



# METAWATER Co., Ltd.

For Immediate Release

April 26, 2023

## CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2023

[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	<a href="https://www.metawater.co.jp">https://www.metawater.co.jp</a>
Representative	Kenji Yamaguchi President and Representative Director
Contact person	Tomoyuki Takase Executive Officer Executive General Manager of Financial Planning Office (TEL.:+81-3-6853-7317)
Scheduled date of annual meeting of shareholders	June 20, 2023
Filing date of annual securities report	June 20, 2023
Payment date of cash dividends	June 2, 2023
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, 2023

#### (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, 2023	150,716	11.2	8,688	6.7	9,068	3.6	6,252	0.1
Fiscal year ended March 31, 2022	135,557	1.7	8,146	(25.0)	8,751	(20.8)	6,245	(4.5)

Note: Comprehensive income: Fiscal year ended March 31, 2023 7,952 million yen 15.3 %  
Fiscal year ended March 31, 2022 6,898 million yen 29.2 %

	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, 2023	143.48	—	10.1	6.6	5.8
Fiscal year ended March 31, 2022	143.39	—	11.1	6.6	6.0

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

Fiscal year ended March 31, 2023 122 million yen  
Fiscal year ended March 31, 2022 6 million yen

Note: For the purpose of calculating the net income per share, Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

## (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, 2023	142,695	66,639	45.7	1,495.54
As of March 31, 2022	133,065	59,548	44.5	1,360.03

Note: Shareholders' equity

As of March 31, 2023

65,191 million yen

As of March 31, 2022

59,246 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, 2023	(4,340)	(6,452)	717	11,085
Fiscal year ended March 31, 2022	6,635	(3,846)	(628)	20,613

## 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 ended March 31, 2023	—	20.00	—	22.00	42.00
Fiscal year ending March 31, 2024 (Forecast)	—	22.00	—	22.00	44.00

	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2022	1,742	27.9	3.1
Fiscal year ended March 31, 2023	1,830	29.3	2.9
Fiscal year ending March 31, 2024 (Forecast)		30.0	

### 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2024

(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, 2024	155,000	2.8	10,000	15.1	9,500	4.8	6,400	2.4
								146.82

#### Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2023 (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): 47,758,500 shares as of March 31, 2022 and 47,758,500 shares as of March 31, 2023.
  - (b) Number of treasury stock at the end of the year: 4,196,064 shares as of March 31, 2022 and 4,168,064 shares as of March 31, 2023.
  - (c) Average number of shares issued and outstanding for the year: 43,554,126 shares for the fiscal year ended March 31, 2022 and 43,581,997 shares for the fiscal year ended March 31, 2023.

Note: Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to be deducted from the gross number of shares issued and outstanding at the end of the year.

**[For Reference]**  
**Financial Highlights (Non-consolidated)**

**Highlight of non-consolidated results for the fiscal year ended March 31, 2023**

**(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, 2023	103,701	1.3	4,630	(20.1)	5,414	(22.0)	3,930	(18.2)
Fiscal year ended March 31, 2022	102,322	(1.7)	5,794	(30.9)	6,942	(22.5)	4,801	(7.2)

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2023	90.18	—
Fiscal year ended March 31, 2022	110.25	—

Note: For the purpose of calculating the net income per share, Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

**(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, 2023	108,561	53,647	49.4	1,230.72
As of March 31, 2022	106,511	51,656	48.5	1,185.81

Note: Shareholders' equity As of March 31, 2023 53,647 million yen  
As of March 31, 2022 51,656 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, 2023 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 were concerns about downside risks to the economy, including rise in prices, disruption of supply chain and the shortage of semiconductors due to depreciation of Japanese Yen, prolonged situation in Ukraine and economic slowdown in China.

Under such circumstances, the Group continued 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 fiscal year ended March 31, 2023 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 international business, as well as steady growth of K.K. Mizumusubi Management Miyagi in the PPP business. Both order received and order backlog increased year on year due to strong order receipts. Ordinary income includes ¥523 million of the foreign exchange gain due to depreciation of Japanese Yen.

	Fiscal year ended March 31, 2022 (Million yen)	Fiscal year ended March 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	135,557	150,716	15,158	11.2
Operating income	8,146	8,688	541	6.7
Ordinary income	8,751	9,068	317	3.6
Profit attributable to owners of parent	6,245	6,252	7	0.1
Order received	152,279	193,404	27,150	17.8
Order backlog	186,029	228,717	28,714	15.4

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and international 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 increased year on year. In the international business, both net sales and operating income increased year on year, mainly due to the strong performance of subsidiaries in North America.

	Fiscal year ended March 31, 2022 (Million yen)	Fiscal year ended March 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	75,079	86,971	11,891	15.8
Operating income	2,103	4,002	1,898	90.2
Order received	89,095	94,898	5,803	6.5
Order backlog	113,041	120,968	7,927	7.0

(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. In the PPP business, both net sales and operating income increased year on year, mainly due to the steady growth of K.K. Mizumusubi Management Miyagi.

	Fiscal year ended March 31, 2022 (Million yen)	Fiscal year ended March 31, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	60,477	63,744	3,267	5.4
Operating income	6,042	4,686	(1,356)	(22.4)
Order received	63,184	98,505	21,347	33.8
Order backlog	72,988	107,749	20,787	28.5

## (2) Financial Position Review for the Current Fiscal Year

Total assets as of March 31, 2023 increased by ¥9,630 million compared to March 31, 2022 to ¥142,695 million.

Current assets increased by ¥3,702 million compared to March 31, 2022 to ¥112,642 million due to an increase in notes and accounts receivable - trade, and contract assets, offsetting a decrease in cash and deposits.

Non-current assets increased by ¥5,927 million compared to March 31, 2022 to ¥30,053 million due to an increase in investment securities and software in process.

Current liabilities increased by ¥2,252 million compared to March 31, 2022 to ¥59,232 million due to an increase in accounts payable - trade and short-term loans payable.

Non-current liabilities increased by ¥286 million compared to March 31, 2022 to ¥16,823 million due to an increase in PFI and other project finance loans, offsetting a decrease in long-term loans payable.

Total net assets increased by ¥7,090 million compared to March 31, 2022 to ¥66,639 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, 2023 decreased by ¥9,528 million compared to March 31, 2022 to ¥11,085 million. An analysis of the cash flows for the fiscal year ended March 31, 2023 and related commentary thereon are presented below:

(Cash flows from operating activities)

The funds used for operating activities was ¥4,340 million (¥10,976 million decrease year to year): ¥8,771 million of increase in trade receivables and contract assets, ¥1,588 million of increase in inventory and ¥3,049 million used for payment of income taxes, offsetting ¥9,068 million of income

before income taxes.

(Cash flows from investing activities)

The funds used for investing activities was ¥6,452 million (¥2,606 million decrease year to year): ¥1,034 million used for purchase of property, plant and equipment, ¥1,548 million used for purchase of intangible assets and ¥5,794 million used for purchase of investment securities, offsetting ¥1,719 million in proceeds from sales of investment securities.

(Cash flows from financing activities)

The funds generated by financing activities was ¥717 million (¥1,345 million increase year to year): ¥2,321 million in proceeds from short-term loan payable, offsetting ¥1,743 used for payment of dividends.

(Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Shareholders' equity to total assets (%)	41.4	40.6	44.5	45.7
Shareholders' equity to total assets based on market value (%)	70.3	73.5	65.5	52.8
Interest-bearing debt to cash flows (%)	355.6	112.2	187.0	—
Interest coverage ratio	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 on the consolidated balance sheet that accrue interest.
4. Interest-bearing debt to cash flows and interest coverage ratio for the fiscal year ended March 31, 2023 are not shown since cash flows from operating activities were negative.



#### (4) Future Forecast

Japanese economy for the fiscal year ending March 31, 2024 is expected to recover, partly due to the effect of various policies taken to coexist with COVID-19. The global economy is also expected to continue its gradual recovery. However, close attention needs to be paid to the downside risks to the economy, including rise in prices, disruption of supply chain and the shortage of semiconductors due to prolonged situation in Ukraine and global monetary tightening.

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 in prices 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, 2023 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 investments in human capital and R&D for future growth. Consequently, the consolidated results for the fiscal year ending March 31, 2024 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, 2023 (Million yen)	Fiscal year ending March 31, 2024 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	150,716	155,000	4,283	2.8
Operating income	8,688	10,000	1,311	15.1
Ordinary income	9,068	9,500	431	4.8
Profit attributable to owners of parent	6,252	6,400	147	2.4

## 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, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	21,290	11,724
Notes and accounts receivable - trade, and contract assets	77,364	87,191
Work in process	1,721	2,853
Supplies	6,225	7,093
Other current assets	2,337	3,779
Total current assets	108,939	112,642
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,864	2,418
Machinery and equipment, net	1,149	1,189
Tools, furniture and fixtures, net	652	670
Construction in progress	238	184
Other property, plant and equipment, net	643	724
Total property, plant and equipment	4,548	5,187
Intangible assets		
Software	743	1,043
Software in progress	1,112	2,192
Goodwill	2,406	2,467
Customer-related assets	4,239	4,497
Right to operate public facilities	1,000	950
Other intangible assets	987	1,339
Total intangible assets	10,489	12,490
Investments and other assets		
Investment securities	1,846	5,535
Long-term loans receivable	148	244
Guarantee deposits	1,234	1,208
Assets for retirement benefits	2,946	2,417
Deferred tax assets - non-current	2,769	2,736
Other non-current assets	143	231
Total investments and other assets	9,087	12,374
Total non-current assets	24,125	30,053
Total assets	133,065	142,695

**(1) Consolidated Balance Sheets (continued)**

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	23,829	25,463
Electronically recorded obligations	10,682	10,158
Short-term loans payable	903	2,387
Current portion of PFI and other project finance loans	875	887
Income taxes payable	2,759	2,339
Contract liabilities	7,509	7,134
Provision for warranties for completed construction	1,246	1,185
Provision for loss on construction contracts	919	1,224
Other current liabilities	8,255	8,452
Total current liabilities	56,980	59,232
Non-current liabilities		
Long-term loans payable	917	—
PFI and other project finance loans	9,711	11,123
Liability for retirement benefit	4,107	4,386
Other non-current liabilities	1,799	1,312
Total non-current liabilities	16,536	16,823
Total liabilities	73,516	76,055
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,406	9,411
Retained earnings	46,380	50,890
Treasury stock	(7,137)	(7,089)
Total shareholders' equity	60,595	65,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66	(182)
Deferred gains or losses on hedges	(35)	3
Foreign currency translation adjustment	(169)	1,689
Remeasurements of defined benefit plans	(1,210)	(1,477)
Total accumulated other comprehensive income	(1,349)	32
Non-controlling interests	302	1,447
Total net assets	59,548	66,639
Total liabilities and net assets	133,065	142,695

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

## Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	135,557	150,716
Cost of sales	107,065	120,428
Gross profit	28,491	30,287
Selling, general and administrative expenses	20,344	21,598
Operating income	8,146	8,688
Non-operating income		
Interest income	141	130
Dividends income	68	72
Foreign exchange gain	599	528
Share of profit of entities accounted for using equity method	6	122
Miscellaneous income	136	130
Total non-operating income	951	983
Non-operating expenses		
Interest expenses	158	220
Commission expenses	—	74
Loss on sales of investment securities	—	193
Loss on disposal of non-current assets	84	81
Commission for syndicated loans	91	16
Miscellaneous loss	12	16
Total non-operating expenses	347	603
Ordinary income	8,751	9,068
Income before income taxes	8,751	9,068
Income taxes - current	3,071	2,725
Income taxes - deferred	(217)	(152)
Total income taxes	2,853	2,572
Net income	5,897	6,496
Profit/(loss) attributable to non-controlling interests	(347)	243
Profit attributable to owners of parent	6,245	6,252

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

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income	5,897	6,496
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(248)
Deferred gains or losses on hedges	(102)	113
Foreign currency translation adjustment	990	1,858
Remeasurements of defined benefit plans	117	(267)
Total other comprehensive income	1,000	1,456
Comprehensive income	6,898	7,952
(Details)		
Comprehensive income attributable to owners of parent	7,312	7,635
Comprehensive income attributable to non-controlling interests	(414)	317

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

(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

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

(Millions of yen)

	Fiscal year ended March 31, 2023				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	11,946	9,406	46,380	(7,137)	60,595
Changes during the year					
Dividends from surplus			(1,743)		(1,743)
Profit attributable to owners of parent			6,252		6,252
Restricted stock compensation		5		47	52
Changes in other equity, net					
Total changes during the year	-	5	4,509	47	4,562
Balance at March 31, 2023	11,946	9,411	50,890	(7,089)	65,158



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

(Millions of yen)

	Fiscal year ended March 31, 2023						
	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, 2022	66	(35)	(169)	(1,210)	(1,349)	302	59,548
Changes during the year							
Dividends from surplus							(1,743)
Profit attributable to owners of parent							6,252
Restricted stock compensation							52
Changes in other equity, net	(248)	39	1,858	(267)	1,382	1,145	2,528
Total changes during the year	(248)	39	1,858	(267)	1,382	1,145	7,090
Balance at March 31, 2023	(182)	3	1,689	(1,477)	32	1,447	66,639

**(4) Consolidated Statement of Cash Flows**

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	8,751	9,068
Depreciation	1,469	1,625
Amortization of goodwill	242	282
Increase/(decrease) in liabilities for retirement benefits	134	(175)
(Increase)/decrease in assets for retirement benefits	81	(228)
Increase/(decrease) in provision for warranties for completed construction	(394)	(145)
Increase/(decrease) in provision for loss on construction contracts	48	304
Interest income and dividends income	(210)	(202)
Interest expenses	158	220
Foreign exchange (gain)/loss	(599)	(528)
Loss on disposal of property, plant and equipment	84	81
(Gain)/loss on sales of investment securities	—	193
(Gain)/loss on valuation of investment securities	—	4
(Increase)/decrease in trade receivables and contract assets	3,121	(8,771)
(Increase)/decrease in inventory	276	(1,588)
Share of (profit)/loss of entities accounted for using equity method	(6)	(122)
Increase/(decrease) in trade payables	2,252	241
Increase/(decrease) in contract liabilities	(5,207)	(577)
Other cash flows from operating activities	678	(955)
Subtotal	10,879	(1,273)
Interest and dividends income received	210	202
Interest expenses paid	(161)	(220)
Income taxes paid	(4,292)	(3,049)
Cash flows from operating activities	6,635	(4,340)

**(4) Consolidated Statement of Cash Flows (continued)**

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Net (increase)/decrease in time deposits	56	38
Purchase of property, plant and equipment	(1,206)	(1,034)
Purchase of intangible assets	(1,577)	(1,548)
Purchase of right to operate public facilities	(1,000)	—
Purchase of investment securities	(445)	(5,794)
Sales of investment securities	—	1,719
Payments of loans receivable	(33)	(163)
Collection of loans receivable	48	67
Other cash flows from investing activities	310	262
Cash flows from investing activities	(3,846)	(6,452)

**(4) Consolidated Statement of Cash Flows (continued)**

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from short-term loan payable	381	2,321
Repayments of short-term loans payable	(577)	(1,168)
Repayments of long-term loans payable	—	(905)
Proceeds from PFI and other project finance loans	1,600	2,300
Repayments of PFI and other project finance loans	(863)	(875)
Purchase of treasury stock	(0)	—
Cash dividends paid	(1,741)	(1,743)
Proceeds from share issuance to non-controlling interests	520	830
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	54	(41)
Cash flows from financing activities	(628)	717
Effect of exchange rate change on cash and cash equivalents	224	548
Increase/(decrease) in cash and cash equivalents	2,385	(9,528)
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 March 31	20,613	11,085

## **(5) Notes to the Consolidated Financial Statements**

### **Notes on Going Concern Assumption**

No items to report.

### **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 consolidated financial statements of the Group for the fiscal year ended March 31, 2023.

### **Changes in Presentation Methods**

(Notes to the Consolidated Statement of Income)

Share of profit of entities accounted for using equity method, which was previously included in “Miscellaneous income” under “Non-operating income” for the fiscal year ended March 31, 2022, is separately presented for the fiscal year ended March 31, 2023, because it exceeds 10/100 of the total non-operating income. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥142 million presented as “Miscellaneous income” under “Non-operating income” on the consolidated statement of income for the fiscal year ended March 31, 2022 has been reclassified to ¥6 million of “Share of profit of entities accounted for using equity method” and ¥136 million of “Miscellaneous income”.

(Notes to the Consolidated Statement of Cash Flows)

Share of (profit)/loss of entities accounted for using equity method, which was previously included in “Other cash flows from operating activities” under “Cash flows from operating activities” for the fiscal year ended March 31, 2022, is separately presented for the fiscal year ended March 31, 2023 due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥671 million presented as “Other cash flows from operating activities” under “Cash flows from operating activities” on the consolidated statement of cash flows for the fiscal year ended March 31, 2022 has been reclassified to ¥-6 million of “Share of (profit)/loss of entities accounted for using equity method” and ¥678 million of “Other cash flows from operating activities”.

## Additional Information

### (Accounting Method of the Impact Neutralization Trust®)

For the fiscal year ended March 31, 2023, the Company acquired its own shares (hereinafter the “Metawater shares”) from its major stockholders including NGK INSULATORS, LTD. and FUJI ELECTRIC CO., LTD., and sold some of those shares in the market using the scheme of the Impact Neutralization Trust® (hereinafter the “Trust”) for the purpose of increasing the number of tradable shares. The accounting treatment of transactions using such a scheme is not specified in the related accounting standards. The Company applied the accounting method below on its transactions.

#### 1. Outline of the transactions

The Trust is a self-benefit trust, which acquires Metawater shares through off-floor trading at the Tokyo Stock Exchange (ToSTNeT-2) from shareholders using the funds contributed by the Company, and then sells those shares in the market over a certain period. The proceeds from the sales of Metawater shares are distributed to the Company periodically at a predetermined schedule.

#### 2. Accounting principles and procedures

Metawater shares acquired by the Trust scheme are recognized as “Investment securities” at the acquisition costs (including the associated costs). Metawater shares held in the Trust at the year end are included in “Investment securities” based on the market price at the year end. The difference between the acquisition costs (including the associated costs) and the market price is reflected in the “Valuation difference on available-for-sale securities”.

For the purpose of calculating the net income per share, Metawater shares held in the Trust are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

The difference between the acquisition costs (including the associated costs) and the sales price in the market of Metawater shares sold by the Trust during the fiscal year ended March 31, 2023 is included in “Loss on sales of investment securities”.

In accordance with the accounting principles above, ¥3,521 million of “Investment securities” and ¥-252 million of “Valuation difference on available-for-sale securities” are recognized on the consolidated balance sheets as of March 31, 2023. Also, ¥193 million of “Loss on sales of investment securities” is recognized on the consolidated statement of income for the fiscal year ended March 31, 2023. The acquisition costs (including the associated costs) of Metawater shares acquired during the fiscal year ended March 31, 2023 is ¥5,748 million.

## **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 international 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 on the consolidated statement of income.

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

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	86,971	63,744	150,716	—	150,716
Inter-segment transactions and transfers	—	—	—	—	—
Total	86,971	63,744	150,716	—	150,716
Segment income	4,002	4,686	8,688	—	8,688



## Per Share Information

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	1,360.03	1,495.54
Net income per share	143.39	143.48

Notes:

1. Diluted net income per share is not presented as there are no diluted shares.
2. Net income per share is calculated on the following basis.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income per share		
Profit attributable to owners of parent	6,245	6,252
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	6,245	6,252
Average number of shares outstanding during the year (number of shares)	43,554,126	43,581,997

## Significant Subsequent Events

### (Capital Increase of a Subsidiary)

On April 11, 2023, 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: Eiji Nakamura, 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: ¥1,009 million

Legal capital surplus before capital increase: ¥1,009 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: ¥1,595 million  
Legal capital surplus after capital increase: ¥1,595 million
- (2) Payment by the Group: ¥409 million
- (3) Payment date: April 11, 2023
- (4) Investment ratio after capital increase: 35.0%

### (Cancellation of Treasury Stock)

On April 26, 2023, the Company's Board of Directors resolved to cancel the Company's treasury stock as follows, pursuant to the Article 178 of the Companies Act.

Class of shares to be cancelled: common stock

Number of shares to be cancelled: 2,000,000 shares (4.19% of the total number of shares issued and outstanding before cancellation)

Scheduled date of cancellation: May 19, 2023

Total number of shares issued and outstanding after the cancellation: 45,758,500 shares

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