



# Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2022

July 28, 2021

METAWATER Co., Ltd.



## 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 equipment for water treatment plants, sewage plants, refuse processing facilities, and recycling facilities; it also includes the design, construction, operation, maintenance and management of facilities and equipment through public-private partnerships.

## 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.

I Highlights of the First Quarter of the Fiscal Year  
Ending March 2022

II Outline of Financial Results for the First Quarter  
of the Fiscal Year Ending March 2022

# I Highlights of the First Quarter of the Fiscal Year Ending March 2022

## II Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2022

# Financial Highlights for FYE 3/'22 (consolidated) METAWATER

## \* Orders Received

Higher than the previous fiscal year due to the new consolidation of overseas subsidiaries and other factors

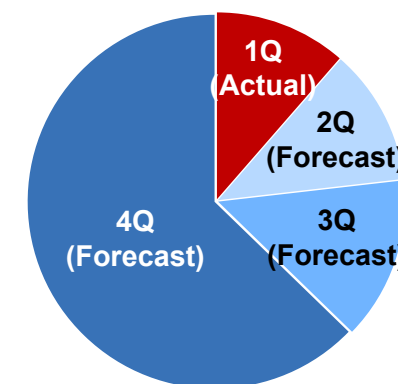
(Reference) Order backlog: JPY 164.4bn end 1Q FYE3/'21 → JPY 191.0bn end 1Q FYE3/'22 (+ JPY 26.6bn)

## \* Net Sales & Profits

The Group's business is dominated by domestic public works projects, and sales and profits tend to be significantly weighted toward 4Q. Sales in 1Q are usually about 10% of the annual sales.

In the first quarter of the current fiscal year, although profits were lower year on year due to the difference in the composition of projects, they were **generally in line with the plan, and the full-year forecast remains unchanged.**

Sales breakdown by quarter for FYE 3/'22



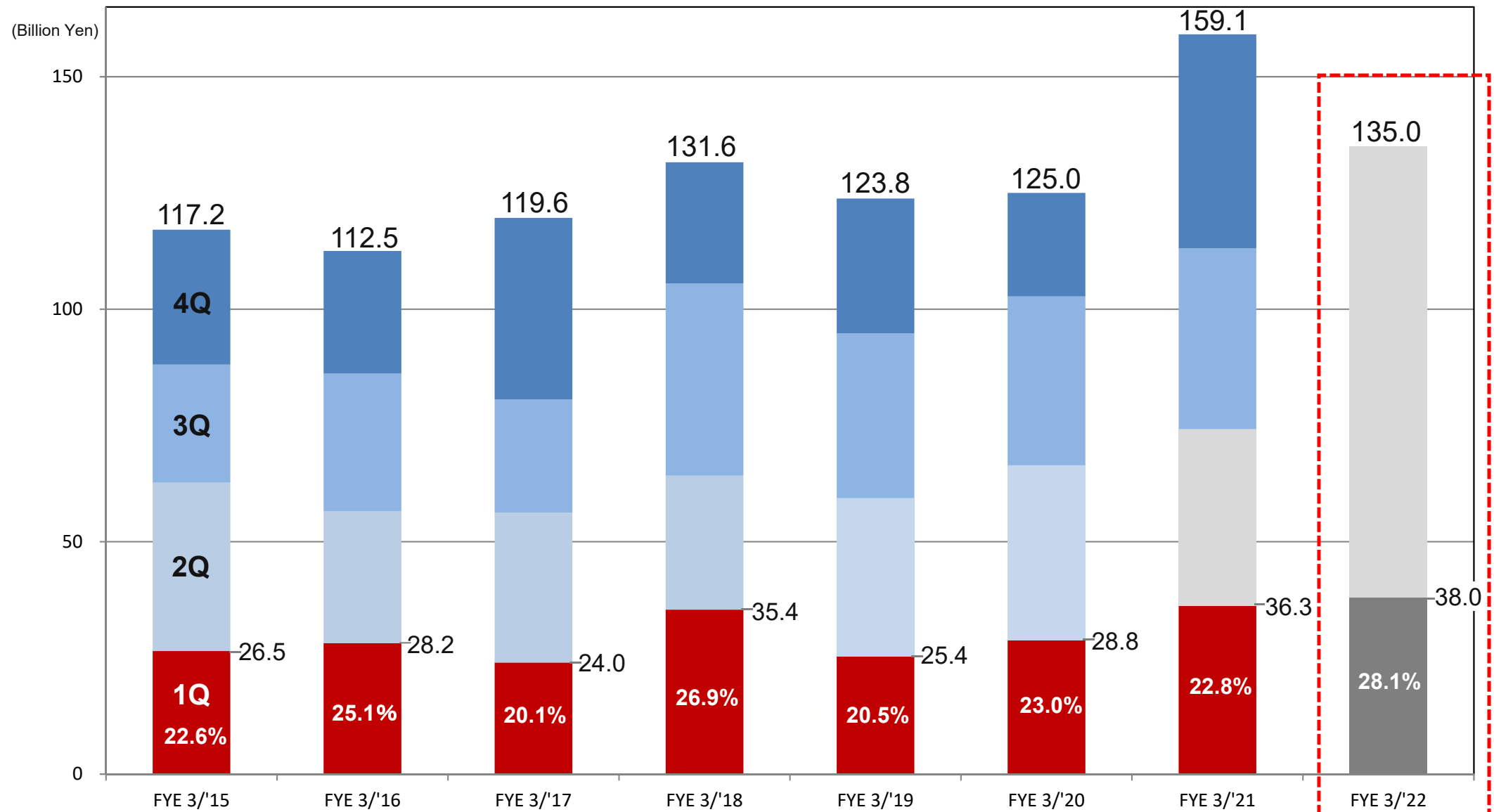
(Billion Yen)

	Orders Received	Net Sales	Operating Income	Ordinary Income	Net Income for the quarter*	Dividend Per Share (Yen)	
1Q FYE3/'22 Results	38.0	15.9	-2.8	-2.7	-2.1	-	
	YoY: +1.7 +4.7%	YoY: +1.7 +12.3%	YoY: -0.5	YoY: -0.3	YoY: -0.2		
1Q FYE3/'21 Results	36.3	14.2	-2.4	-2.4	-1.9	-	
FYE3/'22 Forecast* (As of April 27, '21)	135.0	135.0	8.5	8.5	5.8	End of 2Q	Year-end
	YoY: -24.1 -15.2%	YoY: +1.6 +1.2%	YoY: -2.4 -21.8%	YoY: -2.6 -23.1%	YoY: -0.7 -11.3%	20	20

The "Accounting Standard for Revenue Recognition" and other standards were applied from the beginning of the 1Q FYE 3/'22. As a result, net sales increased by 2.1bn yen, cost of sales increased by 1.7bn yen, and operating loss, ordinary loss, and pre-tax net loss each decreased by 0.4bn yen. Also, the retained earnings at the beginning of the period increased by 0.2bn yen.

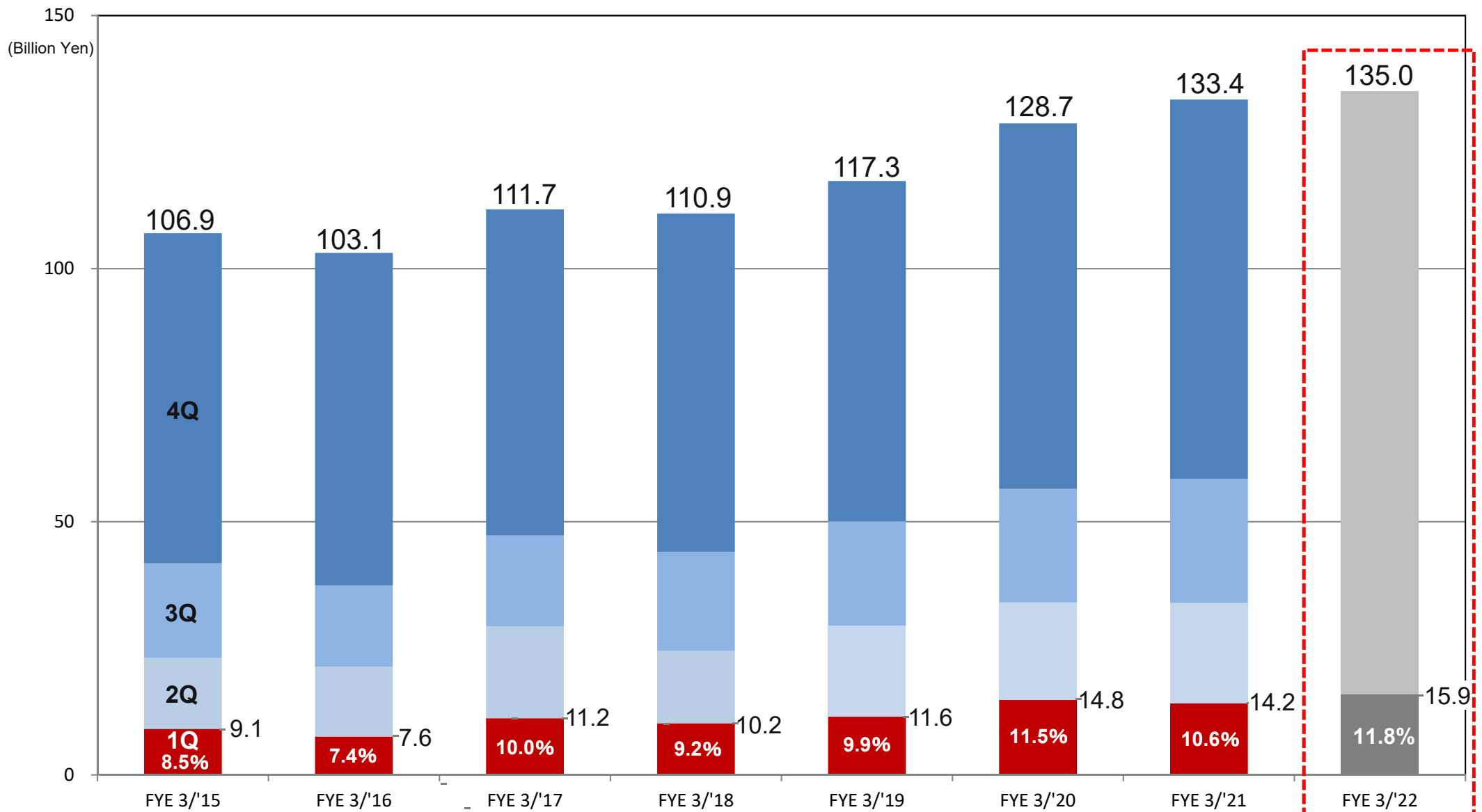
# Orders Received in 1Q FYE 3/'22 (Consolidated)

Orders received in the first quarter usually account for around 20-25% of the annual total.  
This 3-month period orders were slightly above the normal level, yet roughly in line with the plan.



# Sales in 1Q FYE 3/'22 (Consolidated)

Sales in the first quarter are usually about 10% of the annual total, and the current first quarter was roughly at the same as the usual level.



## Business Activities

- \* Formulated "Medium-term Management Plan 2023"(for the period of three fiscal years from FY ended 3/2022 to 3/2024) (April)
- \* Started operation and maintenance of Niigata Prefecture's first water supply DBO project, "Aoki Water Treatment Plant Renewal Project" in Mitsuke City (April)
- \* Began the first concession-based industrial water supply project in Japan, "Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project" (April)  
Together with the commencement of operations for the "Comprehensive consignment for Arao Water Business (Stage 2)" (April), the public-private partnership in Kumamoto Prefecture has been accelerated [see page 10]
- \* Received an order for the first public sewerage facility engineering project in Phnom Penh, Cambodia (April) [see page 11]
- \* Santo Corporation, which is engaged in environmental equipment design and general machine design and construction, joined our group (June) [see page 12]



## Research and development

- \* The “Demonstration project for wide-area monitoring and control system of sewerage facilities by utilizing ICT” was adopted as a B-DASH project \* in 2021 (April).

## Corporate governance and others

- \* Introduced a share remuneration plan with restriction on transfer (June) [See Page 13]
- \* Launched METAWATER's official Instagram account, "metagram by METAWATER" (June)

\*B-DASH (Breakthrough by Dynamic Approach in Sewage High Technology Project) Sewage innovative technology demonstration project implemented by Ministry of Land, Infrastructure and Transport

## "Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project"

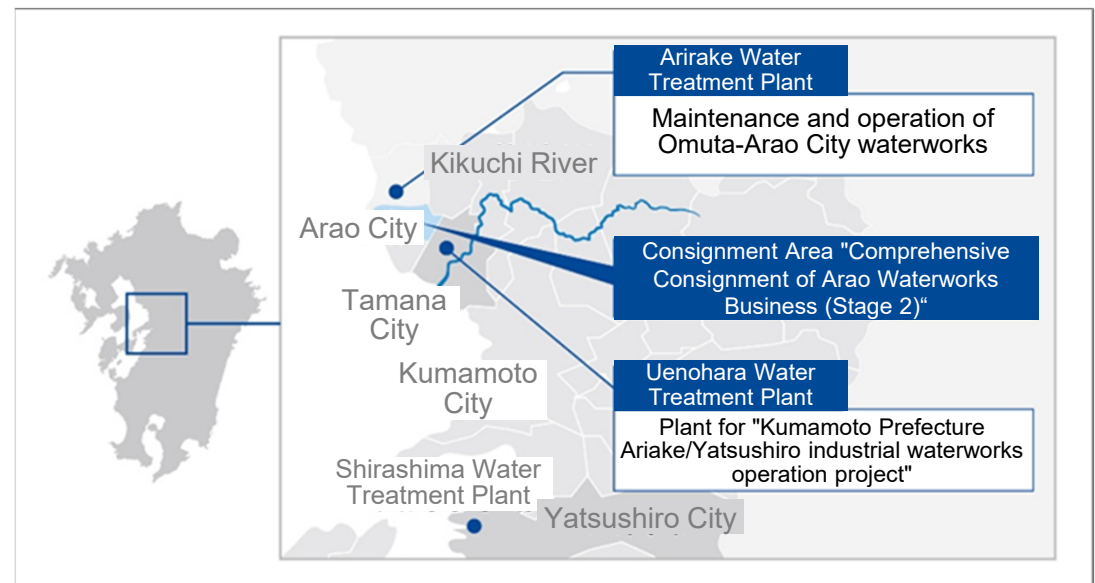
This project is the **first of its kind in Japan as a public facility management concession system** for an industrial water supply business.

The Ariake Industrial Water Supply Service and the Yatsushiro Industrial Water Supply Service, which are operated by the Kumamoto Prefectural Government's Public Enterprises Bureau, are to be managed collectively, from water intake to water supply.

In the same area, Metawater group has been entrusted with the "Omuta-Arao Joint Water Purification Plant Facilities Maintenance and Operation Project" (Ariake Water Purification Plant) and the "Comprehensive Consignment of Arao Waterworks Business (Stage 2)". We focus on **creating economies of scale through the operation of three neighboring projects** by leveraging the know-how unique to the private sector.



A commencement ceremony held by Water Circle Kumamoto Corporation, the special purpose company for this project, of which we are the representative firm.



# First Public Sewerage Facility Improvement Project in Phnom Penh

A joint venture consisting of METAWATER and Kubota Construction Co., Ltd. has received an order for the first public sewerage facility development project in Phnom Penh, the Kingdom of Cambodia, under the Japanese Official Development Assistance (ODA) and grant aid project "Phnom Penh Sewerage Development Plan".

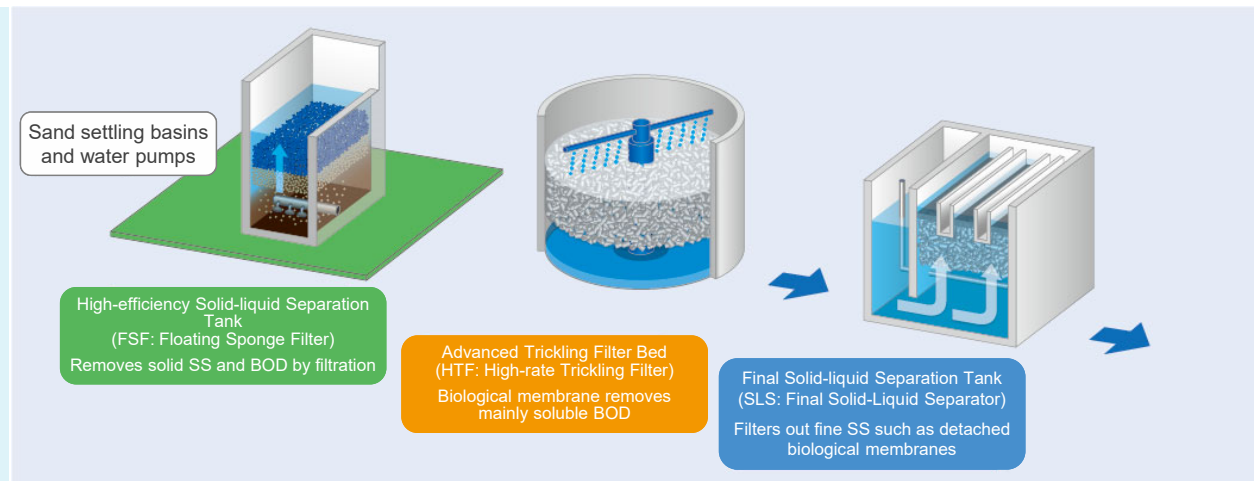
The project has adopted the "Pre-treated Trickling Filter Method," a technology developed by us; it is the second overseas project to adopt this technology, following the sewage treatment facility in Hoi An City, Vietnam.

## Technical concept

- Power saving features in consideration of the power situation in developing countries
- Fully automated system that does not require skilled technicians
- Meets overseas water quality standards for both BOD and SS
- Simple system with low construction and maintenance costs

## System flow

A system that combines three distinctive technologies



# Acquisition of all shares of Santo Corporation

The Group has acquired all shares of Santo Corporation, which has strengths in the design and drafting of environmental plant equipment such as water supply and sewage treatment facilities, as well as automated labor-saving equipment.

Through this acquisition, the Group strengthens its design function and maximizes the synergy between the two to create new value.

Company name	Santo Corporation
Head office location	122 Akatsubocho, Minami-ku, Nagoya City, Aichi Prefecture
Establishment date	January 13, 1976
Paid-in capital	10 million yen
Representative	Keiji Hino, Representative Director
Main Business Activities	<p>Design of environmental equipment and general machinery design and construction</p> <ul style="list-style-type: none"><li>▪ Plant equipment design (environment-related plants such as water and sewage treatment facilities, nuclear-related facilities, etc.)</li><li>▪ Design of automatic labor-saving equipment</li><li>▪ Design of specialized machinery and electric power equipment</li><li>▪ Production of Cost estimates    ▪ General worker dispatch business</li></ul>

# Introduced a share remuneration plan with restriction on transfer

- Introduction of a "share remuneration plan with restriction on transfer" was resolved at the Board of Directors meeting held on May 20, 2021
- At the 48th Ordinary General Meeting of Shareholders (June 22, 2021), a resolution was passed on "Determination of Remuneration for the Grant of Restricted Stock to Directors (excluding Outside Directors)"

【Eligible persons】	Directors (excluding the Company's Outside Directors)
【Purpose】	To provide incentives to continuously improve the Company's corporate value and to promote further value sharing with shareholders.
【Total amount of remuneration】	up to 150 million yen per year (total monetary claims)
【Total share issuance or disposal】	up to 150,000 shares per year

- At the board of directors meeting after the Ordinary General Meeting of Shareholders, a resolution was passed to introduce the plan to executive officers and executive advisors who do not concurrently serve as directors of the Company
- Outline of disposal of treasury stock due to the plan

Date of disposal	July 21, 2021
Type and number of shares to be disposed	27,400 shares of the Company's common stock
Disposal price	2,080 yen per share
Total amount of disposal	56,992,000 yen
Parties to acquire the shares, number of persons, and number of shares to be disposed of	4 Directors of the Company (excluding outside directors): 9,600 shares 13 Executive Officers of the Company who do not concurrently serve as directors: 17,800 shares

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**II Outline of Financial Results for the First Quarter  
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## II Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2022

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

# Consolidated Statement of Income

(Billion Yen)

	1Q FYE 3/'21	1Q FYE 3/'22	Change
<b>Net Sales</b>	14.2	15.9	+1.7
<b>Operating Income</b>	-2.4	-2.8	-0.5
<b>(Operating Profit Margin)</b>	-16.8%	-17.7%	-0.9%
<b>Ordinary Income</b>	-2.4	-2.7	-0.3
<b>Net income attributable to owners of parent company</b>	-1.9	-2.1	-0.2

\* Figures are rounded to the nearest 10 million yen (same applies to the results hereafter)

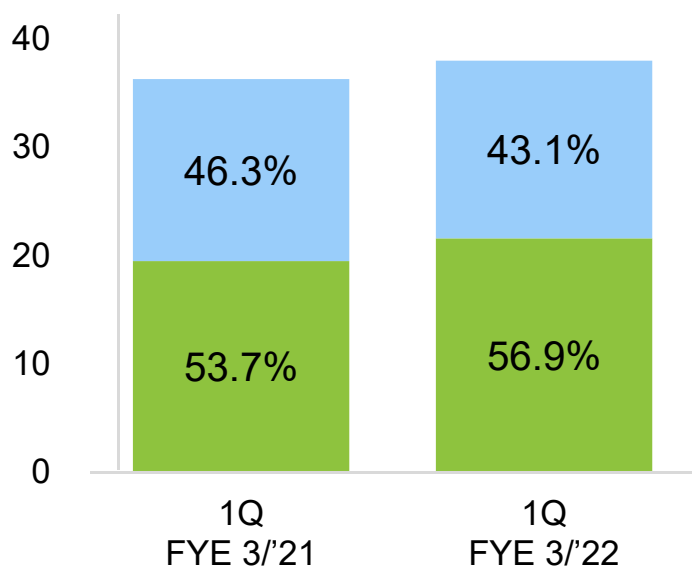


# Segment Information (Consolidated)

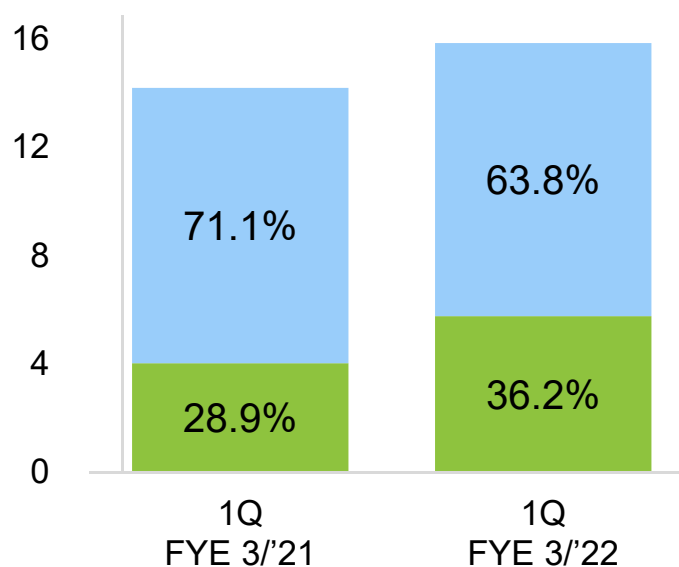
(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	1Q FYE 3/'21	1Q FYE 3/'22	Change	1Q FYE 3/'21	1Q FYE 3/'22	Change	1Q FYE 3/'21	1Q FYE 3/'22	Change
Plant Engineering Business	16.8	16.4	-0.4	10.1	10.2	+0.1	-1.1	-1.6	-0.5
Service Solution Business	19.5	21.6	+2.1	4.1	5.8	+1.7	-1.3	-1.2	+0.1
<b>Total</b>	<b>36.3</b>	<b>38.0</b>	<b>+1.7</b>	<b>14.2</b>	<b>15.9</b>	<b>+1.7</b>	<b>-2.4</b>	<b>-2.8</b>	<b>-0.5</b>

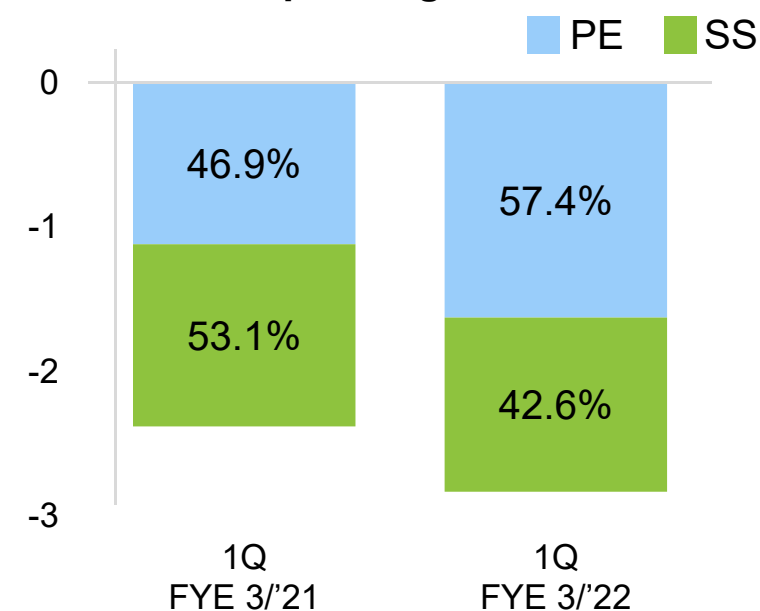
Orders Received



Net Sales



Operating Income



# Segment Information (Consolidated)

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	1Q FYE 3/'21	1Q FYE 3/'22	Change	1Q FYE 3/'21	1Q FYE 3/'22	Change	1Q FYE 3/'21	1Q FYE 3/'22	Change
<b>Plant Engineering Business</b>	16.8	16.4	-0.4	10.1	10.2	+0.1	-1.1	-1.6	-0.5
<b>Service Solution Business</b>	19.5	21.6	+2.1	4.1	5.8	+1.7	-1.3	-1.2	+0.1
<b>Total</b>	36.3	38.0	+1.7	14.2	15.9	+1.7	-2.4	-2.8	-0.5

## Plant Engineering Business

### [Orders Received & Order Backlog]

Orders received: lower than in the previous year due to differences in projects in the EPC business.

Order backlog: Exceeded the previous year's level by 15.2bn yen. (89.7bn yen at the end of 1Q FYE 3/'21⇒ 104.9bn yen at end of 1Q FYE 3/'22)

### [Net Sales & Operating Income]

- EPC business: Both sales and operating income were lower than in the previous fiscal year.
- Overseas business: Both sales and operating income increased year-on-year, mainly due to the consolidation of Wigen Companies Inc. and Rood Wit Blauw Holding B.V.

## Service Solution Business

### [Orders Received & Order Backlog]

Orders received: Increased from the previous year in both the O&M and PPP businesses.

Order backlog: Exceeded the previous year's level by 11.4bn yen. (74.7bn yen at the end of 1Q FYE 3/'21 ⇒ 86.1bn yen at the end of 1Q FYE 3/'22)

### [Net Sales & Operating Income]

- O&M business: Both net sales and operating income increased year on year.
- PPP business: Both net sales and operating income decreased from the previous fiscal year.

# Consolidated Balance Sheets



(Billion Yen)

	End of FYE 3/'21	End of 1Q FYE 3/'22	Change
Cash and deposits	18.8	43.2	+24.4
Notes and accounts receivable - trade	78.4	35.4	-43.0
Inventories	9.0	10.6	+1.5
Others	3.1	3.1	-0.0
<b>Total current assets</b>	<b>109.3</b>	<b>92.2</b>	<b>-17.0</b>
Tangible fixed assets	4.3	4.4	+0.1
Intangible fixed assets	8.4	9.1	+0.7
Deferred tax assets	2.7	2.6	-0.1
Others	6.6	7.1	+0.5
<b>Total fixed assets</b>	<b>21.9</b>	<b>23.2</b>	<b>+1.3</b>
<b>Total assets</b>	<b>131.2</b>	<b>115.4</b>	<b>-15.8</b>

	End of FYE 3/'21	End of 1Q FYE 3/'22	Change
Accounts payable - trade	36.3	24.1	-12.2
Short-term loans payable	<sup>*1</sup> (0.9) 1.4	(0.9) 1.4	+0.0
Advance received Contract liability	12.7	15.5	+2.8
Others	12.2	7.2	-5.0
<b>Total current liabilities</b>	<b>62.6</b>	<b>48.2</b>	<b>-14.4</b>
Long-term loans payable	<sup>*2</sup> (9.0) 10.3	(8.6) 9.9	-0.4
Others	4.9	5.5	+0.6
<b>Total fixed liabilities</b>	<b>15.2</b>	<b>15.4</b>	<b>+0.2</b>
<b>Total liabilities</b>	<b>77.8</b>	<b>63.6</b>	<b>-14.2</b>
<b>Total net assets</b>	<b>53.4</b>	<b>51.9</b>	<b>-1.6</b>
<b>Total liabilities &amp; net assets</b>	<b>131.2</b>	<b>115.4</b>	<b>-15.8</b>

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

# Consolidated Cash Flows

(Billion Yen)

	1Q FYE 3/'21	1Q FYE 3/'22	Change
Cash and Cash equivalents at the end of previous FY	12.9	18.0	+5.1
Operating cash flow	30.7	27.2	-3.4
Investing cash flow	-2.6	-1.6	+1.0
Free cash flow	28.1	25.7	-2.4
Financing cash flow	-1.2	-1.2	-0.0
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0	-0.0
Cash and Cash equivalents at the end of 1Q FYE 3/'22	39.7	42.4	+2.7

## 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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