METAWATER

METAWATER REPORT 2022

The Fiscal Year Ended March 2022

METAWATER Co., Ltd.

We will continue contributing to the realization of a sustainable environment and society by solving water and environmental issues.

METAWATER Group's Corporate Philosophy

Continue,
to make it sustainable.

We continue to be sincere in what we do.
We work on problems earnestly and
strive to provide solutions.

We continue to collaborate with our partners.
We respect our partners and work to achieve with
diverse knowledges, technologies and cultures.

We continue to innovate for the future.
We experiment in new ideas and take challenges.

To make sustainable what is truly important.

Issuing the "METAWATER REPORT 2022"

As a company engaged in water and environmental infrastructure, METAWATER Group will cooperate with local communities and actively engage in environmental conservation and other activities as a corporate citizen, thereby contributing to the realization of a sustainable environment and society. We have issued this report to communicate the entire picture of our group. Besides our corporate philosophy and main business activities, it offers comprehensive and concise information about our activities including the following: Financial information such as changes in performance and our Midterm Business Plan as we look to achieve our long-term vision; and non-financial information not listed in the financial statements, such as activities to promote sustainability.

■ Period in the scope of reporting

The performance for FY2021 (fiscal year ending March 2022) is the main scope for this report. However, some events in this report may have occurred before or after this period.

■ Reference guidelines

- SDGs (Sustainable Development Goals)
- International Integrated Reporting Council (IIRC): International Integrated Reporting Framework
- GRI Sustainability Reporting Guideline
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- International Organization for Standardization ISO26000 (International Standard of Social Responsibility)
- United Nations Global Compact (10 Principles)
- Ministry of Environment: Environmental Reporting Guidelines (Version 2018)

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Glossary

EPC	Design and construction of facilities and equipment
O&M	Operation and maintenance of facilities and equipment
PPP	A concept referring to an approach allowing the private sector to participate in projects related to public services offering in a wider sense. Improvement of efficiency and quality of services are sought by making positive use of private funds, technologies, know-how and management skills.
PFI	Comprehensive implementation of facility design, construction, maintenance, repair, etc., utilizing the capital and know-how of private businesses.
DBO	An approach using the know-how of private businesses to comprehensively implement facility design, construction, maintenance, repair, etc
DBM	Comprehensive implementation of facility design, construction, maintenance, etc., using the know-how of private businesses
DB	An approach using the know-how of private businesses to comprehensively implement facility design and construction.
SPC	Companies whose purpose is to run specific business operations
PFI Act	An act related to the promotion of public facility improvement, etc. by making positive use of funding from the private sector and so forth.
Concession	An approach granting operating rights of public facilities that collect usage fees to a private business while the public entity maintains ownership.
WOODAP	Concepts for design, construction, operation, and maintenance centered around quick recovery in the event of a disaster
WBC	Water Business Cloud (WBC) : METAWATER's unique information and communications platform for real-time sharing of information and the analysis and utilization of collected information

What is happening to our society?

We take “water” for granted, but the infrastructure that supports “water” is actually facing a crisis.

Even if we say that water supply, sewerage, and other types of infrastructure are in crisis,
it may be hard to feel it in your daily life.
However, water shortages are becoming serious in some countries and regions around the world.
Japan also faces challenges such as financial difficulties and a shortage of
engineers as a result of population decline,
countermeasures against climate change and natural disasters,
and an increase in the number of water and sewage treatment plants that are aging and
require large-scale renovation and renewal.
At METAWATER, we are committed to solving these water problems and
contributing to making sustainable water and wastewater businesses a reality.

Percentage of water usable on Earth

0.01%

The total amount of water on the Earth is approximately 1.4 billion km^3. Of this, approximately 97.5% is seawater. Freshwater only makes up around 2.5% of the total. Furthermore, since most freshwater is ice and groundwater, only 0.01% of the total amount of water is easily usable by humans.

Source: "Current State of Water Resources in Japan" (2021 edition, Ministry of Land, Infrastructure, Transport and Tourism)

Water used by the average Japanese person per day

287 liters

The average use of water per capita per day for domestic purposes (including water for urban activities) was 287 liters in FY2018, based on the effective water volume. This is approximately twice the average amount used worldwide.

Source: "Current State of Water Resources in Japan" (2021 edition, Ministry of Land, Infrastructure, Transport and Tourism)

Growing regional differences in water rates

258 times

Water supply businesses are operated independently by local governments, and there are large regional differences in rates. There is a difference of approximately eight times between the water rates of the most expensive local government and the cheapest local government.

Source: "Water Rates Table" (April 1, 2019 edition), Japan Water Works Association

Daily water and sewage charges per Japanese person per day

52 yen

The average water and sewage charges for a four-person household are only approximately 52 yen per person per day. The monthly water and sewage charge per household is 6,298 yen.

Source: "Annual Report on the Family Income and Expenditure Survey 2020," Ministry of Internal Affairs and Communications

Japan's shrinking population

46

According to the "Population Estimates" of the Ministry of Internal Affairs and Communications in 2021, the population is declining in 46 prefectures. There are estimates that the population of Japan will fall below 100 million in 2055, and there are concerns that income from water and sewage charges will decrease owing to population decline, which will have a significant impact on the sustainability of water and sewage infrastructure, which is the foundation of livelihoods and industries.

Source: "Population Estimates," Ministry of Internal Affairs and Communications (As of October 1, 2021)

The number of prefectures where the population is declining

Toward sustainable water and environmental infrastructure

We are contributing to the realization of sustainable water and environmental infrastructure by developing four businesses: “Engineering, Procurement and Construction (EPC),” “Overseas operations,” “Operation and Maintenance (O&M),” and “Public-Private Partnerships (PPP),” across three business areas both in Japan and overseas: “water supply,” “sewerage,” and “resource recycling.”

Service solution business

Engineering, procurement, and construction (EPC) business

Number of facilities and equipment designed/constructed
More than **2,000** locations

Number of high-speed filtration systems delivered
Approx. **40** locations

Number of monitoring and control systems delivered
Approx. **300** locations

Number of incineration systems delivered
Approx. **100** locations

Overseas business

Ceramic membranes for large-scale water treatment plants installed
Approx. **10** locations

Large-scale ozone generation systems installed
Approx. **60** locations

Local bases/Partners
Approx. **20** locations

Plant engineering business

Operation and maintenance (O&M) business

Number of facilities whose operation and maintenance are consigned to us *1
Approx. **100** locations

*1 Water supply facilities operated and maintained (including PFI and DBO)
Number of sewerage facilities and resource recycling facilities

Number of on-site staff
Approx. **1,200** people

Number of domestic bases
30 facilities

Number of prefectures where WBC has been delivered
44 prefectures

Public-private partnership (PPP) business

Number of public-private partnership (PPP) projects consigned*2
Water and sewage business fields **36** projects/ **74** projects in total

*2 Based on the Company's data

METAWATER Group value chain

Since our establishment as a water and environmental business company, our value chain, which comprehensively combines engineering, procurement, and construction (EPC) and operation and maintenance (O&M), has been one of METAWATER Group's strengths, and we have contributed to solving various social issues in the water and environmental fields.

Engineering, procurement, and construction (EPC) | Operation and maintenance | Public-Private Partnerships (PPP) (EPC + O&M)

Development・Engineering | Construction

Development

In addition to testing at our research facilities, we have developed systems for integrated demonstration tests and analysis.

Sales and planning

We propose products, services, and processes that best meet our customers' needs and develop master plans.

Engineering and procurement

We design projects ordered and procure products and services.

Construction

We have abundant experience, expertise, and a track record of construction from having supplied machinery and electrical equipment for many water treatment plants, sewage treatment plants, etc.


Operation and maintenance

We have extensive on-site staff and facilities, and take responsibility for the operation and maintenance of water and environmental infrastructure throughout Japan utilizing our abundant experience and expertise.


Public-Private Partnerships (PPP)

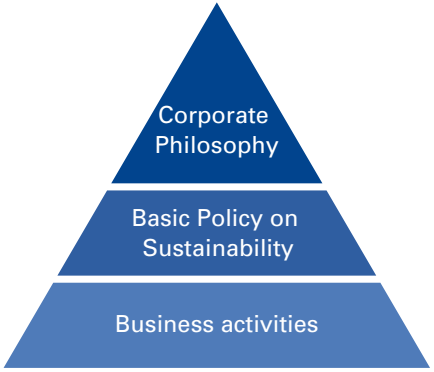
Based on the expertise we have accumulated over many years, we are engaged in the Public-Private Partnerships (PPP) business, which combines the engineering, procurement, and construction (EPC) of facilities with long-term operation and maintenance (O&M).


Aiming to achieve a sustainable society and increase corporate value

In response to environmental issues such as global warming, social issues such as human rights issues, issues in the business environment surrounding METAWATER Group, and other issues, we have established our "Basic Sustainability Policy" with the aim of achieving a sustainable environment and society and enhancing corporate value through the implementation of our corporate philosophy of "Continue, to make it sustainable."

METAWATER Group's approach to sustainability

We position the implementation of METAWATER Group's corporate philosophy of "Continue, to make it sustainable" itself as sustainability and, based on our Basic Sustainability Policy, we will focus on achieving a sustainable environment and society through our business activities, thereby enhancing our corporate value.



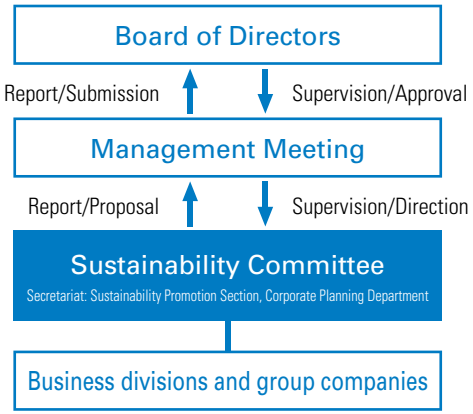
Basic Policy on Sustainability

METAWATER Group aims to be a company that continues to meet the expectations of stakeholders, be trusted by society, and contribute to society, in order to support people's daily lives with safety and security, contribute to the sustainability of the environment and society, and achieve sustainable development together with society. We will continue our efforts to achieve this goal, as follows.

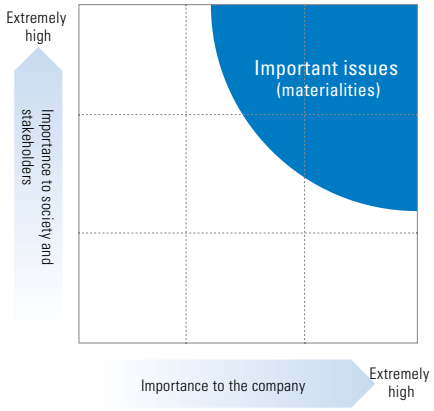
- We will cooperate with our customers, local communities, and business partners to contribute to solving environmental and social issues with the optimal technologies and services.
- People are our greatest asset, and we will recognize diversity, create diverse work styles, and develop an environment where people can work safely and with peace of mind.
- As we work to improve corporate value over the medium to long term, we aim to achieve the best corporate governance and become a sustainable company in harmony with society.

Sustainability promotion system

In order to promote management from the perspective of sustainability, we renamed the "CSR Committee," thereby establishing the "Sustainability Committee." The Sustainability Committee sets company-wide policies and goals related to sustainability, etc., promotes initiatives to achieve these policies and goals, and monitors various measures.



Important issue identification process



〈 Identification process 〉

Identification of environmental and social issues, etc.

Assessment of importance

Assessment of validity

Identification of important issues (materialities)

Important issues (materialities)

As part of our aim to make the Basic Sustainability Policy a reality, we have positioned issues that have a deep relationship with METAWATER Group's businesses and that are also important for society and stakeholders as our important issues (materialities).

Water environment

We will contribute to ensuring safe water quality and the recycling and conservation of the water environment by providing the optimal technologies and services in the construction, operation, and maintenance of water supply and sewage works facilities, essential lifelines for people's lives.

- Contribution to sustainable water supply and sewage works facilities
- Contribution to the water environment overseas
- Water source forest conservation

Recycling-oriented society

We will contribute to the creation of a recycling-oriented society by effectively using limited resources, in order to continue protecting the rich natural environment.

- Contribution to sustainable recycling facilities
- Promotion of the reduction and reuse of industrial waste
- Reduction of environmental impact

Reduction of greenhouse gas emissions

We will contribute to the reduction of greenhouse gas (GHG) emissions through our business activities in response to issues such as rising sea levels and abnormal weather patterns caused by global warming.

- Reduction of GHG emissions at water supply and sewage works facilities
- Reduction of supply chain emissions (CO_2)

Human resources

We will recognize diversity, create a variety of work styles, and develop an environment where employees can work comfortably. We will also take into consideration health and safety in operations at our offices and work sites to prevent accidents and injuries.

- Creation of a rewarding work environment
- Supporting education for employees
- Improvement of occupational health and safety

Local communities

In order to achieve a sustainable society, it is important that we cooperate with customers, local communities, and business partners, and we will contribute to local communities through our business activities.

- Revitalization of local communities and economies
- Support measures in the event of disaster
- Social contribution activities

Governance

We will engage in corporate management with a high level of transparency and reliability and strengthen compliance promotion and internal control functions, as we strive to achieve the best corporate governance to achieve the sustainable enhancement of corporate value.

- Enhancement of corporate governance
- Promotion of compliance

How do we leverage our strengths, generate revenues, and contribute to society?

Looking to the future of water and environmental infrastructure

We aim to contribute continuously to local communities and society as well as the conservation of the global environment while enhancing our corporate value through ESG activities such as water and environmental conservation, education, and disaster recovery support, as well as business activities to improve, renew, and maintain water and environmental infrastructure.

Business environment and social issues

Domestic

- Financial difficulties at local governments and shortages of engineers as a result of population decline
- Decrease in the number of local government employees and aging of existing facilities and equipment
- Measures to protect against natural disasters such as major earthquakes, yphoons, and torrential rains
- Advancement of public-private partnerships (including concessions)

Overseas

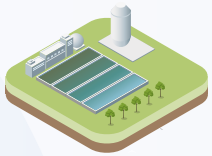
【North America】
- Use of reclaimed wastewater to secure water resources, aging facilities, and rising population

【Europe】
- Stricter environmental regulations and aging facilities

【Asia】
- Increasing the coverage of water and sewerage facilities
- Initiatives targeting the Sustainable Development Goals (SDGs)

Business platform supporting water and environmental infrastructure

Water supply facilities



Sewerage facilities

Sewage treatment plants

Operating four businesses across three business areas both in Japan and overseas:
"water supply facilities," "sewerage facilities," and "sewage treatment plants"

Plant engineering business

- Engineering, procurement, and construction (EPC) business
- Overseas business

Service solution business

- Operation and maintenance (O&M) business
- Public-private partnership (PPP) business

METAWATER's strengths

Proposing total solutions that combine EPC (mechanical and electrical technologies) and O&M (expertise and ICT) P23～

Mechanical technologies

- Ceramic Membrane Filtration System
- Ozone treatment system
- High-speed filtration system
- Sludge incinerator

Electrical technologies

- Monitoring and control equipment
- Instrumentation and power receiving and transforming equipment

O&M know-how + ICT

- Introduction of AI and ICT technologies
- Efficient O&M

Human resources

People are our greatest asset, and our employees are our greatest management resource and source of corporate value enhancement P41～

Consolidated number of employees **3,496**people

- Work style reform
- Skill development
- Diversity
- Health management
- Health and safety

Business strategies to achieve our long-term vision

Corporate philosophy	Continue, to make it sustainable.	P1
Basic policy	Basic Policy on Sustainability	P7

Water environment	■Contribution to sustainable water supply and sewage works facilities ■Contribution to the water environment overseas ■Water source forest conservation	E
Recycling-oriented society	■Contribution to sustainable recycling facilities ■Promotion of the reduction and reuse of industrial waste ■Reduction of environmental impact	E
Reduction of greenhouse gas emissions	■Reduction of GHG emissions at water supply and sewage works facilities ■Reduction of supply chain emissions (CO_2)	E
Local communities	■Revitalization of local communities and economies ■Support measures in the event of disaster ■Social contribution activities	S
Human resources	■Creation of a rewarding work environment ■Supporting education for employees ■Improvement of occupational health and safety	S
Governance	■Enhancement of corporate governance ■Promotion of compliance	G

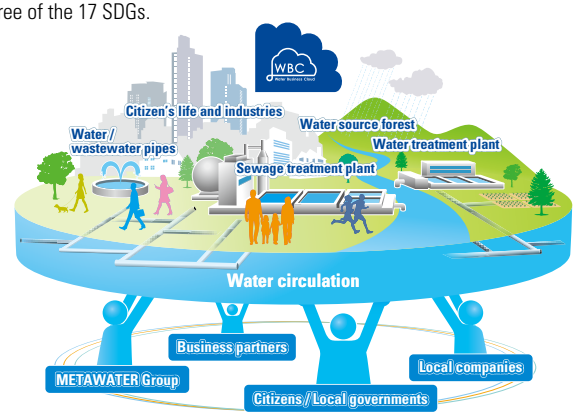
経営ビジョン	Long-term vision / Midterm Business Plan 2023	P11

Local communities
Local governments
Local (companies)
Employees
Partners
Shareholders and investors

Value that METAWATER can deliver

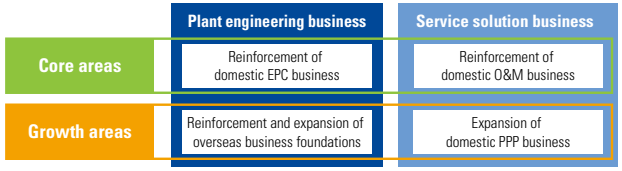
Contributing to the environment and society, as well as the SDGs

METAWATER Group will not just enhance our corporate value, but we will also contribute to the realization of a sustainable environment and society by solving issues related to water and the environment while cooperating with local communities. Taking the business characteristics and social responsibilities of the Group into consideration, we will contribute to the achievement of three of the 17 SDGs.

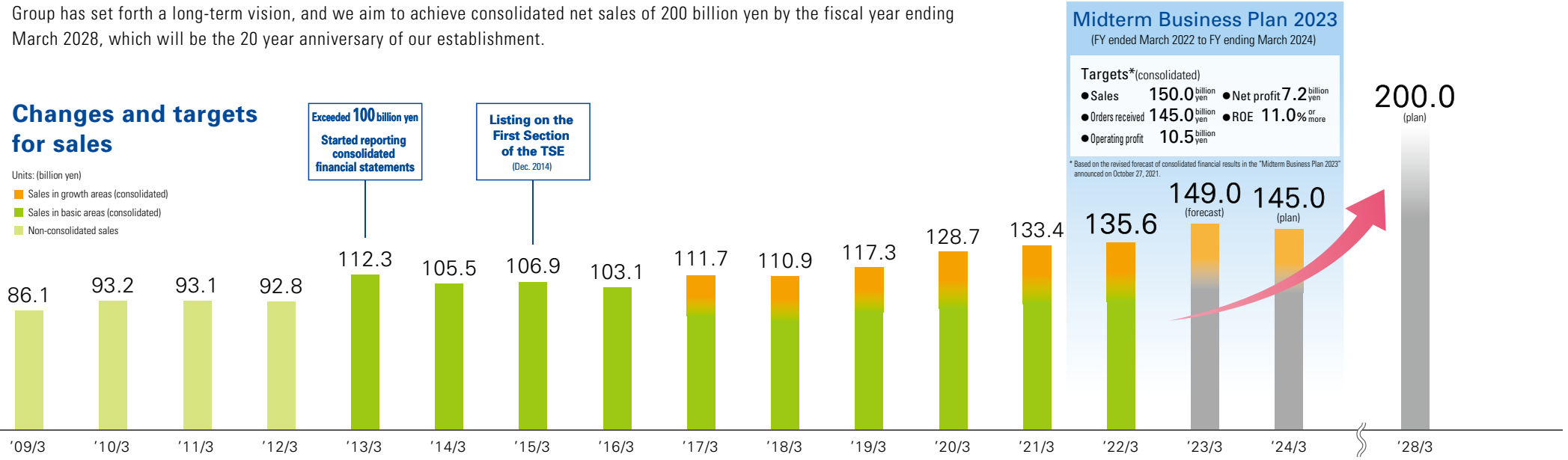


Achieving our long-term vision

The business environment surrounding METAWATER Group is undergoing significant change, including the renewal of aging facilities and equipment, countermeasures against frequent natural disasters, and the spread of COVID-19.
In order to respond to these changes and contribute to the sustainability of water and environmental infrastructure, METAWATER Group has set forth a long-term vision, and we aim to achieve consolidated net sales of 200 billion yen by the fiscal year ending March 2028, which will be the 20 year anniversary of our establishment.



Changes and targets for sales



Building a business platform for electromechanical fusion

Midterm Business Plan 2017
Establishing a foundation for growth to realize our long-term vision

Midterm Business Plan 2020
Establishing a corporate structure capable of realizing our long-term vision

Midterm Business Plan 2023
The next stage toward realizing our long-term vision

2008/4
METAWATER Group was established as a comprehensive engineering enterprise engaged in the water and environment fields by a merger between the water and environment operating subsidiaries of the NGK Group and Fuji Electric Group.

2010/4
As a result of integration of mechanical and electric technologies, the water reuse system combining ceramic membrane and ozone treatment (Shibaura Water Reclamation Center, Tokyo) and multi-layer fluidized incinerator contributing to reducing greenhouse gas emissions (south sludge plant in Tokyo) commenced operations

2017/11
Created the "Island" satellite space as part of work style reforms

2020/4
Made Wigen Companies, Inc. (USA) a wholly owned subsidiary, in order to expand business in North America

2021/4
The "Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project" began as the first industrial waterworks business in Japan to be operated under the public facility management concession system

Midterm Business Plan

Background and objectives to the formulation of the “Midterm Business Plan 2023”

In the domestic water and sewage treatment market, the financial difficulties of local governments and shortage of engineers have become evident, which are attributable to the population decline. In addition, measures for facilities and equipment developed during a period of high economic growth, which are aging, as well as natural disasters such as large earthquakes, typhoons, and torrential rains are urgent issues. Under these circumstances, the implementation of the PFI Act and the revision of the Water Supply Act are steadily encouraging public-private partnerships using private funds, technology and know-how as well as efforts based on the national resilience plan. In addition, the creation of new business opportunities and business models backed by technological innovations such as AI and IoT is expected in the future.
On the other hand, in the overseas water and sewage market, developed countries mainly in Europe and the United States are faced with issues of aging facilities and equipment. In addition, other priority issues are the utilization of reused water in an effort to secure water resources in the United States and countermeasures against the tightening of environmental regulations in Europe. While in areas including emerging Asian countries, demand is growing for the development of water and sewage infrastructure in conjunction with an increase in demand for water due to the increasing population. Going forward, the emergence of business opportunities in line with these issues and needs of the water and sewage market in these countries is expected.
In light of this business environment, the Group has developed the Midterm Business Plan 2023, covering the period up to the fiscal year ending March 2024, as the next stage in achieving its long-term vision (consolidated net sales of 200 billion yen by the fiscal year ending March 31, 2028).

Goals of the “Midterm Business Plan 2023”

(Consolidated)	FYE 3/’22 Results	FYE 3/’23 Forecast	FYE 3/’24* Targets
Orders Received	152.3 billion yen	140.0 billion yen	150.0 billion yen
Net Sales	135.6 billion yen	149.0 billion yen	145.0 billion yen
Operating Income (% of Sales)	8.1 billion yen (6.0%)	9.3 billion yen (6.2%)	10.5 billion yen (7.2%)
Net Income	6.2 billion yen	6.3 billion yen	7.2 billion yen
ROE	11.1%	10.4%	11.0% or more

* Based on the revised forecast of consolidated financial results in the “Midterm Business Plan 2023” announced on October 27, 2021.

Outline of the “Midterm Business Plan 2023”

METAWATER Group has set targets for the fiscal year ending March 2024 of 150 billion yen in orders received, 145 billion yen in sales, and 10.5 billion yen in operating income. To achieve these targets, we are making company-wide efforts, focusing on the following three key issues.

1 Enhancement of foundation fields and expansion of growth fields

Strengthen and expand our businesses, positioning the EPC and O&M businesses as foundation fields and the PPP and overseas businesses as growth fields

Core areas	Overseas business Position Europe and the United States as strategic areas and promote further business expansion by deepening cooperation among group companies	Public-private partnership (PPP) business Strengthen our regional strategies by leveraging our track record and know-how and create new business models
Growth areas	Engineering, procurement, and construction (EPC) business Aim to further increase orders and improve profitability by taking advantage of engineering methods that utilize IT and AI to improve design quality and strengthen cost competitiveness	Operation and maintenance (O&M) business In addition to stable growth through continued orders from existing plants, we will strive to acquire new plants and new businesses by utilizing IT tools and expanding WBC sales

2 R&D investment expansion

Expand our investment in research and development in order to address needs in areas such as future demand for facility rehabilitation and the further development of Public-Private Partnerships

① **Further reinforce strong fields**
Continue to invest aggressively in the fields of incineration, water treatment, and monitoring and control systems, which are strengths of METAWATER Group, with the aim of capturing future rehabilitation demand

② **Creating integrated mechanical and electric technologies**
Strengthen our competitiveness by continuously creating products and systems that take advantage of our superiority based on possessing both machinery and electrical technologies in the water and environmental businesses

③ **Creating value by utilizing the information chain**
We will create new value by linking on-site operation and maintenance management information, plant monitoring and control systems, the WBC, etc.

3 Sustainable ESG initiatives

Actively promote environmental contribution activities, social contribution activities, and the strengthening of corporate governance

E Environment	■ Environmental contribution through business activities ■ Promotion of environmental conservation activities
S Social	■ Social contribution through business activities ■ Further promotion of work style reform
G Governance	■ Strengthening of corporate governance

Aiming to be a trusted company

In recent years, our business environment in water supply, sewerage, and waste recyling businesses, have been facing many challenges. Such challenges include global warming and other environmental issues, such as frequent natural disasters caused by earthquakes and typhoons, and less revenues from government projects and shortage of engineers due to depopulation.

METAWATER Group will live up to the trust place in it by contributing to solving these social issues and supporting the sustainability of water and environmental infrustructure that are essential to people's everyday lives.

Kenji Yamaguchi
President and Representative Director

Responsible for solving social issues

Since our establishment in April 2008, METAWATER Group has been involved in supplying electrical and mechanical equipment to more than 2,000 water and sewage treatment facilities in Japan, including large, medium, and small facilities. Approximately 60 million people are served by these facilities. (See page 6)

Recently, there are significant changes in the business environment surrounding water supply and sewerage infrastructure in Japan; defects caused by aging facilities, countermeasures to beat increasing natural disasters caused by climate change, spread and aftereffect of COVID-19 and so on. On the other hand, in the overseas water supply and sewerage market, facilities are aging in developed countries mainly in Europe and North America. The use of reclaimed wastewater to secure water resources in the United States and the measures to comply with stricter environmental regulations and so on in Europe are among the priority issues in each region. Furthermore, in the emerging markets in Asia and others, the demand of water supply and sewarage infrastructure is increasing as a result of rising demand of water caused by population growth.

Long term Vision

Consolidated net sales 200 billion yen
for the fiscal year ending March 2028

- Be the best company customers or partners want to work with
- Be the best company in terms of technology and services
- Be the best company to work for

Key measures in the “Midterm Business Plan”

1. Enhance the core businesses (EPC and O&M) and expand the growing businesses (PPP and International business)
2. R&D investment expansion
3. Sustainable ESG initiatives

Long term Vision and Mid term Business Plan 2023

In order to contribute to maintain water and environmental infrastructure, METAWATER Group has set forth its mid-to-long term vision as follows:

Be the best company customers or partners want to work with,
Be the best company in terms of technology and services, and
Be the best company to work for.

As a foothold toward becoming a renowned company worldwide, in the fiscal year ending in March 2028, the year we mark the 20-year commemoration, we strive to achieve consolidated net sales of 200 billion yen, which will approximately be double our sales at the time of our establishment.

In order to further enhance our business foundation, we set three key challenges in the Midterm Business Plan 2023, started in Fiscal Year ended in March 2022 to Fiscal Year ending in March 2024: enhance the core businesses and expand the growing businesss, increase investment in R&D, and pursue sustainable ESG initiatives. Toward the last fiscal year of Midterm Business Plan 2023, we make all the efforts to achieve orders received of 150.0 billion yen, net sales of 145.0 billion yen, and operating income of 10.5 billion yen.

Operating results in the fiscal year ended March 2022

In the fiscal year ended March 2022, the first year of the “Midterm Business Plan 2023,” orders received remained at a high level despite decreasing year-on-year owing partly to a decline in lump-sum renewal of multi-year service contracts, and an all-time record high was set for the order backlog. Net sales increased and exceeded the forecast, mainly due to strong sales at overseas subsidiaries, in the O&M business, and at METAWATER SERVICE Co., Ltd. Profits declined, partly owing to the absence of one-time factors from the sale of shares in a retirement benefit trust, but profits still exceeded the forecast.(See pages 57 and 58)

Result of fiscal year ended March 2022

(billion yen)

	Sales	Orders received	Operating profit	Ordinary income	Current profit attributable to owners of parent
FY2021 results	153.2	135.6	8.1	8.8	6.2
YoY	▲6.8	+2.2	▲2.7	▲2.3	▲0.3
FY2020 results	159.1	133.4	10.9	11.1	6.5

Our industry-leading products and its development and sales expansion

METAWATER Group will expand its investment in research and development in order to address needs in areas such as future demand for facility rehabilitation and the further development of Public-Private Partnerships.

We will take steps to further reinforce strong fields, by continuing to invest aggressively in R&D in the fields of incineration, water treatment, and monitoring and control systems, which are strengths of METAWATER Group, with the aim of capturing future rehabilitation demand.

In addition, we will strengthen our competitiveness through integrating our machanical and electrical technologies and thus creating added value in the water and environmental business fields.

Furthermore, METAWATER Group will create new value by **"creating value by utilizing the information chain,"** in which we will link on-site operation and maintenance information, plant monitoring and control systems, ICT, and other elements, to improve the efficiency of maintenance management, optimize management, and provide disaster-resistant systems and services.

(See pages 31 to 34)

International business

METAWATER Group positions international business as a growth factor. We set expanding the scope of business by M&A as one of the key strategies.

In terms of a track record of our M&A, the first acquisition was Aqua-Aerobic Systems in the U.S. in January, 2016, followed by FUCHS in Germany in May, 2019 and Wigen in the US in April, 2020. The most recent one was Rood Wit Brauw Water in the Netherlands in November, 2020, during which we acquiared the full shares of the company (consolidated since FY2021).

International markets can be expected to grow at an average annual rate of at least 1-2%, thanks to population growth and aging facilities in the developed countries. In the United States, METAWATER Group intends to expand its business by acquiring a new business base. Meanwhile in Europe, we target to expand our business by enhancing our sales capabilities in the water treatment solutions area. (See page 27)

Creating added value by integrating mechanical and electronic technologies

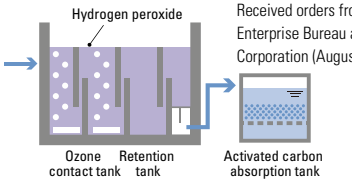
Water supply field

Advanced water purification ceramic membrane system

One of the best treatment capacity (flux) in Japan among the membrane systems for river surface water by using ozone and coagulation pretreatment technologies

Accelerated oxidation process

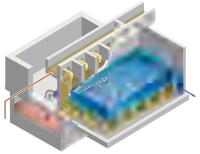
One of the best ozone injection control that enables suppression of by-products (bromic acid)



Received orders from Ibaraki Prefectural Enterprise Bureau and Nagase ChemteX Corporation (August 9, 2021)

Sewage field

High-speed filtration system
<alternative to primary sedimentation tank system>



No. 1 in treatment capacity compared to conventional primary sedimentation tanks
(5x to 10x higher than conventional systems)

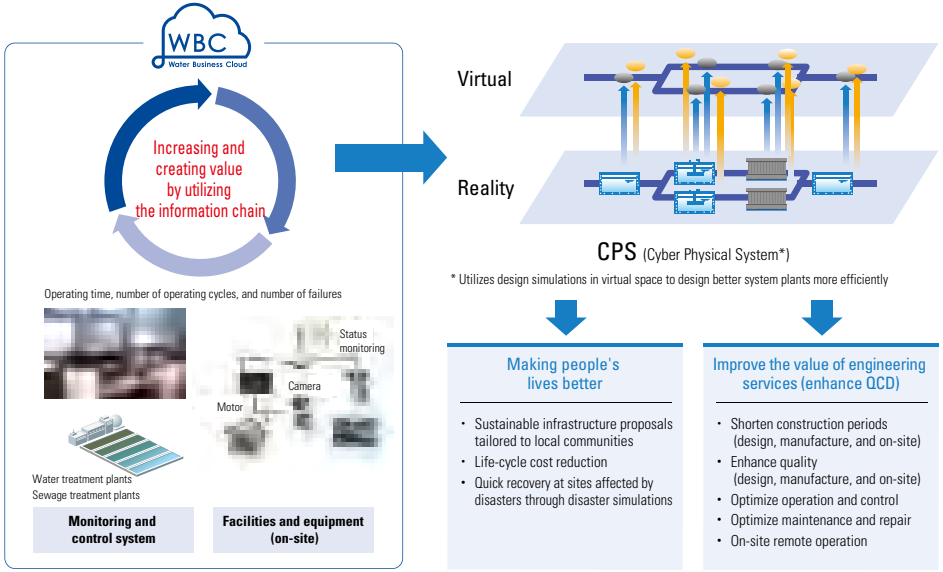
Selected as "New Technology Class I" by Japan Sewage Works Agency (March 2022)

Flow turbine

No. 1 in power saving by using conventional fluidized bed i ncinerator

Selected as "New Technology Class I" by Japan Sewage Works Agency (March 2022)

Creating new value by aggregating information in virtual space



Launch of Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water

In another growth business, the PPP (Public-Private Partnership) business, we launched the "Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water" in April 2022. After METAWATER Group obtained preferential negotiation rights for the project in March 2021, we established K.K. Mizumusubi Management Miyagi as a special purpose company to operate the project. After various preparations, including opening an office, holding briefing sessions for prefectural residents, and hiring employees, we successfully launched the project. The project connects nine water, industrial water supply, and sewerage facilities (plants) in Miyagi Prefecture with local communities, and we will operate the project on a long-term basis, for 20 years. This is the first attempt in Japan to manage and operate the three businesses of water supply, industrial water, and sewerage in an integrated and long-term manner. (See page 28)

Through a Public-Private Partnership with Miyagi Prefecture and companies participating in the project, including local companies, METAWATER Group will remain committed to this project in order to develop a track record as a corporate group engaged in social infrastructure essential to people's lives and industries through the operation of the project, enabling us to gain stakeholders' trust.

Accelerate the promotion of sustainability

It is no exaggeration to claim that our business itself is contirubuting to the environment and society as we at METAWATER Group support water and environmental infrastructure. We are committed to gain the trust of our stakeholders and to take part in solving various social issues.

In order to accelerate our efforts to achieve a sustainable environment and society and enhance our corporate value, in April 2022, METAWATER Group established Basic Sustainability Policy, which defines six key issues, materialities, as follows: water environment, recycling society, reducing emissions of greenhouse gases, local communities, human resources, and governance. (See page 7)

When establishing the "Basic Sustainability Policy," we examined the importance of issues to METAWATER Group by referring to the GRR, GRI, SDGs, etc., and assessed the policy's validity based on various findings from external interviews with investors, analysts, lawyers, and other experts.

In addition, we elevated the CSR Committee, previously the organization in charge, to newly established the Sustainability Committee as a part of efforts to reinforce our organizational structure.

METAWATER Group will promote sustainability and implement various initiatives as we strive to be a company trusted by all stakeholders, including supplying and operating safe and secure water and environmental infrastructure, and complying with environmental regulations.

TOPICS

METAWATER is promoting "Aquaponics," recirculation-based agriculture that grows fish and plants at the same time.

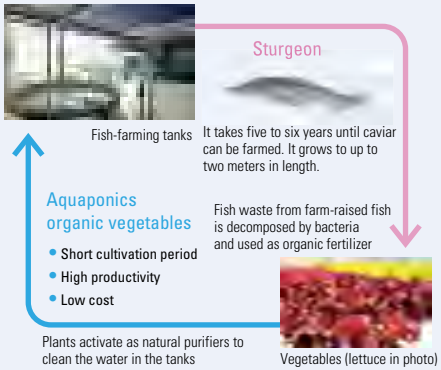
In March 2020, the company invested in Plant form Inc., which is engaged in "aquaponics," a recirculation-based agriculture that grows fish and plants at the same time.

Aquaponics is a new agricultural method that uses fish waste of farm-raised fish as fertilizer to grow plants. This method is also known as organic farming with water. Not only that aquaponics does not use pesticides or chemical fertilizers, but it also does not dispose water. It enables aquaculture and agriculture with a minimum environmental impact.

In recent years, much land around sewerage facilities has not been in use because of consolidation and some plants have been eliminated as a result of population decline and technological innovation to improve treatment efficiency, etc. The Ministry of Land, Infrastructure, Transport and Tourism also recommends "turning sewage treatment plants into agricultural production bases by using sewage heat, reclaimed wastewater, etc."

METAWATER will promote and propose aquaponics, which can create a new industry and job positions, as a new solution for the increasingly diversified needs in the water supply and sewerage businessses.

Next-generation agriculture that grows fish and plants at the same time



Launched the project in Ofunato City, Iwate Prefecture

TETSUGEN Corporation, Plant form Inc. and METAWATER jointly established Tetsugen Metawater Aqua Agri, and it will begin its new business in October this year. Both TETSUGEN and Plant form participate in the Ofunato Sweage Treatment Center Comprehensive Operation Project with Facility Improvement project with us.

Plant Engineering Division

Director, Senior Executive Officer
Executive General Manager,
Plant Engineering Division

Noboru Okuda

METAWATER has unique mechanical and electrical technologies that in combination make the best use of mechanical features. We design and construct a variety of water and sewage plants based on our extensive experience, track records in both mechanical and electrical areas, newly integrated mechanical and electric technologies and our product development capabilities.
In FY2022, we established a new organization consisted of specialists for solving problems and making strategic proposals based on a comprehensive perspective. In particular, we are further strengthening our efforts to address carbon neutrality while working to achieve a decarbonized society and contribute to SDGs by designing and constructing plants that utilize energy-saving and energy-creating technologies, greenhouse gas reduction technologies, etc.
In addition, it is essential that we reform our engineering, streamline our operations, and improve operational efficiency in order to respond to the needs of society and our customers in line with changes in the business environment, such as the expansion of Public-Private Partnership (PPP) projects, the evolution and expansion of IoT and AI technologies and the diversification of work styles as a result of progress in work style reforms. By making full use of ICT technologies, etc., the Plant Engineering Division will effectively utilize engineering data in EPC to transform our engineering into one that creates new value.

Strengths

- Engineering capabilities utilizing differentiated products and technologies in the fields of machinery, electricity, and electromechanical fusion
  - Machinery: ceramic bembrane filtration systems, ozone treatment systems, high-speed filtration, flow turbines, etc.
  - Electricity: monitoring and control systems from small to large scale, environmentally friendly electrical equipment, etc.
  - Electromechanical fusion: multi-layer fluidized incinerators, advanced wastewater treatment systems for sewage aeration tanks utilizing AI and ICT, etc.
- Ability to offer technologies that have solved customer challenges and diverse needs
  - Ability to propose efficient and effective technologies that integrate machinery and electric equipment, etc.
  - Ability to make proposals related to the integration and abolition of sewage treatment plants and treatment processes in accordance with regional characteristics, such as changes in water volume due to aging and population decline, etc.
- Extensive experience and track record in supplying machinery and electric equipment to many water treatment plants and sewage treatment plants

Challenges

- Advancing development in order to create value in a way that utilizes the information chain
- Further develop our ability to offer solutions for a decarbonized society by reinforcing our disaster responses and developing energy-saving and energy-creating technologies

Service Solution Division

Executive Officer
Executive General Manager,
Service Solution Division

Hiroyuki Nakano

Service Solution Division is engaged in inspections, repairs, operations, and maintenance of mechanical and electric equipment of domestic water supply and sewage works facilities as well as the design, construction, operation and maintenance of waste recycling facilities.
In service solution business, issues are such as countermeasures to aging facilities and equipment, shortage of engineers and staff who oversee operation and maintenance and so on. Expectation are high for utilizing the expertise and technologies of private companies.
Service Solution Division provides services through our own networks of 34 operating base stations across the country. We constantly remain closely connected to our cusomers; we provide supports to respond to emergent situations such as breakdowns and other problems and consultation related to operation and maintenance of facilities and equipment.

Strengths

- Respond to a variety of issues with community-based services tailored to our customers by utilizing our long-term expertise and extensive experience in the field of maintenance, inspections, repairs and fault suppport of machinery and electrical equipment.

Challenges

- Enhance support functions for frontline workers and maintain station-based service systems
- Adopt new technologies, new services and new methods to ensure on-site safety and maintain high quality services
- Initiatives to reform work-style labor of frontline workers, to promote senior and female workers, to contribute to local communities and so on
- Respond quickly, minimize damages and propose recovery measures in emergencies such as disasters caused by earhquakes and climate change

International Business Division

Executive Officer
Executive General Manager of
International Business Division
Ken Akikawa

International Business Division will expand its business with our unique and proprietary product lines and technologies, especially the filtration technolgies. Areawise, we focus on North America and Europe, where environmental regulations are becoming stricter, and Asia and other countires around the world, where market expansion is expected due to the increasing penetration of water and sewage systems. We will also acclerate localizing our business in each region.
The environment surrounding the global water business is changing at a remarkable pace. Customer demand becomes increasingly diverse, and it is becoming more important than ever to make sustainable efforts to produce water resources locally for local consumption. METAWATER Group will continue to reinforce collaboration with partner companies. We aim to establish a dependable presence in each region by delivering products and technologies optimized to meet the local demands and environmental changes.

Strengths

- Experiences and achievements gained in the water and wastewater treatment market over many years and proprietary technologies such as ceramic membrane filtration systems and ozone generation systems developed and refined in Japan
- Ability to make proposals and to develop products which are based on the previously mentioned platform and to align with changes in laws and regulations in each country and the external environment
- Group subsidiaries with proven performance and that are highly trusted by the business sectors in their respective countries

Challenges

- Make efforts in cooperation with group subsidiaries and partner companies to adjust to the structural changes on a global scale challgenges caused by COVID-19 such as inflation and prolonged supply chain problems
- In addition to the current business areas of North America, Europe, and Asia, expanding into other areas will further contribute to global environmental conservation
- In the ever-changing global water environment market, look to participate in water and wastewater management businesses outside Japan on a med-to-long term basis

PPP Business

Senior Executive Officer
Executive General Manager,
Public Private Partnership Division
Masashi Sakai

It is becoming more and more important to prepare for and respond to natural disasters such as localized downpours and severe rainfall and the accompanying damages. In addition, due to the shortage of public funding caused by depopulation, the environment surrounding water has been rapidly changing recently. For instance, what citizens should do to help themselves, what public assistance is available and what each party should do mutually when a disaster strikes.
Many private companies have been involved in the development of domestic water and wastewater businesses. Nowadays, private companies are even further expected to be invloved in the challenges this industry is facing. The government of Japan has made it clear that it will promote Public-Private Partnership (PPP) projects through setting various legislative measures.
PPP projects are becoming more and more common to see, and this is not just in the water sector. The possibilities to collaborate with other industries are increasing.

Strengths

- Industry leader in the number of PPP project participated in and a track record of long-term operations (over a period of approximately 20 years)
- Identify risks in detail and establish risk hedging techniques
- Establish a high-speed recovery system with WOODAP methodology
- Progress made in establishing a PDCA cycle in which expertise on matters such as planning of improvement measures, based on consultations with customers after identifying areas for improvement in commissioned projects, is reflected in project proposals for other projects

Challenges

- Develop human resources contiuously for PPP projects which require different skills from other fields
- Secure local human resources and build networks to expand businesses rooted in local communities
- Strengthen systems to provide smooth support to sites from base stations in the event of emergency
- Establish on-site systems that are sustainable even during COVID-19 pandemic

Sales and Marketing Division

Executive Officer
Executive General Manager,
Sales and Marketing Division
Kenji Kojima

We, at Sales & Marketing Division, secure business opportunities and steadily win projects by actively disseminating information and closely keeping in touch with various stakeholders. We believe it is important to create a movement to encourage our cusomters to adopt and introduce our technologies and product lines. In the Plant Engineering business and Service Solution business, we make sure to meet the needs of our customers by utilizing technologies which contribute to carbon neutrality, requirements in recent times, and to utilize IoT and AI technologies to support efficient operations.
In addition, opportunities to participate in PPP projects, one of our growing business fields, are increasing. In order to contiuously offer attractive proposals to our customers, we make sure to take into account the perspecitves of not only the local business operators but also the residents. Simultaniously, we intend to secure orders on a more contiuous basis by developing human resources, passing on sales techiniques and reinforcing team structures aligned with the demands of local communities.

Aiming to utilize ROIC to improve the efficiency of invested capital and further enhance corporate value

Masayuki Nakagawa
Executive Officer
Executive General Manager,
Financial Planning Office,
Corporate Strategy Planning Division

Increasing corporate governance

METAWATER Group's Basic Policy on Corporate Governance* states, "When formulating and publishing business plans, we will accurately determine the company's cost of capital, present targets for profitability, capital efficiency, etc., and clearly explain to shareholders and investors specific measures to achieve these targets. (Article 23, Paragraph 1)."
The establishment of KPI (key performance indicators) that are directly linked to the results of business activities are essential. Management approaches to help achieve these KPIs are important for promoting this policy.
At present, as part of our aim to improve corporate value, we have set targets of an "equity ratio of 40%" as an indicator of management stability, and an "ROE (return on equity) of at least 10%" as an indicator of management efficiency. However, given the characteristics of our overseas business centered on M&A, the PPP business in which we operate projects on a long-term basis, and other factors. We believe that we must pursue the "efficiency of invested capital," through the utilization of ROIC (return on invested capital) in addition to the "equity ratio" and "ROE," as a means of achieving sustainable growth for METAWATER Group and ensuring our ability to generate cash flow in the future.

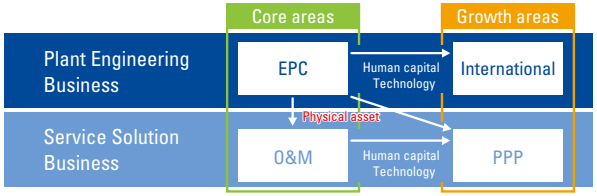
$$\text{ROE} = \frac{\text{Net income}}{\text{Shareholders' equity}} \qquad \text{ROIC} = \frac{\text{Net income}}{\text{Invested capital (interest-bearing debt + shareholders' equity)}}$$

(Based on the company's simplified calculation method)

(1) Maintain an equity ratio of 40%
(2) ROE of 10% or more
(3) Using ROIC to monitor investment efficiency, taking interest-bearing debt into consideration

Two reportable segments and four businesses

METAWATER Group's reportable segments are divided into two sectors: Plant Engineering (PE) Business and Service Solution (SS) Business.
PE business segment is divided into EPC business and international business. EPC business is a foundation field, and the international business is positioned as a growth field. Our SS business segment is divided into O&M business and PPP business. O&M business is a foundation field, and PPP business is positioned as a growth field.
In core business fields, the management of physical assets (stock) has been transferred from EPC business to O&M business. We are also allocating management resources such as technology and human capital to the overseas business and PPP business, which are growth fields, as a part of measures to support them.



Consistency with management approaches

The issue is that since our reportable segments consist of two segments – PE business and SS business – there is insufficient disclosure related to performance reports and factor analyses of the four businesses through which we actually operate our businesses.
It is important that we link internal management with external explanations (disclosure). As the person responsible for finance, I aim to maximize profits for each business and the company as a whole by promoting, analyzing, and verifying KPIs after ensuring that our reportable segments for external disclosure are consistent with our management approaches, including the internal organizational structure.

ROE Return on Equity
ROIC Return on Invested Capital
WACC Weighted Average Cost of Capital

* Basic Policy on Corporate Governance: Please refer to the following:
https://www.metawater.co.jp/sustainability/responsibility/pdf/governance.pdf

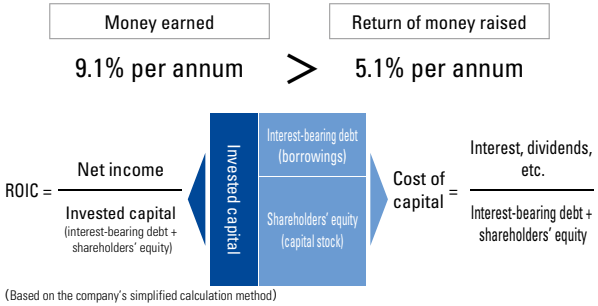
Enhancing corporate value by visualizing earning potential

The Corporate Governance Code established by the Tokyo Stock Exchange refers to the determination of the cost of capital for a company. As such, METAWATER Group is performing tests, including calculating our cost of capital and comparing it with ROE and ROIC, which indicate earning potential.
The information below shows the results of company-wide assessment based on performance in the fiscal year ended March 2022. We believe that our earning power exceeds our cost of capital, which means that we are creating corporate value through our business activities.

Company-wide ROE	11.1%	> Cost of shareholders' equity	5.6%
Company-wide ROIC	9.1%	> WACC	5.1%

(Based on the company's simplified calculation method)

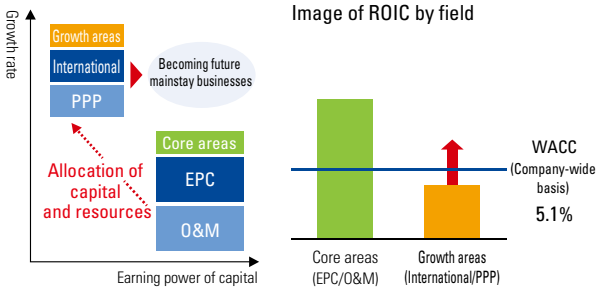
Furthermore, in order to ensure that METAWATER Group's initiatives aimed at sustainable growth and the medium- to long-term enhancement of corporate value function independently, we are promoting the "visualization" of earning power for each of the aforementioned four businesses. By appropriately allocating capital and resources in line with the respective characteristics of our four businesses, we aim to grow earnings and increase our corporate value.



(Based on the company's simplified calculation method)

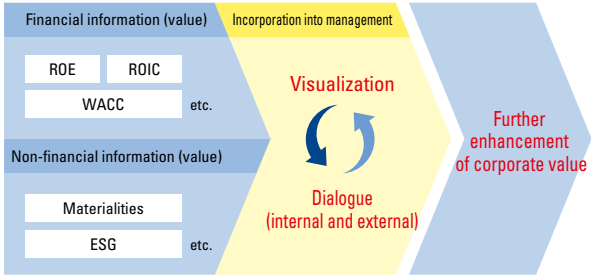
Creating balance sheets for each business and ROIC for each field

In order to "visualize" our earning power, we have created balance sheets for each business by dividing major items such as accounts receivable, shares in subsidiaries and affiliates, and interest-bearing debt between the four businesses, and defining cash and deposits as the accumulated profits from foundation fields.
Based on this analysis, we calculated ROIC for each field and found that it was greater in foundation fields (EPC and O&M businesses) than growth fields (the overseas and PPP businesses), and that the ROIC in growth fields that require advance investment was lower than weighted average cost of capital (WACC) for the company as a whole.
Based on these findings, we have concluded that the disclosure of performance for each of the four businesses and the introduction of ROIC for each of the four businesses or business fields do not function effectively unless we consider them together as a set, and we are thus working to clarify various preconditions and details in order to achieve the "visualization" of earnings power as soon as possible.



Initiatives to address sustainability issues

As a part of our initiatives to address sustainability issues as required by the Corporate Governance Code, in April 2022, METAWATER Group established and announced the Basic Sustainability Policy, which sets forth our objectives, basic policies, and important issues (materialities) relating to initiatives to achieve a sustainable environment and society and enhance corporate value.
In recent years, measures to combat climate change, the opportunities and risks such measures provide in corporate management, and their reflection in financial reporting have become important issues. Amid these conditions, there has been an accelerating trend to evaluate efforts to "visualize" and enhance non-financial information, in addition to conventional financial information, such as the disclosure of summaries of financial results and annual securities reports.
METAWATER Group will continue implementing various measures to enhance our corporate value. We look forward to the continued support of our stakeholders.



We aim to achieve a sustainable environment and society, and increase corporate value

There are precious lives that can be saved with water. There are new ways of living that change with water. There are social problems that can be solved with water.
"Limited water" is an indispensable resource for the earth. METAWATER Group aims to realize a sustainable environment and society and enhance corporate value, while thinking of our "wish for a society where everyone can live with access to water at any time, anywhere, with peace of mind, and our unending challenge to achieve that goal."
We believe that this is METAWATER Group's responsibility and raison d'être, and we will thus focus on activities to promote sustainability.

Activities to promote sustainability

Initiatives targeting important issues (materialities)

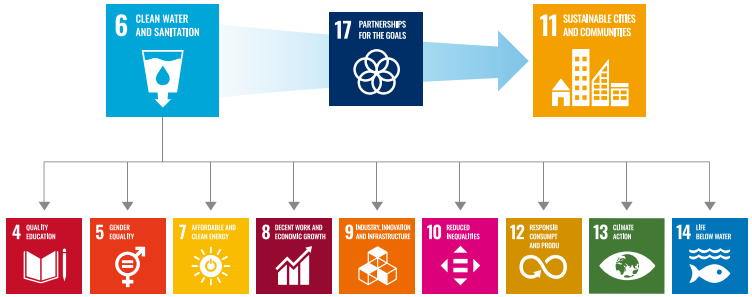
METAWATER Group has formulated the "Basic Policy on Sustainability" with the objective of working to achieve a sustainable environment and society, and enhancing corporate value, through the implementation of our corporate philosophy of "Continue, to make it sustainable." We will focus on activities to promote sustainability, with the aim of solving the six important issues (materialities) set forth in this policy.

METAWATER Group sustainability promotion activities – initiatives targeting important issues (materialities)

Important issues (materialities)	Policy	Targets	SDGs contributed to	ESG
Water environment	We will contribute to ensuring safe water quality and the recycling and conservation of the water environment by providing the optimal technologies and services in the construction, operation, and maintenance of water supply and sewage works facilities, essential lifelines for people's lives.	■ Contribution to sustainable water supply and sewage works facilities ■ Contribution to the water environment overseas ■ Water source forest conservation	6, 9, 11, 15, 17	E
Recycling-oriented society	We will contribute to the creation of a recycling-oriented society by effectively using limited resources, in order to continue protecting the rich natural environment.	■ Contribution to sustainable recycling facilities ■ Promotion of the reduction and reuse of industrial waste ■ Reduction of environmental impact	11, 12, 14	
Reduction of greenhouse gas emissions	We will contribute to the reduction of greenhouse gas (GHG) emissions through our business activities in response to issues such as rising sea levels and abnormal weather patterns caused by global warming.	■ Reduction of GHG emissions at water supply and sewage works facilities ■ Reduction of supply chain emissions (CO_2)	7, 9, 13	
Local communities	In order to achieve a sustainable society, it is important that we cooperate with customers, local communities, and business partners, and we will contribute to local communities through our business activities.	■ Revitalization of local communities and economies ■ Support measures in the event of disaster ■ Social contribution activities	9, 11, 17	S
Human resources	We will recognize diversity, create a variety of work styles, and develop an environment where employees can work comfortably.We will also take into consideration health and safety in operations at our offices and work sites to prevent accidents and injuries.	■ Creation of a rewarding work environment ■ Supporting education for employees ■ Improvement of occupational health and safety	5, 8, 10	
Governance	We will engage in corporate management with a high level of transparency and reliability and strengthen compliance promotion and internal control functions, as we strive to achieve the best corporate governance to achieve the sustainable enhancement of corporate value.	■ Enhancement of corporate governance ■ Promotion of compliance	16, 17	G

Contribution to the SDGs

METAWATER Group attaches importance to contributing to Goal 6 of the SDGs, taking into account the characteristics of our business, our social mission to support water and environmental infrastructure, and other factors. We also believe that we can contribute to Goal 11 by strategically promoting Goal 17. Goal 6 of the SDGs is an important issue that is essential for people to live with dignity and peace of mind, and for maintaining social activities. METAWATER Group believes that achieving Goal 6 will lead to the resolution of a variety of other issues.



METAWATER aims to meet increasingly diversified needs

In addition to our PFI and DBO projects, in which we are comprehensively entrusted with everything from engineering and construction to operation and maintenance, we have also recently been focusing on projects that include support for business planning, asset management, fee collection, etc.

2002

Tahara City, Aichi Prefecture

Project for development, etc., of new recycling center

The company's first PFI project

2009

Omuta City, Fukuoka Prefecture and Arao City, Kumamoto Prefecture

Project for development and operation of Omuta and Arao Joint Water Treatment Plant, etc.

A joint water treatment plant operating across prefectures

Yokohama City, Kanagawa Prefecture

Project for the reconstruction of Kawai Purification Plant

Japan's first PFI (RO scheme)

2014

Onagawa-cho, Miyagi Prefecture

Effluent treatment facility reconstruction project for the seafood processing complex in Onagawa-cho

Japan's first financially-independent-type PFI project in the water industry

Aichi Prefecture

Development and Operation of Sludge Treatment Facilities for Toyokawa Water Purification Center

Japan's first PFI (RO scheme) project in the water industry

2016

Ofunato City, Iwate Prefecture

Ofunato Purification Center comprehensive management business with facilities improvement

Comprehensive sewerage subcontracting, including engineering and construction

2017

Akita Prefecture

Area-wide Sewage Sludge Recycling Project in northern district of Akita Prefecture

Regional sewage treatment at the prefecture level

2020

Miyagi Prefecture

Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water

Japan's first comprehensive long-term contract for integrated operation of drinking, industrial and sewage water

2021

Kumamoto Prefecture

Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project

Japan's first concession in the industrial water supply field

2022

Aichi Prefecture

Project to convert sludge to fuel in east Kinuura

The company's first fuel conversion project

Aizuwakamatsu City, Fukushima Prefecture

Takizawa Water Purification Plant Renovation Project

A DBO including the maintenance and management of a water supply facility

Arao City, Kumamoto Prefecture

Comprehensive consignment of Arao City water business

The most advanced comprehensive project in the water supply field. Moved to the second stage of the comprehensive consignment in 2021

Kitakyushu City, Fukuoka Prefecture

Invested in Kitakyushu Water Service

Invested in a joint public-private company operating a water supply and sewerage business

The dawn of PPP projects

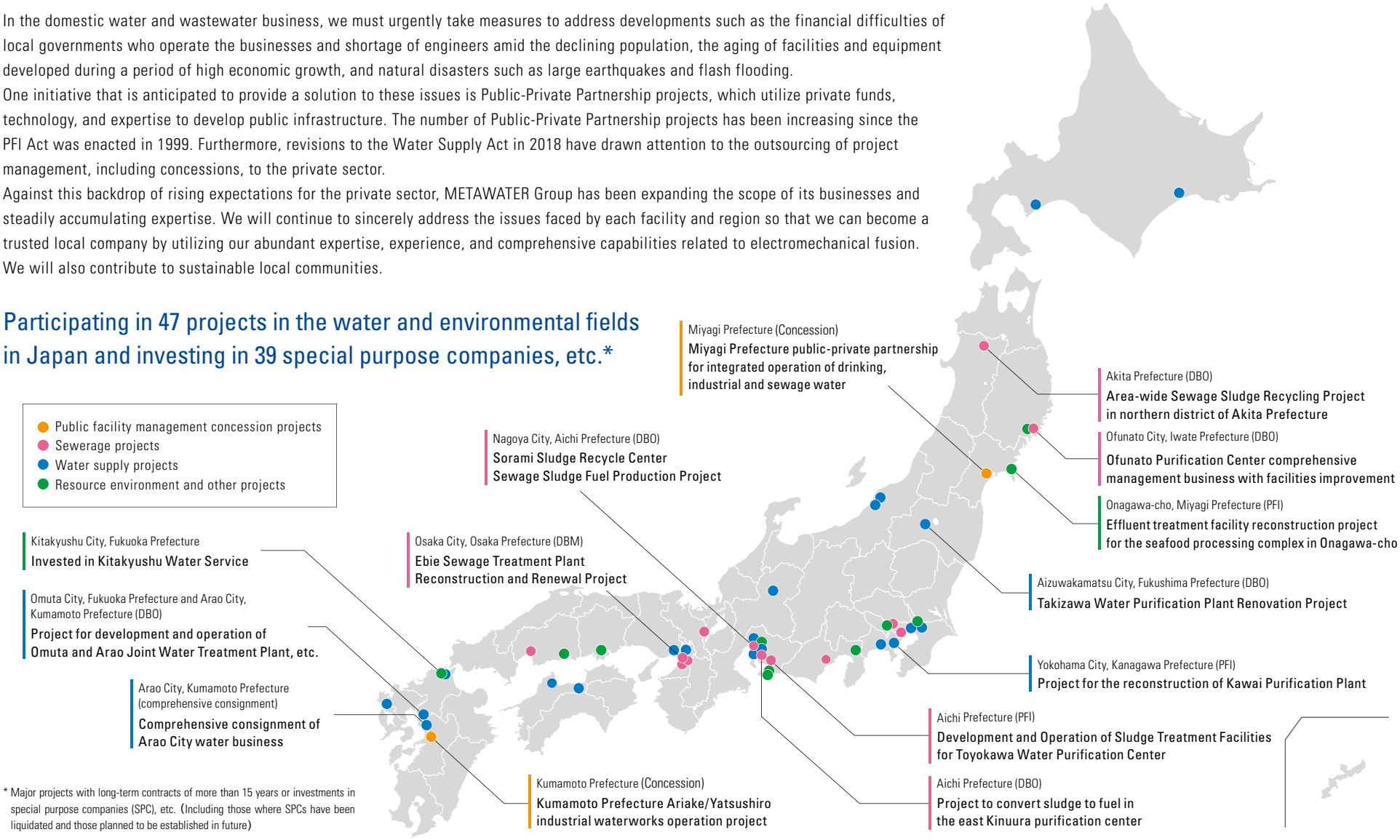
Increasing diversification of PPP projects

To the project management stage

Aiming to become a company trusted by local communities by utilizing our comprehensive capabilities

In the domestic water and wastewater business, we must urgently take measures to address developments such as the financial difficulties of local governments who operate the businesses and shortage of engineers amid the declining population, the aging of facilities and equipment developed during a period of high economic growth, and natural disasters such as large earthquakes and flash flooding.
One initiative that is anticipated to provide a solution to these issues is Public-Private Partnership projects, which utilize private funds, technology, and expertise to develop public infrastructure. The number of Public-Private Partnership projects has been increasing since the PFI Act was enacted in 1999. Furthermore, revisions to the Water Supply Act in 2018 have drawn attention to the outsourcing of project management, including concessions, to the private sector.
Against this backdrop of rising expectations for the private sector, METAWATER Group has been expanding the scope of its businesses and steadily accumulating expertise. We will continue to sincerely address the issues faced by each facility and region so that we can become a trusted local company by utilizing our abundant expertise, experience, and comprehensive capabilities related to electromechanical fusion. We will also contribute to sustainable local communities.

Participating in 47 projects in the water and environmental fields in Japan and investing in 39 special purpose companies, etc.*



* Major projects with long-term contracts of more than 15 years or investments in special purpose companies (SPC), etc. (Including those where SPCs have been liquidated and those planned to be established in future)

Core areas | Plant engineering business

Promoting development of products, technologies, and solutions for medium- to long-term growth

METAWATER is contributing to the reduction of greenhouse gas emissions and energy conservation at plants by offering next-generation technology based on electromechanical fusion, one of our strengths.
We are working to resolve issues from the perspective of facilities as a whole, transcending the boundaries between categories of facility, such as water treatment technology and thermal manipulation technology.

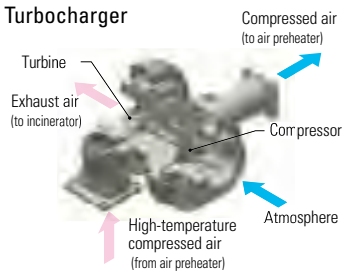
Sewage and thermal manipulation technology

Reducing power consumption by approximately 40% while ensuring safety through negative pressure inside incinerators

Flow turbine system

[Technology selected as Type I technology under the JS Innovation Program of the Japan Sewage Works Agency]

The flow turbine system supplies air for combustion to the incinerator by rotating a turbocharger using heat from waste incineration heat instead of a fluidizing air blower. When biosolids are incinerated, the fluidizing air blower, which feeds air into the furnace, consumes a lot of electric power, but the introduction of this system will reduce the power consumption of the entire incinerator facility by approximately 40% because it removes the need to use the fluidizing air blower.



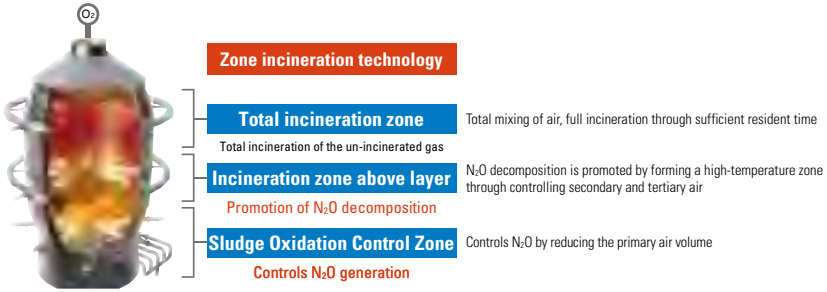
Sewage and thermal manipulation technology

50% reduction in N_2O and 20% reduction in fuel consumption compared with conventional technology

Multi-layer fluidized incinerator

[Technology for continuous adoption, Japan Sewage Works Agency]

This is an environmentally friendly sludge incinerator that reduces N_2O generation while also reducing fuel consumption.



*N_2O (dinitrogen oxide) : A gas that has a greenhouse effect that is 310 times that of CO_2

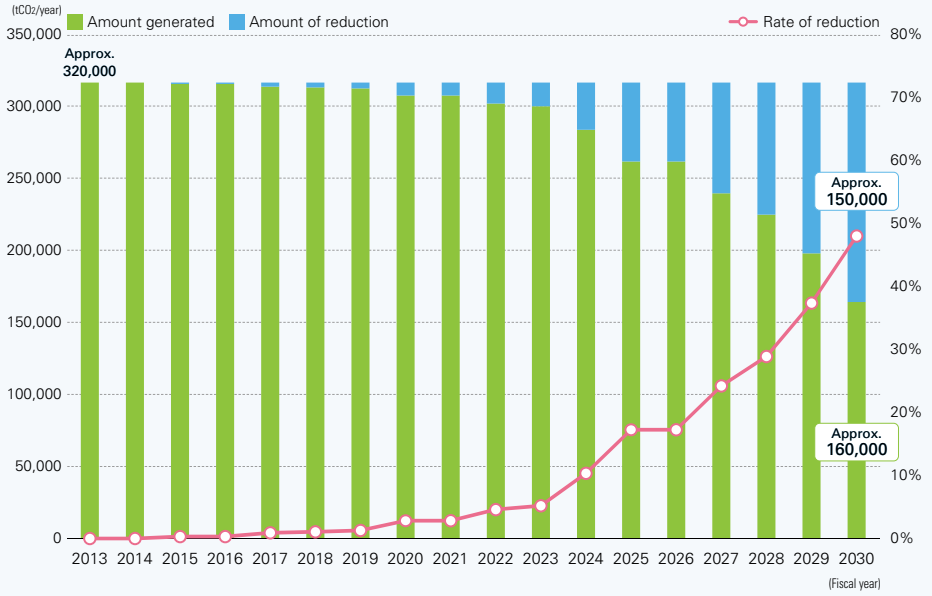
Examples of efforts to achieve carbon neutrality

By supplying thermal manipulation-related products and systems to sewerage facilities, by FY2030, we will aim to achieve:

Reduction in CO_2: approx. 150,000 tons
Rate of reduction in CO_2: approx. 50% (compared with FY2013)

(Reference) Government policy: 46% reduction in CO_2 by FY2030 (compared with FY2013)

Amount and rate of CO_2 reduction at existing METAWATER plants



Core areas | Service solution business

Noncombustible and large waste treatment facility equipped with METAWATER vertical high-speed rotary crusher Notable site offering a road map for the future resource environment

24 years of commissioned O&M*1 operations started in 2022

In the western part of Tokyo, there is an incombustible and large waste treatment facility operated by the "Kodaira, Murayama, Yamato Hygiene Association," which is organized by Kodaira City, Higashiyamato City, and Musashimurayama City. This is a new facility, for which METAWATER was commissioned from the construction stage. Construction was completed in March 2020, and the facility began operating in April of the same year. In April 2022, we began commissioned long-term O&M*1 operations covering a period of 24 years under the DBO method.*2 The main scope of operations ranges from the acceptance of large and incombustible household waste, such as small appliances and furniture, to crushing and treatment. In the crushing process, METAWATER has introduced a "vertical high-speed rotary crusher" based on our proprietary technology.

*1 O&M: Operation and maintenance
*2 DBO method: A method in which the private sector is utilized for the engineering, construction, operation, maintenance, and management of public facilities, etc.

Features of the vertical high-speed rotary crusher

- Reduced installation volume
- Increased transportation efficiency for crushed material
- Reduced motor capacity
- Reduced maintenance costs

Space-saving and efficient recycling of waste

New Waste Treatment Facility Construction and Operation Project

[Site name]
Green Park Kodaira-Murayama-Yamato

[Project name]
New Waste Treatment Facility Construction and Operation Project

[Commission period]
April 1, 2022 to March 31, 2046
(24 years)

[Location]
2-1 Nakajimacho, Kodaira, Tokyo

AI • ICT

Improve occupational safety with cutting-edge technology

Hazard alarm system

In the construction industry, safety is always taken into consideration to prevent accidents during field work.
Sometimes, even if we are careful during field work, there is a risk that we find ourselves near dangerous places such as openings and charging parts without noticing, which may lead to unexpected accidents.
To prevent such unexpected events, we have developed and put into operation a "hazard alarm system."
Beacons are installed in advance in places where workers must be aware of danger. If a worker approaches a dangerous place while working, he or she is alerted by a warning and vibration on his or her smartphone.
In addition, identifying dangerous places in advance has a deterrent effect by increasing awareness.

Beacons

Image of work on site

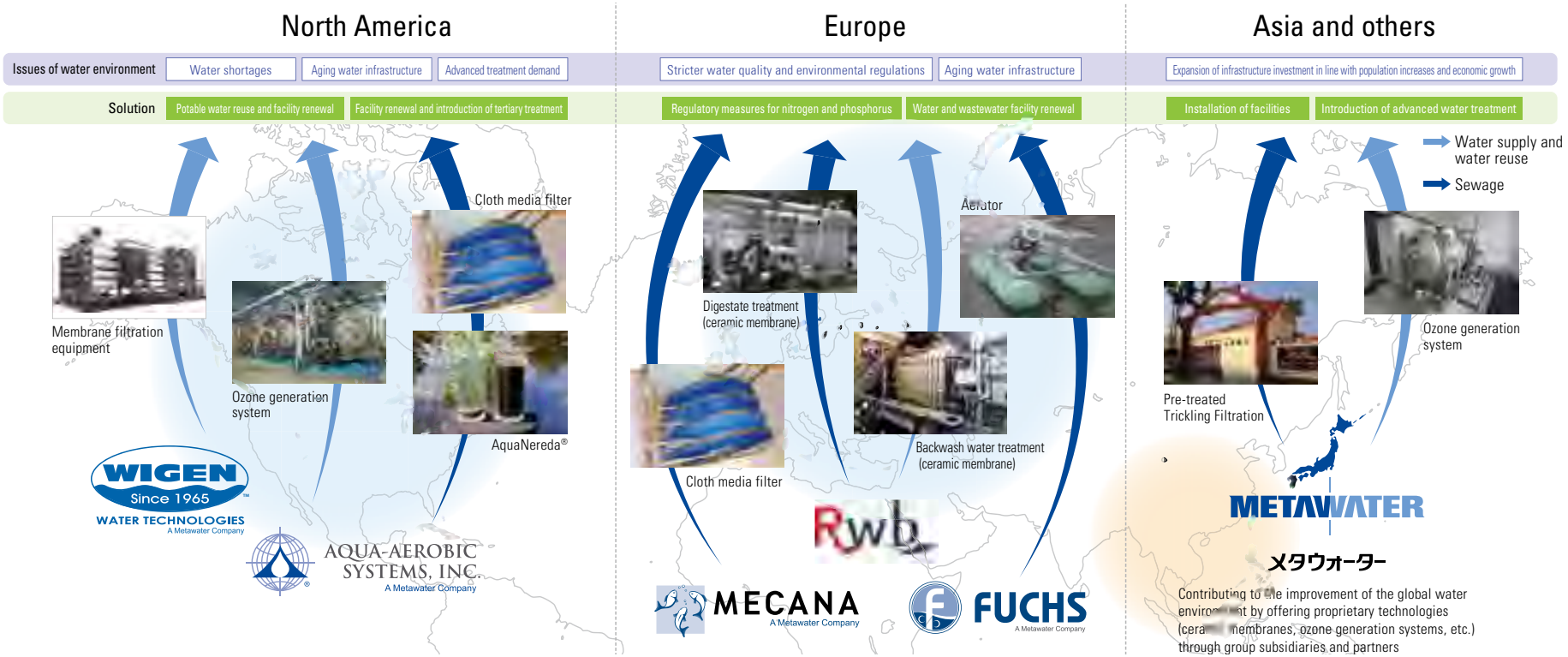
Growth areas | Overseas business

Accelerating the localization of our business and contributing to solving the world's water environment problems

North America : We will aim to steadily grow our business base by promoting the introduction of differentiated technologies in response to aging water infrastructure, water shortages and the consequent demand for advanced treatment (water reuse): METAWATER's proprietary ozone generation system technology, Aqua-Aerobic Systems' cloth media filtration and AquaNereda®, an aerobic granular sludge technology. In the potable water reuse market, particularly in southwest in the United States, Wigen Companies, Inc. will build a business foundation by proposing more advanced water treatment processes using membrane filtration technologies such as reverse osmosis.

Europe : We will work with group companies to solve water environment problems such as stricter water quality and environmental regulations and aging water infrastructure. Specifically, we will expand new applications for ceramic membranes through Rood Wit Blauw Water B.V. (RWB), and use proprietary technologies from Mecana Umwelttechnik GmbH and FUCHS Enprotec GmbH to meet the market's increasingly stringent regulations and demand for water infrastructure rehabilitation.

Asia and others : In order to meet the demand for water infrastructure development in line with population increases and economic growth, we will promote the development of new markets by utilizing Official Development Assistance (ODA) and other resources.



Growth areas | PPP business

Launch of Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water (Miyagi management & operation method)

On April 1, 2022, K.K. Mizumusubi Management Miyagi, a special purpose company represented by METAWATER, launched Miyagi management & operation method (Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water).
This project is the first of its kind in Japan,* in which we have acquired the right to operate parts of the tap water supply, industrial water supply, and sewerage businesses that were previously operated by Miyagi Prefecture, and we will operate these businesses in an integrated and long-term (20 years) manner.
The company name, "Mizumusubi," symbolizes our commitment to our users, based on the idea that we will "link the three water businesses with local communities, as well as the future, to achieve sustainable businesses." Under the three management policies of "local communities," "innovation," and "trust," we will gradually win the trust of our users while exercising innovative ingenuity on a day-to-day basis, in a way only possible through a private company together with Miyagi Prefecture.

* Projects for water supply facility operations, etc., that have received permission from the Minister of Health, Labour and Welfare. This is the first concession project (public facility management concession method) in Japan in which the water supply, industrial water supply and sewerage projects will be executed under a single contract.

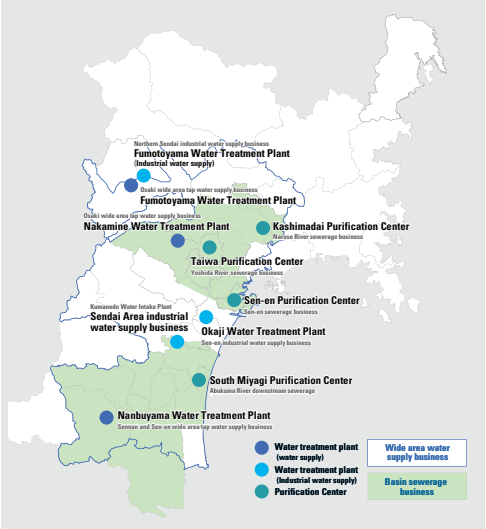
Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water

[Project method]
Concession (public facility management concession method)

[Projects covered]
- Tap water supply businesses (two businesses)
- Industrial water supply businesses (three businesses)
- Sewerage businesses (four businesses)

[Main operations]
1. Operations related to management
   Formulation of business plans, self-monitoring, crisis management, etc.
2. Operations related to maintenance and management
   Operational management, maintenance and inspection operations, repairs, etc.
3. Operations related to reconstruction
   Operations to reconstruct machinery, electrical equipment, etc., operations to reconstruct attached facilities, etc.

[Project period]
April 1, 2022 to March 31, 2042 (20 years)



Main facilities to be operated

Water supply

Nakamine Water Treatment Plant
Osaki wide area tap water supply business
[Facility capacity]
Approx. 19,000 m^3/day

Nanbuyama Water Treatment Plant
Sennan and Sen-en wide area tap water supply business
[Facility capacity]
Approx. 280,000 m^3/day

Water supply | Industrial water supply

Fumotoyama Water Treatment Plant
Osaki wide area tap water supply business and northern Sendai industrial water supply business
[Facility capacity]
Approx. 80,000 m^3/day (tap water) and approx. 60,000 m^3/day (industrial water)

Industrial water supply

Okaji Water Treatment Plant
Sen-en industrial water supply business
[Facility capacity]
Approx. 100,000 m^3/day

Sewerage

Sen-en Purification Center
Sen-en sewerage business
[Facility capacity]
Approx. 220,000 m^3/day (daily maximum)

South Miyagi Purification Center
Abukuma River downstream sewerage
[Facility capacity]
Approx. 125,000 m^3/day (daily maximum)

Kashimadai Purification Center
Naruse River sewerage business
[Facility capacity]
Approx. 9,000 m^3/day (daily maximum)

Taiwa Purification Center
Yoshida River sewerage business
[Facility capacity]
Approx. 42,000 m^3/day (daily maximum)

Topics

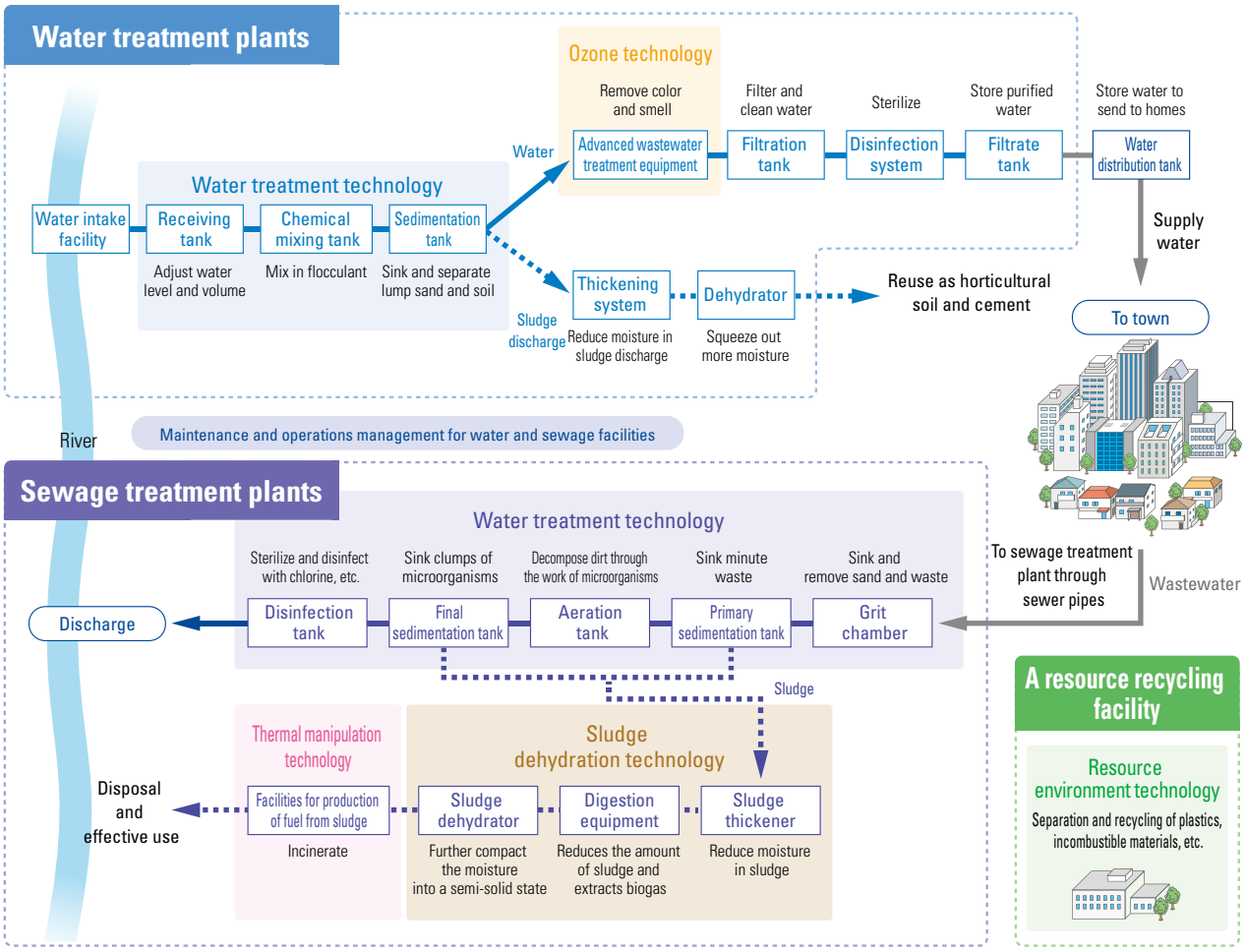
On April 12, 2022, an opening ceremony was held for the project, with 34 people in attendance, including Yoshihiro Murai, the Governor of Miyagi.

Changes in the development of new technology

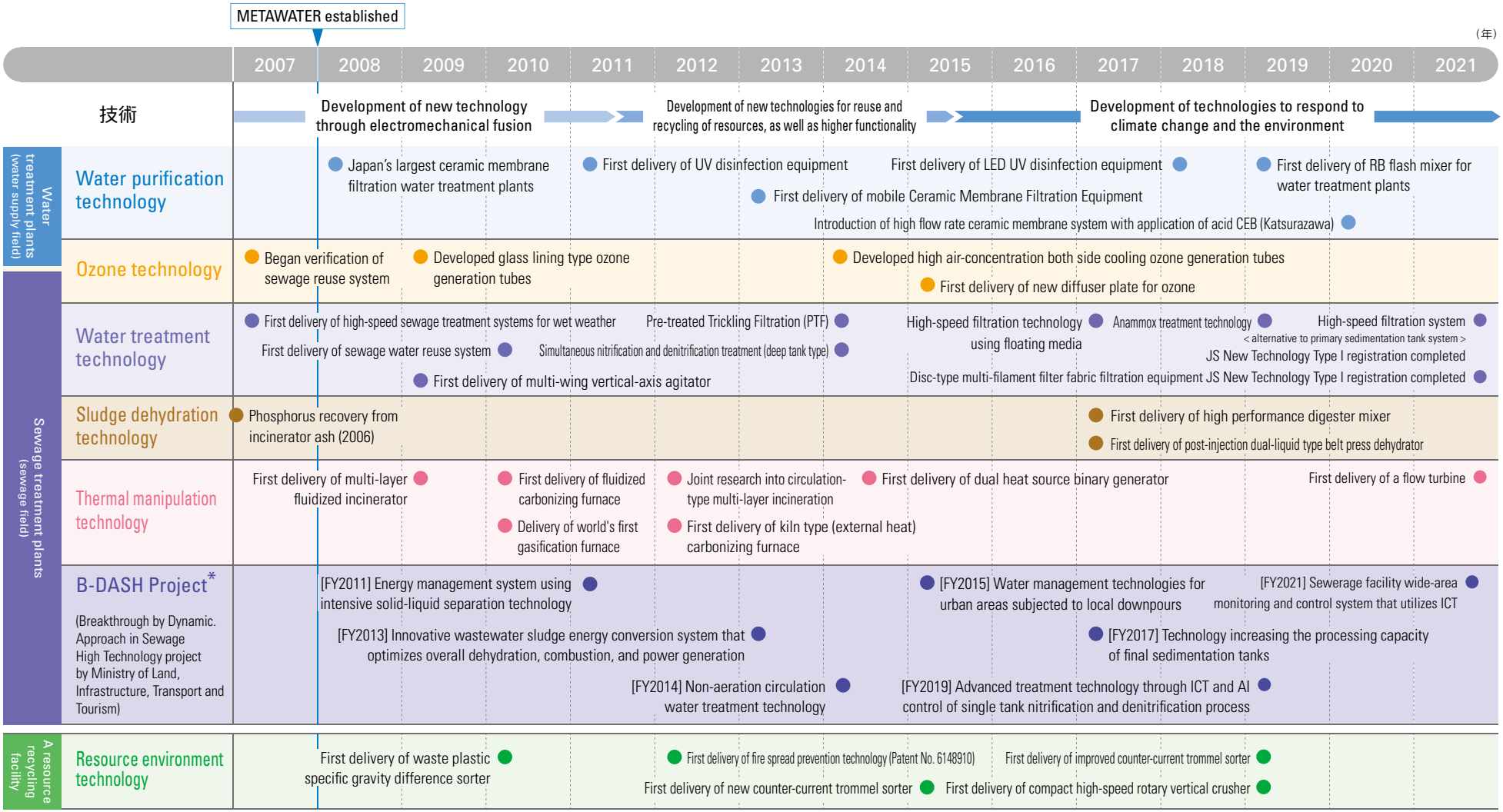
The environment surrounding water changes day by day, and issues vary by country and region.
Since our founding by NGK INSULATORS, LTD. and Fuji Electric Co., Ltd., METAWATER has been involved in a variety of technological development activities as a company supporting water and environmental infrastructure for over 50 years.
After the company was founded in 2008, inheriting the DNA of our two predecessors, changes in the environment and society, such as measures to address climate change and natural disasters, and financial difficulties and shortages of engineers caused by the declining population, have also continued to grow at an accelerated pace.
As a company that supports the sustainability of water and environmental infrastructure, METAWATER will continue to develop technologies that meet the demands of the times.

METAWATER facilities for experiments and research

Treatment processes and technologies for water treatment plants, sewage treatment plants, and resource recycling facilities



Changes in the development of new technology (2007 to 2021)



＊ B-DASH Project　Abbreviation of Breakthrough by Dynamic Approach in Sewage High Technology Project. By accelerating research, development and commercialization of new technologies, efficiency of energy use and reduction of life cycle costs in the wastewater business are promoted. It is a demonstration project that has been implemented by MLIT since FY2011 to support overseas development of the water business. Consignees installed a full-scale plant in their sewage treatment plants and demonstrated cost reductions, reductions in greenhouse gas emissions, etc.

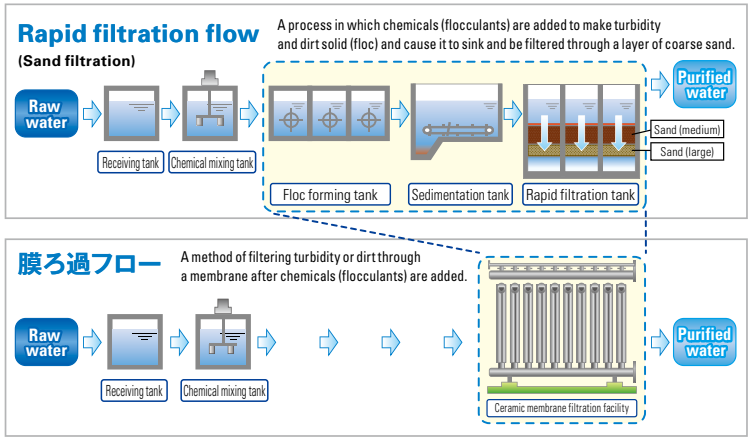
The pride of METAWATER, our technology

浄水処理技術 **Safe water purification system effective even in the face of climate change**

Ceramic Membrane Filtration System

METAWATER's "Ceramic Membrane Filtration System" boasts the No. 1 market share for water treatment plants in Japan utilizing membrane filtration systems. The risk of membrane breakage is extremely low, it can remove protozoa, allowing for safe filtered water, it can be installed in small spaces, and it has a long service life.
The mainstream method of water treatment in Japan was sand filtration, such as slow filtration and rapid filtration, but progress is now being made on the introduction of membrane filtration, a new method.
METAWATER began related development in 1989, and we have participated in numerous national projects. We are working to improve the performance of ceramic membranes and reduce their cost, and thus contributing to their application in mobile equipment and CPCMs.

Ceramic membrane



Characteristics of ceramic membrane filtration systems

■ High strength and high reliability

One of the most important factors to ensure the safety of tap water is membrane reliability. METAWATER ceramic membranes help increase tap water safety thanks to their high strength ("unbroken membrane").

■ High operating stability

Even under raw water conditions that fluctuate day to day and moment by moment, METAWATER ceramic membrane can always provide stable water treatment continuously. This system can operate without any degradation of filtration performance, even when raw water becomes particularly turbid as a result of rainfall or other factors.

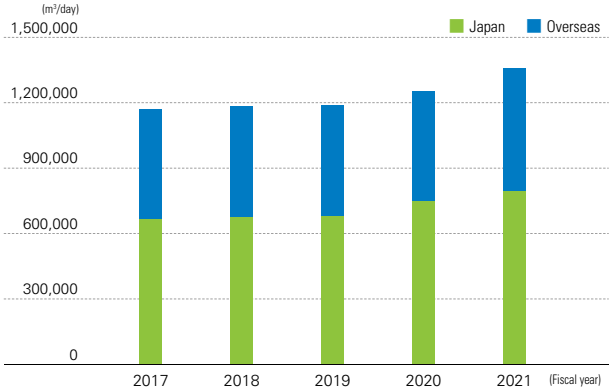
■ Easy to maintain (store and manage)

METAWATER's ceramic membranes can be stored in a dry state, making it easy to store and manage them (compared with other filtration membranes). In addition, in the event of a disaster or other emergency, they can quickly be put into operation from a dry state.

■ Eco-friendly ceramic membrane with long service life

METAWATER's ceramic membranes have a service life as long as 15 years or more. Furthermore, because the membrane in this system can be reused as a ceramic material after the end of its service life, it is an eco-friendly membrane material that does not generate waste. With this system, the pressure required to filter raw water is also low, and water can be filtered using differences in water levels (differences between high and low levels), using power from pumps, etc., as little as possible, enabling them to reduce power consumption and contribute to saving energy.

<Delivery results> Volume of water processed (cumulative)



Possibilities of ceramic membrane filtration systems

METAWATER contributes to the realization of a sustainable society by utilizing the characteristics of ceramic membrane filtering systems.

Mobile ceramic membrane filtration equipment

This simplified Ceramic Membrane Filtration System, mounted on a truck, is easy to operate and maintain. Since it is mobile, it can be operated even in areas where there are no skilled engineers. In areas that do not yet have water piping laid, the truck can be moved to various water sources, such as lakes, rivers, and wells, allowing that water to be processed and used as safe drinking water. In addition, water transferred using piping requires a lot of energy, but since this system can move near water sources, it contributes to a reduction in transportation energy.
The system can be used in the event of a disaster such as an earthquake or heavy rain, thanks to the features of the ceramic membrane that enables stable filtration of even high turbidity raw water.
As a further development, we are also developing a system that can be secured and transported by helicopters, etc., to enable it to be used on remote islands and in areas that are inaccessible by vehicles.

Mobile Ceramic Membrane Filtration Equipment

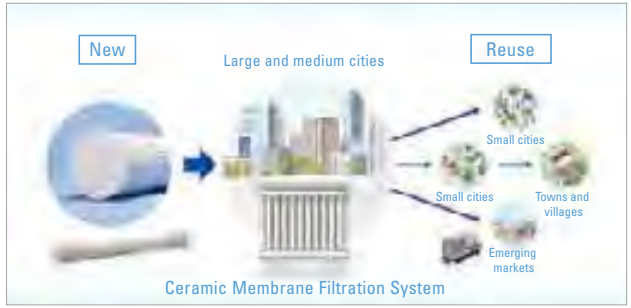
Container Package Ceramic Mobiles (CPCMs)

The business environment surrounding water treatment facilities is changing moment by moment, and issues such as aging facilities, lack of financial resources, and shortages of engineers are expected to become more apparent in the future.
In order to provide safe and secure water to all people in future, we have developed the "Container Package Ceramic Mobile (CPCM)," a compact packaged version of a Ceramic Membrane Filtration System. We offer this equipment to water utilities, etc., on a lease basis, which enables them to use it for a certain period at a fixed rate.
In the future, we will make maximum use of the long service lives that are a feature of ceramic membranes to provide CPCMs that have been used for a certain period of time by large and medium-sized cities at low prices to small municipalities, emerging markets, etc., that are struggling with financial shortages, as part of our aim to achieve sustainable infrastructure that transcends municipal and national boundaries.
Through the provision of CPCMs, we also intend to contribute to society, including achieving the SDGs.

CPCM lease

Emergency water purifying equipment mountable on helicopters, vehicles, etc.

Inside of CPCM



Achieving sustainable infrastructure that transcends municipal and national boundaries

The pride of METAWATER, our technology

Ozone technology **Solving problems such as musty odor in tap water**

Ozone generation system

The ozone layer, located 20 to 50 kilometers above the ground, protects the global environment from intense ultraviolet radiation. In fields such as water and air treatment, environmentally friendly methods that utilize the oxidizing power of ozone, which is found in nature, are widely supporting our lives. METAWATER's "ozone generation system" is advanced technology that achieves highly efficient ozone generation. We have a track record of supplying this technology for numerous water and sewage facilities and other projects.

Ozone / accelerated oxidation process (AOP) system

As a result of the effects of climate change in recent years, highly concentrated musty odors occurring over a longer period of time have been reported at water resources for waterworks, and they have also been reported as occurring during periods when water temperatures are low. The ozone / accelerated oxidation process (AOP) system is a treatment technology that combines ozone treatment with hydrogen peroxide, and has been attracting attention as a new solution to musty odors. By properly controlling the injection of ozone and hydrogen peroxide, we have succeeded in decomposing highly concentrated musty odor, maintaining treatment efficiency at low water temperatures, suppressing the production of bromic acid as a by-product, and reducing the load on the activated carbon in the later part of the system.

Fields where METAWATER's ozone treatment has been introduced

Water supply field

Introduced mainly to medium and large water treatment plants in the Kanto and Kansai regions, etc.

- Reduction of musty odor
- Reduction of trihalomethane precursors
- Decolorization and iron/manganese oxidation

Industrial field

Introduced across a wide range of projects, particularly related to wastewater treatment and reuse

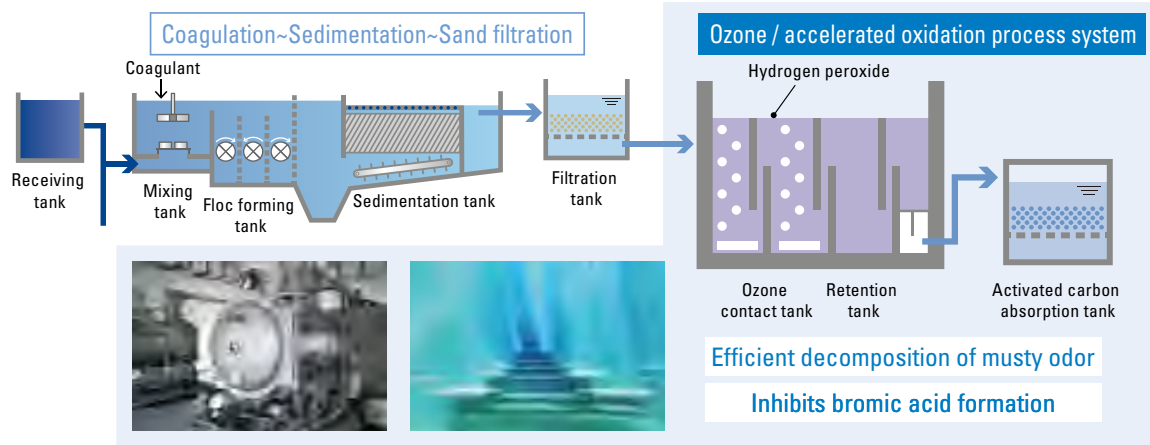
- COD/BOD* reduction
- Decomposition of organic substances that are difficult to decompose
- Decolorization, deodorization, and disinfection

* COD: Chemical oxygen demand
BOD: Biochemical oxygen demand
Both are representative indicators of pollution in lakes, drains, etc.

Ozone generation system

Inside of ozone generation system

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



ICT Technology **ICT services that enable the management, inspection, monitoring, reporting, etc., of water environment-related equipment in a cloud-based environment**

WBC (Water Business Cloud)

"Water Business Cloud (WBC)" is a cloud-based ICT service that offers business maintenance and improvement in response to social needs in the water supply and sewerage business, such as declines in income and shortages of skilled engineers as a result of the aging and falling population, response to climate change, and the demand for safety and security. This system makes it possible to collect, process, and analyze all types of data related to the water environment, including monitoring and management of facilities, thereby reducing the burden on water utilities and local governments and improving efficiency. In addition, various types of data can be recorded, contributing to improving the reliability of water supply and sewerage businesses.

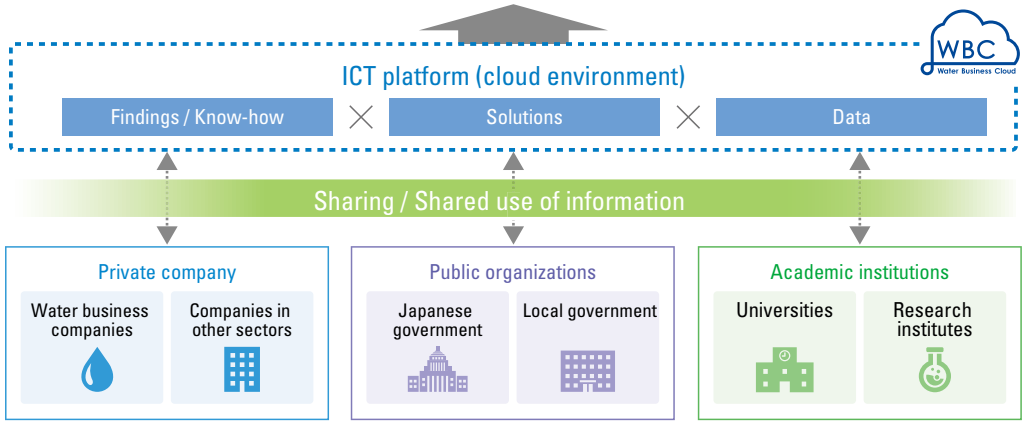
We released WBC in 2011, and it has now been adopted by approximately 320 customers nationwide (as of 2021). In particular, we have also received commissions from related ministries, making us one of the leading providers of cloud services in the water supply industry. It is also widely used by relatively small water utilities with limited budgets because it does not require large capital expenditure.

In the future, in order to meet the expectations and needs of local governments and other customers, we will take steps to further expand our services and contribute to sustainable water supply and sewerage operations.

WBC key features and services

- A wide-area monitoring service that integrates IoT sensors into on-site facilities, aggregates data in the cloud, and automatically tabulates monitoring data, manages forms, provides notification of alerts, etc.
- The Smart Field Service improves the efficiency of routine operations such as daily inspections, daily reports, and form creation
- The Smart Field Viewer manages the content of work, daily observations, etc., using smart devices
- A correlation monitoring service that is useful in O&M based on measured values and status signals
- An image monitoring service that uses network cameras
- Facility and equipment management registry services and delivery record registry services that contribute to stock and asset management
- Performance degradation simulations for performing analysis and forecasting based on accumulated maintenance data

Realization of maintenance and improvement of water and wastewater business



WBC features

1 Creation of a water environment platform

Creation of an environment in which relevant parties in the water industry can share and utilize information and expertise

2 Provision of the optimal solutions for water supply and sewerage

Provision of ICT services capable of contributing to operation and management with the optimal organization, budget, and technology

3 Advocating partnerships between the private, public, and academic sectors

Collection and accumulation of knowledge and expertise with the participation of business operators, companies, and other partners

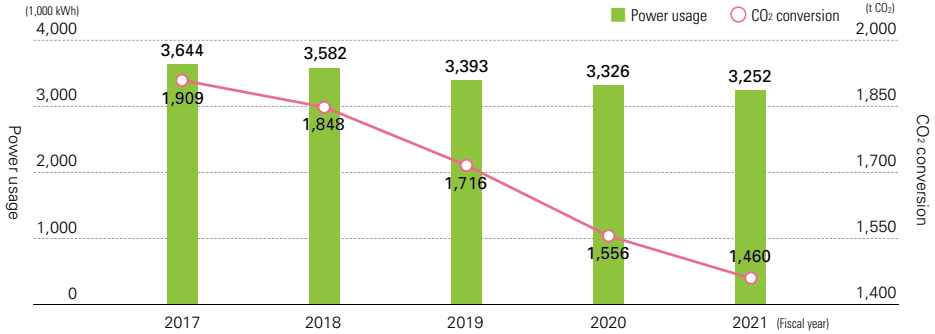
Activities for reducing environmental burdens

Promoting energy-saving measures

METAWATER has set a goal of "a 1% reduction compared to the previous year" with regard to office power consumption and is actively implementing lighting reduction activities, etc. We are taking steps to ensure efficient operations and contribute to power savings, including introducing a hot desking system and "ABW (Activity-Based Working)*" at the Head Office, Western Japan Office, and elsewhere. In addition, we are implementing various initiatives to reduce power consumption, such as encouraging employees to leave work on time in conjunction with work style reforms (introduction of telecommuting, four-day workweek, etc.) and turning off PC monitors when employees step away from their desk in conjunction with information security measures.
Our electricity usage in FY2021 decreased by 2.2% compared to the previous year, and greenhouse gas emissions were also reduced by 6.2%.

＊ABW(Activity Based Working): ork styles that enable workers to freely choose the time and place they work according to job contents

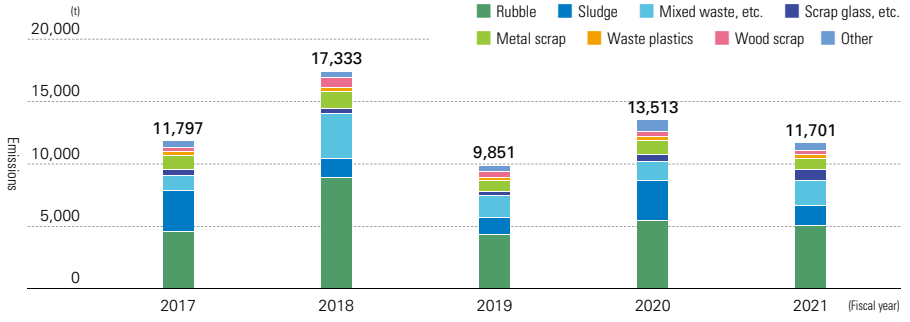
Power usage (office)



Initiatives regarding industrial waste

Although the amount of industrial waste generated by METAWATER Group's business activities (office and domestic construction work) varies each fiscal year depending on the type of construction work and the number of projects undertaken, a certain amount of waste is generated. To fulfill our responsibilities as a producer of waste, METAWATER Group is strengthening our management of industrial waste processing through ongoing departmental education, working to ensure that industrial waste is properly disposed of.
In addition, in order to promote the reuse of the industrial waste that has been created, we outsource the disposal to industrial waste treatment companies that have recycling facilities. The recycling rate of the industrial waste that we primarily create, such as debris, sludge, and mixed waste, was 94.5% in FY2021.

Changes in industrial waste emissions (by type <within Japan>)



Promoting paperless work environment and purchasing eco-friendly items

Since FY2013, METAWATER has abolished the paper-based distribution of meeting materials at executive meetings, instead shifting to the use of tablets to view materials. This meeting format has already been adopted by other general meetings, and the entire company is promoting paperless meetings. Additionally, with regard to office supplies, we specified 12 items for green purchasing, such as copier paper, sticky notes, and glue, and successfully increased the rate of green purchasing of those items to 95.8% in FY2021. Nearly 100% of the paper we use internally is also certified by the Forest Stewardship Council. In FY2022, we will promote green purchasing across the company as a whole, in order to further increase the green purchasing rate.

Promoting the adoption of electronic manifests

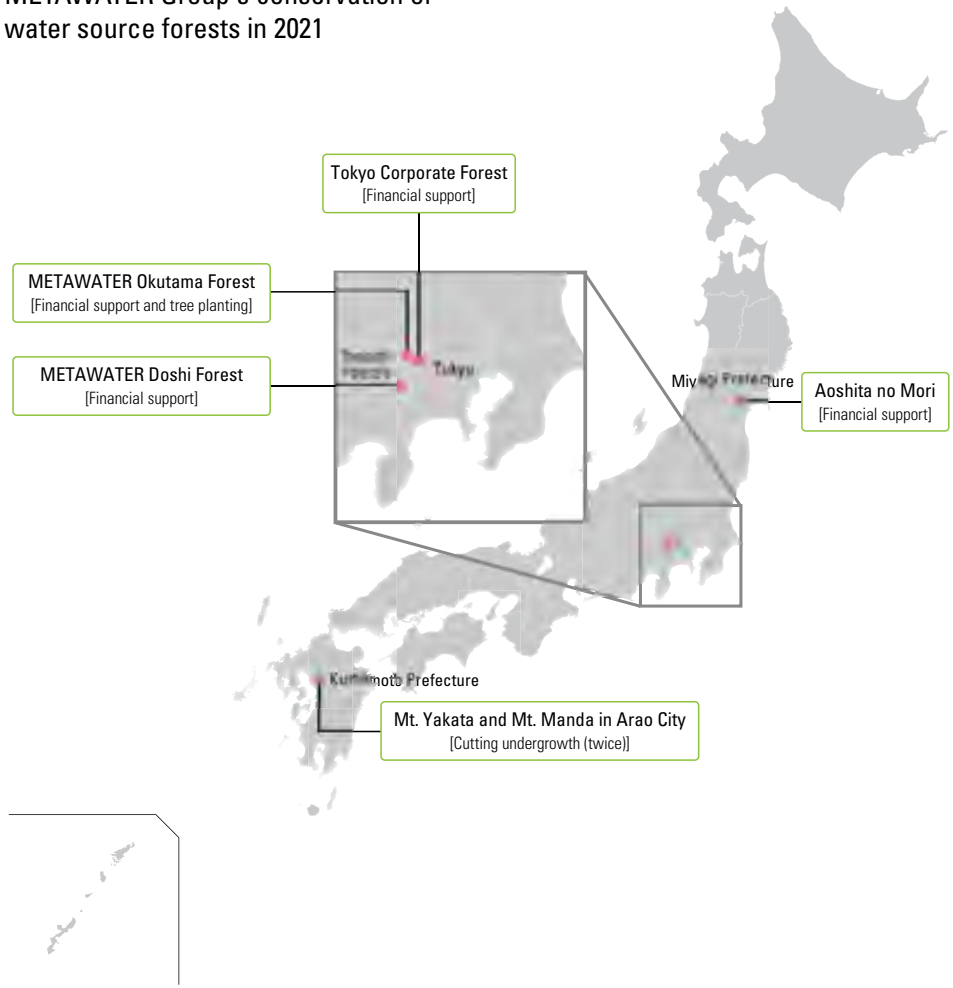
By selecting companies that support electronic manifests, we are, as a producer of waste, making the status of industrial waste processing visible, and continually strengthening monitoring through an advance application for the use of a paper-based manifest. Depending on local conditions, in some cases we had to use a company only handling paper manifests. However, in FY2020, the adoption rate was 98.9%, and by FY2021, the adoption rate was almost 100% (the national rate of adoption of electronic manifests was 66%). We will continue working to increase the adoption rate of electronic manifests while paying attention to local conditions.

Efforts to conserve water source forests

Rainwater that falls in forests seeps into the ground, removes dirt in the soil over time, and flows out. This mechanism of forests, commonly referred to as the “water source recharge function,” not only cleans water but also prevents floods and droughts, thereby maintaining a stable flow of water.
The trees in forests are also said to be useful for the prevention of global warming by absorbing carbon dioxide and producing oxygen through photosynthesis.
As a water and environment company that works with “water,” an indispensable resource for our lives, METAWATER Group considers it our mission to protect the water environment and secure stable sources of water.
In addition to operating water and environment-related businesses, METAWATER is also working to raise awareness of protecting ecosystems and conserving the global environment through the active and unified involvement of employees in environmental conservation activities centered on the conservation of water source forests.
In 2010, we began planting trees, cutting grass, etc., in the “METAWATER Okutama Forest” (Tokyo), and over the past 11 years, we have been involved in a variety of activities, including bamboo forest maintenance and branch clearing through our participation in conservation activities at Hotani Satoyama (Hirakata City, Osaka Prefecture).
In 2021, we planned 12 projects across six prefectures, from Miyagi Prefecture in the north to Kumamoto Prefecture in the south. In order to prevent the spread of COVID-19, some activities were suspended, but we conducted seven activities, including the planting of trees and cutting of undergrowth at sites by METAWATER Group employees, and financial support.

Tree planting in "METAWATER Okutama Forest" (Tokyo)

METAWATER Group's conservation of water source forests in 2021



* In addition, activities were also planned in five cities, but they were cancelled in light of the spread of COVID-19.

Contribution to local communities

As a group that works with “water,” an indispensable resource for the lives of local communities and industries, METAWATER Group considers supporting water and environmental infrastructure as our social mission. We will contribute to the realization of a sustainable local community by cooperating with customers, partner companies, citizens’ groups, and other members of local communities to provide products and services suited to the challenges faced by each of them.

Initiatives to revitalize local communities and economies

The water and environmental infrastructure that provides a stable supply of “water” is indispensable for the lives of local communities and industries.
However, the local governments that maintain and operate this infrastructure are facing difficult challenges, including frequent natural disasters, financial difficulties and shortages of human resources caused by population decline. METAWATER Group believes that resolving these issues will contribute to supporting and even revitalizing local communities and economies. Based on this approach, METAWATER Group will contribute to the revitalization of local communities and the economy, including crisis response based on business continuity management (BCM), operating projects efficiently through the utilization of ICT, wide-area collaboration, etc., the active recruitment and development of local human resources and the passing on of technical expertise, and the promotion of procurement from local companies.

Emergency response rooted in local communities

Based on our mission of “never stopping water,” METAWATER Group has established a network of 34 operating bases across the country, and we conduct businesses rooted in each region, including our response to emergencies such as disasters, breakdowns, and other problems, and consultation services related to the maintenance and management of facilities and equipment. In addition, we are strengthening our efforts related to commissioned operation projects, an area where the scope of our operations is expanding, particularly in regard to initiatives such as deepening asset management and business continuity management (BCM).

TOPICS

Serving as an important disaster prevention base in times of disaster

Takahashi Water Treatment Plant (nickname: Bariwater / location: Imabari City, Ehime Prefecture)

The Takahashi Water Treatment Plant was created as a new water purification plant by relocating the functions of the aging core water treatment plant (Koizumi Water Treatment Plant) in Imabari City, through the “(tentative name) Takahashi Water Treatment Plant Development, etc., Project,” for which a corporate group represented by METAWATER was commissioned. This water treatment plant was constructed and developed not only for the stable supply of safe and delicious water, but also for the purpose of reducing life cycle costs (LCC) and improving the efficiency of the business to support the continuous management of the water supply business as well as responding to disasters, etc., . The new water treatment plant is equipped with METAWATER’s proprietary ceramic membrane filtration system, which enables the reliable removal of pathogenic protozoa such as cryptosporidium. In addition, in order for the plant to play a role as an important disaster prevention base for the city in the event of a disaster, etc., it is highly earthquake resistant, and has its own power generation facilities, emergency water supply facilities, and other facilities. Furthermore, the plant is also equipped with METAWATER’s mobile ceramic membrane filtration system, which has generators and can provide stable water volume and quality even with high turbidity raw water.

Full view of Takahashi Water Treatment Plant (nickname: Bariwater)


Mobile ceramic membrane filtration equipment

Outline of "(tentative name) Takahashi Water Treatment Plant Development, etc., Project"

Project method: DBM method
Project period: [Engineering and construction period] September 20, 2017 to March 19, 2022
[Maintenance and management period] 20 years from when the provision of service begins

Contribution to local communities - Social contribution activities

As a water and environmental infrastructure company, protecting the water cycle is our mission. We are promoting social contribution activities so that people from all walks of life can gain an understanding of the importance of water and the environment.

— METAWATER's guidelines on social contribution activities —

METAWATER Group's social contribution activities contribute to the realization of a sustainable society by solving social issues through water and the environment.

METAWATER's guidelines on social contribution activities

- We will improve water-related environmental improvement activities and water and environmental awareness activities.
- We will value cooperation and collaborations with various stakeholders.
- We will foster awareness for voluntary employee participation.

Education and public education

We are making use of technologies, knowledge, and other qualities related to "water" and the "environment" that we have cultivated through our businesses to continuously provide children, who will lead the next generation, with opportunities to learn about the water environment in an easy-to-understand way. In FY2021, we produced two new original video teaching materials, increasing our lineup of such materials to six. We also tested new initiatives related to our school visits for elementary school students, which have been well received, such as conducting them in an online format from a special studio at our Manseibashi Head Office, and adopting the theme of SDGs, which are even used in elementary school education, in on-site visits.

Original video teaching materials Added new "Mae-chan and Tah-kun Classroom" materials

- Water recirculation lesson
- Ceramic filtration experiment lesson
- NEW Recycling lesson
- Sand filtration experiment lesson
- Water treatment plant lesson
- NEW Sewerage lesson

URL https://www.metawater.co.jp/movie_class/

Online classes on sand filtration experiments were streamed from a special studio at our Manseibashi Head Office

Adoption of SDGs as a theme for school visits at elementary schools in various regions

Original 地域イベントへの出展など、地域との信頼関係を深める取り組み

In FY2021, we participated in local community events such as "Kenko Festival 2021" in Mitsuke City, Niigata Prefecture, where we are engaged in a Public-Private Partnership project (PFI), and "YOKOHAMA Save The Water" in Yokohama City, Kanagawa Prefecture (sponsored by the Yokohama Waterworks Bureau). At our booth, we held "water quizzes" to help people understand the importance of water as an essential part of everyday life, as well as demonstrations on sand filtration and ceramic membrane filtration to show how we can make water, thus ensuring that people could feel closer to METAWATER through "water" at these events.

A water quiz

Ceramic membrane filtration experiment

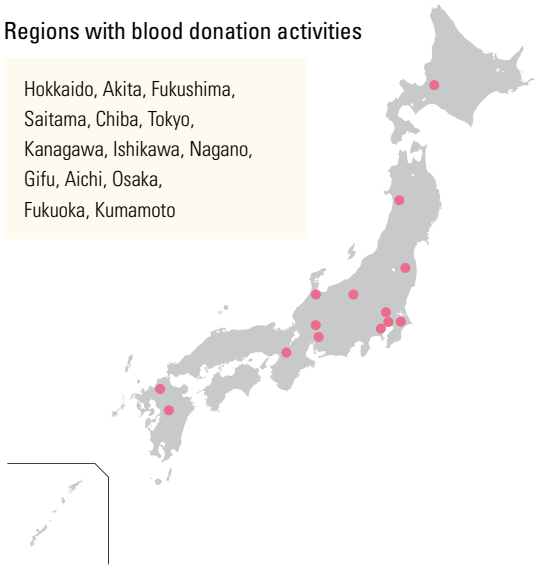
Social contribution

Company-wide blood donation activities

METAWATER Group has obtained an organization code from the Japanese Red Cross Society, and is working to expand its activities by encouraging all employees to donate blood as much as possible in the nearest blood donation room, blood donation bus, or elsewhere.

Regions with blood donation activities

Hokkaido, Akita, Fukushima, Saitama, Chiba, Tokyo, Kanagawa, Ishikawa, Nagano, Gifu, Aichi, Osaka, Fukuoka, Kumamoto



Quality initiatives

METAWATER Group's basic quality policy is to ensure the optimal level of quality for customer satisfaction in all of its products and services, and we aim to continue to provide not only customer satisfaction but also inspiration.

Sharing "quality topics" with all employees to ensure thorough measures to prevent quality accidents in advance

To prevent the reoccurrence of problems by learning from past failures, we issue "Quality Topics," which clearly describe the circumstances, causes, and preventive measures, etc., of accidents, and distribute it to all employees.

In order to construct plants that meet the required specifications of our customers, while also thoroughly preventing the recurrence of similar quality accidents, it is important to understand, in particular, "what effect our own processes have on the processes before and after." At METAWATER Group, we are working to enhance quality, with the idea that "the processes before and after are our customers" as one of our action guidelines.

Furthermore, as an engineering company, METAWATER Group has a role to play in protecting water and environmental infrastructure over the long term, and we believe it is essential to develop "people who think before acting." To this end, each and every employee working in engineering must think and act independently in order to eliminate quality accidents, based on a shared understanding of our basic quality policy.
Going forward, the entire company will continue working as one to enhance quality.

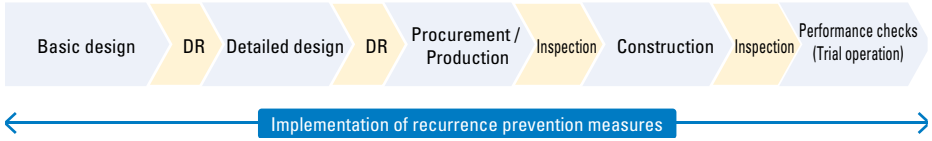
*Customers: Customers, internal stakeholders, etc.

— Quality targets —

Zero serious accidents	Continual quality improvement

In order to achieve these quality targets, it is important that we prevent quality accidents in advance. To this end, METAWATER Group implements thorough measures at each stage of operational processes for design reviews (DRs) and inspections to "ensure that the required level of quality is incorporated" and "eliminate the risk of quality accidents."

Operation processes for plant construction



Examples of materials delivered with "Quality Topics"

Sustainability procurement

METAWATER Group promotes procurement operations based on three basic policies: promoting transparent procurement, strengthening partner relationships with suppliers, and promoting sustainability procurement.

Promotion of transparent procurement – 93 new suppliers

The "Inquiries about purchasing and dealings" form is posted on our corporate website, and we provide fair and equitable entry opportunities to all business partners. We launch new transactions with around 100 companies every year. The number of new corporate business partners in FY2021 was 93.

Strengthening partner relationships with suppliers

We aim to build partnerships based on mutual understanding and trust with suppliers in Japan and overseas, and thus achieve mutual prosperity. For example, we conduct construction evaluations for construction work in Japan, and disclose information related to the evaluation in response to requests from suppliers. Through such information disclosure, we aim to working together to achieve higher quality construction. At the Safety Contest held by METAWATER, we also present letters of appreciation to suppliers that worked hard on safety activities at construction sites.

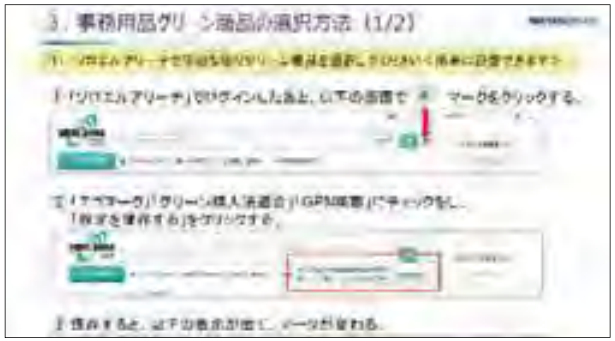
Enhancing paperless operations through EDI*

METAWATER Group promotes the implementation of EDI. In addition to improving the accuracy and efficiency of procurement operations, we are promoting implementation of EDI with the understanding and cooperation of business partners to work on becoming paperless, reducing our impact on the environment. As of FY2021, approximately 56% of orders were through EDI. This made the paper used traditionally in order forms, invoices, etc., unnecessary, leading to a reduction of approximately 40,000 sheets. Our suppliers have reported that they also have eliminated invoices and envelopes, leading to a paperless environment. We will continue expanding the scope of transactions and applications for EDI, aiming to further improve operating efficiency and reduce our environmental burden.

*EDI: Electronic Data Interchange, a framework supporting electronic business transactions

Promotion of green procurement

METAWATER Group is promoting the procurement of eco-friendly office supplies (products with socially recognized eco-friendly marks such as the Eco Mark and Green Mark). Efforts were strengthened for 12 frequently used items in particular, including copy paper, business cards, and highlighters, which were designated as green procurement promotion items. In FY2021, the green procurement rate for these items increased further to approximately 96% (94% in FY2020). We will continue efforts to improve the green procurement rate throughout the entire company. In addition, based on our “Green Purchasing Guidelines,” which apply to all purchased products and services, including raw materials, components, products, and services, we promote procurement that takes environmental preservation and the protection of resources into consideration.



Screen for selection of green products for office supplies

Legal compliance

We actively promote participation in social insurance for construction work, etc. Enrollment in insurance, etc., is thoroughly enforced by ensuring notifications are sent to suppliers, providing instructions for clarifying statutory welfare expenses in estimates, exchanging opinions with individual visits, and more.and more.

Thorough enforcement of internal education

We hold study sessions on the “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors” for all employees in charge of purchasing, ensuring thorough compliance and promoting understanding.
We also offer e-learning courses for other employees to strengthen compliance throughout the company.





Aiming to become the best company at which to work

“Work style reform” promoted by METAWATER Group

Aiming to be the No. 1 company to work for, METAWATER Group’s “work style reform” is an initiative that enables both the company and individuals to grow while responding to changes in social values and diversifying work styles. METAWATER Group is developing a variety of work environments in order to enable a variety of work styles, as we move away from the traditional custom of working at a single fixed place and time.

Continuous promotion of “work style reform” key to becoming the No. 1 company to work for

In 2017, METAWATER began reforming work styles, and as a result of our continuous subsequent efforts, our employees' working attitudes and work styles have changed greatly, including the way they approach their work, communication, meeting styles, and how they use their time.
Even after COVID-19 recedes, we will not revert to old work styles, but will further accelerate this initiative in order to achieve a variety of work styles.

Work style reform is the cornerstone of corporate competitiveness

As a water and environmental infrastructure company, it is our belief that work style reform is indispensable for the sustainable growth of the Group, as we position human resources as the key to corporate competitiveness. In order to become a company full of active, diverse human resources, we are creating an environment and culture that enables more diverse work, and where each employee can find what work style reforms work best for them. In recognizing these various work styles, we are also working to reform awareness of mutual respect.

Reforming work styles and creating opportunities for a diverse range of human resources

METAWATER Group has promoted a variety of measures to improve the working environment, including the "introduction of a telework system," "establishment of satellite offices," "introduction of four-day workweeks," "revised office layouts based on ABW* methods," "reduction of prescribed working hours by 30 minutes," and "introduction of a smart work allowance," as concrete measures to reform the way people work. Through these measures, METAWATER Group is fostering a corporate culture that recognizes the increasing diversity of work styles. As a next step, in order to actually achieve the idea of "work styles not tied to any location" from the viewpoint of diversifying where our employees work, we have begun "enhancing our satellite offices in the Greater Tokyo Area," "ending assignments away from family," and "considering the introduction of a remote working system."

*ABW(Activity Based Working): ork styles that enable workers to freely choose the time and place they work according to job contents

Establishment of teleworking

METAWATER Group introduced a "teleworking system" in 2019. Since then, we have been developing the internal infrastructure for remote work, such as an online conferencing system and cloud computing, and distributing mobile tools to facilitate smooth remote access to the corporate network. As a result, almost all employees working at Head Office, sales offices, branches, and other offices can use teleworking. This initiative has generated results, including telework utilization rates of 50% or more in multiple departments, with some divisions exceeding 70% in some divisions, as of May 2022.

Phasing out assignments away from family and reducing the number of persons with such assignments to one third

METAWATER Group has strongly promoted the use of teleworking as we aim to promote work styles that are not restricted by time and place, and from the perspective of preventing the spread of COVID-19.
At the same time, we ended assignments away from the family, mainly among senior employees. As a result, by 2020, there were 130 people on assignments away from their families, compared with 300 in 2017. Additionally, in response to changes in people's sense of values toward work, such as the increasing popularity of the idea of "work-life balance," METAWATER Group has been working to create a workplace environment where people can continue to work energetically while also spending more time with their families. As such, as of May 2022, we decreased the number of employees on assignments away from their families even further, to 100 people. Ultimately, we aim to have "zero employees on assignments away from their families," and will continue to phase out assignments away from employees' families.

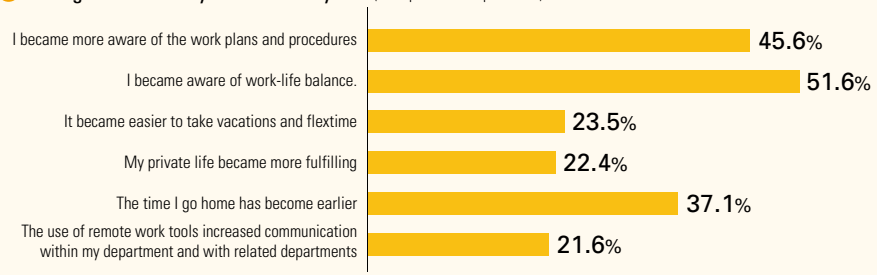
Begun considering the introduction of a remote working system

We believe that companies must take into consideration the fact that ordering transfers for employees caring for relatives, raising children, or facing other circumstances at home will significantly impact their lifestyles. Accordingly, METAWATER Group has begun developing a system that will enable employees to work anywhere without restrictions on the location of their offices, utilizing the diverse work styles that have been developed through previous work style reforms. Specifically, we are considering the introduction of a remote working system that would permit employees to use teleworking and satellite offices, in principle, and travel long distances by air, bullet train, or other means as necessary.

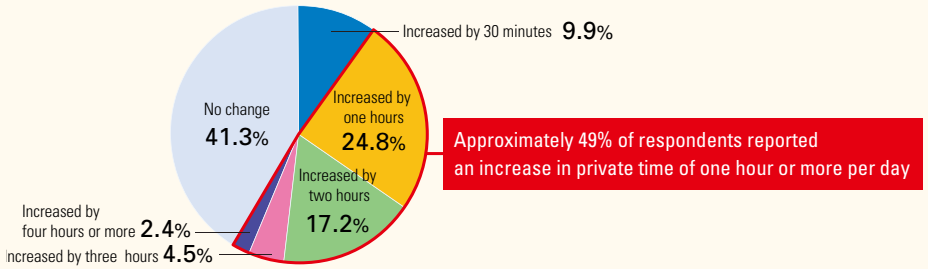
Changes in attitudes due to work style reforms

From an internal survey on work style reform (Valid responses: approximately 1,000 respondents)

① Changes in work styles and lifestyles (Multiple answers permitted)



② Change in private time per day

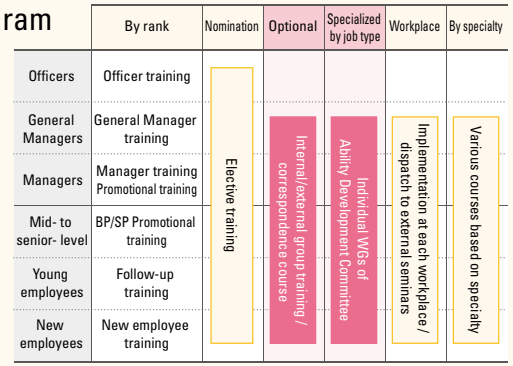


Initiatives for supporting individual achievement

People are the greatest asset of METAWATER Group, and so the development of their skills is positioned as one of our most important management themes. This is because they are the greatest source of management resources and corporate value. In accordance with the HR philosophy of "supporting personnel who desire to develop themselves, providing them with opportunities to develop competency", we are creating a culture of self-learning, building an environment that respects employee individuality and allows them to effectively develop their abilities and potential autonomously.

Ability development system diagram

A variety of training programs are held with the aim of identifying roles and developing skills in accordance with employees' growth stages.
In addition to training by rank and nomination, we support the growth of each employee through elective training focused around the idea of autonomous and voluntary learning.



Enhancement of employee education and training expenses

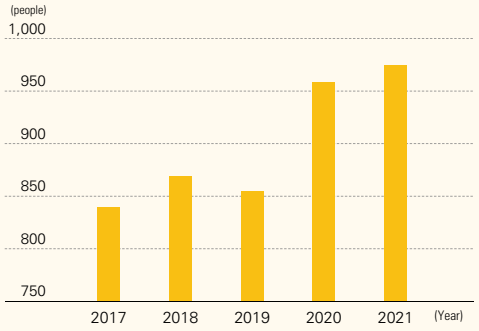
Annual training expenses per METAWATER Group employee are approximately 80,000 yen, which is higher than the average among listed companies. We also offer multiple training programs for a wide range of employees, from new employees to managers. We will continue to provide training programs that contribute to the improvement of employees' abilities while further enhancing employee education and training expenses.

Budget for training expenses per employee
Approx.
80,000 yen

Encouraging employees to participate in a wide range of training programs

METAWATER provides group training and online training, and is working to create an environment where employees actively participate in training, including providing a wide range of training programs.
For example, our "elective training" covers over 200 programs that employees can freely choose from and participate in. In FY2021, a total of approximately 980 employees participated across all training programs.

Number of employees receiving elective training



Follow-up training for mid-career employees

To ensure that mid-career employees firmly take root, we help them confirm and understand workplace conditions (individual counseling) and conduct compliance-related education necessary for our company employees (internal control, human rights awareness, information security, etc.).
Individual counseling helps with mental care for mid-career employees, who can be prone to stress due to environmental changes.

Example follow-up training curriculum for mid-career employees

Time	Content	Instructor
5 min	Orientation and opening remarks	Secretariat
45min	Mental health courses	Health Management Office
25min	The direction METAWATER is aiming for and key points of the Midterm Business Plan	Personnel and Labor Department
25min	Outline of employee invention regulations	Intellectual Property Department
50min	Sustainability Course I (Internal Control, Social Contribution, ESG)	Sustainability Promotion Section
45min	Sustainability Course II (Antimonopoly Act, National Public Service Ethics Act, Unfair Competition Prevention Act, Anti-gang Act, Political Funds Control Act)	Legal Department
50min	Compliance Course I (Human Rights Awareness)	Personnel and Labor Department
40min	Compliance Course II (Act on the Protection of Personal Information, Information Security)	IT Planning Department
30min	Basis of our accounting system	Financial Planning Office

To be a company where
everyone can work
enthusiastically

We promote diversity based on the belief that the abilities of various employees with diverse personalities will lead to the growth of the Group. In addition to expanding the system to accommodate a variety of human resources, we are implementing measures such as creating rewarding environments where employees can improve their careers.

Promoting diverse work styles

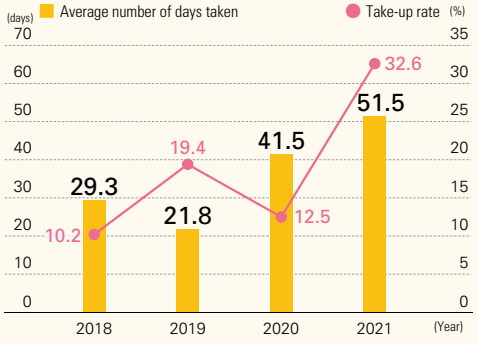
METAWATER Group is implementing a variety of measures to enable a variety of work styles.
In FY2020, we shortened prescribed working hours by 30 minutes (from 7 hours and 45 minutes to 7 hours and 15 minutes) and relaxed leave requirements by granting annual paid leave by the hour and raising the limit on accumulated leave (from 35 days to 100 days). In addition, we were an industry pioneer in introducing a four-day workweek. We are also encouraging the active use of teleworking and satellite offices, and the frequency of use by employees has increased dramatically. In FY2021, we introduced a "smart work allowance" as an allowance paid to employees to enhance their working environment and improve themselves, in order to promote a change in mindset as we look to achieve a diverse range of work styles.
In addition, we have established systems to improve employees' life-work balance,* such as our childcare leave system and shortened working hours for employees raising children. Furthermore, we believe it is important to create an environment where all employees can work comfortably regardless of gender. As such, we are working to improve work clothes for women at work sites and develop dressing rooms and washrooms exclusively for women.

* We use the unique term "life-work balance" based on the belief that "having a fulfilling life leads to better work performance."

Increasing the rate at which employees take maternity and childcare leave

One of the results of our efforts to create a pleasant workplace for our employees is that the rate of employees taking leave before and after childbirth and childcare leave has been increasing year by year, and the rate of employees returning to work has reached 100%.
Many employees use the leave system multiple times, taking leave not once, but two or three times. In addition, the take-up rate for childcare leave among male employees and the number of days of leave taken are also increasing. By FY2021, the take-up rate for childcare leave among male employees was 32.6% and the average number of days taken was 51.5.

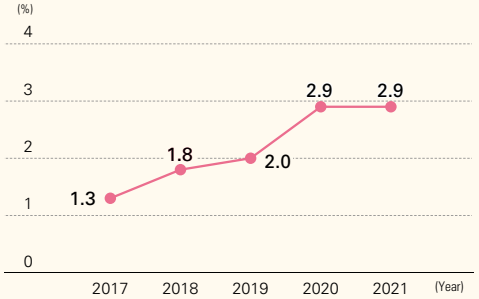
Childcare leave take-up rates among male employees / average number of days taken



Supporting the active participation of female employees

From the perspective of securing a diverse range of human resources, METAWATER Group is actively recruiting women, with the target of having 30% of new hires be women.
In addition, the number of female employees in managerial positions is also increasing year by year as a result of our expansion of systems to support work-life balance, such as the "system for granting annual leave by the hour" and the "four-day workweek system," with the aim of enabling women to work for many years with peace of mind after joining the company. (The percentage of managerial positions occupied by female employees has more than doubled in the past five years) We will continue to recruit and support excellent human resources, regardless of gender.

The percentage of managerial positions occupied by female employees



Creating opportunities for senior employees to play an active role

We are improving working conditions for employees aged 60 and older in a phased process over a three-year period beginning in FY2021, in order to create more opportunities for senior human resources, who will make up a significant proportion of our workforce in future.
As one specific measure in this area, we have introduced a "super field supervisor system" with the aim of securing excellent on-site representatives, in the face of a shortage of supervising engineers, an issue that even METAWATER Group is facing. We have also begun an initiative to provide General Manager-level working conditions for persons tasked with on-site supervision under this system.

Development of global human resources

We conduct various training programs to develop global human resources, with the aim of continuously developing leaders for our overseas businesses and promoting internationalization across the company as a whole.
We will actively develop human resources with global experience, knowledge, skills, perspectives, and networks through a wide range of approaches, including English classes, online on-the-job training (OJT) for acquiring a global mindset, on-site OJT for practical training at overseas business sites, and on-site training.

Becoming a company where employees with disabilities can play an active role

One of our efforts to promote diversity is to create an environment where people with disabilities can play an active role. Employees with disabilities are engaged in a wide range of activities, taking up responsibility for various tasks in numerous departments.
To ensure that day-to-day operations are addressed without any issues, meetings are held every morning, where instructors* check the health of each member and determine the division of duties for the day. For example, work converting internal documents to PDFs has contributed to the promotion of telecommuting, one of our work style reforms. Additionally, in recent years, these employees have also been responsible for disinfecting office equipment, replenishing hand sanitizer, and other countermeasures against COVID-19.
Positive feedback on this work from within the company results in the work requested expanding year by year. As such, the opportunities for active participation are steadily expanding.

*Within METAWATER Group, we use the term "instructor" to refer to employees who give instructions and guidance on operations to employees with disabilities.

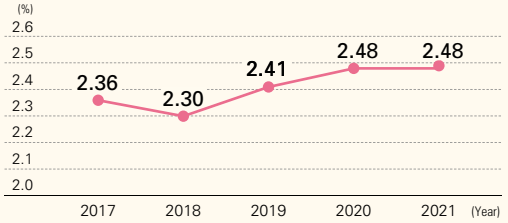
Common internal work

Creating business cards for employees; sorting, collecting, and distributing internal mail; preparing meeting and training rooms; lending out projectors and other equipment; managing and sending out company-wide catalogs; disinfecting office equipment; etc.

Department work

Converting internal documents to PDFs; organizing and filing expense slips; aggregating and digitizing handwritten questionnaires; creating various materials; sending out purchase orders; etc.

Ratio of employees with disabilities



Initiatives for promoting better health

We believe that people are our greatest asset, and as such METAWATER Group has established various support systems for the mental and physical health of employees and their families. It is our belief that promoting the good health of each employee leads to improvements in corporate vitality, and so we will continue promoting health management.

Improving health awareness

With the declining birthrate, aging population, and a shortage of labor, it will become more common in society to continue working regardless of age if there is an opportunity to play an active role, and health management from an early age will become more important than ever. METAWATER Group carries out "health-care activities" and gives "health advice" with the aim of ensuring that employees can continue to work healthily and enthusiastically.
In "health-care activities," we planned and implemented various activities tailored to each employee's job characteristics and situation, such as holding walking events (1,014 participants in FY2021) in which individuals can participate, providing effective training information in a teleworking environment, and providing health education by age and job type.
In addition, in "health advice," based on health consultations with each employee, we have prioritized the promotion of health management, the prevention of physical and mental health problems, etc., taking into consideration the impact of factors such as the spread of COVID-19 and behavioral restrictions related to the pandemic. We are also actively utilizing remote consultations, which we introduced in the previous fiscal year.

Health management system

METAWATER Group has established health management centers at our head office, as well as in Nagoya, Osaka, and other offices. This allows professional physicians, psychological counselors, and dedicated health management staff to follow up with employees promptly and whenever it is needed. We conduct individual interviews and give health-related guidance throughout the year so that employees themselves can maintain and improve their health.

Mental health care

In order to prevent mental health issues from arising, we have e-learning classes such as "line care education" (471 participants in FY2021) for employees in management positions and "self-care education" (2,951 participants) for all employees. Our work-style reforms also include working to reduce commuting stress and improve "life-work balance."* We will continue to promote various mental health care initiatives in conjunction with our work-style reforms.

* We use the unique term "life-work balance" based on the belief that "having a fulfilling life leads to better work performance."

Safety and hygiene
initiatives

METAWATER Group strives to create a workplace environment where employees and all related parties can work safely, based on the philosophy, "No one will get injured or injure others."

Initiatives that place the highest priority on site safety, from construction to operation and maintenance

METAWATER Group is implementing a variety of initiatives with site safety as the top priority.

Thorough implementation of safety measures from the work planning stage and the standardization and optimization of work manuals

In order to eliminate industrial accidents, it is important that we eliminate unsafe conditions and behaviors before work begins. METAWATER Group works together with subcontractors at construction sites to thoroughly examine safety measures and conduct risk assessments at the work planning stage before starting construction. Furthermore, we also check the implementation of each measure during construction. At operation and maintenance sites, work manuals and risk assessments are standardized, and the status of actual operations is monitored and recorded using online systems, as part of a process of constant optimization.

METAWATER occurrence of industrial accidents

Comparison with national indexes	Frequency rate	Severity rate
Average for all industries (FY2020 actual*)	1.95	0.09
METAWATER (FY2021 actual)	0.68	0.01

Frequency rate: Represents the frequency of accidents (Number of deaths and injuries per million hours worked)
Severity rate: Represents the severity of accidents (Number of working days lost per 1,000 hours worked)

*Ministry of Health, Labour and Welfare figures (figures for FY2021 unpublished (as of June 20, 2022))

Operation of "Local occupational health and safety guidelines"

We operate the "Local occupational health and safety guidelines" as a key original safety resource.
They are practical guidelines that fully incorporate METAWATER Group's experience based on various laws and regulations related to health and safety, and they are utilized at construction sites and various other sites.

Significantly improved convenience by making the guidelines into an e-book! It can be quickly viewed anywhere, even at sites.

Local occupational health and safety guidelines (video version)

Evaluation and reconstruction of safety management systems by safety consultants

METAWATER Group engages the services of external safety consultants. In addition to participating in site patrols and safety training, by having external safety consultants participate in the evaluation and reconstruction of safety systems from a third-party perspective, METAWATER is establishing and implementing cutting-edge safety systems as a facility management company.

Operation of licensing system

We believe that the skills and knowledge of subcontractors involved in construction work are directly linked to safety.
Accordingly, METAWATER Group therefore holds our own lectures for the site managers of subcontractors, and we issue licenses to those who complete the lectures. Licenses must be renewed every three years, meaning that site managers are always learning the latest information and knowledge, and engage in site management with a sense of discipline.
In addition, since FY2021, we have been holding online seminars utilizing the Google Meet remote conference system.

A total of nine online seminars were held in FY2021 74 participating companies 386 participants
* License holders: 833 in total

Promoting safe driving management of vehicles for commercial use

Operation of in-house driver's license system

METAWATER Group has established its own in-house driver's license system for commercial vehicle drivers. This certification is based on the results of safe driving. In FY2020, 1,200 employees obtained the certification, which has helped promote safe driving.

Implementation of special training from the driver's perspective

METAWATER Group has adopted a system to provide education suited to the actual conditions of the environment where each driver uses their automobile. In addition to providing sufficient education to those with managerial responsibilities, we have also prepared video educational content on accidents and other incidents for drivers to enhance their awareness of safe driving.

Response to the revised Road Traffic Act

In line with revisions to the Road Traffic Act Enforcement Regulations in April 2022, we have developed ways of operating alcohol checks for the drivers of commercial vehicles and are steadily promoting their use.

At METAWATER, we have our own in-house driver's license system, we are providing driving education for persons with managerial responsibilities and drivers (video versions), and we have developed ways of operating alcohol checks in accordance with revisions to the Road Traffic Act Enforcement Regulations and are promoting their use

Corporate governance

Basic concept of corporate governance

So that we can grow sustainably with society, we are committed to improving our internal control based on our corporate mission. We are aiming to be a group trusted by society through our continuous contribution to it while meeting the expectations of our stakeholders including customers, local communities, shareholders and investors. To realize this aim, we are engaged in improving the following aspects of corporate governance.

1. The Board of Directors and the Board of Auditors are arranged and independent directors are designated to reinforce the organization for supervising our business with the purpose of creating corporate management with excellent reliability and transparency.
2. Promotion of compliance and reinforcement of internal control functions are realized to establish an organization that can sustainably enhance corporate value.
3. We disclose information in a fair, objective and appropriate manner and at an appropriate timing. Further, we communicate proactively with our stakeholders.

As a basic policy of METAWATER Group based on the rules of the "Corporate Governance Code" (hereinafter "CG Code") stipulated by the Tokyo Stock Exchange, the Group established the "Basic Policy on Corporate Governance" (hereinafter "CG Basic Policy"), and disclosed the policy on the corporate website.
https://www.metawater.co.jp/csr/responsibility/pdf/governance.pdf

Approaches to improve corporate governance

1 Response to Corporate Governance Code

METAWATER was listed on the First Section of the Tokyo Stock Exchange Market in December 2014. As the CG Code was established in June 1, 2015, the group implemented the measures stated on the right. We are committed to moving forward with corporate governance also in future.

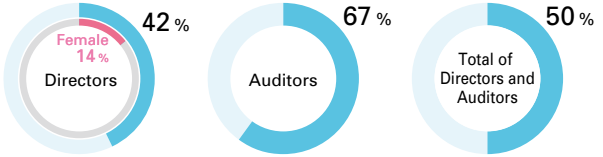
November 2015	• Established "Basic Policy on Corporate Governance"
November 2018	• Established Nomination and Renumeration Advisory Committee
April 2022	• Enacted "Basic Policy on Sustainability"

2 Composition of directors and auditors

METAWATER Group has established criteria for the independence of outside officers in the CG Basic Policy, and has designated three outside directors and two outside auditors who meet these standards as independent officers and submitted notification of their appointment to the Tokyo Stock Exchange.

49th ordinary general meeting of shareholders

Ratio of independent outside officers



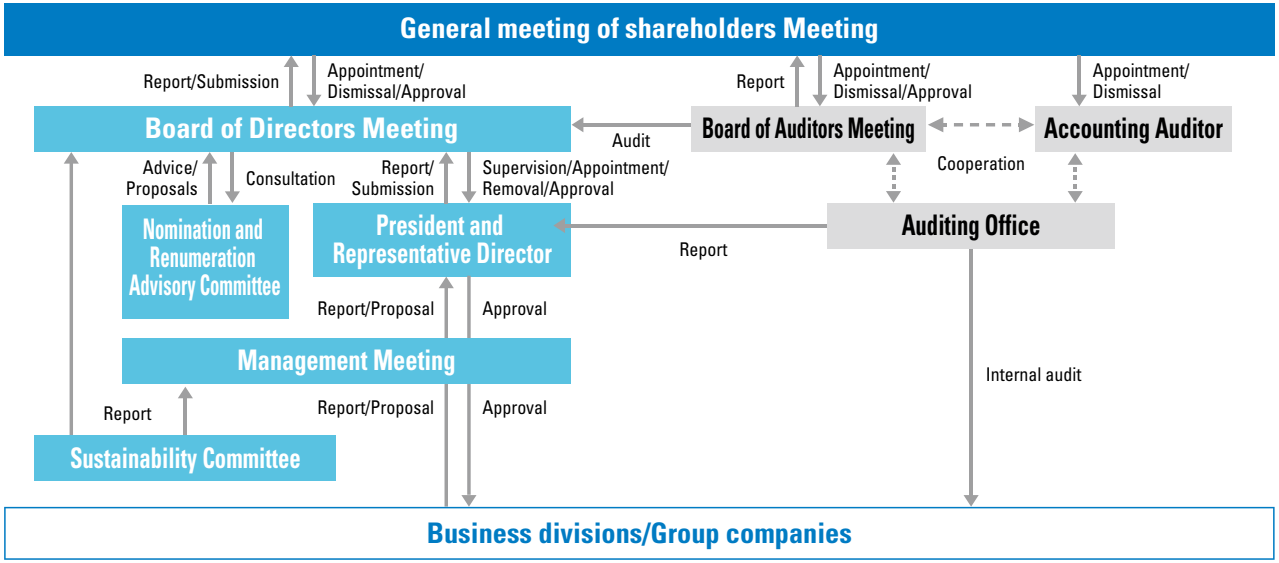
3 out of 7 directors are independent outside directors (1 female director)

2 out of 3 auditors are independent outside auditors

5 out of 10 officers are independent officers

Corporate governance organization

The company opts for an arrangement of a Board of Auditors as an organization design based on the Companies Act. The Board of Directors makes important decisions related to management and supervises business execution. At the same time, auditors and the Board of Auditors independent from the Board of Directors audit the status of directors' execution of their duties and the like. For the purpose of strengthening independence, objectivity, and accountability for the function of the Board of Directors related to the nomination of candidates for directors and auditors, determining remuneration for executive officers and directors, etc., a Nomination and Remuneration Advisory Committee has been established under the Board of Directors. Furthermore, METAWATER Group has introduced the Executive Officers System to accelerate management-related decision-making, reinforce functions to monitor business execution, and clarify responsibility. In addition, a Sustainability Committee has also been established as an organization to promote initiatives aimed at realizing a sustainable environment and society and enhancing corporate value. The position and role of each organization are as follows.



Board of Directors Meeting

The Board of Directors meetings, held on a monthly basis and also as needed, function to supervise management and decision-making. The Board of Directors is comprised of seven members including three outside directors. The status of business execution by directors, including the representative director, is monitored by auditors, where, as a basic rule, three auditors attend the Board of Directors meeting and express their opinions whenever necessary.

Board of Auditors Meeting

The Board of Auditors meetings are held on a monthly basis and the Board of Auditors functions to audit management. The Board of Auditors is comprised of three members including two outside auditors. Auditors are selected from those with expertise and experience regarding our business as well as in legal and financial affairs. The Board of Auditors determines the audit policies and scope of work for each auditor, as well as specific action plans and schedules, and monitors the status of business execution by directors.

Nomination and Renumeration Advisory Committee Meeting

The Nomination and Remuneration Advisory Committee was established under the Board of Directors as a voluntary advisory body that functions as both a nomination committee and remuneration committee. The meetings of this committee are held as necessary, deliberating on matters related to the appointment and dismissal of directors, auditors, and executive officers, as well as remuneration for directors, executive officers, etc., in consultation with the Board of Directors, and also providing advice and proposals to the Board of Directors. The committee is comprised of six members total, including the Director and President, three independent outside directors, and two independent outside auditors, with an independent outside director selected as the chairperson.

Executive Officers System

TThe Executive Officers System has been introduced to accelerate management-related decision-making, reinforce functions to monitor business execution, and clarify responsibility. The executive officers are comprised of fifteen members including four executive directors. Their term of office is one year and their appointment, reappointment, and dismissal are determined at Board of Directors meetings.

Management Meeting

The Management meetings consist of fifteen executive officers and, as a general rule, are held twice a month. In these meetings, reports are given and discussions are held regarding important management-related matters stipulated in our official competence rules. Standing auditors attend the meeting and express opinions as necessary, monitoring the status of business execution by the President & Chief Executive Officer as well as those executive officers below him.

Sustainability Committee

The Sustainability Committee meets twice a year, and its function is to discuss and promote METAWATER's sustainability initiatives in response to environmental and social issues as well as changes in the business environment surrounding the company. The Sustainability Committee has six subordinate working groups under it.

Corporate governance

Outside Director's roles

1 Provide advice to promote the Company's sustainable growth and improve medium- and long-term corporate value based on own knowledge and insights, and supervise the execution of business by the Company
2 As a position that is independent from the management, receive opinions from stakeholders including minority shareholders, and appropriately reflect those opinions at Board of Directors Meetings
3 Appropriately manage risks including conflicts of interest arising from the execution of business by leveraging internal and external knowledge and insights, as well as experience

Reasons for selection by individual

	Name	Attendance (attendance rate)		Reasons for selection
		Board of Directors Meeting	Board of Auditors Meeting	
Outside Director	Kaoru Aizawa	17/18 meetings (94%)	—	Mr. Aizawa held important positions, including Representative Director of Nitto Denko Corporation, and has a wealth of management experience gained through his position as an outside officer of another company, as well as balanced and broad perspectives not limited to the industries related to our company. It is expected that he will continue to leverage his experience and extensive knowledge to provide advice and recommendations, mainly on the company's management plans and corporate governance, based on his own knowledge. Based on the above, the company has judged that he has the required skill set to supervise the execution of the business of the company. Accordingly, we appointed him as an outside director of the company. He has been designated as an independent officer based on the judgment that there is no risk of conflicts of interest with general shareholders since he satisfies the "Criteria for Independence of Outside Officers" stipulated by the company, as well as the requirements for Independent Officers stipulated by the Tokyo Stock Exchange.
	Fumiko Kosao	18/18 meetings (100%)	—	Ms. Kosao is well versed in corporate accounting with expertise in the area of taxation and has broad perspectives gained through her position as an outside officer of another company. Although she has no direct management experience in a company, except as an outside officer, it is expected that she will continue to leverage her experience and expertise to provide advice and recommendations, mainly in relation to the company's finance, accounting, and taxation, based on her own knowledge. Based on the above, the company has judged that she has the required skill set to supervise the execution of the business of the company. Accordingly, we appointed her as an outside director of the company. She has been designated as an independent officer based on the judgment that there is no risk of conflicts of interest with general shareholders since she satisfies the "Criteria for Independence of Outside Officers" stipulated by the company, as well as the requirements for Independent Officers stipulated by the Tokyo Stock Exchange.
	Tsuneo Tanai	15/15 meetings (100%)	—	Mr. Tanai held important positions, including Director of Honda Motor Co., Ltd. and Keihin Corporation, and has a wealth of management experience gained through his position as an outside officer of another company, as well as balanced and broad perspectives not limited to the industries related to our company. It is expected that he will leverage his experience and extensive knowledge to provide advice and recommendations, mainly on the company's management plans and overseas strategy, based on his own knowledge. Based on the above, the company has judged that he has the required skill set to supervise the execution of the business of the company. Accordingly, we appointed him as an outside director of the company. He has been designated as an independent officer based on the judgment that there is no risk of conflicts of interest with general shareholders since he satisfies the "Criteria for Independence of Outside Officers" stipulated by the company, as well as the requirements for Independent Officers stipulated by the Tokyo Stock Exchange.
Outside Auditor	Taku Fukui	15/15 meetings (100%)	10/10 meetings (100%)	As a lawyer, Mr. Fukui is well versed in corporate legal affairs including the Companies Act, and has a wealth of experience gained through his position as an outside officer of another corporation, as well as balanced and broad perspectives not limited to the industries related to our company Although he has no direct management experience in a company, except as an outside officer, we consider him to have the required skill set to supervise the execution of the business of the company by leveraging his experience and high level of independence, and accordingly appointed him as an outside auditor of the company. He has been designated as an independent officer based on the judgment that there is no risk of conflicts of interest with general shareholders since he satisfies the "Criteria for Independence of Outside Officers" stipulated by the company, as well as the requirements for Independent Officers stipulated by the Tokyo Stock Exchange.
	Masami Kusunoki*	—	—	As a certified public accountant, Mr. Kusunoki is well versed in finance and corporate accounting, and has balanced and broad perspectives not limited to the industries related to our company. Although he has no direct management experience in a company, we consider him to have the required skill set to supervise the execution of the business of the company by leveraging his abundant experience related to finance and corporate accounting and high level of independence, and accordingly appointed him as an outside auditor of the company. He has been designated as an independent officer based on the judgment that there is no risk of conflicts of interest with general shareholders since he satisfies the "Criteria for Independence of Outside Officers" stipulated by the company, as well as the requirements for Independent Officers stipulated by the Tokyo Stock Exchange.

* Mr. Masami Kusunoki was newly elected at the 49th ordinary general meeting of shareholders held on June 21, 2022.

I will comprehensively assess corporate management and make recommendations for management plans and overseas strategies

Outside Director **Tsuneo Tanai**

—— What are your overall impressions regarding the management of the Board of Directors, state of discussions, etc.?

METAWATER Group's Board of Directors operates in an appropriate manner and is constantly engaged in active discussions. Reports on business performance and operations are compiled at appropriate times, budgets and actual results are firmly managed, and the PDCA cycle is properly implemented. In addition, information necessary for monitoring as an outside director is provided whenever required, enabling constructive discussions on the agenda.
Since I was appointed outside director, meetings of the Board of Directors have mainly been held online, owing partly to the COVID-19 pandemic over the past year, but we have been able to hold substantial meetings. Through our discussions to date, I feel I have been successful in raising awareness of the need to improve the corporate culture and diversify the company's values.

—— What is your role as an outside director?

At a time when there are fears concerning the depletion of water resources, METAWATER Group is tackling social issues relating to securing and recirculating water resources. As such, the value of its existence is increasing not only in Japan, but also overseas. Under these circumstances, I believe that the role I am expected to play as an outside director is to comprehensively assess corporate management as a someone who supervises (monitors) management from the perspectives of society and shareholders.
In particular, I would like to contribute to the development of a better corporate culture by actively expressing my opinions in relation to three points: "supervision (monitoring) of the representative director and executive officers," "creation and operation of internal controls," and "decisions related to important management issues and checks of related decision-making processes," while taking advantage of my perspectives based on my previous involvement in corporate management, the operation of factories overseas, technology development, etc.

—— What are your views on the governance of METAWATER Group?

METAWATER Group has established a basic policy on internal control systems, and the operation of this policy is well established. As such, corporate management is conducted under strictly controlled corporate governance. On the other hand, there is a need to further strengthen information management systems and optimize the business operations and management of new subsidiaries. From this perspective, I will propose that METAWATER Group strengthens governance through such measures as initiatives using ICT and revisions to core systems.

—— What measures are necessary to sustainably improve METAWATER Group's corporate value?

The key to the sustainable enhancement of the corporate value of METAWATER Group is not only the achievement of the numerical performance targets set out in the long-term vision, but also the achievement of the important issues (materialities) expressed in the Basic Policy on Sustainability formulated in April 2022. Among these materialities, the "water environment," "recycling-oriented society," and "reducing greenhouse gas emissions" are global issues, and it could be said that addressing these issues is truly the calling of METAWATER Group.
In other words, METAWATER Group's corporate value lies in its commitment to the recirculation of water resources, its unique eco-friendly technologies, and the fact that it operates its businesses based on operational systems that it built itself. Furthermore, working to solve social issues through these businesses to a greater extent than before will contribute to sustainably enhancing corporate value.
"Human resources," which are one of the materialities, are also essential for improving corporate value. By further promoting work style reform without holding on to established methods and creating a workplace environment where employees can work more vibrantly, I believe METAWATER can become a company that is chosen by people.

—— What are your future ambitions as an outside director?

Through on-site inspections and communication with engineering departments, I intend to further deepen my understanding of METAWATER Group. Additionally, as an outside director, I intend to contribute to the development of the company through such methods as supervising and advising the representative director and executive officers and checking decision-making on important matters and related processes.
I will endeavor to further enhance the supervisory function of the Board of Directors from the viewpoint of society and shareholders, and thereby further enhance the corporate value of METAWATER Group.

Management organization (As of end of June 2022)

Outside Outside director Independent Independent officer

Directors

Kenji Yamaguchi

President and Representative Director

April 1987 Joined NGK Insulators, Ltd.
April 2013 Deputy Executive General Manager, Business Strategy Division at METAWATER
April 2015 Executive General Manager, Business Strategy Division (current)
June 2015 Executive Officer at METAWATER (current)
June 2019 Director at METAWATER (current)
June 2021 President and Representative Director at METAWATER (current)
Vice President and Executive Officer at METAWATER (current)

Noboru Okuda

Executive General Manager, Plant Engineering Division

April 1982 Joined Fuji Electric Co., Ltd.
April 2014 Executive General Manager, Service Solution Division at METAWATER
June 2015 Executive Officer at METAWATER
April 2016 Senior Executive Officer at METAWATER
Executive General Manager, Plant Engineering Division (current)
June 2019 Director at METAWATER (current)
April 2022 Senior Executive Officer (current)

Masashi Sakai

Executive General Manager, PPP Division

March 1985 Joined NGK Insulators, Ltd.
June 2015 Executive Officer at METAWATER
April 2016 Executive General Manager, PPP Division at METAWATER (current)
April 2020 Senior Executive Officer at METAWATER (current)
May 2021 President and Representative Director at K.K. Mizumusubi Management Miyagi
April 2022 Chairman and Director at METAWATER SERVICE Co., Ltd. (current)
June 2022 Director at METAWATER (current)
Chairman and Director at K.K. Mizumusubi Management Miyagi (current)

Michio Fujii

Executive General Manager, HR & General Affairs Planning Office
Responsible for CSR Promotion Office

April 1990 Joined Fuji Electric Co., Ltd.
April 2010 General Manager, Personnel & General Affairs Department, Administration Division at METAWATER
July 2012 General Manager, HR Planning Department, Corporate Strategy Planning Division at METAWATER
April 2014 Executive Officer at METAWATER (current)
Executive General Manager, HR & General Affairs Planning Office, Corporate Strategy Planning Division at METAWATER
June 2016 Deputy Executive General Manager, Corporate Strategy Planning Division at METAWATER
April 2020 Executive General Manager, Export Control Office at METAWATER (current)
April 2022 Executive General Manager, HR & General Affairs Planning Office at METAWATER (current)
June 2022 Director at METAWATER (current)

Kaoru Aizawa

Outside Independent

Independent Director of Nicca Chemical Co, Ltd.

April 1977 Joined Nitto Denko Corporation
April 2003 Executive Officer at the company
June 2007 Board Member & Executive Vice President at the company
June 2010 Board Member & Senior Executive Vice President at the company
June 2011 Representative Director & Senior Executive Vice President at the company
September 2014 Advisor at NICCA CHEMICAL CO., LTD.
March 2016 Outside Director at the company (current)
June 2016 Outside Director for METAWATER (current)

Fumiko Kosao

Outside Independent

Licensed tax accountant, Kosao Fumiko Accountant Office
Outside Director of CTI Engineering Co., Ltd.
Outside Director and Audit and Supervisory Committee Member at TOELL CO., LTD.

April 1973 Jointed the National Tax Agency
July 2014 Director, Nihonbashi Tax Office, Tokyo Regional Taxation Bureau
August 2015 Tax accountant, Fumiko Kosao Certified Tax Accountant Office (current)
June 2016 Outside Auditor for TOBISHIMA CORPORATION
March 2017 Outside Director for CTI Engineering Co., Ltd. (current)
June 2017 Outside Director for METAWATER (current)
July 2021 Outside Director and Audit and Supervisory Committee Member at TOELL CO., LTD. (current)

Tsuneo Tanai

Outside Independent

Fellow at Honda Motor Co., Ltd.
Outside Director at IWASAKI ELECTRIC CO., LTD.

April 1981 Joined Honda Motor Co., Ltd.
June 2009 Director at Honda Motor Co., Ltd.
April 2011 Managing Officer and Director at Honda Motor Co., Ltd.
June 2011 President & CEO and Representative Director at Keihin Corporation
June 2016 Fellow at Honda Motor Co., Ltd. (current)
June 2019 Outside Director at IWASAKI ELECTRIC CO., LTD. (current)
June 2021 Outside Director at METAWATER (current)

Auditors

Shigeru Hatsumata

Audit and Supervisory Board Member

April 1982 Joined Fuji Electric Co., Ltd.
April 2008 Deputy Executive General Manager, Business Development Division at METAWATER
April 2014 Deputy Executive General Manager, CSR Division at METAWATER
April 2015 Executive General Manager, CSR Promotion Office at METAWATER
June 2015 Executive Officer at METAWATER
June 2019 Audit and Supervisory Board Member at METAWATER (current)

Masami Kusunoki

Outside Independent

Certified Public Accountant at CPA Kusunoki Accounting Office

October 1988 Joined Tohmatsu Aoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)
August 1994 Registered as Certified Public Accountant
March 2004 Assistant to Head of Tokyo SME Business Rehabilitation Support Co-operative (currently Tokyo SME Revitalization Council), Tokyo Chamber of Commerce and Industry
June 2007 Head of SME Business Rehabilitation Support National Headquarters(currently SME Business Revitalization Support National Headquarters), SME Support Japan
April 2009 Certified Public Accountant at CPA Kusunoki Accounting Office (current)
June 2022 Outside Auditor at METAWATER (current)

Taku Fukui

Outside Independent

Managing Partner at Kashiwagi Sogo Law Offices
Professor at Keio University Law School (Graduate School of Law)
Outside Director at Yamaha Corporation

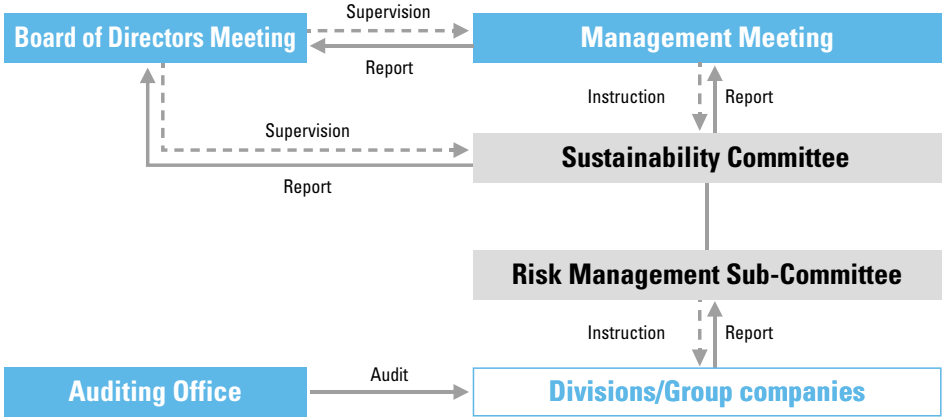
April 1987 Registered as an attorney (Daini Tokyo Bar Association) Joined Kashiwagi Sogo Law Offices
April 2004 Professor at Keio University Law School (Graduate School of Law) (current)
June 2005 Outside Audit & Supervisory Board Member at Shin-Etsu Chemical Co., Ltd.
January 2009 Managing Partner at Kashiwagi Sogo Law Offices (current)
June 2017 Outside Director at Yamaha Corporation (current)
June 2021 Outside Auditor at METAWATER (current)

Executive Officers

President and Chief Executive Officer	
Kenji Yamaguchi	Public Relations
Senior Executive Officer	
Noboru Okuda	Executive General Manager, Plant Engineering Division / Responsible for Product Center Responsible
Senior Executive Officer	
Masashi Sakai	Executive General Manager, Public Private Partnership Division
Executive Officer	
Michio Fujii	Executive General Manager, HR & General Affairs Planning Office / Responsible for Corporate Strategy Planning Office, Corporate Communications Office, and Legal Department / Executive General Manager, Export Control Office and Responsible for Risk Management
Masahiro Takagi	Executive General Manager, Business Strategy Division
Masayuki Nakagawa	Executive General Manager, Financial Planning Office / Responsible for IT Planning Department
Yoshito Ezure	Deputy Executive General Manager, International Business Division
Tsugio Kusano	Executive General Manager, Plant Construction Division / Responsible for Safety and Health Management Office
Koichi Yamaguchi	Deputy Executive General Manager, Plant Construction Division
Ken Akikawa	Executive General Manager, International Business Division
Tatsuo Kato	Deputy Executive General Manager, Plant Engineering Division
Hiroyuki Nakano	Executive General Manager, Service Solution Division
Hajime Ito	Deputy Executive General Manager, Plant Engineering Division / Responsible for Quality Assurance Office
Kazuhiko Aoki	Executive General Manager, Cost Engineering Center
Kenji Kojima	Executive General Manager, Sales & Marketing Division

Risk management and compliance

With the “METAWATER Group Risk Management Rules” in place, METAWATER Group has a systematic awareness of various risks that can affect the Group’s operations, evaluates and manages those risks appropriately, and thereby seeks to prevent their occurrence or to reduce losses associated with them, while striving to improve and expand the corporate value of the Group.
Furthermore, the Risk Management Working Group has been established within the Sustainability Committee in an effort to improve and reinforce the corporate framework so that the Group can appropriately address individual risks in order to meet stakeholders’ expectations.
Furthermore, in order to respond to individual risks, in addition to establishing the “METAWATER Business Continuity Plan (BCP),” “Compliance Rules,” and “Information Security Policies,” we have also established regulations, standards, and manuals for responding to accidents, the environment, and safety and health, so that we can respond quickly and accurately to various events that may occur.



Promotion of Business Continuity Management (BCM)

With a commitment to strengthening Business Continuity Management (BCM), METAWATER Group has developed the Business Continuity Plan (BCP), which is suitable for its business characteristics. In addition, we endeavor to enhance the effectiveness of the BCP that we have formulated by holding regular meetings of the BCM Promotion Subcommittee.
Since FY2020, on the assumption of business continuity under the impact of COVID-19, CMT (Crisis Management Team) members have provided initial response training, held briefings, mainly remotely, for the Executive General Managers of local emergency response divisions, and incorporated a response to COVID-19 into the BCP procedures. From the viewpoint of preventing the spread of COVID-19, we have established an emergency response division headed by the President, and are implementing various measures in a flexible and ongoing manner.
In addition, in FY2021, in response to variations in damage estimates, we conducted initial response training based on the assumption of wind and flood damage, expanded the range of persons and areas eligible for training, and provided education that utilizes video materials. In FY2022, we are fine-tuning content from the previous fiscal year and launching training that covers a larger area, as we promote more widespread knowledge and familiarization with BCP and the improvement of its effectiveness.
In light of our social mission to provide water and environmental infrastructure, all of METAWATER Group is working to further promote BCM, to ensure that we can continue to operate our businesses even in the event of various emergency situations.


Education that utilizes video materials

Assistant to Person Responsible for Business Execution

Executive General Manager, Corporate Strategy Planning Division
Responsible for Corporate Administration Department, Affiliates Coordination Department, and Legal Department, Corporate Strategy Planning Division

Upgrading security countermeasures at construction and plant operation sites

METAWATER Group is enhancing information security not only at offices, but also at construction sites and the operation and maintenance sites of water treatment plants and sewage treatment plants. We also conduct internal IT audits to identify issues and implement countermeasures. In FY2021, we again decided not to conduct the internal IT audit at sites, and instead collected information from discussions with each site, extracted and corrected items that needed improvement, and made continuous improvements.
We have also created educational videos that can be viewed remotely to deepen employees' understanding of security, including those at remote locations.


Information security is imperative at construction sites

Spreading information security-related information and providing related education for all employees

In order to strengthen our information security, we disseminate information on information security to all employees and provide them with education as part of efforts to raise their awareness and knowledge, and to ensure complete awareness of our measures. The latest information is disseminated in a timely manner through an intranet website. We also provide various types of education in a collective format and through e-learning. For new employees in particular, all group companies hold individual workshops.


Information security website top screen

Compliance

We believe that ensuring proper compliance and being widely trusted by society leads to sustainable growth of METAWATER Group, as well as fosters a healthy corporate culture. Based on this understanding, we have established Compliance Rules that serve as guidelines for the Corporate Charter of Conduct, the Employees' Code of Conduct, and the compliance issues that the Group could implement and realize. In order to link these to specific action, various internal regulations have been established, ensuring thorough compliance with laws and internal rules.

Compliance Working Group

As a specialized working group under the Sustainability Committee, we have established the Compliance Working Group, which is comprised of five chief department managers and the Legal Department as the secretariat.
They are engaged in activities that include checking on and improving implementation of compliance programs, studying and developing company-wide compliance education and measures, and offering consultation on issues received from the compliance helpline. In response to these matters, we hold emergency and temporary meetings in addition to regular meetings.

Compliance Education

METAWATER Group provides compliance education in the form of classroom lectures, including company-wide e-learning, education for officers, and education for employees at different levels.
Furthermore, in previous years, lecturers visited each METAWATER office across Japan to provide company-wide education in the form of group training sessions. In FY2021, however, from the viewpoint of preventing the spread of COVID-19, company-wide education was discontinued, and company-wide e-learning and themed training videos were created and developed, etc.

FY2021 e-learning and company-wide education results	Total of 25,057 people across 9 sessions

Materiality (ESG) data

(Non-consolidated)

E Environment	Category	FY2019	FY2020	FY2021	(Units)
GHG emissions	Overall	–	6,277	7,732	t-CO_2
	Scope1	–	650	857	t-CO_2
	Scope2	–	2,904	2,726	t-CO_2
	Scope3*2	–	2,723	4,149	t-CO_2
CO_2 emission intensity (Scope 1 + 2 / Net sales)	–	–	0.038	0.035	t-CO_2/ Million yen
Energy consumption (Offices Power usage)	–	3,393	3,326	3,252	1,000 kWh
Amount of industrial waste generated	–	9,851	13,513	11,701	t
Final disposal amount of industrial waste	–	465	676	642	t
Recycling rate of industrial waste	–	95.3	95.0	94.5	%
Water consumption (offices)	–	20,421	14,706	11,838	m^3
ISO 14001 acquisition rate (Personnel basis)	–	96.6	96.5	96.3	%

*1 Scope 3: Categories 5, 6, and 7

(Non-consolidated)

G Governance	Category	FY2019	FY2020	FY2021	(Units)
Number of directors (Number of outside directors in parentheses)	Overall	9 (5)	7 (3)	7 (3)	Persons
	Male	8 (4)	6 (2)	6 (2)	Persons
	Female	1 (1)	1 (1)	1 (1)	Persons
Internal reporting contact point (Helpline) operational performance	–	7	5	7	Cases
Research and development expenses	–	2,374	2,100	2,015	Million yen

(Non-consolidated)

S Social	Category	FY2019	FY2020	FY2021	(Units)
Number of consolidated employees*2	–	3,082	3,340	3,496	Persons
Number of full-time employees	Overall	1,567	1,617	1,683	Persons
	Male	1,407	1,433	1,483	Persons
	Female	160	184	200	Persons
	(Percentage of females)	10.2	11.4	11.9	%
Number of non-full-time employees	–	510	512	560	Persons
Number of dispatched employees	–	536	535	558	Persons
Average age	Overall	43.5	43.6	42.7	Years old
	Male	44.0	44.2	43.3	Years old
	Female	40.0	39.7	38.7	Years old
Number of managers	Overall	433	438	413	Persons
	Male	424	425	401	Persons
	Female	9	13	12	Persons
Percentage of employees with disabilities	–	2.41	2.48	2.50	%
Turnover rate	–	2.8	1.8	2.1	%
Three-year retention rate for new employees	–	89	100	96	%
Average salary	–	7,798,665	7,877,444	7,930,000	Yen
Average years of service	–	18.2	17.7	17.6	Persons
Average overtime hours per month	–	16.2	20.1	17.2	Hours
Annual paid leave	Number of days granted	22.1	20.0	20.0	Days
	Number of days taken	12.4	14.2	13.9	Days
	Take-up rate	56.1	71.3	69.5	%
Number of employees taking childcare leave	Overall	16	12	19	Persons
	Male	10	8	14	Persons
	Female	6	4	5	Persons
Childcare leave take-up rate	Overall	43.2	36.0	39.6	%
	Male	19.4	12.5	32.6	%
	Female	100.0	100.0	100.0	%
Training expenses (per person)	–	95,000	70,000	80,000	Yen
Frequency rate of work-related industrial accidents	–	1.04	0.49	0.68	—
Severity rate of work-related industrial accidents*3	–	0.028	0.001	0.01	—
Social contribution expenditure	–	3,692,926	2,754,418	4,465,959	Yen
ISO 9001 acquisition rate (personnel basis)	–	96.6	96.5	96.3	%

*2 Consolidated

*3 Excluding full-year industrial accidents

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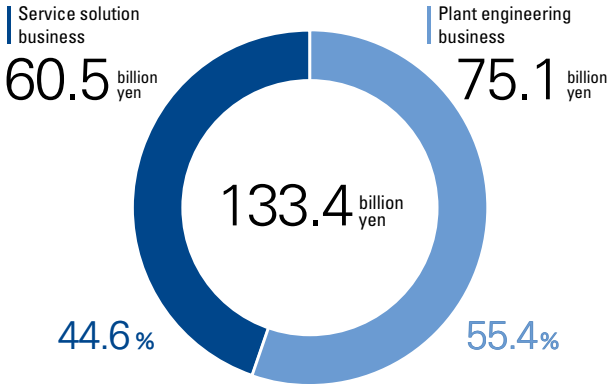
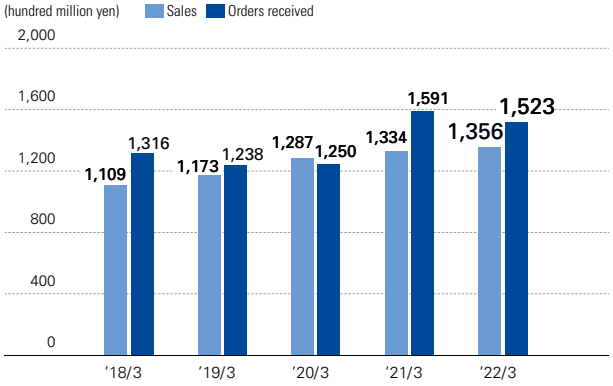
Highlights of consolidated financial results

Sales composition (FY ended March 2022)



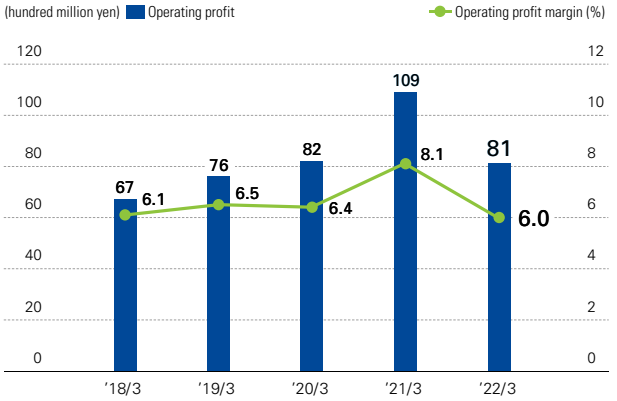
Sales / Orders received

Sales 135.6 billion yen



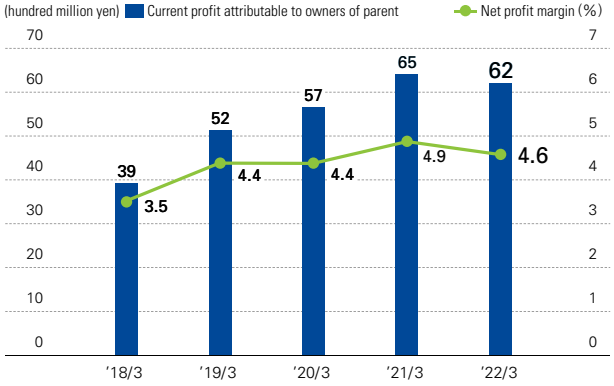
Operating profit
Operating profit margin

Operating profit 8.1 billion yen



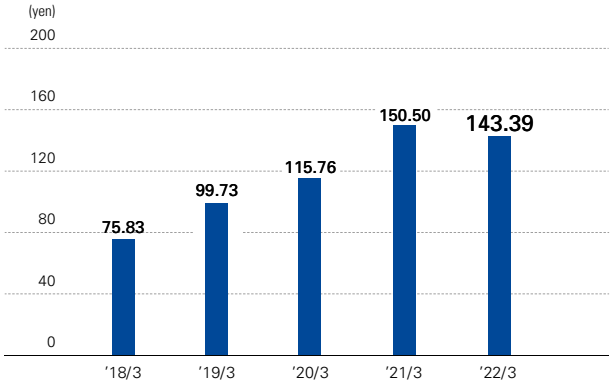
Current profit attributable to owners of parent / Net profit margin

Current profit attributable to owners of parent 6.2 billion yen



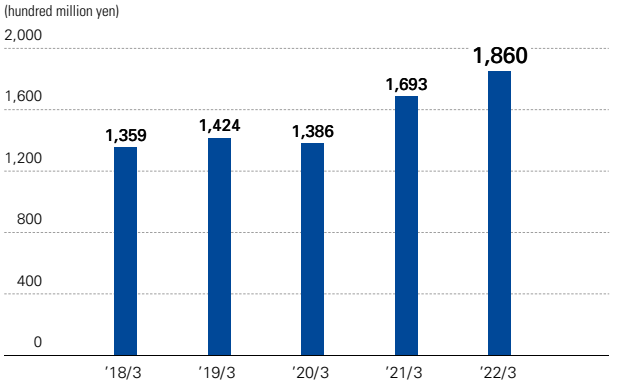
Current earnings per share*

143.39 yen



Order backlog (End of period)

186.0 billion yen

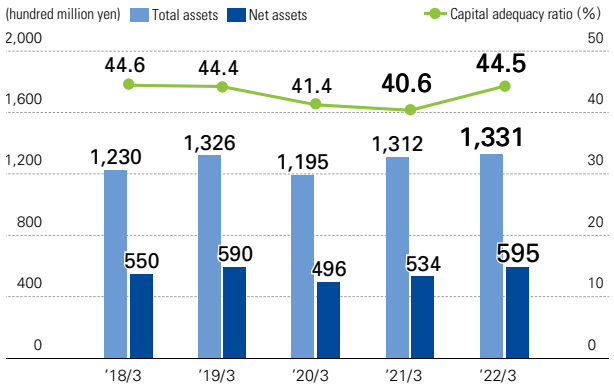


* The company carried out a 2-for-1 stock split of its common stock on October 1, 2020. Accordingly, the calculation of net assets per share and net income per share is based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

Consolidated non-financial highlights

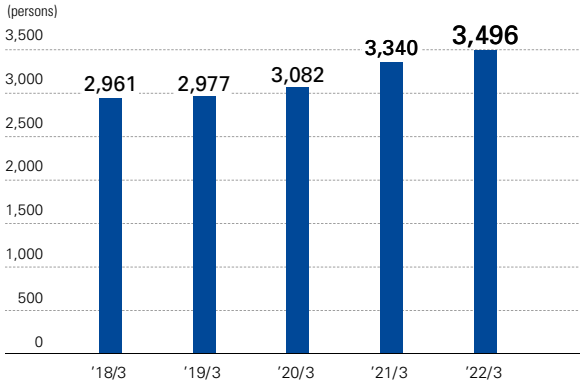
Total assets / Net assets / Capital adequacy ratio

Total assets 133.1 billion yen



Number of employees

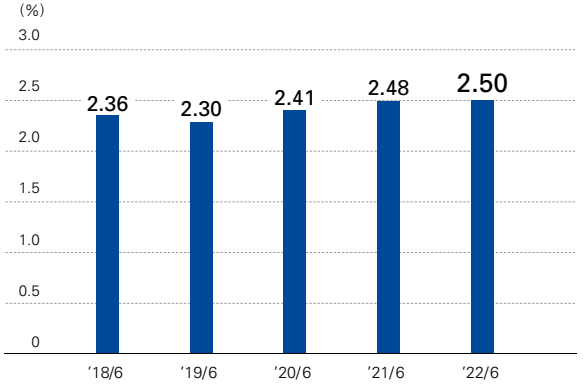
3,496 people



Percentage of employees with disabilities

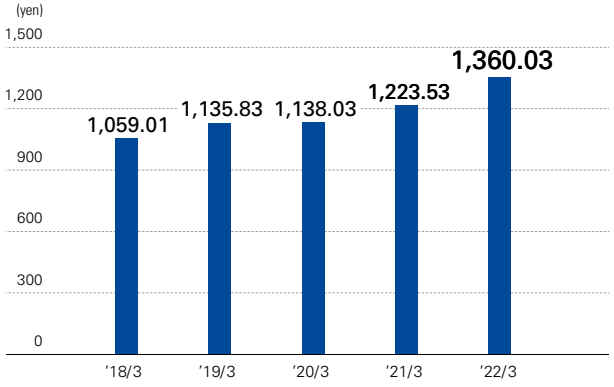
2.50 %

(non-consolidated)



Book value per share*

1,360.03 yen



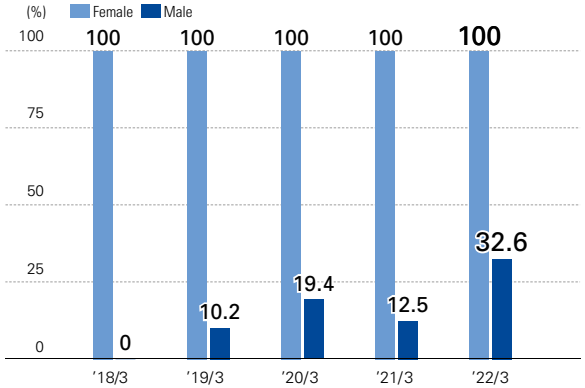
Childcare leave acquisition rate

(non-consolidated)

Male 32.6 %

Female 100.0 %

(100% rate of returning to work after taking childcare leave)

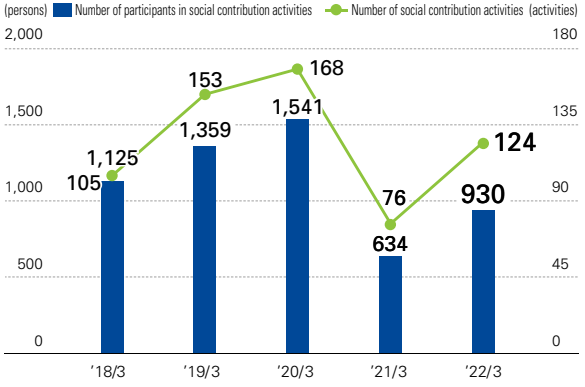


Number of participants in social contribution activities

930 people

Number of social contribution activities

124 activities



Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
Assets			
Current assets			
Cash and deposits	*4 18,777	*4 21,290	173,952
Notes and accounts receivable - trade	*1, *4 78,398	—	—
Notes and accounts receivable - trade, and contract assets	—	*1, *4 77,364	632,110
Work in process	3,209	1,721	14,061
Supplies	5,750	6,225	50,861
Other current assets	*4 3,114	*4 2,337	19,094
Total current assets	109,250	108,939	890,097
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	1,616	1,864	15,230
Machinery and equipment, net	1,259	1,149	9,388
Tools, furniture and fixtures, net	776	652	5,327
Construction in progress	81	238	1,944
Other property, plant and equipment, net	568	643	5,253
Total property, plant and equipment	*3 4,302	*3 4,548	37,159
Intangible assets			
Software	499	743	6,070
Software in progress	302	1,112	9,085
Goodwill	2,421	2,406	19,658
Customer-related assets	4,125	4,239	34,635
Right to operate public facilities	—	*4 1,000	8,170
Other intangible assets	1,032	987	8,064
Total intangible assets	8,380	10,489	85,701
Investments and other assets			
Investment securities	*2, *5 1,550	*2, *4, *5 1,846	15,082
Long-term loans receivable	*5 163	*5 148	1,209
Guarantee deposits	1,577	1,234	10,082
Assets for retirement benefits	3,185	2,946	24,070
Deferred tax assets - non-current	2,708	2,769	22,624
Other non-current assets	75	143	1,168
Total investments and other assets	9,260	9,087	74,246
Total non-current assets	21,944	24,125	197,115
Total assets	131,194	133,065	1,087,221

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
Liabilities			
Current liabilities			
Accounts payable - trade	20,585	23,829	194,697
Electronically recorded obligations	10,903	10,682	87,278
Short-term loans payable	540	903	7,378
Current portion of PFI and other projects finance loans	*4 863	*4 875	7,149
Income taxes payable	3,959	2,759	22,542
Advances received	12,664	—	—
Contract liabilities	—	7,509	61,353
Provision for warranties for completed construction	1,588	1,246	10,180
Provision for loss on construction contracts	871	919	7,508
Other current liabilities	10,613	8,255	67,448
Total current liabilities	62,590	56,980	465,560
Non-current liabilities			
Long-term loans payable	1,287	917	7,492
PFI and other projects finance loans	*4 8,986	*4, *6 9,711	79,344
Liability for retirement benefit	3,819	4,107	33,556
Other non-current liabilities	1,077	1,799	14,698
Total non-current liabilities	15,170	16,536	135,109
Total liabilities	77,761	73,516	600,669
Net assets			
Shareholders' equity			
Capital stock	11,946	11,946	97,606
Capital surplus	14,999	9,406	76,852
Retained earnings	42,725	46,380	378,952
Treasury stock	(13,988)	(7,137)	(58,313)
Total shareholders' equity	55,683	60,595	495,097
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	70	66	539
Deferred gains or losses on hedges	—	(35)	(285)
Foreign currency translation adjustment	(1,160)	(169)	(1,380)
Remeasurements of defined benefit plans	(1,327)	(1,210)	(9,886)
Total accumulated other comprehensive income	(2,417)	(1,349)	(11,022)
Non-controlling interests	166	302	2,467
Total net assets	53,432	59,548	486,543
Total liabilities and net assets	131,194	133,065	1,087,221

Consolidated Statement of Income and Statement of Comprehensive Income

[Consolidated Statement of Income]

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
Net sales	133,355	135,557	1,107,582
Cost of sales	*1 103,736	*1 107,065	874,785
Gross profit	29,619	28,491	232,788
Selling, general and administrative expenses	*2, *4 18,755	*2, *4 20,344	166,222
Operating income	10,863	8,146	66,557
Non-operating income:			
Interest income	154	141	1,152
Dividends income	48	68	555
Foreign exchange gain	56	599	4,894
Gain on step acquisition	82	—	—
Gain on liquidation of subsidiaries and affiliates	174	—	—
Miscellaneous income	36	142	1,160
Total non-operating income	552	951	7,770
Non-operating expenses:			
Interest expenses	153	158	1,290
Loss on valuation of investment securities	104	—	—
Loss on disposal of non-current assets	*3 76	*3 84	686
Commission for syndicated loans	—	91	743
Miscellaneous loss	26	12	98
Total non-operating expenses	362	347	2,835
Ordinary income	11,053	8,751	71,500
Income before income taxes	11,053	8,751	71,500
Income taxes - current	4,228	3,071	25,091
Income taxes - deferred	264	(217)	(1,773)
Total income taxes	4,492	2,853	23,310
Net income	6,560	5,897	48,182
Profit (loss) attributable to non-controlling interests	18	(347)	(2,835)
Profit attributable to owners of parent	6,542	6,245	51,025

[Consolidated Statement of Comprehensive Income]

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
Net income	6,560	5,897	48,182
Other comprehensive income			
Valuation difference on available-for-sale securities	16	(4)	(32)
Deferred gains or losses on hedges	—	(102)	(833)
Foreign currency translation adjustment	(793)	990	8,088
Remeasurements of defined benefit plans	(445)	117	955
Total other comprehensive income	*1 (1,222)	*1 1,000	8,170
Comprehensive income	5,338	6,898	56,360
(Details)			
Comprehensive income attributable to owners of parent	5,320	7,312	59,743
Comprehensive income attributable to non-controlling interests	18	(414)	(3,382)

Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	11,946	15,080	37,900	(14,289)	50,638
Changes during the year					
Dividends from surplus			(1,737)		(1,737)
Profit attributable to owners of parent			6,542		6,542
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		69		150	219
Cancellation of treasury stock		(150)		150	—
Increase in retained earnings due to change in the scope of consolidation			20		20
Changes in other equity, net					
Total changes during the year	—	(81)	4,825	300	5,044
Balance at March 31, 2021	11,946	14,999	42,725	(13,988)	55,683

(Millions of yen)

	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, 2020	54	—	(366)	(882)	(1,194)	148	49,592
Changes during the year							
Dividends from surplus							(1,737)
Profit attributable to owners of parent							6,542
Purchase of treasury stock							(0)
Disposal of treasury stock							219
Cancellation of treasury stock							—
Increase in retained earnings due to change in the scope of consolidation							20
Changes in other equity, net	16	—	(793)	(445)	(1,222)	17	(1,204)
Total changes during the year	16	—	(793)	(445)	(1,222)	17	3,840
Balance at March 31, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,432

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	11,946	14,999	42,725	(13,988)	55,683
Cumulative effects of changes in accounting policies			207		207
Restated balance at April 1, 2021	11,946	14,999	42,933	(13,988)	55,891
Changes during the year					
Dividends from surplus			(1,741)		(1,741)
Profit attributable to owners of parent			6,245		6,245
Purchase of treasury stock				(0)	(0)
Cancellation of treasury stock		(5,603)	(1,200)	6,804	—
Restricted stock compensation		10		46	56
Net increase/decrease by merger with non-consolidated subsidiaries			144		144
Changes in other equity, net					
Total changes during the year	—	(5,593)	3,447	6,850	4,704
Balance at March 31, 2022	11,946	9,406	46,380	(7,137)	60,595

(Millions of yen)

	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, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,432
Cumulative effects of changes in accounting policies							207
Restated balance at April 1, 2021	70	—	(1,160)	(1,327)	(2,417)	166	53,640
Changes during the year							
Dividends from surplus							(1,741)
Profit attributable to owners of parent							6,245
Purchase of treasury stock							(0)
Cancellation of treasury stock							—
Restricted stock compensation							56
Net increase/decrease by merger with non-consolidated subsidiaries							144
Changes in other equity, net	(4)	(35)	990	117	1,067	135	1,203
Total changes during the year	(4)	(35)	990	117	1,067	135	5,908
Balance at March 31, 2022	66	(35)	(169)	(1,210)	(1,349)	302	59,548

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	97,606	122,550	349,088	(114,290)	454,963
Cumulative effects of changes in accounting policies			1,691		1,691
Restated balance at April 1, 2021	97,606	122,550	350,788	(114,290)	456,663
Changes during the year					
Dividends from surplus			(14,225)		(14,225)
Profit attributable to owners of parent			51,025		51,025
Purchase of treasury stock				(0)	(0)
Cancellation of treasury stock		(45,779)	(9,804)	55,592	—
Restricted stock compensation		81		375	457
Net increase/decrease by merger with non-consolidated subsidiaries			1,176		1,176
Changes in other equity, net					
Total changes during the year	—	(45,698)	28,164	55,968	38,434
Balance at March 31, 2022	97,606	76,852	378,952	(58,313)	495,097

(Thousands of U.S. dollars)

	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at April 1, 2021	571	—	(9,477)	(10,842)	(19,748)	1,356	436,571
Cumulative effects of changes in accounting policies							1,691
Restated balance at April 1, 2021	571	—	(9,477)	(10,842)	(19,748)	1,356	438,271
Changes during the year							
Dividends from surplus							(14,225)
Profit attributable to owners of parent							51,025
Purchase of treasury stock							(0)
Cancellation of treasury stock							—
Restricted stock compensation							457
Net increase/decrease by merger with non-consolidated subsidiaries							1,176
Changes in other equity, net	(32)	(285)	8,088	955	8,718	1,103	9,829
Total changes during the year	(32)	(285)	8,088	955	8,718	1,103	48,271
Balance at March 31, 2022	539	(285)	(1,380)	(9,886)	(11,022)	2,467	486,543

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Income before income taxes	11,053	8,751	71,500
Depreciation	1,247	1,469	12,002
Amortization of goodwill	193	242	1,977
Increase/(decrease) in liabilities for retirement benefits	(2)	134	1,094
(Increase)/decrease in assets for retirement benefits	79	81	661
Increase/(decrease) in provision for warranties for completed construction	274	(394)	(3,219)
Increase/(decrease) in provision for loss on construction contracts	291	48	392
Interest income and dividends income	(203)	(210)	(1,715)
Interest expenses	153	158	1,290
Foreign exchange (gain)/loss	(56)	(599)	(4,894)
(Gain)/loss on step acquisition	(82)	—	—
(Gain)/loss on liquidation of subsidiaries and affiliates	(174)	—	—
Loss on disposal of property, plant and equipment	76	84	686
Loss/(gain) on valuation of investment securities	109	—	—
(Increase)/decrease in notes and accounts receivable	111	—	—
(Increase)/decrease in notes and accounts receivable and contract assets	—	3,121	25,500
(Increase)/decrease in inventory	(717)	276	2,255
Increase/(decrease) in notes and accounts payable - trade	(821)	2,252	18,400
Increase/(decrease) in advances received	3,597	—	—
Increase/(decrease) in contract liabilities	—	(5,207)	(42,544)
Other cash flows from operating activities	(2,240)	671	5,482
Subtotal	12,890	10,879	88,887
Interest and dividends income received	203	210	1,715
Interest expenses paid	(161)	(161)	(1,315)
Income taxes paid	(2,527)	(4,292)	(35,068)
Net cash provided by operating activities	10,404	6,635	54,211
Cash flows from investing activities			
Net (increase)/decrease in time deposits	36	56	457
Purchase of property, plant and equipment	(735)	(1,206)	(9,853)
Purchase of intangible assets	30	(1,577)	(12,885)
Purchase of right to operate public facilities	—	(1,000)	(8,170)
Purchase of investment securities	(293)	(445)	(3,635)
Acquisition of newly consolidated subsidiaries	(2,564)	—	—
Liquidation of subsidiaries and affiliates	330	—	—
Payments of loans receivable	(9)	(33)	(269)
Collection of loans receivable	24	48	392
Other cash flows from investing activities	(72)	310	2,532
Net cash used in investing activities	(3,252)	(3,846)	(31,424)

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
Cash flows from financing activities			
Proceeds from short-term loans payable	258	381	3,112
Repayments of short-term loans payable	(283)	(577)	(4,714)
Proceeds from PFI and other projects finance loans	—	1,600	13,072
Repayments of PFI and other projects finance loans	(855)	(863)	(7,051)
Disposal of treasury stock	219	—	—
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(1,737)	(1,741)	(14,225)
Proceeds from share issuance to non-controlling interests	—	520	4,248
Cash dividends paid to non-controlling interests	(1)	(1)	(8)
Other cash flows from financing activities	295	54	441
Net cash used in financing activities	(2,103)	(628)	(5,131)
Effect of exchange rate change on cash and cash equivalents	119	224	1,830
Net increase/(decrease) in cash and cash equivalents	5,168	2,385	19,486
Cash and cash equivalents at April 1	12,876	18,044	147,430
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	—	183	1,495
Cash and cash equivalents at March 31	*1 18,044	*1 20,613	168,420

[Notes to Consolidated Financial Statements]
(Basis of Presentation)
The accompanying consolidated financial statements of METAWATER Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

(Presentation of Amounts in the Consolidated Financial Statements)
The yen amounts are truncated at millions and U.S. dollar amounts are rounded off in thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥122.39 to US$1.00, prevailing on March 31, 2022, has been used for translation into U.S. dollar amounts in the financial statements. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that or any other rate.

(Principles of Consolidation)
The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

As of March 31, 2022, the numbers of consolidated subsidiaries were 13 (16 in 2021). K.K. Mizumusubi Management Miyagi is among those newly added to the scope of consolidation from the fiscal year ended March 31, 2022 following its establishment. In addition, the number of affiliated companies which have been accounted for by the equity method as of March 31, 2022 was two. K.K. Mizumusubi Service Miyagi is newly added to the scope of application of the equity method from the fiscal year ended March 31, 2022 following its establishment. Non-consolidated subsidiaries whose combined assets, net sales, profit and retained earnings are not significant in the related consolidated totals, have not been consolidated with the Company. Investments in non-consolidated subsidiaries and affiliated companies which have immaterial effect on the consolidated financial statements are accounted for at cost without applying the equity method of accounting. METAWATER USA, INC. and 8 other subsidiaries are consolidated using their financial statements as of their fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation.

(Summary of Significant Accounting Policies)
1. Valuation standard and methods for significant assets
(1) Securities
1) Available-for-sale securities
Securities other than shares, etc. that do not have a market price
Securities other than shares, etc. that do not have a market price are stated at fair value. Any unrealized gain or loss, net of applicable taxes is reported as a component of accumulated other comprehensive income. The cost of securities sold is calculated using the moving average method.
Shares, etc. that do not have a market price
Shares, etc. that do not have a market price are stated at cost using the moving average method.
(2) Inventory
1) Supplies
Supplies are stated at cost using the weighted average method. (Balance sheet amounts are written down on the basis of any decreased profitability.)
2) Work in process
Work in process is stated at cost using the individual identification method.
(3) Derivatives
Derivatives are stated at fair value.

2. Method of depreciation and amortization
(1) Property, plant and equipment
Depreciation of property, plant and equipment is mainly computed by the declining-balance method over the applicable useful lives. However, the buildings acquired on and after April 1, 1998 (excluding accompanying facilities) and the accompanying facilities and structures acquired on and after April 1, 2016 are depreciated by the straight-line method. Useful lives of assets are principally as follows:
Buildings and structures: 2 to 50 years
Machinery and equipment: 2 to 17 years
(2) Intangible assets
Intangible assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Customer-related assets are amortized by the straight-line method over the estimated useful life of 17 to 19 years. Right to operate public facilities is amortized by the straight-line method over the concession period of 20 years.

3. Accounting standard for significant allowances and provisions
(1) Allowance for doubtful accounts
To provide for potential loss on receivables, the Company provides an allowance for the expected amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis and records an allowance for the amount of debt expected to be unrecoverable. Allowance for doubtful accounts was not recorded at the end of the fiscal year ended March 31, 2022.
(2) Provision for warranties for completed construction
The Company records provision for warranties for completed construction based on the estimated amount of future warranties for construction revenue in order to provide for costs of free-of-charge repair under defect liability for contract construction.
(3) Provision for loss on construction contracts
In order to provide for potential loss on construction contracts, the Company records provision for loss on construction contracts at an estimated amount of loss on contracts undelivered at the end of the fiscal year, loss of which are expected to be incurred and such expected amount of loss can be reasonably estimated.

4. Accounting method for retirement benefits
(1) Method of allocating projected retirement benefit obligation
In calculating the retirement benefit obligation, the benefit formula basis is used to allocate the projected retirement benefit obligation to the estimated periods of service of the eligible employees until the end of the fiscal year.
(2) Method for amortizing actuarial gain or loss and prior service cost
Prior service cost is amortized as incurred by the straight-line method over a period not exceeding the estimated average remaining service period of employees (10 to 14 years) at the time of occurrence.

Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized, amortized by the straight-line method over a period not exceeding the average remaining service period of the employees (5 to 14 years) at the time of occurrence.

5. Recognition for revenue and cost

The main performance obligations in the Plant Engineering Business are design and construction of water and sewage treatment plants in Japan and overseas, and design, manufacture, and sale of various types of equipment used in these plants. The main performance obligations in the Service Solutions Business are provision of various services such as repair, operation and control of water and sewage treatment plants and waste treatment facilities in Japan. These performance obligations are deemed to be satisfied over time. Revenue is recognized over time by measuring the progress towards satisfaction of the performance obligations (the progress towards satisfaction of performance obligations is estimated using the cost-based input method). The progress towards satisfaction of the performance obligations is determined based on the percentage of the cost incurred by the end of the fiscal year to the estimated total cost of the contract. When the progress cannot be reasonably estimated, revenue is recognized on a cost recovery basis only to the extent of costs incurred that are expected to be recovered. In the Service Solutions Business, when the invoice amount (the right to invoice) directly corresponds to the amount of consideration for the portion of performance completed, revenue is recognized at the amount that the Company has the right to invoice. The progress towards satisfaction of performance obligations is appropriately reviewed at the end of the fiscal year.

6. Foreign currency translation

Monetary receivables and payables in foreign currencies are translated into yen using the spot exchange rates on the consolidated balance sheet date, and translation adjustments are recorded as gains or losses. For foreign subsidiaries assets and liabilities are translated into yen using the spot exchange rates on the consolidated balance sheet date; revenues and expenses are translated into yen using the average exchange rates during the period; and translation adjustments are included in foreign currency translation adjustment under net assets.

7. Hedge accounting

(1) Hedge accounting method

The deferred hedge accounting method is applied. However, when interest rate swaps meet the requirements for short-cut method, the accounting is applied to them.

(2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Interest on loans payable

(3) Hedging policy

Interest rate swaps are used on some of loans payable from financial institutions to avoid risks resulting from interest rate fluctuation.

(4) Method for evaluating hedging effectiveness

The evaluation of hedging effectiveness is performed by comparing market changes in hedged items or cumulative changes in cash flows with market changes in hedging instruments or cumulative changes in cash flows to observe the ratio of such changes.

However, the evaluation of hedging effectiveness is omitted for cases where material conditions regarding hedging instruments and hedged items are the same and therefore the hedge is considered highly effective, as well as for interest rate swaps that apply the short-cut method.

8. The amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over a period of 10 or 15 years.

9. Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash at hand, demand deposits at banks, and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of three months or less.

(Significant Accounting Estimates)

Revenue recognized over time based on the estimated progress towards satisfaction of performance obligations

1. Amounts recorded on the consolidated financial statements for the fiscal year ended March 31, 2022

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Net sales	33,448	41,294	337,396
Balance in contract assets	18,453	24,472	199,950

(Note) The above amounts represent construction contracts and provision of services based on construction contracts for which revenue is recognized over time based on the estimated progress towards satisfaction of performance obligations (hereinafter "construction contracts, etc."), and which are incomplete, undelivered, or uncompleted as of the end of the fiscal year ended March 31, 2022. (Contracts for which all performance obligations have been satisfied are not included. In addition, the above amounts do not include contracts for which revenue is recognized on a cost recovery basis only to the extent of costs incurred that are expected to be recovered when the progress cannot be reasonably estimated.)

2. Other information that contributes to the understanding of users of consolidated financial statements

(1) Calculation method

The Group recognizes revenue for construction contracts, etc. over time based on the estimated progress towards satisfaction of performance obligations (the progress towards satisfaction of performance obligations is estimated using the cost-based input method). The progress towards satisfaction of the performance obligations is determined based on the percentage of the cost incurred by the end of the fiscal year to the estimated total cost of the contract.

(2) Key assumptions

The total cost is estimated by accumulating objective prices in detail, such as estimates obtained from external parties and internally approved standard unit prices. The estimated total cost is a key assumption, because the estimation involves certain assumptions based on the professional knowledge and experience of construction contracts, etc.

(3) Impact on the consolidated financial statements for the following fiscal year

Since construction contracts, etc. generally continue for a long-term period, a contract may change during the course of construction contracts, etc., and material costs and labor costs may fluctuate. In such cases, changes in the progress towards satisfaction of performance obligations associated with changes in the estimated total cost may have an impact on the revenue to be recognized on the consolidated financial statements for the following fiscal year.

(Changes in Accounting Policies)

(1) "Accounting Standard for Revenue Recognition," etc.

The Company has applied ASBJ Statement No. 29 "Accounting Standard for Revenue Recognition" (March 31, 2020; hereinafter the "Revenue Recognition Standard"), etc., from the beginning of the fiscal year ended March 31, 2022. The Company recognizes revenue at an amount expected to be received in exchange for the promised goods or services at the time when control of such goods or services is transferred to a customer.

Accordingly, while the Company previously adopted the percentage-of-completion method for construction contracts whose outcome can be estimated reliably, when control of goods or services is transferred to a customer over time, the Company has changed to a method of recognizing revenue over time as it satisfies its performance obligations to transfer the goods or services to the customer. The progress towards satisfaction of performance obligations is measured based on the percentage of the cost incurred by the end of each reporting period to the total cost of construction. When the progress towards satisfaction of performance obligations cannot be reasonably estimated but the costs incurred are expected to be recovered, revenue is recognized on a cost recovery basis.

The Company has applied the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retrospectively applying the new accounting policies to previous fiscal years is adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies applied from the beginning balance. However, the Company has applied the method provided for in Paragraph 86 of the Revenue Recognition Standard, and has not applied the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the previous method.

As a result, for the fiscal year ended March 31, 2022, net sales increased by ¥247 million (US$2,018 thousand), cost of sales increased by ¥308 million (US$2,516 thousand), operating income, ordinary income and income before income taxes decreased by ¥60 million (US$490 thousand), respectively. In addition, the beginning balance of retained earnings increased by ¥207 million (US$1,691 thousand). For the fiscal year ended March 31, 2022, net assets per share increased by ¥3.80 (US$0.03), and net income per share decreased by ¥0.97 (US$0.00). In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not presented.

Due to the application of the Revenue Recognition Standard, etc., "Notes and accounts receivable - trade," which was presented under "Current assets" in the consolidated balance sheets for the previous fiscal year, has been included in "Notes and accounts receivable - trade, and contract assets" from the fiscal year ended March 31, 2022. In addition, "Advances received," which was presented under "Current liabilities," has been included in "Contract liabilities" from the fiscal year ended March 31, 2022.

(2) "Accounting Standard for Fair Value Measurement," etc.

The Company has applied ASBJ Statement No. 30 "Accounting Standard for Fair Value Measurement" (July 4, 2019; hereinafter the "Fair Value Measurement Standard"), etc., from the beginning of the fiscal year ended March 31, 2022. The Company will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (July 4, 2019). There is no impact of the consolidated financial statements for the fiscal year ended March 31, 2022.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, these notes do not provide matters pertaining to the previous fiscal year in accordance with the transitional treatment provided for in Paragraph 7-4 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (July 4, 2019).

(Unapplied Accounting Standards, etc.)

- ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement" (June 17, 2021)

(1) Outline

The implementation guidance provides treatments of measurement of the fair value of investment trusts and relevant notes, as well as treatments of notes on fair value of investments in partnerships, etc., for which equity interests are recorded on a net basis on the balance sheets.

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of application of the accounting standard, etc.

The impact of application of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the consolidated financial statements is currently under evaluation.

(Notes to Consolidated Balance Sheets)

*1. Among notes and accounts receivable - trade, and contract assets, amounts of receivables from contracts with customers and contract assets are as follows:

	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Notes receivable - trade	336	2,745
Accounts receivable - trade	52,555	429,405
Contract assets	24,472	199,950

*2. Investments in non-consolidated subsidiaries and affiliated companies are as follows:

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Investment securities	921	1,156	9,445

*3. Accumulated depreciation of property, plant and equipment

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Accumulated depreciation of property, plant and equipment	4,655	5,281	43,148

*4. "Current portion of PFI and other project finance loans" and "PFI and other project finance loans" are loans payable secured by the PFI business from financial institutions to WATER NEXT YOKOHAMA Co., Ltd., which is a special purpose company established for the PFI business and the Company's consolidated subsidiary, and other consolidated subsidiaries.

The amounts of assets including accounts receivable of the special purpose company corresponding to the above PFI and other project finance loans are as follows:

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Cash and deposits	1,612	2,357	19,258
Notes and accounts receivable - trade	10,883	10,225	83,544
Right to operate public facilities	—	1,000	8,170
Investments in subsidiaries and affiliates	—	30	245
Total	12,496	13,613	111,226

The following assets eliminated in the consolidation procedures are pledged as security.

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Investments in subsidiaries	152	432	3,529
Long-term loans receivable	409	635	5,188
Total	561	1,068	8,726

*5. The following assets are pledged as security for PFI and other project finance loans to subsidiaries and affiliated companies operating the PFI business (non-consolidated).

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Investment securities	280	405	3,309
Long-term loans receivable	147	130	1,062
Total	428	535	4,371

*6. Term loan agreement with commitment period

K.K. Mizumusubi Management Miyagi, a consolidated subsidiary of the Company, has entered into a term loan agreement with a commitment period with Sumitomo Mitsui Trust Bank, Limited as the arranger under the "Preferred Loan Agreement for the Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project" as of February 16, 2022.

Unused lines of credit based on this agreement as of the end of the fiscal year ended March 31, 2022 are as follows:

(1) Term loan agreement with commitment period

	(Millions of yen)	(Thousands of U.S. dollars)
Total amount of term loan agreement with commitment period	8,900	72,718
Lines of credit used	1,600	13,072
Balance	7,300	59,645

(2) Financial covenants

The following financial covenants are included in the "Preferred Loan Agreement for the Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project" as of February 16, 2022.

1) The Company shall maintain a DSCR (cash flows before principal and interest payments divided by principal and interest payments on loans) of 1.1 or more for the fiscal year from April 1, 2028 to March 31, 2029 as the initial calculation period and for each fiscal year thereafter.
2) The debt-to-equity ratio shall not exceed 4.0.

*7. Guarantees of indebtedness

The Company provides guarantees to the following companies for their loans payable from financial institutions.

(1) Guarantee for loans payable

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Osaka Bioenergy Co., Ltd.	108	91	743

(2) Performance guarantee

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Ariake Water Management Co., Ltd.	38	45	367
Aizuwakamatsu Aqua Partner Co., Ltd.	483	458	3,742
Sasebo Aqua Solution Co., Ltd.	214	199	1,625
Sorami Bio Partners Co., Ltd.	63	65	531
Northern Akita Eco-resource Management Co., Ltd.	17	18	147
Ofunato Sewer Management Co., Ltd.	14	14	114
Gotemba Oyama Eco Partners Co., Ltd.	14	14	114
WATER CIRCLE KUMAMOTO K.K.	270	270	2,206
Edogawa Water Service Co., Ltd.	—	33	269
Total	1,116	1,119	9,142

(Notes to Consolidated Statement of Income)

*1. Provision for loss on construction contracts included in cost of sales are as follows:

Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
203	563	4,600

*2. The major items and their amounts of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Salaries and allowances	4,917	5,131	41,923
Bonuses	1,797	1,750	14,298
Retirement benefit expenses	(289)	443	3,619
Provision for warranties for completed construction	254	329	2,688
Research and development expenses	2,100	2,015	16,463

*3. The details of loss on disposal of non-current assets are as follows:

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Loss on sales and retirement of machinery and equipment	Loss on sales and retirement of machinery and equipment

*4. Total amount of research and development expenses included in general and administrative expenses and in production cost in the fiscal year are as follows:

Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
2,100	2,015	16,463

(Notes to Consolidated Statement of Comprehensive Income)

*1. The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2022 and 2021

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Valuation difference on available-for-sale securities			
Amount arising during the year	25	(6)	(49)
Reclassification adjustments	—	—	—
Amount before tax effect	25	(6)	(49)
Tax effect	(8)	2	16
Valuation difference on available-for-sale securities	16	(4)	(32)
Deferred gains or losses on hedges			
Amount arising during the year	—	(148)	(1,209)
Reclassification adjustments	—	—	—
Amount before tax effect	—	(148)	(1,209)
Tax effect	—	45	367
Deferred gains or losses on hedges	—	(102)	(833)
Foreign currency translation adjustment			
Amount recognized during the year	(793)	990	8,088
Remeasurements of defined benefit plans			
Amount recognized during the year	1,205	(289)	(2,361)
Reclassification adjustments	(1,846)	459	3,750
Before tax effect adjustment	(641)	169	1,380
Tax effects	196	(51)	(416)
Remeasurements of defined benefit plans	(445)	117	955
Total other comprehensive income	(1,222)	1,000	8,170

(Notes to Consolidated Statement of Changes in Shareholders' Equity)

Fiscal year ended March 31, 2021

1. Shares issued

Type of shares	Number of shares as of April 1, 2020	Increase	Decrease	Number of shares as of March 31, 2021
Common stock (shares)	25,923,500	25,923,500	88,500	51,758,500

(Details of the changes)
Increase resulting from a 2-for-1 split for each share of common stock conducted on October 1, 2020: 25,923,500 shares
Decrease resulting from the cancellation of treasury stock conducted on January 29, 2021: 88,500 shares

2. Treasury stock

Type of shares	Number of shares as of April 1, 2020	Increase	Decrease	Number of shares as of March 31, 2021
Common stock (shares)	4,200,186	4,200,246	177,000	8,223,432

(Details of the changes)
Increase resulting from purchase of shares less than one unit: 30 shares
Increase resulting from a 2-for-1 split for each share of common stock conducted on October 1, 2020: 4,200,216 shares
Decrease resulting from the disposal of treasury stock conducted on January 15, 2021: 88,500 shares
Decrease resulting from the cancellation of treasury stock conducted on January 29, 2021: 88,500 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 21, 2020	Common stock	868	40.00	March 31, 2020	June 5, 2020
Board of Directors' meeting held on November 11, 2020	Common stock	868	40.00	September 30, 2020	December 2, 2020

(Note) The Company conducted a 2-for-1 split for each share of common stock on October 1, 2020. The amounts of dividend per share in accordance with resolutions made at the Board of Directors' meetings held on May 21, 2020 and November 11, 2020 represent the amounts before the stock split.

(2) Dividends whose record date falls in the fiscal year ended March 31, 2021, but whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 20, 2021	Common stock	Retained earnings	870	20.00	March 31, 2021	June 4, 2021

(Note) The Company conducted a 2-for-1 split for each share of common stock on October 1, 2020. The amount of dividend per share in accordance with the resolution made at the Board of Directors' meeting held on May 20, 2021 represents the amount after the stock split.

Fiscal year ended March 31, 2022

1. Shares issued

Type of shares	Number of shares as of April 1, 2021	Increase	Decrease	Number of shares as of March 31, 2022
Common stock (shares)	51,758,500	—	4,000,000	47,758,500

(Details of the changes)
Decrease resulting from the cancellation of treasury stock conducted on November 19, 2021: 4,000,000 shares

2. Treasury stock

Type of shares	Number of shares as of April 1, 2021	Increase	Decrease	Number of shares as of March 31, 2022
Common stock (shares)	8,223,432	32	4,027,400	4,196,064

(Details of the changes)
Increase resulting from purchase of shares less than one unit: 32 shares
Decrease resulting from the disposal of treasury stock conducted on July 21, 2021: 27,400 shares
Decrease resulting from the cancellation of treasury stock conducted on November 19, 2021: 4,000,000 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 20, 2021	Common stock	870	20.00	March 31, 2021	June 4, 2021
Board of Directors' meeting held on November 11, 2021	Common stock	871	20.00	September 30, 2021	December 2, 2021

Resolution	Type of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Cut-off date	Effective date
Board of Directors' meeting held on May 20, 2021	Common stock	7,108	0.16	March 31, 2021	June 4, 2021
Board of Directors' meeting held on November 11, 2021	Common stock	7,116	0.16	September 30, 2021	December 2, 2021

(2) Dividends whose record date falls in the fiscal year ended March 31, 2022, but whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 19, 2022	Common stock	Retained earnings	871	20.00	March 31, 2022	June 3, 2022

Resolution	Type of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Cut-off date	Effective date
Board of Directors' meeting held on May 19, 2022	Common stock	Retained earnings	7,116	0.16	March 31, 2022	June 3, 2022

(Notes to Consolidated Statement of Cash Flows)

*1. Cash and cash equivalents in the consolidated statement of cash flows are reconciled to cash and deposits in the consolidated balance sheets as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Cash and deposits	18,777	21,290	173,952
Time deposits with maturities of over three months	(733)	(677)	(5,531)
Cash and cash equivalents	18,044	20,613	168,420

(Financial Instruments)

1. Overview

(1) Group policy for financial instruments

The Group restricts its fund management to short-term deposits and raises funds through loans from financial institutions including banks. Derivatives are used for receivables and payables arising from transactions associated with the actual demand, and the Group does not intend to make speculative transactions.

(2) Type of financial instruments, related risk and risk management system

Although notes and accounts receivable - trade are exposed to customer credit risk, the Group works to reduce such risk in accordance with credit management rules. Although trade receivables in foreign currencies arising from overseas operations are exposed to currency fluctuation risk, they are hedged with forward foreign currency contracts where necessary.

Investment securities are mainly limited to shares of companies with which the Group has built a business relationship. Listed stocks are exposed to risk of fluctuation in the market value, while they are marked to market on a quarterly basis.

The payment terms of accounts payable - trade and electronically recorded obligations are mostly one year or less than one year.

Although some of trade payables are denominated in foreign currencies and are exposed to currency fluctuation risk, they are hedged with forward foreign currency contracts where necessary.

Loans payable are mainly used for the acquisition of shares of subsidiaries and business operations, with the maximum maturity period of 10 years after the balance sheet date. PFI and other project finance loans are intended to raise funds for specific businesses such as the PFI business, with the maximum maturity period of 14 years and 8 months after the accounting period. Although some of PFI and other project finance loans are exposed to risk of interest rate fluctuation, while they are hedged with derivatives (interest rate swaps).

Derivatives include forward foreign currency contracts which are used to hedge currency fluctuation risk associated with trade receivables and payables, and interest rate swaps which are used to hedge risk of fluctuation in interest on loans payable. The deferred hedge accounting method is applied for interest rate swaps. However, the short-cut method is applied when interest rate swaps meet the requirements for the short-cut method. Please see "Hedge accounting" under "Summary of Significant Accounting Policies" above for information on hedging instruments and hedged items, hedging policy, and method for evaluating hedging effectiveness.

2. Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2022 and 2021 and estimated fair value are shown in the following table.

The note on cash is omitted. The notes on deposits, notes receivable - trade, accounts payable - trade, electronically recorded obligations, short-term loans payable, and current portion of PFI and other projects finance loans are omitted, since the fair value approximates their carrying amounts due to the short maturity period of the instruments.

As of March 31, 2021

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Accounts receivable - trade	77,948	77,905	(43)
Investment securities	135	135	—
Total assets	78,084	78,084	(43)
Long-term loans payable	1,287	1,321	34
PFI and other projects finance loans	8,986	9,181	195
Total liabilities	10,273	10,503	229

(*1) Shares, etc. that do not have a market price are not included in "Investment securities." The amount of such financial instruments recorded in the consolidated balance sheets is as follows:

Category	As of March 31, 2021 (Millions of yen)
Unlisted stocks	1,414

As of March 31, 2022

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Accounts receivable - trade	52,555	52,457	(97)
Investment securities	128	128	—
Total assets	52,683	52,586	(97)
Long-term loans payable	917	956	38
PFI and other projects finance loans	9,711	9,827	116
Total liabilities	10,629	10,783	154
Derivatives (*2)	(148)	(148)	—

	Carrying value (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Accounts receivable - trade	429,405	428,605	(792)
Investment securities	1,045	1,045	—
Total assets	430,451	429,659	(792)
Long-term loans payable	7,492	7,811	310
PFI and other projects finance loans	79,344	80,292	947
Total liabilities	86,845	88,103	1,258
Derivatives (*2)	(1,209)	(1,209)	—

(*1) Shares, etc. that do not have a market price are not included in "Investment securities." The amount of such financial instruments recorded in the consolidated balance sheets is as follows:

Category	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Unlisted stocks	1,717	14,028

(*2) Net receivables and payables arising from derivative transactions are shown on a net basis, and items that are net liabilities in total are shown in parentheses.

(Note 1) The redemption schedule for monetary receivables subsequent to the consolidated closing date

As of March 31, 2021

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	18,777	—	—	—
Notes and accounts receivable - trade	67,518	4,121	3,755	3,002
Total	86,296	4,121	3,755	3,002

As of March 31, 2022

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	21,290	—	—	—
Notes receivable - trade	336	—	—	—
Accounts receivable - trade	42,333	3,492	3,960	1,517
Total	63,961	3,492	3,960	1,517

	Due in one year or less (Thousands of U.S. dollars)	Due after one year through five years (Thousands of U.S. dollars)	Due after five years through ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	173,952	—	—	—
Notes receivable - trade	2,745	—	—	—
Accounts receivable - trade	345,886	28,531	32,355	12,394
Total	522,599	28,531	32,355	12,394

(Note 2) The repayment schedule for loans payable and PFI and other project finance loans subsequent to the consolidated closing date

As of March 31, 2021

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years through fifteen years (Millions of yen)	Due after fifteen years (Millions of yen)
Loans payable	540	1,287	—	—	—
PFI and other projects finance loans	863	3,265	3,675	2,045	—
Total	1,403	4,552	3,675	2,045	—

As of March 31, 2022

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years through fifteen years (Millions of yen)	Due after fifteen years (Millions of yen)
Loans payable	903	917	—	—	—
PFI and other projects finance loans	875	3,132	4,107	1,977	493
Total	1,778	4,050	4,107	1,977	493

	Due in one year or less (Thousands of U.S. dollars)	Due after one year through five years (Thousands of U.S. dollars)	Due after five years through ten years (Thousands of U.S. dollars)	Due after ten years through fifteen years (Thousands of U.S. dollars)	Due after fifteen years (Thousands of U.S. dollars)
Loans payable	7,378	7,492	—	—	—
PFI and other projects finance loans	7,149	25,590	33,556	16,153	4,028
Total	14,527	33,090	33,556	16,153	4,028

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the fair value measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded in the consolidated balance sheets at fair value

As of March 31, 2022

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	128	—	—	128
Total assets	128	—	—	128
Derivatives	—	148	—	148
Total liabilities	—	148	—	148

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities	1,045	—	—	1,045
Total assets	1,045	—	—	1,045
Derivatives	—	1,209	—	1,209
Total liabilities	—	1,209	—	1,209

(2) Financial instruments other than those recorded in the consolidated balance sheets at fair value
As of March 31, 2022

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	52,457	—	52,457
Total assets	—	52,457	—	52,457
Long-term loans payable	—	956	—	956
PFI and other projects finance loans	—	9,827	—	9,827
Total liabilities	—	10,783	—	10,783

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	428,605	—	428,605
Total assets	—	428,605	—	428,605
Long-term loans payable	—	7,811	—	7,811
PFI and other projects finance loans	—	80,292	—	80,292
Total liabilities	—	88,103	—	88,103

(Note) Description of the valuation techniques and inputs used in the fair value measurement

Assets

Accounts receivable - trade

The fair value of accounts receivable - trade is calculated using the discounted present value method based on the amount of each receivable classified by a certain period and a discount rate that reflects the credit risk and the period until the maturity, and is classified as Level 2.

Investment securities

Listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Liabilities

Derivatives

The fair value of interest rate swaps is based on the quoted price obtained from the counterparty financial institution, and is classified as Level 2.

Since interest rate swaps applying the short-cut method are treated together with PFI and other project finance loans, etc. that are subject to hedging, their fair value is included in the fair value of PFI and other project finance loans.

Long-term loans payable and PFI and other project finance loans

The fair value of long-term loans payable and PFI and other project finance loans is calculated using the discounted present value method based on the aggregate value of principal and interest and a discount rate that reflects the credit risk and the remaining period of the liabilities, and is classified as Level 2.

(Securities)

Available-for-sale securities

As of March 31, 2021

Category	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	135	33	102
Total	135	33	102

As of March 31, 2022

Category	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	128	33	95
Total	128	33	95

Category	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Unrealized gain (loss) (Thousands of U.S. dollars)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	1,045	269	776
Total	1,045	269	776

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

No items to report.

2. Derivative transactions to which hedge accounting is applied

Interest rate-related derivatives

As of March 31, 2021

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	Long-term loans payable	691	553	(Note)
	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	9,029	8,244	(Note)
Total			9,721	8,798	

(Note) Since interest rate swaps to which short-cut method is applied are accounted together with long-term loans payable and PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of such long-term loans payable and PFI and other project finance loans.

As of March 31, 2022

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Principle method	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	800	800	(148)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	Long-term loans payable	611	458	(Note 2)
	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	8,244	7,447	(Note 2)
Total			9,656	8,706	

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Thousands of U.S. dollars)	Contract amount due after one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Principle method	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	6,536	6,536	(1,209)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	Long-term loans payable	4,992	3,742	(Note 2)
	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	67,358	60,846	(Note 2)
Total			78,895	71,133	

(Notes) 1. Method of calculating fair value

The fair value is mainly calculated based on the quoted price obtained from the counterparty financial institution.

2. Since interest rate swaps to which short-cut method is applied are accounted together with long-term loans payable and PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of such long-term loans payable and PFI and other project finance loans.

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company has lump-sum payment plans and a contract-type corporate pension plan as its defined benefit plan. In addition, the Company has a defined contribution pension plan. The Company has established a retirement benefit trust.

Certain overseas consolidated subsidiaries have a defined benefit or defined contribution plan.

Certain domestic consolidated subsidiary has The Smaller Enterprise Retirement Allowance Mutual Aid Scheme. In addition to such scheme, certain domestic consolidated subsidiary has a retirement benefit plan under which such subsidiary pays additional retirement benefits to employees who meet the prescribed requirements upon their retirement.

In certain cases, the Group may also pay additional retirement benefits that are not subject to any actuarial calculations.

2. Defined benefit plans

(1) The changes in the retirement benefit obligation are as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	17,396	17,881	146,098
Service cost	695	719	5,874
Interest cost	154	159	1,299
Actuarial gain and loss	289	143	1,168
Retirement benefits paid	(603)	(618)	(5,049)
Other	(50)	110	898
Retirement benefit obligation at the end of the year	17,881	18,395	150,298

(2) The changes in plan assets are as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Plan assets at fair value at the beginning of the year	15,544	17,247	140,918
Expected return on plan assets	171	192	1,568
Actuarial gain and loss	1,412	(136)	(1,111)
Contribution by the companies	665	389	3,178
Retirement benefits paid	(538)	(547)	(4,469)
Other	(8)	87	710
Plan assets at fair value at the end of the year	17,247	17,233	140,803

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2021 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Funded retirement benefit obligation	15,361	15,805	129,136
Plan assets at fair value	(17,247)	(17,233)	(140,803)
	(1,885)	(1,427)	(11,659)
Unfunded retirement benefit obligation	2,519	2,589	21,153
Net amount of liabilities and assets recognized in the consolidated balance sheet	634	1,161	9,486
Liability for retirement benefit	3,819	4,107	33,556
Assets for retirement benefits	3,185	2,946	24,070
Net amount of liabilities and assets recognized in the consolidated balance sheet	634	1,161	9,486

(4) The components of retirement benefit expenses are as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Service cost	695	719	5,874
Interest cost	154	159	1,299
Expected return on plan assets	(171)	(192)	(1,568)
Amortization of actuarial gain or loss	(1,772)	448	3,660
Amortization of prior service cost	7	—	—
Other	(33)	—	—
Retirement benefit expenses	(1,120)	1,135	9,273

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) are as follows:

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Prior service cost	7	—	—
Actuarial gain and loss	(649)	169	1,380
Total	(641)	169	1,380

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) are as follows:

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Unrecognized prior service cost	—	—	—
Unrecognized actuarial gain and loss	1,913	1,744	14,249
Total	1,913	1,744	14,249

(7) The fair value of plan assets, by major category as a percentage of total plan assets are as follows:

	As of March 31, 2021	As of March 31, 2022
Stocks	16%	5%
Bonds	29	39
General accounts	17	18
Cash and deposits	25	19
Other	10	16
Total	100	100

(Note) Retirement benefit trust established for the corporate pension plans is included and equivalent to 9.4% of total amount of plan assets as of March 31, 2021 and 4.8% as of March 31, 2022.

The long-term expected rate of return on plan assets have been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rates	0.2–1.2%	0.2–1.2%
Long-term expected rates of return on plan assets	Mainly 1.5	Mainly 1.5
Expected rates of salary increase	1.2–8.5	1.5–8.5

3. Defined contribution plans

Contributions of defined contribution plans for the fiscal years ended March 31, 2021 and 2022 were ¥279 million and ¥294 million (US$2,402 thousand), respectively.

(Income Taxes)

1. The significant components of deferred tax assets and deferred tax liabilities

	As of March 31, 2021 (Millions of yen)	As of March 31, 2022 (Millions of yen)	As of March 31, 2022 (Thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	275	211	1,723
Accrued bonuses	968	979	7,999
Provision for loss on construction contracts	275	288	2,353
Provision for warranties for completed construction	434	324	2,647
Excess of depreciation	287	153	1,250
Liability for retirement benefit	189	366	2,990
Unused tax losses (Note 2)	178	243	1,985
Other	914	931	7,606
Subtotal	3,524	3,497	28,572
Valuation allowance for unused tax losses (Note 2)	(319)	(11)	(89)
Valuation allowance for the total amount of deductible temporary differences	(177)	(380)	(3,104)
Valuation allowance subtotal (Note 1)	(497)	(392)	(3,202)
Total deferred tax assets	3,027	3,105	25,369
Deferred tax liabilities:			
Customer-related assets	(451)	(481)	(3,930)
Other	(438)	(442)	(3,611)
Total deferred tax liabilities	(890)	(924)	(7,549)
Net deferred tax assets (liabilities)	2,137	2,180	17,811

(Notes) 1. The valuation allowance has decreased by ¥105 million (US$857 thousand). This decrease mainly consists of the additional recognition of the valuation allowance relating to the provision for loss on construction contracts in the amount of ¥69 million (US$563 thousand) at the Company, and the reversal of the valuation allowance for unused tax losses in the amount of ¥165 million (US$1,348 thousand) at a consolidated subsidiary, METAWATER USA, INC.

2. Amounts of unused tax losses and deferred tax assets by carryforward period

As of March 31, 2021

	One year or less (Millions of yen)	After one year through two years (Millions of yen)	After two years through three years (Millions of yen)	After three years through four years (Millions of yen)	After four years through five years (Millions of yen)	After five years (Millions of yen)	Total (Millions of yen)
Unused tax losses (a)	—	—	2	0	0	176	178
Valuation allowance	—	—	(2)	(0)	(0)	(175)	(177)
Deferred tax assets	—	—	—	—	—	1	1

(a) Unused tax losses are multiplied by the effective statutory tax rate.

As of March 31, 2022

	One year or less (Millions of yen)	After one year through two years (Millions of yen)	After two years through three years (Millions of yen)	After three years through four years (Millions of yen)	After four years through five years (Millions of yen)	After five years (Millions of yen)	Total (Millions of yen)
Unused tax losses (a)	2	0	0	3	—	236	243
Valuation allowance	(2)	(0)	(0)	(3)	—	(4)	(11)
Deferred tax assets	—	—	—	—	—	231	231

	One year or less (Thousands of U.S. dollars)	After one year through two years (Thousands of U.S. dollars)	After two years through three years (Thousands of U.S. dollars)	After three years through four years (Thousands of U.S. dollars)	After four years through five years (Thousands of U.S. dollars)	After five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Unused tax losses (a)	16	0	0	24	—	1,928	1,985
Valuation allowance	(16)	(0)	(0)	(24)	—	(32)	(89)
Deferred tax assets	—	—	—	—	—	1,887	1,887

(a) Unused tax losses are multiplied by the effective statutory tax rate.

2. The breakdown of major items that caused differences between the effective statutory tax rate and the effective income tax rate

	As of March 31, 2021	As of March 31, 2022
Effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanently non-deductible items such as entertainment expenses	14.1	0.9
Permanently non-taxable items such as dividends income	(0.9)	(0.2)
Per capita inhabitants' tax	0.6	0.8
Tax credit for experiment and research expenses	(4.0)	(1.3)
Changes in valuation allowance	1.0	0.7
Difference in tax rates of domestic consolidated subsidiaries	0.6	0.9
Difference in tax rates of overseas consolidated subsidiaries	(0.2)	(0.4)
Other	(1.1)	0.6
Effective income tax rate	40.6	32.6

(Asset Retirement Obligations)

The Group recognizes asset retirement obligations to restore corporate offices to their original condition upon termination of their lease contracts. However, the statement is omitted because the total amount of the asset retirement obligations is immaterial.

Regarding some of the obligation to restore corporate offices to their original condition, the Group estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

(Public Facility Operation Projects)

(1) Overview of right to operate public facilities

Public facility operation projects conducted by K.K. Mizumusubi Management Miyagi, a consolidated subsidiary, as an operating right holder, are as follows:

Public facilities, etc. to be operated	The following assets in Miyagi Prefecture: 1) Osaki wide-area water supply project assets (water intake facilities, water pipeline facilities, water purification facilities, and water transmission facilities) 2) Sennan and Senen wide-area water supply project assets (water intake facilities, water pipeline facilities, water purification facilities, and water transmission facilities) 3) Senen industrial water project assets (water intake facilities, water pipeline facilities, water purification facilities, and water distribution facilities) 4) Sendai area industrial water project assets (water intake facilities and water distribution facilities) 5) North Sendai industrial water project assets (water intake facilities, water pipeline facilities, water purification facilities, and water distribution facilities) 6) Senen basin sewerage project assets (wastewater facilities and treatment facilities) 7) Abukuma River downstream sewerage project assets (wastewater facilities and treatment facilities) 8) Naruse River basin sewerage project assets (wastewater facilities and treatment facilities) 9) Yoshida River basin sewerage project assets (wastewater facilities and treatment facilities)
Method of payment of consideration for the operating right provided for in the implementation contract	Lump-sum payment of consideration for the operating right at the time of acquisition of the right
Concession period	20 years from April 1, 2022 to March 31, 2042
Remaining concession period	20 years from April 1, 2022 to March 31, 2042

(2) Amortization method for right to operate public facilities

Right to operate public facilities will be amortized by the straight-line method over the concession period of 20 years.

(3) Matters related to replacement investment

1) Details of major replacement investment and scheduled timing thereof

The major replacement investment consists of monitoring and control equipment, etc., which is expected to be replaced sequentially from April 1, 2022 over the concession period.

2) Method of recording assets related to replacement investment

When a replacement investment is made, the amount of expenditure related to the portion falling under capital expenditure will be recorded as intangible assets.

3) Method of depreciating assets related to replacement investment

Assets related to replacement investment will be depreciated by the straight-line method over the economic life of the replacement investment (or over the remaining concession period, if the economic life of the replacement investment exceeds the remaining concession period of the right to operate public facilities).

4) Description and amount of the portion of replacement investment expected to be made in the following fiscal year and thereafter that constitutes capital expenditures

From the following fiscal year over the concession period, necessary replacement investment will be made sequentially. Specific details are as follows:

- Investment, etc. to replace water supply and industrial waterworks facilities

In the following fiscal year, the Group expects to make ¥987 million (US$8,064 thousand) replacement investment.

(Revenue Recognition)

(1) Information on disaggregation of revenue

Net sales of the Group primarily consist of revenues recognized from contracts with customers. The breakdown of net sales of the Group's reportable segments by regional market for goods or services is as follows:

(Millions of yen)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	57,499	60,477	117,977
The United States	12,646	—	12,646
Other	4,933	—	4,933
Sales to third parties	75,079	60,477	135,557

(Thousands of U.S. dollars)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	469,801	494,133	963,943
The United States	103,325	—	103,325
Other	40,305	—	40,305
Sales to third parties	613,440	494,133	1,107,582

(2) Useful information in understanding revenue

Revenue is recognized as presented in "(Summary of Significant Accounting Policies), 5. Recognition for revenue and cost." The major revenue recognition methods for products or services in each segment are as follows:

The main performance obligations in the Plant Engineering Business are design and construction of water and sewage treatment plant facilities in Japan and overseas, and design, manufacture, and sale of various types of equipment used in these facilities.

The main performance obligations in the Service Solutions Business are provision of various services such as repair, operation and control of water and sewage treatment plant facilities and waste treatment facilities in Japan.

When a contract involves multiple goods or services, the Company decides the unit of accounting by determining whether the performance obligations are separate.

When there is a change in the scope or price (or both) of a contract approved by the parties to the contract, the Company determines whether the change shall be accounted for as a "separate contract" or a "change in the original contract."

The transaction price is calculated based on the amount of consideration expected to be entitled in exchange for goods or services. The transaction price is allocated to the performance obligations based on their relative stand-alone selling prices. If stand-alone selling prices cannot be directly observed, stand-alone selling prices are estimated based on the costs incurred to satisfy the performance obligations, and by adding an amount equal to the appropriate profit of the goods or services.

The main performance obligations of the Plant Engineering Business and the Service Solutions Business are deemed to be satisfied over time. Revenue is recognized over time based on the estimated progress towards satisfaction of the performance obligations (the progress towards satisfaction of performance obligations is estimated using the cost-based input method). In the Service Solutions Business, when the invoice amount (the right to invoice) directly corresponds to the amount of consideration for the portion of performance completed, revenue is recognized at the amount that the Company has the right to invoice.

(3) Useful information in understanding amounts of revenue in the current and subsequent fiscal years

1) Balances, etc. of contract assets and contract liabilities

Contract assets represent the right of the Company and its consolidated subsidiaries to receive consideration in exchange for goods or services transferred by the Company and its consolidated subsidiaries to customers. Contract assets are reclassified to accounts receivable - trade when the rights to consideration of the Company and its consolidated subsidiaries become unconditional.

Contract liabilities represent advances received from customers based on payment terms for the Company and its consolidated subsidiaries' obligation to transfer goods or services to the customers. Contract liabilities are reversed as revenue is recognized.

The balance of contract assets is shown in the "(Notes to Consolidated Balance Sheets)."

Revenue recognized in the fiscal year ended March 31, 2022 that was included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2022 was ¥5,573 million (US$45,534 thousand).

The amount of revenue recognized in the fiscal year ended March 31, 2022 from performance obligations that were satisfied in previous periods is immaterial.

2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to performance obligations that have not been satisfied (or partially satisfied) as of March 31, 2022 is ¥186,029 million (US$1,519,968 thousand), of which approximately 80% is expected to be recognized as revenue within three years.

(Segment Information)
[Segment Information]
1. Outline of reportable segment
The Company's segments represent components of the Company 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 divisions by its products and services at the corporate office, each of which operates under comprehensive domestic and overseas 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 for each reportable segment
Accounting treatment applied to the business segment reported is generally consistent with accounting treatment stated in "Important Matters for Basis of Preparation of Consolidated Financial Statements".
In addition, segment income is determined based on operating income, which is consistent with operating income for the consolidated statement of income.

As presented in changes in accounting policies, the Company has applied ASBJ Statement No. 29 "Accounting Standard for Revenue Recognition" (March 31, 2020), etc., from the beginning of the fiscal year ended March 31, 2022, and has changed the accounting treatment for revenue recognition. Therefore, the measurement method of income or loss of business segments has been changed in the same way.

As a result, net sales of the Plant Engineering Business increased by ¥463 million (US$3,782 thousand), and net sales of the Service Solutions Business decreased by ¥215 million (US$1,756 thousand) for the fiscal year ended March 31, 2022, compared with the previous method. In addition, segment income of the Plant Engineering Business increased by ¥50 million (US$408 thousand), and segment income of the Service Solutions Business decreased by ¥111 million (US$906 thousand).

3. Sales, income or loss, assets, liabilities and other items by reportable segment
Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	76,462	56,893	133,355	—	133,355
Inter-segment sales and transfers	—	—	—	—	—
Net sales	76,462	56,893	133,355	—	133,355
Segment income	5,538	5,325	10,863	—	10,863
Segment assets	56,295	54,527	110,822	20,371	131,194
Other items					
Depreciation	722	525	1,247	—	1,247
Capital expenditures	1,056	560	1,617	—	1,617

(Note) The amount of corporate assets included in adjustments of segment assets is ¥20,371 million. The corporate assets mainly represent cash and deposits and investment securities.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	75,079	60,477	135,557	—	135,557
Inter-segment sales and transfers	—	—	—	—	—
Net sales	75,079	60,477	135,557	—	135,557
Segment income	2,103	6,042	8,146	—	8,146
Segment assets	59,833	49,752	109,586	23,479	133,065
Other items					
Depreciation	841	627	1,469	—	1,469
Capital expenditures	1,146	1,842	2,989	—	2,989

(Thousands of U.S. dollars)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	613,440	494,133	1,107,582	—	1,107,582
Inter-segment sales and transfers	—	—	—	—	—
Net sales	613,440	494,133	1,107,582	—	1,107,582
Segment income	17,182	49,366	66,557	—	66,557
Segment assets	488,871	406,503	895,383	191,837	1,087,221
Other items					
Depreciation	6,871	5,122	12,002	—	12,002
Capital expenditures	9,363	15,050	24,421	—	24,421

(Note) The amount of corporate assets included in adjustments of segment assets is ¥23,479 million (US$191,837 thousand). The corporate assets mainly represent cash and deposits and investments in subsidiaries and affiliates.

[Related Information]
Fiscal year ended March 31, 2021
1. Information by products and services
A description is omitted because similar information has been disclosed under segment information.

2. Information by region
(1) Net sales

(Millions of yen)

Japan	The United States	Other	Total
119,057	11,396	2,901	133,355

(Note) Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

(Millions of yen)

Japan	The United States	Switzerland	Other	Total
1,780	1,756	448	316	4,302

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	19,655	Plant Engineering Business Service Solutions Business

Fiscal year ended March 31, 2022
1. Information by products and services
A description is omitted because similar information has been disclosed under segment information.

2. Information by region
(1) Net sales

(Millions of yen)

Japan	The United States	Other	Total
117,977	12,646	4,933	135,557

(Thousands of U.S. dollars)

Japan	The United States	Other	Total
963,943	103,325	40,305	1,107,582

(Note) Net sales are classified by country or region based on the customer's location.

(2) Property, plant and equipment

(Millions of yen)

Japan	The United States	Switzerland	Other	Total
1,679	2,101	479	287	4,548

(Thousands of U.S. dollars)

Japan	The United States	Switzerland	Other	Total
13,718	17,166	3,913	2,344	37,159

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	21,075	Plant Engineering Business Service Solutions Business

(Thousands of U.S. dollars)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	172,195	Plant Engineering Business Service Solutions Business

[Information about Impairment Loss on Non-current Assets by Reportable Segment]
Fiscal year ended March 31, 2021
No items to report.

Fiscal year ended March 31, 2022
No items to report.

[Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment]
Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	193	—	193	—	193
Unamortized balance	2,421	—	2,421	—	2,421

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	242	—	242	—	242
Unamortized balance	2,406	—	2,406	—	2,406

(Thousands of U.S. dollars)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	1,977	—	1,977	—	1,977
Unamortized balance	19,658	—	19,658	—	19,658

[Information about Gain on Bargain Purchase by Reportable Segment]
Fiscal year ended March 31, 2021
No items to report.

Fiscal year ended March 31, 2022
No items to report.

(Related Party Information)
Fiscal year ended March 31, 2021
1. Business transactions with related parties
(1) Business transactions between the company filing the consolidated financial statements and related parties
Non-consolidated subsidiaries and affiliated companies of the company filing the consolidated financial statements

Category	Related party	Address	Capital stock or contributions (Millions of yen)	Type of business	Percentage of voting rights holding (held) (%)	Relationship	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at the end of year (Millions of yen)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	69,849	Development, manufacture, and sale of products related to electric power, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 24.4	Purchase of products	Purchase of products (Note 1, 2)	1,053	Accounts payable - trade	832
						Concurrent holding of positions by officers				
Other affiliate	FUJI ELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586	Development, production, and sale of products related to power electronics systems energy, power electronics systems industry, electronic devices, food distribution and power plant, and provision of services related thereto	(Held) Direct 24.4	Purchase of products	Purchase of products (Note 1, 2)	8,533	Accounts payable - trade	2,984
Subsidiary of other affiliate	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD.	Saiwai-ku, Kawasaki-shi	1,970	Design and execution of construction of plant facilities, air conditioning/ electricity/building/ incidental facilities, and telecommunications	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	1,521	Accounts receivable - trade	1,120
						Entrustment of the Company's construction contracts	Entrustment of construction contracts (Note 1, 2)	5,404	Accounts payable - trade	1,646
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100	Sale, installation, and repair of electrical machinery and apparatus/control systems and electronic components	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	685	Accounts receivable - trade	641

(Note) Transaction terms and the policy to determine transaction terms
Transaction terms such as prices are determined through negotiation in each case based on a quotation as is the case with general transactions, as well as by reference to actual situation of the market.

(2) Business transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties
No items to report.

2. Note concerning the parent company or significant affiliated companies
No items to report.

Fiscal year ended March 31, 2022
1. Business transactions with related parties
(1) Business transactions between the company filing the consolidated financial statements and related parties
Non-consolidated subsidiaries and affiliated companies of the company filing the consolidated financial statements

Category	Related party	Address	Capital stock or contributions (Millions of yen)	Type of business	Percentage of voting rights holding (held) (%)	Relationship	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at the end of year (Millions of yen)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	69,849 (US$570,708 thousand)	Development, manufacture, and sale of products related to energy infrastructure, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 24.4	Purchase of products	Purchase of products (Note 1, 2)	1,267 (US$10,352 thousand)	Accounts payable - trade	1,123 (US$9,175 thousand)
Other affiliate	FUJI ELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586 (US$388,806 thousand)	Development, production, and sale of products related to power electronics systems energy, power electronics systems industry, electronic devices, food distribution and power plant, and provision of services related thereto	(Held) Direct 24.3	Purchase of products	Purchase of products (Note 1, 2)	9,448 (US$77,195 thousand)	Accounts payable - trade	5,122 (US$41,849 thousand)
Subsidiary of other affiliate	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD.	Saiwai-ku, Kawasaki-shi	1,970 (US$16,096 thousand)	Design and execution of construction of plant facilities, air conditioning/ electricity/building/ incidental facilities, and telecommunications	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	1,586 (US$12,958 thousand)	Accounts receivable - trade	1,244 (US$10,164 thousand)
						Entrustment of the Company's construction contracts	Entrustment of construction contracts (Note 1, 2)	5,410 (US$44,202 thousand)	Accounts payable - trade	2,015 (US$16,463 thousand)
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100 (US$817 thousand)	Sale, installation, and repair of electrical machinery and apparatus/control systems and electronic components	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	944 (US$7,713 thousand)	Accounts receivable - trade	949 (US$7,753 thousand)

(Note) Transaction terms and the policy to determine transaction terms
Transaction terms such as prices are determined through negotiation in each case based on a quotation as is the case with general transactions, as well as by reference to actual situation of the market.

(2) Business transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties
No items to report.

2. Note concerning the parent company or significant affiliated companies
No items to report.

(Per Share Information)

	Fiscal year ended March 31, 2021 (Yen)	Fiscal year ended March 31, 2022 (Yen)	Fiscal year ended March 31, 2022 (U.S. dollars)
Net assets per share	1,223.53	1,360.03	11.11
Net income per share	150.50	143.39	1.17

(Notes) 1. Diluted net income per share is not presented as there are no diluted shares.
2. The Company conducted a 2-for-1 split for each share of common stock on October 1, 2020. Net income per share is calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
3. As presented in "Changes in Accounting Policies," the Company has applied the "Accounting Standard for Revenue Recognition," etc. As a result, for the fiscal year ended March 31, 2022, net assets per share increased by ¥3.80 (US$0.03), and net income per share decreased by ¥0.97 (US$0.00).
4. Net income per share is calculated on the following basis.

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Net income per share			
Profit attributable to owners of parent	6,542	6,245	51,025
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	6,542	6,245	51,025
Average number of shares outstanding during the period (number of shares)	43,468,404	43,554,126	355,863,436

5. Net assets per share are calculated on the following basis.

	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2022 (Thousands of U.S. dollars)
Total net assets	53,432	59,548	486,543
Deduction from total net assets	166	302	2,467
(Non-controlling interests included in the above)	(166)	(302)	(2,467)
Net assets attributable to shares of common stock	53,266	59,246	484,075
Number of common stock used for calculation of net assets per share (number of shares)	43,535,068	43,562,436	355,931,334

(Significant Subsequent Event)
(Capital Increase of Subsidiary)
The Group completed the payment for a capital increase to K.K. Mizumusubi Management Miyagi, a consolidated subsidiary of the Company, on April 11, 2022, in accordance with the resolution of the Board of Directors' meeting held on April 27, 2021.
(1) Purpose of the capital increase
The purpose of the capital increase is to use the funds for investments in the consolidated subsidiary and to stabilize the subsidiary's financial base by increasing its equity capital.
(2) Overview of the subject company
1) Name: K.K. Mizumusubi Management Miyagi
2) Location: 27-21 Tachimachi, Aoba-ku, Sendai, Miyagi
3) Representative: Masashi Sakai, President and CEO
4) Business: Implementation of three projects and nine individual projects (two water supply projects, three industrial water projects, and four basin sewerage projects) as the operation company for the Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project
5) Capital stock: ¥400 million (US$3,268 thousand) (before the capital increase)
Legal capital surplus: ¥400 million (US$3,268 thousand) (before the capital increase)
6) Establishment: May 2021
7) Capital contribution ratio: 35.0% (before the capital increase)
(3) Overview of the capital increase
1) Capital stock after the capital increase: ¥1,009 million (US$8,244 thousand)
Legal capital surplus after the capital increase: ¥1,009 million (US$8,244 thousand)
2) Amount paid by the Group: ¥426 million (US$3,480 thousand)
3) Payment date: April 11, 2022
4) Capital contribution ratio after the capital increase: 35.0%

5. [Supplementary Schedules]
[Schedule of Bonds]
No items to report.

[Schedule of Loans]

Category	Balance as of April 1, 2021 (Millions of yen)	Balance as of March 31, 2022 (Millions of yen)	Balance as of April 1, 2021 (Thousands of U.S. dollars)	Balance as of March 31, 2022 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans payable	540	903	4,412	7,378	2.18	—
Current portion of PFI and other project finance loans	863	875	7,051	7,149	1.06	—
Long-term loans payable	1,287	917	10,515	7,492	2.15	April 25, 2024 to January 14, 2026
PFI and other projects finance loans	8,986	9,711	73,421	79,344	1.19	June 22, 2026 to March 31, 2041
Total	11,677	12,407	95,408	101,372	—	—

(Notes) 1. "Average interest rate" is stated at weighted average interest rate on the balance of loans payable at the end of the fiscal year.
2. Repayment schedule for long-term loans payable and PFI and other project finance loans (excluding current portion) per year for five years subsequent to the consolidated balance sheet date

Category	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Long-term loans payable	305	305	305	—
PFI and other projects finance loans	886	698	808	744

Category	Due after one year through two years (Thousands of U.S. dollars)	Due after two years through three years (Thousands of U.S. dollars)	Due after three years through four years (Thousands of U.S. dollars)	Due after four years through five years (Thousands of U.S. dollars)
Long-term loans payable	2,492	2,492	2,492	—
PFI and other projects finance loans	7,239	5,703	6,601	6,078

[Schedule of Asset Retirement Obligations]
No items to report.

History

2008~2010

Apr-08

Establishment of METAWATER Group

METAWATER

METAWATER Group was established as a comprehensive engineering enterprise engaged in the water and environment fields by a merger between the water and environment operating subsidiaries of the NGK Group and Fuji Electric Group.

Apr-08

Established the Europe Representative Office in Germany (relocated to the Netherlands in 2014)

Jul-09

Acquired the environment business of Kurimoto Technos aimed at strengthening and expanding the resource and environment busines

Sep-10

METAWATER SERVICE Co., Ltd. took over the sewage works business of the CHUGAI RO Group

Oct-10

Established a representative office in Hanoi, Vietnam

2011~2013

Apr-11

Launched a new business called Water Business Cloud (WBC) to support the water and wastewater business

WBC Water Business Cloud

Jan-13

METAWATER USA, INC. was established in the United States as METAWATER Group's first overseas subsidiary

Apr-13

Relocated the Head Office from Toranomon, Minato-ku, Tokyo to Kanda-sudacho, Chiyoda-ku, Tokyo

Apr-13

Established a representative office in Phnom Penh, Cambodia

Jul-13

Undertook capital increase of System IO Co., a subsidiary of Nihon Suido Consultants Co., Ltd.

Aug-13

Formed capital and business alliance by undertaking third-party allocation of shares of Rood Wit Blauw Holding B.V. in the Netherlands

Net sales exceeded JPY 100.0 billion

Business alliance and collaboration

PWNT B.V. (the Netherlands)

2014~2015

Apr-14

HyBrid Chemical Co., Ltd. in the chemical business was established based on joint investment between a subsidiary of the Tsukishima Kikai Group and METAWATER SERVICE Co., Ltd.

Sep-14

Established METAWATER TECH Co., Ltd. engaging in maintenance and management of water and wastewater facilities

Listed on the First Section of the Tokyo Stock Exchange

Business alliance and collaboration

HORIBA, Ltd.

Nagaoka International Corporation

Jan-15

Ozone generating system commenced operation at the Wylie Water Treatment Plant in Texas, one of the world's largest water treatment plants

Sep-15

The TBS Radio program "METAWATER Presents Mizuoto Sketch" began airing

Business alliance and collaboration

NTT DATA

2016~2018

Jan-16

Converted a U.S. water-treatment engineering company, Aqua-Aerobic Systems, Inc., and its subsidiary into wholly-owned subsidiaries

Dec-16

Acquired ISO 55001 (asset management system) certification

Nov-17

Established the "Facility Operator Training Center" in anticipation of further comprehensiveness and wider area management in the water and wastewater business

Nov-17

Created the "Island" satellite space as part of work style reforms

Jun-18

Announced new corporate philosophy, "Continue, to make it sustainable."

2019~2021

Oct-19

Acquired treasury stock and conducted tender offer for treasury stock

Jan-20

Signed naming rights agreement with Nagoya City Sewerage Science Museum

Nov-20

Acquired all shares of Rood Wit Blauw Holding B.V. of the Netherlands

Jan-21

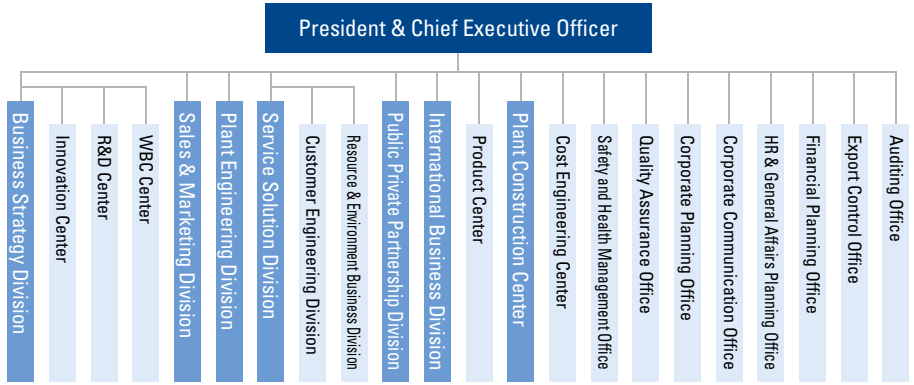
Disposed of treasury stock by third-party allotment and retired treasury stock

Company overview

Corporate Overview

Company Name	METAWATER Co., Ltd.
English Name	METAWATER Co., Ltd.
Main Business Activities	Design and construction of equipment for water treatment plants, sewage treatment plants, and waste treatment facilities; design, manufacture, and sale of various devices; implementation of repair work; provision of services including operation management.
Construction Industry Qualifications	Civil engineering work, building work, electrical work, plumbing work, tile, brick and block work, machine and equipment installation work, telecommunication work, water and sewage facilities work,sanitation facilities work.
Establishment	April 1, 2008
Chairman and Representative Director	Kenji Yamaguchi
Number of employee	3,496 *As of March 31, 2022, consolidated
List of bases	**Head Office** JR Kanda Manseibashi Bldg., 1-25 Kandasuda-cho, Chiyoda-ku, Tokyo 101-0041 TEL:+81-(0)3-6853-7300 **Hino Branch** 3-1-30 Asahigaoka, Hino, Tokyo 191-0065 TEL:+81-(0)42-589-6900 **Nagoya Branch** Nagoya Prime Central Tower, 2-27-8 Meieki, Nishi-ku, Nagoya, Aichi 451-0045 TEL:+81-(0)52-884-6800 **Main sales bases** Tokyo (Headquarters), Sapporo, Sendai, Yokohama, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka
R&D Centers	Handa (Aichi), Ichihara (Chiba), Chiyoda-ku (Tokyo)
Main group companies	METAWATER SERVICES Co., Ltd.* METAWATER USA, INC.* Aqua-Aerobic Systems, Inc.* Wigen Companies, Inc.* Mecana Umwelttechnik GmbH* FUCHS Enprotec GmbH* Rood Wit Blauw Holding B.V.* METAWATER TECH Co., Ltd. Akebono Engineering Co. Techno Clean Hokuso Co.* SIC Co., Ltd. Water Next Yokohama Co., Ltd.* Aqua Service Aichi Co.* Santo Co., Ltd. K.K. Mizumusubi Management Miyagi* *: Scope of consolidated statemen
Overseas bases	United States, Netherlands, Switzerland, Germany, Vietnam, Cambodia

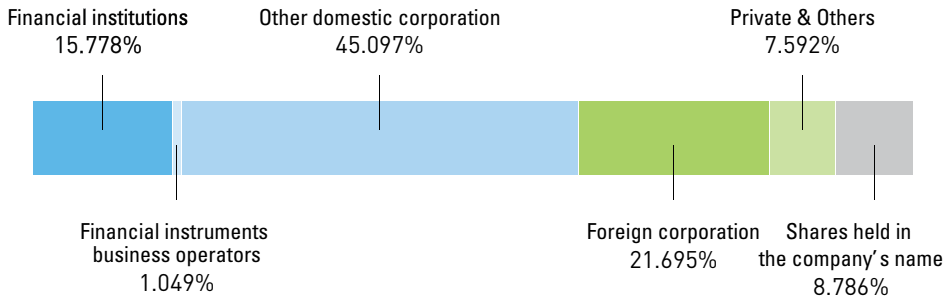
Organization



Stock-related matters As of March 31, 2022

Stock Exchange listing	Prime Market of the Tokyo Stock Exchange Industrial Classification Electric Power and Gas. (code: 9551)
Total number of authorized shares	140,000,000 shares
Total number of issued shares	47,758,500 shares (Including 4,196,064 shares of treasury stock)
Number of shareholders	6,667

Breakdown of shareholders



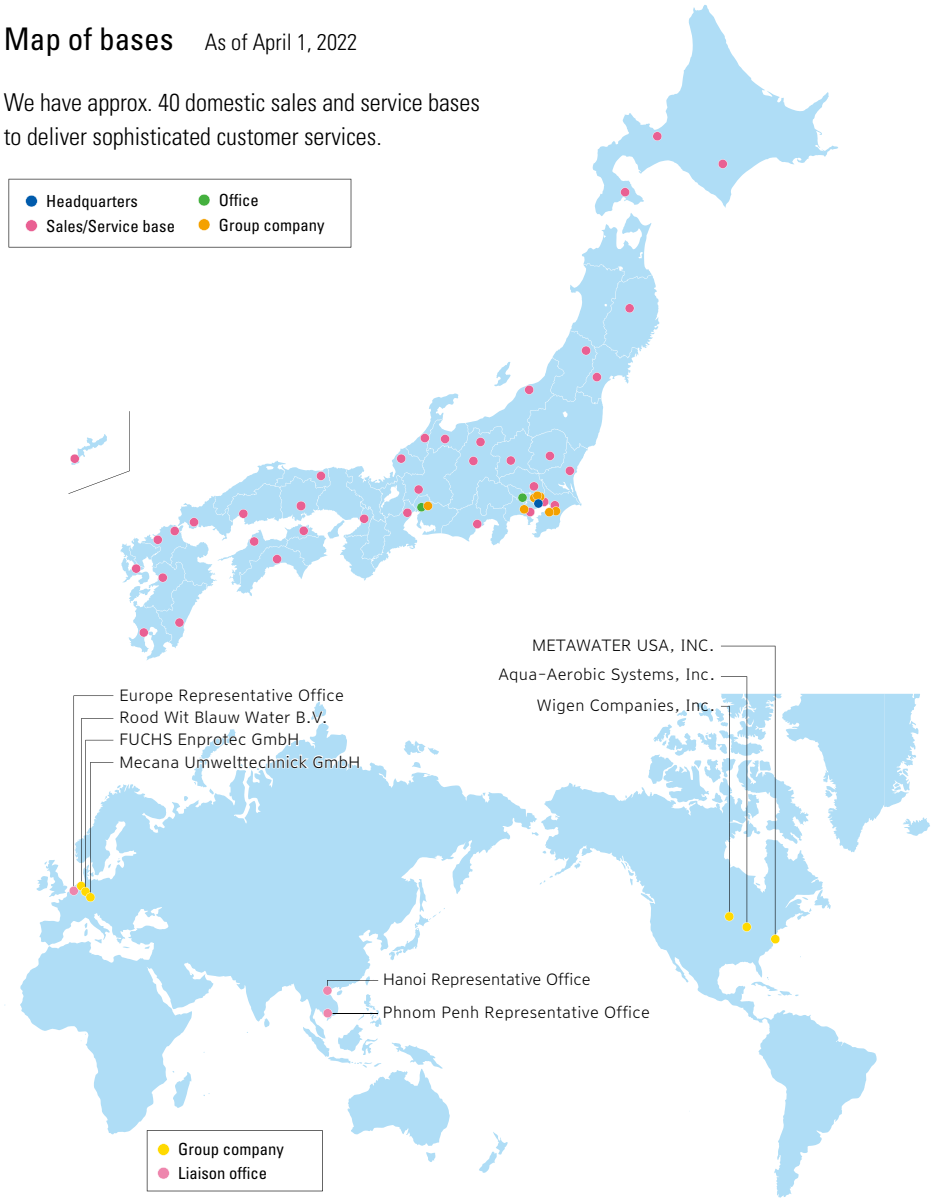
Status of dominant shareholders (Top 10)

Name of shareholder	Number of shares owned (1,000 shares)	Percentage of shares owned (%)
NGK INSULATORS, LTD.	10,620	24.38
Fuji Electric Co., Ltd.	10,600	24.33
The Master Trust Bank of Japan, Ltd. (Trust account)	4,464	10.25
JP MORGAN CHASE BANK 385632	2,572	5.90
Custody Bank of Japan, Ltd. (Trust Account)	1,762	4.05
BANQUE ET CAISSE D'EPARGNE DE L'ETAT LUXEMBOURG 46985807	646	1.48
METAWATER Employee Shareholding Association	631	1.45
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	521	1.20
The Nomura Trust and Banking Co., Ltd. (Trust account)	488	1.12
J.P. MORGAN BANK LUXEMBOURG S.A. 385598	455	1.04

* The Company holds 4,196,064 shares of treasury stock, which have been excluded from the above list of dominant shareholders. Additionally, the percentage of shares owned is calculated excluding treasury stock.

Map of bases As of April 1, 2022

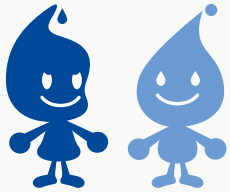
We have approx. 40 domestic sales and service bases to deliver sophisticated customer services.



METAWATER

"META" in the corporate name "METAWATER" is a prefix representing
"transcendence" or "transformation."
It symbolizes our desire to be a company that evolves continuously to hand down "WATER,"
an indispensable resource, to people in the future generations.

The line vertically intersecting the logo in the center represents the role of
METAWATER and its advanced technologies and products.
The deep blue on the left symbolizes "water before purification" and
the clear blue on the right represents "water after purification and regeneration."



Mae-chan Tah-kun

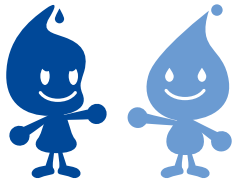
Corporate Characters

To symbolize our corporate identities, we have mascot characters called "Mae-chan" and "Tah-kun." The synergetic growth of "Mae-chan," representing natural water, and "Tah-kun," representing purified water, symbolizes the growth and symbiosis of METAWATER with the environment.

■ METAWATER Instagram official account

・Account name : metawater_official
・Name : metagram by METAWATER
・URL : https://www.instagram.com/metawater_official/?hl=ja

METAWATER_OFFICIAL



www.metawater.co.jp

METAWATER Co., Ltd. : JR Kanda Manseibashi Bldg., 1-25 Kandasuda-cho, Chiyoda-ku, Tokyo 101-0041