



Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2021

Segment Information

☐ Plant Engineering Business(PE business) :Domestic EPC business / Overseas business

The main work in this segment is different types of engineering that focus on the design and construction of machinery facilities used in the purification processes in purification plans, sewage processes in sewage plants, sludge treatment processes, and processes for creating fuel in Japan and overseas as well as the design and construction of electrical facilities for the operation, monitoring, and control of these.

☐ Service Solution Business(SS business) :Domestic O&M business / Domestic PPP business

The main work in this segment includes a range of services such as repair work, operation, and management (maintenance/inspection) of mechanical and electrical facilities for purification plans, sewage plants, refuse processing facilities, and recycling facilities in Japan and overseas.

Acronyms

EPC	Engineering, Procurement and Construction
O&M	Operation and Maintenance
PPP	Public-Private Partnership (Method through which the private sector participates in the provision of public services)
PFI	Private Finance Initiative (Method of public works which utilizes the private sector for the design and construction, operation and maintenance, management, and capital procurement of public facilities)
DBO	Design, Build and Operate (Method of public works which utilizes the private sector for the design and construction, and operation and maintenance management of public facilities)
Concession	An approach of granting business operation rights to private companies for a long term while leaving the authority of public facilities and authorization of business management to the public.

- The impact of COVID-19 on the cumulative business results up to the 2Q FYE 3/'21
 - There was a delay in the timing of sales in certain overseas businesses, but this does not affect the full-year results.
- Revision of earnings forecast for the FYE 3/'21
 - The prospects for achieving the goals of its Medium-Term Management Plan 2020 (sales of JPY 130 bn and operating income of JPY 9 bn in the FYE 3/'21) became clearer.
 - In order to reduce volatility in pension asset management and to comply with the Corporate Governance Code, shares contributed to the retirement benefit trust are to be disposed.
 - The payment of special allowance for the efforts of the Group's employees and their families to maintain "water and environmental infrastructure", the core of public health, in the face of the Coronavirus turmoil is being considered.

Reflecting the impact of these measures, we have revised the full-year forecast for FYE 3/'21.

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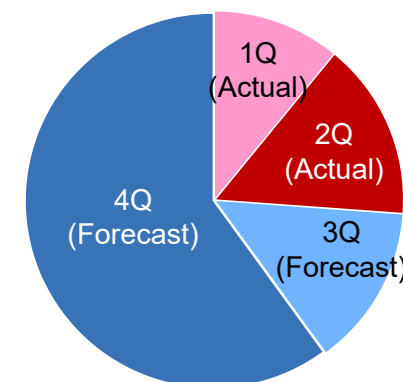
Financial Highlights of 2Q FYE 3/'21 (Consolidated) METAWATER

* Orders Received

Domestic EPC, Overseas, and PPP businesses performed well, resulting in a substantial increase over the previous year's figures

(Reference) Order backlog: JPY 174.8 bn end 2Q FYE 3/'20 → JPY 178.9 bn end 2Q FYE3/'21

Sales by quarter for FYE 3/'21



* Net Sales & Profits

Domestic public works projects account for the majority of the Group's business, and sales and profits tend to be significantly skewed toward the 4Q. Cumulative sales up to 2Q are usually about 25% of the annual sales. (The same applied in this 2Q)

Cumulative Q2 results were lower than expected due to a different project mix from the previous year, however, net sales and profits were largely **in line with the plan**

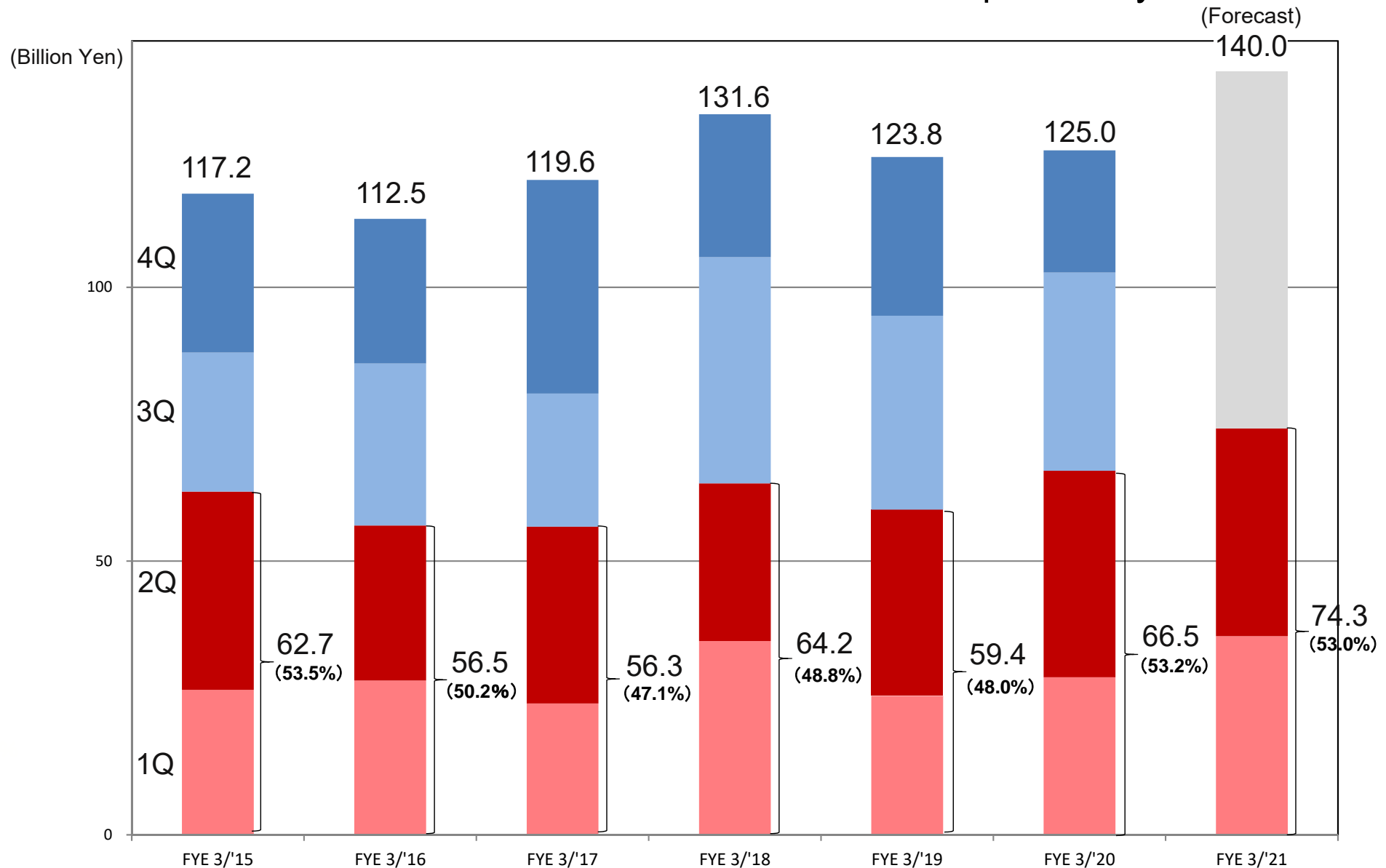
	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the quarter*	Interim Dividend (yen)
2QFYE3/'21 Results	74.3	34.0	(3.5)	(3.5)	(2.7)	*40
	YoY: +7.8 +11.7%	YoY: -0.1 -0.2%	YoY: -0.5	YoY: -0.4	YoY: -0.5	
2QFYE3/'20 Results	66.5	34.1	(3.0)	(3.1)	(2.2)	31

* Rounded to the nearest 0.1 billion yen (hereinafter the same shall apply to Results)

* 2-for-1 stock split on October 1, 2020 is not reflected

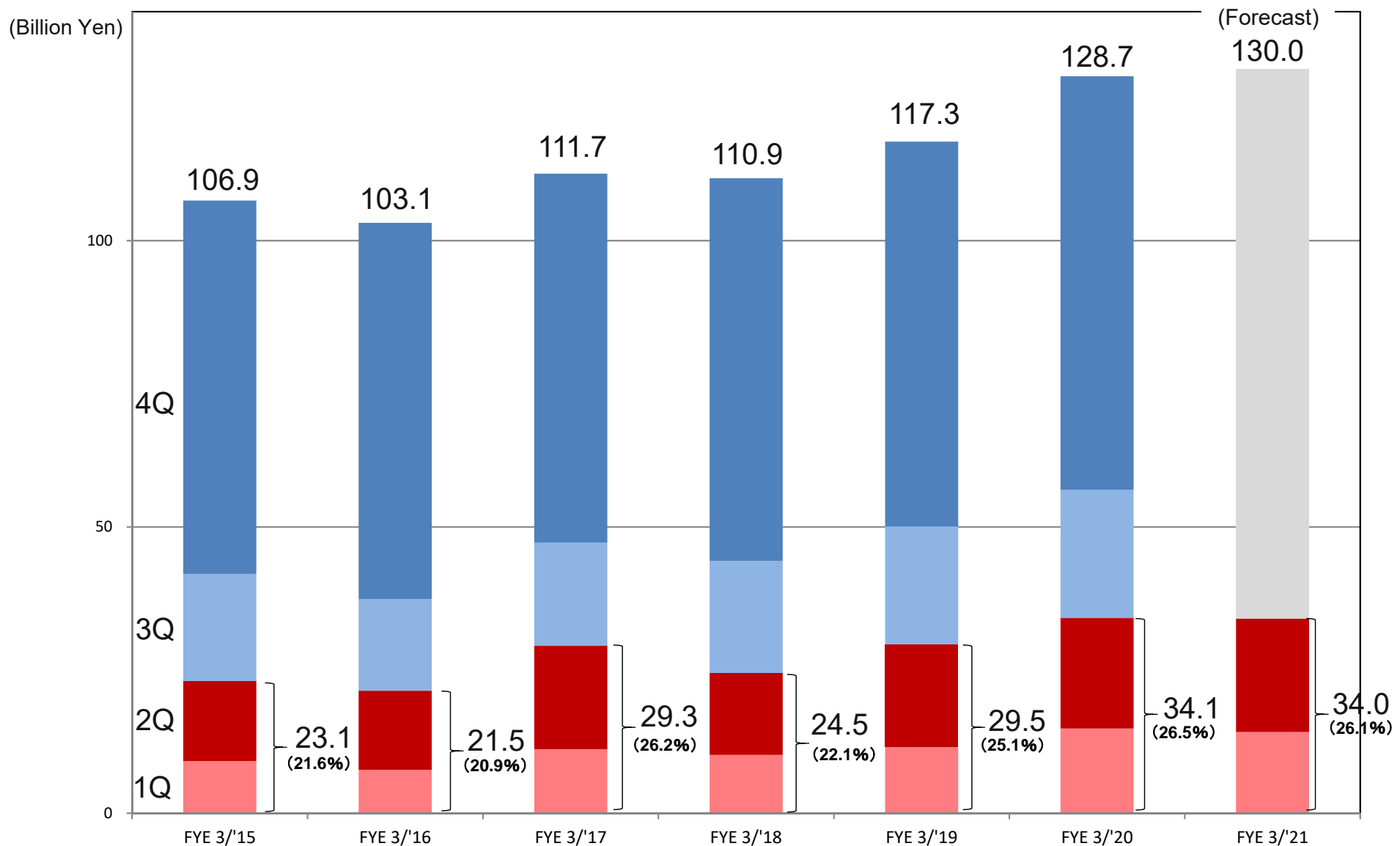
Orders Received in 2Q FYE 3/'21

Orders received up to 2Q usually accounts for around 50% of the annual order.
This 2Q cumulative orders were at the same level as in the previous years.



Sales in 2Q FYE3/'21

Sales up to 2Q usually accounts for around 25% of the annual sales.
This 2Q cumulative sales were at the same level as in the previous years.



Business Activities

- * A new advanced sewage treatment technology, "anaerobic, simultaneous nitrification and denitrification method" received the "Minister of Economy, Trade and Industry Award" at the 46th Japan Society of Industrial Machinery Manufacturers (JAMA) Excellent Environmental Equipment Awards (July) [See page 14]
- * Exhibited at Virtual Sewerage Exhibition (August)
- * Began leasing ceramic membrane filtration equipment (CPCM) to water business entities (September) [See page 11-12]
- * Our group related projects won two awards at Global Water Awards 2020 (September) [See page 13]
- * Concluded an absorption-type merger agreement with our subsidiary Toriden Shoji Co., Ltd. (September - the merger is scheduled for April 1, 2021)

(Reference) Stock split of the Company's common stock (October)

Social Contribution / Work Style Reform Initiatives

- * Renewal of the West Japan Office using the ABW (Activity Based Working) method (July) [see page 15]
- * An original video for learning the content of the lecture was released on our website (September onward)

(Reference) "METAWATER Sewerage Science Museum Nagoya" was reopened on June 20th.

For the realization of sustainable social infrastructure

We continue to make proposals to realize a world in which society together supports sustainable social infrastructure.



SUSTAINABLE
DEVELOPMENT
GOALS

6 CLEAN WATER
AND SANITATION



11 SUSTAINABLE CITIES
AND COMMUNITIES



17 PARTNERSHIPS
FOR THE GOALS



Container Package Ceramic Mobile (CPCM)

In Japan with a declining population, it is essential to realize a sustainable society where large and medium-sized cities support smaller cities, towns and villages. We aim to contribute to this society with new business models, such as the utilization of long-lasting ceramic membranes.



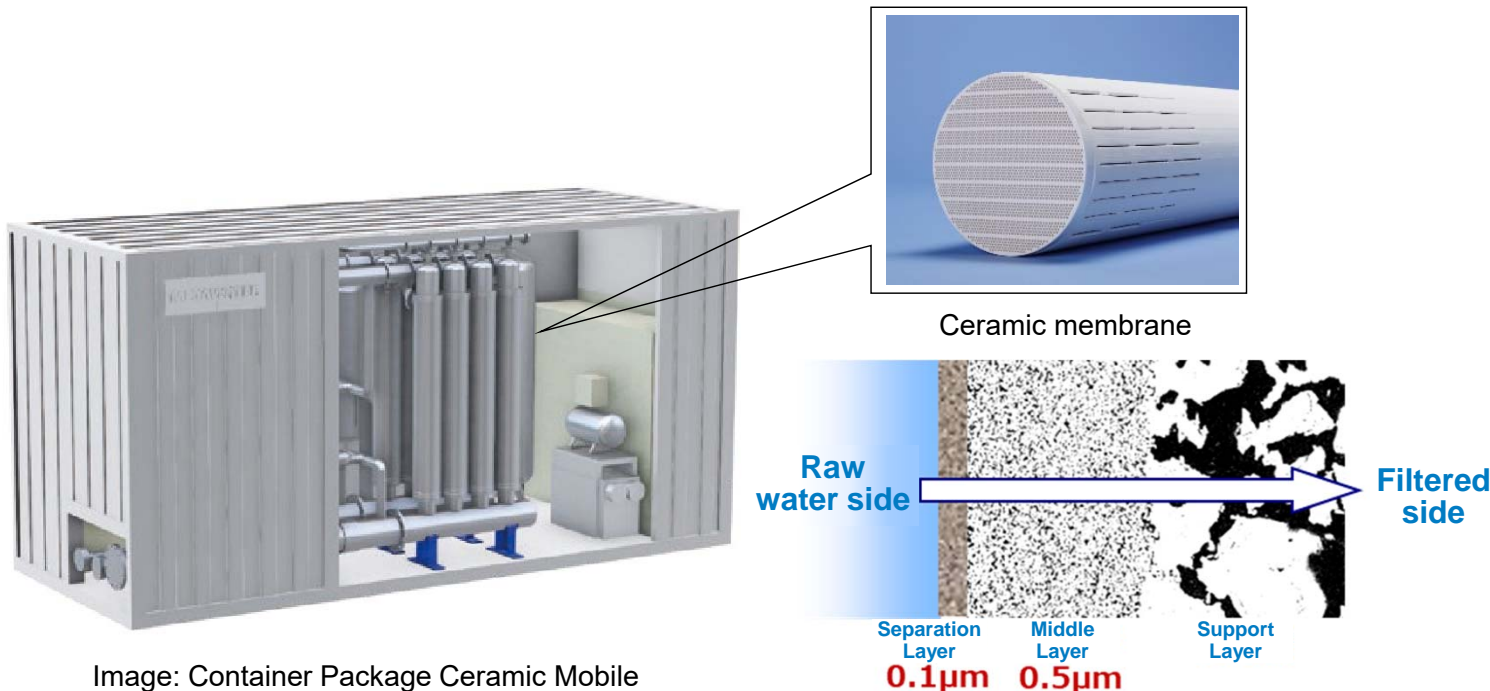
Container Package Ceramic Mobile (CPCM)

Began leasing containerized ceramic membrane filtration equipment to water utility companies.

Leasing of our ceramic membrane filtration equipment for a specified period at a fixed rate.

[Benefits]

- ① Available to water utility entities for the required period of use
- ② Budget leveling enabled
- ③ Maintenance service is included in the contract, allowing users to feel secure



Built-in container allows for truck transportation in an emergency

Our group related projects won two awards at Global Water Awards 2020

【Award-winning projects】

Wastewater Project of the Year (Wastewater category)

Paso Robles wastewater treatment plant renewal project in California, USA, where Aqua-Aerobic Systems, Inc. supplied AquaDisk® cloth media filters



Cloth Media Filter

Water Project of the Year (Water category)

Singapore's Choa Chu Kang Water Purification Plant Renewal Project, where our strategic partner PWNT B.V. delivered the CeraMac® system (using our ceramic membranes)



Ceramic membrane filtration facility (CeraMac®) that started operation



Ceramic membrane

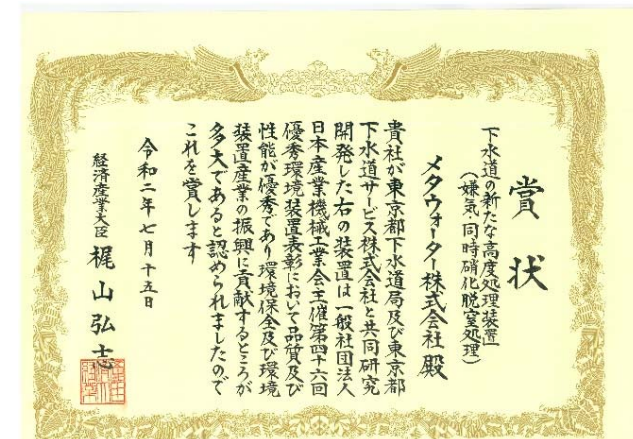
The Global Water Awards recognize the most important international achievements of water-related companies and projects around the world, as voted by subscribers of the Global Water Intelligence - the worldwide water, wastewater and desalination industry report - and others. The award is also known as the "Oscars (Academy Awards) of the Water Sector", and world-renowned personalities are invited to attend the ceremony.

With the Ceramic Membrane Filtration System, we won a Gold Award in 2015 in the Water Technology Company of the Year category.



Received "Minister of Economy, Trade and Industry Award" - in the Excellent Environmental Equipment category

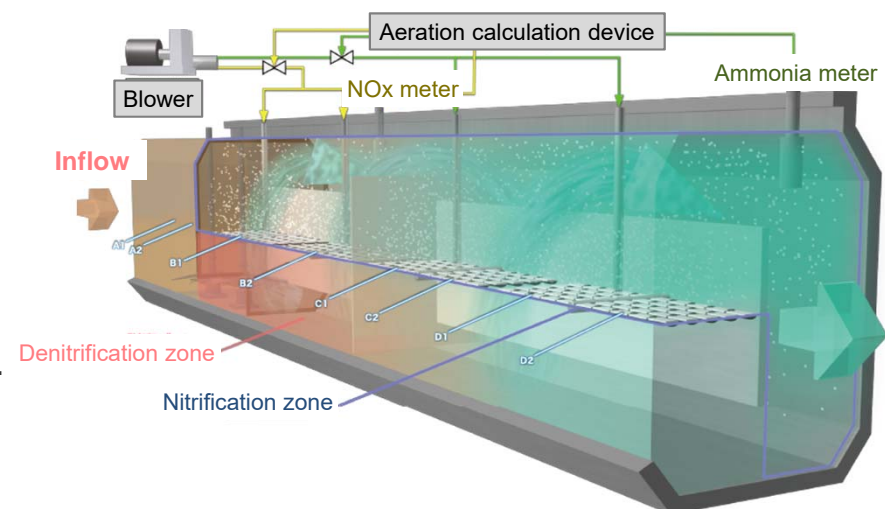
A new advanced sewage treatment technology, "anaerobic, simultaneous nitrification and denitrification method", developed in collaboration with the Tokyo Metropolitan Bureau of Sewerage and Tokyo Metropolitan Sewerage Services, Inc. received the "Minister of Economy, Trade and Industry Award" at the 46th Japan Society of Industrial Machinery Manufacturers (JAMA) Excellent Environmental Equipment Awards



【Feature】

- Improvement of water quality
The system creates an aerobic zone and an oxygen-free zone in the aerobic tank and repeats nitrification and denitrification by swirling flow to achieve the same quality of treated water as the advanced treatment.
- Optimal airflow control for energy conservation
Nitrification and denitrification conditions are monitored with NOx and ammonia meters installed in the aerobic tank, to control the optimal aeration volume.
- Reduction of remodeling, maintenance and management costs
 - Reduces the amount of modification of the existing civil engineering building frame for advanced treatment.
 - No need for oxygen-free tanks, mixers, and nitrification liquid circulation pumps.

【Process Flow】



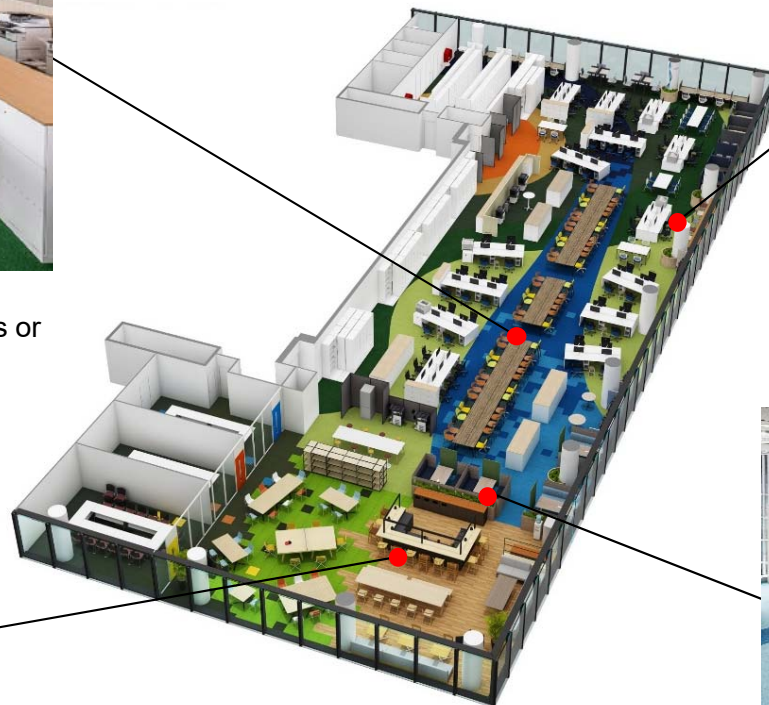
ABW(Activity Based Working)

As part of work style reform, we have introduced ABW, in which workers can freely choose the time and place according to their work content. As the first step, the West Japan Office workspace (META BASE OSAKA) was renewed. We plan to expand the introduction of ABW to offices nationwide in coming years.



Big table

multi-purpose use such as work by individuals or groups, meetings, etc.



window-side high table



Communication & Recharge Area

used for refreshment, as well as open-discussions and events



Meeting booth

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Revised Full-Year Earnings Forecast for FYE 3/'21 (Consolidated)



- * Orders and sales are **expected to be in line with the initial forecast**
- * Profits, on the other hand, are expected to meet the initial plan due to efforts of cost reduction and other earnings improvements

The full-year forecasts for operating income, ordinary income, and net income have been revised, reflecting the one-time amortization of unrecognized actuarial gain from the sale of shares in a retirement benefit trust (reduction of the cost of sales and SG&A expenses) and payment of the special allowance for employees, etc.

(Billion Yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the quarter	*Net Income per share(Yen)	Dividend per share (yen)	
							End of 2Q FYE 3/'21	End of FYE 3/'21
Previous forecast (Announced on 27th April)	140.0	130.0	9.0	9.0	6.2	142.70	40	40
Revised forecast	140.0	130.0	10.5	10.5	6.8	156.51	40	(After the stock split) 20
Change	-	-	+1.5	+1.5	+0.6	-	-	-
Rate of change	-	-	+16.7%	+16.7%	+9.7%	-	-	-
Results of for Previous year	125.0	128.7	8.2	8.1	5.7	115.76	31	40

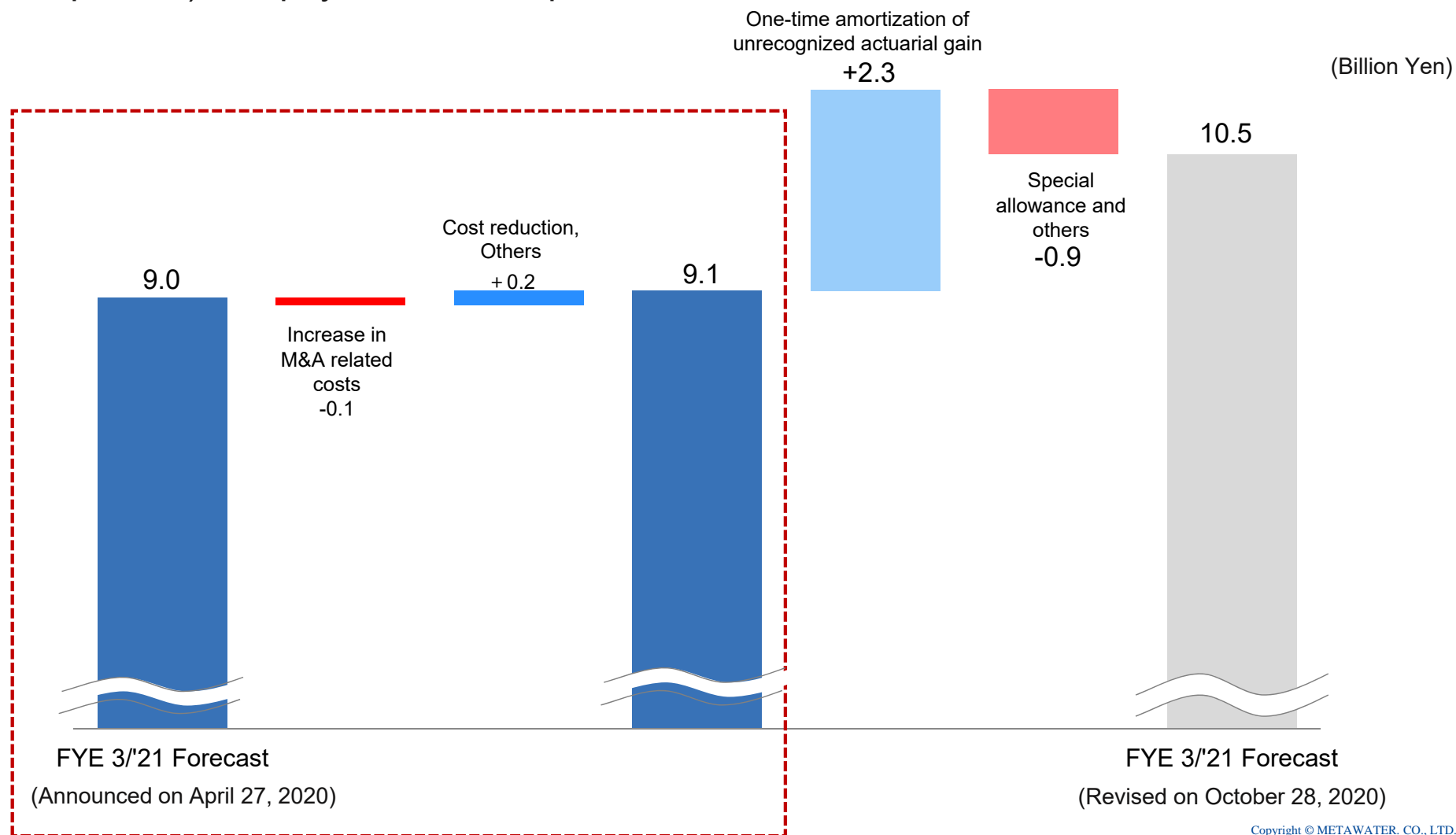
* 2-for-1 stock split on October 1, 2020

17 EPS is calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year

Factors for the fluctuation in operating income (vs. FYE 3/'21 forecast)

Operating income on a core business basis is expected to be JPY 9.1 bn, compared to JPY 9.0 bn yen (initial forecast)

The forecast was revised to JPY 10.5 bn, accounting for the one-time amortization of unrecognized actuarial gain from the sale of shares in a retirement benefit trust (reduction of the cost of sales and SG&A expenses) and payment of the special allowance, etc.



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III Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2021

1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
4. Status of Consolidated Cash Flows etc.

Consolidated Statement of Income

(Billion Yen)

	2Q FYE 3/'20	2Q FYE 3/'21	増 減
Net Sales	34.1	34.0	-0.1
Operating Profit	(3.0)	(3.5)	-0.5
Operating Profit Margin	-8.7%	-10.2%	-1.5%
Ordinary Income	(3.1)	(3.5)	-0.5
Net income attributable to owners of parent company	(2.2)	(2.7)	-0.5

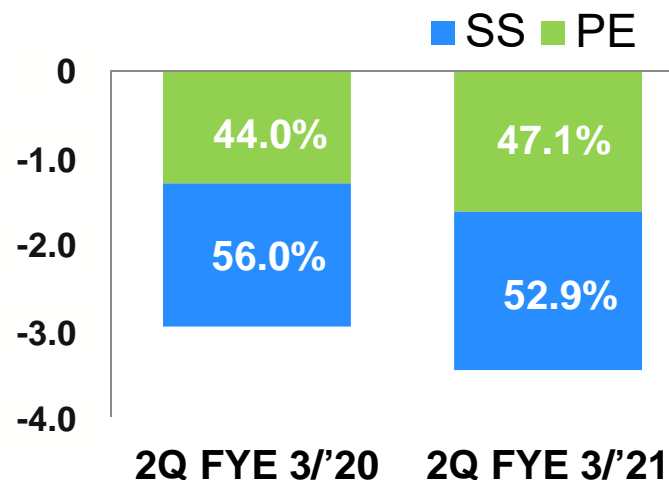
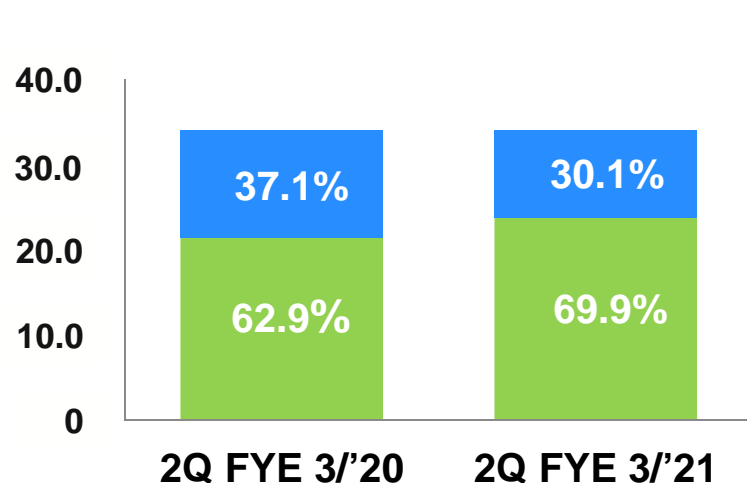
* Rounded to the nearest 10 million yen

Segment Information

(Billion Yen)

Net Sales			
	2Q FYE 3/'20	2Q FYE 3/'21	change
PE	21.4	23.7	+2.3
SS	12.6	10.2	-2.4
合計	34.1	34.0	-0.1

Operating Profit			
	2Q FYE 3/'20	2Q FYE 3/'21	change
PE	(1.3)	(1.6)	-0.3
SS	(1.7)	(1.8)	-0.2
合計	(3.0)	(3.5)	-0.5



Overview	
Plant Engineering	EPC Business: Both sales and operating profit were strong, exceeding the previous year's level
	Overseas Business: Both sales and operating profit fell below the previous year's level due to the delay in sales affected by the COVID-19 and other factors
Service Solution	O&M Business: Both sales and operating profit fell below the previous year's level due to the decrease in sales in the resource recycling business
	PPP Business: Both sales and operating income were the same level as in the previous year

Consolidated Balance Sheets

Cash and deposits up as usual due to collection of receivables and payment of trade payables at the end of the previous year

(Billion Yen)

	End of FYE 3/'20	End of 2Q FYE 3/'21	Change
Cash and deposits	13.6	27.7	+14.0
Notes and accounts receivable-trade	78.1	34.3	-43.8
Inventories	8.1	19.7	+11.6
Others	2.1	4.0	+1.9
Total current assets	101.9	85.6	-16.3
Tangible fixed assets	3.2	3.5	+0.3
Intangible fixed assets	6.0	8.0	+2.0
Deferred Tax assets	2.8	2.7	-0.1
Others	5.5	6.0	+0.5
Total fixed assets	17.5	20.2	+2.7
Total assets	119.5	105.9	-13.6

	End of FYE 3/'20	End of 2Q FYE 3/'21	Change
Accounts payable- trade	35.5	16.2	-19.3
Short-term loans payable	^{*1} (0.9) 1.1	(0.9) 1.1	+0.0
Advance received	9.0	20.5	+11.5
Others	8.7	7.0	-1.7
Total current liabilities	54.3	44.8	-9.5
Long-term loans payable	^{*2} (9.8) 11.4	(9.4) 10.8	-0.6
Others	4.2	4.1	-0.1
Total fixed liabilities	15.5	14.9	-0.7
Total liabilities	69.9	59.7	-10.2
Total net assets	49.6	46.2	-3.4
Total liabilities/ net assets	119.5	105.9	-13.6

*1 *2 : The figures in parentheses are the amounts of project finance loan for PFI, etc.

Status of Consolidated Cash Flows

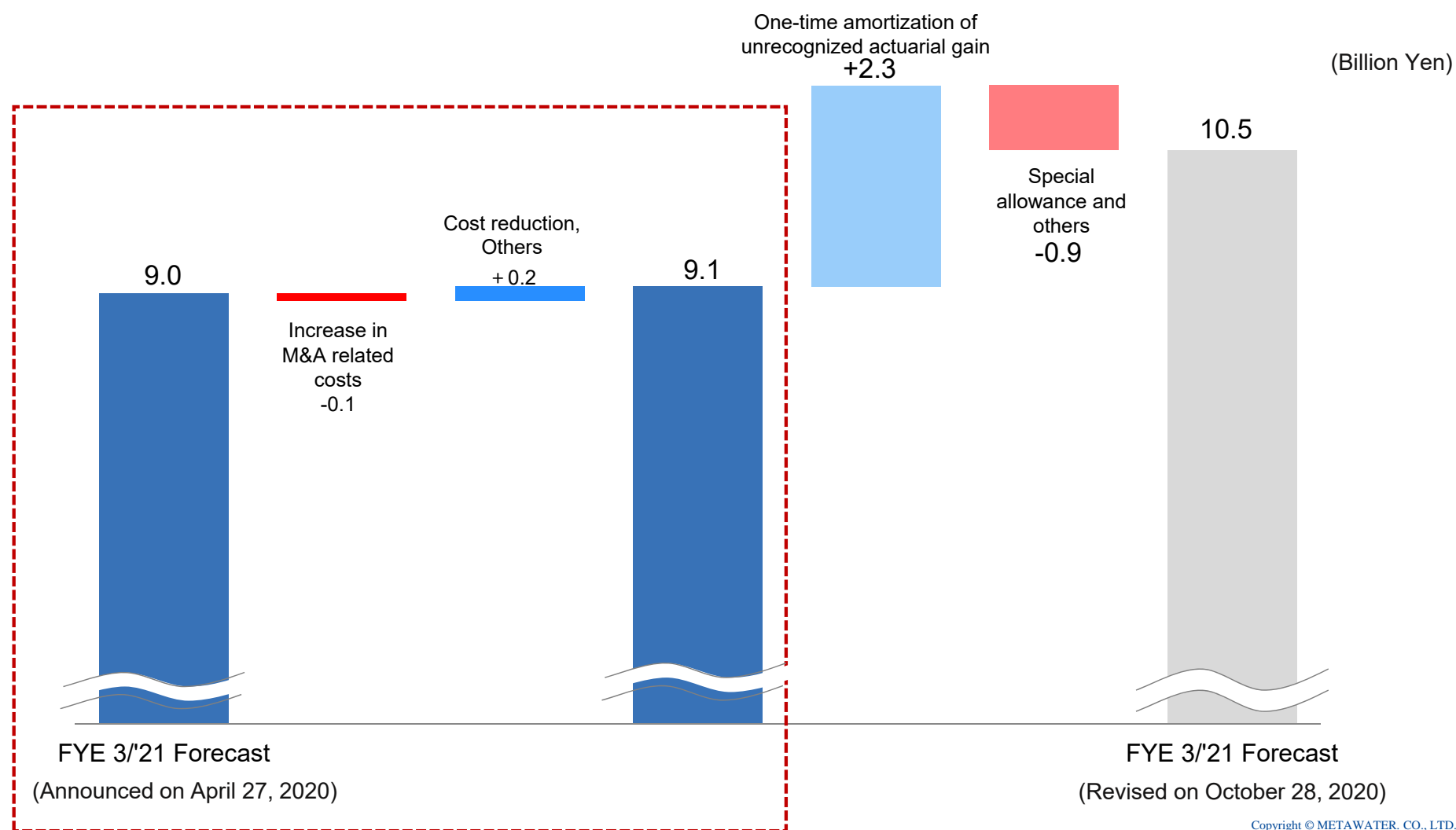
(Billion Yen)

	2Q FYE 3/'20	2Q FYE 3/'21	change
Cash and Cash equivalents at the end of previous FY	27.8	12.9	-14.9
Operating cash flow	15.4	18.9	+3.4
Investing cash flow	(1.2)	(3.3)	-2.1
Free cash flow	14.2	15.6	+1.4
Financing cash flow	(1.4)	(1.4)	-0.0
Effect of exchange rate changes on cash and cash equivalents	(0.0)	(0.1)	-0.0
Cash and Cash equivalents at the end of current FY	40.5	26.9	-13.6

Factors for the fluctuation in operating income (vs. FYE 3/'21 forecast)

Operating income on a core business basis is expected to be JPY 9.1 bn, compared to JPY 9.0 bn yen (initial forecast)

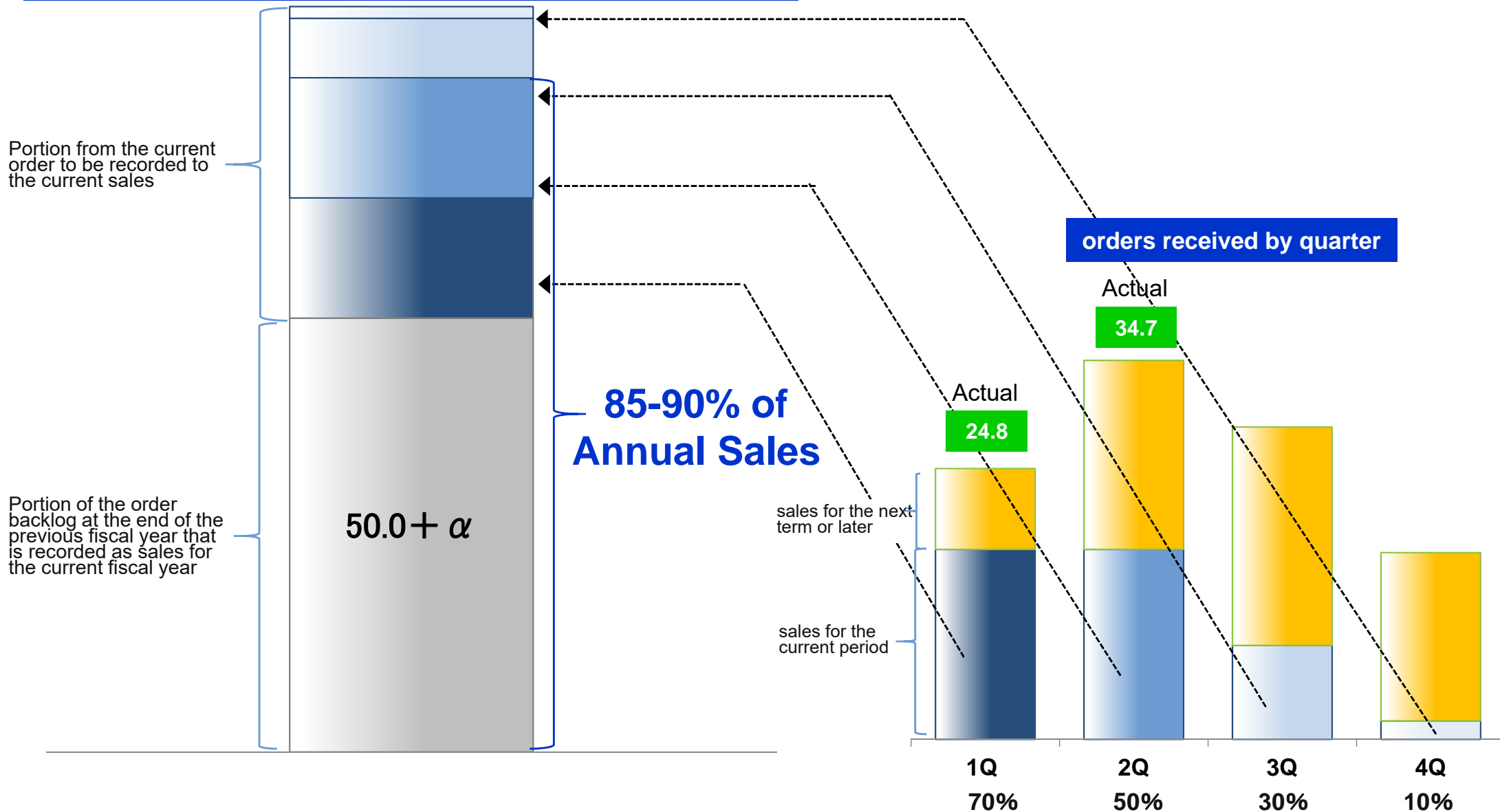
The forecast was revised to JPY 10.5 bn, accounting for the one-time amortization of unrecognized actuarial gain from the sale of shares in a retirement benefit trust (reduction of the cost of sales and SG&A expenses) and payment of the special allowance, etc.



Sales by quarter for FYE 3/'21 (Parent)

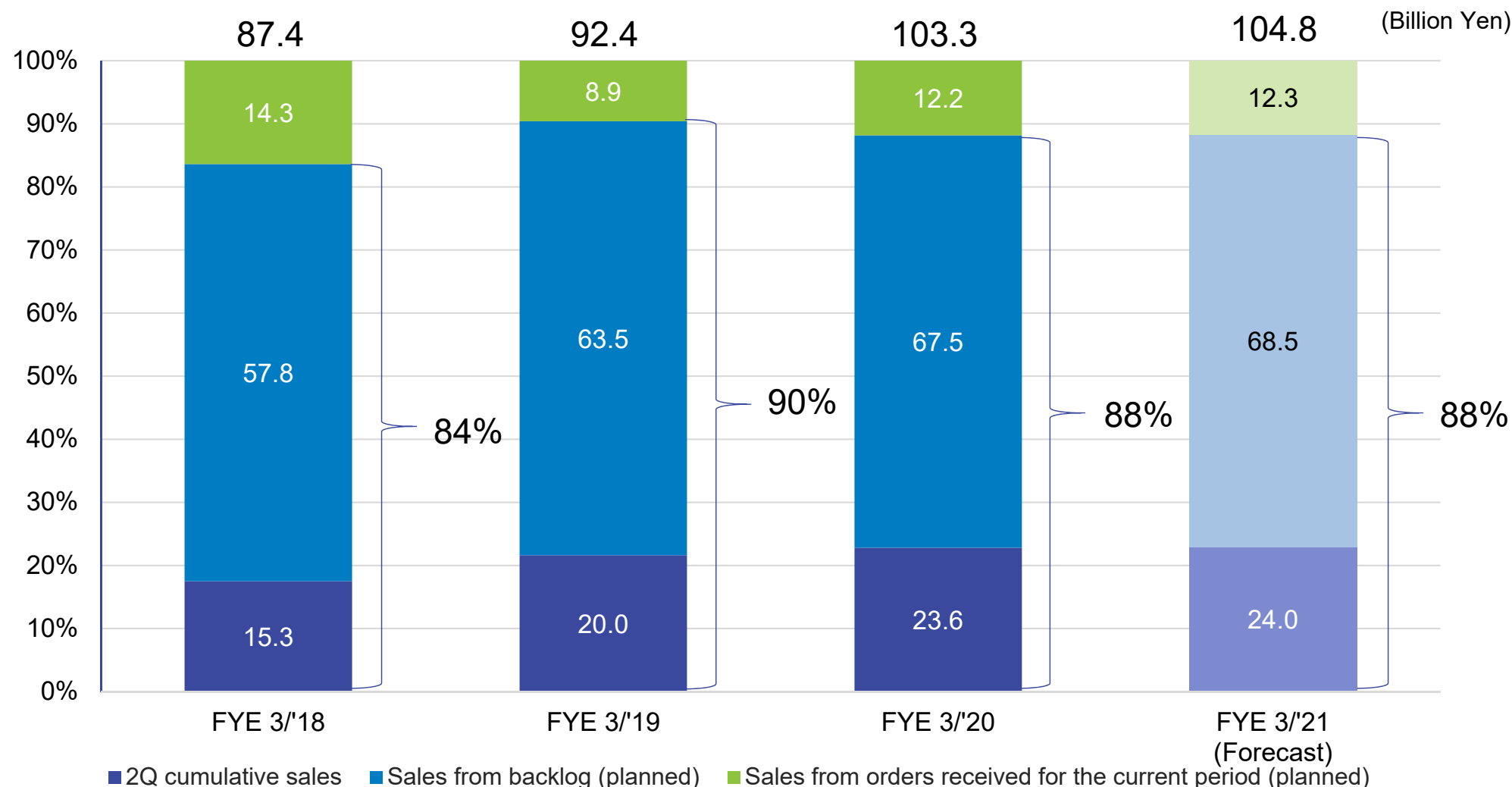
Sales forecast for FYE 3/'21: JPY 104.0 - 106.0 bn

Sales in FYE 3/'20: JPY 103.3 bn



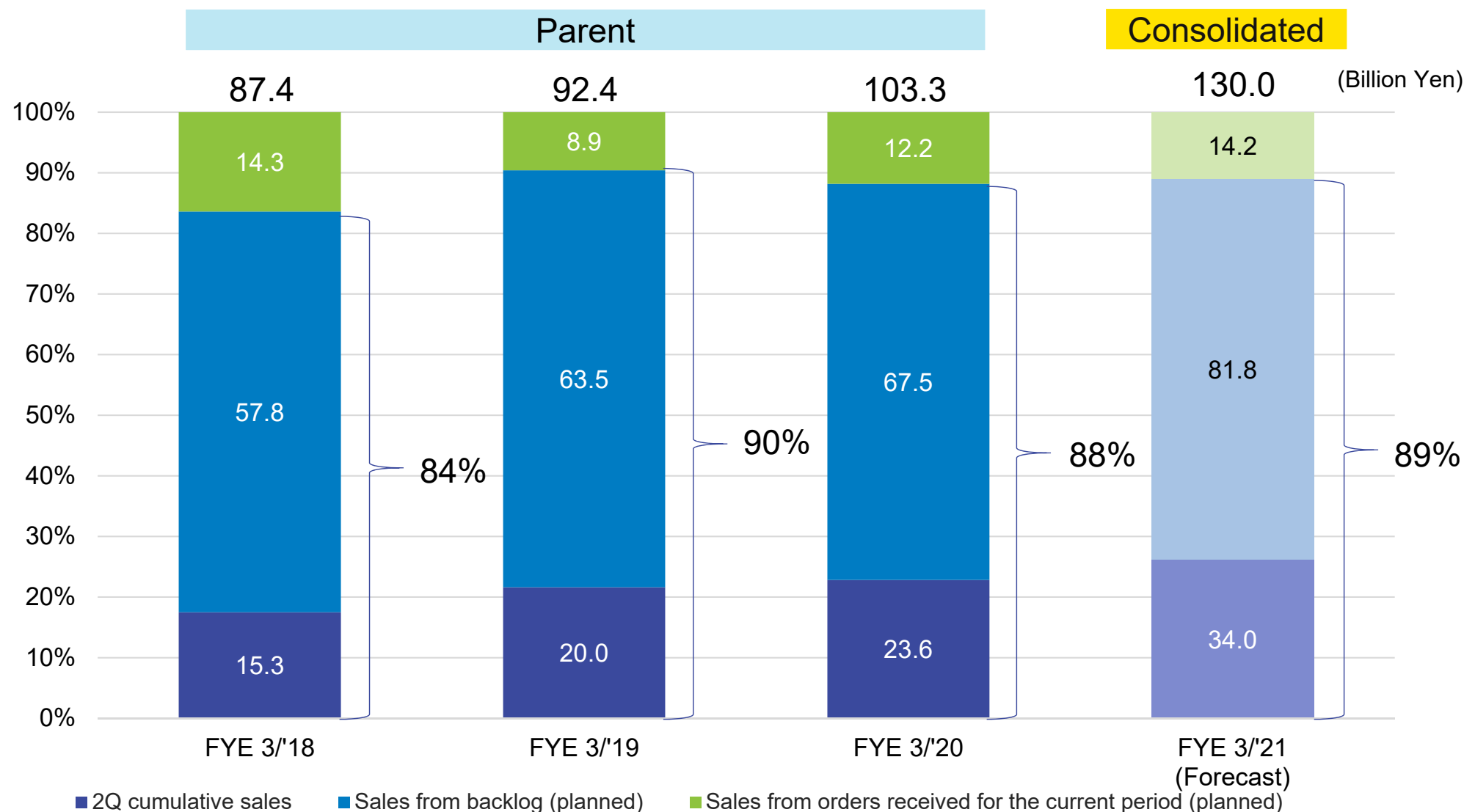
Sales Coverage Ratio for FYE 3/'21 (Parent)

Cumulative sales through 2Q FY20 and projects to be sold this fiscal year from the order backlog account for 88% of the parent sales target



Sales Coverage Ratio for FYE 3/'21

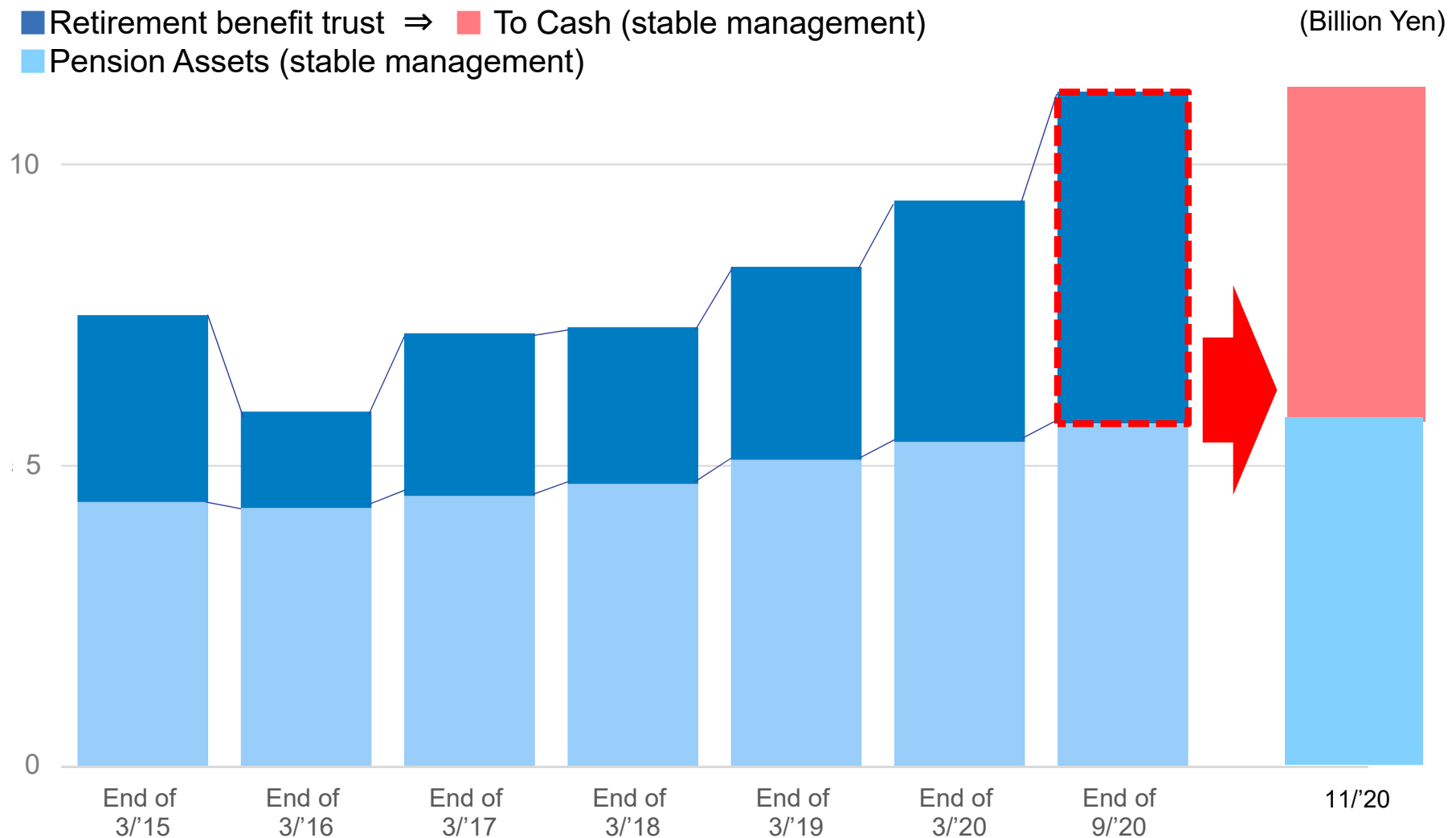
Cumulative sales through 2Q FY20 and projects to be sold this fiscal year from the order backlog account for 89% of the consolidated sales target



※Figures for FYE 3/'18 – 3/'20 are on a non-consolidated basis; figures for FYE 3/'21 are on a consolidated basis.

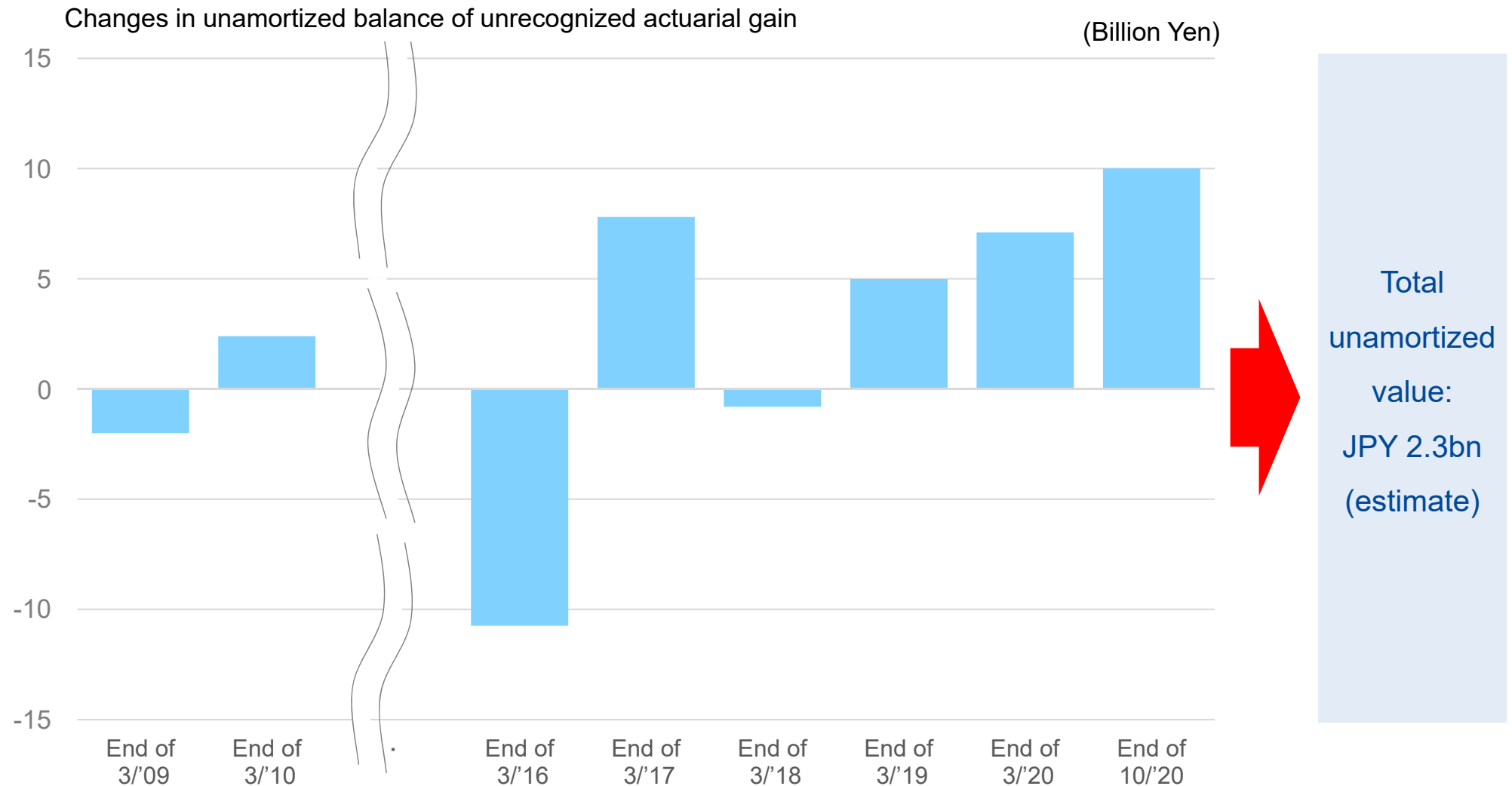
Stabilization of Retirement Benefit Trust (1)

In order to stabilize the retirement benefit trust, we dispose the contributed shares and deposit them in assets not subject to price fluctuation risk (cash and deposits, etc.)



Stabilization of Retirement Benefit Trust (2)

The annual valuation gains/losses in certain stocks have been amortized over multiple years (14 years)
 These unrecognized actuarial gains and losses will be amortized in a one-time manner (reduction in cost of sales and SG&A expenses)



Disclosure Policy

1. Basic Policy

Based on its corporate philosophy, the METAWATER Group strives to become a corporate group that meets expectations of every stakeholder, garners trust from society and continuously contributes to society so as to achieve sustainable growth in society. In accordance with this viewpoint, the METAWATER Group discloses corporate information related to the Group to stakeholders and society in an equal, fair, timely and appropriate manner. It also promotes active communication with stakeholders to facilitate understanding of the METAWATER Group and ensure highly transparent and reliable business operations.

2. Basics of information disclosure

The METAWATER Group discloses corporate information whose disclosure is required by relevant laws such as the Companies Act, the Financial Instruments and Exchange Act, and rules set out by financial instruments exchanges in accordance with the applicable laws, regulations or rules. Even if the corporate information does not fall under such information, the Group proactively discloses information as much as possible when it is deemed to be useful for stakeholders or disclosure is deemed to be necessary for society.

3. Method of information disclosure

For corporate information whose disclosure is required by the above-mentioned laws, regulations and rules, the Group discloses information in a manner set out by the applicable laws, regulations or rules, and through the Company's website. Information that does not fall under such information is disclosed through the media, the Company's website or other appropriate means in consideration of its significance and urgent needs.

4. Communication after information is disclosed

The METAWATER Group actively communicates with stakeholders regarding disclosed information by answering questions in a conference, briefings meeting, interviews and inquiries. Opinions received from stakeholders through communication are shared within the Company's Group and treated as future reference.

5. Silent Period

In order to prevent the leaks of accounts closing information and ensure fairness, the Group sets a silent period that starts on the day after the closing date (including quarterly periods) through to the day of announcing financial statements. During this silent period, the Group does not answer any questions in a conference, briefings meeting, interviews and inquiries regarding the accounts closing and business prospects, except where information on a revision of business forecasts is disclosed.

6. Forward-looking statements

Of business forecasts, strategies and targets disclosed by the METAWATER Group, forward-looking statements are made based on information available to the Company's Group as of the date of disclosure and a certain grounds that are deemed to be reasonable. Actual performance may differ from forecasts as a result of various factors.

7. Establishment of Internal Structure

The METAWATER Group builds an internal structure and establishes internal rules so as to comply with this Disclosure Policy, disclose information in an appropriate manner, and communicate with stakeholders.



Contact regarding this document

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