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Consolidated Financial Results for the Second Quarter Ended September 30, 2021 [Japanese GAAP]

November 11, 2021

Company name : Kumagai Gumi Co., Ltd.
 Stock exchange listings : Tokyo Stock Exchange, 1st Section
 Securities code : 1861 URL : <https://www.kumagaigumi.co.jp/>
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Date of filing of quarterly securities report : November 11, 2021

Scheduled date of dividend payment : —

Supplemental materials for quarterly financial results : Yes

Presentation on quarterly financial results : Yes

(Rounded down to the nearest million yen)

1. Consolidated Results for the Second Quarter Ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Consolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021 2nd Quarter	189,555	(8.4)	8,708	(26.5)	9,130	(24.1)	6,259	(19.0)
FY2020 2nd Quarter	206,884	3.4	11,841	23.1	12,033	21.9	7,728	(2.2)

(Note) Comprehensive income FY2021 2nd Quarter 5,610 million yen (32.4)% FY2020 2nd Quarter 8,295 million yen 13.0%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2021 2nd Quarter	134.32	—
FY2020 2nd Quarter	165.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2021 2nd Quarter	353,383	163,848	46.4	3,516.07
FY2020	379,573	163,835	43.2	3,516.07

(Reference) Owner's equity FY2021 2nd Quarter 163,848 million yen FY2020 163,835 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	—	—	120.00	120.00
FY2021	—	—	—	—	—
FY2021 (forecast)	—	—	—	120.00	120.00

(Note) Revision to the latest forecasts of cash dividends announced : None

3. Forecast of Consolidated Operating Results for FY2021 (April 1, 2021 – March 31, 2022)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	451,000	0.2	27,000	(3.8)	27,400	(3.5)	18,600	3.8	399.15

(Note) Revision to the latest forecasts of consolidated operating results announced : None

※Basic earnings per share does not take into account the impact of the "Acquisition of Own Shares" and "Acquisition of Shares in the Stock Compensation Plan" announced today.

※ Notes

(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries that resulted in a change in the scope of consolidation) : None

(2) Application of specific accounting for quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

① Changes in accounting policies due to the revision of the accounting standards : Yes

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Retrospective restatements : None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 9 of the Attachments.

(4) Number of shares issued (common stock)

(Shares)

① Number of shares issued at the end of the period (including treasury stocks)

② Number of treasury stocks at the end of the period

③ Average number of shares outstanding during the period
(quarterly cumulative total)

FY2021 Q2	46,805,660	FY2020	46,805,660
FY2021 Q2	205,671	FY2020	209,338
FY2021 Q2	46,599,069	FY2020 Q2	46,598,663

※ "Kessan Tanshin" is not subject to the quarterly review.

※ Explanation regarding the appropriate use of forecasts of operating results, and other specific comments

The financial forecast of operating results in this document are based on information available at present and logical assessments. Actual results may be materially different from expectations due to a variety of factors. Refer to "1. Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2021; (3) Qualitative Information Concerning Consolidated Earnings Forecasts" on page 2 of the Attachments for matters related to earnings forecasts.

(Reference) Summary of Nonconsolidated Financial Results

(Rounded down to the nearest million yen)

1. Nonconsolidated Results for the First Quarter Ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Nonconsolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021 2nd Quarter	147,905	(11.6)	7,380	(28.1)	9,194	(19.1)	6,758	(12.4)
FY2020 2nd Quarter	167,345	4.2	10,269	32.0	11,371	38.2	7,717	38.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2021 2nd Quarter	144.71	—
FY2020 2nd Quarter	165.24	—

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2021 2nd Quarter	293,214	131,283	44.8	2,810.98
FY2020	316,659	131,287	41.5	2,811.32

(Reference) Owner's equity FY2021 2nd Quarter 131,283 million yen FY2020 131,287 million yen

2. Forecast of Nonconsolidated Operating Results for FY2021 (April 1, 2021 – March 31, 2022)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Ordinary income		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	344,000	(4.5)	22,600	(4.0)	15,800	5.0	338.31

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : None

※Basic earnings per share does not take into account the impact of the "Acquisition of Own Shares" and "Acquisition of Shares in the Stock Compensation Plan" announced today.

Contents

1 . Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2021	2
(1) Explanation of operating results	2
(2) Explanation of the financial position	2
(3) Explanation of information on future forecasts, including the consolidated earnings forecasts	2
2 . Quarterly Consolidated Financial Statements	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	6
(3) Consolidated statements of cash flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
(Notes related to the going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Changes in accounting policies)	9
(Segment Information)	11
(Significant Subsequent Events)	12
3 . Quarterly Nonconsolidated Financial Statements	13
(1) Quarterly nonconsolidated balance sheet	13
(2) Quarterly nonconsolidated statement of income (Cumulative total)	15
4 . Supplementary Information	16
(1) Orders received, net sales and carried-forward (Nonconsolidated)	16
(2) Financial Highlights	17

1 . Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2021

(1) Explanation of operating results

During the second quarter ended September 30, 2021, the Japanese economy remained in an unpredictable situation as the effects of the COVID-19 pandemic dragged on, with high-contact services still facing a challenging earnings environment, including weak demand following state of emergency declarations, despite signs of improvement in business confidence recently, largely thanks to export growth driven by the recovery of overseas economies.

In the construction industry, the order environment remained at a reasonable level because building investment by private-sector enterprises and housing construction showed a tendency toward recovery and public investment also remained at a high level thanks to the implementation of construction budgets.

Under such operating conditions, the Kumagai Gumi Group continued to strive for sustainable growth by working together as a team on The Kumagai Gumi Group Medium-Term Management Plan (FY2021-FY2023) - Proactive Measures for Sustainable Growth-, which was formulated in May this year and sets (i) deepen the construction business, (ii) accelerate the construction-related peripheral businesses, (iii) develop new business domains, and (iv) strengthen the management foundation as basic policies.

Looking at the consolidated results for the second quarter ended September 30, 2021, net sales (completed contracts) fell 17.3 billion yen (8.4%) year on year, to 189.5 billion yen, mainly due to a decrease in the order backlog at the beginning of the fiscal year. On the profit front, operating income decreased 3.1 billion yen (26.5%) year on year, to 8.7 billion yen, and ordinary income dropped 2.9 billion yen (24.1%) year on year, to 9.1 billion yen, reflecting decreased net sales and decline in gross profit (gross profit on completed contracts) as a result of a lower gross profit margin (gross profit margin on completed contracts), among other factors. Profit attributable to owners of parent was 6.2 billion yen, down 1.4 billion yen (19.0%) due to income taxes of 2.7 billion yen and other adjustments.

(2) Explanation of the financial position

Total assets at the end of the second quarter were 353.3 billion yen, a decrease of 26.1 billion yen (6.9%) from the end of the previous fiscal year, mainly due to the collection of receivables such as notes receivable, accounts receivable from completed construction contracts and other and accounts receivable other.

Total liabilities fell 26.2 billion yen (12.1%) from the end of the previous fiscal year, to 189.5 billion yen, chiefly owing to the payment of payables such as notes payable, accounts payable for construction contracts and other and electronically recorded obligations - operating. These changes in assets and liabilities are attributable to the fact that, in the construction industry, contract completions/handovers tend to be concentrated on the end of the fiscal year.

Net assets edged up 0.01 billion (0.0%), to 163.8 billion yen, with increases due to the recording of profit attributable to owners of parent, foreign currency translation adjustment and other factors offset by decreases due to dividends paid, valuation difference on available-for-sale securities and other factors. The shareholders' equity ratio was 46.4%, improving 3.2 pt from 43.2% at the end of the previous fiscal year.

(3) Explanation of information on future forecasts, including the consolidated earnings forecasts

The Japanese economy is expected to see a sustained upward trend in exports as the world economy recovers

alongside the easing of restrictions as well as recovery in domestic consumer spending and corporate earnings largely due to various government policies and vaccine rollout. However, there is still concern that the emergence of new strains or decline in vaccine efficacy could lead to a resurgence in infections and the economic outlook remains uncertain.

In the construction industry, building investment by private-sector enterprises will differ from sector to sector but will continue to recover at a modest pace on the back of growing demand. Public investment on a similar level to the previous fiscal year is ensured under the FY2021 budget, with investment expected to be focused on contracts to address large-scale natural disasters which are becoming more frequent due to climate change and aging social infrastructure which was established during Japan's high growth period. In addition, moves to develop infrastructure for the COVID-era and the post-COVID era are also likely to bolster public- and private-sector capital spending to some extent going forward. The rising cost of COVID countermeasures, delays in the supply of equipment and materials and other risks that might emerge if the COVID-19 pandemic drags on also need to be borne in mind.

Recent developments such as the increased severity and frequency of natural disasters and the aging of the social infrastructure established during Japan's high growth period are having major impacts on the foundations underpinning people's lives and industrial development. In addition, the COVID-19 pandemic has changed people's values and norms of behavior and the future is definitely more uncertain.

Under such conditions, the Group formulated The Kumagai Gumi Group Medium-Term Management Plan (FY2021-FY2023) - Proactive Measures for Sustainable Growth- in May 2021. The plan defines the Group's Long-term Vision as "A leader in the construction service industry that is sought by society, contributing to the realization of a society in which limited resources are recycled, and people, the community, and nature continue to be enriched" and sets FY2023 financial targets of consolidated net sales of 470 billion yen and consolidated ordinary income of 33 billion yen. The Group will continue striving for sustainable growth by working as a team on this plan.

In view of the conditions described above and business results for the second quarter ended September 30, 2021, there are currently no changes to the consolidated earnings forecasts and the non-consolidated earnings forecasts for the fiscal year ending March 31, 2022 announced on May 13, 2021. As for the impact of the COVID-19 pandemic, the Group's earnings forecasts are based on the assumption that "the domestic economy will start to recover from the autumn as a result of vaccine rollout and a rebound in private-sector capital expenditure is expected despite lingering weakness in some sectors."

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	71,335	68,013
Notes receivable, accounts receivable from completed construction contracts and other	197,175	181,284
Costs on construction contracts in progress	6,454	11,133
Accounts receivable – other	29,477	22,654
Other	7,554	3,282
Allowance for doubtful accounts	(226)	(42)
Total current assets	311,770	286,327
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,491	8,006
Land	15,105	15,079
Other, net	3,061	2,892
Total property, plant and equipment	25,658	25,978
Intangible assets	558	652
Investments and other assets		
Investment securities	29,711	28,076
Deferred tax assets	7,245	7,257
Other	4,807	5,271
Allowance for doubtful accounts	(177)	(181)
Total investments and other assets	41,587	40,424
Total non-current assets	67,803	67,055
Total assets	379,573	353,383

(millions of yen)

	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	84,610	64,395
Electronically recorded obligations – operating	37,435	26,173
Short-term borrowings	4,161	3,215
Advances received on construction contracts in progress	11,929	21,290
Deposits received	34,622	35,966
Provision for warranties for completed construction	473	558
Provision for loss on construction contracts	156	124
Provision for contingent loss	1,482	115
Provision for bonuses	4,256	4,031
Other	11,475	7,598
Total current liabilities	190,604	163,470
Non-current liabilities		
Long-term borrowings	7,728	8,600
Provision for share awards	140	150
Retirement benefit liability	16,644	16,734
Other	620	579
Total non-current liabilities	25,133	26,064
Total liabilities	215,737	189,534
Net assets		
Shareholders' equity		
Share capital	30,108	30,108
Capital surplus	25,156	25,156
Retained earnings	104,727	105,376
Treasury shares	(451)	(439)
Total shareholders' equity	159,540	160,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,241	3,076
Foreign currency translation adjustment	384	837
Remeasurements of defined benefit plans	(330)	(267)
Total accumulated other comprehensive income	4,294	3,646
Total net assets	163,835	163,848
Total liabilities and net assets	379,573	353,383

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income (Cumulative total)

(millions of yen)

	FY2020 2nd Quarter (Apr 1, 2020—Sep 30, 2020)	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)
Net sales of completed construction contracts	206,884	189,555
Cost of sales of completed construction contracts	185,511	171,064
Gross profit on completed construction contracts	21,372	18,490
Selling, general and administrative expenses	9,530	9,782
Operating profit	11,841	8,708
Non-operating income		
Interest income	24	14
Dividend income	165	305
Share of profit of entities accounted for using equity method	60	68
Foreign exchange gains	—	17
Reversal of provision for contingent loss	—	77
Other	127	78
Total non-operating income	377	562
Non-operating expenses		
Interest expenses	86	83
Foreign exchange losses	24	—
Commission for syndicated loans	18	21
Amortization of share issuance costs	24	—
Other	32	36
Total non-operating expenses	186	141
Ordinary profit	12,033	9,130
Extraordinary income		
Gain on sale of non-current assets	4	6
Gain on sale of membership	2	9
Other	—	0
Total extraordinary income	7	15
Extraordinary losses		
Loss on retirement of non-current assets	17	42
Compensation for damage	91	0
Infectious disease related costs	223	45
Provision for contingent loss	100	—
Other	70	4
Total extraordinary losses	502	93
Profit before income taxes	11,538	9,052
Income taxes – current	2,426	2,317
Income taxes – deferred	1,383	476
Total income taxes	3,809	2,793
Profit	7,728	6,259
Profit attributable to owners of parent	7,728	6,259

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2020 2nd Quarter (Apr 1, 2020—Sep 30, 2020)	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)
Profit	7,728	6,259
Other comprehensive income		
Valuation difference on available-for-sale securities	500	(1,164)
Foreign currency translation adjustment	5	453
Remeasurements of defined benefit plans, net of tax	62	63
Share of other comprehensive income of entities accounted for using equity method	(2)	(0)
Total other comprehensive income	566	(648)
Comprehensive income	8,295	5,610
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,295	5,610
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(millions of yen)

	FY2020 2nd Quarter (Apr 1, 2020—Sep 30, 2020)	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)
Cash flows from operating activities		
Profit before income taxes	11,538	9,052
Depreciation	973	941
Amortization of share issuance costs	24	—
Increase (decrease) in allowance for doubtful accounts	(3)	(187)
Increase (decrease) in provision for contingent loss	(3,188)	(1,367)
Increase (decrease) in retirement benefit liability	268	181
Interest and dividend income	(189)	(319)
Interest expenses	86	83
Foreign exchange losses (gains)	7	(8)
Share of loss (profit) of entities accounted for using equity method	(60)	(68)
Loss (gain) on sale of non-current assets	(4)	(6)
Loss on retirement of non-current assets	17	42
Decrease (increase) in trade receivables	(2,140)	16,102
Decrease (increase) in costs on construction contracts in progress	(2,991)	(4,655)
Increase (decrease) in trade payables	(25,575)	(32,036)
Increase (decrease) in advances received on construction contracts in progress	(309)	9,283
Decrease (increase) in accounts receivable – other	4,970	6,822
Increase (decrease) in deposits received	4,760	1,343
Decrease (increase) in other assets and other	(659)	4,324
Other, net	(1,821)	(2,694)
Subtotal	(14,299)	6,832
Interest and dividends received	189	352
Interest paid	(84)	(85)
Income taxes paid	(2,869)	(3,767)
Net cash provided by (used in) operating activities	(17,064)	3,331
Cash flows from investing activities		
Purchase of property, plant and equipment	(998)	(1,240)
Proceeds from sale of property, plant and equipment	4	47
Purchase of investment securities	(11)	(10)
Purchase of shares of subsidiaries and associates	(263)	—
Loan advances	(500)	(34)
Proceeds from collection of loans receivable	65	60
Other, net	(37)	(238)
Net cash provided by (used in) investing activities	(1,742)	(1,416)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	400	(300)
Proceeds from long-term borrowings	—	1,000
Repayments of long-term borrowings	(734)	(774)
Dividends paid	(5,591)	(5,592)
Other, net	(67)	(75)
Net cash provided by (used in) financing activities	(5,993)	(5,742)
Effect of exchange rate change on cash and cash equivalents	0	503
Net increase (decrease) in cash and cash equivalents	(24,799)	(3,324)
Cash and cash equivalents at beginning of period	75,155	71,335
Cash and cash equivalents at end of period	50,356	68,011

(4) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable

(Notes in the case of significant changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer. The main changes in the way revenue is recognized as a result of application are as follows.

1. Revenue recognition for construction contracts

For construction contracts where performance obligations are fulfilled over a certain period and where the progress in the fulfillment of performance obligations cannot be estimated reasonably, if the generated cost is expected to be recovered, revenue is recognized by applying the cost recovery method. For construction contracts with a very short duration or with an insignificant amount of contract revenue, revenue is recognized at the point in time when the performance obligations are completely fulfilled.

2. Revenue recognition related to agent transactions

For some transactions of the Company's subsidiaries, previously, the total amount of considerations received from the customer was recognized as revenue. As a result of the application of the above standard, however, for transactions where the role of the Group's subsidiaries in providing assets or service to the customer falls into the role of an agent, the net amount, which is obtained by deducting the amount paid to the supplier from the amount received from the customer, is recognized as revenue.

The Company applies the Revenue Recognition Accounting Standard in accordance with the transitional handling stipulated in the proviso of Paragraph 84 of the standard. The Company adds or subtracts the amount of the cumulative effects on retained earnings at the beginning of the first quarter to or from the retained earnings in cases where the new accounting policies are applied retroactively to periods before the beginning of the first quarter. The Company began applying the new accounting policies to balances at the start of the first quarter. However, the Company applied the procedure provided for in Paragraph 86 of the Revenue Recognition Accounting Standards and did not retroactively apply the new accounting policy to contracts under which almost all revenue had been recognized before the beginning of the first quarter in accordance with the procedure before the application of the new accounting policy. Applying the procedures provided for in (1) of Paragraph 86 of the Revenue Recognition Accounting Standards, the Company performed accounting procedures based on contract terms reflecting all changes made before the beginning of the first quarter and added the cumulative effect of the procedures to retained earnings at the beginning of the first quarter.

As a result, completed contracts and the cost of completed contracts during the first six months ended September

30, 2021 each increased by 2,320 million yen.

There is no cumulative effect which needs to be reflected in retained earnings at the beginning of the first quarter. In addition, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenues arising in relation to contracts with customers for the interim period of the previous fiscal year is not stated.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and related measures at the beginning of the first quarter. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019). Application of this standard has no impact on quarterly consolidated financial statements.

(Segment Information)

FY2020 2nd Quarter (Apr 1, 2020— September30, 2020)

1 Information on Net Sales and Profit of Each Reportable Segment

(millions of yen)

	Reportable segments				Adjustments (Note1)	Amounts on Quarterly consolidated statement of income (Note2)
	Civil engineering	Building construction	Subsidiaries	Total		
Net Sales						
Sales to customers	59,284	108,061	39,538	206,884	—	206,884
Intersegment sales and transfers	—	0	8,316	8,316	(8,316)	—
Total	59,284	108,061	47,855	215,201	(8,316)	206,884
Segment income	3,173	7,095	1,552	11,822	19	11,841

(Note1) The adjustments on segment income are eliminations of intersegment transactions.

(Note2) The segment income is reconciled with operating income in the quarterly consolidated statement of income.

FY2021 2nd Quarter (Apr 1, 2021—September 30, 2021)

1 Information on Net Sales and Profit of Each Reportable Segment and Disaggregation of Revenue (millions of yen)

	Reportable segments				Adjustments (Note1)	Amounts on Quarterly consolidated statement of income (Note2)
	Civil engineering	Building construction	Subsidiaries	Total		
Net Sales						
Revenue from contracts with customers	46,920	100,984	44,773	192,678	(3,123)	189,555
Sales to customers	46,920	100,984	41,649	189,555	—	189,555
Intersegment sales and transfers	—	—	3,123	3,123	(3,123)	—
Total	46,920	100,984	44,773	192,678	(3,123)	189,555
Segment income	2,053	5,326	1,309	8,689	18	8,708

(Note1) The adjustments on segment income are eliminations of intersegment transactions.

(Note2) The segment income is reconciled with operating income in the quarterly consolidated statement of income.

2 Matters related to changes in reporting segments

As stated in Changes in Accounting Policies, the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first quarter. Accordingly, the Company changed the method of calculating profits and losses for its business segments.

As a result of this change, net sales for the first six months ended September 30, 2021 increased 397 million yen in the "Civil Works Segment" and 1,923 million yen in the "Construction Segment" compared to the previous method. Intersegment sales and transfers which are included in the "Subsidiaries Segment" decreased by 1,092 million yen compared to the previous method. The impact of this change on segment income is minor.

(Significant Subsequent Events)

(Acquisition of own shares)

The Company at the meeting of the Board of Directors held on November 11, 2021, decided on a policy to acquire own shares totaling 10 billion yen during the current medium-term management plan period (FY2021-2023), and based on this policy, resolved matters related to acquisition of its own shares in accordance with Article 156 of the Companies Act, applicable pursuant to Article 165, 3 of the said Act, in the current fiscal year.

1. Reason for Acquisition of Own Shares

To enhance shareholder return and improve capital efficiency

2. Details of the Acquisition

(1) Type of shares to be acquired

Shares of Common stock

(2) Total number of shares to be acquired

1,800,000 shares (maximum)

(3.9% of the total number of shares outstanding (excluding treasury shares))

(3) Total amount of acquisition price

4 billion yen (maximum)

(4) Period of acquisition

November 29, 2021 to March 31, 2022

(5) Method of acquisition

Market purchases on the Tokyo Stock Exchange

3. Quarterly Nonconsolidated Financial Statements

(1) Quarterly nonconsolidated balance sheet

	(millions of yen)	
	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	51,767	45,632
Notes receivable, accounts receivable from completed construction contracts and other	165,254	157,374
Costs on construction contracts in progress	5,443	10,290
Other	36,824	23,538
Allowance for doubtful accounts	(195)	(17)
Total current assets	259,095	236,819
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,557	4,117
Land	12,207	12,202
Other, net	1,248	1,020
Total property, plant and equipment	17,012	17,340
Intangible assets	434	552
Investments and other assets		
Investment securities	10,408	9,989
Deferred tax assets	5,369	5,475
Other	24,340	23,037
Allowance for doubtful accounts	(1)	—
Total investments and other assets	40,116	38,501
Total non-current assets	57,563	56,394
Total assets	316,659	293,214

(millions of yen)

	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	69,871	49,606
Electronically recorded obligations – operating	32,973	23,063
Short-term borrowings	3,942	3,007
Lease obligations	15	15
Advances received on construction contracts in progress	9,943	19,789
Deposits received	33,325	33,786
Provision for warranties for completed construction	428	506
Provision for loss on construction contracts	155	112
Provision for contingent loss	1,462	112
Provision for bonuses	2,760	2,654
Other	8,914	6,685
Total current liabilities	163,793	139,338
Non-current liabilities		
Long-term borrowings	7,728	8,600
Lease obligations	19	11
Provision for share awards	140	150
Provision for retirement benefits	13,624	13,764
Other	65	65
Total non-current liabilities	21,577	22,591
Total liabilities	185,371	161,930
Net assets		
Shareholders' equity		
Share capital	30,108	30,108
Capital surplus	25,156	25,156
Retained earnings	72,143	73,290
Treasury shares	(328)	(315)
Total shareholders' equity	127,079	128,240
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,208	3,043
Total valuation and translation adjustments	4,208	3,043
Total net assets	131,287	131,283
Total liabilities and net assets	316,659	293,214

(2) Quarterly nonconsolidated statement of income (Cumulative total)

(millions of yen)

	FY2020 2nd Quarter (Apr 1, 2020—Sep 30, 2020)	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)
Net sales of completed construction contracts	167,345	147,905
Cost of sales of completed construction contracts	149,927	133,299
Gross profit on completed construction contracts	17,418	14,606
Selling, general and administrative expenses	7,149	7,225
Operating profit	10,269	7,380
Non-operating income		
Interest income	20	9
Dividend income	1,148	1,782
Foreign exchange gains	—	11
Reversal of provision for contingent loss	—	72
Other	109	76
Total non-operating income	1,277	1,951
Non-operating expenses		
Interest expenses	84	81
Foreign exchange losses	23	—
Commission for syndicated loans	18	21
Amortization of share issuance costs	24	—
Other	24	34
Total non-operating expenses	175	137
Ordinary profit	11,371	9,194
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on sale of membership	2	9
Total extraordinary income	2	9
Extraordinary losses		
Compensation for damage	88	0
Infectious disease related costs	189	29
Provision for contingent loss	100	—
Other	26	6
Total extraordinary losses	404	36
Profit before income taxes	10,969	9,167
Income taxes – current	2,014	2,000
Income taxes – deferred	1,238	408
Total income taxes	3,252	2,409
Profit	7,717	6,758

4. Supplementary Information

(1) Orders received, net sales and carried-forward (Nonconsolidated)

(millions of yen)

	FY2020 2nd Quarter Apr 1, 2020—Sep 30, 2020		FY2021 2nd Quarter Apr 1, 2021—Sep 30, 2021		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	17,679	18.0	12,892	11.8	(4,786)	(27.1)
Private	24,042	24.4	20,613	19.0	(3,429)	(14.3)
Domestic	41,722	42.4	33,505	30.8	(8,216)	(19.7)
Overseas	—	—	—	—	—	—
Civil engineering	41,722	42.4	33,505	30.8	(8,216)	(19.7)
Public	7,157	7.2	15,197	14.0	8,040	112.3
Private	47,754	48.5	60,071	55.2	12,317	25.8
Domestic	54,912	55.7	75,269	69.2	20,357	37.1
Overseas	1,828	1.9	0	0.0	(1,828)	(100.0)
Building construction	56,740	57.6	75,269	69.2	18,529	32.7
Public	24,836	25.2	28,090	25.8	3,253	13.1
Private	71,797	72.9	80,684	74.2	8,887	12.4
Domestic	96,634	98.1	108,775	100.0	12,140	12.6
Overseas	1,828	1.9	0	0.0	(1,828)	(100.0)
Orders received—Total	98,463	100	108,775	100	10,312	10.5
Public	27,481	16.4	20,954	14.2	(6,527)	(23.8)
Private	31,802	19.0	25,965	17.5	(5,836)	(18.4)
Domestic	59,284	35.4	46,920	31.7	(12,363)	(20.9)
Overseas	—	—	—	—	—	—
Civil engineering	59,284	35.4	46,920	31.7	(12,363)	(20.9)
Public	15,615	9.3	8,585	5.8	(7,030)	(45.0)
Private	91,685	54.8	92,144	62.3	459	0.5
Domestic	107,300	64.1	100,729	68.1	(6,571)	(6.1)
Overseas	760	0.5	255	0.2	(505)	(66.4)
Building construction	108,061	64.6	100,984	68.3	(7,076)	(6.5)
Public	43,097	25.7	29,539	20.0	(13,557)	(31.5)
Private	123,487	73.8	118,110	79.8	(5,377)	(4.4)
Domestic	166,585	99.5	147,649	99.8	(18,935)	(11.4)
Overseas	760	0.5	255	0.2	(505)	(66.4)
Net sales—Total	167,345	100	147,905	100	(19,440)	(11.6)
Public	46,145	9.7	35,297	8.3	(10,848)	(23.5)
Private	124,779	26.3	118,312	27.7	(6,467)	(5.2)
Domestic	170,925	36.0	153,609	36.0	(17,315)	(10.1)
Overseas	—	—	—	—	—	—
Civil engineering	170,925	36.0	153,609	36.0	(17,315)	(10.1)
Public	35,810	7.6	32,473	7.6	(3,337)	(9.3)
Private	263,932	55.7	238,666	55.9	(25,266)	(9.6)
Domestic	299,743	63.3	271,139	63.5	(28,603)	(9.5)
Overseas	3,473	0.7	2,253	0.5	(1,219)	(35.1)
Building construction	303,216	64.0	273,393	64.0	(29,823)	(9.8)
Public	81,956	17.3	67,770	15.9	(14,186)	(17.3)
Private	388,712	82.0	356,978	83.6	(31,733)	(8.2)
Domestic	470,668	99.3	424,748	99.5	(45,919)	(9.8)
Overseas	3,473	0.7	2,253	0.5	(1,219)	(35.1)
Carried-forward—Total	474,141	100	427,002	100	(47,139)	(9.9)

(Note) The carried-forward amount of overseas work has been translated at the closing rate.

FY2020 2nd Quarter : Decreased by 89 million yen FY2021 2nd Quarter : Increased by 9 million yen

(2) Financial Highlights

Consolidated

(100 millions of yen)

(Operating Results)

	A FY2020 2nd Quarter	B FY2021 2nd Quarter	B - A	
				%
Net sales	2,069	1,896	(173)	(8.4)
Gross profit	214	185	(29)	(13.5)
(Ratio)	10.3%	9.8%	(0.5)%	
SG&A expenses	95	98	3	
Operating income	118	87	(31)	(26.5)
(Ratio)	5.7%	4.6%	(1.1)%	
Non-operating income - net	2	4	2	
Ordinary income	120	91	(29)	(24.1)
Extraordinary income - net	(5)	(1)	4	
Profit before income taxes	115	91	(25)	(21.5)
Income taxes and others	38	28	(10)	
Profit attributable to owners of parent	77	63	(15)	(19.0)

(Forecasts of Operating Results for Full year)

	C FY2020 Result	D FY2021 (Forecasts)	D - C	
				%
	4,502	4,510	8	0.2
	481	478	(3)	(0.6)
	10.7%	10.6%	(0.1)%	
	200	208	8	
	281	270	(11)	(3.8)
	6.2%	6.0%	(0.2)%	
	3	4	1	
	284	274	(10)	(3.5)
	(23)	(1)	22	
	261	273	12	4.6
	82	87	5	
	179	186	7	3.8

Nonconsolidated

(Operating Results)

	A FY2020 2nd Quarter	B FY2021 2nd Quarter	B - A	
				%
Civil engineering	417	335	(82)	
Building construction	549	753	204	
Domestic	966	1,088	121	
Overseas	18	0	(18)	
Orders received	985	1,088	103	10.5
Civil engineering	593	469	(124)	
Building construction	1,073	1,007	(66)	
Domestic	1,666	1,476	(189)	
Overseas	8	3	(5)	
Net sales	1,673	1,479	(194)	(11.6)
Civil engineering	60	50	(11)	
(Ratio)	10.2%	10.6%	0.4%	
Building construction	113	96	(17)	
(Ratio)	10.6%	9.5%	(1.1)%	
Domestic	174	146	(28)	
(Ratio)	10.4%	9.9%	(0.5)%	
Overseas	0	0	0	
(Ratio)	4.3%	14.2%	9.9%	
Gross profit	174	146	(28)	(16.1)
(Ratio)	10.4%	9.9%	(0.5)%	
SG&A expenses	71	72	1	
Operating income	103	74	(29)	(28.1)
(Ratio)	6.1%	5.0%	(1.1)%	
Non-operating income - net	11	18	7	
Ordinary income	114	92	(22)	(19.1)
Extraordinary income - net	(4)	(0)	4	
Profit before income taxes	110	92	(18)	(16.4)
Income taxes and others	33	24	(8)	
Profit	77	68	(10)	(12.4)

(Forecasts of Operating Results for Full year)

	C FY2020 Result	D FY2021 (Forecasts)	D - C	
				%
	1,001	1,100	99	
	1,814	2,200	386	
	2,815	3,300	485	
	18	50	32	
	2,834	3,350	516	18.2
	1,214	1,050	(164)	
	2,369	2,370	1	
	3,584	3,420	(164)	
	18	20	2	
	3,602	3,440	(162)	(4.5)
	137	118	(19)	
	11.3%	11.2%	(0.1)%	
	238	250	12	
	10.0%	10.5%	0.5%	
	375	368	(7)	
	10.5%	10.8%	0.3%	
	1	1	0	
	5.0%	5.0%	0.0%	
	376	369	(7)	(1.9)
	10.4%	10.7%	0.3%	
	152	156	4	
	224	213	(11)	(5.1)
	6.2%	6.2%	0.0%	
	11	13	2	
	235	226	(9)	(4.0)
	(21)	0	21	
	215	226	11	5.2
	64	68	4	
	150	158	8	5.0