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October 31, 2023

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 (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 10, 2023
 Scheduled date to commence dividend payments: December 8, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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, 2024 (from April 1, 2023, to September 30, 2023)

(1) Consolidated operating results (YTD)

(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, 2023	65,317	12.3	4,939	71.1	5,208	61.1	3,396	(51.7)
First six months ended September 30, 2022	58,148	7.8	2,886	(15.8)	3,232	(11.9)	7,030	195.2

Note: Comprehensive income First six months ended September 30, 2023 4,902 Millions of yen [(34.5%)]
 First six months ended September 30, 2022 7,481 Millions of yen [(159.7%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months ended September 30, 2023	98.88	-
First six months ended September 30, 2022	197.17	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
First six months ended September 30, 2023	136,234	80,589	55.7
As of March 31, 2023	132,874	81,482	57.9

Reference: Equity First six months ended September 30, 2023 75,832 Millions of yen
 As of March 31, 2023 76,975 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
As of March 31, 2023	-	27.00	-	22.00	49.00
As of March 31, 2024	-	27.00			
Fiscal year ending March 31, 2024 (forecast)			-	27.00	54.00

Note: Revisions to the forecasts of cash dividends most recently announced: None
Breakdown of dividends at the end of the second quarter for the fiscal year ended March 31, 2023: Ordinary dividend ¥22.00; 70th anniversary of the launch of bond (synthetic adhesive) commemorative dividend ¥5.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(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, 2024	129,000	4.6	9,300	25.3	9,700	22.4	6,200	(38.2)	175.10

Note: Revisions to the consolidated earnings forecasts most recently announced: None
The main reason for the large fluctuation compared with the same period of the previous year in profit attributable to owners of parent is that a gain on sale of non-current assets due to the transfer of non-current assets was generated for the first six months of the fiscal year ended March 2023.

* **Notes**

- (1) Changes in significant subsidiaries during the first six months ended September 30, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
Included: 0 companies, excluded 0 companies
- (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, 2023	40,707,440 shares
As of March 31, 2023	40,707,440 shares

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

As of September 30, 2023	7,497,589 shares
As of March 31, 2023	5,298,801 shares

(iii) Average number of shares outstanding during the period

As of September 30, 2023	34,350,962 shares
As of September 30, 2022	35,656,632 shares

(Notes) The Company cancelled 5,500,000 treasury shares on October 13, 2023, pursuant to a resolution of the Board of Directors held on September 26, 2023.

* 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 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 3 (Attached Material).

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

The Company is scheduled to hold a quarterly financial results briefing for analysts and institutional investors on Tuesday, November 28, 2023. The Company plans to upload the supplementary materials used for the quarterly financial results briefing on this date on the Company website promptly after the briefing has concluded.

Index

1. Qualitative information regarding financial results for the first six months.....	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position	3
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Consolidated balance sheet	5
(2) Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)	7
(3) Consolidated statement of cash flows	9
(4) Notes to quarterly consolidated financial statements	10
Notes on premise of going concern	10
Notes on significant changes in the amount of shareholders' equity	10
Segment information	10
Significant subsequent events.....	11

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

(1) Explanation of operating results

During the first six months under review, the Japanese economy returned to a moderate recovery as the legal status of the COVID-19 pandemic was shifted and socioeconomic activities became more normalized. On the other hand, the situation affecting economic activities, such as soaring prices of resources/energy and raw materials due to the situation in Ukraine, global monetary tightening, and the ongoing depreciation of the yen, has been prolonged. Therefore, the outlook remains uncertain.

In this business environment, the Group has launched its newly formulated “Medium-Term Management Plan 2026 (Fiscal Period Ending March 2024 to Fiscal Period Ending March 2026).” Based on this plan, the Group will work to strengthen new business development and focus on growth areas; make its largest-ever capital investments in production, logistics, and DX-related areas; and carry out new capital policies. Through these efforts, the Group will further expand its business and improve management efficiency.

As a result, the Group’s operating results for the first six months under review were as follows. Net sales increased 12.3% year on year to 65,317 million yen, operating profit grew 71.1% year on year to 4,939 million yen, ordinary profit was up 61.1% year on year to 5,208 million yen, and profit attributable to owners of parent fell 51.7% year on year to 3,396 million yen due to the recording of a gain on sale of non-current assets resulting from the transfer of non-current assets in the second quarter of the fiscal year ended March 31, 2023.

Results by segment are as follows.

(i) Bond

In the general household field, sales through convenience stores and home improvement stores remained steady. In the housing-related field, construction costs continued to be on an upward trend. The sales volumes of adhesives for interior work decreased as the recovery of new housing starts was slow. In the industrial material field, the sales volumes of water-based adhesives used in paper-related applications decreased, but the sales volumes of elastic adhesives for automotive use, etc., increased. In the civil engineering and construction field, sales volumes of sealing materials for construction and civil engineering and materials used in construction methods for preventing flaking increased in line with an increase in renovation projects.

The prices of raw materials used in adhesives and sealants still continued to rise. However, efforts for cost-saving and cost improvement, and reflecting cost in product sales prices progressed, resulting in higher net sales and operating profit.

As a result of the above, net sales grew 6.6% year on year to 35,384 million yen and operating profit increased 82.0% year on year to 3,237 million yen.

(ii) Chemicals

In the chemical engineering field, sales of heat-dissipating materials increased despite a decrease in sales of resin raw materials. In the automobile field, sales of products for hybrid vehicles were strong. On the other hand, profit from merchandise for electronic and electrical appliances declined due to the impact of weaker demand for personal consumer products such as PCs, tablets, and smartphones. In addition, products for use in capacitors and semiconductor manufacturing equipment decreased at Maruyasu & Co., Ltd.

As a result of the above, net sales increased 15.8% year on year to 19,643 million yen and operating profit fell 7.4% year on year to 629 million yen.

(iii) Construction

In the Construction Business, repair, improvement, and reinforcement works in the infrastructure and (housing) stock markets, particularly for public works, were continuously steady. The progress of

construction was also good. As a result, net sales and operating profit of all five related construction companies increased significantly.

As a result of the above, net sales grew 29.2% year on year to 10,199 million yen and operating profit increased 120.9% year on year to 1,002 million yen.

(iv) Other

The “Other” segment represents the Real Estate Rental Business, etc. Net sales decreased 3.7% year on year to 88 million yen and operating profit was 58 million yen (operating loss of 30 million yen in the same period of the previous year).

(2) Explanation of financial position

Assets, liabilities and net assets

Total assets as of September 30, 2023 increased 3,359 million yen from the previous fiscal year-end to 136,234 million yen.

(i) Assets

Current assets increased 433 million yen from the previous fiscal year-end to 94,867 million yen. This was mainly due to an increase of 1,113 million yen in electronically recorded monetary claims - operating and an increase of 689 million yen in notes and accounts receivable - trade, and contract assets, despite a decrease of 940 million yen in cash and deposits. Non-current assets increased 2,925 million yen from the previous fiscal year-end to 41,366 million yen mainly due to an increase of 1,576 million yen in property, plant and equipment and an increase of 1,601 million yen in investment securities.

(ii) Liabilities

Current liabilities increased 3,708 million yen from the previous fiscal year-end to 49,564 million yen mainly due to an increase of 4,278 million yen in notes and accounts payable - trade, despite a decrease of 1,773 million yen in income taxes payable. Non-current liabilities grew 544 million yen from the previous fiscal year-end to 6,080 million yen mainly due to an increase of 526 million yen in other.

(iii) Net assets

Net assets were down 893 million yen from the previous fiscal year-end to 80,589 million yen, mainly due to an increase of 4,956 million yen in treasury shares, an item that reduces net assets because the company has to acquire such shares with its own cash, despite an increase of 2,617 million yen in retained earnings and an increase of 972 million yen in valuation difference on available-for-sale securities.

(iv) Cash flows

Cash and cash equivalents (hereinafter “cash”) decreased by 1,050 million yen during the first six months under review (an increase of 8,126 million yen in the same period of the previous year). This comprised net cash provided by operating activities of 6,225 million yen (2,953 million yen increase year on year), net cash used in investing activities of 1,503 million yen (an increase of 5,745 million yen in the same period of the previous year), and net cash used in financing activities of 5,837 million yen (4,818 million yen increase year on year).

As a result, the balance of cash as of September 30, 2023 amounted to 30,218 million yen.

(a) Cash flows from operating activities

Net cash provided by operating activities was 6,225 million yen (up 2,953 million yen year on year). This was mainly due to profit before income taxes of 5,206 million yen, an increase in trade payables of 4,153 million yen, and depreciation of 864 million yen, despite income taxes paid of 3,258 million yen, and an increase in trade receivables and contract assets of 1,691 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 1,503 million yen (provided 5,745 million yen in the same period of the previous year). This was mainly due to purchase of property, plant and equipment of 1,710 million yen, and payments into time deposits of 589 million yen, despite proceeds from withdrawal of time deposits of 1,045 million yen.

(c) Cash flows from financing activities

Net cash used in financing activities was 5,837 million yen (up 4,818 million yen year on year). This was mainly due to purchase of treasury shares of 5,045 million yen, and dividends paid of 780 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 28, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	32,195	31,254
Notes and accounts receivable–trade, and contract assets	34,752	35,441
Electronically recorded monetary claims–operating	14,667	15,781
Merchandise and finished goods	9,355	9,290
Work in process	314	283
Raw materials and supplies	1,640	1,512
Other	1,565	1,454
Allowance for doubtful accounts	(57)	(151)
Total current assets	94,434	94,867
Non-current assets		
Property, plant and equipment	25,746	27,322
Intangible assets	1,188	1,563
Investments and other assets		
Investment securities	8,084	9,685
Other	3,440	2,812
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	11,506	12,480
Total non-current assets	38,440	41,366
Total assets	132,874	136,234

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	33,983	38,262
Electronically recorded obligations–operating	3,728	3,701
Short-term borrowings	48	176
Current portion of long-term borrowings	60	47
Income taxes payable	3,298	1,525
Provision for bonuses	1,152	1,227
Provision for bonuses for directors (and other officers)	131	53
Other	3,450	4,570
Total current liabilities	45,856	49,564
Non-current liabilities		
Long-term borrowings	116	96
Retirement benefit liability	645	683
Other	4,774	5,301
Total non-current liabilities	5,536	6,080
Total liabilities	51,392	55,645
Net assets		
Shareholders' equity		
Share capital	4,603	4,603
Capital surplus	4,557	4,585
Retained earnings	69,450	72,067
Treasury shares	(5,904)	(10,860)
Total shareholders' equity	72,707	70,395
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,611	3,584
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	450	713
Remeasurements of defined benefit plans	1,206	1,139
Total accumulated other comprehensive income	4,268	5,436
Non-controlling interests	4,507	4,756
Total net assets	81,482	80,589
Total liabilities and net assets	132,874	136,234

(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, 2022	Six months ended September 30, 2023
Net sales	58,148	65,317
Cost of sales	47,204	52,350
Gross profit	10,943	12,966
Selling, general and administrative expenses	8,057	8,026
Operating profit	2,886	4,939
Non-operating income		
Interest income	8	8
Dividend income	135	132
Foreign exchange gains	131	106
Share of profit of entities accounted for using equity method	12	19
Other	94	84
Total non-operating income	382	350
Non-operating expenses		
Interest expenses	4	4
Commission expenses	-	45
Depreciation	12	25
Other	20	6
Total non-operating expenses	37	82
Ordinary profit	3,232	5,208
Extraordinary income		
Gain on sale of investment securities	0	108
Gain on sale of non-current assets	7,184	2
Total extraordinary income	7,184	110
Extraordinary losses		
Loss on disposal of non-current assets	5	25
Provision of allowance for loan losses	-	84
Other	0	1
Total extraordinary losses	5	112
Profit before income taxes	10,411	5,206
Income taxes-current	3,105	1,573
Income taxes-deferred	125	47
Total income taxes	3,230	1,620
Profit	7,180	3,586
Profit attributable to non-controlling interests	149	189
Profit attributable to owners of parent	7,030	3,396

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	7,180	3,586
Other comprehensive income		
Valuation difference on available-for-sale securities	(137)	1,066
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	444	280
Remeasurements of defined benefit plans, net of tax	(37)	(67)
Share of other comprehensive income of entities accounted for using equity method	31	36
Total other comprehensive income	300	1,316
Comprehensive income	7,481	4,902
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,310	4,564
Comprehensive income attributable to non-controlling interests	170	337

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	10,411	5,206
Depreciation	1,030	864
Amortization of goodwill	64	63
Loss (gain) on sale of investment securities	0	(108)
Loss (gain) on disposal of property, plant and equipment	2	4
Loss (gain) on sale of property, plant and equipment	(7,184)	13
Increase (decrease) in allowance for doubtful accounts	1	91
Increase (decrease) in provision for bonuses	60	73
Increase (decrease) in provision for bonuses for directors (and other officers)	(60)	(77)
Decrease (increase) in retirement benefit asset	(23)	(52)
Increase (decrease) in retirement benefit liability	47	8
Interest and dividend income	(144)	(141)
Interest expenses	4	4
Share of loss (profit) of entities accounted for using equity method	(12)	(19)
Decrease (increase) in trade receivables and contract assets	(266)	(1,691)
Decrease (increase) in inventories	(1,214)	240
Increase (decrease) in trade payables	1,250	4,153
Increase (decrease) in other current liabilities	70	345
Increase (decrease) in other non-current liabilities	8	59
Other	404	307
Subtotal	4,450	9,346
Interest and dividends received	144	141
Interest paid	(4)	(4)
Income taxes paid	(1,318)	(3,258)
Cash flows from operating activities	3,272	6,225
Cash flows from investing activities		
Payments into time deposits	(510)	(589)
Proceeds from withdrawal of time deposits	510	1,045
Purchase of property, plant and equipment	(656)	(1,710)
Proceeds from sale of property, plant and equipment	6,470	88
Purchase of intangible assets	(37)	(435)
Purchase of investment securities	(38)	(59)
Proceeds from sale of investment securities	0	153
Other	6	3
Cash flows from investing activities	5,745	(1,503)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	120
Repayments of long-term borrowings	(145)	(33)
Repayments of lease obligations	(11)	(10)
Purchase of treasury shares	(0)	(5,045)
Dividends paid	(784)	(780)
Dividends paid to non-controlling interests	(72)	(87)
Other	0	-
Cash flows from financing activities	(1,019)	(5,837)
Effect of exchange rate change on cash and cash equivalents	128	65
Net increase (decrease) in cash and cash equivalents	8,126	(1,050)
Cash and cash equivalents at beginning of period	25,514	31,268
Cash and cash equivalents at end of period	33,641	30,218

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity

The Company acquired 2,231,100 shares of treasury shares pursuant to a resolution of the Board of Directors held on June 20, 2023. As a result, treasury shares increased by 5,000 million yen during the first six months under review, including the acquisition through the purchase of odd-lot shares.

As a result of this and other impacts, treasury shares were 10,860 million yen as of September 30, 2023.

Segment information

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

Six months ended September 30, 2022

(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	33,196	16,962	7,897	58,055	92	58,148	-	58,148
(2) Intersegment sales and transfers	173	183	-	356	41	397	(397)	-
Total	33,369	17,145	7,897	58,412	133	58,545	(397)	58,148
Segment profit or loss	1,778	679	453	2,912	(30)	2,882	3	2,886

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 or loss represent eliminations for intersegment transactions.

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

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.

2. Disclosure of impairment loss on non-current assets or goodwill, etc. by reportable segment
Not applicable.

Significant subsequent events

Cancellation of treasury shares

At a meeting of the Board of Directors held on September 26, 2023, the Company resolved matters pertaining to the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act and canceled the treasury shares.

1. Class of shares cancelled
Common shares of the Company
2. Total number of shares cancelled
5,500,000 (13.51% of total outstanding shares before cancellation)
3. Date of cancellation
October 13, 2023