

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2023 (Based on Japanese GAAP)

May 15, 2023

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 15, 2023
 Scheduled date to commence dividend payments: June 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

(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, 2023	36,592	6.4	759	–	1,005	755.1	1,052	–
Six months ended March 31, 2022	34,386	–	(537)	–	117	–	(683)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2023	36.13		–	
Six months ended March 31, 2022	(23.46)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	55,556	20,541	36.3
As of September 30, 2022	54,307	19,797	35.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended September 30, 2022	–	10.00	–	10.00	20.00
Year ending September 30, 2023	–	10.00			
Year ending September 30, 2023 (Forecast)			–	10.00	20.00

3. Forecast of consolidated financial results for the year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

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	69,332	9.7	(441)	–	247	–	(248)	–	(8.52)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2023
(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, 2023	31,146,685 shares	As of September 30, 2022	31,146,685 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,895,956 shares	As of September 30, 2022	2,031,282 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, 2023	29,134,711 shares	Six months ended March 31, 2022	29,115,859 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	6,744	8,334
Accounts receivable - trade	2,532	3,981
Merchandise and finished goods	15,499	14,998
Work in process	1	0
Raw materials and supplies	286	274
Other	1,469	1,644
Allowance for doubtful accounts	(0)	–
Total current assets	26,533	29,234
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,842	3,503
Land	10,409	10,038
Other, net	356	389
Total property, plant and equipment	14,607	13,931
Intangible assets		
Trademark right	1,090	55
Other	328	353
Total intangible assets	1,418	409
Investments and other assets		
Investment securities	2,932	3,197
Leasehold and guarantee deposits	7,638	7,599
Retirement benefit asset	399	432
Other	817	795
Allowance for doubtful accounts	(42)	(42)
Total investments and other assets	11,746	11,981
Total non-current assets	27,773	26,322
Total assets	54,307	55,556
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,641	2,863
Electronically recorded obligations - operating	2,045	3,006
Short-term borrowings	13,562	12,368
Current portion of long-term borrowings	658	7,932
Income taxes payable	422	760
Contract liabilities	994	1,206
Provision for bonuses	420	416
Other	3,880	3,711
Total current liabilities	23,625	32,265
Non-current liabilities		
Long-term borrowings	7,738	99
Retirement benefit liability	606	588
Provision for point card certificates	37	34
Other	2,502	2,025
Total non-current liabilities	10,885	2,749
Total liabilities	34,510	35,014

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,305	5,305
Capital surplus	13,253	13,253
Retained earnings	2,553	3,137
Treasury shares	(3,342)	(3,119)
Total shareholders' equity	17,770	18,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,481	1,671
Foreign currency translation adjustment	(46)	(21)
Remeasurements of defined benefit plans	(73)	(66)
Total accumulated other comprehensive income	1,361	1,583
Non-controlling interests	665	381
Total net assets	19,797	20,541
Total liabilities and net assets	54,307	55,556

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, 2022	Six months ended March 31, 2023
Net sales	34,386	36,592
Cost of sales	14,833	15,434
Gross profit	19,552	21,158
Selling, general and administrative expenses	20,090	20,399
Operating profit (loss)	(537)	759
Non-operating income		
Interest income	8	13
Dividend income	14	17
Rental income from real estate	239	193
Compensation income	49	80
Subsidies for employment adjustment	316	–
Other	176	72
Total non-operating income	805	376
Non-operating expenses		
Interest expenses	84	81
Rental expenses on real estate	32	29
Other	33	19
Total non-operating expenses	150	131
Ordinary profit	117	1,005
Extraordinary income		
Gain on sale of non-current assets	0	810
Gain on sale of investment securities	48	–
Penalty income	–	440
Other	–	230
Total extraordinary income	48	1,480
Extraordinary losses		
Loss on retirement of non-current assets	0	20
Impairment losses	1,291	1,526
Other	28	68
Total extraordinary losses	1,320	1,614
Profit (loss) before income taxes	(1,153)	871
Income taxes - current	124	447
Income taxes - deferred	(15)	(325)
Total income taxes	108	121
Profit (loss)	(1,262)	750
Loss attributable to non-controlling interests	(579)	(302)
Profit (loss) attributable to owners of parent	(683)	1,052

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit (loss)	(1,262)	750
Other comprehensive income		
Valuation difference on available-for-sale securities	(292)	189
Foreign currency translation adjustment	(23)	43
Remeasurements of defined benefit plans, net of tax	(7)	6
Total other comprehensive income	(323)	239
Comprehensive income	(1,586)	989
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(978)	1,274
Comprehensive income attributable to non-controlling interests	(607)	(284)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(1,153)	871
Depreciation	590	513
Impairment losses	1,291	1,526
Loss (gain) on valuation of derivatives	0	–
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	(33)	(17)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(31)	–
Increase (decrease) in provision for point card certificates	(116)	(2)
Increase (decrease) in provision for bonuses	(138)	(4)
Long-term loans offset with a rent	65	61
Long-term deposit offset with a rent	5	5
Gain on sale of non-current assets	(0)	(810)
Loss on retirement of non-current assets	0	20
Interest and dividend income	(23)	(30)
Interest expenses	84	81
Foreign exchange losses (gains)	(8)	3
Penalty income	–	(440)
Decrease (increase) in trade receivables	(1,429)	(1,449)
Decrease (increase) in inventories	907	517
Increase (decrease) in trade payables	2,159	2,143
Increase (decrease) in accrued expenses	736	33
Increase (decrease) in accrued consumption taxes	242	(133)
Other, net	(188)	(64)
Subtotal	2,959	2,823
Interest and dividends received	16	22
Interest paid	(79)	(81)
Penalty income received	–	189
Income taxes paid	(192)	(178)
Income taxes refund	2	6
Net cash provided by (used in) operating activities	2,705	2,782
Cash flows from investing activities		
Payments into time deposits	(95)	(27)
Proceeds from sale and redemption of securities	325	–
Purchase of property, plant and equipment	(473)	(494)
Proceeds from sale of property, plant and equipment	0	1,212
Payments for retirement of property, plant and equipment	(61)	(45)
Purchase of intangible assets	(221)	(45)
Payments of leasehold and guarantee deposits	(112)	(128)
Proceeds from refund of leasehold and guarantee deposits	188	161
Proceeds from collection of loans receivable	17	2
Other, net	55	(5)
Net cash provided by (used in) investing activities	(377)	627

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	535	(1,193)
Repayments of long-term borrowings	(364)	(364)
Purchase of treasury shares	(0)	(0)
Dividends paid	(290)	(289)
Dividends paid to non-controlling interests	(0)	(0)
Other, net	(4)	(4)
Net cash provided by (used in) financing activities	(123)	(1,852)
Effect of exchange rate change on cash and cash equivalents	25	(9)
Net increase (decrease) in cash and cash equivalents	2,230	1,548
Cash and cash equivalents at beginning of period	6,237	6,547
Cash and cash equivalents at end of period	8,468	8,095