



METAWATER Co., Ltd.

January 28, 2015

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 (Unaudited)

[JP GAAP]

Company name	METAWATER Co., Ltd.
Stock exchanges on which the shares are listed	First Section of Tokyo Stock Exchange
Securities code	9551
URL	http://www.metawater.co.jp/
Representative	Tomoyasu Kida President and Representative Director
Contact person	Yasushi Nakamura Director and General Manager of Corporate Strategy Planning Division (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	February 13, 2015
Payment date of cash dividends	—
Supplementary information materials on quarterly results	Available
Quarterly results briefing	To be held for institutional investors and analysts

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the nine months ended December 31, 2014

(1) Consolidated operating results (year-to-date)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2014	41,792	—	(3,273)	—	(3,124)	—	(2,004)	—
Nine months ended December 31, 2013	—	—	—	—	—	—	—	—

Note: Comprehensive income: Nine months ended Dec.31, 2014 (1,876) million yen — %
 Nine months ended Dec.31, 2013 — million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Nine months ended December 31, 2014	(129.26)	—
Nine months ended December 31, 2013	—	—

Note: The Company executed a 100-for-1 stock split of its common stock and implements the share unit system, by which 100 shares turn to a share unit with October 1, 2014 as the effective date. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2014.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2014	92,795	39,062	42.0
As of March 31, 2014	87,192	20,012	22.9

Note: Shareholders' equity As of Dec.31, 2014 38,990 million yen
 As of Mar.31, 2014 19,946 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013	—	4,750.00	—	3,760.00	8,510.00
FY2014	—	2,900.00	—		
FY2014 (Forecast)				29.00	—

Note: Forecast for dividends was revised in the FY2014 third quarter since the last announcement.

The Company has executed a 100-for-1 stock split of its common stock as of October 1, 2014. Annual dividend for the fiscal year ended March 31, 2014 (FY2013) is 85.10 yen and interim dividend for the fiscal year ending March 31, 2015 (FY2014) is 29.00 yen assuming the stock split was conducted on April 1, 2013.

3. Forecast for consolidated operating results for the year ending March 31, 2015 (FY2014)

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share - Basic -
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2014	106,900	1.3	8,200	0.7	7,800	(2.9)	4,700	12.0	260.66

Note: Forecast for FY2014 consolidated operating results was not revised in the FY2014 third quarter since the last announcement.

The Company has executed a 100-for-1 stock split of its common stock as of October 1, 2014. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2014. In addition, the shares with payment due date of January 19, 2015 issued through third-party allotment (923,500 shares) are reflected in the calculation of net income per share.

Notes:

- (1) Changes in significant subsidiaries during the nine months ended Dec. 31, 2014
(Changes in specified subsidiaries that caused a change in the scope of consolidation): No
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - (a) Changes by a newly issued or amended accounting pronouncement: Yes
 - (b) Changes other than (3)-(a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatement: No
- (4) Number of shares issued and outstanding (common stock)
 - (a) Number of shares issued and outstanding at the end of the period (including treasury stock): 20,000,000 shares at FY2013 and 25,000,000 shares at FY2014 third quarter
 - (b) Number of treasury stock at the end of the period: 5,000,000 shares at FY2013 and nil at FY2014 third quarter
 - (c) Average number of shares issued and outstanding for the period: not applicable for FY2013 third quarter and 15,509,091 shares for FY2014 third quarter

Note: The Company executed a 100-for-1 stock split of its common stock and implements the share unit system, by which 100 shares turn to a share unit with October 1, 2014 as the effective date. Number of shares issued and outstanding (common stock) is calculated based on the assumption that the stock split was conducted on April 1, 2013.

Information Regarding the Quarterly Review Procedures to be performed by the External Auditor

At the time of disclosure of this report, the procedures for review of quarterly consolidated financial statements, pursuant to the "Financial Instruments and Exchange Act" of Japan, have not been completed.

Appropriate Use of Forecasts and Other Matters

- (1) Descriptions and statements in relation to estimates and other forward-looking projections disclosed in this document are based on judgments and assumptions using information currently available to the Company. Actual results may differ significantly from such projections due to risks of uncertainty inherent in such judgments and assumptions as well as changes in business operations and the internal and external environment of the Company. As such, the Company does not guarantee the accuracy of any forward-looking projections disclosed.
- (2) The Company resolved a stock split and adoption of the share unit system on the board of directors held on June 20, 2014. The Company executed a 100-for-1 stock split of its common stock and implements the share unit system, by which 100 shares turn to a share unit with October 1, 2014 as the effective date.

1. Qualitative Information Regarding Consolidated Results for the Nine Months Ended December 31, 2014

(1) Explanation of Operating Results

Descriptions and statements in relation to forward-looking projections disclosed in this document reflect the judgment of the Group as of December 31, 2014. Comparative analysis with the nine months ended December 31, 2013 is not performed as the quarterly consolidated financial statements for the nine months ended December 31, 2013 were not prepared in accordance with "Financial Instruments and Exchange Act" of Japan.

During the nine months ended December 31, 2014, business conditions of the Japanese economy as a whole continued to recover moderately, with slight recovery in part attributable to improvements in corporate earnings and robust capital investments arising from economic and monetary policies set out by the government. On the other hand, public and capital investments steadily recover, but the future remains unclear as a continuing shortage of human resources may inhibit investment.

With respect to the world economy, although there are concerns regarding impacts from weak economic performance in Europe and economic slowdown in certain developing countries, moderate economic recovery has been achieved in countries such as the U.S..

Under such circumstances, the Group continued to move forward under its slogan "Attack and Innovate", as in the previous fiscal year, and is promoting initiatives to establish strong business foundations for setting the Group on a growth track, ensuring stable sources of revenue, and strengthening the management base.

The consolidated operating results of the Group for the nine months ended December 31, 2014 showed net sales of ¥41,792 million and an operating loss of ¥3,273 million. Ordinary loss was ¥3,124 million and net loss was ¥2,004 million.

The nature of the business of the Group is characterized by trend for sales to government agencies and local governments to be concentrated in the fourth quarter. As such, net sales for the nine months ended December 31, 2014 were lower than the consolidated financial results forecast, and net loss was recorded.

Operating results by segment are as follows.

(Plant Engineering Business)

Net sales amounted to ¥27,886 million and an operating loss of ¥1,768 million was incurred as a result of unfavorable progress in large-scale construction.

(Service Solutions Business)

Net sales amounted to ¥13,905 million and an operating loss of ¥1,504 million was incurred as a result of a steady growth in ongoing service provision contracts for maintenance and management, etc. in the PFI (Note) Business.

Note: PFI (Private Finance Initiative): Initiatives utilizing private funds, technology, and efficient operation know-how in public services in relation to public facilities.

(2) Explanation of Financial Position

Total assets as of December 31, 2014 increased by ¥5,602 million compared to the end of the previous fiscal year to ¥92,795 million.

Current assets increased by ¥5,177 million compared to the end of the previous fiscal year to ¥82,665 million due to an increase in cash and deposits and work in process offsetting with a decrease in notes and accounts receivable – trade.

Non-current assets increased by ¥425 million compared to the end of the previous fiscal year to ¥10,130 million.

Current liabilities decreased by ¥26,088 million compared to the end of the previous fiscal year to ¥35,495 million due to decreases in notes and accounts payable – trade and current portion of PFI and other projects finance loans, etc.

Non-current liabilities increased by ¥12,640 million compared to the end of the previous fiscal year to ¥18,237 million as a result of an increase in long-term PFI and other projects finance loans, etc.

Total net assets increased by ¥19,050 million compared to the end of the previous fiscal year to ¥39,062 million as capital stock and capital surplus increased through initial public offering and treasury stock decreased.

(3) Explanation of Consolidated Business Forecast

The Company anticipates that consolidated business forecast for the fiscal year ending March 31, 2015 remains appropriate, and thus there is no change in the forecast announced on December 19, 2014.

Notes:

All forecasts are based on a number of assumptions for business environment and policies, and are subject to change with various factors. Actual financial results may differ materially and the Company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.

2. Matters Regarding Summary Information (notes)

(1) Changing in Significant Subsidiaries during the Period

No

(2) Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the nine months ended December 31, 2014 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective

Restatement

(Changes in Accounting Policies)

The Company has applied the main clauses from Paragraph 35 of ASBJ Statement No. 26 “Accounting Standard for Retirement Benefits” (hereinafter the “Standard”; revised on May 17, 2012) and Paragraph 67 of ASBJ Guidance No. 25 “Guidance on Accounting Standard for Retirement Benefits” (hereinafter the “Guidance”; revised on May 17, 2012) from the first quarter of the fiscal year ending March 31, 2015. Accordingly, the method for calculating projected benefit obligation and service cost has been revised and the method for attributing estimated benefit to periods has been changed from a straight-line basis to a benefit formula basis. In addition, the method of determining the discount rates applied in the calculation of projected benefit obligation was changed from the method using the average period up to estimated benefit payment date to the method using the single-weighted average discount rate that reflects the estimated period and amount of benefit payment in each period.

The revised accounting standard and guidance for retirement benefits were applied in accordance with the transitional treatment set forth in Paragraph 37 of the Standard, and the amount of the change in calculation methods for retirement benefit obligation and service cost were reflected in retained earnings as of April 1, 2014.

As a result, liability for retirement benefit as of April 1, 2014 increased by ¥871 million, deferred tax assets classified as non-current assets increased by ¥348 million, asset for retirement benefit decreased by ¥105 million, and retained earnings decreased by ¥628 million.

The impact on profit for the nine months ended December 31, 2014 is immaterial.

As the impact on segment information is immaterial, disclosure is omitted.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of Mar. 31, 2014	As of Dec. 31, 2014
Assets		
Current assets		
Cash and deposits	4,025	15,588
Notes and accounts receivable - trade	65,046	31,699
Securities	—	13,500
Work in process	2,185	14,333
Raw materials and supplies	1,938	1,902
Other current assets	4,292	5,641
Total current assets	77,488	82,665
Non-current assets		
Property, plant and equipment	1,829	1,860
Intangible assets	2,373	2,173
Investments and other assets		
Investments and other assets	5,721	6,096
Allowance for doubtful accounts	(219)	—
Total investments and other assets	5,501	6,096
Total non-current assets	9,704	10,130
Total assets	87,192	92,795

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of Mar. 31, 2014	As of Dec. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,859	13,268
Short-term loans payable	4,500	—
Current portion of PFI and other projects finance loans	8,919	807
Income taxes payable	3,623	212
Advances received	5,322	16,075
Provision for warranties for completed construction	1,021	824
Provision for loss on construction contracts	116	133
Other current liabilities	9,219	4,174
Total current liabilities	61,583	35,495
Non-current liabilities		
PFI and other projects finance loans	1,964	13,702
Liability for retirement benefit	3,530	4,534
Other non-current liabilities	101	—
Total non-current liabilities	5,596	18,237
Total liabilities	67,180	53,732
Net assets		
Shareholders' equity		
Capital stock	7,500	10,905
Capital surplus	10,633	14,038
Retained earnings	19,911	16,275
Treasury stock	(15,750)	—
Total shareholders' equity	22,295	41,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	36
Foreign currency translation adjustment	35	(69)
Remeasurements of defined benefit plans	(2,404)	(2,196)
Total accumulated other comprehensive income	(2,349)	(2,228)
Minority interests	65	71
Total net assets	20,012	39,062
Total liabilities and net assets	87,192	92,795

(2) Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

	(Millions of yen)
	Nine months ended Dec. 31, 2014
Net sales	41,792
Cost of sales	35,769
Gross profit	6,022
Selling, general and administrative expenses	9,295
Operating loss	(3,273)
Non-operating income:	
Interest income	188
Dividends income	24
Foreign exchange gains, net	205
Miscellaneous income	26
Total non-operating income	445
Non-operating expenses:	
Interest expenses	144
Loss on disposal of non-current assets	46
Share issuance cost	80
Miscellaneous loss	26
Total non-operating expenses	297
Ordinary loss	(3,124)
Loss before income taxes	(3,124)
Income taxes	(1,127)
Loss before minority interests	(1,996)
Minority interests in income	7
Net loss	(2,004)

Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)
	Nine months ended Dec. 31, 2014
Loss before minority interests	(1,996)
Other comprehensive income	
Valuation difference on available-for-sale securities	17
Foreign currency translation adjustment	(105)
Remeasurements of defined benefit plans	207
Total other comprehensive income	120
Comprehensive loss	(1,876)
(Details)	
Comprehensive loss attributable to owners of the parent	(1,884)
Comprehensive income attributable to minority interests	7

(3) Notes on Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No

Notes on Significant Changes in Shareholders' Equity

The Company received the paid-in capital upon issuance of new shares through a public offering and upon disposal of treasury stock (offered through book building) with the payment due date of December 18, 2014. As a result, during the nine months ended December 31, 2014, capital stock and capital surplus each increased by ¥3,405 million and treasury stock decreased by ¥15,750 million. As of December 31, 2014, capital stock and capital surplus were ¥10,905 million and ¥14,038 million, respectively.

Segment Information

Nine months ended December 31, 2014

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
1) Sales to third parties	27,886	13,905	41,792	—	41,792
2) Inter-segment transactions and transfers	—	—	—	—	—
Net sales	27,886	13,905	41,792	—	41,792
Segment loss	(1,768)	(1,504)	(3,273)	—	(3,273)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

This document is an English convenience translation of a document that was originally prepared in the Japanese language and is provided for convenience purposes only. Metawater makes no representation or warranty that this document is a complete or accurate translation of the original Japanese text, and is not intended to be relied upon. In the event that there is a discrepancy between the Japanese and English versions, the Japanese version shall prevail. This document is not intended and should not be construed as an inducement to purchase or sell stock in Metawater.