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Consolidated Financial Results for the Second Quarter Ended September 30, 2022 [Japanese GAAP]

November 10, 2022

Company name : Kumagai Gumi Co., Ltd.
 Stock exchange listings : Tokyo Stock Exchange, Prime Market
 Securities code : 1861 URL : <https://www.kumagaigumi.co.jp/>
 Representative : Yasunori Sakurano, President
 Contact : Chihiro Nosaka, General Manager, Accounting Department, Administration Division
 Tel. 03-3235-8606
 Date of filing of quarterly securities report : November 10, 2022
 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, 2022 (April 1, 2022 – September 30, 2022)

(1) Consolidated Operating Results (Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022 2nd Quarter	185,844	(2.0)	2,830	(67.5)	3,511	(61.5)	2,241	(64.2)
FY2021 2nd Quarter	189,555	(8.4)	8,708	(26.5)	9,130	(24.1)	6,259	(19.0)

(Note) Comprehensive income FY2022 2nd Quarter 3,549 million yen (36.7)% FY2021 2nd Quarter 5,610 million yen (32.4)%

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
FY2022 2nd Quarter	50.01	—	—	—
FY2021 2nd Quarter	134.32	—	—	—

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	Net assets per share
	Million yen	Million yen	Million yen	Million yen	%	Yen
FY2022 2nd Quarter	342,933	165,306	165,306	169,302	48.2	3,727.04
FY2021	371,096	169,302	169,302	169,302	45.6	3,751.09

(Reference) Owner's equity FY2022 2nd Quarter 165,306 million yen FY2021 169,302 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
FY2021	—	—	—	120.00	120.00
FY2022	—	—	—	—	—
FY2022 (forecast)	—	—	—	130.00	130.00

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

3. Forecast of Consolidated Operating Results for FY2022 (April 1, 2022 – March 31, 2023)

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

	Net sales of completed construction contracts		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2022	408,000	(4.0)	15,600	(31.4)	16,400	(30.9)	11,000	(30.6)	247.78

(Note) Revision to the latest forecasts of consolidated operating results announced : Yes

※For full-year earnings forecasts, please refer to "1. Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2022, (3) Explanation of information on future forecasts, including the consolidated earnings forecasts" on page 3 of the attachment. Basic earnings per share reflects the impact of the "Acquisition and Cancellation of Own Shares" announced on May 13, 2022.

※ 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 : Yes

③ Changes in accounting estimates : Yes

④ Retrospective restatements : None

(Note) For details of "Yes" above, please refer to 2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies),and (Changes in accounting policies which are difficult to distinguish from changes in accounting estimates) 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)

FY2022 Q2	45,411,660	FY2021	45,411,660
FY2022 Q2	1,058,428	FY2021	277,460
FY2022 Q2	44,819,205	FY2021 Q2	46,599,069

※ "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, 2022; (3) Explanation of information on future forecasts, including the consolidated earnings forecasts" on page 3 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 Second Quarter Ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(1) Nonconsolidated Operating Results

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

	Net sales of completed construction contracts		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022 2nd Quarter	140,727	(4.9)	2,471	(66.5)	4,565	(50.3)	3,427	(49.3)
FY2021 2nd Quarter	147,905	(11.6)	7,380	(28.1)	9,194	(19.1)	6,758	(12.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2022 2nd Quarter	76.31	—
FY2021 2nd Quarter	144.71	—

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022 2nd Quarter	275,550	130,211	47.3	2,928.89
FY2021	303,997	133,749	44.0	2,956.56

(Reference) Owner's equity FY2022 2nd Quarter 130,211 million yen FY2021 133,749 million yen

2. Forecast of Nonconsolidated Operating Results for FY2022 (April 1, 2022 – March 31, 2023)

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

	Net sales of completed construction contracts		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY2022	306,400	(7.4)	13,800	(30.9)	9,700	(29.4)	217.98

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : Yes

※For full-year earnings forecasts, please refer to “1. Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2022, (3) Explanation of information on future forecasts, including the consolidated earnings forecasts” on page 3 of the attachment. Basic earnings per share reflects the impact of the “Acquisition and Cancellation of Own Shares” announced on May 13, 2022.

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1. Qualitative Information on Consolidated Operating Results for the Second Quarter Ended September 30, 2022

(1) Explanation of operating results

During the second quarter of the fiscal year under review, the pace of recovery of the Japanese economy was moderate at best, given the impact of the Russia-Ukraine crisis and global monetary tightening. This was despite the fact that consumer spending was picking up, attributable to the balance sought between economic and social activities and COVID-19 infection control, and despite signs of improvement in business sentiment, thanks to an easing of supply restrictions and a recovery in capital investment needs in the private sector.

In the construction industry, the order environment remained reasonable because building investment by private sector enterprises remained solid, attributable to a recovery in the appetite for capital investment, coupled with the continued robustness of public investment, backed by budget execution, despite some signs of weakness in housing construction caused by rising construction costs.

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 2021 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 of the fiscal year under review, net sales (completed contracts) fell 3.7 billion yen (2.0%) year on year, to 185.8 billion yen, mainly due to the suspension of construction projects and sluggish progress in projects on hand. On the profit front, operating profit decreased 5.8 billion yen (67.5%) year on year, to 2.8 billion yen, and ordinary profit dropped 5.6 billion yen (61.5%) year on year, to 3.5 billion yen, reflecting decreased gross profit (gross profit on completed contracts) as a result of a lower gross profit margin (gross profit margin on completed contracts) and higher selling, general and administrative expenses. Profit attributable to owners of parent was 2.2 billion yen, down 4 billion yen (64.2%) due to income taxes of 1.2 billion yen and other adjustments.

The low profit margin was mainly attributable to the following factors. Costs were not reduced to the expected levels because of the continuing increase of construction material prices. In the civil engineering segment, net sales did not grow due to the suspension of construction projects and and sluggish progress in them. In addition, the acquisition of approvals for additional design changes to implemented projects was delayed. In the building construction segment, the profitability of a number of projects deteriorated primarily due to work process delays, and as in the civil engineering segment, the acquisition of approvals for additional design changes was delayed.

(2) Explanation of the financial position

Total assets at the end of the second quarter were 342.9 billion yen, a decline of 28.1 billion yen (7.6%) from the end of the previous fiscal year, mainly due to a decrease in cash and deposits associated with payments of trade payables, which offset progress made in the collection of receivables such as notes receivable, accounts receivable from completed construction contracts and other and accounts receivable – other.

Total liabilities fell 24.1 billion yen (12.0%) from the end of the previous fiscal year, to 177.6 billion yen, chiefly owing to the payment of 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 stood at 165.3 billion yen, a decrease of 3.9 billion yen (2.4%) from the end of the previous fiscal year, mainly reflecting a decline in retained earnings due to the payment of dividends, as well as the acquisition of treasury shares, despite the posting of profit attributable to owner of parent. The shareholders' equity ratio was 48.2%, improving 2.6 pt from 45.6% at the end of the previous fiscal year.

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

In the Japanese economy, the recovery of consumer spending and corporate earnings is expected, reflecting progress in the normalization of economic and social activities through government efforts including a range of effective policies and the transition to a new phase of coexistence with COVID-19. The economic outlook remains uncertain, however, reflecting risks such as the downturn of overseas economies, rising prices, and supply restrictions amidst the prolonged Russia-Ukraine crisis and global monetary tightening.

In the construction industry, private-sector enterprises will invest in buildings in response to growth in demand for warehousing and logistics facilities and the recovery of companies' appetite for investing in production equipment, as well as redevelopment projects in urban areas. Public investment will remain solid due to well-planned investment in disaster prevention, disaster mitigation, and national resilience because investments almost on a par with the budget for FY2021 were secured in the FY2022 budget. However, attention should be paid to trends in risks such as rising construction material prices attributable to high crude oil prices and the depreciation of the yen that may cause the deterioration of profitability and the contraction of demand.

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.

Given these circumstances and in consideration of the business performance of the second quarter, etc., the Company has revised its full-year consolidated earnings forecast, which was announced on August 9, 2022, as indicated below. For more details, please refer to the “Notice Regarding Revision of Financial Results Forecasts” announced separately today (November 10, 2022).

On a consolidated basis, the Company expects net sales to decline 4.0% year on year, to 408.0 billion yen (a decrease of 34.0 billion yen compared to the previously announced figure), operating profit to decrease 31.4%, to 15.6 billion yen (down 7.6 billion yen), ordinary profit to fall 30.9%, to 16.4 billion yen (down 7.1 billion yen) and profit attributable to owners of parent to decline 30.6%, to 11.0 billion yen (down 5.2 billion yen).

On a non-consolidated basis, the Company expects orders to increase 6.2% year on year, to 372.0 billion yen (no change from the previous forecast), net sales to decline 7.4%, to 306.4 billion yen (a decrease of 27.6 billion yen compared to the previously announced figure), ordinary profit to decrease 30.9%, to 13.8 billion yen (down 4.9 billion yen), and profit to fall 29.4%, to 9.7 billion yen (down 3.6 billion yen).

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2022)	Current 2nd Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	67,404	45,441
Notes receivable, accounts receivable from completed construction contracts and other	204,809	193,505
Costs on construction contracts in progress	10,205	11,723
Accounts receivable – other	16,989	12,171
Other	2,514	4,578
Allowance for doubtful accounts	(48)	(43)
Total current assets	301,874	267,376
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,989	9,870
Land	15,399	16,988
Other, net	3,062	2,829
Total property, plant and equipment	27,451	29,687
Intangible assets	876	972
Investments and other assets		
Investment securities	27,927	30,530
Deferred tax assets	8,021	6,918
Other	5,107	7,611
Allowance for doubtful accounts	(162)	(162)
Total investments and other assets	40,893	44,897
Total non-current assets	69,221	75,557
Total assets	371,096	342,933

(millions of yen)

	Prior Fiscal Year (As of March 31, 2022)	Current 2nd Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	82,014	64,484
Electronically recorded obligations – operating	29,032	24,948
Short-term borrowings	3,145	3,078
Income taxes payable	4,330	701
Advances received on construction contracts in progress	12,920	17,034
Deposits received	26,402	28,205
Provision for warranties for completed construction	610	599
Provision for loss on construction contracts	849	789
Provision for contingent loss	41	26
Provision for bonuses	4,588	3,918
Other	11,464	7,297
Total current liabilities	175,399	151,085
Non-current liabilities		
Long-term borrowings	9,007	8,871
Provision for share awards	183	213
Retirement benefit liability	16,615	16,812
Other	587	644
Total non-current liabilities	26,394	26,542
Total liabilities	201,794	177,627
Net assets		
Shareholders' equity		
Share capital	30,108	30,108
Capital surplus	21,145	21,145
Retained earnings	114,967	111,766
Treasury shares	(631)	(2,735)
Total shareholders' equity	165,589	160,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,758	3,337
Foreign currency translation adjustment	1,081	1,797
Remeasurements of defined benefit plans	(127)	(114)
Total accumulated other comprehensive income	3,712	5,021
Total net assets	169,302	165,306
Total liabilities and net assets	371,096	342,933

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

(millions of yen)

	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)	FY2022 2nd Quarter (Apr 1, 2022—Sep 30, 2022)
Net sales of completed construction contracts	189,555	185,844
Cost of sales of completed construction contracts	171,064	172,533
Gross profit on completed construction contracts	18,490	13,310
Selling, general and administrative expenses	9,782	10,480
Operating profit	8,708	2,830
Non-operating income		
Interest income	14	12
Dividend income	305	415
Share of profit of entities accounted for using equity method	68	113
Foreign exchange gains	17	272
Reversal of provision for contingent loss	77	—
Other	78	61
Total non-operating income	562	874
Non-operating expenses		
Interest expenses	83	86
Commission for syndicated loans	21	21
Loss on investments in investment partnerships	—	50
Other	36	36
Total non-operating expenses	141	193
Ordinary profit	9,130	3,511
Extraordinary income		
Gain on sale of non-current assets	6	2
Gain on sale of memberships	9	64
Compensation for damage income	—	81
Other	0	—
Total extraordinary income	15	147
Extraordinary losses		
Loss on retirement of non-current assets	42	17
Compensation for damage	0	119
Infectious disease related costs	45	28
Other	4	27
Total extraordinary losses	93	193
Profit before income taxes	9,052	3,465
Income taxes – current	2,317	384
Income taxes – deferred	476	838
Total income taxes	2,793	1,223
Profit	6,259	2,241
Profit attributable to owners of parent	6,259	2,241

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)	FY2022 2nd Quarter (Apr 1, 2022—Sep 30, 2022)
Profit	6,259	2,241
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,164)	580
Foreign currency translation adjustment	453	715
Remeasurements of defined benefit plans, net of tax	63	13
Share of other comprehensive income of entities accounted for using equity method	(0)	(1)
Total other comprehensive income	(648)	1,308
Comprehensive income	5,610	3,549
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,610	3,549
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(millions of yen)

	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)	FY2022 2nd Quarter (Apr 1, 2022—Sep 30, 2022)
Cash flows from operating activities		
Profit before income taxes	9,052	3,465
Depreciation	941	901
Increase (decrease) in allowance for doubtful accounts	(187)	(15)
Increase (decrease) in provision for contingent loss	(1,367)	(15)
Increase (decrease) in retirement benefit liability	181	216
Interest and dividend income	(319)	(427)
Interest expenses	83	86
Foreign exchange losses (gains)	(8)	(240)
Share of loss (profit) of entities accounted for using equity method	(68)	(113)
Loss (gain) on investments in investment partnerships	—	50
Loss (gain) on sale of non-current assets	(6)	(2)
Loss on retirement of non-current assets	42	17
Decrease (increase) in trade receivables	16,102	11,890
Decrease (increase) in costs on construction contracts in progress	(4,655)	(1,454)
Increase (decrease) in trade payables	(32,036)	(24,384)
Increase (decrease) in advances received on construction contracts in progress	9,283	4,058
Decrease (increase) in accounts receivable – other	6,822	5,091
Increase (decrease) in deposits received	1,343	1,802
Decrease (increase) in other assets and other	4,324	(1,877)
Other, net	(2,694)	(4,782)
Subtotal	6,832	(5,732)
Interest and dividends received	352	432
Interest paid	(85)	(84)
Income taxes paid	(3,767)	(4,166)
Net cash provided by (used in) operating activities	3,331	(9,550)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,240)	(3,883)
Proceeds from sale of property, plant and equipment	47	194
Purchase of investment securities	(10)	(83)
Purchase of shares of subsidiaries and associates	—	(50)
Payments for investments in investment partnerships	—	(1,567)
Loan advances	(34)	(18)
Proceeds from collection of loans receivable	60	48
Other, net	(238)	(141)
Net cash provided by (used in) investing activities	(1,416)	(5,501)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	—
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(774)	(202)
Purchase of treasury shares	(9)	(2,109)
Dividends paid	(5,592)	(5,426)
Other, net	(65)	(72)
Net cash provided by (used in) financing activities	(5,742)	(7,810)
Effect of exchange rate change on cash and cash equivalents	503	897
Net increase (decrease) in cash and cash equivalents	(3,324)	(21,966)
Cash and cash equivalents at beginning of period	71,335	67,404
Cash and cash equivalents at end of period	68,011	45,438

(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)

1. Acquisition of own shares

The Company has been proceeding with the acquisition of own shares based on a resolution at the meeting of the Board of Directors held on May 13, 2022. During the second quarter of the fiscal year under review, it has acquired 781,200 treasury shares. Due to this acquisition, the value of Company's treasury shares has increased 2,104 million yen.

2. Reduction of legal capital surplus

The Company reduced its legal capital surplus by 9,767 million yen and transferred the amount to other capital surplus as of the effective date (August 31, 2022) of the reduction in accordance with the provisions of Article 448, Paragraph 1 of the Companies Act, as the proposal for the reduction was approved at the 85th General Meeting of Shareholders held on June 29, 2022. As a result, the legal capital surplus balance currently amounts to 7,000 million yen.

(Changes in accounting policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company began adopting the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021, hereinafter the "Implementation Guidance") at the beginning of the first quarter. Accordingly, the Company has decided to apply the new accounting policies prescribed in the Implementation Guidance in the future in accordance with the transitional handling stipulated in Section 27-2 of the Implementation Guidance. Application of the Implementation Guidance has no impact on quarterly consolidated financial statements.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

(Changes in the method of depreciating property, plant and equipment)

The Company traditionally used the declining balance method as the method for the depreciation of buildings and structures. Now, as part of efforts promoted in the Medium-term Management Plan, the Company is in the process of accelerating initiatives for peripheral businesses related to the construction business in anticipation of full-scale investment in real estate development areas. On the other hand, the effect of investment in building and structures is produced stably for a long period of time. Therefore, to ensure that the use of buildings and structures is correctly reflected in periodic profits or losses, the Company decided that the straight-line method, in which expenses are allocated evenly over a usable period, was more reasonable, and adopted the straight-line method at the beginning of the fiscal year.

Accordingly, operating profit, ordinary profit and profit before income taxes increased 87 million yen respectively from the levels calculated using the previous method.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Starting from the first quarter of the fiscal year, the Company and its domestic consolidated subsidiaries made the shift to being companies with the group tax sharing system. Accordingly, the Group complies with provisions in the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force No. 42, issued August, 2021, hereinafter PITF No. 42) in conjunction with the accounting treatment and disclosure of income taxes, local corporate taxes and tax effect accounting. In addition, based on PITF No. 42 Section 32-1, it believes that there is no impact from the changes in accounting policies due to the adoption of PITF No.42.

(Segment information)

FY2021 2nd Quarter (Apr 1, 2021 – Sep 30, 2021)

1. Reportable segment sales, profit or loss and revenue breakdown information (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 profit	2,053	5,326	1,309	8,689	18	8,708

(Note1) The segment profit adjustment is for the elimination of intersegment transactions.

(Note2) Segment profit is adjusted with operating profit recorded under the quarterly consolidated statement of income.

FY2022 2nd Quarter (Apr 1, 2022—Sep 30, 2022)

1. Reportable segment sales, profit or loss and revenue breakdown information (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	40,841	99,797	44,397	185,036	—	185,036
Other revenue	—	84	722	807	—	807
Sales to customers	40,841	99,882	45,120	185,844	—	185,844
Intersegment sales and transfers	—	4	4,698	4,703	(4,703)	—
Total	40,841	99,886	49,819	190,547	(4,703)	185,844
Segment profit (loss)	(83)	2,555	332	2,803	26	2,830

(Note1) The segment profit (loss) adjustment is for the elimination of intersegment transactions.

(Note2) Segment profit (loss) is adjusted with operating profit recorded under the quarterly consolidated statement of income.

(Note3) Other revenue is a rental income based on the Accounting Standard for Lease Transactions (ASBJ statement No. 13 issued on March 30, 2007).

2. Matters related to changes in reporting segments

As described in the Changes in accounting policies which are difficult to distinguish from changes in accounting estimates, the Company traditionally used the declining balance method as a method for the depreciation of buildings and structures. However, it started adopting the straight-line method at the beginning of the first quarter of the fiscal year.

As a result of this change, in the second quarter of the fiscal year under review, segment loss decreased 14 million yen in the civil engineering segment and segment profit increased 72 million yen in the building construction segment compared with the results calculated using the previous method.

3. Quarterly Nonconsolidated Financial Statements

(1) Quarterly nonconsolidated balance sheet

	(millions of yen)	
	Prior Fiscal Year	Current 2nd Quarter
	(As of March 31, 2022)	(As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	42,744	21,293
Notes receivable, accounts receivable from completed construction contracts and other	176,589	169,690
Costs on construction contracts in progress	9,259	9,451
Other	17,152	12,945
Allowance for doubtful accounts	(19)	(17)
Total current assets	245,726	213,363
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,883	5,708
Land	12,474	14,041
Other, net	1,356	1,331
Total property, plant and equipment	18,714	21,082
Intangible assets	749	855
Investments and other assets		
Investment securities	9,431	10,155
Deferred tax assets	6,428	5,376
Other	22,947	24,717
Total investments and other assets	38,806	40,248
Total non-current assets	58,270	62,186
Total assets	303,997	275,550

(millions of yen)

	Prior Fiscal Year (As of March 31, 2022)	Current 2nd Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	64,825	45,354
Electronically recorded obligations – operating	25,050	21,542
Short-term borrowings	2,945	2,878
Lease liabilities	13	8
Advances received on construction contracts in progress	11,005	15,131
Deposits received	24,570	26,356
Provision for warranties for completed construction	566	559
Provision for loss on construction contracts	835	700
Provision for contingent loss	38	23
Provision for bonuses	3,083	2,534
Other	14,062	6,824
Total current liabilities	146,996	121,913
Non-current liabilities		
Long-term borrowings	9,007	8,871
Lease liabilities	11	9
Provision for share awards	183	213
Provision for retirement benefits	13,922	14,081
Other	125	248
Total non-current liabilities	23,251	23,425
Total liabilities	170,247	145,338
Net assets		
Shareholders' equity		
Share capital	30,108	30,108
Capital surplus	21,145	21,145
Retained earnings	80,263	78,249
Treasury shares	(506)	(2,609)
Total shareholders' equity	131,011	126,894
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,738	3,317
Total valuation and translation adjustments	2,738	3,317
Total net assets	133,749	130,211
Total liabilities and net assets	303,997	275,550

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

(millions of yen)

	FY2021 2nd Quarter (Apr 1, 2021—Sep 30, 2021)	FY2022 2nd Quarter (Apr 1, 2022—Sep 30, 2022)
Net sales of completed construction contracts	147,905	140,727
Cost of sales of completed construction contracts	133,299	130,424
Gross profit on completed construction contracts	14,606	10,303
Selling, general and administrative expenses	7,225	7,831
Operating profit	7,380	2,471
Non-operating income		
Interest income	9	5
Dividend income	1,782	1,975
Foreign exchange gains	11	253
Reversal of provision for contingent loss	72	—
Other	76	54
Total non-operating income	1,951	2,288
Non-operating expenses		
Interest expenses	81	90
Commission for syndicated loans	21	21
Loss on investments in investment partnerships	—	50
Other	34	32
Total non-operating expenses	137	194
Ordinary profit	9,194	4,565
Extraordinary income		
Gain on sale of non-current assets	—	2
Gain on sale of memberships	9	64
Total extraordinary income	9	66
Extraordinary losses		
Compensation for damage	0	119
Infectious disease related costs	29	19
Other	6	20
Total extraordinary losses	36	159
Profit before income taxes	9,167	4,472
Income taxes – current	2,000	252
Income taxes – deferred	408	792
Total income taxes	2,409	1,044
Profit	6,758	3,427

4. Supplementary Information

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

(millions of yen)

	FY2021 2nd Quarter Apr 1, 2021—Sep 30, 2021		FY2022 2nd Quarter Apr 1, 2022—Sep 30, 2022		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	12,892	11.8	13,935	11.7	1,042	8.1
Private	20,613	19.0	10,697	9.0	(9,915)	(48.1)
Domestic	33,505	30.8	24,633	20.7	(8,872)	(26.5)
Overseas	—	—	—	—	—	—
Civil engineering	33,505	30.8	24,633	20.7	(8,872)	(26.5)
Public	15,197	14.0	11,370	9.5	(3,826)	(25.2)
Private	60,071	55.2	83,094	69.7	23,022	38.3
Domestic	75,269	69.2	94,464	79.2	19,195	25.5
Overseas	0	0.0	98	0.1	97	—
Building construction	75,269	69.2	94,563	79.3	19,293	25.6
Public	28,090	25.8	25,305	21.2	(2,784)	(9.9)
Private	80,684	74.2	93,792	78.7	13,107	16.2
Domestic	108,775	100.0	119,097	99.9	10,322	9.5
Overseas	0	0.0	98	0.1	97	—
Orders received—Total	108,775	100	119,196	100	10,420	9.6
Public	20,954	14.2	18,385	13.0	(2,569)	(12.3)
Private	25,965	17.5	22,456	16.0	(3,509)	(13.5)
Domestic	46,920	31.7	40,841	29.0	(6,078)	(13.0)
Overseas	—	—	—	—	—	—
Civil engineering	46,920	31.7	40,841	29.0	(6,078)	(13.0)
Public	8,585	5.8	6,840	4.9	(1,744)	(20.3)
Private	92,144	62.3	92,175	65.5	30	0.0
Domestic	100,729	68.1	99,015	70.4	(1,713)	(1.7)
Overseas	255	0.2	870	0.6	615	240.7
Building construction	100,984	68.3	99,886	71.0	(1,098)	(1.1)
Public	29,539	20.0	25,225	17.9	(4,314)	(14.6)
Private	118,110	79.8	114,631	81.5	(3,478)	(2.9)
Domestic	147,649	99.8	139,857	99.4	(7,792)	(5.3)
Overseas	255	0.2	870	0.6	615	240.7
Net sales—Total	147,905	100	140,727	100	(7,177)	(4.9)
Public	35,297	8.3	53,757	11.6	18,460	52.3
Private	118,312	27.7	113,805	24.5	(4,506)	(3.8)
Domestic	153,609	36.0	167,563	36.1	13,954	9.1
Overseas	—	—	—	—	—	—
Civil engineering	153,609	36.0	167,563	36.1	13,954	9.1
Public	32,473	7.6	45,518	9.8	13,045	40.2
Private	238,666	55.9	250,144	53.9	11,478	4.8
Domestic	271,139	63.5	295,662	63.7	24,523	9.0
Overseas	2,253	0.5	808	0.2	(1,445)	(64.1)
Building construction	273,393	64.0	296,471	63.9	23,078	8.4
Public	67,770	15.9	99,275	21.4	31,505	46.5
Private	356,978	83.6	363,950	78.4	6,971	2.0
Domestic	424,748	99.5	463,226	99.8	38,477	9.1
Overseas	2,253	0.5	808	0.2	(1,445)	(64.1)
Carried-forward—Total	427,002	100	464,034	100	37,032	8.7

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

FY2021 2nd Quarter : Increased by 9 million yen

FY2022 2nd Quarter : Increased by 109 million yen

(2) Financial Highlights

(100 millions of yen)

Consolidated

(Operating Results)

	A FY2021 2nd Quarter	B FY2022 2nd Quarter	B - A	
				%
Net sales	1,896	1,858	(37)	(2.0)
Gross profit	185	133	(52)	(28.0)
(Ratio)	9.8%	7.2%	(2.6)%	
SG&A expenses	98	105	7	
Operating profit	87	28	(59)	(67.5)
(Ratio)	4.6%	1.5%	(3.1)%	
Non-operating income - net	4	7	3	
Ordinary profit	91	35	(56)	(61.5)
Extraordinary income - net	(1)	(0)	0	
Profit before income taxes	91	35	(56)	(61.7)
Income taxes and others	28	12	(16)	
Profit attributable to owners of parent	63	22	(40)	(64.2)

(Forecasts of Operating Results for Full year)

C FY2021 Result	D FY2022 Initial Forecasts	E FY2022 Revised Forecasts	E - C		E - D	
				%		%
4,252	4,420	4,080	(172)	(4.0)	(340)	(7.7)
435	458	375	(60)	(13.7)	(83)	(18.1)
10.2%	10.4%	9.2%	(1.0)%		(1.2)%	
207	226	219	12		(7)	
227	232	156	(71)	(31.4)	(76)	(32.8)
5.3%	5.2%	3.8%	(1.5)%		(1.4)%	
10	3	8	(2)		5	
237	235	164	(73)	(30.9)	(71)	(30.2)
(8)	(1)	(1)	7		—	
229	234	163	(66)	(28.9)	(71)	(30.3)
71	72	53	(18)		(19)	
159	162	110	(49)	(30.6)	(52)	(32.1)

Nonconsolidated

(Operating Results)

	A FY2021 2nd Quarter	B FY2022 2nd Quarter	B - A	
				%
Civil engineering	335	246	(89)	
Building construction	753	945	192	
Domestic	1,088	1,191	103	
Overseas	0	1	1	
Orders received	1,088	1,192	104	9.6
Civil engineering	469	408	(61)	
Building construction	1,007	990	(17)	
Domestic	1,476	1,399	(78)	
Overseas	3	9	6	
Net sales	1,479	1,407	(72)	(4.9)
Civil engineering	50	32	(18)	
(Ratio)	10.6%	7.7%	(2.9)%	
Building construction	96	72	(24)	
(Ratio)	9.5%	7.3%	(2.2)%	
Domestic	146	104	(42)	
(Ratio)	9.9%	7.4%	(2.5)%	
Overseas	0	(1)	(1)	
(Ratio)	14.2%	(6.2)%	(20.4)%	
Gross profit	146	103	(43)	(29.5)
(Ratio)	9.9%	7.3%	(2.6)%	
SG&A expenses	72	78	6	
Operating profit	74	25	(49)	(66.5)
(Ratio)	5.0%	1.8%	(3.2)%	
Non-operating income - net	18	21	3	
Ordinary profit	92	46	(46)	(50.3)
Extraordinary income - net	(0)	(1)	(1)	
Profit before income taxes	92	45	(47)	(51.2)
Income taxes and others	24	10	(14)	
Profit	68	34	(33)	(49.3)

(Forecasts of Operating Results for Full year)

C FY2021 Result	D FY2022 Initial Forecasts	E FY2022 Revised Forecasts	E - C		E - D	
				%		%
1,108	1,150	1,150	42		—	
2,393	2,450	2,450	57		—	
3,501	3,600	3,600	99		—	
1	120	120	119		—	
3,502	3,720	3,720	218	6.2	—	—
941	1,000	900	(41)		(100)	
2,357	2,320	2,144	(213)		(176)	
3,298	3,320	3,044	(254)		(276)	
12	20	20	8		—	
3,310	3,340	3,064	(246)	(7.4)	(276)	(8.3)
91	105	90	(1)		(15)	
9.7%	10.5%	10.0%	0.3%		(0.5)%	
242	234	190	(52)		(44)	
10.3%	10.1%	8.9%	(1.4)%		(1.2)%	
333	339	280	(53)		(59)	
10.1%	10.2%	9.2%	(0.9)%		(1.0)%	
1	2	0	(1)		(2)	
5.7%	10.0%	0.0%	(5.7)%		(10.0)%	
333	341	280	(53)	(16.0)	(61)	(17.9)
10.1%	10.2%	9.1%	(1.0)%		(1.1)%	
156	170	164	8		(6)	
178	171	116	(62)	(34.7)	(55)	(32.2)
5.4%	5.1%	3.8%	(1.6)%		(1.3)%	
22	16	22	0		6	
200	187	138	(62)	(30.9)	(49)	(26.2)
(8)	0	(1)	7		(1)	
192	187	137	(55)	(28.6)	(50)	(26.7)
55	54	40	(15)		(14)	
137	133	97	(40)	(29.4)	(36)	(27.1)