

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2022 (Based on Japanese GAAP)

May 13, 2022

Company name: KONAKA CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 7494 URL <https://www.konaka.co.jp>
 Representative: Representative Director, President and CEO Kensuke Konaka
 Group Representative
 Senior Managing Executive Officer, CFO,
 Inquiries: General Manager of Administration Makoto Okumura TEL 045(825)7700
 Headquarters
 Scheduled date to file Quarterly Securities Report: May 13, 2022
 Scheduled date to commence dividend payments: June 6, 2022
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2022 (from October 1, 2021 to March 31, 2022)

(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	%
Six months ended March 31, 2022	34,386	–	(537)	–	117	–	(683)	–
Six months ended March 31, 2021	33,644	11.3	(2,756)	–	(2,524)	–	(2,794)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2022	(23.46)		–	
Six months ended March 31, 2021	(95.99)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of March 31, 2022	59,830		23,197		36.9	
As of September 30, 2021	58,835		25,051		39.7	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended September 30, 2021	–	10.00	–	10.00	20.00
Year ending September 30, 2022	–	10.00	–	–	–
Year ending September 30, 2022 (Forecast)	–	–	–	10.00	20.00

3. Forecast of consolidated financial results for the year ending September 30, 2022 (from October 1, 2021 to September 30, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	75,000	28.0	700	–	1,400	–	300	–	10.30

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of March 31, 2022	31,146,685 shares	As of September 30, 2021	31,146,685 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	2,031,027 shares	As of September 30, 2021	2,030,693 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2022	29,115,859 shares	Six months ended March 31, 2021	29,116,371 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	6,339	8,665
Notes and accounts receivable - trade	2,092	3,528
Merchandise and finished goods	17,927	17,029
Work in process	0	2
Raw materials and supplies	320	317
Other	1,493	1,519
Allowance for doubtful accounts	(5)	(0)
Total current assets	28,167	31,062
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,819	4,027
Land	10,488	10,487
Other, net	446	388
Total property, plant and equipment	15,755	14,902
Intangible assets		
Trademark right	1,240	1,165
Other	441	389
Total intangible assets	1,681	1,554
Investments and other assets		
Investment securities	3,530	2,838
Leasehold and guarantee deposits	8,248	8,126
Retirement benefit asset	467	502
Other	1,017	879
Allowance for doubtful accounts	(31)	(37)
Total investments and other assets	13,231	12,310
Total non-current assets	30,668	28,768
Total assets	58,835	59,830
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,453	2,317
Electronically recorded obligations - operating	1,531	2,944
Short-term borrowings	13,090	13,625
Current portion of long-term borrowings	728	728
Income taxes payable	461	368
Provision for bonuses	499	361
Other	3,677	5,100
Total current liabilities	21,441	25,446
Non-current liabilities		
Long-term borrowings	8,406	8,042
Retirement benefit liability	619	586
Provision for retirement benefits for directors (and other officers)	31	–
Provision for point card certificates	642	38
Other	2,643	2,519
Total non-current liabilities	12,342	11,186
Total liabilities	33,784	36,633

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	5,305	5,305
Capital surplus	13,253	13,253
Retained earnings	6,349	5,393
Treasury shares	(3,342)	(3,342)
Total shareholders' equity	21,565	20,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,698	1,416
Foreign currency translation adjustment	47	41
Remeasurements of defined benefit plans	30	22
Total accumulated other comprehensive income	1,776	1,480
Non-controlling interests	1,708	1,106
Total net assets	25,051	23,197
Total liabilities and net assets	58,835	59,830

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Net sales	33,644	34,386
Cost of sales	15,136	14,833
Gross profit	18,507	19,552
Selling, general and administrative expenses	21,264	20,090
Operating loss	(2,756)	(537)
Non-operating income		
Interest income	9	8
Dividend income	44	14
Rental income from real estate	233	239
Subsidies for employment adjustment	280	316
Other	91	226
Total non-operating income	659	805
Non-operating expenses		
Interest expenses	75	84
Rental expenses on real estate	29	32
Arrangement Fee	255	–
Other	67	33
Total non-operating expenses	427	150
Ordinary profit (loss)	(2,524)	117
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	–	48
Total extraordinary income	0	48
Extraordinary losses		
Loss on retirement of non-current assets	83	0
Impairment losses	808	1,291
Other	30	28
Total extraordinary losses	922	1,320
Loss before income taxes	(3,446)	(1,153)
Income taxes - current	140	124
Income taxes - deferred	(0)	(15)
Total income taxes	140	108
Loss	(3,586)	(1,262)
Loss attributable to non-controlling interests	(791)	(579)
Loss attributable to owners of parent	(2,794)	(683)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Loss	(3,586)	(1,262)
Other comprehensive income		
Valuation difference on available-for-sale securities	521	(292)
Foreign currency translation adjustment	88	(23)
Remeasurements of defined benefit plans, net of tax	3	(7)
Total other comprehensive income	612	(323)
Comprehensive income	(2,973)	(1,586)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,232)	(978)
Comprehensive income attributable to non-controlling interests	(740)	(607)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from operating activities		
Loss before income taxes	(3,446)	(1,153)
Depreciation	690	590
Impairment losses	808	1,291
Loss (gain) on valuation of derivatives	(1)	0
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in retirement benefit liability	(11)	(33)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	(31)
Increase (decrease) in provision for point card certificates	(95)	(116)
Increase (decrease) in provision for bonuses	(122)	(138)
Long-term loans offset with a rent	74	65
Long-term deposit offset with a rent	3	5
Loss on retirement of non-current assets	83	0
Interest and dividend income	(54)	(23)
Interest expenses	75	84
Foreign exchange losses (gains)	(6)	(8)
Decrease (increase) in trade receivables	(1,137)	(1,429)
Decrease (increase) in inventories	1,092	907
Increase (decrease) in trade payables	1,768	2,159
Increase (decrease) in accrued expenses	753	736
Increase (decrease) in accrued consumption taxes	365	242
Other, net	594	(188)
Subtotal	1,434	2,959
Interest and dividends received	46	16
Interest paid	(70)	(79)
Income taxes paid	(180)	(192)
Income taxes refund	78	2
Net cash provided by (used in) operating activities	1,308	2,705
Cash flows from investing activities		
Payments into time deposits	–	(95)
Proceeds from sale and redemption of securities	–	325
Purchase of property, plant and equipment	(496)	(473)
Proceeds from sale of property, plant and equipment	6	0
Payments for retirement of property, plant and equipment	(79)	(61)
Purchase of intangible assets	(168)	(221)
Payments of leasehold and guarantee deposits	(55)	(112)
Proceeds from refund of leasehold and guarantee deposits	586	188
Proceeds from collection of loans receivable	19	17
Other, net	2	55
Net cash provided by (used in) investing activities	(186)	(377)

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,460)	535
Proceeds from long-term borrowings	9,523	–
Repayments of long-term borrowings	(6,469)	(364)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1)	(290)
Dividends paid to non-controlling interests	(4)	(0)
Other, net	(18)	(4)
Net cash provided by (used in) financing activities	(1,430)	(123)
Effect of exchange rate change on cash and cash equivalents	22	25
Net increase (decrease) in cash and cash equivalents	(285)	2,230
Cash and cash equivalents at beginning of period	6,121	6,237
Cash and cash equivalents at end of period	5,835	8,468