



Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023



October 28, 2022
METAWATER Co., Ltd.

Segment Information

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

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

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

The main work in this segment includes a range of services such as repair work, operation, and management (maintenance/inspection) of mechanical and electrical equipment for water treatment plants, sewage plants, refuse processing facilities, and recycling facilities; it also includes the design, construction, operation, maintenance and management of facilities and equipment through public-private partnerships.

Acronyms

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

- I Highlights of the Second Quarter of the Fiscal Year Ending March 2023
- II Full-Year Earnings Forecast for the Fiscal Year Ending March 2023
- III Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023

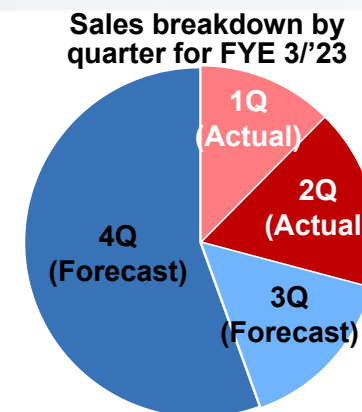
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Financial Highlights for 2Q FYE 3/'23 (consolidated)

* Orders Received

Exceeded the previous year's levels in the EPC, Overseas, O&M, and PPP business

(Reference) Order backlog: JPY195.9bn end 2Q FYE3/'22 → 224.6bn end 2Q FYE3/'23 (+JPY 28.6bn)



* Net Sales & Profits

In the 2Q, **both sales and each income exceeded the previous year's levels** due to steady performance of the North American subsidiary and the consolidation of K.K. Mizumusubi Management Miyagi in the PPP business, despite the impact of raw material price hikes. Ordinary income reflects a foreign exchange gain of about 1.0 billion yen due to the weaker yen.

(Note) The majority of our group's business is domestic public works projects, and sales and profits are significantly skewed toward the 4Q. Therefore, the performance in the 2Q cumulative period tends to be low in a normal year.

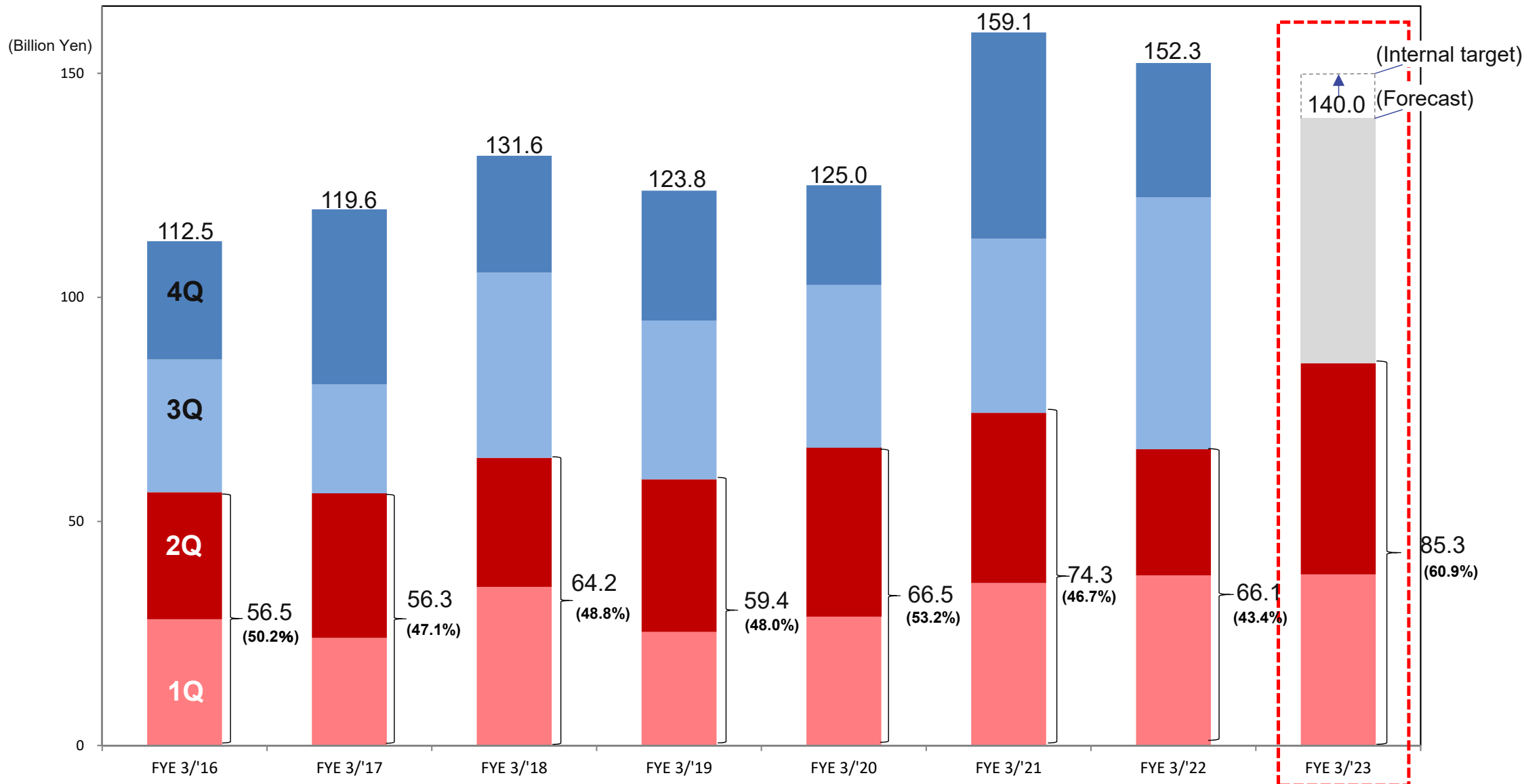
(Billion Yen)

	Orders Received	Net Sales	Operating Income	Ordinary Income	Net income for Cumulative 2Q	Dividend per Share for 2Q (Yen)
2Q FYE3/'23 Results	85.3 YoY: +19.2 +29.0%	46.7 YoY: +7.2 +18.4%	-3.0 YoY: +0.2	-1.9 YoY: +1.2	-1.6 YoY: +0.8	20
2Q FYE3/'22 Results	66.1	39.5	-3.2	-3.1	-2.4	20

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

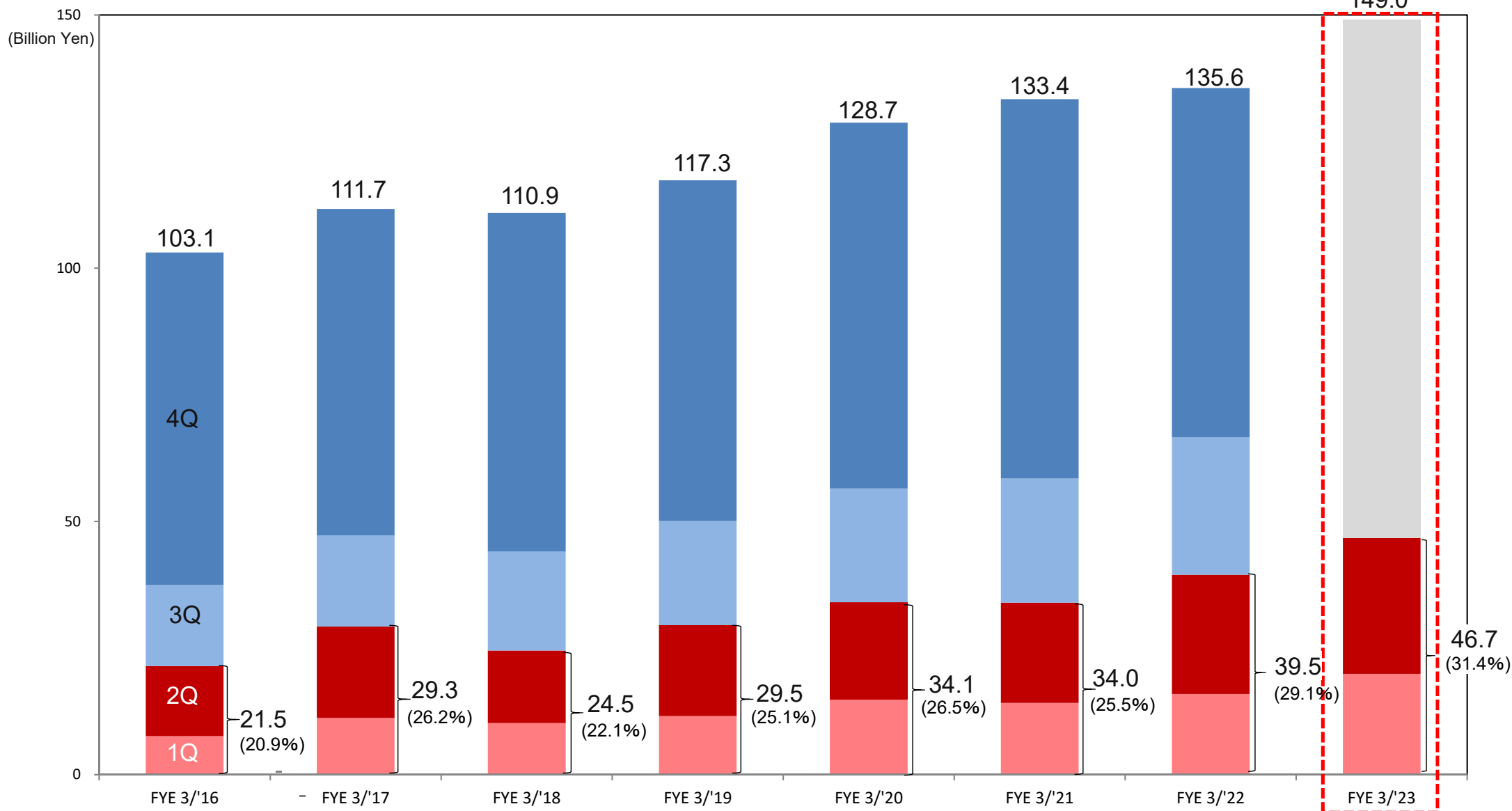
Orders Received in 2Q FYE 3/'23 (Consolidated)

Orders received in this 2Q were higher than ordinary years.



Sales in 2Q FYE 3/'23 (Consolidated)

This 2Q sales were higher than normal, yet in line with the plan.



Achievements in the 2Q of FYE 3/'23

Business Activities

- * Completion of Aquaponics Park Ofunato (July) *p.9 for details
- * “Energy-saving nitrogen removal system for high-concentration sewage return water” received the "Industrial Science and Technology Policy and Environment Bureau Director-General's Award, Ministry of Economy, Trade and Industry" at the 48th Excellent Environmental Equipment Awards held by the Japan Society of Industrial Machinery Manufacturers (JSIM) (July)
- * Construction of the world's largest ceramic membrane filtration water treatment plant
Received order for ceramic membranes for Hampton Loade Water Treatment Plant, England, U.K. (August)

Other Major Activities

- * Published “METAWATER REPORT 2022” (August)
- * Conducted training and water cycle awareness activities for the general public and for teachers.
 - Conducted "Private Sector Training for Teachers" sponsored by the Japan Institute for Economic Affairs and Public Relations (August).
 - Conducted "METAWATER Water Sprinkling Project 2022" (August)

(Reference)

"Advanced Treatment Technology with ICT and AI Control of Single Tank Nitrification-Denitrification Processes," - (Press Release on May 18) *p.10 for details

Solving Social Issues – 1)

Promotion of "aquaponics," a recycling-oriented agriculture



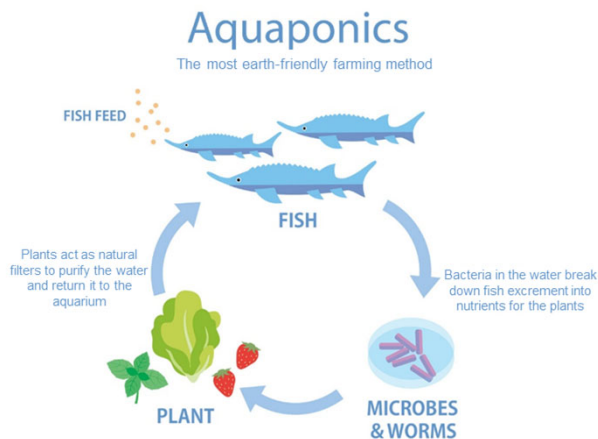
- The "Aquaponics Park Ofunato" was inaugurated as a business plant for the "aquaponics" business, a recycling-oriented agriculture that grows fish and plants at the same time.
- The plant will begin shipping vegetables in November 2022 through the cultivation of sturgeon and the production of vegetables.

Environmental Conservation Agriculture Model

"Aquaponics"

Promote "aquaculture" and "agriculture" with minimal environmental impact

- Water is recycled
- No pesticides or chemical fertilizers



Aims

- **Effective use of the land adjacent to sewerage facilities**
- **"Revitalization of local communities" through the creation of agricultural production center**
- **Promotion of environmentally friendly agriculture**

What we aim to be

- Strengthening proposal capabilities to meet the needs of municipalities and business entities.
- Provide new added value to water and wastewater facilities, such as local employment and communication hubs
- Expand measures that contribute to the sustainability of society as a whole, through collaborations with different fields, not only in the water and wastewater fields.

Business plant: adjacent to the Ofunato Sewage Treatment Center in Ofunato City



Solving Social Issues – 2)

ICT and AI Control of Single Tank Nitrification-Denitrification Process



What we aim to be

- Optimization of water quality that meets local needs
- Responding to declining water inflow due to population decrease
- GHG reduction, energy conservation
- Reduction of construction and maintenance costs

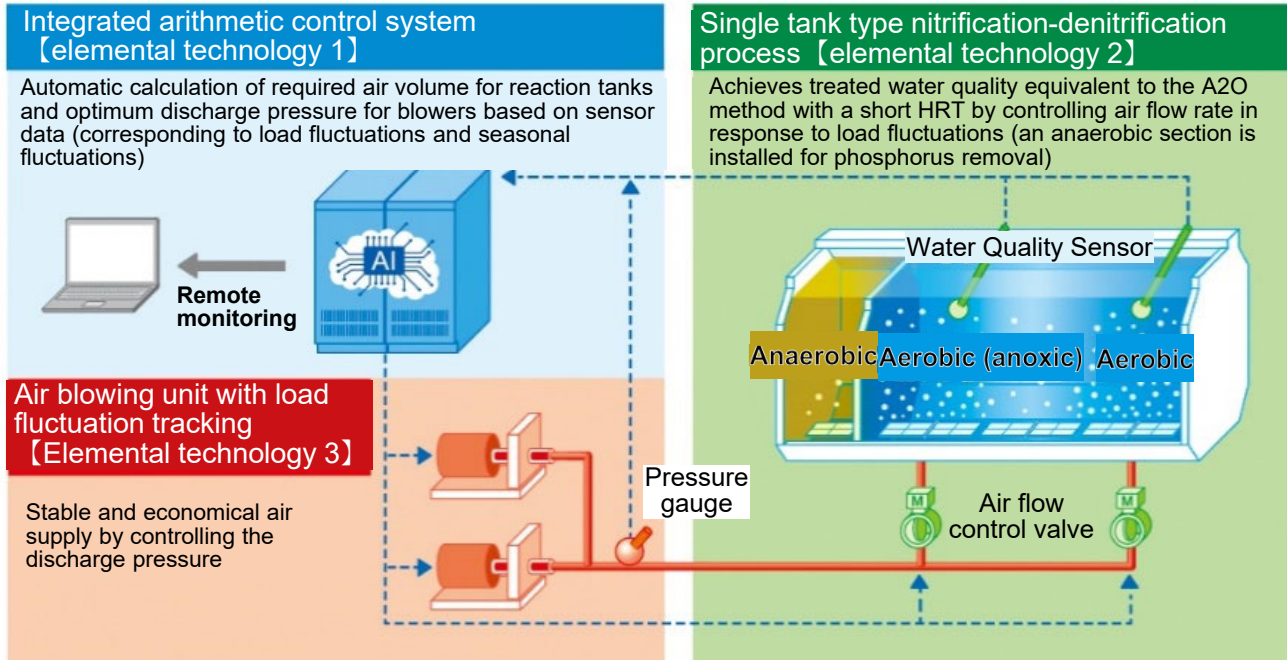
Example of our initiatives

■ Adopted in FY2019 B-DASH Project "Advanced Treatment Technology by ICT and AI Control of Single Tank Nitrification-Denitrification Process" for Practical Use

Implemented by: METAWATER, Japan Sewage Works Agency, and Machida City Joint Research Body

Research commissioned by the National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure, Transport and Tourism

We have been **consigned 8 projects** in the innovative technology demonstration projects for sewerage systems. **This is the 7th application for practical use..**



- Utilizes the existing structure without modification
- Achieves treated water quality equivalent to that of the A2O method with a shorter settling time and lower power consumption than the conventional advanced treatment method (A2O process*1).
- Reduces the burden of maintenance and management work

*1 anaerobic-anoxic-oxic process

For details of this technology, please refer here

<https://www.metawater.co.jp/news/2022/05/31b-dash.html>

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Consolidated earnings forecast for FYE 3/'23

■ Risk Factors

- **Emergence of risks arising from external factors** such as rising prices of raw materials (steel and steel pipes, semiconductors, resins, etc.), and delays in construction completion due to stagnation in the supply chain and shortage of semiconductors.

■ Measures

- In the overseas business, which is a growth area, **consolidated subsidiaries, mainly in North America, are performing well.** In the PPP business, **KK Mizumusubi Management Miyagi, which was consolidated from April of this year, has been performing well.**
- The Company will implement various measures such as early procurement of necessary parts and materials by bringing forward the design process, securing inventories by bulk purchasing, and reducing costs by improving the efficiency of process management. ⇒ **No change to the Full-Year Earnings Forecast for FYE 3/'23.**

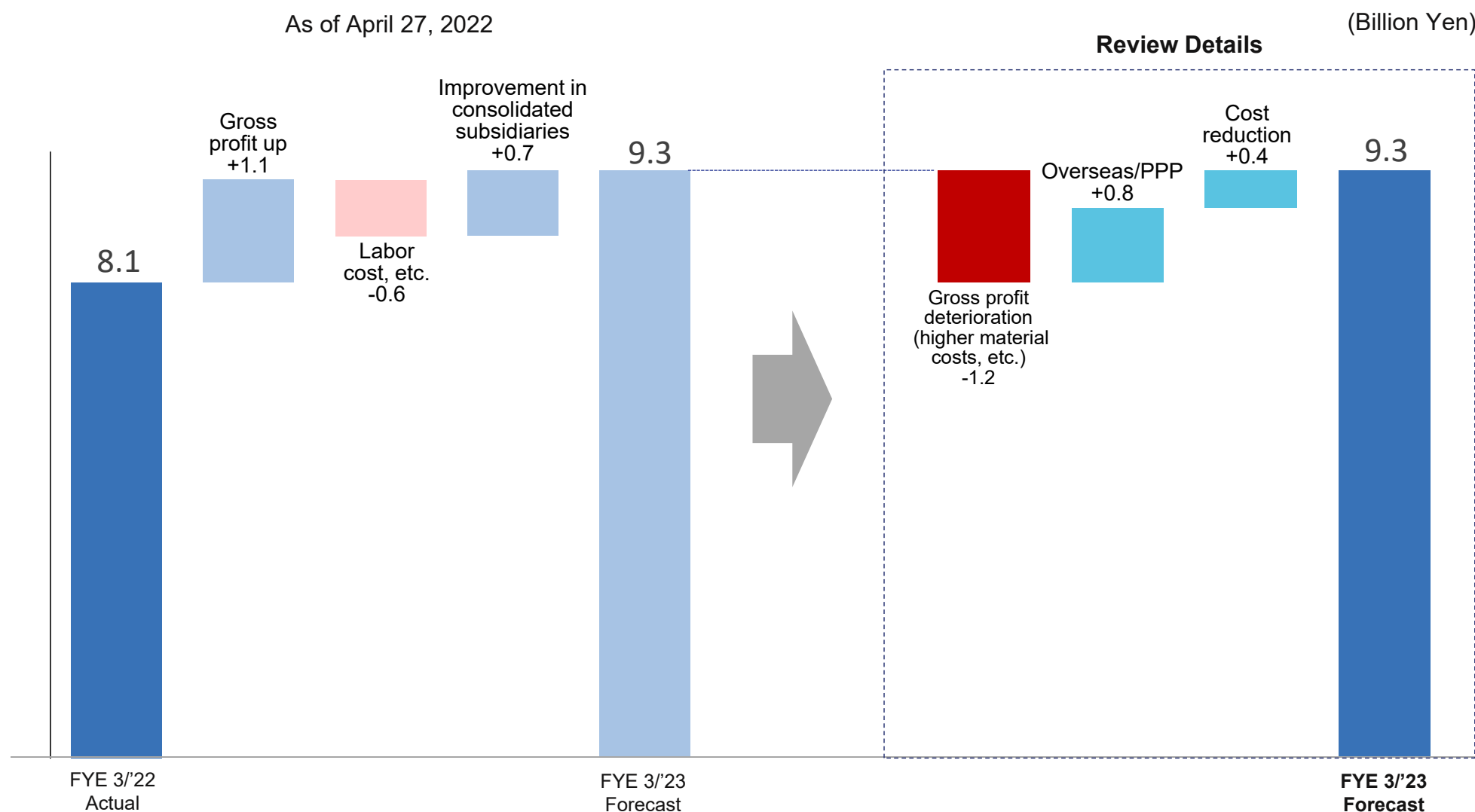
Full-Year Earnings Forecast for FYE 3/'23

(Billion Yen)

	Orders Received	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of the parent	EPS (Yen)	DPS (Yen)	
FYE 3/'23 Forecast (As of Apr. 27)	140.0 YoY: -12.3bn Yen -8.1%	149.0 YoY: +13.4bn Yen +9.9%	9.3 YoY: +1.2bn Yen +14.2%	9.3 YoY: +0.5bn Yen +6.3%	6.3 YoY: +0.1bn Yen +0.9%	144.53	20	20
	—	—	% of sales: 6.2%	% of sales: 6.2%	% of sales: 4.2%	—	—	—
FYE 3/'22 Result	152.3	135.6	8.1	8.8	6.2	143.39	20	20
	—	—	% of sales: 6.0%	% of sales: 6.5%	% of sales: 4.6%	—	—	—

Factors for changes in operating income (vs. FYE 3/22 results)

In response to the risk of earnings deterioration due to external factors such as rising material costs, measures to improve earnings in growth areas and cost reduction efforts will be implemented to offset the risk. ⇒ **No change to Full-Year Earnings Forecast for FYE 3/'23.**



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III Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2023

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

Consolidated Statement of Income

(Billion Yen)

	2Q FYE 3/'22	2Q FYE 3/'23	Change
Net Sales	39.5	46.7	+7.2
Operating Income	-3.2	-3.0	+0.2
(Operating Margin %)	-8.1%	-6.4%	+1.7%
Ordinary Income	-3.1	-1.9	+1.2
Net income attributable to owners of parent company	-2.4	-1.6	+0.8

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

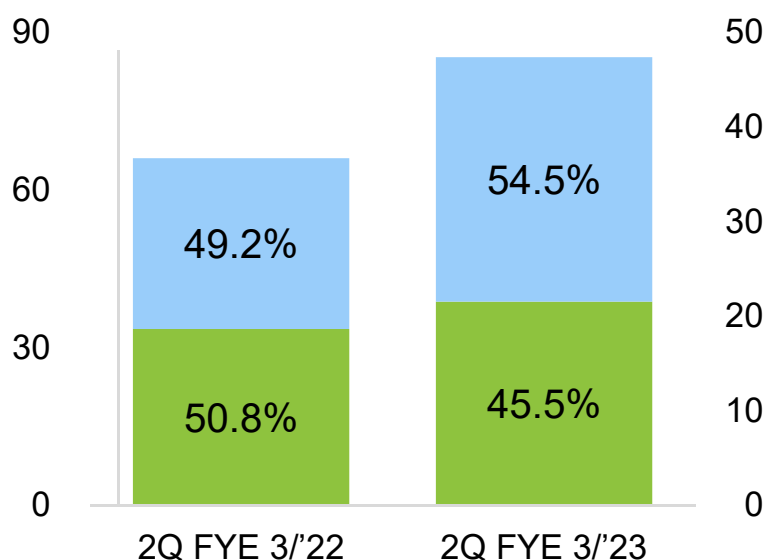
Segment Information (Consolidated)

(Billion Yen)

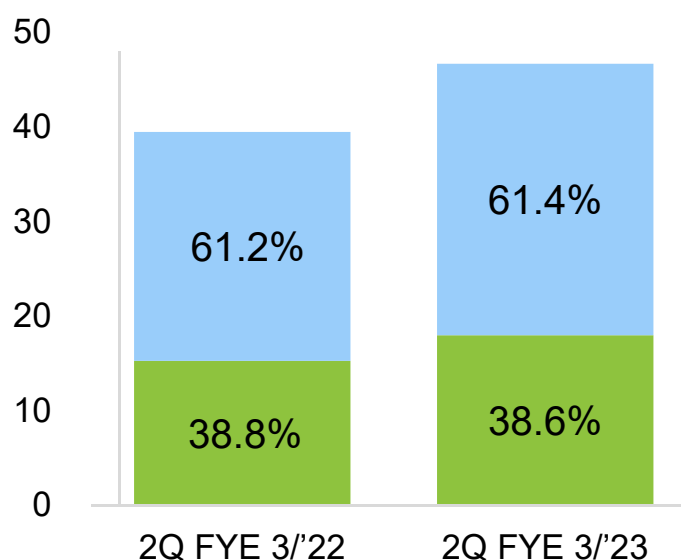
	Orders Received			Net Sales			Operating Income		
	2Q FYE 3/'22	2Q FYE 3/'23	Change	2Q FYE 3/'22	2Q FYE 3/'23	Change	2Q FYE 3/'22	2Q FYE 3/'23	Change
Plant Engineering Business	32.5	46.5	+14.0	24.2	28.7	+4.5	-2.3	-1.8	+0.6
Service Solution Business	33.6	38.8	+5.2	15.3	18.0	+2.7	-0.9	-1.2	-0.3
Total	66.1	85.3	+19.2	39.5	46.7	+7.2	-3.2	-3.0	+0.2

PE SS

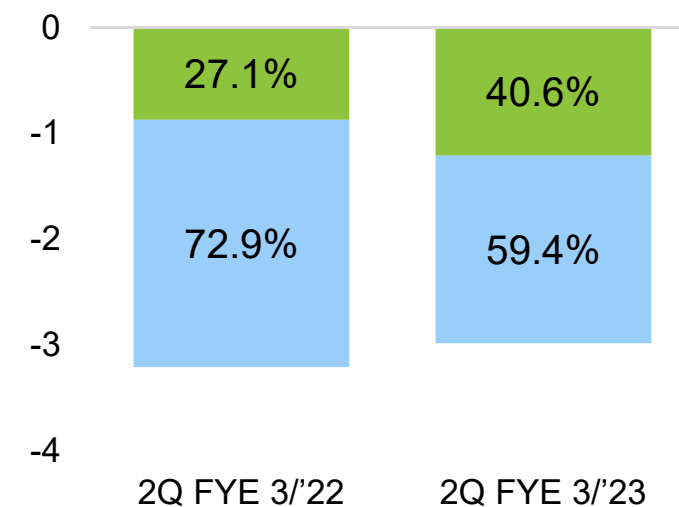
Orders Received



Net Sales



Operating Income



Segment Information (Consolidated)

(Billion Yen)

	Orders Received			Net Sales			Operating Income		
	2Q FYE 3/'22	2Q FYE 3/'23	Change	2Q FYE 3/'22	2Q FYE 3/'23	Change	2Q FYE 3/'22	2Q FYE 3/'23	Change
Plant Engineering Business	32.5	46.5	+14.0	24.2	28.7	+4.5	-2.3	-1.8	+0.6
Service Solution Business	33.6	38.8	+5.2	15.3	18.0	+2.7	-0.9	-1.2	-0.3
Total	66.1	85.3	+19.2	39.5	46.7	+7.2	-3.2	-3.0	+0.2

Plant Engineering Business

【Orders Received & Order Backlog】

Orders received were up YoY in both EPC and overseas businesses.

Order backlogs were 23.4bn yen higher YoY (107.4bn yen at the end of 2Q FYE 3/'22 ⇒ 130.8bn yen at the end of 2Q FYE 3/'23).

【Net Sales & Operating Income】

- EPC business: sales were up YoY, but operating income was down YoY mainly due to differences in gross profit margins for some large projects.
- Overseas business: both sales and operating income increased YoY, mainly due to favorable performance of the North American subsidiary.

In the plant engineering business as a whole, both net sales and operating income were up YoY.

Service Solution Business

【Orders Received & Order Backlog】

Orders received increased YoY in both the O&M and PPP businesses.

Order backlogs were 5.2bn yen higher YoY (88.6bn yen at the end of 2Q FYE 3/'22 ⇒ 93.8bn yen at the end of 2Q FYE 3/'23).

【Net Sales & Operating Income】

- O&M business: both sales and operating income declined YoY mainly due to the lower sales in the resource recycling field.
- PPP business: Both sales and operating income increased YoY, mainly due to the consolidation of KK Mizumusubi Management Miyagi.

In the service solutions business as a whole, sales were up YoY, but operating profit was lower YoY

Consolidated Balance Sheets



(Billion Yen)

	End of FYE 3/'22	End of 2Q FYE 3/'23	Change
Cash and deposits	21.3	32.5	+11.2
Trade receivable and contract assets	77.4	43.3	-34.1
Inventories	8.0	13.8	+5.8
Others	2.3	4.5	+2.2
Total current assets	108.9	94.1	-14.9
Tangible fixed assets	4.5	5.5	+0.9
Intangible fixed assets	10.5	11.9	+1.4
Deferred Tax assets	2.8	2.6	-0.1
Others	6.3	6.4	+0.1
Total fixed assets	24.1	26.4	+2.2
Total assets	133.1	120.5	-12.6

	End of FYE 3/'22	End of 2Q FYE 3/'23	Change
Accounts payable- trade	38.0	16.9	-21.2
Short-term loans payable	^{*1} (0.9) 1.8	(0.9) 2.0	+0.2
Contract liabilities	7.5	15.7	+8.2
Others	9.7	7.1	-2.6
Total current liabilities	57.0	41.7	-15.3
Long-term loans payable	^{*2} (9.7) 10.6	(11.6) 12.5	+1.8
Others	5.9	6.0	+0.1
Total fixed liabilities	16.5	18.5	+1.9
Total liabilities	73.5	60.2	-13.4
Total net assets	59.5	60.3	+0.7
Total liabilities & net assets	133.1	120.5	-12.6

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

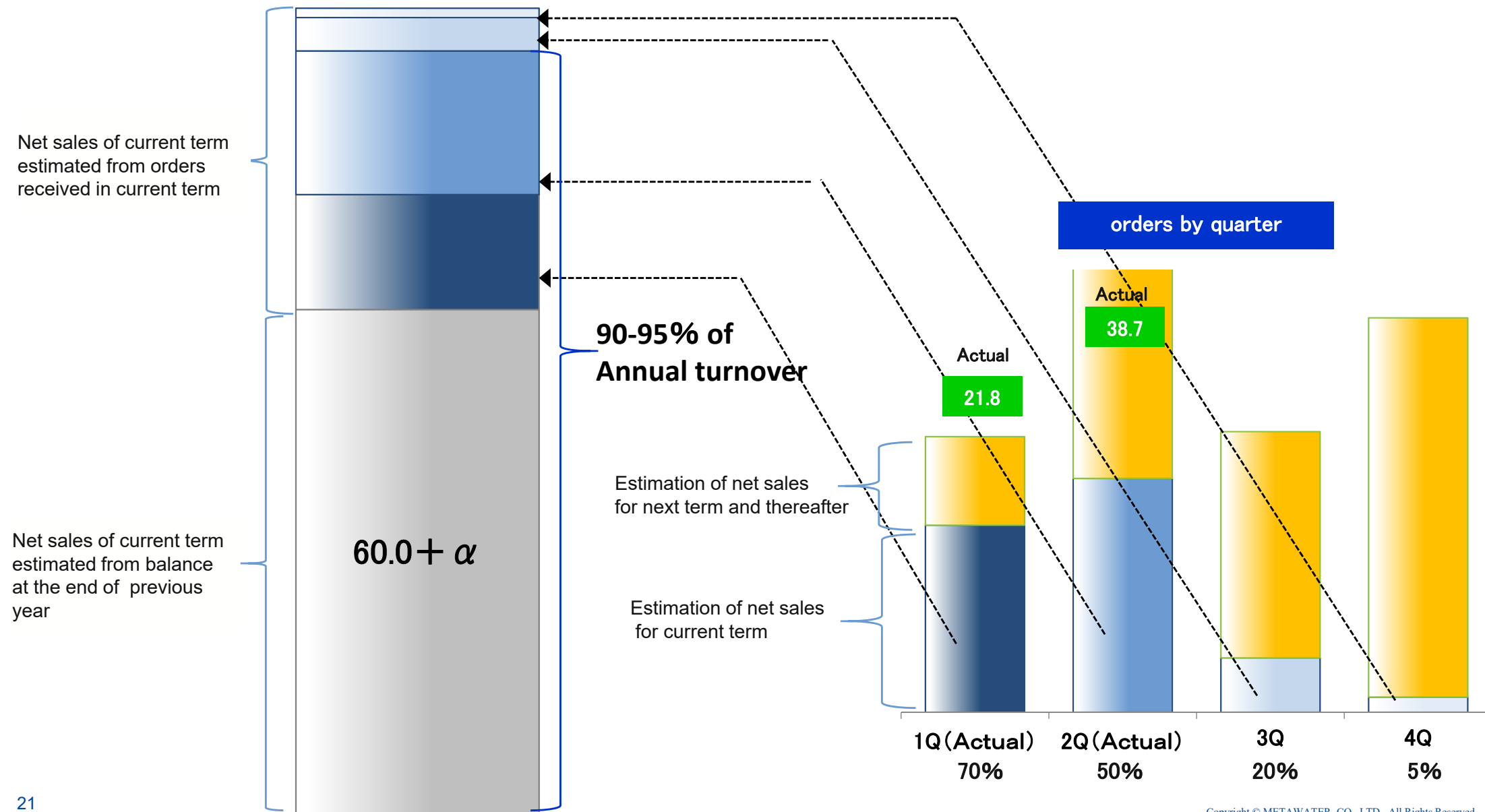
Consolidated Cash Flows

(Billion Yen)

	2Q FYE 3/'22	2Q FYE 3/'23	Change
Cash and Cash equivalents at the end of previous FY	18.0	20.6	+2.6
Operating cash flow	12.6	10.3	-2.3
Investing cash flow	-2.4	-1.4	+1.0
Free cash flow	10.2	9.0	-1.3
Financing cash flow	-1.4	1.7	+3.1
Effect of exchange rate changes on cash and cash equivalents	0.2	0.6	+0.4
Cash and Cash equivalents at the end of 2Q FYE 3/'23	27.1	31.9	+4.8

Sales composition FYE3/'23 (non-consolidated)

Sales (forecast FYE3/'23) 108.0~110.0 billion yen
(Reference FYE3/'22 102.3 billion)



Disclosure Policy

1. Basic Policy

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

2. Basics of information disclosure

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

3. Method of information disclosure

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

4. Communication after information is disclosed

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

5. Silent Period

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

6. Forward-looking statements

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

7. Establishment of Internal Structure

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



Contact regarding this document

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