



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



October 27, 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 Second Quarter of the Fiscal Year Ending March 2022
- II Revisions to the Full-Year Earnings Forecast for the Fiscal Year Ending March 2022 and the Targets of the “Midterm Business Plan 2023”
- III Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2022, and Others

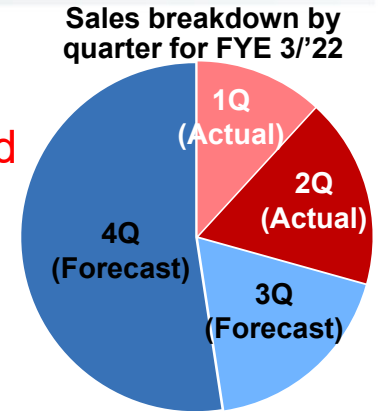
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Financial Highlights for 2Q FYE 3/'22 (consolidated) **METAWATER**

* Orders Received

Due to the different composition of projects from the previous 2Q, **orders received were lower than the year-ago level.**

(Reference) Order backlog: JPY 178.9bn end 2Q FYE3/'21 → JPY 195.9bn end 2Q FYE 3/'22 (+ JPY 17.0bn)



* 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. First half sales usually account for about 25% of annual sales. (Sales in this 2Q cumulative period were on a par with previous years).

Sales and profits increased in the current 2Q driven by new consolidation of overseas subsidiaries and growth in O&M and PPP businesses. Both sales and profits were **largely in line with the plan.**

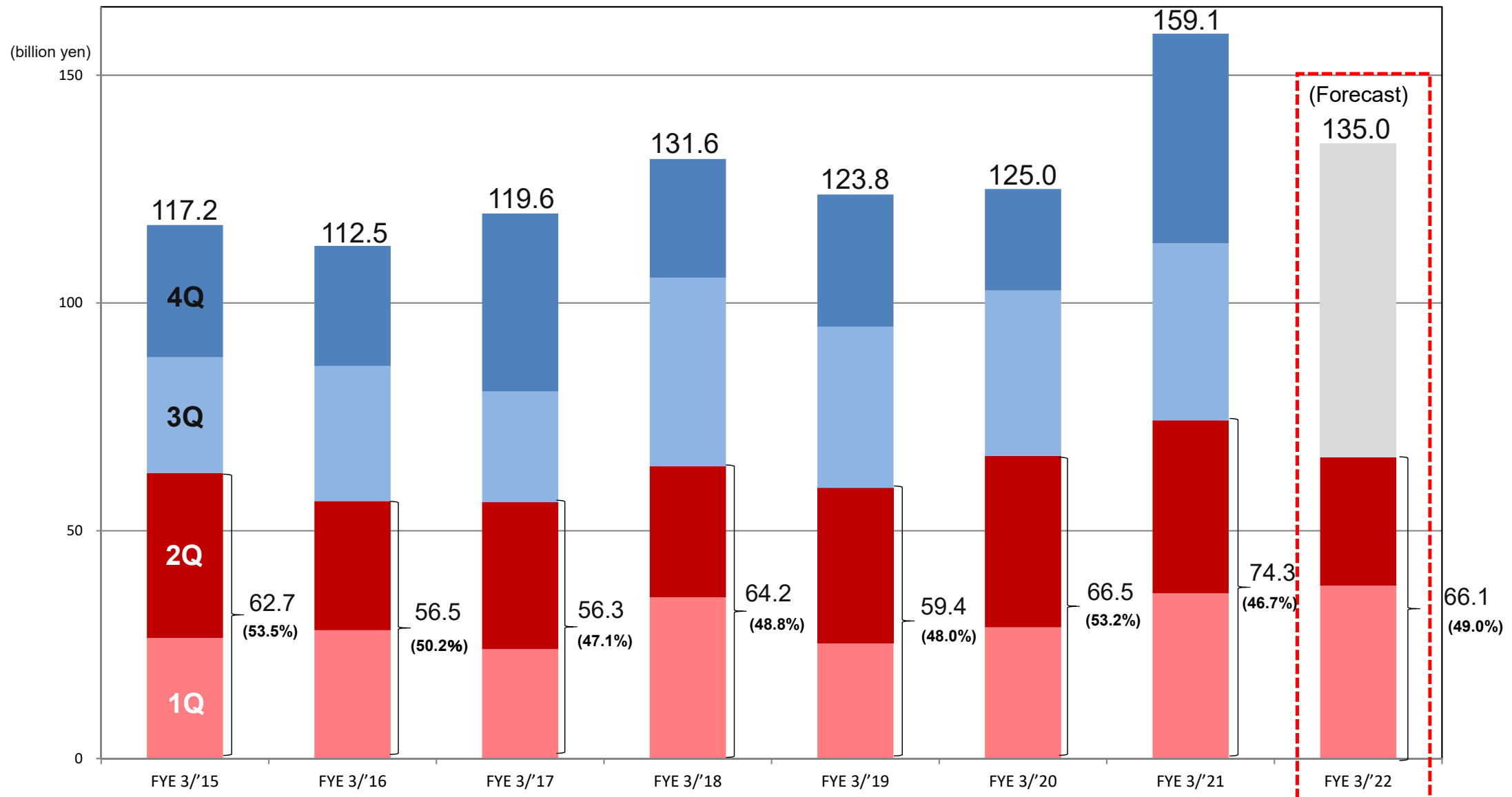
	Orders Received	Net Sales	Operating Income	Ordinary Income	Net income for cumulative 2Q	Dividend per share for 2Q (Yen)
2Q FYE3/'22 Results	66.1	39.5	-3.2	-3.1	-2.4	20
	YoY: -8.1 -11.0%	YoY: +5.5 +16.2%	YoY: +0.2	YoY: +0.5	YoY: +0.3	
2Q FYE3/'21 Results	74.3	34.0	-3.5	-3.5	-2.7	(Before the stock split) 40

Effective from the beginning of the accounting period for FYE 3/'22, the Group adopted the "Accounting Standard for Revenue Recognition" and others. As a result, for this cumulative 2Q, net sales increased by 3.0bn yen, cost of sales increased by 2.5bn 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

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

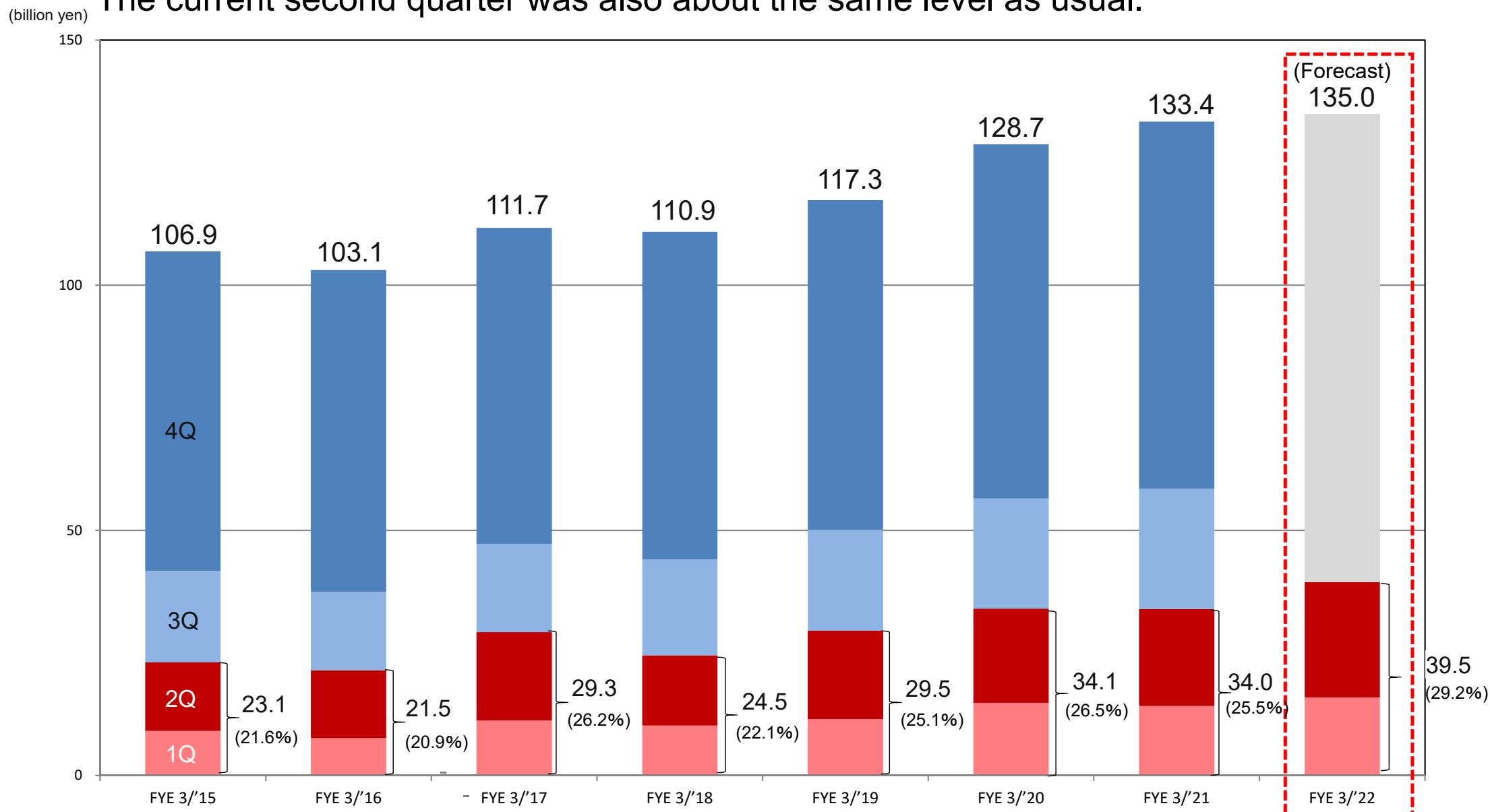
Orders Received in 2Q FYE 3/'22 (Consolidated)

Orders received in the 2Q usually account for around 50% of the annual total.
Cumulative orders received in this 2Q were at the same level as usual



Sales in 2Q FYE 3/'22 (Consolidated)

Sales in the 2Q are usually about 25% of the annual total.
The current second quarter was also about the same level as usual.



Achievements in the 2Q of FYE 3/'22

Business Activities

- * Established two companies for Miyagi Prefecture Public-Private Partnership Management Project for Integrated Water Supply, Industrial Waterworks, and Sewerage: K.K. Mizumusubi Management Miyagi as a management company and K.K. Mizumusubi Service Miyagi as an operation and maintenance company (May)
*details on pg 23
- * Acquired a long-term issuer rating of "A+" in order to diversify and stabilize its financing capabilities (August) *Rating by Japan Credit Rating Agency, Ltd.
- * Exhibited at Sewage Works Exhibition '21 Osaka (August)
- * Participated in the "Sawakami Fund Management Report Meeting 2021" for individual investors (September)

(For reference)

- * Orders received for the ozone AOP technology, which was developed during the previous midterm business plan, in both water supply and industrial applications.
(announcement on October 26)
*AOP: Advanced Oxidation Process
Water supply: Ozone AOP advanced water purification system for Kasumigaura Water Treatment Plant, Ibaraki Prefecture
Industrial application: Ozone AOP equipment for Nagase Group Nagase ChemteX Co.

Achievements in the 2Q of FYE 3/'22

Other major activities

- * Published METAWATER REPORT 2021 (August)
- * Conducted seminars and educational activities on the water cycle for children, the general public, and teachers (July - September)
 - Held "Business Training for Japanese School Teachers", organized by the Japan Institute for Social and Economic Affairs (August)
 - Conducted "METAWATER Water Sprinkling Project 2021" (August)

(For reference)

- * Resolved to select and apply to the Tokyo Stock Exchange for "Prime Market" under the new segment (Disclosure to TSE on October 27)
- * Resolution on retirement of treasury stock (Disclosure to TSE on October 27)

Planned retirement date	November 19, 2021
Number of shares to be retired	4,000,000 shares*

* 7.73% of total number of shares issued prior to the retirement

Total number of shares issued after the retirement:
47,758,500 shares

Number of shares of treasury stock after the retirement:
4,196,032 shares (8.79%)

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Revision of consolidated earnings forecast for FYE 3/'22

【Reasons for revision】

- * The special purpose company*¹ (SPC) established as the business entity for the "Miyagi Prefecture Public-Private Partnership Management Project for Integrated Water Supply, Industrial Waterworks, and Sewerage" is to be a consolidated subsidiary of our group.
- * As the SPC is expected to incur preparatory expenses (personnel costs, etc.) for the commencement of operations in April 2022, **revisions have been made to the FYE 3/'22 forecasts** for operating income, ordinary income, and net income.
- * Orders received and sales are **expected to be in line with the initial forecast, and no revisions have been made.**

(Billion Yen)

	Orders Received	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (Yen) ^{*2}	Dividend per share (Yen)	
							End of 2Q	Year-End
Initial forecast (As of Apr. 27)	135.0	135.0	8.5	8.5	5.8	133.23	20	20
Revised forecast	135.0	135.0	7.5	7.4	5.4	123.96	20	20
Change (value)	-	-	-1.0	-1.1	-0.4	-	-	-
Change (%)	-	-	-11.8%	-12.9%	-6.9%	-	-	-
FYE 3/'21 Result	125.0	133.4	10.9	11.1	6.5	150.50	40	20

(Before the stock split)

*¹ Please refer to the press release "Change in Subsidiary (Special Purpose Company)" announced on April 27, 2021.
<https://contents.xj-storage.jp/xcontents/AS08491/9946c821/2008/479e9d12/4674345bd2ef/140120210427401455.pdf>

*² On October 1, 2020, the Group conducted a 2-for-1 stock split.
 EPS is calculated on the basis that the stock split took place at the beginning of the previous fiscal year.

Revision of "Midterm Business Plan 2023" targets

Factoring in the new consolidation of the SPC for the Miyagi Prefecture PPP Project for Integrated Water Supply, Industrial Waterworks, and Sewerage, the FYE 3/21 forecasts have been revised downward, whereas the FYE 3/24 targets in the "Midterm Business Plan 2023" have been revised upward.

【Initial Year】 FYE 3/22 (Billion Yen)				【Final Year】 FYE 3/24 (Billion Yen)			
(Consolidated)	Initial Forecast	Revised Forecast	Change	Initial Target	Revised Target	Change (vs. initial)	Change (vs. FYE 3/22)
Orders Received	135.0	135.0	-	145.0	150.0	+5.0	+15.0
Net Sales	135.0	135.0	-	140.0	145.0	+5.0	+10.0
Operating Income (Margin %)	8.5 (6.3%)	7.5 (5.6%)	-1.0 (-0.7%)	10.0 (7.1%)	10.5 (7.2%)	+0.5 (+0.1%)	+3.0 (+1.6%)
Net Income	5.8	5.4	-0.4	7.0	7.2	+0.2	+1.8
ROE	10% or higher	10% or higher	-	10% or higher	11% or higher	-	-

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III Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2022, and Others

1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
4. Status of Consolidated Cash Flows
5. Supplemental Information on the Full-Year Earnings For Fiscal Year Ending March 2022

Consolidated Statement of Income

(Billion Yen)

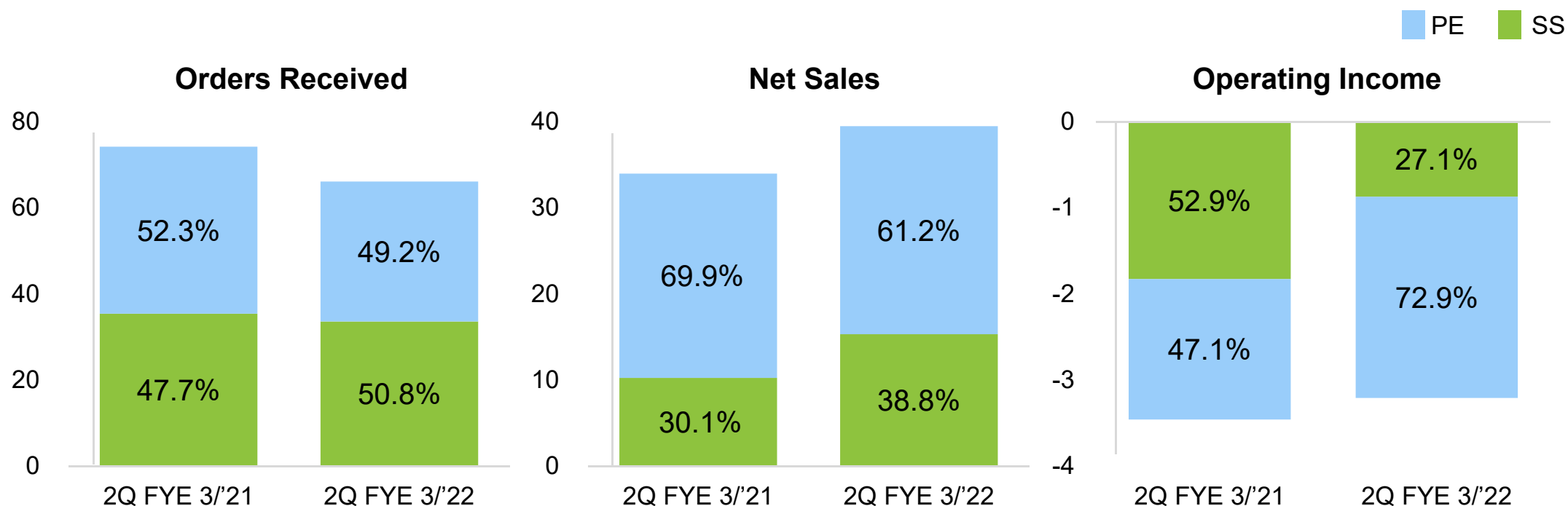
	2Q FYE 3/'21	2Q FYE 3/'22	Change
Net Sales	34.0	39.5	+5.5
Operating Income	-3.5	-3.2	+0.2
(Operating Margin %)	-10.2%	-8.1%	+2.1%
Ordinary Income	-3.5	-3.1	+0.5
Net income attributable to owners of parent company	-2.7	-2.4	+0.3

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		
	2Q FYE 3/'21	2Q FYE 3/'22	Change	2Q FYE 3/'21	2Q FYE 3/'22	Change	2Q FYE 3/'21	2Q FYE 3/'22	Change
Plant Engineering Business	38.8	32.5	-6.3	23.7	24.2	+0.4	-1.6	-2.3	-0.7
Service Solution Business	35.4	33.6	-1.8	10.2	15.3	+5.1	-1.8	-0.9	+1.0
Total	74.3	66.1	-8.1	34.0	39.5	+5.5	-3.5	-3.2	+0.2



Segment Information (Consolidated)

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	2Q FYE 3/'21	2Q FYE 3/'22	Change	2Q FYE 3/'21	2Q FYE 3/'22	Change	2Q FYE 3/'21	2Q FYE 3/'22	Change
Plant Engineering Business	38.8	32.5	-6.3	23.7	24.2	+0.4	-1.6	-2.3	-0.7
Service Solution Business	35.4	33.6	-1.8	10.2	15.3	+5.1	-1.8	-0.9	+1.0
Total	74.3	66.1	-8.1	34.0	39.5	+5.5	-3.5	-3.2	+0.2

Plant Engineering Business	<p>【Orders Received & Order Backlog】</p> <ul style="list-style-type: none"> Orders received: Declined y-o-y due to different project mix in the EPC business Order backlog: 13.7bn yen higher than the previous year (93.6bn yen at the end of 2Q FYE 3/'21 ⇒ 107.4bn yen at the end of 2Q FYE 3/'22) <p>【Net Sales & Operating Income】</p> <ul style="list-style-type: none"> EPC business: Both sales and operating income were lower than in the previous fiscal year. Overseas business: Both sales and operating income were higher than the previous fiscal year, mainly due to the consolidation of Wigen Companies Inc. and Rood Wit Blauw Holding B.V.
Service Solution Business	<p>【Orders Received & Order Backlog】</p> <ul style="list-style-type: none"> Orders received: Declined y-o-y due to different project mix in the environment-related business (recycling facilities' EPC). Order backlog: 3.3bn yen higher than the previous year (85.3bn yen at the end of 2Q FYE 3/'21 ⇒ 88.6bn yen at the end of 2Q FYE 3/'22) <p>【Net Sales & Operating Income】</p> <ul style="list-style-type: none"> O&M business: Both net sales and operating income increased year on year. PPP business: Both net sales and operating income increased year on year.

Consolidated Balance Sheets



(Billion Yen)

	End of FYE 3/'21	End of 2Q FYE 3/'22	Change
Cash and deposits	18.8	27.8	+9.0
Trade receivable and contract assets	78.4	38.2	-40.2
Inventories	9.0	13.4	+4.4
Others	3.1	5.1	+2.0
Total current assets	109.3	84.6	-24.7
Tangible fixed assets	4.3	4.3	+0.0
Intangible fixed assets	8.4	9.1	+0.7
Deferred Tax assets	2.7	2.6	-0.1
Others	6.6	7.0	+0.4
Total fixed assets	21.9	23.0	+1.1
Total assets	131.2	107.6	-23.6

	End of FYE 3/'21	End of 2Q FYE 3/'22	Change
Accounts payable-trade	36.3	16.6	-19.7
Short-term loans payable	^{*1} (0.9) 1.4	(0.9) 1.6	+0.2
Advance received Contract liabilities	12.7	14.7	+2.1
Others	12.2	7.8	-4.4
Total current liabilities	62.6	40.8	-21.8
Long-term loans payable	^{*2} (9.0) 10.3	(8.6) 9.5	-0.7
Others	4.9	5.6	+0.7
Total fixed liabilities	15.2	15.1	-0.1
Total liabilities	77.8	55.9	-21.8
Total net assets	53.4	51.6	-1.8
Total liabilities & net assets	131.2	107.6	-23.6

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

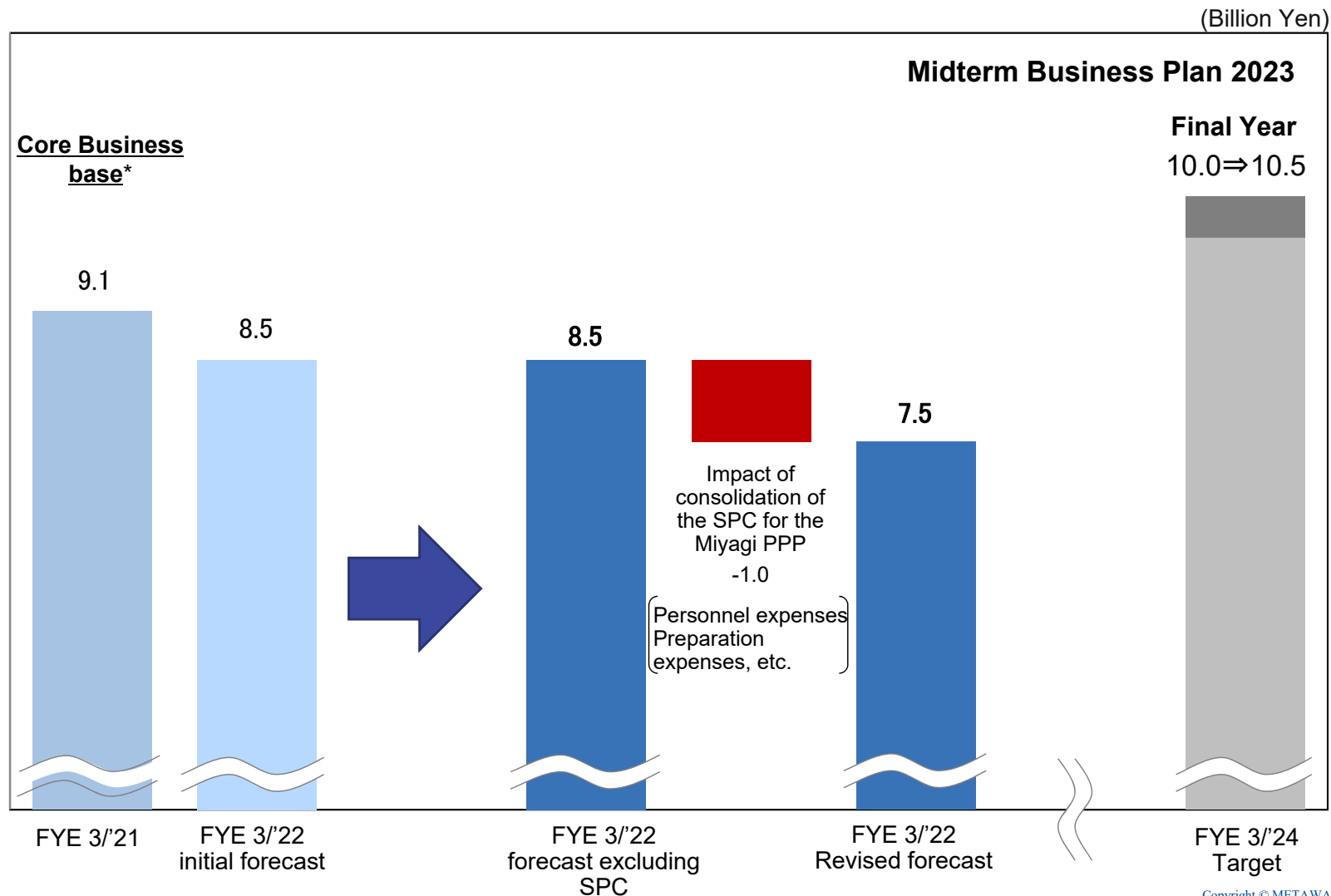
Consolidated Cash Flows

(Billion Yen)

	2Q FYE 3/'21	2Q FYE 3/'22	Change
Cash and Cash equivalents at the end of previous FY	12.9	18.0	+5.2
Operating cash flow	18.9	12.6	-6.3
Investing cash flow	-3.3	-2.4	+0.9
Free cash flow	15.6	10.2	-5.4
Financing cash flow	-1.4	-1.4	+0.1
Effect of exchange rate changes on cash and cash equivalents	-0.1	0.2	+0.3
Cash and Cash equivalents at the end of 2Q FYE 3/'22	26.9	27.1	+0.2

Factors for the changes in Operating Income

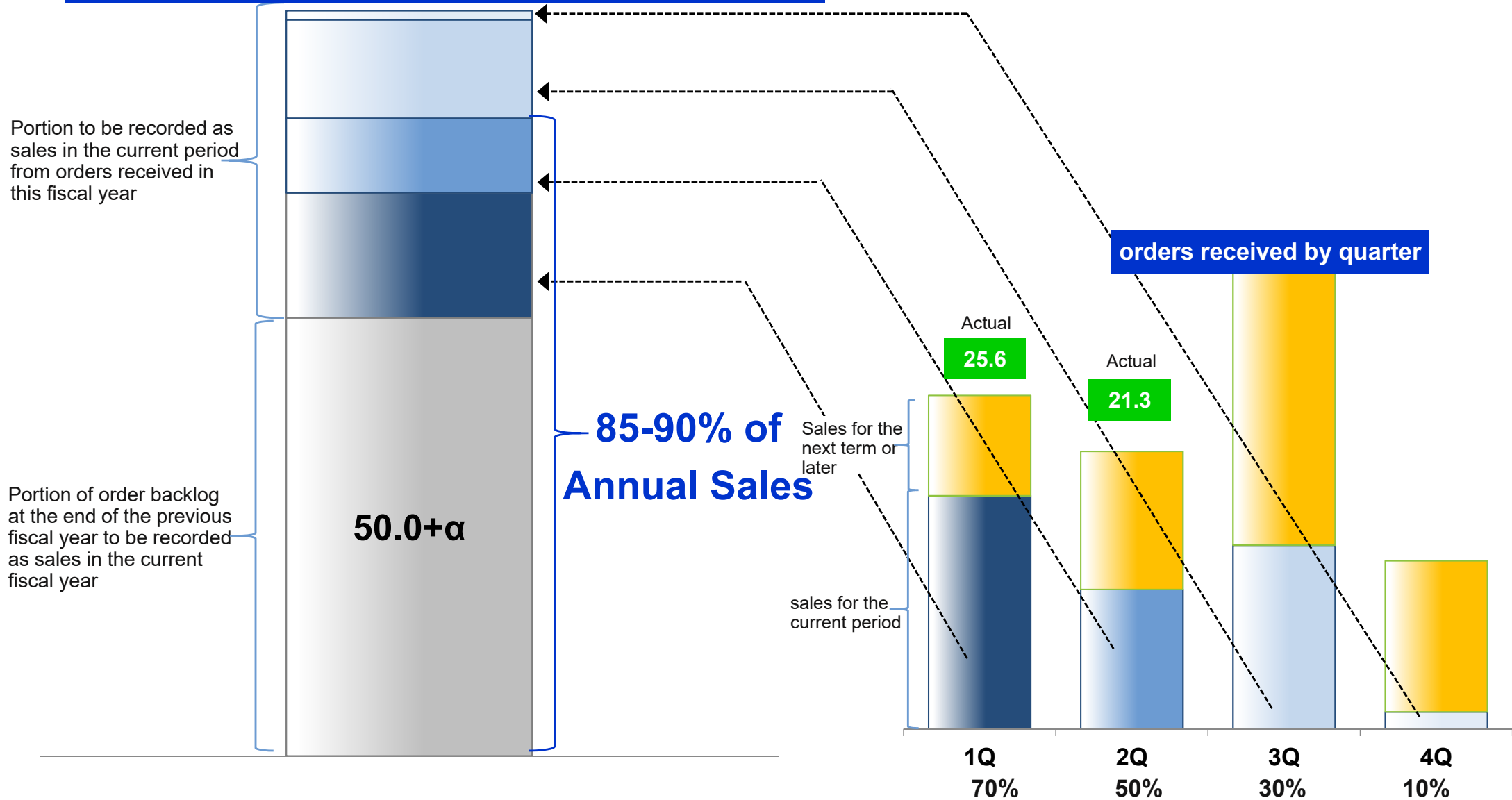
The impact of consolidation of the SPC for the "Miyagi Prefecture PPP Project for Integrated Water Supply, Industrial Waterworks, and Sewerage" is factored into the FYE 3/'21 forecasts and FYE 3/'24 targets.



* Core business base: Operating income excluding one-time factors such as lump-sum amortization of unrecognized actuarial gain/loss due to the sale of shares in the retirement benefit trust

Composition of Sales for FYE 3/'22 (Non-consolidated)

Sales forecast for FYE 3/'22: JPY 105.0 - 107.0 bn
Sales in FYE 3/'21: JPY 104.1 bn



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

CSR Promotion Office, Investor & Public Relations Department, METAWATER Co., Ltd.

E-mail: pr@metawater.co.jp

【Reference】 Miyagi Prefecture Public-Private Partnership Project for Integrated Water Supply, Industrial Waterworks, and Sewerage



K.K. Mizumusubi Management Miyagi	
Location	27-21 Tachi-machi, Aoba-ku, Sendai, Miyagi
Representative	Masashi Sakai, President and CEO
Description of business	As the main operator of the Miyagi Prefecture PPP Management Project for Integrated Water Supply, Industrial Waterworks, and Sewerage, the company will implement 3 businesses with 9 individual projects (2 water supply, 3 industrial water supply, and 4 basin sewage projects).
Shareholders	METAWATER Co., Ltd. Veolia Jenets K.K. ORIX Corporation Hitachi, Ltd. Nihon Suido Consultants Co., Ltd. HASHIMOTOTEN Co.,Ltd. Fukken Gijyutsu Consultants Co.,Ltd. SANDEN KOGYO CORPORATION TOKYU CONSTRUCTION CO., LTD. METAWATER SERVICE Co., Ltd.

K.K. Mizumusubi Service Miyagi	
Location	27-21 Tachi-machi, Aoba-ku, Sendai, Miyagi
Representative	Taketoshi Ando, President and CEO
Description of business	Implement operation and maintenance for 3 businesses with 9 individual projects (2 water supply, 3 industrial water supply, and 4 basin sewage projects) of the Miyagi Prefecture PPP Management Project for Integrated Water Supply, Industrial Waterworks, and Sewerage.
Shareholders	Veolia Jenets K.K. METAWATER Co., Ltd. ORIX Corporation Hitachi, Ltd. Nihon Suido Consultants Co., Ltd. HASHIMOTOTEN Co.,Ltd. Fukken Gijyutsu Consultants Co.,Ltd. SANDEN KOGYO CORPORATION TOKYU CONSTRUCTION CO., LTD. METAWATER SERVICE Co., Ltd.