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January 31, 2022

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 (Under Japanese GAAP)

Company name: Konishi Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4956
 URL: <http://www.bond.co.jp/>
 Representative: Keiichi Oyama, Representative Director and President
 Inquiries: Shozo Arisawa, Director and Senior Managing Executive Officer
 TEL: +81-6-6228-2877
 Scheduled date to file quarterly securities report: February 8, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

(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 nine months ended								
December 31, 2021	83,765	6.0	5,493	10.8	5,875	12.4	3,838	6.6
December 31, 2020	79,045	–	4,957	–	5,229	–	3,601	–

Note: Comprehensive income For the first nine months ended December 31, 2021: ¥4,273 million[(14.1) %]
 For the first nine months ended December 31, 2020: ¥4,972 million [–%]

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2021	107.73	–
December 31, 2020	100.18	–

Note: Konishi Co., Ltd. (the “Company”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first nine months ended December 31, 2020, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations. Consequently, the percentage of year-on-year change of each figure for the first nine months ended December 31, 2020, is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	119,420	71,480	56.3
March 31, 2021	113,800	68,785	56.9

Reference: Equity As of December 31, 2021: ¥67,291 million
 As of March 31, 2021: ¥64,780 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and

each figure as of March 31, 2021, is the figure after retrospectively applying the accounting standard and relevant revised ASBJ regulations.

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	18.00	–	22.00	40.00
Fiscal year ending March 31, 2022	–	22.00	–		
Fiscal year ending March 31, 2022 (Forecast)				22.00	44.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	112,600	4.5	7,700	8.7	8,200	10.4	5,300	7.5	148.85

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the first nine months ended December 31, 2021 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (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: Yes
 - (ii) Changes in accounting policies other than (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements, Changes in accounting policies” on page 9 of the financial results report (Attached Material).

- (4) Number of issued shares (common shares)

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

As of December 31, 2021	40,707,440 shares
As of March 31, 2021	40,707,440 shares

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

As of December 31, 2021	5,067,361 shares
As of March 31, 2021	5,102,082 shares

- (iii) Average number of shares outstanding during the period

For the first nine months ended December 31, 2021	35,626,182 shares
For the first nine months ended December 31, 2020	35,947,550 shares

* 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

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 nine months (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 4 (Attached Material).

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

(1) Explanation of operating results

During the nine months ended December 31, 2021 (the first nine months under review), Japan's economy showed signs of recovery in corporate earnings, supported by the effects of economic measures, the recovery of overseas demand and other factors. However, the situation continues to be unpredictable as a result of factors such as the resurgence of COVID-19 infection due to the outbreak of new variant strains and rising raw material prices due to the high price of crude oil.

With regard to the main industries related to the Company and its subsidiaries (the "Group"), the number of new housing starts maintained a recovery trend in the housing industry. Furthermore, in the automotive industry, the recovery trend continued, but production tended to decline due to factors such as supply shortages of semiconductors and parts, and disruptions in global logistics networks. In the civil engineering and construction work industry, demand for repair and improvement works of buildings and demand for maintenance and mending of infrastructure such as roads and railroads remained strong.

As a result, the Group's operating results for the first nine months under review were as follows. Net sales increased 6.0% year on year to 83,765 million yen, operating profit increased 10.8% year on year to 5,493 million yen, ordinary profit increased 12.4% year on year to 5,875 million yen, and profit attributable to owners of parent increased 6.6% year on year to 3,838 million yen.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other relevant standards have been applied from the beginning of the first quarter of the current fiscal year, and comparative analysis is based on figures after retrospective application. For details, please refer to "2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements, Changes in accounting policies."

Results by segment are as follows.

The Group's business segments were "Bond," "Civil Engineering and Construction," and "Chemicals." However, from the first quarter of the current fiscal year, the business of adhesives, repair materials, and sealants used in the civil engineering and construction field, which were included in "Civil Engineering and Construction," was transferred to "Bond," and the business segments have been reorganized as "Bond," "Chemicals," and "Construction." This was due to the change in management structure to further enhance the construction contracting business for repair, improvement and reinforcement of social infrastructure and building stock markets from April 2021 onwards.

The following comparisons with the same period of the previous fiscal year are based on figures prepared in accordance with the new segment classifications.

(i) Bond (synthetic adhesive)

In the general household field, despite showing a recovery trend, sales decreased due to a downturn in sales after special demand for convenience stores and home improvement stores from people staying home last year. Sales of adhesives for interior work and adhesives for interior building materials in the housing-related field, increased in line with the recovery of the number of new housing starts. Sales of adhesives such as water-based adhesives for use in paper-related application, and elastic adhesives for use in such applications as automotive and electrical components in the industrial material field also increased due to the favorable performance. In the construction field, sales of materials used for building repairs and building sealants increased. Although sales did not reach levels prior to the spread of COVID-19 in each field, sales were favorable overall due to a recovery trend.

In the civil engineering field, sales recovered to the level of the previous year despite the effects of extended construction periods for methods for surface protection and for preventing detachment. However, profit tended to decrease as the price of raw materials used for adhesives and sealants rose significantly from the third quarter onward, and the passing on of these costs to product prices was unable to make up for this.

As a result of the above, net sales increased 9.4% year on year to 47,982 million yen and operating profit increased 3.8% year on year to 3,731 million yen.

(ii) Chemicals

In the chemical engineering field, although sales of ethanol-related products fell in reaction to last year's emergency demands, sales of resin materials were strong, and sales increased significantly.

In the automotive field, sales of products used in automotive electrical components increased significantly. In addition, sales also increased for products for use with heat dissipation adhesives in the electronic and electrical field and products in the coating materials field.

Sales at MARUYASU & CO., LTD. significantly increased due to the strong performance of products for use in semiconductor manufacturing and products for use in capacitors.

As a result of the above, net sales increased 16.3% year on year to 23,607 million yen and operating profit increased 84.4% year on year to 733 million yen.

(iii) Construction

In the Civil Engineering and Construction Business, sales decreased given large orders for construction projects last year but were in line with plan. In addition, the orders of repair, improvement, and reinforcement works in the infrastructure, particularly for public works, and used building markets were strong.

As a result of the above, net sales decreased 18.2% year on year to 12,027 million yen and operating profit increased 22.1% year on year to 988 million yen.

(iv) Other

The Other segment represents the Real Estate Rental Business, etc. Net sales decreased 23.2% year on year to 148 million yen and operating profit decreased 77.7% year on year to 32 million yen.

(2) Explanation of financial position

Assets, liabilities and net assets

Total assets as of December 31, 2021 increased by 5,619 million yen from the previous fiscal year-end to 119,420 million yen.

(i) Assets

Current assets increased by 6,333 million yen from the previous fiscal year-end to 82,322 million yen mainly due to an increase of 5,699 million yen in electronically recorded monetary claims - operating and an increase of 3,320 million yen in cash and deposits, despite a decrease of 3,872 million yen in notes and accounts receivable - trade, and contract assets. Non-current assets decreased by 714 million yen from the previous fiscal year-end to 37,097 million yen mainly due to a decrease of 434 million yen in property, plant and equipment.

(ii) Liabilities

Current liabilities increased by 2,915 million yen from the previous fiscal year-end to 42,348 million yen mainly due to an increase of 4,355 million yen in notes and accounts payable - trade, despite a decrease of 1,314 million yen in income taxes payable. Non-current liabilities increased by 9 million yen from the previous fiscal year-end to 5,591 million yen.

(iii) Net assets

Net assets increased by 2,694 million yen from the previous fiscal year-end to 71,480 million yen mainly due to an increase of 2,270 million yen in retained earnings.

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

For the earnings forecasts, please refer to the “Notice of Revisions to Earnings Forecasts” announced on September 24, 2021.

For the forecasts of cash dividends, please refer to the “Notice of Dividend (Increase in Interim Dividend) and Revision of Year-end Dividend Forecast” announced on October 22, 2021.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	23,876	27,196
Notes and accounts receivable - trade, and contract assets	38,727	34,855
Electronically recorded monetary claims - operating	4,588	10,287
Merchandise and finished goods	6,254	6,997
Work in process	248	246
Raw materials and supplies	1,039	1,430
Other	1,302	1,363
Allowance for doubtful accounts	(48)	(54)
Total current assets	75,989	82,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,462	12,157
Other, net	13,349	13,219
Total property, plant and equipment	25,812	25,377
Intangible assets	991	866
Investments and other assets		
Investment securities	8,005	8,005
Other	3,020	2,865
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	11,007	10,853
Total non-current assets	37,811	37,097
Total assets	113,800	119,420

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,525	33,881
Electronically recorded obligations - operating	3,116	3,586
Short-term borrowings	48	48
Current portion of long-term borrowings	81	106
Income taxes payable	1,617	302
Provision for bonuses	1,108	604
Provision for bonuses for directors (and other officers)	113	65
Other	3,821	3,752
Total current liabilities	39,433	42,348
Non-current liabilities		
Long-term borrowings	440	283
Retirement benefit liability	836	901
Other	4,305	4,406
Total non-current liabilities	5,582	5,591
Total liabilities	45,015	47,939
Net assets		
Shareholders' equity		
Share capital	4,603	4,603
Capital surplus	4,526	4,544
Retained earnings	57,596	59,867
Treasury shares	(5,541)	(5,503)
Total shareholders' equity	61,185	63,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,643	2,613
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(66)	160
Remeasurements of defined benefit plans	1,019	1,005
Total accumulated other comprehensive income	3,595	3,779
Non-controlling interests	4,004	4,189
Total net assets	68,785	71,480
Total liabilities and net assets	113,800	119,420

(2) Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)**Consolidated statement of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	79,045	83,765
Cost of sales	62,562	66,528
Gross profit	16,482	17,236
Selling, general and administrative expenses	11,525	11,743
Operating profit	4,957	5,493
Non-operating income		
Interest income	6	5
Dividend income	185	203
Share of profit of entities accounted for using equity method	2	12
Other	156	200
Total non-operating income	351	421
Non-operating expenses		
Interest expenses	9	8
Depreciation	18	18
Foreign exchange losses	18	–
Other	32	13
Total non-operating expenses	79	40
Ordinary profit	5,229	5,875
Extraordinary income		
Gain on sale of non-current assets	253	42
Gain on sale of investment securities	155	17
Total extraordinary income	408	60
Extraordinary losses		
Loss on disposal of non-current assets	18	10
Loss on sale of investment securities	4	–
Other	–	0
Total extraordinary losses	22	11
Profit before income taxes	5,615	5,924
Income taxes - current	1,709	1,619
Income taxes - deferred	96	251
Total income taxes	1,806	1,871
Profit	3,809	4,053
Profit attributable to non-controlling interests	208	214
Profit attributable to owners of parent	3,601	3,838

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	3,809	4,053
Other comprehensive income		
Valuation difference on available-for-sale securities	1,124	(25)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(24)	253
Remeasurements of defined benefit plans, net of tax	69	(13)
Share of other comprehensive income of entities accounted for using equity method	(6)	5
Total other comprehensive income	1,162	220
Comprehensive income	4,972	4,273
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,603	4,022
Comprehensive income attributable to non-controlling interests	368	250

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The major revisions due to the application of the accounting standard are as follows.

(1) Revenue recognition for agent transactions

Regarding revenue from the sale of products mainly in the Bond Business and the Chemicals Business, the Company previously recognized the total amount of consideration received from customers as revenue. However, for transactions in which the Company's role in providing goods to customers is that of an agent, the Company has changed to recognizing revenue as the net amount received from the customer less the amount paid to the supplier of the goods.

(2) Revenue recognition for construction contracts

In the past, the percentage-of-completion method was applied to construction contracts in the Construction Business if the outcome of the contracted work was deemed certain, while the completed-contract method was applied to construction contracts that did not meet this requirement. However, the Company has changed its method to recognizing revenue over a certain period of time as performance obligations are satisfied. If the extent of progress toward satisfaction of the performance obligation cannot be reasonably measured, revenue is recognized only to the extent of the actual cost incurred. If the period between the date of commencement of the transaction in the contract and the time when the performance obligation is expected to be fully satisfied is very short, the Company does not recognize revenue over a certain period of time but recognizes revenue when the performance obligation is fully satisfied.

(3) Revenue recognition for transactions including variable consideration

In the past, rebates, etc., mainly in the Bond Business and the Chemicals Business, were deducted from net sales when the amount was fixed. However, the method has been changed to reflect these components in the transaction price only to the extent that it is highly probable that there will be no significant reversal of the accumulated amount of revenue recognized when the uncertainty regarding variable consideration is subsequently resolved. In addition, sales discounts, which were previously recorded as non-operating expenses, are now deducted from net sales.

This change in accounting policy has been applied retrospectively in principle, and the quarterly consolidated financial statements and consolidated financial statements for the same period of the previous fiscal year and the previous fiscal year adjusted retrospectively.

As a result, net sales, cost of sales, operating profit, and non-operating expenses for the first nine months ended December 31, 2020 decreased by 18,299 million yen, 18,135 million yen, 163 million yen, and 151 million yen, respectively, and ordinary profit and profit before income taxes decreased by 12 million yen each, compared with the results before the retrospective application.

As a result of the cumulative effect being reflected in the net assets at the beginning of the previous

fiscal year, the balance of retained earnings at the beginning of the previous fiscal year decreased by 42 million yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, “Notes and accounts receivable - trade,” which was presented in “Current assets” in the consolidated balance sheet for the previous fiscal year, is now included in “Notes and accounts receivable - trade, and contract assets” from the first quarter of the current fiscal year.

Application of Accounting Standard for Fair Value Measurement and Its Implementation Guidance

The Company applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and its implementation guidance from the beginning of the first quarter of the current fiscal year. Furthermore, the Company will prospectively apply the new accounting policies prescribed by the Accounting Standard for Fair Value Measurement and its implementation guidance in accordance with the transitional treatments prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The resulting effect on the quarterly consolidated financial statements is nothing.

Segment information

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

Nine months ended December 31, 2020

	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	43,847	20,307	14,696	78,851	193	79,045	–	79,045
(2) Intersegment sales and transfers	252	79	–	332	63	395	(395)	–
Total	44,100	20,386	14,696	79,183	256	79,440	(395)	79,045
Segment profit	3,595	397	809	4,802	147	4,949	7	4,957

- 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.

Nine months ended December 31, 2021

(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	47,982	23,607	12,027	83,617	148	83,765	–	83,765
(2) Intersegment sales and transfers	219	123	5	348	62	411	(411)	–
Total	48,201	23,731	12,032	83,965	211	84,176	(411)	83,765
Segment profit	3,731	733	988	5,453	32	5,486	7	5,493

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. Matters concerning changes to reportable segments

As stated in the “Changes in accounting policies” section, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition. Therefore, the measurement method for profit or loss in the business segment has also changed.

Additionally, the Group’s business segments were “Bond,” “Civil Engineering and Construction,” and “Chemicals.” However, from the first quarter of the current fiscal year, the business of adhesives, repair materials, and sealants used in the civil engineering and construction field, which were included in “Civil Engineering and Construction,” was transferred to “Bond,” and the business segments have been reorganized as “Bond,” “Chemicals,” and “Construction.” This was due to the change in management structure to further enhance the construction contracting business for repair, improvement and reinforcement of social infrastructure and building stock markets from April 2021 onwards.

The segment information for the first nine months ended December 31, 2020 is disclosed based on the new method of measuring profit or loss and the classification of reportable segments.

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