



METAWATER Co., Ltd.

For Immediate Release

July 28, 2021

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2021 (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	https://www.metawater.co.jp
Representative	Kenji Yamaguchi President and Representative Director
Contact person	Masayuki Nakagawa Executive Officer Executive General Manager of Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	August 12, 2021
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, 2021

(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, 2021	15,934	12.3	(2,828)	—	(2,697)	—	(2,078)	—
Three months ended June 30, 2020	14,185	(4.5)	(2,377)	—	(2,393)	—	(1,861)	—

Note: Comprehensive income: Three months ended June 30, 2021 (1,083) million yen — %
Three months ended June 30, 2020 (1,811) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2021	(47.73)	—
Three months ended June 30, 2020	(42.84)	—

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, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2021	115,431	51,861	44.9
As of March 31, 2021	131,194	53,432	40.6

Note: Shareholders' equity: As of June 30, 2021 51,772 million yen
As of March 31, 2021 53,266 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	40.00	—	20.00	—
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		20.00	—	20.00	40.00

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 second and fourth quarters of the fiscal year ended March 31, 2021 are shown as the amount before and the after the stock split, respectively. The annual dividends per share for the fiscal year ended March 31, 2021 is shown as “—”.

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

Note:

1. Revision of forecast for operating results from the latest announcement: No

Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2021 (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: Yes
 - (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): 51,758,500 shares as of March 31, 2021 and 51,758,500 shares as of June 30, 2021.
 - (b) Number of treasury stock at the end of the period: 8,223,432 shares as of March 31, 2021 and 8,223,432 shares as of June 30, 2021.
 - (c) Average number of shares issued and outstanding for the period: 43,446,628 shares for the three months ended June 30, 2020 and 43,535,068 shares for the three months ended June 30, 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 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, 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, 2021

(1) Explanation of Operating Results

Japanese economy during the three months ended June 30, 2021 remained severe due to the effect of COVID-19 outbreak. The global economy was also severe due to the effect of global pandemic of COVID-19, while there were signs of recovery. The positive result of infection control and the improved overseas economies are expected to contribute to the recovery trend.

Under such circumstances, the Group established the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024), and is making company-wide efforts to achieve the plan by focusing on the following priority measures: i) enhancement of foundation field and expansion of growth field, ii) increase in R&D investment and iii) efforts of sustainable ESG.

The operating results of the Group for the three months ended June 30, 2021 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 June 30, 2020 (Million yen)	Three months ended June 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	14,185	15,934	1,749	12.3
Operating income	(2,377)	(2,828)	(450)	—
Ordinary income	(2,393)	(2,697)	(304)	—
Profit attributable to owners of parent	(1,861)	(2,078)	(217)	—
Sales orders	36,261	37,969	1,707	4.7
Outstanding orders	164,428	191,045	26,617	16.2

Note:

Effective from the fiscal year ending March 31, 2022, the Group adopted the Accounting Standard for Revenue Recognition. Also, the income statements of Wigen Companies Inc. and Rood Wit Blauw Holding B.V. have been consolidated to the Group's consolidated financial statements from the second and fourth quarters, respectively, of the fiscal year ended March 31, 2021.

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, both net sales and operating income decreased year on year. In the international business, both net sales and operating income increased year on year, mainly as a result of consolidation of Wigen Companies Inc. and Rood Wit Blauw Holding B.V..

	Three months ended June 30, 2020 (Million yen)	Three months ended June 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	10,081	10,167	85	0.9
Operating income	(1,116)	(1,623)	(507)	—
Sales orders	16,781	16,368	(412)	(2.5)
Outstanding orders	89,747	104,930	15,183	16.9

(Service Solutions Business)

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

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

	Three months ended June 30, 2020 (Million yen)	Three months ended June 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	4,103	5,767	1,663	40.5
Operating income	(1,261)	(1,204)	56	—
Sales orders	19,480	21,601	2,120	10.9
Outstanding orders	74,680	86,115	11,434	15.3

(2) Explanation of Financial Position

Total assets as of June 30, 2021 decreased by ¥15,762 million compared to March 31, 2021 to ¥115,431 million.

Current assets decreased by ¥17,046 million compared to March 31, 2021 to ¥92,203 million due to a decrease in accounts receivable - trade, offsetting an increase in cash and deposits as well as work in process.

Non-current assets increased by ¥1,284 million compared to March 31, 2021 to ¥23,228 million due to an increase in stocks of subsidiaries and affiliates.

Current liabilities decreased by ¥14,432 million compared to March 31, 2021 to ¥48,158 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities increased by ¥241 million compared to March 31, 2021 to ¥15,412 million due to an increase in liability for retirement benefit, offsetting a decrease in PFI and other project finance loans.

Total net assets decreased by ¥1,571 million compared to March 31, 2021 to ¥51,861 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, 2022 announced on April 27, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	18,777	43,209
Notes and accounts receivable - trade	78,398	—
Notes, accounts receivable - trade and contract assets	—	35,385
Work in process	3,209	4,318
Supplies	5,750	6,184
Other current assets	3,114	3,104
Total current assets	109,250	92,203
Non-current assets		
Property, plant and equipment	4,302	4,449
Intangible assets		
Goodwill	2,421	2,511
Customer-related assets	4,125	4,325
Other	1,834	2,256
Total intangible assets	8,380	9,093
Investments and other assets	9,260	9,685
Total non-current assets	21,944	23,228
Total assets	131,194	115,431

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	20,585	8,586
Electronically recorded obligations	10,903	13,537
Short-term loans payable	540	557
Current portion of PFI and other project finance loans	863	868
Income taxes payable	3,959	153
Advances received	12,664	—
Contract liabilities	—	15,453
Provision for warranties for completed construction	1,588	1,576
Provision for loss on construction contracts	871	819
Other current liabilities	10,613	6,605
Total current liabilities	62,590	48,158
Non-current liabilities		
Long-term loans payable	1,287	1,287
PFI and other project finance loans	8,986	8,598
Liability for retirement benefit	3,819	3,908
Other non-current liabilities	1,077	1,618
Total non-current liabilities	15,170	15,412
Total liabilities	77,761	63,570
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	14,999	14,999
Retained earnings	42,725	40,224
Treasury stock	(13,988)	(13,988)
Total shareholders' equity	55,683	53,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70	70
Foreign currency translation adjustment	(1,160)	(245)
Remeasurements of defined benefit plans	(1,327)	(1,235)
Total accumulated other comprehensive income	(2,417)	(1,410)
Non-controlling interest	166	88
Total net assets	53,432	51,861
Total liabilities and net assets	131,194	115,431

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

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	14,185	15,934
Cost of sales	12,464	14,343
Gross profit	1,720	1,591
Selling, general and administrative expenses	4,098	4,419
Operating loss	(2,377)	(2,828)
Non-operating income		
Interest income	40	36
Dividends income	38	57
Foreign exchange gain	—	35
Miscellaneous income	20	44
Total non-operating income	98	173
Non-operating expenses		
Interest expenses	34	41
Loss on disposal of non-current assets	0	0
Foreign exchange loss	71	—
Miscellaneous loss	8	1
Total non-operating expenses	114	43
Ordinary loss	(2,393)	(2,697)
Loss before income taxes	(2,393)	(2,697)
Income taxes	(528)	(608)
Net loss	(1,864)	(2,089)
Loss attributable to non-controlling interests	(3)	(11)
Loss attributable to owners of parent	(1,861)	(2,078)

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

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net loss	(1,864)	(2,089)
Other comprehensive income		
Valuation difference on available-for-sale securities	5	(0)
Foreign currency translation adjustment	(39)	914
Remeasurements of defined benefit plans	86	92
Total other comprehensive income	53	1,006
Comprehensive income	(1,811)	(1,083)
(Details)		
Comprehensive income attributable to owners of parent	(1,807)	(1,071)
Comprehensive income attributable to non-controlling interests	(3)	(11)

(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, 2021 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition)

As of April 1, 2021, the Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020) (hereinafter referred to as “ASBJ Statement No. 29”) and other related standards. ASBJ Statement No. 29 requires the Group to recognize the revenue at an amount the Group is expected to receive in exchange for the goods or services when they transfer to the customer.

The Group previously adopted the percentage of completion method when the outcome of the work performed related to the construction contract is deemed certain. As a result of adopting ASBJ Statement No. 29, when the Group transfers control of the goods or services to the customer over time, it recognizes the revenue over time as it satisfies the performance obligation to transfer the goods or services to the customer. The stage of completion related to the satisfaction of the Group’s performance obligation is determined by the percentage of the contract costs incurred to the end of each reporting period relative to the total contract costs. If the Group cannot reasonably estimate the stage of completion related to the satisfaction of the Group’s performance obligation, but expects to collect the costs incurred, the Group recognizes the revenue by the cost recovery method.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of ASBJ Statement No. 29, the Group adopted ASBJ Statement No. 29 and other related standards as of April 1, 2021, with the cumulative effect of retrospectively adopting ASBJ Statement No. 29 prior to April 1, 2021 being reflected on the retained earnings as of April 1, 2021. Also, in accordance with Paragraph 86 of ASBJ Statement No. 29, the Group does not retrospectively adopt ASBJ Statement No. 29 to the contracts for which substantially all revenue was previously recognized before April 1, 2021 according to the previous standard.

As a result, net sales and cost of sales for the three months ended June 30, 2021 increased by ¥2,077 million and ¥1,708 million, respectively. The Operating loss, ordinary loss and loss before income taxes for the three months ended June 30, 2021 decreased by ¥ 369 million, respectively. Retained earnings as of April 1, 2021 increased by ¥207 million.

As a result of adopting ASBJ Statement No. 29, “Notes and accounts receivable - trade” in “Current assets” on the balance sheet as of March 31, 2021 is included in “Notes, accounts receivable - trade and contract assets” as of June 30, 2021. “Advances received” in “Current

liabilities” as of March 31, 2021 is included in “Contract liabilities” as of June 30, 2021. In accordance with the transitional treatment prescribed in Paragraph 89-2 of ASBJ Statement No. 29, no reclassification has been made for the year ended March 31, 2021 related to the presentation method of ASBJ Statement No. 29.

(Application of Accounting Standard for Fair Value Measurement)

As of April 1, 2021, the Group adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) (hereinafter referred to as “ASBJ Statement No. 30”) and other related standards. In accordance with the transitional treatment prescribed in Paragraph 19 of ASBJ Statement No. 30 and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019), the Group adopted ASBJ Statement No. 30 and other related standards prospectively. This has no impact on the quarterly financial statements of the Group.

Segment Information

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.

Net sales and income or loss by reportable segment for the three months ended June 30, 2021
(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	10,167	5,767	15,934	—	15,934
Inter-segment transactions and transfers	—	—	—	—	—
Total	10,167	5,767	15,934	—	15,934
Segment loss	(1,623)	(1,204)	(2,828)	—	(2,828)

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.

2. Impact of change in the accounting standard for reporting segment

As described in Changes in Accounting Policies above, the Group adopted ASBJ Statement No. 29 along with other related standards as of April 1, 2021, and changed its accounting treatment on revenue recognition. As a result, the measurement method of income or loss by business segment was also changed.

This change resulted in the increase of net sales by reportable segment by ¥483 million in Plant Engineering Business, and ¥1,594 million in Service Solutions Business. Also, segment loss decreased by ¥56 million in Plant Engineering Business, and ¥313 million in Service Solutions Business.

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