



METAWATER Co., Ltd.

For Immediate Release

July 27, 2022

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2022 (Unaudited)

[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
Representative	Kenji Yamaguchi President and Representative Director
Contact person	Masayuki Nakagawa Executive Officer Executive General Manager of Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	August 9, 2022
Payment date of cash dividends	—
Supplementary information materials on quarterly results	Available
Quarterly results briefing	Will not be held

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the three months ended June 30, 2022

(1) Consolidated operating results (year-to-date)

(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	%
Three months ended June 30, 2022	19,918	25.0	(1,932)	—	(1,142)	—	(951)	—
Three months ended June 30, 2021	15,934	12.3	(2,828)	—	(2,697)	—	(2,078)	—

Note: Comprehensive income: Three months ended June 30, 2022 (270) million yen — %
Three months ended June 30, 2021 (1,083) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2022	(21.85)	—
Three months ended June 30, 2021	(47.73)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2022	129,182	59,197	44.9
As of March 31, 2022	133,065	59,548	44.5

Note: Shareholders' equity: As of June 30, 2022 57,987 million yen
As of March 31, 2022 59,246 million yen

2. Dividends

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

Note: Revision of forecast for dividends from the latest announcement: No

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

Note: Revision of forecast for operating results from the latest announcement: No

Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (Changes in specified subsidiaries that caused a change in the scope of consolidation): No
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: Yes
- (3) 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 (3)-(a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatement: No
- (4) Number of shares issued and outstanding (common stock)
 - (a) Number of shares issued and outstanding at the end of the period (including treasury stock): 47,758,500 shares as of March 31, 2022 and 47,758,500 shares as of June 30, 2022.
 - (b) Number of treasury stock at the end of the period: 4,196,064 shares as of March 31, 2022 and 4,196,064 shares as of June 30, 2022.
 - (c) Average number of shares issued and outstanding for the period: 43,535,068 shares for the three months ended June 30, 2021 and 43,562,436 shares for the three months ended June 30, 2022.

* This quarterly report is not subject to the quarterly review 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. Qualitative Information Regarding Consolidated Results for the Three Months Ended June 30, 2022

(1) Explanation of Operating Results

Japanese economy during the three months ended June 30, 2022 showed signs of recovery, as the severe situation due to the effect of COVID-19 eased and the economic and social activities have gradually normalized. The global economy also continued to recover. Meanwhile, there are concerns about downside risks to the economy, including rising raw material prices, disruption of supply chain and the shortage of semiconductors due to rapid depreciation of Japanese Yen, prolonged situation in Ukraine and re-spreading COVID-19 in China.

Under such circumstances, the Group continues to make company-wide efforts to achieve the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024), 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 three months ended June 30, 2022 are as the table below.

Both net sales and operating income increased year on year, as a result of steady growth in the EPC business and the North American subsidiaries in the overseas business, as well as the consolidation of K.K. Mizumusubi Management Miyagi in the PPP business. Ordinary income includes the ¥664 million of foreign exchange gain due to depreciation of Japanese Yen.

Our business consists mostly of the domestic public work projects for government agencies, which are typically developed and completed intensively in the fourth quarter. As a result, operating results for the first three months tend to be low, and this fiscal year is no exception.

	Three months ended June 30, 2021 (Million yen)	Three months ended June 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	15,934	19,918	3,983	25.0
Operating income	(2,828)	(1,932)	895	—
Ordinary income	(2,697)	(1,142)	1,555	—
Profit attributable to owners of parent	(2,078)	(951)	1,126	—
Order received	37,969	38,180	211	0.6
Order backlog	191,045	204,292	13,246	6.9

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 showed steady growth, increasing year on year. In the international business, both net sales and operating income increased year on year, mainly as a result of steady performance of North American subsidiaries.

	Three months ended June 30, 2021 (Million yen)	Three months ended June 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	10,167	12,325	2,157	21.2
Operating income	(1,623)	(864)	758	—
Order received	16,368	14,063	(2,304)	(14.1)
Order backlog	104,930	114,779	9,848	9.4

(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 slightly decreased year on year. In the PPP business, both net sales and operating income increased year on year, as a result of the consolidation of K.K. Mizumusubi Management Miyagi.

	Three months ended June 30, 2021 (Million yen)	Three months ended June 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	5,767	7,592	1,825	31.7
Operating income	(1,204)	(1,068)	136	—
Order received	21,601	24,116	2,515	11.6
Order backlog	86,115	89,512	3,397	3.9

(2) Explanation of Financial Position

Total assets as of June 30, 2022 decreased by ¥3,882 million compared to March 31, 2022 to ¥129,182 million.

Current assets decreased by ¥4,623 million compared to March 31, 2022 to ¥104,315 million due to a decrease in accounts receivable - trade, offsetting an increase in cash and deposits as well as work in process.

Non-current assets increased by ¥741 million compared to March 31, 2022 to ¥24,866 million due to an increase in buildings and structures, and software.

Current liabilities decreased by ¥5,506 million compared to March 31, 2022 to ¥51,473 million due to a decrease in accounts payable - trade, offsetting an increase in electronically recorded obligations and contract liabilities.

Non-current liabilities increased by ¥1,974 million compared to March 31, 2022 to ¥18,511 million due to an increase in PFI and other project finance loans.

Total net assets decreased by ¥351 million compared to March 31, 2022 to ¥59,197 million due to the recognition of loss attributable to owners of parent and payment of dividends.

(3) Explanation of Consolidated Business Forecast

There is no change in the forecast for the fiscal year ending March 31, 2023 announced on April 27, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	21,290	49,044
Notes and accounts receivable - trade, and contract assets	77,364	41,260
Work in process	1,721	4,158
Supplies	6,225	6,597
Other current assets	2,337	3,254
Total current assets	108,939	104,315
Non-current assets		
Property, plant and equipment	4,548	4,824
Intangible assets		
Goodwill	2,406	2,489
Customer-related assets	4,239	4,418
Right to operate public facilities	1,000	987
Other	2,843	3,008
Total intangible assets	10,489	10,903
Investments and other assets	9,087	9,138
Total non-current assets	24,125	24,866
Total assets	133,065	129,182

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	23,829	8,789
Electronically recorded obligations	10,682	17,244
Short-term loans payable	903	1,097
Current portion of PFI and other project finance loans	875	880
Income taxes payable	2,759	208
Contract liabilities	7,509	14,970
Provision for warranties for completed construction	1,246	1,179
Provision for loss on construction contracts	919	896
Other current liabilities	8,255	6,205
Total current liabilities	56,980	51,473
Non-current liabilities		
Long-term loans payable	917	1,025
PFI and other project finance loans	9,711	11,617
Liability for retirement benefit	4,107	4,150
Other non-current liabilities	1,799	1,718
Total non-current liabilities	16,536	18,511
Total liabilities	73,516	69,985
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,406	9,406
Retained earnings	46,380	44,557
Treasury stock	(7,137)	(7,137)
Total shareholders' equity	60,595	58,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66	65
Deferred gains or losses on hedges	(35)	(3)
Foreign currency translation adjustment	(169)	285
Remeasurements of defined benefit plans	(1,210)	(1,133)
Total accumulated other comprehensive income	(1,349)	(785)
Non-controlling interests	302	1,209
Total net assets	59,548	59,197
Total liabilities and net assets	133,065	129,182

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

Quarterly Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	15,934	19,918
Cost of sales	14,343	17,119
Gross profit	1,591	2,798
Selling, general and administrative expenses	4,419	4,731
Operating loss	(2,828)	(1,932)
Non-operating income		
Interest income	36	33
Dividends income	57	58
Share of profit of entities accounted for using equity method	—	86
Foreign exchange gain	35	664
Miscellaneous income	44	1
Total non-operating income	173	844
Non-operating expenses		
Interest expenses	41	50
Loss on disposal of non-current assets	0	0
Miscellaneous loss	1	3
Total non-operating expenses	43	54
Ordinary loss	(2,697)	(1,142)
Loss before income taxes	(2,697)	(1,142)
Income taxes	(608)	(248)
Net loss	(2,089)	(894)
Profit (loss) attributable to non-controlling interests	(11)	57
Loss attributable to owners of parent	(2,078)	(951)

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

Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net loss	(2,089)	(894)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	—	92
Foreign currency translation adjustment	914	455
Remeasurements of defined benefit plans	92	77
Total other comprehensive income	1,006	624
Comprehensive income	(1,083)	(270)
(Details)		
Comprehensive income attributable to owners of parent	(1,071)	(387)
Comprehensive income attributable to non-controlling interests	(11)	117

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Notes on Significant Changes in Shareholders' Equity

No items to report.

Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the three months ended June 30, 2022 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

Changes in Accounting Policies

As of April 1, 2022, the Group adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on June 17, 2021) (hereinafter referred to as “ASBJ Guidance No. 31”). In accordance with the transitional treatment prescribed in Paragraph 27-2 of ASBJ Guidance No. 31, the Group adopted ASBJ Guidance No. 31 prospectively. This has no impact on the quarterly consolidated financial statements of the Group.

Segment Information

Net sales and income or loss by reportable segment for the three months ended June 30, 2021

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	10,167	5,767	15,934	—	15,934
Inter-segment transactions and transfers	—	—	—	—	—
Total	10,167	5,767	15,934	—	15,934
Segment loss	(1,623)	(1,204)	(2,828)	—	(2,828)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

Net sales and income or loss by reportable segment for the three months ended June 30, 2022

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	12,325	7,592	19,918	—	19,918
Inter-segment transactions and transfers	—	—	—	—	—
Total	12,325	7,592	19,918	—	19,918
Segment loss	(864)	(1,068)	(1,932)	—	(1,932)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

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