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August 10, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: Konoike Transport Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 9025
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 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 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	%
Three months ended								
June 30, 2023	76,923	0.6	3,948	14.7	4,279	7.9	2,622	7.5
June 30, 2022	76,471	6.3	3,441	12.2	3,967	12.8	2,439	(10.8)

Note: Comprehensive income For the three months ended June 30, 2023: ¥3,520 million [(7.8)%]
 For the three months ended June 30, 2022: ¥3,817 million [16.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	49.48	–
June 30, 2022	46.10	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2023	270,991	126,158	45.6	2,331.54
March 31, 2023	266,022	123,793	45.6	2,289.00

Reference: Equity
 As of June 30, 2023: ¥123,549 million
 As of March 31, 2023: ¥121,295 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	–	18.00	–	24.00	42.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		24.00	–	24.00	48.00

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

3. Forecast of consolidated financial results for the 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
Six months ending September 30, 2023	159,000	2.2	6,800	(7.8)	6,800	(18.3)	4,100	(20.3)	77.41
Full year	321,000	2.9	14,000	5.7	14,000	(2.0)	8,500	2.4	160.49

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies (Company name)

Excluded: – companies (Company name)

(2) Adoption of accounting treatment specific to the preparation of 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 due to other reasons: 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 June 30, 2023	56,952,442 shares
As of March 31, 2023	56,952,442 shares

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

As of June 30, 2023	3,961,817 shares
As of March 31, 2023	3,961,817 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	52,990,625 shares
Three months ended June 30, 2022	52,916,249 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
(Caution regarding forward-looking statements and others)

- The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for the forecast of financial results and cautions concerning the use thereof, please refer to the section of “(3) Explanation of the forecast of consolidated financial results and other forward-looking statements” of “1. Qualitative information on financial results for the period” on page 4 of the attached materials.
- The supplementary material on quarterly financial results will be posted to the Company’s website promptly after the earnings results announcement.

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1. Qualitative information on financial results for the period

Forward-looking statements presented in this report reflect judgments made as of the end of the current quarterly accounting period and accordingly are not guarantees of future performance.

(1) Explanation of operating results

During the three months ended June 30, 2023, the Japanese economy exhibited signs of recovery amid normalization of economic and social activity in part given that the COVID-19 pandemic has been reclassified to the less-severe category 5 designation. Nevertheless, the economic outlook remains uncertain given factors that include economic downside risk attributable to tightening of monetary policy worldwide along with persistently high raw material prices and rising prices against a backdrop of yen depreciation.

In this business environment, the Group has embarked on the second year of its medium-term management plan concluding in the fiscal year ending March 31, 2025, and has accordingly newly established contracting and logistics strategy committees, which are to serve as advisory bodies to the Board of Directors effective from April 2023. Both strategy committees consist of members from multiple business divisions and will strive to expand business and enhance profitability through initiatives that include optimally allocating management resources, providing high value-added services, and gaining new business, looking toward a future vision for the contracting and logistics businesses with their sights set on addressing the so-called 2024 problem in Japan's logistics industry and other prevailing Company-wide challenges, and contending with medium- to long-term changes in the business environment.

With respect to financial results for the three months ended June 30, 2023, net sales increased to ¥76,923 million (0.6% increase year on year), despite a downturn in demand for maritime and air cargo along with a decrease in freight rates. The increase in net sales was attributable to factors that include gains in transaction volume due to resumption of international passenger flights in the airport-related business, unit price hikes mainly in production contract work, recovering production among the Company's customers, and orders for large projects in the engineering-related business.

In terms of profits, the Company reported operating profit of ¥3,948 million (14.7% increase), ordinary profit of ¥4,279 million (7.9% increase), and profit attributable to owners of parent of ¥2,622 million (7.5% increase), despite having encountered persistently high fuel prices and electricity fees. The increases in profits were partially attributable to effects of higher net sales centered on the airport-related business, and also attributable to progress achieved with ongoing efforts to improve profitability, which constitutes a basic policy under the New Medium-Term Management Plan FY3/2023 - FY 3/2025, launched in April 2022, as well as progress achieved in receiving appropriate unit prices and streamlining operations.

Financial results by segment are as follows. Note that segment profit represents operating profit before deducting general and administrative expenses.

(i) Integrated Solutions Business

Net sales increased 7.2% year on year to ¥49,831 million due to resumption of international passenger flights in its airport-related business, unit price hikes associated with production contract work and ongoing acquisition of major spot work in its steel-related business, orders for large-scale construction projects in its engineering-related business, increases in warehousing and transportation volume in its food products-related business, and operations at new business sites, despite earthquake reconstruction work having been completed in September 2022.

Profit rose 18.4% year on year to ¥3,939 million due to effects of the increase in net sales along with efforts to increase profitability by receiving appropriate unit prices and thorough operational streamlining, and despite having encountered persistently high fuel prices and electricity fees and having incurred expenses for substantial repairs of a distribution center warehouse.

(ii) Domestic Logistics Business

Net sales increased 2.7% year on year to ¥13,172 million due in part to higher transaction volume in the food-related business largely associated with operations of new temperature-controlled

warehouses, and also due to higher transaction volume in the life-related business particularly with respect to gas appliances and souvenirs.

Profit rose 3.6% year on year to ¥822 million due to effects of the increase in net sales along with efforts to increase profitability by receiving appropriate unit prices and thorough operational streamlining, and despite having encountered persistently high fuel prices and electricity fees and having incurred one-time costs for setting up new business sites.

(iii) International Logistics Business

Net sales decreased 18.8% year on year to ¥13,917 million, due to a downturn in demand for maritime and air cargo along with declining freight rates, despite higher warehousing and transportation volume in the United States, India, Thailand and elsewhere and having gained large projects.

Profit decreased 12.0% year on year to ¥761 million in part due to lower transaction volume.

(2) Explanation of financial position

(i) Total assets

As of June 30, 2023, total assets amounted to ¥270,991 million, an increase of ¥4,969 million compared to the balance as of March 31, 2023.

(ii) Current assets

As of June 30, 2023, current assets amounted to ¥135,496 million, an increase of ¥3,241 million compared to current assets as of March 31, 2023. This result is mainly attributable to an increase of ¥1,144 million in notes and accounts receivable - trade, and contract assets, an increase of ¥1,080 million in cash and deposits, and an increase of ¥816 million in other current assets.

(iii) Non-current assets

As of June 30, 2023, non-current assets amounted to ¥135,495 million, an increase of ¥1,728 million in comparison with non-current assets as of March 31, 2023. This result is mainly attributable to an increase of ¥680 million in investment securities, an increase of ¥500 million in deferred tax assets, and an increase of ¥479 million in land.

(iv) Current liabilities

As of June 30, 2023, current liabilities amounted to ¥55,429 million, an increase of ¥2,903 million compared to current liabilities as of March 31, 2023. This result is mainly attributable to an increase of ¥4,251 million in accrued expenses, an increase of ¥1,684 million in other current liabilities, a decrease of ¥1,641 million in notes and accounts payable - trade, and a decrease of ¥1,037 million in income taxes payable.

(v) Non-current liabilities

As of June 30, 2023, non-current liabilities amounted to ¥89,403 million, a decrease of ¥298 million compared to non-current liabilities as of March 31, 2023. This result is mainly attributable to a decrease of ¥236 million in long-term borrowings, a decrease of ¥166 million in lease liabilities, and an increase of ¥176 million in retirement benefit liability.

(vi) Net assets

As of June 30, 2023, net assets amounted to ¥126,158 million, an increase of ¥2,365 million in comparison with net assets as of March 31, 2023. This result is mainly attributable to an increase of ¥1,465 million in retained earnings, an increase of ¥383 million in valuation difference on available-for-sale securities, and an increase of ¥371 million in foreign currency translation adjustment.

(3) Explanation of the forecast of consolidated financial results and other forward-looking statements

The forecasts of consolidated financial results for the six months ending September 30, 2023, and for the full fiscal year ending March 31, 2024, remain unchanged relative to those released on May 12, 2023, given that the Group's financial results are currently progressing largely according to plan.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	69,381	70,461
Notes and accounts receivable - trade, and contract assets	57,586	58,730
Costs on construction contracts in progress	91	130
Supplies	1,843	2,002
Other	3,576	4,392
Allowance for doubtful accounts	(224)	(221)
Total current assets	132,254	135,496
Non-current assets		
Property, plant and equipment		
Buildings and structures	119,509	119,810
Accumulated depreciation	(76,114)	(77,021)
Buildings and structures, net	43,394	42,788
Machinery, equipment and vehicles	52,757	53,310
Accumulated depreciation	(41,547)	(41,873)
Machinery, equipment and vehicles, net	11,209	11,436
Land	41,798	42,278
Leased assets	5,471	5,545
Accumulated depreciation	(2,741)	(2,846)
Leased assets, net	2,729	2,699
Construction in progress	869	1,285
Other	9,686	9,737
Accumulated depreciation	(7,798)	(7,821)
Other, net	1,887	1,915
Total property, plant and equipment	101,889	102,403
Intangible assets		
Goodwill	1,568	1,510
Other	4,528	4,416
Total intangible assets	6,097	5,926
Investments and other assets		
Investment securities	12,610	13,291
Long-term loans receivable	304	289
Deferred tax assets	5,593	6,094
Retirement benefit asset	147	178
Other	7,280	7,468
Allowance for doubtful accounts	(155)	(155)
Total investments and other assets	25,781	27,165
Total non-current assets	133,767	135,495
Total assets	266,022	270,991

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,110	13,468
Short-term borrowings	6,636	6,410
Current portion of long-term borrowings	3,869	4,076
Provision for bonuses for directors (and other officers)	387	54
Accrued expenses	11,875	16,126
Income taxes payable	3,501	2,463
Other	11,145	12,829
Total current liabilities	52,526	55,429
Non-current liabilities		
Bonds payable	55,000	55,000
Long-term borrowings	5,737	5,501
Lease liabilities	2,488	2,322
Deferred tax liabilities	581	536
Deferred tax liabilities for land revaluation	1,087	1,087
Retirement benefit liability	21,244	21,420
Retirement allowance for directors	118	69
Long-term accounts payable - other	640	633
Other	2,802	2,832
Total non-current liabilities	89,701	89,403
Total liabilities	142,228	144,833
Net assets		
Shareholders' equity		
Share capital	1,723	1,723
Capital surplus	1,908	1,908
Retained earnings	121,235	122,701
Treasury shares	(6,475)	(6,475)
Total shareholders' equity	118,391	119,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,284	4,668
Revaluation reserve for land	(5,482)	(5,482)
Foreign currency translation adjustment	4,086	4,457
Remeasurements of defined benefit plans	14	47
Total accumulated other comprehensive income	2,903	3,691
Non-controlling interests	2,498	2,608
Total net assets	123,793	126,158
Total liabilities and net assets	266,022	270,991

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	76,471	76,923
Cost of sales	69,426	68,980
Gross profit	7,044	7,942
Selling, general and administrative expenses	3,603	3,994
Operating profit	3,441	3,948
Non-operating income		
Interest income	14	20
Dividend income	183	143
Rental income	21	15
Foreign exchange gains	258	294
Subsidies for employment adjustment	155	5
Other	108	39
Total non-operating income	742	519
Non-operating expenses		
Interest expenses	67	74
Share of loss of entities accounted for using equity method	85	51
Loss on valuation of investments in capital	-	39
Other	64	21
Total non-operating expenses	216	187
Ordinary profit	3,967	4,279
Extraordinary income		
Gain on sale of non-current assets	3	3
Gain on sale of investment securities	3	-
Total extraordinary income	7	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	30	12
Loss on valuation of investment securities	1	2
Impairment losses	172	-
Other	0	-
Total extraordinary losses	205	15
Profit before income taxes	3,768	4,267
Income taxes - current	2,309	2,332
Income taxes - deferred	(955)	(730)
Total income taxes	1,354	1,602
Profit	2,414	2,665
Profit (loss) attributable to non-controlling interests	(25)	43
Profit attributable to owners of parent	2,439	2,622

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,414	2,665
Other comprehensive income		
Valuation difference on available-for-sale securities	(240)	381
Foreign currency translation adjustment	1,479	388
Remeasurements of defined benefit plans, net of tax	75	33
Share of other comprehensive income of entities accounted for using equity method	88	51
Total other comprehensive income	1,403	855
Comprehensive income	3,817	3,520
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,772	3,410
Comprehensive income attributable to non-controlling interests	45	109

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

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

Not applicable.

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

In the airport-related domain of the Integrated Solutions Business, although the downturn in aviation demand in Japan and overseas associated with the COVID-19 pandemic is showing signs of recovery, the demand outlook remains uncertain when it comes to certain routes mainly with respect to flights to and from China.

The Company's accounting estimates particularly with respect to impairment of non-current assets are based on the assumption that demand will continue to mount a gradual recovery despite uncertainties concerning future demand trends.

Furthermore, given that this assumption is subject to numerous uncertainties, the Group's financial position, business performance, and cash flow could be materially affected under a scenario where the aforementioned assumption is no longer deemed likely.

(Segment information)

I. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. The amounts of net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Amount recorded in quarterly consoli- dated statement of income (Note 3)
	Integrated Solutions Business	Domestic Logistics Business	Inter- national Logistics Business	Total				
Net sales								
Net sales to outside customers	46,495	12,826	17,148	76,470	0	76,471	–	76,471
Intersegment sales or transfers	262	427	20	710	293	1,003	(1,003)	–
Total	46,757	13,253	17,169	77,181	293	77,474	(1,003)	76,471
Segment profit (loss)	3,327	794	865	4,987	(34)	4,952	(1,511)	3,441

(Notes) 1. The “Other” category refers to business segments not associated with the reportable segments, with such business including software development and maintenance services as well as information processing outsourcing services.

2. The ¥(1,511) million presented as adjustments to segment profit (loss) includes ¥14 million in intersegment eliminations and ¥(1,526) million in corporate expenses not allocated to each reportable segment. Corporate expenses constitute costs associated with general affairs and other administrative departments of the Company.
3. “Segment profit (loss)” has been adjusted to the operating profit reported in the quarterly consolidated statement of income.

2. Information relating to impairment losses on non-current assets or goodwill for each reportable segment

(Significant impairment loss on non-current assets)

There are no significant impairment losses.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. The amounts of net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Amount recorded in quarterly consoli- dated statement of income (Note 3)
	Integrated Solutions Business	Domestic Logistics Business	Inter- national Logistics Business	Total				
Net sales								
Net sales to outside customers	49,831	13,172	13,917	76,921	2	76,923	–	76,923
Intersegment sales or transfers	238	503	32	774	156	930	(930)	–
Total	50,069	13,675	13,949	77,695	158	77,853	(930)	76,923
Segment profit (loss)	3,939	822	761	5,524	(58)	5,465	(1,517)	3,948

(Notes) 1. The “Other” category refers to business segments not associated with the reportable segments, with such business including software development and maintenance services as well as information processing outsourcing services.

2. The ¥(1,517) million presented as adjustments to segment profit (loss) includes ¥4 million in intersegment eliminations and ¥(1,522) million in corporate expenses not allocated to a reportable segment. Corporate expenses constitute costs associated with general affairs and other administrative departments of the Company.
3. “Segment profit (loss)” has been adjusted to the operating profit reported in the quarterly consolidated statement of income.

2. Information relating to impairment losses on non-current assets or goodwill for each reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.