



METAWATER Co., Ltd.

For Immediate Release

April 24, 2024

CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2024

[JP GAAP]

Company name	METAWATER Co., Ltd.
Stock exchanges on which the shares are listed	Prime Market of Tokyo Stock Exchange
Securities code	9551
URL	https://www.metawater.co.jp
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Scheduled date of annual meeting of shareholders	June 25, 2024
Filing date of annual securities report	June 25, 2024
Payment date of cash dividends	June 6, 2024
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, 2024

(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, 2024	165,561	9.9	9,903	14.0	10,490	15.7	6,875	10.0
Fiscal year ended March 31, 2023	150,716	11.2	8,688	6.7	9,068	3.6	6,252	0.1

Note: Comprehensive income: Fiscal year ended March 31, 2024 10,081 million yen 26.8 %
Fiscal year ended March 31, 2023 7,952 million yen 15.3 %

	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, 2024	157.67	—	10.0	6.7	6.0
Fiscal year ended March 31, 2023	143.48	—	10.1	6.6	5.8

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

Fiscal year ended March 31, 2024 (38) million yen
Fiscal year ended March 31, 2023 122 million yen

Note: For the purpose of calculating the net income per share, Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

(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, 2024	168,843	75,676	43.2	1,672.17
As of March 31, 2023	142,695	66,639	45.7	1,495.54

Note: Shareholders' equity As of March 31, 2024 72,932 million yen

As of March 31, 2023 65,191 million yen

(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, 2024	(5,486)	(3,098)	11,338	14,219
Fiscal year ended March 31, 2023	(4,340)	(6,452)	717	11,085

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	20.00	—	22.00	42.00
Fiscal year ended March 31, 2024	—	22.00	—	24.00	46.00
Fiscal year ending March 31, 2025 (Forecast)	—	24.00	—	24.00	48.00

	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2023	1,830	29.3	2.9
Fiscal year ended March 31, 2024	1,988	29.2	2.9
Fiscal year ending March 31, 2025 (Forecast)		—	

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2025

(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, 2025	170,000	2.7	9,000	(9.1)	8,700	(17.1)	6,100	(11.3)	139.86

Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2024 (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 at the end of the year (including treasury stock): 47,758,500 shares as of March 31, 2023 and 47,758,500 shares as of March 31, 2024.
 - (b) Number of treasury stock at the end of the year: 4,168,064 shares as of March 31, 2023 and 2,142,964 shares as of March 31, 2024.
 - (c) Average number of shares issued and outstanding for the year: 43,581,997 shares for the fiscal year ended March 31, 2023 and 43,607,720 shares for the fiscal year ended March 31, 2024.

Note: Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

[For Reference]
Financial Highlights (Non-consolidated)

Highlight of non-consolidated results for the fiscal year ended March 31, 2024

(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, 2024	111,155	7.2	4,458	(3.7)	5,677	4.9	4,068	3.5
Fiscal year ended March 31, 2023	103,701	1.3	4,630	(20.1)	5,414	(22.0)	3,930	(18.2)

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2024	93.30	—
Fiscal year ended March 31, 2023	90.18	—

Note: For the purpose of calculating the net income per share, Metawater shares held in the Impact Neutralization Trust® are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

(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, 2024	123,418	56,207	45.5	1,288.70
As of March 31, 2023	108,561	53,647	49.4	1,230.72

Note: Shareholders' equity As of March 31, 2024 56,207 million yen
As of March 31, 2023 53,647 million yen

* 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 fiscal year ended March 31, 2024 recovered modestly, partly due to the various effective policies. The global economy continued to recover modestly, although there were signs of weakness in some regions. Meanwhile, there were concerns about downside risks to the economy, such as the situation in the Middle East, the impact of global monetary tightening, rise in prices, disruption of supply chain and the shortage of semiconductors.

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

The operating results of the Group for the fiscal year ended March 31, 2024 are as the table below.

Both net sales and operating income increased year on year, mainly due to steady performance of international business, O&M (note 1) and PPP (note 2). Both order received and order backlog increased year on year due to strong order receipts. Ordinary income includes ¥621 million of the foreign exchange gain due to depreciation of Japanese Yen.

	Fiscal year ended March 31, 2023 (Million yen)	Fiscal year ended March 31, 2024 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	150,716	165,561	14,845	9.9
Operating income	8,688	9,903	1,215	14.0
Ordinary income	9,068	10,490	1,422	15.7
Profit attributable to owners of parent	6,252	6,875	622	10.0
Order received	193,404	211,914	18,510	9.6
Order backlog	228,717	275,071	46,353	20.3

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 3) as foundation field and international business as growth field, and Service Solutions Business Segment including O&M as foundation field and PPP as growth field.

Operating results by segment are as follows:

Notes:

1. O&M: Operation and Maintenance
2. PPP (Public-Private Partnership): the means for the private sector to participate in providing services to the public
3. EPC: Engineering, Procurement and Construction

(Plant Engineering Business)

The operating results of the Plant Engineering Business are as the table below.

In the EPC business, although net sales increased year on year, operating income decreased year on year due to increased costs mainly resulting from longer construction time and price increases. In the international business, both net sales and operating income increased year on year, mainly due to the strong performance of subsidiaries in North America.

	Fiscal year ended March 31, 2023 (Million yen)	Fiscal year ended March 31, 2024 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	86,971	96,293	9,322	10.7
Operating income	4,002	1,440	(2,561)	(64.0)
Order received	94,898	118,206	23,308	24.6
Order backlog	120,968	142,880	21,912	18.1

(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, mainly due to an increase in repair work. In the PPP business, both net sales and operating income increased year on year, mainly due to the steady performance of consolidated subsidiaries.

	Fiscal year ended March 31, 2023 (Million yen)	Fiscal year ended March 31, 2024 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	63,744	69,267	5,523	8.7
Operating income	4,686	8,463	3,777	80.6
Order received	98,505	93,708	(4,797)	(4.9)
Order backlog	107,749	132,190	24,440	22.7

(2) Financial Position Review for the Current Fiscal Year

Total assets as of March 31, 2024 increased by ¥26,148 million compared to March 31, 2023 to ¥168,843 million.

Current assets increased by ¥23,432 million compared to March 31, 2023 to ¥136,074 million due to an increase in cash and deposits, notes and accounts receivable - trade, and contract assets, as well as work in process.

Non-current assets increased by ¥2,665 million compared to March 31, 2023 to ¥32,718 million due to an increase in construction in progress - intangible included in other intangible assets.

Current liabilities increased by ¥5,258 million compared to March 31, 2023 to ¥64,491 million due to an increase in contract liabilities and other current liabilities, offsetting a decrease in electronically recorded obligations.

Non-current liabilities increased by ¥11,852 million compared to March 31, 2023 to ¥ 28,675 million due to an increase in issuance of bonds as well as PFI and other project finance loans.

Total net assets increased by ¥9,037 million compared to March 31, 2023 to ¥75,676 million due to the recognition of profit attributable to owners of parent and an increase in foreign currency translation adjustment.

(3) Cash Flow Review for the Current Fiscal Year

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2024 increased by ¥3,134 million compared to March 31, 2023 to ¥14,219 million. An analysis of the cash flows for the fiscal year ended March 31, 2024 and related commentary thereon are presented below:

(Cash flows from operating activities)

The funds used for operating activities was ¥5,486 million (¥1,145 million decrease year to year):

¥15,150 million of increase in trade receivables and contract assets, offsetting ¥10,490 million of income before income taxes.

(Cash flows from investing activities)

The funds used for investing activities was ¥3,098 million (¥3,354 million increase year to year): ¥911 million used for purchase of property, plant and equipment, ¥5,052 million used for purchase of intangible assets and ¥652 million used for payments of loans receivable, offsetting ¥3,836 million in proceeds from sales of investment securities.

(Cash flows from financing activities)

The funds generated by financing activities was ¥11,338 million (¥10,620 million increase year to year): ¥3,591 million in proceeds from short-term loan payable and ¥9,946 million in proceeds from issuance of bonds, offsetting ¥1,855 used for payment of dividends.

(Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Shareholders' equity to total assets (%)	40.6	44.5	45.7	43.2
Shareholders' equity to total assets based on market value (%)	73.5	65.5	52.8	59.2
Interest-bearing debt to cash flows (%)	112.2	187.0	—	—
Interest coverage ratio	67.7	41.8	—	—

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 on the consolidated balance sheet that accrue interest.
4. Interest-bearing debt to cash flows and interest coverage ratio for the fiscal years ended March 31, 2023 and March 31, 2024 are not shown since cash flows from operating activities were negative.

(4) Future Forecast

Japanese economy for the fiscal year ending March 31, 2025 is expected to continue its modest recovery, partly due to the various effective policies. The global economy is also expected to continue its recovery. However, close attention needs to be paid to the downside risks to the economy, including the impact of global monetary tightening, rise in prices and the situation in the Middle East.

In the domestic water and sewage business, which is the Group's core business, it has become apparent that local governments are facing financial difficulties and the shortage of engineers mainly due to declining population. In addition, measures against aging facilities and equipment that were built during the period of high economic growth, as well as preparation for natural disasters such as major earthquakes, typhoons and torrential rains, have become urgent issues. Under such circumstances, public-private partnerships that utilize the funds, technology and know-how of the private sector have been steadily developing, as a result of the implementation of the Act on Promotion of Private Finance Initiative and the revision of the Waterworks Act. The PPP/PFI Promotion Action Plan (Cabinet Office: 2023 revised version) aims to expand the introduction of "Water PPP," a new method of public-private partnership.

Under such market environment, the Group has developed the Midterm Business Plan 2027 (through the fiscal year ending March 31, 2028), in order to realize its long-term vision. We will make company-wide efforts, focusing on the following priority measures: i) growth strategies in each business field, ii) investment and financing strategies to enhance corporate value and iii) sustainability efforts.

As a result of the strong orders received in the fiscal year ended March 31, 2024, the Group's order backlog 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 make upfront investments such as human capital and DX investments in order to realize the long-term vision. Consequently, the consolidated results for the fiscal year ending March 31, 2025 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, 2024 (Million yen)	Fiscal year ending March 31, 2025 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	165,561	170,000	4,438	2.7
Operating income	9,903	9,000	(903)	(9.1)
Ordinary income	10,490	8,700	(1,790)	(17.1)
Profit attributable to owners of parent	6,875	6,100	(775)	(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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	11,724	14,882
Notes and accounts receivable - trade, and contract assets	87,191	103,059
Work in process	2,853	4,898
Supplies	7,093	8,801
Other current assets	3,779	4,432
Total current assets	112,642	136,074
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,418	2,468
Machinery and equipment, net	1,189	1,616
Tools, furniture and fixtures, net	670	615
Construction in progress	184	245
Other property, plant and equipment, net	724	823
Total property, plant and equipment	5,187	5,768
Intangible assets		
Software	1,043	3,256
Software in progress	2,192	452
Goodwill	2,467	2,344
Customer-related assets	4,497	4,404
Right to operate public facilities	950	900
Other intangible assets	1,339	4,697
Total intangible assets	12,490	16,055
Investments and other assets		
Investment securities	5,535	2,382
Long-term loans receivable	244	773
Guarantee deposits	1,208	1,228
Assets for retirement benefits	2,417	3,941
Deferred tax assets - non-current	2,736	2,253
Other non-current assets	231	315
Total investments and other assets	12,374	10,895
Total non-current assets	30,053	32,718
Deferred assets		
Bond issuance costs	—	50
Total deferred assets	—	50
Total assets	142,695	168,843

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	25,463	25,127
Electronically recorded obligations	10,158	7,208
Short-term loans payable	2,387	3,591
Current portion of PFI and other project finance loans	887	697
Income taxes payable	2,339	2,899
Contract liabilities	7,134	10,552
Provision for warranties for completed construction	1,185	1,044
Provision for loss on construction contracts	1,224	1,236
Other current liabilities	8,452	12,133
Total current liabilities	59,232	64,491
Non-current liabilities		
Bonds payable	—	10,000
PFI and other project finance loans	11,123	12,726
Liability for retirement benefit	4,386	4,836
Other non-current liabilities	1,312	1,112
Total non-current liabilities	16,823	28,675
Total liabilities	76,055	93,166
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	9,411	9,410
Retained earnings	50,890	52,513
Treasury stock	(7,089)	(3,640)
Total shareholders' equity	65,158	70,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(182)	111
Deferred gains or losses on hedges	3	28
Foreign currency translation adjustment	1,689	2,747
Remeasurements of defined benefit plans	(1,477)	(186)
Total accumulated other comprehensive income	32	2,701
Non-controlling interests	1,447	2,744
Total net assets	66,639	75,676
Total liabilities and net assets	142,695	168,843

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

Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	150,716	165,561
Cost of sales	120,428	131,158
Gross profit	30,287	34,403
Selling, general and administrative expenses	21,598	24,499
Operating income	8,688	9,903
Non-operating income		
Interest income	130	153
Dividends income	72	63
Gain on sales of investment securities	—	100
Foreign exchange gain	528	621
Share of profit of entities accounted for using equity method	122	—
Miscellaneous income	130	41
Total non-operating income	983	980
Non-operating expenses		
Interest expenses	220	233
Share of loss of entities accounted for using equity method	—	38
Commission expenses	74	64
Loss on sales of investment securities	193	—
Loss on disposal of non-current assets	81	21
Commission for syndicated loans	16	16
Miscellaneous loss	16	18
Total non-operating expenses	603	393
Ordinary income	9,068	10,490
Income before income taxes	9,068	10,490
Income taxes - current	2,725	3,345
Income taxes - deferred	(152)	(221)
Total income taxes	2,572	3,124
Net income	6,496	7,366
Profit attributable to non-controlling interests	243	490
Profit attributable to owners of parent	6,252	6,875

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

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income	6,496	7,366
Other comprehensive income		
Valuation difference on available-for-sale securities	(248)	294
Deferred gains or losses on hedges	113	70
Foreign currency translation adjustment	1,858	1,058
Remeasurements of defined benefit plans	(267)	1,291
Total other comprehensive income	1,456	2,714
Comprehensive income	7,952	10,081
(Details)		
Comprehensive income attributable to owners of parent	7,635	9,544
Comprehensive income attributable to non-controlling interests	317	536

(3) Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal year ended March 31, 2023				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	11,946	9,406	46,380	(7,137)	60,595
Changes during the year					
Dividends from surplus			(1,743)		(1,743)
Profit attributable to owners of parent			6,252		6,252
Restricted stock compensation		5		47	52
Changes in other equity, net					
Total changes during the year	—	5	4,509	47	4,562
Balance at March 31, 2023	11,946	9,411	50,890	(7,089)	65,158

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

(Millions of yen)

	Fiscal year ended March 31, 2023						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2022	66	(35)	(169)	(1,210)	(1,349)	302	59,548
Changes during the year							
Dividends from surplus							(1,743)
Profit attributable to owners of parent							6,252
Restricted stock compensation							52
Changes in other equity, net	(248)	39	1,858	(267)	1,382	1,145	2,528
Total changes during the year	(248)	39	1,858	(267)	1,382	1,145	7,090
Balance at March 31, 2023	(182)	3	1,689	(1,477)	32	1,447	66,639

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

(Millions of yen)

	Fiscal year ended March 31, 2024				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	11,946	9,411	50,890	(7,089)	65,158
Changes during the year					
Dividends from surplus			(1,855)		(1,855)
Profit attributable to owners of parent			6,875		6,875
Cancellation of treasury stock		(5)	(3,396)	3,402	—
Restricted stock compensation		4		47	51
Changes in other equity, net					
Total changes during the year	—	(0)	1,623	3,449	5,072
Balance at March 31, 2024	11,946	9,410	52,513	(3,640)	70,230

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

(Millions of yen)

	Fiscal year ended March 31, 2024						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2023	(182)	3	1,689	(1,477)	32	1,447	66,639
Changes during the year							
Dividends from surplus							(1,855)
Profit attributable to owners of parent							6,875
Cancellation of treasury stock							—
Restricted stock compensation							51
Changes in other equity, net	294	24	1,058	1,291	2,668	1,296	3,965
Total changes during the year	294	24	1,058	1,291	2,668	1,296	9,037
Balance at March 31, 2024	111	28	2,747	(186)	2,701	2,744	75,676

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Income before income taxes	9,068	10,490
Depreciation	1,625	2,142
Amortization of goodwill	282	302
Increase/(decrease) in liabilities for retirement benefits	(175)	355
(Increase)/decrease in assets for retirement benefits	(228)	48
Increase/(decrease) in provision for warranties for completed construction	(145)	(197)
Increase/(decrease) in provision for loss on construction contracts	304	12
Interest income and dividends income	(202)	(217)
Interest expenses	220	233
Foreign exchange (gain)/loss	(528)	(621)
Loss on disposal of property, plant and equipment	81	21
(Gain)/loss on sales of investment securities	193	(100)
Share of (profit)/loss of entities accounted for using equity method	(122)	38
(Increase)/decrease in trade receivables and contract assets	(8,771)	(15,150)
(Increase)/decrease in inventory	(1,588)	(3,358)
Increase/(decrease) in trade payables	241	(2,433)
Increase/(decrease) in contract liabilities	(577)	3,334
Other cash flows from operating activities	(951)	2,416
Subtotal	(1,273)	(2,681)
Interest and dividends income received	202	217
Interest expenses paid	(220)	(212)
Income taxes paid	(3,049)	(2,810)
Cash flows from operating activities	(4,340)	(5,486)

(4) Consolidated Statement of Cash Flows (continued)

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Net (increase)/decrease in time deposits	38	(23)
Purchase of property, plant and equipment	(1,034)	(911)
Purchase of intangible assets	(1,548)	(5,052)
Purchase of investment securities	(5,794)	(352)
Sales of investment securities	1,719	3,836
Payments of loans receivable	(163)	(652)
Collection of loans receivable	67	71
Other cash flows from investing activities	262	(14)
Cash flows from investing activities	(6,452)	(3,098)

(4) Consolidated Statement of Cash Flows (continued)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Proceeds from short-term loan payable	2,321	3,591
Repayments of short-term loans payable	(1,168)	(2,428)
Repayments of long-term loans payable	(905)	—
Proceeds from PFI and other project finance loans	2,300	2,300
Repayments of PFI and other project finance loans	(875)	(887)
Proceeds from issuance of bonds	—	9,946
Cash dividends paid	(1,743)	(1,855)
Proceeds from share issuance to non-controlling interests	830	761
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	(41)	(88)
Cash flows from financing activities	717	11,338
Effect of exchange rate change on cash and cash equivalents	548	381
Increase/(decrease) in cash and cash equivalents	(9,528)	3,134
Cash and cash equivalents at April 1	20,613	11,085
Cash and cash equivalents at March 31	11,085	14,219

(5) Notes to the Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Segment Information

1. Outline of reportable segments

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 international 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 by reportable segment

Accounting treatment applied to the business segments 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 on the consolidated statement of income.

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	86,971	63,744	150,716	—	150,716
Inter-segment transactions and transfers	—	—	—	—	—
Total	86,971	63,744	150,716	—	150,716
Segment income	4,002	4,686	8,688	—	8,688

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	96,293	69,267	165,561	—	165,561
Inter-segment transactions and transfers	—	—	—	—	—
Total	96,293	69,267	165,561	—	165,561
Segment income	1,440	8,463	9,903	—	9,903

Per Share Information

(Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	1,495.54	1,672.17
Net income per share	143.48	157.67

Notes:

1. Diluted net income per share is not presented as there are no diluted shares.
2. Net income per share is calculated on the following basis.

(Millions of yen)

Net income per share	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent	6,252	6,875
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	6,252	6,875
Average number of shares outstanding during the year (number of shares)	43,581,997	43,607,720

Significant Subsequent Events

(Change in the Composition of Segments)

As a result of the review of the organizational structure effective April 1, 2024, the Company has decided to change the composition of the Group's reportable segments from the current two segments (Plant Engineering Business and Service Solutions Business) to four segments (Environmental Engineering Business, System Solution Business, Operation Business and International Business), effective from the fiscal year ending March 31, 2025. This change will enable the Group to make more appropriate decisions regarding the allocation of management resources and performance management from a management approach perspective, as well as to more accurately reflect actual business operations.

Information on sales, income or loss and other items by reportable segment for the fiscal year ended March 31, 2024 based on the new segment composition is currently being calculated.

(Capital Increase of a Subsidiary)

On April 11, 2024, the Group completed its payment for the capital increase of K.K. Mizumusubi Management Miyagi, a consolidated subsidiary of the Company, based on the resolution of the Company's Board of Directors on April 27, 2021.

1. Purpose of capital increase

The purpose is for K.K. Mizumusubi Management Miyagi to raise funds for its investments and to stable its financial base by increasing its equity capital.

2. Overview of the company

- (1) Name: K.K. Mizumusubi Management Miyagi
- (2) Address: 27-21 Tachi-machi, Aoba-ku, Sendai, Miyagi
- (3) Representative: Eiji Nakamura, President and Representative Director
- (4) Business: As an operation and maintenance company for the Miyagi Prefecture integrated water supply, industrial waterworks, and sewerage public-private partnership management project, K.K. Mizumusubi Management Miyagi operates and maintains nine businesses in three fields: two water supply businesses, three industrial waterworks businesses and four sewerage businesses.
- (5) Capital stock before capital increase: ¥1,595 million
Legal capital surplus before capital increase: ¥1,595 million
- (6) Establishment date: May 2021
- (7) Investment ratio before capital increase: 35.0%

3. Outline of capital increase

- (1) Capital stock after capital increase: ¥2,179 million
Legal capital surplus after capital increase: ¥2,179 million
- (2) Payment by the Group: ¥408 million
- (3) Payment date: April 11, 2024
- (4) Investment ratio after capital increase: 35.0%

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