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Consolidated Results for 1st Quarter Fiscal 2021: April 1, 2021 – June 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 2021	Q1 2020
Net sales	583,433 [+28.2%]	455,159 [-9.3%]
Operating income	60,510 [+101.0%]	30,103 [-27.2%]
Ordinary income	65,171 [+115.6%]	30,221 [-31.3%]
Net income attributable to owners of the parent	46,428 [+241.7%]	13,588 [-44.3%]
Net income per share*	33.46	9.79
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income was ¥43,759 million during Q1 2021, and ¥19,014 million during Q1 2020.

2. Financial position

At end of	June 2021	March 2021
Total assets	2,975,750	2,918,941
Net assets	1,524,007	1,494,535
Net worth/total assets	50.3%	50.3%
Net worth per share*	1,078.08	1,057.61

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth was ¥1,495,874 million as of June 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	—	—	—	—	—
2021 (forecast)	—	17.00	—	17.00	34.00

* Yen

Note: The cash dividend forecast has been revised.

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 Q1–Q2	For the fiscal year
Net sales	1,198,000 [+21.1%]	2,375,000 [+12.8%]
Operating income	106,000 [+38.1%]	190,000 [+10.6%]
Ordinary income	110,000 [+42.0%]	196,000 [+10.1%]
Net income attributable to owners of the parent	72,000 [+53.9%]	155,000 [+94.3%]
Net income per share*	51.89	111.71

* 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 Q1–Q2 fiscal 2021 announced on May 13, 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 increased by ¥304 million, cost of sales decreased by ¥1,457 million, selling, general and administrative expenses decreased by ¥8 million, and operating income, ordinary income, and income before income taxes each increased by ¥1,769 million in the first quarter 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. Also, “decrease in notes and accounts receivable–trade” from the first quarter 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 quarter of the previous fiscal year, respectively, 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 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	6,398,553	6,396,867
Average number of shares outstanding during period	1,387,534,187	1,387,491,589*

* Q1 2020

V. Consolidated Financial Statements

1. Balance sheets

	At end of March 2021	At end of June 2021
Assets		
Current assets		
Cash and deposits	221,779	221,143
Notes and accounts receivable–trade	338,640	—
Notes, accounts receivable–trade, and contract assets	—	371,660
Merchandise and finished goods	203,159	215,275
Work in process	166,494	123,224
Raw materials and supplies	111,798	115,443
Other	97,131	94,366
Allowance for doubtful accounts	(2,225)	(2,698)
Total current assets	1,136,776	1,138,411
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	598,675	609,592
Accumulated depreciation	(319,144)	(322,494)
Buildings and structures, net	279,531	287,098
Machinery, equipment and vehicles	1,535,326	1,580,621
Accumulated depreciation	(1,286,057)	(1,319,291)
Machinery, equipment and vehicles, net	249,269	261,330
Land	70,577	70,125
Lease assets	8,615	8,901
Accumulated depreciation	(7,687)	(7,419)
Lease assets, net	928	1,482
Construction in progress	84,463	84,264
Other	182,414	160,420
Accumulated depreciation	(149,920)	(126,892)
Other, net	32,495	33,528
Subtotal	717,262	737,828
Intangible assets		
Goodwill	351,921	375,828
Other	342,454	352,893
Subtotal	694,374	728,721
Investments and other assets		
Investment securities	286,517	270,460
Long-term loans receivable	1,241	1,313
Long-term advance payments–trade	29,390	29,439
Deferred tax assets	21,116	36,667
Other	32,709	33,365
Allowance for doubtful accounts	(445)	(454)
Subtotal	370,529	370,790
Total noncurrent assets	1,782,165	1,837,339
Total assets	2,918,941	2,975,750

	At end of March 2021	At end of June 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	142,087	136,200
Short-term loans payable	144,571	154,409
Commercial paper	84,000	116,000
Lease obligations	880	1,674
Accrued expenses	126,705	110,630
Income taxes payable	21,268	52,436
Advances received	78,601	55,193
Provision for grant of shares	124	124
Provision for periodic repairs	7,222	7,109
Provision for product warranties	3,522	3,937
Provision for removal cost of property, plant and equipment	5,651	4,677
Other	88,533	96,100
Total current liabilities	703,163	738,488
Noncurrent liabilities		
Bonds payable	110,000	110,000
Long-term loans payable	320,404	319,470
Lease obligations	3,921	6,557
Deferred tax liabilities	58,669	50,136
Provision for grant of shares	513	513
Provision for periodic repairs	3,415	3,470
Provision for removal cost of property, plant and equipment	12,652	12,746
Net defined benefit liability	158,832	158,279
Long-term guarantee deposits	21,939	22,054
Other	30,899	30,029
Total noncurrent liabilities	721,243	713,255
Total liabilities	1,424,406	1,451,743
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,641	79,575
Retained earnings	1,158,792	1,190,467
Treasury stock	(5,932)	(5,934)
Total shareholders' equity	1,335,890	1,367,497
Accumulated other comprehensive income		
Net unrealized gain on other securities	91,887	86,663
Deferred gains or losses on hedges	(347)	(317)
Foreign currency translation adjustment	50,462	51,887
Remeasurements of defined benefit plans	(10,416)	(9,855)
Total accumulated other comprehensive income	131,586	128,377
Non-controlling interests	27,058	28,133
Total net assets	1,494,535	1,524,007
Total liabilities and net assets	2,918,941	2,975,750

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1 2020	Q1 2021
Net sales	455,159	583,433
Cost of sales	305,280	388,057
Gross profit	149,879	195,376
Selling, general and administrative expenses	119,776	134,866
Operating income	30,103	60,510
Non-operating income		
Interest income	504	274
Dividends income	1,733	1,565
Equity in earnings of affiliates	—	3,685
Other	721	1,695
Total non-operating income	2,958	7,219
Non-operating expenses		
Interest expense	864	904
Equity in losses of affiliates	92	—
Other	1,884	1,653
Total non-operating expenses	2,840	2,557
Ordinary income	30,221	65,171
Extraordinary income		
Gain on sales of investment securities	20	5,637
Gain on sales of noncurrent assets	55	287
Gain on step acquisitions	—	1,700
Total extraordinary income	75	7,624
Extraordinary loss		
Loss on valuation of investment securities	46	—
Loss on disposal of noncurrent assets	1,654	1,547
Impairment loss	3	1
Business structure improvement expenses	3,131	2,840
Total extraordinary loss	4,834	4,388
Income before income taxes	25,463	68,407
Total income taxes	11,156	21,624
Net income	14,306	46,783
Net income attributable to non-controlling interests	718	355
Net income attributable to owners of the parent	13,588	46,428

2) Statements of comprehensive income

	Q1 2020	Q1 2021
Net income	14,306	46,783
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	6,860	(5,129)
Deferred gains or losses on hedges	(5)	30
Foreign currency translation adjustment	(4,779)	1,327
Remeasurements of defined benefit plans	1,091	574
Share of other comprehensive income of affiliates accounted for using equity method	1,541	174
Total other comprehensive income	4,708	(3,023)
Comprehensive income	19,014	43,759
Comprehensive income attributable to:		
Owners of the parent	18,053	43,219
Non-controlling interests	960	541

3. Statements of cash flows

	Q1 2020	Q1 2021
Cash flows from operating activities		
Income before income taxes	25,463	68,407
Depreciation and amortization	25,951	28,686
Impairment loss	3	1
Amortization of goodwill	6,320	6,843
Increase (decrease) in provision for periodic repairs	438	(57)
(Decrease) increase in provision for product warranties	(180)	259
Increase (decrease) in provision for removal cost of property, plant and equipment	712	(879)
Decrease in net defined benefit liability	(762)	(721)
Interest and dividend income	(2,237)	(1,839)
Interest expense	864	904
Equity in losses (earnings) of affiliates	92	(3,685)
Gain on sales of investment securities	(20)	(5,637)
Loss on valuation of investment securities	46	—
Gain on sale of property, plant and equipment	(55)	(287)
Loss on disposal of noncurrent assets	1,654	1,547
Decrease in notes and accounts receivable–trade	55,249	—
Decrease in notes, accounts receivable–trade, and contract assets	—	1,866
Increase in inventories	(18,682)	(9,203)
Decrease in notes and accounts payable–trade	(14,390)	(10,306)
Decrease in accrued expenses	(23,917)	(20,270)
Increase in advances received	5,451	3,943
Other, net	(4,126)	(17,144)
Subtotal	57,873	42,428
Interest and dividend income, received	3,738	3,098
Interest expense paid	(366)	(319)
Income taxes paid	(11,106)	(15,009)
Net cash provided by operating activities	50,139	30,198
Cash flows from investing activities		
Payments into time deposits	(749)	(936)
Proceeds from withdrawal of time deposits	691	5,053
Purchase of property, plant and equipment	(27,239)	(28,938)
Proceeds from sales of property, plant and equipment	79	627
Purchase of intangible assets	(3,669)	(2,848)
Purchase of investment securities	(2,287)	(1,561)
Proceeds from sales of investment securities	28	6,601
Purchase of shares in subsidiaries resulting in change in scope of consolidation	—	(19,925)
Payments of loans receivable	(248)	(78)
Collection of loans receivable	643	2,346
Other, net	(88)	(83)
Net cash used in investing activities	(32,839)	(39,743)

	Q1 2020	Q1 2021
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(80,982)	14,770
(Decrease) increase in commercial paper	(52,000)	32,000
Proceeds from long-term loans payable	90,000	—
Repayment of long-term loans payable	(196)	(10,003)
Proceeds from issuance of bonds payable	50,000	—
Repayments of lease obligations	(338)	(683)
Purchase of treasury stock	(1)	(2)
Proceeds from disposal of treasury stock	0	0
Cash dividends paid	(22,206)	(23,594)
Cash dividends paid to non-controlling interests	(556)	(1,154)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(307)	—
Other, net	147	262
Net cash (used in) provided by financing activities	(16,438)	11,596
Effect of exchange rate change on cash and cash equivalents	(524)	313
Net increase in cash and cash equivalents	338	2,364
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	1,700	1,112
Cash and cash equivalents at end of period	206,809	219,712