

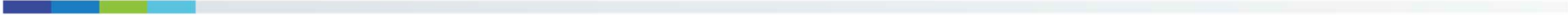


Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

October 29, 2019

METAWATER Co., Ltd.



A horizontal bar with a gradient from light blue to white, starting with a small segment of dark blue, light blue, and green on the left side.

We would like to extend our deepest sympathies to those who were affected by typhoon and heavy rain.

We wish for the earliest possible recovery and restoration of the areas affected.

Segment Information

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

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

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

The main work in this segment includes a range of services such as repair work, operation, and management (maintenance/inspection) of mechanical and electrical facilities for purification plans, sewage plants, refuse processing facilities, and recycling facilities in Japan and overseas.

Acronyms

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

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- V Changes in Business Environment
- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

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- II Progress of strategic development investment in ‘Medium-Term Business Plan 2020’
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- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

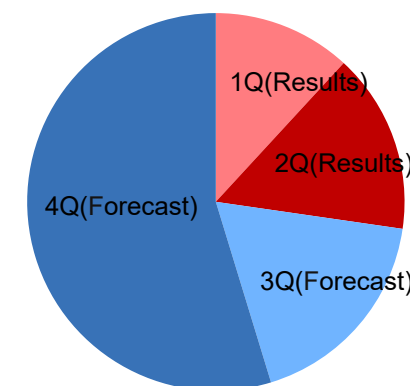
Financial Highlights of 2Q FYE 3/'20 (Consolidated)

* Orders Received

Orders received for this 2Q exceeded the results of the same period of previous fiscal year.

[Reference] Order backlogs: End of 2QFYE3/'19, 165.8 billion yen >> End of 2QFYE3/'20, 174.8 billion yen

FYE3/'20 sales composition by quarter



* Net Sales & Profit

Net sales and profits for this 2Q **increased** due to the good performances in PE business (domestic EPC, Overseas) and SS business (O&M, PPP).

(billion yen)

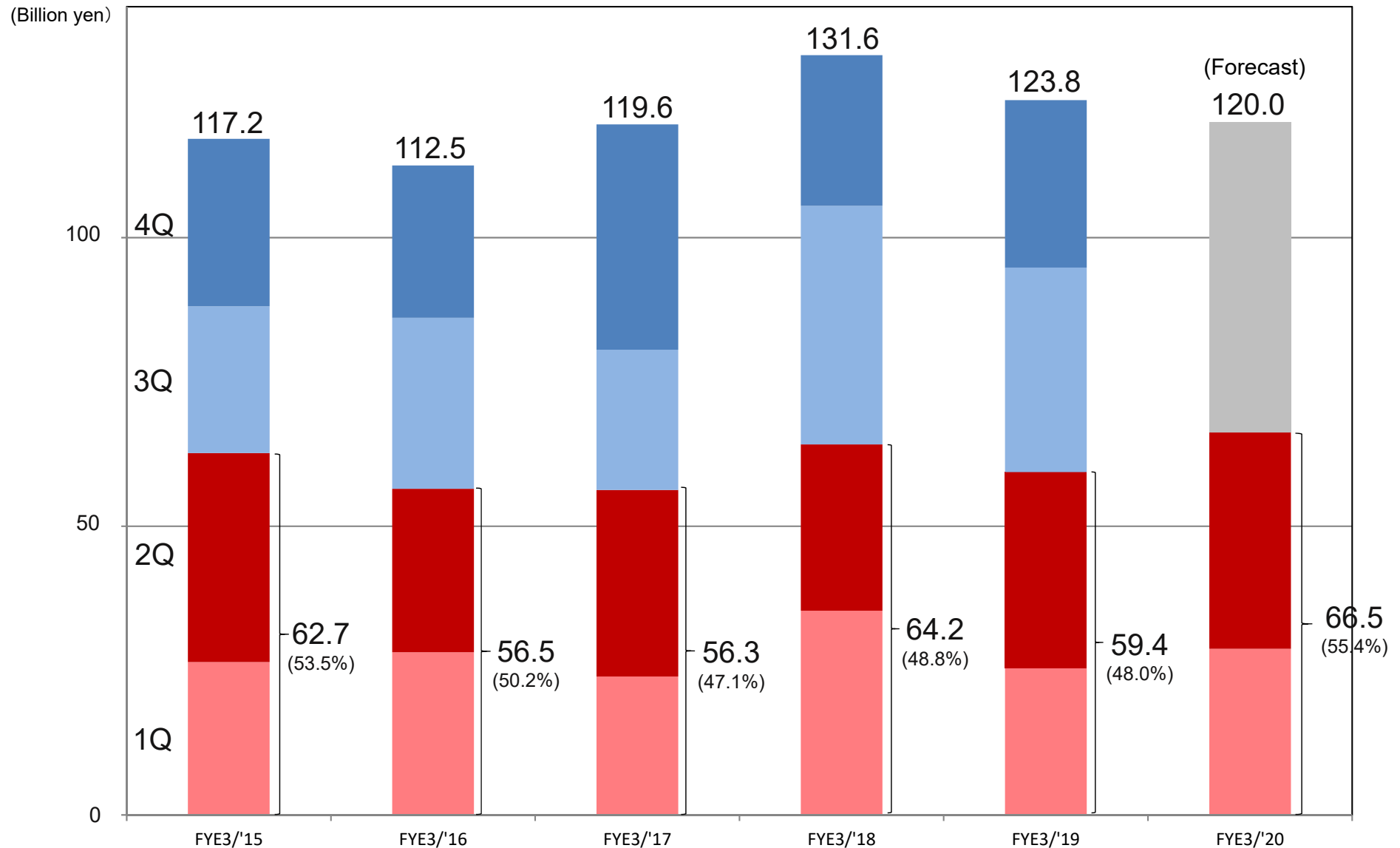
	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the Quarter*	Interim Dividend (yen)
2QFYE3/'20 Results	66.5 YoY: +7.1 +11.9%	34.1 YoY: +4.5 +15.3%	(3.0) YoY: +0.7	(3.1) YoY: +0.3	(2.2) YoY: +0.2	31
2QFYE3/'19 Results	59.4	29.5	(3.7)	(3.4)	(2.4)	31

※ Rounded to the nearest 0.1 billion yen (hereinafter the same shall apply to Results)

* Net income attributable to owners of parent company

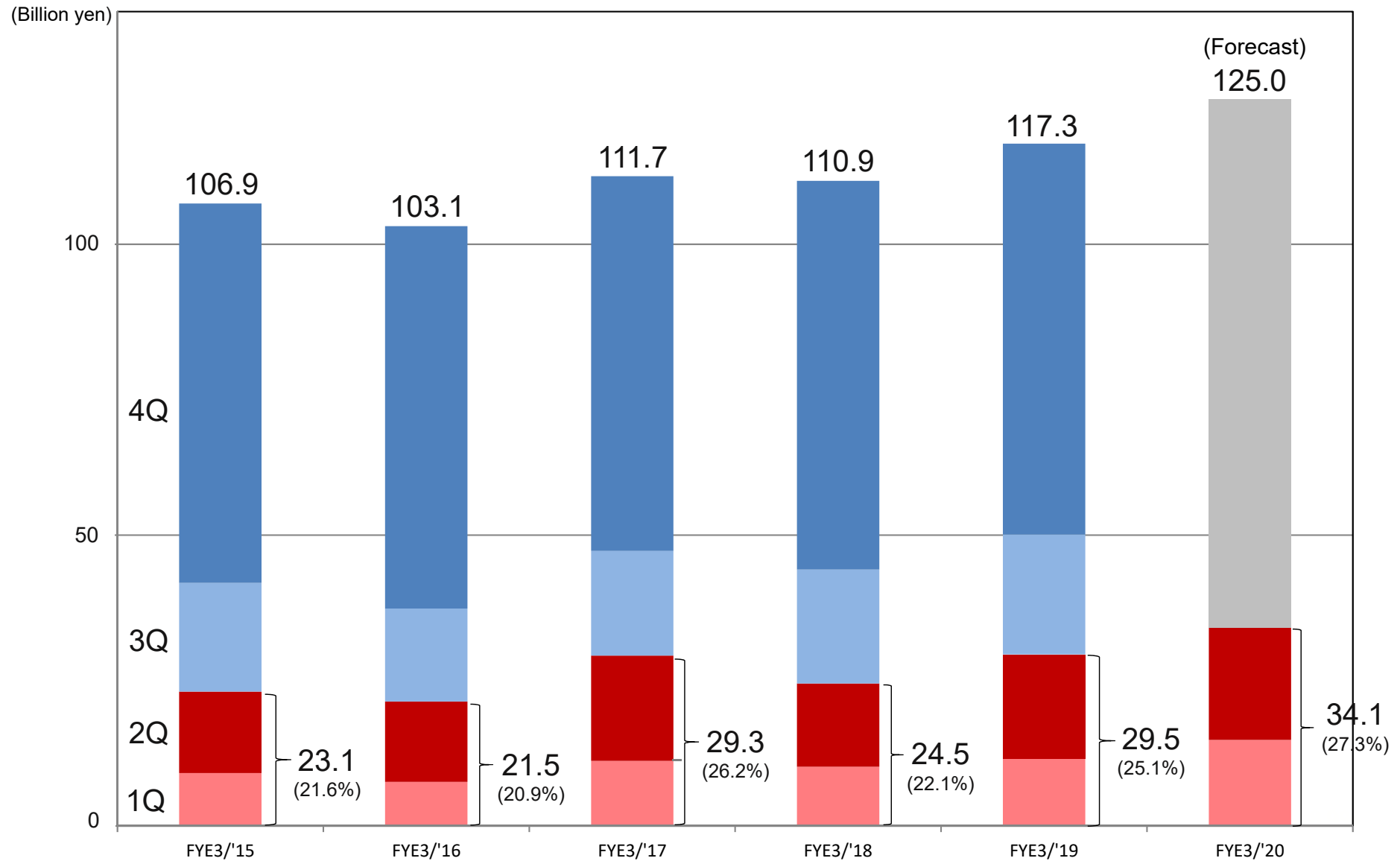
Trend of 2Q orders received

The orders received in 2Q usually accounts for around 50% of the year total. Orders received for this Q2 slightly exceeds the level of previous years.



Trend of 2Q Sales

In our group's business, Japanese public works account for the majority, and sales and profits tend to be concentrated in 4Q. As a result, net sales of 2Q in previous years are about 25% of the year total. The net sales of this 2Q is at the same level as in previous years.



Business activities

- * Established METAWATER Research Institute Co., Ltd. (July)
- * Exhibited at The 11th International Symposium on Water Supply Technology in Yokohama 2019 and introduced the latest water supply technologies such as UV-LED (July)
- * First order of ceramic membrane received from Eastern Europe (Slovak Republic) (July)
- * Exhibited at Sewerage Works Exhibition '19 Yokohama and introduced downsizing technologies such as alternatives to primary and final sedimentation tanks (August)
- * Choa Chu Kang Waterworks, one of the world's largest ceramic membrane filtration plant in Singapore, started operation (August)
- * Aqua-Aerobic Systems, Inc., U.S., a subsidiary of the METAWATER Group exhibited at “WEFTEC 2019”, one of the largest water environment exhibitions in North America, introducing main technologies such as cloth media filter (September)

ESG efforts

- * Participated in a reception hosted by the Japanese government at the High-level Political Forum (U.S.) held at the United Nations Headquarters (July)
- * Training programs and activities for education about the water cycle for children, the general public, and teachers
 - Private company training for teachers held by Keizai Koho Center, Japan Institute for Social and Economic Affairs (July)
 - METAWATER UCHIMIZU 2019 (August)
 - Supporting rice cultivation as rice field owner at the foot of Mt. Tsukuba (September)

Brand promotion

- * A special program commemorating the 1,000th broadcast of our original radio program “METAWATER presents Mizuoto Sketch” was aired by 33 TBS Radio affiliate stations nationwide (September)



Contents

- I Highlights of the Second Quarter of the Fiscal Year Ending March 2020
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- IV Acquisition of Treasury Stock by Means of a Tender Offer
- V Changes in Business Environment
- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

Three center concept and WOODAP*

Development of methodology for promotion of management system to achieve economies of scale corresponding to unification + inclusion.

April 2019: Established Innovation Center with the function of Knowledge Center under it

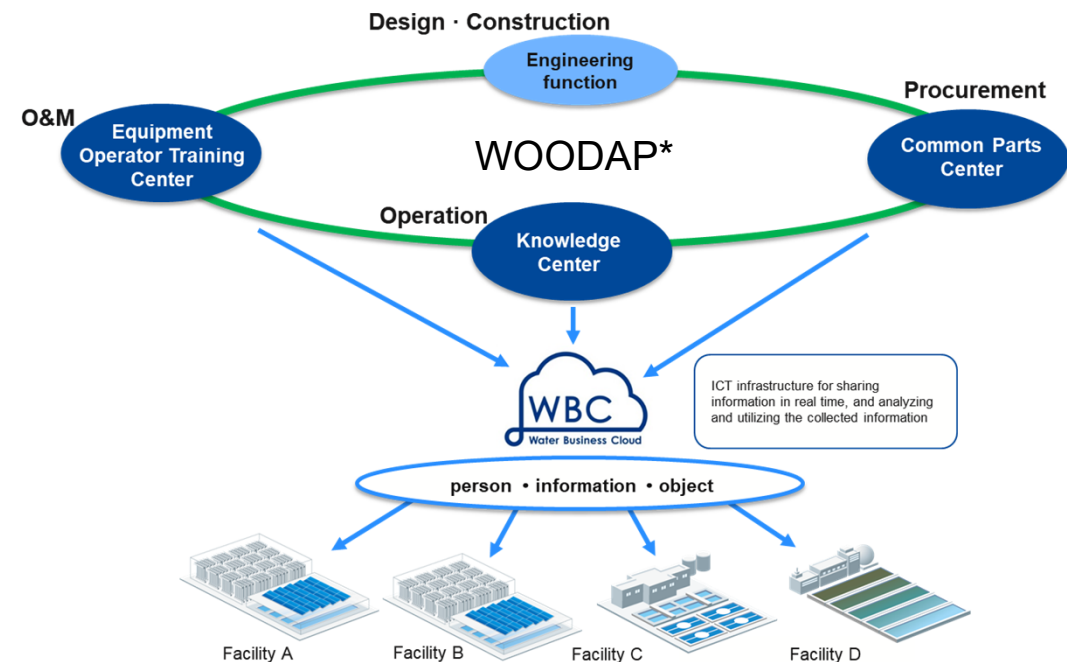
June 2019: Established Common Parts Center

October 2019: Decided the name for BCP method (temporary name) to “WOODAP *”

* About WOODAP (Trademark registration pending)

Concept of design, construction, operation and maintenance centering on early recovery in the event of a disaster.

=> Set clear goals, share knowledge about how we should act in the event of a disaster and prepare to make accurate judgments when an emergency occurs.



State-of-the-art technology including AI and IoT

Manage the safety of work sites and workers by using image recognition technology utilizing artificial intelligence (AI) .

Prevent entry to restricted areas



Ensuring safety when working alone at night



Development of No. 1 selling product group

Portable emergency ceramic membrane systems

Started field tests with a module unit (demonstrator) to understand its basic performance (membrane filtration performance) using actual raw water and to verify its usability.

Mass production of loan machines is scheduled to start next year.



Ceramic
membrane

Module unit (Demonstrator)

Performance

Water production capacity: 50m³/day (flux 2.5m/d)
(Depends on the quality of the water source and the amount of water produced)

Operating days: About 1 week
(Depends on the quality of the water source and operating conditions)

Creation of added value through work-style reform

Abolish the concept of “time” “place” and “age”, and realize a diversified workplace environment that supports a wide variety of work styles tailored to each employee.

- * Full-scale implementation of telecommuting system (June)

- * Full-scale implementation of four-day workweek system (June)



Contents

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- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

Revision of FYE March 2020 Forecast (Consolidated)

- * Orders received and net sales were in line with the expectation.
- * Meanwhile, concerning the profit, we are expecting the operating profit, ordinary income and net income* to exceed our initial forecasts due to improvements in gross margin and progress in cost reduction. -> **Revision of full-year forecast**
- * Dividends will be announced in the third quarter based on the results of P19 “Acquisition of Treasury Stock and Tender Offer of Treasury Stock”.

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*	Net Income per share (Yen)	Dividend (Yen)
Previous forecast (Announced on 25th April)	120.0	125.0	8.0	8.0	5.5	212.16	(Annual) 62
Revised forecast	120.0	125.0	8.2	8.2	5.6	216.02	(Annual) 62
Change	-	-	+0.2	+0.2	+0.1	-	-
Rate of change	-	-	+2.5%	+2.5%	+1.8%	-	-
Results of for Previous year	123.8	117.3	7.6	7.6	5.2	199.46	(Annual) 62

*Net income attributable to owners of parent company



Contents

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- II Progress of strategic development investment in ‘Medium-Term Business Plan 2020’
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- IV Acquisition of Treasury Stock by Means of a Tender Offer**
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- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

Acquisition of Treasury Stock by Means of a Tender Offer

	Overview of tender offer
Acquisition method	Tender offer (treasury stock TOB)
Number of shares to be tendered	<p><u>4.3 million shares (16.6% of issued shares)</u> (Tender plan) NGK Insulators, Ltd. 2.0 million shares (current shareholding: 7.5 million shares, percentage of voting rights: 28.9%) Fuji Electric Co., Ltd. 2.2 million shares (current shareholding: 7.5 million shares, percentage of voting rights: 28.9%) Other 0.1 million shares</p> <p>Percentage of voting rights of the two companies after the tender offer (in the case that the tender offer is conducted for 4.2 million shares) NGK Insulators: 25.3%, Fuji Electric: 24.4%, total of two companies: 49.7%</p>
Method for determining price	8% discount on the average share price in the month up until the day before the date of the resolution by the Board of Directors (8% discount on 3,698 yen → 3,402 yen)
Total acquisition price	Approximately 14.6 billion yen
Purchase funds	Appropriation of funds on hand for full amount
Period of the tender offer	From Wednesday, October 30 to Wednesday, November 27 *Results to be published on Thursday, November 28



Contents

- I Highlights of the Second Quarter of the Fiscal Year Ending March 2020
- II Progress of strategic development investment in ‘Medium-Term Business Plan 2020’
- III Revision of Fiscal Year Ending March 2020 Forecast
- IV Acquisition of Treasury Stock by Means of a Tender Offer
- V Changes in Business Environment**
- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

- Delay in progress of industry reorganization in domestic businesses
- Change in employment environment (work-style reform, extension of retirement age)
- Implementation of PPP (revision of the Water Supply Act)
- Further support for cutting-edge technology (AI, IoT etc.)
- Strengthening of environmental regulations (Microplastic etc.) in other countries
- Expansion of businesses related to SDGs

While working at the corporate level to achieve the Medium-Term Business Plan 2020, there is a need to formulate a new policy (new medium-term business plan) to respond to these changes in the business environment.



Contents

- I Highlights of the Second Quarter of the Fiscal Year Ending March 2020
- II Progress of strategic development investment in ‘Medium-Term Business Plan 2020’
- III Revision of Fiscal Year Ending March 2020 Forecast
- IV Acquisition of Treasury Stock by Means of a Tender Offer
- V Changes in Business Environment
- VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020**

VI Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2020

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

Consolidated Statement of Income



(Billion yen)

	2Q FYE 3/'19	2Q FYE 3/'20	Change
Net Sales	29.5	34.1	+4.5
Operating Profit	(3.7)	(3.0)	+0.7
Operating Profit Margin	-12.4%	-8.7%	+3.7%
Ordinary Income	(3.4)	(3.1)	+0.3
Net income attributable to owners of parent company	(2.4)	(2.2)	+0.2

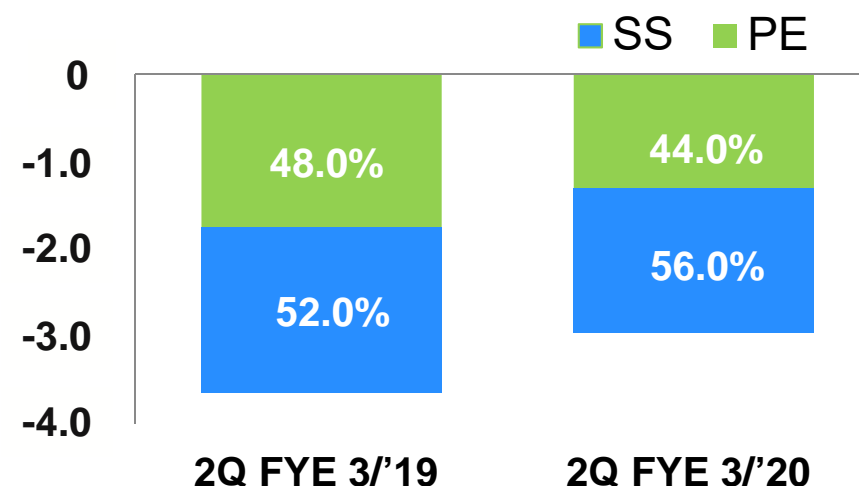
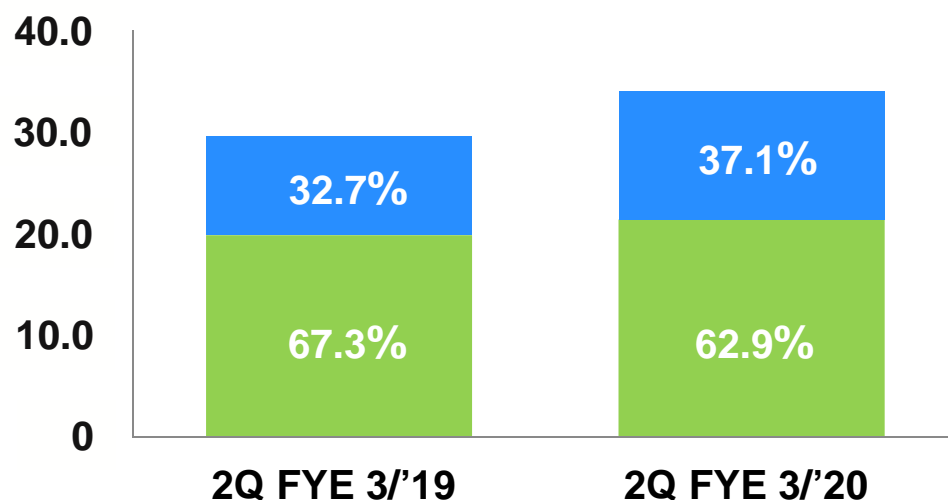
* Rounded to the nearest 0.1 billion yen

Segment Information

(Billion yen)

	Net Sales		
	2Q FYE 3/'19	2Q FYE 3/'20	change
PE	19.9	21.4	+1.5
SS	9.7	12.6	+3.0
Total	29.5	34.1	+4.5

	Operating Profit		
	2Q FYE 3/'19	2Q FYE 3/'20	change
	(1.8)	(1.3)	+0.5
	(1.9)	(1.7)	+0.2
	(3.7)	(3.0)	+0.7



Consolidated Balance Sheet



(Billion yen)

	End of FYE 3/'19	End of 2Q FYE 3/'20	Change
Cash and deposits	28.6	41.3	+12.7
Notes and accounts receivable-trade	76.3	35.0	-41.3
Inventories	8.6	16.9	+8.3
Others	2.1	3.5	+1.4
Total current assets	115.5	96.6	-18.9
Tangible fixed assets	3.2	3.5	+0.3
Intangible fixed assets	6.1	6.0	-0.1
Deferred Tax assets	3.3	3.2	-0.1
Others	4.6	4.8	+0.2
Total fixed assets	17.1	17.5	+0.4
Total assets	132.6	114.1	-18.5

	End of FYE 3/'19	End of 2Q FYE 3/'20	Change
Accounts payable- trade	30.3	14.4	-15.9
Short-term loans payable	*1 (0.8) 1.2	(0.9) 1.1	-0.1
Advance received	16.1	19.7	+3.6
Others	8.7	6.2	-2.5
Total current liabilities	56.3	41.5	-14.9
Long-term loans payable	*2 (10.7) 12.6	(10.3) 11.9	-0.6
Others	4.7	4.6	-0.1
Total fixed liabilities	17.3	16.6	-0.7
Total liabilities	73.6	58.0	-15.6
Total net assets	59.0	56.1	-3.0
Total liabilities/ net assets	132.6	114.1	-18.5

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

Status of Consolidated Cash Flow

(Billion yen)

	2Q FYE 3/19	2Q FYE 3/20	change
Cash and Cash equivalents at the end of previous FY	25.0	27.8	+2.8
Operating cash flow	12.5	15.4	+2.9
Investing cash flow	(0.5)	(1.2)	-0.8
Free cash flow	12.0	14.2	+2.2
Financing cash flow	(1.3)	(1.4)	-0.1
Effect of exchange rate changes on cash and cash equivalents	(0.0)	(0.0)	-0.0
Cash and Cash equivalents at the end of current FY	35.7	40.5	+4.8

Disclosure Policy

1. Basic Policy

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

2. Basics of information disclosure

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

3. Method of information disclosure

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

4. Communication after information is disclosed

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

5. Silent Period

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

6. Forward-looking statements

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

7. Establishment of Internal Structure

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



Contact regarding this document

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