



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

January 27, 2022

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.

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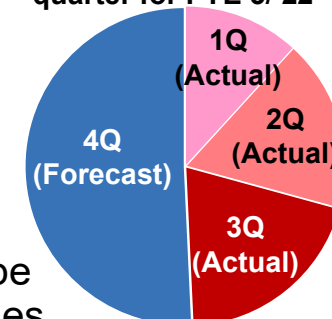
Financial Highlights for 3Q FYE 3/'22 (consolidated) **METAWATER**

* Orders Received

Increased year on year due to strong performance in PPP, the effect of consolidation of overseas subsidiaries, and others.

(Reference) Order backlog: JPY 193.2bn end 3Q FYE3/'21 → JPY 225.0bn end 3Q FYE 3/'22 (+ JPY 31.8bn)

Sales breakdown by quarter for FYE 3/'22



* Net Sales & Profits

The Group's business is dominated by domestic public works projects, and sales and profits tend to be significantly skewed toward 4Q; cumulative 3Q sales usually account for about 40% of the annual sales. (Sales in the first 9 months of the current fiscal year were slightly above the level of previous years.)

Sales increased in this 3Q reflecting the effect of consolidation of overseas subsidiaries and strong performance in O&M business, etc. **Income decreased** due to the impact of the reversal of cost of sales and selling, general and administrative expenses (1.8 billion yen) associated with the lump-sum amortization of unrecognized actuarial differences resulting from the sale of shares in the retirement benefit trust in the previous 3Q.

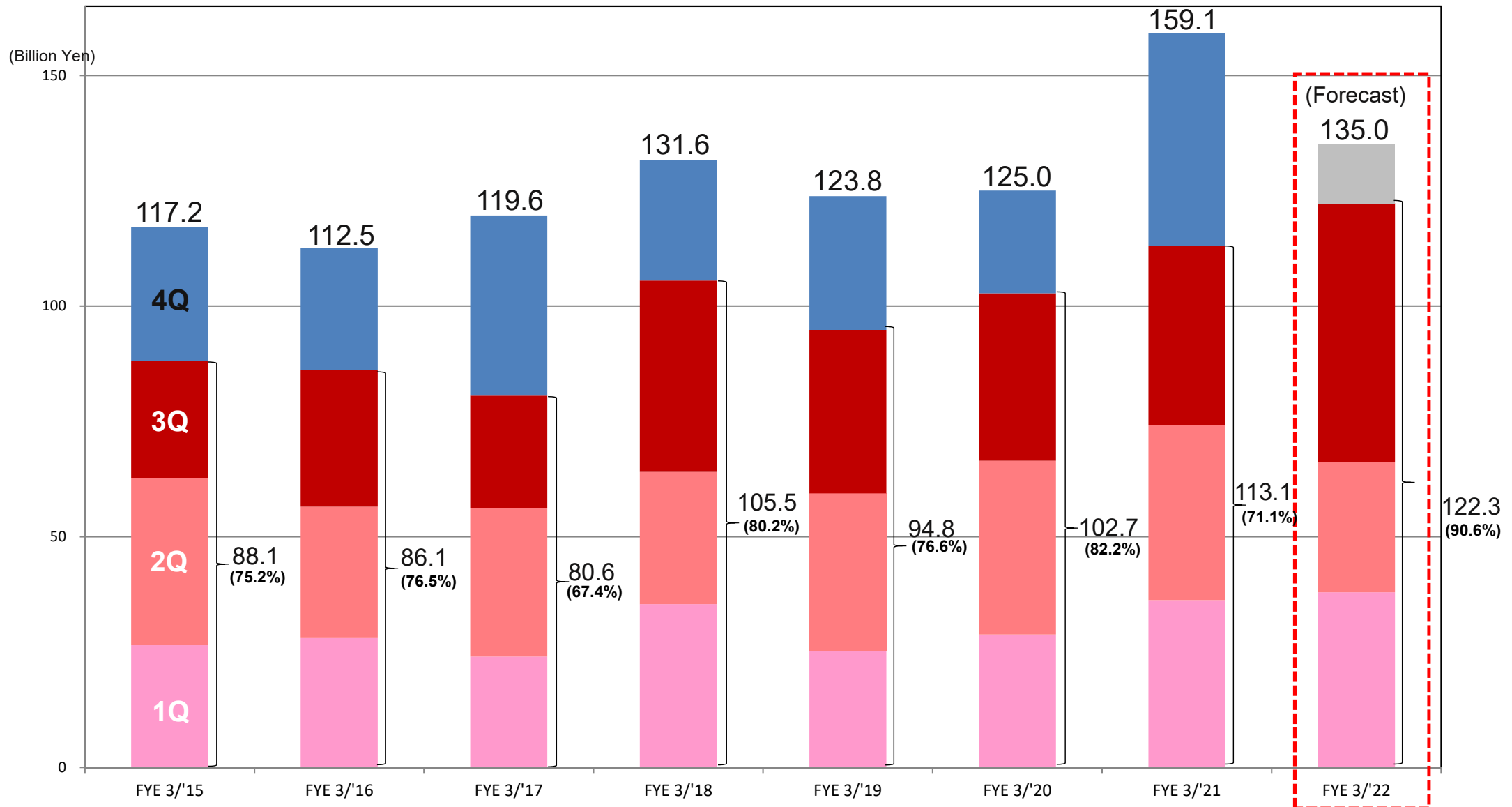
(Billion Yen)

	Orders Received	Net Sales	Operating Income	Ordinary Income	Net Income	Dividend per share (Yen)	
1-3Q FYE3/'22 Results	122.3	66.6	-2.6	-2.4	-1.8	Interim	
	YoY: +9.2 +8.2%	YoY: +8.1 +13.8%	YoY: -1.6	YoY: -1.1	YoY: -0.7	20	
1-3Q FYE3/'21 Results	113.1	58.5	-1.1	-1.2	-1.1	(Before the stock split) 40	
1-3Q FYE3/'20 Results	102.7	56.5	-3.5	-3.5	-2.6	31	
FYE3/'22 Forecast (As of October 27, 2021)	135.0	135.0	7.5	7.4	5.4	Interim	Year-end
	YoY: -15.2%	YoY: +1.2%	YoY: -31.0%	YoY: -33.1%	YoY: -17.5%	20	20

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 3Q, net sales increased by 6.3bn yen, cost of sales increased by 5.3bn yen, and operating loss, ordinary loss, and pre-tax net loss each decreased by 1bn yen. Also, the retained earnings at the beginning of the period increased by 0.2bn yen.

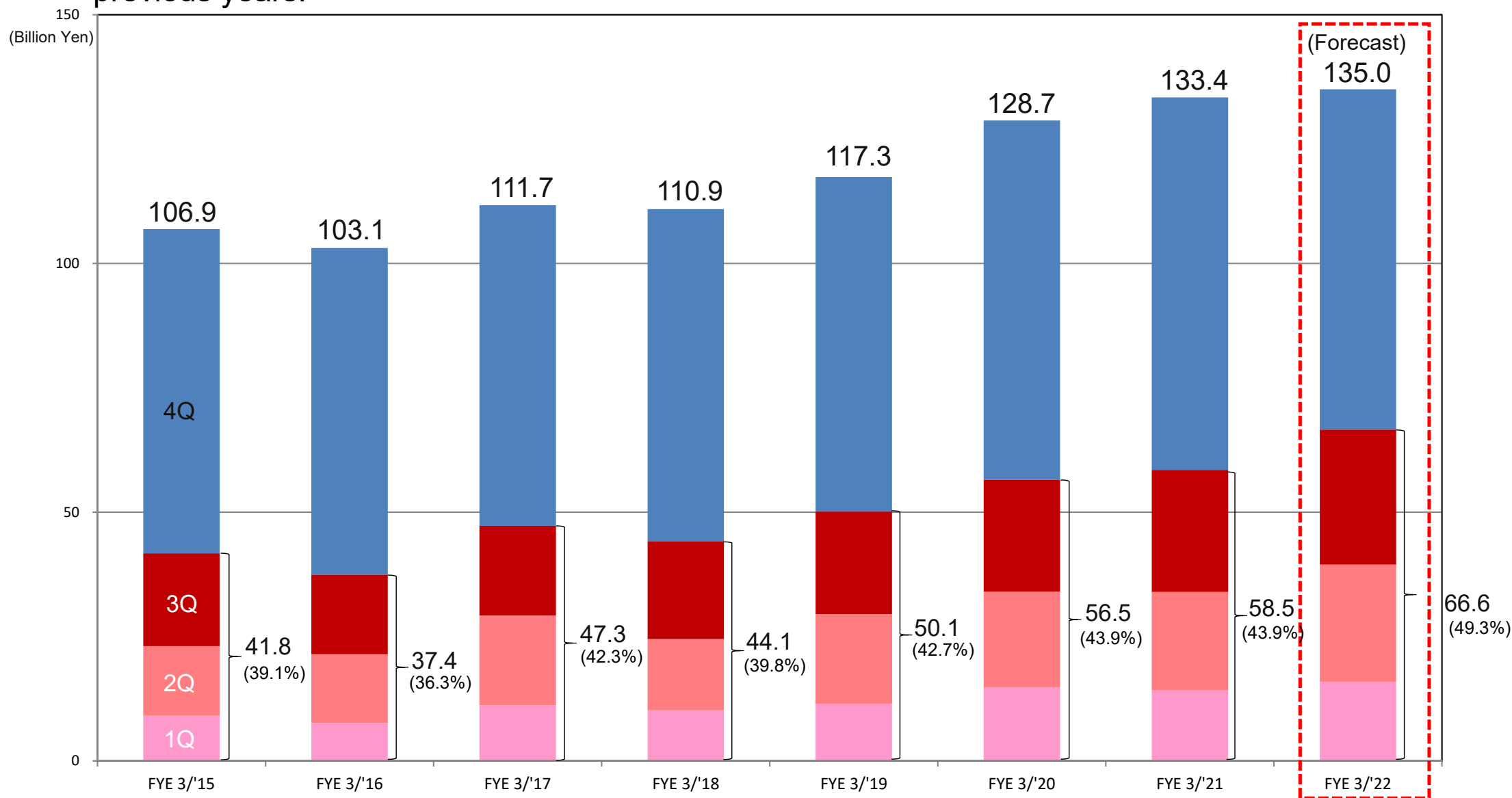
Orders Received Trend in 3Q FYE 3/'22 (Consolidated) METAWATER

Orders received in the first 9 months usually account for around 70% to 80% of the annual total. Cumulative orders received in this 3Q exceeded the level of previous years.



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

Sales in the first 9 months of each year are usually around 40% of the annual total.
Sales in the cumulative 3 quarters of the current fiscal year are slightly higher than the level of previous years.



Achievements in the 3Q of FYE 3/'22

- * Received orders for the ozone accelerated oxidation process (AOP) technology, during the previous medium-term management plan, for both water supply and industrial applications (October) *pg 9

Water supply application: The advanced oxidation process (AOP) system for Kasumigaura water treatment plant

Industrial application: Ozone AOP System for NAGASE Group Company Nagase ChemteX

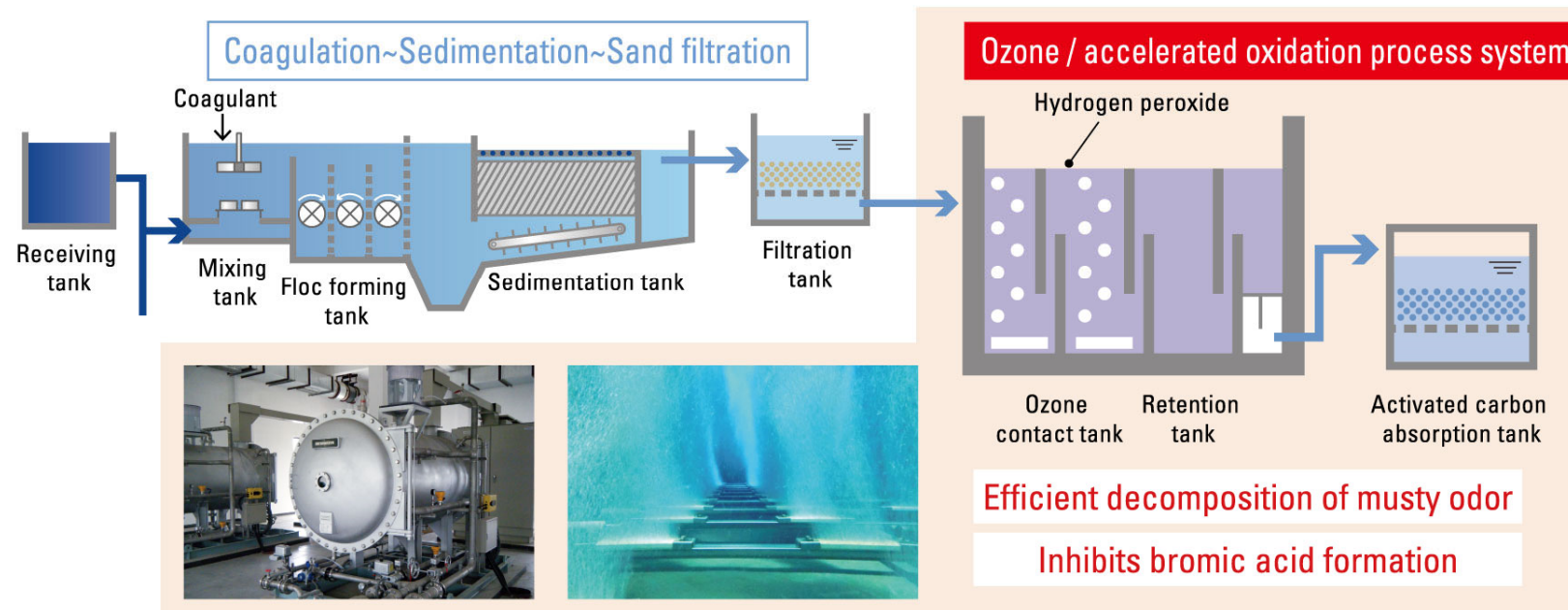
- * Resolved to select and apply for the “Prime Market” to Tokyo Stock Exchange, Inc. (October)
(Reference: Results released by Tokyo Stock Exchange on January 11, 2022, and scheduled to be classified as "Prime Market" in April)
- * Cancelled 4,000,000 shares of Treasury stock (November)
- * Launched "Aquaponics" business, recirculation-based agriculture that grows fish and plants at the same time, in Ofunato City, Iwate Prefecture (November) *pg 10
- * Concluded the Implementation Contract for the Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project (December) *pg 11
- * Participated in the 15th Japan-China Energy Conservation and Environment Forum (December)

Ozone / accelerated oxidation process (AOP) system

Due to the climate change in recent years, it has been reported that musty odors in tap water sources are becoming more concentrated, occurring for longer periods of time, and during low water temperature periods. The ozone / accelerated oxidation process (AOP) system was developed as a new solution to the musty odor.

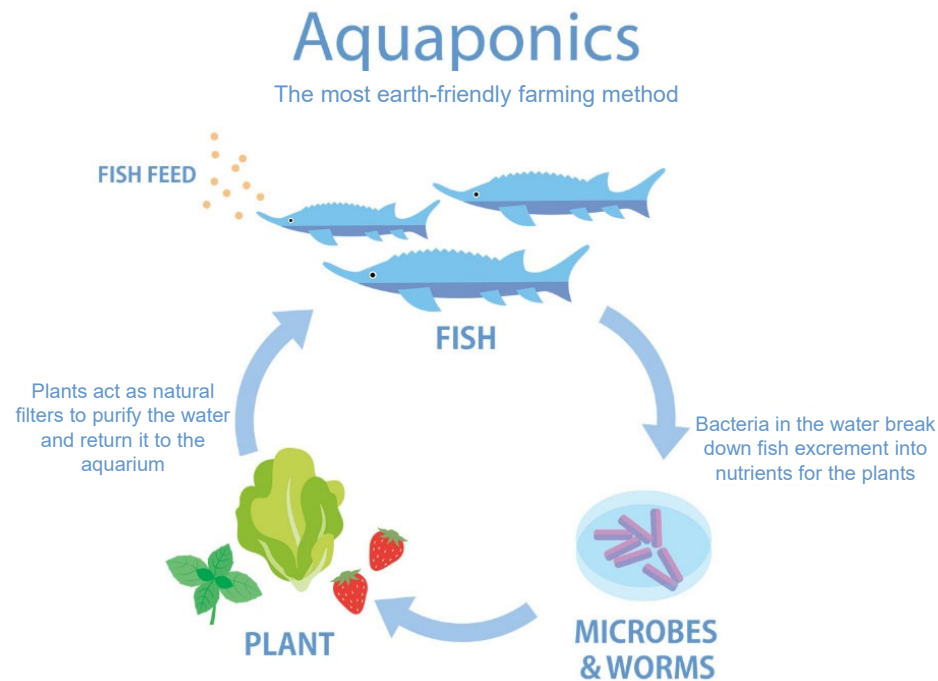
It is a treatment technology that combines ozone treatment with hydrogen peroxide. By appropriately controlling the injection of ozone and hydrogen peroxide, it enables decomposition of highly concentrated musty odor, maintenance of treatment efficiency during low water temperature, suppression of bromic acid formation as a byproduct, and reduction of the load on the activated carbon in the subsequent stage.

General water purification treatment process with ozone / accelerated oxidation process system



Aquaponics

Established a joint venture company, Tetsugen Metawater Aqua Agri, as a proposal of new added value including the effective use of unused land for water and sewage facilities. In November 2021, it began "aquaponics" operations, a recycling-oriented agriculture that grows fish and plants simultaneously, at the Ofunato Sewage Treatment Center in Ofunato City in Iwate Prefecture.



What is Aquaponics?

Aquaponics is a new method of agriculture that uses the excrement of the farmed fish as fertilizer to grow plants. It is also known as organic farming with water, which not only eliminates the use of pesticides and chemical fertilizers, but also does not discard water, thus minimizing the environmental impact of aquaculture and agriculture.



Framework completion ceremony for the aquaponics plant

Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project

On December 6, 2021, K.K. Mizumusubi Management Miyagi, a special purpose company headed by METAWATER, signed an implementation contract for the Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project (Miyagi management & operation method)



Courtesy visit to Governor Murai of Miyagi Prefecture by the operator and member companies

■ Projects to be covered

The following operations run by Miyagi Prefecture:

Water supply (2 projects)
Industrial waterworks (3 projects)
Local sewerage (4 projects)



■ Range of operations

1. Mandatory operations
 - Operations related to management
 - Operations related to the maintenance, management, and reconstruction of facilities, excluding pipelines
 - Duties related to the security of land and facilities, etc.
 - Loan services for land, buildings, structures, etc.
2. Ancillary operations
3. Voluntary operations

■ Operating period

20 years starting April 1, 2022

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1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
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Consolidated Statement of Income

(Billion Yen)

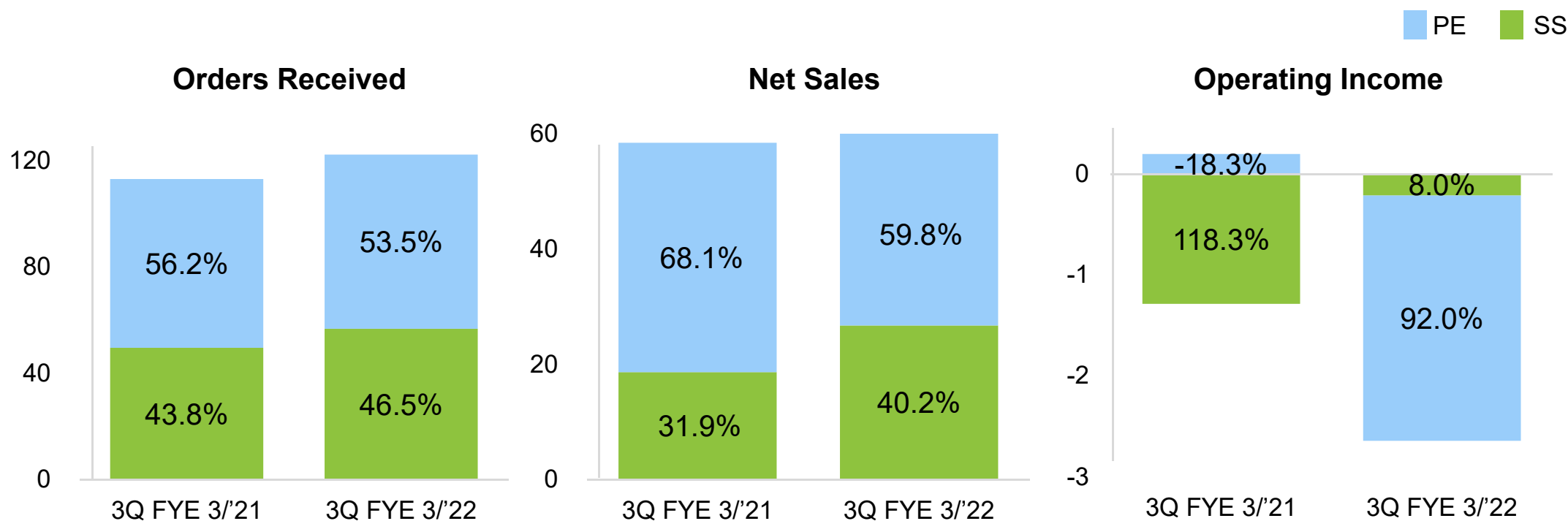
	3Q FYE 3/'21	3Q FYE 3/'22	Change
Net Sales	58.5	66.6	+8.1
Operating Income	-1.1	-2.6	-1.6
(Operating Margin %)	-1.9%	-4.0%	-2.1%
Ordinary Income	-1.2	-2.4	-1.1
Net income attributable to owners of parent company	-1.1	-1.8	-0.7

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		
	3Q FYE 3/'21	3Q FYE 3/'22	Change	3Q FYE 3/'21	3Q FYE 3/'22	Change	3Q FYE 3/'21	3Q FYE 3/'22	Change
Plant Engineering Business	63.5	65.5	+2.0	39.8	39.8	-0.0	0.2	-2.4	-2.6
Service Solution Business	49.6	56.8	+7.2	18.7	26.8	+8.1	-1.3	-0.2	+1.1
Total	113.1	122.3	+9.2	58.5	66.6	+8.1	-1.1	-2.6	-1.6



Segment Information (Consolidated)

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	3Q FYE 3/'21	3Q FYE 3/'22	Change	3Q FYE 3/'21	3Q FYE 3/'22	Change	3Q FYE 3/'21	3Q FYE 3/'22	Change
Plant Engineering Business	63.5	65.5	+2.0	39.8	39.8	-0.0	0.2 (-0.8)*	-2.4 (-2.4)*	-2.6 (-1.6)*
Service Solution Business	49.6	56.8	+7.2	18.7	26.8	+8.1	-1.3 (-2.1)*	-0.2 (-0.2)*	+1.1 (+1.8)*
Total	113.1	122.3	+9.2	58.5	66.6	+8.1	-1.1 (-2.9)*	-2.6 (-2.6)*	-1.6 (+0.2)*

Plant Engineering Business

【Orders Received & Order Backlog】

Orders received were up YoY reflecting the impact of the consolidation of overseas subsidiaries.

Order backlog increased by 22.5bn yen YoY. (102.2bn yen at the end of 3Q FY3/'21→ 124.7bn yen at the end of 3Q FY 3/'22)

【Net Sales & Operating Income】

- EPC business: Both net sales and operating income were down YoY.
- Overseas business: Both net sales and operating income were up YoY, mainly due to the consolidation of Wigen Companies Inc. and Rood Wit Blauw Water B.V.

Service Solution Business

【Orders Received & Order Backlog】

Orders received were up YoY due to strong performance in the PPP business.

Order backlog increased by 9.3bn yen YoY. (91.0bn yen at the end of 3Q FY3/'21 → 100.3bn yen at the end of 3Q FY3/'22)

【Net Sales & Operating Income】

- O&M business: Both net sales and operating income were up YoY.
- PPP business: Both net sales and operating income were down YoY.

* Operating income excluding the effect of one-time amortization of unrecognized actuarial gain/loss (credit variance) due to the sale of shares in the retirement benefit trust that was implemented in FYE3/'21

Consolidated Balance Sheets



(Billion Yen)

	End of FYE 3/'21	End of 3Q FYE 3/'22	Change
Cash and deposits	18.8	21.1	+2.3
Trade receivable and contract assets	78.4	44.1	-34.3
Inventories	9.0	18.0	+9.0
Others	3.1	5.5	+2.4
Total current assets	109.3	88.7	-20.5
Tangible fixed assets	4.3	4.3	+0.0
Intangible fixed assets	8.4	9.2	+0.8
Deferred Tax assets	2.7	2.6	-0.1
Others	6.6	6.5	-0.1
Total fixed assets	21.9	22.6	+0.6
Total assets	131.2	111.3	-19.9

	End of FYE 3/'21	End of 3Q FYE 3/'22	Change
Accounts payable- trade	36.3	20.1	-16.2
Short-term loans payable	* ¹ (0.9) 1.4	(0.9) 1.6	+0.2
Advance received Contract liabilities	12.7	15.6	+2.9
Others	12.2	7.4	-4.8
Total current liabilities	62.6	44.7	-17.9
Long-term loans payable	* ² (9.0) 10.3	(8.2) 9.2	-1.1
Others	4.9	5.6	+0.7
Total fixed liabilities	15.2	14.8	-0.4
Total liabilities	77.8	59.5	-18.3
Total net assets	53.4	51.8	-1.6
Total liabilities & net assets	131.2	111.3	-19.9

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

Consolidated Cash Flows

(Billion Yen)

	3Q FYE 3/'21	3Q FYE 3/'22	Change
Cash and Cash equivalents at the end of previous FY	12.9	18.0	+5.2
Operating cash flow	9.9	6.6	-3.3
Investing cash flow	-4.6	-1.6	+2.9
Free cash flow	5.3	5.0	-0.4
Financing cash flow	-2.5	-2.6	-0.1
Effect of exchange rate changes on cash and cash equivalents	-0.1	0.0	+0.1
Cash and Cash equivalents at the end of 3Q FYE 3/'22	15.6	20.4	+4.8

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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