



Outline of Financial Results for the Third Quarter of the Fiscal Year Ending March 2021

January 27, 2021

METAWATER Co., Ltd.



Segment Information

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

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

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

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

Acronyms

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

- I Highlights of the Third Quarter of the Fiscal Year Ending March 2021
- II Outline of Financial Results for the Third Quarter of the Fiscal Year Ending March 2021

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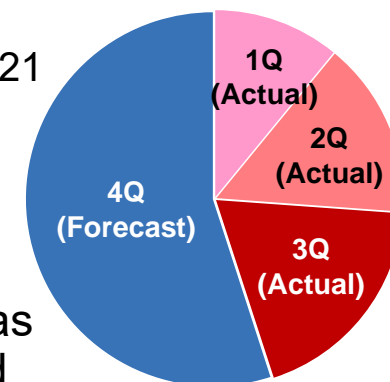
Financial Highlights of 3Q FYE 3/'21 (Consolidated)

* Orders Received

Strong performance in EPC led to a significant growth over the previous year

(Reference) Order backlog: JPY 188.6bn end 3Q FYE3/'20 → JPY 193.2bn end 3Q FYE3/'21

Sales by quarter for FYE 3/'21



* Net Sales & Profits

Sales rose on the back of strong performances in EPC and PPP

Operating profit, recurring profit and net profit all increased, mainly due to the recording of a reversal of SG&A and other costs (1.8bn yen out of 2.4bn yen*) as a lump-sum amortization of unrecognized actuarial gains and losses associated with the sale of shares in the retirement benefit trust

* Please refer to the Release “Effects of Sale of Shares Contributed to Retirement Benefit Trust by METAWATER”, issued on October 29, 2020

Cumulative results for the first 3-quarters were broadly in line with plans, leaving **the full-year forecast unchanged from the previous announcement (on October 28, 2020).**

(Billion Yen)

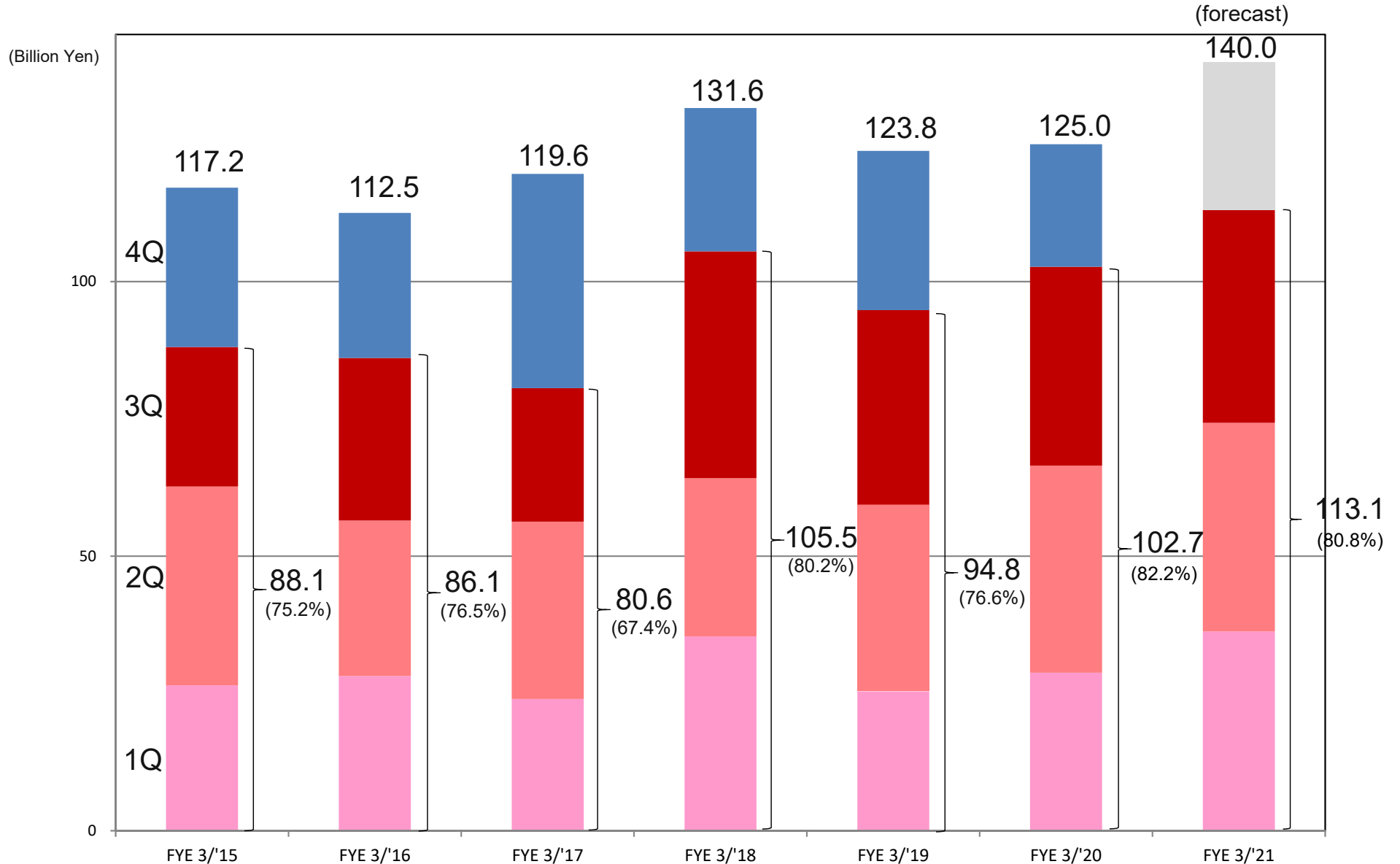
	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the quarter*	Dividend Per Share (Yen)	
1-3Q FYE3/'21 Results	113.1	58.5	-1.1	-1.2	-1.1	End of 2Q 40	
	YoY: +10.3 +10.1%	YoY: +2.0 +3.5%	YoY: +2.4	YoY: +2.3	YoY: +1.5		
1-3Q FYE3/'20 Results	102.7	56.5	-3.5	-3.5	-2.6	End of 2Q 31	
FYE3/'21 Forecast (as of Oct. 28, '20)	140.0	130.0	10.5	10.5	6.8	End of 2Q 40	Year-end 20*
	YoY: +15.0 +10.7%	YoY: +1.3 +1.0%	YoY: +2.3 +27.7%	YoY: +2.4 +29.1%	YoY: +1.1 +19.8%	(after stock split)	

⁵ * Rounded to the nearest 10 million yen (hereinafter the same shall apply to Results)

* 2-for-1 stock split on October 1, 2020

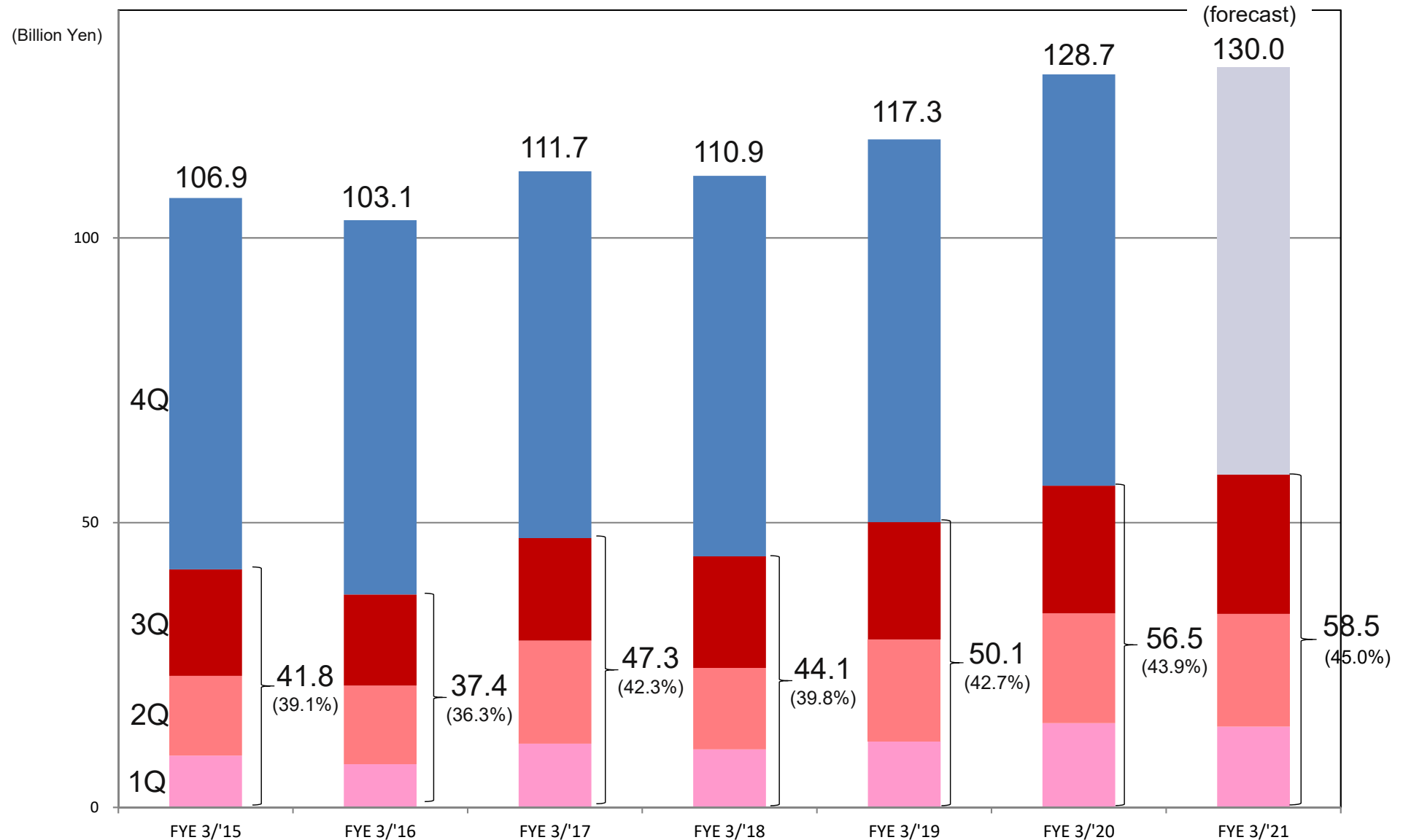
Orders Received in 1-3Q FYE 3/'21

Orders received in the first 3 quarters usually account for around 70% to 80% of the annual total. This 9-month period orders were at the same level as in the previous years.



Sales in 1-3Q FYE 3/'21

Sales in the first 3 quarters usually account for around 40% of the annual sales. This 9-month period sales were at the same level as in the previous years.



Achievements in the 3Q of FYE 3/'21

Business Activities

- * Received a contract for the “Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project” (October) [See Page 9]
- * The "Metawater Group / Gero Pipe Equipment Association Joint Venture“, in which the Group participates, received a letter of appreciation from Gero City, Gifu Prefecture for its disaster recovery activities. (October)
- * Acquired all the shares of Rood Wit Blauw Holding B.V. in the Netherlands (November) [See Page 10]
- * Resolved to dispose of treasury stock through third-party allotment and cancel treasury stock (November) [See Page 11 for Disposition and Cancellation]
- * Exhibited online at "Nikkei IR / Individual Investor Fair 2020" (November)
- * Newly acquired a credit rating "A" from Rating and Investment Information, Inc. (R&I) (December)

ESG Engagement

- * SDGs roundtable discussion jointly held with Nikkan Kogyo Shimbun, The Daily Industrial News (October) [See Page 12]
- * Exhibited online at "Climate Change / Disaster Management Biz 2020“ (November) [See Page 13]

“Kumamoto Pref Ariake/Yatsushiro industrial waterworks operation project”

"Water Circle Kumamoto Co., Ltd", a special purpose company in which Metawater is the representative company, signed an implementation agreement with Kumamoto Prefecture for the "Kumamoto Prefecture Ariake/Yatsushiro industrial waterworks operation project".

This project is to collectively operate the Ariake Industrial Waterworks Business and the Yatsushiro Industrial Waterworks Business, which are operated by the Kumamoto Prefectural Enterprise Bureau, from water intake to water supply, through the Public Facility Management Right System. This is the first case in Japan to operate an industrial water supply business under the concession system.



Governor Kabashima of Kumamoto Prefecture and President Matsuo of Water Circle Kumamoto

Strengthening our European business foundation

Acquired all the shares of Rood Wit Blauw Holding B.V., a water treatment engineering company in the Netherlands, on November 9, 2020.

Strengthening the business foundations in Europe to achieve medium- to long-term growth in overseas operations.



Corporate Name	Rood Wit Blauw Holding B.V.
Location	Almelo, the Netherlands (near the German border at the eastern end of the Netherlands)
President	Mr. Andre Reigersman
Establishment	November 2001
Main Business Activities	Engineering, services, etc. related to water and wastewater treatment

- Providing a wide range of water treatment systems throughout Europe, RWB has more than 10 installations of ceramic membrane filtration systems in particular.
- In collaboration with our group companies Mecana Umwelttechnik GmbH (Switzerland) and FUCHS Enprotec GmbH (Germany), we expect to create group synergies through the resources of each company.

Disposal of Treasury Stock and Cancellation of Treasury Stock

On November 25, 2020, it was decided to award METAWATER shares to members of the Company's Employees Shareholding Association as a special incentive and to cancel the same number of shares as were disposed of, in order to (1) provide a reward to employees engaged in work amid the coronavirus pandemic and (2) encourage the employees to take greater interest in the Company's management from a shareholder's perspective, with the aim of lifting the Company's medium-to long-term corporate value.

Treasury stock was disposed of to the shareholding association through contributions of the special incentive on January 15, 2021.

Outline of Disposal of Treasury Stock

Date	January 15, 2021
Class and number of shares	Common shares in METAWATER 88,500 shares
Disposal price	2,484 yen per share
Total disposal value	219,834,000 yen
Disposal method	Third-party allotment
Intended recipient	Metawater Employee Shareholding Association

Outline of Cancellation of Treasury Stock

Class of shares	Common shares in METAWATER
Number of shares	88,500 shares
Scheduled date of cancellation	January 29, 2021

SDGs roundtable (jointly held with Nikkan Kogyo Shimbun)

Held a round-table discussion to ask for objective evaluations and advice from a variety of people, including businesspeople and students, in order to improve our thoughts and efforts towards the SDGs, and avoid becoming complacent.



Yasushi Nakamura, President and Representative Director



Participants: 34 online, 25 on-site



[Feedback from participants (excerpt)]

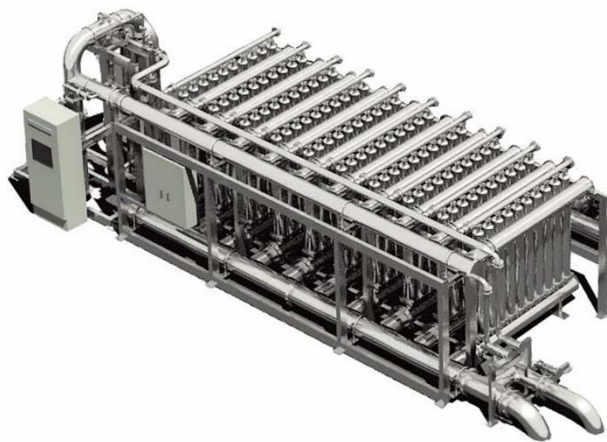
- "No one is left behind" is a challenging goal, but I think it is important to have that awareness.
- hope things keep improving and more like-minded people with the same enthusiasm will join in.
- In order to avoid complacency, it is necessary to understand the other person's point of view, culture and ethnicity. Are you prepared to do that?
- If you can't make your own family happy, you can't give to others. I think it depends on how serious we are in our efforts to change the way we work.

[Nakamura's impression of the round-table discussion]

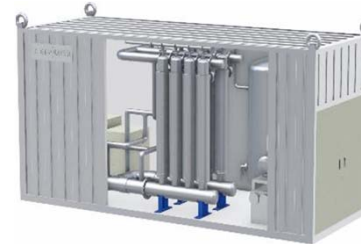
The participants from other companies and students are, so to speak, "outside officers" regarding the SDGs. There were some messages of support and harsh opinions, but I would like to continue to have such opportunities to exchange opinions to get one step closer to our real goal.

Introduced the leasing business of Container Packaged Ceramic Mobile (CPCM) for mass emergency water supply for medium to large cities in times of disaster at the “Climate Change and Disaster Management Biz 2020”, an exhibition on environment, renewable energy and resilience.

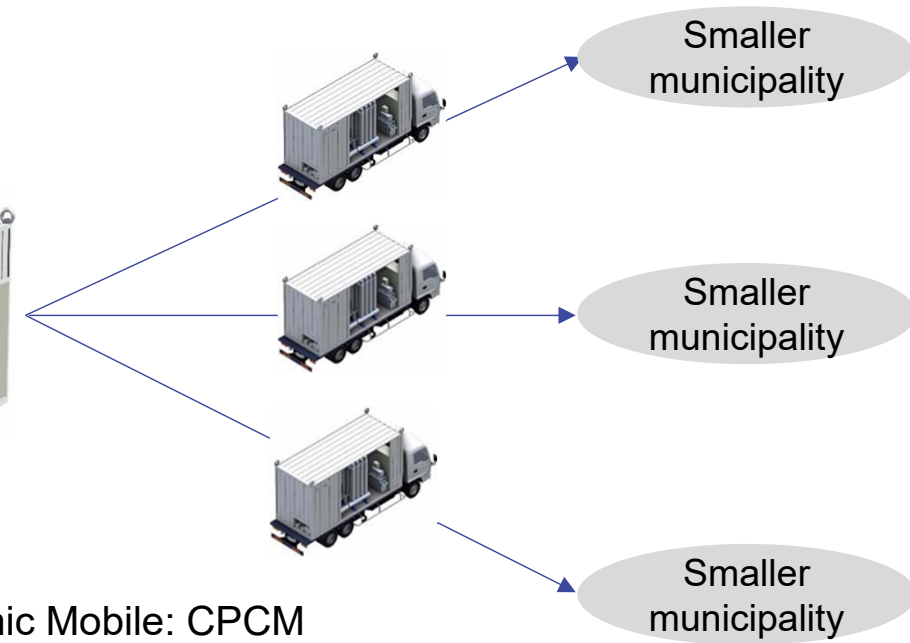
Upon lease expiry, CPCM will once again serve as a water purification facility for use by small municipalities and developing countries on a regular basis. This is a new approach that exploits the extraordinary robustness of ceramic membranes.



Conventional Ceramic Membrane Filtration Systems



Container Package Ceramic Mobile: CPCM



I Highlights of the Third Quarter of the Fiscal Year
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**II Outline of Financial Results for the Third Quarter of
the Fiscal Year Ending March 2021**

- ## II Outline of Financial Results for the Third Quarter of the Fiscal Year Ending March 2021
1. Consolidated Statement of Income
 2. Segment Information
 3. Consolidated Balance Sheets
 4. Status of Consolidated Cash Flows

Consolidated Statement of Income - cumulative 3 quarters



(Billion Yen)

	1-3Q FYE 3/20	1-3Q FYE 3/21	Change
Net Sales	56.5	58.5	+2.0
Operating Profit	(3.5)	(1.1)	+2.4
(Operating Profit Margin)	-6.1%	-1.9%	+4.2%
Ordinary Income	(3.5)	(1.2)	+2.3
Net income attributable to owners of parent company	(2.6)	(1.1)	+1.5

* Rounded to the nearest 10 million yen

Segment Information – cumulative 3 quarters

(Billion Yen)

	Orders Received			Net Sales			Operating Profit		
	1-3Q FYE 3/'20	1-3Q FYE 3/'21	Change	1-3Q FYE 3/'20	1-3Q FYE 3/'21	Change	1-3Q FYE 3/'20	1-3Q FYE 3/'21	Change
PE	53.2	63.5	+10.3	35.8	39.8	+4.0	(1.8) *(1.8)	0.2 *(0.8)	+2.0 +1.0
SS	49.5	49.6	+0.0	20.7	18.7	-2.0	(1.7) *(1.7)	(1.3) *(2.1)	+0.4 -0.4
Total	102.7	113.1	+10.3	56.5	58.5	+2.0	(3.5) *(3.5)	(1.1) *(2.9)	+2.4 +0.6

* Figures marked with asterisk(*) are operating profit excluding the effect of lump-sum amortization of unrecognized actuarial gains/losses (credit variances) from the sale of shares contributed to the retirement benefit trust.

PE	<p>[Orders Received] EPC and Overseas business led to a significant y-o-y increase (Order Backlog: 102.2 bn yen) [Sales & Operating Profit] EPC Business: Both Sales and OP were strong, exceeding the previous year's level Overseas Business: Sales were in line with the last year; OP decreased y-o-y As part of the lump-sum amortization of unrecognized actuarial gains/losses (credit variance) from the sale of shares contributed to the retirement benefit trust, ¥1,010mn reversal was made to cost of sales and SG&A.</p>
SS	<p>[Orders Received] in line with the previous year (Order Backlog; 91.0 bn yen) [Sales & Operating Profit] O&M Business: Both Sales and OP fell below the previous year's level PPP Business; Sales were strong, posting y-o-y increase; OP were in line with the last year As part of the lump-sum amortization of unrecognized actuarial gains/losses (credit variance) from the sale of shares contributed to the retirement benefit trust, ¥769mn reversal was made to cost of sales and SG&A.</p>

Consolidated Balance Sheets

Completed the collection of trade receivables and the payment of trade payables from the previous year-end: Cash and deposits increased as usual

(Billion Yen)

	End of FYE 3/20	End of 3Q FYE 3/21	Change
Cash and deposits	13.6	16.3	+2.7
Notes and accounts receivable-trade	78.1	40.4	-37.7
Inventories	8.1	26.9	+18.8
Others	2.1	4.6	+2.5
Total current assets	101.9	88.3	-13.7
Tangible fixed assets	3.2	3.7	+0.5
Intangible fixed assets	6.0	8.4	+2.4
Deferred Tax assets	2.8	3.1	+0.3
Others	5.5	6.5	+0.9
Total fixed assets	17.5	21.7	+4.2
Total assets	119.5	110.0	-9.5

	End of FYE 3/20	End of 3Q FYE 3/21	Change
Accounts payable- trade	35.5	22.1	-13.4
Short-term loans payable	^{*1} (0.9) 1.1	(0.9) 1.4	+0.3
Advance received	9.0	20.3	+11.3
Others	8.7	6.0	-2.6
Total current liabilities	54.3	49.9	-4.5
Long-term loans payable	^{*2} (9.8) 11.4	(9.0) 10.4	-1.0
Others	4.2	3.7	-0.4
Total fixed liabilities	15.5	14.1	-1.4
Total liabilities	69.9	64.0	-5.9
Total net assets	49.6	46.0	-3.5
Total liabilities/ net assets	119.5	110.0	-9.5

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

Status of Consolidated Cash Flows etc.

(Billion Yen)

	1-3Q FYE 3/20	1-3Q FYE 3/21	change
Cash and Cash equivalents at the end of previous FY	27.8	12.9	-14.9
Operating cash flow	4.5	9.9	+5.4
Investing cash flow	(1.0)	(4.6)	-3.5
Free cash flow	3.5	5.3	+1.9
Financing cash flow	(16.9)	(2.5)	+14.4
Effect of exchange rate changes on cash and cash equivalents	0.0	(0.1)	-0.1
Cash and Cash equivalents at the end of 3 rd Quarter	14.3	15.6	+1.3

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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