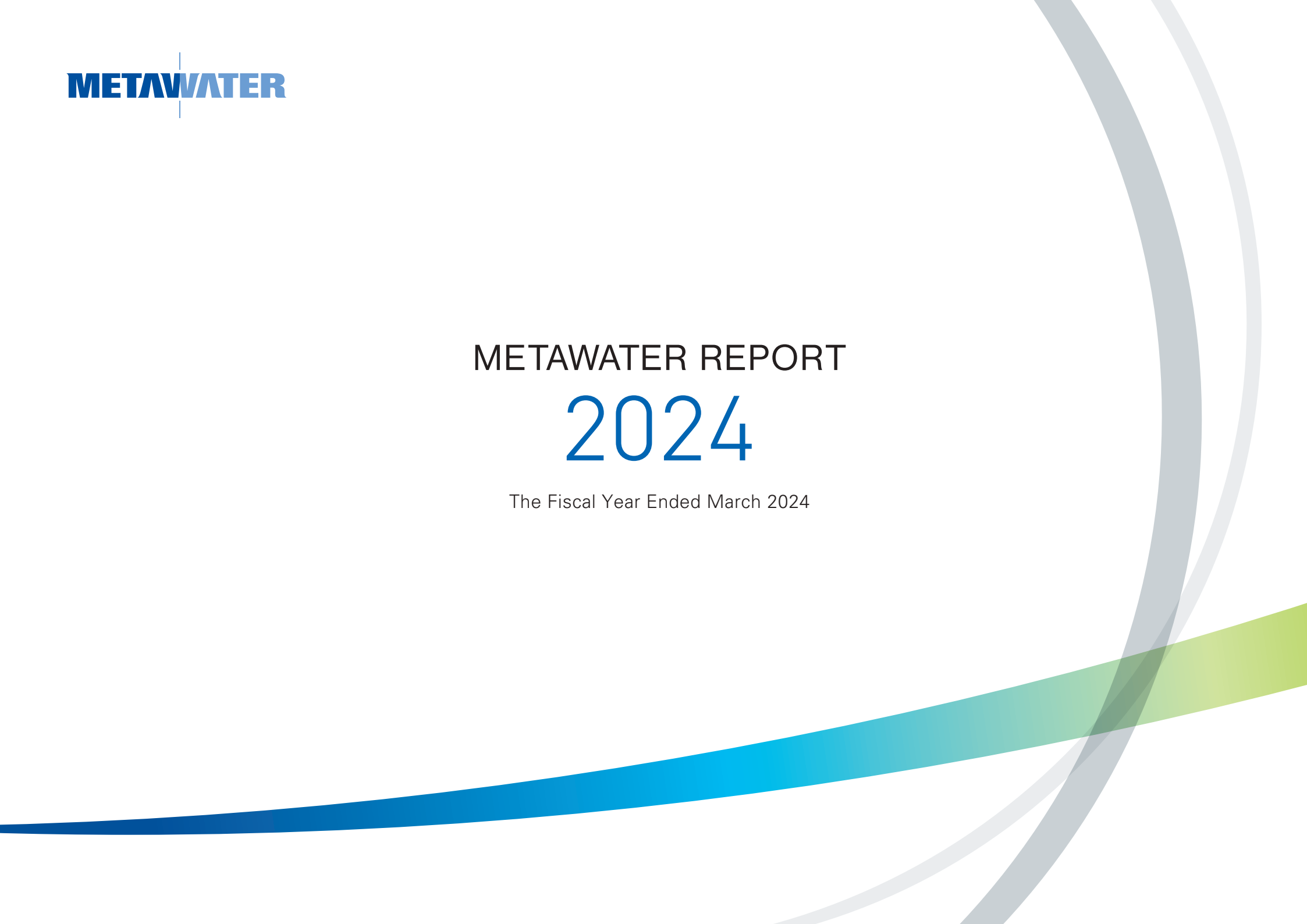




METAWATER REPORT 2024

The Fiscal Year Ended March 2024



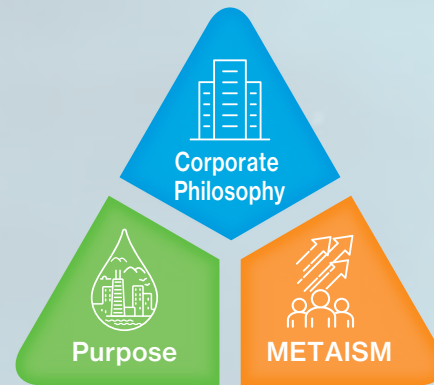


Our Purpose

**To coexist with communities,
to protect water and environmental cycles,
and to contribute to people's lives**

Glossary

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



Issuing the “METAWATER REPORT 2024”

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 FY2023 (fiscal year ending March 2024) 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
- United Nations Global Compact (10 Principles)
- Ministry of Environment: Environmental Reporting Guidelines (Version 2018)

Contents

- 2 Issuing the “METAWATER REPORT 2024”

Special feature

- 3 Roundtable Discussion Among Young Employees on Developing Purposes

Value creation

- 7 METAWATER Group’s Philosophy System
- 9 Toward sustainable water and environmental infrastructure
- 11 Looking to the future of water and environmental infrastructure
- 13 Important issues (materialities)

Management strategy

- 15 Top management’s message
- 23 Message from the Executive in Charge of Finance
- 27 Highlights of consolidated financial results

Strategy and Technology

- 29 Message From the Business Manager
- 39 Changes in the development of new technology
- 41 Our Excellent Technologies
- 46 Participated in an Aquaponics Project in Ofunato City, Iwate Prefecture

Sustainability

- 47 METAWATER Group sustainability promotion activities
- 49 Human Capital Management
- 57 Contribution to local communities
- 61 Quality initiatives
- 62 Sustainability procurement
- 63 Disclosure of climate change information based on TCFD
- 64 Activities for reducing environmental burdens
- 65 Efforts to conserve water source forests
- 66 Corporate governance
- 69 Interview with an outside corporate auditor
- 71 Management organization
- 73 Risk management and compliance

Financial information

- 75 Key financial statements
- 97 Materiality (ESG) data

Corporate information

- 99 History
- 100 Company overview

SAT 11 Members Introduction

“As we develop our Purpose, our team of young employees pondered deeply about it.”

“We wanted to integrate the perspectives and insights of our youth, who are the bearers of the future.” The “SAT members” joined the Purpose project in response to management’s wishes.

To clarify METAWATER Group’s societal significance, we are developing a Purpose statement. The management’s desire to actively engage young employees in the core mission led to the participation of the “SDGs Ambassador Team (SAT)” in this project.

Here are the voices of SAT members regarding their contributions to developing the SAT Purpose, capturing their genuine perspectives and approaches throughout the process.

The SAT comprises young employees dedicated to communicating information on the SDGs both within our organization and externally. Established in 2020, the team welcomes new members each year. In this article, we asked the FY2023 SAT members who were involved in the development of the Purpose to share their valuable experiences.



FY2023 SAT members

About “SDG Ambassador Team (SAT)”

The SDG Ambassador Team (SAT) plans, proposes, and implements various initiatives to promote the SDGs within our Group, helping to advance the SDGs internally and disseminating relevant information both internally and externally. Since its formation in 2020, the team members are replaced annually.



R&D / Advanced Development /
Engineering

Kotaro Hase



Innov. / Cloud

Nozomi Yamakawa



Sales / Metropolitan North /
Saitama

Yuki Kudo



SS / SE /
Elect.1 / 2

Kai Endo



SS / PC /
Sys.Dev. / 1

Takumi Nakagawa



CEG / Proc. /
Purchas.2

Kyoma Shibata



Corp. Planning /
HR&GA / HR / HR

Engel Marie



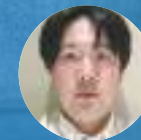
Corp. Planning /
HR&GA / HR / HR

Remi Kato



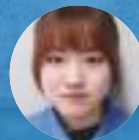
Corp. Planning /
DX / DX Biz. / IT

Yuta Kataoka



EE / Resources Env. /
Resources S / 1

Shogo Shimizu



SS / CE /
Metropolitan / 1

Ayano Ito



Members from different departments and divisions learn about the Purpose

— Was what they experienced “discovery” or “empathy”?

What were your honest impressions when you became involved in the Purpose Project?

Kudo I was aware of the corporate philosophy and META-ism, but I had never thought deeply about its social significance. I felt this project would be a valuable experience.

Endo Being involved in shaping the company's identity was exciting. I looked forward to making proposals for how I envisioned the company's ideal future.

Hase I was initially worried about whether we, as young employees, could contribute meaningfully. However, it felt empowering to realize our role within the company.



Shibata Learning about the Purpose for the first time was enlightening. It was rewarding to know that the opinions and ideas from SAT members were reflected in the Purpose.

Kato I was unfamiliar with the concept of the Purpose. This project provided an opportunity to reaffirm the company's mission and its significance.

Nakagawa It was a rare opportunity to exchange ideas about our daily work and its potential social contributions.

Yamakawa Participating in a project where SAT members considered METAWATER's societal contributions was challenging but meaningful.

Engel Hearing young people's opinions and integrating them into the Purpose was very positive.



What the members thought from the project start to the final draft

Yamakawa We discussed our opinions about the Purpose twice in regular SAT meetings. Initially, it was confusing, but listening to others helped me understand METAWATER's appeal and values.

Engel Coming up with ideas was challenging since my department doesn't directly interact with customers. However, hearing diverse perspectives was a great learning experience.

Endo Thinking about the Purpose helped us identify and focus on our core values in our work.

Shibata We discussed the significance of METAWATER's existence and distilled our ideas into two or three main points.

Kato The three key themes of community coexistence, protecting water and the environment, and supporting daily life frequently emerged. Despite different divisions, we all shared similar thoughts, even if the terms we used were different.

Kudo The SAT members come from various departments, so their perspectives from their daily work may differ slightly, but I found it very interesting to discover that they all share the recognition that their work supports the infrastructure of water and the environment.

Hase The SAT activities deepened everyone's understanding of METAWATER's SDGs initiatives, and since this was the basis of our thinking, I believe we were able to align our perspectives.

What was the most memorable aspect of the finalized Purpose?

Kato The finalized Purpose turned out just as I imagined. It feels like everyone's thoughts have come together as one.

Shibata We felt that our opinions were reflected in the Purpose.

Kudo METAWATER's strengths lie in addressing customer challenges with empathy, so I think it's great that our Purpose emphasizes community coexistence. It reflects our commitment to supporting our customers effectively.

Hase When I joined METAWATER, my foremost priority was to support people's lives. I'm delighted that this aspiration aligns with the Purpose we've defined.

How do you plan to engage with the established Purpose moving forward?

Endo I manage projects while understanding our customers' intentions behind their orders. Moving forward, I aim to be more conscious of our Purpose and align my work accordingly.

Yamakawa Since internal development is the main focus of my work, I feel that developing solutions that can achieve our Purpose is the way forward.

Kato As part of the Human Resources department, I will focus on activities to communicate this Purpose to all employees.

Engel As I'm also part of the Human Resources department, I will also support our employees while keeping our Purpose in mind.

Hase As someone involved in research and development, I've always felt the need for a guideline or a consistent principle to ensure that our development efforts stay on track. Through my involvement in SAT activities, I have promoted SDGs within the company. Looking ahead, I will focus on how to effectively communicate our established Purpose and how to integrate it into each of our tasks.



Shibata The establishment of our Purpose has given me a more tangible goal, and I feel genuinely delighted about it. Moving forward, I want to communicate METAWATER's Purpose to customers across the country whom we have not yet met. I aim to support local communities, enhance infrastructure, and contribute to local communities.

Kudo Younger employees often focus so much on their immediate tasks that conversations with customers tend to revolve around project details. Being involved in defining our Purpose has made me more aware of the company's mission, and it allows me to return to our Purpose when I'm uncertain. By communicating this purpose internally and externally, I hope to raise awareness among as many employees as possible.

Nakagawa With the establishment of our Purpose, which resonates closely with us, I believe we can enhance our customer-centric services in design, development, and on-site operational support.

Shibata It will be easier for those considering joining METAWATER Group through new graduate recruitment to understand METAWATER's Purpose.

Yamakawa I joined the company because I wanted to be involved in the water treatment industry. Water supply and sewage works are essential infrastructure, and I've reaffirmed my desire to work in a role that supports people's lives. I hope that those considering joining METAWATER Group will understand and resonate with our Purpose.

Endo We are always conscious of supporting the community in our daily operations, but there are still many customers who are not aware of the existence of the METAWATER Group. By communicating our Purpose, we want to increase awareness among the local community. We aim to create even better solutions to further serve everyone's needs.

Hase As METAWATER Group explicitly includes "supporting people's lives" in its Purpose, we aim to further concentrate not only on water supply and sewage works but also on waste treatment and recycling. To that end, we want to pursue new developments more actively and strive to solve challenges.



Our Purpose

To coexist with communities, to protect water and environmental cycles, and to contribute to people's lives



You can watch a video interview about the Purpose from here.



METAWATER Group's Philosophy System

The METAWATER Group engages in essential social infrastructure, including water supply, sewage works, and waste recycling.

In the domestic water supply and sewage works market, pressing issues have emerged due to a declining population and other factors, such as financial difficulties faced by local governments and a shortage of engineers, in addition to aging facilities and equipment constructed during periods of rapid economic growth and the need for robust measures against natural disasters such as major earthquakes, typhoons, and torrential rains.

Our Group is dedicated to upholding our corporate philosophy, "Continue, to make it sustainable." Guided by our Purpose and the values of METAISM, we aim to address environmental and social challenges through our business activities to realize a sustainable future in collaboration with our stakeholders while maintaining a close connection with local communities and society.

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.

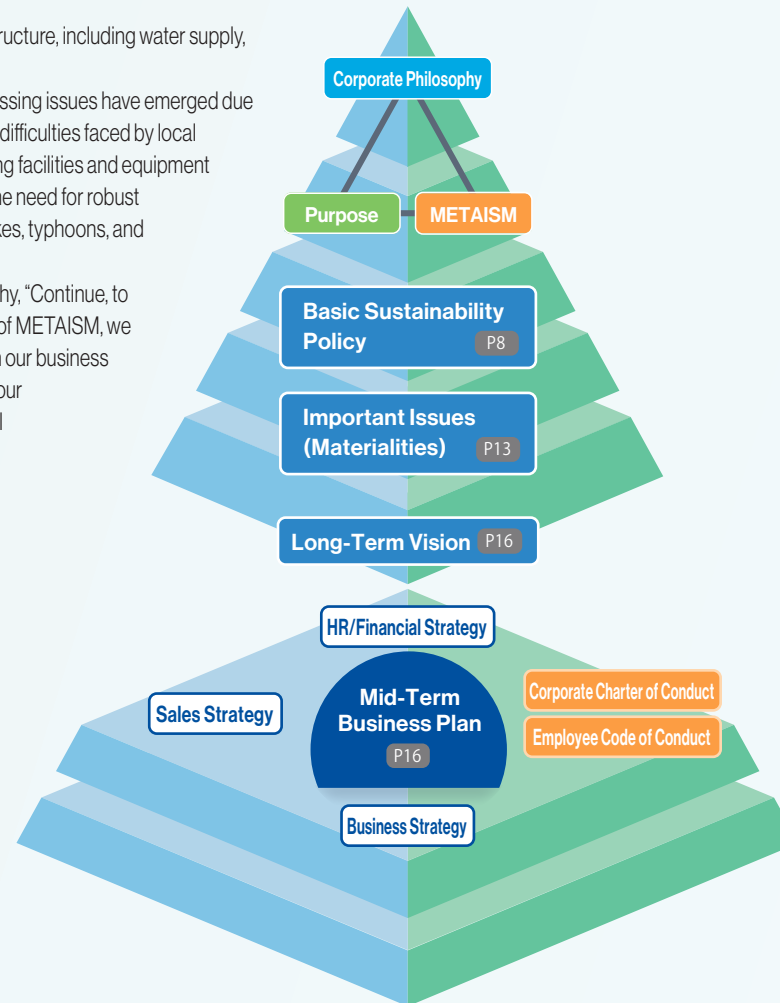
We continue to collaborate with our partners.

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.



Our Goals : Purpose

To coexist with communities, protect water and environmental recirculation, and contribute to people's lives.

We will work alongside communities and society, and we will value people's feelings.

By protecting water and environmental recirculation, we will contribute to healthier, safer, and more secure lives for everyone.

We will also contribute to solving issues like climate change and resource shortages.

We will support people's daily lives towards a sustainable future.

Our Values : METAISM

Innovation :Reform oneself

Don't dwell on the past Reform oneself Clearly identify "evolution and succession" Move forward Start from scratch

Tackle challenges:Keep motivated to tackle challenges

Not afraid of failure Always keep motivated to achieve the goal Continuous commitment Thorough exploration

Diversity:Approve each other

Attitude to approve Accepts differences Respects individual persons Symbiosis

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.

Important Issues (Materialities)

As part of our aim to make our basic policy a reality, we have positioned important issues that are deeply connected to METAWATER Group's businesses and are also significant for society and stakeholders. These important issues (materialities) include the following six items:



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.

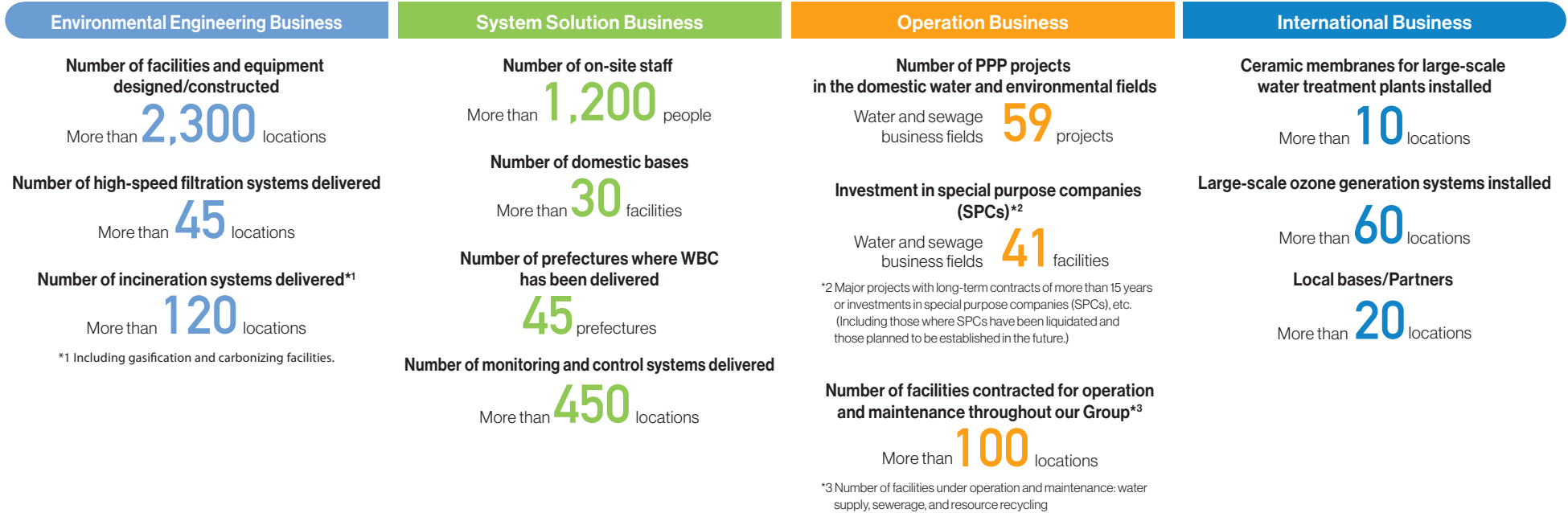


Committee, etc.	Role
Board of Directors	Receives reports from the committee on a regular basis (once a year) and supervises the committee.
Management Meeting	Same as above
Sustainability Committee	The committee meets regularly (twice a year). Members are the Executive General Managers, etc., and it is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

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 (PPPs)," across three business areas both in Japan and overseas: "water supply," "sewerage," and "resource recycling."





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.



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 PPP (including concessions)



Overseas

【North America】

- Use of reclaimed wastewater to secure water resources, aging facilities, and rising population

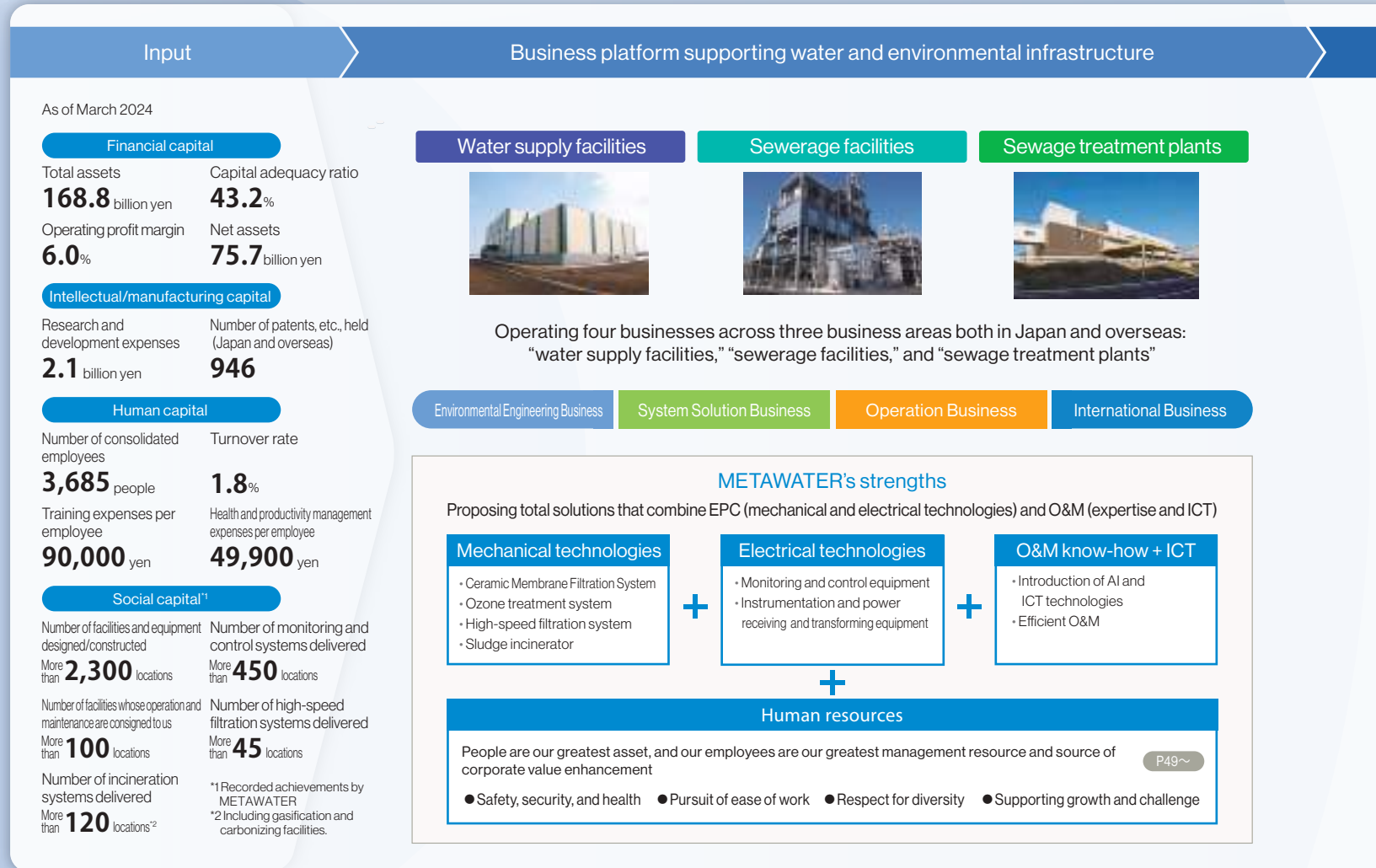
【Europe】

- Stricter environmental regulations and aging facilities

【Asia】

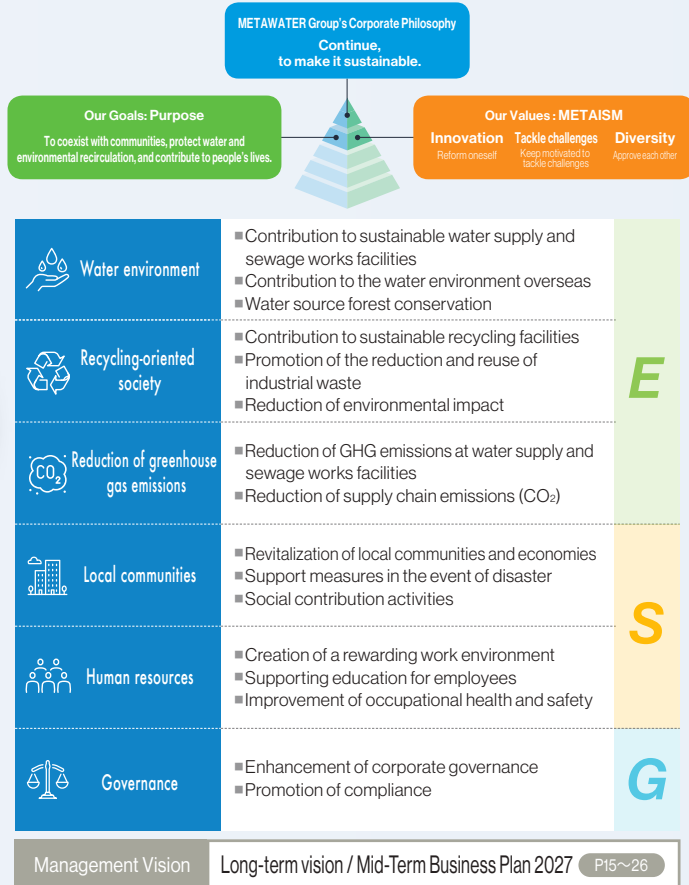
- Increasing the coverage of water and sewerage facilities

- Initiatives targeting the Sustainable Development Goals (SDGs)



Business strategies to achieve our long-term vision

Outcome



Mid-Term Business Plan 2027 targets

Orders received
200 billion yen

Sales
200 billion yen

Operating profit (Operating profit margin)
13 billion yen (6.5%)

Net income
8.5 billion yen

ROE
10% or more

Next2037 Targets

Sales
300 billion yen

Toward the achievement of our targets

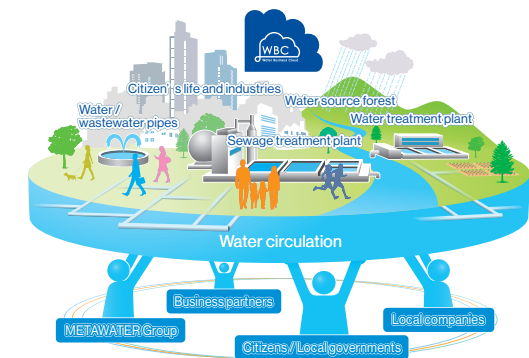
- While positioning the domestic EPC and O&M businesses as our foundation fields, we will further focus on our growth fields of the PPP and overseas businesses as we aim to strengthen and expand our businesses.
- We will expand our investments in R&D to meet future renewal demand and respond to further progress in the PPP 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.

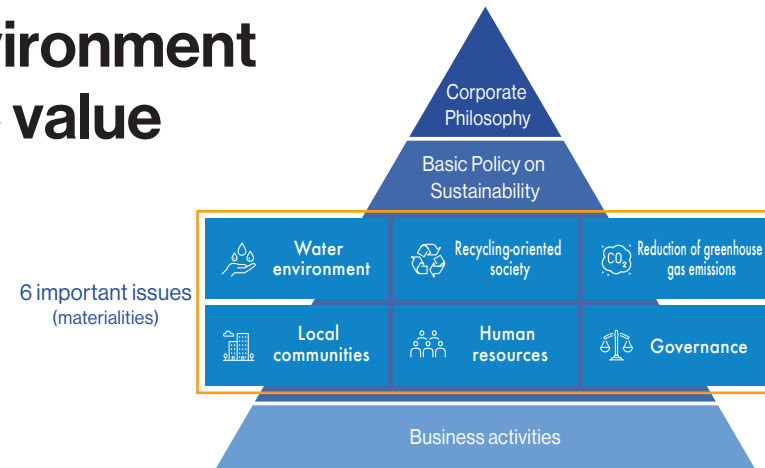


We aim to achieve a sustainable environment and society, and increase corporate value

METAWATER Group's approach to sustainability

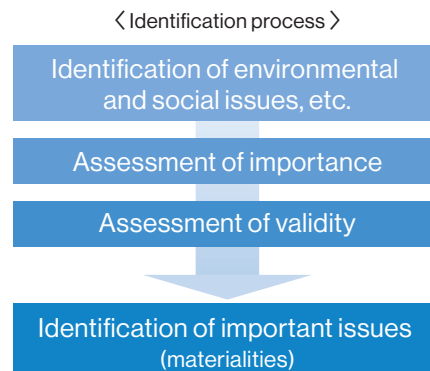
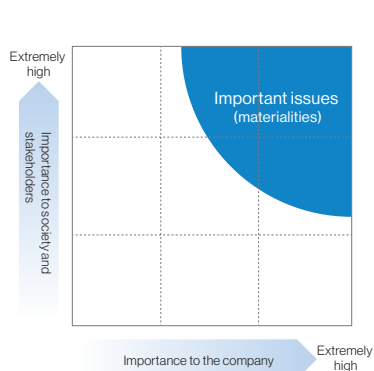
– Six important issues (materialities)

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).



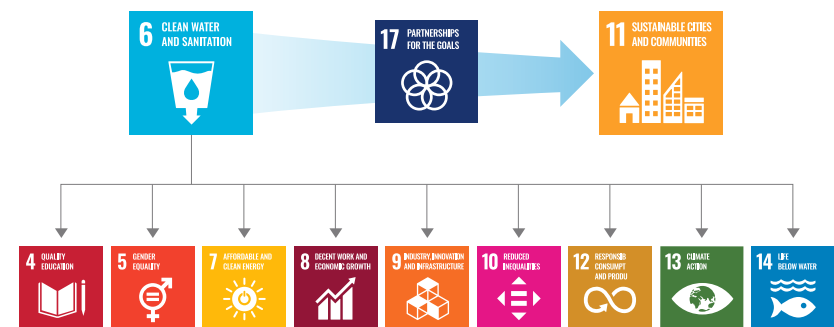
Important issue identification process

- 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.

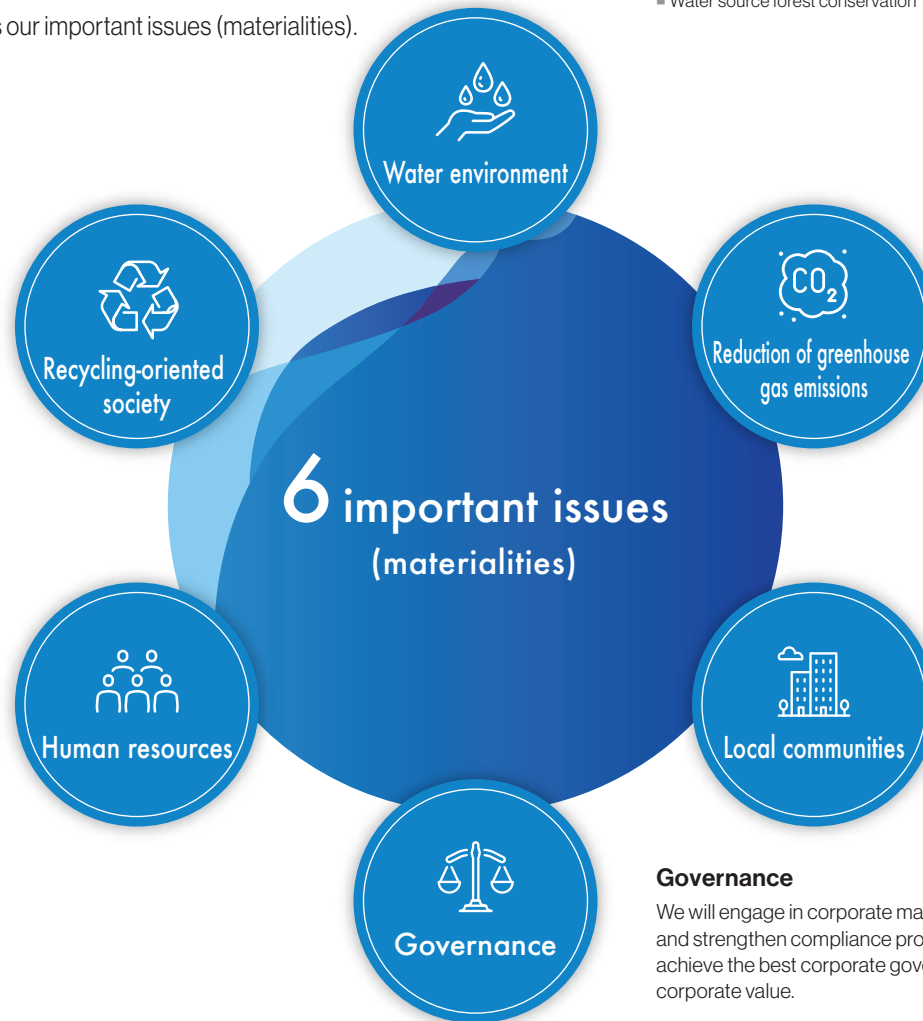
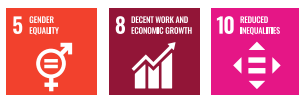
- Contribution to sustainable recycling facilities
- Promotion of the reduction and reuse of industrial waste
- Reduction of environmental impact



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



Management strategy

Top management's message

The entire company is committed to strengthening our ability to respond to Water Public-Private Partnerships.

In June 2023, the Japanese government introduced the Water Public-Private Partnerships (PPPs), a scheme designed to facilitate a phased transition to public facility management projects in the domains of water supply, sewerage, and industrial water management.

Our Group is committed to contributing to the realization of sustainable water and environmental infrastructure through our active participation in the Water PPPs.

Kenji Yamaguchi

President and Representative Director



Business Environment and Challenges Our Company is Currently Facing

Aging facilities, declining revenue, a shortage of technical staff, and the need to respond to frequent natural disasters have become pressing issues in Japan's water supply, wastewater, and environmental resource sectors.

With Japan's population projected to fall below 100 million by 2056, the maintenance of water supply, wastewater, and environmental infrastructure is expected to become increasingly challenging.

Meanwhile, overseas, countries are not only facing environmental problems like climate change, global warming, and ocean pollution, but they are also struggling to cope with major disasters and growing shortages of water and rare resources.

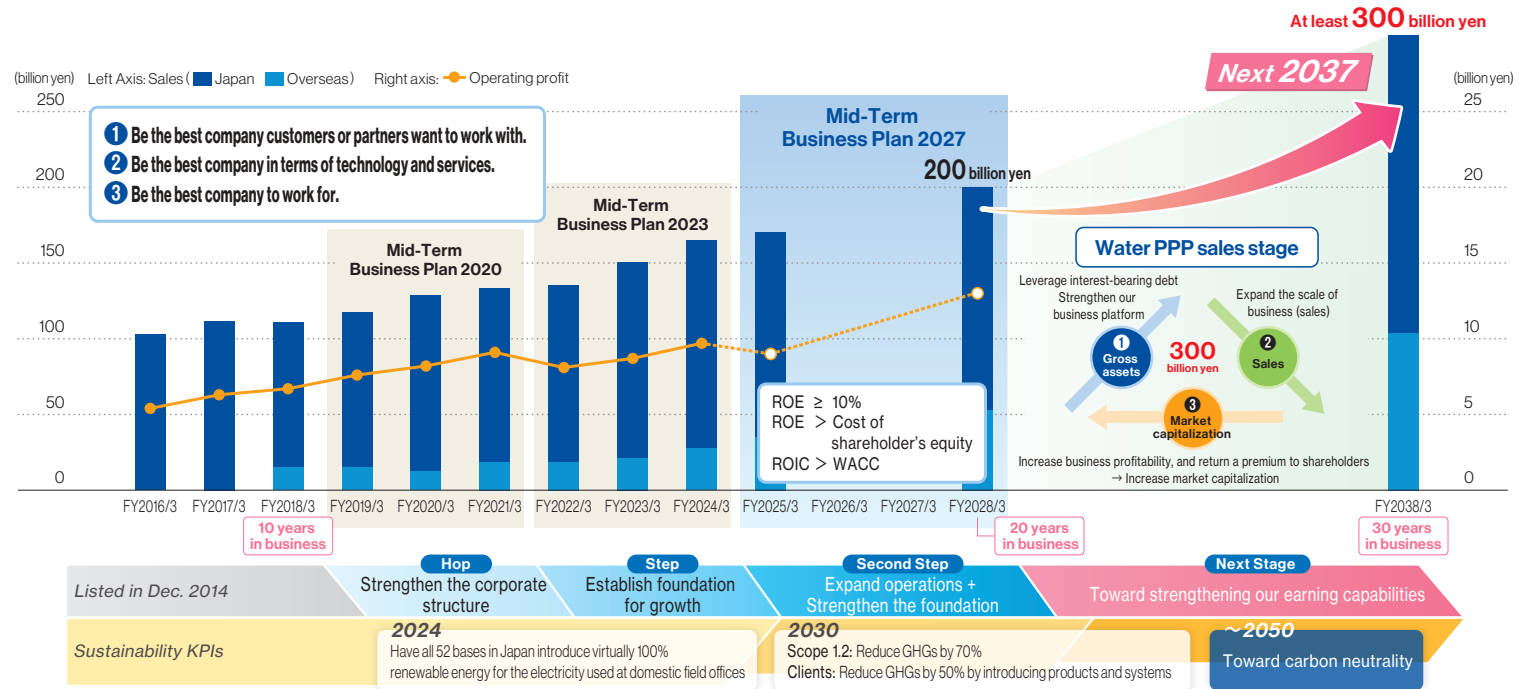
Against this backdrop, our Group has developed the Mid-Term Business Plan 2027, covering the four-year period from the fiscal year ending March 2025 (FY2024) to the fiscal year ending March 31, 2028 (FY2027). Our Group aims to achieve sales of 200 billion yen by FY2027 (the fiscal year ending March, 2028), which marks our 20th anniversary, doubling our sales from the time of our founding.

Under the Mid-Term Business Plan 2027 Three strategic pillars: (1) Business-specific growth strategies, (2) Investment and financing strategies to increase corporate value, and (3) Sustainability initiatives.

By promoting these three strategic pillars, we will strengthen our ability to respond to the Water PPPs, and at the same time, we will work to expand our business and strengthen our foundation with a view to the Next Stage, which will be the 30th anniversary of our founding in 2037.

Business environment and challenges our company is currently facing

- Accelerating challenges in Japan (Declining population, aging facilities, financial constraints, and engineer shortages.)
- Environmental issues (Climate change, major disasters, loss of biodiversity, and resource scarcity.)
- Strengthening our ability to respond to the introduction of Water PPPs through business resource allocation.
- Enhancement of employee compensation to address increased competition for human resources (Inflationary measures through base pay increases)
- Investment in Digital Transformation (DX) to boost productivity and competitiveness.



Strong Orders Propel Sales to 200 Billion Yen

Given the strong volumes being seen in terms of orders and our current backlog, we are finally on track to achieve our long-held goal of 200 billion yen in sales. In addition to steadily expanding sales for orders received, we will implement growth strategies in each business field by launching products and systems that contribute to the reduction of greenhouse gas emissions.

Alongside these efforts, we will strengthen our business foundation by investing in human resources, updating core systems, and advancing digital transformation (DX) and engineering reforms. These initiatives will help us achieve our goals for FYE March 2028, the final year of Mid-Term Business Plan 2027, which includes receiving orders of 200 billion yen or more, achieving sales of 200 billion yen, reaching an operating profit of 13 billion yen (with a 6.5% operating margin), securing a current net profit of 8.5 billion yen, and attaining a return on equity (ROE) of 10% or more.

*Reference: Orders received in FY2024/3: 211.9 billion yen (+18.5 billion yen YoY), Order backlog at FY2024/3-end: 275.1 billion yen (+46.4 billion yen YoY)

	First fiscal year FY2025/3 forecast	Final fiscal year FY2028/3 target	Change
Orders received	190 billion yen	At least 200 billion yen	At least +10 billion yen
Net Sales	170 billion yen	200 billion yen	+30 billion yen
Operating profit (% of Sales)	9 billion yen (5.3%)	13 billion yen (6.5%)	+4 billion yen
Net Income	6.1 billion yen	8.5 billion yen	+2.4 billion yen
ROE	At least 8%	At least 10%	At least +2%

Three strategic pillars

1 Business-specific growth strategies

Environmental Engineering Business (EE Business)

Water Environmental Business

- Market launch of new products and technologies that contribute to the reduction of greenhouse gas emissions.
- Proposals based on operations and management, and the pursuit of optimal Life Cycle Cost (LCC).

Resources & Environmental Business

- Strengthen our ability to respond to the growing demand for Design, Build, and Operate (DBO) projects due to increased renewal needs and enhance collaboration with partner companies.

System Solution Business (SS Business)

System Engineering Business

- Addressing the demand for renewal of monitoring and control systems, and reforming engineering methodologies to improve operational efficiency.
- Improve quality, increase operational efficiency, and reduce costs through data linkage.

Customer Engineering Business

- Enhance proposal capabilities by leveraging our expertise and track record in maintenance, inspection, and repair services.
- Acquire new customers and businesses by expanding sales and leveraging WBC (Water Business Cloud).

Operation Business

- Strengthen our response to Water PPPs and create and ensure the materialization of new business models.
- Enhance competitiveness by utilizing the Operation Support Center (OSC), including including improvement of operations and streamlining processes at company-operated facilities.

International Business

- Respond to the water reuse market and advanced wastewater treatment processes for micropollutants.
- Create synergies by strengthening collaboration among group companies and building ties with local partners.

2 Investment and Financing Strategy to Increase Corporate Value

- Investment and financing for business expansion (R&D, M&A, and Water PPPs.)
- Digital transformation investments, including infrastructure investments (in human capital, AI ICT, etc.) to ensure stable future growth.

3 Sustainability Initiatives

- Initiatives to address six key materiality issues. (Water environment, recycling-oriented society, reduction of greenhouse gas emissions, local communities, human resources, and governance.)

Realize LCCs which are best suited to customer needs through the development of Electromechanical Fusion

Since its establishment in 2008, our Group has aimed to become a leader in business operations within PPPs, leveraging our strengths in electromechanical fusion—the integration of mechanical technology from NGK INSULATORS, LTD. and electrical technology from Fuji Electric Co., Ltd.—along with our unique ICT expertise. As a result of advancements in electromechanical fusion over the past 16 years since our establishment, the group has successfully participated in approximately 30% of PPP projects in water supply and sewerage works. In contrast, the demand for water supply and sewerage installations, which had been growing through facility renewals and new constructions during the high-growth period, began to plateau in the late 1990s due to a higher percentage of the population being served by waterworks and wastewater collection, as well as the anticipated population decline. Additionally, with municipal finances becoming increasingly constrained due to declining income from water revenues, investment in water and sewerage infrastructure has

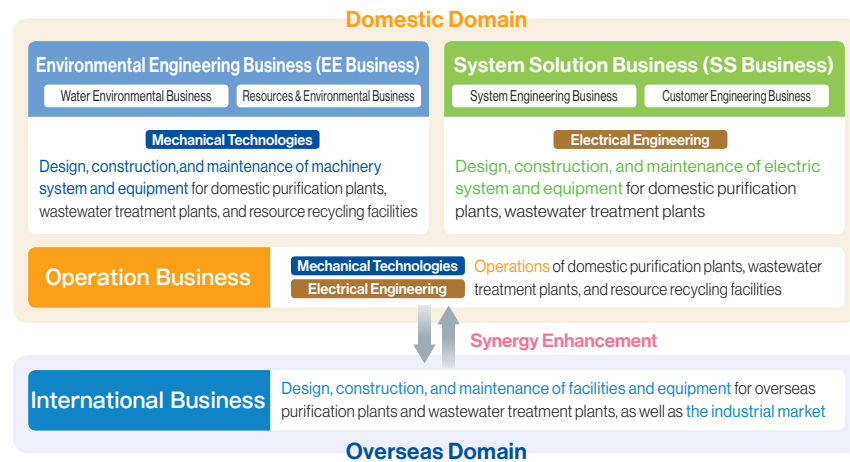
shifted from a build-and-replace model to one focused on renewal and improvement, resulting in a gradual increase in spending.

Under these circumstances, our Group will implement various measures to achieve optimal LCCs for customers, with a focus on extending the service life of facilities and maximizing their useful life.

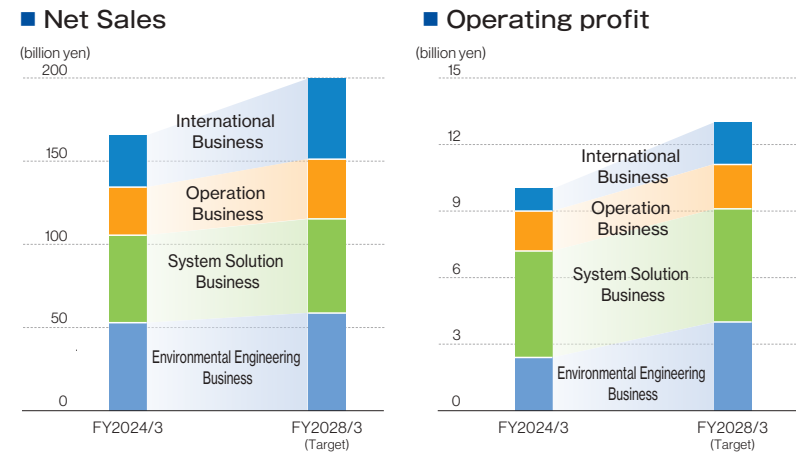
The organizational changes effective April 1, 2024, are primarily aimed at enhancing decision-making and business efficiency in the allocation of management resources from a management perspective. Another aim is to pursue optimal EPC (engineering, procurement, and construction) by focusing on long-term business operations, inspection, point repair, and operation and maintenance.

Under the new organization, the Environmental Engineering Business (EE Business) is responsible for the design, construction, and maintenance of mechanical facilities, while the System Solution Business (SS Business) handles the same functions for electrical equipment. This integration of EPC and maintenance functions allows us to promote our business in a unified and streamlined manner. In addition, we have separated the responsibilities as follows: the Operation Business manages domestic water and sewage treatment plants, as well as

Functional Measures for New Segments



Profit and Loss Image of New Segment



resource recycling facilities, while the International Business handles the design, construction, and maintenance of facilities and equipment for overseas water and sewage treatment plants, as well as the industrial market. By linking these business divisions in this way, we have adopted a structure that promotes the growth of the entire company.

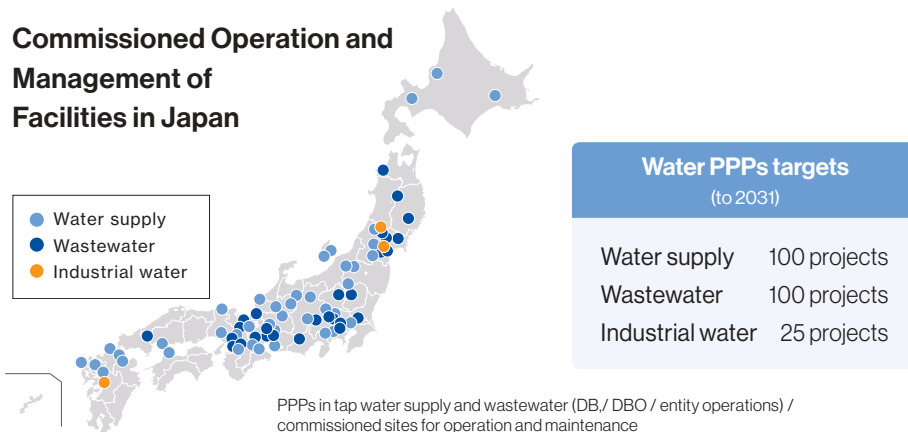
Strengthening Our Ability to Respond to Water PPPs

Our Group was established in April 2008, anticipating the emergence of full-fledged PPPs. Since then, we have been involved in numerous water and wastewater projects, including concessions in Miyagi and Kumamoto Prefectures, as well as the operation and management of commissioned sites nationwide.

In June 2023, the Japanese government announced the Water PPPs initiative. This Water PPPs initiative targets 100 projects in water supply, 100 projects in wastewater, and 25 projects in industrial water, totaling 225 projects by 2031.

Our Group views this as a significant opportunity. Leveraging our extensive track record and expertise from past projects, we will allocate management resources to the second phase of existing projects and actively pursue new opportunities through a unified,

Commissioned Operation and Management of Facilities in Japan



company-wide effort.

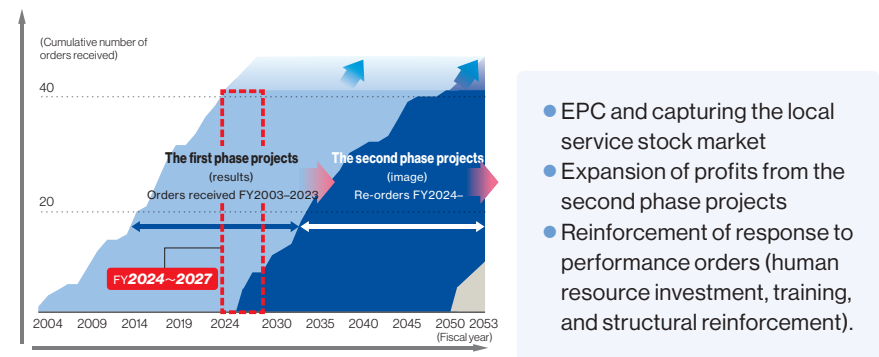
Human Resource Investment (Acquisition and Training of Human Resources)

The Water PPPs necessitate a transition from “specification orders,” where municipalities outline requirements for construction blueprints and cost estimates, to “performance orders,” which prioritize meeting municipality-defined benchmarks for quality, cost, and duration.

In order for the private sector to take on responsibilities previously managed by municipalities—such as management planning, fee collection, and dealing with complaints—it requires acquiring and training new human resources to strengthen the structure in the design department, on-site teams, and across existing operations in design, construction, maintenance, and inspections.

Under the Mid-Term Business Plan 2027, in order to prepare for the full-scale implementation of Water PPPs in the future, we will invest in our people to build a strong foundation, enhance productivity and competitiveness through digital transformation, and maintain and improve profitability by reforming our engineering practices.

Response to the Second Phase Projects



Engineering Reforms

As outlined in the Mid-Term Business Plan 2027, another pivotal aspect involves advancing engineering reforms.

The primary goal is to achieve optimal LCC and engineering methodologies by linking and utilizing data from each business process - from design and construction to maintenance and management.

For example, in Basic Engineering, the scope of data utilization spanning from basic design to detailed design has been dramatically expanded by using object-oriented equipment and parts. In Digital Engineering, the next step, construction design can be performed in a virtual space using equipment and piping data created during the previous process.

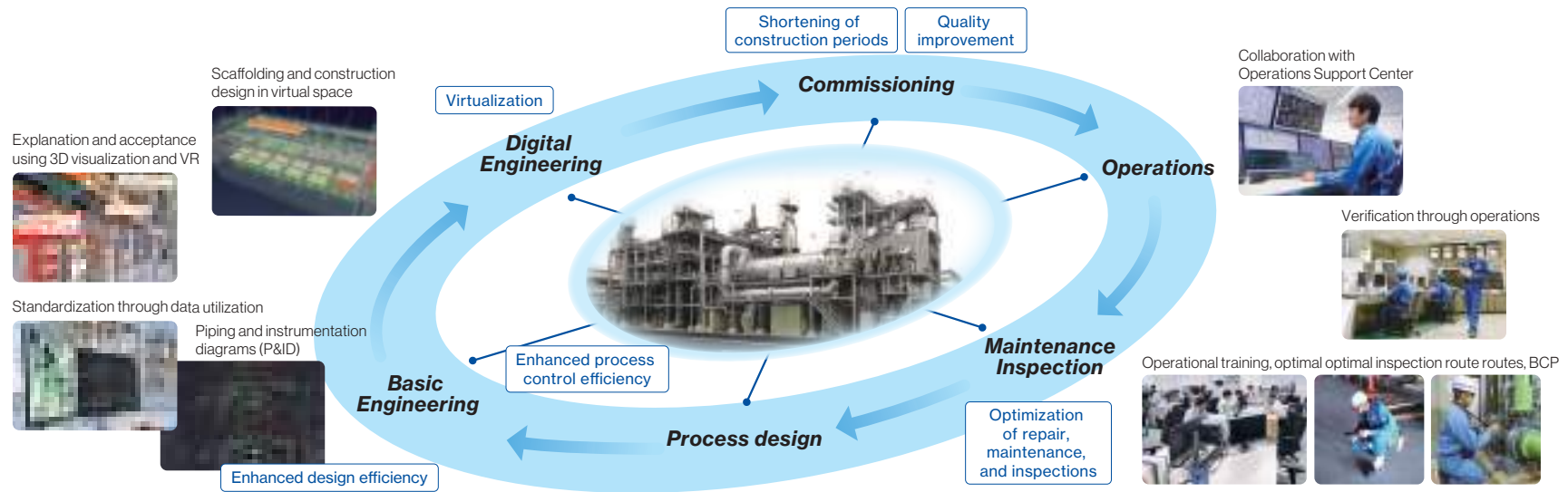
As a result, this approach facilitates the reduction of man-hours for field surveys, mitigates rework and risks such as interference between equipment and piping at the construction

site, shortens construction time, and improves quality.

Furthermore, centralizing data is expected to enhance various operations and maintenance tasks, such as optimizing periodic repairs, speeding up fault recovery, setting optimal inspection routes, and conducting BCP training for plant operation and management.

By constructing a cohesive platform that integrates data and utilizes assets throughout the entire process, and by implementing iterative improvement cycles, our goal is to provide optimal LCCs for our clients while achieving higher productivity within our own operations.

Optimal platform achieved through data linkage and asset utilization throughout the entire process (image)



Reference Review of the Mid-Term Business Plan 2023

Orders Received

The results for the fiscal year that ended March 2024, the final year of the Mid-term Business Plan 2023, showed a positive trend as orders received and order backlogs reached record highs, driven by strong sales in EPC business and service subsidiaries.

Order backlog (FY2024/3-end)
275.1 billion yen
(+46.4 billion yen YoY)

Sales and Profits

Both sales and profits achieved record highs, buoyed by strong revenues and profits in international business operations and O&M business. Operating profits were in line with the plan, despite the recording of research expenses related to M&A. Ordinary profits and current net profits exceeded both the forecast and the previous year's levels.

Numerical Results

	FY2022/3 results	FY2023/3 results	FY2024/3 results	FY2024/3 announced results	Change
Orders received	152.3 billion yen	193.4 billion yen	211.9 billion yen	160 billion yen	+51.9 billion yen
Sales	135.6 billion yen	150.7 billion yen	165.6 billion yen	155 billion yen	+10.6 billion yen
Operating profit % of Sales	8.1 billion yen 6.0%	8.7 billion yen 5.8%	9.9 billion yen 6.0%	10 billion yen 6.5%	(100 million yen) (0.5%)
Net income	6.2 billion yen	6.3 billion yen	6.9 billion yen	6.4 billion yen	+0.5 billion yen
ROE	11.1%	10.1%	10.0%	At least 10.0%	—
Cost of shareholders' equity	5.6%	5.6%	5.7%		

Verification of Orders Received and Sales

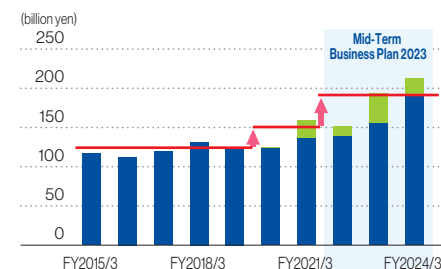
Although orders received fluctuate from year to year, they have steadily climbed to the 200 billion yen level.

The three-year average growth rate is also indicating strong growth. However, the proportion of large projects has been increasing each year, suggesting that the pace of future sales development may be slow down.

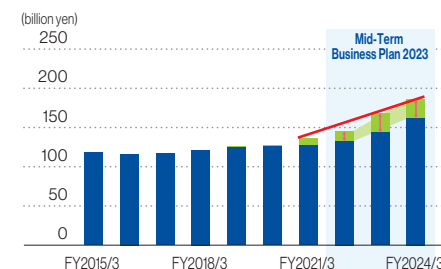
Verification of Business Profit and Loss (Gross Profit and Ratio)

The gross profit has increased annually, with the gross profit ratio remaining relatively stable, despite recent price and labor cost increases. The earning power of the core business has not diminished.

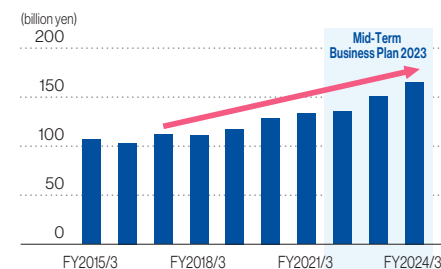
Orders Received



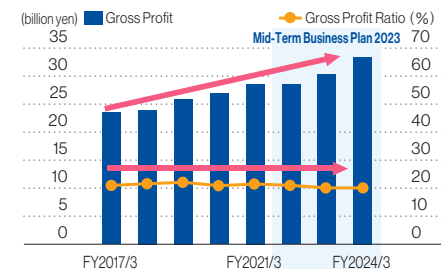
Orders Received (3-year average)



Sales



Gross Profit and Gross Profit Ratio



Key Strategies

In the “Strengthen Core Fields and Expand Growth Fields” segment, we secured the commission for the “Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water” the largest concession in Japan, alongside our U.S. subsidiary Aqua-Aerobic Systems, Inc.

1 Strengthen Core Fields and Expand Growth Fields

EPC Business	<ul style="list-style-type: none"> Enhancing design quality, improving cost competitiveness, and increasing orders through the introduction of our engineering system* *A system to streamline information management by integrating existing data. “Secured orders for ozone and accelerated oxidation process (AOP) technology” for water supply and industrial applications.
O&M Business	<ul style="list-style-type: none"> Merged with Toriden-Shoji Co., responsible for maintenance, inspection, point repair, operation, and management of electric equipment for water supply and sewage facilities, and strengthened business capabilities. Strengthened utility cost recovery efforts in response to the impact of the COVID-19 pandemic.
PPP Business	<ul style="list-style-type: none"> Commenced the “Kumamoto Prefectural Ariake/Yatsushiro Industrial Waterworks Operation Project,” Japan’s first industrial waterworks project under the concession method. Launched the “Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water” (Miyagi-style management and operation method). Initiated an aquaponics business in Ofunato, Iwate Prefecture. Received a large-scale project order for the improvement and operation of sludge treatment facilities in Osaka.
International Business	<ul style="list-style-type: none"> Expanded business activities in the U.S. through Aqua-Aerobic Inc., our subsidiary. Received an order for the first public sewage treatment facility in Phnom Penh, Cambodia. Secured an order for ceramic membranes for the Hampton Loade Water Treatment Works in England (The world’s largest ceramic membrane filtration plant.) The first adoption in Japan of “disk-type special long-filter cloth filtration system” (U.S. subsidiary’s “Cloth Media Filter”).

2 Expanding R&D Investment

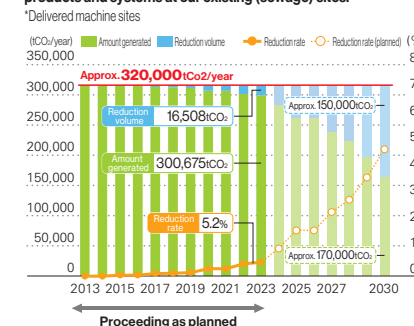
- Further reinforcement of strong areas**
Develop products and systems compliant with environmental regulations.
- Develop electromechanical fusion technologies**
Develop combinations of treatment processes and advanced wastewater treatment technologies.
- Create value through information integration**
Develop data linkage systems to enhance efficiency in design, construction, and maintenance.

These key themes (1–3) will remain central in the Mid-Term Business Plan 2027.

3 Sustainable ESG Initiatives

Environment	Environmental Contribution through Business Operations <ul style="list-style-type: none"> Establishment of GHG emission targets Scope 1 and 2: 70% reduction by 2030, net zero by 2050. Customer*: 50% reduction by 2030 through the introduction of products and systems. *Delivered machine site (sewage). Use of non-fossil certificates Initiated the adoption of 100% renewable energy for electricity across all 52 bases and construction site offices in Japan. Raised 10 billion yen through the issuance of Blue Bonds Use of funds: Investment in sustainable water treatment businesses (concession businesses, investments, and financing).
	Promotion of Environmental Contribution and Conservation Activities <ul style="list-style-type: none"> Conservation activities in water source forests (Sendai, Okutama, Doshi-mura, Hirakata, etc.).
	Contribution to Society Through Our Business <ul style="list-style-type: none"> Creation of employment at each consigned site Support for BCP at each consigned site Disaster recovery (donation) Emergency response to problems through a nationwide network of 34 service bases Providing visiting lectures for children across Japan. Renewal of “METAWATER LAND” a website for learning about water and the environment

GHG reductions and reduction rates for heat operation-related products and systems at our existing (sewage) sites.
*Delivered machine sites



Society	Contribution to Society Through Our Business <ul style="list-style-type: none"> Creation of employment at each consigned site Support for BCP at each consigned site Disaster recovery (donation) Emergency response to problems through a nationwide network of 34 service bases Providing visiting lectures for children across Japan. Renewal of “METAWATER LAND” a website for learning about water and the environment
	Further Promotion of Work-Style Reforms <ul style="list-style-type: none"> Introduction of a remote work system, side job system, and age-free system. Establishment of telework

Governance	<ul style="list-style-type: none"> Introduction of a restricted stock compensation plan for directors and corporate auditors Compliance with the CG Code (establishment of a basic policy on sustainability, management with awareness of the cost of capital, etc.)
-------------------	--

Message from the Executive in Charge of Finance

Realization of Financial Strategies to Achieve the Goals of Mid-Term Business Plan 2027

Executive Officer / General Manager,
Accounting & Financial Planning Office,
Corporate Strategy Planning Division

Tomoyuki Takase



Set KPIs for Financial Strategies in the Newly Formulated Mid-Term Business Plan

In the final year of Mid-Term Business Plan 2023 [FY2022 (ending March 2023) to FY2024 (ending March 2024)], both orders received and order backlogs reached record highs.

In terms of profit and loss, although operating profits were slightly below the announced figures, both sales and profits reached record highs. We believe that these results will serve as a milestone for the fiscal year ending March 2028, which marks the 20th anniversary of our founding and is also the final year of Mid-Term Business Plan 2027, which we have formulated anew.

In light of this, we have established 7 KPIs from the perspectives of profitability, efficiency, soundness, and shareholder returns. Through these KPIs, we will pursue capital efficiency, such as when it comes to ROE and ROIC, as well as safety as a company responsible for social infrastructure. We will also monitor management indicators with an awareness in terms of the cost of capital so as to improve the earning power of the entire company and achieve more efficient management.

7 KPIs

Profitability	Efficiency	Soundness	Shareholder returns
Sales 200 billion yen	ROE At least 10 %	DE ratio Less than 0.8 times	
		Equity ratio More than 40 % but less than 50 %	
Operating profit 13 billion yen	ROIC ROIC > WACC	Dividend payout ratio 30 % to 40 % (Progressive dividend)	

Improvement of profitability and cash flow

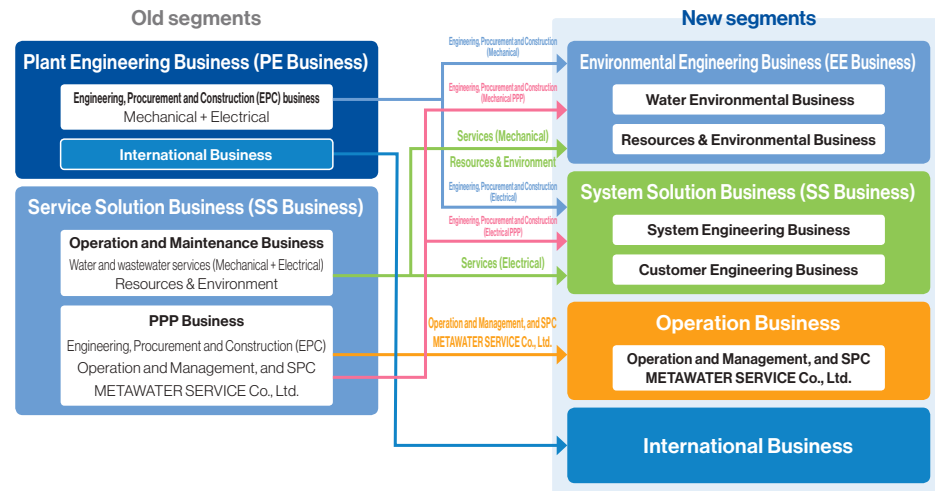
(1) Improvement of profitability

For the fiscal year ending March 2025, the first year of Mid-Term Business Plan 2027, we have announced a forecast of ¥9 billion in operating profits, which is ¥900 million lower than that of the previous fiscal year. This decrease is due to depreciation associated with human resource investments, primarily in relation to the securing of future personnel and base salary increases, as well as in relation to investments in the upgrading of core systems and digital transformation initiatives. To achieve the target of ¥13 billion for the fiscal year ending March 2028—the final year of the plan—an increase of ¥4 billion is required. Therefore, company-wide efforts to improve profitability and cost management will be indispensable.

The plan incorporates changes in the organizational structure and reporting segments. One of its goals is to clarify business and profit responsibilities by aligning the internal management approach with the publicly announced reporting segments.

Internally, the Accounting and Financial Planning Office will work to visualize monthly business performance, budgets, and expense execution statuses by business segment, and will establish a system to enable business divisions to promote more effective performance management. Externally, we will also enhance the disclosure of our materials.

Image in terms of the recombination by new segments



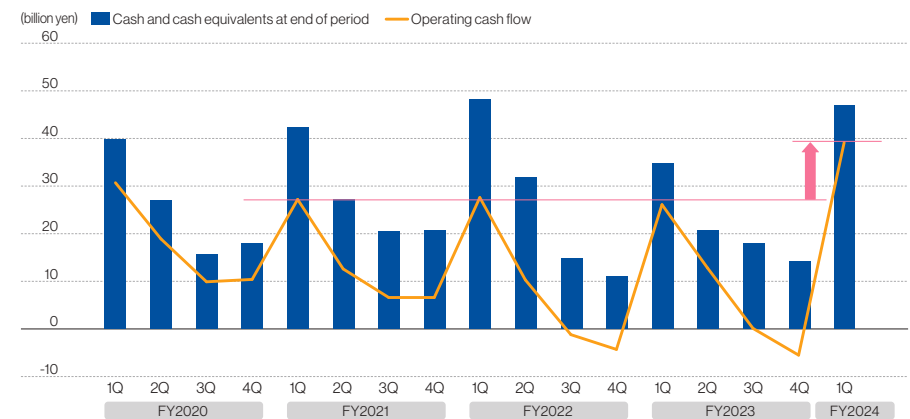
(2) Improvement of operating cash flow

While the trend of collecting funds has been delayed due to larger projects (with longer construction periods) and due to extensions of construction periods for some projects, the timing of payments provided to subcontractors has accelerated due to revisions taking place in terms of the Construction Business Act.

As a result, there has been a significant increase seen in accounts receivable and a decrease seen in accounts payable, leading to a deterioration of the Company's cash flow in comparison to before. Since nearly 90% of the Company's total sales are to municipalities, approximately 60% of annual sales are concentrated between January and March, when municipalities inspect and process construction and services. The collection of these accounts receivable occurs sequentially from March to May, resulting in unstable operating cash flow at the end of the fiscal year (March). However, the cycle typically recovers in the first quarter of the following fiscal year (April to June).

In the fiscal year ending March 2024, operating cash flow was negative, as it was in the previous fiscal year. We consider this a one-time phenomenon occurring due to the postponement of the collection of a major project until April. Nonetheless, we do anticipate that such events may occur in the future and will take measures to stabilize cash flow, such as diversifying financing sources and improving the receivables turnover ratio.

Changes in cash and cash equivalents at the end of the quarter and changes in operating cash flow



Diversification of funding and cash allocation


(1) Issuance of Blue Bonds

In December 2023, we raised ¥10 billion through corporate bonds (Blue Bonds) to secure base funding for longer fund recovery and to achieve diversification in terms of fund procurement. Blue Bonds are SDG bonds (ESG bonds) that restrict the use of funds to sustainable water treatment projects and similar initiatives. We believe that they align with the current trend of impact and ESG investments.

This was our first procurement from the corporate bond market, and the fact that the number of applicants far exceeded the ¥10 billion offering amount reflects the high expectations which exist with respect to our business.

In addition, amid concerns about rising interest rates, we successfully procured funds at a low interest rate by utilizing our credit rating and diversifying our funding sources, which was a significant achievement.

Outline of Blue Bonds

Name of bond	METAWATER Co., Ltd. 1st Unsecured Bond (Blue Bond)
Maturity date	5 years
Issued amount	10 billion yen
Issuance date	December 7, 2023
Lead underwriters	Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc.
Structuring agent*	Mizuho Securities Co., Ltd.
Use of proceeds	Sustainable water treatment businesses (concession businesses, investments, and financing) 

* A structuring agent is a party that provides support for the issuance of blue bonds through advice on the formulation of a blue finance framework and the acquisition of external evaluations such as second-party opinions.

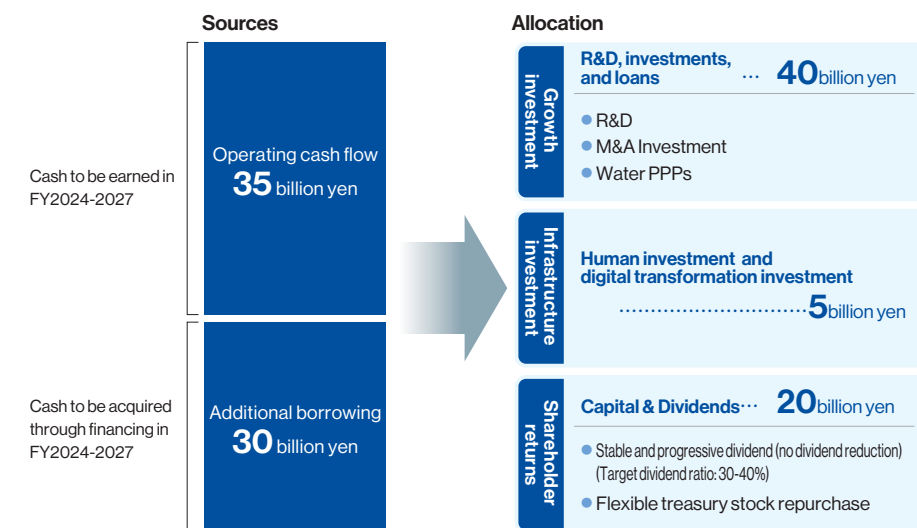
We intend to use this experience as a stepping stone in moving toward a funding policy that supports the realization of our medium- and long-term growth strategies.

(2) Cash allocation

Under Mid-Term Business Plan 2027, we will strive to improve capital efficiency by increasing financial leverage through the use of debt, while ensuring the safety and efficient use of funds by monitoring the D/E ratio during the execution of this plan.

Cash inflow is expected to be ¥65 billion as a result of improved operating cash flow and the diversification of fund procurement. We plan to allocate ¥40 billion for growth investments (such as for R&D, M&A, and Water PPPs), ¥5 billion for basic investments (including for human resources and digital transformation), and ¥20 billion for shareholder returns.

Cash allocation

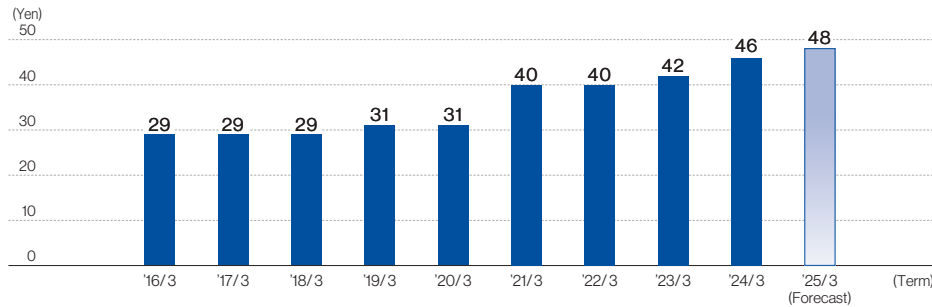


Shareholder Returns and Capital Policy

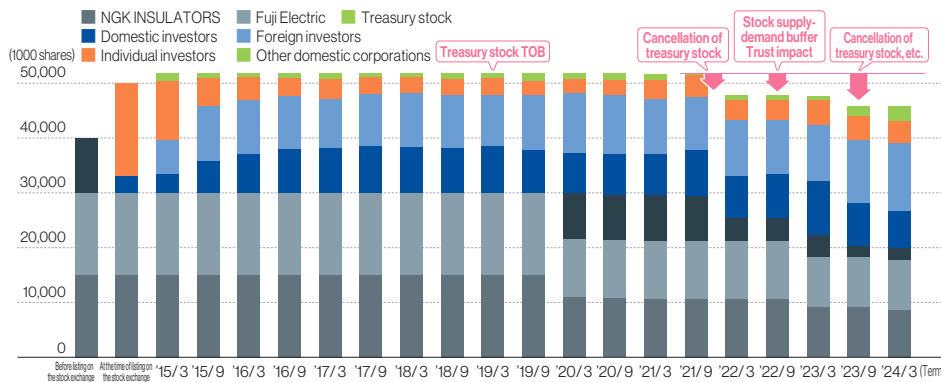
In fiscal year 2023 (ending March 2024), we increased the dividend by 4 yen per share as was the case in the previous year, resulting in a total dividend of 46 yen per share for the year. For fiscal year 2024 (ending March 2025), we expect to increase the dividend by 2 yen, raising it to 48 yen per share.

In Mid-Term Business Plan 2027, the policy outlines a progressive dividend-based approach, which involves maintaining dividends without reductions or increasing them in line with profit growth, and the raising of the dividend payout ratio to a range of 30% to 40%.

Changes in dividend per share (annual)



Changes in shareholder composition



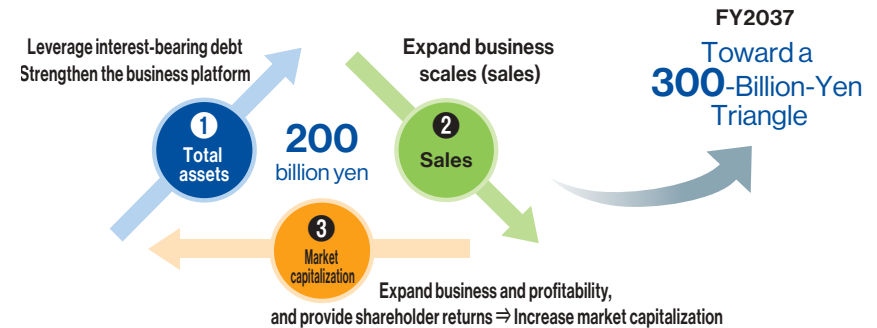
We will continue to discuss these matters from the perspective of corporate governance, always keeping in mind the ideal shareholder composition and capital policy.

The “200-Billion-Yen Triangle” is our target for FY2027

Our long-term vision, dubbed “Next 2037” (a tentative name), which anticipates the 30th anniversary of the Company’s founding and is detailed in the graph at the bottom of page 16 of the Top Message, was announced alongside Mid-Term Business Plan 2027. It includes three key items: (1) total assets (to leverage interest-bearing debt and strengthen the business platform); (2) sales (to measure growth and expand business scale); and (3) market capitalization (which reflects the value expected by investors through increased business performance, profitability, and shareholder returns). Our ultimate goal is to make a “300-Billion-Yen Triangle” a reality by fiscal year 2037 (ending March 2038).

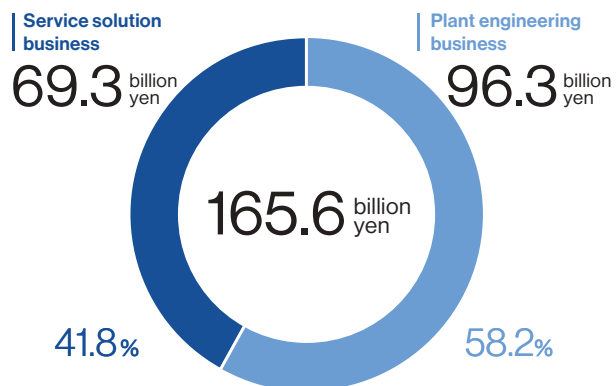
As a preliminary step, in the fiscal year ending March 2028 (the final year of Mid-Term Business Plan 2027), we aim to make a “200-Billion-Yen Triangle” a reality when it comes to total assets, sales, and market capitalization. By implementing our financial strategies, we will contribute to more stable and sustainable growth and further increase our corporate value. FY2024 will mark the start of this plan. We will aggressively pursue financial strategies based on the plan and work towards achieving the goals we have set in terms of the 7 KPIs.

200-Billion-Yen Triangle

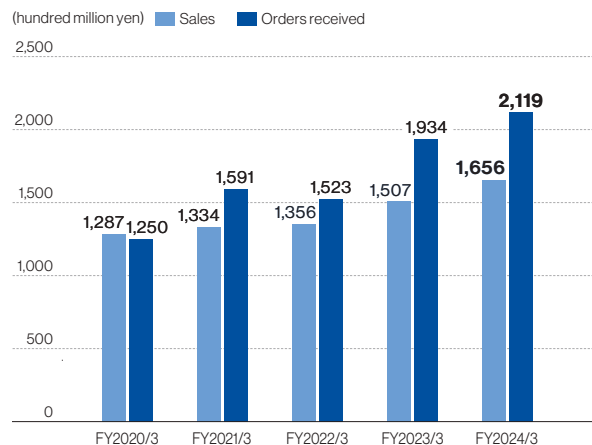


Highlights of consolidated financial results

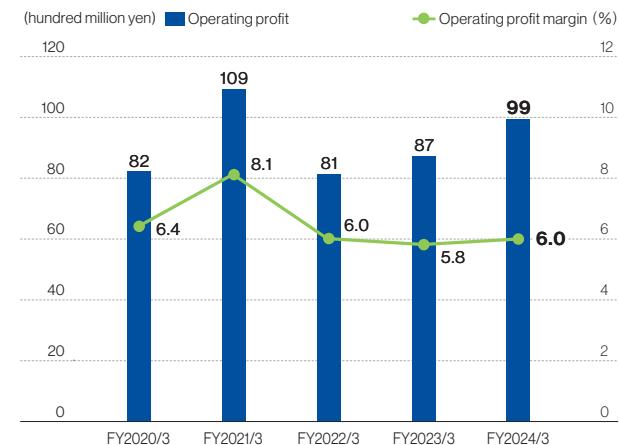
Sales composition (FY ended March 2024)



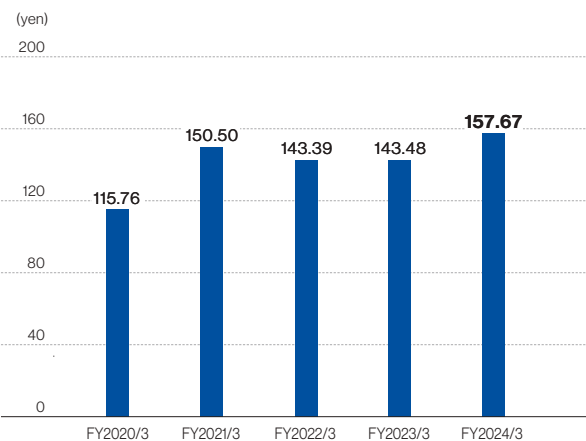
Sales / Orders received



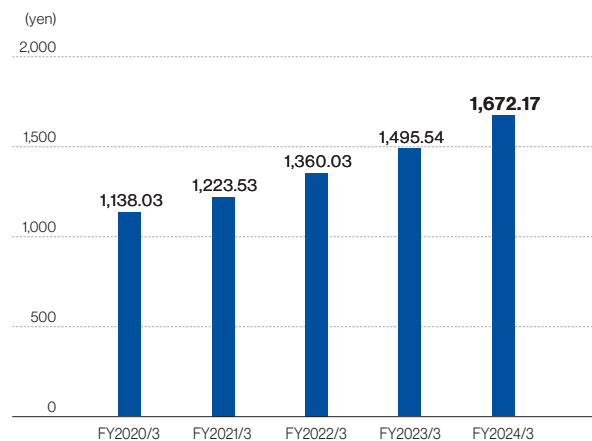
Operating profit / Operating profit margin



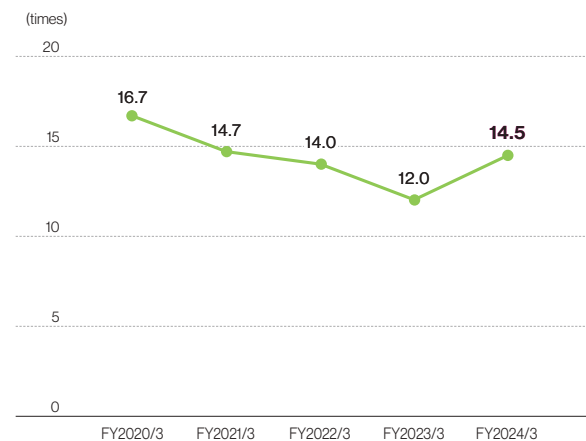
Earning per share (EPS)^{*1}



Book value per share (BPS)^{*1}

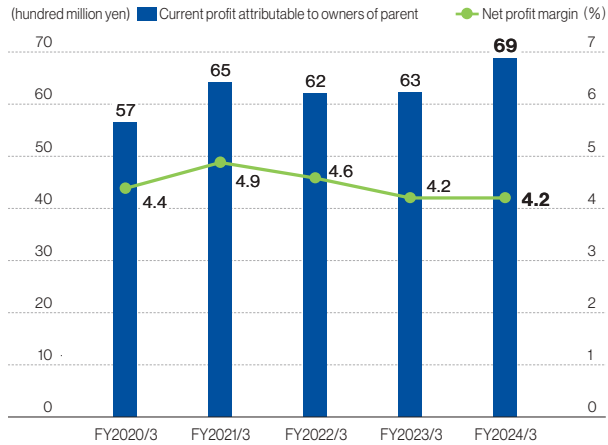


Price earnings ratio (PER)

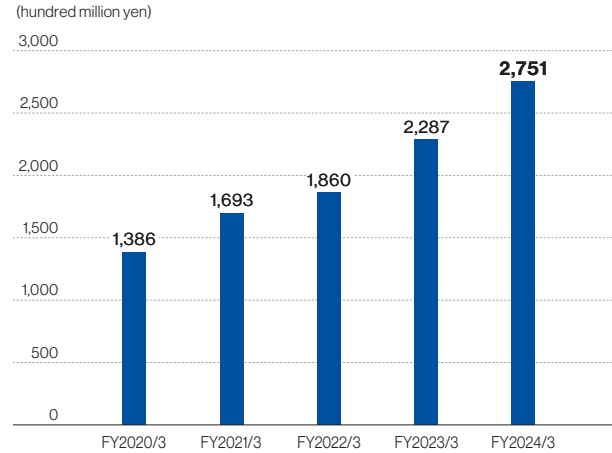


*1 The company carried out a 2-for-1 stock split of its common stock on October 1, 2020. Accordingly, the calculation of net assets per share and net income per share is based on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

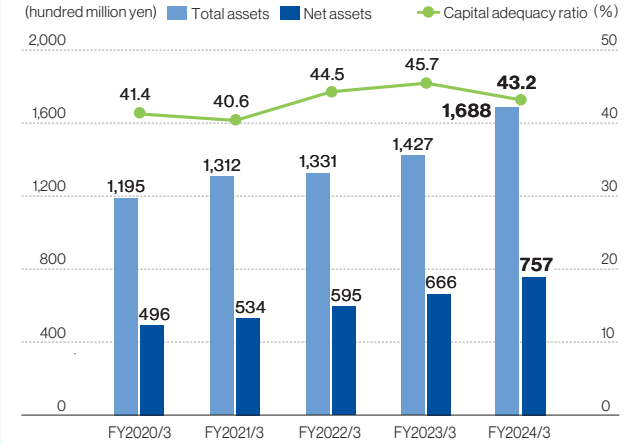
Current profit attributable to owners of parent / Net profit margin



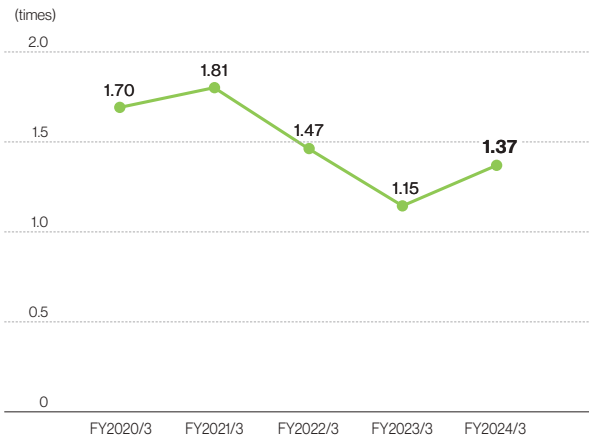
Order backlog (End of period)



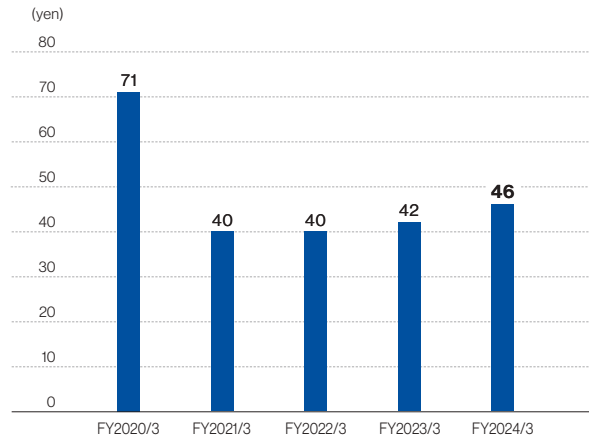
Total assets / Net assets / Capital adequacy ratio



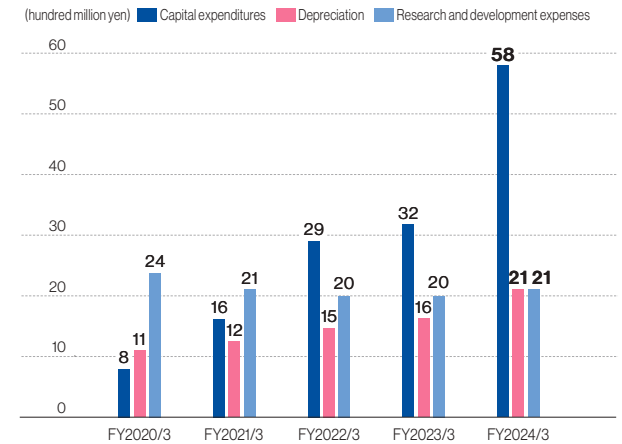
Price/Book Ratio (PBR)



Dividend*2



Capital expenditures / Depreciation / Research and development expenses



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

Business Strategies and Technologies at METAWATER



With the four segments newly defined as the Environmental Engineering Business, the System Solutions Business, Operation Business, and the International Business, we will achieve optimal LCCs by improving operational efficiency and strive to strengthen our competitive edge and proposal capabilities.

Sales Composition in the New Segments

International Business

31.2 billion yen

Design, construction, maintenance, and O&M of facilities and equipment for overseas purification plants and wastewater treatment plants, as well as the private sector demand projects.

Operation Business

28.9 billion yen

Operations of domestic water treatment plants, wastewater treatment, resource recycling, and handling of Water PPPs

Environmental Engineering Business

52.9 billion yen

Water Environmental Business

Resources & Environmental Business

Design, construction, maintenance and O&M of machinery and equipment for domestic water treatment plants, wastewater treatment plants, and resource recycling facilities

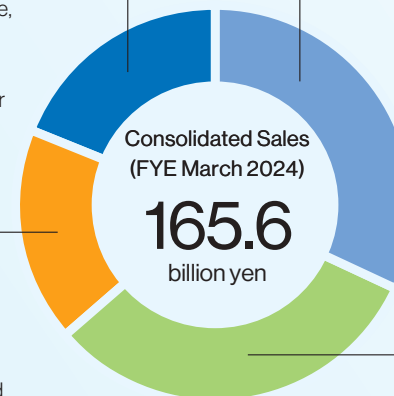
System Solution Business

52.6 billion yen

System Engineering Business

Customer Engineering Business

Design, construction, maintenance, and O&M of electrical equipment for domestic water treatment plants and wastewater treatment plants



*Calculated by replacing the FYE March 2024 sales figures with the new segments.

Sales and Marketing Division

Messages from Sales and Marketing Division

We will maintain a broad perspective on the issues facing local communities and customers, make proposals that solves these challenges, and strive for ongoing order placements.

Review of Mid-Term Business Plan 2023

In addition to addressing the issue of aging facilities and equipment and the increasing severity and frequency of natural disasters affecting Japan's water and environmental infrastructure, we have also sought to develop proposals which serve to support the reduction of greenhouse gas emissions, thereby contributing to the realization of a carbon-neutral and decarbonized society by 2050.

In the water supply and sewage field, the Sales & Marketing Division proposed an optimized system for wastewater treatment plants by integrating our strengths in mechanical and electrical technologies (Electromechanical Fusion). We provided energy saving and energy creation technologies using the latest IoT and AI advancements and proposed and participated in Public-Private Partnership (PPP) projects that consider regional characteristics and optimal business operations. Additionally, in the field of resources and environment, we have contributed to the promotion of 3R (Reduce, Reuse, Recycle), local employment, and environmental education, as well as the construction and operation of public facilities to meet social needs, such as disaster prevention centers. Through these activities, we have aimed to provide solutions to the challenges faced by local communities and customers.

Initiatives for Mid-Term Business Plan 2027

By advancing the initiatives outlined in the Mid-Term Business Plan 2023 and taking a comprehensive view of society, we will continue to deliver proposals that serve to effectively address the challenges faced by communities and customers. In addition, the PPPs market is expected to expand significantly with the introduction of a new government initiative: Water PPPs. Thus, we will enhance our efforts to secure new projects by leveraging our Group's extensive track record to propose optimal technologies and by building a new operational structure through collaboration with local companies and the implementation of digital transformation. In the Sales & Marketing Division, we will focus on securing more orders continuously by embracing the concept of addressing societal challenges from a holistic perspective to develop water and environmental infrastructure that is safe, secure, and beneficial to the community.



Executive Officer,
Sales & Marketing Division
Kenji Kojima

Strengths

- Our proprietary systems optimize water treatment facilities and related infrastructure as a whole through the fusion of mechanical and electrical technologies (electromechanical fusion) to meet customer needs.
- Our after-sale services include proposals for further improvement of optimal products or systems, as well as system operation and maintenance, which is all undertaken so as to address new needs and issues that arise for customers using our products.
- Our distinctive environmental technologies contribute to LCC reduction with high treatment capacities and energy saving performance, along with digital transformation technologies that utilize AI and ICT.
- Our solutions are tailored to each customer's issue based on our extensive experience when it comes to PPP projects.

Challenges

- Ability to make new proposals that consider factors such as cost, efficiency, and further energy saving and energy creation in an increasingly competitive market
- Responding to rapidly changing social conditions, such as intensified natural disasters and sudden price hikes occurring due to economic shifts and changes in the labor market
- Building a structure and developing human resources to effectively respond to market changes, including those related to Water PPPs

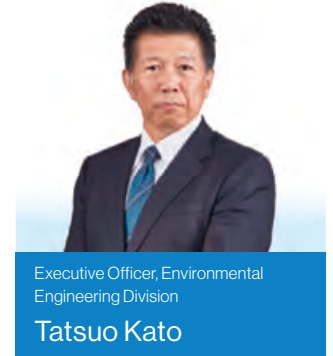
Message From the Business Manager

Environmental Engineering Division

Messages from Environmental Engineering Division

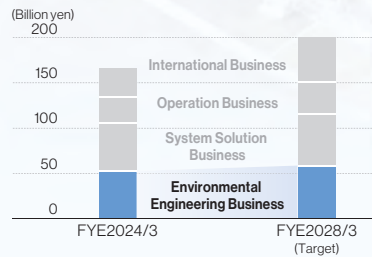
We will establish an integrated system encompassing design, construction, inspection, maintenance, and point repair to achieve optimal life cycle costs (LCC) for machinery and equipment.

The main business activities of the Environmental Engineering Division encompass a comprehensive range of services, including design, procurement, construction (EPC), point repair (M), and operation and management (O) for water treatment plants, sewage treatment plants, and resource recycling facilities. We provide plants that incorporate energy saving and energy creation technologies, along with greenhouse gas reduction technologies, to work toward the solving of environmental issues, the establishment of a recycling-oriented society, and contribute to creating a decarbonized and carbon-neutral world. Additionally, to adapt to the evolving needs of society and our customers in a changing business environment—such as the expanded scope of Water PPPs in water supply, sewage, and industrial water supply, as well as the diversification of work styles due to work-style reforms—we will deliver safe and secure engineering services that serve to create new value by effectively utilizing various data through ICT in design, procurement, construction, point repair, and operation management.

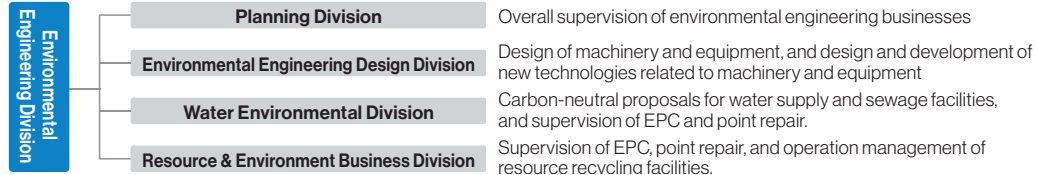
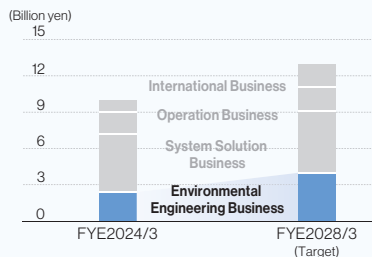


Growth Image

■ Sales

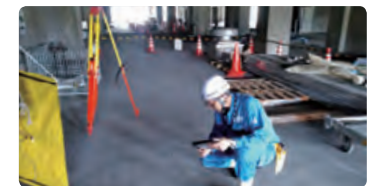


■ Operating profit

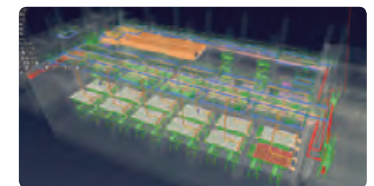


Review of Mid-Term Business Plan 2023

During the three years applicable to Mid-Term Corporate Strategy 2023, the business environment surrounding our Group changed drastically due to the COVID-19 pandemic, an increase in long-term operation and management tasks, the evolution of ICT and AI technologies, and the diversification of work styles resulting from work-style reforms. Under such circumstances, we achieved a certain level of success in terms of increased sales and profit by proposing optimal life cycle costs (LCC) to our customers based on our extensive experience and track record when it comes to the delivery of machinery and equipment to numerous water treatment plants, sewage treatment plants, and resource recycling facilities, as well as through engineering reforms that serve to create new value. However, since our engineering reforms are still in progress, we will continue to aggressively promote the further streamlining of on-site construction. In addition, we will strengthen and market new technologies and developed products and enhance our technical proposal capabilities so that we can go about solving the issues faced by our customers and meeting their diverse needs.



Improving on-site construction efficiency through the use of ICT tools



Pursuit of optimal life cycle costs (LCC) through engineering reforms

1. Achievements

① Increase in sales and profit

(FY2021) Sales: 46.7 billion yen / Gross profit: 12.7 billion yen
 → (FY2023) Sales: 53.7 billion yen / Gross profit: 13.5 billion yen
 (Total revenue from the former Plant Engineering Business, the Machinery Division of the Customer Engineering Business, and the Resources & Environmental Business)

② Engineering reforms to create optimal processes from on-site construction cost efficiency to machine construction design, construction management, and completion

③ Enhancement of new technologies and developed products and the market launches thereof

Demonstration project for advanced wastewater treatment technology using ICT and AI control of CPCM and the single-tank nitrification/denitrification process, disk-type multi-filament filter fabric filtration equipment (Cloth Media Filter), demonstration study on resource recovery from sewage water using a new phosphorus recovery system, fluidized bed turbine, waste heat power generation, etc.

2. Unfinished Tasks

① Improvement of profitability

② Further streamlining of on-site construction

Initiatives for Mid-Term Business Plan 2027

By constructing and point repairing plants using our strengths in energy saving and energy creation technologies, as well as greenhouse gas reduction technologies, and by providing safe and reliable operation and management, we will protect the recirculation of water and resources and promote our business as we aim to help facilitate the realization of a sustainable society. We will also focus on the next stage of Mid-Term Business Plan 2027 and aim to become the No. 1 company in terms of technology and services by promoting the integration of EPC, M, and even O, which we will do by implementing various initiatives such as those involving technology development, productivity improvement, and human resource development.

Strengths

- Differentiated products and technologies in the mechanical field, and engineering capabilities utilizing electromechanical fusion technologies.
- Solving customer problems, such as reducing greenhouse gas emissions, and meeting their diverse needs.
- Extensive experience and track record when it comes to delivering machinery and equipment to many water treatment plants, sewage treatment plants, and waste treatment facilities.

Challenges

- Continuing engineering reforms to create new value using ICT
- Further strengthening our ability to propose solutions for a decarbonized society by developing disaster response capabilities and energy saving and energy creation technologies
- Achieve results through engineering reforms, etc. (e.g., improved profitability)

Topics

Developing products and services that contribute to the realization of a decarbonized society

Since establishing an organization for carbon neutrality in FY2022, we have developed indicators to measure the decarbonization contributions of METAWATER technologies and products (systems and plants) and are strengthening our proposal activities to achieve a decarbonized society. During these activities, we used leaflets to provide customers with clear and easy-to-understand explanations. From FY2022 to FY2023, we made over 100 proposals. Looking ahead, we will enhance our efforts to support the realization of a decarbonized society by improving our leaflets, expanding our products and services, and calculating the greenhouse gas reduction contributions of the products and services we propose and receive orders for.



Using leaflets to propose METAWATER technologies that contribute to decarbonization

Major technologies and products that contribute to carbon neutrality

Technologies & products	Major contributions to carbon neutrality*
Multi-layer fluidized incinerator	Fuel consumption reduced by about 20% / N2O reduced by about 50%
Fluidized turbine systems	Power consumption reduced by about 40%
ORC power generation	Power consumption reduced by 30–100%
Single-tank nitrification and denitrification systems	Power consumption reduced by about 30%
Ozone & hydrogen peroxide AOP systems	Activated carbon reduced by about 50%

* Based on our own research, these reductions are compared with conventional technologies and products under specific conditions.

Topics

Commissioned with the “Chigasaki City Environmental Service Center Large-Sized Garbage Treatment Facility Improvement and Operation Project” to design and construct a new facility and provide long-term operation services

The aim of this project is the replacement of Chigasaki City's aging large-sized garbage treatment facility with a new one. It involves constructing a facility with a capacity of 27 tons per 5 hours and operating it for a period of 20 years using the Design, Build, and Operate (DBO) method. Our company will leverage our expertise gained from constructing, operating, and maintaining water supply, sewage, and resource recycling facilities to promote this project.

Overview of Project

Project name: Chigasaki City Environmental Service Center Large-Sized Garbage Treatment Facility Improvement and Operation Project

Project period: [Construction Period] September 2023 - March 2026
 [Operation Period] April 2026 - March 2046

Location: 836 Hagisono, Chigasaki City, Kanagawa Prefecture
 (within the Chigasaki City Environmental Service Center)

Project method: Design, Build and Operate method

Project Overview:

[Design and Construction] Design and construction of a new facility
 [Operation and Maintenance] Operation of the new facility, including reception and weighing (which involves the existing weighing building), operation management, inspection, repair, renewal, utility management, etc.



Large-sized garbage treatment facility (rear) and planned site for the new facility (front)

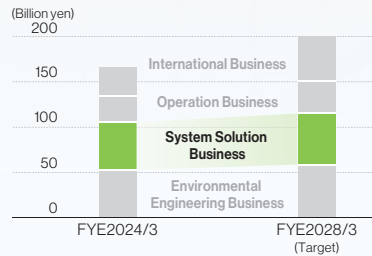
Message From the Business Manager

System Solution Division

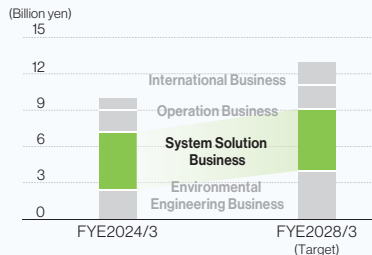
Messages from System Solution Division

Growth Image

Sales

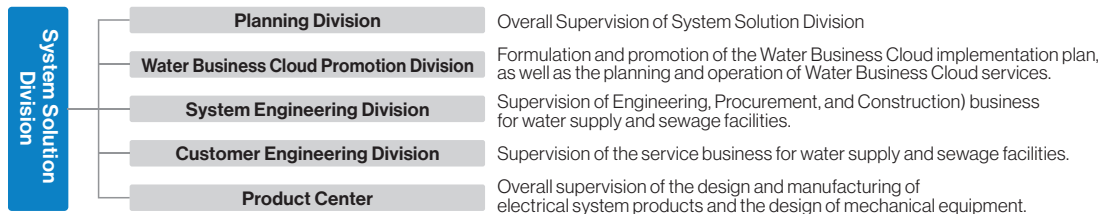


Operating profit



We will contribute to the stable operation of water supply and sewage facilities by integrating the design and construction of electric equipment with after-sales service.

At facilities that support water and environmental infrastructure (such as water treatment plants and sewage treatment plants), electrical equipment (including that involved in power receiving and distribution, instrumentation, and monitoring and control) is essential when it comes to operating various equipment and ensuring the proper functioning of the entire facility. Building on our established culture of Electromechanical Fusion, we will adapt to changes being seen in terms of the business environment and customer needs, such as the developments occurring in terms of PPPs and escalating environmental issues. Through our organizational capabilities, which involve the integration of engineering functions which span from the design and construction of electrical equipment to after-sales service, we will provide solutions that contribute to safe and secure water and environmental infrastructure.



Review of Mid-Term Business Plan 2023

In addition to delivering a wide variety of electrical equipment, including monitoring and control systems, and wide-area monitoring and facilities management systems utilizing our proprietary Water Business Cloud (WBC) service, we have expanded applications and functions, promoted the digital transformation of engineering operations, and worked to improve the quality of our products, systems, and engineering. We have also advanced development by incorporating new technologies, such as AI, to further enhance our monitoring and control systems, which constitutes one of our strengths. Additionally, we are focusing on Electromechanical Fusion, including the use of ICT and AI control for products and new technologies in the mechanical field. The global situation presented various challenges, including changes in the business environment occurring due to the COVID-19 pandemic, shortages and long delivery times for raw materials and supplies, and rising prices and labor costs. We responded effectively to each of these issues to minimize the impact on our business and contributed to the stable maintenance of water supply and sewage infrastructure.



Renewed electrical equipment



Renewed monitoring and control equipment

Initiatives for Mid-Term Business Plan 2027

We will continue to advance the digital transformation of our engineering operations, providing more efficient, high-quality, and optimal solutions that meet customer needs, such as the safe replacement of aging facilities. Additionally, we will enhance our nationwide service base and expand our service menu to promote initiatives which ensure that customers can use electric equipment with greater peace of mind throughout their entire lifecycles. As PPPs further develop, the roles and demands placed on our products and systems will evolve. We will train engineers to adapt to these changes, promote the development of solutions for more efficient operation and maintenance of water supply and sewage facilities, and collaborate closely with customers and partner companies to build a service base system and functions that serve to support their businesses effectively within the community.

Strengths

- Extensive delivery track record, engineering experience, and expertise.
- Expertise in maintenance, inspection, point repair, and troubleshooting for mechanical and electric equipment, which has been cultivated over many years.
- A service network centered on 34 locations nationwide.
- Extensive track record and expertise in integrated and remote monitoring (wide-area monitoring) of small-scale facilities across Japan, including facility operation management systems using facility management ledgers and maintenance/inspection tools, which are all powered by our proprietary Water Business Cloud (WBC).

Challenges

- Responding to the continued development of PPPs.
 - Engineering capabilities to meet performance requirements.
 - Development efforts aimed at enhancing efficiency in terms of operation and maintenance.
 - Improvement of our service center structure and functions.
- Development initiatives that contribute to energy saving, energy creation, and energy management.
- Further promotion of work style reform.
 - Promotion and penetration of digital transformation in terms of engineering operations.
 - Promotion of work style reforms for on-site workers.
 - Creation of an environment where diverse groups of employees can actively contribute.

Topics

Awarded a large project for system component management services utilizing the Water Business Cloud (WBC)

To achieve sustainable water and wastewater services, effective physical asset management that efficiently facilitates the oversight of the lifecycles of facilities is essential. Our system component management services support this by collecting and accumulating maintenance and management data, including with respect to equipment ledgers, inspection histories, and point repair histories.

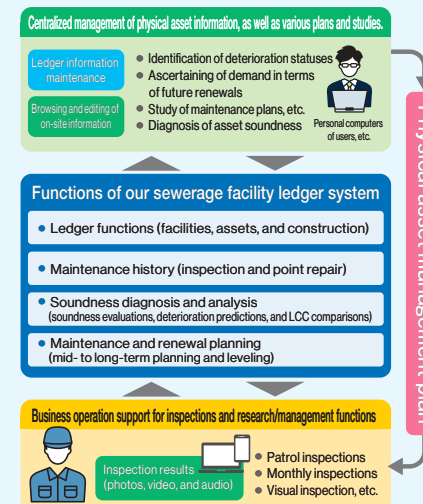
Construction of the Saitama Sewerage Bureau's Next Sewerage Facility Ledger System

Registered assets Approximately 55,000 items (order received in December 2022; system currently under construction)

The Saitama Sewerage Bureau manages 9 wastewater treatment plants and 22 pumping stations across 8 catchments, serving over 5.6 million people. To efficiently manage and operate its extensive assets of around 55,000 items, we proposed a next-generation sewerage facility ledger system and realized the centralization of asset and maintenance management information, enabling comprehensive analysis and evaluation for effective physical asset management. This system serves to centrally manage ledger information upon the completion of construction, as well as on-site information such as inspection records and maintenance records. By linking each function, it automates the processes spanning from the collection of on-site information to diagnoses pertaining to soundness. This enables efficient and highly accurate physical asset management.

Key points when it comes to building a sewerage facility ledger system

- Information can be shared in real-time among all parties concerned.
- PDCA cycles (Plan → Execute → Analyze → Improve) can be operated properly and smoothly.
- Reduces the time and effort required to formulate periodic physical asset management plans.



Topics

Completion of “Utsunomiya City Kawada Water Recycling Center Extra-High Power Receiving and Transforming Equipment Construction, Part 3” in Tochigi Prefecture

The Kawada Water Recycling Center is the largest sewage treatment facility in Utsunomiya City, serving approximately 260,000 people. Our Group has delivered a substantial amount of mechanical and electrical equipment to this facility and also manages its operation and maintenance.

The construction involved the renewal of the 66kV extra-high power receiving and transforming equipment that supplies power to the entire center.

We completed the setup of equipment in a safe manner and in a manner involving a high level of quality in terms of the work performed, further strengthening our relationship of trust with the customer.



Renewed extra-high power receiving and transforming equipment

Overview of construction

Project period: October 12, 2021 - December 15, 2023

Contract amount: 1,040,000,000 yen (excluding tax)

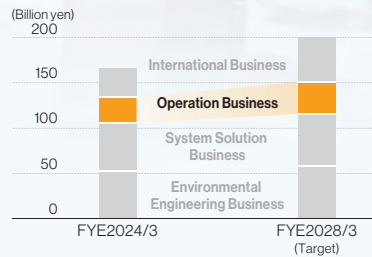
Construction details: Renewal of power receiving and transforming equipment, and functional expansion of operational equipment and of monitoring and control equipment.

PPP Division

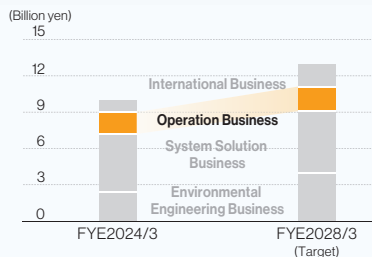
Messages from Public Private Partnership Division

Growth Image

■ Sales



■ Operating profit



Contribute to the sustainability of the water business by collaborating with local communities and supporting the government's promotion of Water PPPs.

In 2023, the Cabinet Office's Action Plan for the Promotion of PPPs/Private Finance Initiative introduced a new public-private method for water and wastewater business, termed "Water PPPs*1." The government's goal is to commercialize up to 225 projects over 10 years, with the market for PPP projects expected to expand rapidly. The PPP Division has been involved in more than 50 projects to date, including a project involving integrated water and wastewater concessions. We believe that the know-how and track record gained as a result of these projects represent a significant strength that can be applied to Water PPPs. Additionally, starting in fiscal 2024, we will establish a business management framework within the Area Management Division to enhance the sustainability of the water business while maintaining close ties with the local community.

*1 See page 59 for more details.



Review of Mid-Term Business Plan 2023

During the period applicable to Mid-Term Business Plan 2023, we successfully secured orders for projects including the "Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water" the advanced "Kumamoto Prefecture Ariake/Yatsushiro Industrial Waterworks Operation Project," and the large-scale "Osaka City Sludge Treatment Facility Improvement and Operation Project." Additionally, second-stage projects such as "Comprehensive Consignment for Arao Water Business (Second Stage)" and "Second Fukuchiyama City Comprehensive Private Consignment for Waterworks Project, etc." were awarded based on a larger scale than that of their initial stages. To meet local government expectations, we emphasize the importance of contributing to the local economy through collaboration with local companies and the employment and training of local talent.



Work Scene of the Kumamoto Prefecture Ariake/Yatsushiro Industrial Waterworks Operation Project

Targets for Mid-Term Business Plan 2027

- ① Firmly protect our existing market share
- ② Accumulate appropriate contracts that closely consider the needs of our customers
- ③ Make business proposals that are most beneficial to customers
- ④ Make a series of proposals that are optimal for the community

Initiatives for Mid-Term Business Plan 2027

In addition to Water PPPs, we anticipate an increase in the number of projects that have seen the completion of their first phase and are seeing the commencement of their second phase. To secure orders for these projects, we will propose new PPP initiatives, including digital transformation projects, by utilizing our accumulated know-how when it comes to operations and our technological capabilities when it comes to electromechanical fusion. Additionally, we will achieve optimal business operations that are both stable and efficient by utilizing the Operation Support Center, which began actual operation last fiscal year and provides 24-hour monitoring and support when it comes to plant operation and statuses. Furthermore, based on the experience gained from operating PPP projects in the region, we are considering collaborating with companies and organizations from various industries to develop solutions for issues such as population decline, engineer shortages, and increasingly prevalent natural disasters.

To sustain Japan's water infrastructure, we will continue to operate our business with honesty and sincerity, earn the trust of our customers, local communities, and citizens, and strive to become the No. 1 company that people want to work with.

Strengths

- Industry-leading participation in PPP projects and extensive long-term operational experience
- Established various risk identification and risk hedging methods for business operations
- Created a system that enables rapid recovery in the event of a disaster
- Establishment of a PDCA cycle for contracted projects, from identifying areas for improvement to implementing measures after consulting with the customer, and application of this know-how to optimize LCC (Life Cycle Cost) proposals for other projects

Challenges

- Continuous development of PPP-related human resources with know-how when it comes to long-term operation and maintenance
- Securing of local talent and the building of a network to expand business that is rooted in the community
- Compensating contracts for rapid increases in personnel and fuel expenses, etc., and the promotion of further energy saving
- Responding to the second phase of a project after the completion of the first phase of the contract period
- Reinforcing responsiveness to performance-based orders

Topics

A group of companies led by METAWATER is contracted by Fukuchiyama City for the “Second Fukuchiyama City Comprehensive Private Consignment for Waterworks Project, etc.”

Our Group, as the representative corporate entity of a joint venture (JV), has been entrusted with the “Second Fukuchiyama City Comprehensive Private Consignment for Waterworks Project, etc.” since 2019. We have handled maintenance, management, sales, and planning tasks, and have been awarded with the consignment of the second phase of this project. For the second phase, we will undertake the project as a corporate group by adding a new company to those involved in the first phase. We will serve as the representative corporate entity of the newly established SPC and, in addition to the primary contracting work, will also be responsible for preventive maintenance of facilities and improvement of the yield ratio^{*2}.

^{*2}Yield ratio: The ratio of the amount of water delivered from a water treatment plant in relation to the amount of water billed as fee income. It is an indicator of the productivity of water treatment.



Work Scene of Water Service Kihoku's Operations

Overview of Project

Project name: Second Fukuchiyama City Comprehensive Private Consignment for Waterworks Project, etc.

Project period: April 1, 2024 - March 31, 2029 (5 years)

Scope of operations: (1) Waterworks facility operation and management, (2) Waterworks facility maintenance management, (3) Water pipeline maintenance management, (4) Contact point and charge-related operations, (5) Public relations, (6) Government building management operations, and (7) Planning and inspection services, etc.

Operator: Water Service Kihoku Co., Ltd. (SPC)

Investment/Cooperating Companies:

[Investing Companies] METAWATER Co., Ltd. / Fukuchiyama Plumbing Heating and Air Conditioning Constructor's Association / METAWATER SERVICE Co., Ltd. / FUTUREINN CO., LTD. / West Japan Railway Company
[Cooperating Companies] DAITETSU KOGYO CO., LTD. / Fukuchiyama Plumbing Heating and Air Conditioning Constructor's Association Cooperative Member Companies

Topics

Osaka City Ebie Sewage Treatment Plant Renovation and Renewal Project: Water Treatment Plant Completed and Commencement Ceremony Held

On December 15, 2023, a ceremony was held to celebrate the completion of three newly constructed water treatment facilities for the “Osaka City Ebie Sewage Treatment Plant Renovation and Renewal Project,” undertaken by a group of companies that includes us, and to mark the commencement of water treatment operations. The ceremony was attended by Mayor Hideyuki Yokoyama, Kenji Yamaguchi, President and Representative Director of our company, and approximately 80 other guests.

The newly constructed 3-system water treatment facility employs a hybrid method that combines three techniques to protect the environment in the discharge water area: high-speed filtration, MBR (membrane separation active sludge method), and A2O (Anaerobic Anoxic Aerobic method). This 3W treatment method^{*3} provides advanced wastewater treatment and ensures high-quality treated water even amid wet weather conditions.

^{*3}3W Treatment Method (Wet Weather Wastewater Treatment Method): During rainy weather, when the water volume increases, sanitary sewage is directed to both the front and rear stages of the A2O aeration tank for treatment.



Photo of the Water Treatment Plant Commencement Ceremony

Overview of Project

Project name: Osaka City Ebie Sewage Treatment Plant Renovation and Renewal Project

Project method: BTM (Build Transfer Maintenance) method

Project period:

[Design and construction] November 2017 - May 2024

[Performance evaluation verification] April 2024 - March 2026

[Maintenance and management] April 2026 - July 2040

Treatment capacity: 77,000 m³/day on sunny days, 276,000 m³/day on rainy days

Operator: Ebie Waterlink Co., Ltd. (SPC)

[Shareholders] Taisei Corporation, METAWATER Co., Ltd., Nihon Suido Consultants Co., Ltd., METAWATER SERVICE Co., Ltd., Kubota Corporation

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

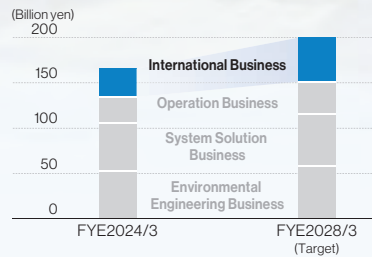
• Water PPPs P59~60

International Business Division

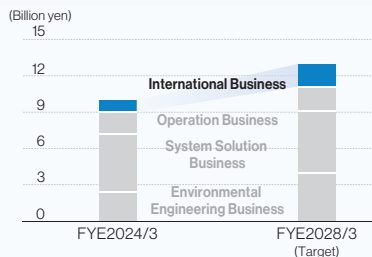
Messages from International Business Division

Growth Image

Sales



Operating profit



We will strengthen cooperation with our Group companies and partner companies to provide products and technologies best suited to local water environments.

The International Business Division is accelerating business development primarily in North America, Europe, and Asia.

In Europe and North America, we are collaborating with our U.S. subsidiaries, Aqua-Aerobic Systems, Inc. and Wigen Companies, Inc., as well as our European subsidiaries, Mecana AG, FUCHS Enprotec GmbH, and Rood Wit Blauw Water B.V., to address challenges such as aging infrastructure, the tightening of regulations, and water shortages. In Asia, we will enhance our business structure and strengthen collaboration with local companies to meet the growing demand for water.

The global water business environment is changing at a dizzying pace and becoming increasingly difficult to predict. Our Group will thus work to strengthen cooperation with our partners to pursue and provide optimal solutions tailored to local issues.



Review of Mid-Term Business Plan 2023

Due to the impact of the COVID-19 pandemic which began in 2020 and the escalation of the conflict in Ukraine in 2022, our international business faced challenges such as inflation, longer delivery times for necessary parts and materials, and delays and cancellations of planned projects. However, by mobilizing the collective efforts of our Group—including sales, engineering, procurement, and back-office teams—and benefiting from the depreciation of the Japanese yen, we overcame these challenges and achieved better results than we had originally planned for. At the same time, we were able to recognize the need to create more synergy within the Group than ever before.



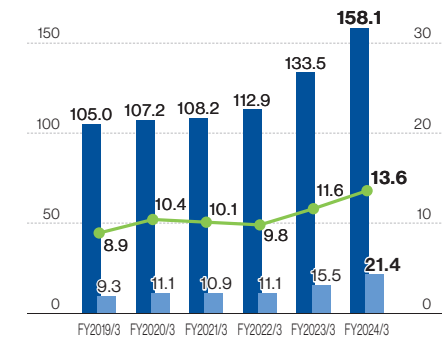
Monitoring and control of sewage treatment plants by local operators



Mobile ceramic membrane filtration equipment delivered to Mozambique (during on-site training)

Changes in group sales and operating income for Aqua-Aerobic Systems, Inc.

■ Sales (Gr.) (Million US\$) ■ Operating profit (Gr.) (%) ● OPMR (Gr.) (%)



Initiatives for Mid-Term Business Plan 2027

In the international business division, we aim to achieve sales exceeding 50 billion yen by FY2027, the final year of our plan. To reach this goal, our business division will strengthen collaboration with our six overseas subsidiaries in Europe and the United States to achieve organic growth and further develop synergies across the group, with a focus on technology. Additionally, we will adopt new processes and focus on technologies for producing reclaimed water and removing micropollutants to address the demands of the global water environment market. We will also strive to recruit and develop the skilled personnel necessary to achieve these goals.

Strengths

- Our many years of achievements and experience in the Japanese water and sewage market, as well as our unique technologies, such as ceramic membrane filtration systems and ozone generation systems developed and refined in Japan
- Well-established overseas subsidiaries with a strong track record, deeply rooted in local communities and highly regarded by industry and residents, along with the unique technologies possessed by each subsidiary, such as Cloth Media Filter
- Our Group's comprehensive proposal and development capabilities (group synergies), based on the unique technologies mentioned above, enable us to keep pace with changes in laws and regulations in each country as well as the external environment

Challenges

- Initiatives to address global structural changes (such as inflation pressure and prolonged supply chain issues), tightening regulation in the water environment field, and shifts in customer demand
- Expanding our business beyond Europe, the U.S. and Asia, and into new regions to further contribute to global environmental conservation.
- Considering participating in water business operations in countries other than Japan in the medium to long term, in light of the ever-changing global water market

Topics

Cheung Aek Sewage Treatment Plant Successfully Completed and Started Operation

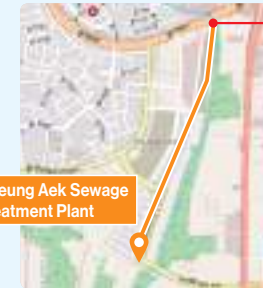
The first mechanical public sewage treatment plant in Phnom Penh, the capital of Cambodia, has been completed and is now in operation.

The population of Phnom Penh has grown by 1.7 times over the course of 20 years! Phnom Penh is experiencing rapid urbanization.

As the population of Phnom Penh has grown, so has the amount of wastewater it generates. This has resulted in a negative environmental impact, contaminating lakes and rivers and causing foul odors. The water quality has particularly declined in the area around Cheung Aek Lake, and this large-scale project aims to address the issue by maintaining the sewer pipes in the area and constructing a wastewater treatment plant. MW, in a joint venture with Kubota Construction, launched the project in April 2021. Despite facing a wide array of difficulties both from the pandemic and from performing construction in an unfamiliar foreign country, the plant was completed in December 2023 and it has begun operating.



A panoramic view of the Cheung Aek Sewage Treatment Plant



Cheung Aek Sewage Treatment Plant



Wastewater intake



Administration building

Installed pipes from the wastewater intake to the sewage treatment plant.

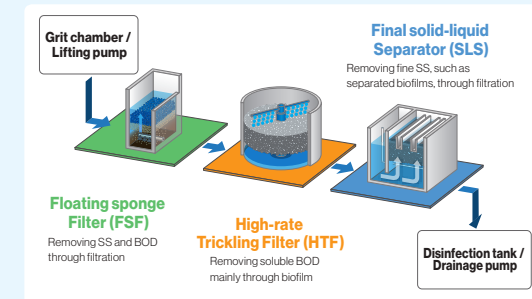
Project Overview

The Project for Sewerage System Development in Phnom Penh

Construction of Sewage Treatment Plant:

Treatment capacity : 5,000 m³/day
(Approximately 19,000 P.E. (Population equivalent))
Installation of sewer pipes: 1.9 km

The Pre-treated Trickling Filter (PTF), which we developed for emerging countries, was adopted for the wastewater treatment method.



Sprinklers in action



Comparison of treated wastewater



FSF

HTF

Disinfection tank

SLS



Changes in the development of new technology

The environment surrounding water and environmental infrastructure is evolving daily, with challenges varying by country and by region. For more than 50 years, since the days of NGK INSULATORS, LTD. and Fuji Electric Co., Ltd., we have been engaged in various technological developments as a company supporting water and environmental infrastructure. Since the company was founded in 2008, inheriting the DNA of our two predecessors, the business environment has changed at an accelerated pace, including when it comes to measures aimed at addressing climate change and natural disasters, and economic difficulties and engineer shortages caused by declining populations. 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.

Topics in FY2023

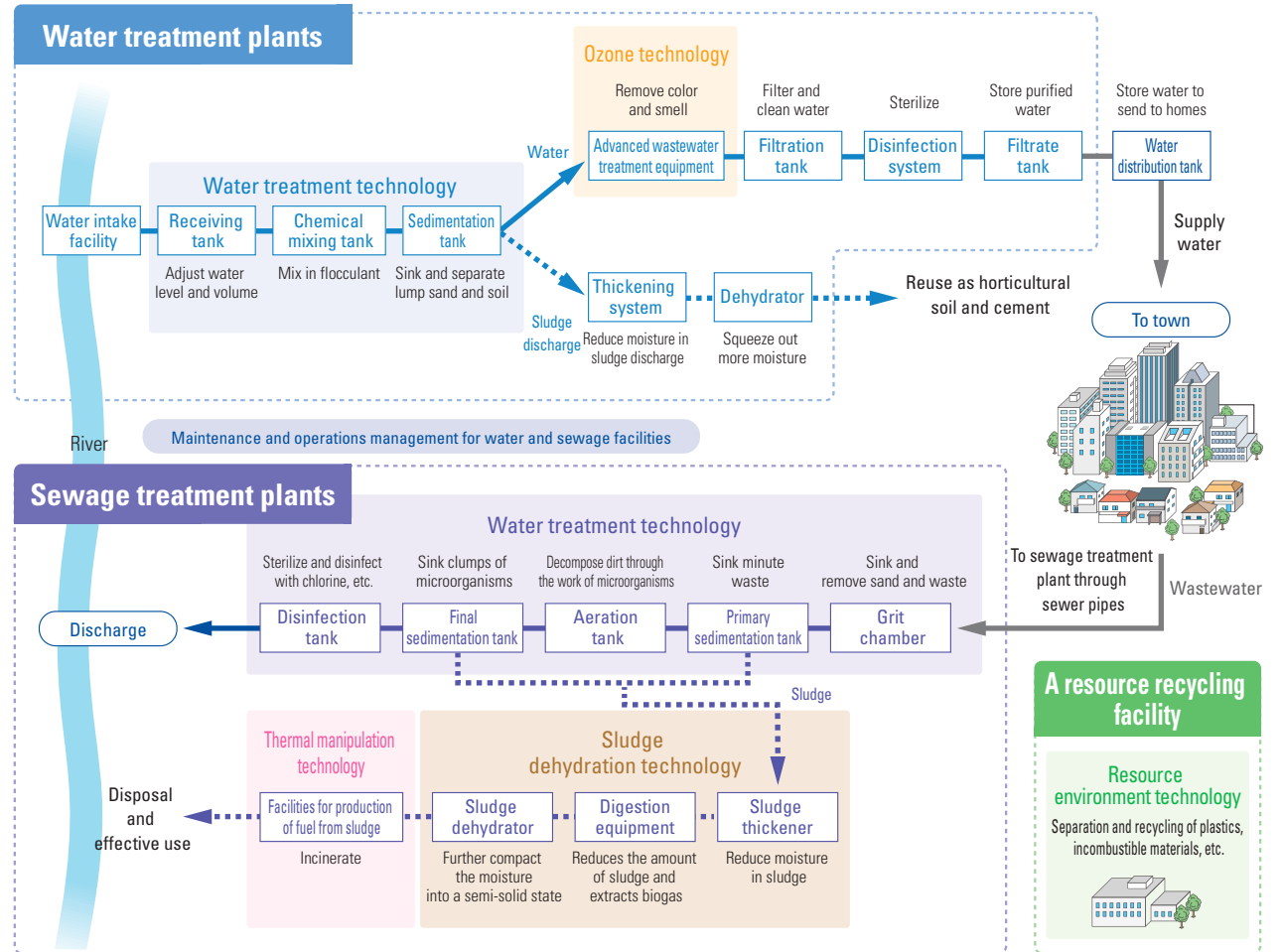
B-DASH Project

The demonstration study facility for the 2022 supplemental "Demonstration Project on Recycling of Sewage Water Using a New Phosphorus Recovery System" (adopted in February 2023) was completed in January 2024.

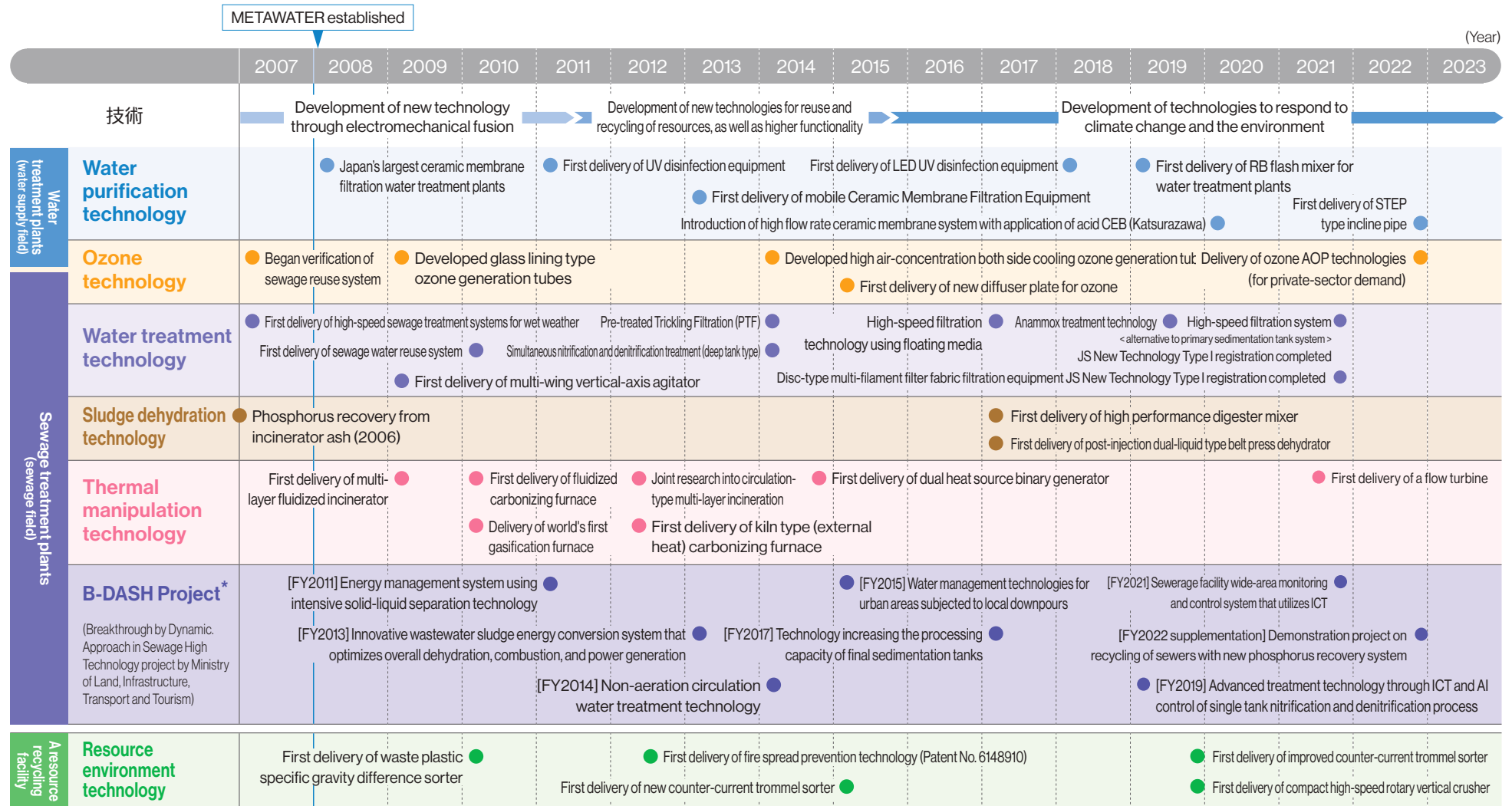


Ceremony to commemorate the completion of the demonstration facility

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



Changes in the development of new technology (2007 to 2023)



* 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.

Our Excellent Technologies

Water treatment technology | Safe water purification system effective even in the face of climate change

Ceramic Membrane Filtration System

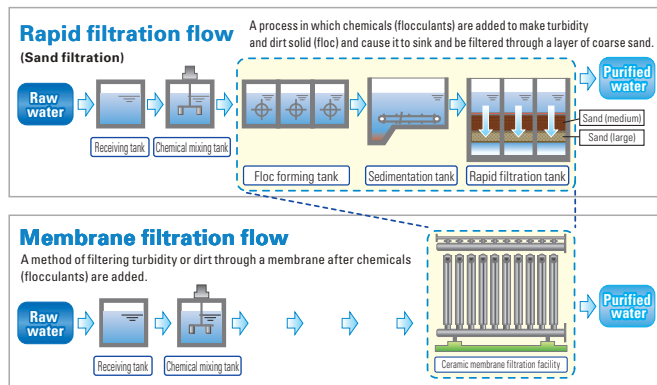
METAWATER's "Ceramic Membrane Filtration System" boasts the No. 1* market share for water treatment plants in Japan utilizing membrane filtration systems. The risk of membrane breakage is extremely low, it can remove protozoa, allowing for safe filtered water, it can be installed in small spaces, and it has a long service life.



Ceramic membrane

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. Our Group advances the performance and cost reduction of ceramic membranes, contributing to further developments, including mobile equipment.

*Based on METAWATER's data.



Characteristics of ceramic membrane filtration systems

High Strength and High Reliability

Contributing to the safety of water supply as an "unbreakable membrane" that takes advantage of high strength.

Easy Storage and Management

Compared to other filtration membranes, it is easier to manage as it can be stored in a dry state.

High Operational Stability

Even in rainy conditions or when raw water is highly turbid, the filterability remains consistent, ensuring stable water treatment at all times.

Environmentally Friendly

Long Life
Boasts a lifespan of more than 15 years and can be reused as a ceramic material even after its service life.

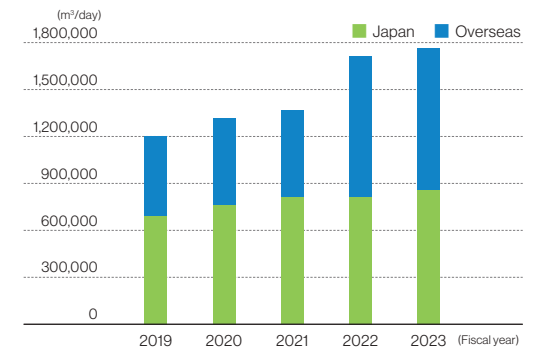
Space Saving

No need for the installation of floc forming tanks or sedimentation tanks, which are required for water treatment using sand filtration methods (rapid filtration), allowing for a minimized use of space.

Energy Saving

Low pressure required for filtration of raw water enables filtration using the difference in water level (height difference) without the need for power, contributing to reduced electricity consumption.

<Delivery results> Volume of water processed (cumulative)



Mobile Ceramic Membrane Filtration Equipment: A Mobile Water Treatment Plant for Ensuring Water Supply in Areas with No Existing Supply or in Disaster Zones

The Mobile Ceramic Membrane Filtration Equipment is a simplified version of the ceramic membrane filtration system mounted on a truck. It serves as a mobile water treatment plant that can be transported by users. The system can be moved and set up near water sources such as lakes and rivers to treat water for safe domestic use. Equipped with a power generator, it can also treat water in areas without access to public electricity.



Mobile Ceramic Membrane Filtration Equipment

It is in high demand overseas, with orders for a total of 31 units received from Kenya, Cambodia, Myanmar, and other countries in Africa and Southeast Asia.

These features are crucial for securing water for daily use, particularly in times of disaster.

This equipment was used by the city of Imabari to provide emergency support for domestic water supply in Shika, Ishikawa Prefecture, where the restoration of water supply facilities was delayed after the Noto earthquake in January 2024.

Additionally, it was used for water supply assistance by the Ministry of Health and other organizations in Laos in August 2023, following massive flooding in the country.

Carbon-neutral technology | Contributing to energy saving and reducing greenhouse gas emissions

Carbon neutral

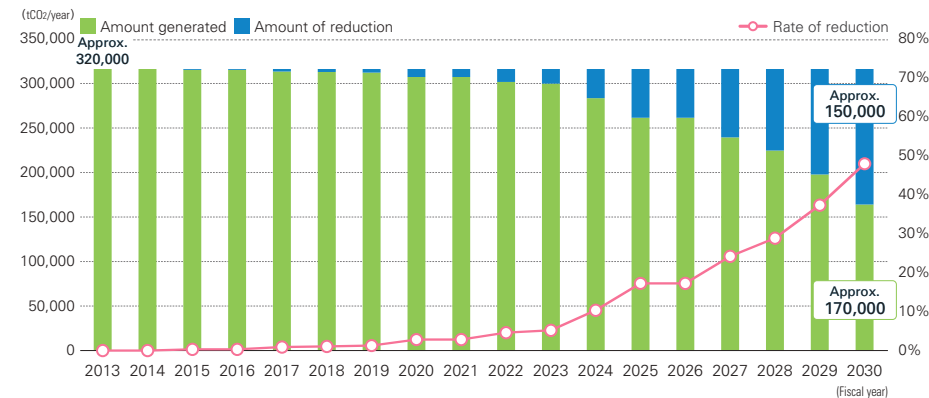
The METAWATER Group will contribute to the realization of sustainable water and environmental infrastructure by working with local communities and providing optimum technology and services to solve environmental and social issues, including climate change. To this end, we are aiming both to reduce our 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	Results
GHG emissions (Scope 1 & 2)	Domestic group (consolidated*)	2020 (3,982 t-CO ₂ /year)	2030 2050	Reduction by 70% Net zero	3,959 t-CO ₂ /year (2023)
Contribute to reducing the GHG emissions of our customers (local governments)	Thermal manipulation-related products and systems for domestic sewage facilities	2013 (approx. 320,000 t-CO ₂ /year)	2030	Reduced by 50% through product/system introduction	302,575 t-CO ₂ /year (2022)

*1 Companies included in FY2023 calculations: METAWATER CO., LTD., METAWATER SERVICE Co., Ltd.

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

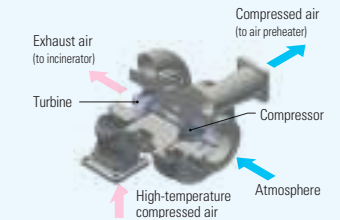


Sewage and thermal manipulation technology

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

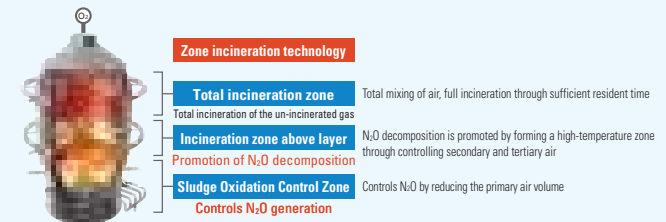


Sewage and thermal manipulation technology

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



Our Excellent Technologies

| B-DASH Project | (FY2022 Supplemental Project)

Demonstration Project for Resource Recycling in Sewage Works Using a New Phosphorus Recovery System

With the revision of the Sewerage Act in 2015, sewage managers were required to make efforts to convert the sludge they generate into fuel or fertilizer. While composting has been promoted in Japan, the utilization rate of sewage sludge remains at about 10%. Additionally, the "Policy Outline to Strengthen Food Security," released in December 2022 (revised in December 2023) by the government's Headquarters for a Stable Food Supply and Strengthening Agricultural, Forestry, and Fisheries Infrastructure, aims to expand the use of compost and sewage sludge resources by 2030 and increase the utilization ratio of domestic resources. To promote the utilization of sewage resources such as sludge, this project will efficiently recover phosphorus from dewatered sewage sludge fluid* using phosphorus recovery materials to convert it into a stable phosphorus resource for effective use.

* Wastewater containing high concentrations of phosphorus generated during the sludge dewatering process.

Demonstration Summary

Phosphate-form phosphorus is recovered from fluid of dewatered sludge using a new method to enable the recycling of recovered phosphorus as fertilizer. The project will verify the phosphorus recovery rate and the quality of the fertilizer produced continuously.

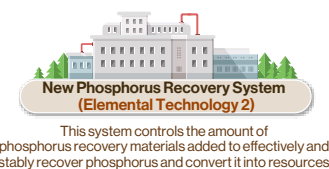
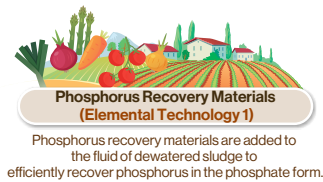
Project Features

▶ Efficient Phosphorus Recovery Using Phosphorus Recovery Materials

- By utilizing phosphorus recovery materials with both adsorption and sedimentation properties, phosphorus is efficiently recovered from the fluid of dewatered sludge without the need for additional chemicals.

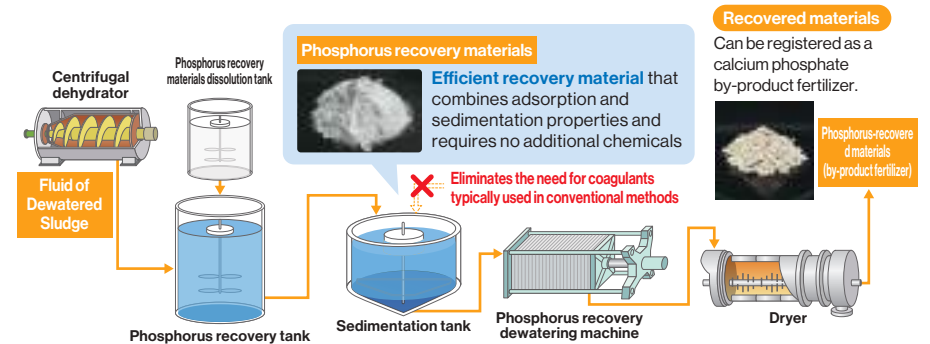
▶ Optimal Control with the New Phosphorus Recovery System

- To ensure that the recovered phosphorus meets the official standards for by-product fertilizers as stipulated in the Act on the Quality Control of Fertilizers, the addition of "phosphorus recovery materials" is adjusted based on the phosphorus concentration in the fluid of dewatered sludge.
- With the new phosphorus recovery system achieving optimal control and ensuring stable quality and supply of recovered phosphorus throughout the year.



Overview of Project

Project Implementers: Composed of Taiheiyo Cement Corporation, METAWATER Co., Ltd., and the Bureau of Sewerage, Tokyo Metropolitan Government
Field of application: Sunamachi Water Reclamation Center (Tobu Sludge Plant), the Bureau of Sewerage, Tokyo Metropolitan Government
Project Period: From 2023
Role: Taiheiyo Cement: Overall supervision, data collection related to phosphorus recovery, and study on the use of recovered phosphorus as fertilizer.
Bureau of Sewerage, Tokyo Metropolitan Government: Provision of demonstration fields and expertise related to research and development.
METAWATER: Overall plant construction and operation, data collection, and analysis.



Demonstration Study Facility

In January 2024, the demonstration study facility for this project was completed at the Sunamachi Water Reclamation Center (Koto-ku, Tokyo). The facility aims to establish guidelines for technology introduction and promote the adoption of new phosphorus recovery technology based on the research results obtained.

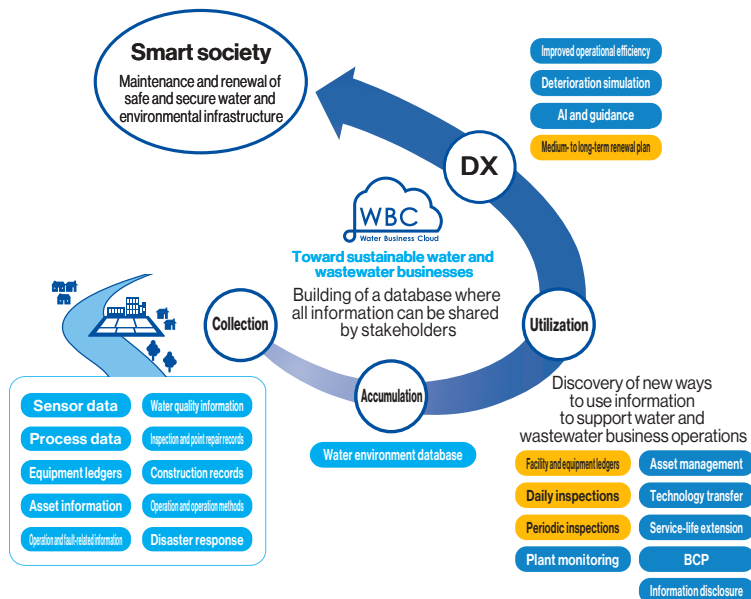


ICT and AI Technology

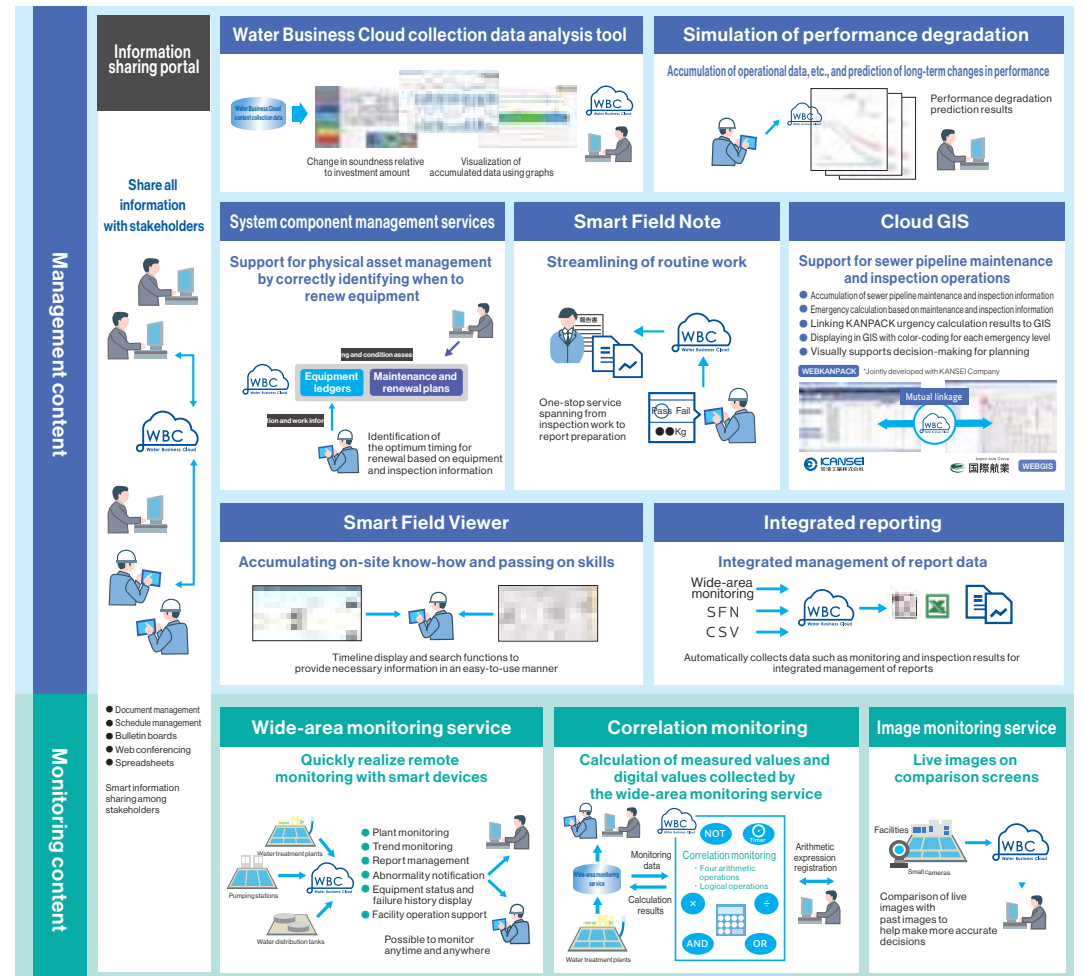
Water Business Cloud (WBC)

The Water Business Cloud is a cloud-based platform designed to connect everyone involved in the water and environmental business, facilitating the efficient sharing and utilization of essential data and information anytime, anywhere, and by anyone. It supports a wide range of functions, from monitoring and managing water and wastewater facilities, to collecting, processing, and analyzing data. This contributes to the efficiency of customer operations, the transfer of technology, and the promotion of digital transformations. By linking diverse data and incorporating the latest technologies, the platform aims to create a smart society and sustainable water and wastewater business through AI-driven guidance, operational automation, and the transparent publication of data for the citizenry.

Concept of the Water Business Cloud



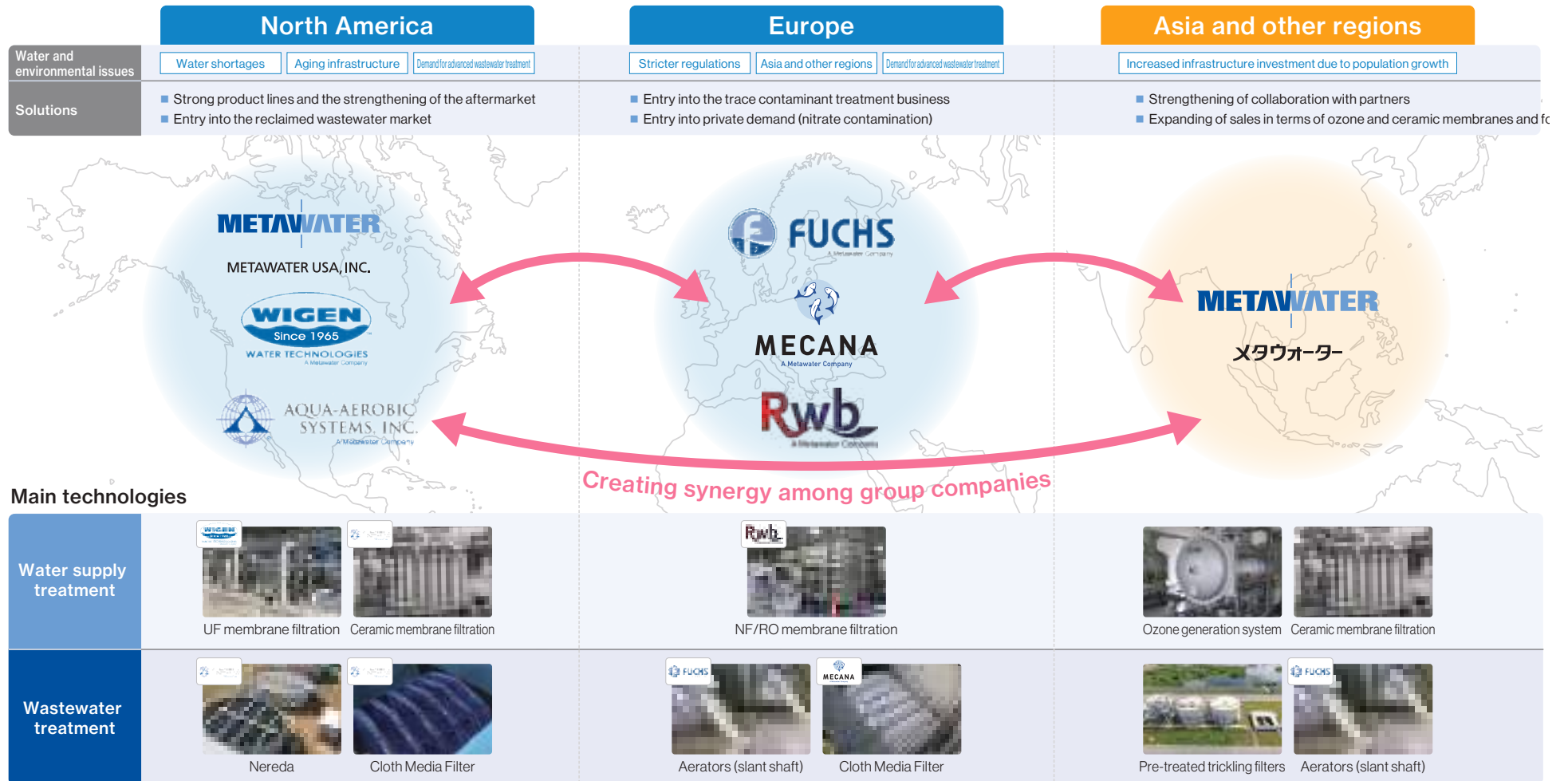
Main functions and services of the Water Business Cloud



Our Excellent Technologies

Overseas business

Building of a local structure to meet the demand for advanced wastewater treatment, such as for reclaimed wastewater and treatment of trace contaminants (areas for which demand is expected to increase) based on our strong commercial and technological capabilities.



Feature

Participated in an Aquaponics Project in Ofunato City, Iwate Prefecture

We are participating in an aquaponics (a recycling-oriented agriculture system where fish and vegetables are grown simultaneously) project in Ofunato City, Iwate Prefecture. For this project, about 10 locally hired staff members are working at Aquaponics Park Ofunato (completed in 2022 and built on the premises of the Ofunato Sewage Treatment Center), where they are involved in the farming of vegetables and sturgeon. Two years into full-scale production, we are now shipping lettuce and other products to around 30 supermarkets and roadside stations throughout the Tohoku area.

This project continues to attract attention as an effort to create new local industries and revitalize the local economy. It has also been featured in more than 40 television, radio, and newspaper reports. (As of July 2024)

What is aquaponics?

Aquaponics is a new method of agriculture that uses the excrement of the fish being farmed as fertilizer to grow plants. Also known as “organic farming with water,” it avoids the use of pesticides and chemical fertilizers, enabling both aquaculture and agriculture to take place with minimal environmental impact. It represents a next-generation model of environmentally conservative agriculture aligned with the principles of the SDGs.

Background of This Project

In recent years, many wastewater treatment plants have been left unused due to consolidation and closure caused by declining populations, as well as due to technological innovations that have made treatment more efficient. The Sewerage Renovation Plan promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) also recommends converting sewage treatment plants into agricultural production bases by utilizing sewage heat and reclaimed wastewater. Ofunato City views the aquaponics project as an initiative that will contribute to the effective use of unused land at the wastewater treatment plant. The city has thus decided to conclude a fixed-term business-use land lease agreement with the company and provide the land for the project.

Outline of the Project Company

Company name: Tetsugen Metawater Aqua Agri

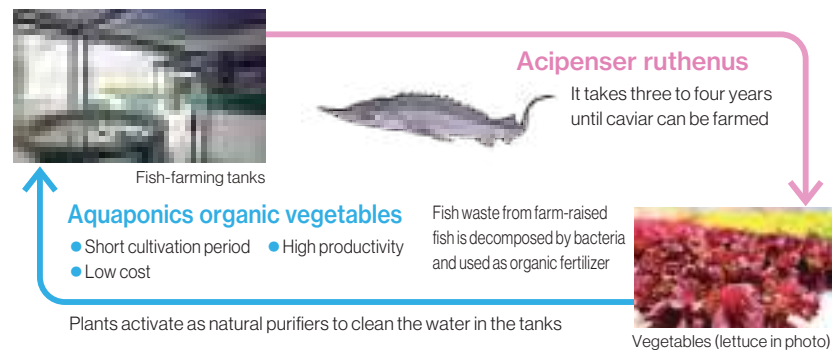
Shareholder composition: TETSUGEN Corporation, METAWATER Co., Ltd., Plant form Inc.

Location: 1-2 Kakenoshimukai, Ofunato Town, Ofunato City, Iwate Prefecture

Date of establishment: October 1, 2021



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



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.”

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.

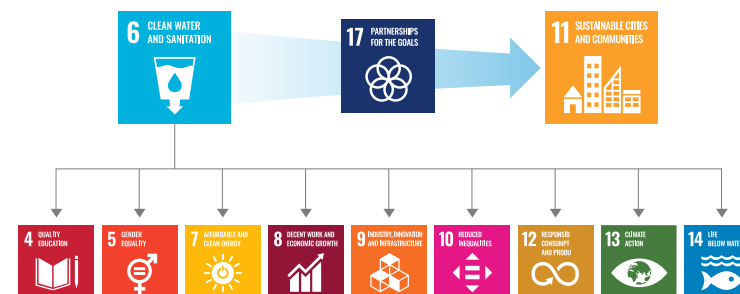


METAWATER Group sustainability promotion activities – initiatives targeting important issues (materialities)

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.



Human Capital Management

Our Group believes that people are our greatest asset. Based on this philosophy that we have when it comes to human resources, which has us aiming to develop talent that contributes to a sustainable environment and society, we are promoting four initiatives: safety, security, and health, the pursuit of a comfortable work environment, respect for diversity, and support for people to grow and take on challenges. Through these initiatives, we are advancing our human capital management efforts by promoting investments into people.

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



Director, Senior Executive Officer /
Executive General Manager,
Corporate Strategy Planning Division

Michio Fujii

We will put human capital management into practice and actively promote work style reform and health and productivity management

Our Group is continuously promoting work style reform and health and productivity management based on the concept of human capital management to maximize the abilities and potential of our employees and link these to the sustainable enhancement of corporate value by enabling people to fully realize their individuality and capabilities. When it comes to work style reform, we have positioned human resources as the key to our corporate competitiveness and aim to become the No. 1 company that people want to work for. To enable both the company and individuals to grow sustainably and respond to the diversification of values and work styles, we are implementing measures serving to facilitate the achievement of a life-work balance* which allows employees to choose work arrangements that suit their lifestyles and to create a situation for everyone where work styles are not tied to any specific location. In terms of concrete results, measures introduced ahead of others in the industry—such as a telework system, the establishment of satellite offices, the three-day workweek, and the gradual termination of employee assignments which have an employee moving away from their family on a temporary basis—have already taken root. New measures, such as full-flexible working hours, divided working hours, remote work systems, and side job systems, are gradually becoming more common.

At the same time, we have been promoting health and productivity management, which supports the creation of a safe work environment and the promotion of employee health. This is based on our human resource philosophy of placing the highest priority on safety,

security, and health, and our belief that people are our greatest asset. From the perspective of safety and security, we prioritize workplace safety through the formulation of a Company-wide Health and Safety Management Policy, the establishment of organizational structures at both the company-wide and divisional levels, and the implementation of comprehensive safety guidelines. In terms of health, we are working to raise employees' health awareness by establishing a Health Management Center staffed by industrial physicians, organizing walking events that employees can participate in individually, and providing mental health care-related education through e-learning initiatives.

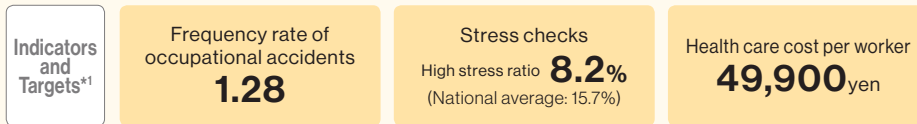
Starting from fiscal 2024, we will regard health and productivity management to be a key corporate strategy. Top management will take the lead in promoting and strengthening initiatives that link the maintenance and promotion of employee health to future increases in corporate value. To promote this more strategically, we will implement various measures to improve employees' lifestyles by visualizing measures, indicators, targets, and the path to solving issues through a strategy map, based on the three pillars of our strategy: maintaining and improving labor productivity, recruitment strategy and talent retention, and responding to human capital management.

Our Group will continue to actively invest in people by creating a more comfortable work environment, including when it comes to enhanced recruitment strategies and skill development support, so as to ensure that each employee can work in good health and with vitality.

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

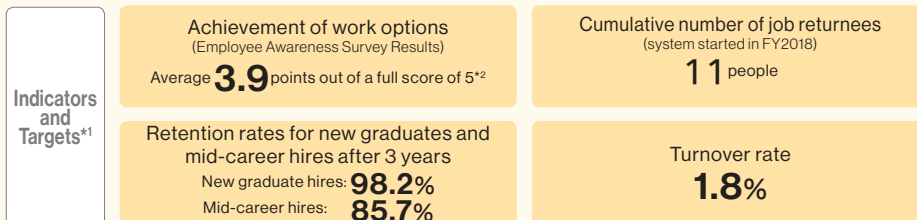
1 Safety, security, and health

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 are also actively engaged in activities such as the provision information on how to eliminate situations where individuals experience a lack of exercise in a telework environment and the organizing of regular walking events.



2 Pursuit of ease of work

In order to become the No. 1 company that people want to work for, our Group positions human resources as the key to corporate competitiveness and is continuously working on work style reform to secure excellent talent and achieve further growth for both individuals and the company. Specifically, we have led the industry in implementing measures such as the introduction of a telework system, the establishment of multiple satellite offices, the introduction of a three-day workweek, the reduction of prescribed working hours by 30 minutes, and the gradual termination of employee assignments which have an employee moving away from their family on a temporary basis. As a result of the initiatives undertaken 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 of a workplace environment that supports a more diverse workforce, ensuring that employees can recognize and respect each other's diverse values and work styles, and that we can create a situation for everyone where work styles are not tied to any specific location.



3 Respect for diversity

We promote Diversity & Inclusion (D&I) based on the belief that our Group's growth will be enhanced when diverse talent engage in friendly competition with one another and when each person fully maximizes their individuality, abilities, and aptitudes. As part of our efforts to support the success of female employees, we have actively recruited women with the goal of increasing the ratio of new female hires to 30% or more. We have also enhanced systems serving to support a balance between work, childcare, and nursing care, and have systematically promoted female managers, resulting in an increase in the ratio of female managers over the past several years. To further increase the current ratio, we will continue to promote the hiring of women and their advancement into management positions. In addition, we are expanding the number of opportunities for individuals with disabilities, encouraging male employees to take childcare leave, and conducting diversity-related training. When it comes to promoting D&I, we recognize the importance of creating a corporate culture that acknowledges and embraces diversity and are thus implementing a range of multifaceted initiatives.



4 Supporting growth and challenge

Our Group believes that people are our greatest asset and positions the development of employees' abilities as a key management priority, creating an environment and structure that maximizes the abilities and potential of employees with a desire to grow. We have established a wide range of training programs, including position-based training, selective training (self-development), and specialized training by job classification, which is aimed at developing employee abilities according to one's growth stage. Additionally, we support each employee's efforts when it comes to achieving their growth aspirations by providing funds for training expenses and assisting with the acquisition of qualifications.



*1 All indicators and targets reflect the actual results of METAWATER Co., Ltd. (consolidated subsidiaries are not included).

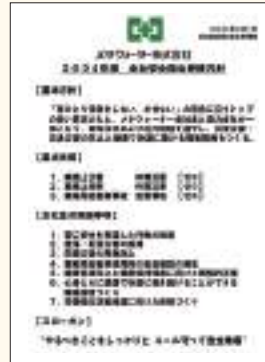
*2 FY2022 Results

1 Safety, security, and health

Health and safety

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.

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.



Initiatives that place the highest priority on site safety, from construction to operation and maintenance

- ▶ 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*1	2.14	0.09
METAWATER (FY2023 actual)	1.28	0.03

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: "2022 Survey on Industrial Accidents," Ministry of Health, Labour and Welfare

Promotion of the management of safe driving for work vehicles

- ▶ Operation of an in-house driver's license system

Our Group has established our own in-house driver's license program for drivers of automobiles used for business purposes. This system is based on safe driving performance. 1,458 employees obtained licenses in FY2023, which contributed to the promotion of safe driving.

- ▶ Education from a driver's perspective

Our Group has adopted a system to provide education tailored to the actual environments in which each driver uses their vehicle. In addition to providing adequate education to those in charge of management, we also provide education to drivers using materials that include accident examples. In FY2021, we introduced training which involves the usage of video content and update the content annually so as to continuously strengthen awareness when it comes to safe driving.

Health and productivity management

From the perspective of health and productivity management, we are promoting initiatives that go beyond traditional hygiene management, focusing on linking the maintenance and promotion of employee health to the enhancement of corporate value.

Health and productivity management initiatives

Due to the declining birthrate, the aging population, and labor shortages, it is expected that people in the society of the future will continue to work regardless of their age, as long as they are physically and mentally healthy and have opportunities to contribute actively. This makes the managing of one's health from a young age more important than ever. Our Group is promoting health and productivity management initiatives based on the belief that each employee's ability to continue working in a state of good health and with vigor is something which will serve to enhance corporate value in the future.

Core ideas of health and productivity management

- ① Maintaining and improving labor productivity (Toward an era where people are living to the age of 100)
- ② Recruitment strategy and talent retention
- ③ Responding to human capital management (Improvement of corporate value)

METAWATER Health Declaration

At METAWATER, we believe that the vitality of our employees' lives and the driving force behind the sound and sustainable development of the company come from each employee being healthy in mind and body, and from being motivated to work while maximizing their individuality and abilities.

To achieve such optimal conditions, we will promote efforts aimed at maintaining and improving the health of our employees and aim at achieving the following goals to become the No. 1 company where people want to work.

- Fostering of good employee health and the spreading of health-related awareness in preparation for an era where people are living to the age of 100
- Life/work balance (fulfillment in both personal and professional life)
- Maintaining good health and protecting ourselves from work-related accidents

METAWATER will continue to be a company that is close to the community and cherished by citizens, customers, and partner companies by fostering teams that experience high levels of job satisfaction and highly supportive work environments.

Kenji Yamaguchi, President and Representative Director

Health management system

Our Group considers health and productivity management to be a crucial corporate strategy, with top management being personally responsible for its promotion. Furthermore, in promoting health and productivity management, the human resources division and occupational health staff play a central role in planning and implementing various measures in cooperation with labor unions and health insurance associations to maintain and enhance the health of every employee.

▶ Mental health care

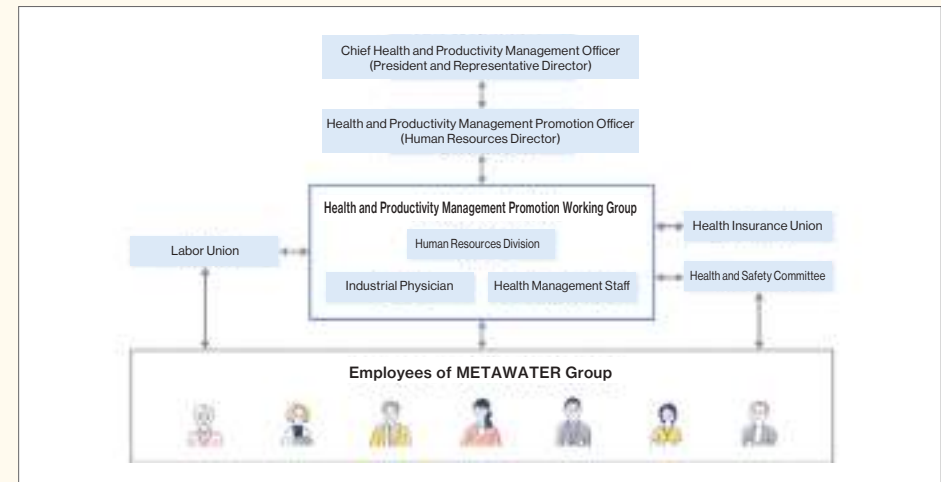
In order to prevent mental health issues from arising, we have e-learning classes such as "line care education" for employees in management positions and "self-care education" for all employees. Our work-style reforms also include working to reduce commuting stress and improve "life-work balance."^{*2}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

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

▶ Establishment of Health Management Centers

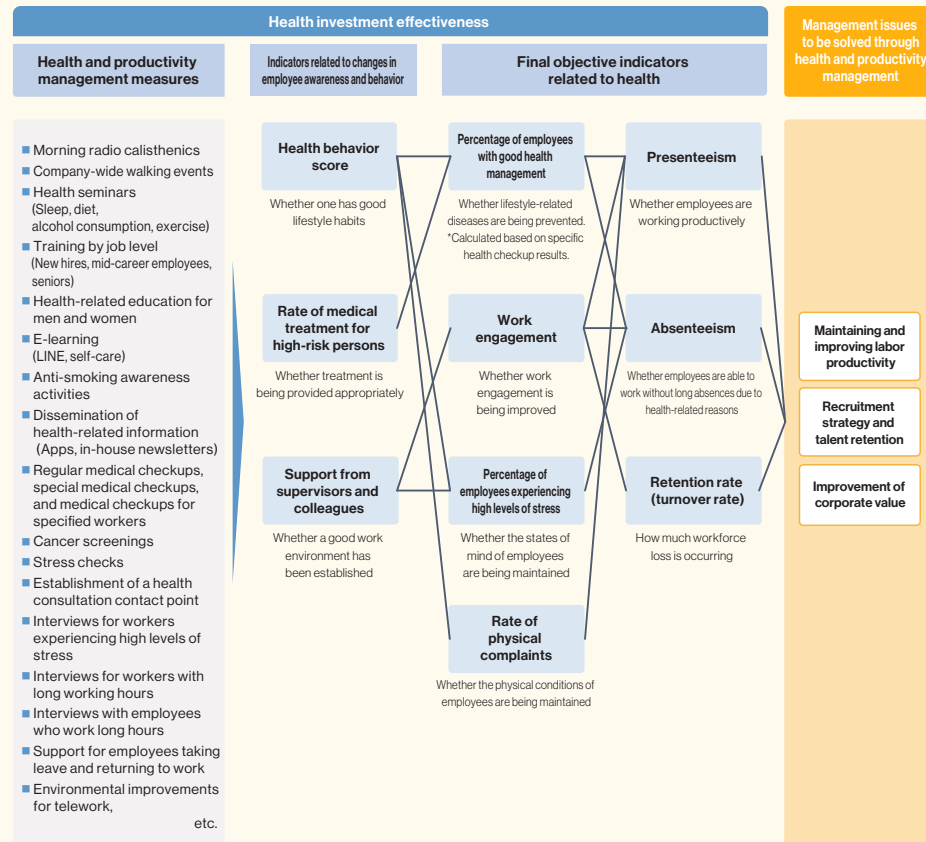
We have established Health Management Centers at the head office, as well as in Hino, Nagoya, Osaka, and several other business locations. These centers are staffed with industrial physicians, psychological counselors, and dedicated health management personnel who are available to promptly assist employees at any time. Individual interviews and health guidance are provided throughout the year to encourage employees to take initiative when it comes to maintaining and improving their health.

Health and productivity management promotion structure



Strategy Map

In promoting health and productivity management measures, we set key indicators related to employee health and visualize how each measure contributes to addressing management issues.



Health measures

An analysis of independent surveys conducted by the government, educational institutions, and private companies has confirmed that daily lifestyle habits (diet, exercise, sleep, alcohol consumption, and smoking) affect work performance. To improve employee lifestyle habits, we are implementing various health measures based on the concept of “take it, keep it, and be involved.” These include morning radio calisthenics conducted at work daily, the “METAWATER Group Walking Event,” which is held twice a year in the spring and summer to promote health and internal communication, and seminars on diet, sleep, and exercise, which are conducted both in person and online by industrial physicians and health management staff.



Health indicators (examples)

In promoting health and productivity management, we set indicators and regularly assess the effectiveness of health measures.

Items	FY2021 Results	FY2022 Results	FY2023 Results
Participation rate of new employees in health education	100%	100%	100%
Participation rate of mid-career hires in health education	100%	100%	100%
Number of participants in walking events	1,014 people	1,327 people	1,370 people
Percentage of employees undergoing health checkups	100%	100%	100%
Health behavior score* ³	3.28	3.28	—
Percentage of employees undergoing stress checks	96%	96%	97%
Percentage of employees experiencing high levels of stress	8.7%	8.1%	8.2%

*³ The health behavior score is a total score (out of 5 points) that is calculated based on the results of medical questionnaires. The score constitutes a rating in terms of the extent to which healthy behaviors are being undertaken when it comes to exercise, diet, sleep, drinking, and smoking. These are each rated on a scale of 0 to 1.

2 Pursuit of ease of work

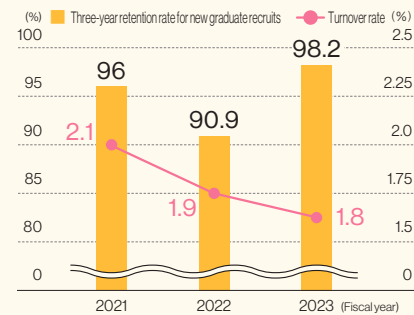
Support for flexible work hours

As part of our efforts to promote work style reforms, we have been continuously reviewing the basic rules of work, such as working hours, vacations, and time off, with the aim of creating a work environment that recognizes diverse values. As a result of these efforts, we have shortened the prescribed working hours by 30 minutes since April 2020. Working hours are now 7 hours and 15 minutes. In addition, the introduction of flexible working hours—allowing employees to set their own working hours as long as they meet the monthly required hours without there being core hours—has made it possible for schedule adjustments to be undertaken based on work progress and personal needs. Amid changes in the labor market arising due to declining birthrates, an aging population, and labor shortages, we are exploring the possibility of further shortening the prescribed working hours to a seven-hour workday. The aim of this is to secure and retain top talent while creating an autonomous and comfortable work environment.

The turnover rate decreased through the promotion of work style reforms

Since FY2017, we have been consistently promoting work style reforms to improve and create a workplace environment where employees recognize and embrace diverse values, with the goal of realizing “work styles not tied to any location for everyone.” As a result of these efforts, the three-year retention rate of newly hired graduates increased to 98.2% in FY2023, while the turnover rate decreased to 1.8%.

Three-year retention and turnover rates for new graduate recruits



Toward the realization of work styles that allow employees to work from anywhere, anytime

▶ Introduction of a remote work system

In April 2023, we introduced a “remote work system” that allows employees with unique circumstances (such as those pertaining to childcare, nursing care, or a spouse’s transfer at work) to work remotely without being restricted to a specific location. This system also permits on-site workers to work from home or other locations when they do not have on-site duties.

As of May 2024, approximately 30 employees are using this system for reasons such as the undertaking of nursing care or because they are living with family members. In the future, we plan to gradually expand the eligibility criteria for this system.

▶ Establishment of telework

Our Group’s Telework System provides the necessary environment and infrastructure for remote work, including web conferencing systems, cloud computing, and mobile tools for smooth remote access to internal networks. This system enables nearly all employees who work at the head office, sales offices, and other locations to telework from home. It also allows them to use satellite offices and shared offices found in various locations.

▶ 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.

3 Respect for diversity

Supporting the active participation of female employees

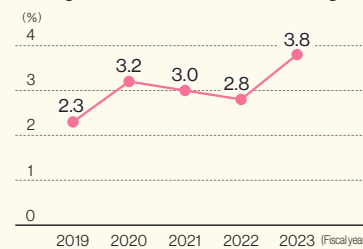
From the viewpoint of securing a diverse workforce, our Group is aiming to have 30% of new employee hires be women. To ensure employees can work with peace of mind into the long term, we have introduced systems that support flexible work styles, including a three-day workweek, an hourly annual leave system, full-flexible work hours, and a split-time work system*. We also support the balancing of work and childcare through initiatives such as a support site that is provided on the intranet and round-table discussions pertaining to childcare and careers.

In fiscal 2024, we launched a new Spouse Transfer Leave System and a Babysitter Expense Assistance program. To raise awareness when it comes to D&I throughout the company, we are continuously implementing e-learning programs for all employees in our Group.

We are also focusing on appointing female managers, with the ratio of female managers reaching 3.8% in FY2023 (up from 2.8% in FY2022). We will continue to support female employees to help them play more active roles in the future.

*1 A system that allows employees to work different scheduled hours each day.

Change in the ratio of female managers



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

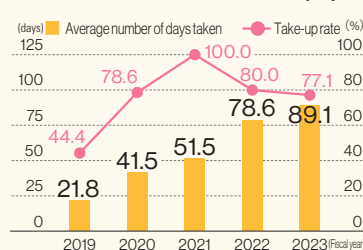
In order to support the active participation of female employees, METAWATER Group has formulated and implemented an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace. In 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 rate and number of days of maternity leave taken by male employees have also been increasing, with 77.1%* of male employees taking maternity leave in FY2023 and an average of 89.1 days taken. We view the increase in the number of days taken as a significant result of our efforts to reform work practices and will continue to provide further support going forward.

Status of childcare leave for male employees



*2 The aggregation method has been retroactively recalculated due to changes seen in terms of the “combined total of childcare leave plus leave for childcare purposes” starting from FY2023.

Introduction of a career development support system for employees of age 50 and over

Starting in FY2023, we introduced the Platinum Age Policy to support employees of age 50 and over (who make up a large portion of the company) when it comes to choosing work arrangements that bring satisfaction and happiness as we move toward an era where people are living to age 100. The program targets employees of age 50 or older and consists of four components: career interviews, internal recruitment for all divisions, short-time work on the side, and support for career changes.

We will support our employees when it comes to choosing the best career path for themselves and ensuring that they can work with vigor and enthusiasm.

Proactively recruiting talent from diverse backgrounds

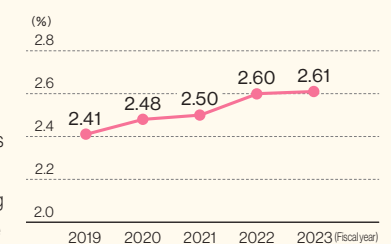
The shortage of engineers remains a significant issue in Japan's water and wastewater business. As a company supporting water and environmental infrastructure, we are actively recruiting both new graduates and experienced professionals to ensure business continuity by focusing on acquiring personnel with high levels of expertise and extensive experience. Over the past three years (FY2021-FY2023), career hires have represented approximately 45% of all new hires.

As of the end of FY2023, approximately 20% of all management positions at the company were occupied by career hires. At the same time, we are actively recruiting international students and international professionals to support our business expansion both in Japan and overseas. We will continue to foster an environment where a diverse range of talent can thrive and make a significant impact.

Becoming a company where people with disabilities can play increasingly active roles

Our Group is dedicated to creating an environment where people with disabilities can thrive. Thus, we are actively expanding the range of jobs available to them, with employees undertaking diverse tasks across various divisions. Achievements in this respect have been evaluated highly at the company. The number of tasks assigned to employees with disabilities has also been increasing year by year. These tasks include converting in-house documents to PDF, preparing experiment kits for social contribution activities like on-site classes, and transcribing dialogue at meetings. Opportunities for their involvement continue to expand steadily. Notably, the work of converting in-house documents to PDF format supports telework, an important initiative for us when it comes to work style reform. In addition, meetings are held every morning to ensure that day-to-day operations are addressed without any issues. During these meetings, instructors* who have taken lifestyle counselor qualification certification courses check on the health of each team member and determine the division of duties for the day.

Ratio of employees with disabilities



*3 Our Group designates employees who provide work instructions and guidance to those with disabilities as “instructors.”

4 Supporting growth and challenge

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				
General Managers	Management training	General Manager Selection Training	Group training (if possible in the company)	Correspondence courses	Ability Development Committee Planned and implemented by each education subcommittee Implementation at each workplace or dispatch to external locations
Managers	Promotional training	Section Manager Selection Training			
Mid- to senior-level		Training for trainers and mentors			
Young employees	Follow-up training				
New employees	New employee training				

Enhancement of employee education and training expenses

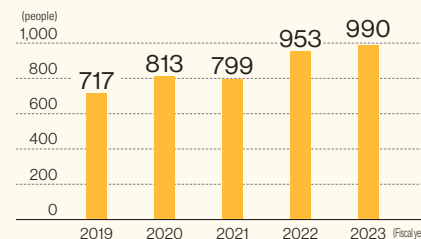
Annual training expenses per METAWATER Group employee are approximately 90,000 yen, which is higher than the average among listed companies. We also offer multiple training programs for a wide range of employees, from new employees to managers. We will continue to provide training programs that contribute to the improvement of employees' abilities while further enhancing employee education and training expenses.

Budget for training expenses per employee
Approx.
90,000 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 FY2023, nearly 1,000 employees participated in training programs.

Number of employees receiving elective training (self-development)



Follow-up training for career hires

In order to retain career hires, we provide follow-up training that includes lectures pertaining to our management and business directions, as well as personal counseling to go about understanding and checking on their situations in the workplace. Follow-up training includes explanations of our management policy and Mid-Term Business Plan, education which serves to foster an awareness of sustainability (such as with respect to internal control, social contributions, ESG, etc.) and compliance-related education (including in terms of human rights awareness, information security, etc.) that is necessary for our employees.

Mental health courses and personal counseling serve to provide essential support for career hires who are susceptible to stress caused by environmental changes.

Themes of follow-up training for career hires (examples)

- Mental health lectures
- Key points in terms of Mid-Term Business Plans
- Intellectual property/employee invention rules
- Sustainability (internal control, social contributions, ESG)
- Legal (antimonopoly law, national public service ethics law)
- Awareness of human rights
- Information security
- Accounting system, etc.

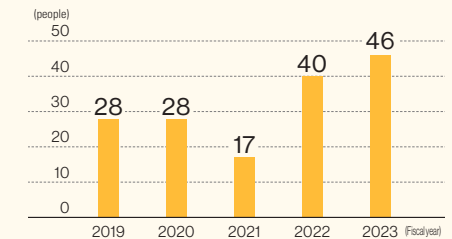
Support for the acquisition of qualifications

As a corporation providing total solutions for water and environmental infrastructure, we believe it is important for our employees to develop the skills required for our core businesses and growth businesses and to acquire the necessary qualifications.

Based on this belief, we have created an environment that encourages employees to actively pursue qualifications and self-development. For example, we offer monetary awards* to employees who acquire pre-determined qualifications and provide support to them, such as the covering of the costs of acquiring or renewing qualifications (which takes place at the Company's discretion).

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

Number of persons obtaining qualifications eligible for awards



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).

Signed a Business Consignment Agreement with Kyoso, Contributing to Regional Development and Securing Employment for People with Disabilities

Labor shortages are becoming serious problems in regional cities due to the aging and declining of the populations there. To that end, in March 2023, we concluded a business consignment agreement with Kyoso Co., Ltd. (Miyakojima City, Miyazaki Prefecture; hereafter referred to as “Kyoso”), a company that provides employment support services to people with disabilities, with the aim of securing new labor resources in the local community. Under the terms of the agreement, we will outsource a portion of our IT operations which serve to support water and environmental infrastructure to Kyoso, thereby contributing to regional development and creating employment opportunities for people with disabilities. When it comes to undertaking the outsourcing process, each task is broken down into manageable levels to facilitate engagement by people with disabilities and to create a pathway to general employment. As a result of the steady progress of these efforts, one resident of Miyazaki Prefecture was hired as a full remote worker starting in April 2024. We will continue our efforts to create work opportunities for people with disabilities so that they can find fulfillment in their work.



Signing ceremony with Kyoso

Providing Emergency Support for Domestic Water Supply in Shika, a Town Damaged by the Noto Earthquake of 2024

Ehime Prefecture’s Imabari City and Kyoso collaborated to provide emergency support for the domestic water supply in the town of Shika in Ishikawa Prefecture. This support was necessary due to delays in the restoration of water supply facilities damaged by the Noto Earthquake on January 1, 2024. Upon receiving a request for assistance from Shika Town, Imabari City decided to dispatch an in-vehicle ceramic membrane filtration system (delivered in 2022) that had been deployed at a water treatment plant in the city as part of its disaster countermeasures. We participated in the operation as technical supporters of the equipment. We provided technical support for the startup and stable operation of the equipment, which involved drawing raw water from agricultural reservoirs and dismantling the equipment. The water supplied was used for temporary bathing facilities set up at evacuation centers in the town.



Our technical staff (foreground) setting up an in-vehicle ceramic membrane filtration system with Imabari City officials



In-vehicle ceramic membrane filtration system installed next to temporary bathing facilities (back right)

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

Participation in the Aoshita no Mori Project

We participate in the Aoshita no Mori Project, a public-private water source conservation initiative implemented in cooperation with Sendai, Miyagi Prefecture, and various private companies. In FY2023, we engaged in community-based environmental conservation activities at Aoshita no Mori, which included tree planting in May, flower planting undertaken in collaboration with the local community in June, and tree thinning in September.



Joined by METAWATER group employees

Community contributions

Held METAWATER Mission Uchimizu (Water Sprinkling) 2023

The METAWATER Mission Uchimizu (Water Sprinkling) event was held on August 1, on Water Day. In fiscal year 2023, marking the 15th year of the event, it was expanded to 19 locations across Japan, from Fukushima Prefecture in the north to Kumamoto Prefecture in the south. This included our head office, business sites, and water treatment plants contracted by our Group companies, all of which were connected online for simultaneous water sprinkling. This sprinkling helped cool down the hot surface temperature of the ground, allowing participants to feel the effects of the water. A total of 110 employees from our Group participated in the water sprinkling, making it a grand event.

Participation in Local Events Near Our Business Sites

As part of our efforts to strengthen our relationship with local communities, we participate in local events held around our business locations. In FY2023, we set up an educational booth at the summer festival of the Osaka City Sewerage Science Museum, where we provided information on water recirculation, the daily volumes of water used per person, and the sewage treatment process. This gave residents a chance to learn about the significance of water recirculation and gain insight into how sewage systems function.



Experiencing filtration using an experimental kit



Explaining to visitors using panels (Osaka City Sewerage Science Museum, Summer Festival)

Education and social education

Conducting Visiting Lectures and Facility Tours for Children Across Japan

We continuously conduct visiting lectures for children, who will lead the next generation, to have them learn about water recirculation in an easy-to-understand manner. We also offer tours of water treatment and wastewater treatment plants, where children can gain hands-on experience and learn about roles and mechanisms that they do not usually get the chance to see. These activities involve the utilization of the technologies and knowledge related to water and the environment that we have cultivated through the course of our business activities.



Visiting lectures at elementary schools



Visiting lectures (classroom lectures)

Disaster Recovery and Reconstruction Support

Supporting Areas Affected by Typhoons, Earthquakes, and Other Disasters Nationwide

As a company dedicated to supporting essential water and environmental infrastructure, we assist in the restoration and recovery of disaster-affected areas throughout Japan. We have provided relief funds to regions hit by typhoons and earthquakes, assisted with water supply in areas facing shortages, and participated in charity events.

We are continuously supporting Onagawa Town in Miyagi Prefecture, which was severely impacted by the Great East Japan Earthquake.

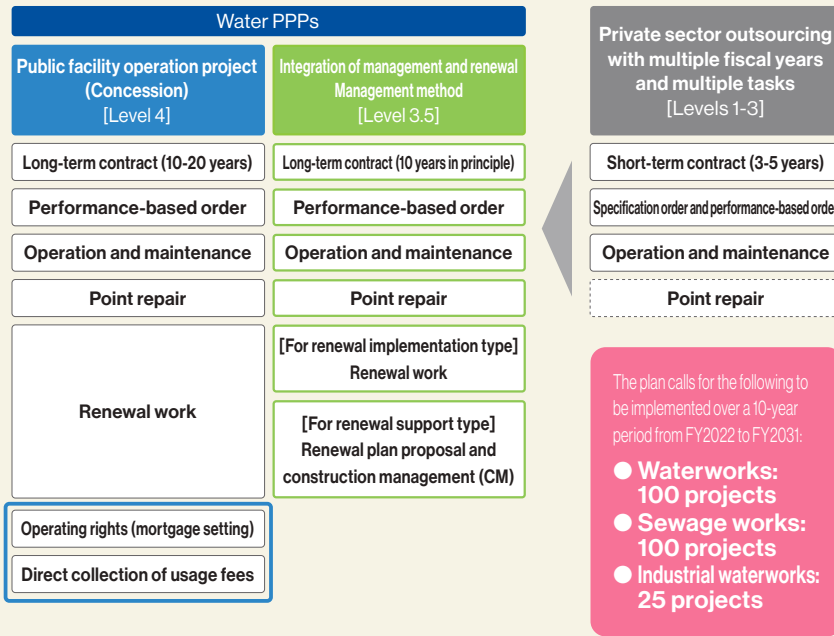
At Onagawa Autumn Harvest Festival 2023, held in October 2023, our employees volunteered to operate a charcoal-grilled sanma (pacific saury) stand. Additionally, our staff provided technical support for the installation and operation of an in-vehicle ceramic membrane filtration system for emergency domestic water supply in Shika, Ishikawa Prefecture, which was carried out by Imabari City, Ehime Prefecture, following the Noto Earthquake in January 2024.

Contribution to local communities - Water Public Private Partnerships

In June 2023, the Japanese government announced its intention to position and further promote projects where the management and renewal of water supply, sewage, and industrial water systems are carried out in an integrated and long-term manner as Water PPPs, with the goal of facilitating a gradual transition to concession models. As this national initiative is highly relevant to our business, we would like to provide an overview of it.

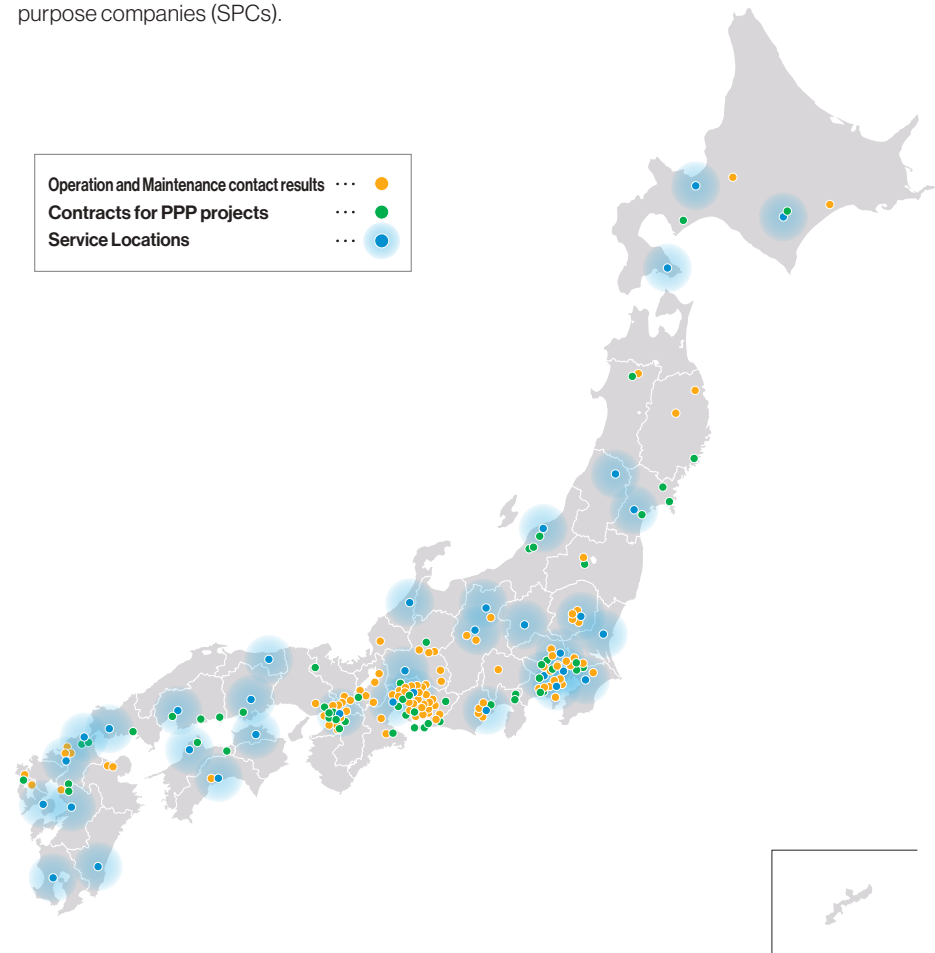
What are government-led Water PPPs?

In addition to the conventional outsourcing work to the private sector (levels 1-3) and public facility operation projects (concession level 4), a new category, called the management and renewal integrated method (level 3.5), has been established. Levels 3.5 and 4 together are defined as water PPPs?.



Our Group's PPP project results

Our Group has participated in 59 PPP projects in the water and environmental fields in Japan, including 41 funded by special purpose companies (SPCs).



*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)

Examples of orders received for Water PPPs projects

Management and renewal integrated method [similar to level 3.5]



Comprehensive operation project for facility improvement at the Ofunato Sewage Treatment Plant



Comprehensive consignment for Arao water business (Stage 2)

Public facility operation project (Concession) [Level 4]



Kumamoto Prefecture Ariake/ Yatsushiro Industrial Waterworks Operation Project



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



Our efforts to promote Water PPPs

- ▶ Establishment of Operation Support Center (OSC) and the promotion of its introduction

As PPP projects are increasingly adopted nationwide, and with the anticipated growth in our contracts year by year, we established an Operation Support Center (OSC) at our Nagoya Works location in 2023. This center aims to enhance plant safety, security, and operational efficiency.

The Water Business Cloud (WBC) will offer 24-hour support to on-site operators by centrally monitoring the operation and status of contracted plants. The center will assist in optimizing operations and responding to emergencies. Looking ahead, our plan is to expand WBC to our Group's contracted plants across Japan and establish annexes in key areas where these plants are densely located.

OSC introduction results

Operation support for sewage plants (primarily thermal operation systems)	7 cases
Water supply plant operation support	1 cases
Unmanned operation at night	2 cases



OSC established at our Nagoya office

- ▶ Taking on the challenge of improving operations at a sewage plant (heat operation system)

For plants where we provide operation and maintenance services, constant 24-hour monitoring is necessary to respond to emergencies and unexpected equipment malfunctions. Many sites require staff to work in shifts, which includes night shifts. The night shift is both psychologically and physically demanding for on-site staff, posing a major challenge to promoting efficiency in facility operations and improving the working environment. Our Group is addressing this issue through various measures, including eliminating equipment defects, thoroughly reviewing site operations where advanced control is required, strengthening remote centralized monitoring (by opening the OSC and expanding the use of the Water Business Cloud), and promoting an understanding among local governments and business entities, while also having commenced nighttime unmanned operations at two Design, Build, and Operate contract sites (which are currently operating stably).



Sludge Fuel Conversion Plant at the Kosei Sewage Treatment Center, which has successfully implemented unmanned nighttime operation

Initiatives to support local water infrastructure

Launched a new project with FRAME00 to utilize Web3 (DAO) for the operation and maintenance of water infrastructure

To address the escalating infrastructure crises—such as aging facilities, financial difficulties due to a declining population, and a shortage of personnel—we have launched an industry-leading project in which we aim to develop a SaaS-type service that fosters community engagement in the operation and maintenance of water and sewage infrastructure, with active participation from local residents taking place.

This project considers the use of Web3^{*1} (DAO: Distributed Autonomous Organization^{*2}) as a key technological theme and will begin service development in collaboration with FRAME00, Inc., which promotes innovations in blockchain technology. The aim is for completion to take place by FY2024.



Photo of a joint press conference in February 2024.
Left: Mayumi Hara, CEO, FRAME00
Right: Nakamura, Executive Advisor at Our Company

^{*1} A concept related to the decentralized internet that leverages blockchain technology.
^{*2} DAO (Decentralized Autonomous Organization) is a new organizational format involving operation without centralized management through the leveraging of blockchain technology.

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.

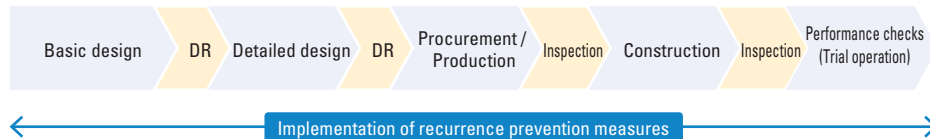
Sharing “quality topics” with all employees to ensure thorough measures to prevent quality accidents in advance

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.

▶ 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.

— 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.”



Examples of materials delivered with “Quality Topics”

Sustainability procurement

Under our basic policy of “promoting sustainable procurement,” we are advancing transparent procurement and strengthening partnerships with suppliers, alongside efforts toward green procurement to support environmental conservation and resource protection. We also utilize paperless procurement through EDI to minimize environmental impact. Additionally, we are committed to promoting thorough legal compliance and understanding through employee education.

Basic Policy for Procurement Activities

In procurement, we seek suppliers both in Japan and internationally who excel in quality, price, delivery, service, and sustainability, guided by the principle of “fair and equitable transactions.” We aim to foster better partnerships and mutual understanding through free and open competition.

1. Compliance with Laws and Regulations

We will adhere to all applicable Japanese and international laws, regulations, and social norms, acting with integrity in all procurement activities.

2. Strengthening Partner Relationships with Suppliers

We will build partnerships based on mutual understanding and trust with suppliers, both in Japan and abroad, to achieve mutual prosperity.

3. Promotion of Open Procurement

We will offer a wide range of business opportunities and seek transactions that are superior in quality, price, delivery, service, and environmental friendliness, both in Japan and abroad.

4. Maintenance of Sound Business Relationships

We will conduct fair, equitable, and transparent transactions, eliminate the transfer of inappropriate profits, and maintain sound business relationships.

5. Establishment of Supply Chain BCP (Business Continuity Plan)

We will promote the development of a business continuity system across the entire supply chain to prepare for disasters and unforeseen circumstances, ensuring the safe and stable operation of our facilities.

6. Environmental Conservation and Decarbonization

We will prioritize procurement activities that support environmental conservation, decarbonization, effective resource use, and recycling to contribute to a sustainable environment and society.

7. Ensuring Information Security

We will protect confidential, personal, and customer information, conducting procurement activities with a strong commitment to information security.

8. Respect for Human Rights and Working Environment

We will adhere to international human rights standards and promote procurement activities that consider the labor environment of our suppliers.

9. Ongoing Promotion of Sustainable Procurement

We will engage in ongoing discussions with our suppliers to address environmental and social issues beyond the above eight items, promoting sustainable procurement practices.

Sustainability Procurement

In alignment with the materiality issues outlined in our Group’s “Basic Sustainability Policy,” we will implement the “METAWATER Supply Chain Action Guidelines” and collaborate with our suppliers to address these issues effectively.

▶ Water Environment / Community

We are committed to fostering partnerships with suppliers that support the sustainable construction, operation and maintenance, and inspection of facilities.

1. We will enhance local communities and economic benefits by actively creating and utilizing opportunities to engage with small and medium-sized suppliers who are vital to their communities.
2. We will strive to improve mutual communication with suppliers. Additionally, we will promote sustainable procurement practices.
3. We will check the formulation status of BCP of our suppliers. Additionally, we will promote the establishment of a business continuity system for the entire supply chain.

▶ Recycling-Oriented Society / Reduction of Greenhouse Gas Emissions

Together with our suppliers, we will promote activities to build a recycling-oriented society that makes effective use of limited resources and reduces environmental impact, taking into consideration the impact on environmental pollution and biodiversity.

1. We will promote procurement that takes environmental conservation and resource protection into consideration based on the Green Procurement Guidelines.
2. We will promote paperless procurement through EDI with the cooperation of our business partners as an initiative to reduce environmental impact.
3. We will monitor energy and water consumption, waste and hazardous waste emissions, and greenhouse gas emissions with our suppliers and promote activities to reduce each of them.

▶ Human Resources / Governance

We will comply with basic human rights and laws and regulations, and work with our suppliers to promote the development of a comfortable working environment.

1. We will comply with the Act against Delay in Payment of Subcontract Proceeds, etc. (hereinafter referred to as the “Subcontract Act”), the Construction Industry Act, and other relevant laws and regulations, in collaboration with our suppliers.
2. Promote procurement activities that consider the labor environment (preventing forced labor and child labor) and diversity among our suppliers.
3. Both our company and our suppliers will work to maintain and improve quality and ensure information security.

Procurement Activities Topics

Risk Assessment Initiatives for Environmental Issues and Social Issues (Human Rights)

1. Surveying suppliers’ environmental conservation efforts

As a general practice in promoting green procurement, we ask suppliers to conduct a self-assessment of their environmental conservation activities at the start of transactions with us.

Collection rate of environmental conservation activity survey sheets

FY2021	FY2022	FY2023
71%	60%	91%

2. Promote procurement activities that consider the labor environment (preventing forced labor and child labor) and diversity among our suppliers.

We will conduct surveys in line with the Supply Chain Conduct Guidelines, which emphasize respect for basic human rights and the creation of a comfortable working environment.

To deepen mutual understanding and trust with our suppliers, we will build a sustainable supply chain and promote procurement activities aligned with our management philosophy.

3. Both our company and our suppliers will work to maintain and improve quality and ensure information security.

Internal Skill Development and Supplier Support Activities

1. Internal skill development

We hold training sessions for all employees who handle purchasing on the Subcontract Act to ensure legal compliance and enhance understanding.

We also offer e-learning courses for employees across other departments to strengthen compliance throughout the company. To advance sustainable procurement, we invite external experts to conduct training for Purchasing Managers on topics such as “Procurement for SDGs” (decarbonization and human rights).

2. Holding safety conventions with suppliers

We organize safety conventions to share case studies of accidents and disasters and to provide safety lectures.



Disclosure of climate change information based on TCFD

Our Group has identified the reduction of greenhouse gas emissions as a key issue in our Basic Policy on Sustainability, addressing climate change challenges such as global warming. In line with this, we disclose relevant information analyzed and assessed based on climate-related scenarios, following the TCFD (Task Force on Climate-related Financial Disclosures) framework (which includes governance, strategies, risk management, and indicators and targets). This section is an excerpt. Please refer to the Sustainability page on METAWATER's official website for more details.

Indicators and targets for GHG emissions

Our Group provides optimal technologies and services that contribute to the realization of sustainable water and environmental infrastructure, aimed at solving environmental and social challenges, including climate change. To this end, our Group is promoting the reduction of greenhouse gas (GHG) emissions by setting indicators and targets related to GHG emissions. We have also established similar indicators and targets for GHG emissions with our customers (municipalities) and are working to help them achieve these reduction targets.

Indicators and targets for GHG emissions in our Group

Items	Scope	Base year	Target year	Target details	Actual
GHG emissions (Scope 1 & 2)	Domestic group (consolidated*)	2020 (3,982 t-CO ₂ /year)	2030 2050	Reduction by 70% Net zero	3,959 t-CO ₂ /year (2023)
Contribute to reducing the GHG emissions of our customers (local governments)	Thermal manipulation-related products and systems for domestic sewage facilities	2013 (approx. 320,000 t-CO ₂ /year)	2030	Reduced by 50% through product/system introduction	302,575 t-CO ₂ /year (2022)

Current initiatives:

- Reduction of electricity consumption in offices through work style reforms, etc.
- Promotion of energy saving activities through operational improvements
- Utilization of renewable energy (non-fossil certificates)
- Development and proposal of products and services that contribute to further reduction of GHG emissions by customers

Future initiatives:

- electrification of facilities, and company vehicles
- Promotion of energy saving activities through operational improvements
- Development and proposal of products and services that contribute to further reduction of GHG emissions by customers.

*1 Companies included in FY2023 calculations: METAWATER, CO., LTD., METAWATER SERVICE Co., Ltd.

Identification and response to climate-related risks and opportunities

Based on the TCFD recommendations, we identify climate-related risks and opportunities within our business areas, select relevant climate-related scenarios, and evaluate them in terms of financial impact and urgency.

Overview of the worldview of the company in terms of the selected scenarios

Scenario overview	Overview of the worldview surrounding the company
Scenario involving less than 1.5°C Scenario in which the temperature rise is kept below 1.5°C through strict regulations, technological innovation, etc.	Scenario in which transition risks (regulations, etc.) have a large impact <ul style="list-style-type: none"> ● Increased costs of low-carbon policies ● Increased impact on stock prices due to decarbonization/climate change responses ● Increased business opportunities which serve to contribute to GHG reductions
Scenario involving 4°C Scenario in which the temperature rises by 4°C or more without significant changes taking place in terms of the current response	Worldview involving a large impact from physical risks (e.g., disasters) <ul style="list-style-type: none"> ● Low-carbon trends will not progress ● There will be an urgent need to respond to emerging risks, such as disasters ● Business opportunities for disaster preparedness and prevention technologies will increase in number

Particularly important risks/opportunities

Risks/opportunities of particular importance to our Company		Scenario		Main response policies
Keywords	Main contents	Less than 1.5°C	4°C	
[Carbon regulations (carbon tax, etc.)] [Low-carbon technologies]	<ul style="list-style-type: none"> ● Materials affected by carbon regulations ● Increase in construction costs due to equipment and construction 	Large	Small	<ul style="list-style-type: none"> ● Early development and introduction of next-generation technologies ● Collaboration with suppliers and partner companies ● Expanding of sales and improvement of existing mainstay products
[Energy saving, renewable energy, and energy creation]	<ul style="list-style-type: none"> ● Market expansion of energy saving, renewable energy, and energy creation (including effective use of water and sludge) 	Large	Small	<ul style="list-style-type: none"> ● Expanding of sales and improvement of existing mainstay products
[Heat stress]	<ul style="list-style-type: none"> ● Increase in construction costs and lengthening of construction periods due to worsening labor productivity, etc. ● Market expansion of products and services (automation, labor saving, remote controlling) to cope with rising temperatures 	Medium	Large	<ul style="list-style-type: none"> ● Introduction of technologies and systems to shorten on-site construction periods
[Disaster response and resilience strengthening]	<ul style="list-style-type: none"> ● Increase in demand for disaster recovery and strengthening measures, and greater opportunities to acquire orders 	Small	Large	<ul style="list-style-type: none"> ● Promotion of unmanned operation, automated operation, and remote monitoring and operation ● Evolution and thoroughness of BCP

Our Group believes that we are sufficiently resilient in the medium to long term, considering the possibility of cost increases, including with respect to carbon taxes (risk item), when it comes to both scenarios (1.5°C and 4°C). Additionally, we are also contributing to sales through the development of technologies that meet climate-related needs and through sales expansion (opportunity item).

Activities for reducing environmental burdens

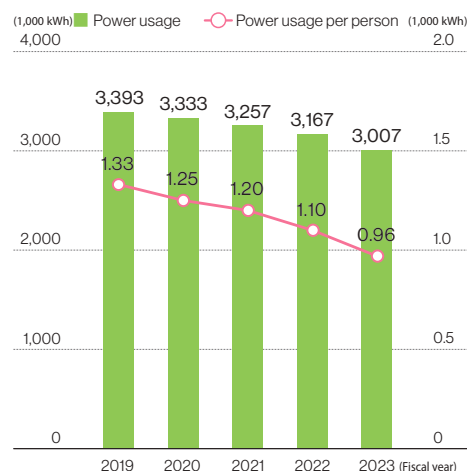
The entire Group is working together to reduce our environmental impact in order to contribute to the realization of a sustainable environment and society. We have established an Environmental Subcommittee under our Sustainability Committee to take the lead when it comes to formulating Group-wide promotion plans, confirming progress, and reporting to management. As a specific measure, and as part of our promotion of energy saving activities, we began introducing virtually 100% renewable energy for electricity consumption at all domestic bases, including the head office and construction site offices, starting in April 2023. In addition, we are promoting the reduction of electricity and other energy consumption, identifying and recycling industrial waste, and using paperless systems through the adoption of electronic manifests. We are also actively monitoring the development of environmentally friendly products and promoting 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 FY2023 decreased by 5.1% 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)



Started introducing virtually 100% renewable energy for electricity use

To achieve our goal of reducing Greenhouse Gas (GHG) emissions, as outlined in our Basic Sustainability Policy, we determined that switching our purchased electricity to renewable energy is essential; therefore, starting in April 2023, we began using trackable non-fossil certificates *2 at all 52 sites in Japan (including at business offices, business

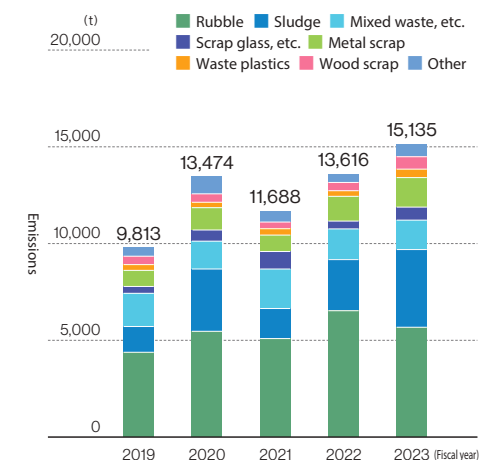
establishments, R&D centers, sales offices, service stations, and satellite offices), as well as at the head office and construction sites, and introduced virtually 100% renewable energy for our usage of electricity. As a result of this measure, approximately 6 million kWh of electricity used annually was switched to renewable energy, leading to a reduction in GHG emissions of approximately 2,600 t-CO2 in FY2023 when compared to the previous fiscal year.

*2 Non-fossil certificates are certificates that represent the 'non-fossil value' of electricity generated from non-fossil power sources, such as solar, wind, and biomass. These certificates include tracking information such as the type of power source and the location of the power plant.

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 95.4% in FY2023 (FY2022: 95.8%).

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 FY2023, the adoption rate was 99.8%, (compared to 81.8% 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 activities, since FY2010, we have been planting trees and cutting grass in the METAWATER Okutama Forest (Tokyo), maintaining bamboo groves and clearing branches through participation in the Tsuda Satoyama conservation activities (Hirakata, Osaka Prefecture), and conducting forest conservation and cultivation activities in the Doshi Water Source Forest Volunteer Program (Doshi-mura, Yamanashi Prefecture). In fiscal year 2023, we also participated in tree planting in Gotemba, Shizuoka Prefecture, as part of the Small Kindness Movement.

In fiscal year 2023, we carried out 15 activities across five prefectures (Miyagi, Tokyo, Yamanashi, Shizuoka, and Osaka), including on-site tree planting, tree thinning, forest and bamboo forest conservation, and sponsorship support.

* The Small Kindness Movement aims to contribute to the establishment of social ethics based on small acts of kindness. It consists of organizations formed in 32 prefectural headquarters and 133 municipal branches nationwide, engaging in various activities such as cleaning and tree planting.

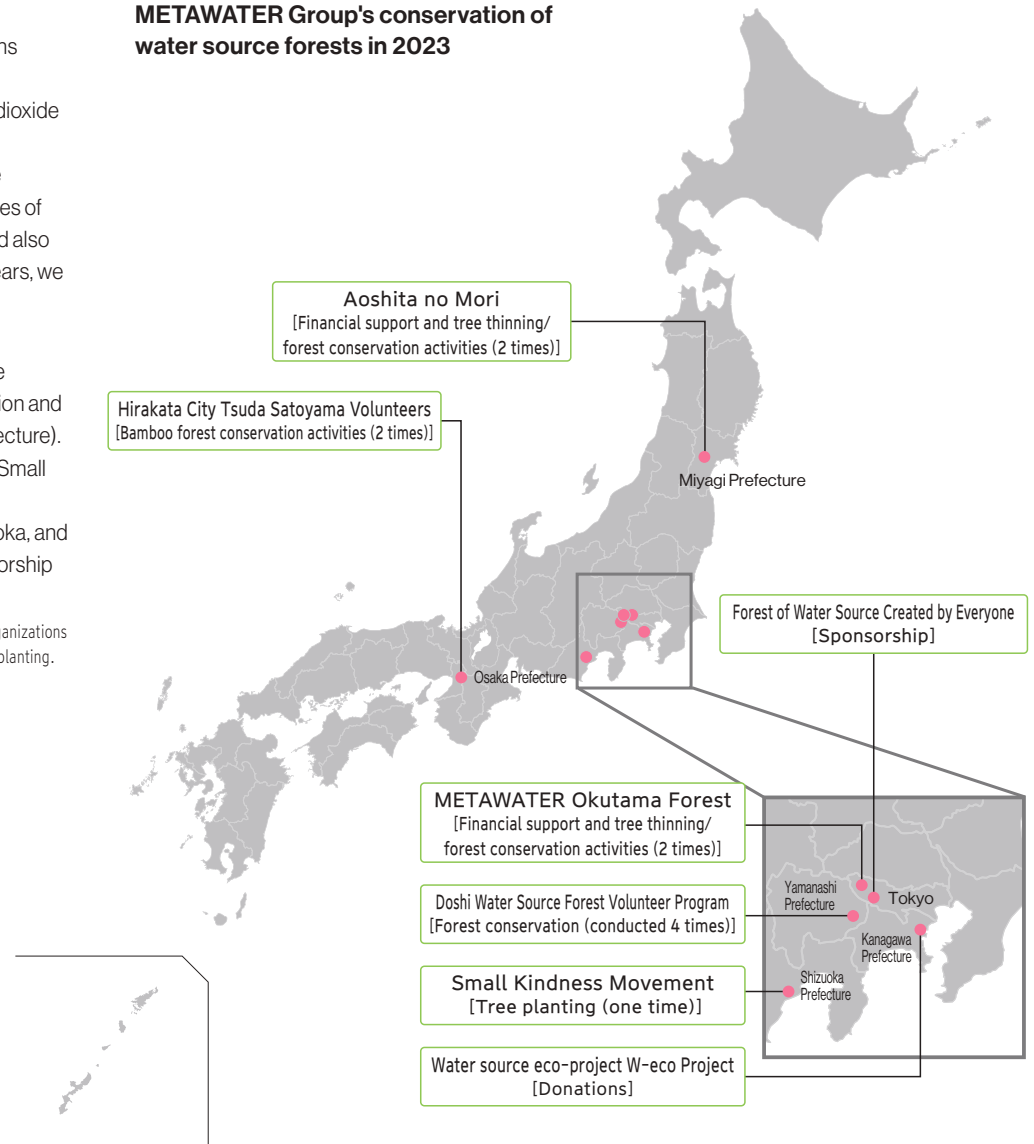


Forest conservation volunteering at Hirakata Forest (Osaka Prefecture)



Underbrush clearing at the METAWATER Okutama Forest (Tokyo)

METAWATER Group's conservation of water source forests in 2023





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

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"



51th ordinary general meeting of shareholders

2 Composition of directors and auditors

Ratio of independent outside officers

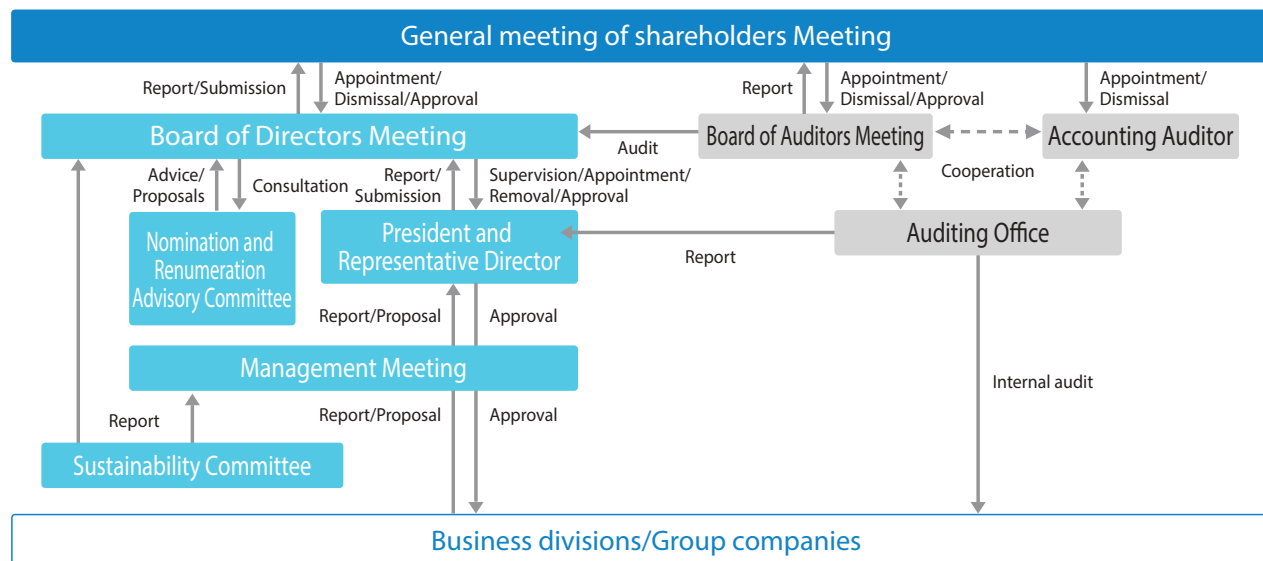


METAWATER Group has established criteria for the independence of outside officers in the CG Basic Policy, and has designated three outside directors and two outside auditors who meet these standards as independent officers and submitted notification of their appointment to the Tokyo Stock Exchange.

Corporate governance

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.

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	16/16 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	16/16 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	16/16 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	16/16 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	16/16 meetings (100%)	13/13 meetings (100%)	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.

Interview with an outside corporate auditor

I will contribute to the development of the METAWATER Group by deepening my understanding of the business and providing supervision and advice on overall operations.



Outside Auditor Masami Kusunoki

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

I believe that information such as that pertaining to resolutions and matters reported by the Board of Directors is disclosed in a timely and transparent manner and is being reported by the relevant departments. Also, the Board of Directors consists of a diverse group that undertakes free and vigorous exchanges of opinions. I can say that it operates in a sincere and sound manner. Additionally, the Board of Corporate Auditors operates effectively by providing information and exchanging opinions.

What is your role as an outside auditor?

I use my knowledge and experience as a certified public accountant to make recommendations which pertain primarily to financial and accounting-related matters. Additionally, I recognize that my role involves making necessary recommendations for corporate management by utilizing my experience as an accounting auditor for listed companies and the knowledge and expertise I have as a financial advisor when

it comes to M&A and business restructuring. This is to help METAWATER achieve the best corporate governance possible and live up to the trust placed in it by the rest of society.

What is your view on the governance of METAWATER Group?

I believe that the Group has established and is operating a system which complies with the Basic Policy on Corporate Governance. The METAWATER Group has numerous subsidiaries and affiliates both in Japan and overseas, which has been achieved through subsidiary companies, through M&A projects, and through the establishment of special purpose companies (SPCs) that operate PPP businesses. I believe that, to foster a sense of unity within the group and conduct business activities more stably under the corporate philosophy of 'Continue, to make it sustainable,' the METAWATER headquarters needs to further demonstrate its initiative and strengthen the governance of the entire Group.

What actions are necessary to sustainably enhance corporate value?

METAWATER is involved in water supply, sewage, and natural resources and environment businesses, which are essential parts of social infrastructure. Therefore, there is a need to go about enhancing corporate value with a focus on medium- to long-term growth. Mid-Term Business Plan 2027 has been disclosed and I believe that its successful implementation will serve to enhance the corporate value of the METAWATER Group. In the plan, organizational structures have been overhauled, segment classifications have been changed, and the issues to be addressed by each segment have been thoroughly considered. To address the issues faced by water and environmental infrastructure, the Group will continue to have many human resources involved which are found among a diverse array of organizational climates, which will be done through M&A and other means in the future. I believe that increased investment in human resources will be necessary, including when it comes to human resource development and the creation of conducive workplace environments.

What are your future aspirations as an external auditor?

The METAWATER Group plays a crucial role in social infrastructure, and the rest of society also expects its further growth. I aim to contribute to the Group's development by deepening my understanding of both the business and the financial and accounting-related aspects required of an outside auditor, while at the same time providing supervision and suggestions for the overall execution of the business.

Brief Profile of Masami Kusunoki

Date of birth: January 22, 1962

Qualification: Certified Public Accountant

October 1988	Joined Tohmatsu Aoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)
August 1994	Registered as Certified Public Accountant
March 2004	Assistant General Manager, Tokyo Metropolitan Small and Medium Business Revitalization Support Council (currently Tokyo Metropolitan Small and Medium Enterprise Support Center), The Tokyo Chamber of Commerce and Industry
June 2007	General Manager, Headquarters for Small Business Restructuring Support, (Currently National Headquarters for Small Business Revitalization) Organization for Small & Medium Enterprises and Regional Innovation
April 2009	Certified Public Accountant Kusunoki Accounting Office (current)
June 2022	Audit and Supervisory Board Member at METAWATER (current)

Expectations of Masaki Kusunoki, Corporate Auditor

(From the Notice of Convocation for the 51st Ordinary General Meeting of Shareholders)

As a certified public accountant, he is well-versed in finance and accounting and possesses a broad perspective that is not biased toward our related industries. He is well-suited to supervise the execution of the Company's business through the leveraging of his experience and high level of independence.



Management organization (As of end of June 2024)

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)



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
 April 2024 Senior Executive Officer (current)



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)
 April 2024 Senior Executive Officer at METAWATER (current)



Hajime Ito

Executive General Manager, System Solution Division

April 1995 Joined Fuji Electric Co., Ltd.
 April 2014 General Manager of GENESEED Engineering Department, Plant Engineering Division
 April 2016 General Manager, Electrical Engineering Department 1, Plant Engineering Division
 April 2020 Deputy General Manager, Plant Engineering Division
 April 2021 Executive Officer (to present)
 April 2024 Executive General Manager, System Solution Division (to present)
 June 2024 Director (to present)



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.
External Director, IZAWA TOWEL

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)
 February 2024 External Director at IZAWA TOWEL (to present)

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 Revitalization Support Co-operative (currently Tokyo SME Revitalization Council), Tokyo Chamber of Commerce and Industry
 June 2007 Head of SME Business Revitalization 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

Masashi Sakai Executive General Manager, PPP Division / In charge of the Innovation Promotion Office

Senior Executive Officer

Michio Fujii Executive General Manager, Corporate Strategy Planning Division / Responsible for Corporate Strategy Planning Office, HR & General Affairs Planning Office, In charge of the Legal & Intellectual Property Office and the Digital Transformation Office / Executive General Manager, Export Control Office and Responsible for Risk Management

Executive Officer

Koichi Yamaguchi Executive General Manager, Plant Construction Division

Ken Akikawa Executive General Manager, International Business Division

Tatsuo Kato Executive General Manager, Environmental Engineering Division

Hiroyuki Nakano Deputy General Manager, System Solutions Division

Hajime Ito Executive General Manager, System Solution Division / Responsible for Quality Assurance Office

Kazuhiko Aoki Executive General Manager, Cost Engineering / Center Responsible for R&D 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

Hiroyuki Ishizaki Deputy Executive General Manager, International Business Division

* Executive positions held at domestic and overseas group companies have been omitted.

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.

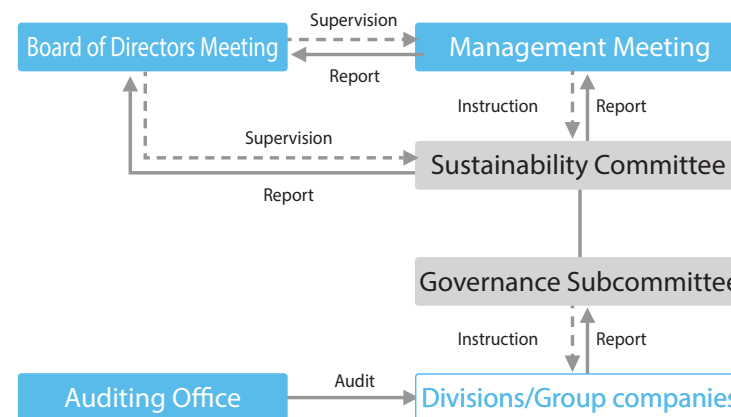
In addition, the Governance Subcommittee summarizes the risks recognized and assessed by each division, subsidiary, etc., as well as matters such as measures to deal with such risks from the perspective of the METAWATER Group as a whole, and reports these matters to the Sustainability Committee for discussion. 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. In response to the emergence of the COVID-19 pandemic, we anticipated the need for future business continuity under various pandemic conditions. We conducted initial response training by members of the Crisis Management Team (CMT) and, for the fiscal year 2023, held remote-based briefing sessions for local emergency response headquarters personnel. Additionally, we have been enhancing our Business Continuity Plan (BCP) by incorporating our response experience into the BCP procedures.

Furthermore, to prepare for various disasters, we have conducted initial response training for earthquakes and hydrological disasters, expanded the scope of training to include more participants and regions, utilized educational videos, and reviewed tools for reporting and sharing information during risk incidents. In the fiscal year 2024, we are enhancing these efforts to further embed and refine our BCP, aiming for increased proficiency and effectiveness.

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

Strengthening the Activities of MW-SIRT, the Cross-Functional Organization for Information Security Led by Management

In conjunction with aviation, railways, electricity, and gas, "water supply," which our company supports, has been designated by the government as critical infrastructure. Ahead of this situation, we have already organized "METAWATER-SIRT" (abbreviated MW-SIRT), a company-wide, cross-sectional information security response team led by management.

MW-SIRT has recently begun a new initiative to report on our information security status to management semi-annually.

The report content covers the status of information security risk analysis and countermeasures, the occurrence of critical incidents, and future initiatives. By objectively assessing the current information security status with indicators, early detection of problems becomes possible, allowing for more appropriate measures to be implemented than ever before. Furthermore, in the unlikely event of an incident, it enables management to make swift decisions.

Moving forward, MW-SIRT, led by our management, will continue to spearhead efforts to further strengthen our commitment to information security at our company.

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.

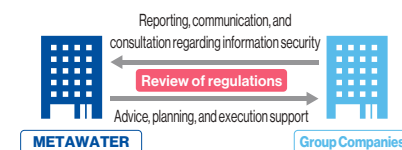
Governance Subcommittee

We have established a Governance Subcommittee as a subordinate working group under the Sustainability Committee. The Governance Subcommittee consists of three working groups (WGs): Compliance WG, Helpline WG, and Risk Management WG, with the Legal Division serving as the secretariat and the heads of the five compliance-related divisions serving as members. The Compliance WG primarily oversees the monitoring and enhancement of the compliance program's implementation status, as well as the development and planning of compliance measures, including company-wide education. The Helpline WG is also tasked with handling consultation cases received through the Helpline.

Strengthening Information Security Governance of the Entire Group

In recent years, cyber attacks have become increasingly sophisticated and advanced, posing a serious threat to businesses. Within our Group, there is a growing risk of group companies falling victim to cyber attacks, making the strengthening of information security measures an urgent priority. To address this, we have been providing advice on IT strategies to group companies and supporting their information security measures.

To further enhance this support, we have revised regulations across the entire group, including our company, to establish a framework that allows our company to clearly participate in the information security measures of each group company. Through this framework, we have significantly improved our ability to understand the situation, provide advice, formulate strategies, and support the implementation of information security measures across all group companies. Moving forward, we aim to further develop these efforts and strengthen information security governance across the entire group to ensure the safety and security of vital infrastructure such as water supply and sewerage systems.



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.

FY2023 e-learning and company-wide education results	Total of 30,835 people across 11 sessions
--	---

Financial information

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2024	As of March 31, 2024
Assets			
Current assets			
Cash and deposits	^{1,4} 11,724	⁴ 14,882	98,289
Notes and accounts receivable - trade, and contract assets	^{1,4} 87,191	^{1,4} 103,059	680,661
Work in process	2,853	4,898	32,349
Supplies	7,093	8,801	58,126
Other current assets	3,779	4,432	29,271
Total current assets	112,642	136,074	898,712
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	2,418	2,468	16,300
Machinery and equipment, net	1,189	1,616	10,673
Tools, furniture and fixtures, net	670	615	4,061
Construction in progress	184	245	1,618
Other property, plant and equipment, net	724	823	5,435
Total property, plant and equipment	³ 5,187	³ 5,768	38,095
Intangible assets			
Software	1,043	3,256	21,504
Software in progress	2,192	452	2,985
Goodwill	2,467	2,344	15,481
Customer-related assets	4,497	4,404	29,086
Right to operate public facilities	⁴ 950	⁴ 900	5,944
Other intangible assets	1,339	4,697	31,021
Total intangible assets	12,490	16,055	106,036
Investments and other assets			
Investment securities	^{2,4,5} 5,535	^{2,4,5} 2,382	15,732
Long-term loans receivable	⁵ 244	⁵ 773	5,105
Guarantee deposits	1,208	1,228	8,110
Assets for retirement benefits	2,417	3,941	26,028
Deferred tax assets - non-current	2,736	2,253	14,880
Other non-current assets	231	315	2,080
Total investments and other assets	12,374	10,895	71,956
Total non-current assets	30,053	32,718	216,088
Deferred assets			
Bond issuance costs	—	50	330
Total deferred assets	—	50	330
Total assets	142,695	168,843	1,115,137

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2024	As of March 31, 2024
Liabilities			
Current liabilities			
Accounts payable - trade	25,463	25,127	165,953
Electronically recorded obligations	10,158	7,208	47,605
Short-term loans payable	2,387	3,591	23,717
Current portion of PFI and other projects finance loans	⁴ 887	⁴ 697	4,603
Income taxes payable	2,339	2,899	19,146
Contract liabilities	7,134	10,552	69,691
Provision for warranties for completed construction	1,185	1,044	6,895
Provision for loss on construction contracts	1,224	1,236	8,163
Other current liabilities	8,452	12,133	80,133
Total current liabilities	59,232	64,491	425,936
Non-current liabilities			
Bonds payable	—	10,000	66,045
PFI and other projects finance loans	^{4,6} 11,123	^{4,6} 12,726	84,049
Liability for retirement benefit	4,386	4,836	31,939
Other non-current liabilities	1,312	1,112	7,344
Total non-current liabilities	16,823	28,675	189,386
Total liabilities	76,055	93,166	615,322
Net assets			
Shareholders' equity			
Capital stock	11,946	11,946	78,898
Capital surplus	9,411	9,410	62,149
Retained earnings	50,890	52,513	346,826
Treasury stock	(7,089)	(3,640)	(24,040)
Total shareholders' equity	65,158	70,230	463,839
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(182)	111	733
Deferred gains or losses on hedges	3	28	184
Foreign currency translation adjustment	1,689	2,747	18,142
Remeasurements of defined benefit plans	(1,477)	(186)	(1,228)
Total accumulated other comprehensive income	32	2,701	17,838
Non-controlling interests	1,447	2,744	18,122
Total net assets	66,639	75,676	499,808
Total liabilities and net assets	142,695	168,843	1,115,137

Consolidated Statement of Income and Statement of Comprehensive Income

[Consolidated Statement of Comprehensive Income]

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2024
Net sales	150,716	165,561	1,093,461
Cost of sales	¹ 120,428	¹ 131,158	866,243
Gross profit	30,287	34,403	227,217
Selling, general and administrative expenses	^{2,4} 21,598	^{2,4} 24,499	161,805
Operating income	8,688	9,903	65,405
Non-operating income:			
Interest income	130	153	1,010
Dividends income	72	63	416
Gain on sales of investment securities	—	100	660
Foreign exchange gain	528	621	4,101
Share of profit of entities accounted for using equity method	122	—	—
Miscellaneous income	130	41	270
Total non-operating income	983	980	6,472
Non-operating expenses:			
Interest expenses	220	233	1,538
Share of loss of entities accounted for using equity method	—	38	250
Commission expenses	74	64	422
Loss on sales of investment securities	193	—	—
Loss on disposal of non-current assets	³ 81	³ 21	138
Commission for syndicated loans	16	16	105
Miscellaneous loss	16	18	118
Total non-operating expenses	603	393	2,595
Ordinary income	9,068	10,490	69,282
Income before income taxes	9,068	10,490	69,282
Income taxes - current	2,725	3,345	22,092
Income taxes - deferred	(152)	(221)	(1,459)
Total income taxes	2,572	3,124	20,632
Net income	6,496	7,366	48,649
Profit attributable to non-controlling interests	243	490	3,236
Profit attributable to owners of parent	6,252	6,875	45,406

[Consolidated Statement of Comprehensive Income]

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2024
Net income	6,496	7,366	48,649
Other comprehensive income			
Valuation difference on available-for-sale securities	(248)	294	1,941
Deferred gains or losses on hedges	113	70	462
Foreign currency translation adjustment	1,858	1,058	6,987
Remeasurements of defined benefit plans	(267)	1,291	8,526
Total other comprehensive income	¹ 1,456	¹ 2,714	17,924
Comprehensive income	7,952	10,081	66,580
(Details)			
Comprehensive income attributable to owners of parent	7,635	9,544	63,034
Comprehensive income attributable to non-controlling interests	317	536	3,540

Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	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

(Millions of yen)

	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

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2023	11,946	9,411	50,890	(7,089)	65,158
Changes during the year					
Dividends from surplus			(1,855)		(1,855)
Profit attributable to owners of parent			6,875		6,875
Cancellation of treasury stock		(5)	(3,396)	3,402	—
Restricted stock compensation		4		47	51
Changes in other equity, net					
Total changes during the year	—	(0)	1,623	3,449	5,072
Balance at March 31, 2024	11,946	9,410	52,513	(3,640)	70,230

(Millions of yen)

	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, 2023	(182)	3	1,689	(1,477)	32	1,447	66,639
Changes during the year							
Dividends from surplus							(1,855)
Profit attributable to owners of parent							6,875
Cancellation of treasury stock							—
Restricted stock compensation							51
Changes in other equity, net	294	24	1,058	1,291	2,668	1,296	3,965
Total changes during the year	294	24	1,058	1,291	2,668	1,296	9,037
Balance at March 31, 2024	111	28	2,747	(186)	2,701	2,744	75,676

(Thousands of U.S. dollars)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2023	78,898	62,155	336,107	(46,819)	430,341
Changes during the year					
Dividends from surplus			(12,251)		(12,251)
Profit attributable to owners of parent			45,406		45,406
Cancellation of treasury stock		(33)	(22,429)	22,468	—
Restricted stock compensation		26		310	336
Changes in other equity, net					
Total changes during the year	—	(0)	10,719	22,779	33,498
Balance at March 31, 2024	78,898	62,149	346,826	(24,040)	463,839

(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, 2023	(1,202)	19	11,155	(9,754)	211	9,556	440,122
Changes during the year							
Dividends from surplus							(12,251)
Profit attributable to owners of parent							45,406
Cancellation of treasury stock							—
Restricted stock compensation							336
Changes in other equity, net	1,941	158	6,987	8,526	17,621	8,559	26,187
Total changes during the year	1,941	158	6,987	8,526	17,621	8,559	59,685
Balance at March 31, 2024	733	184	18,142	(1,228)	17,838	18,122	499,808

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2024
Cash flows from operating activities			
Income before income taxes	9,068	10,490	69,282
Depreciation	1,625	2,142	14,147
Amortization of goodwill	282	302	1,994
Increase/(decrease) in liabilities for retirement benefits	(175)	355	2,344
(Increase)/decrease in assets for retirement benefits	(228)	48	317
Increase/(decrease) in provision for warranties for completed construction	(145)	(197)	(1,301)
Increase/(decrease) in provision for loss on construction contracts	304	12	79
Interest income and dividends income	(202)	(217)	(1,433)
Interest expenses	220	233	1,538
Foreign exchange (gain)/loss	(528)	(621)	(4,101)
Loss on disposal of property, plant and equipment	81	21	138
(Gain)/loss on sales of investment securities	193	(100)	(660)
Share of (profit)/loss of entities accounted for using equity method	(122)	38	250
(Increase)/decrease in notes and accounts receivable and contract assets	(8,771)	(15,150)	(100,059)
(Increase)/decrease in inventory	(1,588)	(3,358)	(22,178)
Increase/(decrease) in notes and accounts payable - trade	241	(2,433)	(16,068)
Increase/(decrease) in contract liabilities	(577)	3,334	22,019
Other cash flows from operating activities	(951)	2,416	15,956
Subtotal	(1,273)	(2,681)	(17,706)
Interest and dividends income received	202	217	1,433
Interest expenses paid	(220)	(212)	(1,400)
Income taxes paid	(3,049)	(2,810)	(18,558)
Net cash provided by (used in) operating activities	(4,340)	(5,486)	(36,232)
Cash flows from investing activities			
Net (increase)/decrease in time deposits	38	(23)	(151)
Purchase of property, plant and equipment	(1,034)	(911)	(6,016)
Purchase of intangible assets	(1,548)	(5,052)	(33,366)
Purchase of investment securities	(5,794)	(352)	(2,324)
Proceeds from sales of investment securities	1,719	3,836	25,335
Payments of loans receivable	(163)	(652)	(4,306)
Collection of loans receivable	67	71	468
Other cash flows from investing activities	262	(14)	(92)
Net cash used in investing activities	(6,452)	(3,098)	(20,460)

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2024
Cash flows from financing activities			
Proceeds from short-term loans payable	2,321	3,591	23,717
Repayments of short-term loans payable	(1,168)	(2,428)	(16,035)
Repayments of long-term loans payable	(905)	—	—
Proceeds from PFI and other projects finance loans	2,300	2,300	15,190
Repayments of PFI and other projects finance loans	(875)	(887)	(5,858)
Proceeds from issuance of bonds	—	9,946	65,689
Cash dividends paid	(1,743)	(1,855)	(12,251)
Proceeds from share issuance to non-controlling interests	830	761	5,026
Cash dividends paid to non-controlling interests	(1)	(1)	(6)
Other cash flows from financing activities	(41)	(88)	(581)
Net cash provided by (used in) financing activities	717	11,338	74,882
Effect of exchange rate change on cash and cash equivalents	548	381	2,516
Net increase/(decrease) in cash and cash equivalents	(9,528)	3,134	20,698
Cash and cash equivalents at April 1	20,613	11,085	73,211
Cash and cash equivalents at March 31	¹ 11,085	¹ 14,219	93,910

[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 ¥151.41 to US\$1.00, prevailing on March 31, 2024, 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, 2024, the numbers of consolidated subsidiaries were 13 (14 in 2023). In addition, the number of affiliated companies which have been accounted for by the equity method as of March 31, 2024 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 7 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, 2024.

(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 (5 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. The amortization method and amortization period of deferred assets

Bond issuance costs are amortized by the straight-line method over the period until the bonds are redeemed.

10. 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.

11. 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 amount of 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, 2024 is included in "Gain 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, 2024

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Net sales	49,680	52,847	349,032
Balance in contract assets	33,859	42,525	280,859

(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, 2024. (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.

(Accounting Standards, etc. Not Yet Applied)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Summary

These standards specify the classification of corporate taxes, etc. taxed on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries and other securities when group corporate tax systems are applied.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of applying these accounting standards, etc.

The impact on the consolidated financial statements due to the application of Accounting Standard for Current Income Taxes is currently being evaluated.

(Additional Information)

(Accounting Method of the Impact Neutralization Trust)

In the fiscal year ended March 31, 2023, the Company acquired Metawater shares from its major stockholders including NGK INSULATORS, LTD. and FUJI ELECTRIC CO., LTD. In the fiscal year ended March 31, 2024, the Company 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), 11. Other significant matters serving as the basis for the preparation of consolidated financial statements, Accounting method of the Impact Neutralization Trust," ¥97 million (US\$640 thousand) of "Gain on sales of investment securities" is recognized on the consolidated statement of income for the fiscal year ended March 31, 2024. The sale of the Company's shares by the Trust was completed as of the end of the fiscal year ended March 31, 2024.

(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, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Notes receivable - trade	218	945	6,241
Accounts receivable - trade	53,113	59,588	393,553
Contract assets	33,859	42,525	280,859

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

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Investment securities	1,323	1,342	8,863

*3. Accumulated depreciation of property, plant and equipment

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Accumulated depreciation of property, plant and equipment	5,891	6,679	44,112

*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 NEXT YOKOHAMA 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, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Cash and deposits	6,176	7,890	52,110
Notes and accounts receivable - trade	11,142	9,942	65,662
Right to operate public facilities	950	900	5,944
Investments in subsidiaries and affiliates	30	30	198
Total	18,299	18,763	123,921

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

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Investments in subsidiaries	859	1,269	8,381
Long-term loans receivable	1,803	1,672	11,042
Total	2,662	2,941	19,424

*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, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Investment securities	405	405	2,674
Long-term loans receivable	115	100	660
Total	520	505	3,335

*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:

Financial information

(1) Term loan agreement with commitment period

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Total amount of term loan agreement with commitment period	8,900	8,900	58,780
Lines of credit used	3,900	6,200	40,948
Balance	5,000	2,700	17,832

(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, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Osaka Bioenergy Co., Ltd.	73	56	369

(2) Performance guarantee

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Ariake Water Management Co., Ltd.	38	33	217
Aizuwakamatsu Aqua Partner Co., Ltd.	417	452	2,985
Sasebo Aqua Solution Co., Ltd.	180	160	1,056
Sorami Bio Partners Co., Ltd.	64	81	534
Northern Akita Eco-resource Management Co., Ltd.	18	19	125
Ofunato Sewer Management Co., Ltd.	14	17	112
Gotemba Oyama Eco Partners Co., Ltd.	14	14	92
WATER CIRCLE KUMAMOTO K.K.	270	270	1,783
Total	1,019	1,049	6,928

(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, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
667	245	1,618

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

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Salaries and allowances	5,582	6,164	40,710
Bonuses	1,912	2,154	14,226
Retirement benefit expenses	269	726	4,794
Provision for warranties for completed construction	260	512	3,381
Research and development expenses	2,070	2,129	14,061

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

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
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, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
2,070	2,129	14,061

(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 2024

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Valuation difference on available-for-sale securities			
Amount arising during the year	(247)	410	2,707
Reclassification adjustments	—	(97)	(640)
Amount before tax effect	(247)	313	2,067
Tax effect	(1)	(18)	(118)
Valuation difference on available-for-sale securities	(248)	294	1,941
Deferred gains or losses on hedges			
Amount arising during the year	163	101	667
Reclassification adjustments	—	—	—
Amount before tax effect	163	101	667
Tax effect	(50)	(31)	(204)
Deferred gains or losses on hedges	113	70	462
Foreign currency translation adjustment			
Amount recognized during the year	1,858	1,058	6,987
Remeasurements of defined benefit plans			
Amount recognized during the year	(832)	1,478	9,761
Reclassification adjustments	447	382	2,522
Before tax effect adjustment	(384)	1,861	12,291
Tax effects	117	(569)	(3,758)
Remeasurements of defined benefit plans	(267)	1,291	8,526
Total other comprehensive income	1,456	2,714	17,924

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

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 July 20, 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

(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	913	22.00	March 31, 2023	June 2, 2023

Fiscal year ended March 31, 2024

1. Shares issued

Type of shares	Number of shares as of April 1, 2023	Increase	Decrease	Number of shares as of March 31, 2024
Common stock (shares)	47,758,500	—	2,000,000	45,758,500

2. Treasury stock

Type of shares	Number of shares as of April 1, 2023	Increase	Decrease	Number of shares as of March 31, 2024
Common stock (shares)	4,168,064	2,900	2,028,000	2,142,964

(Details of the changes)

Decrease resulting from the cancellation of treasury stock conducted on May 19, 2023: 2,000,000 shares

Increase resulting from the acquisition of treasury stock conducted on May 30, 2023: 2,900 shares

Decrease resulting from the disposal of treasury stock conducted on July 19, 2023: 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 18, 2023	Common stock	913	22.00	March 31, 2023	June 2, 2023
Board of Directors' meeting held on November 14, 2023	Common stock	941	22.00	September 30, 2023	December 4, 2023

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 18, 2023	Common stock	6,029	0.14	March 31, 2023	June 2, 2023
Board of Directors' meeting held on November 14, 2023	Common stock	6,214	0.14	September 30, 2023	December 4, 2023

(2) Dividends whose record date falls in the fiscal year ended March 31, 2024, 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 21, 2023	Common stock	Retained earnings	1,046	24.00	March 31, 2024	June 6, 2024

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 21, 2023	Common stock	Retained earnings	6,908	0.15	March 31, 2024	June 6, 2024

(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, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Cash and deposits	11,724	14,882	98,289
Time deposits with maturities of over three months	(638)	(662)	(4,372)
Cash and cash equivalents	11,085	14,219	93,910

(Financial Instruments)

1. Overview

(1) Group policy for financial instruments

The Group restricts its fund management to short-term deposits and raises necessary funds through loans from financial institutions including banks and by issuing bonds. 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 17 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 2024 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, 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	—

(*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)
Unlisted stocks	1,880

(*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, 2024

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Accounts receivable - trade	59,588	59,312	(276)
Investment securities (*1)	195	195	—
Total assets	59,784	59,507	(276)
Bonds	10,000	9,992	(7)
PFI and other projects finance loans	12,726	12,726	(9)
Total liabilities	22,726	22,708	(17)
Derivatives (*2)	117	117	—

	Carrying value (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Accounts receivable - trade	393,553	391,731	(1,822)
Investment securities (*1)	1,287	1,287	—
Total assets	394,848	393,018	(1,822)
Bonds	66,045	65,992	(46)
PFI and other projects finance loans	84,049	83,983	(59)
Total liabilities	150,095	149,976	(112)
Derivatives (*2)	772	772	—

(*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, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Unlisted stocks	2,187	14,444

(*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, 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

As of March 31, 2024

	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	14,882	—	—	—
Notes receivable - trade	945	—	—	—
Accounts receivable - trade	52,437	3,224	3,926	—
Total	68,266	3,224	3,926	—

Financial information

	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	98,289	—	—	—
Notes receivable - trade	6,241	—	—	—
Accounts receivable - trade	346,324	21,293	25,929	—
Total	450,868	21,293	25,929	—

(Note 2) The repayment schedule for bonds payable, loans payable and PFI and other project finance loans subsequent to the consolidated closing date

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

As of March 31, 2024

	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)
Bonds payable	—	10,000	—	—	—
Loans payable	3,591	—	—	—	—
PFI and other projects finance loans	697	3,047	5,917	2,579	1,182
Total	4,289	13,047	5,917	2,579	1,182

	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)
Bonds payable	—	66,045	—	—	—
Loans payable	23,717	—	—	—	—
PFI and other projects finance loans	4,603	20,124	39,079	17,033	7,806
Total	28,327	86,170	39,079	17,033	7,806

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, 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

As of March 31, 2024

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	195	—	—	195
Derivatives	—	117	—	117
Total assets	195	117	—	312

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities	1,287	—	—	1,287
Derivatives	—	772	—	772
Total assets	1,287	772	—	2,060

(2) Financial instruments other than those recorded in the consolidated balance sheets at fair value

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

As of March 31, 2024

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	59,312	—	59,312
Total assets	—	59,312	—	59,312
Bonds payable	—	9,992	—	9,992
PFI and other projects finance loans	—	12,716	—	12,716
Total liabilities	—	22,708	—	22,708

	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	391,731	—	391,731
Total assets	—	391,731	—	391,731
Bonds payable	—	65,992	—	65,992
PFI and other projects finance loans	—	83,983	—	83,983
Total liabilities	—	149,976	—	149,976

(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.

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.

Liabilities

Bonds payable

The fair value of bonds issued by the Company 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 bonds, and is classified as Level 2.

PFI and other project finance loans

The fair value of 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, 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)

As of March 31, 2024

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	195	33	161
Total	195	33	161

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	1,287	217	1,063
Total	1,287	217	1,063

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

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

As of March 31, 2024

Category	Sales value (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Stocks	3,909	100	—
Total	3,909	100	—

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	25,817	660	—
Total	25,817	660	—

Financial information

(Derivatives)

- Derivative transactions to which hedge accounting is not applied
No items to report.
- Derivative transactions to which hedge accounting is applied
Interest rate-related derivatives

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	

(Notes) 1. Method of calculating fair value

The fair value is mainly calculated based on the quoted price obtained from the counterparty financial institution.

- 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.

As of March 31, 2024

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	3,100	3,100	117
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	6,641	6,022	(Note 2)
Total			9,741	9,122	

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	20,474	20,474	772
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	43,861	39,772	(Note 2)
Total			64,335	60,247	

(Notes) 1. Method of calculating fair value

The fair value is mainly calculated based on the quoted price obtained from the counterparty financial institution.

- 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, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	18,395	18,835	124,397
Service cost	710	604	3,989
Interest cost	169	143	944
Actuarial gain and loss	(42)	202	1,334
Retirement benefits paid	(572)	(386)	(2,549)
Prior service cost incurred	—	(300)	(1,981)
Other	176	73	482
Retirement benefit obligation at the end of the year	18,835	19,173	126,629

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

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Plan assets at fair value at the beginning of the year	17,233	16,866	111,392
Expected return on plan assets	209	174	1,149
Actuarial gain and loss	(686)	917	6,056
Contribution by the companies	428	593	3,916
Retirement benefits paid	(476)	(354)	(2,338)
Other	157	80	528
Plan assets at fair value at the end of the year	16,866	18,278	120,718

(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, 2023 and 2024 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Funded retirement benefit obligation	16,295	16,524	109,134
Plan assets at fair value	(16,866)	(18,278)	(120,718)
	(571)	(1,753)	(11,577)
Unfunded retirement benefit obligation	2,540	2,648	17,488
Net amount of liabilities and assets recognized in the consolidated balance sheet	1,968	895	5,911
Liability for retirement benefit	4,386	4,836	31,939
Assets for retirement benefits	2,417	3,941	26,028
Net amount of liabilities and assets recognized in the consolidated balance sheet	1,968	895	5,911

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

	Fiscal year ended March 31, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Service cost	710	604	3,989
Interest cost	169	143	944
Expected return on plan assets	(209)	(174)	(1,149)
Amortization of actuarial gain or loss	258	877	5,792
Amortization of prior service cost	—	(31)	(204)
Retirement benefit expenses	928	1,419	9,371

(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, 2023 (Millions of yen)	Fiscal year ended March 31, 2024 (Millions of yen)	Fiscal year ended March 31, 2024 (Thousands of U.S. dollars)
Prior service cost	—	(268)	(1,770)
Actuarial gain and loss	(384)	(1,592)	(10,514)
Retirement benefit expenses	(384)	(1,861)	(12,291)

(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, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Unrecognized prior service cost	—	(268)	(1,770)
Unrecognized actuarial gain and loss	2,129	537	3,546
Total	2,129	268	1,770

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

	As of March 31, 2023	As of March 31, 2024
Stocks	3%	20%
Bonds	12	37
General accounts	23	22
Cash and deposits	50	12
Short-term assets	7	4
Other	1	5
Total	100	100

(Note) Retirement benefit trust established for the corporate pension plans is included and equivalent to 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.

Financial information

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Discount rates	0.2–1.5%	0.7–1.6%
Long-term expected rates of return on plan assets	Mainly 1.5	Mainly 1.5
Expected rates of salary increase	1.5–6.4	2.0–6.4

3. Defined contribution plans

Contributions of defined contribution plans for the fiscal years ended March 31, 2023 and 2024 were ¥315 million and ¥405 million (US\$2,674 thousand), respectively.

(Income Taxes)

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

	As of March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)	As of March 31, 2024 (Thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	170	217	1,433
Accrued bonuses	1,020	1,082	7,146
Provision for loss on construction contracts	380	382	2,522
Provision for warranties for completed construction	282	212	1,400
Excess of depreciation	149	155	1,023
Liability for retirement benefit	647	299	1,974
Unused tax losses (Note)	78	10	66
Other	675	653	4,312
Subtotal	3,403	3,013	19,899
Valuation allowance for unused tax losses (Note)	(10)	(10)	(66)
Valuation allowance for the total amount of deductible temporary differences	(215)	(217)	(1,433)
Valuation allowance subtotal	(225)	(228)	(1,505)
Total deferred tax assets	3,177	2,785	18,393
Deferred tax liabilities:			
Customer-related assets	(454)	(376)	(2,483)
Other	(238)	(252)	(1,664)
Total deferred tax liabilities	(693)	(628)	(4,147)
Net deferred tax assets (liabilities)	2,484	2,156	14,239

(Note) Amounts of unused tax losses and deferred tax assets by carryforward period

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

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

As of March 31, 2024

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

	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	26	—	—	—	33	66
Valuation allowance	(0)	(26)	—	—	—	(33)	(66)
Deferred tax assets	—	—	—	—	—	—	—

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

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, 2023	As of March 31, 2024
Effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanently non-deductible items such as entertainment expenses	1.4	1.3
Permanently non-taxable items such as dividends income	(0.2)	(0.1)
Per capita inhabitants' tax	0.8	0.6
Tax credit for experiment and research expenses	(1.3)	(3.6)
Changes in valuation allowance	(1.8)	0.0
Difference in tax rates of domestic consolidated subsidiaries	0.6	0.7
Difference in tax rates of overseas consolidated subsidiaries	(0.5)	(0.6)
Other	(1.2)	0.7
Effective income tax rate	28.3	29.7

(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. Mizumushi Management Miyagi, a consolidated subsidiary, as an operating right holder, are as follows:

Public facilities, etc. to be operated	The following assets in Miyagi Prefecture: 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	18 years from April 1, 2024 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 ¥4,518 million (US\$29,839 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, 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

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	65,595	69,267	134,863
The United States	22,188	—	22,188
Other	8,509	—	8,509
Sales to third parties	96,293	69,267	165,561

(Thousands of U.S. dollars)

	Reportable segments		
	Plant Engineering Business	Service Solutions Business	Total
By regional market			
Japan	433,227	457,479	890,713
The United States	146,542	—	146,542
Other	56,198	—	56,198
Sales to third parties	635,975	457,479	1,093,461

(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."

Financial information

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, 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.

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, of which approximately 70% is expected to be recognized as revenue within three years.

Fiscal year ended March 31, 2024

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, 2024 that was included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2024 was ¥ 5,961 million (US\$39,369 thousand).

The amount of revenue recognized in the fiscal year ended March 31, 2024 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, 2024 is ¥275,071 million (US\$1,816,729 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, 2023

	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 item					
Depreciation	949	675	1,625	—	1,625
Capital expenditures	1,858	1,315	3,174	—	3,174

(Millions of yen)

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

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	96,293	69,267	165,561	—	165,561
Inter-segment sales and transfers	—	—	—	—	—
Net sales	96,293	69,267	165,561	—	165,561
Segment income	1,440	8,463	9,903	—	9,903
Segment assets	83,531	67,617	151,148	17,694	168,843
Other item					
Depreciation	1,305	836	2,142	—	2,142
Capital expenditures	1,451	4,339	5,790	—	5,790

(Thousands of U.S. dollars)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	635,975	457,479	1,093,461	—	1,093,461
Inter-segment sales and transfers	—	—	—	—	—
Net sales	635,975	457,479	1,093,461	—	1,093,461
Segment income	9,510	55,894	65,405	—	65,405
Segment assets	551,687	446,582	998,269	116,861	1,115,137
Other item					
Depreciation	8,618	5,521	14,147	—	14,147
Capital expenditures	9,583	28,657	38,240	—	38,240

(Note) The amount of corporate assets included in adjustments of segment assets is ¥17,694 million (US\$116,861 thousand). The corporate assets mainly represent cash and deposits and investments in subsidiaries and affiliates.

[Related Information]

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

(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

3. Information about major customerst

(Millions of yen)

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

Fiscal year ended March 31, 2024

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
134,863	22,188	8,509	165,561

(Thousands of U.S. dollars)

Japan	The United States	Other	Total
890,713	146,542	56,198	1,093,461

(Note) Net sales are classified by country or region based on the customer's location.

Financial information

(2) Property, plant and equipment

(Millions of yen)

Japan	The United States	Switzerland	Other	Total
1,848	2,608	683	627	5,768

(Thousands of U.S. dollars)

Japan	The United States	Switzerland	Other	Total
12,205	17,224	4,510	4,141	38,095

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	26,713	Plant Engineering Business Service Solutions Business

(Thousands of U.S. dollars)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	176,428	Plant Engineering Business Service Solutions Business

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

Fiscal year ended March 31, 2023

No items to report.

Fiscal year ended March 31, 2024

No items to report.

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

Fiscal year ended March 31, 2023

(Millions of yen)

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

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	302	—	302	—	302
Unamortized balance	2,344	—	2,344	—	2,344

(Thousands of U.S. dollars)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	1,994	—	1,994	—	1,994
Unamortized balance	15,481	—	15,481	—	15,481

[Information about Gain on Bargain Purchase by Reportable Segment]

Fiscal year ended March 31, 2023

No items to report.

Fiscal year ended March 31, 2024

No items to report.

[Related Party Information]
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	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	Accounts receivable - trade	4,531
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 20.93	Purchase of products	Purchase of products (Note 1)	1,423	Accounts payable - trade	1,177
							Acquisition of the Company's shares (Note 2)	2,776	—	—
Other affiliate	FUJIELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586	Development, production, and sale of products related to power electronics energy, power electronics industry, semiconductors, power plant and food distribution, and provision of services related thereto	(Held) Direct 20.88	Purchase of products	Purchase of products (Note 1)	8,824	Accounts payable - trade	3,884
							Acquisition of the Company's shares (Note 2)	2,776	—	—
Subsidiary of other affiliate	FUJIFURUKAWA 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)	1,389	Accounts receivable - trade	1,202
							Entrustment of the Company's construction contracts	7,270	Accounts payable - trade	2,761
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 1)	899	Accounts receivable - trade	935

(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 (ToSTNeT-2) 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.

Fiscal year ended March 31, 2024

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\$396 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)	2,582 (US\$17,053 thousand)	Accounts receivable - trade	2,894 (US\$19,113 thousand)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	70,064 (US\$462,743 thousand)	Development, manufacture, and sale of products related to energy infrastructure, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 19.77	Purchase of products	Purchase of products (Note)	1,337 (US\$8,830 thousand)	Accounts payable - trade	998 (US\$6,591 thousand)
							Acquisition of the Company's shares (Note 2)	2,776	—	—
Other affiliate	FUJIELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586 (US\$314,285 thousand)	Development, production, and sale of products related to power electronics energy, power electronics industry, semiconductors, and food distribution, and provision of services related thereto	(Held) Direct 20.87	Purchase of products	Purchase of products (Note)	9,970 (US\$65,847 thousand)	Accounts payable - trade	3,905 (US\$25,790 thousand)
							Entrustment of the Company's construction contracts	7,270	Accounts payable - trade	2,761
Subsidiary of other affiliate	FUJIFURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.	Saiwai-ku, Kawasaki-shi	1,970 (US\$13,011 thousand)	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)	2,024 (US\$13,367 thousand)	Accounts receivable - trade	2,032 (US\$13,420 thousand)
							Entrustment of the Company's construction contracts	7,463 (US\$49,290 thousand)	Accounts payable - trade	2,302 (US\$15,203 thousand)
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100 (US\$660 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)	831 (US\$5,488 thousand)	Accounts receivable - trade	723 (US\$4,775 thousand)

(Note) 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.

Materiality (ESG) data

E Environment



(Non-consolidated)

	Category	FY2021	FY2022	FY2023	(Units)
GHG emissions	Overall	7,715	8,936	316,903	t-CO ₂
	Scope1* ¹	1,367	1,288	1,452	t-CO ₂
	Scope2* ¹	2,807	2,627	2,507	t-CO ₂
	Scope3* ²	3,541	5,021	312,944	t-CO ₂
CO ₂ emission intensity (Scope 1 + 2 / Net sales)	-	0.041	0.038	0.036	t-CO ₂ / Million yen
Power usage (office)	-	3,257	3,167	3,030	1000 kWh
Power usage (office) intensity (Power usage (office) / People)	-	1.20	1.10	1.10	1000 kWh/ person
Power usage (on-site)	-	3,086	2,625	2,800	1000 kWh
Renewable electricity purchased* ³	-	0	0	5,830	1000 kWh
Ratio of renewable electricity	-	-	-	100	%
Energy consumption	-	78,597	69,954	72,823	Gj
Energy consumption intensity (Energy consumption / People)	-	28.8	24.4	25.3	Gj/person
Amount of industrial waste generated (construction work)	-	11,539	13,373	15,091	t
Amount of industrial waste generated (office)	-	149	243	44	t
Final disposal amount of industrial waste	-	641	569	698	t
Recycling rate of industrial waste	-	94.5	95.8	95.4	%
Green purchasing rate for office supplies* ⁴	-	95.8	98.7	99.6	%
Amount of tap water used	-	5,095	5,658	7,999	m ³
Amount of wastewater used	-	6,743	7,984	6,549	m ³
ISO 14001 certification rate (by business site)* ⁵	-	70.7	70.7	70.7	%

*1 Companies subject to calculation for FY2023: METAWATER Co., Ltd., METAWATER SERVICE Co., Ltd.

*2 Scope 3: Total for categories 5, 6, and 7 for FY2021 and FY2022; total for categories 1, 4, 5, 6, 7, 8, 11, and 12 for FY2023.

*3 Total based on non-fossil certificates purchased.

*4 The 12 designated articles.

*5 Domestic non-consolidated

S Social



(Non-consolidated)

	Category	FY2021	FY2022	FY2023	(Units)
Number of consolidated employees* ⁶	-	3,496	3,565	3,685	persons
Number of full-time employees	Overall	1,683	1,679	1,696	persons
	Male	1,483	1,486	1,498	persons
	Female	200	193	198	persons
	(Percentage of females)	11.9	11.5	11.7	%
Number of non-full-time employees	-	560	567	819	persons
Number of dispatched employees	-	558	566	596	persons
Average age	Overall	42.7	43.5	43.6	Years old
	Male	43.3	43.9	44.0	Years old
	Female	38.7	40.0	40.2	Years old
Number of managers	Overall	404	429	419	persons
	Male	392	417	403	persons
	Female	12	12	16	persons
	(Percentage of females)	3.0	2.8	3.8	%
Percentage of employees with disabilities	-	2.50	2.60	2.61	%
New graduate hires	-	55	50	50	persons
Three-year retention rate for new employees	-	96	90.9	98.2	%
Mid-career hires	-	36	39	38	persons
Three-year retention rate for mid-career hires	-	88	94	85.7	%
Turnover rate	-	2.1	1.9	1.8	%
Average salary	-	7,930,000	8,217,000	8,359,000	Yen
Average years of service	-	17.6	17.2	17.0	Years
Average overtime hours per month	-	17.2	17.0	17.5	Hours
Annual paid leave	Number of days granted	20	20	20	Days
	Number of days taken	13.9	13.4	13.6	Days
	Take-up rate	69.5	66.9	68.0	%

(Non-consolidated)

	Category	FY2021	FY2022	FY2023	(Units)
Number of employees taking childcare leave	Male	38	32	37	persons
	Female	5	3	6	persons
Childcare leave take-up rate	Male*7	100	80	77.1	%
	Female	100	100	100	%
Training expenses (per person)	-	88,625	105,761	90,246	Yen
Hours of training (per person)	-	12	10	9	Hours
Number of employees obtaining qualifications eligible for awards	-	17	40	46	persons
Number of employees participating in elective training (self-development)	-	799	953	990	persons
Frequency rate of work-related industrial accidents	-	0.68	1.19	1.28	—
Severity rate of work-related industrial accidents*8	-	0.01	0.02	0.03	—
Percentage of employees with high stress (nationwide average: 15.7%)	-	8.7	8.1	8.2	%
Health and productivity management expenses (per person)	-	39,500	46,800	49,900	Yen
Achievement of work options (Employee Awareness Survey)	-	—	3.9/5	—	Average/ Perfect score
Cumulative number of job returners	-	7	8	11	persons
Social contribution activity expenditures	-	4,465,959	2,439,432	3,477,956	Yen
Number of participants in social contribution activities	-	930	1,384	2,282	persons
ISO 9001 certification rate (by business site)*5	-	70.7	70.7	70.7	%

*6 Consolidated

*7 [Childcare Leave + Leave for childcare purposes] were aggregated.

*8 Excluding full-year industrial accidents

G Governance



(Non-consolidated)

	Category	FY2021	FY2022	FY2023	(Units)
Number of directors (Number of outside directors in parentheses)	Overall	7 (3)	7 (3)	7 (3)	person
	Male	6 (2)	6 (2)	6 (2)	person
	Female	1 (1)	1 (1)	1 (1)	person
Internal reporting contact point (Helpline) operational performance	-	7	11	17	Cases
Research and development expenses	-	2,015	2,070	2,129	Million yen

Corporate information

History

Apr-08

Establishment of METAWATER Group



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-13 METAWATER USA, INC. was established in the United States as METAWATER Group's first overseas subsidiary
- 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.

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

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."

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.

2008~2012

- Apr-08 Established the Europe Representative Office in Germany (relocated to the Netherlands in 2014)
- 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
- Apr-11 Launched a new business called Water Business Cloud (WBC) to support the water and wastewater business



2013~2014

- 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)
- 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

2015~2016

- 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



2017~2020

- Oct-19 Acquired treasury stock and conducted tender offer for treasury stock
- Jan-20 Signed naming rights agreement with Nagoya City Sewerage Science Museum
- Apr-20 Acquired all shares of Wigen Companies, Inc. of U.S.
- Nov-20 Acquired all shares of Rood Wit Blauw Holding B.V. of the Netherlands



2021~2023

- Apr-22 Launch of Miyagi Prefecture public-private partnership for integrated operation of drinking, industrial and sewage water
- Nov-23 City of Koganei signed a naming rights agreement for a resource treatment facility
- Dec-23 Issued Blue Bonds

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	3,685 <small>*As of March 31, 2024, 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 AG* 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> <p style="text-align: right;"><small>*: Scope of consolidated statementen</small></p>
Overseas bases	United States, Netherlands, Switzerland, Germany, Vietnam, Cambodia

Organization

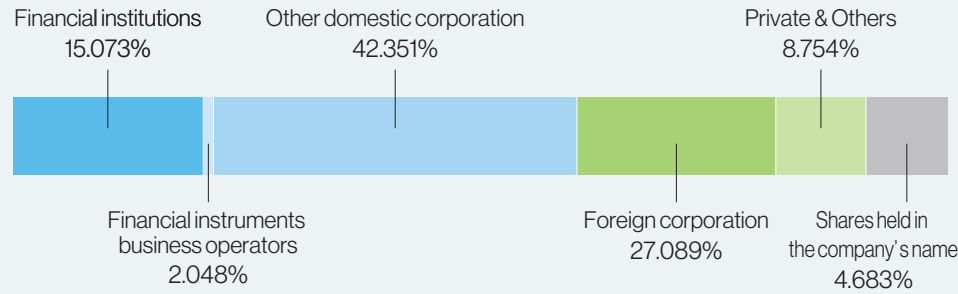


Company overview

Stock-related matters As of March 31, 2024

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	45,758,500 shares (Including 2,142,964 shares of treasury stock)
Number of shareholders	8,073

Breakdown of shareholders



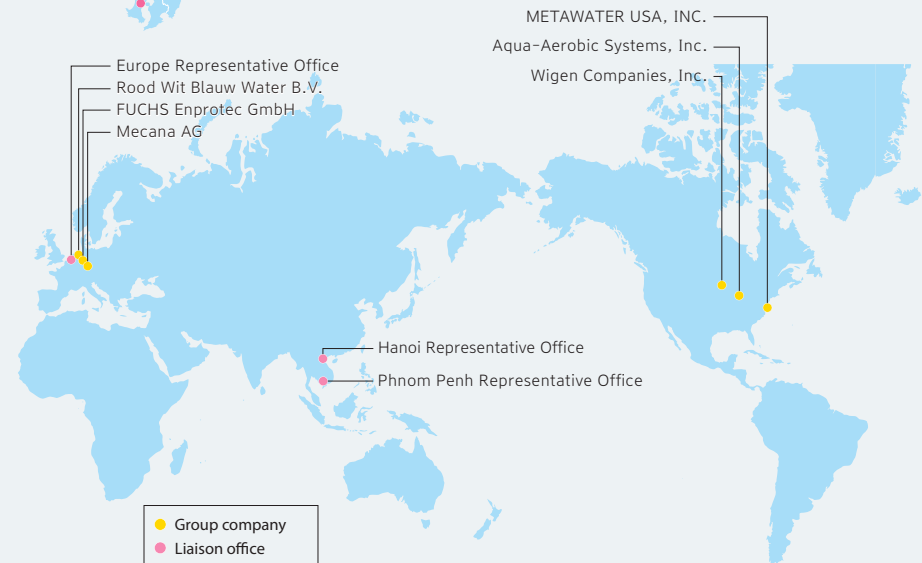
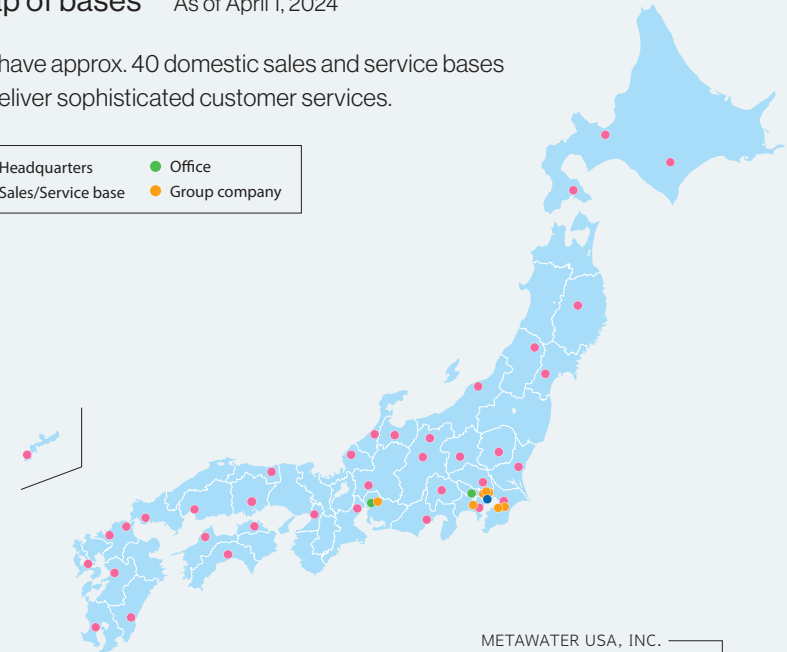
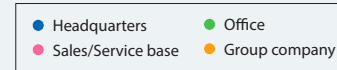
Status of dominant shareholders (Top 10)

Name of shareholder	Number of shares owned (1,000 shares)	Percentage of shares owned (%)
Fuji Electric Co., Ltd.	9,100	20.86
NGK INSULATORS, LTD.	8,620	19.76
The Master Trust Bank of Japan, Ltd. (Trust account)	3,447	7.90
Custody Bank of Japan, Ltd. (Trust Account)	3,035	6.96
JP MORGAN CHASE BANK 385632	2,459	5.64
Hikari Tsushin Inc.	1,331	3.05
METAWATER Employee Shareholding Association	806	1.85
NORTHERN TRUST CO.(AVFC)RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	556	1.28
J.P. MORGAN BANK LUXEMBOURG S.A. 385598	542	1.24
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	514	1.18

* The Company holds 2,143,000 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, 2024

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



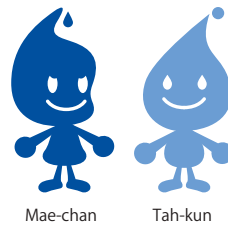


“META” in the corporate name “METAWATER” is a prefix representing “transcendence” or “transformation.”

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.”



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

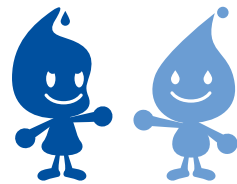
- Account name : metawater_official
- Name : METAWATER_metagram
- URL : https://www.instagram.com/metawater_official



■ METAWATER X official account

- Account name : metawater_PR
- Name : [Official] METAWATER
- URL : https://x.com/metawater_PR





www.metawater.co.jp