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October 29, 2024

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2025 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4956
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 Scheduled date to file semi-annual securities report: November 12, 2024
 Scheduled date to commence dividend payments: December 10, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(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, 2025 (from April 1, 2024, to September 30, 2024)

(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, 2024	65,774	0.7	4,886	(1.1)	5,166	(0.8)	3,347	(1.5)
First six months ended September 30, 2023	65,317	12.3	4,939	71.1	5,208	61.1	3,396	(51.7)

Note: Comprehensive income First six months ended September 30, 2024 ¥3,347 Millions of yen [(31.7%)]
 First six months ended September 30, 2023 ¥4,902 Millions of yen [(34.5%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months ended September 30, 2024	49.96	-
First six months ended September 30, 2023	49.44	-

Note: The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. "Basic earnings per share" is calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	134,329	85,636	63.4
As of March 31, 2024	140,850	84,685	56.6

Reference: Equity As of September 30, 2024 ¥85,225 Millions of yen
 As of March 31, 2024 ¥79,670 Millions of yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	27.00	-	19.50	-
Fiscal year ending March 31, 2025	-	16.50			
Fiscal year ending March 31, 2025 (forecast)			-	16.50	33.00

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None

2. The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. Regarding dividends by the third quarter of the fiscal year ended March 31, 2024, the actual dividend amount before the stock split is stated. The full-year dividend per share for the fiscal year ended March 31, 2024, is not presented due to the stock split.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024, to March 31, 2025)

(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, 2025	139,000	4.5	10,700	4.0	11,000	1.8	7,400	0.8	107.81

Notes: 1. Revisions to the consolidated earnings forecasts most recently announced: None

2. The Company conducted a share exchange on June 30, 2024, making the Company's consolidated subsidiaries, Sunrise Corporation, Maruyasu & Co., Ltd., and Konishi Kouei Co., Ltd., wholly owned subsidiaries, and allocated 3,460,356 treasury shares. "Basic earnings per share" is calculated based on the number of shares as of June 30, 2024.

* Notes

- (1) Significant changes in scope of consolidation during the period: None

Newly included: 0 companies

Excluded: 0 companies

- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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, 2024	70,414,880 shares
As of March 31, 2024	70,414,880 shares

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

As of September 30, 2024	2,609,836 shares
As of March 31, 2024	5,237,078 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	66,998,214 shares
Six months ended September 30, 2023	68,701,924 shares

Notes: 1. The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. The total number of issued shares at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

2. Based on the resolution of the Board of Directors meeting held on May 22, 2024, the Company conducted a share exchange on June 30, 2024, making the Company's consolidated subsidiaries, Sunrise Corporation, Maruyasu & Co., Ltd., and Konishi Kouei Co., Ltd., wholly owned subsidiaries, and allocated 3,460,356 treasury shares.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 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 "(3) Explanation of consolidated earnings forecasts and other forward-looking statements" in "1. Overview of operating results, etc." on page 3 (Attached Material).

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

The Company is scheduled to hold a financial results briefing for analysts and institutional investors on Thursday, November 28, 2024. The Company plans to upload the supplementary materials used for the financial results briefing on this date on the Company website promptly after the briefing has concluded.

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1. Overview of operating results, etc.

(1) Overview of operating results for the first six months

During the six months ended September 30, 2024, the Japanese economy showed a moderate recovery trend. This was due to improved employment and income conditions, which led to a turnaround in personal consumption, and solid corporate earnings driven by inbound demand. On the other hand, the economic outlook remains uncertain due to monetary tightening, mainly in Europe and the U.S., a slowdown in the Chinese economy, soaring resource prices, and the impact of higher prices.

In this business environment, the Group has launched its newly formulated “Medium-Term Management Plan 2027 (Fiscal Year Ending March 2025 to Fiscal Year Ending March 2027).” Based on this plan, the Group will strengthen new business development through the introduction of new products, further focus on growth areas, and make the largest-ever capital investments in production, logistics, and DX-related areas. The Group expands its business further and improves management efficiency through these efforts.

As a result, the Group’s operating results for the first six months under review were as follows. Net sales increased 0.7% year on year to 65,774 million yen, operating profit decreased 1.1% year on year to 4,886 million yen, ordinary profit was down 0.8% year on year to 5,166 million yen, and profit attributable to owners of parent fell 1.5% year on year to 3,347 million yen.

Results by segment are as follows.

(i) Bond

In the general household field, sales through home improvement stores and convenience stores remained steady. In the housing-related field, sales of existing products, such as adhesives for interior work, decreased due to a decline in the number of new housing starts caused by rising construction costs. However, sales of water-based adhesives for building materials, for which the Company is developing the market, increased due to the growing adoption of new products. In the industrial material field, sales increased due to expanded sales of elastic adhesives used in automobiles/electronic components that are developing new customers and water-based adhesives used in paper-related applications, etc. In the civil engineering and construction field, sales of building repair materials and sealing materials for construction increased in line with an increase in renovation projects.

As a result of the above, net sales grew 2.9% year on year to 36,412 million yen and operating profit increased 5.5% year on year to 3,415 million yen.

(ii) Chemicals

In the chemical engineering field, sales of resin raw materials decreased due to the slowdown in China’s economy. In the automobile field, sales decreased due to factors such as a decline in production volume and a fall in unit selling prices linked to purchase prices. In the electronics and electrical appliance field, sales declined due to stagnation in the Chinese market. On the other hand, profits increased due to the lateral expansion to new models and improved profits of smartphone-related products. Regarding Maruyasu & Co., Ltd., sales of products for use in semiconductor manufacturing decreased.

As a result of the above, net sales decreased 6.8% year on year to 18,301 million yen and operating profit increased 12.5% year on year to 707 million yen.

(iii) Construction

In the Construction Business, profits decreased due to fewer completions during the accounting period under review as a result of the prolonged construction period. However, sales increased due to the steady progress of construction projects. In addition, order-taking activities for repair, improvement, and reinforcement works in the infrastructure and (housing) stock markets, particularly for public works, were progressing steadily.

As a result of the above, net sales increased 7.5% year on year to 10,969 million yen and operating profit decreased 29.7% year on year to 704 million yen.

(iv) Other

The Other segment represents the Real Estate Rental Business, etc. Net sales grew 1.9% year on year to 90 million yen and operating profit increased 24.8% year on year to 73 million yen.

(2) Overview of financial position for the first six months

Assets, liabilities and net assets

Total assets as of September 30, 2024, decreased 6,521 million yen from the previous fiscal year-end to 134,329 million yen.

(i) Assets

Current assets dropped 7,570 million yen from the previous fiscal year-end to 85,055 million yen, mainly due to a drop of 5,143 million yen in cash and deposits, and a decrease of 2,761 million yen in notes and accounts receivable - trade, and contract assets. Non-current assets grew 1,049 million yen from the previous fiscal year-end to 49,274 million yen, mainly due to an increase of 1,089 million yen in property, plant and equipment.

(ii) Liabilities

Current liabilities were down 7,509 million yen from the previous fiscal year-end to 41,635 million yen, mainly due to a decrease of 4,848 million yen in notes and accounts payable - trade, and a decrease of 1,697 million yen in electronically recorded obligations - operating. Non-current liabilities grew 36 million yen from the previous fiscal year-end to 7,057 million yen mainly due to an increase of 54 million yen in retirement benefit liability.

(iii) Net assets

Net assets were up 951 million yen from the previous fiscal year-end to 85,636 million yen, mainly due to an increase of 2,076 million yen in retained earnings, an increase of 1,619 million yen in capital surplus, and a decrease of 1,997 million yen in treasury shares, an item that reduces net assets, despite a decrease of 4,604 million yen in non-controlling interests.

(iv) Cash flows

Cash and cash equivalents (hereinafter "cash") decreased by 5,189 million yen during the first six months under review (up 4,139 million yen year on year). This comprised net cash provided by operating activities of 1,212 million yen, net cash used in investing activities of 4,078 million yen, and net cash used in financing activities of 2,513 million yen.

As a result, the balance of cash as of September 30, 2024, amounted to 20,437 million yen.

(a) Cash flows from operating activities

Net cash provided by operating activities was 1,212 million yen (down 5,012 million yen year on year). This was mainly due to profit before income taxes of 5,020 million yen, and a decrease in accounts receivable - trade and contract assets of 4,350 million yen, despite a decrease in trade payables of 6,375 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 4,078 million yen (up 2,574 million yen year on year). This was mainly due to purchase of property, plant and equipment of 3,346 million yen.

(c) Cash flows from financing activities

Net cash used in financing activities was 2,513 million yen (down 3,323 million yen year on year). This was mainly due to dividends paid of 1,269 million yen, and purchase of treasury shares of 1,103 million yen.

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

There are currently no changes to the earnings forecast announced on April 25, 2024.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	26,651	21,507
Notes and accounts receivable - trade, and contract assets	36,390	33,628
Electronically recorded monetary claims - operating	16,958	15,493
Merchandise and finished goods	9,415	8,544
Work in process	281	359
Raw materials and supplies	1,537	1,590
Other	1,445	3,960
Allowance for doubtful accounts	(54)	(29)
Total current assets	92,625	85,055
Non-current assets		
Property, plant and equipment	29,715	30,804
Intangible assets	1,978	2,454
Investments and other assets		
Investment securities	11,402	10,908
Other	5,145	5,125
Allowance for doubtful accounts	(17)	(18)
Total investments and other assets	16,530	16,014
Total non-current assets	48,224	49,274
Total assets	140,850	134,329

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,218	32,370
Electronically recorded obligations - operating	4,072	2,375
Short-term borrowings	50	50
Current portion of long-term borrowings	42	38
Income taxes payable	1,087	1,588
Provision for bonuses	1,411	1,269
Provision for bonuses for directors (and other officers)	155	64
Other	5,105	3,879
Total current liabilities	49,144	41,635
Non-current liabilities		
Long-term borrowings	76	57
Retirement benefit liability	714	769
Other	6,229	6,230
Total non-current liabilities	7,020	7,057
Total liabilities	56,165	48,693
Net assets		
Shareholders' equity		
Share capital	4,603	4,603
Capital surplus	4,422	6,041
Retained earnings	67,314	69,390
Treasury shares	(4,604)	(2,607)
Total shareholders' equity	71,735	77,429
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,687	4,312
Foreign currency translation adjustment	650	999
Remeasurements of defined benefit plans	2,597	2,484
Total accumulated other comprehensive income	7,934	7,796
Non-controlling interests	5,014	410
Total net assets	84,685	85,636
Total liabilities and net assets	140,850	134,329

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	65,317	65,774
Cost of sales	52,350	52,728
Gross profit	12,966	13,046
Selling, general and administrative expenses	8,026	8,159
Operating profit	4,939	4,886
Non-operating income		
Interest income	8	13
Dividend income	132	157
Foreign exchange gains	106	5
Share of profit of entities accounted for using equity method	19	16
Other	84	120
Total non-operating income	350	312
Non-operating expenses		
Interest expenses	4	5
Depreciation	25	13
Other	51	13
Total non-operating expenses	82	32
Ordinary profit	5,208	5,166
Extraordinary income		
Gain on sale of investment securities	108	-
Gain on sale of non-current assets	2	12
Total extraordinary income	110	12
Extraordinary losses		
Loss on disposal of non-current assets	25	158
Provision of allowance for doubtful accounts	84	-
Other	1	-
Total extraordinary losses	112	158
Profit before income taxes	5,206	5,020
Income taxes - current	1,573	1,517
Income taxes - deferred	47	52
Total income taxes	1,620	1,569
Profit	3,586	3,450
Profit attributable to non-controlling interests	189	102
Profit attributable to owners of parent	3,396	3,347

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	3,586	3,450
Other comprehensive income		
Valuation difference on available-for-sale securities	1,066	(373)
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	280	413
Remeasurements of defined benefit plans, net of tax	(67)	(112)
Share of other comprehensive income of entities accounted for using equity method	36	(29)
Total other comprehensive income	1,316	(102)
Comprehensive income	4,902	3,347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,564	3,209
Comprehensive income attributable to non-controlling interests	337	138

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,206	5,020
Depreciation	864	950
Amortization of goodwill	63	64
Loss (gain) on sale of investment securities	(108)	-
Loss (gain) on disposal of property, plant and equipment	4	28
Loss (gain) on sale of property, plant and equipment	13	(12)
Increase (decrease) in allowance for doubtful accounts	91	(27)
Increase (decrease) in provision for bonuses	73	(143)
Increase (decrease) in provision for bonuses for directors (and other officers)	(77)	(91)
Decrease (increase) in retirement benefit asset	(52)	(76)
Increase (decrease) in retirement benefit liability	8	(25)
Interest and dividend income	(141)	(170)
Interest expenses	4	5
Share of loss (profit) of entities accounted for using equity method	(19)	(16)
Decrease (increase) in accounts receivable - trade and contract assets	(1,691)	4,350
Decrease (increase) in inventories	240	805
Increase (decrease) in trade payables	4,153	(6,375)
Increase (decrease) in other current liabilities	345	(709)
Increase (decrease) in other non-current liabilities	59	139
Other	307	(1,660)
Subtotal	9,346	2,053
Interest and dividends received	141	170
Interest paid	(4)	(5)
Income taxes paid	(3,258)	(1,006)
Net cash provided by (used in) operating activities	6,225	1,212
Cash flows from investing activities		
Payments into time deposits	(589)	(672)
Proceeds from withdrawal of time deposits	1,045	636
Purchase of property, plant and equipment	(1,710)	(3,346)
Proceeds from sale of property, plant and equipment	88	14
Purchase of intangible assets	(435)	(659)
Purchase of investment securities	(59)	(48)
Proceeds from sale of investment securities	153	-
Other	3	(2)
Net cash provided by (used in) investing activities	(1,503)	(4,078)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	120	(5)
Repayments of long-term borrowings	(33)	(23)
Repayments of lease liabilities	(10)	(9)
Purchase of treasury shares	(5,045)	(1,103)
Dividends paid	(780)	(1,269)
Dividends paid to non-controlling interests	(87)	(101)
Net cash provided by (used in) financing activities	(5,837)	(2,513)
Effect of exchange rate change on cash and cash equivalents	65	189
Net increase (decrease) in cash and cash equivalents	(1,050)	(5,189)
Cash and cash equivalents at beginning of period	31,268	25,627
Cash and cash equivalents at end of period	30,218	20,437

(4) Notes to semi-annual consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

(Acquisition of shares of a subsidiary through a share exchange)

Based on the resolution of the Board of Directors meeting held on May 22, 2024, the Company conducted a share exchange, effective June 30, 2024, making the Company's consolidated subsidiaries, Sunrise Corporation, Maruyasu & Co., Ltd., and Konishi Kouei Co., Ltd., wholly owned subsidiaries, and allocated 3,460,356 shares of the Company's treasury shares. As a result, capital surplus increased by 1,599 million yen, and treasury shares decreased by 3,042 million yen.

(Purchase of treasury shares)

The Company acquired 894,200 shares of treasury shares pursuant to a resolution of the Board of Directors held on August 27, 2024. As a result, treasury shares increased by 1,098 million yen, including the acquisition through the purchase of odd-lot shares.

As a result of these and other impacts, capital surplus was 6,041 million yen and treasury shares were 2,607 million yen as of September 30, 2024.

(Notes on segment information, etc.)

[Segment information]

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

Six months ended September 30, 2023

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount in consolidated statement of income (Note) 3
	Bond	Chemicals	Construction	Total				
Net sales								
(1) Revenues from external customers	35,384	19,643	10,199	65,228	88	65,317	-	65,317
(2) Intersegment sales and transfers	149	141	3	295	37	333	(333)	-
Total	35,534	19,785	10,203	65,523	126	65,650	(333)	65,317
Segment profit	3,237	629	1,002	4,869	58	4,928	11	4,939

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, 2024

(Millions of yen)

	Reportable segments				Other (Note) 1	Total	Adjustments (Note) 2	Amount in consolidated statement of income (Note) 3
	Bond	Chemicals	Construction	Total				
Net sales								
(1) Revenues from external customers	36,412	18,301	10,969	65,683	90	65,774	-	65,774
(2) Intersegment sales and transfers	100	126	277	504	35	540	(540)	-
Total	36,512	18,428	11,247	66,188	126	66,314	(540)	65,774
Segment profit	3,415	707	704	4,827	73	4,901	(14)	4,886

- 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

Not applicable.