

# Outline of Financial Results for Fiscal Year Ended March 2015



April 27, 2015  
METAWATER Co., Ltd.

- I. Achievements for Fiscal Year Ended March 2015
- II. Policy/Key Measures for Fiscal Year Ending March 2016
- III. Outline of Financial Results for Fiscal Year Ended March 2015
- IV. Earnings Forecast for Fiscal Year Ending March 2016

Note: This document contains actual results for each quarter as well as the fiscal year ended March 2013 and earlier. These figures (except results for the third quarter of the fiscal year ending March 2015 and net sales from the fiscal year ended March 2010 to the fiscal year ended March 2013) are shown for the Company's management purposes and as reference values.

- I. Achievements for Fiscal Year Ended March 2015
- II. Policy/Key Measures for Fiscal Year Ending March 2016

Tomoyasu Kida  
President

## Segment information

### ❑ Plant Engineering Segment (“PE” segment)

This segment is primarily involved in various types of engineering work related to the design and construction of mechanical equipment used for water treatment processes, sewage treatment processes and sludge treatment processes, as well as the design and construction of electric equipment used to operate the said mechanical equipment.

### ❑ Service Solutions Business (“SS” segment)

This segment is primarily involved in various repair work, operation and maintenance (maintenance and check) and operational management of mechanical and electric equipment for water treatment plants, sewage treatment plants, waste treatment facilities and recycling facilities.

## Abbreviations

EPC: Engineering, Procurement and Construction

O&M: Operation and Maintenance

PPP: Public–Private Partnership

PFI: Private Finance Initiative

DBO: Design, Build and Operate

# I. Achievements for Fiscal Year Ended March 2015

- \* Achieved sales and income increases as planned in the first year after listing
- \* Generated record orders

(Billion yen)

|                                     | Net sales  | Operating income                                 | Ordinary income                                  | Net income                                       | Orders   | Dividends<br>(after listing)      |
|-------------------------------------|--|--|--|--|--|-----------------------------------|
| Fiscal year ended March 2015 actual | <b>106.9</b><br>Vs. plan: 100%<br>YoY change: 101% | <b>8.2</b><br>Vs. plan: 100%<br>YoY change: 103% | <b>8.2</b><br>Vs. plan: 105%<br>YoY change: 103% | <b>5.0</b><br>Vs. plan: 106%<br>YoY change: 119% | <b>117.2</b><br>Vs. plan: 100%<br>YoY change: 110% | <b>Year-end 29 yen</b> (forecast) |
| Fiscal year ended March 2015 plan   | 106.9  | 8.2  | 7.8  | 4.7  | 117.0  | <b>Year-end 29 yen</b>            |
| Fiscal year ended March 2014 actual | 105.5  | 8.1  | 8.0  | 4.2  | 107.0  | —                                 |

## PE segment: Made steady progress in implementing contracted EPC projects

### EPC

- \* Completed construction of mechanical/electric equipment in the water and wastewater segment → 10 large projects
- \* Completed construction of digestion gas power generation facilities → Delivered 10 fuel cells in 4 projects

### Overseas segment

- \* Appointed Executive Director Fukushima as the President of METAWATER USA, Inc.
- \* Butte-Silver Bow water purification plant in the United States → Received orders for ceramic membranes
- \* Vianden water purification plant in the Netherlands → Started a test run of sand filtration backwash water treatment facilities
- \* Technical licensing of wastewater treatment process in emerging countries

## SS segment: Increased no. of work-in-process O&M and PFI/DBO projects

### O&M

- \* Operated and maintained water/sewage treatment plants → Over 70 locations
- \* Received an order to provide long-term comprehensive operation and maintenance services to a recycling center
- \* Established METAWATER TECH Co., Ltd.

### PFI/DBO

The Company was involved in 19 out of 46 PFI/DBO projects related to the water and wastewater business that were offered by the end of FY2014

- \* Redevelopment Project of Kawai Water Purification Plant in Yokohama City  
→ Started operation and maintenance
- \* Renewal Project of Takizawa Water Purification Plant in Aizu-Wakamatsu City  
→ Started construction and O&M of the existing facilities
- \* Wastewater Treatment Facilities Development Project of Fishery Processing Complex in Onagawa Town → Completed construction
- \* Sasebo City Yamanota Water Treatment Plant Integration Project  
→ Completed construction, being entrusted with maintenance/operation



## Development of energy-saving and generation technologies

- \* “Breakthrough by Dynamic Approach in Sewage High Technology Project” (B-DASH Project) by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  
“Demonstration study of an energy management system using intensive solid-liquid separation technology”<sup>\*1</sup>  
→ Development of the guidelines for introducing the technology by MLIT  
“Demonstration of an innovative energy-conversion system through total optimization of sludge dehydration, combustion and electricity generation”<sup>\*2</sup>  
→ Compiled demonstration data for the development of guidelines for technology introduction  
“Demonstration of a new sewage treatment technology using circulation and no-aeration”<sup>\*3</sup>  
→ Started demonstration in April 2015
- \*1 FY2011: Outsourcing project from the National Institute for Land and Infrastructure Management, MLIT;  
Operator: Consortium between METAWATER and Japan Sewage Works Agency
- \*2 FY2013: Ibid.  
Operator: Consortium between METAWATER and Ikeda City
- \*3 FY2014: Ibid.  
Operator: Consortium between Kochi City, Kochi University, Japan Sewage Works Agency, and METAWATER
- \* Joint development of a new, advanced sewage treatment technology → The Bureau of Sewerage Tokyo Metropolitan Government, Tokyo Metropolitan Sewerage Service Corporation, and METAWATER jointly awarded “2014 Nikkei Global Environmental Technology Awards Prize for Excellence”

## Promotion of strategic alliance

- \* Promotion of WBC (Water Business Cloud)
- \* Establishment of a joint venture chemical company
- \* OEM supply of ceramic membranes
- \* OEM supply of energy-saving thickener

## II. Policy/Key Measures for Fiscal Year Ending March 2016

- \* Achieve sales and income increases again in fiscal year ending March 2016
- \* Generate record orders
- \* Maintain stable dividend payments by ensuring the same level of dividends as fiscal year ended March 2015

(Billion yen)

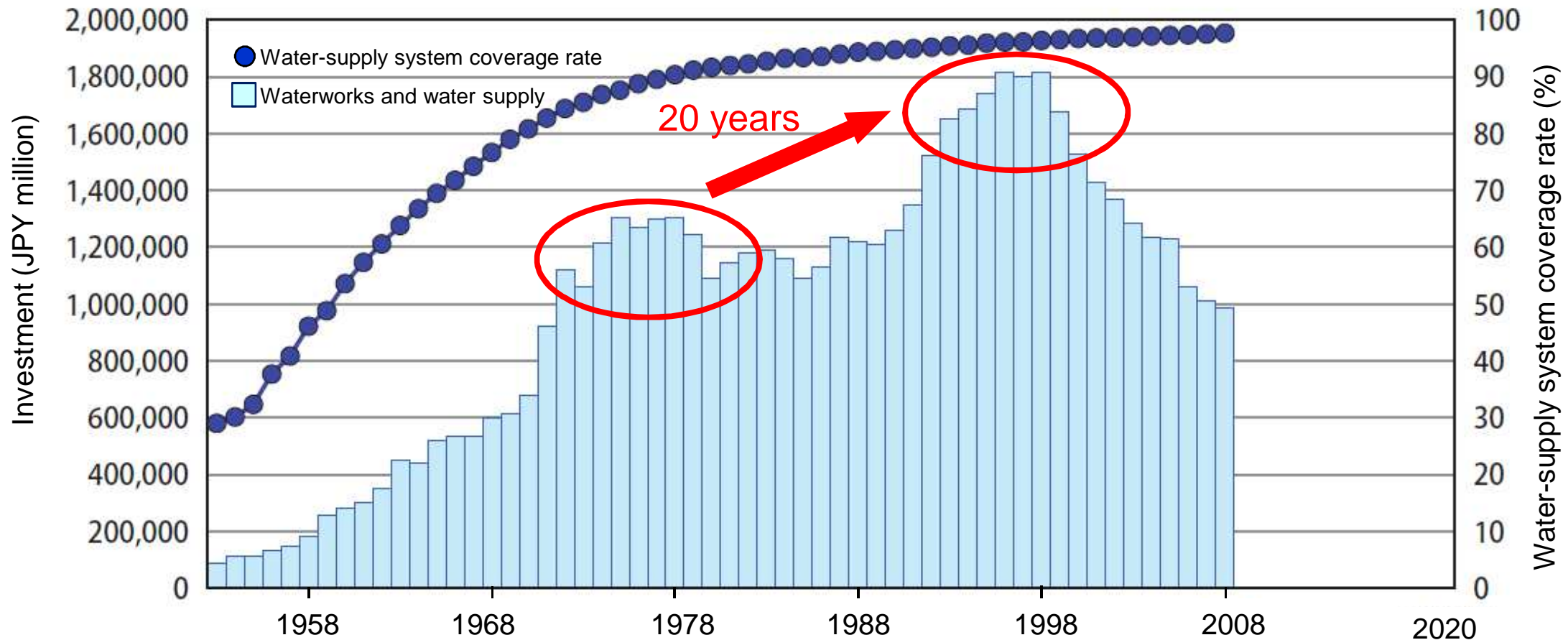
|                                     | Net sales                        | Operating profit               | Ordinary income               | Net income                     | Orders                           | Annual dividends |
|-------------------------------------|----------------------------------|--------------------------------|-------------------------------|--------------------------------|----------------------------------|------------------|
| Fiscal year ending March 2016 plan  | <b>111.0</b><br>YoY change: 104% | <b>8.4</b><br>YoY change: 102% | <b>8.1</b><br>YoY change: 99% | <b>5.2</b><br>YoY change: 104% | <b>118.0</b><br>YoY change: 101% | <b>58 yen</b>    |
| Fiscal year ended March 2015 actual | 106.9                            | 8.2                            | 8.2                           | 5.0                            | 117.2                            | 58 yen*          |

\* The Company executed a 100-for-1 stock split of its common stock on October 1, 2014. The dividend per share above is calculated by assuming that the stock split was executed at the beginning of the fiscal year ended March 31, 2014.

# Policy/Key Measures for Fiscal Year Ending March 2016

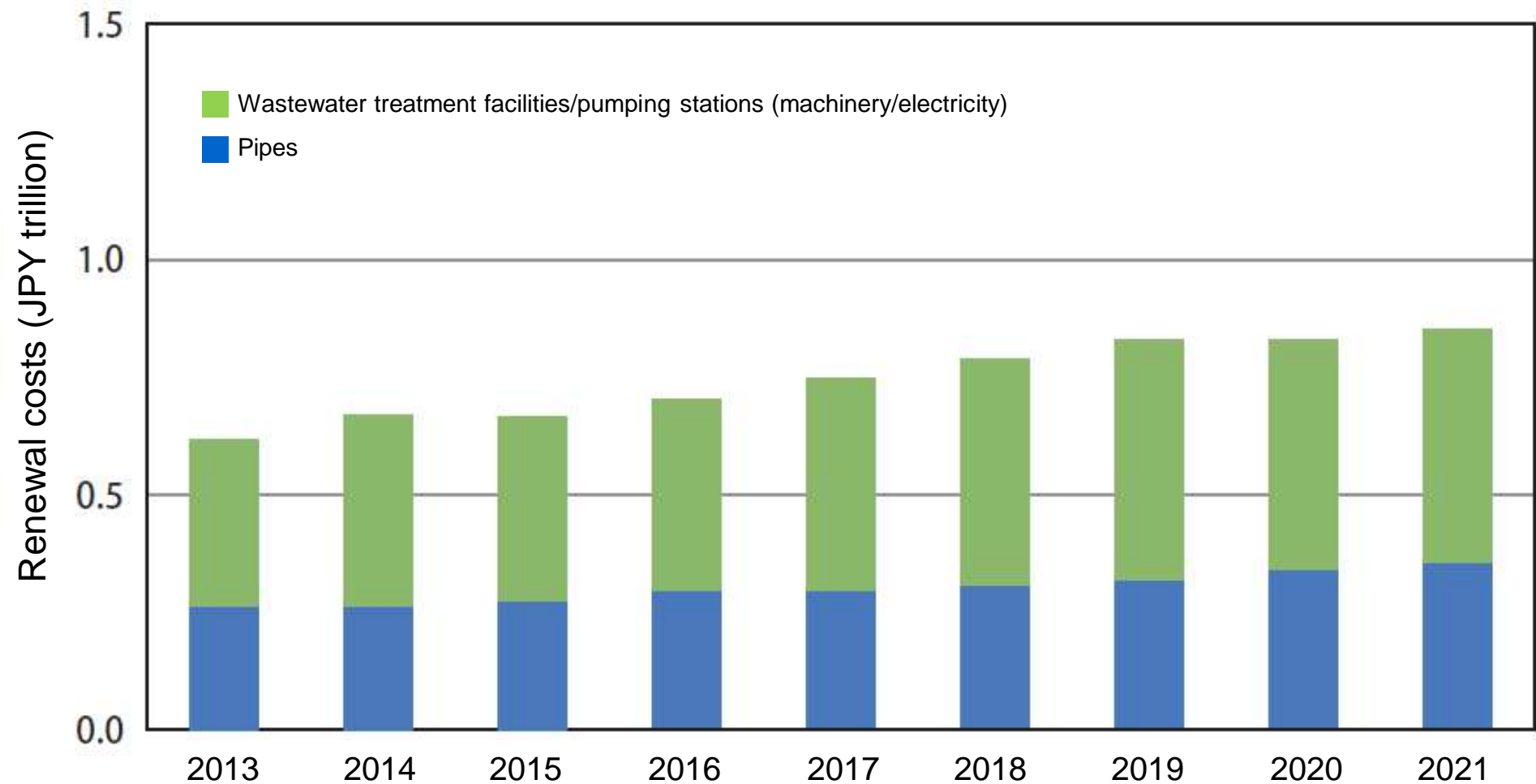
## — Trends of Water Investments

The amount of investment in the water segment tends to increase every 20 years.



\* Source: "Trends of Water-Supply System Coverage Rate and Investments" (P. 6), "Public-Private Partnership in the Water Business," the Ministry of Health, Labour and Welfare  
<http://www.mhlw.go.jp/file/06-Seisakujouhou-10900000-Kenkoukyoku/0000075443.pdf>

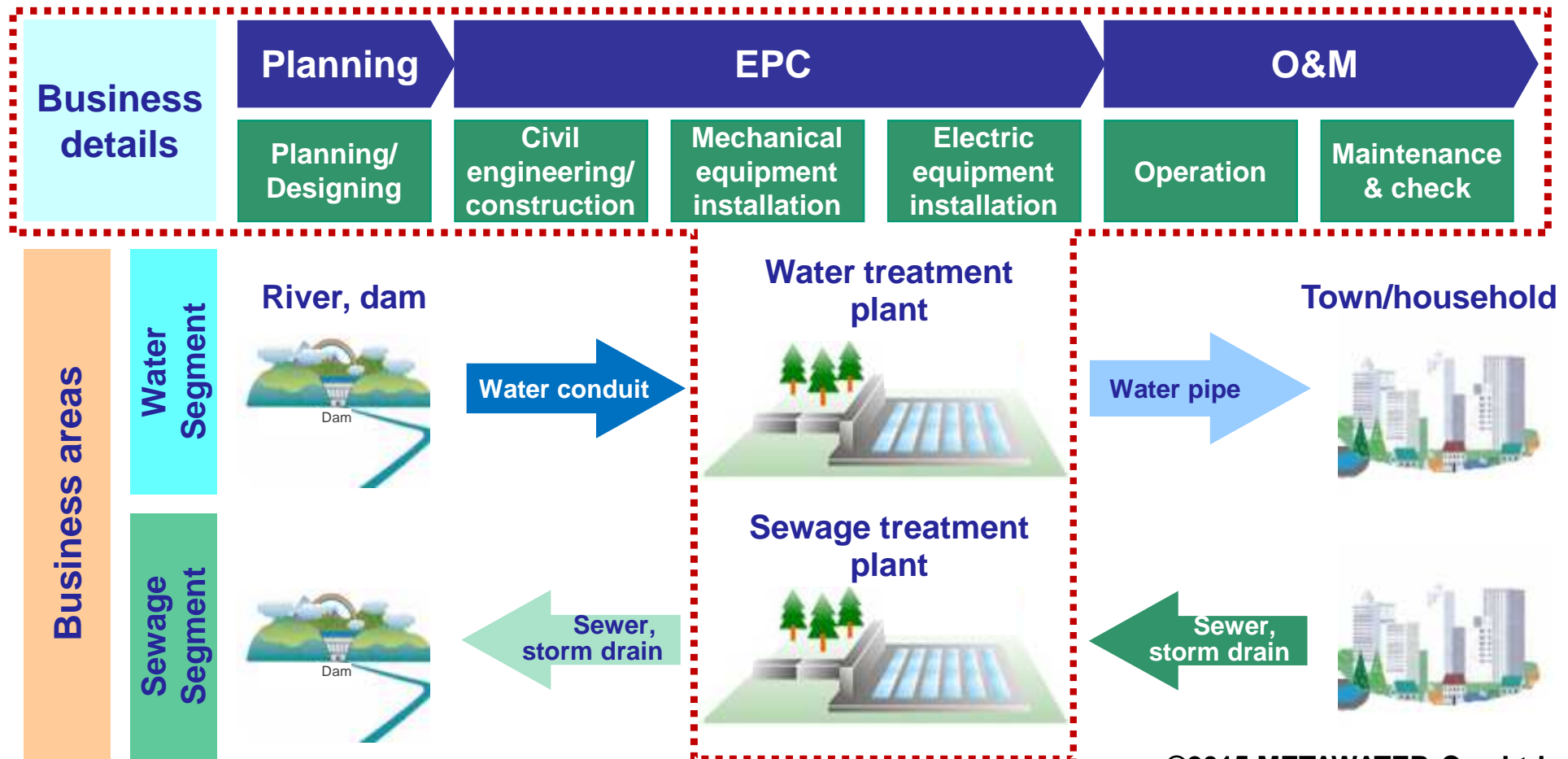
Renewal costs are expected to increase in the wastewater segment.



\* Source: Chapter 4-3, "New Sewerage Vision" the Ministry of Land, Infrastructure, Transport and Tourism  
[http://www.mlit.go.jp/mizukokudo/sewerage/mizukokudo\\_sewerage/vision/4-02.pdf](http://www.mlit.go.jp/mizukokudo/sewerage/mizukokudo_sewerage/vision/4-02.pdf)

Covering a wide range of areas in the water and wastewater business in Japan with an extensive track record

- Mechanical and electric technologies
- From drinking water to wastewater
- From designing and construction, to O&M
- ICT platform (WBC)
- Partnership



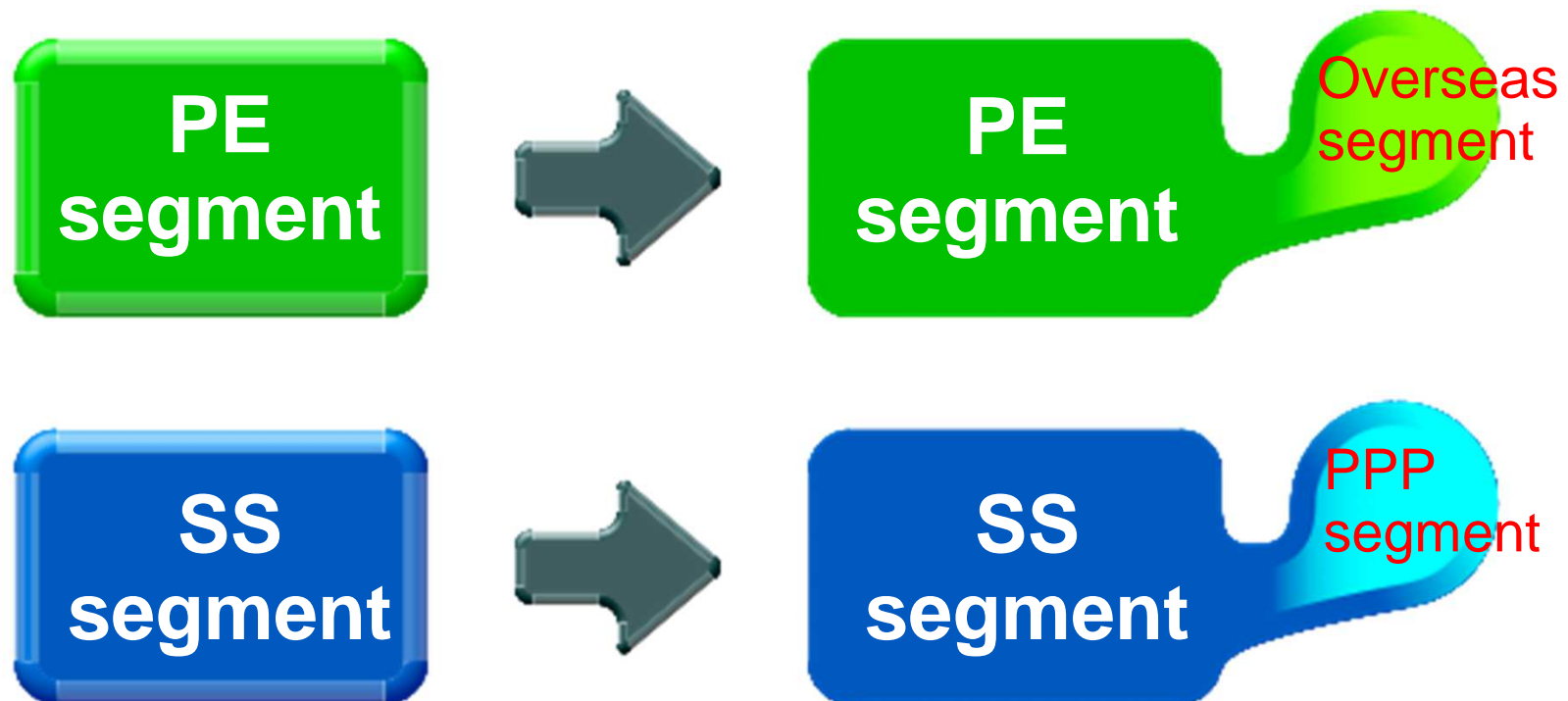
**Policy:** Shift from “engineering + services” to “total solutions”

**Strategy:** \* Turn the PE and SS segments into well-balanced core business areas in the mid- to long-run

→ Achieve stable growth of the PE segment and enhance/expand the SS segment

\* Designate the overseas and PPP segments as growth segments

→ Focus on key measures by assigning persons in charge





## (1) Enhancement of Core Business

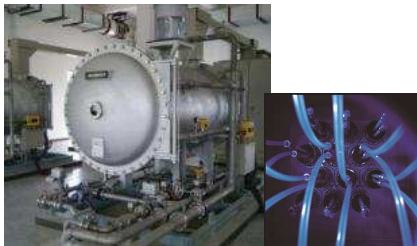
### Provision of total solutions by combining engineering, services, and ICT

#### Mechanical technology

Best to meet renewal demand  
Ceramic membrane filtration  
system



Supports safe and high-quality water  
Ozone processing system



Preventive measures for localized  
downpours  
High-speed filtration system



#### Electric technology

Power receiving and  
transforming equipment



Monitoring and  
control equipment



Fuel cell



#### ICT technologies Maintenance knowhow





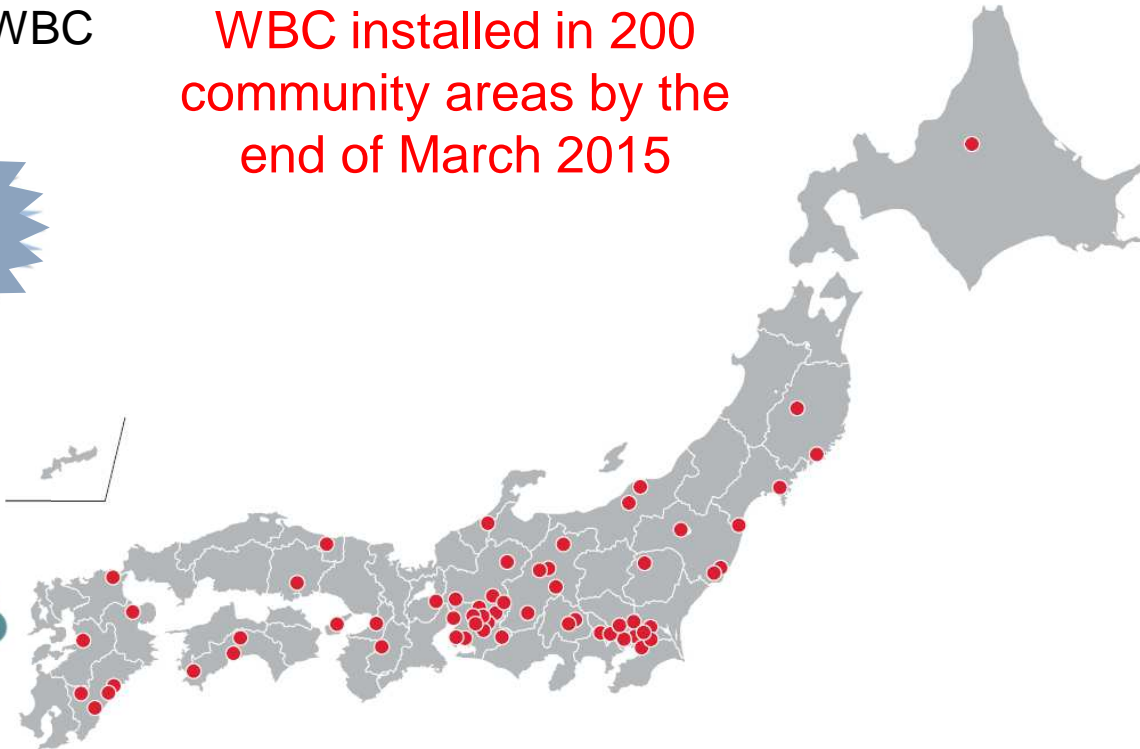
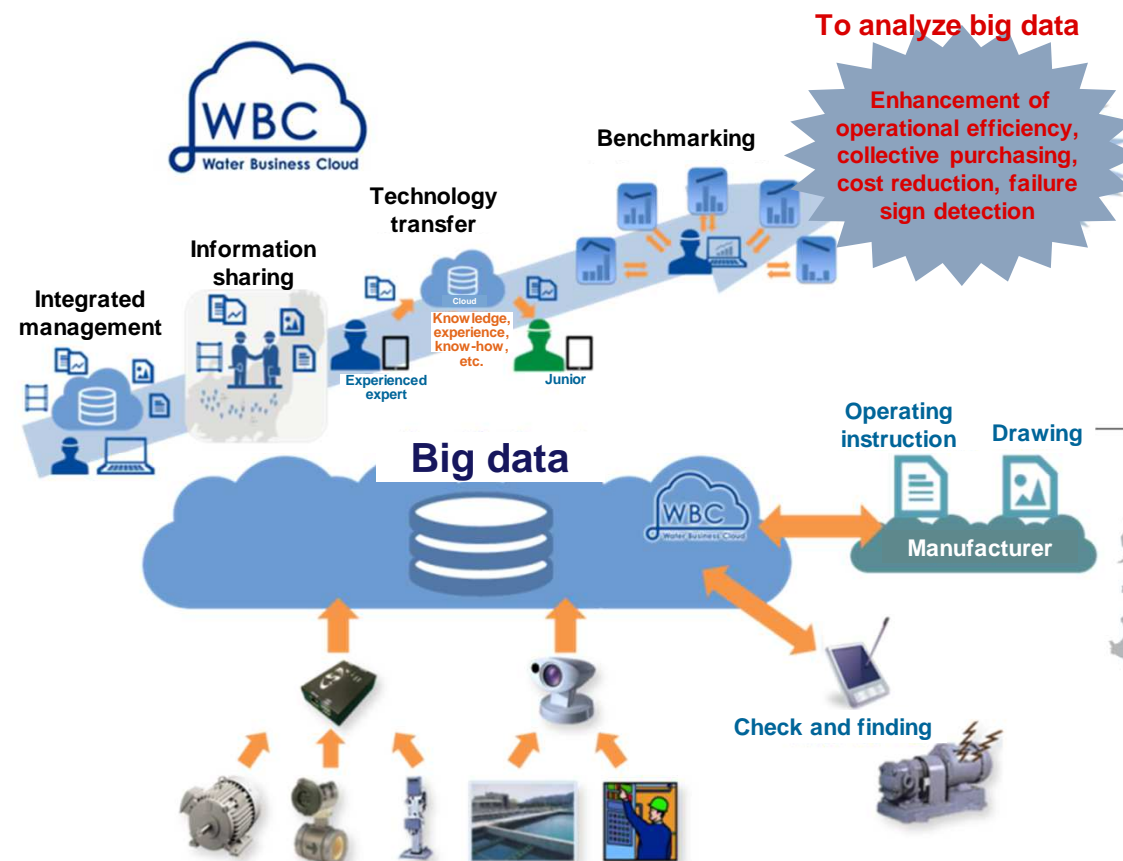
## (2) Expansion of Business Areas

### Information and communications technology (ICT) platform supporting water environment infrastructure

Change the future of the water business by  
using Water Business Cloud (WBC)

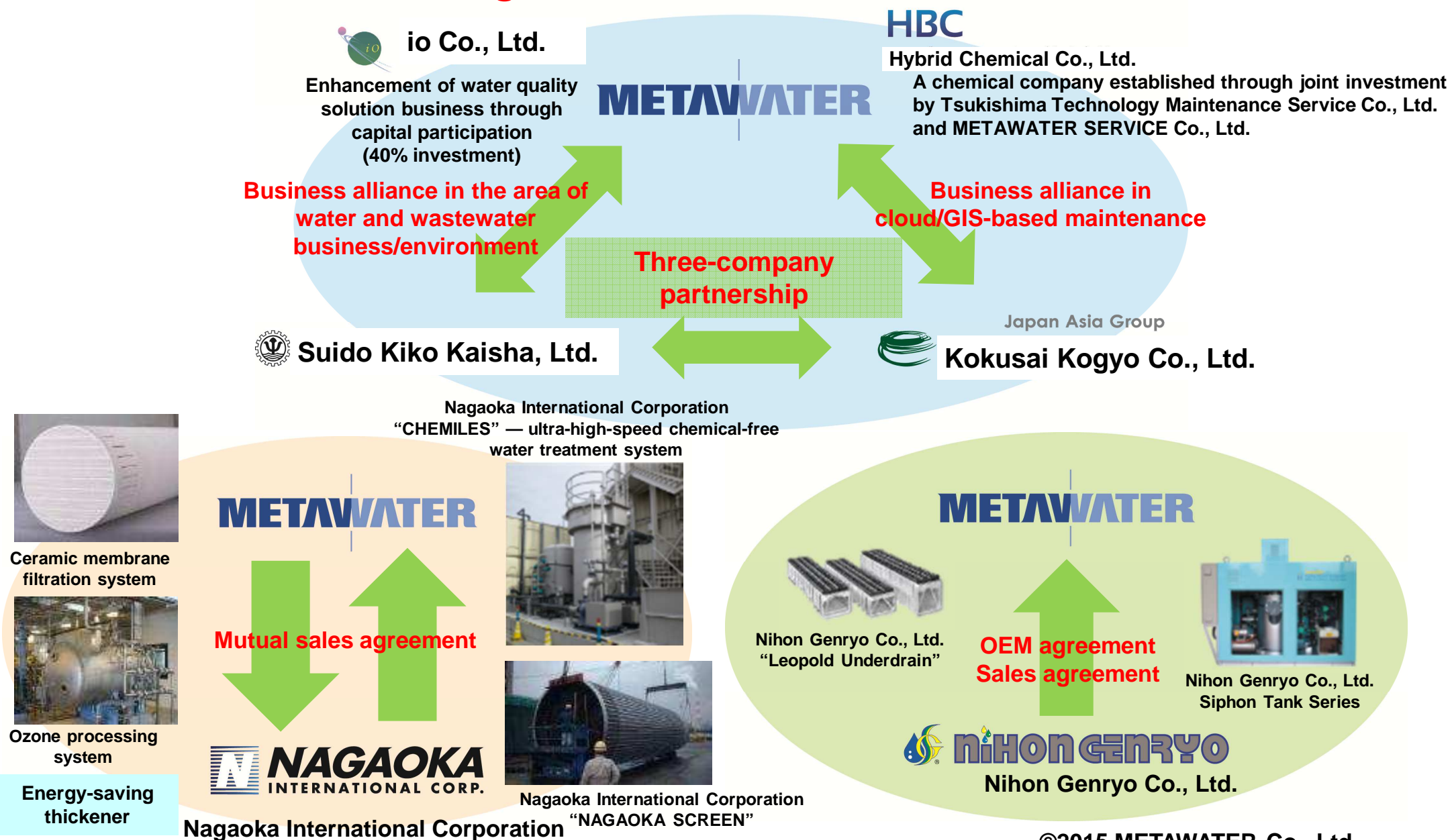
Operations become more sophisticated through WBC

WBC installed in 200  
community areas by the  
end of March 2015



## (2) Expansion of Business Areas

### Promotion of strategic alliance

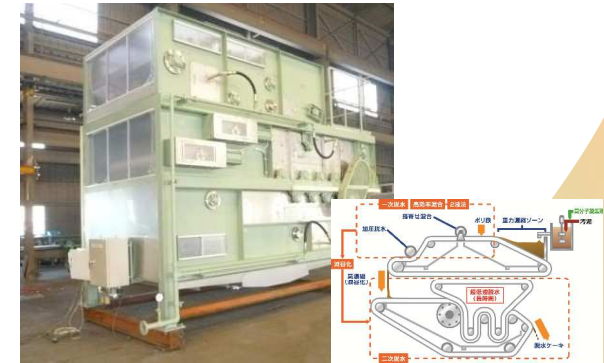


## (3) Promotion of PPP Segment

### As the PFI/DBO front runner

- \* Respond to diversifying schemes
- \* Establish the foundation to capture operation business with an eye on the future

#### Development and Operation of Sludge Treatment Facilities for Toyokawa Water Purification Center in Aichi Prefecture



**2014**

PFI project using the RO scheme where repairs are made while carrying out O&M

RO: Rehabilitate Operate

**2014**

Japan's first financially independent-type PFI project

#### Renewal Project of Takizawa Water Purification Plant in Aizu-Wakamatsu City



**2013**

The Company's first DBO project including maintenance and operation of water intake and distribution facilities

#### Redevelopment Project of Kawai Water Purification Plant in Yokohama City



**2008**

Japan's first PFI project for the renewal and operation & maintenance of water treatment facilities

**2011**

Amendment of the PFI Act



#### Wastewater Treatment Facilities Development Project of Fishery Processing Complex in Onagawa Town

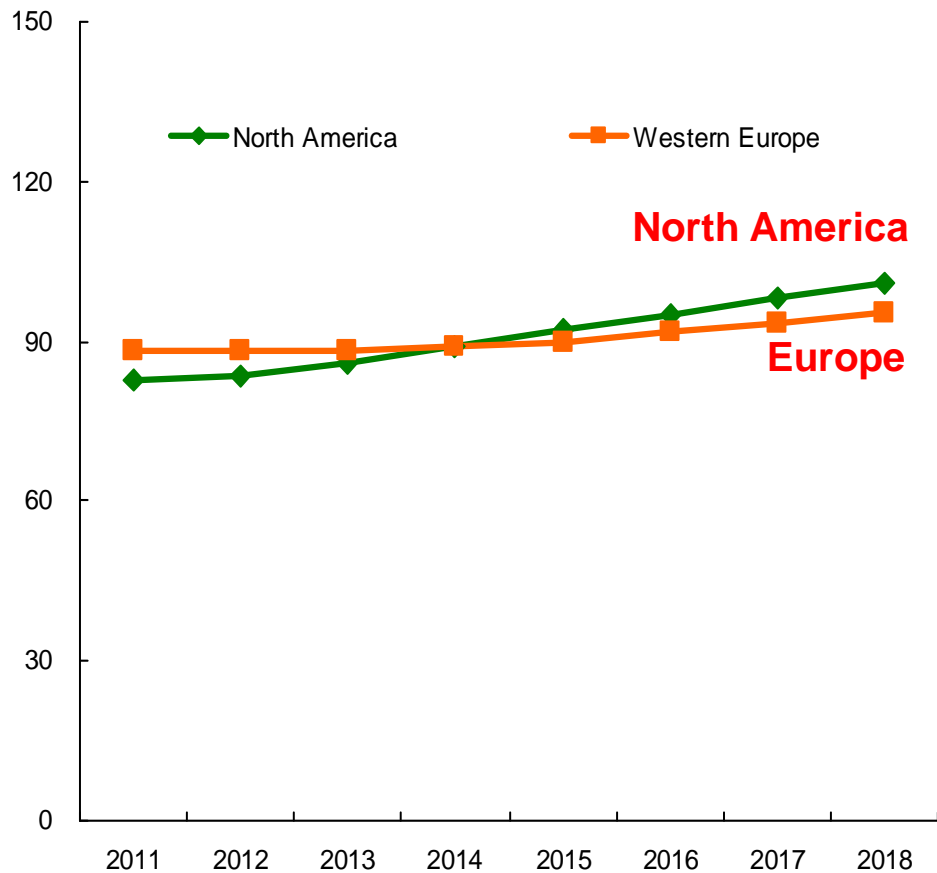


## (4) Overseas Strategies

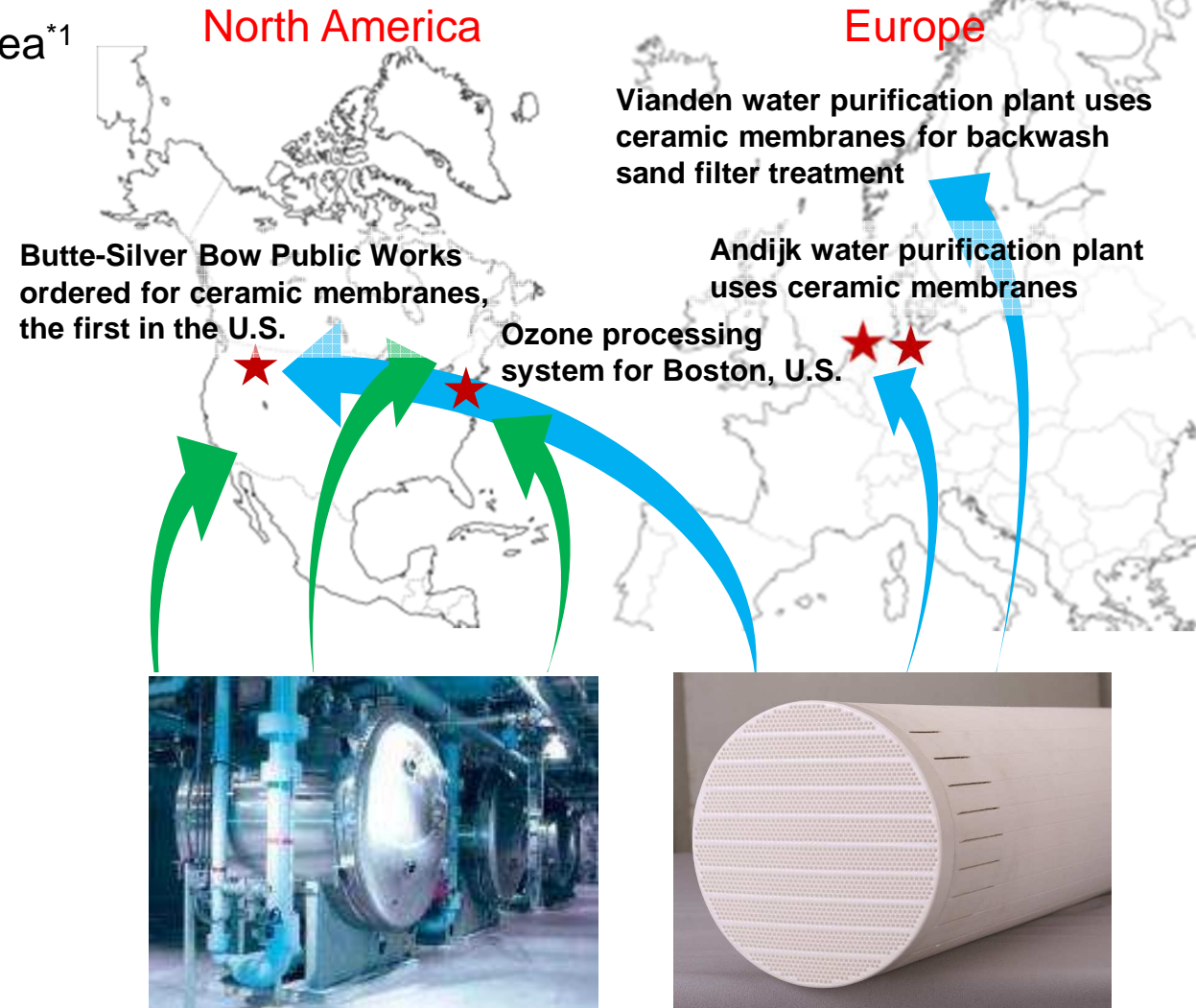
### Establishment of brand as a system provider

Scale of water and sewage businesses by area\*1

(Billion US\$)



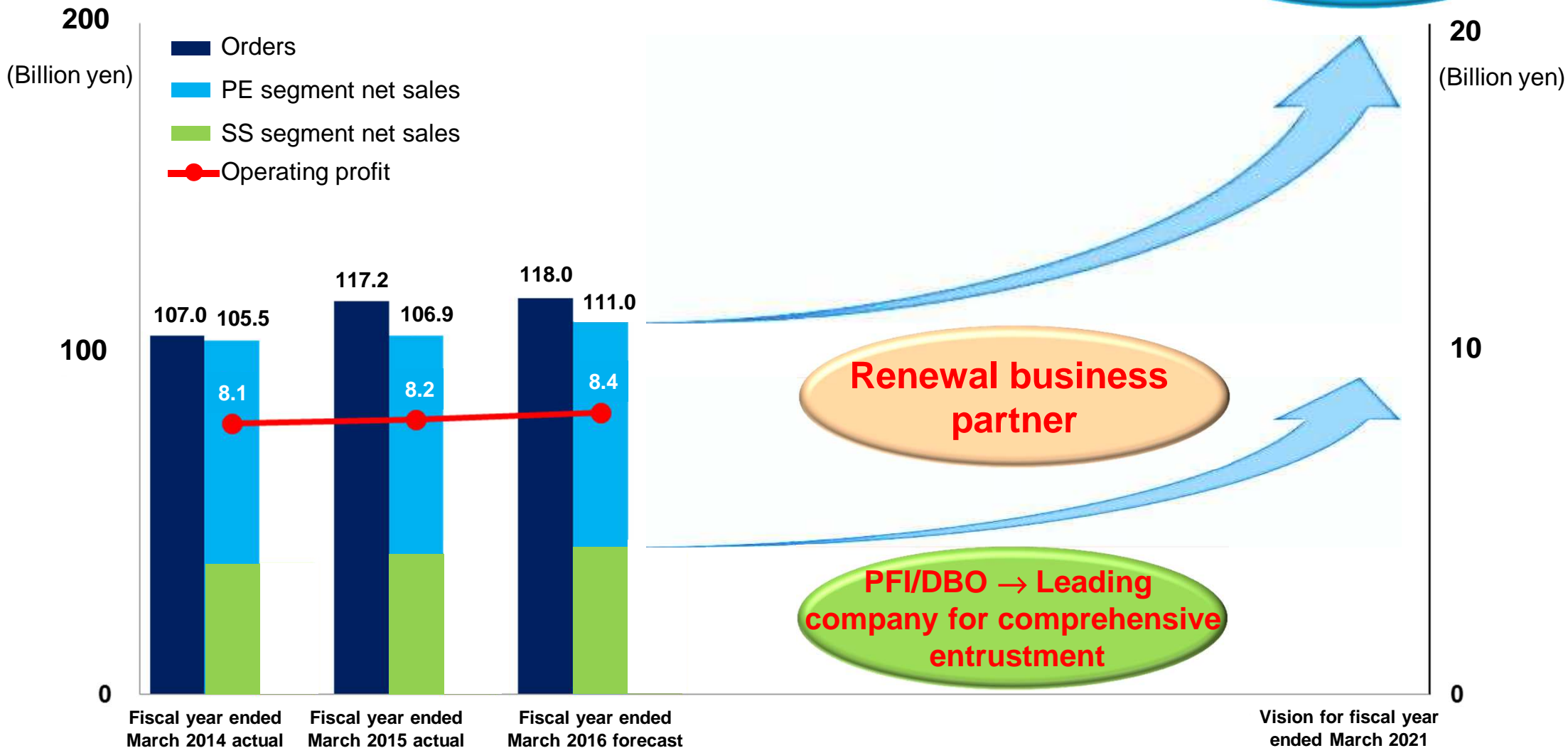
\*1: Sum of CAPEX and OPEX related to water and wastewater businesses  
Source: Prepared by the Company with reference to Global Water Market 2014



# Mid- to Long-term Growth Vision

From technologies combining mechanical and electric engineering, PFI/DBO, comprehensive entrustment, and concession-type business operations

Concession-type business operations



III. Outline of Financial Results for Fiscal Year  
Ended March 2015

IV. Earnings Forecast for Fiscal Year Ending  
March 2016

Masayuki Nakagawa

General Manager of Financial Planning Department

1. Consolidated Statement of Income
2. Particularity of the Company's Sales (by quarter)
3. Segment Information
4. Consolidated Balance Sheet
5. Consolidated Cash Flows
6. Earnings Forecast for Fiscal Year Ending March 2016
7. Dividend Policy

# 1. Consolidated Statement of Income (Financial Results for Fiscal Year Ended March 2015)

## ■ Achieved sales and income increases

(Billion yen)

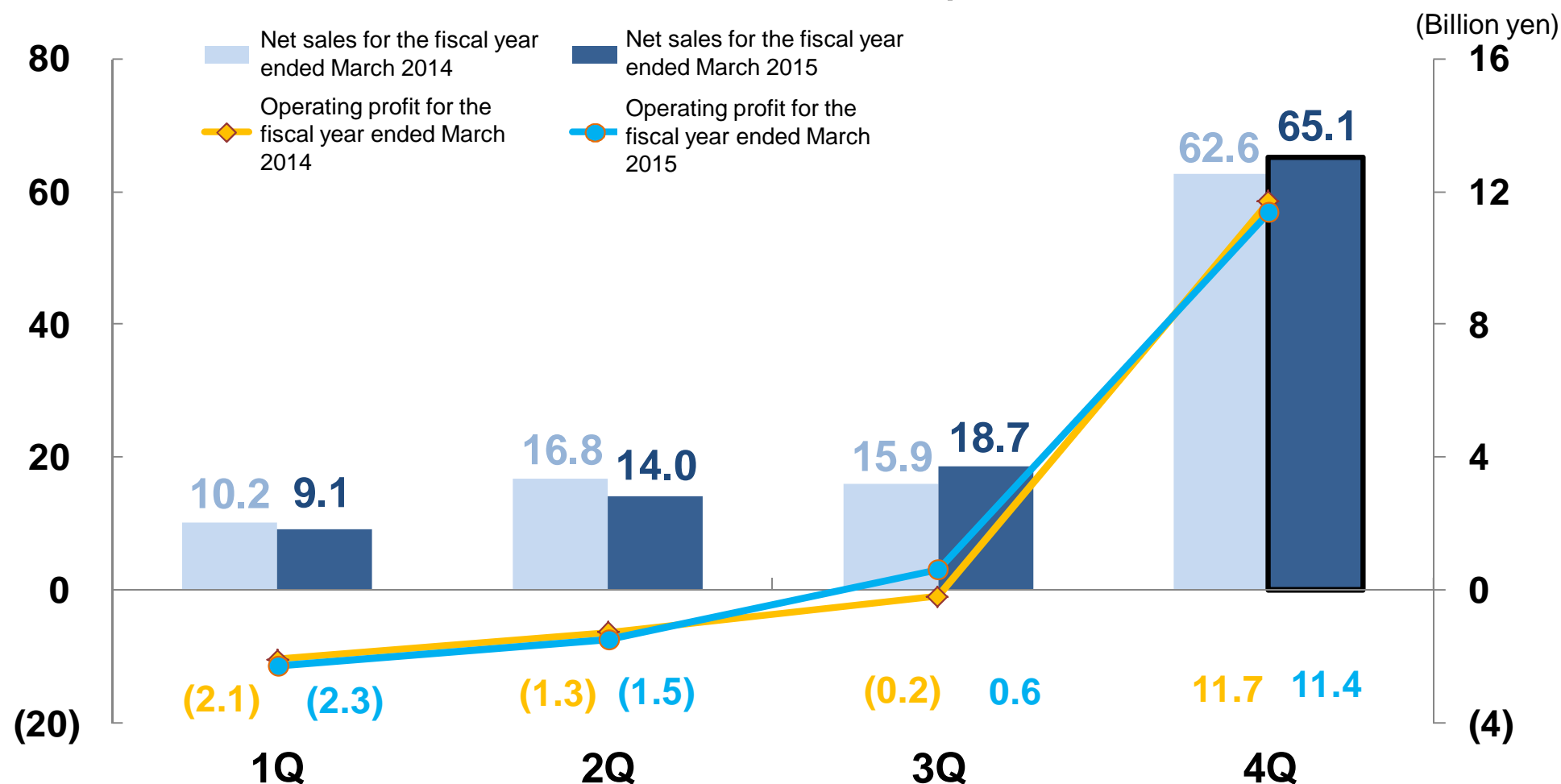
|                           | Fiscal year ended<br>March 2014<br>(full-year, actual) | Fiscal year ended<br>March 2015<br>(full-year, actual) | Change     |
|---------------------------|--|--|------------|
| <b>Net sales</b>          | 105.5  | 106.9  | 1.4        |
| <b>Operating profit</b>   | 8.1  | 8.2  | 0.1        |
| <b>(Operating margin)</b> | 7.7%   | 7.7%   | -          |
| <b>Ordinary income</b>    | 8.0  | 8.2  | 0.2        |
| <b>Net income</b>         | <b>4.2</b>   | <b>5.0</b>   | <b>0.8</b> |
| <b>Orders</b>             | 107.0  | 117.2  | 10.2       |

\* Rounded to the nearest 10 million yen



## 2. Particularity of the Company's Sales (by quarter)

### ■ Sales concentration in the fourth quarter



#### [Annual total]

Fiscal year ended Mar. 2014  
Fiscal year ended Mar. 2015

Net sales  
¥105.5 billion  
¥106.9 billion

Operating profit  
¥8.1 billion  
¥8.2 billion

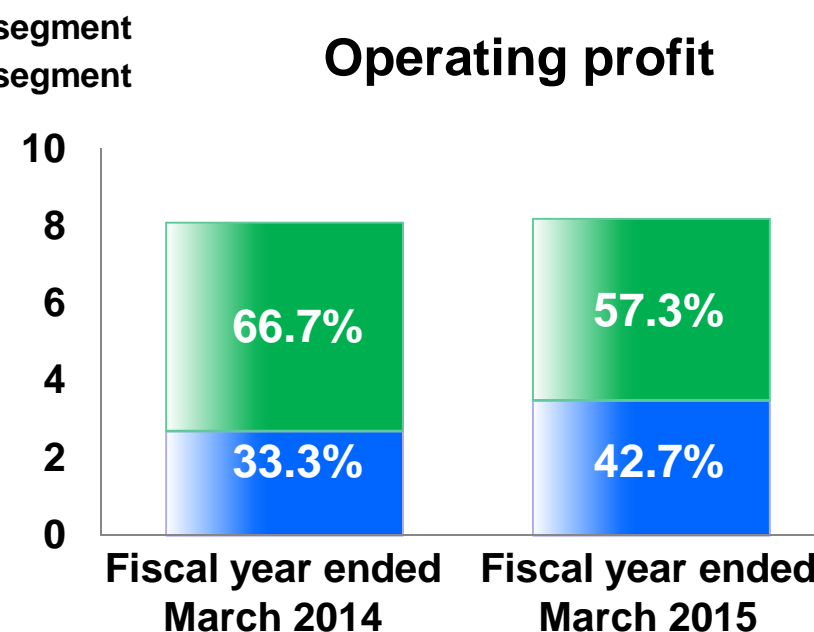
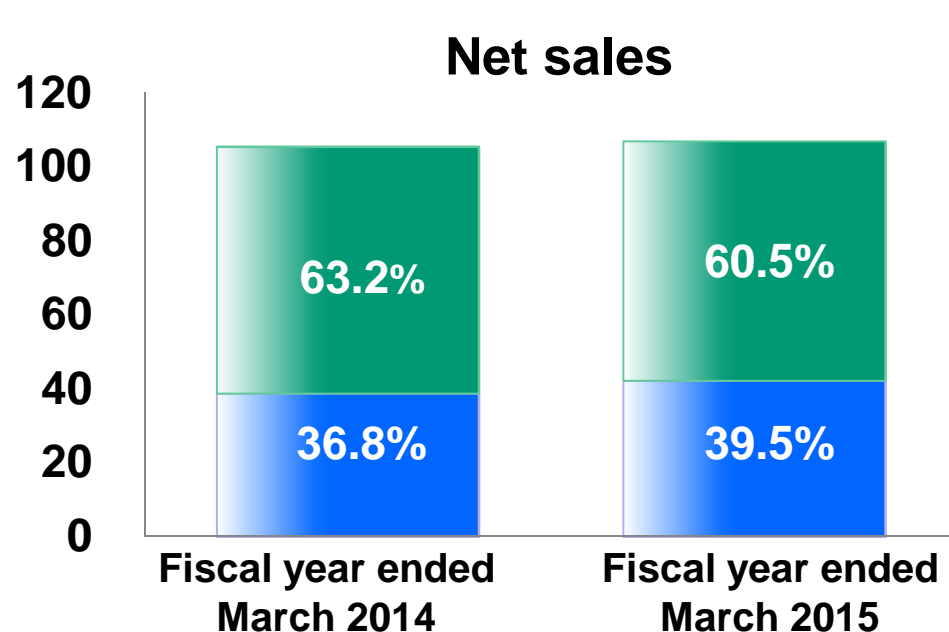
# 3. Segment Information

- PE segment: Orders remained solid but prolonged construction had an impact
- SS segment remained stable due mainly to long-term consignment contracts and continuation of comprehensive O&M proposals

(Billion yen)

|            | Net sales                       |                                 |        |
|------------|---------------------------------|---------------------------------|--------|
|            | Fiscal year ended<br>March 2014 | Fiscal year ended<br>March 2015 | Change |
| PE segment | 66.7                            | 64.7                            | (2.0)  |
| SS segment | 38.8                            | 42.2                            | 3.4    |
| Total      | 105.5                           | 106.9                           | 1.4    |

|            | Operating profit                |                                 |        |
|------------|---------------------------------|---------------------------------|--------|
|            | Fiscal year ended<br>March 2014 | Fiscal year ended<br>March 2015 | Change |
| PE segment | 5.4                             | 4.7                             | (0.7)  |
| SS segment | 2.7                             | 3.5                             | 0.8    |
| Total      | 8.1                             | 8.2                             | 0.1    |



# 4. Consolidated Balance Sheet

- Cash and deposits and short-term investment securities increased by a total of approximately 26.5 billion yen due to funding through IPO and accelerated collection of accounts receivable

(Billion yen)

|                                     | March 31,<br>2014 | March 31,<br>2015 | Change       |
|-------------------------------------|-------------------|-------------------|--------------|
| Cash and deposits                   | 4.0               | 19.5              | 15.5         |
| Short-term investment securities *1 | —                 | 11.0              | 11.0         |
| Notes and accounts receivable-trade | 65.0              | 66.5              | 1.5          |
| Inventories                         | 4.1               | 5.1               | 1.0          |
| Other                               | 4.4               | 2.8               | (1.6)        |
| <b>Total current assets</b>         | <b>77.5</b>       | <b>104.9</b>      | <b>27.4</b>  |
| Property, plant and equipment       | 1.8               | 1.7               | (0.1)        |
| Intangible assets                   | 2.4               | 2.1               | (0.3)        |
| Other                               | 5.5               | 5.6               | 0.1          |
| <b>Total fixed assets</b>           | <b>9.7</b>        | <b>9.4</b>        | <b>(0.3)</b> |
| <b>Total Assets</b>                 | <b>87.2</b>       | <b>114.3</b>      | <b>27.1</b>  |

|                                     | March 31,<br>2014 | March 31,<br>2015 | Change        |
|-------------------------------------|-------------------|-------------------|---------------|
| Accounts payable                    | 32.8              | 34.3              | 1.5           |
| Advances received                   | 5.3               | 5.1               | (0.2)         |
| Short-term loans payable *2         | <8.9>13.4         | <0.8>0.8          | (12.6)        |
| Other                               | 10.1              | 8.2               | (1.9)         |
| <b>Total current liabilities</b>    | <b>61.6</b>       | <b>48.4</b>       | <b>(13.2)</b> |
| Long-term loans payable *3          | <2.0>2.0          | <13.7>13.7        | 11.7          |
| Other                               | 3.6               | 4.4               | 0.8           |
| <b>Total long-term liabilities</b>  | <b>5.6</b>        | <b>18.1</b>       | <b>12.5</b>   |
| <b>Total Liabilities</b>            | <b>67.2</b>       | <b>66.5</b>       | <b>(0.7)</b>  |
| <b>Total Net Assets</b>             | <b>20.0</b>       | <b>47.8</b>       | <b>27.8</b>   |
| <b>Total Liabilities/Net Assets</b> | <b>87.2</b>       | <b>114.3</b>      | <b>27.1</b>   |

\*1: Short-term investment securities are negotiable certificates of deposit.

\*2 and 3: The figures in parenthesis are amounts of a project finance loan for PFI and the like.

# 5. Consolidated Cash Flows

- Cash flows from operating activities have improved due to increases in the collection of accounts receivable (decreases in receivables)

(Billion yen)

|  | Fiscal year ended<br>March 2014 | Fiscal year ended<br>March 2015 | Change |
|--|---------------------------------|---------------------------------|--------|
| Cash and cash equivalents at the end of previous term                                    | 10.6                            | 3.1                             | (7.5)  |
| Operating cash flow  | 3.8                             | <sup>*1</sup> 5.3               | 1.5    |
| Investing cash flow  | (2.6)                           | (1.5)                           | 1.1    |
| Free cash flow   | 1.2                             | 3.8                             | 2.6    |
| Financing cash flow  | (9.2)                           | 22.7                            | 31.9   |
| Net effect of currency translation on cash and cash equivalents                          | 0.1                             | -                               | (0.1)  |
| Increase (decrease) in cash and cash equivalents due to change in scope of consolidation | 0.4                             | -                               | (0.4)  |
| Cash and cash equivalents at the end of current term                                     | 3.1                             | 29.6                            | 26.5   |

\*1: Short-term investment securities (including negotiable certificate of deposit)

## 6. Earnings Forecast for Fiscal Year Ending March 2016

- Aim to achieve sales and income increases again in fiscal year ending March 2016

(Billion yen)

|                           | Fiscal year ended<br>March 2015<br>(full-year, actual) | Fiscal year ending<br>March 2016<br>(full-year, forecast) | Change     |
|---------------------------|--|---|------------|
| <b>Net sales</b>          | 106.9  | 111.0   | 4.1        |
| <b>Operating profit</b>   | 8.2  | 8.4   | 0.2        |
| <b>(Operating margin)</b> | 7.7%   | 7.6%  |            |
| <b>Ordinary income</b>    | 8.2  | 8.1   | (0.1)      |
| <b>Net income</b>         | <b>5.0</b>   | <b>5.2</b>  | <b>0.2</b> |
| <b>Orders</b>             | 117.2  | 118.0   | 0.8        |

\* Rounded to the nearest 10 million yen

## 7. Dividend Policy

### <Basic Policy>

The Company provides a stable return of profits to shareholders in accordance with business conditions while maintaining the necessary internal reserve for the purpose of sustaining growth and responding to changes in the business environment.

|                               | December 2014<br>interim<br>dividend | June 2015<br>year-end<br>dividend | Annual<br>dividend |
|-------------------------------|--------------------------------------|-----------------------------------|--------------------|
| <b>Dividend per<br/>share</b> | 29 yen                               | 29 yen                            | 58 yen             |

## Disclosure Policy

### 1. Basic Policy

Based on its corporate philosophy, the METAWATER Group strives to become a corporate group that meets expectations of every stakeholder, garners trust from society and continuously contributes to society so as to achieve sustainable growth in society. In accordance with this viewpoint, the METAWATER Group discloses corporate information related to the Group to stakeholders and society in an equal, fair, timely and appropriate manner. It also promotes active communication with stakeholders to facilitate understanding of the METAWATER Group and ensure highly transparent and reliable business operations.

### 2. Basics of information disclosure

The METAWATER Group discloses corporate information whose disclosure is required by relevant laws such as the Companies Act, the Financial Instruments and Exchange Act, and rules set out by financial instruments exchanges in accordance with the applicable laws, regulations or rules. Even if the corporate information does not fall under such information, the Group proactively discloses information as much as possible when it is deemed to be useful for stakeholders or disclosure is deemed to be necessary for society.

### 3. Method of information disclosure

For corporate information whose disclosure is required by the above-mentioned laws, regulations and rules, the Group discloses information in a manner set out by the applicable laws, regulations or rules, and through the Company's website. Information that does not fall under such information is disclosed through the media, the Company's website or other appropriate means in consideration of its significance and urgent needs.

### 4. Communication after information is disclosed

The METAWATER Group actively communicates with stakeholders regarding disclosed information by answering questions in a conference, briefings meeting, interviews and inquiries. Opinions received from stakeholders through communication are shared within the Company's Group and treated as future reference.

### 5. Silent Period

In order to prevent the leaks of accounts closing information and ensure fairness, the Group sets a silent period that starts on the day after the closing date (including quarterly periods) through to the day of announcing financial statements. During this silent period, the Group does not answer any questions in a conference, briefings meeting, interviews and inquiries regarding the accounts closing and business prospects, except where information on a revision of business forecasts is disclosed.

### 6. Forward-looking statements

Of business forecasts, strategies and targets disclosed by the METAWATER Group, forward-looking statements are made based on information available to the Company's Group as of the date of disclosure and a certain grounds that are deemed to be reasonable. Actual performance may differ from forecasts as a result of various factors.

### 7. Establishment of Internal Structure

The METAWATER Group builds an internal structure and establishes internal rules so as to comply with this Disclosure Policy, disclose information in an appropriate manner, and communicate with stakeholders.



Contact regarding this document  
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