



METAWATER Co., Ltd.

For Immediate Release

April 26, 2016

CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2016 (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)
Scheduled date of annual meeting of shareholders	June 21, 2016
Filing date of annual securities report	June 21, 2016
Payment date of cash dividends	June 6, 2016
Supplementary information materials on annual results	Available
Annual results briefing	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, 2016

(1) Consolidated operating results

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	103,098	(3.6)	5,399	(34.3)	5,144	(37.4)	2,778	(44.3)
Fiscal year ended March 31, 2015	106,945	1.4	8,220	0.9	8,213	2.3	4,989	18.9

Note: Comprehensive income Fiscal year ended March 31, 2016 1,894 million yen (60.1) %
 Fiscal year ended March 31, 2015 4,747 million yen 11.9 %

	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, 2016	107.17	—	5.8	4.4	5.2
Fiscal year ended March 31, 2015	276.71	—	14.8	8.2	7.7

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

Fiscal year ended March 31, 2016 Nil
 Fiscal year ended March 31, 2015 Nil

(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, 2016	120,865	48,161	39.8	1,853.68
As of March 31, 2015	114,257	47,773	41.7	1,839.04

Note: Shareholders' equity As of March 31, 2016 48,053 million yen

As of March 31, 2015 47,674 million yen

(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, 2016	95	(11,023)	874	19,997
Fiscal year ended March 31, 2015	5,320	(1,502)	22,721	29,605

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2015	—	2,900.00	—	29.00	—
Fiscal year ended March 31, 2016	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2017 (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, 2015	1,186	21.0	3.7
Fiscal year ended March 31, 2016	1,503	54.1	3.1
Fiscal year ending March 31, 2017 (Forecast)		37.6	

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, 2015 is 58.00 yen assuming the stock split was conducted on April 1, 2014.

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2017

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	Net income per share - Basic -
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Fiscal year ending March 31, 2017	112,000	8.6	6,200	14.8	6,100	18.6	4,000	44.0
								154.30

Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2016 (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): 25,923,500 shares as of March 31, 2015 and 25,923,500 shares as of March 31, 2016.
 - (b) Number of treasury stock: Nil as of March 31, 2015 and nil as of March 31, 2016.
 - (c) Average number of shares issued and outstanding for fiscal year: 18,031,485 shares for the fiscal year ended March 31, 2015 and 25,923,500 shares for fiscal year ended March 31, 2016.

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, 2014.

[For Reference]

Financial Highlights (Non-consolidated)

Highlight of non-consolidated results for the fiscal year ended March 31, 2016

(1) Non-consolidated operating results

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	92,028	(3.7)	5,596	(24.9)	5,505	(26.7)	3,555	(21.9)
Fiscal year ended March 31, 2015	95,612	0.5	7,451	(5.3)	7,509	(5.1)	4,550	5.2

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2016	137.15	—
Fiscal year ended March 31, 2015	252.36	—

(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, 2016	101,566	50,481	49.7	1,947.32
As of March 31, 2015	96,255	48,439	50.3	1,868.55

Note: Shareholders' equity As of March 31, 2016 50,481 million yen
 As of March 31, 2015 48,439 million yen

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 disclosed in this document reflect the judgment of the Group as of March 31, 2016.

(i) Operating results for the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016, business conditions of the Japanese economy have recovered moderately, as shown in improving labor market and salary levels as a result of implementation of economic and monetary policy set out by the Government, although some signs of economic recovery are weak. With respect to the world economy, despite economic slowdown in emerging countries such as China and deteriorating situations in the Middle East, moderate economic recovery has been achieved as a whole, mainly in the United States and Europe.

However, domestic business environment surrounding the Group has continued to face challenges such as a downward trend in public investments, a sharp increase in labor costs arising from shortage of human resources and some delays in civil engineering work and construction work.

Consequently, on May 29, 2015, the Group developed “Midterm business plan (from the fiscal year ending March 31, 2016 to 2018)” to work on establishment of strong business foundations and development of new solutions, as well as business expansion in cooperation with local companies and partner companies in Japan.

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) projects including 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 United States., where stable market growth is expected, and by actively investing operating resources. As part of it, effective January 15, 2016, Aqua-Aerobic Systems, Inc., an engineering company for water and sewage treatment in the United States, became a wholly owned subsidiary of the Group.

For the consolidated operating results of the Group for the fiscal year ended March 31, 2016, Service Solutions Business recorded a strong increase in both sales and operating income as compared to the fiscal year ended March 31, 2015, while Plant Engineering Business posted weaker results. Overall, the operating results for the current fiscal year underperformed the prior fiscal year. For the fiscal year ended March 31, 2016, net sales was ¥103,098 million (3.6% decrease year to year), operating income was ¥5,399 million (34.3% decrease year to year), ordinary income was ¥5,144 million (37.4% decrease year to year) and profit attributable to owners of parent was ¥2,778 million (44.3% decrease year to year). Sales orders grew steadily, recording ¥112,514 million for the fiscal year ended March 31, 2016, of which ¥107,249 million was outstanding as of March 31, 2016.

Operating results by segment are as follows:

(Plant Engineering Business)

For Plant Engineering Business, orders amounted to ¥65,880 million; net sales amounted to ¥59,031 million (8.7% decrease year to year) due to delays in receipt of orders for certain projects,

an increase in long-term projects whose sales were not recorded during the current fiscal year and the delays in civil engineering work and construction work in some of the major projects; and operating income amounted to ¥1,170 million (75.2% decrease year to year) due to a decrease in sales, lower profit for certain projects and costs recognized associated with acquisition of Aqua-Aerobic Systems, Inc.

(Service Solutions Business)

For Service Solutions Business, orders amounted to ¥46,633 million; net sales amounted to ¥44,067 million (4.3% increase year to year) due to a strong increase in repair work and operation and control contract for equipment used in domestic water and sewage treatment processes; and operating income amounted to ¥4,228 million (20.9% increase year to year) due to an increase in sales.

Note: PPP (Public-private partnership): A broad concept as a means for a private sector to participate in providing services to the public, which aims to improve efficiencies and public services by leveraging fund, technologies, know-how and management ability of the private sector

(ii) Forecast for the fiscal year ending March 31, 2017

We anticipate that the business conditions of the Japanese economy will continue to recover moderately in the fiscal year ending March 31, 2017, backed by improving labor market and salary levels. With respect to the world economy, although there are concerns regarding economic 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 a downward trend in public investments in Japan and a sharp increase in labor costs.

Nevertheless, the Group has steady amount of orders outstanding as of April 1, 2016, of which approximately 50% is expected to be recorded as sales for the fiscal year ending March 31, 2017. As shown below, the consolidated results for the fiscal year ending March 31, 2017 is expected to record an increase in both sales and income, due to the contribution of Aqua-Aerobic Systems, Inc. to the consolidated results and further cost reductions.

Sales	¥112,000 million (8.6% increase year to year)
Operating income	¥6,200 million (14.8% increase year to year)
Ordinary income	¥6,100 million (18.6% increase year to year)
Profit attributable to owners of parent	¥4,000 million (44.0% increase year to year)

Because of the nature of the business, sales of the Group to Japanese 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, 2016 increased by ¥6,607 million compared to March 31, 2015 to ¥120,865 million.

Current assets decreased by ¥2,118 million compared to March 31, 2015 to ¥102,804 million due to a decrease in securities, offsetting with an increase in notes and accounts receivable - trade.

Non-current assets increased by ¥8,726 million compared to March 31, 2015 to ¥18,060 million due to an increase in goodwill arising from acquisition of Aqua-Aerobic Systems, Inc.

Current liabilities increased by ¥2,483 million compared to March 31, 2015 to ¥50,860 million due

to an increase in accounts payable - trade and advances received, offsetting with a decrease in income taxes payable.

Non-current liabilities increased by ¥3,735 million compared to March 31, 2015 to ¥21,843 million due to an increase in long-term loans payable arising from acquisition of Aqua-Aerobic Systems, Inc.

Net assets increased by ¥388 million compared to March 31, 2015 to ¥48,161 million due to recognition of profit attributable to owners of parent and payment of dividends.

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2016 decreased by ¥9,608 million compared to March 31, 2015 to ¥19,997 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 ¥95 million (¥5,224 million decrease year to year): ¥3,113 million outflow from income taxes paid, ¥1,107 million outflow from an increase in accounts receivable - trade, ¥518 million outflow from an increase in inventory. These outflows are offset by net income before income taxes of ¥5,144 million, depreciation expense of ¥1,024 million and ¥702 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 ¥11,023 million (¥9,520 million increase year to year): ¥10,134 million outflow arising from the acquisition of a newly consolidated subsidiary and ¥559 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 ¥874 million (¥21,847 million decrease year to year): ¥2,817 million inflow from long-term loans, offsetting with ¥1,503 million outflow from payment of dividends.

(Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Shareholders' equity to total assets (%)	38.8	22.9	41.7	39.8
Shareholders' equity to total assets based on market value (%)	—	—	55.7	60.2
Interest-bearing debt to cash flows (%)	—	397.2	271.9	17,966.2
Interest coverage ratio	—	47.5	29.7	0.5

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 as of 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 as of 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, 2016 and the Fiscal Year Ending March 31, 2017

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; and is to pay dividends twice a year - at mid-year and year-end.

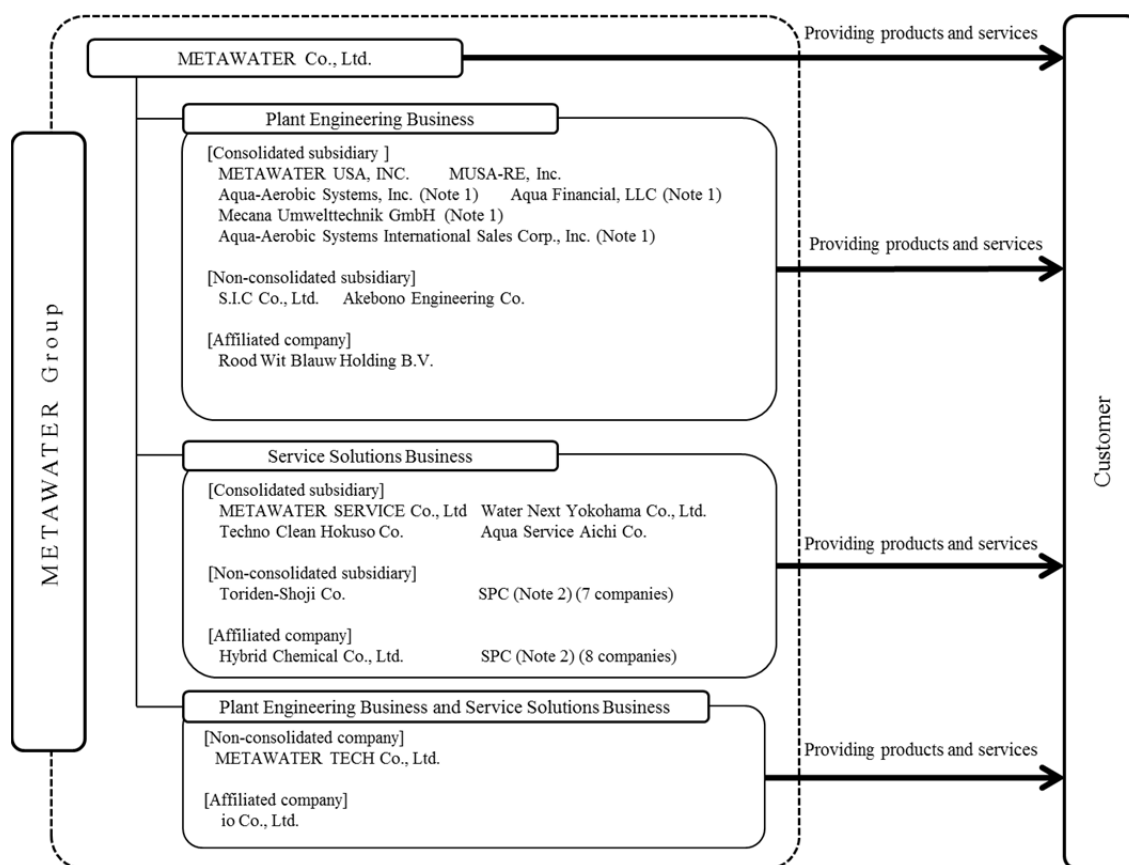
With respect to the dividends for the fiscal year ended March 31, 2016, the Company will declare a year-end cash dividend of ¥29 per share at the Board of Directors' meeting scheduled to be held in May 2016, considering the consolidated results, financial conditions and others for the fiscal year ended March 31, 2016 and the fiscal year ending March 31, 2017.

With respect to an expected dividend per share for the fiscal year ending March 31, 2017, 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, 10 consolidated subsidiaries, 11 non-consolidated subsidiaries, and 11 affiliated companies as of March 31, 2016. 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 Group's organizational chart is as follows:



Note: 1. Effective January 15, 2016, Aqua-Aerobic Systems, Inc. and its three consolidated subsidiaries became subsidiaries of METAWATER USA, INC., the Company's consolidated subsidiary.
 2. SPC: Special Purpose Company

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, 2017 is as follows:

	(Hundred million yen)		
	Fiscal year ended March 31, 2015 (Actual)	Fiscal year ended March 31, 2016 (Actual)	Fiscal year ending March 31, 2017 (Target)
Sales	1,069	1,031	1,120
Operating income	82	54	62
Ordinary income	82	51	61
Profit attributable to owners of parent	50	28	40

Note: Rounded 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 (Note) 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 growth area", "improvement in profitability" and "enhancement of corporate governance", aiming to become the Group Companies that can anticipate changes and continue to grow.

(i) Further expansion of growth area

(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 focus on expanding businesses in Europe and United States, our strategic focus areas, where stable market growth is expected. In January 2016, the Company acquired Aqua-Aerobic Systems, Inc., an engineering company for water and sewage treatment in the United States. Based on the sales channels and experiences Aqua-Aerobic Systems, Inc. has, we will further strengthen our sales capabilities for ozone generation system, ceramic membrane filtration system and high speed filtration system. In developing countries such as in Asia, where future market growth is expected, we will establish business foundations through PPP.

(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.

Note: PFI (Private Finance Initiative): A means for public-sector projects to leverage private-sector in design and construction, maintenance and operation of public facilities as well as required financing

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, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	19,534	20,922
Notes and accounts receivable - trade	66,549	70,837
Securities	11,000	—
Work in process	2,753	3,706
Supplies	2,394	2,856
Deferred tax assets - current	1,754	1,403
Other current assets	937	3,076
Total current assets	104,923	102,804
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	426	829
Machinery and equipment, net	1,029	1,055
Tools, furniture and fixtures, net	245	383
Construction in progress	4	6
Other property, plant and equipment, net	0	353
Total property, plant and equipment	1,706	2,628
Intangible assets		
Software	2,027	1,584
Software in progress	74	143
Goodwill	4	8,302
Other intangible assets	32	152
Total intangible assets	2,139	10,183
Investments and other assets		
Investment securities	1,029	1,125
Long-term loans receivable	276	262
Guarantee deposits	1,422	1,382
Assets for retirement benefits	1,096	247
Deferred tax assets - non-current	1,629	2,200
Other non-current assets	34	30
Total investments and other assets	5,489	5,248
Total non-current assets	9,334	18,060
Total assets	114,257	120,865

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	31,664	32,442
Short-term loans payable	—	335
Current portion of PFI and other project finance loans	801	819
Income taxes payable	2,994	1,990
Advances received	5,130	5,812
Provision for warranties for completed construction	875	858
Provision for loss on construction contracts	68	97
Other current liabilities	6,840	8,503
Total current liabilities	48,376	50,860
Non-current liabilities		
Long-term loans payable	—	2,535
PFI and other project finance loans	13,663	13,417
Liability for retirement benefit	4,444	5,890
Total non-current liabilities	18,108	21,843
Total liabilities	66,484	72,703
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	23,273	24,548
Total shareholders' equity	50,300	51,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	23
Foreign currency translation adjustment	11	463
Remeasurements of defined benefit plans	(2,670)	(4,008)
Total accumulated other comprehensive income	(2,626)	(3,521)
Non-controlling interest	98	108
Total net assets	47,773	48,161
Total liabilities and net assets	114,257	120,865

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

Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	106,945	103,098
Cost of sales	85,144	84,036
Gross profit	21,800	19,062
Selling, general and administrative expenses	13,580	13,662
Operating income	8,220	5,399
Non-operating income		
Interest income	251	246
Dividends income	30	36
Foreign exchange gain	181	—
Miscellaneous income	29	17
Total non-operating income	491	299
Non-operating expenses		
Interest expenses	187	187
Loss on disposal of non-current assets	142	109
Share issuance cost	91	—
Foreign exchange loss	—	256
Miscellaneous loss	76	1
Total non-operating expenses	498	554
Ordinary income	8,213	5,144
Extraordinary loss		
Loss on valuation of investment securities	148	—
Total extraordinary loss	148	—
Income before income taxes	8,065	5,144
Income taxes - current	2,942	2,056
Income taxes - deferred	98	299
Total income taxes	3,041	2,355
Net income	5,024	2,789
Profit attributable to non-controlling interests	34	10
Profit attributable to owners of parent	4,989	2,778

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

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income	5,024	2,789
Other comprehensive income		
Valuation difference on available-for-sale securities	14	(9)
Foreign currency translation adjustment	(24)	452
Remeasurements of defined benefit plans	(266)	(1,338)
Total other comprehensive loss	(277)	(895)
Comprehensive income	4,747	1,894
(Details)		
Comprehensive income attributable to owners of the parent	4,712	1,883
Comprehensive income attributable to non-controlling interests	34	10

(3) Consolidated Statement of Changes in Shareholders' Equity

(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 year					
Issuance of new shares	4,446	4,446			8,893
Dividends from surplus			(999)		(999)
Profit attributable to owners of parent			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 year	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 year						
Issuance of new shares						8,893
Dividends from surplus						(999)
Profit attributable to owners of parent						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 year	14	(24)	(266)	(277)	33	28,390
Balance at March 31, 2015	33	11	(2,670)	(2,626)	98	47,773

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

(Millions of yen)

	Fiscal year ended March 31, 2016				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	11,946	15,080	23,273	—	50,300
Cumulative effects of changes in accounting policies					—
Balance at April 1, 2015 after cumulative effects of changes in accounting policies	11,946	15,080	23,273	—	50,300
Changes during the year					
Issuance of new shares					—
Dividends from surplus			(1,503)		(1,503)
Profit attributable to owners of parent			2,778		2,778
Purchase of treasury stock					—
Disposal of treasury stock					—
Changes in other equity, net					
Total changes during the year	—	—	1,274	—	1,274
Balance at March 31, 2016	11,946	15,080	24,548	—	51,575

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

(Millions of yen)

	Fiscal year ended March 31, 2016					
	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, 2015	33	11	(2,670)	(2,626)	98	47,773
Cumulative effects of changes in accounting policies						—
Balance at April 1, 2015 after cumulative effects of changes in accounting policies	33	11	(2,670)	(2,626)	98	47,773
Changes during the year						
Issuance of new shares						—
Dividends from surplus						(1,503)
Profit attributable to owners of parent						2,778
Purchase of treasury stock						—
Disposal of treasury stock						—
Changes in other equity, net	(9)	452	(1,338)	(895)	9	(885)
Total changes during the year	(9)	452	(1,338)	(895)	9	388
Balance at March 31, 2016	23	463	(4,008)	(3,521)	108	48,161

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Net income before taxes	8,065	5,144
Depreciation	1,088	1,024
Increase/(decrease) in liabilities for retirement benefits	(99)	(91)
Increase/(decrease) in assets for retirement benefits	(200)	(185)
Increase/(decrease) in provision for warranties for completed construction	(146)	(16)
Increase/(decrease) in provision for loss on construction contracts	(48)	28
Interest income and dividends income	(281)	(282)
Interest expenses	187	187
Foreign exchange (gain)/loss	(8)	4
Loss on disposal of property, plant and equipment	142	85
(Gain)/loss on valuation of investment securities	148	—
(Increase)/decrease in accounts receivable	(1,231)	(1,107)
(Increase)/decrease in inventory	(1,022)	(518)
Increase/(decrease) in notes and accounts payable-trade	1,830	702
Increase/(decrease) in advances received	(192)	682
Other cash flows from operating activities	648	(2,556)
Subtotal	8,880	3,102
Interest and dividends income received	281	282
Interest expenses paid	(179)	(176)
Income taxes paid	(3,662)	(3,113)
Cash flows from operating activities	5,320	95

(4) Consolidated Statement of Cash Flows (continued)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Net (increase)/decrease in time deposits	—	3
Purchase of property, plant and equipment	(440)	(559)
Purchase of intangible assets	(745)	(267)
Purchase of investment securities	(124)	(111)
Acquisition of newly consolidated subsidiary	—	(10,134)
Payments of loans receivable	(12)	(15)
Collection of loans receivable	24	27
Other cash flows from investing activities	(204)	34
Cash flows from investing activities	(1,502)	(11,023)
Cash flows from financing activities		
Proceeds from long-term loan payable	—	2,817
Repayments of short-term loans payable	(4,500)	—
Proceeds from PFI and other project finance loans	13,479	375
Repayments of PFI and other project finance loans	(9,899)	(812)
Proceeds from issuance of new shares	13,363	—
Proceeds from disposal of treasury stock	11,280	—
Cash dividends paid	(999)	(1,503)
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	(1)	—
Cash flows from financing activities	22,721	874
Effect of exchange rate change on cash and cash equivalents	(31)	445
Net increase/(decrease) in cash and cash equivalents	26,508	(9,608)
Cash and cash equivalents at April 1	3,097	29,605
Cash and cash equivalents at March 31	29,605	19,997

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

No items to report.

(Changes in accounting policies)

“Accounting Standard for Business Combinations (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013)”, “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)” and “Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)” have been applied from the fiscal year ended March 31, 2016 and there is a change in presentation of net income and a change from “minority interest” to “non-controlling interest”. Amounts for the fiscal year ended March 31, 2015 have been reclassified in these consolidated financial statements in order to reflect such change in presentation.

(Business combinations)

Business combination through acquisition

1. Summary on the business combination

(1) Company name and business of the acquiree

Company name Aqua-Aerobic Systems, Inc.

Business Engineering and service business for water and sewage treatment

(2) Purpose of the business combination

By acquiring Aqua-Aerobic Systems, Inc., we aim to expand sales and service channels in the market in the United States as well as to establish strong business foundations in North America.

(3) Date of the business combination

January 15, 2016

(4) Legal form of the business combination

Acquisition through reverse triangular merger under the U.S. business reorganization law

(5) Company name after business combination

Aqua-Aerobic Systems, Inc.

(6) Ratio of voting rights acquired

100%

(7) Primary basis for determining the acquirer

METAWATER USA, INC., a consolidated subsidiary of METAWATER Co., Ltd, acquired all shares of Aqua-Aerobic Systems, Inc. for cash consideration.

2. Financial results of the acquiree included in the consolidated financial statements

The acquiree’s fiscal year-end is December 31 and the difference between the acquiree’s fiscal year-end and the fiscal year-end for consolidated financial statements is three months. For the fiscal year ended March 31, 2016, we consolidated the acquiree’s balance sheet as of December 31, 2015 only.

3. Purchase price of the acquiree and its details

Consideration for acquisition	¥11,740 million in cash
Purchase price	¥11,740 million

4. Details and amount of major acquisition related costs

Advisory cost	¥770 million
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5. Amount of goodwill arising from the acquisition, as well as its cause, amortization method and amortization period

Goodwill arising from the acquisition is ¥8,302 million, which is mainly attributable to future excess earning power. Goodwill is amortized over 15 years on a straight-line basis.

6. Details and amount of assets acquired and liabilities assumed as of the date of the business combination

Current assets	¥5,013 million
Non-current assets	<u>¥1,230 million</u>
Total assets	<u>¥6,244 million</u>
Current liabilities	¥2,381 million
Non-current liabilities	<u>¥424 million</u>
Total liabilities	<u>¥2,806 million</u>

Note: Assets and liabilities do not include the amount of goodwill specified in 5. above.

7. Amount allocated to intangible assets other than goodwill and its details by major asset category as well as overall weighted average amortization period and weighted average amortization period by the major category

As of March 31, 2016, identifiable assets and liabilities and its fair values are yet to be determined and accordingly, allocation of the purchase price is not completed.

8. Purchase price allocation

As of March 31, 2016, identifiable assets and liabilities and its fair values are yet to be determined and allocation of the purchase price is not completed. Accordingly, it is provisionally accounted for based on the reasonably available information as of March 31, 2016.

9. Purchase price allocation

Expected impact on the consolidated statement of income for the fiscal year ended March 31, 2016 if the business combination were completed as of April 1, 2015 and its method to determine the impact

The impact is not specified as it is difficult to determine.

(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, 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

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	59,031	44,067	103,098	—	103,098
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	59,031	44,067	103,098	—	103,098
Segment income	1,170	4,228	5,399	—	5,399

(Per Share Information)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Yen	Yen
Net assets per share	1,839.04	1,853.68
Net income per share	276.71	107.17

Note: 1. Diluted net income per share is not presented as there are no diluted shares.
2. Net income per share is calculated on the following basis.

Net income per share	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Profit attributable to owners of parent	4,989	2,778
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	4,989	2,778
Average number of shares outstanding during the period (number of shares)	18,031,485	25,923,500

(Significant subsequent events)

No items to report.

6. Non-Consolidated Financial Statements

(1) Balance Sheets

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	17,088	17,262
Notes receivable	515	528
Accounts receivable - trade	47,767	49,844
Securities	11,000	—
Work in process	2,738	2,671
Supplies	2,377	2,839
Advances paid	62	137
Deferred tax assets	1,566	1,208
Other current assets	1,462	3,860
Total current assets	84,578	78,353
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	423	417
Machinery and equipment, net	1,029	840
Tools, furniture and fixtures, net	222	294
Construction in progress	4	6
Other property, plant and equipment, net	0	7
Total property, plant and equipment	1,680	1,565
Intangible assets		
Software	2,020	1,570
Software in progress	74	143
Other intangible assets	28	21
Total intangible assets	2,124	1,735

(1) Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Investments and other assets		
Investment securities	162	165
Stocks of affiliates	1,328	8,242
Long-term loans receivable	6	3
Long-terms loans receivable from affiliates	816	6,123
Guarantee deposits	1,399	1,359
Prepaid pension costs	3,982	3,819
Other non-current assets	176	198
Total investments and other assets	7,872	19,911
Total non-current assets	11,677	23,212
Total assets	96,255	101,566

(1) Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	30,638	31,425
Short-term loans payable	—	281
Accounts payable - other	2,653	2,627
Accrued expenses	2,450	2,371
Income taxes payable	2,705	1,717
Advances received	5,130	5,568
Provision for warranties for completed construction	875	502
Provision for loss on construction contracts	32	64
Other current liabilities	261	937
Total current liabilities	44,747	45,496
Non-current liabilities		
Long-term loan payable	—	2,535
Provision for retirement benefits	3,069	3,053
Total non-current liabilities	3,069	5,588
Total liabilities	47,816	51,085
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus		
Legal capital surplus	9,406	9,406
Other capital surplus	5,674	5,674
Total capital surplus	15,080	15,080
Retained earnings		
Legal retained earnings	16	16
Other retained earnings		
General reserve	759	759
Retained earnings brought forward	20,602	22,654
Total retained earnings	21,378	23,430
Total shareholders' equity	48,405	50,457
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	33	23
Total valuation and translation adjustments	33	23
Total net assets	48,439	50,481
Total liabilities and net assets	96,255	101,566

(2) Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	95,612	92,028
Cost of sales	75,656	74,844
Gross profit	19,955	17,183
Selling, general and administrative expenses	12,504	11,587
Operating income	7,451	5,596
Non-operating income:		
Interest income and dividends income	149	284
Foreign exchange gain	185	—
Miscellaneous income	27	13
Total non-operating income	362	297
Non-operating expenses:		
Loss on disposal of non-current assets	142	109
Share issuance cost	91	—
Foreign exchange loss	—	264
Miscellaneous loss	70	14
Total non-operating expenses	304	388
Ordinary income	7,509	5,505
Extraordinary loss		
Loss on valuation of stocks of affiliates	148	—
Total extraordinary loss	148	—
Income before income taxes	7,360	5,505
Income taxes - current	2,544	1,611
Income taxes - deferred	265	338
Total income taxes	2,810	1,949
Net income	4,550	3,555

(3) Statement of Changes in Shareholders' Equity

(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 year				
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 year	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 year						
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 year	—	—	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 year			
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 year	14	14	28,209
Balance at March 31, 2015	33	33	48,439

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

(Millions of yen)

	Fiscal year ended March 31, 2016			
	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at April 1, 2015	11,946	9,406	5,674	15,080
Cumulative effects of changes in accounting policies				
Balance at April 1, 2015 after cumulative effects of changes in accounting policies	11,946	9,406	5,674	15,080
Changes during the year				
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 year	—	—	—	—
Balance at March 31, 2016	11,946	9,406	5,674	15,080

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

(Millions of yen)

	Fiscal year ended March 31, 2016					
	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, 2015	16	759	20,602	21,378	—	48,405
Cumulative effects of changes in accounting policies						—
Balance at April 1, 2015 after cumulative effects of changes in accounting policies	16	759	20,602	21,378	—	48,405
Changes during the year						
Issuance of new shares						—
Dividends from surplus			(1,503)	(1,503)		(1,503)
Net income			3,555	3,555		3,555
Purchase of treasury stock						—
Disposal of treasury stock						—
Changes in other equity, net						
Total changes during the year	—	—	2,051	2,051	—	2,051
Balance at March 31, 2016	16	759	22,654	23,430	—	50,457

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

(Millions of yen)

	Fiscal year ended March 31, 2016		
	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for sale securities	Total valuation and adjustments	
Balance at April 1, 2015	33	33	48,439
Cumulative effects of changes in accounting policies			—
Balance at April 1, 2015 after cumulative effects of changes in accounting policies	33	33	48,439
Changes during the year			
Issuance of new shares			—
Dividends from surplus			(1,503)
Net income			3,555
Purchase of treasury stock			—
Disposal of treasury stock			—
Changes in other equity, net	(9)	(9)	(9)
Total changes during the year	(9)	(9)	2,042
Balance at March 31, 2016	23	23	50,481

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