Translation

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

August 6, 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: August 10, 2021
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: No
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 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	%
Three months ended June 30, 2021	25,327	–	966	–	1,577	–	1,208	–
Three months ended June 30, 2020	30,222	12.8	369	–	1,047	–	854	–

Note: Comprehensive income Three months ended June 30, 2021 ¥1,316 million [–%]
Three months ended June 30, 2020 ¥708 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	205.23	–
Three months ended June 30, 2020	145.49	145.31

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 three months ended June 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 June 30, 2021	132,666	67,816	50.5
As of March 31, 2021	147,408	66,964	44.8

Reference: Equity As of June 30, 2021 ¥67,057 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 June 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	105,000	–	1,500	–	2,200	–	1,100	–	186.75

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

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 three months ended June 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 June 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 June 30, 2021	25,689 shares	As of March 31, 2021	25,153 shares

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

Three months ended June 30, 2021	5,890,429 shares	Three months ended June 30, 2020	5,876,454 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.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	10,852	14,968
Notes receivable, accounts receivable from completed construction contracts and other	59,006	42,986
Costs on construction contracts in progress	3,932	130
Other inventories	1,071	1,126
Other	5,122	5,724
Allowance for doubtful accounts	(5)	(5)
Total current assets	79,980	64,930
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,187	6,207
Machinery, vehicles, tools, furniture and fixtures, net	3,104	3,434
Aircraft, net	821	789
Land	14,965	14,965
Leased assets, net	1,364	1,283
Construction in progress	301	163
Total property, plant and equipment	26,744	26,843
Intangible assets	962	1,004
Investments and other assets		
Investment securities	2,770	2,605
Shares of subsidiaries and associates	34,463	35,014
Deferred tax assets	1,829	1,576
Other	671	705
Allowance for doubtful accounts	(14)	(13)
Total investments and other assets	39,720	39,887
Total non-current assets	67,427	67,735
Total assets	147,408	132,666

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	23,714	21,503
Short-term borrowings	20,789	7,100
Current portion of long-term borrowings	4,462	4,245
Current portion of bonds payable	150	150
Lease obligations	485	464
Income taxes payable	626	133
Advances received on construction contracts in progress	6,548	7,144
Provision for bonuses	2,159	1,017
Provision for warranties for completed construction	112	114
Provision for loss on construction contracts	1,936	1,739
Other	4,627	7,553
Total current liabilities	65,612	51,166
Non-current liabilities		
Bonds payable	625	550
Long-term borrowings	8,357	7,343
Lease obligations	1,014	943
Deferred tax liabilities	87	86
Deferred tax liabilities for land revaluation	1,475	1,475
Provision for retirement benefits for directors (and other officers)	529	546
Retirement benefit liability	2,427	2,435
Asset retirement obligations	138	138
Negative goodwill	112	107
Other	63	57
Total non-current liabilities	14,831	13,684
Total liabilities	80,443	64,850
Net assets		
Shareholders' equity		
Share capital	5,285	5,285
Capital surplus	10,732	10,721
Retained earnings	46,754	47,636
Treasury shares	(36)	(37)
Total shareholders' equity	62,736	63,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,355	1,458
Revaluation reserve for land	978	978
Foreign currency translation adjustment	415	415
Remeasurements of defined benefit plans	617	599
Total accumulated other comprehensive income	3,366	3,451
Share acquisition rights	1	1
Non-controlling interests	859	756
Total net assets	66,964	67,816
Total liabilities and net assets	147,408	132,666

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	30,222	25,327
Cost of sales	27,549	21,836
Gross profit	2,673	3,491
Selling, general and administrative expenses	2,303	2,524
Operating profit	369	966
Non-operating income		
Interest and dividend income	22	105
Rental income	37	36
Amortization of negative goodwill	5	5
Share of profit of entities accounted for using equity method	668	612
Subsidy income	116	87
Other	95	25
Total non-operating income	944	873
Non-operating expenses		
Interest expenses	87	102
Rental expenses	128	121
Other	50	37
Total non-operating expenses	267	262
Ordinary profit	1,047	1,577
Extraordinary income		
Gain on extinguishment of tie-in shares	–	18
Subsidy income	–	0
Total extraordinary income	–	18
Extraordinary losses		
Impairment losses	4	–
Loss on tax purpose reduction entry of non-current assets	–	0
Loss on valuation of investment securities	–	50
Total extraordinary losses	4	50
Profit before income taxes	1,043	1,545
Income taxes - current	94	36
Income taxes - deferred	97	277
Total income taxes	192	314
Profit	850	1,231
Profit (loss) attributable to non-controlling interests	(4)	22
Profit attributable to owners of parent	854	1,208

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	850	1,231
Other comprehensive income		
Valuation difference on available-for-sale securities	157	(62)
Remeasurements of defined benefit plans, net of tax	(8)	(19)
Share of other comprehensive income of entities accounted for using equity method	(290)	167
Total other comprehensive income	(141)	85
Comprehensive income	708	1,316
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	710	1,293
Comprehensive income attributable to non-controlling interests	(1)	22