

TRANSLATION - FOR REFERENCE ONLY

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Formulation of the "Medium-Term Management Plan 2023"

METAWATER Group has formulated the "Medium-Term Management Plan 2023" as a medium-term management plan for the three fiscal years ending with FYE March 2024 as follows:

1. Background and Objectives for the Formulation of the "Medium-Term Management Plan 2023"

In the Group's main business in the domestic water and sewage treatment market, local governments are facing financial difficulties and shortages of engineers due to a declining population among others. In addition, aging facilities and equipment that were constructed during the period of rapid economic growth, and countermeasures against natural disasters such as major earthquakes, typhoons and torrential rains are urgent issues.

Under these circumstances, the implementation of the PFI Act and the revision of the Water Supply Act have led to the development of public-private partnerships that utilize private-sector funds, technologies, and know-how, and steady efforts for national resilience based on the National Resilience Plan. In addition, the creation of new business opportunities and business models backed by technological innovations such as AI and IoT is expected in the future.

On the other hand, in the overseas water supply and sewerage market, advanced countries such as European countries and the United States are facing important issues, including the utilization of reclaimed water to secure water resources in the United States and measures to tighten environmental regulations in Europe, in addition to aging facilities and equipment. Moreover, in areas including emerging Asian countries, demand is growing for the development of a water and sewage infrastructure as water demand increases due to population growth. Going forward, the emergence of business opportunities in line with these issues and needs of the water and sewage market of each country is expected to continue.

In such a market environment, our Group formulated the "Medium-Term Management Plan 2020" in April 2018, with the fiscal year ended March 2021 as the final year. While strengthening the domestic EPC*¹ and O&M*² businesses, which are positioned as core areas, we have been working to expand the domestic PPP*³ businesses and overseas businesses, which are positioned as growth areas. Under the "Medium-Term Management Plan 2020," we were able to achieve our numerical targets mainly due to favorable orders and rationalization through IT engineering.

The main results are as follows:

- 1) Strategic development investment
 - Establishment of three Centers (Training Center for Facility Operators, Knowledge Center, and Supply Center for Parts)

- Advocacy of "WOODAP"⁴ as a method to prioritize work by focusing on the field
 - Completion of the development of models under development (Higher flux operation for ceramic membrane filtration, Solid-liquid separation for final sedimentation, Combustion system using supercharger, etc.)
- 2) Business strategies
 - Acceptance of orders for large-scale projects (8 incinerator projects/3 years) and PPP projects (7 projects/3 years)
 - Acceptance of orders for the Kumamoto Ariake and Yatsushiro industrial water supply project (First concession⁵ project in Japan for industrial water)
 - Acceptance of orders for the comprehensive water supply project of Arao City (Stage 2)
 - Acquisition of all shares of Wigen Companies, Inc. (U.S.), FUCHS Enprotec GmbH (Germany), and Rood Wit Blauw Holding B.V. (The Netherlands)
- 3) Sustainable ESG initiatives
 - Improvement of systems related to water quality improvement, such as sewage treatment, and adoption of energy-saving equipment
 - Promotion of work style reform (Establishment of satellite offices, introduction of ABW⁶ in the West Japan office, introduction of a job return system and a weekly three holiday system, reduction of the prescribed working hours, and review of accumulated holidays)
 - Response to the Corporate Governance Code (Establishment of a Nomination and Remuneration Advisory Committee)
 - Stabilization of pension assets through sales of retirement benefit trust shares and improvement of capital efficiency through the acquisition of treasury stock

In light of this business environment, the METAWATER Group has formulated the "Medium-Term Management Plan 2023" with FYE March 2024 as the final year as the next stage for realizing its long-term vision (Consolidated net sales for FYE March 2028 of 200 billion yen).

2. Outline of the "Medium-Term Management Plan 2023"

The entire METAWATER Group will address the following three priority issues to achieve the management targets for FYE March 2024 of 145 billion yen in orders received, 140 billion yen in net sales, and 10 billion yen in operating profit.

(1) Priority measures under the "Medium-Term Management Plan 2023"

1) Strengthen core areas and expand growth areas

The METAWATER Group will strengthen and expand businesses, with the EPC and O&M businesses positioned as core areas and the PPP and overseas businesses as growth areas.

(i) Strengthen core areas

In the EPC business, in preparation for the future demand for renewal and large-scale projects, we will strive to further increase orders received and enhancing profitability by improving design quality and strengthening cost competitiveness through the establishment of engineering methods utilizing IT, AI, and others. In the O&M business, moreover, in addition to stable growth through the continued orders received for the existing stations, we will strive to acquire new stations and businesses by utilizing IT tools and expanding sales of WBC (Water Business Cloud)⁷.

(ii) Expand growth areas

In the PPP business, in which large-scale projects, including design, construction, operation, and maintenance and inspection, are expected to increase, we will strengthen regional strategies utilizing past achievements and know-how as well as create new business models in order to advance public-private partnerships in the future. In the overseas businesses, moreover, we will continue positioning Europe and the United States as strategic areas, deepen cooperation among Group companies in there, and promote further business expansion.

2) Expand R&D investment

The METAWATER Group will expand its investment in R&D to meet the future demand for renewals and further development of public-private partnerships among others.

(i) Strengthen strong areas further

For its strengths of the incineration, water treatment, and monitoring and control system areas, the METAWATER Group will continue to invest aggressively in R&D in an effort to capture the future demand for renewal.

(ii) Create combined mechanical and electric technologies

The METAWATER Group possesses both machinery and electric technologies in the water environment business, and will strengthen its competitiveness by continuously creating products and systems that utilize such advantages.

(iii) Create value through the information chain

The METAWATER Group will create new value by linking WBC, etc. with on-site operation, maintenance and inspection information, and plant monitoring and control systems, to provide systems and services that have strengths in improving the efficiency of maintenance and inspection, optimizing management, and withstanding disasters.

3) Sustainable ESG initiatives

In addition to making social contributions through its business activities as a company providing social infrastructure, the METAWATER Group, as a corporate citizen, will aggressively reduce its environmental impact and engage in community contribution activities, thereby contributing to the United Nations' "Sustainable Development Goals (SDGs)." In response to the work style reform promoted by the government, moreover, we will actively work to realize a variety of work styles for our employees by creating opportunities for women to play an active role and realizing work styles that are not bound by age or location. On the other hand, for corporate governance, we will actively engage in dialogue with stakeholders to earn their trust and achieve highly transparent management, aiming for sustainable growth and increases in corporate value over the medium- to long-term.

(2) Management Targets under the "Medium-Term Management Plan 2023"

| | FYE March 2021 (Results) | FYE March 2022 (Forecast) (Published on April 27) | FYE March 2024 (Targets) |
|--|-----------------------------|--|-----------------------------|
| Orders received | 159.1 billion yen | 135.0 billion yen | 145.0 billion yen |
| Net sales | 133.4 billion yen | 135.0 billion yen | 140.0 billion yen |
| Operating income | 10.9 billion yen | 8.5 billion yen | 10.0 billion yen |
| Profit attributable to owners of parent | 6.5 billion yen | 5.8 billion yen | 7.0 billion yen |
| ROE | 12.7% | 10% or more | 10% or more |

3. Basic Policy on Profit Distribution

METAWATER's basic policy is to continue to return profits to shareholders in line with business conditions while securing the internal reserves necessary for stable growth and responding to changes in the business environment, and to pay dividends from surplus twice a year, i.e., the interim and year-end dividends.

[Annotation]

- *1 EPC: Engineering, Procurement and Construction
- *2 O&M: Operation and Maintenance
- *3 PPP (Public-Private Partnership): A method for private sector participation in the provision of public services
- *4 WOODAP: METAWATER's unique code of conduct for design, construction, operation, maintenance and inspection with a focus on early recovery in the event of a disaster
- *5 Concession: A method of granting operating rights of business to private companies over a long period of time, while leaving the ownership of public facilities and the approval of business management in public entities
- *6 ABW (Activity-Based Working): A way of working in which workers can freely choose the time and place according to their work content
- *7 WBC: ICT services to support the water supply and sewerage business using cloud-based platforms

Future Outlook

Statements for future outlook in the earnings forecasts, strategies and targets disclosed by the METAWATER Group are based on information the Group has at the time of disclosure and certain assumptions that are deemed to be reasonable; and actual earnings and others may turn out to be different depending on various factors.