3/13. An improvement in the gross profit margin added ¥216mn of profit, and an upturn in sales volume added ¥81mn. These factors more than compensated for a ¥60mn increase in SGA costs. The operating profit margin in structural steel materials rose by 2.5ppts y-o-y to 6.5% in FY3/13, for several reasons. Sales of high-margin products, such as braces, were strong, while the cost of raw materials, mainly steel, fell, yet the company maintained its prices. The outsourcing of anchor bolt production while the company increased its manufacture of braces also contributed to improved profitability.

Electrical equipment

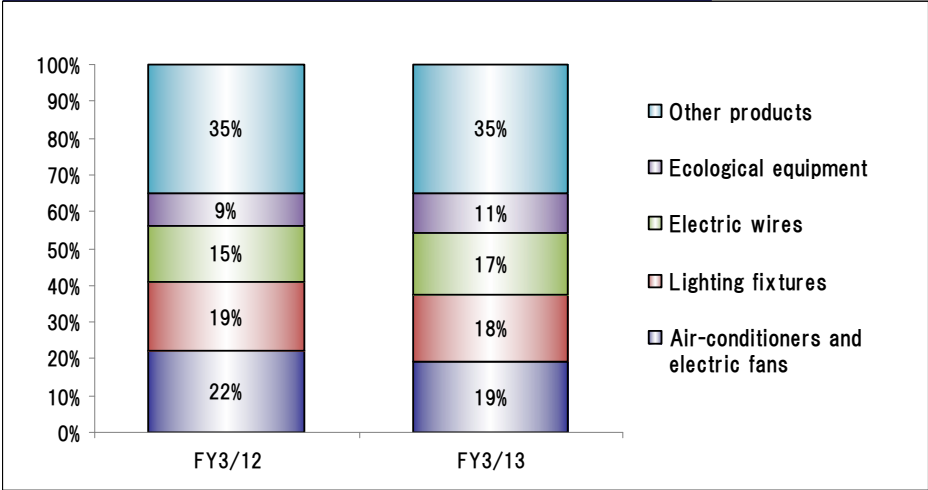
Consolidated sales of electrical equipment rose by 10.1% y-o-y in FY3/13 to ¥7,041mn, while operating profit surged by 77.0% to ¥173mn. Reflecting greater public awareness of the need to save energy, the demand for LED lighting, solar power systems and electrical wires increased, supporting this business. Operating profit rose by ¥75mn y-o-y. A fall in air-conditioner prices caused the gross profit margin to decline, erasing ¥64mn from operating profit, but the sales growth lifted operating profit by ¥115mn and SGA costs were lowered by ¥24mn.

Consolidated Sales and Operating Profit (¥mn) from the Electrical Equipment Business, FY3/11-FY3/13

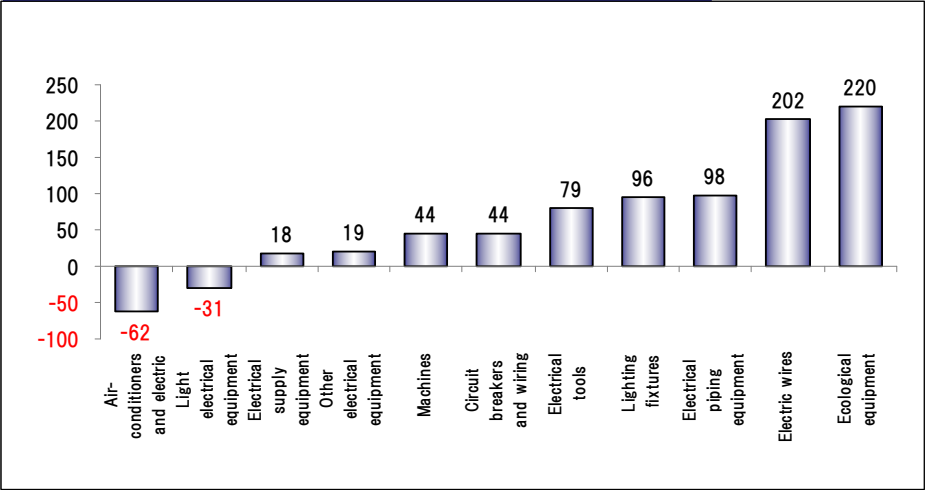


Business Trends

Sales Composition in the Electrical Equipment Business, FY3/12-FY3/13



Absolute y-o-y Changes in Sales (¥mn) of Electrical Equipment in FY3/13



■Business Trends

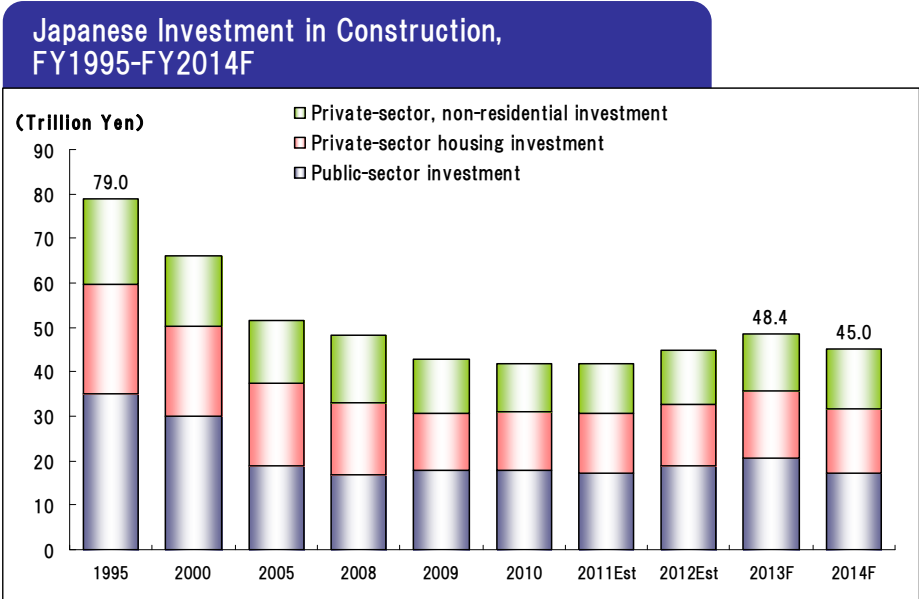
Company may exceed its forecasts as public investment is growing

Company Forecasts for FY3/14

For FY3/14, Kondotec projects a 5.4% y-o-y rise in its consolidated sales to ¥43,372mn, an 8.2% increase in operating profit to ¥2,884mn, a 7.9% upturn in recurring profit to ¥2,972mn, and a 4.5% increase in net profit to ¥1,678mn.

As shown in the bar chart below, the Research Institute of Construction and Economy, a unit of Japan's Ministry of Land, Infrastructure, Transport and Tourism, forecasts a 7.9% y-o-y rise in Japanese investment in construction to ¥48.4 trillion in fiscal 2013, which corresponds with the company's FY3/14. The demand for earthquake recovery work is growing, as are housing starts. The strengthening of public infrastructure is also advancing, and more buildings and structures are being reinforced against earthquakes. The Japan Iron and Steel Federation forecasts a 10% rise in Japanese demand for structural steel products in fiscal 2013 to 5 million tonnes, the fourth consecutive yearly increase. Processors of structural steel products are operating at full capacity, so Kondotec's sales of braces in FY3/14 are likely to remain strong. Kondotec is increasing its production capacity by expanding an automated production line at its Kanto plant. Even if the company's cost of imported goods rises due to yen depreciation, it should be able to raise the prices of its products to offset such a rise.

To date, most of the demand for earthquake recovery work has been for ports and harbors and public infrastructure, but from now on, the demand for housing replacement will supplement the previous demand. Furthermore, the Japanese government plans to increase public works investment and to stimulate private demand by lowering taxes on capital investment. Thus, the business outlook for Kondotec is bright, and the company may surpass its forecasts for FY3/14.



Ministry of Land, Infrastructure, Transport and Tourism for FY1995-FY2010, the Ministry's Research Institute of Construction and Economy for FY2011-FY2014



■ Growth Strategy

Improving anchor bolt installation

Kondotec plans to gain maximum benefit from the reconstruction of facilities destroyed by the 2011 earthquake. Its growth strategy entails the strengthening of four businesses: the structural steel materials, all businesses in Greater Tokyo, the railroad equipment business, and overseas business.

In recent years, the company has concentrated its purchases of materials for large customers at its head office in Osaka. As part of its plan to increase its business in Greater Tokyo, in July 2013, it established a second head office in Tokyo. It also bolstered the sales function of the Tokyo office by adding two sales people to the group selling anchor bolt installations, one to the group promoting exports, and a technician to support sales.

To increase its sales of structural steel materials, Kondotec has been promoting the installation of anchor bolts. The company acquired the license required to install these bolts in 2006, and in FY3/13, anchor bolt installation provided sales of ¥481mn. The installation of anchor bolts promotes their sale and enables the company to gain valuable information about the customer's need for other construction materials, since anchor bolt installation is one of the first processes undertaken at a construction site.

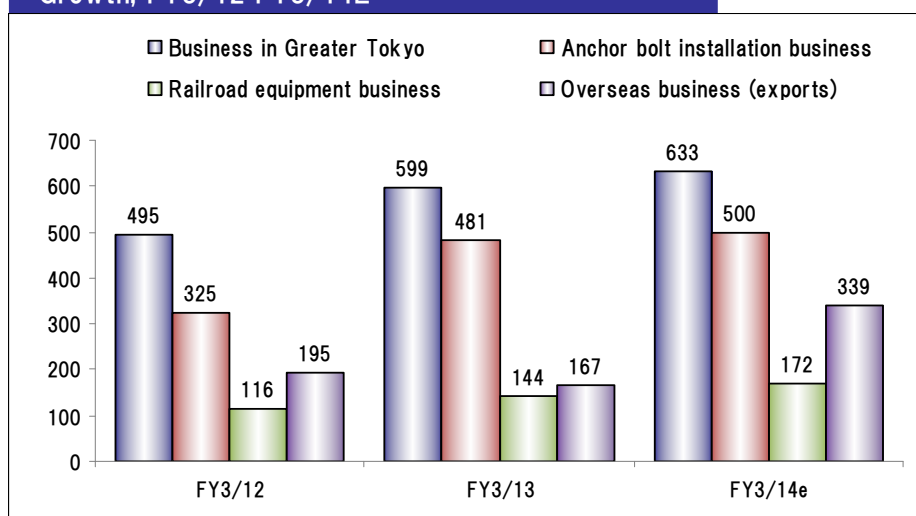
The company is now trying to improve its installation process to shorten troublesome work at construction sites, such as checking for reinforcement bars, thereby reducing work time and cost. Through these efforts, the company hopes to raise its sales from anchor bolt installation and its share of the Japanese market for structural steel products.

Kondotec's main product for railroads is its patented square hook bolt. Since the company first supplied this bolt in 1999, many railroad companies have adopted it. Previously, railroad companies used round bolts to secure the ties crossing steel railway bridges, but these bolts tend to weaken due to vibration, requiring frequent inspection and replacement. Kondotec's square hook bolts remain tight longer than round bolts, so railroad companies can reduce their inspection and replacement time and cost. Thus, Kondotec's bolts have been widely accepted, and they are one of its most profitable products. Hereafter, the company plans to sell these bolts to more railroads and to sell other products to railroads.

As mentioned previously, Kondotec stopped promoting exports from the mid-1980's through 2010 because yen appreciation raised the foreign currency prices of goods made in Japan. However, rapid economic growth in recent years in Thailand, Indonesia and Vietnam convinced the company that the demand for its products in these countries would grow. Therefore, in 2011, Kondotec established a representative office in Bangkok, Thailand, and in November 2012, the company set up a joint venture in Bangkok with a Thai company. Kondotec owns 49% of affiliate Kondotec International (Thailand) Co., Ltd. Hereafter, Kondotec intends to expand its imports and its exports. For FY3/14, it targets export sales of ¥339mn, double its export sales in FY3/13.

■ Growth Strategy

Sales (¥mn) by Four Businesses Targeted for Growth, FY3/12-FY3/14E

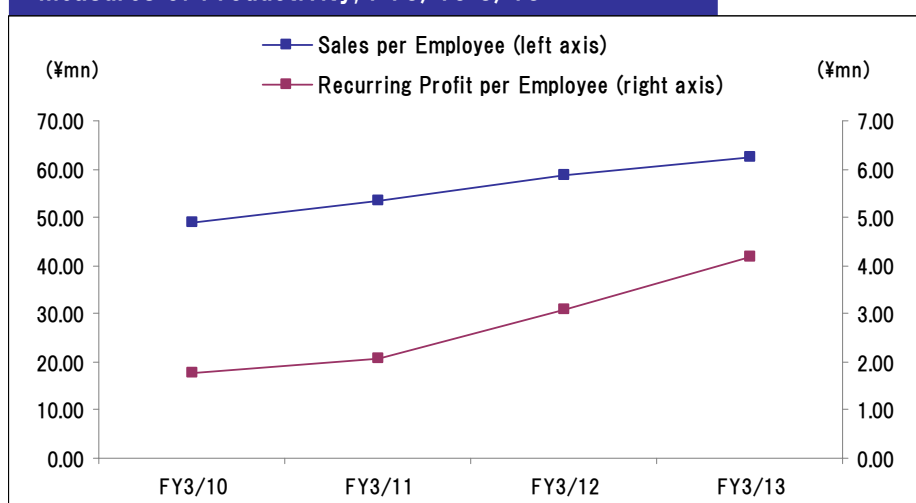


Kondotec has stressed the importance of acquiring new customers, and it has succeeded in this strategy, gaining one new customer per month, on average, per sales person. Thus, new customers provide about 5% of its annual sales. The company plans to continue this stress to support its growth.

After acquiring Sanwa Denzai Co. in 2010, Kondotec established a sales office for this subsidiary in Osaka which has steadily increased its sales. Kondotec plans to expand the areas of operation for the subsidiary and to promote synergy with it to encourage growth.

Kondotec's medium-term targets are consolidated sales of ¥50bn and a consolidated operating profit margin of 8%. To improve profitability, the company aims to raise the proportion of its parent-company sales of industrial materials and structural steel materials to 25%, from 21.2% in FY3/13. It will also continue to emphasize improvement in measures of productivity. As shown in the graph below, sales and recurring profit per employee continue to rise. These measures now exceed the levels before the global economic downturn of 2008-2009.

Measures of Productivity, FY3/10-3/13



■ Financial Condition and Shareholder Return Policy

Strong and improving with profit growth

Financial Condition

As mentioned previously, Kondotec has carried no debt on a parent-company basis since 2000. On a consolidated basis, its debt is low, compared with its cash and cash equivalents. The company's finances are stable, as measured by its current ratio and its equity ratio, and its ROE exceeds 10%. As its profits grow, its profitability and financial condition improve.

Balance Sheet (¥mn), 3/08-3/13

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13
	Non-consolidated			Consolidated		
Current assets	14,379	15,233	13,943	15,874	18,528	21,310
Cash and cash equivalents	2,208	3,898	3,234	3,396	2,790	4,798
Inventories	2,556	2,186	1,878	2,341	2,670	2,746
Tangible fixed assets	8,044	7,733	7,854	8,636	8,425	8,636
Intangible fixed assets	32	84	203	485	378	264
Investments, etc.	1,152	1,616	1,615	1,197	1,070	981
Total assets	23,608	24,667	23,616	26,194	28,403	31,192
Current liabilities	9,382	9,096	7,621	10,071	11,551	12,462
Fixed liabilities	1,492	1,579	1,678	1,741	1,754	1,739
Interest-bearing debt	-	-	-	900	700	800
Total liabilities	10,874	10,676	9,299	11,812	13,305	14,201
Total equity	12,733	13,991	14,317	14,381	15,097	16,990
Total liabilities & equity	23,608	24,667	23,616	26,194	28,403	31,192
Measures of financial stability						
Current ratio (current assets ÷ current liabilities)	153.3%	167.5%	183.0%	157.6%	160.4%	171.0%
Equity ratio (total equity ÷ total assets)	53.9%	56.7%	60.6%	54.9%	53.2%	54.5%
Debt/equity ratio (interest-bearing debt ÷ total equity)	-	-	-	6.3%	4.6%	4.7%
Measures of profitability						
ROA (recurring profit ÷ average total assets)	7.6%	7.9%	4.1%	5.5%	7.4%	9.2%
ROE (net profit ÷ average shareholders' equity)	9.0%	8.2%	4.7%	5.8%	7.1%	10.0%
Operating profit margin	5.7%	5.7%	3.4%	3.6%	5.0%	6.5%
Measures of efficiency						
Inventory turnover rate (COGS ÷ year-end inventories)	9.61	11.84	11.33	12.05	10.84	11.61
Asset turnover rate (sales ÷ year-end total assets)	1.33	1.35	1.16	1.36	1.36	1.32
Measures of productivity						
Sales (¥mn) per employee	55.85	57.64	48.75	53.62	58.88	62.35
Recurring profit (¥mn) per employee	3.15	3.31	1.76	2.08	3.07	4.17

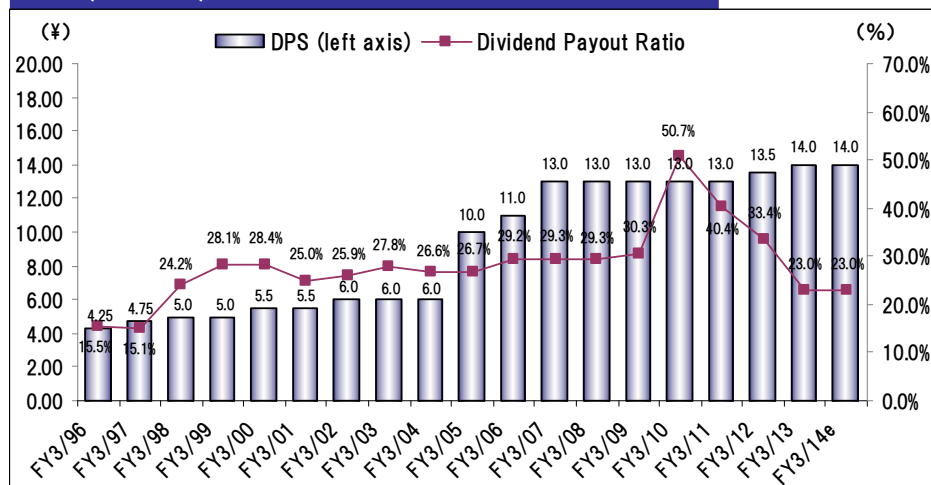
Company may raise its dividend if profits surpass its forecasts

Shareholder Return Policy

The company's basic policy toward shareholder returns is to pay a stable dividend, with reference to its dividend payout ratio, while ensuring that its profits and enterprise value grow. In FY3/13, its dividend payout ratio fell to 23%, the lowest level in years. Based on the company's EPS forecast and planned dividend for FY3/14, the dividend payout ratio would remain 23%. If profits surpass the company's forecasts, the company may raise its dividend.

Financial Condition and Shareholder Return Policy

Dividend (¥) Per Share and Dividend Payout Ratio, FY3/96-FY3/14E



Note: In January 2012, the company made a 2-for-1 share split. Per-share figures for fiscal years before FY3/12 have been adjusted to reflect this split.

Income Statement (¥mn), FY3/10-FY3/14E

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/13E
	Non-consolidated	Consolidated	Consolidated	Consolidated	Consolidated
Sales	27,347	35,548	38,745	41,153	43,372
y-o-y	-17.8	-	9.0	6.2	5.4
Cost of goods sold	21,291	28,205	30,412	31,890	-
COGS ratio	77.9	79.3	78.5	77.5	-
SGA cost	5,122	6,067	6,406	6,597	-
SGA cost ratio	18.7	17.1	16.5	16.0	-
Operating profit	933	1,275	1,926	2,664	2,884
y-o-y	-51.1	-	51.0	38.3	8.2
Operating profit margin	3.4	3.6	5.0	6.5	6.7
Recurring profit	986	1,376	2,019	2,754	2,972
y-o-y	-48.4	-	46.7	36.4	7.9
Recurring profit margin	3.6	3.9	5.2	6.7	6.9
Extraordinary profit	179	263	0	0	-
Extraordinary loss	9	136	19	29	-
Pretax profit	1,156	1,503	2,000	2,725	-
y-o-y	-39.0	-	33.1	36.2	-
Pretax profit margin	4.2	4.2	5.2	6.6	-
Tax	492	669	954	1,120	-
Tax rate	42.6	44.5	47.7	41.1	-
Net profit	664	834	1,046	1,605	1,678
y-o-y	-39.4	-	25.4	53.5	4.5
Net profit margin	2.4	2.3	2.7	3.9	3.9
Measure Index					
Average number of shares outstanding (000)	25,922	25,922	25,922	26,422	27,622
EPS (¥)	25.6	32.1	40.3	60.7	60.7
DPS (¥)	13.0	13.0	13.5	14.0	14.0
BPS (¥)	552.3	554.8	582.4	615.2	-
Dividend payout ratio (%)	50.7	40.4	33.4	23.0	23.0
Number of employees	561	663	658	660	-

Note: In January 2012, the company made a 2-for-1 share split. Per-share figures for fiscal years before FY3/12 have been adjusted to reflect this split.

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