

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 10, 2021

Company name: KAWADA TECHNOLOGIES, INC
 Stock exchange listing: Tokyo
 Stock code: 3443 URL <https://www.kawada.jp/>
 Representative: President Kawada Tadahiro
 Inquiries: Managing Director and Chief Financial Officer Watanabe Satoru TEL 03-3915-7722
 Scheduled date to file Quarterly Securities Report: November 11, 2021
 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, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021 | 52,781 | – | 4,414 | – | 4,818 | – | 3,341 | – |
| Six months ended September 30, 2020 | 56,067 | (8.1) | (1,340) | – | 534 | (72.6) | 833 | (51.1) |

Note: Comprehensive income Six months ended September 30, 2021 ¥3,813 million [–%]
 Six months ended September 30, 2020 ¥607 million [(63.9)%]

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2021 | 566.78 | | – | |
| Six months ended September 30, 2020 | 141.68 | | 141.53 | |

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, each figure for the six months ended September 30, 2021, is the figure after the application of the said standard, etc., and year-on-year changes are not presented.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2021 | 137,669 | 70,357 | 50.5 |
| As of March 31, 2021 | 147,408 | 66,964 | 44.8 |

Reference: Equity As of September 30, 2021 ¥69,554 million
 As of March 31, 2021 ¥66,102 million

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, each figure as of September 30, 2021, is the figure after the application of the said standard, etc.

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, 2021 | – | – | – | 80.00 | 80.00 |
| Year ending March 31, 2022 | – | – | – | – | – |
| Year ending March 31, 2022 (Forecast) | – | – | – | 80.00 | 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, 2022 (from April 1, 2021 to March 31, 2022)

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 | 101,000 | – | 4,000 | – | 4,300 | – | 2,700 | – | 457.40 |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant revised ASBJ regulations from the beginning of the fiscal year ending March 31, 2022, the figures in the forecast of consolidated financial results presented above are the figures after the application of the said standard, etc., and year-on-year changes are not presented.

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021
(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: | Yes |
| 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, 2021 | 5,915,870 shares | As of March 31, 2021 | 5,915,870 shares |
|--------------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|---------------|----------------------|---------------|
| As of September 30, 2021 | 12,946 shares | As of March 31, 2021 | 25,153 shares |
|--------------------------|---------------|----------------------|---------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|------------------|-------------------------------------|------------------|
| Six months ended September 30, 2021 | 5,894,840 shares | Six months ended September 30, 2020 | 5,881,644 shares |
|-------------------------------------|------------------|-------------------------------------|------------------|

* 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, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,852 | 16,024 |
| Notes receivable, accounts receivable from completed construction contracts and other | 59,006 | 49,807 |
| Costs on construction contracts in progress | 3,932 | 144 |
| Other inventories | 1,071 | 1,117 |
| Other | 5,122 | 2,879 |
| Allowance for doubtful accounts | (5) | (4) |
| Total current assets | 79,980 | 69,970 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,187 | 6,231 |
| Machinery, vehicles, tools, furniture and fixtures, net | 3,104 | 3,427 |
| Aircraft, net | 821 | 761 |
| Land | 14,965 | 14,965 |
| Leased assets, net | 1,364 | 1,209 |
| Construction in progress | 301 | 174 |
| Total property, plant and equipment | 26,744 | 26,769 |
| Intangible assets | 962 | 1,056 |
| Investments and other assets | | |
| Investment securities | 2,770 | 2,807 |
| Shares of subsidiaries and associates | 34,463 | 34,749 |
| Deferred tax assets | 1,829 | 1,557 |
| Other | 671 | 772 |
| Allowance for doubtful accounts | (14) | (13) |
| Total investments and other assets | 39,720 | 39,873 |
| Total non-current assets | 67,427 | 67,698 |
| Total assets | 147,408 | 137,669 |

(Millions of yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 23,714 | 19,652 |
| Short-term borrowings | 20,789 | 10,300 |
| Current portion of long-term borrowings | 4,462 | 4,837 |
| Current portion of bonds payable | 150 | 440 |
| Lease obligations | 485 | 441 |
| Income taxes payable | 626 | 835 |
| Advances received on construction contracts in progress | 6,330 | 2,936 |
| Unearned revenue | 223 | 1,384 |
| Provision for bonuses | 2,159 | 2,033 |
| Provision for warranties for completed construction | 112 | 67 |
| Provision for loss on construction contracts | 1,936 | 1,568 |
| Other | 4,621 | 6,361 |
| Total current liabilities | 65,612 | 50,859 |
| Non-current liabilities | | |
| Bonds payable | 625 | 1,210 |
| Long-term borrowings | 8,357 | 9,447 |
| Lease obligations | 1,014 | 885 |
| Deferred tax liabilities | 87 | 96 |
| Deferred tax liabilities for land revaluation | 1,475 | 1,475 |
| Provision for retirement benefits for directors (and other officers) | 529 | 577 |
| Retirement benefit liability | 2,427 | 2,468 |
| Asset retirement obligations | 138 | 135 |
| Negative goodwill | 112 | 102 |
| Other | 63 | 52 |
| Total non-current liabilities | 14,831 | 16,452 |
| Total liabilities | 80,443 | 67,311 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,285 | 5,285 |
| Capital surplus | 10,732 | 10,772 |
| Retained earnings | 46,754 | 49,768 |
| Treasury shares | (36) | (43) |
| Total shareholders' equity | 62,736 | 65,783 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,355 | 1,598 |
| Revaluation reserve for land | 978 | 978 |
| Foreign currency translation adjustment | 415 | 542 |
| Remeasurements of defined benefit plans | 617 | 652 |
| Total accumulated other comprehensive income | 3,366 | 3,771 |
| Share acquisition rights | 1 | 1 |
| Non-controlling interests | 859 | 800 |
| Total net assets | 66,964 | 70,357 |
| Total liabilities and net assets | 147,408 | 137,669 |

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, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Net sales | 56,067 | 52,781 |
| Cost of sales | 52,604 | 43,259 |
| Gross profit | 3,462 | 9,521 |
| Selling, general and administrative expenses | 4,802 | 5,107 |
| Operating profit (loss) | (1,340) | 4,414 |
| Non-operating income | | |
| Interest and dividend income | 145 | 127 |
| Rental income | 76 | 73 |
| Amortization of negative goodwill | 10 | 10 |
| Share of profit of entities accounted for using equity method | 1,790 | 522 |
| Subsidy income | 226 | 87 |
| Other | 120 | 72 |
| Total non-operating income | 2,370 | 893 |
| Non-operating expenses | | |
| Interest expenses | 174 | 172 |
| Rental expenses | 250 | 234 |
| Other | 71 | 83 |
| Total non-operating expenses | 496 | 490 |
| Ordinary profit | 534 | 4,818 |
| Extraordinary income | | |
| Gain on extinguishment of tie-in shares | – | 18 |
| Subsidy income | – | 0 |
| Total extraordinary income | – | 18 |
| Extraordinary losses | | |
| Impairment losses | 4 | 0 |
| Loss on tax purpose reduction entry of non-current assets | – | 0 |
| Loss on valuation of investment securities | – | 67 |
| Total extraordinary losses | 4 | 68 |
| Profit before income taxes | 529 | 4,768 |
| Income taxes - current | 161 | 1,111 |
| Income taxes - deferred | (476) | 251 |
| Total income taxes | (314) | 1,363 |
| Profit | 844 | 3,405 |
| Profit attributable to non-controlling interests | 11 | 64 |
| Profit attributable to owners of parent | 833 | 3,341 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Profit | 844 | 3,405 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 320 | 93 |
| Remeasurements of defined benefit plans, net of tax | (17) | (38) |
| Share of other comprehensive income of entities accounted for using equity method | (539) | 352 |
| Total other comprehensive income | (237) | 407 |
| Comprehensive income | 607 | 3,813 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 588 | 3,746 |
| Comprehensive income attributable to non-controlling interests | 18 | 66 |

Consolidated statements of cash flows

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 529 | 4,768 |
| Depreciation | 1,350 | 1,396 |
| Impairment losses | 4 | 0 |
| Amortization of negative goodwill | (9) | (9) |
| Increase (decrease) in allowance for doubtful accounts | 0 | (1) |
| Increase (decrease) in provision for bonuses | (8) | (128) |
| Increase (decrease) in provision for warranties for completed construction | (188) | (44) |
| Increase (decrease) in provision for loss on construction contracts | 325 | (368) |
| Increase (decrease) in other provisions | (8) | (25) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 31 | 48 |
| Increase (decrease) in retirement benefit liability | 36 | 2 |
| Interest and dividend income | (145) | (127) |
| Interest expenses | 174 | 172 |
| Share of loss (profit) of entities accounted for using equity method | (1,790) | (522) |
| Loss (gain) on sale of non-current assets | (16) | (1) |
| Loss on retirement of non-current assets | 18 | 5 |
| Loss on tax purpose reduction entry of non-current assets | – | 0 |
| Subsidy income | (259) | (137) |
| Decrease (increase) in trade receivables | 5,729 | 9,260 |
| Decrease (increase) in costs on construction contracts in progress | (1,031) | 3,791 |
| Decrease (increase) in inventories | (34) | (46) |
| Increase (decrease) in trade payables | (5,996) | (4,061) |
| Increase (decrease) in advances received on construction contracts in progress | 3,125 | (3,394) |
| Other, net | 55 | 4,972 |
| Subtotal | 1,891 | 15,550 |
| Compensation for damage paid | (3) | (30) |
| Proceeds from insurance income | 166 | 23 |
| Subsidies received | 452 | 207 |
| Income taxes paid | (1,076) | (674) |
| Net cash provided by (used in) operating activities | 1,430 | 15,074 |
| Cash flows from investing activities | | |
| Payments into time deposits | (10) | (10) |
| Proceeds from withdrawal of time deposits | 12 | 10 |
| Purchase of property, plant and equipment | (2,177) | (1,190) |
| Proceeds from sale of property, plant and equipment | 53 | 2 |
| Purchase of intangible assets | (183) | (278) |
| Purchase of investment securities | (156) | (2) |
| Purchase of shares of subsidiaries and associates | (1,220) | (2) |
| Loan advances | (1) | – |
| Proceeds from collection of loans receivable | 0 | 0 |
| Interest and dividends received | 385 | 484 |
| Other, net | 8 | (90) |
| Net cash provided by (used in) investing activities | (3,288) | (1,077) |

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 4,260 | (10,489) |
| Proceeds from long-term borrowings | 4,450 | 3,850 |
| Repayments of long-term borrowings | (2,717) | (2,384) |
| Proceeds from issuance of bonds | 742 | 940 |
| Redemption of bonds | (5) | (75) |
| Interest paid | (177) | (168) |
| Repayments of lease obligations | (231) | (242) |
| Dividends paid | (466) | (468) |
| Other, net | (49) | (56) |
| Net cash provided by (used in) financing activities | 5,803 | (9,093) |
| Effect of exchange rate change on cash and cash equivalents | (5) | 1 |
| Net increase (decrease) in cash and cash equivalents | 3,940 | 4,904 |
| Cash and cash equivalents at beginning of period | 9,275 | 10,767 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | – | 265 |
| Cash and cash equivalents at end of period | 13,215 | 15,938 |