



# METAWATER Co., Ltd.

For Immediate Release

April 24, 2015

## CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2015 (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	<a href="http://www.metawater.co.jp/">http://www.metawater.co.jp/</a>
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)
Scheduled date of annual meeting of shareholders	June 22, 2015
Filing date of annual securities report	June 23, 2015
Payment date of cash dividends	June 5, 2015
Supplementary information materials on annual results	Available
Annual 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 fiscal year ended March 31, 2015

#### (1) Consolidated operating results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2015	106,945	1.4	8,220	0.9	8,213	2.3	4,989	18.9
Fiscal year ended March 31, 2014	105,490	(6.1)	8,143	(3.4)	8,030	(6.6)	4,195	(18.9)

Note: Comprehensive income:	Fiscal year ended March 31, 2015	4,747 million yen	11.9 %
	Fiscal year ended March 31, 2014	4,241 million yen	(18.8)%

	Net income per share - Basic -	Net income per share - Diluted -	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2015	276.71	—	14.8	8.2	7.7
Fiscal year ended March 31, 2014	214.91	—	15.0	8.9	7.7

Note: Share of profit (loss) of entities accounted for by the equity method

Fiscal year ended March 31, 2015	Nil
Fiscal year ended March 31, 2014	Nil

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, 2013.

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	114,257	47,773	41.7	1,839.04
As of March 31, 2014	87,192	20,012	22.9	1,329.76

Note: Shareholders' equity As of March 31, 2015 47,674 million yen  
As of March 31, 2014 19,946 million yen

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 assets per share is calculated based on the assumption that the stock split was conducted on April 1, 2013.

## (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2015	5,320	(1,502)	22,721	29,605
Fiscal year ended March 31, 2014	3,873	(2,601)	(9,254)	3,097

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	—	4,750.00	—	3,760.00	8,510.00
Fiscal year ended March 31, 2015	—	2,900.00	—	29.00	—
Fiscal year ending March 31, 2016 (Forecast)	—	29.00	—	29.00	58.00

	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend to net assets (Consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2014	1,514	39.6	5.4
Fiscal year ended March 31, 2015	1,186	21.0	3.7
Fiscal year ending March 31, 2016 (Forecast)		28.9	

Note: 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 is 85.10 yen and interim dividend for the fiscal year ended March 31, 2015 is 29.00 yen assuming the stock split was conducted on April 1, 2013. Payout ratio (Consolidated) and Dividend to net assets (Consolidated) for the fiscal year ended March 31, 2015 are calculated based on the assumption that the stock split was conducted on April 1, 2014.

### 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2016

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share - Basic -
Fiscal year ending March 31, 2016	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen 200.59
	111,000	3.8	8,400	2.2	8,100	(1.4)	5,200	4.2	

Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2015  
(Changes in specified subsidiaries that caused a change in the scope of consolidation): No
- (2) 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 (2)-(a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatement: No
- (3) Number of shares issued and outstanding (common stock)
  - (a) Number of shares issued and outstanding (including treasury stock): 20,000,000 shares as of March 31, 2014 and 25,923,500 shares as of March 31, 2015
  - (b) Number of treasury stock: 5,000,000 shares as of March 31, 2014 and nil as of March 31, 2015
  - (c) Average number of shares issued and outstanding for the fiscal year: 19,520,500 shares for the fiscal year ended March 31, 2014 and 18,031,485 shares for the fiscal year ended March 31, 2015

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. The number of shares issued and outstanding (common stock) is calculated based on the assumption that the stock split was conducted on April 1, 2013.

#### [For Reference]

#### Financial Highlights (Non-consolidated)

#### Highlight of non-consolidated results for the fiscal year ended March 31, 2015

##### (1) Non-consolidated operating results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2015	95,612	0.5	7,451	(5.3)	7,509	(5.1)	4,550	5.2
Fiscal year ended March 31, 2014	95,146	(1.6)	7,867	6.3	7,908	2.8	4,326	(8.7)

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2015	252.36	—
Fiscal year ended March 31, 2014	221.66	—

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, 2013.

## (2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	96,255	48,439	50.3	1,868.55
As of March 31, 2014	72,903	20,852	28.6	1,390.20

Note: Shareholders' equity	As of March 31, 2015	48,439 million yen
	As of March 31, 2014	20,852 million yen

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 assets per share is calculated based on the assumption that the stock split was conducted on April 1, 2013.

## Information Regarding the Audit Procedures to be performed by the External Auditor

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

## Appropriate Use of Forecasts and Other Matters

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.

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## 1. Analysis on Operating Results and Financial Conditions

### (1) Analysis on Operating Results

Descriptions and statements in relation to forward-looking projections in this document reflect the judgment by the Group as of March 31, 2015.

#### (i) Operating results for the fiscal year ended March 31, 2015

During the fiscal year ended March 31, 2015 business conditions of the Japanese economy as a whole continued to recover moderately, as shown in the improvements in corporate earnings and increase in salary levels arising from the economic and monetary policies set out by the Government. Public and capital investments also remained steady. 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, in general moderate economic recovery has been achieved in countries such as the U.S..

However, the business environment in Japan continued to be challenging such as increasing competition arising from the reduction of the clients' budget, a sharp increase in labor costs arising from shortage of human resources, and unsuccessful bidding.

Consequently, 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.

In the domestic businesses, the Group continued to implement a structure responding to changes in market environments, form strategic alliances with companies to form complementary relationships, develop and expand distinguished technologies and products, and make efforts for improvement of earnings as realized in the Company-wide cost reductions. As a result, this has led to a series of successful bids of PPP (Note 1) projects involving renewal of aging facilities, demand for repair and maintenance for such facilities, a private sector consignment, and expansion. In the overseas businesses, the Group seeks to establish business foundations by accelerating business developments centered around Europe and the U.S., where further expansion is expected, and by actively investing operating resources.

As a result, the consolidated operating results of the Group for the fiscal year ended March 31, 2015 are as follows: net sales were ¥106,945 million (1.4% increase year to year). With regard to income, operating income was ¥8,220 million (0.9% increase year to year), ordinary income was ¥8,213 million (2.3% increase year to year) and net income was ¥4,989 million (18.9% increase year to year).

Operating results by segment are as follows.

#### (Plant Engineering Business)

Plant Engineering Business is primarily involved in design and construction of equipment used for domestic and overseas water and sewage treatment processes, as well as design, construction and sale of machinery used to operate the said equipment.

Orders increased, but both sales and profit decreased for the fiscal year ended March 31, 2015 due to delays in completion of civil works.

Consequently, the operating results for this segment for the fiscal year are net sales of ¥64,681 million (3.0% decrease year to year) and income of ¥4,721 million (13.3% decrease year to year).

#### (Service Solutions Business)

Service Solutions Business is primarily involved in providing repair and operation and control services for equipment used for water, sewage and waste treatment processes.

Both sales and profit increased for this segment primarily due to an accumulation of orders for the

fiscal year ended March 31, 2015, which is attributable to continuing long-term service contracts such as PPP projects and continuing comprehensive proposals for operation and control to our customers.

Consequently, the operating results of this segment for the fiscal year are net sales of ¥42,263 million (8.8% increase year to year) and segment income of ¥3,499 million (29.9% increase year to year).

Note 1: PPP: Public-private partnership

## **(ii) Forecast for the fiscal year ending March 31, 2016**

We anticipate that the business conditions of the Japanese economy will continue to recover moderately in the fiscal year ending March 31, 2016, backed by the improvements in corporate earnings and other factors. With respect to the world economy, although there are concerns regarding slowdown and political uncertainty in certain developing countries, we anticipate the trend of moderate recovery will continue. However, it is expected that the business environment will continue to be challenging, due to reduced budget of local governments.

Nevertheless, the Group received an increased number of orders during the current fiscal year as compared to the prior fiscal year. Consequently, the outstanding balance of orders also increased, of which approximately 50% (assuming normal business conditions) is expected to be recorded as sales for the fiscal year ending March 31, 2016. In addition, the company-wide efforts will be continued to further reduce costs, and we expect a slight increase in sales and operating income in the consolidated results for the next fiscal year. Forecast for the consolidated results for the fiscal year ending March 31, 2016 is as follows:

Sales	:¥111,000 million (3.8% increase year to year)
Operating income	:¥8,400 million (2.2% increase year to year)
Ordinary income	:¥8,100 million (1.4% decrease year to year)
Net income	:¥5,200 million (4.2% increase year to year)

Because of the nature of the business, sales of the Group to government agencies and local governments tend to be concentrated in the fourth quarter. We assume that this trend will continue in the next fiscal year.

## **(2) Analysis on Financial Conditions**

Total assets as of March 31, 2015 increased by ¥27,065 million compared to March 31, 2014 to ¥114,257 million.

Current assets increased by ¥27,435 million compared to March 31, 2014 to ¥104,923 million due to an increase in cash and deposits and securities.

Non-current assets decreased by ¥370 million compared to March 31, 2014 to ¥9,334 million.

Current liabilities decreased by ¥13,207 million compared to March 31, 2014 to ¥48,376 million due to a decrease in current portion of PFI (Note 1) and other project finance loans, etc., offsetting with an increase in accounts payable - trade.

Non-current liabilities increased by ¥12,511 million compared to March 31, 2014 to ¥18,108 million as a result of an increase in long-term PFI and other project finance loans, etc.

Total net assets increased by ¥27,761 million compared to March 31, 2014 to ¥47,773 million as capital stock and capital surplus increased through initial public offering.

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2015 increased by ¥26,508 million compared to March 31, 2014 to ¥29,605 million. An analysis of the cash flows for the fiscal year and related commentary thereon is presented below:

(Cash flows from operating activities)

The increase in funds generated by operating activities was ¥5,320 million: ¥3,662 million outflow from income taxes paid, ¥1,231 million outflow from an increase in accounts receivable - trade, ¥1,022 million outflow from an increase in inventory. These outflows are offset by net income before income taxes of ¥8,065 million and a ¥1,830 million inflow from an increase in accounts payable - trade, and others.

(Cash flows from investing activities)

There is a decrease in funds used for investing activities of ¥1,502 million: ¥745 million outflow arising from the purchase of intangible assets and a ¥440 million outflow from purchases of property, plant and equipment and others.

(Cash flows from financing activities)

The increase in funds generated by financing activities is ¥22,721 million: ¥4,500 million outflow from repayments of short-term loans, a ¥13,363 million inflow from the issuance of new shares, ¥11,280 million inflow from disposal of treasury stock and a ¥3,580 million inflow from refinancing of PFI and other project finance loans, new borrowings and others.

Note 1: PFI (Private Finance Initiative): A method to construct, operate and maintain public facilities using private funds, management competences and technical capabilities.

(Reference) Index related to cash flows over the periods

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Shareholders' equity to total assets (%)	38.8	22.9	41.7
Shareholders' equity to total assets based on market value (%)	—	—	55.7
Interest-bearing debt to cash flows (%)	—	397.2	271.9
Interest coverage ratio	—	47.5	29.7

Shareholders' equity to total assets: Shareholders' equity / Total assets

Shareholders' equity to total assets based on market value: Total market value of equity / Total assets

Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payment

- Note:
1. These indexes are calculated based on the consolidated financial data.
  2. Shareholders' equity to total assets based on market value at the end of the fiscal year ended March 31, 2013 and 2014 are not calculated as the Company was unlisted.
  3. Cash flows represent cash flows from operating activities.
  4. Interest-bearing debt includes all liabilities recorded in the consolidated balance sheet that pay interest.
  5. Interest-bearing debt to cash flows and interest coverage ratio at the end of the fiscal year ended March 31, 2013 are not shown in the table above as the operating cash flows were negative.



### **(3) Basic Policy for Profit Distributions and Dividends Payment for the Fiscal Year Ended March 31, 2015 and 2016**

It is the Company's basic policy to return profits to our shareholders on a continuing basis according to the Company's business conditions while securing internal reserves necessary to respond to steady growth and changing business environments.

The Company's policy is for dividends to be paid twice a year - at mid-year and year-end. The Company's Article of Incorporation stipulates that a decision on the distribution of surplus and other matters specified in each item of Paragraph 1, Article 459 of the Companies Act, may be made by a resolution of the Board of Directors, unless otherwise specified by laws and regulations.

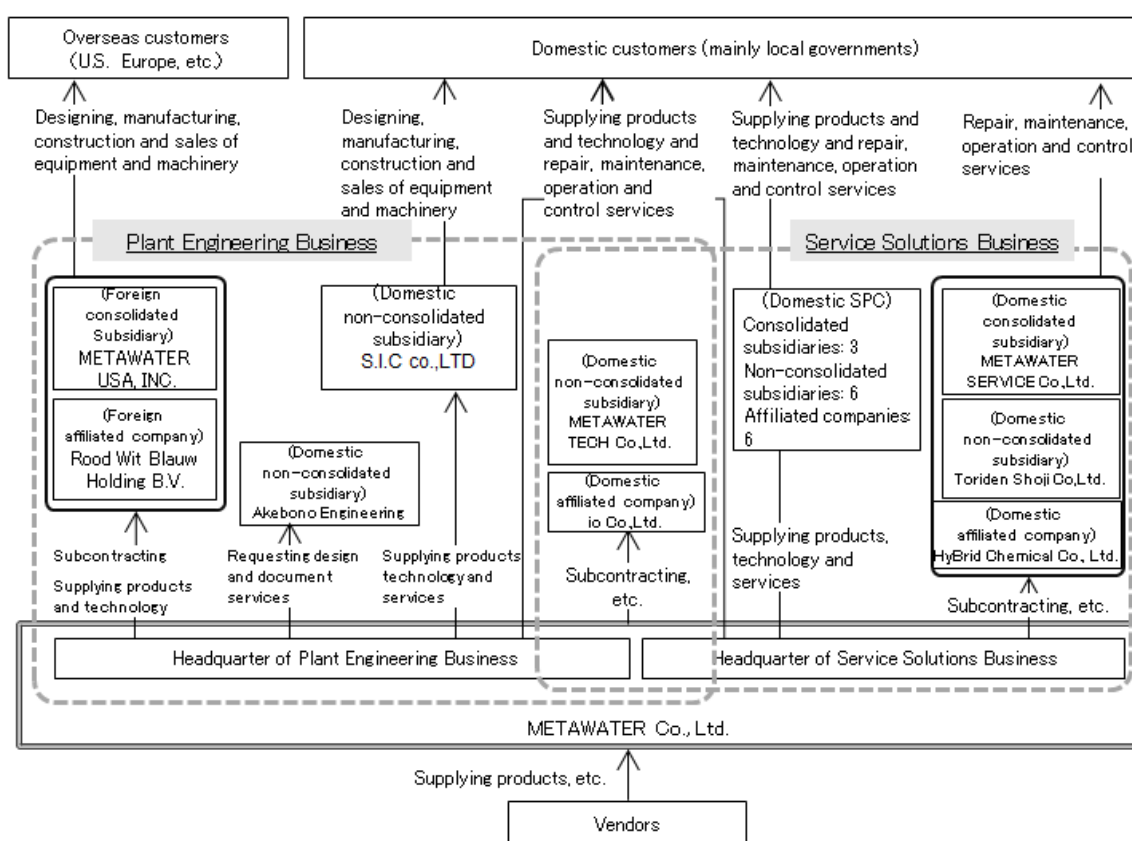
With respect to the distribution of surplus for the fiscal year ended March 31, 2015, the Company will declare a year-end cash dividend of ¥29 per share at the Board of Directors' meeting scheduled to be held in May 2015, considering the consolidated results, financial conditions and others for the fiscal year ended March 31, 2015 and 2016. As a result, the dividend payout ratio for the fiscal year is 21.0%.

With respect to an expected dividend per share for the fiscal year ending March 31, 2016, the Company expects to declare a mid-year cash dividend of ¥29 per share and a year-end cash dividend of ¥29 per share, a total of ¥58 annual dividend.

## **2. Organization of the Group**

The Group consists of the Company, five consolidated subsidiaries, 10 non-consolidated subsidiaries, and nine affiliated companies. The Group conducts a plant engineering business, which is primarily involved in design and construction of equipment used for domestic and overseas water and sewage treatment processes, as well as design, construction and sale of machinery used to operate the said equipment, and a service solution business, which is primarily involved in providing repair and operation and control services for equipment used for water, sewage and waste treatment processes.

The following chart shows the business segments of the Group:



### 3. Management Policy

#### (1) Basic Policy of Management of the Company

Under the philosophy that “As a leading engineering company, we aim to provide ‘optimal water treatment solutions’ and make continuous efforts in creating a society with a great environment and safe water”. To achieve sustainable development in these objectives, the Group aims at becoming a corporate group that meets the expectations of all of our stakeholders, including customers, local communities, shareholders and investors, to gain public trust, and to continue to make positive contributions for the benefit of society.

#### (2) Target Business Index

The Group sets operating income, which reflects the profit or loss recorded by the Group, as the key business index.

The target for the fiscal year ending March 31, 2016 is as follows:

	(Hundred million yen)		
	Fiscal year ended March 31, 2014 (Actual)	Fiscal year ended March 31, 2015 (Actual)	Fiscal year ending March 31, 2016 (Target)
Sales	1,054	1,069	1,110
Operating income	81	82	84
Ordinary income	80	82	81
Net income	41	49	52

Note: Rounded down to the nearest hundred million yen.

### **(3) The Company's Medium-to Long-Term Business Strategy and Issues to be Addressed**

In the Group's main business, domestic water and sewage treatment processes, facilities and equipment developed during the period of economic growth in Japan are now aging and maintenance and renewal of those facilities and equipment is an urgent issue. On the other hand, issues such as the financial difficulties and shortage of human resources have become evident in many local governments, which is attributable to the population decline. As a result, public-private partnership is encouraged in the public infrastructure development through PFI using private funds and further streamlining is anticipated by privatization and expansion of water and sewage businesses. With respect to the overseas water and sewage market, although uncertainty remains in certain developing countries, the overall market is expected to expand steadily.

Consequently, the Group will work toward "further expansion of business for setting the Group on a growth track", "improvement in profitability" and "enhancement of corporate governance" under its slogan "Attack and Innovate" to continue to drive growth.

#### **(i) Further expansion of business for setting the group on a growth track**

(Launch of domestic operation business)

To capitalize on the opportunities created by the development of public-private partnerships, the Group will expand the areas of business in which services are offered through strategic alliances with companies holding complementary technologies with the Group's, leveraging our PPP business experience. We aim to be a fully integrated provider of optimized, comprehensive total solutions from design and construction through to control and operation.

(Expansion of overseas business)

For overseas businesses, we will promote the establishment of business foundations in Europe and the U.S., where further expansion is expected. We will form alliances with local companies to strengthen proposal activities for the Group's differentiated products.

#### **(ii) Improvement in profitability**

We will continuously offer new solution products that reflect the needs of changing markets to secure new orders. We will also continue to commit to the Company-wide cost reductions such as realizing optimization and operational efficiencies through centralized cost management at all levels - from the development phase through to design, procurement, construction, and operation phases - in order to achieve further improvement in profitability.

#### **(iii) Enhancement of corporate governance**

The Group will enhance corporate governance to realize our basic philosophy of generating trust in our relationships with stakeholders and carrying out our duties with integrity. We will strengthen

the oversight system for business operations to ensure transparent management, enhance internal control functions and promote compliance to establish a structure that enables the achievement of sustainable improvement of corporate value.

#### **4. Basic Approach to the Selection of Accounting Standards**

The Group currently operates in Japan and hence, continues to apply Japanese Accounting Standards. However, we will consider adopting IFRS (International Financial Reporting Standards) based on the proportion of foreign shareholders, and the adoption trend of other domestic companies.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2014	As of March 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	4,025	19,534
Notes and accounts receivable - trade	65,046	66,549
Securities	—	11,000
Work in process	2,185	2,753
Supplies	1,938	2,394
Deferred tax assets - current	1,922	1,754
Other current assets	2,369	937
Total current assets	77,488	104,923
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	405	426
Machinery and equipment, net	1,168	1,029
Tools, furniture and fixtures, net	242	245
Construction in progress	13	4
Other property, plant and equipment, net	0	0
Total property, plant and equipment	1,829	1,706
Intangible assets		
Software	2,234	2,027
Software in progress	68	74
Other intangible assets	69	37
Total intangible assets	2,373	2,139
Investments and other assets		
Investment securities	1,033	1,029
Long-term loans receivable	289	276
Guarantee deposits	1,207	1,422
Assets for retirement benefits	1,506	1,096
Deferred tax assets - non-current	1,429	1,629
Other non-current assets	255	34
Allowance for doubtful accounts	(219)	—
Total investments and other assets	5,501	5,489
Total non-current assets	9,704	9,334
Total assets	87,192	114,257

**(1) Consolidated Balance Sheets (continued)**

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	28,859	31,664
Short-term loans payable	4,500	—
Current portion of PFI and other project finance loans	8,919	801
Income taxes payable	3,623	2,994
Advances received	5,322	5,130
Provision for warranties for completed construction	1,021	875
Provision for loss on construction contracts	116	68
Other current liabilities	9,219	6,840
Total current liabilities	61,583	48,376
Non-current liabilities		
PFI and other project finance loans	1,964	13,663
Liability for retirement benefit	3,530	4,444
Other non-current liabilities	101	—
Total non-current liabilities	5,596	18,108
Total liabilities	67,180	66,484
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,500	11,946
Capital surplus	10,633	15,080
Retained earnings	19,911	23,273
Treasury stock	(15,750)	—
Total shareholders' equity	22,295	50,300
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	33
Foreign currency translation adjustment	35	11
Remeasurements of defined benefit plans	(2,404)	(2,670)
Total accumulated other comprehensive income	(2,349)	(2,626)
Minority interests	65	98
Total net assets	20,012	47,773
Total liabilities and net assets	87,192	114,257

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

	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	105,490	106,945
Cost of sales	83,600	85,144
Gross profit	21,890	21,800
Selling, general and administrative expenses	13,746	13,580
Operating income	8,143	8,220
Non-operating income:		
Interest income	78	251
Dividends income	27	30
Foreign exchange gain	—	181
Miscellaneous income	33	29
Total non-operating income	138	491
Non-operating expenses:		
Interest expenses	102	187
Loss on disposal of non-current assets	130	142
Share issuance cost	—	91
Foreign exchange loss	5	—
Miscellaneous loss	13	76
Total non-operating expenses	252	498
Ordinary income	8,030	8,213
Extraordinary loss		
Loss on valuation of investment securities	—	148
Loss on withdrawal from corporate pension fund	427	—
Total extraordinary loss	427	148
Income before income taxes	7,602	8,065
Income taxes - current	3,728	2,942
Income taxes - deferred	(327)	98
Total income taxes	3,401	3,041
Income before minority interests	4,201	5,024
Minority interests in income	5	34
Net income	4,195	4,989

## Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	4,201	5,024
Other comprehensive income		
Valuation difference on available-for-sale securities	3	14
Foreign currency translation adjustment	35	(24)
Remeasurements of defined benefit plans	—	(266)
Total other comprehensive income	39	(277)
Comprehensive income	4,241	4,747
(Details)		
Comprehensive income attributable to owners of the parent	4,235	4,712
Comprehensive income attributable to minority interests	5	34



### (3) Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal year ended March 31, 2014				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	7,500	10,633	17,716	—	35,850
Cumulative effects of changes in accounting policies					—
Balance at April 1, 2013 after cumulative effects of changes in accounting policies	7,500	10,633	17,716	—	35,850
Changes during the period					
Issuance of new shares					—
Dividends from surplus			(2,000)		(2,000)
Net income			4,195		4,195
Purchase of treasury stock				(15,750)	(15,750)
Disposal of treasury stock					—
Changes in other equity, net					
Total changes during the period	—	—	2,195	(15,750)	(13,554)
Balance at March 31, 2014	7,500	10,633	19,911	(15,750)	22,295

**(3) Consolidated Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2014					
	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2013	15	—	—	15	61	35,926
Cumulative effects of changes in accounting policies						—
Balance at April 1, 2013 after cumulative effects of changes in accounting policies	15	—	—	15	61	35,926
Changes during the period						
Issuance of new shares						—
Dividends from surplus						(2,000)
Net income						4,195
Purchase of treasury stock						(15,750)
Disposal of treasury stock						—
Changes in other equity, net	3	35	(2,404)	(2,364)	4	(2,359)
Total changes during the period	3	35	(2,404)	(2,364)	4	(15,914)
Balance at March 31, 2014	19	35	(2,404)	(2,349)	65	20,012

**(3) Consolidated Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2015				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	7,500	10,633	19,911	(15,750)	22,295
Cumulative effects of changes in accounting policies			(628)		(628)
Balance at April 1, 2014 after cumulative effects of changes in accounting policies	7,500	10,633	19,282	(15,750)	21,666
Changes during the period					
Issuance of new shares	4,446	4,446			8,893
Dividends from surplus			(999)		(999)
Net income			4,989		4,989
Purchase of treasury stock					—
Disposal of treasury stock				15,750	15,750
Changes in other equity, net					
Total changes during the period	4,446	4,446	3,990	15,750	28,633
Balance at March 31, 2015	11,946	15,080	23,273	—	50,300

**(3) Consolidated Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2015					
	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2014	19	35	(2,404)	(2,349)	65	20,012
Cumulative effects of changes in accounting policies						(628)
Balance at April 1, 2014 after cumulative effects of changes in accounting policies	19	35	(2,404)	(2,349)	65	19,383
Changes during the period						
Issuance of new shares						8,893
Dividends from surplus						(999)
Net income						4,989
Purchase of treasury stock						—
Disposal of treasury stock						15,750
Changes in other equity, net	14	(24)	(266)	(277)	33	(243)
Total changes during the period	14	(24)	(266)	(277)	33	28,390
Balance at March 31, 2015	33	11	(2,670)	(2,626)	98	47,773

**(4) Consolidated Statement of Cash Flows**

	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Net income before taxes	7,602	8,065
Depreciation	941	1,088
Increase/(decrease) in liabilities for retirement benefits	230	(99)
Increase/(decrease) in assets for retirement benefits	(250)	(200)
Increase/(decrease) in provision for warranties for completed construction	526	(146)
Increase/(decrease) in provision for loss on construction contracts	(6)	(48)
Interest income and dividends income	(105)	(281)
Interest expenses	102	187
Foreign exchange (gain)/loss	(27)	(8)
Loss on disposal of property, plant and equipment	130	142
(Gain)/loss on valuation of investment securities	—	148
(Increase)/decrease in accounts receivable	(506)	(1,231)
(Increase)/decrease in inventory	2	(1,022)
Increase/(decrease) in notes and accounts payable-trade	(1,583)	1,830
Increase/(decrease) in advances received	(336)	(192)
Other cash flows from operating activities	161	648
Subtotal	6,880	8,880
Interest and dividends income received	105	281
Interest expenses paid	(81)	(179)
Income taxes paid	(3,030)	(3,662)
Cash flows from operating activities	3,873	5,320

**(4) Consolidated Statement of Cash Flows (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from investing activities		
Net (increase)/decrease in time deposits	(928)	—
Purchase of property, plant and equipment	(554)	(440)
Purchase of intangible assets	(1,289)	(745)
Purchase of investment securities	(248)	(124)
Payments of loans receivable	—	(12)
Collection of loans receivable	82	24
Other cash flows from investing activities	337	(204)
Cash flows from investing activities	(2,601)	(1,502)
Cash flows from financing activities		
Proceeds from short-term loan payable	4,500	—
Repayments of short-term loans payable	—	(4,500)
Proceeds from PFI and other project finance loans	4,155	13,479
Repayments of PFI and other project finance loans	(155)	(9,899)
Proceeds from issuance of new shares	—	13,363
Purchase of treasury stock	(15,750)	—
Proceeds from disposal of treasury stock	—	11,280
Cash dividends paid	(2,000)	(999)
Cash dividends paid to minority shareholders	(1)	(1)
Other cash flows from financing activities	(2)	(1)
Cash flows from financing activities	(9,254)	22,721
Effect of exchange rate change on cash and cash equivalents	80	(31)
Net increase/(decrease) in cash and cash equivalents	(7,901)	26,508
Cash and cash equivalents at April 1	10,646	3,097
Increase/(decrease) in cash and cash equivalents resulting from change in scope of consolidation	352	—
Cash and cash equivalents at March 31	3,097	29,605

## **(5) Notes on Consolidated Financial Statements**

### **(Notes on Going Concern Assumption)**

No items to report.

### **(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 March 26, 2015) from the fiscal year ended 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 fiscal year ended March 31, 2015 is immaterial.

### **(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 headquarters 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. The “Plant Engineering” segment is primarily involved in design and construction of water and sewage treatment plants. The “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 for each reportable segment**

Accounting treatment applied to the business segment reported is generally consistent with accounting treatment applied to prepare 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 by reportable segment

Fiscal year ended March 31, 2014

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	66,652	38,838	105,490	—	105,490
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	66,652	38,838	105,490	—	105,490
Segment income	5,449	2,694	8,143	—	8,143

Fiscal year ended March 31, 2015

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	64,681	42,263	106,945	—	106,945
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	64,681	42,263	106,945	—	106,945
Segment income	4,721	3,499	8,220	—	8,220

### (Per Share Information)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
	Yen	Yen
Net assets per share	1,329.76	1,839.04
Net income per share	214.91	276.71

- Note:
1. Diluted net income per share is not presented as there are no diluted shares.
  2. 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 assets per share and net income per share are calculated based on the assumption that the stock split was conducted on April 1, 2013.
  3. Net income per share is calculated on the following basis.

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net income per share	Millions of yen	Millions of yen
Net income	4,195	4,989
Net income not attributable to common shareholders	—	—
Net income related to common stock	4,195	4,989
Average number of shares outstanding during the period (number of shares)	19,520,500	18,031,485



**(Significant Subsequent Events)**

No items to report.

## 6. Non-Consolidated Financial Statements

### (1) Balance Sheets

	(Millions of yen)	
	As of March 31, 2014	As of March 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	2,462	17,088
Notes receivable	596	515
Accounts receivable - trade	50,920	47,767
Securities	—	11,000
Work in process	2,130	2,738
Supplies	1,923	2,377
Advances paid	55	62
Deferred tax assets	1,742	1,566
Other current assets	1,633	1,462
Total current assets	61,465	84,578
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	402	423
Machinery and equipment, net	1,168	1,029
Tools, furniture and fixtures, net	220	222
Construction in progress	13	4
Other property, plant and equipment, net	0	0
Total property, plant and equipment	1,804	1,680
Intangible assets		
Software	2,227	2,020
Software in progress	68	74
Other intangible assets	49	28
Total intangible assets	2,346	2,124

**(1) Balance Sheets (continued)**

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
Investments and other assets		
Investment securities	141	162
Stocks of affiliates	1,391	1,328
Long-term loans receivable	6	6
Long-terms loans receivable from affiliates	497	816
Guarantee deposits	1,146	1,399
Prepaid pension costs	4,074	3,982
Receivable from businesses under bankruptcy or rehabilitation process	219	—
Other non-current assets	30	176
Allowance for doubtful accounts	(219)	—
Total investments and other assets	7,288	7,872
Total non-current assets	11,438	11,677
Total assets	72,903	96,255

**(1) Balance Sheets (continued)**

(Millions of yen)

	As of March 31, 2014	As of March 31, 2015
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	26,989	30,638
Short-term loans payable	4,500	—
Accounts payable - other	3,896	2,653
Accrued expenses	2,348	2,450
Income taxes payable	3,527	2,705
Advances received	5,322	5,130
Provision for warranties for completed construction	1,021	875
Provision for loss on construction contracts	65	32
Other current liabilities	2,159	261
Total current liabilities	49,831	44,747
Non-current liabilities		
Deferred tax liabilities	101	—
Provision for retirement benefits	2,117	3,069
Total non-current liabilities	2,219	3,069
Total liabilities	52,050	47,816
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,500	11,946
Capital surplus		
Legal capital surplus	4,959	9,406
Other capital surplus	5,674	5,674
Total capital surplus	10,633	15,080
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
General reserve	759	759
Retained earnings brought forward	17,674	20,602
Total retained earnings	18,450	21,378
Treasury stock	(15,750)	—
Total shareholders' equity	20,833	48,405
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	19	33
Total valuation and translation adjustments	19	33
Total net assets	20,852	48,439
Total liabilities and net assets	72,903	96,255

**(2) Statement of Income**

	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	95,146	95,612
Cost of sales	74,630	75,656
Gross profit	20,515	19,955
Selling, general and administrative expenses	12,647	12,504
Operating income	7,867	7,451
Non-operating income:		
Interest income and dividends income	173	149
Foreign exchange gain	—	185
Miscellaneous income	23	27
Total non-operating income	196	362
Non-operating expenses:		
Loss on disposal of non-current assets	130	142
Share issuance cost	—	91
Miscellaneous loss	25	70
Total non-operating expenses	155	304
Ordinary income	7,908	7,509
Extraordinary loss		
Loss on valuation of stocks of affiliates	—	148
Loss on withdrawal from corporate pension fund	427	—
Total extraordinary loss	427	148
Income before income taxes	7,480	7,360
Income taxes - current	3,506	2,544
Income taxes - deferred	(352)	265
Total income taxes	3,153	2,810
Net income	4,326	4,550

### (3) Statement of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal year ended March 31, 2014			
	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2013	7,500	4,959	5,674	10,633
Cumulative effects of changes in accounting policies				—
Balance at April 1, 2013 after cumulative effects of changes in accounting policies	7,500	4,959	5,674	10,633
Changes during the period				
Issuance of new shares				—
Dividends from surplus				—
Net income				—
Purchase of treasury stock				—
Disposal of treasury stock				—
Changes in other equity, net				
Total changes during the period	—	—	—	—
Balance at March 31, 2014	7,500	4,959	5,674	10,633

**(3) Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2014					
	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
General reserve		Retained earnings brought forward				
Balance at April 1, 2013	16	759	15,347	16,123	—	34,256
Cumulative effects of changes in accounting policies				—		—
Balance at April 1, 2013 after cumulative effects of changes in accounting policies	16	759	15,347	16,123	—	34,256
Changes during the period						
Issuance of new shares						—
Dividends from surplus			(2,000)	(2,000)		(2,000)
Net income			4,326	4,326		4,326
Purchase of treasury stock					(15,750)	(15,750)
Disposal of treasury stock						—
Changes in other equity, net						
Total changes during the period	—	—	2,326	2,326	(15,750)	(13,423)
Balance at March 31, 2014	16	759	17,674	18,450	(15,750)	20,833

**(3) Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2014		
	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for sale securities	Total valuation and adjustments	
Balance at April 1, 2013	15	15	34,272
Cumulative effects of changes in accounting policies			—
Balance at April 1, 2013 after cumulative effects of changes in accounting policies	15	15	34,272
Changes during the period			
Issuance of new shares			—
Dividends from surplus			(2,000)
Net income			4,326
Purchase of treasury stock			(15,750)
Disposal of treasury stock			—
Changes in other equity, net	3	3	3
Total changes during the period	3	3	(13,419)
Balance at March 31, 2014	19	19	20,852



**(3) Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2015			
	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2014	7,500	4,959	5,674	10,633
Cumulative effects of changes in accounting policies				
Balance at April 1, 2014 after cumulative effects of changes in accounting policies	7,500	4,959	5,674	10,633
Changes during the period				
Issuance of new shares	4,446	4,446		4,446
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock				
Changes in other equity, net				
Total changes during the period	4,446	4,446	—	4,446
Balance at March 31, 2015	11,946	9,406	5,674	15,080

**(3) Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2015					
	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
General reserve		Retained earnings brought forward				
Balance at April 1, 2014	16	759	17,674	18,450	(15,750)	20,833
Cumulative effects of changes in accounting policies			(622)	(622)		(622)
Balance at April 1, 2014 after cumulative effects of changes in accounting policies	16	759	17,051	17,827	(15,750)	20,210
Changes during the period						
Issuance of new shares						8,893
Dividends from surplus			(999)	(999)		(999)
Net income			4,550	4,550		4,550
Purchase of treasury stock						—
Disposal of treasury stock					15,750	15,750
Changes in other equity, net						
Total changes during the period	—	—	3,551	3,551	15,750	28,194
Balance at March 31, 2015	16	759	20,602	21,378	—	48,405

**(3) Statement of Changes in Shareholders' Equity (continued)**

(Millions of yen)

	Fiscal year ended March 31, 2015		
	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for sale securities	Total valuation and adjustments	
Balance at April 1, 2014	19	19	20,852
Cumulative effects of changes in accounting policies			(622)
Balance at April 1, 2014 after cumulative effects of changes in accounting policies	19	19	20,230
Changes during the period			
Issuance of new shares			8,893
Dividends from surplus			(999)
Net income			4,550
Purchase of treasury stock			—
Disposal of treasury stock			15,750
Changes in other equity, net	14	14	14
Total changes during the period	14	14	28,209
Balance at March 31, 2015	33	33	48,439

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