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October 30, 2020

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4956
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 Scheduled date to file quarterly securities report: November 11, 2020
 Scheduled date to commence dividend payments: December 10, 2020
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (video streaming only)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended								
September 30, 2020	61,894	(5.1)	2,717	(11.2)	2,749	(12.0)	1,711	(13.0)
September 30, 2019	65,196	3.4	3,060	6.7	3,125	5.1	1,968	8.7

Note: Comprehensive income For the first six months ended September 30, 2020: ¥2,396 million [30.8%]
 For the first six months ended September 30, 2019: ¥1,832 million [1.5%]

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
September 30, 2020	47.42	—
September 30, 2019	54.28	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2020	103,394	64,163	58.8
March 31, 2020	106,113	63,360	56.6

Reference: Equity As of September 30, 2020: ¥60,750 million
 As of March 31, 2020: ¥60,070 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	13.00	–	23.00	36.00
Fiscal year ending March 31, 2021	–	18.00			
Fiscal year ending March 31, 2021 (Forecast)			–	18.00	36.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

Breakdown of fiscal year-end dividends for the fiscal year ended March 31, 2020:

Ordinary dividend ¥13.00, 150th anniversary commemorative dividend ¥10.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	128,000	(5.3)	5,900	(17.1)	5,950	(17.9)	3,700	(19.3)	102.14

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the first six months ended September 30, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies other than (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2020	40,707,440 shares
As of March 31, 2020	40,707,440 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2020	4,954,126 shares
As of March 31, 2020	4,482,594 shares

- (iii) Average number of shares outstanding during the period

For the first six months ended September 30, 2020	36,094,180 shares
For the first six months ended September 30, 2019	36,260,388 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

Forward-looking statements, including the earnings forecasts stated in these materials, are based on information currently available to Konishi Co., Ltd. (hereinafter the “Company”) and certain assumptions deemed reasonable. Results may differ materially from the earnings forecasts due to various factors. For the assumptions used as the basis for the earnings forecasts and special remarks regarding the use of the earnings forecasts, please refer to “1. Qualitative information regarding financial results for the first six months (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 4 of the financial results report (Attached Material).

Means of access to contents of supplementary material on quarterly financial results and quarterly financial results briefing

Regarding the quarterly financial results briefing, in order to prevent the spread of the novel coronavirus disease (COVID-19), we will post a video and explanatory materials on the Company website. The posting date is scheduled for November 26, 2020 (Thursday).

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1. Qualitative information regarding financial results for the first six months

(1) Explanation of operating results

During the six months ended September 30, 2020 (the first six months under review), the Japanese economy remained in a difficult situation as there was no prospect of an end to COVID-19. However, there were signs of improvement in the manufacturing industry, such as in the automotive and electronic and electrical sectors, as well as in consumer spending, as demand recovered both in Japan and overseas following the lifting of the state of emergency at the end of May.

Regarding industries in which the Company and its subsidiaries (the “Group”) are engaged, the housing industry continued to see weakening in the number of new housing starts.

The civil engineering and construction industry saw firm demand for redevelopment in urban areas, for building repair and improvement work, and for the maintenance and repair of infrastructure such as roads and railways.

The automotive industry saw weak demand for electrical components and other products, as the effect of the spread of COVID-19 continues to linger, although the rate of decline in global demand is slowing down.

As a result, the Group’s business performance for the first six months under review is as follows. Net sales decreased 5.1% year on year to 61,894 million yen, operating profit decreased 11.2% year on year to 2,717 million yen, ordinary profit decreased 12.0% year on year to 2,749 million yen, and profit attributable to owners of parent decreased 13.0% year on year to 1,711 million yen.

Results by segment are as follows.

(i) Bond (synthetic adhesive)

In the general household field, sales through convenience stores decreased, but sales through home improvement stores increased.

In the housing-related field, sales of adhesives for interior work decreased due to the continued weakness in the number of new housing starts caused by the impact of COVID-19, despite sales of sealing materials for repair increased.

In the industrial material field, sales decreased due to the entire sluggish performance of adhesives such as water-based adhesives for use in paper-related application, and elastic adhesives for use in such applications as automotive and electrical components.

As a result of the above, net sales decreased 10.7% year on year to 22,384 million yen and operating profit decreased 22.1% year on year to 1,628 million yen.

(ii) Civil Engineering and Construction

In the construction field, sales of materials used in building repair and in methods to prevent detachment from exterior walls, and sales of sealing materials for construction decreased as each work project has been suspended due to the impact of COVID-19. In the civil engineering field, however, sales increased due to the strong performance of methods for surface protection and for preventing detachment, and continuous fiber sheet reinforcement methods.

In the Civil Engineering and Construction Business, sales increased due to the continued steady performance of repair, improvement, and reinforcement works in the infrastructure, particularly for public works, and used building markets.

As a result of the above, net sales increased 15.1% year on year to 15,220 million yen and operating profit increased 28.7% year on year to 782 million yen.

(iii) Chemicals

In the chemical engineering field, sales of ethanol-related products increased, despite sluggish sales of resin materials.

In the automotive field, sales decreased despite the gradual recovery of sales of products used in automotive electrical components since July. In addition, sales decreased in the electronic and electrical field, and coating materials field.

Sales at MARUYASU & CO., LTD. were on a par with the same period of the previous fiscal year due to the strong performance of raw ingredients for health foods, despite weak sales of products for use in capacitors.

As a result of the above, net sales decreased 9.7% year on year to 24,164 million yen and operating profit decreased 20.9% year on year to 208 million yen.

(iv) Other

The Other segment represents the Real Estate Rental Business. Net sales decreased 9.1% year on year to 125 million yen and operating profit decreased 16.6% year on year to 94 million yen.

(2) Explanation of financial position

Assets, liabilities and net assets

Total assets as of September 30, 2020 decreased by 2,719 million yen from the previous fiscal year-end to 103,394 million yen.

(i) Assets

Current assets decreased by 4,405 million yen from the previous fiscal year-end to 69,098 million yen mainly due to a decrease of 4,138 million yen in notes and accounts receivable - trade. Non-current assets increased by 1,686 million yen from the previous fiscal year-end to 34,296 million yen mainly due to an increase of 949 million yen in property, plant and equipment and an increase of 911 million yen in investment securities.

(ii) Liabilities

Current liabilities decreased by 4,111 million yen from the previous fiscal year-end to 33,734 million yen mainly due to a decrease of 2,647 million yen in notes and accounts payable - trade and a decrease of 1,228 million yen in electronically recorded obligations - operating. Non-current liabilities increased by 588 million yen from the previous fiscal year-end to 5,496 million yen mainly due to an increase of 373 million yen in long-term borrowings.

(iii) Net assets

Net assets increased by 803 million yen from the previous fiscal year-end to 64,163 million yen mainly due to an increase of 878 million yen in retained earnings and an increase of 504 million yen in valuation difference on available-for-sale securities, despite an increase of 723 million yen in treasury shares which is a negative item.

(iv) Cash flows

Net decrease in cash and cash equivalents was 569 million yen during the first six months under review (11 million yen increase year on year). This comprised net cash provided by operating activities of 3,629 million yen (948 million yen increase year on year), net cash used in investing activities of 2,389 million yen (27 million yen increase year on year), and net cash used in financing activities of 1,788 million yen (927 million yen increase year on year).

As a result, the balance of cash and cash equivalents as of September 30, 2020 amounted to 22,242 million yen.

(a) Cash flows from operating activities

Net cash provided by operating activities was 3,629 million yen (948 million yen increase year on year). This was mainly due to a decrease in trades receivables of 4,669 million yen, profit before income taxes of 2,734 million yen, and depreciation of 862 million yen, despite a decrease in trades payables of 3,431 million yen and income taxes paid of 1,266 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 2,389 million yen (27 million yen increase year on year). This was mainly due to purchase of property, plant and equipment of 2,027 million yen.

(c) Cash flows from financing activities

Net cash used in financing activities was 1,788 million yen (927 million yen increase year on year). This was mainly due to dividends paid of 833 million yen and purchase of treasury shares of 752 million yen.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The earnings forecasts have been changed from the earnings forecasts announced in the financial results on April 30, 2020. For details, please refer to the “Notice of Revisions to Earnings Forecasts” announced on September 24, 2020.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	23,027	23,450
Notes and accounts receivable - trade	37,140	33,002
Electronically recorded monetary claims - operating	3,862	3,438
Securities	295	-
Merchandise and finished goods	6,502	6,169
Work in process	205	227
Raw materials and supplies	1,054	1,050
Costs on construction contracts in progress	343	727
Other	1,114	1,075
Allowance for doubtful accounts	(43)	(43)
Total current assets	73,504	69,098
Non-current assets		
Property, plant and equipment	23,365	24,314
Intangible assets	1,050	998
Investments and other assets		
Investment securities	5,929	6,841
Other	2,281	2,159
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	8,193	8,982
Total non-current assets	32,609	34,296
Total assets	106,113	103,394

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,195	25,548
Electronically recorded obligations - operating	3,733	2,504
Short-term borrowings	95	547
Current portion of long-term borrowings	216	98
Income taxes payable	1,251	912
Provision for bonuses	1,079	1,124
Provision for bonuses for directors (and other officers)	106	50
Other	3,165	2,947
Total current liabilities	37,845	33,734
Non-current liabilities		
Long-term borrowings	244	617
Retirement benefit liability	1,225	1,248
Other	3,438	3,630
Total non-current liabilities	4,907	5,496
Total liabilities	42,753	39,230
Net assets		
Shareholders' equity		
Share capital	4,603	4,603
Capital surplus	4,513	4,526
Retained earnings	54,184	55,062
Treasury shares	(4,599)	(5,323)
Total shareholders' equity	58,701	58,869
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,392	1,896
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	16	(23)
Remeasurements of defined benefit plans	(38)	7
Total accumulated other comprehensive income	1,369	1,880
Non-controlling interests	3,289	3,413
Total net assets	63,360	64,163
Total liabilities and net assets	106,113	103,394

(2) Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)**Consolidated statement of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	65,196	61,894
Cost of sales	54,123	51,522
Gross profit	11,072	10,372
Selling, general and administrative expenses	8,012	7,655
Operating profit	3,060	2,717
Non-operating income		
Interest income	7	6
Dividend income	110	106
Share of profit of entities accounted for using equity method	6	–
Other	123	85
Total non-operating income	247	198
Non-operating expenses		
Interest expenses	7	6
Sales discounts	102	98
Share of loss of entities accounted for using equity method	–	6
Other	73	54
Total non-operating expenses	183	166
Ordinary profit	3,125	2,749
Extraordinary income		
Gain on sales of non-current assets	29	3
Other	0	–
Total extraordinary income	29	3
Extraordinary losses		
Loss on disposal of non-current assets	3	14
Loss on sales of investment securities	–	4
Total extraordinary losses	3	19
Profit before income taxes	3,150	2,734
Income taxes - current	1,022	960
Income taxes - deferred	31	(46)
Total income taxes	1,054	913
Profit	2,096	1,820
Profit attributable to non-controlling interests	128	108
Profit attributable to owners of parent	1,968	1,711

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	2,096	1,820
Other comprehensive income		
Valuation difference on available-for-sale securities	(197)	571
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(51)	(40)
Remeasurements of defined benefit plans, net of tax	(4)	46
Share of other comprehensive income of entities accounted for using equity method	(11)	(1)
Total other comprehensive income	(264)	576
Comprehensive income	1,832	2,396
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,740	2,222
Comprehensive income attributable to non- controlling interests	91	173

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	3,150	2,734
Depreciation	866	862
Amortization of goodwill	94	97
Loss (gain) on disposal of property, plant and equipment	1	1
Loss (gain) on sales of property, plant and equipment	(29)	0
Increase (decrease) in allowance for doubtful accounts	(6)	(0)
Increase (decrease) in provision for bonuses	65	44
Increase (decrease) in provision for bonuses for directors (and other officers)	(76)	(55)
Decrease (increase) in retirement benefit asset	2	29
Increase (decrease) in retirement benefit liability	28	79
Interest and dividend income	(117)	(112)
Interest expenses	7	6
Share of loss (profit) of entities accounted for using equity method	(6)	6
Decrease (increase) in trade receivables	5,801	4,669
Decrease (increase) in inventories	(702)	232
Increase (decrease) in trade payables	(5,258)	(3,431)
Increase (decrease) in other current liabilities	(36)	(428)
Other, net	119	53
Subtotal	3,904	4,789
Interest and dividends received	118	113
Interest paid	(7)	(6)
Income taxes paid	(1,334)	(1,266)
Net cash provided by (used in) operating activities	2,681	3,629
Cash flows from investing activities		
Payments into time deposits	(560)	(747)
Proceeds from withdrawal of time deposits	567	73
Proceeds from sales and redemption of securities	162	292
Purchase of property, plant and equipment	(2,486)	(2,027)
Proceeds from sales of property, plant and equipment	31	11
Purchase of intangible assets	(81)	(38)
Purchase of investment securities	(34)	(34)
Proceeds from sales of investment securities	–	14
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	9
Proceeds from cancellation of insurance funds	34	52
Other, net	4	4
Net cash provided by (used in) investing activities	(2,362)	(2,389)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	43	23
Proceeds from long-term borrowings	–	60
Repayments of long-term borrowings	(355)	(212)
Repayments of lease obligations	(11)	(11)
Purchase of treasury shares	–	(752)
Dividends paid	(471)	(833)
Dividends paid to non-controlling interests	(65)	(62)
Net cash provided by (used in) financing activities	(860)	(1,788)
Effect of exchange rate change on cash and cash equivalents	(16)	(20)
Net increase (decrease) in cash and cash equivalents	(558)	(569)
Cash and cash equivalents at beginning of period	22,263	22,812
Cash and cash equivalents at end of period	21,704	22,242

(4) Notes to quarterly consolidated financial statementsNotes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information

1. Disclosure of net sales and profit or loss by reportable segment

Six months ended September 30, 2019

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount in consolidated statement of income (Note) 3
	Bond	Civil Engineering and Construction	Chemicals	Total				
Net sales								
(1) Revenues from external customers	25,074	13,223	26,759	65,058	137	65,196	–	65,196
(2) Intersegment sales and transfers	392	145	48	587	42	630	(630)	–
Total	25,467	13,369	26,808	65,646	180	65,826	(630)	65,196
Segment profit	2,089	608	263	2,961	113	3,074	(14)	3,060

Notes: 1. The “Other” category is a business segment not included in reportable segments, and includes the real estate rental business.

2. Adjustments of segment profit represent eliminations for intersegment transactions.

3. Segment profit is adjusted with operating profit in the consolidated statement of income.

Six months ended September 30, 2020

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount in consolidated statement of income (Note) 3
	Bond	Civil Engineering and Construction	Chemicals	Total				
Net sales								
(1) Revenues from external customers	22,384	15,220	24,164	61,769	125	61,894	–	61,894
(2) Intersegment sales and transfers	314	43	50	407	42	450	(450)	–
Total	22,699	15,263	24,214	62,177	167	62,344	(450)	61,894
Segment profit	1,628	782	208	2,619	94	2,714	2	2,717

Notes: 1. The “Other” category is a business segment not included in reportable segments, and includes the real estate rental business.

2. Adjustments of segment profit represent eliminations for intersegment transactions.

3. Segment profit is adjusted with operating profit in the consolidated statement of income.

2. Disclosure of impairment loss on non-current assets or goodwill, etc. by reportable segment

Significant changes in the amount of goodwill

In the Civil Engineering and Construction segment, the Company acquired the shares of Sansho Construction Incorporated Company on July 29, 2020, making it a subsidiary. As a result, goodwill of 94 million yen was recorded under intangible assets in the six months ended September 30, 2020.

Reference: Supplementary Information on Financial Results for Six Months Ended September 30, 2020

1. Business performance and earnings forecasts

(Millions of yen)

		Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021		
		Six months ended September 30, 2020 (actual)	Full year (actual)	Full year (forecast)	Changes (amount)	Changes (%)
Net sales	Consolidated	61,894	135,180	128,000	(7,180)	(5.3)%
	Non-consolidated	41,656	93,539	86,600	(6,939)	(7.4)%
Operating profit	Consolidated	2,717	7,115	5,900	(1,215)	(17.1)%
	Non-consolidated	1,472	4,277	2,900	(1,377)	(32.2)%
Ordinary profit	Consolidated	2,749	7,248	5,950	(1,298)	(17.9)%
	Non-consolidated	2,078	4,897	3,560	(1,337)	(27.3)%
Profit attributable to owners of parent	Consolidated	1,711	4,585	3,700	(885)	(19.3)%
Profit	Non-consolidated	1,622	3,560	2,600	(960)	(27.0)%

2. Business performance and earnings forecasts by segment

(Millions of yen)

		Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021		
		Six months ended September 30, 2020 (actual)	Full year (actual)	Full year (forecast)	Changes (amount)	Changes (%)
Bond	Net sales	22,384	49,979	44,755	(5,224)	(10.5)%
	Operating profit	1,628	4,331	3,356	(975)	(22.5)%
Civil Engineering and Construction	Net sales	15,220	30,844	32,310	1,465	4.7%
	Operating profit	782	2,044	1,843	(201)	(9.8)%
Chemicals	Net sales	24,164	54,084	50,685	(3,399)	(6.3)%
	Operating profit	208	553	499	(54)	(9.9)%
Other	Net sales	125	271	250	(21)	(8.0)%
	Operating profit	94	219	202	(17)	(7.8)%
Adjustments	Net sales	–	–	–	–	–
	Operating profit	2	(32)	–	32	–
Total	Net sales	61,894	135,180	128,000	(7,180)	(5.3)%
	Operating profit	2,717	7,115	5,900	(1,215)	(17.1)%

3. Indicators

(Millions of yen)

		Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021 (forecast)		
		Full year	Full year	Changes (amount)	Changes (%)
Capital investment	Consolidated	3,775	7,120	3,345	88.6%
	Non-consolidated	2,488	4,331	1,843	74.1%
Depreciation	Consolidated	1,862	1,907	44	2.4%
	Non-consolidated	1,184	1,286	102	8.7%
Research and development	Consolidated	1,644	1,836	191	11.7%
	Non-consolidated	1,426	1,626	199	14.0%

Note 1: Yen amounts are rounded down to millions, unless otherwise noted.

Note 2: Changes (amount and %) are presented in comparison with the same period of the previous fiscal year.