

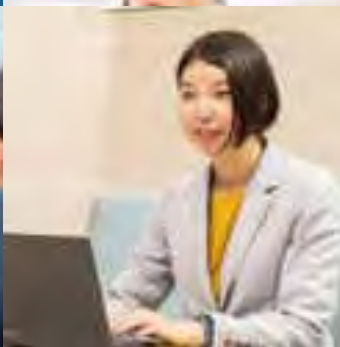


METAWATER REPORT 2023

The Fiscal Year Ended March 2023

METAWATER Co., Ltd.

METAWATER REPORT 2023



Issuing the “METAWATER REPORT 2023”

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 FY2022 (fiscal year ending March 2023) 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	DB	An approach using the know-how of private businesses to comprehensively implement facility design and construction.
O&M	Operation and maintenance of facilities and equipment	SPC	Companies whose purpose is to run specific business operations
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 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.
PFI	Comprehensive implementation of facility design, construction, maintenance, repair, etc., utilizing the capital and know-how of private businesses.	Concession	An approach granting operating rights of public facilities that collect usage fees to a private business while the public entity maintains ownership.
DBO	An approach using the know-how of private businesses to comprehensively implement facility design, construction, maintenance, repair, etc	BT0	A method in which a private-sector company builds, maintains, manages, and operates a facility and transfers ownership of the facility to the public after the project is completed
DBM	A method in which a private-sector company designs, builds, maintains, and manages a facility (but does not operate it)	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

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

METAWATER Group's Corporate Philosophy

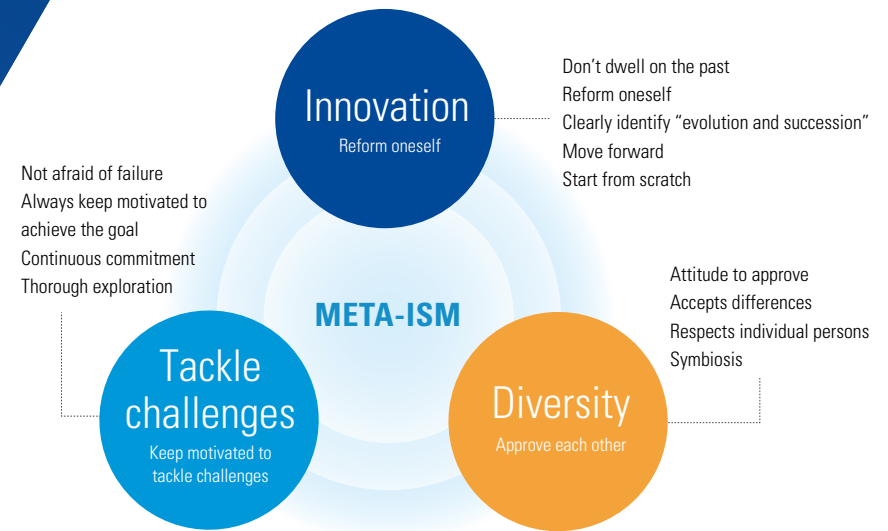
Continue, to make it sustainable.

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.



Important values inherited from time of our founding

We refer to the shared values prioritized by METAWATER Group as "META-ism," under which we have set forth the three principles of "Innovation," "Challenge," and "Diversity."

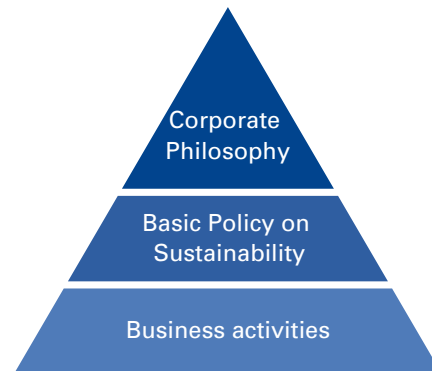
It represents our idea of supporting the "individual" with a spirit of challenge to create innovation on their own, while also promoting diversity in which diverse "individuals" work together.

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

METAWATER has established the Sustainability Committee to fulfill the function of reviewing and promoting the company’s sustainability initiatives in response to environmental and social issues and changes in the business environment surrounding METAWATER.

The Sustainability Committee meets twice a year and has three subordinate working groups under it, comprising a total of 14 members, including 1 chair and 13 other members. The activities of the Sustainability Committee are reported to the Management Meeting and the Board of Directors as appropriate.



Committee, etc.	Role
Board of Directors	Receives reports from the committee on a regular basis (once a year) and supervises the committee.
Management Meeting	Same as above
Sustainability Committee	The committee meets regularly (twice a year). Members are the Executive General Managers, etc., and it is chaired by a director and executive officer (Executive General Manager of the Corporate Strategy Planning Division).

Who we are

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

Plant engineering business

Engineering, procurement, and construction (EPC) business

Overseas business

Number of facilities and equipment
designed/constructed

More than **2,300** locations

Number of high-speed filtration systems delivered

More than **45** locations

Number of monitoring and control systems delivered

More than **450** locations

Number of incineration systems delivered*¹

More than **120** locations

*¹ Including gasification and carbonizing facilities.

Ceramic membranes for large-scale
water treatment plants installed

More than **10** locations

Large-scale ozone generation systems installed

More than **60** locations

Local bases/Partners

More than **20** locations

Operation and maintenance (O&M) business

Public-private partnership (PPP) business, etc

Number of facilities whose operation and
maintenance are consigned to us *²

More than **100** locations

*² Water supply facilities operated and maintained (including PFI and DBO)
Number of sewerage facilities and resource recycling facilities

Number of on-site staff

More than **1,200** people

Number of domestic bases

More than **30** facilities

Number of prefectures where WBC
has been delivered

44 prefectures

Number of public-private partnership projects
in the domestic water and environmental fields

Water and sewage
business fields **49** projects

Investment in special purpose companies
(SPCs)*³

Water and sewage
business fields **41** projects

*³ Major projects with long-term contracts of more than 15 years or
investments in special purpose companies (SPCs), etc.
(Including those where SPCs have been liquidated and
those planned to be established in the future.)

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)

Development • Engineering

Construction

Operation and maintenance

Public-Private Partnerships
(PPP) (EPC + O&M)

Development

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

Sales and planning

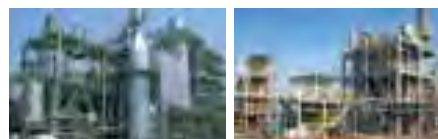
We propose products, services, and processes that best meet our customers' needs and develop master plans.

Engineering and procurement

We design projects ordered and procure products and services.

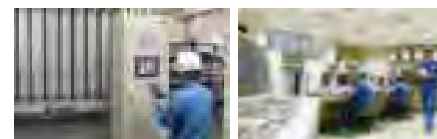
Construction

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.



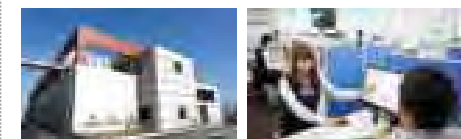
Operation and maintenance

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).



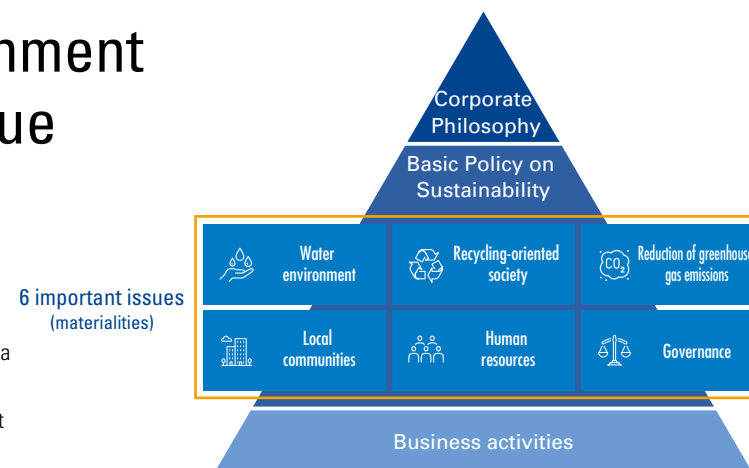
What we value

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

METAWATER Group's approach to sustainability

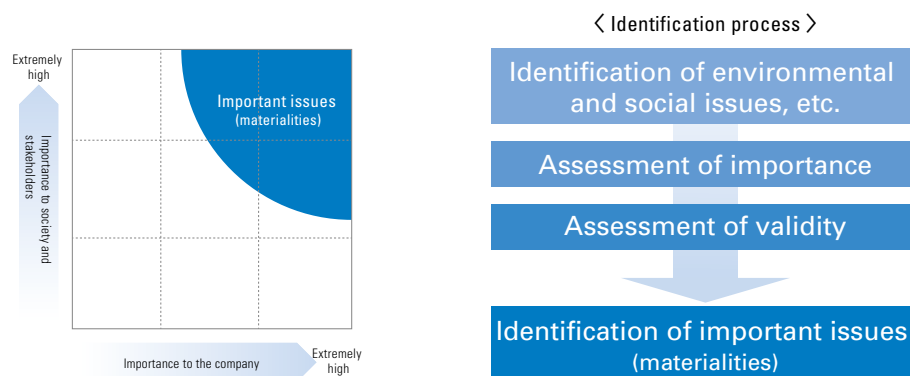
– Six important issues (materialities)

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. As part of our aim to make our corporate philosophy and basic 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).



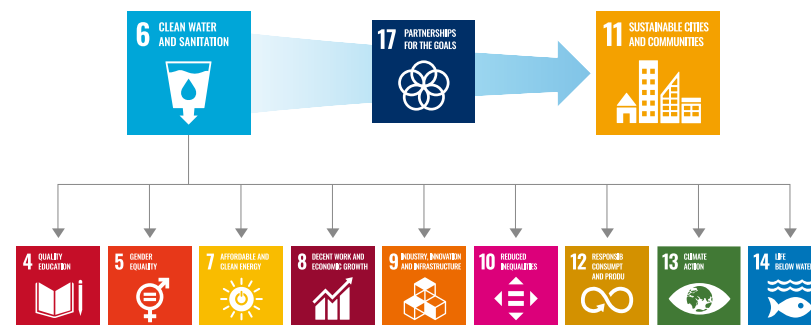
Important issue identification process

- We identify environmental and social issues by taking into account medium- and long-term social trends, the expectations and desires of ESG investors, and the company's direction.
- After identifying these issues, we evaluate them from the viewpoint of their importance to society, stakeholders, and our group, and then assume important issues (materialities).
- We evaluate the appropriateness through interviews with business divisions, discussions in the Sustainability Committee and the Management Meeting, and interviews with external experts.
- The Board of Directors determines important issues (materialities).



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.



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).

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.

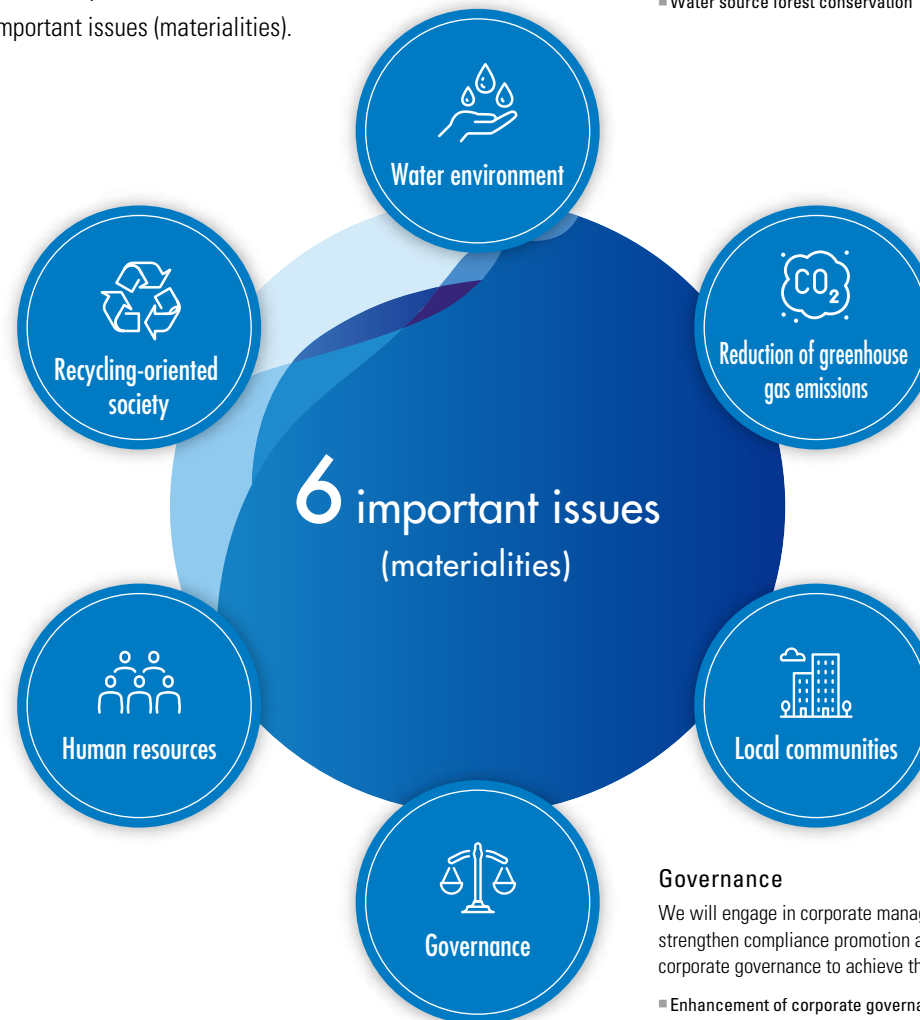
- Contribution to sustainable recycling facilities
- Promotion of the reduction and reuse of industrial waste
- Reduction of environmental impact



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



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



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 (CO₂)



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, typhoons, 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)



Input

As of March 2023

Financial capital

Total assets	Capital adequacy ratio
142.7 billion yen	45.7%
Operating profit margin	Net assets
6.7%	66.6 billion yen

Intellectual/manufacturing capital

Research and development expenses	Number of patents, etc., held (Japan and overseas)
2.1 billion yen	964

Human capital

Number of consolidated employees	Turnover rate
3,565 people	1.9%
Training expenses per employee	Health and productivity management expenses per employee
105,000 yen	46,800 yen

Social capital¹⁾

Number of facilities and equipment designed/constructed	Number of monitoring and control systems delivered
More than 2,300 locations	More than 450 locations
Number of facilities whose operation and maintenance are consigned to us	Number of high-speed filtration systems delivered
More than 100 locations	More than 45 locations
Number of incineration systems delivered	
More than 120 locations ²⁾	

¹⁾ Recorded achievements by METAWATER
²⁾ Including gasification and carbonizing facilities.

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 P49~

Consolidated number of employees **3,565 people**

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

Business strategies to achieve our long-term vision

Outcome

Corporate philosophy	Continue, to make it sustainable.	P3
Basic policy	Basic Policy on Sustainability	P4
 Water environment	<ul style="list-style-type: none"> Contribution to sustainable water supply and sewage works facilities Contribution to the water environment overseas Water source forest conservation 	E
 Recycling-oriented society	<ul style="list-style-type: none"> Contribution to sustainable recycling facilities Promotion of the reduction and reuse of industrial waste Reduction of environmental impact 	
 Reduction of greenhouse gas emissions	<ul style="list-style-type: none"> Reduction of GHG emissions at water supply and sewage works facilities Reduction of supply chain emissions (CO₂) 	
 Local communities	<ul style="list-style-type: none"> Revitalization of local communities and economies Support measures in the event of disaster Social contribution activities 	S
 Human resources	<ul style="list-style-type: none"> Creation of a rewarding work environment Supporting education for employees Improvement of occupational health and safety 	
 Governance	<ul style="list-style-type: none"> Enhancement of corporate governance Promotion of compliance 	G
Management Vision	Long-term vision / Midterm Business Plan 2023	P14~16

Midterm Business Plan 2023 targets

Orders received

160.0 billion yen

Sales

155.0 billion yen

Operating profit (Operating profit margin)

10.0 billion yen(6.5%)

Net income

64 billion yen

ROE

10% or more

Long-term vision 2027 targets

Sales

200.0 billion yen

Toward the achievement of our targets

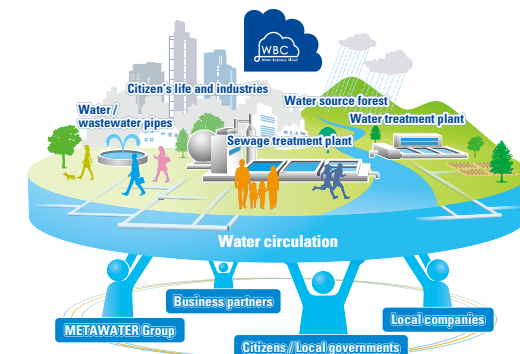
- While positioning the domestic EPC and O&M businesses as our foundation fields, we will further focus on our growth fields of the PPP and overseas businesses as we aim to strengthen and expand our businesses.
- We will expand our investments in R&D to meet future renewal demand and respond to further progress in the public-private partnership business.
- As a company engaged in public infrastructure, we will promote sustainability initiatives through our businesses and endeavor to increase our corporate value.

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.



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 water infrastructure are in crisis, it may be hard to feel it in your daily life.

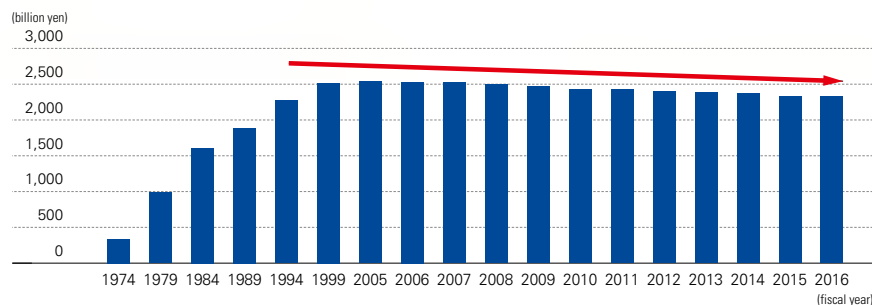
However, the industry faces challenges such as financial difficulties and a shortage of engineers as a result of population decline, countermeasures against climate change and natural disasters, and an increase in the number of water and sewage treatment plants that are aging and require large-scale renovation and renewal.

At METAWATER, we are committed to solving the problems of water and environmental infrastructure and contributing to making sustainable water and wastewater businesses a reality.

Status of water supply and sewerage utilities in Japan

Revenue from water utility bills

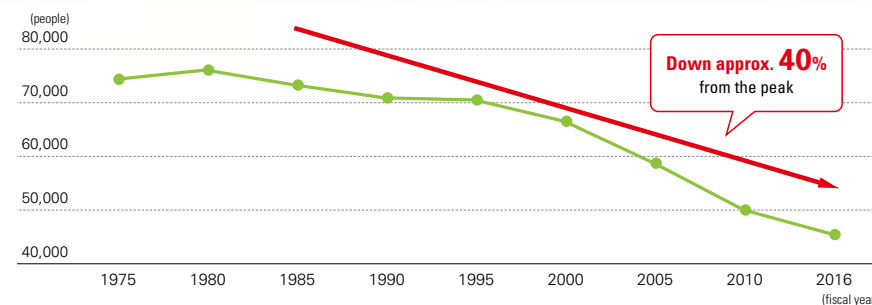
Revenues from water utility bills have been trending downward owing to the shift to a water-saving society and other factors.



Source: “Survey of Status of Financial Results of Regional Public Enterprises,” Ministry of Internal Affairs and Communications

Number of employees of water utilities

The number of local government employees involved in water utilities has also dropped to 60% of the peak.

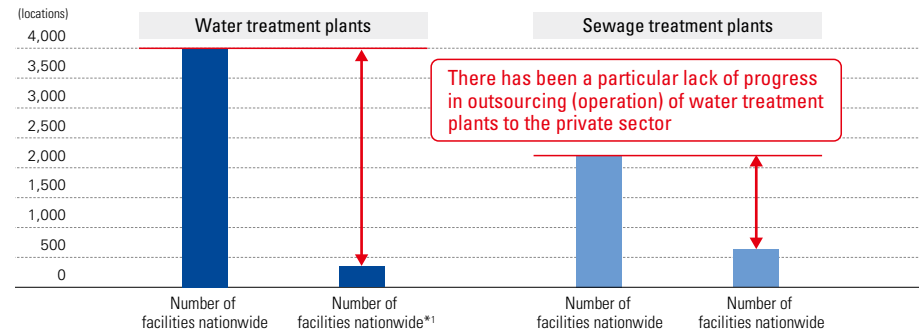


Source: “Survey of Status of Financial Results of Regional Public Enterprises,” Ministry of Internal Affairs and Communications

Status of outsourcing of water and sewerage treatment facilities to the private sector

It is said that there are approximately 4,000 water treatment plants and approximately 2,200 sewage treatment plants in Japan. Among water supply and sewerage utilities, which face challenges, the progression of public-private partnerships is expected, but there has been a particular lack of progress in the water supply business.

Revenue from water utility bills



*1 Excluding general business outsourcing.

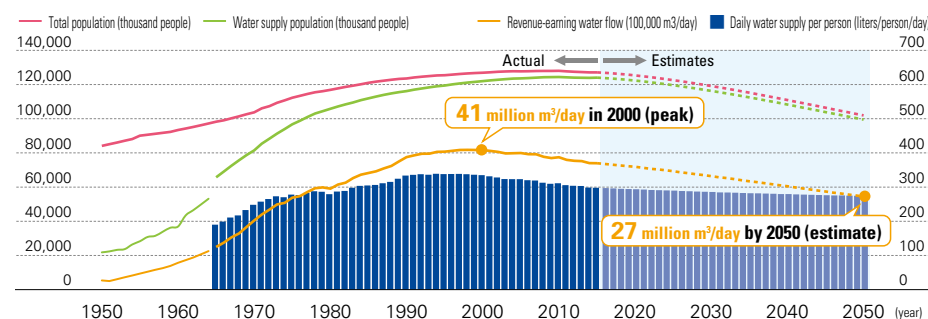
Source: "Recent Trends in Public-Private Partnerships" Ministry of Land, Infrastructure, Transport and Tourism

Source: "Promoting Public-Private Partnerships Among Water Utilities," Ministry of Health, Labour and Welfare

Decrease in water supply usage

The amount of revenue-earning water has been decreasing since peaking in 2000, owing to factors such as the spread of water-saving devices and the declining population. The amount is expected to fall to around two-thirds of the peak by 2050.

Water supply utilities in a society with a declining population



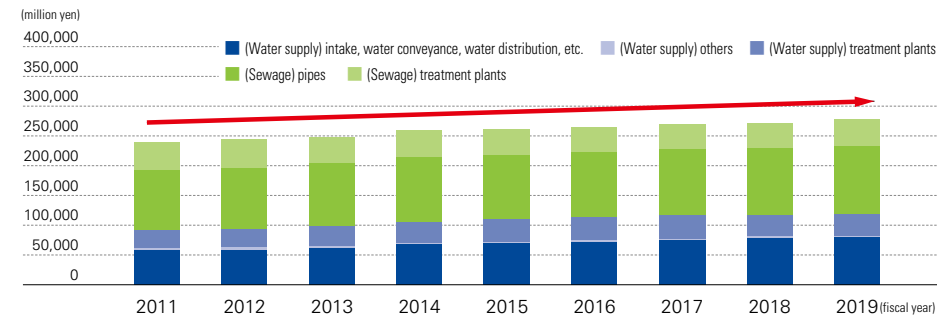
* Through 1964, only covers water supply utilities who are members of the Japan Water Works Association. Covers all water supply utilities and small-scale water utilities from 1965 onward

Source: "Water Utilities in an Era of Declining Population," Ministry of Health, Labour and Welfare

Construction costs of water supply and sewerage works facilities in Japan

Costs for the construction of water supply and sewerage works facilities peaked in the second half of the 1900s as a result of high penetration rate of water supply and sewerage. As these facilities have aged and have long exceeded their service lives, construction costs will tend to increase gradually in the future.

Water and sewerage construction costs



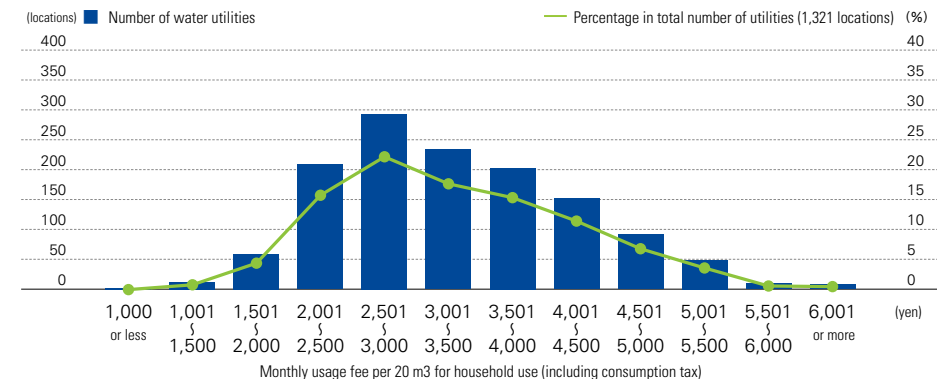
Source: Created by METAWATER based on "Water Statistics" by the Japan Water Works Association and "Sewerage Statistics" by the Japan Sewerage Works Association.

Growing regional differences in water rates

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 most expensive and the cheapest water rates depending on local governments.

Number of utilities by water rate (FY2019)



Source: "Current Status of Water Supply in Japan," Japan Water Works Association

Toward the realization of sustainable water and environmental infrastructure

The water supply, sewerage, and waste recycling businesses are currently facing environmental problems, such as global warming, and frequent natural disasters, as well as declining revenues, a shortage of engineers, and other challenges, which threaten their sound sustainability.

METAWATER Group will contribute to the realization of sustainable water and environmental infrastructure by working with local communities and providing optimal technologies and services to solve environmental and social issues.

President and Representative Director

Kenji Yamaguchi

Business Environment in Water and Sewerage field in Japan and Overseas

In recent years, the business environment for water supply and sewerage in Japan has faced major problems, including malfunctions caused by aging equipment, natural disasters caused by climate change, and rising operation and maintenance costs due to soaring prices.

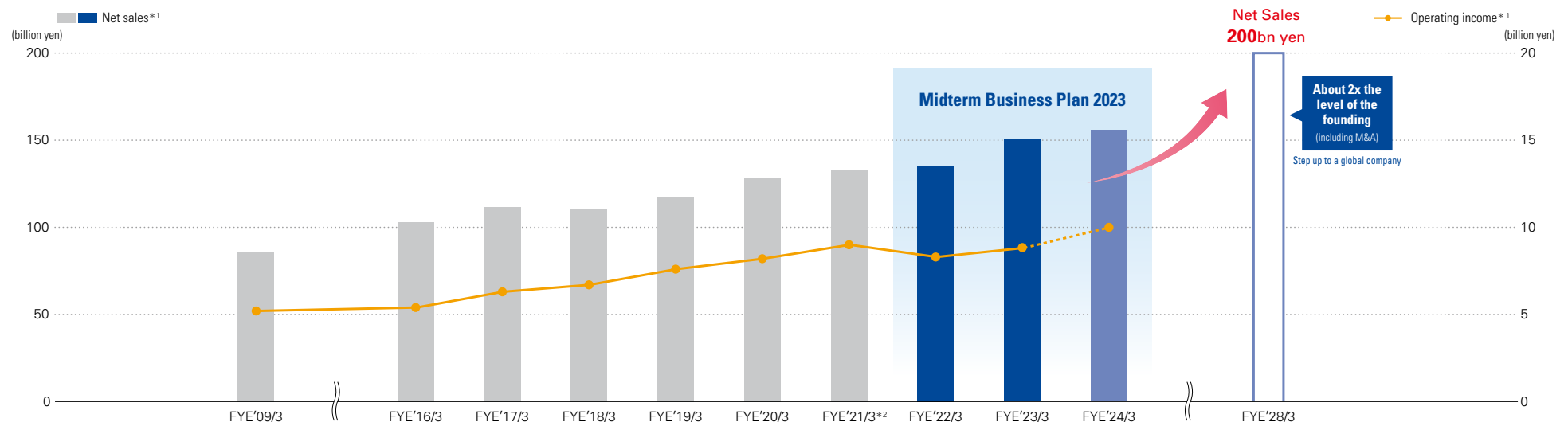
While the problem of aging facilities also applies to developed countries such as Europe and the United States, the most important issues are meeting increasingly stringent environmental regulations in Europe and the use of recycled water to secure water resources in the US. In emerging markets in Asia and elsewhere, water demand is increasing in line with population growth, and the need for infrastructure development is increasing.

Mid- to long-term vision

In FY2027, the fiscal year ending March 2028, METAWATER Group will celebrate its 20th anniversary. In order to take the next step and become a global company in this memorable year, we aim to achieve sales of 200 billion yen, approximately double the amount at the time of establishment. We had previously expected to achieve this target with organic growth of 160 billion yen and M&A for the remaining 40 billion yen, but with orders received and backlog of orders reaching new highs in recent years, we are now on the path to 170 billion yen from organic growth alone. This fiscal year, the fiscal year ending March 2024, will be the final year of our Midterm Business Plan 2023. We intend to make a group-wide effort to achieve our targets.

Achieving our long-term vision

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



*1 Non-consolidated net sales and operating income up to FYE '11/3; consolidated net sales and operating income from FYE'12/3

*2 For FYE '21/3, operating income is based on the Core Business, which excludes one-time factors such as one-time amortization of actuarial gains and losses due to the sale of shares in the retirement benefit trust.

Top management's message

Financial results for the fiscal year ended March 2023

We achieved record highs in both orders received and order backlog, which are the result of the strong performance of the EPC business and overseas business, as well as a large PPP project, Osaka City Sludge Treatment Facility Maintenance and Operation Project.

In terms of sales and profits, we were able to secure higher sales and profits thanks to good performance by our North American subsidiaries in the overseas business and K.K. Mizumusubi Management Miyagi in the PPP business despite construction delays due to extended delivery period of materials and delayed construction work by other companies, and increasing utility costs at the sites with operation and maintenance contracts.

In accordance with our policy of stable dividends, we increased the year-end dividend by 2 yen to 22 yen per share, which, together with the interim dividend of 20 yen per share, brings the annual dividend to 42 yen per share.

Results for the full fiscal year ended March 2023

		Sales	Orders received	Operating profit	Ordinary income	Current profit attributable to owners of parent	Annual dividend	
							End of second quarter	Year-end
FYE '23/3	Results	193.4 billion yen	150.7 billion yen	8.7 billion yen	9.1 billion yen	6.3 billion yen	20 yen	22 yen
	YoY	+411 billion yen (+27.0%)	+152 billion yen (+11.2%)	+5 billion yen (+6.7%)	+3 billion yen (+3.6%)	+0 billion yen (+0.1%)		
FYE '22/3	Results	152.3 billion yen	135.6 billion yen	8.1 billion yen	8.8 billion yen	6.2 billion yen	20 yen	20 yen

Sales by region

	FYE '22/3 Full-year results	FYE '23/3 Full-year results	Change	Change (excl. foreign exchange impact)
Japan	118.0 billion yen	125.1 billion yen	+7.1 billion yen	+7.1 billion yen
Overseas	17.6 billion yen	25.6 billion yen	+8.0 billion yen	+4.3 billion yen
United States	12.6 billion yen	18.6 billion yen	+6.0 billion yen	+2.9 billion yen
Europe	4.8 billion yen	6.8 billion yen	+2.0 billion yen	+1.3 billion yen
Asia	0.1 billion yen	0.2 billion yen	+0.1 billion yen	+0.1 billion yen
Total	135.6 billion yen	150.7 billion yen	+15.2 billion yen	+11.4 billion yen

Revisions to earnings results and dividend forecasts for the fiscal year ending March 2024 and the "Midterm Business Plan 2023"

Orders received have steadily increased from the previous level of 120 to 130 billion yen to 150 to 160 billion yen, largely as a result of the increasing size of projects and the expansion of DBO projects and overseas business. In response, we have increased our forecasts for orders received and sales by 10 billion yen each for the fiscal year ending March 2024, the final year of the plan. On the other hand, we have reduced our operating profit forecast by 500 million yen to 10 billion yen, reflecting measures such as better conditions for employees as part of our investment in human resources. Accordingly, we will work to achieve an operating profit of 10 billion yen, the highest-ever for METAWATER Group. We also plan to increase the annual dividend to 44 yen per share, consisting of 22 yen at the end of the second quarter and 22 yen at year-end.

*3 Operating profit excluding one-time factors from the sale of shares in a retirement benefit trust

Full-year results and dividends forecast for the fiscal year ending March 2024

		Sales	Orders received	Operating profit	Ordinary income	Current profit attributable to owners of parent	Annual dividend	
							End of second quarter	Year-end
FYE '24/3	Forecast	1,600 billion yen	1,550 billion yen	100 billion yen	95 billion yen	64 billion yen	22 yen	22 yen
	YoY	▲334 billion yen (▲17.3%)	+43 billion yen (+2.8%)	+13 billion yen (+15.1%)	+4 billion yen (+4.8%)	+1 billion yen (+2.4%)		
	Profit margin	—	—	+6.5%	+6.1%	+4.1%		

Revisions to Midterm Business Plan

	Midterm Business Plan 2023 (Announced October 27, 2021)	Forecast for FYE '24/3	Change
Sales	150.0 billion yen	160.0 billion yen	+10.0 billion yen
Orders received	145.0 billion yen	155.0 billion yen	+10.0 billion yen
Operating profit (Operating profit margin)	10.5 billion yen(7.2%)	10.0 billion yen(6.5%)	▲0.5 billion yen(▲0.7%)
Net income	7.2 billion yen	6.4 billion yen	▲0.8 billion yen
ROE	11% or more	10% or more	—

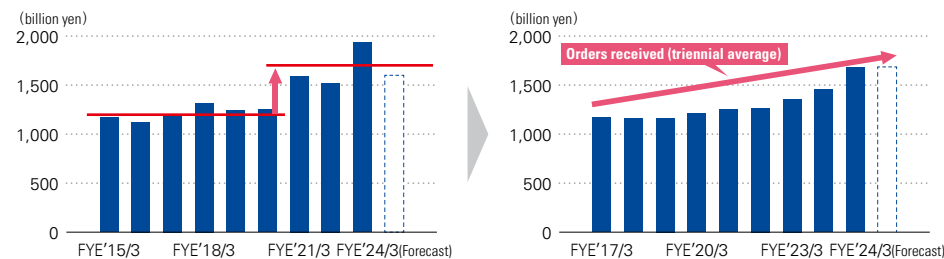
Enhancing corporate value by promoting sustainability

Since April 2022, METAWATER Group has established and addressed six important issues (materiality): Water environment, Recycling-oriented society, Greenhouse gas emission reduction, Local communities, Human resources, and Governance, in order to realize a sustainable environment and society and enhance corporate value.

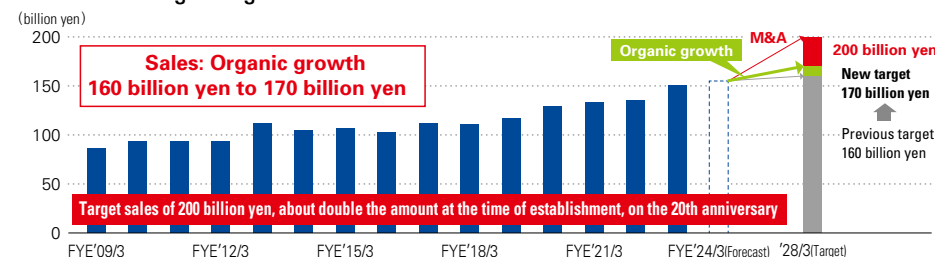
Furthermore, we disclosed information based on Task Force on Climate-related Financial Disclosures (TCFD), in order for METAWATER to summarize and visualize risks and opportunities associated with climate change. Also, we consider our personnel to be our greatest asset. We respect diversity as well as various working styles aiming to create a workplace environment where anyone can work comfortably. In April 2023, as part of our work style reforms, we introduced a "remote working system" and a "side job system."

As a company engaged in social infrastructure, we will continue to further promote sustainability initiatives through our business and endeavor to increase our corporate value.

Changes in Orders received



Increase in organic growth^{*4}



^{*4} Growth using existing management resources excluding M&As

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

Major topics for the fiscal year ending March 2023

Business activities

- Launch of "Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water" (Miyagi management & operation method) (April)
- Completion of "Aquaponics Park Ofunato" (July)
- Order for ceramic membrane for Hampton Loade water treatment works in England (UK), the world's largest ceramic membrane filtration plant (August)
- First domestic adoption of Cloth Media Filter, a technology of our US subsidiary in the "Ishizu Water Reclamation Center Water Facility Renewal Construction" in Sakai City, Osaka (August)
- Conclusion of business agreement for "Osaka City Sludge Treatment Facility Maintenance and Operation Project" (March) * See P28 for details

Research and development

- Registration into the guideline of the B-DASH Project* "advanced treatment technology through ICT and AI control of single tank nitrification and denitrification process," which was implemented in FY2019 (April)
- Adoption of "demonstration project on recycling of sewers with new phosphorus recovery system" as a B-DASH Project*⁵ for FY2023 (February)
- Joint patent application and research contract with Unicharm Corporation for used diaper recycling business (March), etc.

^{*5} B-DASH Project

Abbreviation of Breakthrough by Dynamic Approach in Sewage High Technology Project. It is a demonstration project that has been implemented by MLIT since FY2011. MLIT has been implementing this project in order to establish a low-carbon, recycling-oriented society in the sewerage industry, reduce life cycle costs, take measures against flooding and aging facilities, etc., and at the same time support the overseas expansion of Japanese companies in the water business, by accelerating the research, development, and commercialization of new technologies.

ESG activities

- Release of original video explaining the importance of sewerage system on our official website
- Sponsoring the "Great Water Adventure Executive Committee" booth at "EcoPro 2022"
- Winner of "Most Liked!" IR Award by Japan Investor Relations Association
- Establishment of guidelines for side job as part of work style reforms
- Implementation of remote working to realize work styles that enable anyone to work from the place of their choosing, etc.



Increase corporate value by strengthening earning power and improving management efficiency

Tomoyuki Takase

Executive Officer / General Manager, Accounting and Financial Planning Office

Portfolio review and efficient utilization of operating resources

The Group's reportable segments are divided into two businesses: plant engineering (PE) and service solution (SS). Meanwhile, in terms of internal management and organizational structure, the PE business is classified into the EPC field of machinery, including ceramic membrane filtration systems; electrical, including monitoring and control systems; and overseas operations. The SS business is classified into machinery, electrical, resource environment, PPPs, and the service subsidiary METAWATER Service.

Since being listed on the stock exchange in 2014, METAWATER has been steadily in the black, albeit with some fluctuations due to factors such as differences in the composition of our large projects. Given this, we believe that our strength in our stable financial base and our growth potential come from our crucial mission of supporting water infrastructure. With the aim of improving our earning power, we will delve further into the segments that the group has considered thus far and utilize our operating resources more efficiently by reviewing our portfolio and managing it in a more granular manner. We will aim to provide investors and shareholders with information that is useful for evaluating corporate value in order to strengthen the earning power of each business and maximize corporate profits.

About growth investment

We will strengthen our basic areas, the domestic EPC and O&M businesses, and invest in expanding our growth areas, the PPP and overseas businesses. We will also aim to anticipate changes in the market environment and utilize our corporate venture capital (CVC) toward expanding our business areas. We are using our investment framework to invest in Plant form Inc., which is engaged in aquaponics, a recirculation-based agriculture business in which fish and plants are cultivated at the same time. This investment has allowed us to effectively utilize the unused land in water and sewage treatment facilities and to develop measures to contribute to the sustainability of society as a whole through collaboration in the water and wastewater fields and even beyond.

We will work to improve METAWATER's corporate value by accelerating these efforts and making other investments to create synergies in our business, such as improving operational efficiency through DX investments.

Focus on balancing financial soundness and management efficiency

As management indicators, we have a capital adequacy ratio of 40% for management safety and an ROE of 10% for management efficiency. Since METAWATER is responsible for public works projects from local governments across Japan, it is essential for us to maintain financial soundness and safety. Given this, we are seeking the optimum balance between capital efficiency and shareholder returns while maintaining financial soundness.

The METAWATER Group evaluates corporate value with a focus on cost of shareholder's equity, cost of capital, and ROE. We conducted a company-wide review based on our results for the fiscal year ended March 2023, and found that our earning power exceeds capital costs, which means that our business activities are creating corporate value.

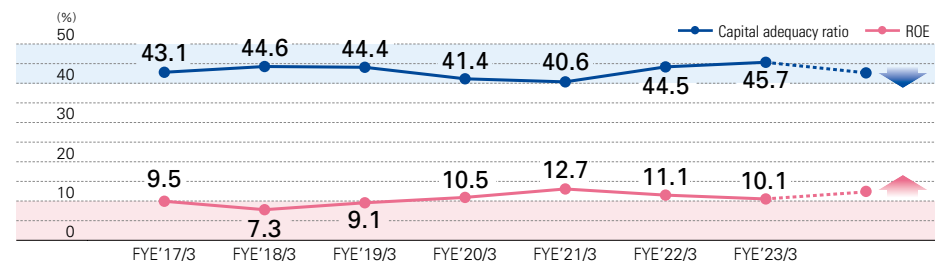
We will utilize ROIC mainly outside Japan, in countries where there is a strong need for M&A and other funds, and we will aim to further improve capital efficiency based on efficiency with invested capital. As we expand our business going forward, we will take into account the leverage of funding and other factors as we focus on enhancing both financial soundness and management efficiency.

Company-wide ROE **10.1%** > Cost of shareholders' equity **5.6%**
 Company-wide ROIC **8.3%** > WACC **4.9%**

Based on METAWATER's simplified calculation method

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

Balance between ROE and capital adequacy ratio



Strengthening shareholder returns and capital policy

Based on our strong financial results, we increased the year-end dividend for the fiscal year ended March 2023 by ¥42 per share, an increase of ¥2. Further, based on our most recent results, we are planning to increase our dividend to ¥44 for the fiscal year ended March 2024. In accordance with our Basic Policy on Corporate Governance, in terms of dividends, we will respond with flexibility by focusing on changes in business performance and the capital adequacy ratio, while taking factors like the dividend payout ratio into consideration.

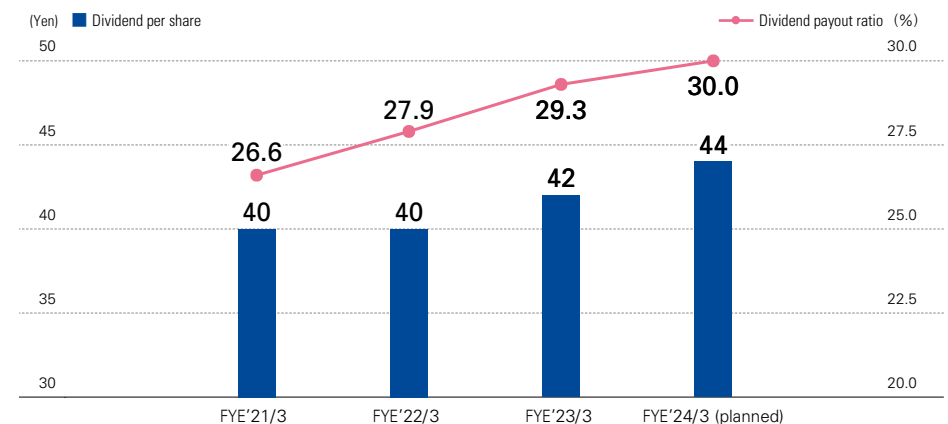
We will also consider further improving PBR by improving the total payout ratio, including the acquisition of treasury stock, and by strengthening our earning power in a sustainable manner in order to win the approval of shareholders more than ever before.

We will focus on engagement with shareholders and investors and tackle IR activities proactively.

Implement aggressive shareholder returns

Fiscal year ended March 2022	40 yen annually
Fiscal year ended March 2023	42 yen annually
Fiscal year ended March 2024	44 yen annually

Dividend per share/payout ratio



Financial strategies supporting value creation

In the fiscal year ended March 2023, the number of shareholders increased due to the securitization of shares. In May 2023, treasury stock was cancelled. The remaining treasury stock will be used not only for executive incentive compensation, which has already been introduced, but also for distribution to employees and other initiatives to strengthen our human resources. We will aim to expand the number of shares in circulation and further improve corporate value over the medium to long term by strengthening effective shareholder returns, capital policy, and corporate governance.

Formulating growth strategies and expanding visualization

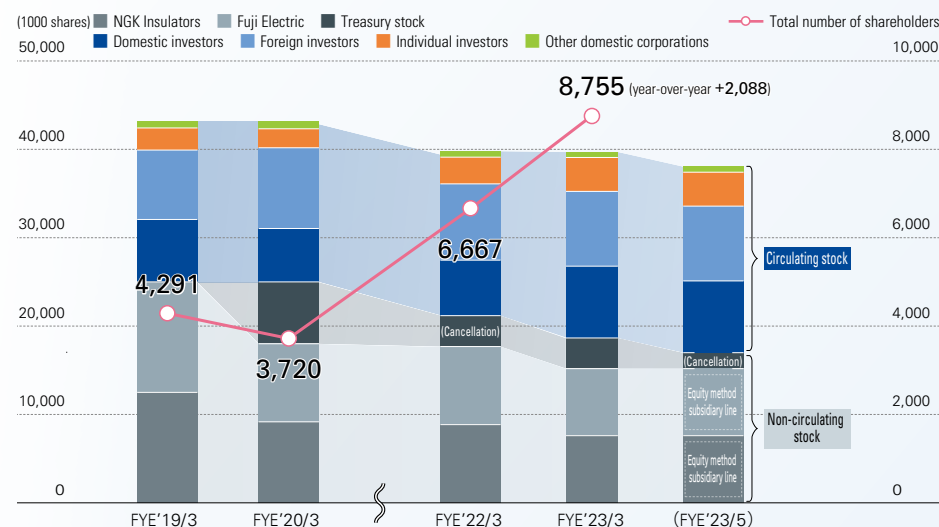
As the social environment changes from moment to moment, we will formulate and implement business and financial strategies that capture these changes; non-financial strategies, which are becoming increasingly important; and growth strategies that integrate these strategies. At the same time, we will make efforts to make non-financial information visible in financial reporting and securities reports, and we will work to expand this information. By making greater efforts toward information disclosure, we aim to become a company that is trusted by society and that continues to contribute to society.

Toward the next Midterm Business Plan

The fiscal year ended March 2023 was a touchstone, marking the second year of the Midterm Business Plan 2023, which is the second stage toward the achievement of the Long-Term Vision 2027. Although operating income was slightly lower than the forecast due to temporary factors, net income landed almost as expected, and we felt a sense of stability toward achieving our target.

This fiscal year is the final year of the Midterm Business Plan 2023. With an eye toward the next Midterm Business Plan, we will work both to achieve this plan and to create sustainable corporate value and shareholder value in order to develop in the medium to long term.

Changes in shareholder composition



Growth strategy concept



Messages from business unit leaders | **Sales and Marketing Division**

We aim to receive continuous orders by considering social issues from a big picture perspective.

At water and environmental infrastructure in Japan, there is an urgent need to address financial difficulties caused by population decline, human resource shortages, and aging facilities and equipment. Also, the increasing severity and frequency of localized torrential rain fall and other natural disasters is an urgent issue for sustainable water and environmental infrastructure. In addition, national measures to reduce greenhouse gas emissions are also being implemented at water treatment and sewage treatment plants towards a carbon-neutral and decarbonized society in 2050.

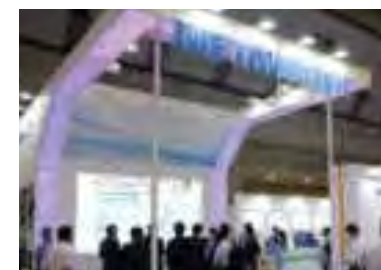
We, Sales & Marketing Division, see these social issues as business opportunities. We propose products and technologies that meet the needs of our customers, such as systems that optimize water treatment facilities as a whole by combining METAWATER's strengths in mechanical and electrical technologies, and the latest IoT and AI technologies to contribute to energy conservation and energy creation through the efficient operation of existing facilities. In addition, for customers facing various issues, such as new social conditions and regional characteristics, we will propose optimal solutions based on our experience in participating in numerous public private partnership (PPP) projects, including area-wide expansion and facility sharing. In the field of waste recycling, we will promote initiatives such as the 3Rs (Reduce, Reuse, Recycle) to achieve a sustainable society. As we are also committed to staying close to local communities, we will continue our efforts to provide solutions for the safe operation of facilities and improved services for residents, responding to social needs for public facilities as centers for local employment, environmental education, and disaster prevention, through our products, technologies, and operational expertise together with the synergy of our partner companies. To this end, we emphasize a broad view of the issues facing society as a whole, while striving to secure more continuous orders.



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



Technology of overseas METAWATER Group company
adopted for the first time in Japan
Cloth Media Filter



Introducing METAWATER technologies at
SEWAGE WORKS EXHIBITION 2022 TOKYO

Strengths

- We propose systems that optimize across entire water treatment and related facilities by combining METAWATER's proprietary mechanical and electrical technologies according to customer's needs.
- We will propose further optimized products or system improvements to meet new needs and challenges that arise for customers to whom we have already delivered our products.
- Based on our experience of participating in a number of public-private partnership (PPP) projects, we will earnestly address and propose solutions to the challenges that our customers are facing, such as area-wide expansion and facility sharing.

Challenges

- Responding to volatile social conditions such as the increasing severity of natural disasters and rapid price increases caused by the situation in Ukraine
- In an increasingly competitive market, the ability to create novel proposals that include elements such as cost competitiveness and efficiency, as well as energy conservation and creation
- Proposals for new products and systems to achieve carbon neutrality



We are working on further optimizing design, procurement, and construction.

METAWATER is a company with expertise in both mechanical and electrical technologies in water and sewage plants. We design and construct various types of water and sewage plants based on our extensive track record of supplying mechanical and electrical equipment and facilities, as well as new electromechanical fusion technologies and our product development capabilities.

Since we established a special team for efforts to address carbon neutrality in FY2022, this team has played a leading role in developing indicators to measure the contribution to decarbonization of METAWATER technologies and products (systems and plants), and strengthening of our proposal activities, with the aim of achieving a decarbonized society.

In addition, we began trialing new engineering methods in FY2022, aiming to introduce them in earnest this fiscal year, since engineering reforms will be essential for responding to changes in the business environment, including the shift from specification-based ones to performance-based ones in line with the increase in public-private partnership (PPP) projects, the increase in long-term operation and management services, the evolution of ICT and AI technologies, and the diversification of work styles as a result of progress in work style reforms.

Based on these new engineering methods, we will move forward with the creation of databases for entire plants, and reform our operations, in anticipation of the utilization of these databases not only in making design, construction, and procurement operations more streamlined, efficient, and standardized, but also in long-term asset management.



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

Noboru Okuda



Promoting new engineering methods utilizing ICT and other technologies



Using flyers to propose our technology that contributes to decarbonization.

Strengths

- Engineering capabilities utilizing differentiated products and technologies in the fields of machinery, electricity, and electromechanical fusion
 - Machinery: ceramic membrane filtration systems, ozone treatment systems, high-speed filtration, flow turbines, etc.
 - Electricity: Extensive track record of delivery of monitoring and control systems from small to large scale, number of systems supplied:450, environmentally-friendly electrical equipment, etc.
 - Electromechanical fusion: multi-layer fluidized incinerators, advanced wastewater treatment systems for sewage aeration tanks utilizing ICT and AI, 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

Project Topics

Solutions using electromechanical fusion technologies, ICT, and AI

Leveraging METAWATER's strengths in electromechanical fusion technology, we are working to develop new products, optimize plant operation using ICT and AI, and establish energy conservation and creation technologies, in order to achieve a decarbonized society. We will aim to improve operational efficiency and construction quality, and reduce costs by making full use of ICT at the both design and construction stages.

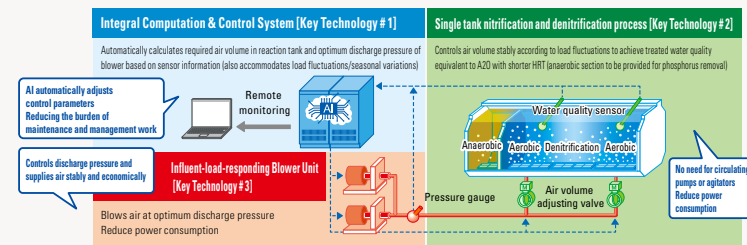
B-DASH Project adopted in FY2019

Advanced treatment technology by controlling single tank nitrification denitrification process with ICT and AI

This technology utilizes ICT and AI

- (1) Treatment water quality and short HRT equivalent to A2O method with air flow control in response to fluctuations in inflow load, season, etc.
- (2) Blower power reduction with blower discharge pressure control
- (3) It is an innovative technology that reduces the burden of operation and maintenance and management work (automatic control with ICT and AI).

Furthermore, The use of our component technologies enables power consumption to be reduced even in plants where advanced treatment is not considered.



Demonstration summary

Project Contractor : Consortium between METAWATER Co. Ltd., Japan Sewage Works Agency, and Machida-city

Demonstration Field : Naruse Clean Center, Machida City, Tokyo

Scale of demonstration : Average wastewater volume of 28,520 m³/day in the demonstration system during the demonstration period

Demonstration period : FY2019 to FY2020

This project was conducted based on research commissioned by the National Institute for Land and Infrastructure Management of the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

Guidelines : Guidelines for technology introduction formulated in March 2022

Results : Yokohama South Water Reclamation Center

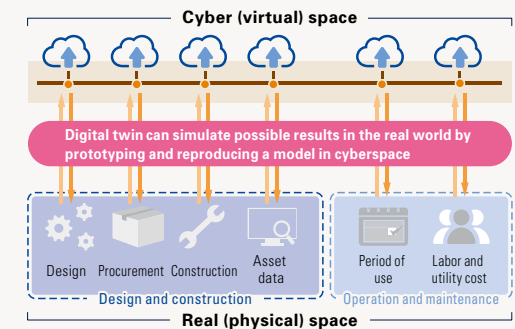
New value creation in engineering work using ICT

Establishing engineering tools that utilize ICT and implementing multiple projects for delivery

The strengths of ICT include making simple tasks faster and more efficient, and better forecasting of results through learning large amounts of data. We leverage these strengths in our engineering and construction work, and incorporate construction information at the design stage to create designs that take into consideration construction stage, and standardize work based on our past data to improve operational efficiency.

Key actions

- Improving efficiency of design work and quality of products through data collaboration from various types of engineering works
- Solution proposal from inspection, repair, and to renewal based on our asset database
- Implementation of various simulations using digital twins



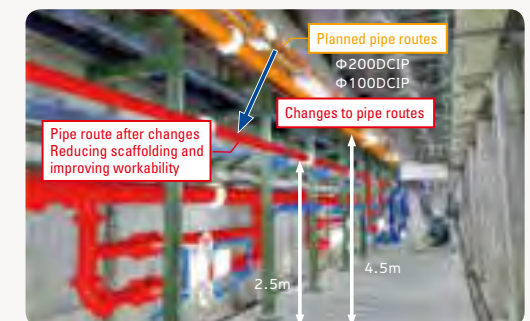
Digital twin concept diagram

What's digital twins?

A digital twin refers to the reproduction of a real space within cyberspace. By using digital twins at the design stage, we can simulate and conduct various tests without actual prototypes which reduce the costs and time for construction and R&D.

Case study of construction simulation using a digital twin

- Improving efficiency of on-site construction utilizing 3D scans and 3D CAD for design and construction, including site surveys and on-site temporary facility planning
- Making proposals with 3D CAD videos showing the result of construction in the virtual space, which facilitate site checks with customers, improve safety and quality during construction, and maintenance management



On-site check ⇒ Make 3D model ⇒ VR proposal to customer ⇒ Approval

You can read more about topics related to our businesses on the following pages.

• Ceramic Membrane Filtration System [P39-40](#)

• Carbon neutral [P41-42](#)

• Reducing power consumption through variable pressure control [P46](#)



Tackling various water-related social issues, staying close to the clients.



Executive Officer
Executive General Manager, Service Solution Division

Hiroyuki Nakano

Service Solution Division is engaged in inspections, repairs, operations, and maintenance management of the 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 both water and sewage and waste recycling fields, challenges include aging facilities and equipment, and shortages of engineers and personnel for operation and maintenance. There are high expectations for expertise and technologies of private-sector technologies that can be used to promote DX, and proposals for service solutions.

Also in the field of waste recycling, we work together with a number of local governments to address challenges such as increasing the recycling rate of general waste, including proper sorting and recycling, and safety measures against facility fires caused by lithium-ion batteries or other materials.

We, Service Solution Division have a nationwide network of 34 service stations with technical service personnel. We constantly stay close to our customers providing assistance with emergencies such as equipment breakdowns and other problems, as well as consultancy services related to operation and maintenance facilities and equipment.



Our patented fire dampers installed as a fire safety measure in the facility



Monitoring of the entire facility from a central monitoring room

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 support of machinery and electrical equipment.
- We believe that we can contribute to customer's DX promotion through a total service that will lead to optimal solutions for facility maintenance and management by working together with our construction and operation management departments.

Challenges

- Promote employment and human resource development of frontline workers, expand on-site support from back office, and maintain station-based service systems
- Consistently adopt new technologies, services, and methods to ensure on-site safety and improve service quality
- 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 earthquakes and climate change
- Develop efficient and safe equipment for general waste disposal and increase disposal capacity, and implement countermeasures against fires caused by lithium-ion batteries, etc.
- Undertake initiatives to protect the global environment based on steady efforts, such as compliance with general waste regulations and adoption of EVs for company vehicles

Project Topics

Extending the service life and lifespan of sludge and general waste incineration plants

Sludge and general waste incineration facilities are required to create a recycling-oriented society, promote energy conservation and creation, and strengthen disaster countermeasures. Being in a field of rapid technological innovation, METAWATER offers the latest technological solutions. Because incinerators operate at high temperatures, buildings, machinery and equipment are severely damaged and soon need renewal work. However, due to budgetary constraints, it is difficult to renew entire plant, and the continuation of facility operations by extending and prolonging the life of existing facilities is an important issue, resulting in expectations for METAWATER's technologies.

Kasumigaura Sewage Treatment Center, Tsuchiura City, Ibaraki Prefecture

~ Based on the relationship of trust built with customers through scheduled repairs, we will make the best proposals for the time of reconstruction. ~

In recent years, METAWATER has been conducting annual scheduled repairs at the sludge incinerator facility at the Kasumigaura Sewage Treatment Center. We carry out repairs and preventive maintenance in order to maintain the functions of facility, but owing to budget constraints, the repair items are determined by priority and urgency. In addition, for the reconstruction work that began in 2020, we were able to win the order by making optimal proposals based on our knowledge of the facility accumulated through periodic repairs. By converting to our latest Multi-layer fluidized incinerator, we expect to reduce greenhouse gas emissions. This is a good example of how our Service Solutions Division, which is always by the customer's side, has built a good relationship with the customer, which led to the reconstruction work.



Kasumigaura Purification Center, Tsuchiura City, Ibaraki Prefecture

Construction summary

< Scheduled repairs >

Project name : Repair work for incinerator machinery (Unit No. 2 and No. 3)

Project period : August 6, 2021 to March 15, 2022

< Reconstruction work >

Project name : Reconstruction work for the No. 2 incinerator machinery and facility, Kasumigaura

Project period : November 21, 2020 to June 30, 2022

Location : 2-8-1 Kohoku, Tsuchiura City, Ibaraki Prefecture



Instruments with parts replaced in reconstruction work



Dewatering equipment with parts replaced in reconstruction work



Reconstructed air preheater

Improvement Work for Nakatsu City Clean Plaza Core Facility

~ Completion of difficult renewal work to extend the service life of an existing, aging furnace while keeping another in operation ~

The existing two incinerators, which had been operating for more than 20 years, were operating almost at full capacity as of 2019, with a significant decline in treatment capacity due to aging equipment.

To address this situation, METAWATER was commissioned with a project in September 2020 to improve the incinerator to extend the life of the facility, as well as to increase the waste treatment capacity from 100t/d (50t/d × 16h × 2 units) to 150t/d (75t/d × 24h × 2 units), and reduce carbon dioxide emissions by more than 6%.

It was a challenging task to remove and replace one incinerator while operating the other remaining existing incinerator, but we successfully completed the work without incident in February 2023.



Nakatsu City Clean Plaza

Construction summary

Project name : Core Facility Improvement Work for Naka Sei Kan Unit No.1 at Nakatsu City Clean Plaza

Project period : September 2020 to February 2023

Location : 1366-3 Kakize, Nakatsu City, Oita Prefecture



During the replacement process



After renewal



Location

You can read more about topics related to our businesses on the following pages.

- Water Business Cloud (WBC) [P44](#)
- Correlation monitoring service [P45](#)



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

International Business Division aims to expand its global business with the Group's unique products and technologies centered on filtration technology, targeting North America and Europe, where environmental regulations are becoming stricter, and Asia, where market expansion is expected with the spread of water supply and sewage systems. In the United States, together with our overseas subsidiaries Aqua-Aerobic Systems, Inc. and Wigen Companies, Inc., we will provide solutions to various issues such as aging water environmental infrastructure, water shortages, and advanced treatment in the municipal water and wastewater treatment, water reclamation, and water related markets. Also in Europe, our subsidiaries MECANA Umwelttechnik GmbH, FUCHS Enprotec GmbH, and RWB Water B.V. will take the lead in addressing issues such as aging infrastructure and stricter water quality and environmental regulations. In Asia, we will strengthen our business structure to meet the strong demand for water there. Furthermore, we will accelerate acquisitions and alliances in each region to expand the METAWATER Group's businesses. The environment surrounding the global water business is changing at a dizzying pace. And as customer demand is increasingly diverse, it is becoming more important than ever to make sustainable efforts of local water production and consumption. METAWATER Group will continue to reinforce collaboration with partner companies. We aim to become a dependable presence in each region by delivering products and technologies optimized to meet local demands and environmental changes.



Executive Officer
Executive General Manager of International Business Division
Ken Akikawa



Face-to-face meetings with overseas subsidiaries resumed



Checking delivered materials at construction site in Cambodia

Strengths

- Achievements and experiences in the Japanese water and wastewater market over many years, as well as our unique technologies such as ceramic membrane filtration systems and ozone generation systems developed and refined in Japan
- Overseas subsidiaries, which have strong ties to local communities, a proven track records, and the trust by industry and residents, as well as the proprietary technologies such as cloth media filtration
- Comprehensive proposals and product development based on the above proprietary technologies, responding to changes in the laws and regulations of various countries and the external environment, through inter-group synergies.

Challenges

- Initiatives to address global structural changes such as inflation pressure, prolonged supply chain problems, increased regulation in the water environment area, and changes in customer's demand
- 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

Project Topics

Continuous orders for ceramic membranes for water treatment plants in the UK - Strengthening strategic collaboration with PWNT Holding B.V.

Hampton Loade Water Treatment Works

~ Construction of the world's largest ceramic membrane filtration water treatment plant ~

The Hampton Loade Water Treatment Works, located near Bridgnorth in the West Midlands, produces 210,000 m³ per day and supplies to approximately 700,000 people. The plant is currently undergoing renovation, and when completed, it will be the world's largest water treatment plant using ceramic membranes.

What is CeraMac® System?

The CeraMac® System is a system that mount multiple ceramic membranes in a single vessel. It is a registered trademark of PWNT Holding B.V.



About PWNT Holding B.V.

PWNT Holding B.V. was established as a subsidiary of Dutch water utility PWN and has developed and commercialized innovative technologies such as CeraMac®, applying PWN's 100 years of experience.

Witches Oak Water Treatment Works

~ Adoption of our environmentally-friendly ceramic membrane ~

The Witches Oak Water Treatment Works is designed as a new type of water treatment facility with low carbon emissions in compliance with the UK's Green Recovery Policy. METAWATER's ceramic membranes was chosen for the plant's purification process because of its filtration performance to eliminate turbidity and pathogens such as Cryptosporidium, long service life, and recyclability.

METAWATER's ceramic membranes work around the world



You can read more about topics related to our businesses on the following pages.

- Outline of overseas business strategy and technology [P36](#)
- Locations of overseas group companies [P77](#)



Exploring various forms of public-private partnership (PPP) and making local community-oriented proposals

Public Private Partnership Division is continuously evolving. We have proposed projects that meet the needs of our municipal customers while exploring various forms of public-private partnership and establishing advanced new models, such as Miyagi Prefecture Integrated Water Supply, Industrial Waterworks, and Sewerage Public-Private Partnership Management Project, which was launched last year, Comprehensive consignment of Arao City water business, and Comprehensive consignment for Ofunato Purification Center including facility improvement. I also feel that we have entered an era in which we must consider not only area-wide/joint management, but also collaboration with other industries and local companies in order to sustain water and environmental infrastructure. We must also continue to address challenges such as Japan's declining population, shortages of engineers for water and environmental infrastructure, aging facilities, measures against natural disasters such as earthquakes and localized torrential rains, and achieving a carbon-neutral society. To this end, measures such as securing and training the right personnel in the right jobs, and establishing optimal operations using data from the latest ICT and AI technologies. METAWATER Group has much experience in Public Private Partnership projects and has built a long track record of successful operations. By using our experience to overcome above the challenges, we strive to be truly trusted by our customers.



Senior Executive Officer
Executive General Manager, Public Private Partnership Division

Masashi Sakai



Project information session for local residents



Check the smell of tap water

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 continuously 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
- Review contracts to reflect rising labor and fuel costs, and promote further energy conservation.

Project Topics

Steady progress on PPP projects ~ Signing contracts for larger and more extensive PPP projects ~

Effective utilization of all sludge generated in the sewage system of Osaka City

Signing of business agreement for "Osaka City Sludge Treatment Facility Development and Operation Project"

This is a PPP project in which a corporate group represented by METAWATER has entered into a business agreement with Osaka City.

This is a comprehensive project to reconstruct and upgrade the sludge treatment facilities at the Maishima Sludge Center and the Hirano Sewage Treatment Plant, followed by operation and maintenance and effective utilization of sludge resources over a period of 20 years. As a large scale unit, we aim to achieve stable and safe sludge treatment, sustain sewerage systems, and optimize life cycle costs. The project will be implemented under the BTO method.

Project summary

Project name :

Osaka City Sludge Treatment Facility Development and Operation Project

Locations :

Maishima Sludge Center, Hirano Sewage Treatment Plant, and Konohana Sewage Treatment Plant

Consortium and constituent companies:

Water Nexus OSAKA Co., Ltd. (SPC)

[Constituent companies]

METAWATER Co., Ltd., METAWATER SERVICE Co., Ltd., Tsukishima Kikai Co., Ltd., TSUKISHIMA Technology Maintenance Service CO., LTD., Daiei Kankyo Co., Ltd., Mie Chuo Kaihatsu Co., Ltd., TSUNEISHI KAMTECS CORPORATION

Project period:

[Design and construction]

March 20, 2023 (contract date) to September 30, 2028

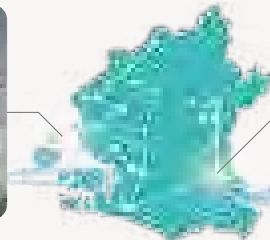
[Operation and maintenance]

October 1, 2028 to September 30, 2048 (20 years)

Project method : BTO method



Rendering of
Maishima Sludge Center



Rendering of
Hirano Sewage Treatment Plant

Achieving stable / efficient treatment and effective utilization of sludge by leveraging existing sludge delivery networks and storage tanks, according to fluctuation in sludge quality and quantity

Conclusion of Water Facility Management Service agreement for 7 Water Utilities in Osaka Kanan Region

The consortium, which includes METAWATER, has signed a business consignment contract with the municipal parties, comprising the cities of Kawachinagano, Tondabayashi, Habikino, Kashiwara and the Osaka Prefectural Waterworks Bureau (Osaka Sayama Water Supply Centre, Taishi Water Supply Centre and Kawan Water Supply Centre), for the management of water facilities.

The seven water utilities in the Osaka-Kanan region jointly selected the operator with the aim of strengthening and streamlining their management base and maintenance management systems, in anticipation of synergies from the public-private partnership.

Project summary

Project name :

Water Facility Management Service agreement for 7 Water Utilities in Osaka Kanan Region

Consortium and constituent companies :

Consortium of WATER AGENCY, METAWATER, Nihon Suido Consultants, and Osaka Water General Service [Constituent companies]

WATER AGENCY INC., METAWATER Co., Ltd., Nihon Suido Consultants Co., Ltd., Osaka Water General Service Co., Ltd.

Project period : April 1, 2023 to June 30, 2028

Project contract signed for the Horowa Water Treatment Plant Reconstruction Project, Tome City

This is a PPP project in which a corporate group represented by METAWATER has entered into a business agreement with Tome City in Miyagi Prefecture.

In this project, we will undertake reconstruction work at the Horowa Water Treatment Plant, which has been in service for more than 40 years. The plant will be converted to a ceramic membrane filtration plant in order to ensure stable water purification performance in response to changes in water quality, such as increased turbidity in the raw water taken from the Kitakami River system. The DBM method will be used for this project.

Project summary

Project name : Horowa Water Treatment Plant Reconstruction Project

Location : 80 Teraike Doba, Toyoma-machi, Tome City, Miyagi Prefecture

Project operator and constituent companies: METAWATER Group

[Constituent companies] METAWATER Co., Ltd., NIHON SUIDO SEKKEI Co., Ltd., Fujita Corporation, Tadano-gumi Co., Ltd., METAWATER SERVICE Co., Ltd.

Project period:

[Design and construction] April 1, 2023 to March 31, 2030 (7 years)

* The target date for water inflow to the membrane filtration plant is February 2029.

[Maintenance management] 20 years from the date of full capacity operation of membrane filtration system

Project method : DBM method



You can read more about topics related to our businesses on the following pages.

- PPP delivery results and the progress of the Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water [P33-35](#)
- The Aquaponics Project and a case study of Kashima Town in Kumamoto Prefecture [P55-56](#)

Based on my experience as a lawyer and outside officer of other companies, I will encourage “offensive governance.”



Outside Director **Taku Fukui**

— What are your overall impressions of matters such as the operation and discussions of the Board of Directors and Board of Auditors?

Lively discussion takes place.

In particular, outside directors actively speak out and give advice based on their respective backgrounds and expertise, and management does not restrict this in any way. In that sense, I think the operation of the Board of Directors and Board of Auditors is very sound and good.

— What is your role as an outside auditor?

I will encourage not only “defensive governance” but also “offensive governance.”

As a legal professional, I believe it is important to constantly monitor and provide advice on compliance, that is, whether directors are performing their duties in accordance with laws and regulations, including not only antitrust laws and bribery, but also information leaks and harassment. On the other hand, if we focus too much on the legal liability of directors, shareholder lawsuits, etc., it will be difficult for management to make progress as they may

remain in a “defensive posture.” I would like to encourage the “offensive governance” called for by Japan’s Corporate Governance Code.

— What is your view on the governance of METAWATER Group?

It is important to develop compliance systems for Group companies both in Japan and overseas.

Looking at the METAWATER Group’s businesses as a whole, I think that they are managed in accordance with the rules and there are no issues. If I had to say something, I would point to the development of compliance systems at Group companies. METAWATER is notable for having many Group companies in comparison with the size of its business operations, and in recent years, the company has been rapidly expanding the scope of its operations through mergers and acquisitions of overseas companies. Among them, companies of a certain size have solid systems, but there are also many smaller companies, and I think it will become increasingly important that these companies develop compliance systems. Currently, the legal and overseas departments, etc., are providing various types of support, and governance at Group companies will become increasingly important in the future. I intend to continue to monitor the development and operation of these systems.

— What actions are necessary to sustainably enhance corporate value?

A human resources strategy to support safe, secure water and environmental infrastructure is key.

Needless to say, water supply, sewage, and environmental businesses are important types of infrastructure that are essential for humanity. METAWATER's role as a company that takes responsibility for this infrastructure is extremely important, and there are expectations placed on the company by all stakeholders, from shareholders to business partners and citizens. In order to continue and develop these businesses, the key will be the ways in which the company recruits the necessary human resources, improves the treatment of employees, and creates a comfortable working environment. The METAWATER Group considers people to be its greatest asset. It recognizes the value of diversity and a diverse work environment, and thus aims to create an environment where anyone can work comfortably. Accordingly, the company has become an industry pioneer in developing a variety of human resources strategies, including a four-day workweek, satellite offices, remote working systems, and a side job system, and I hope the company will continue to promote these initiatives.

— If you have any episodes, experiences, etc., from your past involvement in management that you would like to utilize at METAWATER, please let us know, to the extent possible.

I will use the experience I have gained as an outside auditor and outside director to audit and provide advice on the execution of business operations.

As I am holding positions as auditor and director of other companies, I would like to refrain from discussing specific cases. Although it was in other industries, I have accumulated knowledge and experience over many years as a company attorney and outside officer. During my experiences, there were various incidents that gave cause for concern, such as compliance violations or the possibility of violation. In each case, I compared the facts with the law, and made judgments and gave advice as appropriate. As mentioned, METAWATER's role in the water and environmental infrastructure

businesses is extremely important. I intend to use the experience I have gained as an outside auditor and outside director to audit and provide advice on the execution of business operations.

After the interview

The sincere personality of Mr. Fukui, an auditor of the company, was clear from this interview. I was impressed by his intention to audit and provide advice not only to encourage "defensive governance" but also "aggressive governance."

(Interviewer) Yasunori Matsumoto, Responsible for IR, Corporate Strategy Planning Office



Taku Fukui Date of birth: August 24, 1961

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 to June 2021	Outside Audit & Supervisory Board Member at Shin-Etsu Chemical Co., Ltd.
January 2009	Managing Partner at Kashiwagi Sogo Law Offices (current)
June 2017 to June 2023	Outside Director at Yamaha Corporation
June 2021	Outside Auditor at METAWATER (current)

Expectations for outside auditors (From the Notice of Convocation of the 48th Ordinary General Meeting of Shareholders, June 22, 2021)

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 other corporations, as well as balanced and broad perspectives not limited to the industries related to our company. He has the required skill set to supervise the execution of the business of the company by leveraging his experience and high level of independence.

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.

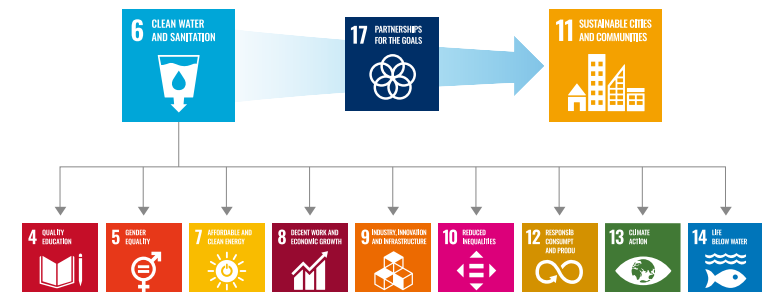


METAWATER Group sustainability promotion activities – initiatives targeting important issues (materialities)

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.	<ul style="list-style-type: none"> ■ Contribution to sustainable water supply and sewage works facilities ■ Contribution to the water environment overseas ■ Water source forest conservation 	    	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.	<ul style="list-style-type: none"> ■ 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.	<ul style="list-style-type: none"> ■ Reduction of GHG emissions at water supply and sewage works facilities ■ Reduction of supply chain emissions (CO₂) 	  	
 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.	<ul style="list-style-type: none"> ■ Revitalization of local communities and economies ■ Support measures in the event of disaster ■ Social contribution activities 	  	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.	<ul style="list-style-type: none"> ■ Creation of a rewarding work environment ■ Supporting education for employees ■ Improvement of occupational health and safety 	  	
 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.	<ul style="list-style-type: none"> ■ Enhancement of corporate governance ■ Promotion of compliance 	 	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

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

2002 Tahara City, Aichi Prefecture
**Project for development, etc.,
of new recycling center**
The company's first PFI project



2009

2002

Tahara City, Aichi Prefecture
**Project for development, etc.,
of new recycling center**
The company's first PFI project

Omuta City, Fukuoka Prefecture and Arai City, Kumamoto Prefecture
**Project for development and operation of
 Omuta and Arai Joint Water Treatment Plant, etc.**
 A joint water treatment plant operating across prefectures



2016

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

to Prefecture
consignment of
business
comprehensive project
held. Moved to
the comprehensive

the project management stage



Aichi Prefecture
Project to convert sludge to fuel in east Kinuura
 The company's first fuel conversion project

2021

2020

2017

2016

2014

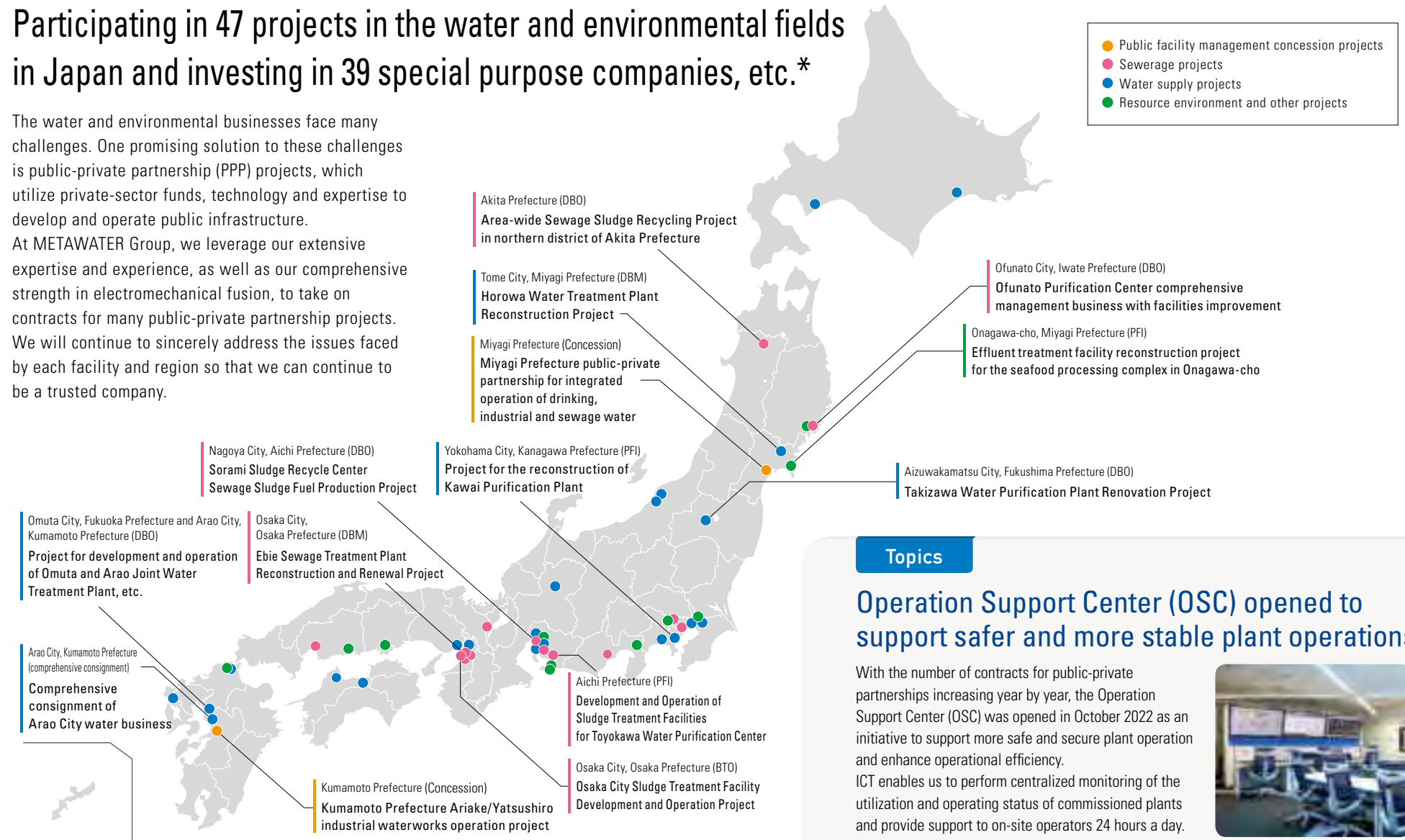
2009

2002

To the project management stage

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

The water and environmental businesses face many challenges. One promising solution to these challenges is public-private partnership (PPP) projects, which utilize private-sector funds, technology and expertise to develop and operate public infrastructure. At METAWATER Group, we leverage our extensive expertise and experience, as well as our comprehensive strength in electromechanical fusion, to take on contracts for many public-private partnership projects. We will continue to sincerely address the issues faced by each facility and region so that we can continue to be a trusted company.



* 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)

Topics

Operation Support Center (OSC) opened to support safer and more stable plant operations

With the number of contracts for public-private partnerships increasing year by year, the Operation Support Center (OSC) was opened in October 2022 as an initiative to support more safe and secure plant operation and enhance operational efficiency. ICT enables us to perform centralized monitoring of the utilization and operating status of commissioned plants and provide support to on-site operators 24 hours a day. This contributes to the optimization of plant operation, labor conservation, unmanned operations at night, etc.



Operation Support Center opened at our Nagoya Branch

Materialities topics

Growth areas PPP business

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

In April 2022, the first project in Japan in which the three services of water supply, industrial water supply, and sewerage will be operated in an integrated, long-term manner was launched by K.K. Mizumusubi Management Miyagi, a special purpose company (SPC) represented by METAWATER.

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

[Project method]

Concession (public facility management concession method)

[Projects covered]

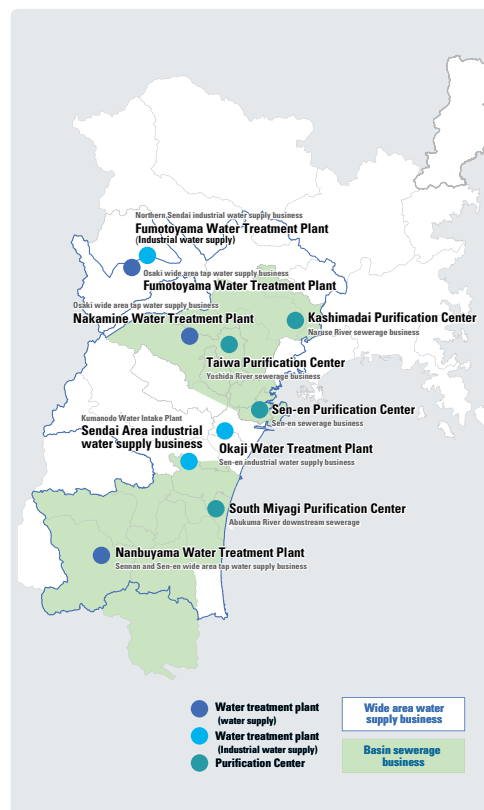
- Tap water supply businesses (two businesses)
- Industrial water supply businesses (three businesses)
- Sewerage businesses (four businesses)

[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]

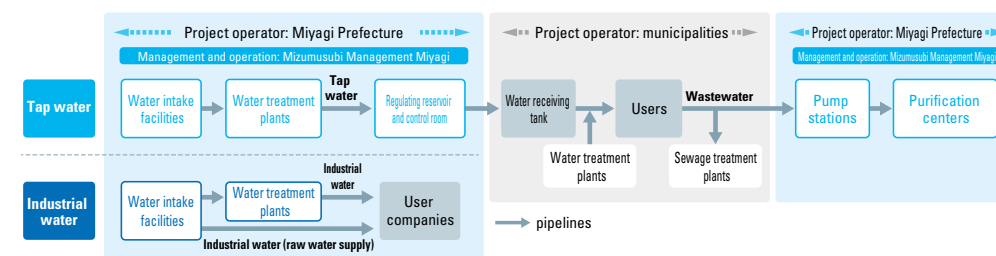
April 1, 2022 to March 31, 2042 (20 years)



Role of Mizumusubi Management Miyagi

Mizumusubi Management Miyagi is responsible for the management and operation (operation and management, repairs, rebuilding, etc.) of water treatment plants and purification centers that are covered by water supply (two projects), industrial water supply (three projects), and sewerage (four projects).

Miyagi Prefecture is responsible for the maintenance and management of the pipelines, and will maintain the ownership of each facility and the authority to determine fees for water supply, industrial water supply, and sewerage.



Mizumusubi Management Miyagi initiatives

Local community

- Cultivating local human resources and securing personnel to ensure a stable water supply
- Improving technical and emergency response capabilities of human resources through proprietary training program
- Building a supply chain that contributes to the sustainable development of local communities

Trust

- Ensuring transparency in project operation through information sharing, including the disclosure of management status and water quality data, and the publication of public relations magazines
- Interaction with users through tours of water treatment plants, open day events at purification centers, etc.
- Objective checks by an Improvement Monitoring Committee composed of outside experts

Innovation

- Support for on-site operations through the introduction of integrated monitoring and control systems at commissioned sites
- Effectively ensuring the soundness of facilities by linking operational information related to operation management, maintenance, inspection, rebuilding, etc.
- Collaborating with a diverse range of regional partners to capture knowledge and ensure the sustainability of projects and the local community



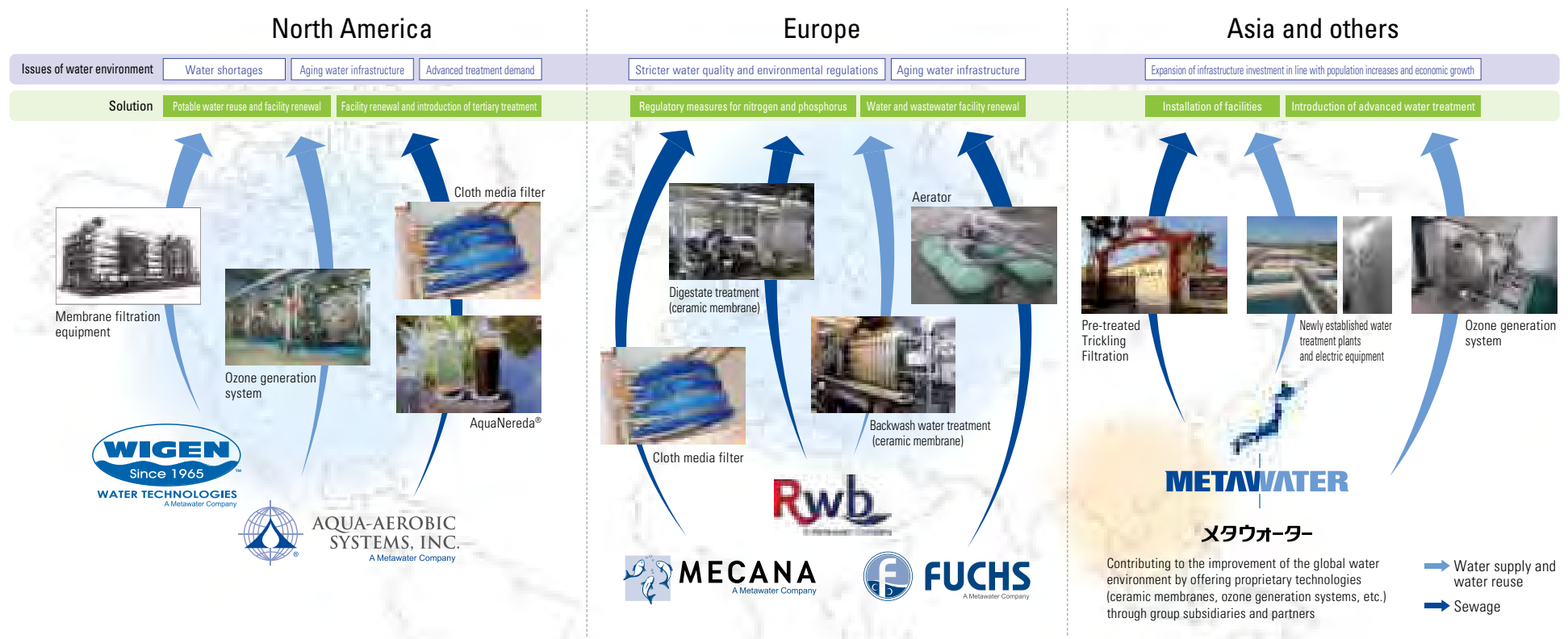
Mizumusubi Festival held at open purification centers

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.





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. Since the company was founded in 2008, inheriting the DNA of our two predecessors, the business environment has changed at an accelerated pace, including measures to address climate change and natural disasters, and financial difficulties and shortages of engineers caused by the declining population. As a company that supports the sustainability of water and environmental infrastructure, METAWATER Group will continue to develop technologies that meet the demands of the times.

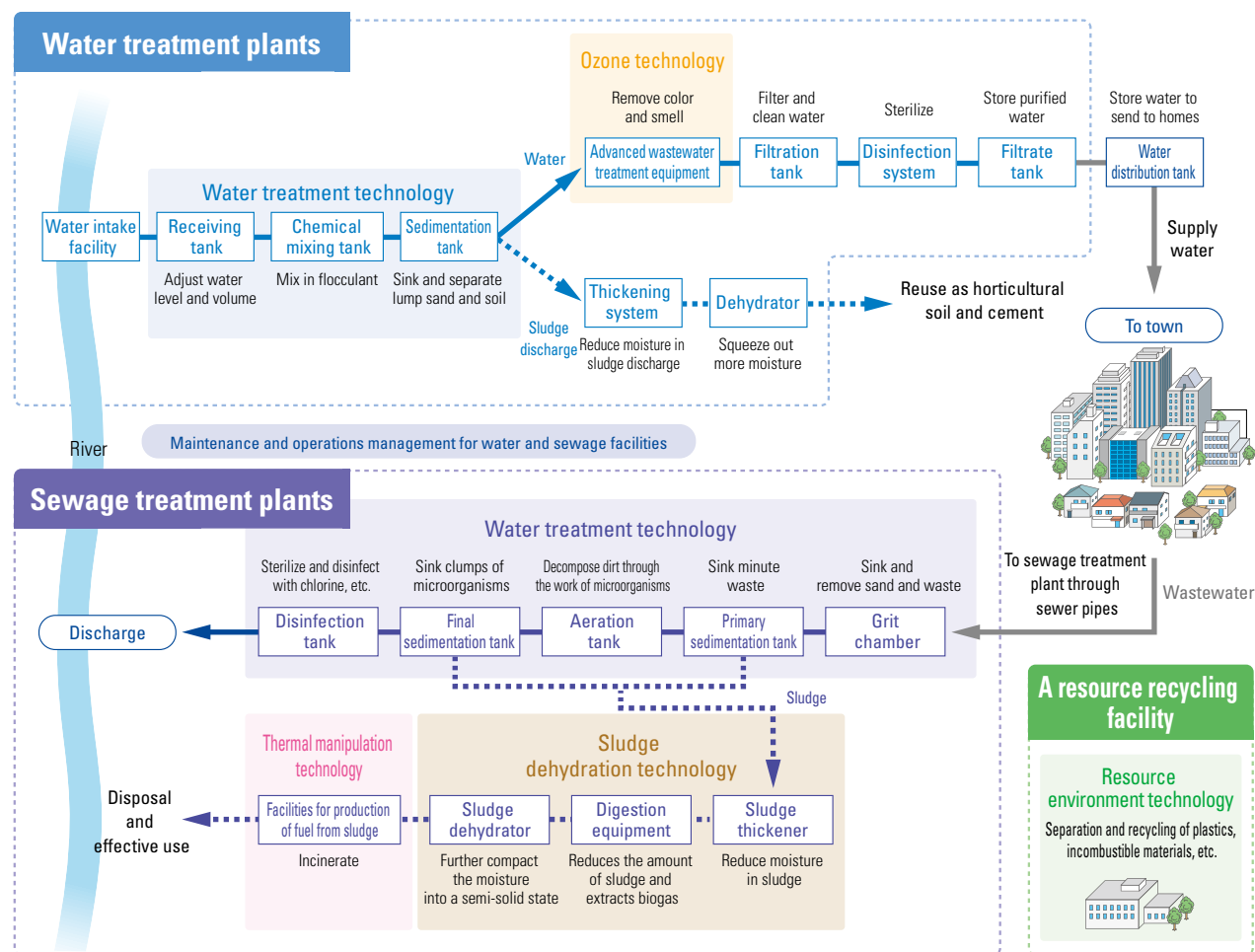
New technologies in 2022

- Water treatment technology: First delivery of STEP type incline pipe
- Ozone technology: Supplied ozone AOP technologies (for private-sector demand)
- B-DASH Project: Adoption of “demonstration project on recycling of sewers with new phosphorus recovery system” as a supplementary implementation project for FY2022

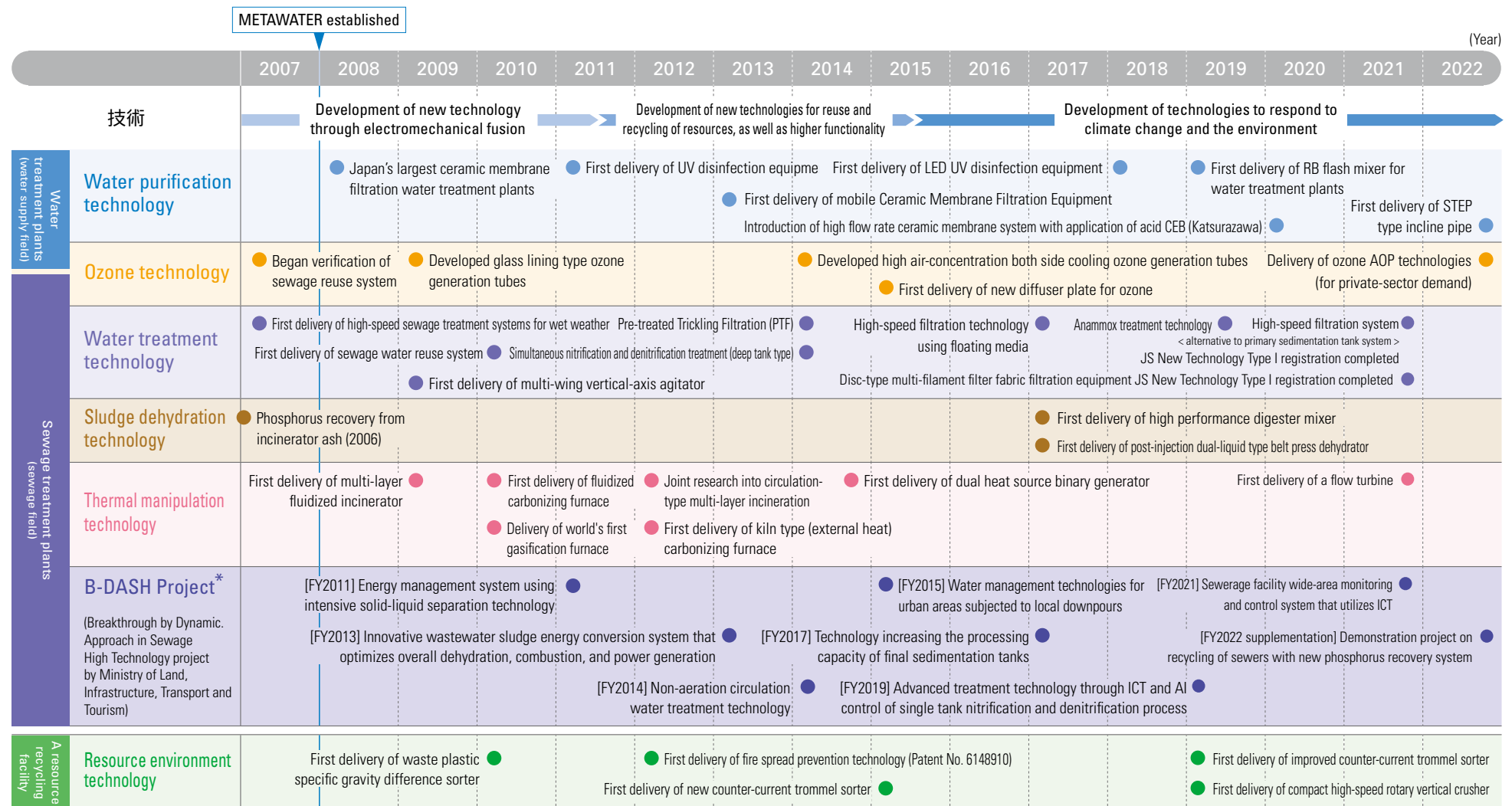


METAWATER facilities for experiments and research

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



Changes in the development of new technology (2007 to 2022)



* B-DASH Project Abbreviation of Breakthrough by Dynamic Approach in Sewage High Technology Project. It is a demonstration project that has been implemented by MLIT since FY2011. MLIT has been implementing this project in order to establish a low-carbon, recycling-oriented society in the sewerage industry, reduce life cycle costs, take measures against flooding and aging facilities, etc., and at the same time support the overseas expansion of Japanese companies in the water business, by accelerating the research, development, and commercialization of new technologies.



The pride of METAWATER, our technology

Water treatment technology 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.

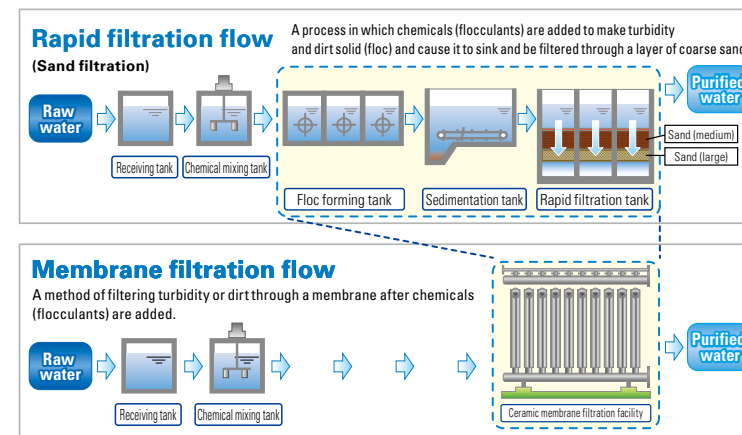
The mainstream method of water treatment in Japan was sand filtration, such as slow filtration and rapid filtration, but progress is now being made on the introduction of membrane filtration, a new method.

METAWATER began related development in 1989, and we have participated in numerous national projects. Advances in the performance and cost reduction of ceramic membranes are contributing to further development including mobile equipment.

*Based on METAWATER's data.



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.

■ Enables space-saving in facility layouts

Unlike Japan's mainstream water treatment method, the rapid filtration method, METAWATER's ceramic membrane filtration method does not require floc-forming tanks or sedimentation tanks, enabling space-saving in facility layouts. It can meet the needs of customers who struggle to secure sufficient land for renovation work.

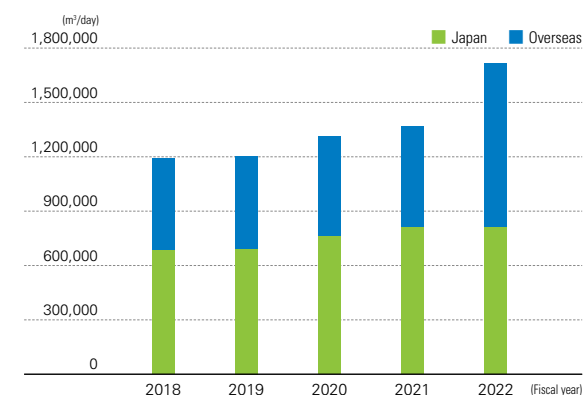
■ Easy to maintain (store and manage)

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



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

Delivery results (number of units delivered as of March 2023)





The pride of METAWATER, our technology

Carbon-neutral technology

Contributing to energy saving and reducing greenhouse gas emissions

Carbon neutral

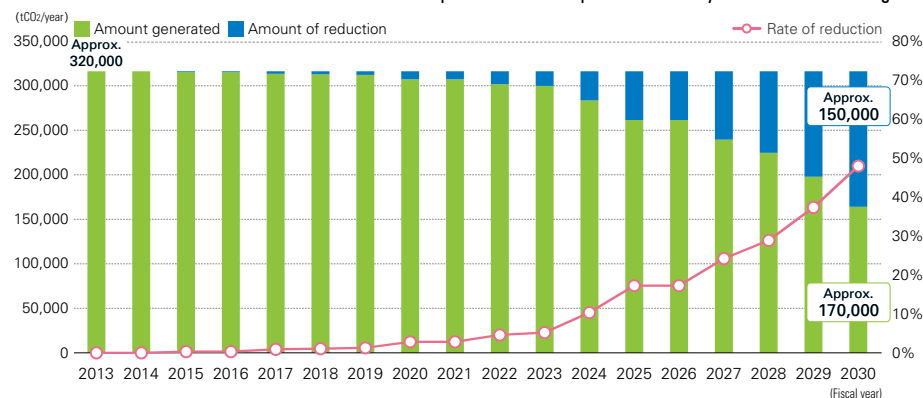
The METAWATER Group will contribute to the realization of sustainable water and environmental infrastructure by working with local communities and providing optimum technology and services to solve environmental and social issues, including climate change. To this end, we are aiming both to reduce our own greenhouse gas (GHG) emissions and to contribute to reducing those of our customers (local governments).

Indicators and targets for GHG emissions in the METAWATER group

Items	Scope	Base year	Target year	Target details	2022 results
GHG emissions (Scope 1 & 2)	Domestic group (consolidated*1)	2020 (3,982 t-CO ₂ /year)	2030 2050	Reduction by 70% Net zero	3,968 t-CO ₂ /year
Contribute to reducing the GHG emissions of our customers (local governments)	Thermal manipulation-related products and systems for domestic sewage facilities	2013 (approx. 32 t-CO ₂ /year)	2030	Reduced by 50% through product/system introduction	302,575 t-CO ₂ /year

*1 Companies included in FY2022 calculations: METAWATER CO., LTD., METAWATER SERVICE Co., Ltd., Techno Clean Hokuso Co., Water Next Yokohama Co., Ltd., Aqua Service Aichi Co.

GHG reductions and reduction rates of thermal manipulation-related products and systems at our existing facilities



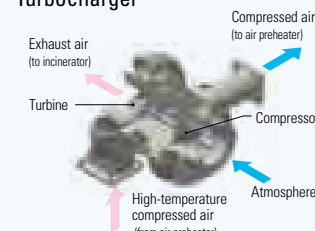
Sewage and thermal manipulation technology

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.

Turbocharger



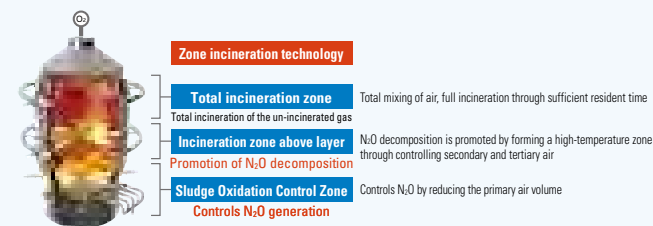
Sewage and thermal manipulation technology

50% reduction in N₂O 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 N₂O generation while also reducing fuel consumption.

*N₂O (dinitrogen oxide) : A gas that has a greenhouse effect that is 300 times that of CO₂



Major technologies and products that contribute to carbon neutrality

Technologies & products	Major contributions to carbon neutrality*2
Rapid agitators (RB flash mixers)	Power consumption reduced by about 30%
Hydraulic head differential ceramic membrane filtration with acid CEB	Total GHG reduced by about 7%, land area reduced by about 40%
Ozone & hydrogen peroxide AOP systems	Activated carbon reduced by about 50%
Alternative high-rate filtration systems for primary sedimentation (super high-efficiency solid-liquid separation)	Power consumption reduced by about 25%
Anaerobic simultaneous nitrification and denitrification treatment systems	Power consumption reduced by about 20%
Single-tank nitrification and denitrification systems	Power consumption reduced by about 30%
Non-aeration circulation water treatment systems	Power consumption reduced by about 34%
Anammox systems	Power consumption reduced by about 40%
Digestion gas power generation	Generates about 3,000 MWh/year
Siphon-type filtration thickening equipment	Power consumption reduced by about 30%
Low-temperature heated air dryers	Fuel reduced by 100%
Multi-layer fluidized incinerators	Fuel consumption reduced by about 20% and N ₂ O reduced by about 50%
Gasification furnaces	Fuel consumption reduced by 100% and N ₂ O reduced by about 90%
Flow turbines	Power consumption reduced by about 40%
Binary power generation	Power consumption reduced by 30–100%
ORC power generation	Power consumption reduced by 30–100%

*2 Based on METAWATER's data. Compared mainly with conventional technologies and products under specified conditions.

Our pamphlets for proposals visualize the effect of the technology to make it easy to understand.



Topics





The pride of METAWATER, our technology

Ozone technology Solving problems such as musty odor in tap water

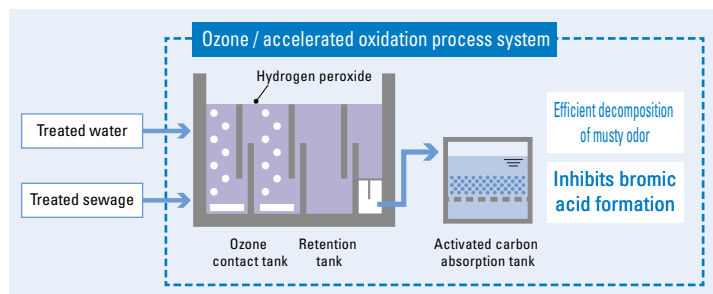
Ozone generation system

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.

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



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

- COD/BOD*¹ reduction
- Decomposition of organic substances that are difficult to decompose
- Decolorization, deodorization, and disinfection

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

Topics

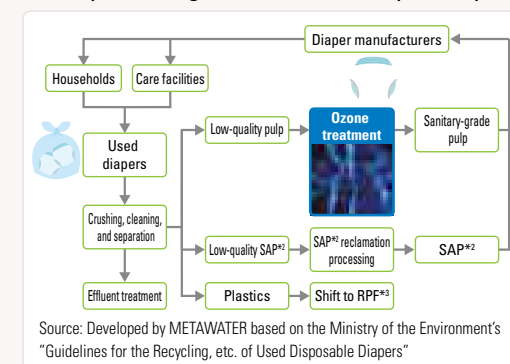
Collaborating with Unicharm Corporation in the Used Disposable Diaper Recycling Project:

More efficient ozone treatment in recovering resources from used disposable diapers

In increasingly aged societies like Japan, the production of disposable diapers is increasing every year. The Japanese Ministry of the Environment established the "Guidelines for the Recycling, etc. of Used Disposable Diapers" in March 2020, and there are high expectations for the recycling and other applications of used diapers in terms of waste incineration costs, CO₂ emissions, and effective utilization of resources.

The ozone treatment process developed by Unicharm uses the strong oxidizing power of ozone to sterilize, deodorize, and decolorize pulp, thereby improving the quality of recovered pulp. This collaboration in the diaper recycling project will utilize METAWATER's strengths in ozone technology and the knowledge that we have accumulated in water and sewage systems to improve the efficiency of ozone treatment in recovering pulp resources from used diapers.

Conceptual image of the flow of diaper recycling



*2 SAP: Superabsorbent Polymer
*3 RPF: Refuse-plastic derived fuel.

ICT Technology

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

Water Business Cloud (WBC)

“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.

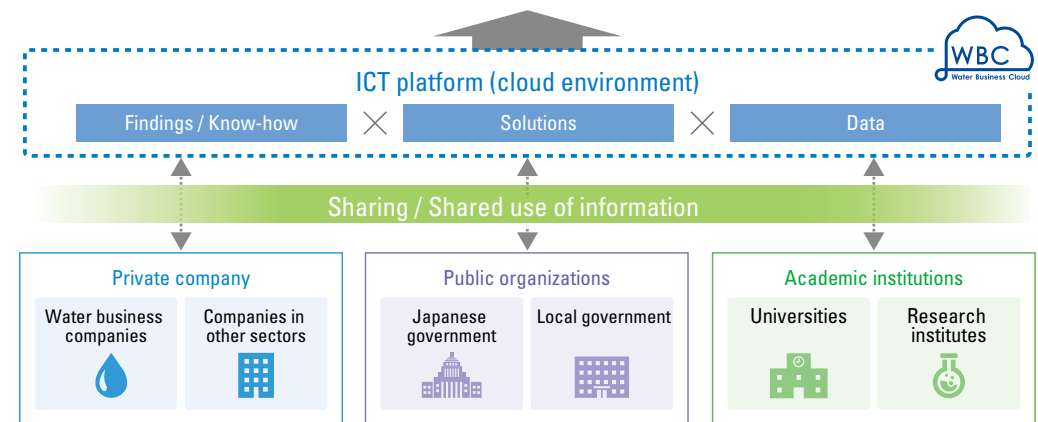
We released WBC in 2011, and it has now been adopted by approximately 320 customers nationwide (as of 2021). In particular, we have also received commissions from related ministries, making us one of the leading providers of cloud services in the water supply industry. It is also widely used by relatively 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 (P.45)
- 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



The pride of METAWATER, our technology

WBC

Can give shape to the thought process and judgment criteria of experts and display it on a screen for sharing.

Correlation monitoring service

METAWATER began providing our correlation monitoring service in November 2019. Its purpose is to use a variety of correlation data measured during facility operation to detect sudden changes in trends, discrepancies between inflow and outflow, and other changes as early as possible and notify the customer by email or alarm. We are continuously promoting renewal and development to meet the needs of our customers. At the 66th Research Presentation Meeting of the Japan Water Works Association Kansai Branch (held in January 2023), a customer of ours gave positive comments about this service in a presentation, saying, "Using this service allows you to give shape to the thought process and judgment criteria of experts and display it on a screen for sharing."

Functions

Using water level, flow rate, operation status, and a variety of other measurement data on the equipment in operation in the plant, it detects abnormalities based on correlations between the various types of data so it can report abnormalities through email or by issuing an alarm.

- Simple calculation logic for customers to incorporate
- Gives shape to the thought process and judgment criteria of experts and displays it on a screen for sharing (Fig. 1)
- Can capture only the necessary measurement data to be used, without relying on existing monitoring equipment manufacturers

Example applications

- Detects sudden changes in water level early (Application Scenario 1)
- Detects discrepancies between water distribution tank inflow and outflow (Application Scenario 2)
- Detects possible leaks by monitoring the minimum flow rate late at night

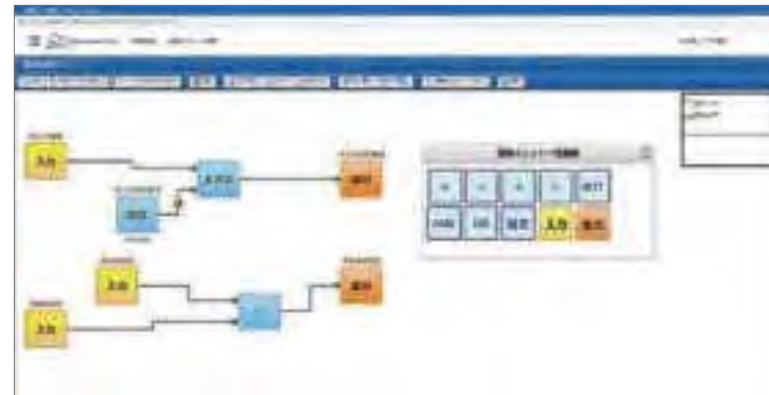
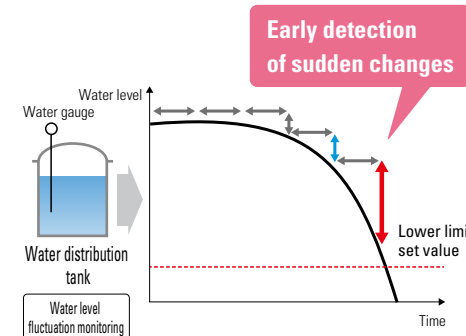


Fig. 1: Example of the correlation monitoring logic on-screen

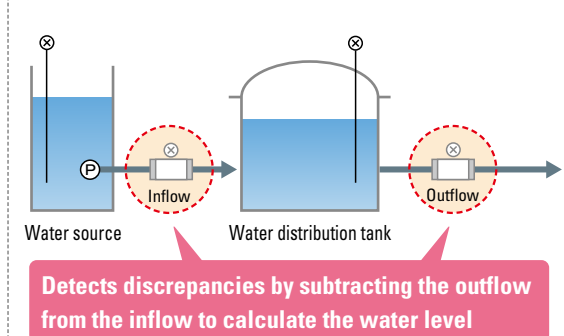
Application Scenario 1

Early detection of sudden changes in water level



Application Scenario 2

Detects discrepancies in inflow/outflow



ICT-related

Utilizing component technologies from the FY2019 B-DASH Project “Advanced treatment technology through ICT and AI control of the single-tank nitrification and denitrification process”

Reducing power consumption through variable pressure control

Sewage treatment plants requiring further energy saving

The wastewater business in Japan is facing a variety of issues, including facility aging and shortage of engineers and declining sewerage revenue caused by population decline. More efficient business operations are necessary in order to achieve a sustainable wastewater business. Specifically, sewage treatment plants, which consume large amounts of electricity, require further energy saving.

Reducing blower power consumption through variable pressure control

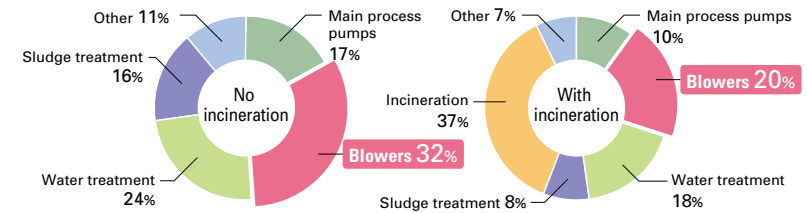
While the energy consumption ratio of sewage treatment plants does vary depending on whether there are sludge incineration facilities, in either case, blowers account for more than 20% of power consumption. Reducing the power consumption of blowers contributes greatly to reducing the total power consumption of sewage treatment plants. In the past, we have worked to reduce power consumption by improving the efficiency of the blowers themselves and by controlling the number of blowers in operation and the airflow volume. We have developed a variable pressure control technology that focuses on the discharge pressure of blowers and controls discharge pressure according to the required air volume. In the FY2019 B-DASH project, we demonstrated a pressure calculation function that uses AI to calculate the optimum discharge pressure of the blower and variable pressure control that controls the optimum discharge pressure of the blower according to the required airflow volume.

Each week, we switched between constant discharge pressure and variable pressure control in response to load fluctuations, and compared the amount of blowing power. The results confirmed that the variable pressure control reduced power consumption by 16.2%. Reducing power consumption through variable pressure control can also be applied to facilities that use the standard activated sludge process and are not considered for advanced treatment. It is expected that this technique will be introduced at a wide range of facilities.

Achieving greater energy savings by combining METAWATER's technologies

It is possible to achieve further energy saving in water treatment facilities by upgrading to blowers equipped with inverters or with low-pressure loss, high-efficiency air diffusers. In addition to the ICT and AI technologies we demonstrated in the FY2019 B-DASH project, METAWATER's integrated mechanical and electrical technologies will help to reduce power consumption at sewage treatment plants.

Energy consumption by facility at sewage treatment plants



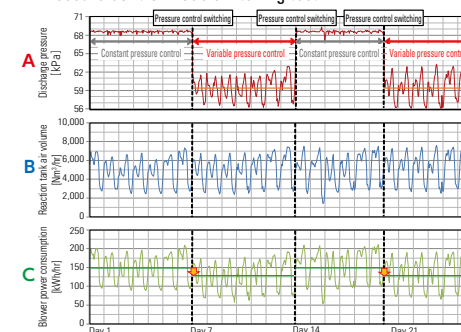
Source: "Manual for the Introduction of Energy-Saving Technologies for Energy Optimization of Sewage Treatment Plants (Draft)," Sewerage Department, Water and Disaster Management Bureau, Ministry of Land, Infrastructure, Transport and Tourism (June 2019)

Compared with conventional control methods

	Constant pressure control (conventional)	Variable pressure control
Concept image of operation		
Approach	Constantly set a high discharge pressure according to the airflow volume at maximum load.	Set a necessary and sufficient discharge pressure in real time according to load fluctuations
Discharge pressure	Discharge pressure = Specification pressure (Constant regardless of inflow load)	Discharge pressure < Specification pressure (Controlled according to the inflow load)

Demonstration study results

■ Pressure control mode switching test



■ Effect of reducing blower power consumption through variable pressure control

Control mode	Constant pressure control	Variable pressure control
Discharge pressure (kPa) A	68.5	58.7 (▲9.8)
Reaction tank air volume (Nm³/hr) B	4,661	4,667
Blower power consumption (kWh/hr) C	147	123
Blower power consumption per air volume (kWh/Nm³) C ÷ B	0.0315	0.0263 (▲16.2%)

Assessment period: Jan. 13, 2020 to Mar. 1, 2021

Reduced blower power consumption by **16.2%** through optimal, real-time control of discharge pressure



Activities for reducing environmental burdens

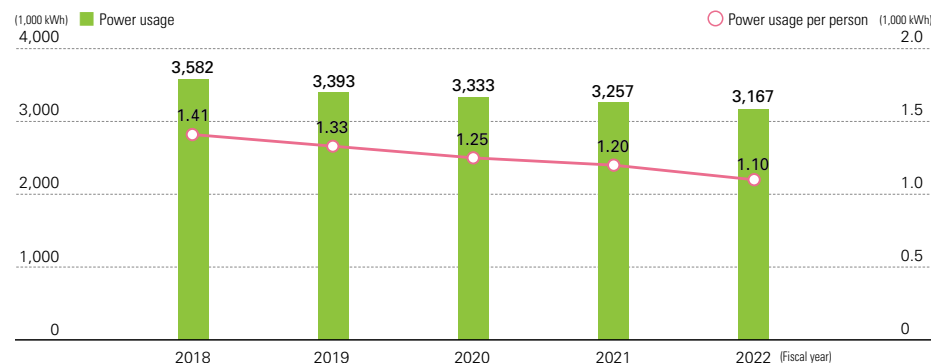
The entire group is working together to reduce our environmental impact in order to contribute to the realization of a sustainable environment and society. We have established an Environmental Subcommittee under our Sustainability Committee to take the lead in formulating group-wide promotion plans, confirming progress, and reporting to management. Concrete measures include reducing electricity and energy consumption, identification and resource recovery of industrial waste, and promoting a paperless system by encouraging the adoption of electronic manifests. We are also working to grasp the development status of environmentally friendly products, to consider switching to renewable energy for the electricity used in our offices and at our sites, and implementing green purchasing for office supplies.

Promote reduction of power usage by offices

METAWATER has set a goal of a 1% reduction compared to the previous year with regard to office power consumption, and we are proactively 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 usage, such as encouraging employees to leave work on time in conjunction with work style reforms (such as introducing telecommuting, a four-day workweek) and turning off computer monitors when employees step away from their desks in conjunction with information security measures. Our power usage in FY2022 decreased by 2.8% compared to the previous year.

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

Power usage (office)

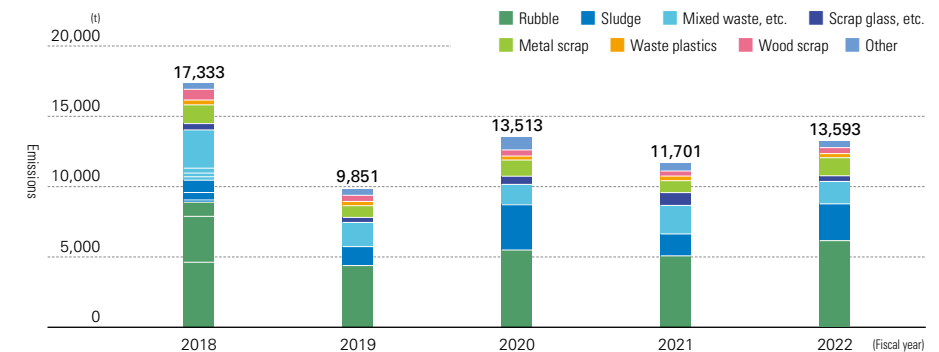


Initiatives regarding industrial waste

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 95.8% in FY2022 (FY2021: 94.5%).

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



Promoting the adoption of electronic manifests

By selecting companies that support electronic manifests, we are making the status of industrial waste processing visible and continually strengthening monitoring through advance applications for the use of paper-based manifests. Depending on local circumstances, in some cases we had to use a company that only handles paper manifests, but in FY2022, the adoption rate was 99.8%, (compared to 77.3% nationally). We will continue working to increase the adoption rate of electronic manifests while considering local circumstances.

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, the METAWATER Group considers it our mission to protect the water environment and secure stable sources of water. Based on this concept, our employees are working together to conserve water source forests and also to raise awareness of ecosystem protection and global environmental conservation. Over the past 12 years, we have been involved in a variety of activities. As specific examples, we have been planting trees and cutting grass in the METAWATER Okutama Forest (Tokyo), and have also been active in bamboo forest maintenance and branch clearing through our participation in conservation activities at Tsuda Satoyama (Hirakata City, Osaka Prefecture). In 2022, we carried out 20 projects in the four prefectures of Miyagi, Tokyo, Yamanashi, and Osaka, including planting trees and cutting undergrowth at sites, bamboo forest conservation, and financial support.

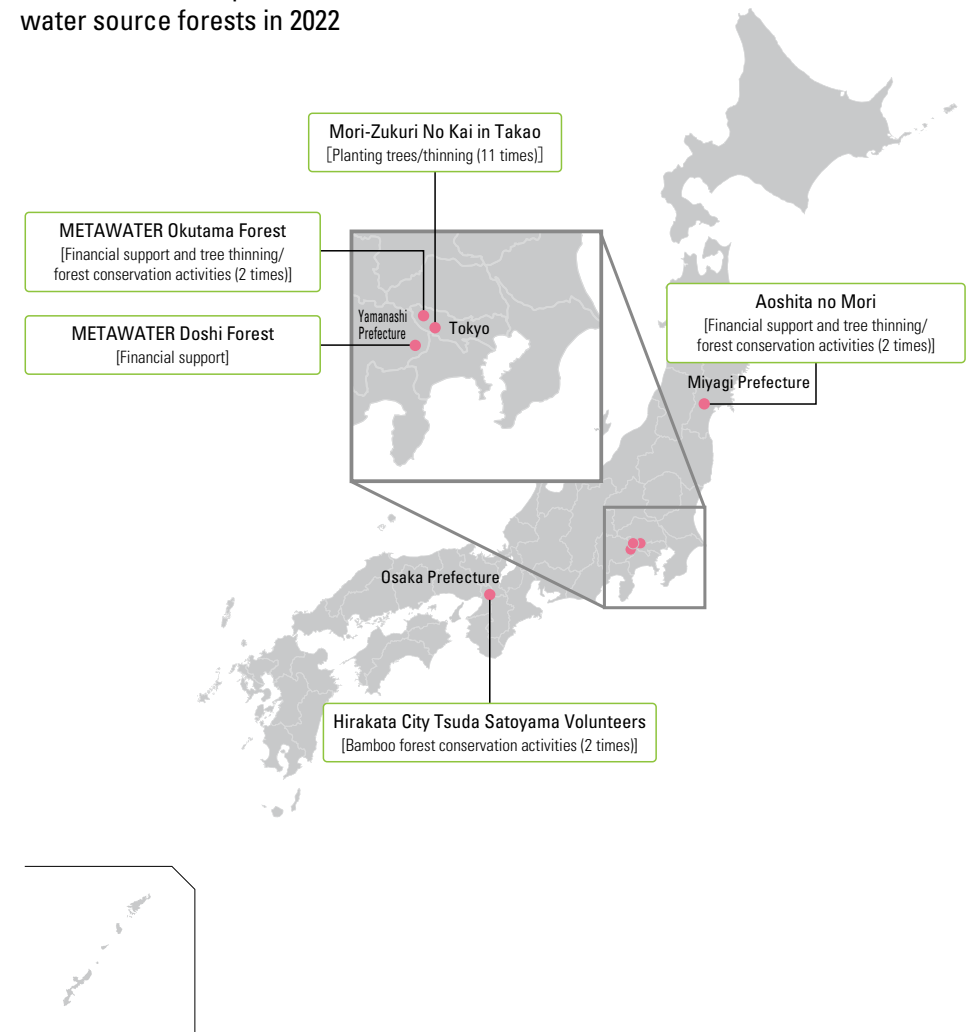


Forest conservation activities in Aoshita no Mori (Miyagi Prefecture)



Bamboo forest conservation activities with Hirakata City Tsuda Satoyama Volunteers (Osaka Prefecture)

METAWATER Group's conservation of water source forests in 2022



Human Resources

In order to contribute to achieving a sustainable environment and society by putting our corporate philosophy of "Continue, to make it sustainable" into practice, METAWATER Group, where people are our greatest asset, has established the "HR Philosophy," with the aim of developing human resources who have a sustainable perspective and who will take responsibility for solving water and environmental issues.

– HR Philosophy –

As we aim to achieve a sustainable environment and society, METAWATER Group regards our people as our greatest asset, and:

- Gives top priority to safety, security, and health
- Fosters a challenging and creative corporate culture that is responsive to change
- Respects independent individuals who continue to take on the challenge of innovation, and creates a dynamic organization in which such a diverse range of individuals work together
- Provides opportunities in a fair and equitable manner, and actively promotes and utilizes highly motivated and capable personnel
- Supports professional human resources who are motivated to achieve self-growth and actively provides opportunities for skill development

Major initiatives and indicators based on the HR Philosophy (results in FY2022)

- 1 **Safety, security, and health :**
Occupational accident rate, stress checks, and health and productivity management expenses
- 2 **Pursuit of ease of work :**
Work option feasibility, job return, three-year retention rate of new graduates and mid-career hires, and turnover rate
- 3 **Respect for diversity :**
Employment rate of persons with disabilities, percentage of female managers, and childcare leave take-up rate among male employees
- 4 **Supporting growth and challenge :**
Training expenses, number of persons obtaining qualification eligible for awards, and number of participants in elective training

1 Safety, security, and health

METAWATER maintains a safe workplace environment for employees and all stakeholders, and promotes health management to support employees and their families in promoting mental and physical health. In order to develop a safe workplace environment, we place the highest priority on site safety, and are implementing initiatives, including formulating original safety guidelines and operating our own licensing system for construction supervisors at subcontractors.

In terms of health, we have established "health management centers" at our head office and major offices, with occupational physicians, psychological counselors, and dedicated health management staff to follow up with employees at all times.

We also actively provide information on ways to eliminate a lack of exercise in teleworking environments, hold regular walking events, etc.

Safety and Health Management Policy

Based on the philosophy of "No one will get injured or injure others," and with the strong will of senior management, all METAWATER Group employees and subcontractors work together to comply with relevant laws, regulations, and internal rules, prevent occupational and traffic accidents, and we also formulate a "Company-Wide Safety and Health Management Policy" in order to develop a workplace environment that enables employees to work in a healthy and comfortable manner.



Safety and health management system

Each fiscal year, we draft and discuss a "Company-Wide Safety and Health Management Policy." Under this policy, we appoint an officer responsible for the Safety and Health Management Office and establish a "Company-Wide Safety and Health Committee" to operate across the company as a whole, in order to steadily promote safety management. In addition, we appoint a General Safety and Health Manager at each site, and have also established individual "Safety and Health Committees." Furthermore, we also assign Health and Safety Management Supervisors or responsible staff at each site under the control of the relevant department. External organizations such as "Local Safety and Health Cooperation Associations" and expert committees are also established to act as a foundation for METAWATER and subcontractors to conduct safety activities together.

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 works together with subcontractors at construction sites to thoroughly examine safety measures during the planning phase of work and conduct risk assessments before starting construction. In addition, during construction work, we also confirm that each measure has been executed. We have also standardized work manuals and risk assessments for operation and maintenance sites.

■ Operation of a licensing system for construction supervisors

METAWATER holds original lectures on safety for the construction supervisors of subcontractors, and we issue licenses to those who complete the lectures. The management of construction at sites with a contract amount that exceeds a certain size must be performed by a license holder, without fail.

METAWATER occurrence of industrial accidents

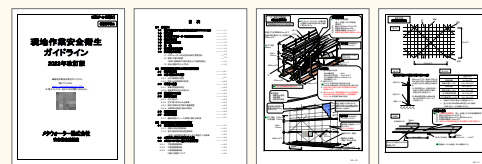
Comparison with national indexes	Frequency rate	Severity rate
Average for all industries (FY2021 actual*)	2.09	0.09
METAWATER (FY2022 actual)	1.29	0.02

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)

*1 Source: "2021 Survey on Industrial Accidents," Ministry of Health, Labour and Welfare

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 based on various laws and regulations related to health and safety that also fully incorporate METAWATER's experience, and 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.

Health management system

METAWATER Group has established "health management centers" at our head office, as well as in Hino, Nagoya, Osaka, and multiple other offices. This allows occupational 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.

Improving health awareness

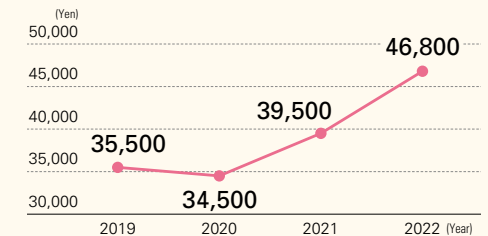
With the declining birthrate, aging population, and a shortage of labor, it will become more common in society to continue working regardless of age if there is an opportunity to play an active role, and health management from an early age will become more important than ever.

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 (1,327 participants in FY2022) 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," in which we provide health consultations for each employee, we have prioritized areas such as the advance prevention of mental and physical disorders, based on the ongoing spread of operations in a remote environment within METAWATER.

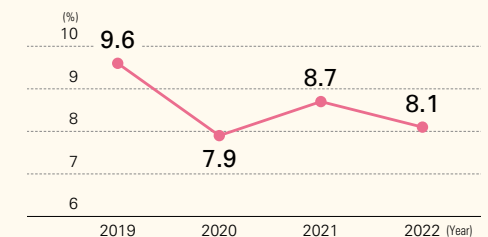
Health and productivity management expenses per employee



Mental health care

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

Percentage of employees with high stress (based on stress check results)



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

2 Pursuit of ease of work

With the aim of becoming the "best company to work for," METAWATER Group has positioned human resources as the key to corporate competitiveness, and since FY2017, we have continuously implemented "work style reforms" over a period of six years, in order to secure excellent human resources and achieve further growth for both individuals and the company.

As a result of initiatives to date, 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. We are promoting the development and creation of a workplace environment that will make a more diverse workforce possible, to ensure that employees can recognize each other's diverse

values and work styles and we can achieve "work styles not tied to any location for everyone." Concrete measures to reform the way people work include the industry-pioneering "introduction of a telework system," "establishment of satellite offices," "introduction of four-day workweeks," "reduction of prescribed working hours by 30 minutes," and "phasing out of employees being stationed away from home without their families." In addition, in April 2023, we launched two new initiatives: a "side job system" to respond to changes in employees' mindset toward their careers, and a "remote working system" that enables employees with unique circumstances to work remotely.



Executive General Manager,
Corporate Strategy Planning Division
Export Control Office and Responsible

Michio Fujii

Aiming to become the best company at which to work

Against the backdrop of the declining birthrate and aging population, labor shortages, the development of IT technology, and the diversification of lifestyle-related values, there have been significant changes in the way people think about "working" and "work styles."

As a water and environmental infrastructure company, METAWATER positions human resources as the key to corporate competitiveness, and we believe it is essential that we accommodate these diverse values for the METAWATER Group to grow sustainably.

Aiming to be the "best company to work for," METAWATER Group is promoting initiatives that contribute to achieving "life-work balance*¹," in which employees will be able to choose work styles that suit their own lifestyles, in order to enable both the company and individuals to grow, while also accommodating the diversification of values and work styles in society at large.

In addition to the concrete measures of the "introduction of a telework system," "establishment of satellite offices," "introduction of four-day workweeks," "revised office layouts based on ABW*² methods," "utilization of shared offices,"

"reduction of prescribed working hours by 30 minutes," and "introduction of a smart work allowance," we have also promoted a variety of other measures to improve the working environment, including the "introduction of a side job system" and the "introduction of a remote working system" in April 2023. We are also considering new measures, such as "increased freedom about where employees can live" for occupations that involve long-term business travel. Through these measures, METAWATER Group is fostering a corporate culture that recognizes the increasing diversity of work styles. We will remain conscious of the importance of each and every employee's "job satisfaction" and "ease of working," and introduce new measures aimed at achieving "work styles not tied to any location for everyone," while also creating a system that allows us to make more effective use of the measures we have introduced to this point.

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

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

Introduction of a side job system

In recent years, work styles have been changing rapidly, and peoples' mindset toward their careers have been changing in anticipation of the "age of the 100-year lifespan." As a result, an increasing number of workers are seeking working environments that enable them to develop their careers autonomously and in a diverse manner, and companies must accommodate such values.

Against this backdrop, in April 2023, as part of our work style reforms, we introduced a "side job system."

We believe that the wide range of experience, skills, and knowledge gained through side jobs, as well as opportunities to make new connections, etc., will contribute not only to the growth of individuals but also to that of companies. In addition, we recognize the need to accommodate changes in the mindset of workers in order to secure excellent human resources with diverse values.

Introduction of a remote working system

In April 2023, as part of our work style reforms, we introduced a "remote working system." This system enables employees with unique circumstances, such as child care, nursing care for family members, or the relocation of their spouse, to work on the assumption of remote work rather than being limited to a specific location for work. At METAWATER, we have been promoting initiatives to create a working environment where anyone can work in comfort, but in order to secure and retain excellent human resources as the birthrate declines and the population ages at an accelerated rate, we believe we must urgently increase the number of options for work styles and achieve work styles suited to each employee's circumstances and lifestyle. In the future, we will gradually expand the conditions under which employees can use this system, with the aim of quickly achieving "work styles not tied to any location for everyone."

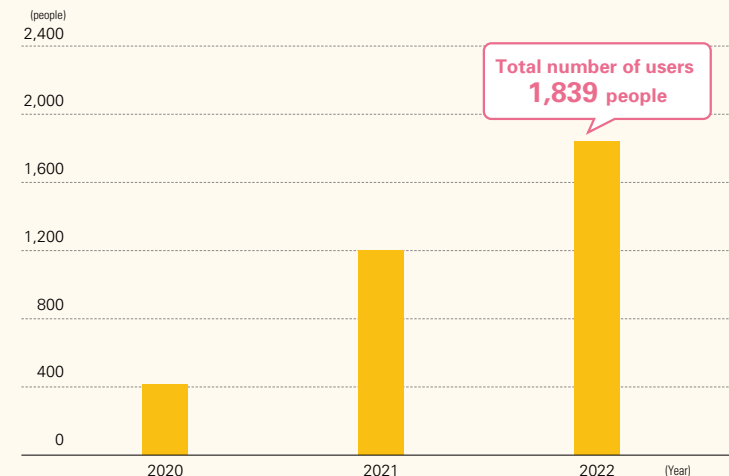
Begun consideration of "increased freedom about where employees can live" for occupations that involve long-term business travel, etc.

Employees working in the field for plant construction and other large projects may have long-term business travel. At METAWATER Group, we believe that we must offer a diverse range of work styles also to employees required for such on-site work, in order to achieve our aim of a better life-work balance*¹ with "work styles not tied to any location for everyone." At present, we are considering concrete measures such as the decentralization of our business sites and increased freedom about where employees can live.

Introduction of a remote working system

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. Through such efforts, we have created an environment in which almost all employees working at our head office, sales offices, branches, and other offices can work remotely, and the number of people who use shared offices as well as teleworking from home is increasing every year. Going forward, as we aim to achieve "work styles not tied to any location for everyone," we will continue enhancing the working environment, including teleworking from home, the use of shared offices, and the use of satellite offices.

Actual use of shared offices



3 Respect for diversity

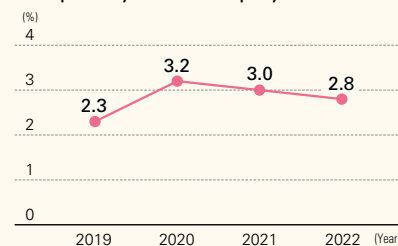
We are promoting Diversity and Inclusion (“D&I”)*¹ based on the belief that having a diverse range of human resources exercise their individual characteristics and abilities to the maximum possible extent will lead to the growth of METAWATER Group. In addition to expanding the system to accommodate the active participation of a variety of human resources, we are implementing various measures such as creating more rewarding environments where employees can also improve their careers.

*¹ Defined as an approach of respecting, recognizing, accepting, and utilizing differences in gender, sexual orientation and gender identity, age, nationality, race, ethnicity, religion, disability status, values, work styles, etc.

Supporting the active participation of female employees

In order to retain a diverse workforce, METAWATER Group has set a target of 30% of new hires being women. In addition, in order to provide employees with peace of mind after joining the company to enable them to work at METAWATER for a long time, we are promoting initiatives to support work-life balance, such as a “four-day workweek system,” “system for granting annual leave by the hour,” “establishment of a life-work balance support website on the internal intranet,” and “career seminars hosted by female managers.” In FY2022, we also launched e-learning for all METAWATER Group employees to raise awareness of D&I. As a result, the percentage of women in management positions is trending upward. We will continue providing support to enable our female employees to more actively participate.

The percentage of managerial positions occupied by female employees



Acquisition of “KURUMIN” and “ERUBOSHI (three stars)” certification under the Minister of Health, Labour and Welfare certification system

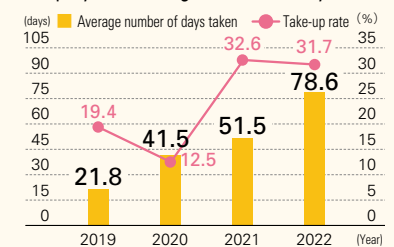
In order to support the active participation of female employees, METAWATER Group has formulated and implemented an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace. In recognition of our efforts, we have been awarded “KURUMIN” certification as a “company supporting the raising of children” and “ERUBOSHI (three stars)” certification as a “company promoting the active participation of women,” under the Minister of Health, Labour and Welfare certification system.



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 also use the leave system multiple times. The take-up rate of childcare leave among male employees and the number of days taken is also increasing, with a take-up rate of 31.7% and an average of 78.6 days taken in FY2022. In particular, we believe that the number of days taken is a major success of our efforts toward work style reform.

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



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 active participation by senior human resources, who will make up a significant proportion of our workforce in future. One of these measures is the introduction of the “super field supervisor system.” This system is aimed at addressing the shortage of supervising engineers, which is an issue for METAWATER Group, and securing excellent on-site representatives, and we will provide General Manager-level working conditions for persons tasked with on-site supervision under this system. As we look toward the “age of the 100-year lifespan,” we are promoting initiatives that will enable employees in senior generations to work with peace of mind and vitality.

Recruiting and developing global human resources

In order to promote internationalization across the company as a whole by securing leaders for our overseas businesses, we are promoting the continuous recruitment and development of human resources with global experience, knowledge, skills, perspectives, and networks. In our recruitment activities, we are expanding the scope of our recruitment activities, not just for new graduates and mid-career hires, through such measures as exhibits at job fairs for international students and the active recruitment of human resources with overseas experience. We also focus on practical training in human resource development, 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.

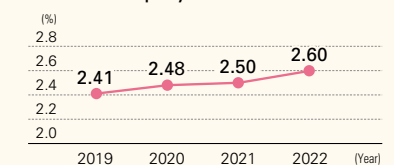
Becoming a company where employees with disabilities can play a more active role

METAWATER Group is continuously working to create an environment where people with disabilities can play an active role. In fact, employees with disabilities are tasked with a diverse range of operations by various departments within the company.

These employees have received significant praise internally for their achievements, and the number of requested tasks has been growing year by year, steadily expanding the number of situations in which these employees can actively participate.

For example, work converting internal documents to PDFs has contributed to the promotion of telecommuting, an important part of our work style reforms. In addition, to ensure that day-to-day operations are addressed without any issues, meetings are held every morning, where instructors,*² who have taken lifestyle counselor qualification certification courses, check the health of each member and determine the division of duties for the day.

Ratio of employees with disabilities



*² Within METAWATER Group, we use the term “instructor” to refer to employees who give instructions and guidance on operations to employees with disabilities.

4 Supporting growth and challenge

At METAWATER Group, where “people are our greatest asset,” we regard the development of skills among employees as a key management issue, and we have thus created an environment and system to maximize the skills and potential of employees who are motivated to grow. In addition to providing various forms of training via a number of programs to develop employees' skills according to their stage of growth, we support the growth and spirit of challenge of each employee through such measures as increased spending on training expenses and support for the acquisition of qualifications.

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, specialized training tailored to different job types, workplace training conducted in other internal departments, and other means.

	By rank	Nominated training	Elective training	Specialized training by job type	Workplace training
Officers	Officer training	Nominated executive officer training			
General Managers	General Manager training	CL2 Nominated training	External training	Correspondence courses (acquisition of various skills)	Planning and implementation by the Ability Development Committee
Managers	Manager training Promotional training	CL1 Nominated training	Internal training		Implementation at each workplace in the company / dispatch to external seminars
Mid- to senior-level	BP/SP Promotional training	Trainers • Development of mentors • Follow-up training			
Young employees	Follow-up training				
New employees	New employee training				

Enhancement of employee education and training expenses

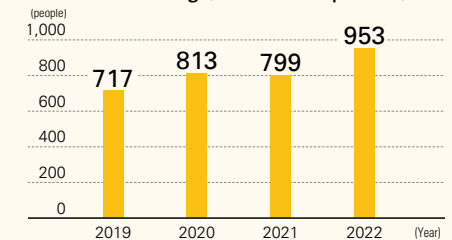
Annual training expenses per METAWATER Group employee are approximately 100,000 yen, which is higher than the average among listed companies. We also offer multiple training programs for a wide range of employees, from new employees to managers. We will continue to provide training programs that contribute to the improvement of employees' abilities while further enhancing employee education and training expenses.

Budget for training expenses per employee
Approx.
100,000 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 FY2022, a total of approximately 950 employees participated across all training programs.

Number of employees receiving elective training (self-development)



Implementation of follow-up training for mid-career hires

To ensure the retention of mid-career hires, we provide follow-up training, including lectures on the direction of METAWATER's management and businesses, as well as individual counselling to confirm and understand workplace conditions for each of them.

In follow-up training, we provide education on METAWATER's management policies and Midterm Business Plan, education to foster an awareness of sustainability (social contribution, ESG, etc.) as well as compliance-related education (internal controls, human rights awareness, information security, etc.), which is necessary for METAWATER employees. Individual counseling helps with mental care for mid-career hires, who can be prone to stress due to environmental changes.

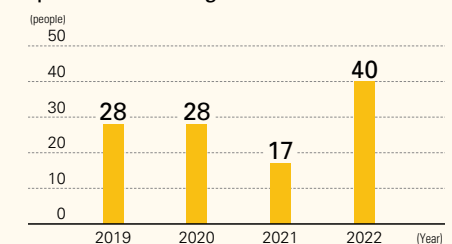
Example follow-up training curriculum for mid-career hires

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

Support for the acquisition of qualifications

As a total solutions company, METAWATER believes it is important that employees themselves develop the skills required in our core and growth businesses, and obtain the necessary qualifications. Based on this belief, we have created an environment in which employees can actively pursue the acquisition of qualifications and self-development. As concrete examples, METAWATER provides support in ways such as monetary awards to employees*2 who obtain pre-determined qualifications, and covering the cost of acquiring and renewing qualifications, at the company's discretion.

Number of persons obtaining qualifications eligible for awards



*2 Examples of qualifications eligible for awards: engineer, construction management engineer, other national or public qualifications required for METAWATER businesses, etc.



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.

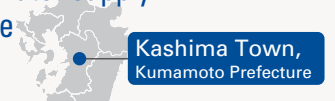
Emergency response rooted in local communities

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

Launch of new water supply project in town rich in clean water

Comprehensive consignment of small-scale water supply utility in Kashima Town, Kumamoto Prefecture



The town of Kashima, located in the central part of Kumamoto Prefecture, has a population of approximately 10,000 people. The town has been said to be the only town in Japan “without access to water supply system” and there were no persons with practical experience of water supply. As part of the creation of a new small-scale water supply system for the development of a residential area, METAWATER Group has leveraged our expertise in water supply management developed in previous projects to take on operation and maintenance duties from Kashima Town from October 1, 2021.

Kashima Town has abundant underground water sources, to the extent that the area has become known for a natural swimming pool that uses groundwater. Until now, a water supply business was considered not necessary because each household's domestic water supply was provided by wells.

In 2014, Kashima Town created a plan to begin supplying water from scratch, a rarity in recent years, in line with the development of a large residential area called “Yusui no Mori.” As a water supply partner, METAWATER Group has been operating and maintaining water supply facilities and the entire water supply area since October 2021 as a third-party contractor as stipulated in Article 24-3 of the Water Supply Act.



A METAWATER employee inspects a newly built small-scale water supply facility



Residential area under development



Swimming pool of natural water

Full-fledged operation of "Aquaponics Park Ofunato"

In July 2022, an "aquaponics" plant, for the simultaneous farming of fish and plants with recirculation-based agriculture, was completed at a site adjacent to the "Ofunato Purification Center" in Ofunato City, Iwate Prefecture. The project is being carried out by Tetsugen Metawater Aqua Agri, in which METAWATER participates. In October 2022, this project started producing lettuce and other vegetables and cultivating sturgeon.

The plant employs 10 locally hired staff, and since November 2022, has begun full-fledged vegetable harvesting and shipping operations, attracting attention as a means of creating new regional industries and economic revitalization.

Tetsugen Metawater Aqua Agri is a joint venture established with the aim of creating new added value in the sewage business, by METAWATER; TETSUGEN Corporation (President: Hirotune Sato, Head Office: Chiyoda-ku, Tokyo), which is participating with METAWATER in the "Ofunato Sewage Treatment Center Comprehensive Operation Project with Facilities Improvement" in Ofunato City, Iwate Prefecture; and Plant form Inc. (President: Yuji Yamamoto, Head Office: Nagaoka City, Niigata Prefecture), a company in which METAWATER has a stake, and which is engaged in aquaponics, a form of recirculation-based agriculture for farming fish and plants at the same time.

Aquaponics is a new method of agriculture that uses the excrement of the fish being farmed as fertilizer to grow plants. This method is also known as "organic farming with water," and it not only does not use pesticides or chemical fertilizers, but also does not waste water. In this way, it is a next-generation environmentally-friendly agricultural model that minimizes the environmental impact of aquaculture and farming, and is consistent with the principles of the SDGs.

Through this project, METAWATER will propose new added value through public-private partnerships, etc., including the effective use of unused land for water and sewage works, and contribute to regional revitalization.



Commemorative ceremony held on September 29, 2022



Area for growing vegetables

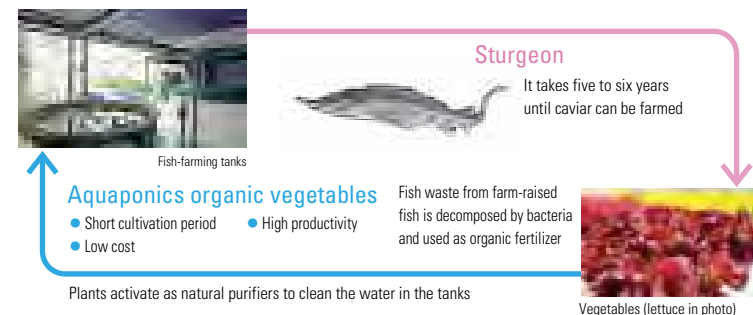


Harvesting and shipping vegetables



Sturgeon cultivation tank

Next-generation agriculture to farm fish and plants at the same time





Contribution to local communities

- Social contribution activities

As a water and environmental infrastructure company, the METAWATER group is engaged in a wide range of social contribution activities to make many people aware of the importance of water and the environment. Specifically, we participate in water source forest conservation activities across Japan, exhibit at events in the areas around our business bases nationwide, and visit schools to teach children about the water cycle.

Environmental conservation

■ Participating in the Aoshita no Mori Project

We participate in the Aoshita no Mori Project, a public-private water source conservation project implemented in cooperation with Sendai City, Miyagi Prefecture, and private companies. In May and October of fiscal 2022, we participated in tree planting, thinning, and cleanup activities at the Aoshita Forest in the Aoshita Basin.



17 METAWATER Group employees participated



Thinning work

Community contributions

■ Held METAWATER Mission Uchimizu(Water sprinkling) 2022

Every year, we hold METAWATER Operation Sprinkler on August 1 to coincide with Water Day. Fiscal 2022 marked the 14th iteration of this event, and, for the first time, we connected a total of nine locations online, all the way from Fukushima Prefecture in the north to Kumamoto Prefecture in the south, including our head office, business sites, and a water treatment plant contracted to operate in the METAWATER Group. Each of the venues was enveloped by cool air, with the ground-level temperature at our head office dropping by 10 degrees. It was a grand event, involving a total of 60 company and group employees.



When the head office called out "Let it be cool!", employees at nine locations nationwide simultaneously threw water up into the air.



A total of 60 employees from various regions participated, including at Takizawa Water Treatment Plant in Aizuwakamatsu City, Fukushima Prefecture (photo)

■ Exhibiting at events in the areas around our business sites

As part of our efforts to deepen trust with local communities, we exhibit at local events in the areas around our business bases where we are involved in public-private partnership projects (PFI/DBO). In fiscal 2022, we attended the Kariya Tagawa Festival 2022 (held in April) in Mitsuke City, Niigata Prefecture, where we held demonstrations of how to clean water using sand filtration and ceramic membrane filtration systems, and attended the Ofunato City Industry Festival (held in October) in Ofunato City, Iwate Prefecture, where we held a panel exhibition and a microscopic organism observation corner to explain the sewage system. We taught citizens about water and sewerage services and the importance of the water cycle.



Cleaning water with sand filtration and ceramic membrane filtration systems (Mitsuke City, Niigata Prefecture)



Our panel exhibition and microscopic organism observation corner (Ofunato City, Iwate Prefecture)

— METAWATER's Philosophy and Guidelines for Social Contribution Activities —

Social Contribution Philosophy

Through our social contribution activities, the METAWATER Group aims to contribute to the achievement of a sustainable society by solving social issues through water and the environment.

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

■ School visits for children across the country

Because children will lead the next generation, METAWATER continues to visit schools across the country to teach children about the water cycle in a way that is easy to understand, utilizing the water- and environment-related technologies and knowledge that we have built up through our business activities.

■ Portal site for learning about water and the environment Renovating METAWATER Land

In fiscal 2022, we renovated the portal site METAWATER Land on our company website with the aim of making it fun to think about a sustainable society from the perspective of water and the environment. The new site has content like quizzes, games, illustrations, comics, and videos to make it fun for everyone from elementary school students to adults to learn about water and resource cycles and the mechanisms of the infrastructures that support them. Users can also apply for school visits in which students learn through real-life experiences like sand filtration experiments.

METAWATER Land [URL https://www.mwland.jp/](https://www.mwland.jp/)



A new website that makes it fun to learn about water and environmental infrastructure through videos and games.

Quality initiatives

The METAWATER Group has established a Company-Wide Quality Policy, and our basic quality policy is to ensure the optimal level of quality for customer satisfaction in all of our 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.

Under “Quality Topics,” we repeatedly publish our company-wide Quality Policy and Action Guidelines to foster quality awareness among all employees and to provide opportunities for employees to consider their division's actions from the perspective that the processes before and after are our customers.* Through this effort, we are facilitating better understanding of the key concept of what effect our own processes have on the processes before and after, in order to construct plants that meet the required specifications of our customers, while also thoroughly preventing the recurrence of similar quality accidents.

*1 Customers: Customers, internal stakeholders, etc.



Examples of materials delivered with “Quality Topics”

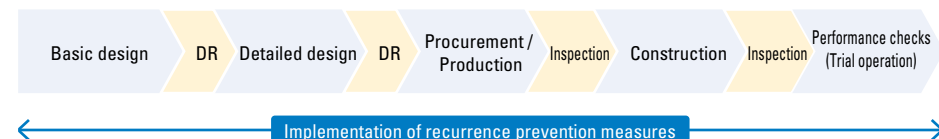
— Quality targets —

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



As an engineering company, the 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.



Sustainability procurement

Under our basic policy for procurement operations of “promoting sustainability procurement,” METAWATER Group is “promoting transparent procurement” and “strengthening partner relationships with suppliers,” while also moving to a paperless environment and promoting green purchasing, and educating employees to ensure thorough compliance and promote understanding of laws and regulations.

Promotion of transparent procurement – 88 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 FY2022 was 88.

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 FY2022, approximately 60% of orders were

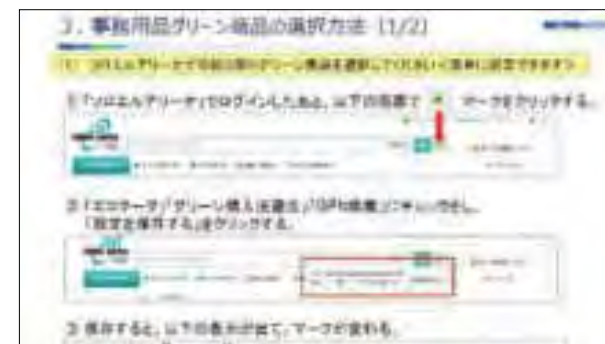
through EDI. These efforts have made the paper previously used to prepare order forms, invoices, etc., unnecessary, leading to a reduction in paper equivalent to approximately 80,000 sheets. Our suppliers have reported that they also have eliminated invoices and envelopes, leading to a paperless environment. 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, etc.). 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 throughout the entire company to achieve our target green procurement rate of 100%.

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

In addition to complying with laws and regulations, as well as social norms, in Japan and overseas, we are actively promoting membership in social insurance, etc., in construction work. 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 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.



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



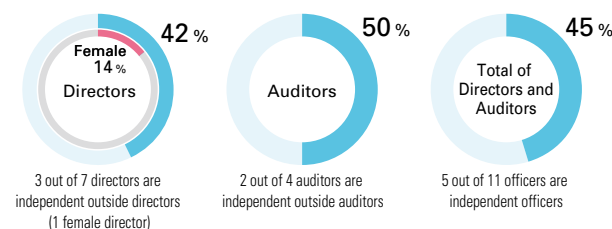
50th ordinary general meeting of shareholders

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 Remuneration Advisory Committee
April 2022	• Enacted "Basic Policy on Sustainability"

2 Composition of directors and auditors

Ratio of independent outside officers



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.



Corporate governance organization

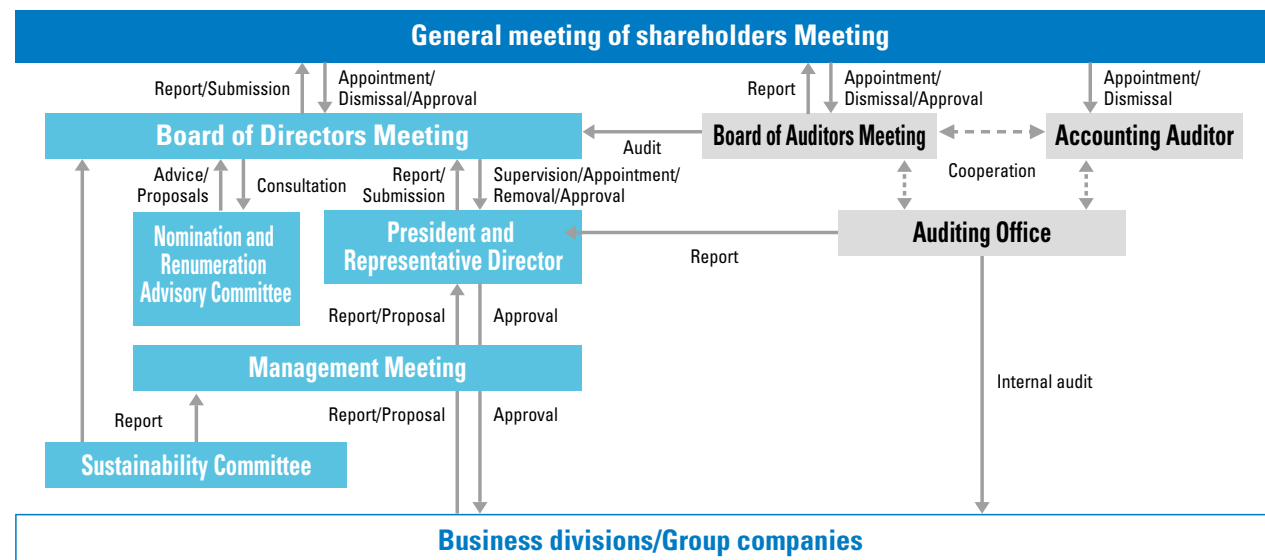
The company opts for an arrangement of a Board of Auditors as an organization design based on the Companies Act. The Board of Directors makes important decisions related to management and supervises business execution. At the same time, auditors and the Board of Auditors independent from the Board of 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, four 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 four 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 Remuneration 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

The 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 three 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	17/17 meetings (100%)	—	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	17/17 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	17/17 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 continue to 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	17/17 meetings (100%)	13/13 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*	13/14 meetings (193%)	9/10 meetings (90%)	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.

* This indicates the number of attendance since Mr. Masami Kusunoki's appointment on June 21, 2022.



Management organization (As of end of July 2023)

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



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)
June 2022 Director at METAWATER (current)
April 2023 Executive General Manager, Corporate Strategy Planning Division 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.
Outside Director of THE NIPPON ROAD Co., Ltd.

April 1973 Joined 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)
June 2023 Outside Director of THE NIPPON ROAD Co., Ltd. (current)



Tsuneo Tanai

Outside

Independent

Fellow at Honda Motor 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.
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)



Taku Fukui

Outside Independent

Managing Partner at Kashiwagi Sogo Law Offices
 Professor at Keio University Law School (Graduate School of Law)

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
 June 2021 Outside Auditor at METAWATER (current)



Akihiro Teranishi

Audit and Supervisory Board Member

March 1985 Joined NGK INSULATORS, LTD.
 April 2008 Deputy General Manager, Corporate Strategy Planning
 Department, Corporate Strategy Office at METAWATER
 April 2013 General Manager, Corporate Administration Department,
 Corporate Strategy Planning Division at METAWATER
 December 2021 General Manager, Legal Department, Corporate Strategy
 Planning Division at METAWATER
 April 2022 Lead Manager, Corporate Strategy Planning Office at METAWATER
 June 2023 Full-time 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)

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, Corporate Strategy Planning Division /
 Responsible for Corporate Strategy Planning Office, HR & General
 Affairs 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

Yoshito Ezure Deputy Executive General Manager, International Business Division

Koichi Yamaguchi 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 / Responsible
 for Safety and Health Management Office

Kenji Kojima Executive General Manager, Sales & Marketing Division

Toshiyuki Ishikawa President and Representative Director at METAWATER SERVICE Co., Ltd.

Tomoyuki Takase General Manager, Accounting and Financial Planning Office, Corporate
 Strategy Planning Division / Responsible for IT Planning Department



Risk management and compliance

In order to develop a systematic awareness of various risks that can affect the Group's management, evaluate and manage those risks appropriately, and thereby seek to prevent their occurrence or to reduce losses associated with them, while striving to maintain and expand the corporate value of the Group, METAWATER Group has formulated the "METAWATER Group Risk Management Rules" and the "Risk Management Implementation Procedures" (collectively referred to as the "Risk Management Rules" below).

The Risk Management Rules set forth risk management systems and processes, impact assessment criteria, risk classifications, etc. In our impact assessment criteria, we classify key factors (five items) into three levels (large, medium, and small) in order to assess the potential impact of risks when they materialize. When classifying risk, we classify those that have a significant impact on the external environment or business environment of METAWATER into risks related to the external environment (6 categories) and risks related to the business environment (17 categories).

In accordance with the Risk Management Rules, METAWATER Group conducts risk identification, impact assessment, consideration of response methods, etc., at the beginning of each fiscal year within each division and subsidiary, and we also conduct interim assessments at the end of the first half of the fiscal year. At the end of the fiscal year, we also conduct a full-year assessment in the same manner, and internally disclose the details of risk management for each division, etc., for both the first half and the full year.

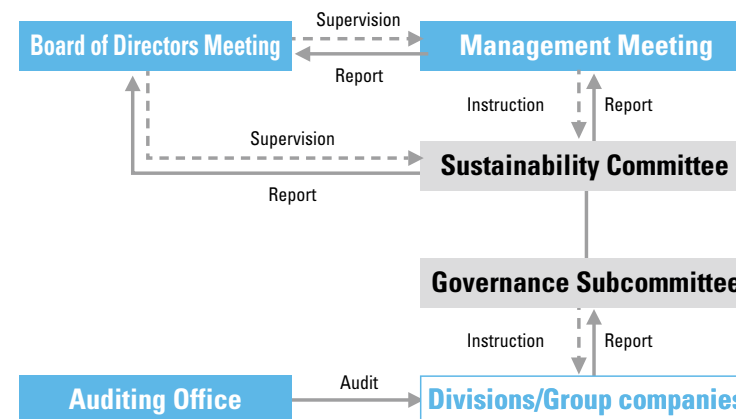
In addition, the Governance Subcommittee summarizes the risks recognized and assessed by each division, subsidiary, etc., as well as matters such as measures to deal with such risks from the perspective of the METAWATER Group as a whole, and reports these matters to the Sustainability Committee for discussion. The content of the report to Sustainability Committee, discussions, etc., is reported to the Management Meeting and the Board of Directors as appropriate.

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.

In addition, from FY2021 to FY2022, to enable us to respond to a varied range of damage assumptions, we conducted initial response trainings based on the scenarios of earthquakes and wind and flood damage, expanded training for applicable personnel and areas, and conducted education using video materials. In FY2023, we are brushing up on our previous initiatives, including conducting trainings that cover a larger area, and reviewing reporting and information-sharing tools to be used when risks materialize, as part of our efforts to further enhance the penetration, familiarity, and effectiveness of BCP. 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.



BCP operational training (CMT Secretariat)



BCP operational training (sales offices)

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

Establishment of a company-wide information security team (MW-SIRT) led by senior management

In September 2022, in order to strengthen the information security system, the company established “METAWATER-SIRT” (MW-SIRT), as a team for addressing information security across the company as a whole under the direction of senior management. Within METAWATER, the IT infrastructure sometimes differs depending on the business operations or department, so we previously implemented security measures individually, but now the MW-SIRT is capable of overseeing a response across all operations and departments.

The MW-SIRT prepares for the occurrence of security incidents such as cyberattacks and natural disasters, and strives to implement countermeasures that will facilitate an accurate response in the event of an incident. In this way, the team contributes to the maintenance and stable operation of the water supply and sewerage services that support people's day-to-day lives and industry.



Information security response by the MW-SIRT

Improving the information security level of METAWATER Group as a whole

As a company that is responsible for information and as employees, METAWATER Group believes that security measures and awareness are important when handling information.

In FY2022, we worked to raise employee awareness by sharing information related to information security with all employees, including those at Group companies, on a daily basis and providing education four times a year.

In addition, through information exchange and discussion of measures with the relevant personnel at Group companies, we have ascertained the status of information security across METAWATER Group as a whole and made improvements.

In these ways, we are prepared for ever-changing threats related to information security.



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.

Governance Subcommittee

We have established the “Governance Subcommittee” as a subordinate working group under the “Sustainability Committee.”

The Governance Subcommittee has two working groups (WGs), the “Compliance WG” and the “Helpline WG,” which consist of five chief managers of departments related to compliance, and have the Legal Department as their secretariat. The Compliance WG mainly engages in checking on and improving the implementation of compliance programs, as well as studying and developing company-wide compliance education and measures. In addition, the activities of the Helpline WG include offering consultation on issues received from helpline contact points.

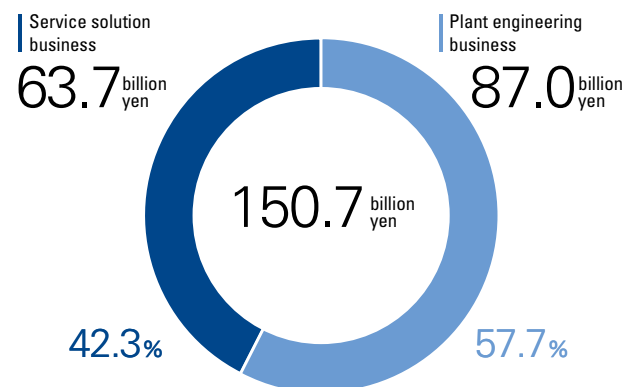
Compliance Education

As part of our compliance activities, METAWATER Group provides compliance education (face-to-face or online), including company-wide e-learning, as well as education for officers, and education for employees of different levels and jobs. In this way, we take steps to ensure thorough compliance.

FY2022 e-learning and company-wide education results	Total of 28,860 people across 10 sessions
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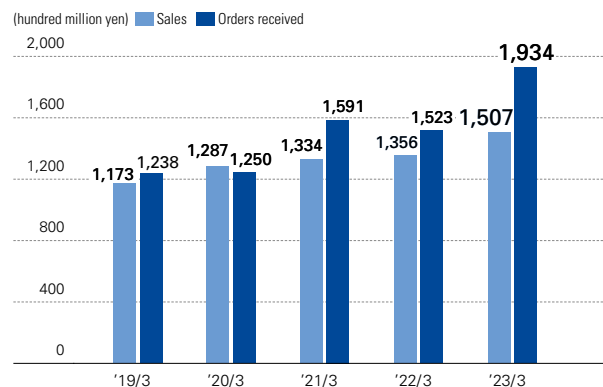
Highlights of consolidated financial results

Sales composition (FY ended March 2023)



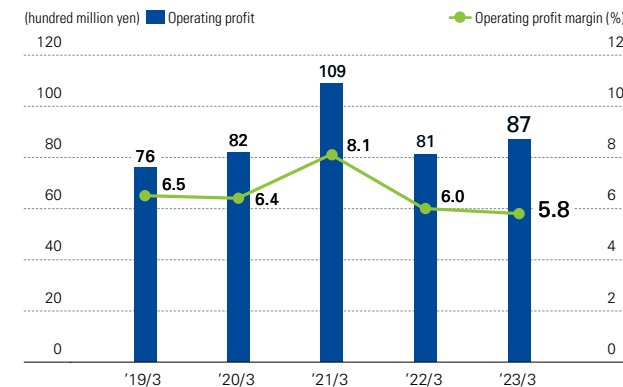
Sales / Orders received

Sales **150.7** billion yen



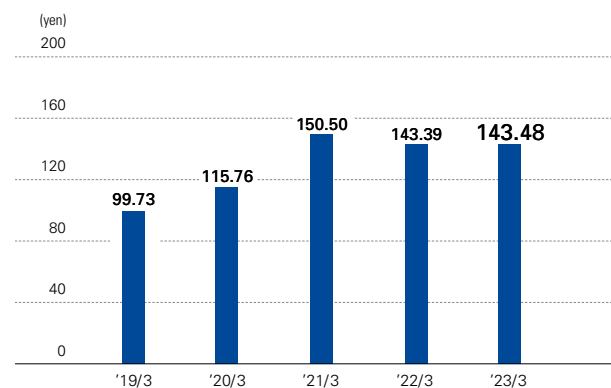
Operating profit
Operating profit margin

Operating profit **8.7** billion yen



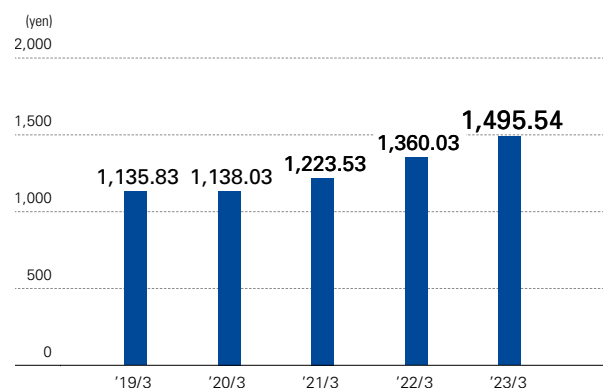
Earning per share (EPS)*¹

143.48 yen



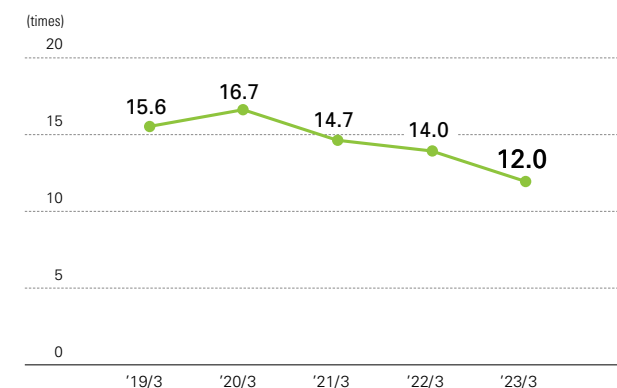
Book value per share (BPS)*¹

1,495.54 yen



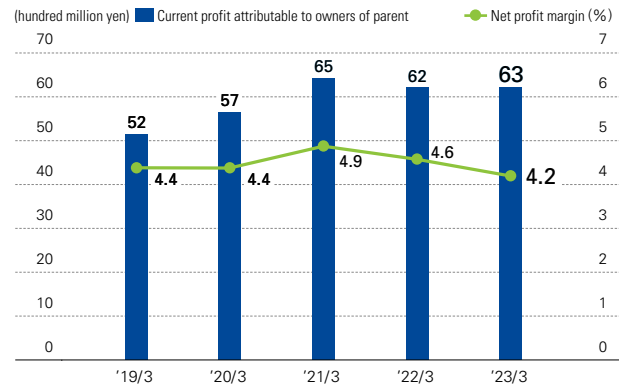
Price earnings ratio (PER)

12.0 times

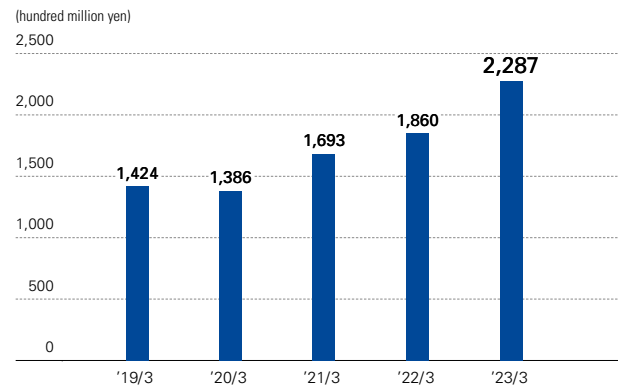


*1 The company carried out a 2-for-1 stock split of its common stock on October 1, 2020. Accordingly, the calculation of net assets per share and net income per share is based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

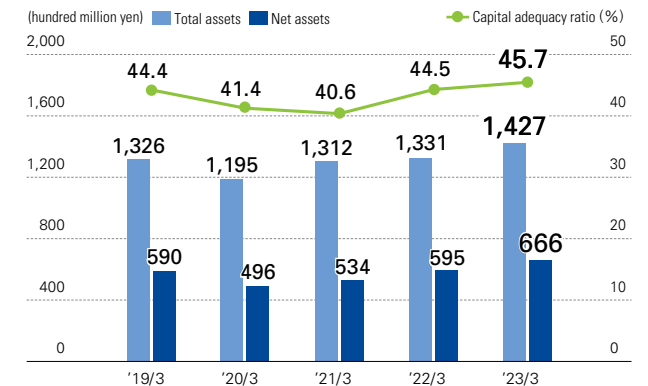
Current profit attributable to owners of parent / Net profit margin



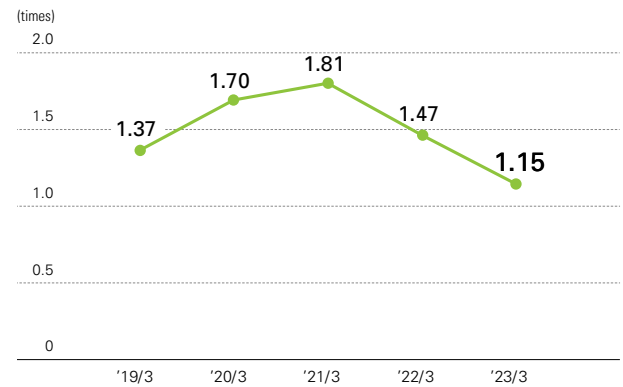
Order backlog (End of period)



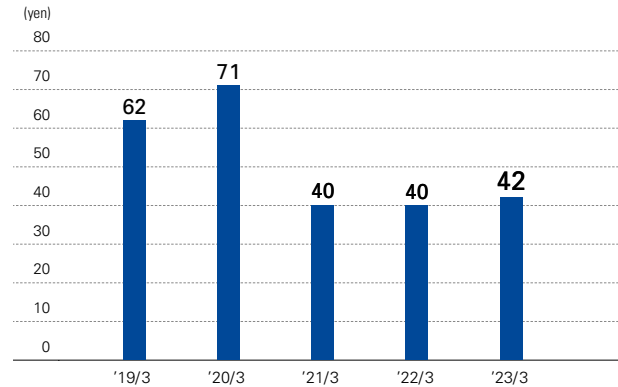
Total assets / Net assets / Capital adequacy ratio



Price/Book Ratio (PBR)

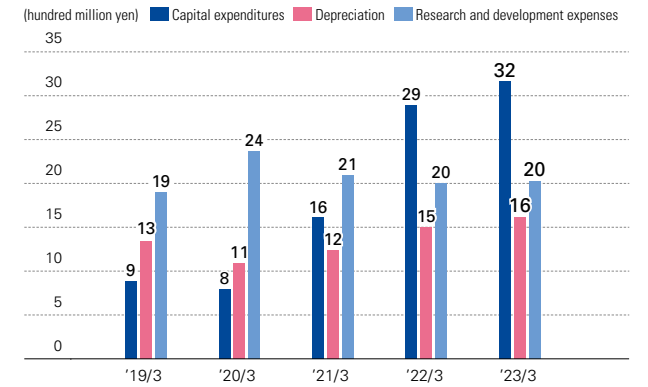


Dividend*2



*2 A stock split (2-for-1) was conducted on October 1, 2020

Capital expenditures / Depreciation / Research and development expenses



Consolidated Balance Sheets

	Millions of yen	Thousands of U.S. dollars	
	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
Assets			
Current assets			
Cash and deposits	^{*4} 21,290	^{*4} 11,724	87,800
Notes and accounts receivable - trade, and contract assets	^{*1, *4} 77,364	^{*1, *4} 87,191	652,969
Work in process	1,721	2,853	21,365
Supplies	6,225	7,093	53,119
Other current assets	2,337	3,779	28,300
Total current assets	108,939	112,642	843,570
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	1,864	2,418	18,108
Machinery and equipment, net	1,149	1,189	8,904
Tools, furniture and fixtures, net	652	670	5,017
Construction in progress	238	184	1,377
Other property, plant and equipment, net	643	724	5,422
Total property, plant and equipment	^{*3} 4,548	^{*3} 5,187	38,845
Intangible assets			
Software	743	1,043	7,810
Software in progress	1,112	2,192	16,415
Goodwill	2,406	2,467	18,475
Customer-related assets	4,239	4,497	33,677
Right to operate public facilities	^{*4} 1,000	^{*4} 950	7,114
Other intangible assets	987	1,339	10,027
Total intangible assets	10,489	12,490	93,537
Investments and other assets			
Investment securities	^{*2, *4, *5} 1,846	^{*2, *4, *5} 5,535	41,451
Long-term loans receivable	^{*5} 148	^{*5} 244	1,827
Guarantee deposits	1,234	1,208	9,046
Assets for retirement benefits	2,946	2,417	18,100
Deferred tax assets - non-current	2,769	2,736	20,489
Other non-current assets	143	231	1,729
Total investments and other assets	9,087	12,374	92,668
Total non-current assets	24,125	30,053	225,065
Total assets	133,065	142,695	1,068,636

	Millions of yen	Thousands of U.S. dollars	
	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
Liabilities			
Current liabilities			
Accounts payable - trade	23,829	25,463	190,691
Electronically recorded obligations	10,682	10,158	76,072
Short-term loans payable	903	2,387	17,876
Current portion of PFI and other projects finance loans	*4 875	*4 887	6,642
Income taxes payable	2,759	2,339	17,516
Contract liabilities	7,509	7,134	53,426
Provision for warranties for completed construction	1,246	1,185	8,874
Provision for loss on construction contracts	919	1,224	9,166
Other current liabilities	8,255	8,452	63,296
Total current liabilities	56,980	59,232	443,585
Non-current liabilities			
Long-term loans payable	917	—	—
PFI and other projects finance loans	*4, *6 9,711	*4, *6 11,123	83,299
Liability for retirement benefit	4,107	4,386	32,846
Other non-current liabilities	1,799	1,312	9,825
Total non-current liabilities	16,536	16,823	125,986
Total liabilities	73,516	76,055	569,572
Net assets			
Shareholders' equity			
Capital stock	11,946	11,946	89,463
Capital surplus	9,406	9,411	70,478
Retained earnings	46,380	50,890	381,112
Treasury stock	(7,137)	(7,089)	(53,089)
Total shareholders' equity	60,595	65,158	487,965
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	66	(182)	(1,362)
Deferred gains or losses on hedges	(35)	3	22
Foreign currency translation adjustment	(169)	1,689	12,648
Remeasurements of defined benefit plans	(1,210)	(1,477)	(11,061)
Total accumulated other comprehensive income	(1,349)	32	239
Non-controlling interests	302	1,447	10,836
Total net assets	59,548	66,639	499,056
Total liabilities and net assets	133,065	142,695	1,068,636

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, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
Net sales	135,557	150,716	1,128,705
Cost of sales	^{*1} 107,065	^{*1} 120,428	901,879
Gross profit	28,491	30,287	226,817
Selling, general and administrative expenses	^{*2, *4} 20,344	^{*2, *4} 21,598	161,746
Operating income	8,146	8,688	65,064
Non-operating income:			
Interest income	141	130	973
Dividends income	68	72	539
Foreign exchange gain	599	528	3,954
Share of profit of entities accounted for using equity method	6	122	913
Miscellaneous income	136	130	973
Total non-operating income	951	983	7,361
Non-operating expenses:			
Interest expenses	158	220	1,647
Commission expenses	—	74	554
Loss on sales of investment securities	—	193	1,445
Loss on disposal of non-current assets	^{*3} 84	^{*3} 81	606
Commission for syndicated loans	91	16	119
Miscellaneous loss	12	16	119
Total non-operating expenses	347	603	4,515
Ordinary income	8,751	9,068	67,909
Income before income taxes	8,751	9,068	67,909
Income taxes - current	3,071	2,725	20,407
Income taxes - deferred	(217)	(152)	(1,138)
Total income taxes	2,853	2,572	19,261
Net income	5,897	6,496	48,648
Profit (loss) attributable to non-controlling interests	(347)	243	1,819
Profit attributable to owners of parent	6,245	6,252	46,820

[Consolidated Statement of Comprehensive Income]

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
Net income	5,897	6,496	48,648
Other comprehensive income			
Valuation difference on available-for-sale securities	(4)	(248)	(1,857)
Deferred gains or losses on hedges	(102)	113	846
Foreign currency translation adjustment	990	1,858	13,914
Remeasurements of defined benefit plans	117	(267)	(1,999)
Total other comprehensive income	^{**1} 1,000	^{**1} 1,456	10,903
Comprehensive income	6,898	7,952	59,552
(Details)			
Comprehensive income attributable to owners of parent	7,312	7,635	57,178
Comprehensive income attributable to non-controlling interests	(414)	317	2,373

Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2022

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock		
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

	Accumulated other comprehensive income						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	Non-controlling interests	
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

Fiscal year ended March 31, 2023

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock		
Balance at April 1, 2022	11,946	9,406	46,380	(7,137)		60,595
Changes during the year						
Dividends from surplus			(1,743)			(1,743)
Profit attributable to owners of parent			6,252			6,252
Restricted stock compensation		5		47		52
Changes in other equity, net						
Total changes during the year	—	5	4,509	47		4,562
Balance at March 31, 2023	11,946	9,411	50,890	(7,089)		65,158

	Accumulated other comprehensive income						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	Non-controlling interests	
Balance at April 1, 2022	66	(35)	(169)	(1,210)	(1,349)	302	59,548
Changes during the year							
Dividends from surplus							(1,743)
Profit attributable to owners of parent							6,252
Restricted stock compensation							52
Changes in other equity, net	(248)	39	1,858	(267)	1,382	1,145	2,528
Total changes during the year	(248)	39	1,858	(267)	1,382	1,145	7,090
Balance at March 31, 2023	(182)	3	1,689	(1,477)	32	1,447	66,639

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	89,463	70,441	347,337	(53,448)	453,793
Changes during the year					
Dividends from surplus			(13,053)		(13,053)
Profit attributable to owners of parent			46,820		46,820
Restricted stock compensation		37		351	389
Changes in other equity, net					
Total changes during the year	—	37	33,767	351	34,164
Balance at March 31, 2023	89,463	70,478	381,112	(53,089)	487,965

(Thousands of U.S. dollars)

	Accumulated other comprehensive income						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	Non-controlling interests	
Balance at April 1, 2022	494	(262)	(1,265)	(9,061)	(10,102)	2,261	445,952
Changes during the year							
Dividends from surplus							(13,053)
Profit attributable to owners of parent							46,820
Restricted stock compensation							389
Changes in other equity, net	(1,857)	292	13,914	(1,999)	10,349	8,574	18,932
Total changes during the year	(1,857)	292	13,914	(1,999)	10,349	8,574	53,096
Balance at March 31, 2023	(1,362)	22	12,648	(11,061)	239	10,836	499,056

Consolidated Statement of Cash Flows

	Millions of yen	Thousands of U.S. dollars	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
Cash flows from operating activities			
Income before income taxes	8,751	9,068	67,909
Depreciation	1,469	1,625	12,169
Amortization of goodwill	242	282	2,111
Increase/(decrease) in liabilities for retirement benefits	134	(175)	(1,310)
(Increase)/decrease in assets for retirement benefits	81	(228)	(1,707)
Increase/(decrease) in provision for warranties for completed construction	(394)	(145)	(1,085)
Increase/(decrease) in provision for loss on construction contracts	48	304	2,276
Interest income and dividends income	(210)	(202)	(1,512)
Interest expenses	158	220	1,647
Foreign exchange (gain)/loss	(599)	(528)	(3,954)
Loss on disposal of property, plant and equipment	84	81	606
(Gain)/loss on sales of investment securities	—	193	1,445
(Gain)/loss on valuation of investment securities	—	4	29
Share of (profit)/loss of entities accounted for using equity method	(6)	(122)	(913)
(Increase)/decrease in notes and accounts receivable and contract assets	3,121	(8,771)	(65,685)
(Increase)/decrease in inventory	276	(1,588)	(11,892)
Increase/(decrease) in notes and accounts payable - trade	2,252	241	1,804
Increase/(decrease) in contract liabilities	(5,207)	(577)	(4,321)
Other cash flows from operating activities	678	(955)	(7,151)
Subtotal	10,879	(1,273)	(9,533)
Interest and dividends income received	210	202	1,512
Interest expenses paid	(161)	(220)	(1,647)
Income taxes paid	(4,292)	(3,049)	(22,833)
Net cash provided by (used in) operating activities	6,635	(4,340)	(32,502)
Cash flows from investing activities			
Net (increase)/decrease in time deposits	56	38	284
Purchase of property, plant and equipment	(1,206)	(1,034)	(7,743)
Purchase of intangible assets	(1,577)	(1,548)	(11,592)
Purchase of right to operate public facilities	(1,000)	—	—
Purchase of investment securities	(445)	(5,794)	(43,390)
Proceeds from sales of investment securities	—	1,719	12,873
Payments of loans receivable	(33)	(163)	(1,220)
Collection of loans receivable	48	67	501
Other cash flows from investing activities	310	262	1,962
Net cash used in investing activities	(3,846)	(6,452)	(48,318)

	Millions of yen	Thousands of U.S. dollars	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2023
Cash flows from financing activities			
Proceeds from short-term loans payable	381	2,321	17,381
Repayments of short-term loans payable	(577)	(1,168)	(8,747)
Repayments of long-term loans payable	—	(905)	(6,777)
Proceeds from PFI and other projects finance loans	1,600	2,300	17,224
Repayments of PFI and other projects finance loans	(863)	(875)	(6,552)
Purchase of treasury stock	(0)	—	—
Cash dividends paid	(1,741)	(1,743)	(13,053)
Proceeds from share issuance to non-controlling interests	520	830	6,215
Cash dividends paid to non-controlling interests	(1)	(1)	(7)
Other cash flows from financing activities	54	(41)	(307)
Net cash provided by (used in) financing activities	(628)	717	5,369
Effect of exchange rate change on cash and cash equivalents	224	548	4,103
Net increase/(decrease) in cash and cash equivalents	2,385	(9,528)	(71,354)
Cash and cash equivalents at April 1	18,044	20,613	154,369
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	183	—	—
Cash and cash equivalents at March 31	¥ 20,613	¥ 11,085	83,015

[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 ¥133.53 to US\$1.00, prevailing on March 31, 2023, 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, 2023, the numbers of consolidated subsidiaries were 14 (13 in 2022). Water Nexus OSAKA Co., Ltd. is among those newly added to the scope of consolidation from the fiscal year ended March 31, 2023 following its establishment. In addition, the number of affiliated companies which have been accounted for by the equity method as of March 31, 2023 was two. 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, 2023.

(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.

10. Other significant matters serving as the basis for the preparation of consolidated financial statements

Accounting method of the Impact Neutralization Trust

The Company's own shares (hereinafter the "Metawater shares") acquired by the scheme of the Impact Neutralization Trust (hereinafter the "Trust") are recognized as "Investment securities" at the acquisition costs (including the associated costs). Metawater shares held in the Trust at the year end are included in "Investment securities" on the consolidated balance sheets based on the market price at the year end. The difference between the acquisition costs (including the associated costs) and the market price is reflected in the "Valuation difference on available-for-sale securities" on the consolidated balance sheets.

For the purpose of calculating the net income per share, Metawater shares held in the Trust are not included in the number of treasury stock to calculate the average number of shares issued and outstanding for the year.

The difference between the acquisition costs (including the associated costs) and the sales price in the market of Metawater shares sold by the Trust during the fiscal year ended March 31, 2023 is included in "Loss on sales of investment securities" on the consolidated statement of income.

(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, 2023

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Net sales	41,294	49,680	372,051
Balance in contract assets	24,472	33,859	253,568

(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, 2023. (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 due to rising material costs, etc. 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)

The Group has applied ASBJ Guidance No. 31 "Implementation Guidance on Accounting Standard for Fair Value Measurement" (June 17, 2021; hereinafter "ASBJ Guidance No. 31") from the beginning of the fiscal year ended March 31, 2023. The Group will prospectively apply the new accounting policies stipulated by ASBJ Guidance No. 31 in accordance with the transitional treatment provided for in Paragraph 27-2 of ASBJ Guidance No. 31. There is no impact on the consolidated financial statements for the fiscal year ended March 31, 2023.

(Changes in Presentation Methods)

(Notes to the Consolidated Statement of Income)

Share of profit of entities accounted for using equity method, which was previously included in "Miscellaneous income" under "Non-operating income" for the fiscal year ended March 31, 2022, is separately presented for the fiscal year ended March 31, 2023, because it exceeds 10/100 of the total non-operating income. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥142 million presented as "Miscellaneous income" under "Non-operating income" on the consolidated statement of income for the fiscal year ended March 31, 2022 has been reclassified to ¥6 million (US\$44 thousand) of "Share of profit of entities accounted for using equity method" and ¥136 million (US\$1,018 thousand) of "Miscellaneous income."

(Notes to the Consolidated Statement of Cash Flows)

Share of (profit)/loss of entities accounted for using equity method, which was previously included in "Other cash flows from operating activities" under "Cash flows from operating activities" for the fiscal year ended March 31, 2022, is separately presented for the fiscal year ended March 31, 2023 due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, ¥671 million presented as "Other cash flows from operating activities" under "Cash flows from operating activities" on the consolidated statement of cash flows for the fiscal year ended March 31, 2022 has been reclassified to ¥-6 million (US\$-44 thousand) of "Share of (profit)/loss of entities accounted for using equity method" and ¥678 million (US\$5,077 thousand) of "Other cash flows from operating activities."

(Additional Information)

(Accounting Method of the Impact Neutralization Trust)

For the fiscal year ended March 31, 2023, the Company acquired Metawater shares from its major stockholders including NGK INSULATORS, LTD. and FUJII ELECTRIC CO., LTD., and sold some of those shares in the market using the Trust scheme for the purpose of increasing the number of tradable shares. The accounting treatment of transactions using such a scheme is not specified in the related accounting standards. The Company applied the accounting method below on its transactions.

1. Outline of the transactions

The Trust is a self-benefit trust, which acquires Metawater shares through off-floor trading at the Tokyo Stock Exchange (ToSTNeT-2) from shareholders using the funds contributed by the Company, and then sells those shares in the market over a certain period. The proceeds from the sales of Metawater shares are distributed to the Company periodically at a predetermined schedule.

2. Accounting principles and procedures

In accordance with the accounting policies described in "(Summary of Significant Accounting Policies), 10. Other significant matters serving as the basis for the preparation of consolidated financial statements, Accounting method of the Impact Neutralization Trust," ¥3,521 million (US\$26,368 thousand) of "Investment securities" and ¥-252 million (US\$-1,887 thousand) of "Valuation difference on available-for-sale securities" are recognized on the consolidated balance sheets as of March 31, 2023. Also, ¥193 million (US\$1,445 thousand) of "Loss on sales of investment securities" is recognized on the consolidated statement of income for the fiscal year ended March 31, 2023. The acquisition costs (including the associated costs) of Metawater shares acquired during the fiscal year ended March 31, 2023 is ¥5,748 million (US\$43,046 thousand).

(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, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Notes receivable - trade	336	218	1,632
Accounts receivable - trade	52,555	53,113	397,760
Contract assets	24,472	33,859	253,568

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

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Investment securities	1,156	1,323	9,907

*3. Accumulated depreciation of property, plant and equipment

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Accumulated depreciation of property, plant and equipment	5,281	5,891	44,117

*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 NEXTYOKOHAMA 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, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Cash and deposits	2,357	6,176	46,251
Notes and accounts receivable - trade	10,225	11,142	83,441
Right to operate public facilities	1,000	950	7,114
Investments in subsidiaries and affiliates	30	30	224
Total	13,613	18,299	137,040

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

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Investments in subsidiaries	432	859	6,433
Long-term loans receivable	635	1,803	13,502
Total	1,068	2,662	19,935

*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, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Investment securities	405	405	3,033
Long-term loans receivable	130	115	861
Total	535	520	3,894

*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, 2023 are as follows:

(1) Term loan agreement with commitment period

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Total amount of term loan agreement with commitment period	8,900	8,900	66,651
Lines of credit used	1,600	3,900	29,206
Balance	7,300	5,000	37,444

(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, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Osaka Bioenergy Co., Ltd.	91	73	546

(2) Performance guarantee

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Ariake Water Management Co., Ltd.	45	38	284
Aizuwakamatsu Aqua Partner Co., Ltd.	458	417	3,122
Sasebo Aqua Solution Co., Ltd.	199	180	1,348
Sorami Bio Partners Co., Ltd.	65	64	479
Northern Akita Eco-resource Management Co., Ltd.	18	18	134
Ofunato Sewer Management Co., Ltd.	14	14	104
Gotemba Oyama Eco Partners Co., Ltd.	14	14	104
WATER CIRCLE KUMAMOTO K.K.	270	270	2,022
Edogawa Water Service Co., Ltd.	33	—	—
Total	1,119	1,019	7,631

(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, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
563	667	4,995

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

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Salaries and allowances	5,131	5,582	41,803
Bonuses	1,750	1,912	14,318
Retirement benefit expenses	443	269	2,014
Provision for warranties for completed construction	329	260	1,947
Research and development expenses	2,015	2,070	15,502

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

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
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, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
2,015	2,070	15,502

(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, 2023 and 2022

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Valuation difference on available-for-sale securities			
Amount arising during the year	(6)	(247)	(1,849)
Reclassification adjustments	—	—	—
Amount before tax effect	(6)	(247)	(1,849)
Tax effect	2	(1)	(7)
Valuation difference on available-for-sale securities	(4)	(248)	(1,857)
Deferred gains or losses on hedges			
Amount arising during the year	(148)	163	1,220
Reclassification adjustments	—	—	—
Amount before tax effect	(148)	163	1,220
Tax effect	45	(50)	(374)
Deferred gains or losses on hedges	(102)	113	846
Foreign currency translation adjustment			
Amount recognized during the year	990	1,858	13,914
Remeasurements of defined benefit plans			
Amount recognized during the year	(289)	(832)	(6,230)
Reclassification adjustments	459	447	3,347
Before tax effect adjustment	169	(384)	(2,875)
Tax effects	(51)	117	876
Remeasurements of defined benefit plans	117	(267)	(1,999)
Total other comprehensive income	1,000	1,456	10,903

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

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

(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

Fiscal year ended March 31, 2023

1. Shares issued

Type of shares	Number of shares as of April 1, 2022	Increase	Decrease	Number of shares as of March 31, 2023
Common stock (shares)	47,758,500	—	—	47,758,500

2. Treasury stock

Type of shares	Number of shares as of April 1, 2022	Increase	Decrease	Number of shares as of March 31, 2023
Common stock (shares)	4,196,064	—	28,000	4,168,064

(Details of the changes)

Decrease resulting from the disposal of treasury stock conducted on June 21, 2022: 28,000 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 19, 2022	Common stock	871	20.00	March 31, 2022	June 3, 2022
Board of Directors' meeting held on November 10, 2022	Common stock	871	20.00	September 30, 2022	December 2, 2022

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 19, 2022	Common stock	6,522	0.14	March 31, 2022	June 3, 2022
Board of Directors' meeting held on November 10, 2022	Common stock	6,522	0.14	September 30, 2022	December 2, 2022

(2) Dividends whose record date falls in the fiscal year ended March 31, 2023, 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 18, 2023	Common stock	Retained earnings	958	22.00	March 31, 2023	June 2, 2023

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 18, 2023	Common stock	Retained earnings	7,174	0.16	March 31, 2023	June 2, 2023

(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, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Cash and deposits	21,290	11,724	87,800
Time deposits with maturities of over three months	(677)	(638)	(4,777)
Cash and cash equivalents	20,613	11,085	83,015

(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 mainly consist of shares of companies with which the Group has built a business relationship and Metawater shares acquired using the scheme of the Impact Neutralization Trust. 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 intended to raise funds for business operations. 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 18 years 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 PFI and other project finance loans. 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, 2023 and 2022 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, 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 (*1)	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)	—

(*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)
Total liabilities	1,717

(*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.

As of March 31, 2023

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Accounts receivable - trade	53,113	52,983	(129)
Investment securities (*1)	3,655	3,655	—
Total assets	56,987	56,857	(129)
PFI and other projects finance loans	11,123	11,158	35
Total liabilities	11,123	11,158	35
Derivatives (*2)	15	15	—

	Carrying value (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Accounts receivable - trade	397,760	396,787	(966)
Investment securities (*1)	27,372	27,372	—
Total assets	426,773	425,799	(966)
PFI and other projects finance loans	83,299	83,561	262
Total liabilities	83,299	83,561	262
Derivatives (*2)	112	112	—

(*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, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Unlisted stocks	1,880	14,079

(*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, 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

As of March 31, 2023

	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	11,724	—	—	—
Notes receivable - trade	218	—	—	—
Accounts receivable - trade	43,814	3,811	3,970	1,517
Total	55,757	3,811	3,970	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	87,800	—	—	—
Notes receivable - trade	1,632	—	—	—
Accounts receivable - trade	328,121	28,540	29,731	11,360
Total	417,561	28,540	29,731	11,360

(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, 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

As of March 31, 2023

	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	2,387	—	—	—	—
PFI and other projects finance loans	887	2,968	4,718	2,233	1,203
Total	3,274	2,968	4,718	2,233	1,203

	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	17,876	—	—	—	—
PFI and other projects finance loans	6,642	22,227	35,332	16,722	9,009
Total	24,518	22,227	35,332	16,722	9,009

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

As of March 31, 2023

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	3,655	—	—	3,655
Derivatives	—	15	—	15
Total assets	3,655	15	—	3,670
Derivatives	—	—	—	—
Total liabilities	—	—	—	—

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities	27,372	—	—	27,372
Derivatives	—	112	—	112
Total assets	27,372	112	—	27,484
Derivatives	—	—	—	—
Total liabilities	—	—	—	—

(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

As of March 31, 2023

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	52,983	—	52,983
Total assets	—	52,983	—	52,983
PFI and other projects finance loans	—	11,158	—	11,158
Total liabilities	—	11,158	—	11,158

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	396,787	—	396,787
Total assets	—	396,787	—	396,787
PFI and other projects finance loans	—	83,561	—	83,561
Total liabilities	—	83,561	—	83,561

(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)

1. Available-for-sale securities

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

As of March 31, 2023

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	133	33	100
Amounts in the consolidated balance sheets not exceeding acquisition cost:			
Stocks	3,521	3,773	(252)
Total	3,655	3,807	(152)

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	996	247	748
Amounts in the consolidated balance sheets not exceeding acquisition cost:			
Stocks	26,368	28,255	(1,887)
Total	27,372	28,510	(1,138)

2. Available-for-sale securities sold during the fiscal year

As of March 31, 2022

No items to report.

As of March 31, 2023

Category	Sales value (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	1,782	—	193
Total	1,782	—	193

Category	Sales value (Thousands of U.S. dollars)	Total gain on sales (Thousands of U.S. dollars)	Total loss on sales (Thousands of U.S. dollars)
Stocks	13,345	—	1,445
Total	13,345	—	1,445

(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, 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	Retained earnings	8,244	7,447	(Note 2)
Total			9,656	8,706	

(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.

As of March 31, 2023

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	2,792	2,792	15
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	7,447	6,639	(Note 2)
Total			10,240	9,432	

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	20,909	20,909	112
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a fixed interest rate/ Receiving on a floating interest rate	PFI and other projects finance loans	55,770	49,719	(Note 2)
Total			76,686	70,635	

(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 PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of such 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, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	17,881	18,395	137,759
Service cost	719	710	5,317
Interest cost	159	169	1,265
Actuarial gain and loss	143	(42)	(314)
Retirement benefits paid	(618)	(572)	(4,283)
Other	110	176	1,318
Retirement benefit obligation at the end of the year	18,395	18,835	141,054

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

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Plan assets at fair value at the beginning of the year	17,247	17,233	129,057
Expected return on plan assets	192	209	1,565
Actuarial gain and loss	(136)	(686)	(5,137)
Contribution by the companies	389	428	3,205
Retirement benefits paid	(547)	(476)	(3,564)
Other	87	157	1,175
Plan assets at fair value at the end of the year	17,233	16,866	126,308

(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, 2022 and 2023 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Funded retirement benefit obligation	15,805	16,295	122,032
Plan assets at fair value	(17,233)	(16,866)	(126,308)
	(1,427)	(571)	(4,276)
Unfunded retirement benefit obligation	2,589	2,540	19,021
Net amount of liabilities and assets recognized in the consolidated balance sheet	1,161	1,968	14,738
Liability for retirement benefit	4,107	4,386	32,846
Assets for retirement benefits	2,946	2,417	18,100
Net amount of liabilities and assets recognized in the consolidated balance sheet	1,161	1,968	14,738

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

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Service cost	719	710	5,317
Interest cost	159	169	1,265
Expected return on plan assets	(192)	(209)	(1,565)
Amortization of actuarial gain or loss	448	258	1,932
Retirement benefit expenses	1,135	928	6,949

(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, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Actuarial gain and loss	169	(384)	(2,875)
Total	169	(384)	(2,875)

(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, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Unrecognized actuarial gain and loss	1,744	2,129	15,943
Total	1,744	2,129	15,943

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

	As of March 31, 2022	As of March 31, 2023
Stocks	5%	3%
Bonds	39	12
General accounts	18	23
Cash and deposits	19	50
Short-term assets	14	7
Other	1	1
Total	100	100

(Note) Retirement benefit trust established for the corporate pension plans is included and equivalent to 4.8% of total amount of plan assets as of March 31, 2022 and 0.1% as of March 31, 2023.

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, 2022	Fiscal year ended March 31, 2023
Discount rates	0.2–1.2%	0.2–1.5%
Long-term expected rates of return on plan assets	Mainly 1.5	Mainly 1.5
Expected rates of salary increase	1.5–8.5	1.5–6.4

3. Defined contribution plans

Contributions of defined contribution plans for the fiscal years ended March 31, 2022 and 2023 were ¥294 million and ¥315 million (US\$2,359 thousand), respectively.

(Income Taxes)

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

	As of March 31, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	As of March 31, 2023 (Thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	211	170	1,273
Accrued bonuses	979	1,020	7,638
Provision for loss on construction contracts	288	380	2,845
Provision for warranties for completed construction	324	282	2,111
Excess of depreciation	153	149	1,115
Liability for retirement benefit	366	647	4,845
Unused tax losses (Note 2)	243	78	584
Other	931	675	5,055
Subtotal	3,497	3,403	25,484
Valuation allowance for unused tax losses (Note 2)	(11)	(10)	(74)
Valuation allowance for the total amount of deductible temporary differences	(380)	(215)	(1,610)
Valuation allowance subtotal (Note 1)	(392)	(225)	(1,685)
Total deferred tax assets	3,105	3,177	23,792
Deferred tax liabilities:			
Customer-related assets	(481)	(454)	(3,399)
Other	(442)	(238)	(1,782)
Total deferred tax liabilities	(924)	(693)	(5,189)
Net deferred tax assets (liabilities)	2,180	2,484	18,602

(Notes) 1. The valuation allowance has decreased by ¥166 million (US\$1,243 thousand). This decrease mainly consists of the reversal of the valuation allowance relating to the provision for loss on construction contracts in the amount of ¥163 million (US\$1,220 thousand) at the Company.

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

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

As of March 31, 2023

	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)	0	0	4	—	—	73	78
Valuation allowance	(0)	(0)	(4)	—	—	(5)	(10)
Deferred tax assets	—	—	—	—	—	67	67

	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)	0	0	29	—	—	546	584
Valuation allowance	(0)	(0)	(29)	—	—	(37)	(74)
Deferred tax assets	—	—	—	—	—	501	501

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, 2022	As of March 31, 2023
Effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanently non-deductible items such as entertainment expenses	0.9	1.4
Permanently non-taxable items such as dividends income	(0.2)	(0.2)
Per capita inhabitants' tax	0.8	0.8
Tax credit for experiment and research expenses	(1.3)	(1.3)
Changes in valuation allowance	0.7	(1.8)
Difference in tax rates of domestic consolidated subsidiaries	0.9	0.6
Difference in tax rates of overseas consolidated subsidiaries	(0.4)	(0.5)
Other	0.6	(1.2)
Effective income tax rate	32.6	28.3

(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	<p>The following assets in Miyagi Prefecture:</p> <ol style="list-style-type: none"> 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	19 years from April 1, 2023 to March 31, 2042

(2) Amortization method for right to operate public facilities

Right to operate public facilities is 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 is recorded as intangible assets.

3) Method of depreciating assets related to replacement investment

Assets related to replacement investment are 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 ¥4,087 million (US\$30,607 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:

Fiscal year ended March 31, 2022

(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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	61,369	63,744	125,114
The United States	18,612	—	18,612
Other	6,989	—	6,989
Sales to third parties	86,971	63,744	150,716

(Thousands of U.S. dollars)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	459,589	477,375	936,972
The United States	139,384	—	139,384
Other	52,340	—	52,340
Sales to third parties	651,321	477,375	1,128,705

(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

Fiscal year ended March 31, 2022

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.

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, of which approximately 80% is expected to be recognized as revenue within three years.

Fiscal year ended March 31, 2023

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, 2023 that was included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2023 was ¥6,438 million (US\$48,213 thousand).

The amount of revenue recognized in the fiscal year ended March 31, 2023 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, 2023 is ¥228,717 million (US\$1,712,851 thousand), of which approximately 70% 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.

3. Sales, income or loss, assets, liabilities and other items by reportable segment

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

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	86,971	63,744	150,716	—	150,716
Inter-segment sales and transfers	—	—	—	—	—
Net sales	86,971	63,744	150,716	—	150,716
Segment income	4,002	4,686	8,688	—	8,688
Segment assets	69,143	54,859	124,002	18,692	142,695
Other items					
Depreciation	949	675	1,625	—	1,625
Capital expenditures	1,858	1,315	3,174	—	3,174

(Thousands of U.S. dollars)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	651,321	477,375	1,128,705	—	1,128,705
Inter-segment sales and transfers	—	—	—	—	—
Net sales	651,321	477,375	1,128,705	—	1,128,705
Segment income	29,970	35,093	65,064	—	65,064
Segment assets	517,808	410,836	928,645	139,983	1,068,636
Other items					
Depreciation	7,107	5,055	12,169	—	12,169
Capital expenditures	13,914	9,847	23,769	—	23,769

(Note) The amount of corporate assets included in adjustments of segment assets is ¥18,692 million (US\$139,983 thousand). The corporate assets mainly represent cash and deposits and investments in subsidiaries and affiliates.

[Related Information]

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

(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

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

Fiscal year ended March 31, 2023

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
125,114	18,612	6,989	150,716

(Thousands of U.S. dollars)

Japan	The United States	Other	Total
936,972	139,384	52,340	1,128,705

(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
1,710	2,337	566	573	5,187

(Thousands of U.S. dollars)

Japan	The United States	Switzerland	Other	Total
12,806	17,501	4,238	4,291	38,845

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	26,671	Plant Engineering Business Service Solutions Business

(Thousands of U.S. dollars)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	199,737	Plant Engineering Business Service Solutions Business

[Information about Impairment Loss on Non-current Assets by Reportable Segment]

Fiscal year ended March 31, 2022

No items to report.

Fiscal year ended March 31, 2023

No items to report.

[Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal year ended March 31, 2022

(Millions of yen)

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	282	—	282	—	282
Unamortized balance	2,467	—	2,467	—	2,467

(Thousands of U.S. dollars)

	Reportable segments			Corporate/ Eliminations	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	2,111	—	2,111	—	2,111
Unamortized balance	18,475	—	18,475	—	18,475

[Information about Gain on Bargain Purchase by Reportable Segment]

Fiscal year ended March 31, 2022

No items to report.

Fiscal year ended March 31, 2023

No items to report.

[Related Party Information]

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	Development, manufacture, and sale of products related to energy infrastructure, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 24.38	Purchase of products	Purchase of products (Note)	1,267	Accounts payable - trade	1,123
Other affiliate	FUJII 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 24.33	Purchase of products	Purchase of products (Note)	9,448	Accounts payable - trade	5,122
Subsidiary of other affiliate	FUJII 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)	1,586	Accounts receivable - trade	1,244
						Entrustment of the Company's construction contracts	Entrustment of construction contracts (Note)	5,410	Accounts payable - trade	2,015
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)	944	Accounts receivable - trade	949

(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, 2023

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)
Affiliate	Ebie Waterlink Co., Ltd.	Chuo-ku, Osaka-shi	60 (US\$449 thousand)	Osaka City Ebie Sewage Treatment Plant Reconstruction and Renewal Project	(Hold) Direct 15.0 Indirect 5.0	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1)	3,985 (US\$29,843 thousand)	Accounts receivable - trade	4,531 (US\$33,932 thousand)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	69,849 (US\$523,095 thousand)	Development, manufacture, and sale of products related to energy infrastructure, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 20.93	Purchase of products	Purchase of products (Note 1) Acquisition of the Company's shares (Note 2)	1,423 (US\$10,656 thousand) 2,776 (US\$20,789 thousand)	Accounts payable - trade —	1,177 (US\$8,814 thousand) —
Other affiliate	FUJII ELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586 (US\$356,369 thousand)	Development, production, and sale of products related to power electronics energy, power electronics industry, semiconductor, power plant and food distribution, and provision of services related thereto	(Held) Direct 20.88	Purchase of products	Purchase of products (Note 1) Acquisition of the Company's shares (Note 2)	8,824 (US\$66,082 thousand) 2,776 (US\$20,789 thousand)	Accounts payable - trade —	3,884 (US\$29,067 thousand) —
Subsidiary of other affiliate	FUJII FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD.	Saiwai-ku, Kawasaki-shi	1,970 (US\$14,753 thousand)	Design and execution of construction of plant facilities, air conditioning/electricity/building/incidental facilities, and telecommunications	—	Acceptance of construction contracts of said company Entrustment of the Company's construction contracts	Acceptance of construction contracts (Note 1) Entrustment of construction contracts (Note 1)	1,389 (US\$10,402 thousand) 7,270 (US\$54,444 thousand)	Accounts receivable - trade Accounts payable - trade	1,202 (US\$9,001 thousand) 2,761 (US\$20,677 thousand)
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100 (US\$748 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)	899 (US\$6,732 thousand)	Accounts receivable - trade	935 (US\$7,002 thousand)

- (Notes) 1. 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. Acquisition of the Company's shares refers to a transaction to acquire Metawater shares using the scheme of the Impact Neutralization Trust as described in "(Summary of Significant Accounting Policies), 10 Other significant matters serving as the basis for the preparation of consolidated financial statements, Accounting method of the Impact Neutralization Trust." Metawater shares were acquired through off-floor trading at the Tokyo Stock Exchange (ToSTNeF2) at the closing price on the day immediately preceding the trade date.

- (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, 2022 (Yen)	Fiscal year ended March 31, 2023 (Yen)	Fiscal year ended March 31, 2023 (U.S. dollars)
Net assets per share	1,360.03	1,495.54	11.20
Net income per share	143.39	143.48	1.07

(Notes) 1. Diluted net income per share is not presented as there are no diluted shares.

2. Net income per share is calculated on the following basis.

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Net income per share			
Profit attributable to owners of parent	6,245	6,252	46,820
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	6,245	6,252	46,820
Average number of shares outstanding during the period (number of shares)	43,554,126	43,581,997	—

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

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2023 (Thousands of U.S. dollars)
Total net assets	59,548	66,639	499,056
Deduction from total net assets	302	1,447	10,836
(Non-controlling interests included in the above)	(302)	(1,447)	(10,836)
Net assets attributable to shares of common stock	59,246	65,191	488,212
Number of common stock used for calculation of net assets per share (number of shares)	43,562,436	43,590,436	—

(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, 2023, 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: Eiji Nakamura, 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: ¥1,009 million (US\$7,556 thousand) (before the capital increase)
- Legal capital surplus: ¥1,009 million (US\$7,556 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: ¥1,595 million (US\$11,944 thousand)
- Legal capital surplus after the capital increase: ¥1,595 million (US\$11,944 thousand)
- 2) Amount paid by the Group: ¥409 million (US\$3,062 thousand)
- 3) Payment date: April 11, 2023
- 4) Capital contribution ratio after the capital increase: 35.0%

(Cancellation of Treasury Stock)

On April 26, 2023, the Company's Board of Directors resolved to cancel the Company's treasury stock as follows, pursuant to the Article 178 of the Companies Act, and cancelled its treasury stock.

Detail of the cancellation of the Company's treasury stock

- Class of shares cancelled: common stock
- Number of shares cancelled: 2,000,000 shares (4.19% of the total number of shares issued and outstanding before cancellation)
- Date of cancellation: May 19, 2023
- Total number of shares issued and outstanding after the cancellation: 45,758,500 shares

Supplementary Schedules

[Schedule of Bonds]

No items to report.

[Schedule of Loans]

Category	Balance as of April 1, 2022 (Millions of yen)	Balance as of March 31, 2023 (Millions of yen)	Balance as of April 1, 2022 (Thousands of U.S. dollars)	Balance as of March 31, 2023 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans payable	903	2,387	6,762	17,876	2.53	—
Current portion of PFI and other project finance loans	875	887	6,552	6,642	1.06	—
Long-term loans payable	917	—	6,867	—	—	—
PFI and other projects finance loans	9,711	11,123	72,725	83,299	1.22	June 22, 2026 to March 31, 2041
Total	12,407	14,398	92,915	107,825	—	—

(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 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)
PFI and other projects finance loans	698	807	739	722

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)
PFI and other projects finance loans	5,227	6,043	5,534	5,407

[Schedule of Asset Retirement Obligations]

No items to report.

Materiality (ESG) data



(Non-consolidated)

E Environment	Category	FY2020	FY2021	FY2022	(Units)
GHG emissions	Overall	8,097	7,775	9,461	t-CO ₂
	Scope1 * ¹	1,072	857	803	t-CO ₂
	Scope2 * ¹	2,910	2,766	3,165	t-CO ₂
	Scope3 * ²	4,115	4,152	5,493	t-CO ₂
CO ₂ emission intensity (Scope 1 + 2 / Net sales)	–	0.038	0.035	0.038	t-CO ₂ /Million yen
Power usage (office)	–	3,333	3,257	3,167	1000 kWh
Power usage (office) intensity (Power usage (office) / People)	–	1.25	1.20	1.10	1000 kWh/person
Power usage (on-site)	–	2,944	3,086	2,625	1000 kWh
Energy consumption	–	85,557	78,502	69,829	Gj
Energy consumption intensity (Energy consumption / People)	–	32.1	28.8	24.3	Gj/person
Amount of industrial waste generated (construction work)	–	13,386	11,552	13,350	t
Amount of industrial waste generated (office)	–	127	149	243	t
Final disposal amount of industrial waste	–	675	643	568	t
Recycling rate of industrial waste	–	95.0	94.5	95.8	%
Green purchasing rate for office supplies* ³	–	94.4	95.8	98.7	%
Amount of tap water used	–	6,588	5,095	6,105	m ³
Amount of wastewater used	–	8,118	6,743	6,058	m ³
ISO 14001 certification rate (by business site)* ⁴	–	72.5	70.7	70.7	%

*1 Companies included in FY2022 calculations: METAWATER. CO., LTD., METAWATER SERVICE Co., Ltd., Techno Clean Hokuso Co., Water Next Yokohama Co., Ltd., Aqua Service Aichi Co.

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

*3 The 12 designated articles.

*4 Domestic non-consolidated

(Non-consolidated)

S Social	Category	FY2020	FY2021	FY2022	(Units)
Number of consolidated employees* ⁵	–	3,340	3,496	3,565	Persons
Number of full-time employees	Overall	1,617	1,683	1,679	Persons
	Male	1,433	1,483	1,486	Persons
	Female	184	200	193	Persons
	(Percentage of females)	11.4	11.9	11.5	%
Number of non-full-time employees	–	512	560	567	Persons
Number of dispatched employees	–	535	558	566	Persons
Average age	Overall	43.6	42.7	43.5	Years old
	Male	44.2	43.3	43.9	Years old
	Female	39.7	38.7	40.0	Years old
Number of managers	Overall	438	413	461	Persons
	Male	425	401	449	Persons
	Female	13	12	12	Persons
	(Percentage of females)	3.2	3.0	2.8	%
Percentage of employees with disabilities	–	2.48	2.50	2.60	%
Three-year retention rate for new employees	–	100	96	90.9	%
Three-year retention rate for mid-career hires	–	94	88	94	%
Turnover rate	–	1.8	2.1	1.9	%
Average salary	–	7,877,444	7,930,000	8,217,000	Yen
Average years of service	–	17.7	17.6	17.2	Years
Average overtime hours per month	–	17.9	17.2	17.0	Hours
Annual paid leave	Number of days granted	20	20	20	Days
	Number of days taken	14.2	13.9	13.4	Days
	Take-up rate	71.3	69.5	66.9	%

(Non-consolidated)

S Social	Category	FY2020	FY2021	FY2022	(Units)
Number of employees taking childcare leave	Overall	12	19	47	Persons
	Male	8	14	43	Persons
	Female	4	5	5	Persons
Childcare leave take-up rate	Overall	36.0	39.6	36.3	%
	Male	12.5	32.6	31.7	%
	Female	100	100	100	%
Training expenses (per person)	—	70,000	80,000	105,000	Yen
Hours of training (per person)	—	20.8	25.0	28.1	Hours
Number of employees obtaining qualifications eligible for awards	—	28	17	40	Persons
Number of employees participating in elective training (self-development)	—	813	799	953	Persons
Frequency rate of work-related industrial accidents	—	0.49	0.68	1.32	—
Severity rate of work-related industrial accidents* ⁶	—	0.001	0.01	0.02	—
Percentage of employees with high stress (nationwide average: 15.7%)	—	7.9	8.7	8.1	%
Health and productivity management expenses (per person)	—	34,500	39,500	46,800	Yen
Achievement of work options (Employee Awareness Survey)	—	3.8/5	—	3.9/5	Average/ Perfect score
Cumulative number of job returners	—	7	7	8	Persons
Social contribution activity expenditures	—	2,754,418	4,465,959	2,439,432	Yen
Number of participants in social contribution activities	—	634	930	1,384	Persons
ISO 9001 certification rate (by business site)* ⁴	—	72.5	70.7	70.7	%

*5 Consolidated

*6 Excluding full-year industrial accidents



(Non-consolidated)

G Governance	Category	FY2020	FY2021	FY2022	(Units)
Number of directors (Number of outside directors in parentheses)	Overall	7 (3)	7 (3)	7 (3)	Persons
	Male	6 (2)	6 (2)	6 (2)	Persons
	Female	1 (1)	1 (1)	1 (1)	Persons
Internal reporting contact point (Helpline) operational performance	—	5	7	11	Cases
Research and development expenses	—	2,100	2,015	2,070	Million yen

History

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-11

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



Jan-13

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

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-16

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



Dec-16

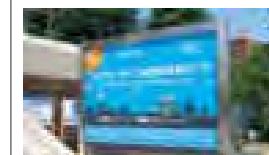
Acquired ISO 55001 (asset management system) certification

Oct-19

Acquired treasury stock and conducted tender offer for treasury stock

Jan-20

Signed naming rights agreement with Nagoya City Sewerage Science Museum



2008~2010

Jul-09

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

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-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

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

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."

2019~2022

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

Apr-21

Started the "Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project," the first concession-type project in Japan in this field

Jul-21

Acquired all shares of Santo Co., Ltd.

Apr-22

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

Company overview

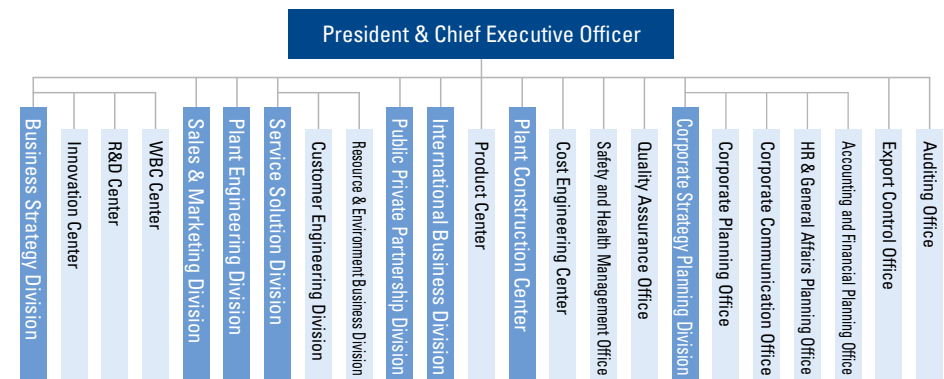
Corporate Overview

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	3,565 <small>*As of March 31, 2023, consolidated</small>
List of bases	<p>Head Office JR Kanda Manseibashi Bldg., 1-25 Kandasuda-cho, Chiyoda-ku, Tokyo 101-0041 TEL:+81-(0)3-6853-7300</p> <p>Hino Branch 3-1-30 Asahigaoka, Hino, Tokyo 191-0065 TEL:+81-(0)42-589-6900</p> <p>Nagoya Branch Nagoya Prime Central Tower, 2-27-8 Meieki, Nishi-ku, Nagoya, Aichi 451-0045 TEL:+81-(0)52-884-6800</p> <p>Main sales bases Tokyo (Headquarters), Sapporo, Sendai, Yokohama, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka</p>
R&D Centers	Handa (Aichi), Ichihara (Chiba), Chiyoda-ku (Tokyo)

Main group companies	<p>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* Water Nexus OSAKA Co., Ltd.*</p>
Overseas bases	United States, Netherlands, Switzerland, Germany, Vietnam, Cambodia

*: Scope of consolidated statement

Organization

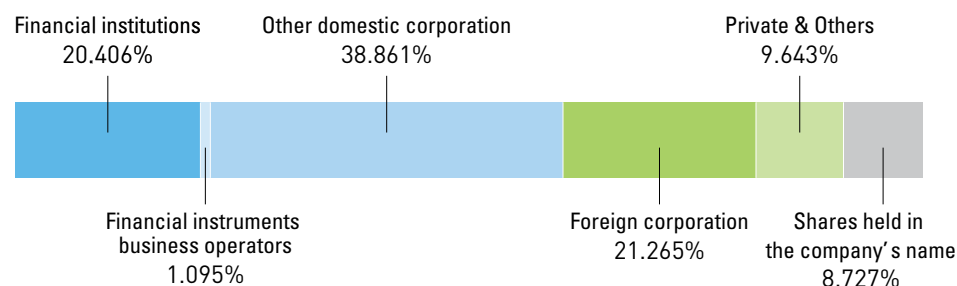


Company overview

Stock-related matters As of March 31, 2023

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 4,168,064 shares of treasury stock)
Number of shareholders	8,755

Breakdown of shareholders



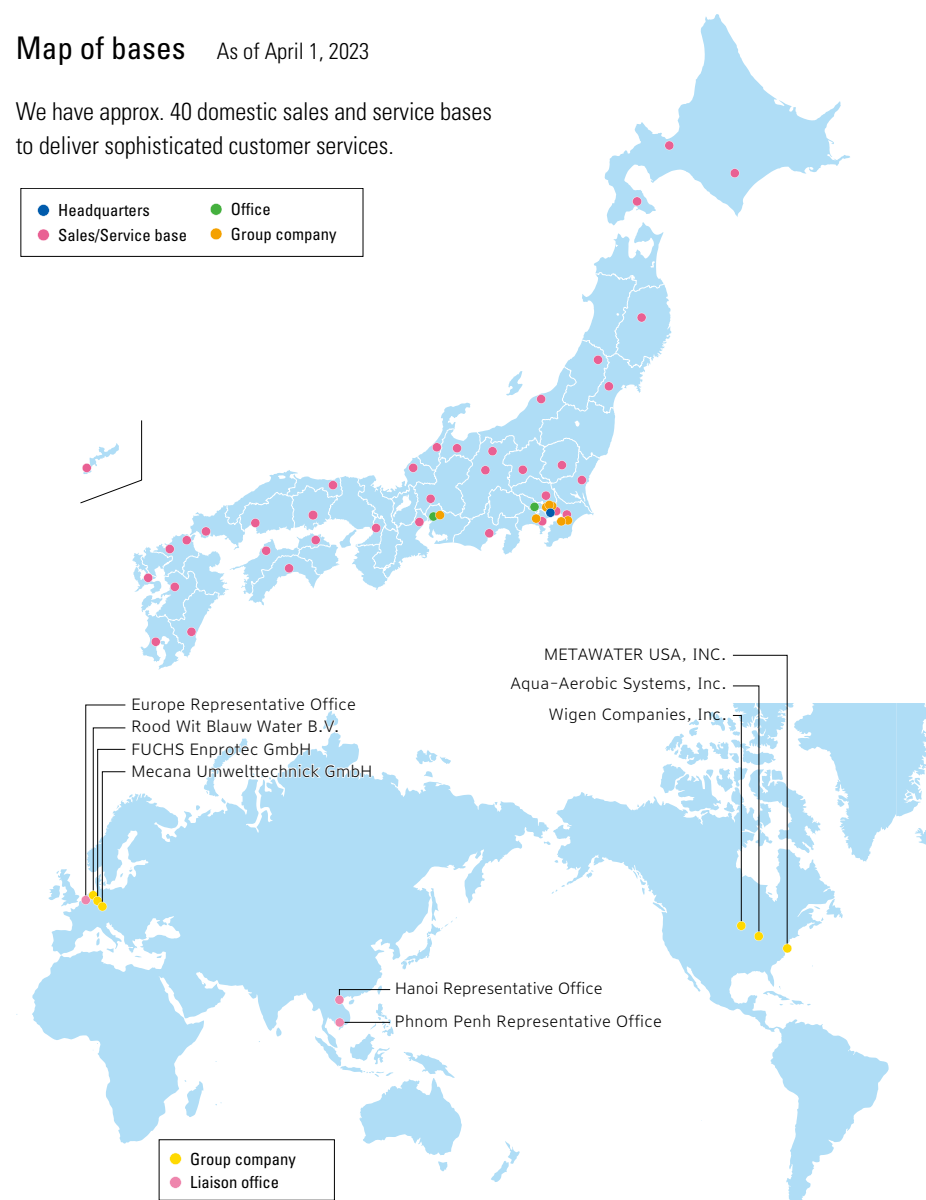
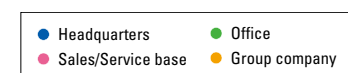
Status of dominant shareholders (Top 10)

Name of shareholder	Number of shares owned (1,000 shares)	Percentage of shares owned (%)
NGK INSULATORS, LTD.	9,120	20.92
Fuji Electric Co., Ltd.	9,100	20.88
The Master Trust Bank of Japan, Ltd. (Trust account)	4,544	10.42
JP MORGAN CHASE BANK 385632	2,718	6.24
Custody Bank of Japan, Ltd. (Trust Account)	2,475	5.68
The Nomura Trust and Banking Co., Ltd (Trust Account)	2,056	4.72
J.P. MORGAN BANK LUXEMBOURG S.A. 385598	919	2.11
METAWATER Employee Shareholding Association	741	1.70
BANQUE ET CAISSE D'EPARGNE DE L'ETAT LUXEMBOURG 46985807	514	1.18
J.P. MORGAN BANK LUXEMBOURG S.A. 385598	475	1.09

* The Company holds 4,168,064 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, 2023

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





"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 Twitter official account

- Name : [Official] METAWATER
- URL : https://twitter.com/metawater_PR





www.metawater.co.jp