



METAWATER Co., Ltd.

For Immediate Release

April 27, 2022

CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2022

[JP GAAP]

Company name	METAWATER Co., Ltd.
Stock exchanges on which the shares are listed	Prime Market of Tokyo Stock Exchange
Securities code	9551
URL	https://www.metawater.co.jp
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Scheduled date of annual meeting of shareholders	June 21, 2022
Filing date of annual securities report	June 21, 2022
Payment date of cash dividends	June 3, 2022
Supplementary information materials on annual results	Available
Annual results briefing	Held for institutional investors and analysts

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the fiscal year ended March 31, 2022

(1) Consolidated operating results

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	135,557	1.7	8,146	(25.0)	8,751	(20.8)	6,245	(4.5)
Fiscal year ended March 31, 2021	133,355	3.6	10,863	32.1	11,053	35.9	6,542	15.2

Note: Comprehensive income: Fiscal year ended March 31, 2022 6,898 million yen 29.2 %
Fiscal year ended March 31, 2021 5,338 million yen (17.3)%

	Net income per share - Basic -	Net income per share - Diluted -	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	143.39	—	11.1	6.6	6.0
Fiscal year ended March 31, 2021	150.50	—	12.7	8.8	8.1

Note: Share of profit (loss) of entities accounted for by the equity method

Fiscal year ended March 31, 2022 6 million yen
Fiscal year ended March 31, 2021 1 million yen

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net income per share above is calculated assuming that the stock split became effective as of April 1, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	133,065	59,548	44.5	1,360.03
As of March 31, 2021	131,194	53,432	40.6	1,223.53

Note: Shareholders' equity

As of March 31, 2022

59,246 million yen

As of March 31, 2021

53,266 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2022	6,635	(3,846)	(628)	20,613
Fiscal year ended March 31, 2021	10,404	(3,252)	(2,103)	18,044

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	40.00	—	20.00	—
Fiscal year ended March 31, 2022	—	20.00	—	20.00	40.00
Fiscal year ending March 31, 2023 (Forecast)	—	20.00	—	20.00	40.00

	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2021	1,739	26.6	3.4
Fiscal year ended March 31, 2022	1,742	27.9	3.1
Fiscal year ending March 31, 2023 (Forecast)		27.7	

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Dividends per share for the second and fourth quarters of the fiscal year ended March 31, 2021 are shown as the amount before and the after the stock split, respectively. The annual dividends per share for the fiscal year ended March 31, 2021 is shown as “—”.

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2023

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share - Basic -
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2023	149,000	9.9	9,300	14.2	9,300	6.3	6,300	0.9	144.62

Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2022 (Changes in specified subsidiaries that caused a change in the scope of consolidation) : No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - (a) Changes by a newly issued or amended accounting pronouncement: Yes
 - (b) Changes other than (2)-(a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatement: No
- (3) Number of shares issued and outstanding (common stock)
 - (a) Number of shares issued and outstanding at the end of the year (including treasury stock): 51,758,500 shares as of March 31, 2021 and 47,758,500 shares as of March 31, 2022.
 - (b) Number of treasury stock at the end of the year: 8,223,432 shares as of March 31, 2021 and 4,196,064 shares as of March 31, 2022.
 - (c) Average number of shares issued and outstanding for the year: 43,468,404 shares for the fiscal year ended March 31, 2021 and 43,554,126 shares for the fiscal year ended March 31, 2022.

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Number of shares issued and outstanding at the end of the year, number of treasury stock at the end of the year, and average number of shares issued and outstanding for the year above are calculated assuming that the stock split became effective as of April 1, 2020.

[For Reference]
Financial Highlights (Non-consolidated)

Highlight of non-consolidated results for the fiscal year ended March 31, 2022

(1) Non-consolidated operating results

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	102,322	(1.7)	5,794	(30.9)	6,942	(22.5)	4,801	(7.2)
Fiscal year ended March 31, 2021	104,063	0.7	8,383	45.7	8,960	46.4	5,172	18.4

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2022	110.25	—
Fiscal year ended March 31, 2021	119.00	—

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net income per share above is calculated assuming that the stock split became effective as of April 1, 2020.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	106,511	51,656	48.5	1,185.81
As of March 31, 2021	109,071	48,396	44.4	1,111.66

Note: Shareholders' equity As of March 31, 2022 51,656 million yen
As of March 31, 2021 48,396 million yen

* This report is not subject to audit performed by certified public accountants or accounting firm.

* Appropriate use of forecasts and other matters

Descriptions and statements in relation to estimates and other forward-looking projections disclosed in this document are based on judgments and assumptions using information currently available to the Company. Actual results may differ significantly from such projections due to risks of uncertainty inherent in such judgments and assumptions as well as changes in business operations and the internal and external environment of the Company. As such, the Company does not guarantee the accuracy of any forward-looking projections disclosed.

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1. Operating Results Review

(1) Operating Results Review for the Current Fiscal Year

Japanese economy during the fiscal year ended March 31, 2022 remained severe due to the effect of COVID-19 outbreak. The global economy also remained severe due to the effect of global pandemic of COVID-19, including supply chain disruption and semiconductor shortages. While there were signs of recovery, rapid depreciation of the yen against the US dollar as well as rising raw material prices associated with Russia's invasion of Ukraine which started in February 2022, posed concerns about the downside risk of the economy.

Under such circumstances, the Group established the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024), and has been making company-wide efforts to achieve the plan by focusing on the following priority measures: i) enhancement of foundation field and expansion of growth field, ii) increase in R&D investment and iii) efforts of sustainable ESG.

The operating results of the Group for the fiscal year ended March 31, 2022 are as the table below.

	Fiscal year ended March 31, 2021 (Million yen)	Fiscal year ended March 31, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	133,355	135,557	2,201	1.7
Operating income	10,863	8,146	(2,716)	(25.0)
Ordinary income	11,053	8,751	(2,302)	(20.8)
Profit attributable to owners of parent	6,542	6,245	(296)	(4.5)
Order received	159,124	152,279	(6,844)	(4.3)
Order backlog	169,307	186,029	16,722	9.9

Note:

Effective from the fiscal year ended March 31, 2022, the Group adopted the Accounting Standard for Revenue Recognition. Also, Wigen Companies, Inc. and Rood Wit Blauw Water B.V. have been consolidated to the Group's consolidated financial statements since the fiscal year ended March 31, 2021.

In the fiscal year ended March 31, 2021, cost of sales as well as selling, general and administrative expenses were reversed through the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust. Also in the fiscal year ended March 31, 2021, special bonuses were paid to employees. Their impact on the operating income for the fiscal year ended March 31, 2021 was ¥1,735 million.

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and overseas business as growth field, and Service Solutions Business Segment including O&M (note 2) as foundation field and PPP (note 3) as growth field.

Operating results by segment are as follows:

Notes:

1. EPC: Engineering, Procurement and Construction
2. O&M: Operation and Maintenance
3. PPP (Public-Private Partnership): the means for the private sector to participate in providing services to the public

(Plant Engineering Business)

The operating results of the Plant Engineering Business are as the table below.

In the EPC business, both net sales and operating income decreased year on year. In the overseas business, net sales increased year on year due to strong performance of subsidiaries in North America and Europe, while operating income decreased year on year.

	Fiscal year ended March 31, 2021 (Million yen)	Fiscal year ended March 31, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	76,462	75,079	(1,382)	(1.8)
Operating income	5,538	2,103	(3,434)	(62.0)
Operating income (Note)	4,557	2,082	(2,474)	(54.3)
Order received	92,047	89,095	(2,952)	(3.2)
Order backlog	99,025	113,041	14,015	14.2

Note:

The operating income excluding the impact of the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and the impact of special bonuses paid to employees in the fiscal year ended March 31, 2021 is shown as a reference.

(Service Solutions Business)

The operating results of the Service Solutions Business are as the table below.

In the O&M business, both net sales and operating income remained strong and increased year on year. In the PPP business as well, both net sales and operating income increased year on year.

	Fiscal year ended March 31, 2021 (Million yen)	Fiscal year ended March 31, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	56,893	60,477	3,584	6.3
Operating income	5,325	6,042	717	13.5
Operating income (Note)	4,570	6,024	1,453	31.8
Order received	67,077	63,184	(3,892)	(5.8)
Order backlog	70,281	72,988	2,707	3.9

Note:

The operating income excluding the impact of the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and the impact of special bonuses paid to employees in the fiscal year ended March 31, 2021 is shown as a reference.

(2) Financial Position Review for the Current Fiscal Year

Total assets as of March 31, 2022 increased by ¥1,871 million compared to March 31, 2021 to ¥133,065 million.

Current assets decreased by ¥310 million compared to March 31, 2021 to ¥108,939 million due to a decrease in work in process, offsetting an increase in cash and deposits.

Non-current assets increased by ¥2,181 million compared to March 31, 2021 to ¥24,125 million due to an increase in right to operate public facilities and software in process account.

Current liabilities decreased by ¥5,610 million compared to March 31, 2021 to ¥56,980 million due to a decrease in advances received, offsetting an increase in accounts payable - trade.

Non-current liabilities increased by ¥1,365 million compared to March 31, 2021 to ¥16,536 million due to an increase in PFI and other project finance loans as well as liability for retirement benefit.

Total net assets increased by ¥6,115 million compared to March 31, 2021 to ¥59,548 million due to the recognition of profit attributable to owners of parent.

(3) Cash Flow Review for the Current Fiscal Year

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2022 increased by ¥2,569 million compared to March 31, 2021 to ¥20,613 million. An analysis of the cash flows for the fiscal year ended March 31, 2022 and related commentary thereon are presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥6,635 million (¥3,768 million decrease year to year): ¥8,751 million of income before income taxes and ¥3,121 million of increase in trade receivables and contract assets, offsetting ¥5,207 million of decrease in contract liabilities and ¥4,292 million used for payment of income taxes.

(Cash flows from investing activities)

The funds used for investing activities was ¥3,846 million (¥594 million increase year to year): ¥1,206 million used for purchase of property, plant and equipment, ¥1,577 million used for purchase of intangible assets and ¥1,000 million used for purchase of right to operate public facilities.

(Cash flows from financing activities)

The funds used for financing activities was ¥628 million (¥1,475 million decrease year to year): ¥1,741 million used for payment of dividends and ¥863 million used for repayments of PFI and other project finance loans, offsetting ¥1 600 million of proceeds from PFI and other project finance loans.

(Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Shareholders' equity to total assets (%)	44.4	41.4	40.6	44.5
Shareholders' equity to total assets based on market value (%)	61.0	70.3	73.5	65.5
Interest-bearing debt to cash flows (%)	220.2	355.6	112.2	187.0
Interest coverage ratio	28.5	18.5	67.7	41.8

Shareholders' equity to total assets: Shareholders' equity / Total assets

Shareholders' equity to total assets based on market value: Total market value of equity / Total assets

Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payment

Notes:

1. These indexes are calculated based on the consolidated financial data.
2. Cash flows represent cash flows from operating activities.
3. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheet that pay interest.

(4) Future Forecast

Japanese economy for the fiscal year ending March 31, 2023 is expected to recover, as economic and social activities are heading toward normalization with all possible measures against COVID-19 taken, along with the effect of various policies and improvements in overseas economies. The global economy is uncertain due to the Ukraine situation, and close attention needs to be paid to the downside risk of the economy caused by the exchange rate fluctuations, rising raw material prices and prolonged semiconductor shortages.

Severe condition of the market for domestic water and sewage business, which is the Group's core business, is expected to continue due to steep rise of raw material costs and labor costs, despite the steady growth of public investments. However, business environment is expected to improve through the efforts based on the national resilience plan and further progress of public-private partnerships, which are aimed at addressing aging facilities and equipment and natural disasters.

Under such conditions, the Group's order backlog as of March 31, 2022 grew steadily, which is expected to contribute to sales in the following years. Moreover, we will continue to make efforts for streamlining of operations and cost reduction initiatives in order to enhance profitability, and will promote recruitment of human resources for future growth and R&D investments. Consequently, the consolidated results for the fiscal year ending March 31, 2023 are forecasted as follows.

Due to the nature of the business, sales of the Group to Japanese government agencies and local governments tend to be concentrated in the fourth quarter. We assume that this trend will continue in the next fiscal year.

	Fiscal year ended March 31, 2022 (Million yen)	Fiscal year ending March 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	135,557	149,000	13,442	9.9
Operating income	8,146	9,300	1,153	14.2
Ordinary income	8,751	9,300	548	6.3
Profit attributable to owners of parent	6,245	6,300	54	0.9

2. Basic Approach to the Selection of Accounting Standards

The Group currently operates in Japan and hence, continues to apply Japanese Accounting Standards. However, we will consider adopting IFRS (International Financial Reporting Standards) based on the proportion of foreign shareholders, and the adoption trend of other domestic companies.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	18,777	21,290
Notes and accounts receivable - trade	78,398	—
Notes and accounts receivable - trade, and contract assets	—	77,364
Work in process	3,209	1,721
Supplies	5,750	6,225
Other current assets	3,114	2,337
Total current assets	109,250	108,939
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,616	1,864
Machinery and equipment, net	1,259	1,149
Tools, furniture and fixtures, net	776	652
Construction in progress	81	238
Other property, plant and equipment, net	568	643
Total property, plant and equipment	4,302	4,548
Intangible assets		
Software	499	743
Software in progress	302	1,112
Goodwill	2,421	2,406
Customer-related assets	4,125	4,239
Right to operate public facilities	—	1,000
Other intangible assets	1,032	987
Total intangible assets	8,380	10,489
Investments and other assets		
Investment securities	1,550	1,846
Long-term loans receivable	163	148
Guarantee deposits	1,577	1,234
Assets for retirement benefits	3,185	2,946
Deferred tax assets - non-current	2,708	2,769
Other non-current assets	75	143
Total investments and other assets	9,260	9,087
Total non-current assets	21,944	24,125
Total assets	131,194	133,065

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	20,585	23,829
Electronically recorded obligations	10,903	10,682
Short-term loans payable	540	903
Current portion of PFI and other project finance loans	863	875
Income taxes payable	3,959	2,759
Advances received	12,664	—
Contract liabilities	—	7,509
Provision for warranties for completed construction	1,588	1,246
Provision for loss on construction contracts	871	919
Other current liabilities	10,613	8,255
Total current liabilities	62,590	56,980
Non-current liabilities		
Long-term loans payable	1,287	917
PFI and other project finance loans	8,986	9,711
Liability for retirement benefit	3,819	4,107
Other non-current liabilities	1,077	1,799
Total non-current liabilities	15,170	16,536
Total liabilities	77,761	73,516
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	14,999	9,406
Retained earnings	42,725	46,380
Treasury stock	(13,988)	(7,137)
Total shareholders' equity	55,683	60,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70	66
Deferred gains or losses on hedges	—	(35)
Foreign currency translation adjustment	(1,160)	(169)
Remeasurements of defined benefit plans	(1,327)	(1,210)
Total accumulated other comprehensive income	(2,417)	(1,349)
Non-controlling interests	166	302
Total net assets	53,432	59,548
Total liabilities and net assets	131,194	133,065

(2) Consolidated Statement of Income and Statement of Comprehensive Income

Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	133,355	135,557
Cost of sales	103,736	107,065
Gross profit	29,619	28,491
Selling, general and administrative expenses	18,755	20,344
Operating income	10,863	8,146
Non-operating income		
Interest income	154	141
Dividends income	48	68
Foreign exchange gain	56	599
Gain on step acquisitions	82	—
Gain on liquidation of subsidiaries and affiliates	174	—
Miscellaneous income	36	142
Total non-operating income	552	951
Non-operating expenses		
Interest expenses	153	158
Loss on valuation of investment securities	104	—
Loss on disposal of non-current assets	76	84
Commission for syndicated loans	—	91
Miscellaneous loss	26	12
Total non-operating expenses	362	347
Ordinary income	11,053	8,751
Income before income taxes	11,053	8,751
Income taxes - current	4,228	3,071
Income taxes - deferred	264	(217)
Total income taxes	4,492	2,853
Net income	6,560	5,897
Profit (loss) attributable to non-controlling interests	18	(347)
Profit attributable to owners of parent	6,542	6,245

(2) Consolidated Statement of Income and Statement of Comprehensive Income (continued)

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income	6,560	5,897
Other comprehensive income		
Valuation difference on available-for-sale securities	16	(4)
Deferred gains or losses on hedges	—	(102)
Foreign currency translation adjustment	(793)	990
Remeasurements of defined benefit plans	(445)	117
Total other comprehensive income	(1,222)	1,000
Comprehensive income	5,338	6,898
(Details)		
Comprehensive income attributable to owners of the parent	5,320	7,312
Comprehensive income attributable to non-controlling interests	18	(414)

(3) Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal year ended March 31, 2021				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	11,946	15,080	37,900	(14,289)	50,638
Changes during the year					
Dividends from surplus			(1,737)		(1,737)
Profit attributable to owners of parent			6,542		6,542
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		69		150	219
Cancellation of treasury stock		(150)		150	—
Increase in retained earnings due to change in the scope of consolidation			20		20
Changes in other equity, net					
Total changes during the year	—	(81)	4,825	300	5,044
Balance at March 31, 2021	11,946	14,999	42,725	(13,988)	55,683

(3) Consolidated Statement of Changes in Shareholders' Equity (continued)

(Millions of yen)

	Fiscal year ended March 31, 2021						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2020	54	—	(366)	(882)	(1,194)	148	49,592
Changes during the year							
Dividends from surplus							(1,737)
Profit attributable to owners of parent							6,542
Purchase of treasury stock							(0)
Disposal of treasury stock							219
Cancellation of treasury stock							—
Increase in retained earnings due to change in the scope of consolidation							20
Changes in other equity, net	16	—	(793)	(445)	(1,222)	17	(1,204)
Total changes during the year	16	—	(793)	(445)	(1,222)	17	3,840
Balance at March 31, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,432

(3) Consolidated Statement of Changes in Shareholders' Equity (continued)

(Millions of yen)

	Fiscal year ended March 31, 2022				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	11,946	14,999	42,725	(13,988)	55,683
Cumulative effects of changes in accounting policies			207		207
Restated balance at April 1, 2021	11,946	14,999	42,933	(13,988)	55,891
Changes during the year					
Dividends from surplus			(1,741)		(1,741)
Profit attributable to owners of parent			6,245		6,245
Purchase of treasury stock				(0)	(0)
Cancellation of treasury stock		(5,603)	(1,200)	6,804	—
Restricted stock compensation		10		46	56
Net increase/decrease by merger with unconsolidated subsidiaries			144		144
Changes in other equity, net					
Total changes during the year	—	(5,593)	3,447	6,850	4,704
Balance at March 31, 2022	11,946	9,406	46,380	(7,137)	60,595

(3) Consolidated Statement of Changes in Shareholders' Equity (continued)

(Millions of yen)

	Fiscal year ended March 31, 2022						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,432
Cumulative effects of changes in accounting policies							207
Restated balance at April 1, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,640
Changes during the year							
Dividends from surplus							(1,741)
Profit attributable to owners of parent							6,245
Purchase of treasury stock							(0)
Cancellation of treasury stock							—
Restricted stock compensation							56
Net increase/decrease by merger with unconsolidated subsidiaries							144
Changes in other equity, net	(4)	(35)	990	117	1,067	135	1,203
Total changes during the year	(4)	(35)	990	117	1,067	135	5,908
Balance at March 31, 2022	66	(35)	(169)	(1,210)	(1,349)	302	59,548

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	11,053	8,751
Depreciation	1,247	1,469
Amortization of goodwill	193	242
Increase/(decrease) in liabilities for retirement benefits	(2)	134
(Increase)/decrease in assets for retirement benefits	79	81
Increase/(decrease) in provision for warranties for completed construction	274	(394)
Increase/(decrease) in provision for loss on construction contracts	291	48
Interest income and dividends income	(203)	(210)
Interest expenses	153	158
Foreign exchange (gain)/loss	(56)	(599)
(Gain)/loss on step acquisition	(82)	—
(Gain)/loss on liquidation of subsidiaries and affiliates	(174)	—
Loss on disposal of property, plant and equipment	76	84
(Gain)/loss on valuation of investment securities	109	—
(Increase)/decrease in trade receivables	111	—
(Increase)/decrease in trade receivables and contract assets	—	3,121
(Increase)/decrease in inventory	(717)	276
Increase/(decrease) in trade payables	(821)	2,252
Increase/(decrease) in advances received	3,597	—
Increase/(decrease) in contract liabilities	—	(5,207)
Other cash flows from operating activities	(2,240)	671
Subtotal	12,890	10,879
Interest and dividends income received	203	210
Interest expenses paid	(161)	(161)
Income taxes paid	(2,527)	(4,292)
Cash flows from operating activities	10,404	6,635

(4) Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Net (increase)/decrease in time deposits	36	56
Purchase of property, plant and equipment	(735)	(1,206)
Purchase of intangible assets	30	(1,577)
Purchase of right to operate public facilities	—	(1,000)
Purchase of investment securities	(293)	(445)
Acquisition of newly consolidated subsidiaries	(2,564)	—
Liquidation of subsidiaries and affiliates	330	—
Payments of loans receivable	(9)	(33)
Collection of loans receivable	24	48
Other cash flows from investing activities	(72)	310
Cash flows from investing activities	(3,252)	(3,846)

(4) Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Proceeds from short-term loan payable	258	381
Repayments of short-term loans payable	(283)	(577)
Proceeds from PFI and other project finance loans	—	1,600
Repayments of PFI and other project finance loans	(855)	(863)
Disposal of treasury stock	219	—
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,737)	(1,741)
Proceeds from share issuance to non-controlling shareholders	—	520
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	295	54
Cash flows from financing activities	(2,103)	(628)
Effect of exchange rate change on cash and cash equivalents	119	224
Increase/(decrease) in cash and cash equivalents	5,168	2,385
Cash and cash equivalents at April 1	12,876	18,044
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	183
Cash and cash equivalents at March 31	18,044	20,613

(5) Notes to the Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition)

As of April 1, 2021, the Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020) (hereinafter referred to as “ASBJ Statement No. 29”) and other related standards. ASBJ Statement No. 29 requires the Group to recognize the revenue at an amount the Group is expected to receive in exchange for the goods or services when they transfer to the customer.

The Group previously adopted the percentage of completion method when the outcome of the work performed related to the construction contract is deemed certain. As a result of adopting ASBJ Statement No. 29, when the Group transfers control of the goods or services to the customer over time, it recognizes the revenue over time as it satisfies the performance obligation to transfer the goods or services to the customer. The stage of completion related to the satisfaction of the Group’s performance obligation is determined by the percentage of the contract costs incurred to the end of each reporting period relative to the total contract costs. If the Group cannot reasonably estimate the stage of completion related to the satisfaction of the Group’s performance obligation, but expects to collect the costs incurred, the Group recognizes the revenue by the cost recovery method.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of ASBJ Statement No. 29, the Group adopted ASBJ Statement No. 29 and other related standards as of April 1, 2021, with the cumulative effects of retrospectively adopting ASBJ Statement No. 29 prior to April 1, 2021 being reflected on the retained earnings as of April 1, 2021. Also, in accordance with Paragraph 86 of ASBJ Statement No. 29, the Group does not retrospectively adopt ASBJ Statement No. 29 to the contracts for which substantially all revenue was previously recognized before April 1, 2021 according to the previous standard.

As a result, net sales and cost of sales for the fiscal year ended March 31, 2022 increased by ¥ 247 million and ¥308 million, respectively. The Operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2022 decreased by ¥ 60 million, respectively. Retained earnings as of April 1, 2021 increased by ¥207 million. The effect on per share information is described in the relevant part of this report.

As a result of adopting ASBJ Statement No. 29, “Notes and accounts receivable - trade” in “Current assets” on the balance sheet as of March 31, 2021 is included in “Notes and accounts receivable - trade, and contract assets” as of March 31, 2022. “Advances received” in “Current liabilities” as of March 31, 2021 is included in “Contract liabilities” as of March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 89-2 of ASBJ Statement No. 29, no reclassification has been made for the fiscal year ended March 31, 2021 related to the presentation method of ASBJ Statement No. 29.

(Application of Accounting Standard for Fair Value Measurement)

As of April 1, 2021, the Group adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) (hereinafter referred to as “ASBJ Statement No. 30”) and other related standards. In accordance with the transitional treatment prescribed in Paragraph 19 of ASBJ Statement No. 30 and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019), the Group adopted ASBJ Statement No. 30 and other related standards prospectively. This has no impact on the consolidated financial statements of the Group for the fiscal year ended March 31, 2022.

Segment Information

1. Outline of reportable segments

The Company's segments represent components of the Group for which separate financial information is available and that are subject to periodical review by the board of directors in determining how to allocate operating resources and evaluating performance.

The Company has established business headquarters by its products and services at the corporate office, each of which operates under comprehensive domestic and overseas strategies developed for its products and services.

Therefore, the Group basically consists of two reportable segments: "Plant Engineering" and "Service Solutions", which are based on the Company's business divisions in consideration of similarities of types and natures of products and services. "Plant Engineering" segment is primarily involved in design and construction of water and sewage treatment plants. "Service Solutions" segment is primarily involved in operation, control and repair of water and sewage treatment plant facilities.

2. Determination of sales, income or loss, assets, liabilities and other items by reportable segment

Accounting treatment applied to the business segments reported is generally consistent with accounting treatment applied to prepare consolidated financial statements.

In addition, segment income is determined based on operating income, which is consistent with operating income for the consolidated statement of income.

3. Sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	76,462	56,893	133,355	—	133,355
Inter-segment transactions and transfers	—	—	—	—	—
Total	76,462	56,893	133,355	—	133,355
Segment income	5,538	5,325	10,863	—	10,863

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	75,079	60,477	135,557	—	135,557
Inter-segment transactions and transfers	—	—	—	—	—
Total	75,079	60,477	135,557	—	135,557
Segment income	2,103	6,042	8,146	—	8,146

Per Share Information

(Yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	1,223.53	1,360.03
Net income per share	150.50	143.39

Notes:

1. Diluted net income per share is not presented as there are no diluted shares.
2. The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net assets per share and net income per share above are calculated assuming that the stock split became effective as of April 1, 2020.
3. Net income per share is calculated on the following basis.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income per share		
Profit attributable to owners of parent	6,542	6,245
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	6,542	6,245
Average number of shares outstanding during the year (number of shares)	43,468,404	43,554,126

4. As described in the “Changes in Accounting Policies”, the Group adopted the “Accounting Standard for Revenue Recognition” and other related standards. As a result, net assets per share increased by ¥ 3.80 and net income per share decreased by ¥ 0.97 for the fiscal year ended March 31, 2022.

Significant Subsequent Events

(Capital increase of a subsidiary)

On April 11, 2022, the Group completed its payment for the capital increase of K.K. Mizumusubi Management Miyagi, a consolidated subsidiary of the Company, based on the resolution of the Company’s Board of Directors on April 27, 2021.

1. Purpose of capital increase

The purpose is for K.K. Mizumusubi Management Miyagi to raise funds for its investments and to stable its financial base by increasing its equity capital.

2. Overview of the company

(1) Name: K.K. Mizumusubi Management Miyagi

(2) Address: 27-21 Tachi-machi, Aoba-ku, Sendai, Miyagi

(3) Representative: Masashi Sakai, President and Representative Director

(4) Business: As an operation and maintenance company for the Miyagi Prefecture integrated water supply, industrial waterworks, and sewerage public-private partnership management project, K.K. Mizumusubi Management Miyagi operates and maintains nine businesses in three fields: two water supply businesses, three industrial waterworks businesses and four sewerage businesses.

(5) Capital stock before capital increase: ¥400 million
Legal capital surplus before capital increase: ¥400 million

(6) Establishment date: May 2021

(7) Investment ratio before capital increase: 35.0%

3. Outline of capital increase

(1) Capital stock after capital increase: ¥1,009 million
Legal capital surplus after capital increase: ¥1,009 million

(2) Payment by the Group: ¥426 million

(3) Payment date: April 11, 2022

(4) Investment ratio after capital increase: 35.0%

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