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Consolidated Results for 1st and 2nd Quarter Fiscal 2021: April 1, 2021 – September 30, 2021

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	Q1–Q2 2021	Q1–Q2 2020
Net sales	1,181,049 [+19.4%]	989,387 [–7.4%]
Operating income	113,144 [+47.4%]	76,769 [–24.5%]
Ordinary income	119,233 [+53.9%]	77,474 [–26.4%]
Net income attributable to owners of the parent	91,290 [+95.1%]	46,781 [–39.9%]
Net income per share*	65.79	33.72
Diluted net income per share*	—	—

* Yen

Note:

Comprehensive income was ¥97,609 million during Q1–Q2 2021, and ¥45,259 million during Q1–Q2 2020.

2. Financial position

At end of	September 2021	March 2021
Total assets	3,045,446	2,918,941
Net assets	1,577,289	1,494,535
Net worth/total assets	50.9%	50.3%
Net worth per share*	1,116.52	1,057.61

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth was ¥1,549,129 million as of September 30, 2021, and ¥1,467,476 million as of March 31, 2021.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2020	—	17.00	—	17.00	34.00
2021	—	17.00			
2021 (forecast)			—	17.00	34.00

* Yen

III. Forecast for Fiscal 2021 (April 1, 2021 – March 31, 2022)

1. Latest forecasts (percent change from results in year-ago period in brackets)

	For the fiscal year
Net sales	2,453,000 [+16.5%]
Operating income	213,100 [+24.1%]
Ordinary income	222,000 [+24.7%]
Net income attributable to owners of the parent	185,500 [+132.5%]
Net income per share*	133.69

* Yen

Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2021 announced on August 6, 2021, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period

Addition of two new subsidiaries:

McDonald Jones Homes Pty Ltd
Respicardia, Inc.

2. Special accounting methods for preparation of the consolidated financial statements

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

3. Changes in accounting policies, changes in accounting estimates, and retroactive restatement

Application of Accounting Standard for Revenue Recognition, etc.:

Accounting Standards Board of Japan (ASBJ) Statement No. 29 “Accounting Standard for Revenue Recognition” and other standards are applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, whereby revenue is recognized in the amount foreseeable to be received in exchange for goods or services at the time control of promised goods or services is transferred to the customer.

Accordingly, the method of revenue recognition for contracted construction is changed, mainly in the Homes segment. Whereas previously the construction completion standard was applied to works whose outcome lacked certainty, this is changed to recognizing revenue over a certain period when conditions of performance obligations are fulfilled over a certain period. Measurement of progress related to fulfilment of performance obligations is based on the proportion of the total foreseen construction cost which is incurred by the closing date of each financial period.

In accordance with the proviso of Article 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application is adjusted to retained earnings as of the beginning of the first quarter of the fiscal year ending March 31, 2022. However, in accordance with Article 86 of the Accounting Standard for Revenue Recognition, the new accounting standard is not applied retroactively to contracts for which nearly all revenue was recognized by the previous method prior to the beginning of the first quarter of the fiscal year ending March 31, 2022.

As a result, net sales decreased by ¥11,450 million, cost of sales decreased by ¥13,178 million, selling, general and administrative expenses decreased by ¥8 million, and operating income, ordinary income, and income before income taxes each increased by ¥1,737 million in the first and second quarters of the fiscal year ending March 31, 2022. Retained earnings at the beginning of the period increased by ¥9,212 million.

Due to the application of the Accounting Standard for Revenue Recognition, “notes and accounts

receivable–trade” from the previous fiscal year under current assets in the consolidated balance sheets are included in “notes, accounts receivable–trade, and contract assets” beginning with the first quarter of the fiscal year ending March 31, 2022, while “decrease in notes and accounts receivable–trade” from the first and second quarters of the previous fiscal year under cash flows from operating activities in the consolidated statements of cash flows is included in “decrease in notes, accounts receivable–trade, and contract assets” beginning with the first quarter of the fiscal year ending March 31, 2022. In accordance with Article 89-2 of the Accounting Standard for Revenue Recognition regarding transitional treatment, results for the previous fiscal year and the first and second quarters of the previous fiscal year are not recalculated by the new method.

Application of Accounting Standard for Accounting Standard for Fair Value Measurement, etc.:

ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement” and other standards are applied from the beginning of the first quarter of the fiscal year ending March 31, 2022. In accordance with Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” regarding transitional treatment, the new accounting policy is to be applied in the future. The effect on the quarterly consolidated financial statements is immaterial.

4. Notable changes in shareholders’ equity: None

5. Number of shares outstanding

	Q1–Q2 2021	FY 2020
Number of shares outstanding at end of period	1,393,932,032	1,393,932,032
Number of shares of treasury stock at end of period	6,475,358	6,396,867
Average number of shares outstanding during period	1,387,530,651	1,387,512,694*

* Q1–Q2 2020

V. Consolidated Financial Statements

1. Balance sheets

	At end of March 2021	At end of September 2021
Assets		
Current assets		
Cash and deposits	221,779	210,383
Notes and accounts receivable–trade	338,640	—
Notes, accounts receivable–trade, and contract assets	—	392,435
Merchandise and finished goods	203,159	227,340
Work in process	166,494	133,736
Raw materials and supplies	111,798	123,147
Other	97,131	104,682
Allowance for doubtful accounts	(2,225)	(2,736)
Total current assets	1,136,776	1,188,987
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	598,675	615,100
Accumulated depreciation	(319,144)	(325,150)
Buildings and structures, net	279,531	289,950
Machinery, equipment and vehicles	1,535,326	1,591,613
Accumulated depreciation	(1,286,057)	(1,328,734)
Machinery, equipment and vehicles, net	249,269	262,879
Land	70,577	70,125
Lease assets	8,615	8,493
Accumulated depreciation	(7,687)	(7,049)
Lease assets, net	928	1,445
Construction in progress	84,463	92,613
Other	182,414	162,508
Accumulated depreciation	(149,920)	(128,514)
Other, net	32,495	33,993
Subtotal	717,262	751,005
Intangible assets		
Goodwill	351,921	372,666
Other	342,454	357,356
Subtotal	694,374	730,023
Investments and other assets		
Investment securities	286,517	273,915
Long-term loans receivable	1,241	3,632
Long-term advance payments–trade	29,390	29,533
Deferred tax assets	21,116	35,716
Other	32,709	33,130
Allowance for doubtful accounts	(445)	(493)
Subtotal	370,529	375,432
Total noncurrent assets	1,782,165	1,856,459
Total assets	2,918,941	3,045,446

	At end of March 2021	At end of September 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	142,087	160,580
Short-term loans payable	144,571	157,015
Commercial paper	84,000	123,000
Lease obligations	880	1,530
Accrued expenses	126,705	128,060
Income taxes payable	21,268	38,022
Advances received	78,601	60,833
Provision for grant of shares	124	—
Provision for periodic repairs	7,222	1,696
Provision for product warranties	3,522	3,875
Provision for removal cost of property, plant and equipment	5,651	5,318
Other	88,533	87,668
Total current liabilities	703,163	767,598
Noncurrent liabilities		
Bonds payable	110,000	110,000
Long-term loans payable	320,404	306,433
Lease obligations	3,921	6,983
Deferred tax liabilities	58,669	50,479
Provision for grant of shares	513	513
Provision for periodic repairs	3,415	4,455
Provision for removal cost of property, plant and equipment	12,652	10,927
Net defined benefit liability	158,832	156,992
Long-term guarantee deposits	21,939	22,256
Other	30,899	31,522
Total noncurrent liabilities	721,243	700,560
Total liabilities	1,424,406	1,468,158
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,641	79,575
Retained earnings	1,158,792	1,235,329
Treasury stock	(5,932)	(6,020)
Total shareholders' equity	1,335,890	1,412,273
Accumulated other comprehensive income		
Net unrealized gain on other securities	91,887	89,531
Deferred gains or losses on hedges	(347)	184
Foreign currency translation adjustment	50,462	56,408
Remeasurements of defined benefit plans	(10,416)	(9,267)
Total accumulated other comprehensive income	131,586	136,856
Non-controlling interests	27,058	28,160
Total net assets	1,494,535	1,577,289
Total liabilities and net assets	2,918,941	3,045,446

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1-Q2 2020	Q1-Q2 2021
Net sales	989,387	1,181,049
Cost of sales	666,732	795,025
Gross profit	322,656	386,024
Selling, general and administrative expenses	245,887	272,881
Operating income	76,769	113,144
Non-operating income		
Interest income	908	546
Dividends income	2,313	2,184
Equity in earnings of affiliates	153	5,005
Other	2,484	3,741
Total non-operating income	5,858	11,475
Non-operating expenses		
Interest expense	1,713	1,779
Other	3,440	3,607
Total non-operating expenses	5,153	5,386
Ordinary income	77,474	119,233
Extraordinary income		
Gain on sales of investment securities	1,704	6,116
Gain on sales of noncurrent assets	272	328
Gain on step acquisitions	—	1,700
Total extraordinary income	1,976	8,144
Extraordinary loss		
Loss on valuation of investment securities	38	35
Loss on disposal of noncurrent assets	3,875	2,877
Impairment loss	16	178
Business structure improvement expenses	4,093	5,089
Total extraordinary loss	8,022	8,179
Income before income taxes	71,429	119,198
Total income taxes	23,143	26,811
Net income	48,286	92,387
Net income attributable to non-controlling interests	1,505	1,097
Net income attributable to owners of the parent	46,781	91,290

2) Statements of comprehensive income

	Q1-Q2 2020	Q1-Q2 2021
Net income	48,286	92,387
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	10,679	(2,276)
Deferred gains or losses on hedges	36	530
Foreign currency translation adjustment	(16,599)	7,215
Remeasurements of defined benefit plans	2,294	1,176
Share of other comprehensive income of affiliates accounted for using equity method	563	(1,423)
Total other comprehensive income	(3,027)	5,223
Comprehensive income	45,259	97,609
Comprehensive income attributable to:		
Owners of the parent	43,556	96,559
Non-controlling interests	1,702	1,050

3. Statements of cash flows

	Q1–Q2 2020	Q1–Q2 2021
Cash flows from operating activities		
Income before income taxes	71,429	119,198
Depreciation and amortization	52,576	58,230
Impairment loss	16	178
Amortization of goodwill	12,500	13,715
Decrease in provision for grant of shares	(68)	(124)
Increase (decrease) in provision for periodic repairs	94	(4,485)
(Decrease) increase in provision for product warranties	(47)	196
Increase (decrease) in provision for removal cost of property, plant and equipment	1,787	(2,058)
Decrease in net defined benefit liability	(1,786)	(2,014)
Interest and dividend income	(3,221)	(2,729)
Interest expense	1,713	1,779
Equity in earnings of affiliates	(153)	(5,005)
Gain on sales of investment securities	(1,704)	(6,116)
Loss on valuation of investment securities	38	35
Gain on sale of property, plant and equipment	(272)	(328)
Loss on disposal of noncurrent assets	3,875	2,877
Decrease in notes and accounts receivable–trade	30,615	—
Increase in notes, accounts receivable–trade, and contract assets	—	(23,749)
Increase in inventories	(9,805)	(39,400)
(Decrease) increase in notes and accounts payable–trade	(16,110)	14,508
Decrease in accrued expenses	(12,993)	(2,563)
Increase in advances received	4,652	10,143
Other, net	(1,580)	(19,747)
Subtotal	131,555	112,541
Interest and dividend income, received	4,635	4,034
Interest expense paid	(1,622)	(1,813)
Income taxes paid	(29,965)	(38,074)
Net cash provided by operating activities	104,603	76,687
Cash flows from investing activities		
Payments into time deposits	(1,211)	(1,786)
Proceeds from withdrawal of time deposits	3,228	5,846
Purchase of property, plant and equipment	(57,571)	(64,838)
Proceeds from sales of property, plant and equipment	348	693
Purchase of intangible assets	(6,108)	(15,122)
Purchase of investment securities	(3,145)	(2,862)
Proceeds from sales of investment securities	974	7,762
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(4,832)	(19,862)
Payments for transfer of business	(17,778)	—
Payments of loans receivable	(2,651)	(4,004)
Collection of loans receivable	2,986	2,672
Other, net	(144)	(78)
Net cash used in investing activities	(85,905)	(91,579)

	Q1-Q2 2020	Q1-Q2 2021
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(163,470)	12,368
(Decrease) increase in commercial paper	(3,000)	39,000
Proceeds from long-term loans payable	128,460	542
Repayment of long-term loans payable	(6,607)	(18,790)
Proceeds from issuance of bonds payable	50,000	—
Repayments of lease obligations	(642)	(1,884)
Purchase of treasury stock	(3)	(212)
Proceeds from disposal of treasury stock	69	125
Cash dividends paid	(22,206)	(23,594)
Cash dividends paid to non-controlling interests	(582)	(1,227)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(307)	—
Other, net	(218)	(8)
Net cash (used in) provided by financing activities	(18,505)	6,320
Effect of exchange rate change on cash and cash equivalents	(899)	183
Net decrease in cash and cash equivalents	(705)	(8,388)
Cash and cash equivalents at beginning of period	204,771	216,235
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,769	1,112
Cash and cash equivalents at end of period	205,835	208,959