



METAWATER Co., Ltd.

For Immediate Release

October 26, 2023

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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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Contact person	Tomoyuki Takase Executive Officer Executive General Manager of Accounting and Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	November 14, 2023
Payment date of cash dividends	December 4, 2023
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, 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	%
Six months ended September 30, 2023	53,011	13.4	(2,782)	—	(2,280)	—	(2,199)	—
Six months ended September 30, 2022	46,730	18.4	(2,984)	—	(1,919)	—	(1,587)	—

Note: Comprehensive income: Six months ended September 30, 2023 208 million yen (73.1)%
Six months ended September 30, 2022 776 million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Six months ended September 30, 2023	(50.45)	—
Six months ended September 30, 2022	(36.44)	—

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 September 30, 2023	131,627	66,746	48.8
As of March 31, 2023	142,695	66,639	45.7

Note: Shareholders' equity: As of September 30, 2023 64,197 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	—	22.00			
Fiscal year ending March 31, 2024 (Forecast)			—	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	146.74

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, 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 September 30, 2023.
 - (b) Number of treasury stock at the end of the period: 4,168,064 shares as of March 31, 2023 and 2,142,964 shares as of September 30, 2023.
 - (c) Average number of shares issued and outstanding for the period: 43,573,605 shares for the six months ended September 30, 2022 and 43,599,904 shares for the six months ended September 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 Six Months Ended September 30, 2023

(1) Explanation of Operating Results

Japanese economy during the six months ended September 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 six months ended September 30, 2023 are as the table below.

Although operating income of the EPC business (note 1) and subsidiaries in North America decreased year on year, both net sales and operating income of the Group increased year on year.

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, 2022 (Million yen)	Six months ended September 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	46,730	53,011	6,281	13.4
Operating income	(2,984)	(2,782)	202	—
Ordinary income	(1,919)	(2,280)	(361)	—
Profit attributable to owners of parent	(1,587)	(2,199)	(611)	—
Order received	85,281	87,899	2,618	3.1
Order backlog	224,580	263,606	39,025	17.4

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 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 both the EPC business and the international business, net sales were strong and increased year on year, while operating income decreased year on year.

	Six months ended September 30, 2022 (Million yen)	Six months ended September 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	28,684	33,790	5,106	17.8
Operating income	(1,774)	(2,288)	(514)	—
Order received	46,463	35,908	(10,555)	(22.7)
Order backlog	130,820	123,085	(7,735)	(5.9)

(Service Solutions Business)

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

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

	Six months ended September 30, 2022 (Million yen)	Six months ended September 30, 2023 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	18,046	19,221	1,174	6.5
Operating income	(1,210)	(493)	717	—
Order received	38,817	51,991	13,174	33.9
Order backlog	93,759	140,520	46,760	49.9

(2) Explanation of Financial Position

Total assets as of September 30, 2023 decreased by ¥11,067 million compared to March 31, 2023 to ¥131,627 million.

Current assets decreased by ¥14,061 million compared to March 31, 2023 to ¥98,580 million due to a decrease in accounts receivable - trade, offsetting an increase in cash and deposits and work in process.

Non-current assets increased by ¥2,993 million compared to March 31, 2023 to ¥33,046 million due to an increase in construction in progress.

Current liabilities decreased by ¥13,296 million compared to March 31, 2023 to ¥45,936 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities increased by ¥2,121 million compared to March 31, 2023 to ¥18,945 million due to an increase in PFI and other project finance loans.

Total net assets increased by ¥106 million compared to March 31, 2023 to ¥66,746 million due to an increase in foreign currency translation adjustment, offsetting a decrease in retained earnings attributable 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, 2023 increased by ¥9,597 million compared to March 31, 2023 to ¥20,682 million. An analysis of the cash flows for the six months ended September 30, 2023 and related commentary thereon are presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥12,790 million (¥2,450 million increase year to year): ¥34,589 million of decrease in trade receivables and contract assets, offsetting ¥2,280 million

of loss before income taxes, ¥2,373 million used for payment of income taxes and ¥20,829 million of decrease in trade payables.

(Cash flows from investing activities)

The funds used for investing activities was ¥3,015 million (¥1,651 million decrease year to year): ¥630 million used for purchase of property, plant and equipment, and ¥3,627 million used for purchase of intangible assets, offsetting ¥2,210 million of proceeds from sales of investment securities.

(Cash flows from financing activities)

The funds used for financing activities was ¥511 million (¥2,170 million decrease year to year): ¥2,152 million used for repayments of short-term loans payable and ¥913 million used for payment of dividends, offsetting ¥2,300 million of proceeds from PFI and other project finance loans.

(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 September 30, 2023
Assets		
Current assets		
Cash and deposits	11,724	21,345
Notes and accounts receivable - trade, and contract assets	87,191	53,289
Work in process	2,853	9,911
Supplies	7,093	8,945
Other current assets	3,779	5,088
Total current assets	112,642	98,580
Non-current assets		
Property, plant and equipment	5,187	5,532
Intangible assets		
Goodwill	2,467	2,546
Customer-related assets	4,497	4,708
Right to operate public facilities	950	925
Other intangible assets	4,575	7,745
Total intangible assets	12,490	15,925
Investments and other assets	12,374	11,588
Total non-current assets	30,053	33,046
Total assets	142,695	131,627

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	25,463	11,527
Electronically recorded obligations	10,158	4,045
Short-term loans payable	2,387	289
Current portion of PFI and other project finance loans	887	736
Income taxes payable	2,339	480
Contract liabilities	7,134	18,758
Provision for warranties for completed construction	1,185	1,041
Provision for loss on construction contracts	1,224	1,220
Other current liabilities	8,452	7,837
Total current liabilities	59,232	45,936
Non-current liabilities		
PFI and other project finance loans	11,123	13,131
Liability for retirement benefit	4,386	4,436
Other non-current liabilities	1,312	1,377
Total non-current liabilities	16,823	18,945
Total liabilities	76,055	64,881
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,411	9,410
Retained earnings	50,890	44,380
Treasury stock	(7,089)	(3,640)
Total shareholders' equity	65,158	62,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(182)	108
Deferred gains or losses on hedges	3	48
Foreign currency translation adjustment	1,689	3,080
Remeasurements of defined benefit plans	(1,477)	(1,136)
Total accumulated other comprehensive income	32	2,100
Non-controlling interests	1,447	2,548
Total net assets	66,639	66,746
Total liabilities and net assets	142,695	131,627

(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, 2022	Six months ended September 30, 2023
Net sales	46,730	53,011
Cost of sales	39,559	45,024
Gross profit	7,171	7,987
Selling, general and administrative expenses	10,156	10,769
Operating loss	(2,984)	(2,782)
Non-operating income		
Interest income	66	72
Dividends income	60	56
Share of profit of entities accounted for using equity method	69	—
Foreign exchange gain	997	551
Miscellaneous income	41	25
Total non-operating income	1,235	706
Non-operating expenses		
Interest expenses	114	102
Share of loss of entities accounted for using equity method	—	4
Loss on sales of investment securities	—	39
Commission expenses	—	37
Loss on disposal of non-current assets	38	8
Miscellaneous loss	17	12
Total non-operating expenses	170	205
Ordinary loss	(1,919)	(2,280)
Loss before income taxes	(1,919)	(2,280)
Income taxes	(453)	(339)
Net loss	(1,465)	(1,941)
Profit attributable to non-controlling interests	122	258
Loss attributable to owners of parent	(1,587)	(2,199)

(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, 2022	Six months ended September 30, 2023
Net loss	(1,465)	(1,941)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	291
Deferred gains or losses on hedges	111	126
Foreign currency translation adjustment	1,978	1,391
Remeasurements of defined benefit plans	154	340
Total other comprehensive income	2,242	2,150
Comprehensive income	776	208
(Details)		
Comprehensive income attributable to owners of parent	582	(131)
Comprehensive income attributable to non-controlling interests	194	340

(3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(1,919)	(2,280)
Depreciation	759	886
Amortization of goodwill	132	145
Increase/(decrease) in liabilities for retirement benefits	6	130
(Increase)/decrease in assets for retirement benefits	81	(16)
Increase/(decrease) in provision for warranties for completed construction	(96)	(214)
Increase/(decrease) in provision for loss on construction contracts	(60)	(3)
Interest income and dividends income	(127)	(129)
Interest expenses	114	102
Foreign exchange (gain)/loss	(997)	(551)
Loss on disposal of non-current assets	38	8
Share of (profit)/loss of entities accounted for using equity method	(69)	4
(Increase)/decrease in trade receivables and contract assets	35,303	34,589
(Increase)/decrease in inventory	(5,336)	(8,429)
Increase/(decrease) in trade payables	(21,572)	(20,829)
(Gain)/loss on sales of investment securities	—	39
Increase/(decrease) in contract liabilities	7,945	11,396
Other cash flows from operating activities	(1,384)	289
Subtotal	12,818	15,136
Interest and dividends income received	127	129
Interest expenses paid	(107)	(102)
Income taxes paid	(2,497)	(2,373)
Cash flows from operating activities	10,340	12,790

(3) Quarterly Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Net (increase)/decrease in time deposits	38	(23)
Purchase of property, plant and equipment	(703)	(630)
Purchase of intangible assets	(629)	(3,627)
Purchase of investment securities	—	(327)
Sales of investment securities	—	2,210
Payments of loans receivable	(88)	(650)
Collection of loans receivable	8	35
Other cash flows from investing activities	8	(2)
Cash flows from investing activities	(1,364)	(3,015)

(3) Quarterly Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from short-term loan payable	273	—
Repayments of short-term loans payable	(393)	(2,152)
Proceeds from PFI and other project finance loans	2,300	2,300
Repayments of PFI and other project finance loans	(435)	(443)
Cash dividends paid	(871)	(913)
Proceeds from share issuance to non-controlling interests	791	761
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	(4)	(61)
Cash flows from financing activities	1,658	(511)
Effect of exchange rate change on cash and cash equivalents	635	333
Increase/(decrease) in cash and cash equivalents	11,270	9,597
Cash and cash equivalents at April 1	20,613	11,085
Cash and cash equivalents at September 30	31,884	20,682

(4) 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 ¥9,410 million, retained earnings decreased by ¥3,396 million to ¥44,380 million, and treasury stock decreased by ¥3,402 million to ¥3,640 million as of September 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 six months ended September 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 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.

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

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	33,790	19,221	53,011	—	53,011
Inter-segment transactions and transfers	—	—	—	—	—
Total	33,790	19,221	53,011	—	53,011
Segment loss	(2,288)	(493)	(2,782)	—	(2,782)

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.

Significant Subsequent Event

(Issuance of Corporate Bonds)

On October 26, 2023, the Company's Board of Directors resolved to issue domestic unsecured straight bonds (blue bonds) as follows.

1. Type: domestic unsecured straight bonds
2. Book-entry transfer bonds: All bonds to be issued will be subject to the provisions of the "Act on Book-Entry Transfer of Corporate Bonds and Shares".
3. Total amounts to be offered: up to ¥10,000 million
4. Issue date: from November 2, 2023 to March 31, 2024
5. Amounts to be paid in: ¥100 per ¥100 of each bond
6. Interest rate: the secondary yield of government bonds with the same maturity + 1.00% or less
7. Maturity date: within 5 years
8. Method of redemption: lump-sum redemption at maturity (Purchase and cancellation clause may be attached.)
9. Use of funds: new investments and the refinancing of existing investments in the following eligible projects listed in the Blue Finance Framework
 - Concession business
investment in and financing for special purpose companies ("SPCs") in the concession business where the Company provides water supply and sewerage business through SPCs
 - Investment and financing
investment in and financing for domestic and international companies that specialize in or are mainly involved in water supply and sewerage business (excluding SPCs in the concession business)
10. Other: Specific issue date, total amounts, interest rate and others listed in the items of Article 676 of the Companies Act, as well as all other matters required for the issuance of the bonds are at the discretion of the President and Representative Director within the scope of this resolution.

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