



# METAWATER Co., Ltd.

For Immediate Release

April 27, 2021

## CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2021

**[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>
Representative	Yasushi Nakamura President and Representative Director
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Scheduled date of annual meeting of shareholders	June 22, 2021
Filing date of annual securities report	June 22, 2021
Payment date of cash dividends	June 4, 2021
Supplementary information materials on annual results	Available
Annual results briefing	Held for institutional investors and analysts

(Amounts are rounded down to the nearest million yen)

### 1. Highlight of consolidated results for the fiscal year ended March 31, 2021

#### (1) Consolidated operating results

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2021	133,355	3.6	10,863	32.1	11,053	35.9	6,542	15.2
Fiscal year ended March 31, 2020	128,723	9.7	8,223	8.1	8,132	6.7	5,677	9.8

Note: Comprehensive income: Fiscal year ended March 31, 2021 5,338 million yen (17.3)%  
Fiscal year ended March 31, 2020 6,458 million yen 16.5%

	Net income per share - Basic -	Net income per share - Diluted -	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	150.50	—	12.7	8.8	8.1
Fiscal year ended March 31, 2020	115.76	—	10.5	6.5	6.4

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

Fiscal year ended March 31, 2021 1 million yen  
Fiscal year ended March 31, 2020 Nil

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	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	131,194	53,432	40.6	1,223.53
As of March 31, 2020	119,469	49,592	41.4	1,138.03

Note: Shareholders' equity As of March 31, 2021 53,266 million yen

As of March 31, 2020 49,443 million yen

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

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2021	10,404	(3,252)	(2,103)	18,044
Fiscal year ended March 31, 2020	3,521	(1,380)	(17,072)	12,876

## 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 ended March 31, 2021	—	40.00	—	20.00	—
Fiscal year ending March 31, 2022 (Forecast)	—	20.00	—	20.00	40.00

	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2020	1,672	30.7	3.1
Fiscal year ended March 31, 2021	1,739	26.6	3.4
Fiscal year ending March 31, 2022 (Forecast)		30.0	

Note: 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 ended March 31, 2021 is calculated reflecting the effect of the stock split. The annual dividends per share for the fiscal year ended March 31, 2021 is shown as “—”. Dividends per share for the fourth quarter and the full year of the fiscal year ended March 31, 2021, 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, 2022

(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, 2022	135,000	1.2	8,500	(21.8)	8,500	(23.1)	5,800	(11.3)	133.23

#### Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2021 (Changes in specified subsidiaries that caused a change in the scope of consolidation) : No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - (a) Changes by a newly issued or amended accounting pronouncement: No
  - (b) Changes other than (2)-(a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatement: No
- (3) Number of shares issued and outstanding (common stock)
  - (a) Number of shares issued and outstanding (including treasury stock): 51,847,000 shares as of March 31, 2020 and 51,758,500 shares as of March 31, 2021.
  - (b) Number of treasury stock: 8,400,372 shares as of March 31, 2020 and 8,223,432 shares as of March 31, 2021.
  - (c) Average number of shares issued and outstanding for fiscal year: 49,046,652 shares for the fiscal year ended March 31, 2020 and 43,468,404 shares for the fiscal year ended March 31, 2021.

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 year, number of treasury stock at the end of the year, and average number of shares issued and outstanding for the year above are calculated assuming that the stock split became effective as of April 1, 2019.

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

**Highlight of non-consolidated results for the fiscal year ended March 31, 2021**

**(1) Non-consolidated operating results**

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2021	104,063	0.7	8,383	45.7	8,960	46.4	5,172	18.4
Fiscal year ended March 31, 2020	103,317	11.8	5,754	12.4	6,121	10.5	4,368	13.8

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2021	119.00	—
Fiscal year ended March 31, 2020	89.07	—

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) Non-consolidated financial position**

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	109,071	48,396	44.4	1,111.66
As of March 31, 2020	100,318	44,724	44.6	1,029.42

Note: Shareholders' equity As of March 31, 2021 48,396 million yen  
As of March 31, 2020 44,724 million yen

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

\* This report is not subject to audit performed by certified public accountants or accounting firm.

**\* Appropriate Use of Forecasts and Other Matters**

Descriptions and statements in relation to estimates and other forward-looking projections disclosed in this document are based on judgments and assumptions using information currently available to the Company. Actual results may differ significantly from such projections due to risks of uncertainty inherent in such judgments and assumptions as well as changes in business operations and the internal and external environment of the Company. As such, the Company does not guarantee the accuracy of any forward-looking projections disclosed.

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## 1. Operating Results Review

### (1) Operating Results Review for the Current Fiscal Year

Japanese economy during the fiscal year ended March 31, 2021 was in a severe situation due to the effect of COVID-19 outbreak. The global economy was also in a severe situation due to the effect of global pandemic of COVID-19. While preventive measures against the spread of COVID-19 continued, there were signs of recovery with the increased level of social and economic activities. However, there was a concern about the effect the re-spread of COVID-19 might have on the economic activities.

Under such circumstances, in order to achieve the Midterm Business Plan 2020 (through the fiscal year ended March 31, 2021), the Group tried 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.

In the domestic business, amid advances in public-private partnerships and private-sector utilization in response to the financial difficulties and human resource shortages of the local governments, the Group worked to improve its revenue through strategic alliances with partner companies, development and sales promotions of technologies and products differentiated from competitors, streamlining of operations and cost reductions.

In the overseas business, the Group sought to accelerate business developments focusing on Europe and the United States, where stable market growth was expected.

The operating results of the Group for the fiscal year ended March 31, 2021 are as the table below. As part of the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust, reversal was recognized in cost of sales as well as in selling, general and administrative expenses. Further, the special service bonus was provided to employees. The effect of those on operating income was ¥1,735 million.

	Fiscal year ended March 31, 2020 (Million yen)	Fiscal year ended March 31, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	128,723	133,355	4,631	3.6
Operating income	8,223	10,863	2,639	32.1
Ordinary income	8,132	11,053	2,920	35.9
Profit attributable to owners of parent	5,677	6,542	864	15.2
Sales orders	125,011	159,124	34,112	27.3
Outstanding orders	138,639	169,307	30,667	22.1

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and overseas 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. The effect on operating income of the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and of the special service bonus provided to employees was ¥980 million.

Excluding above effect, both net sales and operating income in the EPC business showed a steady growth, increasing year on year. In the overseas business, net sales increased while operating income decreased year on year.

	Fiscal year ended March 31, 2020 (Million yen)	Fiscal year ended March 31, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	72,366	76,462	4,095	5.7
Operating income	3,188	5,538	2,349	73.7
Operating income (Note)	3,188	4,557	1,369	42.9
Sales orders	67,861	92,047	24,185	35.6
Outstanding orders	78,542	99,025	20,483	26.1

Note: Operating income excluding the effect of lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and the effect of the special service bonus provided to employees.

### (Service Solutions Business)

The operating results of the Service Solutions Business are as the table below. The effect on operating income of the lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and of the special service bonus provided to employees was ¥754 million.

Excluding above effect, both net sales and operating income in the O&M business decreased year on year. In the PPP business, net sales showed a steady growth, increasing year on year, while operating income decreased year on year.

	Fiscal year ended March 31, 2020 (Million yen)	Fiscal year ended March 31, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	56,356	56,893	536	1.0
Operating income	5,035	5,325	290	5.8
Operating income (Note)	5,035	4,570	(464)	(9.2)
Sales orders	57,150	67,077	9,927	17.4
Outstanding orders	60,097	70,281	10,184	16.9

Note: Operating income excluding the effect of lump-sum amortization of unrecognized actuarial gains/losses (credit) due to the sale of shares contributed to the retirement benefit trust and the effect of the special service bonus provided to employees.

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

Total assets as of March 31, 2021 increased by ¥11,725 million compared to March 31, 2020 to ¥131,194 million.

Current assets increased by ¥7,308 million compared to March 31, 2020 to ¥109,250 million due to an increase in cash and deposits.

Non-current assets increased by ¥4,416 million compared to March 31, 2020 to ¥21,944 million due to an increase in assets for retirement benefits, goodwill and customer-related assets.

Current liabilities increased by ¥8,256 million compared to March 31, 2020 to ¥62,590 million due to an increase in accounts payable - trade and advances received.

Non-current liabilities decreased by ¥371 million compared to March 31, 2020 to ¥15,170 million due to a decrease in PFI and other project finance loans.

Total net assets increased by ¥3,840 million compared to March 31, 2020 to ¥53,432 million due to the recognition of profit attributable to owners of parent.

### (3) Cash Flow Review for the Current Fiscal Year

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2021 increased by ¥5,168 million compared to March 31, 2020 to ¥18,044 million. An analysis of the cash flows for the fiscal year ended March 31, 2021 and related commentary thereon are presented below:

#### (Cash flows from operating activities)

The funds generated by operating activities was 10,404 million (¥6,883 million increase year to year): ¥11,053 million of income before income taxes and ¥1,247 million of depreciation, offsetting with ¥821 million decrease in accounts payable and ¥2,527 million used for payment of income taxes.

#### (Cash flows from investing activities)

The funds used for investing activities was ¥3,252 million (¥1,872 million increase year to year): ¥735 million used for purchase of property, plant and equipment and ¥2,564 million used for acquisition of newly consolidated subsidiaries.

#### (Cash flows from financing activities)

The funds used for financing activities was ¥2,103 million (¥14,969 million decrease year to year): ¥1,737 million used for payment of dividends and ¥855 million used for repayments of PFI and other project finance loans.

#### (Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Shareholders' equity to total assets (%)	44.6	44.4	41.4	40.6
Shareholders' equity to total assets based on market value (%)	70.1	61.0	70.3	73.5
Interest-bearing debt to cash flows (%)	284.1	220.2	355.6	112.2
Interest coverage ratio	23.7	28.5	18.5	67.7

Shareholders' equity to total assets: Shareholders' equity / Total assets

Shareholders' equity to total assets based on market value: Total market value of equity / Total assets

Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payment

#### Notes:

1. These indexes are calculated based on the consolidated financial data.
2. Cash flows represent cash flows from operating activities.
3. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheet that pay interest.



#### (4) Future Forecast

Japanese economy for the fiscal year ending March 31, 2022 is expected to face continued severe conditions due to COVID-19, although various policies and improvements in overseas economies are anticipated to restore the economy. Further, the recovery of the global economy is also anticipated.

Severe condition of the market for domestic water and sewage business, which is the Group's core business, is expected to continue due to steep rise of raw material costs and labor costs, despite the steady growth of public investments. However, business environment is expected to improve through the efforts based on the national resilience plan and further progress of public-private partnerships, which are aimed at addressing aging facilities and equipment and natural disasters.

Under such conditions, the Group developed the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024) as the next stage toward the realization of the long-term vision. The Group will try its best to implement the priority measures: i) enhancement of foundation field and expansion of growth field, ii) expansion of R&D investment, and iii) efforts of sustainable ESG.

In addition, due to strong orders received, the Group's outstanding orders as of March 31, 2021 grew steadily, which is expected to contribute to sales in the following years. Moreover, we will continue to make efforts for streamlining of operations and cost reduction initiatives in order to enhance profitability, and will promote recruitment of human resources for future growth, extension of retirement age, and R&D investments. Consequently, the consolidated results for the fiscal year ending March 31, 2022 are forecasted as follows.

Due to the nature of the business, sales of the Group to Japanese government agencies and local governments tend to be concentrated in the fourth quarter. We assume that this trend will continue in the next fiscal year.

	Fiscal year ended March 31, 2021 (Million yen)	Fiscal year ending March 31, 2022 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	133,355	135,000	1,644	1.2
Operating income	10,863	8,500	(2,363)	(21.8)
Ordinary income	11,053	8,500	(2,553)	(23.1)
Profit attributable to owners of parent	6,542	5,800	(742)	(11.3)

## 2. Basic Approach to the Selection of Accounting Standards

The Group currently operates in Japan and hence, continues to apply Japanese Accounting Standards. However, we will consider adopting IFRS (International Financial Reporting Standards) based on the proportion of foreign shareholders, and the adoption trend of other domestic companies.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	13,645	18,777
Notes and accounts receivable - trade	78,109	78,398
Work in process	3,357	3,209
Supplies	4,711	5,750
Other current assets	2,118	3,114
Total current assets	101,941	109,250
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,222	1,616
Machinery and equipment, net	1,172	1,259
Tools, furniture and fixtures, net	391	776
Construction in progress	117	81
Other property, plant and equipment, net	280	568
Total property, plant and equipment	3,184	4,302
Intangible assets		
Software	445	499
Software in progress	144	302
Goodwill	1,671	2,421
Customer-related assets	2,506	4,125
Other intangible assets	1,240	1,032
Total intangible assets	6,008	8,380
Investments and other assets		
Investment securities	1,568	1,550
Long-term loans receivable	173	163
Guarantee deposits	1,561	1,577
Assets for retirement benefits	2,172	3,185
Deferred tax assets - non-current	2,783	2,708
Other non-current assets	74	75
Total investments and other assets	8,333	9,260
Total non-current assets	17,527	21,944
Total assets	119,469	131,194

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	19,801	20,585
Electronically recorded obligations	11,603	10,903
Short-term loans payable	276	540
Current portion of PFI and other project finance loans	855	863
Income taxes payable	2,206	3,959
Advances received	9,011	12,664
Provision for warranties for completed construction	1,340	1,588
Provision for loss on construction contracts	579	871
Other current liabilities	8,658	10,613
Total current liabilities	54,333	62,590
Non-current liabilities		
Long-term loans payable	1,539	1,287
PFI and other project finance loans	9,849	8,986
Liability for retirement benefit	4,025	3,819
Other non-current liabilities	128	1,077
Total non-current liabilities	15,542	15,170
Total liabilities	69,876	77,761
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	14,999
Retained earnings	37,900	42,725
Treasury stock	(14,289)	(13,988)
Total shareholders' equity	50,638	55,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54	70
Foreign currency translation adjustment	(366)	(1,160)
Remeasurements of defined benefit plans	(882)	(1,327)
Total accumulated other comprehensive income	(1,194)	(2,417)
Non-controlling interests	148	166
Total net assets	49,592	53,432
Total liabilities and net assets	119,469	131,194

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

### Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	128,723	133,355
Cost of sales	101,846	103,736
Gross profit	26,877	29,619
Selling, general and administrative expenses	18,653	18,755
Operating income	8,223	10,863
Non-operating income		
Interest income	175	154
Dividends income	52	48
Foreign exchange gain	—	56
Gain on step acquisition	—	82
Gain on liquidation of subsidiaries and affiliates	—	174
Miscellaneous income	25	36
Total non-operating income	253	552
Non-operating expenses		
Interest expenses	190	153
Loss on valuation of investment securities	—	104
Loss on disposal of non-current assets	68	76
Foreign exchange loss	59	—
Miscellaneous loss	25	26
Total non-operating expenses	344	362
Ordinary income	8,132	11,053
Income before income taxes	8,132	11,053
Income taxes - current	2,355	4,228
Income taxes - deferred	91	264
Total income taxes	2,446	4,492
Net income	5,686	6,560
Profit attributable to non-controlling interests	8	18
Profit attributable to owners of parent	5,677	6,542

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

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income	5,686	6,560
Other comprehensive income		
Valuation difference on available-for-sale securities	4	16
Foreign currency translation adjustment	4	(793)
Remeasurements of defined benefit plans	763	(445)
Total other comprehensive income	772	(1,222)
Comprehensive income	6,458	5,338
(Details)		
Comprehensive income attributable to owners of the parent	6,450	5,320
Comprehensive income attributable to non-controlling interests	8	18

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

(Millions of yen)

	Fiscal year ended March 31, 2020				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	11,946	15,080	33,830	(0)	60,856
Changes during the year					
Dividends from surplus			(1,607)		(1,607)
Profit attributable to owners of parent			5,677		5,677
Purchase of treasury stock				(14,288)	(14,288)
Changes in other equity, net					
Total changes during the year	—	—	4,070	(14,288)	(10,218)
Balance at March 31, 2020	11,946	15,080	37,900	(14,289)	50,638

(Millions of yen)

	Fiscal year ended March 31, 2020					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2019	49	(371)	(1,645)	(1,967)	142	59,031
Changes during the year						
Dividends from surplus						(1,607)
Profit attributable to owners of parent						5,677
Purchase of treasury stock						(14,288)
Changes in other equity, net	4	4	763	772	6	779
Total changes during the year	4	4	763	772	6	(9,438)
Balance at March 31, 2020	54	(366)	(882)	(1,194)	148	49,592

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

(Millions of yen)

	Fiscal year ended March 31, 2021				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	11,946	15,080	37,900	(14,289)	50,638
Changes during the year					
Dividends from surplus			(1,737)		(1,737)
Profit attributable to owners of parent			6,542		6,542
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		69		150	219
Cancellation of treasury stock		(150)		150	—
Increase in retained earnings due to change in the scope of consolidation			20		20
Changes in other equity, net					
Total changes during the year	—	(81)	4,825	300	5,044
Balance at March 31, 2021	11,946	14,999	42,725	(13,988)	55,683

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

(Millions of yen)

	Fiscal year ended March 31, 2021					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2020	54	(366)	(882)	(1,194)	148	49,592
Changes during the year						
Dividends from surplus						(1,737)
Profit attributable to owners of parent						6,542
Purchase of treasury stock						(0)
Disposal of treasury stock						219
Cancellation of treasury stock						—
Increase in retained earnings due to change in the scope of consolidation						20
Changes in other equity, net	16	(793)	(445)	(1,222)	17	(1,204)
Total changes during the year	16	(793)	(445)	(1,222)	17	3,840
Balance at March 31, 2021	70	(1,160)	(1,327)	(2,417)	166	53,432



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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes	8,132	11,053
Depreciation	1,098	1,247
Amortization of goodwill	148	193
Increase/(decrease) in liabilities for retirement benefits	(196)	(2)
(Increase)/decrease in assets for retirement benefits	(631)	79
Increase/(decrease) in provision for warranties for completed construction	(19)	274
Increase/(decrease) in provision for loss on construction contracts	61	291
Interest income and dividends income	(228)	(203)
Interest expenses	190	153
Foreign exchange (gain)/loss	59	(56)
(Gain)/loss on step acquisition	—	(82)
(Gain)/loss on liquidation of subsidiaries and affiliates	—	(174)
Loss on disposal of property, plant and equipment	68	76
(Gain)/loss on valuation of investment securities	—	109
(Increase)/decrease in accounts receivable	(1,859)	111
(Increase)/decrease in inventory	605	(717)
Increase/(decrease) in accounts payable	5,169	(821)
Increase/(decrease) in advances received	(7,073)	3,597
Other cash flows from operating activities	501	(2,240)
Subtotal	6,027	12,890
Interest and dividends income received	228	203
Interest expenses paid	(196)	(161)
Income taxes paid	(2,537)	(2,527)
Cash flows from operating activities	3,521	10,404

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Net (increase)/decrease in time deposits	23	36
Purchase of property, plant and equipment	(600)	(735)
Purchase of intangible assets	(179)	30
Purchase of investment securities	(223)	(293)
Acquisition of newly consolidated subsidiaries	(426)	(2,564)
Liquidation of subsidiaries and affiliates	—	330
Payments of loans receivable	(2)	(9)
Collection of loans receivable	27	24
Other cash flows from investing activities	0	(72)
Cash flows from investing activities	(1,380)	(3,252)
Cash flows from financing activities		
Proceeds from short-term loan payable	—	258
Repayments of short-term loans payable	(330)	(283)
Repayments of PFI and other project finance loans	(844)	(855)
Disposal of treasury stock	—	219
Purchase of treasury stock	(14,288)	(0)
Cash dividends paid	(1,607)	(1,737)
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	—	295
Cash flows from financing activities	(17,072)	(2,103)
Effect of exchange rate change on cash and cash equivalents	11	119
Increase/(decrease) in cash and cash equivalents	(14,920)	5,168
Cash and cash equivalents at April 1	27,796	12,876
Cash and cash equivalents at March 31	12,876	18,044

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

### **(Notes on Going Concern Assumption)**

No items to report.

### **(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 is to acquire 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 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 consolidated statement of income for the fiscal year ended March 31, 2021

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 fiscal year ended March 31, 2021 includes the results of the acquiree from April 1, 2020 to December 31, 2020.

### 3. Acquisition costs and the details

Consideration paid: cash	2,386 million yen
Acquisition costs	2,386 million yen

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

Advisory expenses and others: 176 million yen

### 5. Amount of goodwill incurred, source, and method and period of amortization

#### (1) Amount of goodwill incurred

664 million yen

#### (2) Source

The acquisition cost is accounted for as goodwill to the extent it exceeds the amount allocated to the assets acquired and liabilities assumed, net.

#### (3) Method and period of amortization

The straight-line method over 15 years

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

Current assets	798 million yen
Property, plant and equipment	75 million yen
Intangible assets	2,119 million yen
Total assets	2,992 million yen
Current liabilities	784 million yen
Non-current liabilities	487 million yen
Total liabilities	1,271 million yen

#### Notes:

1. The amounts of assets and liabilities do not include the amount of goodwill in 5. above.
2. Subsequent to the provisional accounting applied for the three months ended June 30, 2020, the allocation of acquisition costs has been completed as of March 31, 2021. The consolidated financial statements for the fiscal year ended March 31, 2021 therefore reflects the revised amounts above.

### 7. Amount allocated to intangible assets other than goodwill, as well as its details and amortization period by major type

Details by major type	Amount	Amortization period
Customer-related assets	2,092 million yen	19 years

### 8. Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2021, assuming that business combination was completed as of April 1, 2020 and the calculation methods thereof

This information is not provided because the effect on the consolidated statement of income for the fiscal year ended March 31, 2021 is immaterial.

## **(Segment Information)**

### 1. Outline of reportable segment

The Company's segments represent components of the Group for which separate financial information is available and that are subject to periodical review by the board of directors in determining how to allocate operating resources and evaluating performance.

The Company has established business headquarters by its products and services at the corporate office, each of which operates under comprehensive domestic and overseas strategies developed for its products and services.

Therefore, the Group basically consists of two reportable segments: "Plant Engineering" and "Service Solutions", which are based on the Company's business divisions in consideration of similarities of types and natures of products and services. "Plant Engineering" segment is primarily involved in design and construction of water and sewage treatment plants. "Service Solutions" segment is primarily involved in operation, control and repair of water and sewage treatment plant facilities.

### 2. Determination of sales, income or loss, assets, liabilities and other items for each reportable segment

Accounting treatment applied to the business segment reported is generally consistent with accounting treatment applied to prepare consolidated financial statements.

In addition, segment income is determined based on operating income, which is consistent with operating income for the consolidated statement of income.

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	72,366	56,356	128,723	—	128,723
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	72,366	56,356	128,723	—	128,723
Segment income	3,188	5,035	8,223	—	8,223

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	76,462	56,893	133,355	—	133,355
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	76,462	56,893	133,355	—	133,355
Segment income	5,538	5,325	10,863	—	10,863

**(Per Share Information)**

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Yen	Yen
Net assets per share	1,138.03	1,223.53
Net income per share	115.76	150.50

Notes:

1. Diluted net income per share is not presented as there are no diluted shares.
2. The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net assets per share and net income per share above are calculated assuming that the stock split became effective as of April 1, 2019.
3. Net income per share is calculated on the following basis.

Net income per share	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Profit attributable to owners of parent	5,677	6,542
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	5,677	6,542
Average number of shares outstanding during the year (number of shares)	49,046,652	43,468,404

**(Significant subsequent events)**

No items to report.

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