



METAWATER Co., Ltd.

For Immediate Release

July 26, 2023

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2023 (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	August 9, 2023
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, 2023

(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, 2023	21,161	6.2	(2,522)	—	(2,141)	—	(1,895)	—
Three months ended June 30, 2022	19,918	25.0	(1,932)	—	(1,142)	—	(951)	—

Note: Comprehensive income: Three months ended June 30, 2023 (1,458) million yen — %
Three months ended June 30, 2022 (270) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2023	(43.48)	—
Three months ended June 30, 2022	(21.85)	—

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 period.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2023	135,926	65,022	46.1
As of March 31, 2023	142,695	66,639	45.7

Note: Shareholders' equity: As of June 30, 2023 62,691 million yen
As of March 31, 2023 65,191 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	20.00	—	22.00	42.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		22.00	—	22.00	44.00

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

3. Forecast for consolidated operating results for the fiscal year ending March 31, 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	146.83

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, 2023 (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: No
 - (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, 2023 and 45,758,500 shares as of June 30, 2023.
 - (b) Number of treasury stock at the end of the period: 4,168,064 shares as of March 31, 2023 and 2,170,964 shares as of June 30, 2023.
 - (c) Average number of shares issued and outstanding for the period: 43,562,436 shares for the three months ended June 30, 2022 and 43,589,639 shares for the three months ended June 30, 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 period.

* 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, 2023

(1) Explanation of Operating Results

Japanese economy during the three months ended June 30, 2023 showed signs of modest recovery, partly due to the various effective policies. The global economy continued to recover modestly, although there were signs of weakness in some regions. Meanwhile, downside risks to the economy, such as prolonged situation in Ukraine, the impact of global monetary tightening, rise in prices, disruption of supply chain and the shortage of semiconductors, need to be kept in mind.

Under such circumstances, the Group has 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 three months ended June 30, 2023 are as the table below.

Net sales increased year on year as a result of steady growth of the PPP business (note 1), while operating income decreased year on year due to weaker performance of the EPC business (note 2) and subsidiaries in North America.

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, 2022 (Million yen)	Three months ended June 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	19,918	21,161	1,243	6.2
Operating income	(1,932)	(2,522)	(590)	—
Ordinary income	(1,142)	(2,141)	(998)	—
Profit attributable to owners of parent	(951)	(1,895)	(943)	—
Order received	38,180	51,771	13,591	35.6
Order backlog	204,292	259,327	55,035	26.9

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

Operating results by segment are as follows:

Notes:

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

(Plant Engineering Business)

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

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

	Three months ended June 30, 2022 (Million yen)	Three months ended June 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	12,325	13,381	1,056	8.6
Operating income	(864)	(1,833)	(968)	—
Order received	14,063	18,164	4,101	29.2
Order backlog	114,779	125,751	10,971	9.6

(Service Solutions Business)

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

In the O&M business, both net sales and operating income were at the same level year on year. In the PPP business, both net sales and operating income increased year on year.

	Three months ended June 30, 2022 (Million yen)	Three months ended June 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	7,592	7,780	187	2.5
Operating income	(1,068)	(689)	378	—
Order received	24,116	33,606	9,490	39.4
Order backlog	89,512	133,576	44,063	49.2

(2) Explanation of Financial Position

Total assets as of June 30, 2023 decreased by ¥6,768 million compared to March 31, 2023 to ¥135,926 million.

Current assets decreased by ¥8,949 million compared to March 31, 2023 to ¥103,692 million due to a decrease in notes and accounts receivable - trade, and contract assets, offsetting an increase in cash and deposits and work in process.

Non-current assets increased by ¥2,180 million compared to March 31, 2023 to ¥32,234 million due to an increase in construction in progress.

Current liabilities decreased by ¥7,151 million compared to March 31, 2023 to ¥52,081 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities increased by ¥1,999 million compared to March 31, 2023 to ¥18,823 million due to an increase in PFI and other project finance loans.

Total net assets decreased by ¥1,617 million compared to March 31, 2023 to ¥65,022 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, 2024 announced on April 26, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	11,724	35,356
Notes and accounts receivable - trade, and contract assets	87,191	48,607
Work in process	2,853	6,477
Supplies	7,093	8,246
Other current assets	3,779	5,004
Total current assets	112,642	103,692
Non-current assets		
Property, plant and equipment	5,187	5,219
Intangible assets		
Goodwill	2,467	2,418
Customer-related assets	4,497	4,433
Right to operate public facilities	950	937
Other intangible assets	4,575	7,145
Total intangible assets	12,490	14,935
Investments and other assets	12,374	12,079
Total non-current assets	30,053	32,234
Total assets	142,695	135,926

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	25,463	9,587
Electronically recorded obligations	10,158	13,552
Short-term loans payable	2,387	609
Current portion of PFI and other project finance loans	887	734
Income taxes payable	2,339	309
Contract liabilities	7,134	17,948
Provision for warranties for completed construction	1,185	999
Provision for loss on construction contracts	1,224	1,228
Other current liabilities	8,452	7,111
Total current liabilities	59,232	52,081
Non-current liabilities		
PFI and other project finance loans	11,123	13,182
Liability for retirement benefit	4,386	4,365
Other non-current liabilities	1,312	1,274
Total non-current liabilities	16,823	18,823
Total liabilities	76,055	70,904
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,411	9,406
Retained earnings	50,890	44,684
Treasury stock	(7,089)	(3,692)
Total shareholders' equity	65,158	62,344
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(182)	61
Deferred gains or losses on hedges	3	(2)
Foreign currency translation adjustment	1,689	1,491
Remeasurements of defined benefit plans	(1,477)	(1,203)
Total accumulated other comprehensive income	32	346
Non-controlling interests	1,447	2,330
Total net assets	66,639	65,022
Total liabilities and net assets	142,695	135,926

(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, 2022	Three months ended June 30, 2023
Net sales	19,918	21,161
Cost of sales	17,119	18,530
Gross profit	2,798	2,631
Selling, general and administrative expenses	4,731	5,154
Operating loss	(1,932)	(2,522)
Non-operating income		
Interest income	33	31
Dividends income	58	52
Share of profit of entities accounted for using equity method	86	—
Foreign exchange gain	664	415
Miscellaneous income	1	16
Total non-operating income	844	515
Non-operating expenses		
Interest expenses	50	51
Share of loss of entities accounted for using equity method	—	12
Loss on sales of investment securities	—	40
Commission expenses	—	19
Loss on disposal of non-current assets	0	2
Miscellaneous loss	3	7
Total non-operating expenses	54	134
Ordinary loss	(1,142)	(2,141)
Loss before income taxes	(1,142)	(2,141)
Income taxes	(248)	(382)
Net loss	(894)	(1,759)
Profit attributable to non-controlling interests	57	135
Loss attributable to owners of parent	(951)	(1,895)

(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, 2022	Three months ended June 30, 2023
Net loss	(894)	(1,759)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	244
Deferred gains or losses on hedges	92	(19)
Foreign currency translation adjustment	455	(197)
Remeasurements of defined benefit plans	77	274
Total other comprehensive income	624	301
Comprehensive income	(270)	(1,458)
(Details)		
Comprehensive income attributable to owners of parent	(387)	(1,581)
Comprehensive income attributable to non-controlling interests	117	123

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Notes on Significant Changes in Shareholders' Equity

On May 19, 2023, the Company canceled 2,000,000 shares of its treasury stock. As a result, capital surplus decreased by ¥5 million to ¥9,406 million, retained earnings decreased by ¥3,396 million to ¥44,684 million, and treasury stock decreased by ¥3,402 million to ¥3,692 million as of June 30, 2023.

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, 2023 after applying tax effect accounting, and multiplying income before income taxes for the quarter by such effective tax rate.

Segment Information

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.

Net sales and income or loss by reportable segment for the three months ended June 30, 2023

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	13,381	7,780	21,161	—	21,161
Inter-segment transactions and transfers	—	—	—	—	—
Total	13,381	7,780	21,161	—	21,161
Segment loss	(1,833)	(689)	(2,522)	—	(2,522)

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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