



# METAWATER Co., Ltd.

For Immediate Release

October 28, 2020

## CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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	November 11, 2020
Payment date of cash dividends	December 2, 2020
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, 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	%
Six months ended September 30, 2020	33,980	(0.2)	(3,458)	—	(3,547)	—	(2,706)	—
Six months ended September 30, 2019	34,052	15.3	(2,957)	—	(3,077)	—	(2,202)	—

Note: Comprehensive income: Six months ended September 30, 2020 (2,540) million yen — %  
Six months ended September 30, 2019 (2,150) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Six months ended September 30, 2020	(62.31)	—
Six months ended September 30, 2019	(42.48)	—

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net income per share above is calculated assuming that the stock split became effective as of April 1, 2019.

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of September 30, 2020	105,861	46,181	43.5
As of March 31, 2020	119,469	49,592	41.4

Note: Shareholders' equity: As of September 30, 2020 46,032 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	—	40.00			
Fiscal year ending March 31, 2021 (Forecast)			—	20.00	—

Note:

1. Revision of forecast for dividends from the latest announcement: No
2. The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Dividends per share for the fourth quarter of the fiscal year ending March 31, 2021 (forecast) is calculated reflecting the effect of the stock split. The annual dividends per share for the fiscal year ending March 31, 2021 (forecast) is shown as “—”. Dividends per share for the fourth quarter and the full year of the fiscal year ending March 31, 2021 (forecast), without taking into consideration the effect of the stock split, would be 40.00 yen and 80.00 yen, respectively.

## 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	10,500	27.7	10,500	29.1	6,800	19.8	156.51

Note:

1. Revision of forecast for operating results from the latest announcement: Yes
2. The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net income per share - basic - above is calculated reflecting the effect of the stock split.

**Notes:**

- (1) Changes in significant subsidiaries during the six months ended September 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): 51,847,000 shares as of March 31, 2020 and 51,847,000 shares as of September 30, 2020.
  - (b) Number of treasury stock at the end of the period: 8,400,372 shares as of March 31, 2020 and 8,400,432 shares as of September 30, 2020.
  - (c) Average number of shares issued and outstanding for the period: 51,846,676 shares for the six months ended September 30, 2019 and 43,446,597 shares for the six months ended September 30, 2020.

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Number of shares issued and outstanding at the end of the period, number of treasury stock at the end of the period, and average number of shares issued and outstanding for the period above are calculated assuming that the stock split became effective as of April 1, 2019.

\* 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, 2020

### (1) Explanation of Operating Results

Japanese economy during the six months ended September 30, 2020 was in a severe situation due to the effect of the COVID-19 outbreak. The global economy was also in a severe situation 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 and the signs of recovery is anticipated, 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 six months ended September 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 cumulative second quarter tend to be low, and this fiscal year is no exception.

	Six months ended September 30, 2019 (Million yen)	Six months ended September 30, 2020 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	34,052	33,980	(71)	(0.2)
Operating income	(2,957)	(3,458)	(501)	—
Ordinary income	(3,077)	(3,547)	(469)	—
Profit attributable to owners of parent	(2,202)	(2,706)	(504)	—
Sales orders	66,461	74,252	7,790	11.7
Outstanding orders	174,761	178,911	4,150	2.4

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.

Both net sales and operating income in the EPC business showed a steady growth, increasing year on year. Both net sales and operating income in the international business decreased year on year due to the delay of sales as a result of COVID-19 outbreak.

	Six months ended September 30, 2019 (Million yen)	Six months ended September 30, 2020 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	21,404	23,742	2,338	10.9
Operating income	(1,302)	(1,630)	(328)	—
Sales orders	33,004	38,827	5,823	17.6
Outstanding orders	94,648	93,627	(1,020)	(1.1)

(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 decreased sales in the resource recycling area year on year. Both net sales and operating income in the PPP business remained at the same level.

	Six months ended September 30, 2019 (Million yen)	Six months ended September 30, 2020 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	12,648	10,238	(2,409)	(19.1)
Operating income	(1,655)	(1,828)	(172)	—
Sales orders	33,457	35,424	1,967	5.9
Outstanding orders	80,113	85,283	5,170	6.5

## (2) Explanation of Financial Position

Total assets as of September 30, 2020 decreased by ¥13,607 million compared to March 31, 2020 to ¥105,861 million.

Current assets decreased by ¥16,297 million compared to March 31, 2020 to ¥85,644 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 ¥2,689 million compared to March 31, 2020 to ¥20,216 million due to an increase in goodwill.

Current liabilities decreased by ¥9,506 million compared to March 31, 2020 to ¥44,827 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥690 million compared to March 31, 2020 to ¥14,851 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥3,411 million compared to March 31, 2020 to ¥46,181 million due to the recognition of loss attributable to owners of parent and payment of dividends.

The balance of cash and cash equivalents (hereinafter the “funds”) as of September 30, 2020 increased by ¥14,065 million compared to March 31, 2020 to ¥26,941 million. An analysis of the cash flows for the six months ended September 30, 2020 and related commentary thereon is presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥18,866 million (¥3,428 million increase year to year): ¥44,243 million decrease in notes and accounts receivable - trade, offsetting with ¥3,547 million used for income before income taxes, ¥2,102 million used for payment of income taxes and ¥19,347 million decrease in notes and accounts payable - trade.

(Cash flows from investing activities)

The funds used for investing activities was ¥3,315 million (¥2,077 million increase year to year): ¥639 million used for purchase of property, plant and equipment, ¥247 million used for purchase of intangible assets and ¥2,198 million used for acquisition of newly consolidated subsidiaries.

(Cash flows from financing activities)

The funds used for financing activities was ¥1,430 million (¥13 million increase year to year): ¥868 million used for payment of dividends and ¥426 million used for repayments of PFI and other project finance loans.

### **(3) Explanation of Consolidated Business Forecast**

Forecast for consolidated operating results announced on April 27, 2020 has been revised, considering the operating results, business environment, the sale of shares contributed to the retirement benefit trust and the payment of bonuses to employees for the six months ended September 30, 2020. Please refer to “Announcement on revised forecast for consolidated operating results for the fiscal year ending March 31, 2021” announced on October 28, 2020 for the details. Actual results may differ from the forecast due to a variety of factors in the future.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	13,645	27,674
Notes and accounts receivable - trade	78,109	34,330
Work in process	3,357	13,953
Supplies	4,711	5,706
Other current assets	2,118	3,979
Total current assets	101,941	85,644
Non-current assets		
Property, plant and equipment	3,184	3,475
Intangible assets		
Goodwill	1,671	3,763
Customer-related assets	2,506	2,370
Other	1,830	1,876
Total intangible assets	6,008	8,010
Investments and other assets	8,333	8,730
Total non-current assets	17,527	20,216
Total assets	119,469	105,861



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

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	19,801	8,336
Electronically recorded obligations	11,603	6,122
Short-term loans payable	276	270
Current portion of PFI and other project finance loans	855	874
Income taxes payable	2,206	191
Advances received	9,011	20,476
Provision for warranties for completed construction	1,340	1,271
Provision for loss on construction contracts	579	702
Other current liabilities	8,658	6,581
<b>Total current liabilities</b>	<b>54,333</b>	<b>44,827</b>
Non-current liabilities		
Long-term loans payable	1,539	1,367
PFI and other project finance loans	9,849	9,404
Liability for retirement benefit	4,025	3,965
Other non-current liabilities	128	113
<b>Total non-current liabilities</b>	<b>15,542</b>	<b>14,851</b>
<b>Total liabilities</b>	<b>69,876</b>	<b>59,679</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	37,900	34,324
Treasury stock	(14,289)	(14,289)
<b>Total shareholders' equity</b>	<b>50,638</b>	<b>47,062</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54	66
Foreign currency translation adjustment	(366)	(393)
Remeasurements of defined benefit plans	(882)	(702)
<b>Total accumulated other comprehensive income</b>	<b>(1,194)</b>	<b>(1,030)</b>
Non-controlling interest	148	149
<b>Total net assets</b>	<b>49,592</b>	<b>46,181</b>
<b>Total liabilities and net assets</b>	<b>119,469</b>	<b>105,861</b>

**(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, 2019	Six months ended September 30, 2020
Net sales	34,052	33,980
Cost of sales	28,402	28,927
Gross profit	5,649	5,053
Selling, general and administrative expenses	8,607	8,512
Operating loss	(2,957)	(3,458)
Non-operating income		
Interest income	88	79
Dividends income	44	39
Miscellaneous income	11	21
Total non-operating income	144	140
Non-operating expenses		
Interest expenses	99	66
Loss on disposal of non-current assets	6	0
Foreign exchange loss	150	150
Miscellaneous loss	7	10
Total non-operating expenses	264	228
Ordinary loss	(3,077)	(3,547)
Loss before income taxes	(3,077)	(3,547)
Income taxes	(877)	(841)
Net loss	(2,199)	(2,705)
Profit attributable to non-controlling interests	2	1
Loss attributable to owners of parent	(2,202)	(2,706)

**(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, 2019	Six months ended September 30, 2020
Net loss	(2,199)	(2,705)
Other comprehensive income		
Valuation difference on available-for-sale securities	8	12
Foreign currency translation adjustment	(150)	(27)
Remeasurements of defined benefit plans	190	179
Total other comprehensive income	49	164
Comprehensive income	(2,150)	(2,540)
(Details)		
Comprehensive income attributable to owners of parent	(2,153)	(2,542)
Comprehensive income attributable to non-controlling interests	2	1

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Loss before income taxes	(3,077)	(3,547)
Depreciation	446	540
Amortization of goodwill	70	113
Increase/(decrease) in liabilities for retirement benefits	(122)	(103)
(Increase)/decrease in assets for retirement benefits	(113)	(122)
Increase/(decrease) in provision for warranties for completed construction	5	(61)
Increase/(decrease) in provision for loss on construction contracts	78	122
Interest income and dividends income	(132)	(118)
Interest expenses	99	66
Foreign exchange (gain)/loss	150	150
Loss on disposal of non-current assets	6	0
(Increase)/decrease in notes and accounts receivable - trade	41,208	44,243
(Increase)/decrease in inventory	(8,216)	(11,569)
Increase/(decrease) in notes and accounts payable-trade	(15,742)	(19,347)
Increase/(decrease) in advances received	3,599	11,215
Other cash flows from operating activities	(670)	(662)
Subtotal	17,589	20,921
Interest and dividends income received	132	118
Interest expenses paid	(101)	(70)
Income taxes paid	(2,182)	(2,102)
Cash flows from operating activities	15,438	18,866

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Net (increase)/decrease in time deposits	23	36
Purchase of property, plant and equipment	(652)	(639)
Purchase of intangible assets	(116)	(247)
Purchase of investment securities	(90)	(247)
Acquisition of newly consolidated subsidiaries	(430)	(2,198)
Payments of loans receivable	(2)	(9)
Collection of loans receivable	17	14
Other cash flows from investing activities	11	(24)
Cash flows from investing activities	(1,238)	(3,315)
Cash flows from financing activities		
Repayments of short-term loans payable	(192)	(134)
Repayments of PFI and other project finance loans	(420)	(426)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(803)	(868)
Cash dividends paid to non-controlling interests	(1)	(1)
Cash flows from financing activities	(1,417)	(1,430)
Effect of exchange rate change on cash and cash equivalents	(39)	(54)
Increase/(decrease) in cash and cash equivalents	12,742	14,065
Cash and cash equivalents at April 1	27,796	12,876
Cash and cash equivalents at September 30	40,538	26,941

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

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

No items to report.

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

No items to report.

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

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

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the six months ended September 30, 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 six months ended September 30, 2019  
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	21,404	12,648	34,052	—	34,052
Inter-segment transactions and transfers	—	—	—	—	—
Total	21,404	12,648	34,052	—	34,052
Segment loss	(1,302)	(1,655)	(2,957)	—	(2,957)

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, 2020  
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	23,742	10,238	33,980	—	33,980
Inter-segment transactions and transfers	—	—	—	—	—
Total	23,742	10,238	33,980	—	33,980
Segment loss	(1,630)	(1,828)	(3,458)	—	(3,458)

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 Events

### (Stock split)

On August 27, 2020, the Board of Directors of the Company resolved a stock split and the related amendment of its Articles of Incorporation, which became effective on October 1, 2020.

#### 1. Objective

The stock split is intended to increase the liquidity of the Company's shares and expand the investor base by reducing the investment amount per unit of the shares.

#### 2. Overview

##### (1) Method

Ordinary shares held by the stockholders who are registered or recorded in the last register of shareholders on the record date of September 30, 2020 (Wed.) was split by 2 for 1 ratio.

##### (2) Number of shares increased

Total shares issued and outstanding before the stock split:	25,923,500 shares
Shares increased by the stock split:	25,923,500 shares
Total shares issued and outstanding after the stock split:	51,847,000 shares
Authorized shares after the stock split:	140,000,000 shares

(Note) In relation to the stock split, the Company amended Article 6 of its Articles of Incorporation pursuant to Article 184-2 of the Companies Act, to change the total authorized shares from 70,000,000 shares to 140,000,000 shares. This change was resolved at the Board of Directors meeting held on August 27, 2020 and became effective on October 1, 2020.

##### (3) Schedule

Public notice of the record date:	September 15, 2020 (Tue.)
Record date:	September 30, 2020 (Wed.)
Effective date:	October 1, 2020 (Thu.)

##### (4) Effect on per share information

The effect on per share information is described in the relevant section.



(Sale of shares contributed to the retirement benefit trust)

On October 28, 2020, the Board of Directors of the Company resolved the sale of shares contributed to the retirement benefit trust.

1. Schedule

The shares will be sold by early November 2020.

2. Details

The shares contributed to the retirement benefit trust will be sold as below. As a result of the sale, the Company estimates to recognize a lump-sum amortization of unrecognized actuarial gains/losses (credit).

(1) Security to be sold: FUJITSU LIMITED

(2) Number of shares to be sold: 392,966 shares

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