

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 11, 2022

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 14, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	50,764	(3.8)	320	(92.7)	1,109	(77.0)	579	(82.6)
Six months ended September 30, 2021	52,781	–	4,414	–	4,818	–	3,341	–

Note: Comprehensive income Six months ended September 30, 2022 ¥1,329 million [(65.1)%]
 Six months ended September 30, 2021 ¥3,813 million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	98.63		–	
Six months ended September 30, 2021	566.78		–	

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ended 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, 2022	137,514		72,527		52.0	
As of March 31, 2022	133,337		71,921		53.2	

Reference: Equity As of September 30, 2022 ¥71,567 million
 As of March 31, 2022 ¥71,001 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2022	–	–	–	100.00	100.00
Year ending March 31, 2023	–	–	–	–	–
Year ending March 31, 2023 (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, 2023 (from April 1, 2022 to March 31, 2023)

	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	116,000	11.8	2,800	(56.3)	3,500	(54.5)	2,000	(61.4)	340.33

Percentages indicate year-on-year changes

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

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(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, 2022	5,915,870 shares	As of March 31, 2022	5,915,870 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	39,167 shares	As of March 31, 2022	13,279 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, 2022	5,880,274 shares	Six months ended September 30, 2021	5,894,840 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 are scheduled to hold a financial results presentation meeting for institutional investors and analysts. The materials on financial results to be used at and the video of the meeting will be available on our website on the day of the meeting.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	13,761	14,645
Notes receivable, accounts receivable from completed construction contracts and other	48,679	48,722
Costs on construction contracts in progress	189	91
Other inventories	921	1,312
Other	2,936	3,847
Allowance for doubtful accounts	(6)	(5)
Total current assets	66,482	68,612
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,070	5,875
Machinery, vehicles, tools, furniture and fixtures, net	3,106	2,908
Aircraft, net	704	880
Land	14,958	14,958
Leased assets, net	1,067	2,903
Construction in progress	74	69
Total property, plant and equipment	25,982	27,596
Intangible assets	1,108	1,144
Investments and other assets		
Investment securities	2,343	2,577
Shares of subsidiaries and associates	35,067	34,976
Deferred tax assets	1,644	1,884
Other	724	737
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	39,764	40,159
Total non-current assets	66,854	68,901
Total assets	133,337	137,514

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	18,880	21,105
Short-term borrowings	5,717	6,600
Current portion of long-term borrowings	4,548	4,418
Current portion of bonds payable	440	640
Lease liabilities	419	643
Income taxes payable	1,114	553
Advances received on construction contracts in progress	3,508	4,170
Unearned revenue	1,820	1,612
Provision for bonuses	2,342	2,100
Provision for warranties for completed construction	178	163
Provision for loss on construction contracts	2,070	2,516
Other	5,694	2,811
Total current liabilities	46,734	47,335
Non-current liabilities		
Bonds payable	1,040	2,070
Long-term borrowings	8,138	8,196
Lease liabilities	758	2,560
Deferred tax liabilities	90	104
Deferred tax liabilities for land revaluation	1,474	1,474
Provision for retirement benefits for directors (and other officers)	565	620
Retirement benefit liability	2,331	2,365
Asset retirement obligations	132	132
Negative goodwill	93	83
Other	56	42
Total non-current liabilities	14,680	17,650
Total liabilities	61,415	64,986
Net assets		
Shareholders' equity		
Share capital	5,285	5,285
Capital surplus	10,769	10,775
Retained earnings	51,605	51,595
Treasury shares	(44)	(139)
Total shareholders' equity	67,616	67,516
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,251	1,413
Revaluation reserve for land	977	977
Foreign currency translation adjustment	620	1,164
Remeasurements of defined benefit plans	536	496
Total accumulated other comprehensive income	3,384	4,051
Share acquisition rights	1	1
Non-controlling interests	918	958
Total net assets	71,921	72,527
Total liabilities and net assets	133,337	137,514

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, 2021	Six months ended September 30, 2022
Net sales	52,781	50,764
Cost of sales	43,259	45,180
Gross profit	9,521	5,583
Selling, general and administrative expenses	5,107	5,263
Operating profit	4,414	320
Non-operating income		
Interest and dividend income	127	51
Rental income	73	73
Amortization of negative goodwill	10	10
Share of profit of entities accounted for using equity method	522	842
Subsidy income	87	158
Other	72	56
Total non-operating income	893	1,193
Non-operating expenses		
Interest expenses	172	113
Rental expenses	234	235
Other	83	55
Total non-operating expenses	490	404
Ordinary profit	4,818	1,109
Extraordinary income		
Gain on extinguishment of tie-in shares	18	–
Subsidy income	0	0
Total extraordinary income	18	0
Extraordinary losses		
Loss on extinguishment of tie-in shares	–	327
Impairment losses	0	–
Loss on tax purpose reduction entry of non-current assets	0	0
Loss on valuation of investment securities	67	–
Total extraordinary losses	68	328
Profit before income taxes	4,768	781
Income taxes - current	1,111	409
Income taxes - deferred	251	(290)
Total income taxes	1,363	118
Profit	3,405	662
Profit attributable to non-controlling interests	64	82
Profit attributable to owners of parent	3,341	579

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	3,405	662
Other comprehensive income		
Valuation difference on available-for-sale securities	93	159
Remeasurements of defined benefit plans, net of tax	(38)	(30)
Share of other comprehensive income of entities accounted for using equity method	352	537
Total other comprehensive income	407	666
Comprehensive income	3,813	1,329
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,746	1,246
Comprehensive income attributable to non-controlling interests	66	82

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	4,768	781
Depreciation	1,396	1,402
Impairment losses	0	–
Amortization of negative goodwill	(9)	(9)
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	(128)	(252)
Increase (decrease) in provision for warranties for completed construction	(44)	(20)
Increase (decrease) in provision for loss on construction contracts	(368)	445
Increase (decrease) in other provisions	(25)	0
Increase (decrease) in provision for retirement benefits for directors (and other officers)	48	(51)
Increase (decrease) in retirement benefit liability	2	2
Interest and dividend income	(127)	(51)
Interest expenses	172	113
Share of loss (profit) of entities accounted for using equity method	(522)	(842)
Loss (gain) on sale of non-current assets	(1)	(0)
Loss on retirement of non-current assets	5	2
Loss on tax purpose reduction entry of non-current assets	0	0
Subsidy income	(137)	(231)
Decrease (increase) in trade receivables	9,260	64
Decrease (increase) in costs on construction contracts in progress	3,791	98
Decrease (increase) in inventories	(46)	(390)
Increase (decrease) in trade payables	(4,061)	2,211
Increase (decrease) in advances received on construction contracts in progress	(3,394)	651
Other, net	4,972	(3,268)
Subtotal	15,550	655
Compensation paid for damage	(30)	(75)
Proceeds from insurance income	23	81
Subsidies received	207	492
Income taxes paid	(674)	(1,349)
Net cash provided by (used in) operating activities	15,074	(195)
Cash flows from investing activities		
Payments into time deposits	(10)	(10)
Proceeds from withdrawal of time deposits	10	12
Purchase of property, plant and equipment	(1,190)	(771)
Proceeds from sale of property, plant and equipment	2	8
Purchase of intangible assets	(278)	(255)
Purchase of investment securities	(2)	(2)
Purchase of shares of subsidiaries and associates	(2)	–
Proceeds from collection of loans receivable	0	0
Interest and dividends received	484	288
Other, net	(90)	30
Net cash provided by (used in) investing activities	(1,077)	(699)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(10,489)	883
Proceeds from long-term borrowings	3,850	2,400
Repayments of long-term borrowings	(2,384)	(2,470)
Proceeds from issuance of bonds	940	1,481
Redemption of bonds	(75)	(270)
Interest paid	(168)	(114)
Repayments of lease liabilities	(242)	(260)
Dividends paid	(468)	(586)
Other, net	(56)	(238)
Net cash provided by (used in) financing activities	(9,093)	822
Effect of exchange rate change on cash and cash equivalents	1	13
Net increase (decrease) in cash and cash equivalents	4,904	(58)
Cash and cash equivalents at beginning of period	10,767	13,674
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	265	944
Cash and cash equivalents at end of period	15,938	14,560