

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

November 11, 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 Watanabe Satoru TEL 03-3915-7722
 Scheduled date to file Quarterly Securities Report: November 12, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2020	56,067	(8.1)	(1,340)	–	534	(72.6)	833	(51.1)
Six months ended September 30, 2019	61,007	9.8	726	(52.0)	1,949	(34.6)	1,705	(27.4)

Note: Comprehensive income Six months ended September 30, 2020 ¥607 million [(63.9)%]
 Six months ended September 30, 2019 ¥1,683 million [(29.6)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	141.68		141.53	
Six months ended September 30, 2019	290.74		289.81	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	142,297	60,800	42.2
As of March 31, 2020	139,093	60,630	43.0

Reference: Equity As of September 30, 2020 ¥60,029 million
 As of March 31, 2020 ¥59,856 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	–	–	–	80.00	80.00
Year ending March 31, 2021	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	–	–	–	80.00

Note: Revisions to the cash dividend forecasts most recently announced: None

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)	424.46

Note: Revisions to the consolidated earnings forecasts most recently announced: None

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2020	5,914,870 shares	As of March 31, 2020	5,914,870 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	24,970 shares	As of March 31, 2020	38,040 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	5,881,644 shares	Six months ended September 30, 2019	5,864,654 shares
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* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of forecasts of financial results, and other special matters

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the consolidated forecasts due to various factors.

We have decided to cancel the financial results presentation meeting for institutional investors and analysts, considering the health and safety of participants and related parties to be the most important, as the novel coronavirus disease is spreading. We will make further announcements regarding the distribution of materials and videos related to the financial results presentation through our website.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	9,361	13,300
Notes receivable, accounts receivable from completed construction contracts and other	55,898	50,168
Costs on construction contracts in progress	3,337	4,367
Other inventories	1,150	1,184
Other	4,916	5,522
Allowance for doubtful accounts	(4)	(5)
Total current assets	74,658	74,538
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,849	5,750
Machinery, vehicles, tools, furniture and fixtures, net	3,055	3,347
Aircraft, net	989	910
Land	14,821	14,927
Leased assets, net	1,617	1,488
Construction in progress	423	459
Total property, plant and equipment	26,757	26,884
Intangible assets	863	893
Investments and other assets		
Investment securities	2,090	2,702
Shares of subsidiaries and associates	31,571	33,813
Deferred tax assets	2,323	2,678
Other	1,355	1,315
Allowance for doubtful accounts	(527)	(527)
Total investments and other assets	36,812	39,981
Total non-current assets	64,434	67,759
Total assets	139,093	142,297

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	33,147	27,150
Short-term borrowings	11,440	15,700
Current portion of long-term borrowings	4,652	4,849
Current portion of bonds payable	5	150
Lease obligations	805	690
Income taxes payable	872	308
Advances received on construction contracts in progress	4,105	7,422
Provision for bonuses	2,189	2,181
Provision for warranties for completed construction	249	61
Provision for loss on construction contracts	1,946	2,271
Other	3,773	3,348
Total current liabilities	63,187	64,133
Non-current liabilities		
Bonds payable	100	700
Long-term borrowings	8,530	10,066
Lease obligations	916	905
Deferred tax liabilities	55	71
Deferred tax liabilities for land revaluation	1,475	1,475
Provision for retirement benefits for directors (and other officers)	482	514
Retirement benefit liability	3,242	3,295
Asset retirement obligations	288	138
Negative goodwill	131	122
Other	54	74
Total non-current liabilities	15,276	17,364
Total liabilities	78,463	81,497
Net assets		
Shareholders' equity		
Share capital	5,283	5,283
Capital surplus	10,762	10,745
Retained earnings	40,883	41,246
Treasury shares	(107)	(36)
Total shareholders' equity	56,822	57,239
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,444	1,390
Revaluation reserve for land	979	979
Foreign currency translation adjustment	594	413
Remeasurements of defined benefit plans	16	7
Total accumulated other comprehensive income	3,034	2,789
Share acquisition rights	2	2
Non-controlling interests	771	769
Total net assets	60,630	60,800
Total liabilities and net assets	139,093	142,297

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	61,007	56,067
Cost of sales	55,330	52,604
Gross profit	5,677	3,462
Selling, general and administrative expenses	4,950	4,802
Operating profit (loss)	726	(1,340)
Non-operating income		
Interest and dividend income	37	145
Rental income	72	76
Amortization of negative goodwill	10	10
Share of profit of entities accounted for using equity method	1,356	1,790
Subsidy income	58	226
Other	120	120
Total non-operating income	1,656	2,370
Non-operating expenses		
Interest expenses	136	174
Rental expenses	237	250
Other	60	71
Total non-operating expenses	434	496
Ordinary profit	1,949	534
Extraordinary income		
Subsidy income	1,401	–
Total extraordinary income	1,401	–
Extraordinary losses		
Impairment loss	–	4
Loss on tax purpose reduction entry of non-current assets	1,401	–
Total extraordinary losses	1,401	4
Profit before income taxes	1,949	529
Income taxes - current	338	161
Income taxes - deferred	(126)	(476)
Total income taxes	212	(314)
Profit	1,736	844
Profit attributable to non-controlling interests	31	11
Profit attributable to owners of parent	1,705	833

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	1,736	844
Other comprehensive income		
Valuation difference on available-for-sale securities	4	320
Remeasurements of defined benefit plans, net of tax	(72)	(17)
Share of other comprehensive income of entities accounted for using equity method	13	(539)
Total other comprehensive income	(53)	(237)
Comprehensive income	1,683	607
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,652	588
Comprehensive income attributable to non-controlling interests	31	18

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,949	529
Depreciation	1,240	1,350
Impairment loss	–	4
Amortization of negative goodwill	(9)	(9)
Increase (decrease) in allowance for doubtful accounts	(2)	0
Increase (decrease) in provision for bonuses	5	(8)
Increase (decrease) in provision for warranties for completed construction	(5)	(188)
Increase (decrease) in provision for loss on construction contracts	199	325
Increase (decrease) in other provisions	0	(8)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(11)	31
Increase (decrease) in retirement benefit liability	(40)	36
Interest and dividend income	(37)	(145)
Interest expenses	136	174
Share of loss (profit) of entities accounted for using equity method	(1,356)	(1,790)
Loss (gain) on sales of non-current assets	(48)	(16)
Loss on retirement of non-current assets	12	18
Loss on tax purpose reduction entry of non-current assets	1,401	–
Subsidy income	(1,535)	(259)
Decrease (increase) in trade receivables	(3,273)	5,729
Decrease (increase) in costs on construction contracts in progress	517	(1,031)
Decrease (increase) in inventories	(208)	(34)
Increase (decrease) in trade payables	1,747	(5,996)
Increase (decrease) in advances received on construction contracts in progress	(1,800)	3,317
Other, net	(2,789)	(136)
Subtotal	(3,909)	1,891
Compensation for damage paid	–	(3)
Proceeds from insurance income	27	166
Subsidies received	1,667	452
Income taxes paid	(2,169)	(1,076)
Net cash provided by (used in) operating activities	(4,383)	1,430

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Payments into time deposits	(11)	(10)
Proceeds from withdrawal of time deposits	10	12
Purchase of property, plant and equipment	(1,242)	(2,177)
Proceeds from sales of property, plant and equipment	163	53
Purchase of intangible assets	(273)	(183)
Purchase of investment securities	(5)	(156)
Purchase of shares of subsidiaries and associates	–	(1,220)
Loan advances	–	(1)
Collection of loans receivable	1	0
Interest and dividends received	277	385
Other, net	(26)	8
Net cash provided by (used in) investing activities	(1,106)	(3,288)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,997	4,260
Proceeds from long-term borrowings	80	4,450
Repayments of long-term borrowings	(3,065)	(2,717)
Proceeds from issuance of bonds	–	742
Redemption of bonds	(65)	(5)
Interest paid	(139)	(177)
Repayments of lease obligations	(204)	(231)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	17	–
Dividends paid	(582)	(466)
Other, net	(65)	(49)
Net cash provided by (used in) financing activities	2,972	5,803
Effect of exchange rate change on cash and cash equivalents	(5)	(5)
Net increase (decrease) in cash and cash equivalents	(2,522)	3,940
Cash and cash equivalents at beginning of period	10,629	9,275
Cash and cash equivalents at end of period	8,106	13,215