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January 30, 2024

Consolidated Financial Results for the First Nine 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: February 9, 2024
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, 2024 (from April 1, 2023, to December 31, 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 nine months ended								
December 31, 2023	100,852	10.6	8,235	59.0	8,644	54.3	5,705	(32.8)
December 31, 2022	91,220	8.9	5,178	(5.7)	5,602	(4.6)	8,489	121.2

Note: Comprehensive income First nine months ended December 31, 2023: ¥8,080 million [(10.6%)]
First nine months ended December 31, 2022: ¥9,038 million [111.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First nine months ended		
December 31, 2023	83.88	-
December 31, 2022	119.12	-

Note: The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. "Basic earnings per share" is calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	140,015	82,870	55.7
March 31, 2023	132,874	81,482	57.9

Reference: Equity
As of December 31, 2023 ¥77,968 million
As of March 31, 2023 ¥76,975 million

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
Fiscal year ended March 31, 2023	-	27.00	-	22.00	49.00
Fiscal year ending March 31, 2024	-	27.00	-		
Fiscal year ending March 31, 2024 (forecast)				17.00	-

- Notes: 1. Revisions to the forecasts of cash dividends most recently announced: Yes
Please refer to the “Notice Concerning Revision of Full-Year Earnings Forecast (Upward Revision) and Revision of Dividend Forecast (Dividend Increase)” announced today (January 30, 2024) for the revision of the dividend forecast.
2. The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. Regarding dividends by the third quarter of the fiscal year ending March 31, 2024, the actual dividend amount before the stock split is stated. Regarding the year-end dividend per share for the fiscal year ending March 31, 2024 (forecast), the amount considering the stock split is stated. Forecast for the full-year dividend per share is not presented due to the stock split; however, the forecast for the full-year dividend per share based on the pre-stock split standards is ¥61.00, an increase of ¥12.00.
3. 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	132,900	7.8	10,500	41.5	11,000	38.8	6,800	(32.2)	99.97

- Notes: 1. Revisions to the consolidated earnings forecasts most recently announced: Yes
Please refer to the “Notice Concerning Revision of Full-Year Earnings Forecast (Upward Revision) and Revision of Dividend Forecast (Dividend Increase)” announced today (January 30, 2024) for the revision of consolidated earnings forecasts.
2. The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. Regarding basic earnings per share in the consolidated earnings forecasts, the figure considering the stock split is stated.
3. 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 nine months ended December 31, 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 December 31, 2023	70,414,880 shares
As of March 31, 2023	81,414,880 shares

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

As of December 31, 2023	3,995,178 shares
As of March 31, 2023	10,597,602 shares

(iii) Average number of shares outstanding during the period

First nine months ended December 31, 2023	68,017,258 shares
First nine months ended December 31, 2022	71,272,498 shares

(Note) 1. The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. The total number of issued shares at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2023.

2. The Company cancelled 11,000,000 treasury shares (number of shares after taking into account stock split) 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

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 3 (Attached Material).

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

(1) Explanation of operating results

During the first nine 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 the Middle East and Ukraine, and global monetary tightening, has been prolonged. Therefore, the outlook remains uncertain.

In this business environment, the Group works to strengthen new business development, focuses on growth areas, makes its largest-ever capital investments in production, logistics, and DX-related areas, and implements new capital policies. Through these efforts, the Group strives to further expand its business and improve management efficiency.

As a result, the Group's operating results for the first nine months under review were as follows. Net sales increased 10.6% year on year to 100,852 million yen, operating profit grew 59.0% year on year to 8,235 million yen, ordinary profit was up 54.3% year on year to 8,644 million yen, and profit attributable to owners of parent fell 32.8% year on year to 5,705 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 home improvement stores and convenience stores remained steady. In the housing-related field, the recovery of new housing starts was slow due to rising construction costs. As a result, the sales volumes of adhesives for interior work decreased. 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 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 5.7% year on year to 54,887 million yen and operating profit increased 70.1% year on year to 5,575 million yen.

(ii) Chemicals

In the chemical engineering field, sales of resin raw materials decreased. In the automobile field, sales of products for hybrid vehicles were strong due to the elimination of semiconductor shortages and new adoption. Sales for related merchandise for electronic and electrical appliances declined due to the impact of weaker demand for personal consumer products such as PCs, tablets, and smartphones.

As a result of the above, net sales grew 14.8% year on year to 29,983 million yen and operating profit increased 0.1% year on year to 1,002 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 21.8% year on year to 15,848 million yen and operating profit increased 67.4% year on year to 1,553 million yen.

(iv) Other

The “Other” segment represents the Real Estate Rental Business, etc. Net sales decreased 2.7% year on year to 133 million yen and operating profit was 90 million yen (operating loss of 37 million yen in the same period of the previous year).

(2) Explanation of financial position

Assets, liabilities and net assets

Total assets as of December 31, 2023, increased 7,140 million yen from the previous fiscal year-end to 140,015 million yen.

(i) Assets

Current assets increased 1,649 million yen from the previous fiscal year-end to 96,083 million yen. This was mainly due to an increase of 3,282 million yen in electronically recorded monetary claims—operating and an increase of 1,794 million yen in notes and accounts receivable—trade, and contract assets, despite a decrease of 3,601 million yen in cash and deposits. Non-current assets increased 5,491 million yen from the previous fiscal year-end to 43,932 million yen mainly due to an increase of 3,031 million yen in property, plant and equipment and an increase of 2,600 million yen in investment securities.

(ii) Liabilities

Current liabilities increased 4,638 million yen from the previous fiscal year-end to 50,494 million yen mainly due to an increase of 5,814 million yen in notes and accounts payable—trade and an increase of 471 million yen in electronically recorded obligations—operating, despite a decrease of 2,834 million yen in income taxes payable. Non-current liabilities grew 1,114 million yen from the previous fiscal year-end to 6,650 million yen mainly due to an increase of 1,084 million yen in other.

(iii) Net assets

Net assets grew 1,387 million yen from the previous fiscal year-end to 82,870 million yen mainly due to an increase of 1,664 million yen in valuation difference on available-for-sale securities.

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

The earnings forecasts have been changed from the earnings forecasts announced on April 28, 2023. For details, please refer to the “Notice Concerning Revision of Full-Year Earnings Forecast (Upward Revision) and Revision of Dividend Forecast (Dividend Increase)” announced today.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	32,195	28,593
Notes and accounts receivable–trade, and contract assets	34,752	36,547
Electronically recorded monetary claims–operating	14,667	17,950
Merchandise and finished goods	9,355	9,416
Work in process	314	303
Raw materials and supplies	1,640	1,618
Other	1,565	1,717
Allowance for doubtful accounts	(57)	(63)
Total current assets	94,434	96,083
Non-current assets		
Property, plant and equipment	25,746	28,778
Intangible assets	1,188	1,746
Investments and other assets		
Investment securities	8,084	10,684
Other	3,440	2,740
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	11,506	13,407
Total non-current assets	38,440	43,932
Total assets	132,874	140,015

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	33,983	39,798
Electronically recorded obligations–operating	3,728	4,199
Short-term borrowings	48	398
Current portion of long-term borrowings	60	44
Income taxes payable	3,298	464
Provision for bonuses	1,152	654
Provision for bonuses for directors (and other officers)	131	78
Other	3,450	4,854
Total current liabilities	45,856	50,494
Non-current liabilities		
Long-term borrowings	116	86
Retirement benefit liability	645	704
Other	4,774	5,859
Total non-current liabilities	5,536	6,650
Total liabilities	51,392	57,145
Net assets		
Shareholders' equity		
Share capital	4,603	4,603
Capital surplus	4,557	4,422
Retained earnings	69,450	65,675
Treasury shares	(5,904)	(2,893)
Total shareholders' equity	72,707	71,807
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,611	4,276
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	450	778
Remeasurements of defined benefit plans	1,206	1,105
Total accumulated other comprehensive income	4,268	6,160
Non-controlling interests	4,507	4,902
Total net assets	81,482	82,870
Total liabilities and net assets	132,874	140,015

(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, 2022	Nine months ended December 31, 2023
Net sales	91,220	100,852
Cost of sales	73,809	80,507
Gross profit	17,411	20,344
Selling, general and administrative expenses	12,232	12,108
Operating profit	5,178	8,235
Non-operating income		
Interest income	11	11
Dividend income	240	247
Share of profit of entities accounted for using equity method	19	28
Other	208	224
Total non-operating income	479	512
Non-operating expenses		
Interest expenses	7	8
Commission expenses	0	45
Depreciation	23	33
Other	24	16
Total non-operating expenses	55	104
Ordinary profit	5,602	8,644
Extraordinary income		
Gain on sale of investment securities	0	108
Insurance claim income	-	92
Gain on sale of non-current assets	7,185	3
Total extraordinary income	7,185	203
Extraordinary losses		
Loss on disposal of non-current assets	40	28
Bad debts expenses	-	84
Other	0	2
Total extraordinary losses	40	114
Profit before income taxes	12,747	8,733
Income taxes—current	3,634	2,341
Income taxes—deferred	376	344
Total income taxes	4,010	2,686
Profit	8,736	6,047
Profit attributable to non-controlling interests	246	341
Profit attributable to owners of parent	8,489	5,705

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	8,736	6,047
Other comprehensive income		
Valuation difference on available-for-sale securities	(168)	1,747
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	531	370
Remeasurements of defined benefit plans, net of tax	(56)	(100)
Share of other comprehensive income of entities accounted for using equity method	(5)	16
Total other comprehensive income	301	2,033
Comprehensive income	9,038	8,080
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,774	7,597
Comprehensive income attributable to non-controlling interests	263	482

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity(Purchase of treasury shares)

The Company acquired 4,462,200 treasury shares pursuant to a resolution of the Board of Directors held on June 20, 2023. As a result, the amount of treasury shares increased by 5,000 million yen during the first nine months under review, including the acquisition through the purchase of odd-lot shares.

(Cancellation of treasury shares)

The Company cancelled 11,000,000 treasury shares on October 13, 2023, pursuant to a resolution of the Board of Directors held on September 26, 2023. As a result, capital surplus decreased by 162 million yen, retained earnings fell by 7,804 million yen, and treasury shares decreased by 7,966 million yen during the first nine months under review.

As a result of these and other impacts, capital surplus was 4,422 million yen, retained earnings came to 65,675 million yen, and treasury shares were 2,893 million yen as of December 31, 2023.

The Company conducted a stock split at a ratio of two shares for one common share with an effective date of January 1, 2024. The number of shares shown above is the number after the stock split.

Segment information

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

Nine months ended December 31, 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	51,942	26,126	13,014	91,083	137	91,220	-	91,220
(2) Intersegment sales and transfers	251	289	14	555	58	613	(613)	-
Total	52,194	26,415	13,028	91,638	195	91,834	(613)	91,220
Segment profit or loss	3,278	1,001	928	5,207	(37)	5,170	8	5,178

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.

Nine months ended December 31, 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	54,887	29,983	15,848	100,718	133	100,852	-	100,852
(2) Intersegment sales and transfers	215	222	149	587	56	644	(644)	-
Total	55,102	30,205	15,997	101,306	190	101,496	(644)	100,852
Segment profit	5,575	1,002	1,553	8,131	90	8,222	13	8,235

- 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

(Stock split)

The Company conducted a stock split on January 1, 2024, pursuant to a resolution of the Board of Directors held on November 21, 2023.

(1) Purpose of stock split

By reducing the amount per investment unit of the Company’s stocks, the Company aims to create an environment that makes it easier for investors to invest, thereby expanding the investor base and improving the liquidity of the Company’s stocks.

(2) Outline of stock split

① Split method

Each share of the Company’s common stock held by shareholders of record at the close of trading on December 31, 2023 (record date) is split into two shares.

*Note the stock split is practically executed at the close on Friday, December 29, 2023 as the shareholder register office is closed on December 31, 2023.

② Number of shares to be increased by the split

Total number of shares outstanding prior to the stock split: 35,207,440 shares

Increase in the number of shares as a result of the stock split: 35,207,440 shares

Total number of shares outstanding after the stock split: 70,414,880 shares

Total number of authorized shares after the stock split: 160,800,000 shares (Note)

(Note) The total number of authorized shares shall not increase due to the above stock split.

③ Schedule for the split

Public notice of record date: December 14, 2023

Record date: December 31, 2023

Effective date: January 1, 2024

④ Impact on information of per share

The information of per share assuming that the share split was conducted at the beginning of the fiscal year ended March 31, 2023, is below.

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Basic earnings per share	119.12 yen	83.88 yen