



METAWATER Co., Ltd.

For Immediate Release

October 28, 2022

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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
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Filing date of quarterly securities report	November 10, 2022
Payment date of cash dividends	December 2, 2022
Supplementary information materials on quarterly results	Available
Quarterly results briefing	Held for institutional investors and analysts

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the six months ended September 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	%
Six months ended September 30, 2022	46,730	18.4	(2,984)	—	(1,919)	—	(1,587)	—
Six months ended September 30, 2021	39,482	16.2	(3,209)	—	(3,082)	—	(2,391)	—

Note: Comprehensive income: Six months ended September 30, 2022 776 million yen — %
Six months ended September 30, 2021 (1,369) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Six months ended September 30, 2022	(36.44)	—
Six months ended September 30, 2021	(54.93)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of September 30, 2022	120,457	60,296	49.0
As of March 31, 2022	133,065	59,548	44.5

Note: Shareholders' equity: As of September 30, 2022 59,010 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	—	20.00			
Fiscal year ending March 31, 2023 (Forecast)			—	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	144.53

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

Notes:

- (1) Changes in significant subsidiaries during the six months ended September 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 September 30, 2022.
 - (b) Number of treasury stock at the end of the period: 4,196,064 shares as of March 31, 2022 and 4,168,064 shares as of September 30, 2022.
 - (c) Average number of shares issued and outstanding for the period: 43,545,848 shares for the six months ended September 30, 2021 and 43,573,605 shares for the six months ended September 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.

Contents of Appendix

1. Qualitative Information Regarding Consolidated Results for the Six Months Ended September 30, 2022	5
(1) Explanation of Operating Results	5
(2) Explanation of Financial Position	6
(3) Explanation of Consolidated Business Forecast	7
2. Quarterly Consolidated Financial Statements and Major Notes.....	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	10
(3) Quarterly Consolidated Statement of Cash Flows	12
(4) Notes to Quarterly Consolidated Financial Statements	15
Notes on Going Concern Assumption	15
Notes on Significant Changes in Shareholders' Equity	15
Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements	15
Changes in Accounting Policies	15
Segment Information.....	16

1. Qualitative Information Regarding Consolidated Results for the Six Months Ended September 30, 2022

(1) Explanation of Operating Results

Japanese economy during the six months ended September 30, 2022 showed signs of modest 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 modestly. 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 economic slowdown 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 six months ended September 30, 2022 are as the table below.

Both net sales and operating income increased year on year, as a result of steady growth of 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 ¥997 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 six months tend to be low, and this fiscal year is no exception.

	Six months ended September 30, 2021 (Million yen)	Six months ended September 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	39,482	46,730	7,248	18.4
Operating income	(3,209)	(2,984)	224	—
Ordinary income	(3,082)	(1,919)	1,163	—
Profit attributable to owners of parent	(2,391)	(1,587)	804	—
Order received	66,106	85,281	19,174	29.0
Order backlog	195,931	224,580	28,649	14.6

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, net sales increased year on year, while operating income decreased year on year due to the difference in gross profit margins for certain large projects. 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.

	Six months ended September 30, 2021 (Million yen)	Six months ended September 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	24,160	28,684	4,523	18.7
Operating income	(2,339)	(1,774)	565	—
Order received	32,510	46,463	13,953	42.9
Order backlog	107,375	130,820	23,445	21.8

(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 decreased year on year mainly due to lower sales year on year in the resource recycling sector. 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.

	Six months ended September 30, 2021 (Million yen)	Six months ended September 30, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	15,321	18,046	2,725	17.8
Operating income	(869)	(1,210)	(340)	—
Order received	33,596	38,817	5,221	15.5
Order backlog	88,556	93,759	5,203	5.9

(2) Explanation of Financial Position

Total assets as of September 30, 2022 decreased by ¥12,607 million compared to March 31, 2022 to ¥120,457 million.

Current assets decreased by ¥14,854 million compared to March 31, 2022 to ¥94,085 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 ¥2,246 million compared to March 31, 2022 to ¥26,372 million due to an increase in buildings and structures, and customer-related assets as a result of foreign exchange effect.

Current liabilities decreased by ¥15,284 million compared to March 31, 2022 to ¥41,695 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities increased by ¥1,928 million compared to March 31, 2022 to ¥18,464 million due to an increase in PFI and other project finance loans.

Total net assets increased by ¥748 million compared to March 31, 2022 to ¥60,296 million due to an increase in foreign currency translation adjustment, offsetting a decrease due to the recognition of loss attributable to owners of parent and payment of dividends.

The balance of cash and cash equivalents (hereinafter the “funds”) as of September 30, 2022 increased by ¥11,270 million compared to March 31, 2022 to ¥31,884 million. An analysis of the cash flows for the six months ended September 30, 2022 and related commentary thereon are

presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥10,340 million (¥2,258 million decrease year to year): ¥ 35,303 million of decrease in trade receivables and contract assets, offsetting ¥1,919 million of loss before income taxes, ¥2,497 million used for payment of income taxes and ¥21,572 million of decrease in trade payables.

(Cash flows from investing activities)

The funds used for investing activities was ¥1,364 million (¥1,016 million increase year to year): ¥703 million used for purchase of property, plant and equipment, and ¥629 million used for purchase of intangible assets.

(Cash flows from financing activities)

The funds generated by financing activities was ¥1,658 million (¥3,055 million increase year to year): ¥2,300 million of proceeds from PFI and other project finance loans, offsetting ¥871 million used for 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	21,290	32,523
Notes and accounts receivable - trade, and contract assets	77,364	43,267
Work in process	1,721	6,931
Supplies	6,225	6,838
Other current assets	2,337	4,524
Total current assets	108,939	94,085
Non-current assets		
Property, plant and equipment	4,548	5,450
Intangible assets		
Goodwill	2,406	2,680
Customer-related assets	4,239	4,825
Right to operate public facilities	1,000	975
Other	2,843	3,373
Total intangible assets	10,489	11,854
Investments and other assets	9,087	9,066
Total non-current assets	24,125	26,372
Total assets	133,065	120,457

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	23,829	9,144
Electronically recorded obligations	10,682	5,255
Short-term loans payable	903	1,113
Current portion of PFI and other project finance loans	875	882
Income taxes payable	2,759	432
Contract liabilities	7,509	15,729
Provision for warranties for completed construction	1,246	1,249
Provision for loss on construction contracts	919	859
Other current liabilities	8,255	7,027
Total current liabilities	56,980	41,695
Non-current liabilities		
Long-term loans payable	917	905
PFI and other project finance loans	9,711	11,567
Liability for retirement benefit	4,107	4,198
Other non-current liabilities	1,799	1,793
Total non-current liabilities	16,536	18,464
Total liabilities	73,516	60,160
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,406	9,411
Retained earnings	46,380	43,921
Treasury stock	(7,137)	(7,089)
Total shareholders' equity	60,595	58,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66	63
Deferred gains or losses on hedges	(35)	2
Foreign currency translation adjustment	(169)	1,809
Remeasurements of defined benefit plans	(1,210)	(1,055)
Total accumulated other comprehensive income	(1,349)	820
Non-controlling interests	302	1,286
Total net assets	59,548	60,296
Total liabilities and net assets	133,065	120,457

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

Quarterly Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	39,482	46,730
Cost of sales	33,527	39,559
Gross profit	5,954	7,171
Selling, general and administrative expenses	9,164	10,156
Operating loss	(3,209)	(2,984)
Non-operating income		
Interest income	126	66
Dividends income	59	60
Share of profit of entities accounted for using equity method	—	69
Foreign exchange gain	44	997
Miscellaneous income	79	41
Total non-operating income	309	1,235
Non-operating expenses		
Interest expenses	133	114
Loss on disposal of non-current assets	45	38
Miscellaneous loss	3	17
Total non-operating expenses	182	170
Ordinary loss	(3,082)	(1,919)
Loss before income taxes	(3,082)	(1,919)
Income taxes	(680)	(453)
Net loss	(2,402)	(1,465)
Profit (loss) attributable to non-controlling interests	(10)	122
Loss attributable to owners of parent	(2,391)	(1,587)

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

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net loss	(2,402)	(1,465)
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(2)
Deferred gains or losses on hedges	—	111
Foreign currency translation adjustment	870	1,978
Remeasurements of defined benefit plans	160	154
Total other comprehensive income	1,032	2,242
Comprehensive income	(1,369)	776
(Details)		
Comprehensive income attributable to owners of parent	(1,359)	582
Comprehensive income attributable to non-controlling interests	(10)	194

(3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Loss before income taxes	(3,082)	(1,919)
Depreciation	729	759
Amortization of goodwill	118	132
Increase/(decrease) in liabilities for retirement benefits	87	6
(Increase)/decrease in assets for retirement benefits	81	81
Increase/(decrease) in provision for warranties for completed construction	(70)	(96)
Increase/(decrease) in provision for loss on construction contracts	(75)	(60)
Interest income and dividends income	(185)	(127)
Interest expenses	133	114
Foreign exchange (gain)/loss	(44)	(997)
Loss on disposal of non-current assets	45	38
Share of (profit) loss of entities accounted for using equity method	—	(69)
(Increase)/decrease in trade receivables and contract assets	41,911	35,303
(Increase)/decrease in inventory	(5,261)	(5,336)
Increase/(decrease) in trade payables	(18,959)	(21,572)
Increase/(decrease) in contract liabilities	2,097	7,945
Other cash flows from operating activities	(1,201)	(1,384)
Subtotal	16,325	12,818
Interest and dividends income received	185	127
Interest expenses paid	(134)	(107)
Income taxes paid	(3,776)	(2,497)
Cash flows from operating activities	12,599	10,340

(3) Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities		
Net (increase)/decrease in time deposits	56	38
Purchase of property, plant and equipment	(878)	(703)
Purchase of intangible assets	(947)	(629)
Purchase of investment securities	(685)	—
Payments of loans receivable	(12)	(88)
Collection of loans receivable	9	8
Other cash flows from investing activities	76	8
Cash flows from investing activities	(2,380)	(1,364)

(3) Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from short-term loan payable	—	273
Repayments of short-term loans payable	(142)	(393)
Proceeds from PFI and other project finance loans	—	2,300
Repayments of PFI and other project finance loans	(430)	(435)
Disposal of treasury stock	56	—
Cash dividends paid	(870)	(871)
Proceeds from share issuance to non-controlling shareholders	—	791
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	(8)	(4)
Cash flows from financing activities	(1,396)	1,658
Effect of exchange rate change on cash and cash equivalents	65	635
Increase/(decrease) in cash and cash equivalents	8,887	11,270
Cash and cash equivalents at April 1	18,044	20,613
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	183	—
Cash and cash equivalents at September 30	27,115	31,884

(4) 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 six months ended September 30, 2022 after applying tax effect accounting, and multiplying income before income taxes for the quarter by such effective tax rate.

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 six months ended September 30, 2021
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	24,160	15,321	39,482	—	39,482
Inter-segment transactions and transfers	—	—	—	—	—
Total	24,160	15,321	39,482	—	39,482
Segment loss	(2,339)	(869)	(3,209)	—	(3,209)

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 six months ended September 30, 2022
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	28,684	18,046	46,730	—	46,730
Inter-segment transactions and transfers	—	—	—	—	—
Total	28,684	18,046	46,730	—	46,730
Segment loss	(1,774)	(1,210)	(2,984)	—	(2,984)

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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