March 26, 2024

To Whom It May Concern

Company name:	Konishi Co., Ltd.
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Initiatives towards the realization of management with a focus on capital costs and stock prices

At a meeting of the Board of Directors held on March 26, 2024, Konishi Co., Ltd. discussed the current status of its capital cost and capital profitability, its plans, and the status of its efforts to date.

The appendix refers to the details of its initiatives towards the realization of management with a focus on capital costs and stock prices.

Konishi Co., Ltd.

Initiatives towards the realization of management with a focus on capital costs and stock prices

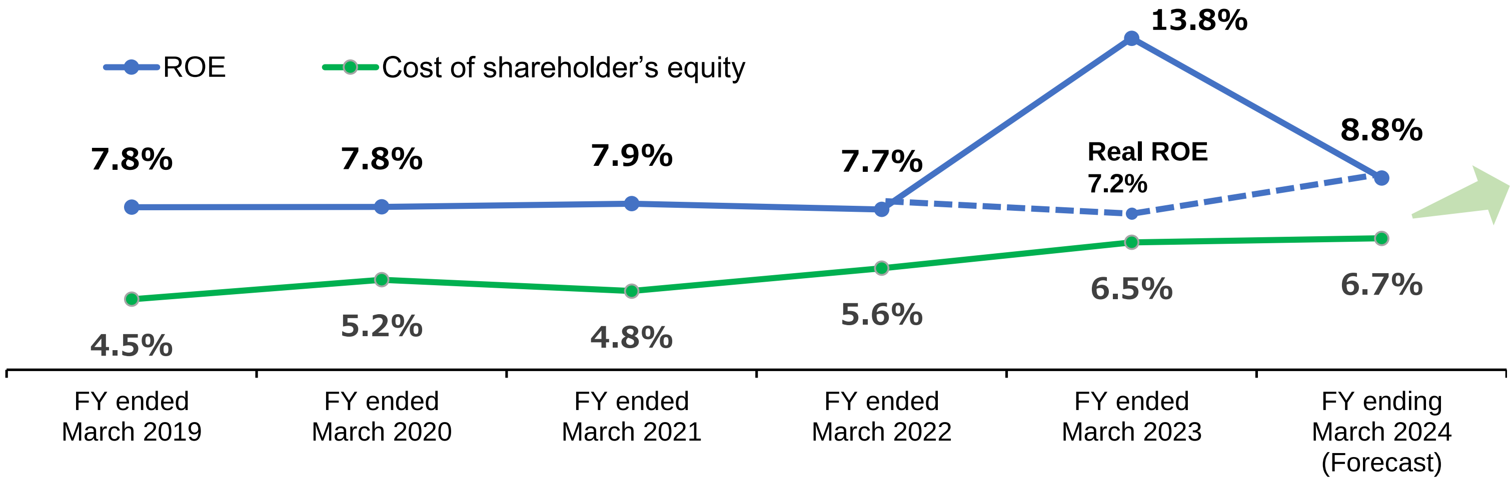
March 26, 2024

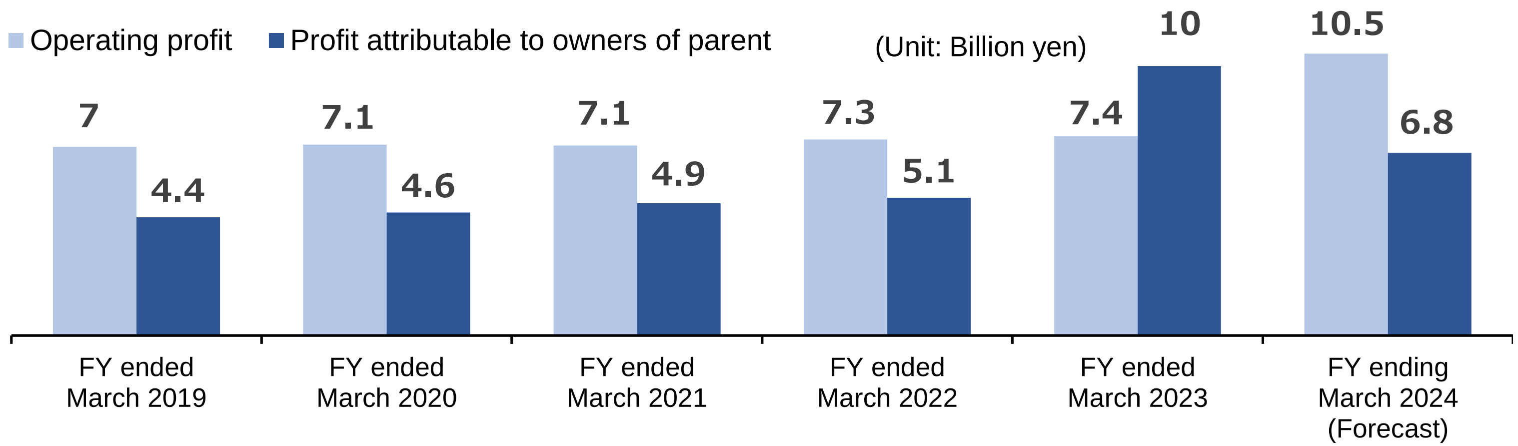
We hereby report on the current status of our capital cost, capital profitability and market valuation, our plans, and the status of our efforts to date.

We consider it is essential to achieve return-on-equity (ROE) above the cost of shareholder’s equity continuously.
Believing that capital efficiency enhancement would lead to obtaining an appropriate reputation on the stock markets and contribute to the improvement of price-book value ratio (PBR), we have implemented the capital measures stated in the “Medium-term Management Plan 2026 (from the FY ending March 2024 to the FY ending March 2026)” which was announced on May 26, 2023.

Capital cost and capital profitability

- We estimate that the cost of shareholder's equity is about 6.7% at present.
- We have achieved ROE above the cost of shareholder's equity continuously.
- From the FY ended March 2019 through the FY ended March 2022, ROE had declined due to the accumulation of capital, narrowing the gap between the cost of shareholder's equity and ROE.
- We recorded an unusually high ROE of 13.8% for the FY ended March 2023 due to the incurrence of a gain on sale of non-current assets (extraordinary gain) . The real ROE excluding this effect was 7.2%.
- We expect the real ROE for the FY ending March 2024 to rise due to an increase in operating profit and a decrease in capital as a result of purchasing treasury shares.





<u>Our approach to calculating cost of shareholder's equity (using CAPM)</u>

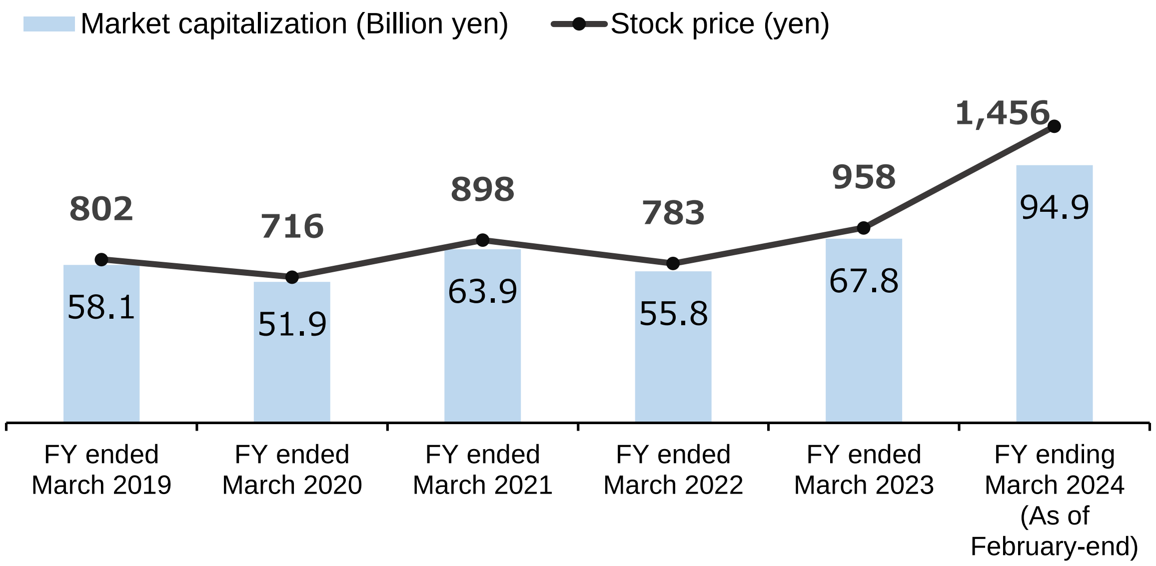
Risk-free rate (0.65%) + Beta (β) (0.94) × Risk premium (6.4%)

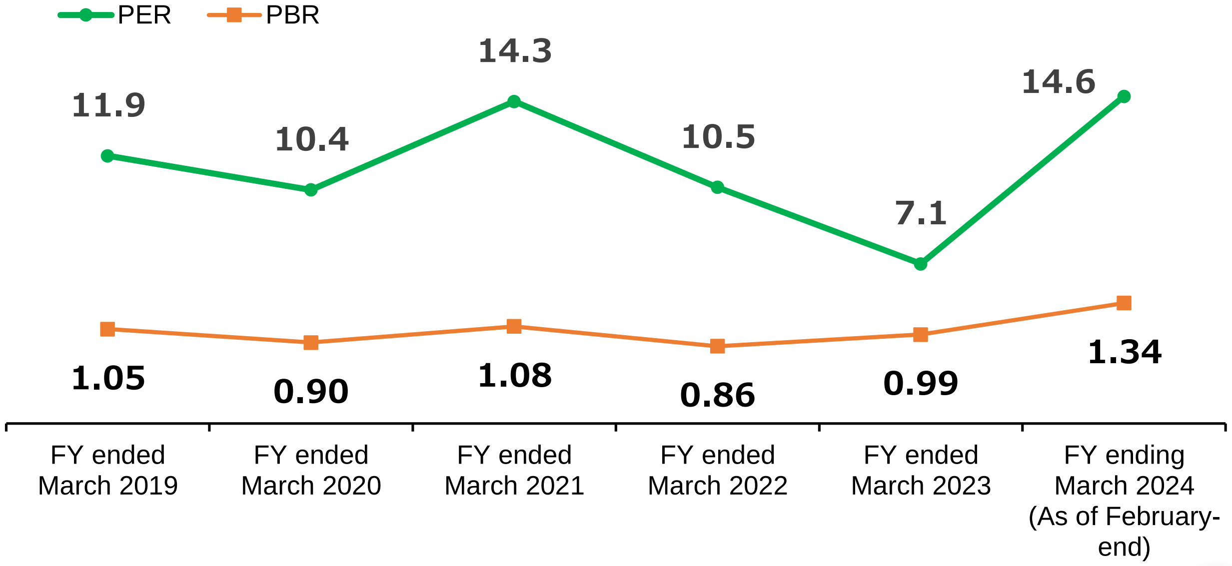
= Cost of shareholder's equity (6.7%)

- The 10-year government bond yield is used as the risk-free rate.
- β is vs. TOPIX 60-month historical beta.

Stock price and market reputation

- From the FY ended March 2019 to the FY ended March 2023, the stock price and PBR remained almost flat, with PBR failing to stay at 1.
- The EPS forecast for the FY ended March 2023 almost doubled due to the recording of a gain on sale of non-current assets, resulting in a low price-earnings ratio of 7.1.
- One of the reasons we consider why we failed to continue achieving PBR of 1 until the FY ended March 2023 was that we did not clearly disclose the "Specific direction of our cash allocation and shareholder return policy." For this reason, we, for the first time, clearly stated our cash allocation plan and shareholder return policy for the next three years in the Medium-term Management Plan 2026 disclosed in May 2023.
- We recognized that the stock price rose in the FY ending March 2024 as we were accepted in the market with a high evaluation of earnings growth and the enhanced shareholder return policy. PBR achieved 1 or more, and PER also increased.





Note: We implemented a stock split which became effective on January 1, 2024, at a ratio of 2 common shares per share. The figures before the FY ended March 2023 were stated based on the stock price at March-end after an adjustment for the stock split.

[2] Goals towards improving market reputation

The Konishi Group formulated Medium-Term Management Plan 2026 for the three-year period starting from the current period. (Disclosed on May 26, 2023)

While aiming to achieve record-high net sales and operating profit, we clearly stated, for the first time, our capital policies (cash allocation plan and shareholder return policy for the next three years) for further capital efficiency.

We plan to review the Medium-term Management Plan, as we expect to achieve in the current period the operating profit and ROE targets for the FY ending March 2026, the final year of the Plan.

Medium-Term Management Plan 2026: Numerical Targets

	FY ended March 2023
Net sales	**123.3 billion yen**
Operating profit	**7.4 billion yen**
EBITDA (Operating profit and depreciation and amortization of goodwill)	**9.6 billion yen** (Depreciation and amortization of goodwill: About 2.2 billion yen)
ROE	7.2 %*
Capital expenditure	**8.5 billion yen** (Recent three-year total)
Shareholder return (Total dividends and total purchase costs of treasury shares)	**6.2 billion yen** (Recent three-year total)

* Excluding an impact of a gain on sale of non-current assets (extraordinary gain of 7.1 billion yen)

	FY ending March 2026 (vs. FY ended March 2023)
Net sales	**140.8 billion yen (+14.1%)**
Operating profit	**9.7 billion yen (+30.9%)***
EBITDA (Operating profit and depreciation and amortization of goodwill)	**12.9 billion yen (+34.5%)** (Depreciation and amortization of goodwill: About 3.2 billion yen)
ROE	**8.0 %**
Capital expenditure	**15.0 billion yen** (Three-year total)
Shareholder return (Total dividends and total purchase costs of treasury shares)	**12.0 billion yen** (Three-year total)

* The reason for expecting a lower increase in operating profit in the final fiscal year compared with "operating profit forecast for the FY ending March 2024 of 9.3 billion yen" (Note) is that depreciation of capital expenditures increases significantly in the final fiscal year.

Note: Disclosed in "Summary of Financial Results for the FY ending March 2024" dated April 28, 2023

Aim to achieve record-high net sales and operating profit in Bond, Chemicals, and Construction businesses by strengthening new business development and focusing on growth areas!

Implement capital expenditure and shareholder return on a record-high scale

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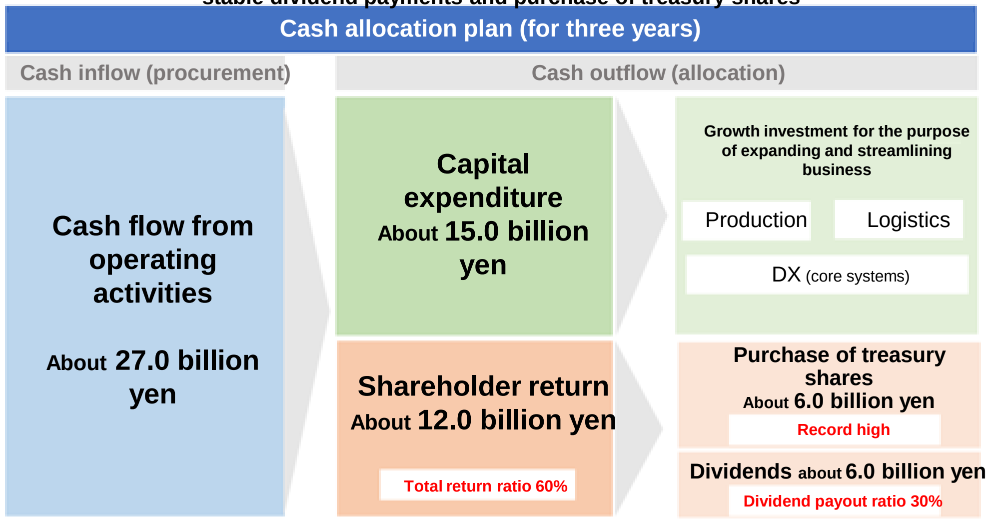
Medium-Term Management Plan 2026: Cash Allocation Plan

Capital expenditure necessary for growth, and enhancement of shareholder return by way of stable dividend payments and purchase of treasury shares



* Funds necessary for an M&A will be provided from cash on hand.
* Treasury shares purchased will be cancelled in principle.
* The above diagram is an image of cash allocation for the three years and does not reflect an impact of changes in working capital.

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[3] Status of initiatives towards the achievement of targets in the current period 1/2

(i) Implementation of capital policy

Purchase of treasury shares

We planned to purchase treasury shares of about 6.0 billion yen during the three years in the cash allocation plan of Medium-term Management Plan 2026. However, we purchased treasury shares of about 6.7 billion yen (number of shares after stock split: 5,704,100) in the current period, the initial year of the plan.

Cancellation of treasury shares

We cancelled 11,000,000 treasury shares (number of shares after stock split) as of October 13, 2023.
The number is equivalent to 13.5% of the total number of outstanding shares before cancellation.

Stock split

We implemented a stock split for the purpose of expanding the investor base and improving stock liquidity.

(1) Method of stock split	“2-for-1” stock split
(2) Record date	December 31, 2023
(3) Effective date	January 1, 2024

(ii) Expansion of remuneration for directors (and other officers) linked to shareholder profits

Basic policy

The remuneration system is designed to link to shareholder profits in order to function as an incentive to seek sustainable improvement of corporate value.

Director remuneration composition ratio

At a meeting of the Board of Directors in April 2023, we reviewed the director remuneration composition ratio and decided to increase the percentage of share-based remuneration for the purpose of enhancing profit-sharing with shareholders.

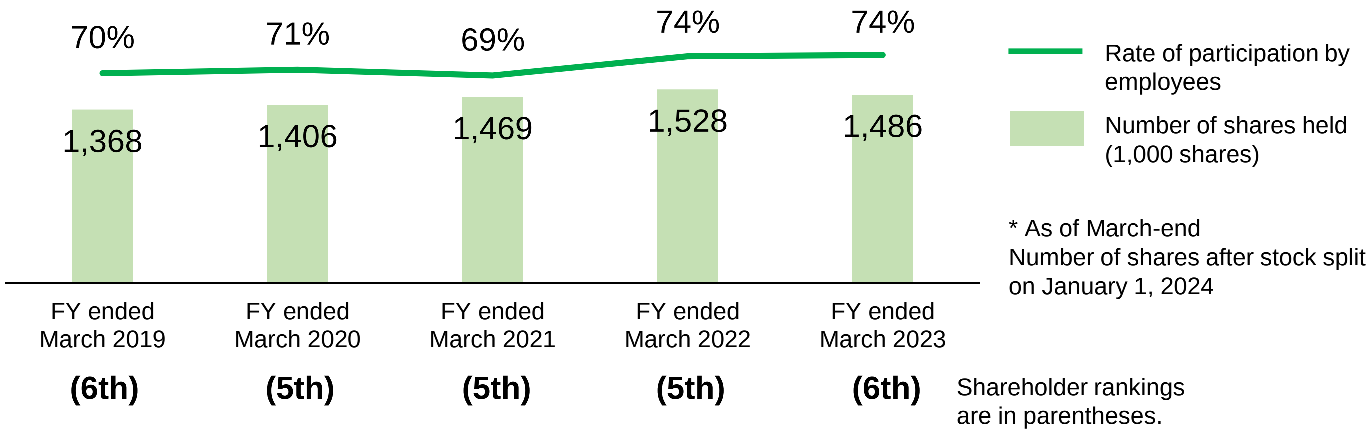
Basic remuneration: About 60%	Bonuses: About 20%	Share-based remuneration: About 20%
(Before revision) About 65%		(Before revision) 15%

The share-based remuneration system is also adopted for executive officers who do not serve as a director concurrently. In addition, outside directors who serve supervisory functions are paid only fixed remuneration in consideration of their duties.

(iii) Expansion of an employee stock ownership association

Employees are encouraged to participate in the employee stock ownership association in order to grant incentives to seek improvement of corporate value.

The employee stock ownership association system has targeted employees of Konishi Co., Ltd, the parent company. However, from the second half of the current fiscal year, the system also targeted employees of domestic affiliates.



(iv) The contents of dialogue with shareholders and investors are shared at the Board of Directors periodically

We have IR division in place, and as a general rule, personnel of the IR division are in charge of dialogue with shareholders and investors. Directors including the representative director also attend meetings when necessary.

From the current period, the contents of dialogue and opinions are reported to the Board of Directors on a quarterly basis and reflected in measures at appropriate times.

Konishi Co., Ltd.

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