Justin Industries, Inc.

1981 Annual Report

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Justin Industries, Inc.

Building Materials

ACME BRICK COMPANY

THE FEATHERLITE CORPORATION

LOUISIANA CONCRETE PRODUCTS, INC.

SANFORD BRICK CORPORATION

Industrial Equipment

CERAMIC COOLING TOWER COMPANY

Western and Outdoor

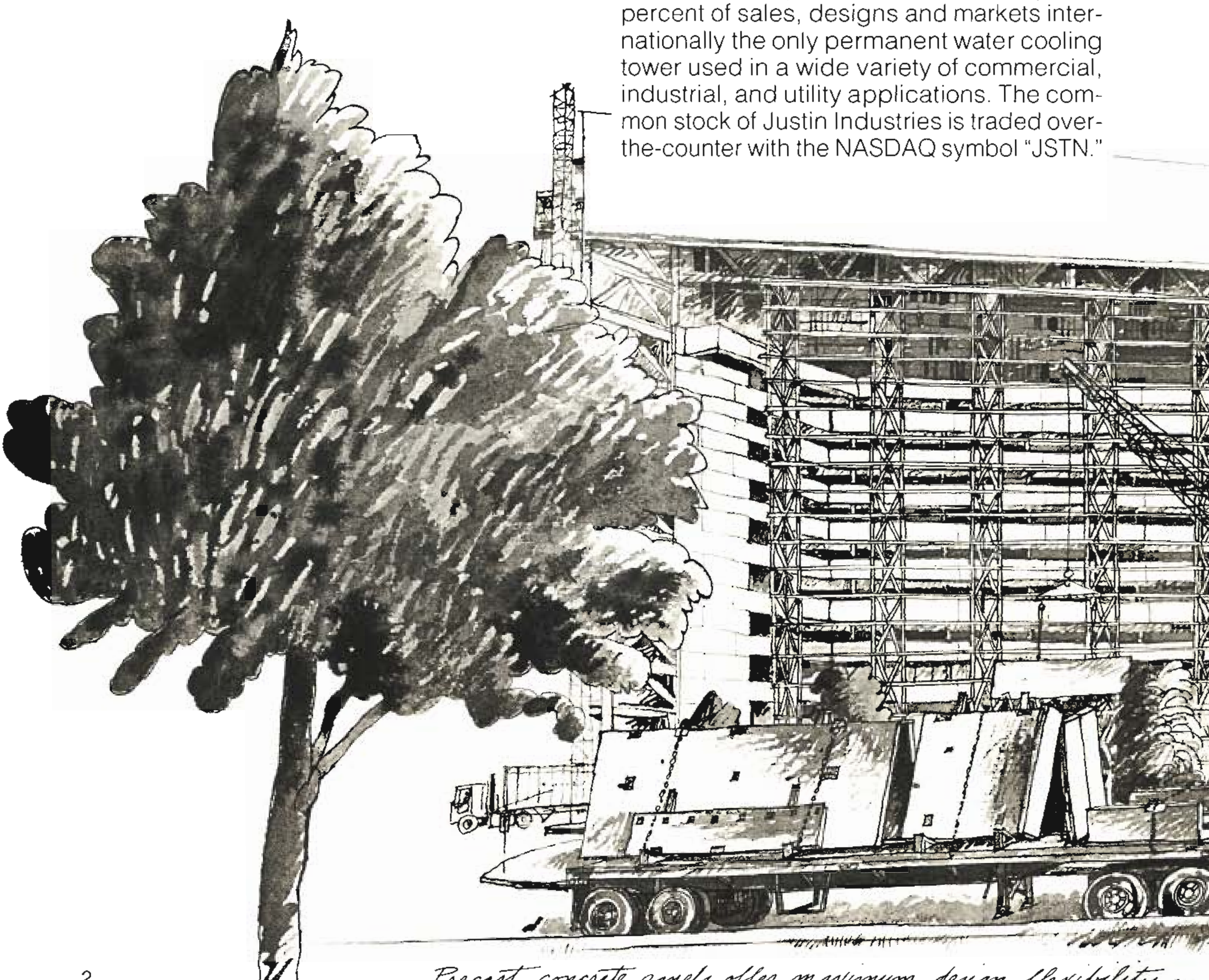
THE JUSTIN COMPANIES

NOCONA BOOT COMPANY

NORTHLAND PRESS

CORPORATE PROFILE

Justin Industries, headquartered in Fort Worth, Texas, is a leader in every principal area of its involvement. Its Building Materials operations, comprising 53 percent of sales, produce more clay brick than any other American company and lead the Southwest and Mid-South in the manufacture of concrete products. Its Western and Outdoor group, representing 40 percent of sales, includes the Justin Boot Company and Nocona Boot Company, making Justin Industries one of the nation's top manufacturers of high-quality western boots. Its Industrial Equipment line, amounting to 7 percent of sales, designs and markets internationally the only permanent water cooling tower used in a wide variety of commercial, industrial, and utility applications. The common stock of Justin Industries is traded over-the-counter with the NASDAQ symbol "JSTN."



Precast concrete panels offer maximum design flexibility.

FINANCIAL HIGHLIGHTS

	1981	1980	1979
Net Sales	**$232,160**	$197,862	$184,496
Net Income	**$5,430**	$7,879	$10,753
Earnings per Share	**$1.38**	$2.09	$2.83
Capital Expenditures	**$17,017**	$8,273	$14,851
Working Capital	**$77,950**	$59,225	$45,957
Total Assets	**$208,423**	$157,926	$142,458
Long-Term Debt	**$71,342**	$55,655	$48,763
Shareholders' Equity	**$76,358**	$64,283	$59,164
Book Value per Share	**$18.68**	$17.30	$15.76
Cash Dividends per Share	**$ .60**	$ .60	$ .50

(in thousands, except per share data)

Contents

January 27, 1982

TO OUR SHAREHOLDERS

Reduced residential construction activity during 1981 resulted in a decline in Justin Industries' overall profits. By year-end, housing starts were at the lowest level since 1946. The impact on Justin's operations resulted in earnings of $1.38 per share, or $5.4 million, compared to $2.09 per share in 1980. Sales for 1981 totaled $232 million, compared to $198 million for the prior year.

Aided by the acquisition of Nocona Boot Company, effective June 30, 1981, Justin's Western and Outdoor group achieved record high operating profits for the year. The company's concrete products and cooling tower operations performed satisfactorily, although operating profits were down somewhat from the records established in 1980.

High interest rates were an important factor in Justin Industries' earnings decline in 1981. Unprecedented mortgage rates strangled new home construction. Housing starts for the year were less than 1.1 million, compared to 1.3 million in 1980 and 1.75 million in 1979. High interest rates and increased debt levels caused Justin's interest expense to climb $3.1 million over the 1980 level.

Again in 1981, Justin Industries' top performers were its western boot and belt lines. Sales of the company's Western and Outdoor operations increased 55 percent. Justin Boot Company, which was founded in 1879, opened new plants in El Paso, Texas, and Cassville, Missouri. During the year, belt output was increased. A new central warehouse for receiving and grading all leather and other materials used by the company was opened. In a major step forward, Nocona Boot Company was acquired by an exchange of stock. Nocona, also a leading manufacturer of quality western boots, was an immediate contributor to Justin Industries' profits, adding to earnings per share in 1981. The acquisition of Nocona Boot enhances Justin Industries' leadership position in the quality western boot field.

In the Industrial Equipment field, the Ceramic Cooling Tower Company made news in 1981 by introducing the new Ceramic Permalite™ cooling tower. This addition to CCT's product line is constructed with lightweight fiberglass and retains the ceramic

Historic Bennett Plant – acme's first.

tile fill material that gives Ceramic Cooling Tower Company's products their unexcelled performance characteristics. The Permalite™ cooling tower substantially widens Ceramic's marketing opportunities.

Building Materials remained Justin's largest line of business in 1981, representing 53 percent of total sales. Justin, through its Acme and Sanford Brick subsidiaries, is the largest producer of clay brick in the United States. Its Featherlite operations lead in the production of prestress and precast concrete products and concrete block in the Southwest and Mid-South.

Brick operating profits were down 28 percent in 1981. Plant production levels averaged about 55 percent of capacity during the year. By year-end, the operating rate was below 50 percent as production was reduced in line with sales demand. Unit sales were down only slightly in 1981 from 1980, and dollar sales were up moderately as the company's brick operations gained market share. Relatively strong pockets of construction activity in parts of the Southwest contributed to market penetration gains achieved in spite of tough competitive conditions. Attainment of maximum plant efficiency was emphasized in the brick operations during 1981. Fuel efficiency and labor productivity both continued to improve.

Concrete products results were mixed. Certain markets were quite weak while others remained good throughout the year. The Featherlite Structural Company had another record year and enters 1982 with its highest backlog ever.

Financially, Justin Industries remains strong in spite of heavy borrowing required during the year to finance expansion and working capital needs. The company's dividend of 15 cents per quarter was maintained throughout the year.

The low level of residential construction activity continues to cloud the short-term outlook for Justin Industries. We remain confident, however, that the company is well positioned to take advantage of any upturn in building activity and to become an even more significant force in the western boot market.

John Justin

Chairman and Chief Executive Officer

JUSTIN INDUSTRIES PLANT LOCATIONS

ACME BRICK COMPANY
- Bennett, Texas
- Bridgeport, Texas
- Denton, Texas
- Garrison, Texas
- McQueeney, Texas
- Fort Smith, Arkansas
- Malvern, Arkansas (3)
- Perla, Arkansas
- Kanopolis, Kansas
- Weir, Kansas
- Baton Rouge, Louisiana
- Jamestown, Louisiana
- Clinton, Oklahoma
- Edmond, Oklahoma
- Oklahoma City, Oklahoma
- Tulsa, Oklahoma

SANFORD BRICK CORPORATION
- Colon, North Carolina
- Gulf, North Carolina
- Norwood, North Carolina

THE FEATHERLITE CORPORATION

Prestressed and Precast Concrete
- Austin, Texas
- El Paso, Texas
- Lexington, Kentucky
- Memphis, Tennessee

Concrete Block
- Abilene, Texas
- Austin, Texas
- Beaumont/Port Arthur, Texas
- Dallas, Texas
- El Paso, Texas
- Lubbock, Texas
- Midland, Texas
- San Antonio, Texas

Spectra-Glaze®
- Lubbock, Texas

Lightweight Aggregate
- Ranger, Texas

Volcanic Aggregate
- In the Florida Mountains of New Mexico

Architectural Stone
- Austin, Texas

LOUISIANA CONCRETE PRODUCTS

Prestressed and Precast Concrete
- Baton Rouge, Louisiana

Concrete Block
- Baton Rouge, Louisiana
- Lake Charles, Louisiana
- New Orleans, Louisiana

CERAMIC COOLING TOWER COMPANY
- Fort Worth, Texas

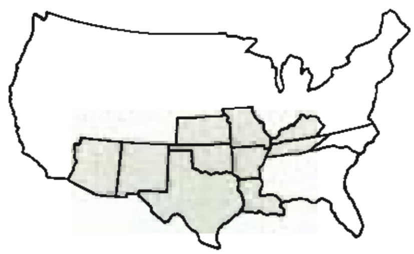
THE JUSTIN COMPANIES

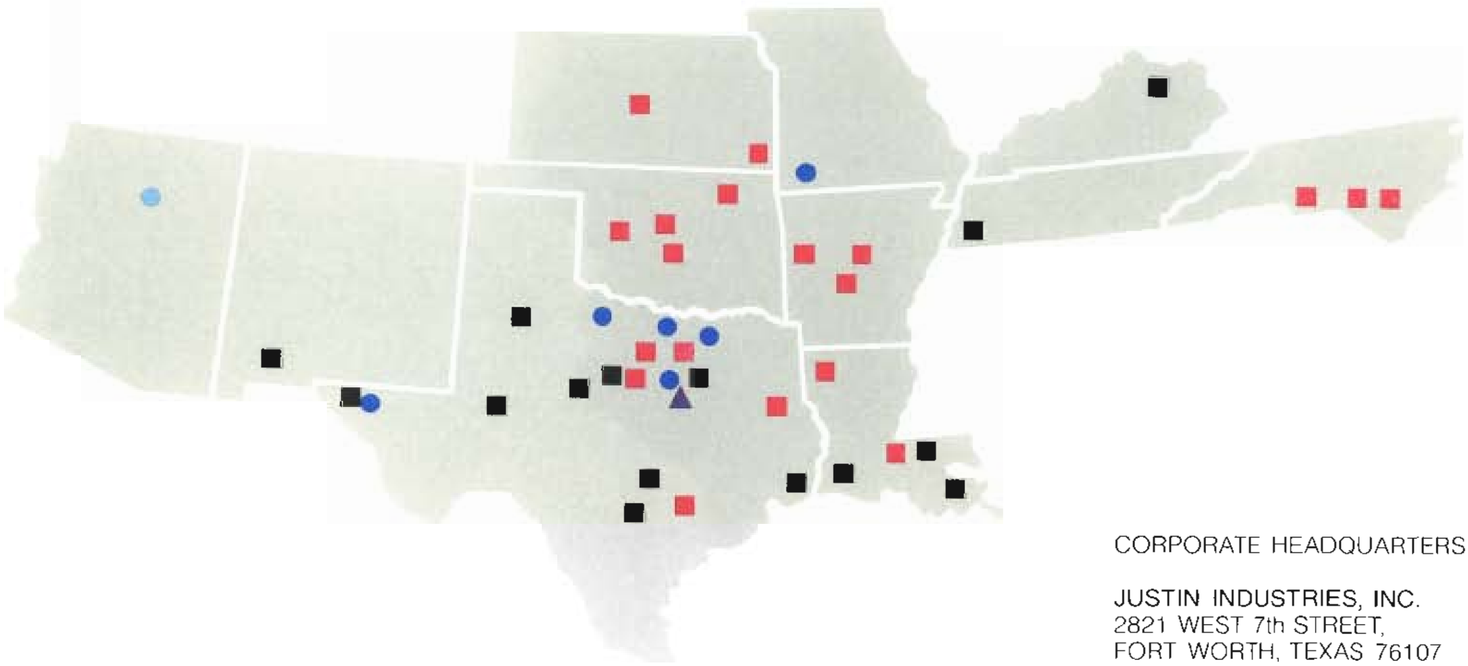
Boots
- El Paso, Texas
- Fort Worth, Texas
- Cassville, Missouri

Belts
- Fort Worth, Texas
- Nocona, Texas

NOCONA BOOT COMPANY
- Gainesville, Texas
- Nocona, Texas
- Vernon, Texas

NORTHLAND PRESS
- Flagstaff, Arizona





CORPORATE HEADQUARTERS:

JUSTIN INDUSTRIES, INC.
2821 WEST 7th STREET,
FORT WORTH, TEXAS 76107
(817) 336-5125

FINANCIAL DISCUSSION

In many ways, 1981 was a challenging year for Justin Industries. Record high interest rates strained profitability despite a 17 percent increase in net sales. As interest rates increased, all construction activity slowed; by year-end, with residential mortgage interest rates exceeding 17 percent, new home construction declined to its lowest level in over 35 years.

While high interest rates slowed demand for Justin's building materials, the company elected to expand its Western and Outdoor operations to help satisfy the ever-increasing demand for quality western boots. Overall, working capital requirements for the Western and Outdoor operations increased $34 million, while $6.2 million was spent on improvements and expansion of manufacturing facilities. Of this increase in working capital, $14 million may be attributed to the midyear acquisition of Nocona Boot Company.

Capital Spending and Source of Funds

Capital spending in 1981 totaled $17 million, compared with $8.3 million in 1980 and $14.9 million in 1979. Expansion of the company's boot facilities accounted for 36 percent of the 1981 capital budget, and nine percent was spent on a major renovation of the company's Dallas concrete block plant. The acquisition of Dixie Brick Company's property, plant, and equipment in north-central Louisiana required $1.5 million. An additional $5.7 million was expended on continued improvements to the company's brick firing systems and other building material equipment replacements.

The table, Balance Sheet Trends, reflects the percentage relationship of Justin's assets and sources of capital during the last five years. At year-end, current assets accounted for 63 percent of total assets, up $40 million from the previous year. Shareholders' equity increased over $12 million in 1981, a 19 percent increase from 1980, while the company's use of borrowed capital increased $34 million.

Balance Sheet Trends
Percent of Total Assets

Assets:	**1981**	1980	1979	1978	1977
Receivables	**24%**	24%	23%	25%	29%
Inventories	**37**	32	28	23	24
Fixed assets	**35**	40	45	50	45
All other assets	**4**	4	4	2	2
	100%	100%	100%	100%	100%
Capital:					
Equity	**37%**	41%	42%	42%	43%
Long-term debt	**34**	35	34	34	33
All other liabilities	**29**	24	24	24	24
	100%	100%	100%	100%	100%

Commercial banks provide Justin Industries with its primary source of borrowed capital. During 1981, a major portion of long-term borrowing was refinanced, enabling the company to reduce effective interest rates and extend the average maturity of long-term debt from four years at the end of 1980 to five years at December 31, 1981.

Short-term debt increased from $4 million in January, 1981, to $22 million by year-end. The company has available an additional $27 million in unused lines of credit. Management believes that, under existing borrowing arrangements with some 18 commercial banks, its facilities for obtaining working capital are adequate. The company's working capital needs are seasonal in nature and the maximum amount of

Five-Year Analysis of Sales and Operating Profit Contribution by Product Lines

(in thousands of dollars)

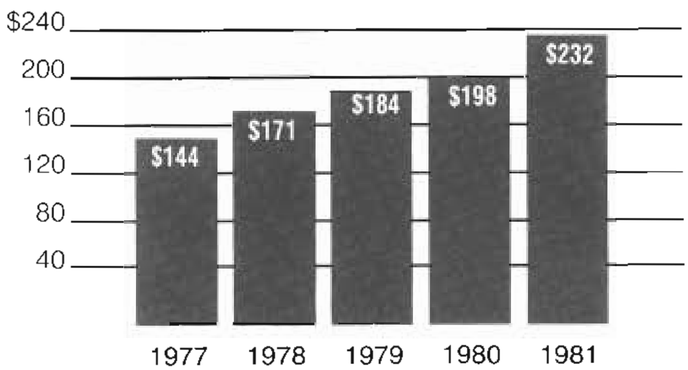
	1981 Amount	1981 Percent	1980 Amount	1980 Percent	1979 Amount	1979 Percent	1978 Amount	1978 Percent	1977 Amount	1977 Percent
Building Materials:										
Net sales	**$122,614**	**53%**	$121,926	62%	$131,060	71%	$127,543	75%	$105,610	73%
Profit	**13,023**	**53**	16,722	63	23,464	82	25,548	100	15,087	93
Western and Outdoor:										
Net sales	**94,074**	**40**	60,633	30	39,033	21	27,714	16	27,589	19
Profit	**9,465**	**38**	7,601	28	3,994	14	1,338	5	1,217	7
Industrial Equipment:										
Net sales	**15,472**	**7**	15,303	8	14,403	8	15,693	9	11,197	8
Profit	**2,326**	**9**	2,392	9	1,105	4	(1,272)	(5)	(7)	—
Totals:										
Net sales	**232,160**	**100%**	197,862	100%	184,496	100%	170,950	100%	144,396	100%
Profit	**24,814**	**100%**	26,715	100%	28,563	100%	25,614	100%	16,297	100%
Less: Indirect and interest expense not allocated	**17,309**		13,961		11,590		8,725		6,131	
Income before income taxes	**$ 7,505**		$ 12,754		$ 16,973		$ 16,889		$ 10,166	

short-term borrowing at any month's end in 1981 was $22.5 million. During the year, short-term debt averaged $12.6 million; the average interest rate paid on these loans was 18.5 percent, with rates ranging from 12 percent to 20.5 percent.

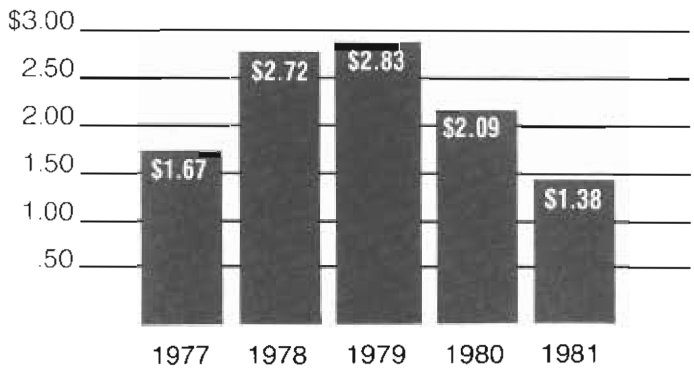
The company's financial position at December 31, 1981, remains strong, with a current ratio (current assets to current liabilities) of 2.5 to 1 compared to 2.9 to 1 in 1980, and an overall average of 2.6 to 1 for the most recent five years. At the end of 1981, the ratio of long-term debt to shareholders' equity stood at .93 to 1, compared with .86 to 1 for 1980.

The consistently strong cash flow from operations has been an important source of capital for Justin Industries. Depreciation expense of $8.8 million plus earnings and deferred income taxes provided $15.6 million in working capital from operations in 1981, compared with $16.7 million in 1980 and $19.7 million in 1979. This cash flow from operations enabled Justin Industries to maintain its dividend of 15 cents per quarter during 1981, resulting in a total payout to shareholders of $2.4 million for the year. The company does not follow a precise formula to determine the amount

Net Sales
(in millions)



Earnings per Share



of dividends paid; however, the annual dividend rate per share has increased from 7 cents in 1972, when dividends were reinstated, to its current level of 60 cents per share for 1981.

Operations

Aided by the acquisition of Nocona Boot Company, Justin Industries' sales increased by 17 percent in 1981 over 1980 levels. As reflected in the Five-Year Analysis of Sales and Operating Profit Contribution by Product Lines on page 8, sales for the company's Western and Outdoor operations increased 55 percent in 1981, accounting for substantially all of the increase in total sales. The acquisition of Nocona Boot Company accounted for approximately 46 percent of the increased sales for the Western and Outdoor line.

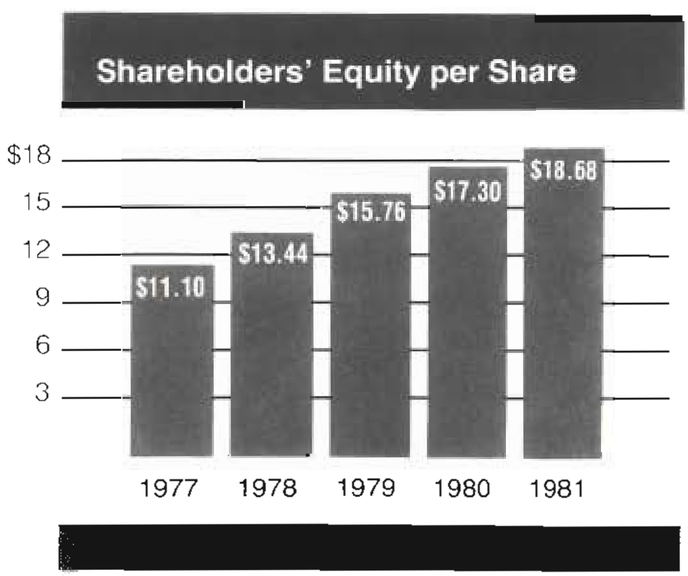
Net sales in the Building Material group for 1981 were approximately the same as in 1980; however, profits in this segment of business were at the lowest level since 1976. As discussed elsewhere in this annual report, low levels of residential construction slowed brick operations, resulting in a reduction of brick unit shipments. This reduction, coupled with cost pressures associated with reduced plant operating levels, adversely affected profit margins and is the primary reason for the increase in cost of sales as a percentage of net sales as reflected in the accompanying table, Operating Trends.

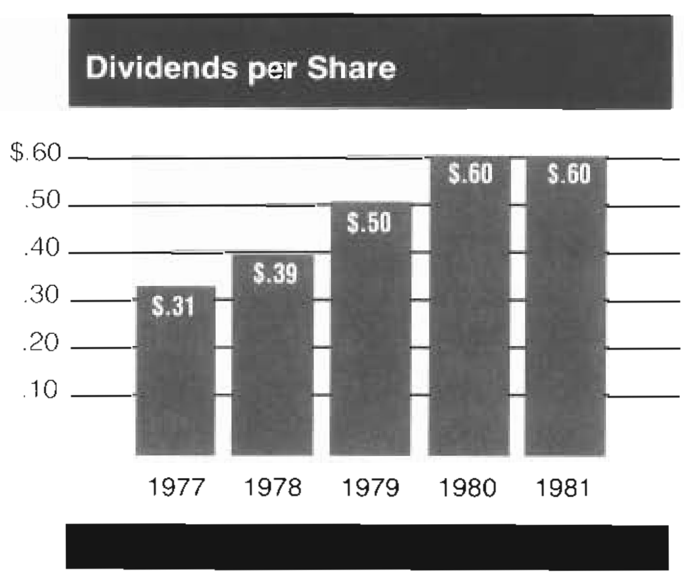
Operating Trends
Percent of Net Sales

	1981	1980	1979	1978	1977
Net sales	**100.0%**	100.0%	100.0%	100.0%	100.0%
Cost of sales	**73.4**	71.1	69.6	70.2	72.8
Gross profit	**26.6**	28.9	30.4	29.8	27.2
Selling and general expenses	**18.7**	18.5	18.2	17.8	18.2
Interest expense	**4.7**	3.9	3.0	2.1	1.9
Pretax income	**3.2**	6.5	9.2	9.9	7.1
Taxes	**.9**	2.5	3.4	3.9	2.8
Net income	**2.3%**	4.0%	5.8%	6.0%	4.3%

As a percentage of net sales, selling and general expenses increased from 18.5 percent in 1980 to 18.7 percent in 1981. At the same time, the relationship of interest expense to net sales increased from 3.9 percent in 1980 to 4.7 percent in 1981 for an increase in interest expense of $3.1 million. The dramatic rise in interest expense is due to the greater borrowing requirements for capital expenditures and working capital as discussed above, as well as an increase in the company's net effective interest rate to 13.2 percent in 1981 from 11.2 percent in 1980.

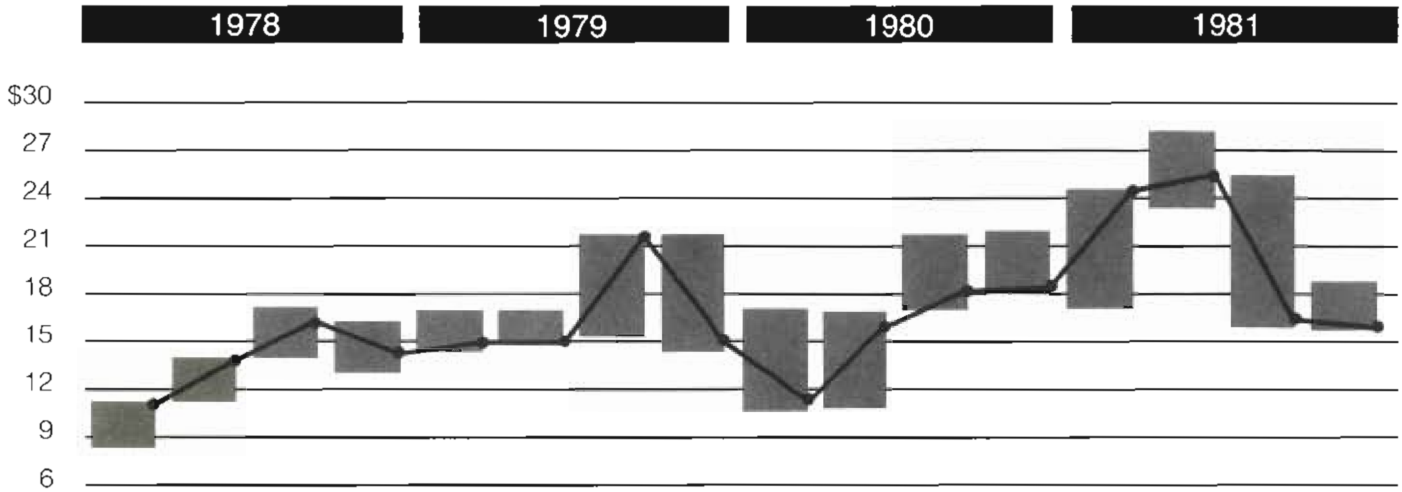
The effective tax rate used in computing 1981 income was 27.6 percent compared





Market Price of Common Stock

(By Quarter)



The bars on this graph show the high and low bid price of Justin Industries, Inc., Common Stock during each calendar quarter while the line indicates the closing bid price at the end of each quarter.

to 38.2 percent in 1980 and an average of approximately 38.7 percent for the previous five years. The effect of investment tax credits on reduced income was the primary reason for this lower 1981 tax rate.

Management's Responsibility for the Financial Statements

The Consolidated Financial Statements for Justin Industries, Inc., and its subsidiaries are prepared by the company in conformity with consistently applied, generally accepted accounting principles. Management selects appropriate accounting principles, makes necessary estimates, and uses its judgment to ensure the objectivity, accuracy, and integrity of the data presented. The company has established and maintains systems of management reporting and internal controls which are designed to provide reasonable assurance that company policies are followed and that company assets are safeguarded. These systems are constantly monitored and revised where necessary to meet changing requirements and to strengthen controls while maintaining a cost-effective method of providing credible and timely information necessary to the operation of Justin Industries, Inc.

The Board of Directors carries out its oversight responsibility for the financial statements through its Audit Committee. This committee is composed of directors who are neither officers nor employees of the company. The committee meets periodically with the independent auditors and representatives of management to assure that each is carrying out its responsibilities. To ensure the integrity of the Audit Committee function, the company's outside auditors have complete access to the committee, without company representatives present. The results of their examinations and their opinions on the adequacy of internal controls and the quality of financial reporting can be freely discussed during these conferences.

Changing Prices

The following table, Selected Financial Data Adjusted for Changing Prices, is a compilation of information that is required by the Financial Accounting Standards Board to develop financial reporting which reflects the effects of inflation on companies.

These disclosures present some of the effects of inflation on Justin Industries, but should be used with caution. The information is not a comprehensive restatement of the company's financial statements and the estimates and assumptions used in its preparation may not be comparable with those of other companies.

The effects of changing prices are presented using two methods: the constant dollar method and the current cost method. The constant dollar method involves using the Consumer Price Index to adjust the dollar value of inventory and fixed assets to dollars of average 1981 purchasing power, thus presenting the effects of general inflation. Depreciation expense and cost of goods sold are then based on these values.

The current cost method values fixed assets and inventories at their current cost at year-end, or replacement cost, rather than actual historical cost. Depreciation expense and cost of goods sold are then based on current values. Current cost data is presented without regard to technological improvements. It also considers the effects of replacing certain manufacturing assets with more efficient assets that could reduce operating cost. (Such data was not readily available in all areas of the company's operations.)

Taxes are not restated by the constant dollar or current cost adjustments. If taxes were calculated by applying existing tax rates to income adjusted for inflation, the resulting tax reductions or credits would provide more dollars that could be used for replacement or expansion of facilities or for the payment of dividends.

The gain from the computed decline in the purchasing power of net amounts payable to others occurs because the company's monetary liabilities (liabilities requiring fixed cash payments) exceeded its monetary assets (assets to be redeemed in fixed cash sums) during an inflationary period. This gain reflects the fact that net monetary liabilities are repaid with dollars that are worth less in terms of general purchasing power.

Intricate stone carving by skilled Featherlite artisan.

Selected Financial Data Adjusted for Changing Prices

(in thousands of dollars, except per share data)

	Statement of Operations			
	Historical costs	Constant dollars	Current cost data	
			Adjustments for changes in specific prices	
	As reported in the financial statements	Adjustments for general inflation	Without regard to technological improvements	With certain technological improvements
1981:				
Net sales	$232,160	$232,160	$232,160	$232,160
Cost and expenses:				
Cost of goods sold	170,405	178,292	181,094	162,633
Selling, general, and administrative	43,479	44,844	46,286	46,286
Interest	10,771	10,771	10,771	10,771
	224,655	233,907	238,151	219,690
Income (loss) before taxes	7,505	(1,747)	(5,991)	12,470
Taxes	2,075	2,075	2,075	2,075
Net income (loss)	$ 5,430	($ 3,822)	($ 8,066)	$ 10,395
Earnings (loss) per share	$ 1.38	($ .97)	($ 2.05)	$ 2.64
Depreciation expense	$ 8,816	$ 12,828	$ 17,072	$ 17,072
Net assets at year end	$ 76,358	$100,686	$165,332	$165,332
1980:				
Net income (loss)	$ 7,879	($ 690)	($ 2,643)	$ 14,870
Earnings (loss) per share	$ 2.09	($ .18)	($ .72)	$ 3.95
Net assets at year end	$ 64,283	$ 84,320	$136,982	$136,982

The gain to Justin from the decline in purchasing power of net amounts payable to others was $5,409 in 1981 and $6,198 in 1980, and based on current costs, the computed increase in inventories and fixed assets was $37,529 in 1981 and $41,877 in 1980 of which $18,009 and $23,839, respectively, resulted from increases in the general price level.

At December 31, 1981, current cost of inventory was $82,123 and current cost of fixed assets net of depreciation was $155,612.

The following data is adjusted to average 1981 dollars using the Consumer Price Index:

	1981	1980	1979	1978	1977
Net sales	$232,160	$218,176	$231,172	$238,315	$216,713
Cash dividends declared per share	$ .60	$ .66	$ .63	$ .54	$ .47
Market price per share at year end	$ 16.38	$ 20.68	$ 18.79	$ 19.75	$ 14.26
Average consumer price index	272.4	247.0	217.4	195.4	181.5

REPORT ON OPERATIONS

Higher profits from boots and prestress concrete were not sufficient to offset 1981's decline in brick profitability, which resulted from very low residential construction activity. Earnings declined by 31 percent from 1980 levels to $5.4 million, or $1.38 per share, compared to $7.9 million, or $2.09 a share, in 1980. Sales in 1981 of $232 million represented a new high for the sixth straight year.

Justin Industries' profitability currently is hurt by plant overcapacity, particularly in the brick area. However, the company has modern production facilities that are capable of significantly increasing sales over the next several years without substantial new investment in plant and equipment. Consequently, as interest rates decline and the economy recovers, Justin Industries should record substantial gains in both sales and profit.

BUILDING MATERIALS

Well-established leadership in the Southwest, Mid-South, and Mid-Atlantic states gives Justin's Building Materials line opportunities for continued progress and market share penetration, even in an unfavorable economic environment. In 1981, housing starts hit their lowest level since 1946, yet Building Materials still represented 53 percent of Justin Industries' total sales and 53 percent of operating profits.

Justin Industries is the largest brick producer in the United States. Its Acme Brick subsidiary, with operations concentrated in the Southwest, has eighteen plants in five states. Acme sells direct to the architect, contractor, and home buyer from 35 sales offices located in seven states. Sanford Brick Corporation, with three plants in North Carolina, distributes its brick primarily in the Mid-Atlantic states. Justin's dollar volume from brick was slightly higher in 1981, as reduced construction activity was offset by capturing a larger share of the available market. Profits were down, however, as plants operated well below capacity, and sharp increases in fuel prices reduced margins.

Justin's Building Materials line also includes the Featherlite Building Products and Featherlite Structural Companies, which provide a wide range of concrete products used by contractors and builders in the Southwest and Mid-South areas. These divisions operate eleven concrete block plants, an expanded shale lightweight aggregate plant, five large prestress/precast plants, and the only architectural stone plant in the Southwest.

Featherlite's operating profits were down 14 percent in 1981 from 1980's record levels. Major building and highway projects supplied by Featherlite Structural offset slack demand in a number of markets served by the concrete block plants. Typically, the demand for Featherlite Structural products continues at a fast pace well after residential construction served by the brick operations and smaller commercial and industrial projects served by Featherlite Building Products taper off. This cyclical pattern was repeated in 1981.

Concrete Products Serve Expanding Market

Inherent advantages of concrete, including economy, strength, design flexibility, fire resistance, and energy conservation, make the concrete products manufactured by Featherlite increasingly attractive to architects and building owners. Concrete products' cost advantages, compared to competing materials such as metal and glass, are becoming more apparent as inflation continues.

Clay column
is cut into
brick.

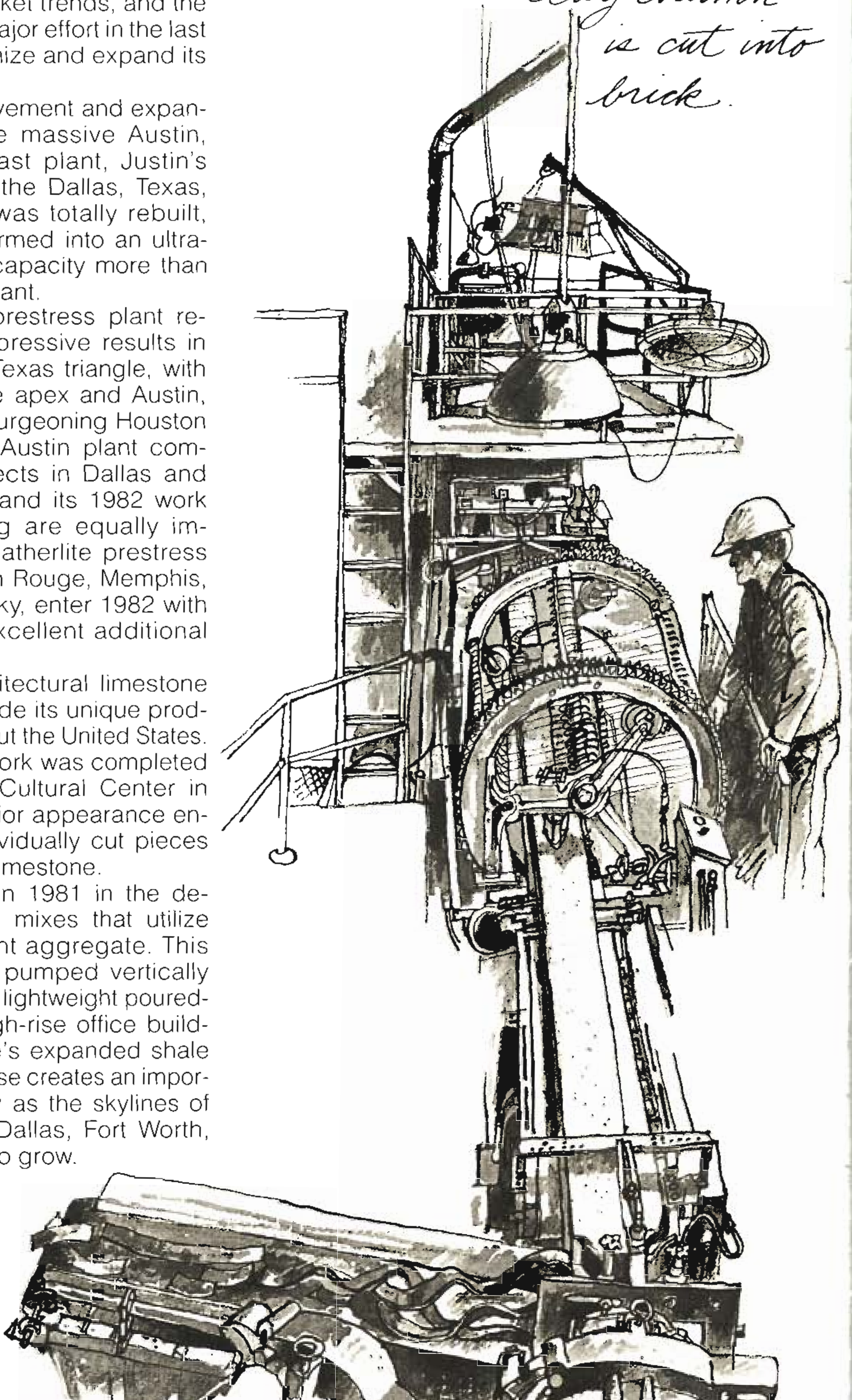
Justin Industries' concrete product plants are well positioned in the Sun Belt to take advantage of these market trends, and the company has made a major effort in the last several years to modernize and expand its concrete facilities.

In 1981, major improvement and expansion took place at the massive Austin, Texas, prestress/precast plant, Justin's largest. Also in 1981, the Dallas, Texas, concrete block plant was totally rebuilt, expanded, and transformed into an ultra-modern facility with a capacity more than double that of the old plant.

The Austin, Texas, prestress plant recorded particularly impressive results in 1981 as it served the Texas triangle, with Dallas/Fort Worth at the apex and Austin, San Antonio, and the burgeoning Houston area at its base. The Austin plant completed showcase projects in Dallas and Houston during 1981, and its 1982 work schedule and backlog are equally impressive. The other Featherlite prestress plants in El Paso, Baton Rouge, Memphis, and Lexington, Kentucky, enter 1982 with good backlogs and excellent additional prospects.

The Featherlite architectural limestone plant continues to provide its unique product for projects throughout the United States. In 1981, for example, work was completed on the Dade County Cultural Center in Miami, Florida, its exterior appearance enhanced by 15,000 individually cut pieces of Featherlite Cordova limestone.

Strides were made in 1981 in the development of concrete mixes that utilize Featherlite's lightweight aggregate. This ready-mix concrete is pumped vertically many feet into the air for lightweight poured-concrete flooring in high-rise office buildings. Use of Featherlite's expanded shale aggregate for this purpose creates an important market opportunity as the skylines of such Texas cities as Dallas, Fort Worth, and Houston continue to grow.



Brick Still Dominant

Although hit hard by the precipitous drop in residential construction over the last two years, clay brick continues as the dominant residential wall material in the United States, particularly in the South and Southwest. Approximately 65 percent of the residential wall market in the South is brick, and Justin Industries, through Acme and Sanford Brick, is the largest supplier serving this market. The permanence of brick, as well as its beauty and charm, are well established. Its energy-conserving and maintenance-free characteristics further endear it to the homeowner. Less well known is the economy of construction that brick offers.

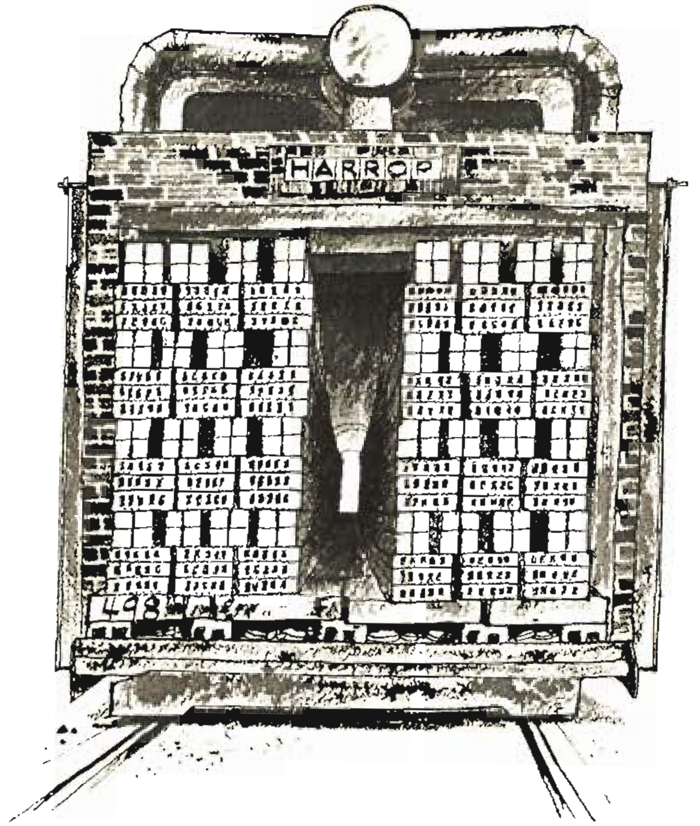
For a typical Texas home, a veneer of Acme brick represents about four percent of the total cost of the home, and this cost relationship is improving. As recently as ten years ago, brick represented close to ten percent of the overall cost of a home. Use of the cheapest wood veneer, which does not stand up to the harsh weather conditions of the Southwest, saves less than $2,000 in the initial cost of a typical home, compared to the permanence and beauty of an all-brick veneer.

Brick's cost advantages apply equally to commercial construction, where brick is usually the least expensive wall material. Brick is more costly only when the plainest of wall treatment is desired and long-term maintenance is not considered. Brick for commercial projects consumes about 25 percent of Justin's brick production. Use of brick in paving projects and in landscaping is increasing in popularity.

A market opportunity that received more attention in 1981 was the use of brick siding in the renovation of older homes. Brick is as economical as aluminum or vinyl in residing a frame house. The Acme Brick sales force gave increased attention during 1981 to locating, encouraging, and assisting remodeling contractors in providing this service, with its obvious advantages to the homeowner.

Production curtailments during 1981 placed even higher priority on increased plant efficiency. Energy efficiency per brick unit produced was improved for the ninth straight year, as BTUs required to produce each brick were reduced nearly 15 percent in 1981 from the prior year. Man-hours used per brick unit produced were also reduced. While these actions minimized the detrimental effects of lower production and unused plant capacity, total cost per unit still climbed and profit margins fell.

Conversion of brick plants to fuel other than natural gas continues. At year-end, all kilns in operation at Sanford Brick were utilizing sawdust as their primary fuel. Sawdust and other combustible materials are being used as additives at most of the Justin brick plants, reducing cost, increasing plant efficiency, and producing a lighter, more desirable brick.



Brick are hard-fired at 1800°+.

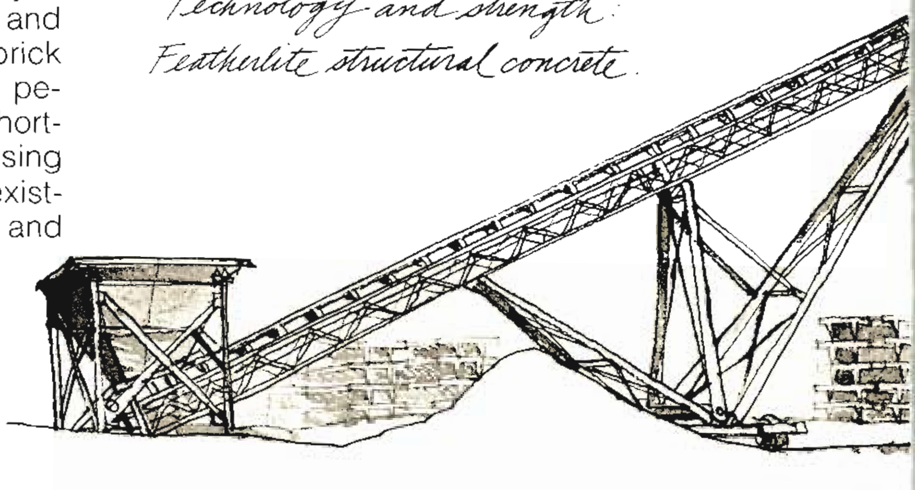
While the last two years have been trying ones for Justin's brick operations, exciting opportunities are still on the horizon. Demographics indicate that the demand for housing in the 1980s will be at least as great as in the decade of the 1970s. This foretells a recurrence of brick shortages that plagued builders and architects in the past decade. However, Justin Industries is in a much stronger position than before to meet the needs of the marketplace. The opportunity is present for substantially expanding sales and capturing a greater share of the market. Justin's productive capacity is about ten percent of the total industry, and its inventory of more than 400 million brick accumulated during this recessionary period will be available to reduce brick shortages that traditionally occur when housing starts are at healthy levels. With their existing plants and inventories, the Acme and Sanford brick operations have the potential to more than double sales when new home starts approach the two-million-a-year level that is predicted by many economists as necessary to fulfill the housing requirements of the United States.

INDUSTRIAL EQUIPMENT

Ceramic Cooling Tower Company successfully completed a year of development in 1981, preparing itself for further penetration into the national and international cooling tower markets. The field sales force was expanded, new products were developed, and additional foreign markets were entered. In spite of nonrecurring costs associated with these efforts, and flat sales, CCT completed the year with operating profits only slightly below the records established in 1980.

Ceramic Cooling Tower Company's product line and marketing opportunities were significantly broadened with the mid-1981 introduction of its new Permalite™ cooling tower. The Permalite™ tower retains CCT's renowned ceramic tile fill, but places the fill in a high-strength, unidirectional fiberglass enclosure instead of the concrete shell used exclusively by Ceramic up to this time. The result is a new cooling tower, unique to the industry, which is approximately 70 percent lighter than Ceramic's other products and considerably less expensive. Best of all, the tower retains the proven thermal efficiency and energy-saving attributes of Ceramic's other products.

Technology and strength: Featherlite structural concrete.

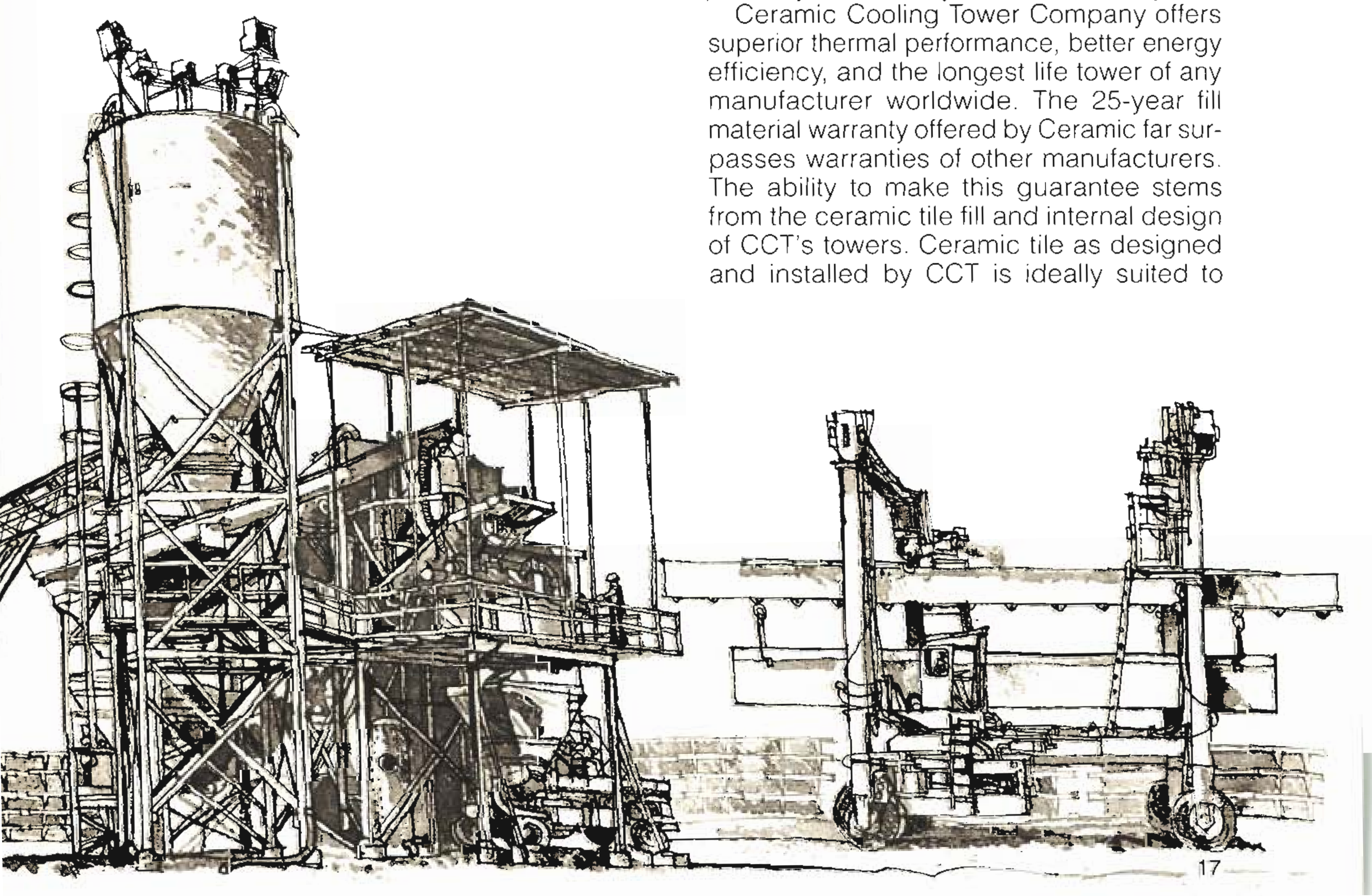


The Permalite™ tower opens doors previously closed to Ceramic sales representatives. In addition to the attractiveness of a lower initial price as well as a rapid life-cycle payout compared to competing products, the Permalite™ tower is suitable for many rooftop applications from which CCT was previously barred. It is readily adaptable to the retrofit market, replacing other manufacturers' cooling towers as they fail to stand the test of time. The Permalite™ tower is modular in concept and partially preassembled at a new facility near Ceramic's Fort Worth headquarters. Shipped to the job site, it can be quickly and inexpensively erected.

Acceptance of Permalite™ by architects and engineers was immediate. Several major installations have already been booked, and the tower has been specified on numerous other projects. The first Permalite™ tower was shipped in late 1981 to a large aircraft manufacturer. It is anticipated that much of Ceramic's growth during the '80s will come from the Permalite™ cooling tower. The impetus of this product will give Ceramic an opportunity to gain a larger share of the total domestic and international cooling tower markets.

The electric utility industry continues to offer great potential to Ceramic Cooling Tower Company. Planning and construction of new power plants has slowed at the present time due to financial and environmental pressures on the utilities. However, the industry estimates that over 600 new electric generating stations will be required to provide the energy needs of the nation over the next 20 years. Most of these will require multimillion dollar cooling towers. Cooling tower contract awards by utilities in 1981 were at a low level, but bidding will accelerate in 1982 and bookings should be considerably improved. Delivery of utility cooling towers probably will remain slow in 1982, since orders already booked by CCT and those being bid are scheduled primarily for delivery in 1983 and beyond.

Ceramic Cooling Tower Company offers superior thermal performance, better energy efficiency, and the longest life tower of any manufacturer worldwide. The 25-year fill material warranty offered by Ceramic far surpasses warranties of other manufacturers. The ability to make this guarantee stems from the ceramic tile fill and internal design of CCT's towers. Ceramic tile as designed and installed by CCT is ideally suited to

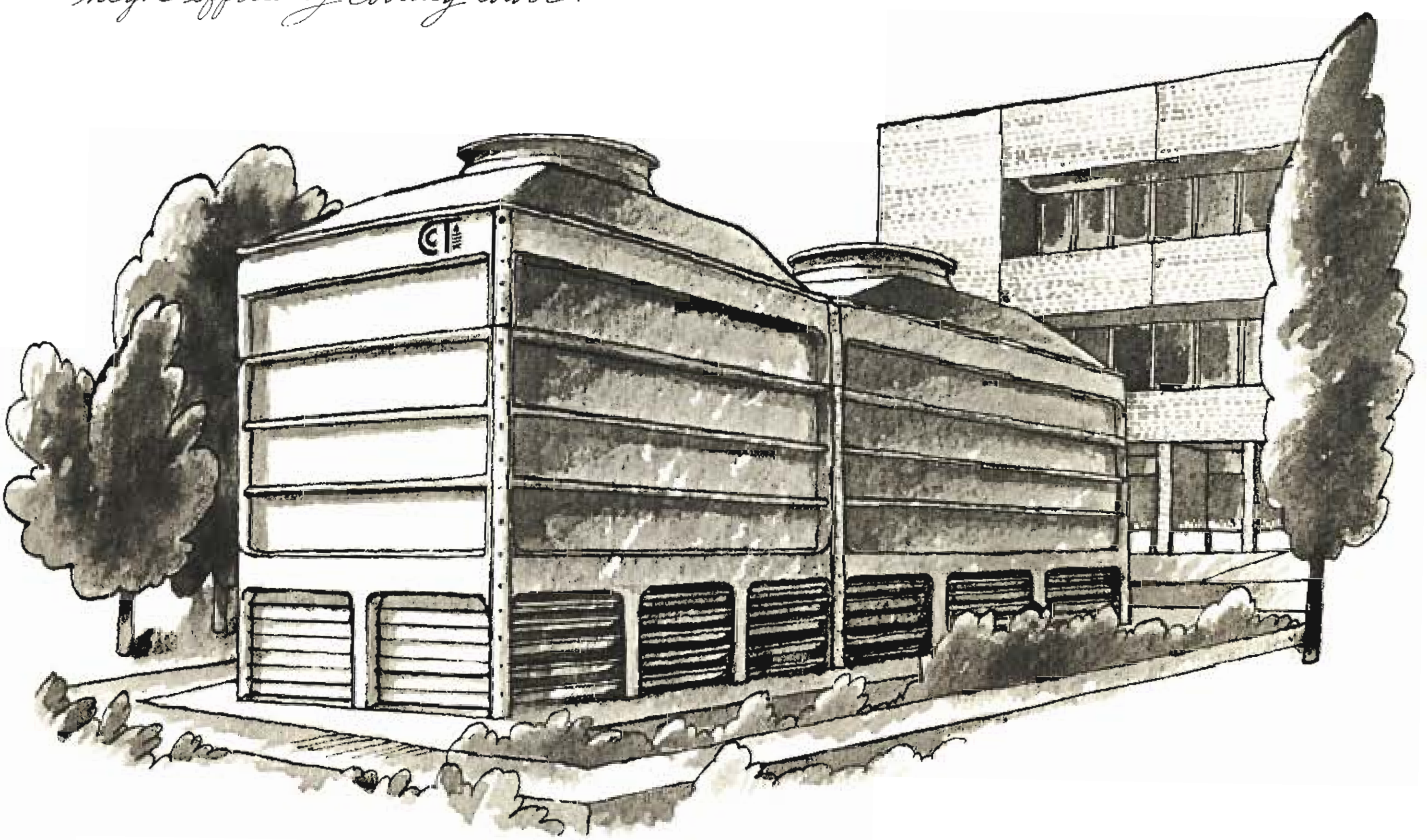


cooling tower operation, being virtually impervious to chemical, biological, and/or ultraviolet light deterioration. Because of the tile fill material and overall superiority of design, Ceramic Cooling Towers have the inherent ability to maintain their original design performance for an unusually long time. This, in turn, reduces electrical energy consumption and wear and tear on the system being served. In addition, reduced maintenance required for the Ceramic product not only lowers operating costs but also increases dependability of the system or process utilizing the cooling tower.

Overseas sales were an important part of CCT's business in 1981, representing more than 30 percent of total volume. The Mideast continued to be Ceramic's most fertile field internationally. In 1981, the first tower was sold for installation in Egypt, and the first tower deliveries were made in Iraq. Kuwait and Saudi Arabia remain excellent sales areas for CCT.

Continuing research and development efforts keep Ceramic Cooling Tower Company in the forefront. These efforts resulted in development of the Permalite™ tower and its introduction in 1981, efforts that had previously made possible CCT's supply of primary cooling towers to electric utilities. Work will continue in 1982 to improve the design, efficiency, and reliability of the Ceramic Cooling Tower Company product line. All components of the tower undergo constant scrutiny with the objective of assuring that Ceramic continues as the quality and thermal efficiency leader of all cooling towers.

Permalite ™ – Ceramic's new lightweight, high-efficiency cooling tower.



WESTERN AND OUTDOOR

The demand for western-style boots reached unprecedented levels in 1981, assuring another year of rapid expansion for Justin's Western and Outdoor line. During the year, two new Justin boot plants were opened, and a central leather warehouse was established to handle raw materials for the Justin Companies. The Nocona Boot Company was acquired, and production began in the third boot plant operated by Nocona.

The net result was that Justin Industries' production of approximately 2,500 pairs of boots a day at the beginning of 1981 rose to 6,000 pairs daily by the end of the year. The six boot plants now in operation have a design capacity of 8,000 pairs of boots a day—a level that can be reached by the end of 1982. Actual production in 1981 was about 60 percent higher than the record levels of the prior year but still short of orders received. Both Justin and Nocona enter 1982 with substantial backlogs, even though the incoming order rate moderated in the last half of 1981.

It appears that the surge in cowboy boot demand over the last three years has expanded the potential boot market on a permanent basis. It is anticipated that many recent first-time boot buyers who purchased a lesser quality product will want to "graduate" to the quality and image offered by the prestigious Justin® and Nocona® brand names.

New orders received in early 1982 at the western apparel shows will be monitored closely so that production in 1982 will fit actual sales levels. Early indications are that Justin's Western and Outdoor line will register solid sales gains again in 1982.

Boot Companies United

Acquisition of the Nocona Boot Company, effective June 30, 1981, united the two famed boot operations founded by the Justin family. Three hundred fifty-eight thousand shares of Justin Industries, Inc., common stock were exchanged for all outstanding shares of Nocona Boot Company. Nocona shareholders voted 100 percent in favor of the merger. The Justin boot operation was started by H. J. Justin at Spanish Fort, Texas, on the old Chisholm Trail in 1879. The family business was moved to Nocona, Texas, in 1889 and then on to Fort Worth in 1925. At that time, H. J. Justin's daughter, Miss Enid Justin, and associates, founded the Nocona Boot Company, keeping it in Nocona, Texas. The two companies vigorously competed and have both prospered since that time. This spirit of competition will remain, as the two operations will continue to be separate entities. Cooperation in certain management and technical areas, however, should strengthen the results obtained by both companies.

Exotic skins being readied for boot production

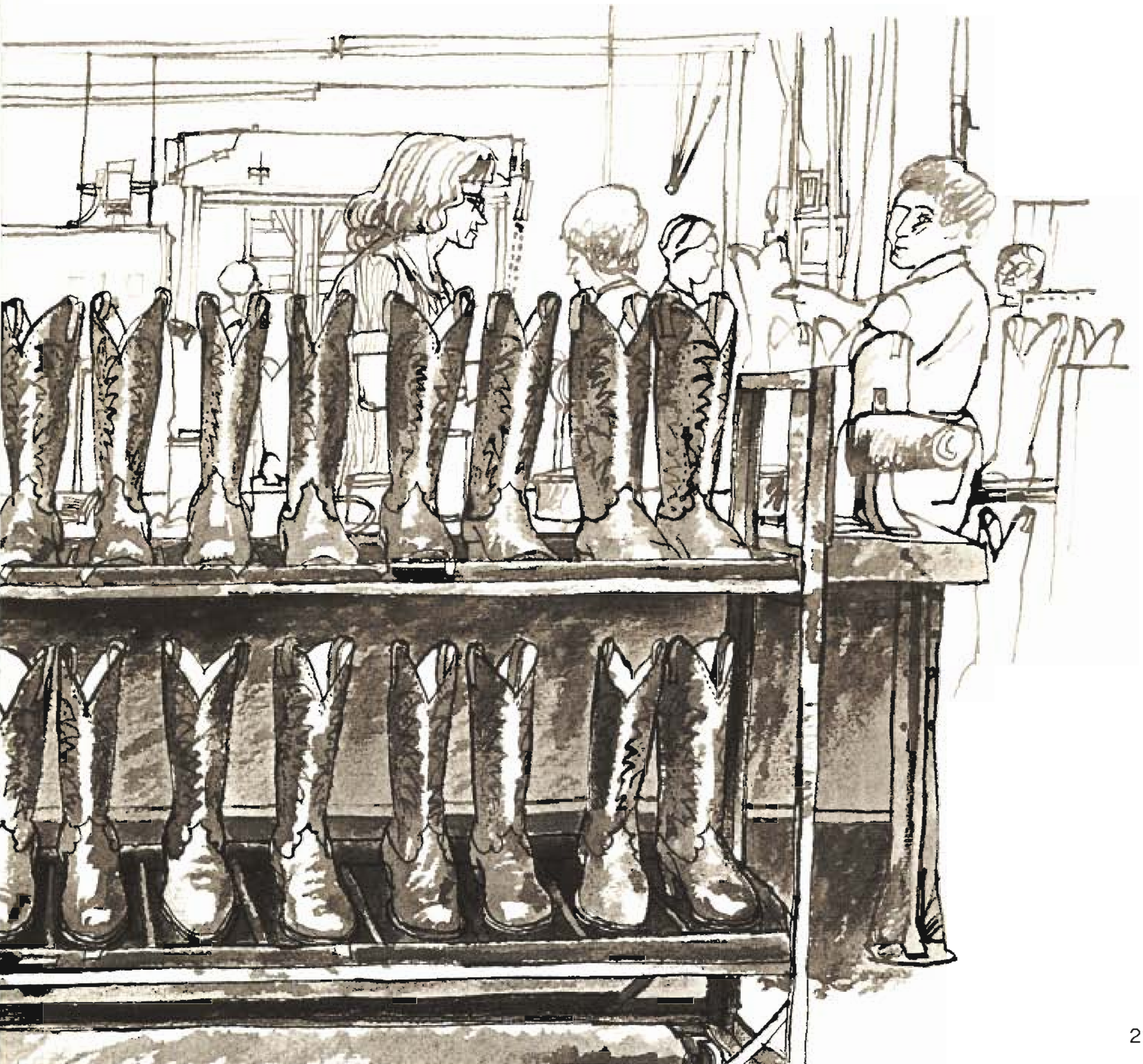
In the last six months of 1981, Nocona Boot Company contributed $15.5 million to Justin Industries' sales and $1.8 million to operating profits. The three new plants added in 1981 represent nearly 4,000 pairs of Justin's total current plant capacity of 8,000 pairs per day. These include a new 75,000-square-foot building in El Paso, Texas, that replaces a small leased multistory facility, a new 45,000-square-foot boot plant in Cassville, Missouri, that previously had been used by another company to manufacture shoes, and a smaller plant operated by Nocona Boot Company in Gainesville, Texas, in which operations began late in 1981. The new plants, plus Justin's facility in Fort Worth, Texas, and Nocona's operations in Nocona and Vernon, Texas, give Justin Industries the opportunity to assume the lead in the manufacture of quality western boots and to substantially increase the $94 million sales level achieved in 1981 by the Western and Outdoor line.

Justin and Nocona, with their separate sales forces, sell directly to about 9,000 retail stores. More sales representatives have been added and the size of sales territories reduced in preparation for the most intensive sales effort ever made by these companies. Justin Boot Company alone has increased its number of boot salesmen in the field by more than one-third in 1981, and Nocona also has added salesmen. The Justin Companies will concentrate on boots and belts in 1982, while leather accessories are being de-emphasized. Nocona introduced a new belt line during 1981 and will expand that effort in the new year.

Hand-made quality in every pair.

Innovations in styling have always been the hallmark of the Justin and Nocona lines. Forty-four new styles, the most ever introduced in one year, will be presented at the 1982 western apparel shows by The Justin Companies. New treatment of exotic leathers such as king kangaroo, brushed goat, bullhide, lizard, and alligator add variety and excitement, and traditional styles relied upon by generations of boot wearers continue as an important part of the product lines.

Northland Press of Flagstaff, Arizona, a quality leader among the small presses of America, rounds out the Western and Outdoor group. Northland specializes in books and limited editions about the art and history of the West, and its publications are highly regarded by collectors and other book lovers. Significant new titles in 1981 included *R. C. Gorman: The Drawings; Jumping Cholla: Genesis of a Bronze Sculpture,* by Keith Christie; and the newly revised *Leon Gaspard,* by Frank Waters.



CONSOLIDATED BALANCE SHEET

In Thousands of Dollars at December 31

Assets	**1981**	1980	1979
Current assets:			
Cash and short-term investments	**$ 1,201**	$ 1,462	$ 1,780
Accounts receivable, less allowance for doubtful accounts of $2,214, $1,444, and $1,145, respectively	**50,807**	38,418	32,445
Inventories	**77,678**	49,815	40,179
Prepaid expenses	**1,117**	1,004	480
Total current assets	**130,803**	90,699	74,884
Investments and other assets, at cost	**3,984**	3,438	3,231
Property, plant, and equipment, at cost:			
Land	**6,635**	7,068	7,598
Buildings and equipment	**118,490**	98,366	87,879
Construction in progress	**1,055**	1,625	5,784
	126,180	107,059	101,261
Less accumulated depreciation	**52,544**	43,270	36,918
Net property, plant, and equipment	**73,636**	63,789	64,343
	$208,423	$157,926	$142,458

Liabilities and Shareholders' Equity			
Current liabilities:			
Notes payable to banks	**$ 22,000**	$ 4,000	$ —
Trade accounts payable	**9,643**	6,815	7,666
Accrued payroll items	**2,830**	3,546	4,201
Other accrued expenses	**6,868**	6,245	4,466
Federal and state income taxes	**3,901**	3,686	2,406
Dividends payable	**613**	557	563
Current portion of long-term debt	**6,998**	6,625	9,625
Total current liabilities	**52,853**	31,474	28,927
Long-term debt, less current portion	**71,342**	55,655	48,763
Deferred federal income taxes	**7,870**	6,514	5,604
Shareholders' equity:			
Voting preferred stock, $2.50 par value; 1,000,000 shares authorized—Series Two convertible, 100 shares issued and outstanding	**—**	—	—
Common stock, $2.50 par value; 10,000,000 shares authorized, 4,129,332 shares issued in 1981, 3,771,332 in 1980 and 1979	**10,323**	9,428	9,428
Capital in excess of par value	**11,095**	2,932	2,926
Retained earnings	**55,502**	52,531	46,893
	76,920	64,891	59,247
Less cost of common stock in treasury, 42,100 shares, 56,639 shares, and 17,514 shares in each year, respectively	**562**	608	83
Total shareholders' equity	**76,358**	64,283	59,164
	$208,423	$157,926	$142,458

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME

In Thousands of Dollars for Years Ending on December 31

	1981	1980	1979
Net sales	**$232,160**	$197,862	$184,496
Costs and expenses:			
Cost of goods sold	**170,405**	140.620	128,382
Selling. general, and administrative expenses	**43,479**	36.864	33,531
Interest expense	**10,771**	7,624	5,610
	224,655	185,108	167,523
Income before income taxes	**7,505**	12,754	16.973
Income taxes	**2,075**	4,875	6,220
Net income	**$ 5,430**	$ 7,879	$ 10 753
Earnings per share	**$ 1.38**	$ 2.09	$ 2 83

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

In Thousands of Dollars for Years Ending on December 31

	1981	1980	1979
Balance at beginning of year	**$ 52,531**	$ 46,893	$41,210
Issuance of common stock in connection with 3-for-2 stock split effected in the form of a stock dividend. Resulted in a corresponding increase in the common stock account	—	—	(3,142)
Issuance of common stock from treasury upon exercise of stock options	**(61)**	(6)	(46)
Net income	**5,430**	7,879	10,753
Cash dividends declared—per share amounts: $.60. $.60, and $.50, respectively	**(2,398)**	(2,235)	(1,882)
Balance at end of year	**$ 55,502**	$ 52,531	$ 46,893

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

In Thousands of Dollars for Years Ending on December 31

	1981	1980	1979
Sources of working capital:			
Working capital provided from operations:			
Net income	**$ 5,430**	$ 7,879	$ 10,753
Adjustments for items not affecting working capital:			
Depreciation	**8,816**	7,921	7,269
Deferred federal income taxes	**1,356**	910	1,635
Total from operations	**15,602**	16,710	19,657
Additions to long-term debt	**32,198**	13,727	18,138
Book value of property, plant, and equipment disposals	**928**	906	1,052
Decrease in investments and other assets	—	—	40
Market value of common stock issued in connection with acquisition of Nocona Boot Company	**8,950**	—	—
Proceeds from exercise of stock options	**92**	16	72
Total sources of working capital	**57,770**	31,359	38,959
Disposition of working capital:			
Reduction of long-term debt	**18,117**	6,835	9,944
Additions to property, plant, and equipment	**17,017**	8,273	14,851
Increase in investments and other assets	**546**	207	—
Cash dividends declared	**2,398**	2,235	1,882
Purchase of treasury stock	—	541	—
Purchase of Nocona Boot Company:			
Property, plant, and equipment	**2,575**	—	—
Other assets	**14,367**	—	—
Liabilities assumed	**(7,992)**	—	—
Total acquisition cost	**8,950**	—	—
Less working capital at date of acquisition	**(7,983)**	—	—
Total disposition of working capital	**39,045**	18,091	26,677
Increase in working capital	**$ 18,725**	$ 13,268	$ 12,282

The net change in components of working capital is as follows—increase (decrease) in working capital:			
Cash and short-term investments	**$ (261)**	$ (318)	$ 375
Accounts receivable	**12,389**	5,973	3,155
Inventories	**27,863**	9,636	12,870
Prepaid expenses	**113**	524	(167)
Notes payable to banks	**(18,000)**	(4,000)	500
Accounts payable and accrued expenses	**(2,950)**	(1,553)	571
Dividends payable	**(56)**	6	(189)
Current portion of long-term debt	**(373)**	3,000	(4,833)
Increase in working capital	**$ 18,725**	$ 13,268	$ 12,282

See accompanying notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the company's significant accounting policies is presented to assist the reader in evaluating the financial statements and other information contained in this report.

Principles of Consolidation—The consolidated financial statements include the accounts of the company and its subsidiaries. All material intercompany accounts and transactions are eliminated upon consolidation.

Accounts Receivable—For a majority of its receivables, the company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred during collection of the receivables. The estimated losses are based on historical collection experience coupled with review of the current status of existing receivables. Certain of the company's subsidiaries use the "direct charge-off" method of accounting for bad debts. Under this method, accounts are charged off as they are determined to be uncollectible. In the opinion of management, losses on accounts not covered by an allowance for doubtful accounts will not be significant.

Inventories—Inventories are consistently valued at the lower of cost or market. Finished products and work-in-process are valued using an average cost method, while raw materials and manufacturing supplies are valued on the first-in, first-out method.

Property, Plant, and Equipment—Depreciation is computed principally by the straight-line method for financial reporting purposes. The annual depreciation provision has been based upon the following estimated lives:

Buildings	10 to 33 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	3 to 10 years

Expenditures for maintenance and repairs of property, plant, and equipment are charged to operations. The cost of renewals and betterments are capitalized. When properties are retired or otherwise disposed of, it is the general policy to remove from the accounts the cost and the related accumulated depreciation or amortization thereon and to record the resulting gain or loss

Revenue Recognition—Revenue from sale of manufactured products is recognized primarily upon passage of title to the customer, which generally coincides with physical delivery and acceptance. Revenue from large, long-term contracts, primarily for cooling towers, is recognized by the percentage-of-completion method. Revenues on contracts for prestressed and precast concrete products are recognized when the products have been produced to customer specifications. Included in accounts receivable at December 31, 1981, 1980, and 1979, are $2,416,000, $2,190,000, and $3,294,000, respectively, for undelivered sales on such contracts. These amounts are considered to be collectible within one year.

Income Taxes—Deferred income taxes are provided for timing differences in reporting certain income and expense items for financial reporting purposes in different periods than for tax reporting purposes. The principal items that cause timing differences are accelerated depreciation methods, income recognition on long-term contracts using the completed contract method, valuation allowances, and income recognition of a subsidiary operating as a domestic international sales corporation. Investment tax credits are treated as a reduction of the current tax provision in the year in which they are allowed for tax purposes.

Earnings Per Share—Earnings per share are determined by dividing net income by the average number of common shares outstanding plus common equivalent shares. Common equivalent shares include shares issuable under outstanding stock options reduced by shares assumed to be purchased from the proceeds of such options and the effect of the possible conversion of the voting preferred stock.

The average number of common equivalent shares outstanding used to calculate earnings per share was 3,935,000 in 1981, 3,768,000 in 1980, and 3,795,000 in 1979.

Pension Plans—Pension costs are computed on the basis of accepted actuarial methods and include current service costs and the amortization of prior service costs over a 30-year period for all plans. The company's policy is to fund pension costs as expensed.

Employee Stock Options—Proceeds from common stock issued under employee stock options are credited to common stock and capital in excess of par value at the time an option is exercised. No charges are made against income in accounting for stock options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ending on December 31

1. ACQUISITION

In June 1981, the company issued 358,000 shares of common stock for all the outstanding common stock of Nocona Boot Company. The acquisition was accounted for as a purchase and, accordingly, operations of Nocona are included in the consolidated financial statements from the date of acquisition. The value of the common stock issued, amounting to $8,950,000, was assigned to the assets acquired based on fair market values.

If Nocona had been acquired effective January 1, 1979, proforma, unaudited consolidated results of operations would have been as follows: (in thousands of dollars)

	1981	1980	1979
Net sales	**$246,567**	$221,201	$201,227
Net income	**$ 6,297**	$ 9,520	$ 11,183
Earnings per share	**$ 1.53**	$ 2.29	$ 2.69

2. INVENTORIES

Inventories include the following: (in thousands of dollars)

	1981	1980	1979
Finished products	**$ 46,290**	$ 34,300	$ 26,242
Work-in-process	**7,097**	3,287	3,082
Raw materials and supplies	**24,291**	12,228	10,855
	$ 77,678	$ 49,815	$ 40,179

3. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 1981, 1980, and 1979, unused lines of credit for short-term borrowing were $27,000,000, $26,250,000, and $20,250,000, respectively.

Long-term debt consisted of the following: (in thousands of dollars)

	1981	1980	1979
Industrial revenue bonds payable in varying amounts through 1997 plus interest at 5% to 10% secured by property, plant, and equipment with a net book value of $18,522,000	**$ 12,779**	$ 9,736	$ 6,539
Bank term loans payable in varying amounts through 1986 plus interest based on various money market rates including prime, London Interbank Offered Rate (LIBOR), and federal funds	**37,994**	18,576	17,334
Bank term loans payable in varying amounts through 1986 plus interest at fixed rates of 8½% to 11½%	**6,565**	12,740	12,943
Notes payable to insurance companies with annual payments ranging from $1,500,000 to $4,000,000, beginning in 1983 through 1992, plus interest at fixed rates of 8¾% and 10½%	**20,000**	20,000	20,000
Notes payable in varying amounts through 1998 plus interest from 4¾% to 16½%, secured by assets with a net book value of $7,011,000	**1,002**	1,228	1,572
	78,340	62,280	58,388
Less current portion	**6,998**	6,625	9,625
	$ 71,342	$ 55,655	$ 48,763

The aggregate annual maturities of long-term debt through 1986 are as follows: 1982 $6,998,000, 1983 $16,806,000, 1984 $9,907,000, 1985 $11,674,000, and 1986 $11,005,000.

Certain note agreements provide for minimum requirements as to working capital, restrictions on indebtedness, payment of cash dividends, and redemption of outstanding stock. At December 31, 1981, retained earnings available for payment of cash dividends amounted to $7,817,000. All requirements and restrictions have been complied with for 1981.

4. SHAREHOLDERS' EQUITY

The company declared a 3-for-2 stock split in September, 1979. This stock split, effected in the form of a stock dividend, resulted in the issuance of 1,256,944 shares of common stock.

The company has outstanding options to purchase its common stock under non-qualified stock option agreements with certain of its employees. Options expire over periods of five and ten years.

In 1981, 1980, and 1979, 17,250, 3,375, and 16,875 shares of treasury stock were issued in connection with the exercise of stock options. In addition to adjustments to retained earnings, the exercise of these options had the effect of reducing treasury stock by $46,000 in 1981, $16,000 in 1980, and $76,000 in 1979 and increasing capital in excess of par value by $108,000, $6,000, and $42,000, respectively.

At December 31, 1981, options were outstanding on 64,750 shares at prices totaling $542,000, and an additional 250,000 shares (subject to approval of shareholders) were reserved for future grants. No options were granted in 1981. The market value of the 17,250 shares purchased in 1981 on the dates the options were exercised totaled $384,000.

The acquisition of Nocona Boot Company, as discussed in Note 1, had the effect of increasing common stock and capital in excess of par value by $895,000 and $8,055,000, respectively.

5. RETIREMENT PLAN

The company and its subsidiaries have pension plans for the benefit of eligible employees. The company's pension expense was $1,700,000 in 1981, $1,700,000 in 1980, and $1,600,000 in 1979.

A comparison of accumulated plan benefits and plan net assets is as follows: (in thousands of dollars)

	January 1, 1981	1980	1979
Actuarial present value of accumulated plan benefits			
Vested	**$ 10,906**	$ 10,796	$ 10,197
Nonvested	**2,038**	955	970
	$ 12,944	$ 11,751	$ 11,167
Net assets available for benefits	**$ 20,026**	$ 14,695	$ 11,263

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6½% for all years.

6. INCOME TAXES

The provision for income taxes includes deferred taxes resulting from the following differences in tax accounting procedures: (in thousands of dollars)

	1981	1980	1979
Accelerated depreciation methods	**$ 1,050**	$ 749	$ 1,105
Revenue from long-term contracts	**(137)**	223	(604)
Revenue from DISC subsidiary	**383**	82	538
Valuation allowances	**140**	(73)	354
Other items	**52**	38	(139)
Total deferred taxes	**$ 1,488**	$ 1,019	$ 1,254

Tax expenses of $2,075,000 in 1981, $4,875,000 in 1980, and $6,220,000 in 1979 (effective rates of 27.6%, 38.2%, and 36.7%), are less than the amounts obtained by applying the U.S. Federal Corporate Income tax rate of 46 percent to income before taxes. The reasons for these differences are as follows.

	% of Pre-tax Income 1981	1980	1979
Statutory tax rate	**46.0**	46.0	46.0
Statutory depletion	**(2.5)**	(2.0)	(2.0)
Investment tax credits	**(16.3)**	(8.4)	(9.0)
State taxes and other	**.4**	2.6	1.7
	27.6	38.2	36.7

7. LITIGATION

The company has been named as defendant in certain private lawsuits seeking damages relating to the normal conduct of its business. Based on the information currently available, the company believes that its defenses have a substantial basis in fact and in law, and management does not now anticipate that the outcome of these matters will have a material adverse effect on the consolidated financial statements.

8. FINANCIAL INFORMATION BY PRODUCT LINES

The five-year analysis of sales and profit by product lines on page 8, as it pertains to the last three years, is an integral part of the company's consolidated financial statements. A discussion of the company's products and business is located on pages 13 to 21. The following additional information is presented by industry segment: (in thousands of dollars)

Product Line	Identifiable assets	Depreciation expense	Capital expenditures
1981			
Building materials	**$121,700**	**$ 7,369**	**$ 8,480**
Western and outdoor	**71,378**	**755**	**6,173**
Industrial equipment	**10,272**	**103**	**540**
Corporate assets	**5,073**	**589**	**1,824**
Total	**$208,423**	**$ 8,816**	**$ 17,017**
1980			
Building materials	$115,479	$ 6,799	$ 6,983
Western and outdoor	27,972	511	1,121
Industrial equipment	9,230	97	59
Corporate assets	5,245	514	110
Total	$157,926	$ 7,921	$ 8,273
1979			
Building materials	$104,004	$ 6,477	$ 14,139
Western and outdoor	25,699	538	593
Industrial equipment	8,524	97	119
Corporate assets	4,231	157	—
Total	$142,458	$ 7,269	$ 14,851

AUDITOR'S REPORT

ARTHUR YOUNG & COMPANY

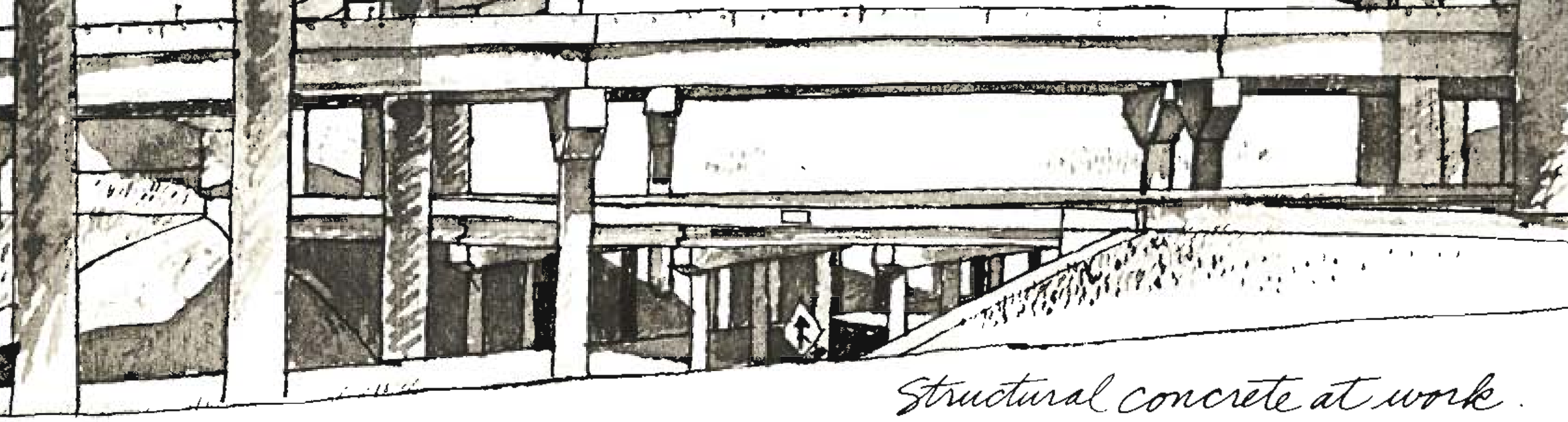
THE BOARD OF DIRECTORS AND SHAREHOLDERS
JUSTIN INDUSTRIES, INC.

We have examined the accompanying consolidated balance sheet of Justin Industries, Inc., at December 31, 1981, 1980, and 1979 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Justin Industries, Inc., at December 31, 1981, 1980, and 1979, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

January 27, 1982, Fort Worth, Texas



Structural concrete at work.

SHAREHOLDER INFORMATION

Annual Meeting Announced

The annual meeting of shareholders will be held on Friday, March 19, 1982, at the Fort Worth Club Building, twelfth floor, 306 West Seventh Street, Fort Worth, Texas, at 10:30 a.m. All shareholders are cordially invited to attend and are urged to be represented by proxy if unable to attend.

Dividend Reinvestment Program

Any shareholder of record may have dividends automatically reinvested in the company's common stock or make voluntary investments in the company's common stock through a service offered by Texas Commerce Bank of Houston. For additional information contact Vice President–Finance, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101.

Form 10-K

Investors who wish a copy of the company's annual report on Form 10-K filed with the Securities and Exchange Commission may obtain it upon request to Vice President–Finance, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101.

Stock Listing

Justin Industries, Inc., common stock is traded over-the-counter using the symbol "JSTN."

Stock Transfer Agent

Corporate Trust Department, The Fort Worth National Bank, P. O. Box 2050, Fort Worth, Texas 76101.

Independent Accountants

Arthur Young & Company, 2200 Fort Worth National Bank Building, Fort Worth, Texas 76102.

Market Makers*

BREAN MURRAY, FOSTER SECURITIES
DEAN WITTER REYNOLDS INC
E F HUTTON & COMPANY, INC.
EPPLER, GUERIN & TURNER, INC
FIRST SOUTHWEST COMPANY
GOLDMAN, SACHS & CO.
KIRKPATRICK, PETTIS, SMITH, POLIAN, INC
MERRILL LYNCH, PIERCE, FENNER & SMITH, INC.
PAINE, WEBBER, JACKSON & CURTIS INC.
RAUSCHER PIERCE REFSNES, INC.
ROTAN MOSLE INC.
SMITH BARNEY, HARRIS UPHAM & CO. INC.

*as of January 27, 1982

Quarterly Financial Data

(Unaudited—In thousands of dollars, except for per share data)

The following table presents summarized quarterly operating results for the two-year period ending December 31, 1981. First quarter operations are historically affected by the seasonal nature of the construction industry.

Quarter ended	Net sales	Gross profit	Net income	Earnings per share	Dividends paid
3/31/80	$41,070	$12,093	$1,127	$.30	$.15
6/30/80	46,257	13,204	1,592	42	15
9/30/80	51,263	14,847	2,355	63	.15
12/31/80	59,272	17,098	2,805	.74	.15
3/31/81	50,963	14,508	1,454	.39	.15
6/30/81	52,974	15,554	1,935	.51	.15
9/30/81	62,797	17,012	898	20	.15
12/31/81	65,426	14,681	1,143	28	.15

Executive Offices

Justin Industries, Inc., 2821 West Seventh Street, Fort Worth, Texas 76107, telephone (817) 336-5125.

ELEVEN-YEAR FINANCIAL SUMMARY

Years Ending on December 31	1981	1980	1979	1978
Summary of operations: (in thousands of dollars)				
Net sales:				
Building Materials	**122,614**	121,926	131,060	127,543
Western and Outdoor	**94,074**	60,633	39,033	27,714
Industrial Equipment	**15,472**	15,303	14,403	15,693
	232,160	197,862	184,496	170,950
Operating profit: (see note)				
Building Materials	**13,023**	16,722	23,464	25,548
Western and Outdoor	**9,465**	7,601	3,994	1,338
Industrial Equipment	**2,326**	2,392	1,105	(1,272)
	24,814	26,715	28,563	25,614
Selected costs and expenses:				
Cost of goods sold	**170,405**	140,620	128,382	119,957
Selling, general, and administrative	**43,479**	36,864	33,531	30,431
Interest	**10,771**	7,624	5,610	3,673
Depreciation	**8,816**	7,921	7,269	5,581
Income taxes	**2,075**	4,875	6,220	6,600
Net income	**5,430**	7,879	10,753	10,289
Net income per share	**1.38**	2.09	2.83	2.72
Dividends declared per share	**.60**	.60	.50	39
Capital expenditures	**17,017**	8,273	14,851	22,105
Year-end statistics: (in thousands of dollars)				
Working capital	**77,950**	59,225	45,957	33,675
Net property, plant, and equipment	**73,636**	63,789	64,343	59,566
Total assets	**208,423**	157,926	142,458	119,735
Long-term debt	**71,342**	55,655	48,763	40,569
Shareholders' equity	**76,358**	64,283	59,164	50,221
Key financial ratios:				
Pre-tax profit margin (%)	**3.23**	6.45	9.20	9.88
Net income—return on sales (%)	**2.34**	3.98	5.83	6.02
Return on shareholders' equity (%)	**7.72**	12.76	19.66	22.48
Return on assets (%)	**2.96**	5.25	8.20	9.49
Effective income tax rate (%)	**27.6**	38.2	36.7	39.1
Ratio of long-term debt to shareholders' equity (%)	**.93:1**	.87:1	.82:1	.81:1
Ratio of current assets to current liabilities (%)	**2.5:1**	2.9:1	2.6:1	2.4:1
Shareholders' statistics:				
Number of shareholders of record	**4,338**	3,990	2,930	2,229
Average number of shares outstanding (in thousands)	**3,935**	3,768	3,795	3,782
Book value per share	**18.68**	17.30	15.76	13.44
Dividends as a percent of net income	**44.2**	28.4	17.5	14.1
Market price (bid price) of common stock:				
High	**28¼**	22¼	21¾	17⅞
Low	**16**	10¾	14	8¾

Note Operating profit is before unallocated corporate general and interest expenses. Net income per share has been preferred stock as common share equivalents. Book value per equivalent share of common stock has been computed on stock split in 1972 and the 3-for-2 stock splits in both 1978 and 1979.

1977	1976	1975	1974	1973	1972	1971
105,610	64,268	39,987	41,156	34,026	36,075	30,358
27,589	26,160	22,412	21,050	16,919	13,605	12,330
11,197	8,660	6,994	8,400	3,984	5,823	3,828
144,396	99,088	69,393	70,606	54,929	55,503	46,516
15,087	9,068	5,138	4,484	4,914	6,039	3,912
1,217	1,813	2,589	1,926	1,317	1,255	1,018
(7)	1,244	1,131	1,410	298	984	448
16,297	12,125	8,858	7,820	6,529	8,278	5,378
105,123	71,055	49,059	52,385	39,586	38,604	33,683
26,311	18,622	13,492	12,025	10,398	10,019	8,668
2,796	1,490	1,353	1,284	401	293	380
4,992	3,480	2,929	2,580	1,886	1,598	1,456
4,040	3,350	2,413	1,906	1,823	2,969	1,598
6,211	4,533	3,076	3,006	2,721	3,618	2,187
1.67	1.35	.91	.89	.79	1.04	.61
.31	.25	.18	.15	.09	.07	—
16,476	5,184	2,028	5,474	4,422	3,217	1,189
32,778	31,374	20,740	15,762	13,552	12,079	10,584
43,263	32,497	21,603	22,808	17,511	15,093	13,597
97,033	80,347	52,057	51,125	38,775	33,647	30,315
32,428	24,624	11,563	10,511	5,540	4,088	4,734
41,311	33,137	29,389	27,111	24,865	22,630	19,377
7.04	7.99	7.91	6.96	8.27	11.87	8.14
4.30	4.57	4.43	4.26	4.95	6.52	4.70
16.69	14.50	10.89	11.57	11.46	17.23	11.70
7.00	6.84	5.96	6.69	7.51	11.31	7.12
39.7	42.3	44.0	38.8	40.1	45.1	42.2
.79:1	.74:1	39:1	.39:1	.22:1	.18:1	.24:1
2.7:1	3.0:1	3.3:1	2.4:1	3.0:1	3.2:1	3.1:1
2,112	1,396	1,283	962	958	885	776
3,720	3,360	3,366	3,387	3,456	3,488	3,563
11.10	9.92	8.83	8.05	7.27	6.56	5.61
18.6	18.0	19.4	15.4	10.0	5.7	—
9½	8⅞	4¾	5½	8½	8¾	4⅞
7½	4½	2½	2¼	2½	4¾	1½

computed on the average number of common and common equivalent shares outstanding during each year and includes the number of common shares outstanding at December 31. All per share information has been adjusted for the 2-for-1

Directors and Officers

Board of Directors

JOHN JUSTIN
Chairman of the Board and Chief Executive Officer, Justin Industries, Inc.

BAYARD H. FRIEDMAN
Chairman of the Board, The Fort Worth National Bank

MARVIN GEARHART
Chairman of the Board and President, Gearhart Industries, Inc.

ROBERT E. GLAZE
Personal Investments, Dallas, Texas

RICHARD C. NEWKIRK
Personal Investments, Fort Worth, Texas

ORAN F. NEEDHAM
Chairman of the Board, Chief Executive Officer and President,
The Millers Group of insurance companies

DR. WILLIAM E. TUCKER
Chancellor of Texas Christian University

Officers

JOHN JUSTIN, Chairman and Chief Executive Officer

DON JURY, Vice President–Finance

EDWARD L. STOUT, Vice President–Brick

JOHN HUBENTHAL, Vice President–Water Cooling Systems

JON M. BENNETT, Vice President–Personnel

DEE J. KELLY, General Counsel and Secretary
principal occupation—private practice of law

John Justin
Chairman of the Board

JUSTIN INDUSTRIES, INC.

February 20, 1981

To Our Shareholders:

You are most cordially invited to attend the Annual Meeting of the Shareholders of Justin Industries, Inc. The Meeting will be held on the 12th Floor of the Fort Worth Club Building, 306 West Seventh Street, Fort Worth, Texas, at 10:30 a.m. on Friday, March 20, 1981.

The notice of meeting and proxy statement on the following pages cover the formal requirements for the business of the meeting. **Whether or not you find it possible to attend the meeting personally, we hope you will have your stock represented by signing your proxy exactly as your name appears thereon and returning it promptly.**

We will have a social period beginning at 10:00 a.m., prior to the meeting, providing an opportunity for our shareholders to talk informally with our officers and directors.

Sincerely yours,

John Justin

Justin Industries, Inc.
2821 West Seventh Street Box 425 Fort Worth, Texas 76101 817/336-5125

JUSTIN INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING FRIDAY, MARCH 20, 1981

10:30 o'clock a.m.

TO THE SHAREHOLDERS OF JUSTIN INDUSTRIES, INC.:

The Annual Meeting of Shareholders of Justin Industries, Inc., a Texas Corporation, will be held at 10:30 a.m., Friday, March 20, 1981, on the 12th floor of the Fort Worth Club Building, 306 West Seventh Street, Fort Worth, Texas, for the following purposes:

1. To elect a Board of seven (7) directors.

2. To transact such other business as may properly be brought before said meeting or any adjournment thereof.

Only shareholders of record at the close of business on February 13, 1981, are entitled to notice of and to vote at the meeting or any adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS

Dee J. Kelly, Secretary

February 20, 1981

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE FILL IN, SIGN AND DATE THE ENCLOSED PROXY FORM AND RETURN IT IN THE ADDRESSED ENVELOPE. PROXIES MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE TIME THEY ARE VOTED.

IMPORTANT — You can help in the preparation for the meeting by mailing your Proxy promptly.

JUSTIN INDUSTRIES, INC.
2821 West Seventh Street
Fort Worth, Texas 76107

PROXY STATEMENT
Annual Meeting of Shareholders
March 20, 1981

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Justin Industries, Inc., a Texas Corporation (the "Company"). The proxies are to be used at the Annual Meeting of the Shareholders to be held at 10:30 a.m., Friday, March 20, 1981, on the 12th Floor of the Fort Worth Club Building, 306 West Seventh Street, Fort Worth, Texas, for the purpose set forth in the accompanying Notice and at any and all adjournments of said meeting. The solicitation of proxies will be by mail, but proxies may also be solicited personally or by telephone or telegraph by regular employees of the Company, and arrangements may be made with brokerage houses or other custodians, nominees and fiduciaries to send proxies and proxy material to their principals. It is anticipated that the Proxy and Notice and Proxy Statement will be mailed to shareholders on or about February 20, 1981. The cost of the solicitation of proxies will be borne by the Company.

Any shares of Common Stock or Preferred Stock represented by valid proxies will be voted in accordance with the authority conveyed by such proxies. Any proxy given by a shareholder may be revoked by him at any time before it is voted.

VOTING SECURITIES OUTSTANDING

There were 3,716,943 shares of Common Stock, par value $2.50 ("Common Stock"), and 100 shares of Series Two Convertible Voting Preferred Stock, par value $2.50 ("Preferred Stock"), issued and outstanding at the close of business on February 13, 1981. Each shareholder will be entitled to one vote for each share held by him of record at the close of business on February 13, 1981, which is the record date fixed by the Board of Directors for determining the shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

The table below sets forth information regarding the only person known by management to be the beneficial owner of more than 5% of a class of the outstanding voting securities of the Company as of February 13, 1981:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Preferred Stock	John Justin 2821 West Seventh Street Fort Worth, Texas 76107	100 Shares (record and beneficial owner)	100%
Common Stock	John Justin 2821 West Seventh Street Fort Worth, Texas 76107	767,717 Shares (1)	20.34%

(1) Includes 663,906 shares (17.59%) of which Mr. Justin is record and beneficial owner, 47,250 shares (1.25%) held by Mr. Justin as trustee for his mother, Mrs. John S. Justin, Sr., with respect to which he disclaims beneficial ownership, 56,250 shares (1.49%) with respect to which Mr. Justin holds stock options, and 311 shares (.01%) which Mr. Justin may acquire upon conversion of the Preferred Stock.

On February 13, 1981, all Directors and Officers of the Company as a group beneficially owned 919,080 shares (24.33%) of the Common Stock and 100 shares (100%) of the Preferred Stock, including shares with respect to which such Directors and Officers held presently exercisable options or conversion rights.

VOTING

Directors of the Company may be elected by the vote of the holders of a majority of the outstanding Common Stock and Preferred Stock, voting together as a class, represented in person or by proxy, as long as a quorum is present. Mr. Justin has indicated to the Company that he intends to vote all of his shares of Preferred Stock and Common Stock for the election of the Directors nominated herein.

ELECTION OF DIRECTORS

The By-laws of the Company provide that there shall be not less than five (5) nor more than twelve (12) directors, as so determined from time to time by resolution of the Board of Directors. The Board of Directors has resolved to set the number of directors of the Company at seven (7). A nominating committee has not been established by the Board of Directors, and the nominees listed below were selected by the Board of Directors acting as a whole.

Accordingly, it is intended at the Annual Meeting to elect a board of seven (7) directors, each to hold office until the next Annual Meeting or until a successor shall have been duly elected and qualified. Each outstanding share of Common Stock and Preferred Stock is entitled to one vote for the election of directors.

With respect to the election of directors, it is intended that the proxies given to the persons named in the enclosed form of proxy will be voted for the election of the nominees listed below. In case of the inability of any of the nominees to serve, it is intended that the proxies will be voted for the balance of those named and for substitute nominees, but management now knows of no reason to anticipate that this will occur.

The Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of the Company, although it is not involved in day-to-day operating details. Members of the Board are kept informed of the Company's business by various reports and documents sent to them each month, as well as by operating and financial reports made at Board and Committee meetings by the Chairman and other officers. During 1980, the Board of Directors held four regularly scheduled meetings.

The names of the nominees, the date that each nominee first became a director and certain other information about each nominee are set forth below:

Name	Principal Occupation for more than the last five years	Director Since	Age	Beneficial Ownership of Common Stock as of 2/13/81 — Number of Shares	Beneficial Ownership of Common Stock as of 2/13/81 — Percent of Outstanding
John Justin	Chairman of the Board and Chief Executive Officer of the Company	11/21/68	64	767,717	20.34% (1)
Jerry L. Brownlee	President and Chief Operating Officer of the Company	1/29/70	49	51,765	1.39% (2)
Robert B. Cullum	Chairman of the Executive Committee from August, 1976, and prior to August, 1976, Chairman of the Board of Cullum Companies, Inc., Dallas, Texas, primarily food and drug retailers	12/2/75	68	1,125	.03%
Bayard H. Friedman	Chairman of the Board of The Fort Worth National Bank	12/29/69	54	2,250	.06%
Robert E. Glaze	Personal investments from September, 1976, and prior to September, 1976, Partner and Chief Financial Officer for Trammell Crow, a major real estate developer	3/21/69	61	1,783	.05%
Oran F. Needham	Chairman of the Board, President and Chief Executive Officer, The Millers Group, insurance companies	12/13/78	66	6,585	.18% (3)
Richard C. Newkirk	Personal investments	12/22/69	67	33,615	.90%

(1) Includes 663,906 shares of which Mr. Justin is record and beneficial owner, 47,250 shares held by Mr. Justin as trustee for his mother, with respect to which he disclaims beneficial ownership, 56,250 shares with respect to which Mr. Justin holds stock options, and 311 shares which Mr. Justin may acquire upon conversion of the Preferred Stock. As a result of his stock ownership, Mr. Justin may be deemed to be a controlling person of the Company.

(2) Includes 18,928 shares held of record by Mr. Brownlee, 27,000 shares held in an income trust for the benefit of Mr. Brownlee's children, 3,812 shares held by Mr. Brownlee as custodian for three children, and 2,025 shares held of record by Mr. Brownlee's wife.

(3) Includes 5,640 shares held of record by Miller Mutual Fire Insurance Company of Texas, one of The Millers Group of Insurance companies.

The following is a listing with respect to each nominee for director of other companies with publicly traded securities of which such nominee is also a director:

Name of Nominee	Name of Company
John Justin	Texas American Bancshares, Inc. Allright Auto Parks Community Public Service Company
Jerry L. Brownlee	Southland Royalty Company First United Bancorporation, Inc.
Robert B. Cullum	Cullum Companies, Inc. Republic of Texas Corporation Dallas Power & Light Company Dr. Pepper Company Fidelity Union Life Insurance Company
Bayard H. Friedman	Texas American Bancshares, Inc. Tandy Brands, Inc.
Oran F. Needham	Texas American Bancshares, Inc.

REMUNERATION OF DIRECTORS AND OFFICERS

The following table sets forth certain information for the fiscal year ended December 31, 1980, as to all remuneration paid or accrued by the Company and its subsidiaries to each of its five highest paid officers or directors, and to all officers and directors as a group:

Name of Individual or Group and Capacity in which Remuneration Received	Cash and Cash Equivalent Forms of Remuneration: Salaries, fees, directors' fees, commissions and bonuses (1)	Securities or property, insurance benefits or reimbursement, personal benefits (2)	Aggregate of contingent forms of Remuneration (3)
John Justin, Chairman of the Board and Chief Executive Officer (4)	$290,231	$ —	$ —
Jerry L. Brownlee, President and Chief Operating Officer (5)	$210,286	$ —	$ —
Donald K. Jury, Vice President-Finance	$105,245	$ —	$ —
Edward L. Stout, Vice President-Brick	$103,962	$ —	$ —
Howard D. McMahan, Vice President-Boots, Belts and Leathergoods	$ 81,353	$ —	$ —
All Officers and Directors as a group (13 in number)	$928,423	$ —	$ —

(1) Includes all cash remuneration paid or accrued in the form of salaries, fees, commissions and bonuses. Messrs. Justin, Friedman and Needham, who presently serve as members of the standing Compensation Committee of the Board of Directors, had two meetings during 1980, and reviewed the Company's employee benefit programs and compensation levels for key executives of the Company and its subsidiaries. Upon recommendation by the Compensation Committee, the Board of Directors established the officers annual base compensation for 1981 as follows: Mr. Justin—$200,000, Mr. Brownlee—$150,000, Mr. Stout—$98,000, Mr. Jury—$80,000, Mr. McMahan—$80,000, all Officers and Directors as a group (13 in number) $753,000. All officers are considered for bonus payments on an annual basis, based upon a number of factors, including the performance of those areas or operations for which each officer has primary responsibility. Directors (other than Mr. Justin or Mr. Brownlee) receive $500 per month and $250 per committee meeting attended as compensation for serving as a director.

(2) Does not include any amount for the possible personal benefits obtained from the use of company cars, club memberships, or similar activities. The Company believes that the cost of such benefits are business expenses related to the conduct of the Company's affairs. After reasonable inquiry, the Company has concluded that the aggregate amounts of such personal benefits can not be precisely ascertained and do not in any event exceed $10,000 for any one individual or $50,000 for all officers and directors as a group.

(3) Excluded from the table is the amount of contributions made by the Company to the Employee's Pension Plan (a defined benefit plan, the "Plan") since such amount with respect to a specified person is not and cannot readily be separately or individually calculated. During 1980, aggregate contributions by the Company to the Plan were equivalent to 5.1% of the estimated 1980 annual remuneration of Plan participants. Remuneration covered by the Plan is the total cash remuneration paid to an employee for personal services as reported on the Employee's Federal Income Tax Withholding Statement, excluding 25% of commissions received. Eligible employees of the Company are entitled to receive pension benefits at their normal retirement date, age 65. The normal retirement benefit is calculated based upon each employee's years of service, average final compensation, and anticipated social benefits to be received. Certain reductions are made for employees electing alternative payment options or taking early retirement. The maximum annual benefit payable by the Plan to any one employee upon retirement is limited to $120,765 for 1981.

Also excluded from the table is any value attributable to a supplemental retirement, death and disability income benefit program (the "Program") applicable to selected key employees of the Company and its subsidiaries. Under the Program, the Company will pay to each participant (or his beneficiary) upon the participant's retirement, death or disability, the sum of $15,000 per year for a period of 10 years. The Program is funded by life insurance policies covering each participant with the Company paying all costs of the policies. The insurance policies are designed so that if the assumptions made as to mortality, policy dividends and certain other factors are realized, the Company will recover all premium payments, the after-tax cost of benefit payments plus a factor for the use of the Company's money. All officers of the Company are participants in the Program. Messrs. Justin's and Brownlee's benefits under the Program are reduced by benefits payable under their employment contracts.

The Company has an Employee Stock Ownership Plan ("ESOP") in accordance with federal tax laws. Under the program, the Company makes contributions on behalf of eligible employees (including all officers) based upon each employee's compensation and voluntary contributions to the ESOP, if any. All contributions are used to purchase Common Stock of the Company. No amount has been included in the remuneration table for the Company's contributions on behalf of the officers for 1980, as the amounts have not been individually calculated or allocated to the accounts of individual employees. The aggregate contribution to the ESOP for 1980 has been estimated to be approximately 2% of the total remuneration of ESOP participants. Shares purchased with Company contributions and held by the ESOP may not be distributed to employees except upon retirement, death or disability. The Company receives a tax credit for a portion of its contribution to the ESOP.

The following table summarizes the estimated annual benefits payable upon retirement to employees in selected remuneration and year of service classifications. Amounts presented in the Table are based upon straight life annuity calculations and include all retirement plans discussed above.

Remuneration	**Years of Service**			
	10	**20**	**30**	**40**
$100,000	$26,485	$ 37,969	$ 49,454	$ 60,938
150,000	32,735	50,469	68,204	85,938
200,000	38,985	62,969	86,954	110,938
250,000	45,235	75,469	105,704	135,765*
300,000	51,485	87,969	124,454	135,765*
350,000	57,735	100,469	135,765*	135,765*

*Maximum amounts payable according to current regulations.

(4) Includes $100,000 paid to Mr. Justin in the form of a performance bonus approved by the Board of Directors (Mr. Justin not taking part) at a regular meeting in December, 1980. Pursuant to an employment contract with the Company terminating November 30, 1984, should Mr. Justin die or become physically disabled during the term of his employment, the Company is obligated to pay to Mr. Justin or his widow or estate, $6,250 monthly until November 30, 1984.

(5) Includes $75,000 paid to Mr. Brownlee in the form of a performance bonus approved by the Board of Directors (Mr. Brownlee not taking part) at a regular meeting in December, 1980. Pursuant to an employment contract with the Company terminating November 19, 1983, should Mr. Brownlee's employment be terminated because of his death, disability, or without cause, the Company is obligated to pay to Mr. Brownlee or his estate the sum of $6,250 per month from the date of termination through November 19, 1983 or thirty-six months, whichever is longer.

STOCK OPTIONS

The following tabulation shows with respect to persons and groups named in the Table under "Remuneration of Directors and Officers" selected information pertaining to the Company's Stock Option Plan and Agreements for the year ending December 31, 1980. No values pertaining to the stock options are included in the Remuneration Table. The "net value realized" upon the exercise of options and the "potential (unrealized) value" of options unexercised at December 31, 1980 is the difference between the market value of the shares subject to option and the option price paid or to be paid at the time options are exercised. All options pertain to the Company's common stock.

	John Justin	Jerry L. Brownlee	Donald K. Jury	Edward L. Stout	Howard D. McMahan	All Officers and Directors as a Group
Options Granted	None	None	None	None	None	None
Options Exercised:						
Number of Shares	—	2,250	—	—	1,125	3,375
Net Value Realized	—	$ 27,750	—	—	$9,031	$ 36,781
Unexercised Options held at December 31, 1980:						
Number of Shares	56,250	6,750	6,000	1,500	1,500	73,500
Potential (unrealized) value	$648,438	$105,188	$55,445	$3,570	$3,570	$819,780

MATERIAL TRANSACTIONS

In the ordinary course of business, the Company maintains general operating accounts at The Fort Worth National Bank, Fort Worth, Texas, of which Bayard H. Friedman, a director of the Company, is the Chairman of the Board. In 1976, the Company entered into a seven-year term loan agreement with The Fort Worth National Bank providing for an interest rate per annum on the unpaid principal balance of one-half of one percent above prime rate charged by the Bank on 90-day commercial loans. In addition, the Company has a $3,000,000 line of credit with the Bank providing for interest on amounts borrowed equal to such prime rate. At December 31, 1980, $2,500,000 was outstanding under the line of credit and $1,040,000 was owed under the term loan agreement. During 1980, the maximum amount outstanding under the line of credit was $2,500,000, and the maximum amount owed under the term loan agreement was $1,400,000. During 1980, the Company paid or accrued $290,000 in interest, trust and processing fees to The Fort Worth National Bank.

The law firm of Kelly, Appleman, Hart & Hallman, of which Mr. Kelly (an officer of the Company) is a partner, was engaged to perform certain legal services in 1980 and will be engaged to perform certain legal services in 1981. In 1980, the Company paid or accrued approximately $335,000 to such firm for legal services.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Young & Company, the Independent Public Accountants for the Company for the past ten years, has been selected as the Independent Public Accountants for the Company for the current year. Representatives of Arthur Young & Company are expected to be present at the Annual Meeting of the Shareholders and be available to respond to appropriate questions. They will have an opportunity to make a statement if they desire to do so.

Messrs. Glaze and Newkirk, who presently serve as members of the standing Audit Committee of the Board of Directors of the Company, had three meetings with representatives of Arthur Young & Company during 1980 to review in general terms the audit procedures being performed, adequacy of the Company's internal controls, the Company's accounting procedures and significant problem areas, if any, relative to the performance of the annual audit and the auditor's dealings with the Company's officers.

Audit fees for 1980 include final work in the examination of the Company's consolidated financial statements as of December 31, 1979, and Arthur Young & Company's reports thereon included in the annual report to shareholders and the Form 10-K filled with the S.E.C., preliminary work on the examination of the Company's consolidated financial statements as of December 31, 1980, review of interim quarterly reports in 1980, and examinations of financial statements for employee benefit plans.

In addition to the audit services described above, Arthur Young & Company also provided some non-audit services, the fees from which in the aggregate, amounted to approximately 2% of the audit fees. Non-audit services consisted of reviewing federal income tax returns. These non-audit services were reviewed and approved in advance by the Audit Committee of the Board of Directors and, in their opinion, such services were not considered to have a material effect upon the auditor's independence.

PROPOSALS TO BE PRESENTED AT THE 1982 ANNUAL SHAREHOLDERS MEETING

Any shareholder of the Company wishing to present a proposal for consideration by all shareholders at the Annual Meeting currently scheduled to be held on March 19, 1982, must notify the Company by November 23, 1981 to have the proposal included in the Proxy Statement and form of proxy relating to that meeting. Any such notification should be addressed to the Corporate Secretary, Justin Industries, Inc., P. O. Box 425, Fort Worth, Texas 76101.

OTHER MATTERS

Management knows of no matters to be presented for action at the Meeting other than the election of directors. Should any other matter properly come before the meeting, the proxies held by management will be voted upon these matters in accordance with the best judgment of the persons voting the proxies. A copy of the Company's 1980 Annual Report is being mailed to shareholders contemporaneously with the mailing of this Proxy Statement.

By order of the Board of Directors

John Justin

JOHN JUSTIN
Chairman of the Board

Dated: February 20, 1981

Illustrations by Earl Thollander

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Justin Industries, Inc.

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