



# METAWATER Co., Ltd.

For Immediate Release

July 31, 2020

## CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2020 (Unaudited)

**[JP GAAP]**

|  |   |
|--|---|
| Company name   | METAWATER Co., Ltd.   |
| Stock exchanges on which the shares are listed           | First Section of Tokyo Stock Exchange   |
| Securities code  | 9551  |
| URL  | <a href="https://www.metawater.co.jp">https://www.metawater.co.jp</a>   |
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| Filing date of quarterly securities report               | August 11, 2020   |
| 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, 2020

#### (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, 2020 | 14,185      | (4.5) | (2,377)          | — | (2,393)         | — | (1,861)                                 | — |
| Three months ended June 30, 2019 | 14,848      | 28.2  | (1,563)          | — | (1,659)         | — | (1,162)                                 | — |

Note: Comprehensive income: Three months ended June 30, 2020 (1,811) million yen — %  
Three months ended June 30, 2019 (912) million yen — %

|                                  | Net income per share - Basic - | Net income per share - Diluted - |
|----------------------------------|--------------------------------|----------------------------------|
|                                  | Yen                            | Yen                              |
| Three months ended June 30, 2020 | (85.67)                        | —                                |
| Three months ended June 30, 2019 | (44.85)                        | —                                |

## (2) Consolidated financial position

|                      | Total assets | Net assets  | Shareholders' equity to total assets |
|----------------------|--------------|-------------|--------------------------------------|
|                      | Million yen  | Million yen | %                                    |
| As of June 30, 2020  | 111,031      | 46,910      | 42.1                                 |
| As of March 31, 2020 | 119,469      | 49,592      | 41.4                                 |

Note: Shareholders' equity: As of June 30, 2020 46,766 million yen  
As of March 31, 2020 49,443 million yen

## 2. Dividends

| Period                                       | Dividends per share |       |     |       |        |
|--|---------------------|-------|-----|-------|--------|
|  | 1Q                  | 2Q    | 3Q  | 4Q    | Annual |
|  | Yen                 | Yen   | Yen | Yen   | Yen    |
| Fiscal year ended March 31, 2020             | —                   | 31.00 | —   | 40.00 | 71.00  |
| Fiscal year ending March 31, 2021            | —                   |       |     |       |        |
| Fiscal year ending March 31, 2021 (Forecast) |                     | 40.00 | —   | 40.00 | 80.00  |

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

## 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2021

(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, 2021 | 130,000     | 1.0 | 9,000            | 9.4 | 9,000           | 10.7 | 6,200                                   | 9.2 | 285.41                         |

Note:

1. Revision of forecast for operating results from the latest announcement: No
2. The effect of COVID-19 outbreak is not incorporated in the table above due to its uncertainty over the future trend.

**Notes:**

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020 (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): 25,923,500 shares as of March 31, 2020 and 25,923,500 shares as of June 30, 2020.
  - (b) Number of treasury stock at the end of the period: 4,200,186 shares as of March 31, 2020 and 4,200,186 shares as of June 30, 2020.
  - (c) Average number of shares issued and outstanding for the period: 25,923,350 shares for the three months ended June 30, 2019 and 21,723,314 shares for the three months ended June 30, 2020.

\* 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, 2020

### (1) Explanation of Operating Results

During the three months ended June 30, 2020, Japanese economy worsened rapidly in an extremely severe situation, due to the effect of the COVID-19 outbreak. The global economy also continued to worsen rapidly due to the effect of global pandemic of COVID-19. While the economic activities are gradually reopened through phases with preventive measures against the spread of COVID-19, the severe situation is expected to continue for the time being.

Under such circumstances, in order to achieve the Midterm Business Plan 2020 (through the fiscal year ending March 31, 2021), the Group has been trying its best to implement the priority measures: i) strategic development investment, ii) business strategy (enhancement of foundation field and expansion of growth field) and iii) efforts of sustainable ESG.

The operating results of the Group for the three months ended June 30, 2020 are as the table below. 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 of the first quarter tend to be low, and this fiscal year is no exception.

|  | Three months ended<br>June 30, 2019<br>(Million yen) | Three months ended<br>June 30, 2020<br>(Million yen) | Increase/<br>(decrease)<br>(Million yen) | Increase/<br>(decrease)<br>(%) |
|--|--|--|--|--------------------------------|
| Net sales                                  | 14,848   | 14,185   | (663)                                    | (4.5)                          |
| Operating income                           | (1,563)  | (2,377)  | (814)                                    | —                              |
| Ordinary income                            | (1,659)  | (2,393)  | (733)                                    | —                              |
| Profit attributable to<br>owners of parent | (1,162)  | (1,861)  | (698)                                    | —                              |
| Sales orders                               | 28,815   | 36,261   | 7,445                                    | 25.8                           |
| Outstanding orders                         | 156,319  | 164,428  | 8,108                                    | 5.2                            |

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and foreign 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, the net sales showed a steady growth, while the operating income decreased year on year due to the differences in the composition of projects. Both net sales and operating income in the international business decreased year on year.

|                    | Three months ended<br>June 30, 2019<br>(Million yen) | Three months ended<br>June 30, 2020<br>(Million yen) | Increase/<br>(decrease)<br>(Million yen) | Increase/<br>(decrease)<br>(%) |
|--------------------|--|--|--|--------------------------------|
| Net sales          | 9,644  | 10,081   | 437                                      | 4.5                            |
| Operating income   | (487)  | (1,116)  | (628)                                    | —                              |
| Sales orders       | 10,980   | 16,781   | 5,800                                    | 52.8                           |
| Outstanding orders | 84,384   | 89,747   | 5,363                                    | 6.4                            |

### (Service Solutions Business)

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

Both net sales and operating income in the O&M business decreased year on year due to the differences in the composition of projects. Both net sales and operating income in the PPP business showed a steady growth.

|                    | Three months ended<br>June 30, 2019<br>(Million yen) | Three months ended<br>June 30, 2020<br>(Million yen) | Increase/<br>(decrease)<br>(Million yen) | Increase/<br>(decrease)<br>(%) |
|--------------------|--|--|--|--------------------------------|
| Net sales          | 5,203  | 4,103  | (1,100)                                  | (21.1)                         |
| Operating income   | (1,076)  | (1,261)  | (185)                                    | —                              |
| Sales orders       | 17,835   | 19,480   | 1,645                                    | 9.2                            |
| Outstanding orders | 71,935   | 74,680   | 2,745                                    | 3.8                            |

## (2) Explanation of Financial Position

Total assets as of June 30, 2020 decreased by ¥8,437 million compared to March 31, 2020 to ¥111,031 million.

Current assets decreased by ¥10,853 million compared to March 31, 2020 to ¥91,088 million due to a decrease in accounts receivable - trade, offsetting with an increase in cash and deposits as well as work in process.

Non-current assets increased by ¥2,415 million compared to March 31, 2020 to ¥19,942 million due to an increase in goodwill.

Current liabilities decreased by ¥5,379 million compared to March 31, 2020 to ¥48,954 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥376 million compared to March 31, 2020 to ¥15,166 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥2,681 million compared to March 31, 2020 to ¥46,910 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, 2021 announced on April 27, 2020.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

|                                       | (Millions of yen)    |                     |
|---------------------------------------|----------------------|---------------------|
|                                       | As of March 31, 2020 | As of June 30, 2020 |
| <b>Assets</b>                         |                      |                     |
| Current assets                        |                      |                     |
| Cash and deposits                     | 13,645               | 40,531              |
| Notes and accounts receivable - trade | 78,109               | 35,271              |
| Work in process                       | 3,357                | 7,519               |
| Supplies                              | 4,711                | 5,013               |
| Other current assets                  | 2,118                | 2,752               |
| Total current assets                  | 101,941              | 91,088              |
| Non-current assets                    |                      |                     |
| Property, plant and equipment         | 3,184                | 3,307               |
| Intangible assets                     |                      |                     |
| Goodwill                              | 1,671                | 3,796               |
| Customer-related assets               | 2,506                | 2,438               |
| Other                                 | 1,830                | 1,803               |
| Total intangible assets               | 6,008                | 8,038               |
| Investments and other assets          | 8,333                | 8,595               |
| Total non-current assets              | 17,527               | 19,942              |
| Total assets                          | 119,469              | 111,031             |

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

(Millions of yen)

|  | As of March 31, 2020 | As of June 30, 2020 |
|--|----------------------|---------------------|
| <b>Liabilities</b>                                     |                      |                     |
| Current liabilities                                    |                      |                     |
| Accounts payable - trade                               | 19,801               | 7,178               |
| Electronically recorded obligations                    | 11,603               | 14,838              |
| Short-term loans payable                               | 276                  | 276                 |
| Current portion of PFI and other project finance loans | 855                  | 862                 |
| Income taxes payable                                   | 2,206                | 113                 |
| Advances received                                      | 9,011                | 17,064              |
| Provision for warranties for completed construction    | 1,340                | 1,286               |
| Provision for loss on construction contracts           | 579                  | 716                 |
| Other current liabilities                              | 8,658                | 6,617               |
| Total current liabilities                              | 54,333               | 48,954              |
| Non-current liabilities                                |                      |                     |
| Long-term loans payable                                | 1,539                | 1,584               |
| PFI and other project finance loans                    | 9,849                | 9,466               |
| Liability for retirement benefit                       | 4,025                | 3,998               |
| Other non-current liabilities                          | 128                  | 116                 |
| Total non-current liabilities                          | 15,542               | 15,166              |
| Total liabilities                                      | 69,876               | 64,120              |
| <b>Net assets</b>                                      |                      |                     |
| Shareholders' equity                                   |                      |                     |
| Capital stock  | 11,946               | 11,946              |
| Capital surplus  | 15,080               | 15,080              |
| Retained earnings                                      | 37,900               | 35,170              |
| Treasury stock   | (14,289)             | (14,289)            |
| Total shareholders' equity                             | 50,638               | 47,908              |
| Accumulated other comprehensive income                 |                      |                     |
| Valuation difference on available-for-sale securities  | 54                   | 59                  |
| Foreign currency translation adjustment                | (366)                | (405)               |
| Remeasurements of defined benefit plans                | (882)                | (795)               |
| Total accumulated other comprehensive income           | (1,194)              | (1,141)             |
| Non-controlling interest                               | 148                  | 143                 |
| Total net assets                                       | 49,592               | 46,910              |
| Total liabilities and net assets                       | 119,469              | 111,031             |



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

**Quarterly Consolidated Statement of Income**

(Millions of yen)

|  | Three months ended<br>June 30, 2019 | Three months ended<br>June 30, 2020 |
|--|-------------------------------------|-------------------------------------|
| Net sales                                      | 14,848                              | 14,185                              |
| Cost of sales                                  | 12,412                              | 12,464                              |
| Gross profit                                   | 2,435                               | 1,720                               |
| Selling, general and administrative expenses   | 3,999                               | 4,098                               |
| Operating loss                                 | (1,563)                             | (2,377)                             |
| Non-operating income                           |                                     |                                     |
| Interest income                                | 43                                  | 40                                  |
| Dividends income                               | 43                                  | 38                                  |
| Miscellaneous income                           | 1                                   | 20                                  |
| Total non-operating income                     | 88                                  | 98                                  |
| Non-operating expenses                         |                                     |                                     |
| Interest expenses                              | 52                                  | 34                                  |
| Loss on disposal of non-current assets         | 4                                   | 0                                   |
| Foreign exchange loss                          | 127                                 | 71                                  |
| Miscellaneous loss                             | —                                   | 8                                   |
| Total non-operating expenses                   | 184                                 | 114                                 |
| Ordinary loss                                  | (1,659)                             | (2,393)                             |
| Loss before income taxes                       | (1,659)                             | (2,393)                             |
| Income taxes                                   | (497)                               | (528)                               |
| Net loss                                       | (1,162)                             | (1,864)                             |
| Loss attributable to non-controlling interests | (0)                                 | (3)                                 |
| Loss attributable to owners of parent          | (1,162)                             | (1,861)                             |

**(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<br>June 30, 2019 | Three months ended<br>June 30, 2020 |
|--|-------------------------------------|-------------------------------------|
| Net loss   | (1,162)                             | (1,864)                             |
| Other comprehensive income                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | 6                                   | 5                                   |
| Foreign currency translation adjustment                        | 148                                 | (39)                                |
| Remeasurements of defined benefit plans                        | 95                                  | 86                                  |
| Total other comprehensive income                               | 250                                 | 53                                  |
| Comprehensive income   | (912)                               | (1,811)                             |
| (Details)  |                                     |                                     |
| Comprehensive income attributable to owners of parent          | (912)                               | (1,807)                             |
| Comprehensive income attributable to non-controlling interests | (0)                                 | (3)                                 |

### **(3) Notes to Quarterly Consolidated Financial Statements**

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

No items to report.

#### **Notes on Significant Changes in Shareholders' Equity**

No items to report.

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

##### **(Calculation of Tax Expenses)**

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the three months ended June 30, 2020 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

## Segment Information

Net sales and income or loss by reportable segment for the three months ended June 30, 2019  
(Millions of yen)

|  | Reportable segments        |                            |         | Adjustments | Consolidated |
|--|----------------------------|----------------------------|---------|-------------|--------------|
|  | Plant Engineering Business | Service Solutions Business | Total   |             |              |
| Net Sales                                |                            |                            |         |             |              |
| Sales to third parties                   | 9,644                      | 5,203                      | 14,848  | —           | 14,848       |
| Inter-segment transactions and transfers | —                          | —                          | —       | —           | —            |
| Total                                    | 9,644                      | 5,203                      | 14,848  | —           | 14,848       |
| Segment loss                             | (487)                      | (1,076)                    | (1,563) | —           | (1,563)      |

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, 2020  
(Millions of yen)

|  | Reportable segments        |                            |         | Adjustments | Consolidated |
|--|----------------------------|----------------------------|---------|-------------|--------------|
|  | Plant Engineering Business | Service Solutions Business | Total   |             |              |
| Net Sales                                |                            |                            |         |             |              |
| Sales to third parties                   | 10,081                     | 4,103                      | 14,185  | —           | 14,185       |
| Inter-segment transactions and transfers | —                          | —                          | —       | —           | —            |
| Total                                    | 10,081                     | 4,103                      | 14,185  | —           | 14,185       |
| Segment loss                             | (1,116)                    | (1,261)                    | (2,377) | —           | (2,377)      |

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.

## Business combination

### Business combination by acquisitions

#### 1. Overview

##### (1) Name and business of the acquiree

Name: Wigen Companies, Inc.

Business: Development, designing and manufacturing of water treatment equipment for membrane treatment and ion-exchange

##### (2) Major purpose of business combination

The purpose of the acquisition of Wigen Companies, Inc. is to acquire its technology, experience and basis for distribution network in the U.S. market for recycled drinking water, as well as to expand the Group's business in North America by utilizing the acquiree's experience related to water supply in the private sector market.

##### (3) Date of business combination

April 1, 2020

##### (4) Legal form of business combination

Stock acquisition in exchange for cash

##### (5) Company name after business combination

Wigen Companies, Inc.

##### (6) Ratio of voting rights acquired

100%

##### (7) Background of selecting the acquiree

METAWATER USA, Inc., the Company's consolidated subsidiary, acquired all shares of Wigen Companies, Inc. in exchange for cash.

#### 2. Period of the acquiree's business results included in the quarterly consolidated statement of income for the three months ended June 30, 2020

The fiscal year-end of the acquiree is December 31, which is three months different from the consolidated fiscal year-end. The consolidated financial statements for the three months ended June 30, 2020 includes only the acquiree's balance sheet as of April 1, 2020.

#### 3. Acquisition costs and the details

|                          |                   |
|--------------------------|-------------------|
| Consideration paid: cash | 2,275 million yen |
| Acquisition costs        | 2,275 million yen |

#### 4. Details and amount of major acquisition-related costs

Advisory expenses and others: 176 million yen

5. Amount and source, and amortization methods and period of goodwill incurred

The amount of goodwill incurred is 2,174 million yen, resulting mainly from future excess revenue capability. Goodwill will be amortized over 15 years using the straight-line method.

6. Amounts and details of assets accepted and liabilities assumed on the business combination date

|                         |                        |
|-------------------------|------------------------|
| Current assets          | 793 million yen        |
| Non-current assets      | <u>103 million yen</u> |
| Total assets            | <u>897 million yen</u> |
| Current liabilities     | 736 million yen        |
| Non-current liabilities | <u>59 million yen</u>  |
| Total liabilities       | <u>795 million yen</u> |

(Note) The amounts of assets and liabilities do not include the amount of goodwill in 5. above.

7. Amounts allocated to intangible fixed assets other than goodwill and the details by major type, as well as weighted-average amortization periods for the whole and by major type

As of June 30, 2020, the identification of the identifiable assets and liabilities and calculation of their fair values have not been completed, and acquisition costs have not been allocated.

8. Allocation of acquisition costs

As of June 30, 2020, the identification of the identifiable assets and liabilities and calculation of their fair values have not been completed, and acquisition costs have not been allocated. Therefore, provisional accounting treatment was applied using the reasonable information available as of that date.

9. Estimated impact on the consolidated statement of income for the three months ended June 30, 2020, assuming that business combination was completed as of April 1, 2020 and the calculation methods thereof

This information is not provided because it is difficult to calculate the estimated amount.

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