

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 22, 2020

Company name: KAWADA TECHNOLOGIES, INC
 Stock exchange listing: Tokyo
 Stock code: 3443 URL <https://www.kawada.jp/>
 Representative: President Kawada Tadahiro
 Managing Director and Chief Financial Officer
 Inquiries: Watanabe Satoru TEL 03(3915)7722
 Scheduled date of ordinary general meeting of shareholders: June 26, 2020
 Scheduled date to file Securities Report: July 31, 2020
 Scheduled date to commence dividend payments: June 29, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	127,048	7.3	6,759	11.4	8,543	0.0	6,449	6.4
Year ended March 31, 2019	118,369	10.4	6,065	36.7	8,541	86.2	6,063	48.9

Note: Comprehensive income Year ended March 31, 2020 ¥5,871 million [(10.5)%]
 Year ended March 31, 2019 ¥6,556 million [26.1%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	1,098.68	1,095.57	11.3	6.4	5.3
Year ended March 31, 2019	1,041.23	1,037.92	11.8	6.8	5.1

Reference: Share of profit of entities accounted for using equity method Year ended March 31, 2020 ¥2,247 million
 Year ended March 31, 2019 ¥2,793 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	139,093	60,630	43.0	10,185.21
As of March 31, 2019	128,062	55,245	42.6	9,309.19

Reference: Equity As of March 31, 2020 ¥59,856 million
 As of March 31, 2019 ¥54,526 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	(4,126)	(2,764)	5,535	9,275
Year ended March 31, 2019	13,031	(3,811)	(9,847)	10,629

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	–	–	–	100.00	100.00	590	9.6	1.1
Year ended March 31, 2020	–	–	–	80.00	80.00	472	7.3	0.8
Year ending March 31, 2021 (Forecast)	–	–	–	80.00	80.00		18.8	

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	115,000	(9.5)	3,500	(48.2)	3,800	(55.5)	2,500	(61.2)	425.40

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	5,914,870 shares	As of March 31, 2019	5,909,170 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	38,040 shares	As of March 31, 2019	51,941 shares
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Average number of shares during the period

Year ended March 31, 2020	5,870,197 shares	Year ended March 31, 2019	5,822,972 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	10,714	9,361
Notes receivable, accounts receivable from completed construction contracts and other	46,432	55,898
Costs on construction contracts in progress	1,408	3,337
Other inventories	1,014	1,150
Other	5,510	4,916
Allowance for doubtful accounts	(5)	(4)
Total current assets	65,073	74,658
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,933	22,325
Machinery, vehicles, tools, furniture and fixtures	22,169	23,226
Aircraft	5,204	5,161
Land	14,889	14,821
Leased assets	3,094	2,779
Construction in progress	1,596	423
Accumulated depreciation	(41,287)	(41,980)
Total property, plant and equipment	27,601	26,757
Intangible assets	755	863
Investments and other assets		
Investment securities	2,530	2,090
Shares of subsidiaries and associates	29,402	31,571
Long-term loans receivable	418	2
Deferred tax assets	1,904	2,323
Other	1,037	1,353
Allowance for doubtful accounts	(660)	(527)
Total investments and other assets	34,631	36,812
Total non-current assets	62,988	64,434
Total assets	128,062	139,093

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	28,112	33,147
Short-term borrowings	2,932	11,440
Current portion of long-term borrowings	5,445	4,652
Current portion of bonds payable	70	5
Lease obligations	723	805
Income taxes payable	2,004	872
Advances received on construction contracts in progress	8,002	4,105
Provision for bonuses	2,133	2,189
Provision for warranties for completed construction	260	249
Provision for loss on construction contracts	1,211	1,946
Other	5,596	3,773
Total current liabilities	56,493	63,187
Non-current liabilities		
Bonds payable	105	100
Long-term borrowings	9,190	8,530
Lease obligations	1,256	916
Deferred tax liabilities	52	55
Deferred tax liabilities for land revaluation	1,476	1,475
Provision for retirement benefits for directors (and other officers)	470	482
Retirement benefit liability	3,322	3,242
Asset retirement obligations	205	288
Negative goodwill	151	131
Other	94	54
Total non-current liabilities	16,324	15,276
Total liabilities	72,817	78,463
Net assets		
Shareholders' equity		
Share capital	5,271	5,283
Capital surplus	10,746	10,762
Retained earnings	35,018	40,883
Treasury shares	(197)	(107)
Total shareholders' equity	50,838	56,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,710	1,444
Revaluation reserve for land	980	979
Foreign currency translation adjustment	499	594
Remeasurements of defined benefit plans	498	16
Total accumulated other comprehensive income	3,687	3,034
Share acquisition rights	2	2
Non-controlling interests	716	771
Total net assets	55,245	60,630
Total liabilities and net assets	128,062	139,093

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	118,369	127,048
Cost of sales	103,817	110,237
Gross profit	14,551	16,811
Selling, general and administrative expenses	8,485	10,052
Operating profit	6,065	6,759
Non-operating income		
Interest and dividend income	48	61
Rental income	146	146
Amortization of negative goodwill	20	20
Share of profit of entities accounted for using equity method	2,793	2,247
Subsidy income	134	126
Outsourcing service income	28	–
Other	189	219
Total non-operating income	3,361	2,822
Non-operating expenses		
Interest expenses	359	348
Rental expenses	449	471
Other	77	218
Total non-operating expenses	886	1,038
Ordinary profit	8,541	8,543
Extraordinary income		
Gain on sales of non-current assets	115	–
Subsidy income	–	1,479
Reversal of allowance for investment loss	82	–
Total extraordinary income	197	1,479
Extraordinary losses		
Loss on sales of non-current assets	13	100
Loss on retirement of non-current assets	44	40
Impairment loss	788	353
Loss on tax purpose reduction entry of non-current assets	–	1,475
Total extraordinary losses	845	1,969
Profit before income taxes	7,892	8,053
Income taxes - current	2,423	1,827
Income taxes - deferred	(689)	(300)
Total income taxes	1,734	1,526
Profit	6,158	6,526
Profit attributable to non-controlling interests	95	77
Profit attributable to owners of parent	6,063	6,449

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	6,158	6,526
Other comprehensive income		
Valuation difference on available-for-sale securities	310	(276)
Remeasurements of defined benefit plans, net of tax	217	(542)
Share of other comprehensive income of entities accounted for using equity method	(130)	162
Total other comprehensive income	397	(655)
Comprehensive income	6,556	5,871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,461	5,797
Comprehensive income attributable to non-controlling interests	95	73

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,166	10,621	29,365	(258)	44,895
Changes during period					
Issuance of new shares - exercise of share acquisition rights	105	105			210
Dividends of surplus			(347)		(347)
Profit attributable to owners of parent			6,063		6,063
Reversal of revaluation reserve for land			(62)		(62)
Purchase of treasury shares				(59)	(59)
Disposal of treasury shares		33		66	99
Decrease (Increase) due to purchase of treasury shares from consolidated subsidiaries		(14)		54	39
Net changes in items other than shareholders' equity					
Total changes during period	105	124	5,652	60	5,943
Balance at end of period	5,271	10,746	35,018	(197)	50,838

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,437	917	608	263	3,227	4	634	48,761
Changes during period								
Issuance of new shares - exercise of share acquisition rights								210
Dividends of surplus								(347)
Profit attributable to owners of parent								6,063
Reversal of revaluation reserve for land								(62)
Purchase of treasury shares								(59)
Disposal of treasury shares								99
Decrease (Increase) due to purchase of treasury shares from consolidated subsidiaries								39
Net changes in items other than shareholders' equity	272	62	(109)	234	460	(2)	82	540
Total changes during period	272	62	(109)	234	460	(2)	82	6,483
Balance at end of period	1,710	980	499	498	3,687	2	716	55,245

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,271	10,746	35,018	(197)	50,838
Changes during period					
Issuance of new shares - exercise of share acquisition rights	12	12			24
Dividends of surplus			(585)		(585)
Profit attributable to owners of parent			6,449		6,449
Reversal of revaluation reserve for land			0		0
Purchase of treasury shares				(91)	(91)
Disposal of treasury shares		25		95	121
Decrease (Increase) due to purchase of treasury shares from consolidated subsidiaries		(16)		85	69
Change in ownership interest of parent due to transactions with non-controlling interests		(4)			(4)
Net changes in items other than shareholders' equity					
Total changes during period	12	16	5,864	90	5,983
Balance at end of period	5,283	10,762	40,883	(107)	56,822

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,710	980	499	498	3,687	2	716	55,245
Changes during period								
Issuance of new shares - exercise of share acquisition rights								24
Dividends of surplus								(585)
Profit attributable to owners of parent								6,449
Reversal of revaluation reserve for land								0
Purchase of treasury shares								(91)
Disposal of treasury shares								121
Decrease (Increase) due to purchase of treasury shares from consolidated subsidiaries								69
Change in ownership interest of parent due to transactions with non-controlling interests								(4)
Net changes in items other than shareholders' equity	(265)	(0)	95	(481)	(653)	(0)	54	(599)
Total changes during period	(265)	(0)	95	(481)	(653)	(0)	54	5,384
Balance at end of period	1,444	979	594	16	3,034	2	771	60,630

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	7,892	8,053
Depreciation	2,586	2,710
Impairment loss	788	353
Amortization of negative goodwill	(19)	(19)
Increase (decrease) in allowance for doubtful accounts	(167)	(133)
Increase (decrease) in provision for bonuses	310	56
Increase (decrease) in provision for warranties for completed construction	154	(11)
Increase (decrease) in provision for loss on construction contracts	(286)	734
Increase (decrease) in provision for retirement benefits for directors (and other officers)	73	11
Increase (decrease) in other provisions	(74)	4
Increase (decrease) in retirement benefit liability	34	(622)
Interest and dividend income	(48)	(61)
Interest expenses	359	348
Share of loss (profit) of entities accounted for using equity method	(2,793)	(2,247)
Loss (gain) on sales of non-current assets	(102)	53
Loss on retirement of non-current assets	55	76
Loss on tax purpose reduction entry of non-current assets	–	1,475
Insurance claim income	(28)	(43)
Subsidy income	(305)	(1,765)
Decrease (increase) in trade receivables	1,203	(9,465)
Decrease (increase) in costs on construction contracts in progress	(371)	(1,934)
Decrease (increase) in inventories	(210)	(136)
Increase (decrease) in trade payables	2,920	5,034
Increase (decrease) in advances received on construction contracts in progress	1,633	(3,896)
Increase (decrease) in accrued consumption taxes	797	(1,118)
Other, net	(653)	(354)
Subtotal	13,748	(2,898)
Compensation for damage paid	(3)	(27)
Proceeds from insurance income	28	43
Subsidies received	241	1,761
Income taxes paid	(983)	(3,005)
Net cash provided by (used in) operating activities	13,031	(4,126)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(12)	(12)
Proceeds from withdrawal of time deposits	13	11
Purchase of property, plant and equipment	(3,632)	(2,726)
Proceeds from sales of property, plant and equipment	232	167
Purchase of intangible assets	(418)	(448)
Purchase of investment securities	(9)	(10)
Loan advances	(3)	(22)
Collection of loans receivable	3	5
Interest and dividends received	288	301
Other, net	(274)	(29)
Net cash provided by (used in) investing activities	(3,811)	(2,764)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,057)	8,507
Proceeds from long-term borrowings	4,850	4,210
Repayments of long-term borrowings	(6,278)	(5,662)
Redemption of bonds	(230)	(70)
Interest paid	(347)	(354)
Repayments of lease obligations	(548)	(446)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	207	23
Other, net	(442)	(672)
Net cash provided by (used in) financing activities	(9,847)	5,535
Effect of exchange rate change on cash and cash equivalents	16	1
Net increase (decrease) in cash and cash equivalents	(611)	(1,354)
Cash and cash equivalents at beginning of period	11,240	10,629
Cash and cash equivalents at end of period	10,629	9,275