

Outline of Financial Results for Fiscal Year Ended March 2016

April 26, 2016
METAWATER Co., Ltd.

We would like to express our deepest sympathy to those who suffered in the 2016 Kumamoto Earthquakes.

We sincerely hope the quakes will subside and wish for the earliest possible recovery and restoration of the affected areas.

- I Highlights of Financial Results for the Fiscal Year Ended March 2016
- II Management Policy and Major Business Plan for the Fiscal Year Ending March 2017
- III Outline of Financial Results for the Fiscal Year Ended March 2016

Segment Information

- Plant Engineering Business (PE Business)

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

- Service Solution Business (SS Business)

This segment is primarily involved in various kinds of 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.

Acronyms

EPC Engineering, Procurement and Construction

O&M Operation and Maintenance

PPP Public-Private Partnership

(Method of having private participation in the provision of public services)

PFI Private Finance Initiative

(Method of public works which utilizes the private sector for the design and construction of public facilities, operation and maintenance management, and capital procurement)

DBO Design, Build and Operate

(Method of public works which utilizes the private sector for the design and construction of public facilities, and operation and maintenance management)

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Financial Highlights of FYE March 2016

* Sales and profits

Generally, as stated in the revised forecast (Jan. 27)

Sales timing delays, one-off costs, decreased profits

* Orders

Orders received were below revised forecast due to delays etc., and were down versus previous period

Order backlog continued to grow (Reference) FYE March 2015: 93.9 billion yen
>>FYE March 2016: 107.2 billion yen

* Dividends

Continue at 58 yen annually based on a stable dividend policy

(Billion yen)

	Orders Received	Sales	Operating Profit	Ordinary Profit	Net Profit for the Period *	Annual dividend (yen)
FYE March 2016	112.5 Change: - 3.5 YoY: - 4.7	103.1 Change: +0.1 YoY: - 3.8	5.4 Change: +0.2 YoY: - 2.8	5.1 Change: - 0.1 YoY: - 3.1	2.8 Change: +0.1 YoY: - 2.2	58 (Vote planned for May)
Revised forecast Jan. 27	116.0	103.0	5.2	5.2	2.7	58
FYE March 2015	117.2	106.9	8.2	8.2	5.0	58

* Net profit for the period attributable to shareholders of the parent company

Received 10 orders for large EPC projects exceeding 1 billion yen

PE Business

- * Design and construction work for the renewal project of Katsurazawa Water Treatment Plant of Katsurazawa Suidoukigyodan in Hokkaido
 - * Dehydration equipment work for sludge incinerator at South Area Sludge Treatment Plant of Tokyo Metropolitan Government Bureau of Sewage
 - * Sludge treatment equipment work in Northern Basin treatment plant of Saitama Prefecture Sewage Bureau
 - * Central Supervisory Control equipment work in Shimotogawa Purification Center in Mie Prefecture
 - * Mechanical equipment re-construction work for grit chamber in Aizome pumping station in Mikawajima Water Recycling Center of Tokyo Metropolitan Government Bureau of Sewage
 - * Sludge incinerator equipment work in Southern Basin Treatment Plant of Arakawa Left Bank Southern Part Sewage Office of Saitama Prefecture Sewage Bureau
 - * Emergency power generation equipment renewal work in Sagamihara Water Purification Plant of broad basin Suidoukigyodan of Kanagawa Prefecture
 - * Mechanical equipment work in New 1st Water Purification Plant of Ayabe City (Kyoto Prefecture)
- ...And others

Achievements in FYE March 2016 — PPP: Participation **METAWATER**

- * We have participated in 22 PPP projects out of 50 PPP projects* in the drinking water and sewage business
- * In FYE March 2016, we participated in 5 projects in total – 4 water and sewage projects and 1 environmental project

PPP business: Orders

- * Comprehensive business entrustment of water service of Arao City (Kumamoto Prefecture) >> Comprehensive entrustment by private sector proposal
- * Water treatment plant equipment work for Aikoku Water Treatment Plant of 3rd expanded business of Drinking Water and Sewage Bureau of Kushiro City (Hokkaido)
- * Design and construction business service contract for waste recycling facilities of Gotenba City and Koyama-cho Administrative Union (Shizuoka City)
- * Equipment renewal and operation of Nakatai Water Treatment Plant of Shikoku-Chuo City Water Bureau (Ehime Prefecture)

PPP business: participated in the third sector

- * Participated in a new company in which public and private sectors invested, and it engages in operation of drinking water and sewage business of Kita-Kyushu City (Fukuoka Prefecture) >> working to expand business

* Investigated by us as of March 31, 2016

Orders for eight large-scale projects completed, exceeding 1 billion yen

PE business

- * Power generation equipment work in South Area Sludge Treatment Plant of Tokyo Metropolitan Government Bureau of Sewage
- * Electricity storage equipment work in Shibaura Water Recycling Center of Tokyo Metropolitan Government Bureau of Sewage
- * Dehydration equipment work for sludge incinerator at Shingashi Water Recycling Center of Tokyo Metropolitan Government Bureau of Sewage
- * Sludge-derived fuel business in Biwa-lake Basin West Purification Center of Shiga Prefecture No. 1 Project of 2012
- * Central supervisory control equipment reconstruction work in Sludge treatment equipment work in Southern Basin Treatment Plant of Saitama Prefecture Sewage Bureau
- * Power generation equipment work No. 1 in Morigasaki Water Recycling Center of Tokyo Metropolitan Government Bureau of Sewage
- * Construction work for digestion gas power generation facility in Kawada Water Recycling Center of Utsunomiya City (Tochigi Prefecture)

PPP business

- * Construction work in recycling treatment facility of Ozenji Treatment Center in Kawasaki City (Kanagawa Prefecture)

Two long-term and comprehensive contracts received and new business started in two locations

>>Engaged in management, operation and maintenance in 75 places such as water treatment plants, sewage treatment plants, and waste recycling facilities.

SS business: Entrustment

- * Operation checking job entrustment for pumping plant of Kase Water Treatment Center of Kawasaki City (Kanagawa Prefecture) >> Long-term agreement
- * Maintenance job comprehensive entrustment for Kiyohara Water treatment Center of Utsunomiya City (Tochigi Prefecture) and two other plants

PPP business: Started operations

- * Improvement project of drainage treatment facility of marine food processing industrial complex in Onagawa-cho, Miyagi Prefecture (maintenance and management)
- * Integration project of Yamanoda Water Treatment Plant of Sasebo City (Nagasaki Prefecture) (maintenance and management)

Overseas business

- * Received orders for ceramic membrane for Choa Chu Kang Water Treatment Plant in Singapore
- * Delivered ceramic membrane to Rueter-Hess Water Treatment Plant of Parker District in Colorado State, U.S.
- * Received orders for ceramic membrane for Crownhill Water Treatment Plant in UK
- * Received orders for ceramic membrane MBR* system for private use in the Netherlands

* MBR: Abbreviation of membrane bioreactor (membrane isolation-reacted sludge method), sewage, drainage process using a membrane

Measures to deal with torrential rain, development of energy-saving or energy-creation technologies

- * Adopted as the B-DASH* demonstrative project for 2015
"Rainwater Management Technology for Torrential Rain in Urban Area Demonstration Project"
- * B-DASH* demonstrative project for 2014 completed, establishing the guidelines
"Non-Aeration Recycled Water Treatment Demonstration Project"
- * B-DASH* demonstrative project for 2013 was transformed to guidelines
Innovative Sewage Sludge for Energy Conversion System with Optimized Dehydration, Combustion, and Power Generation
- * New type of energy-saving belt-press filter was registered as new technology of Japan Sewage Work Agency

* B-DASH: Sewage-related innovative technology demonstrative project conducted by the Ministry of Land, Infrastructure, Transportation and Tourism (B-DASH Project)

Promotion of M&A and alliances

- * Converting a U.S. water-treatment engineering company, the AAS* Group, into a wholly-owned subsidiary
- * Participated in a special purpose company, Arao Water Service KK, which provides a comprehensive service for the water business of Arao City jointly with Ace Water, Kokusai Kogyo Co., Ltd. and NTT Data Corporation
- * Participated in the third-sector body Kita-Kyushu Water Service Co., Ltd., engaging in the provision of drinking water and sewage services jointly with Kita-Kyushu City (Fukuoka Prefecture), Yasukawa Electric Corporation and four financial institutions
- * Ishigaki Maintenance Corporation and Suiki Technos newly participated in a pharmaceutical company called Hybrid Chemical in which our Group company invested
- * Jointly working with NTT Data Corporation in IoT service field for drinking water and sewage business

* AAS: Aqua-Aerobic Systems, Inc.

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Financial and Dividend Forecast for FYE 2017

Progress in order timing and construction identified, aiming to revise forecasts upward

* Orders

To realize the long-term vision, focus on large-scale projects, aiming at highest-ever number of them

* Sales and profits

Increase sales and profits through North America business reform

* Dividends

Continue stable dividend payment

(Billion yen)

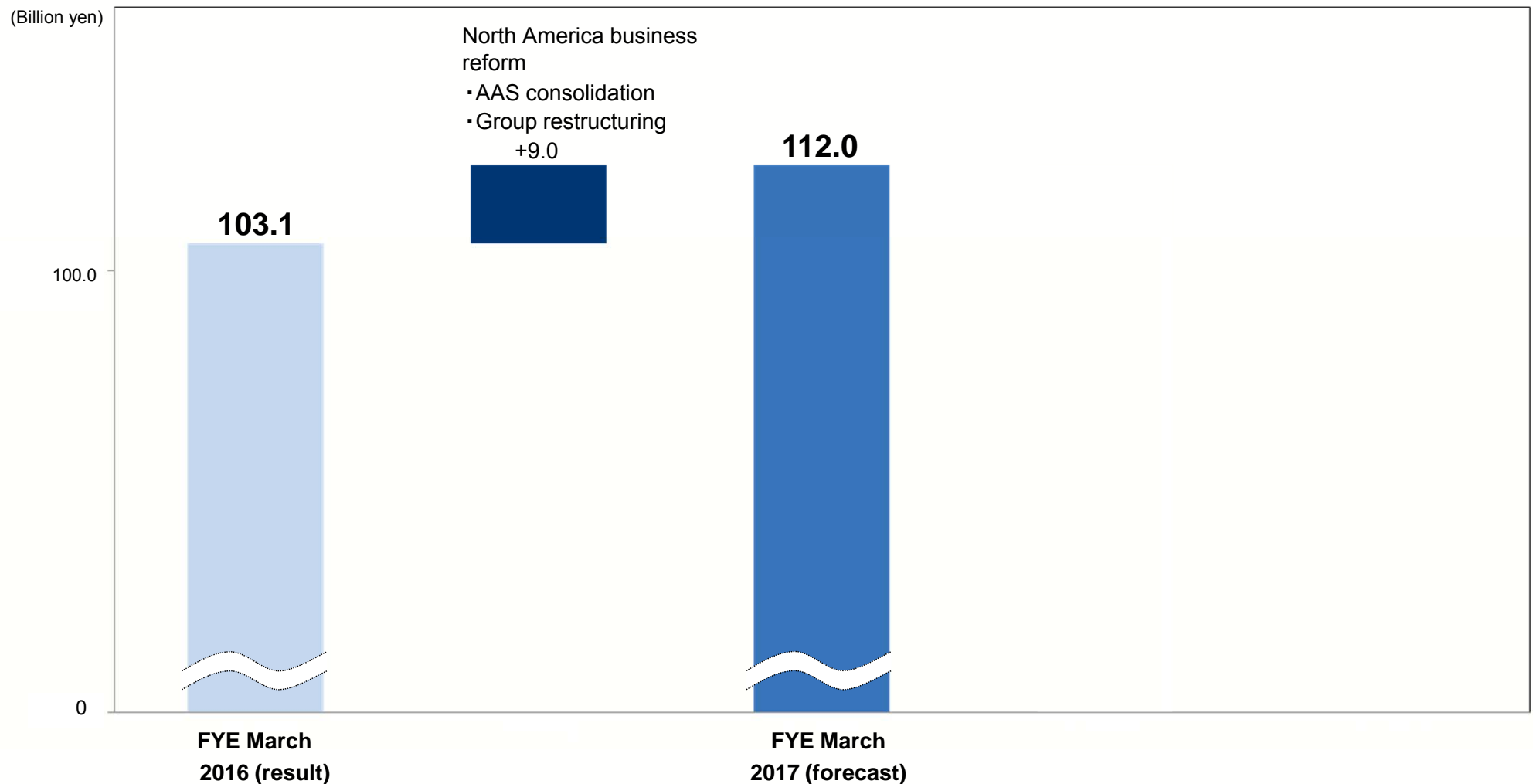
	Orders Received	Sales	Operating Profit	Ordinary Profit	Net Income *	Annual dividend (yen)
FYE March 2017 (forecast)	126.0 YoY: +13.5 +12.0%	112.0 YoY: +8.9 +8.6%	6.2 YoY: +0.8 +14.8%	6.1 YoY: +1.0 +18.6%	4.0 YoY: +1.2 +44.0%	58
FYE March 2016 (result)	112.5	103.1	5.4	5.1	2.8	58

* Net profit for the period attributable to shareholders of the parent company

FYE March 2017: Net Sales Forecast

Assuming similar sales to the March 2016 period, incorporating effects of AAS consolidation (contribution in the current period)

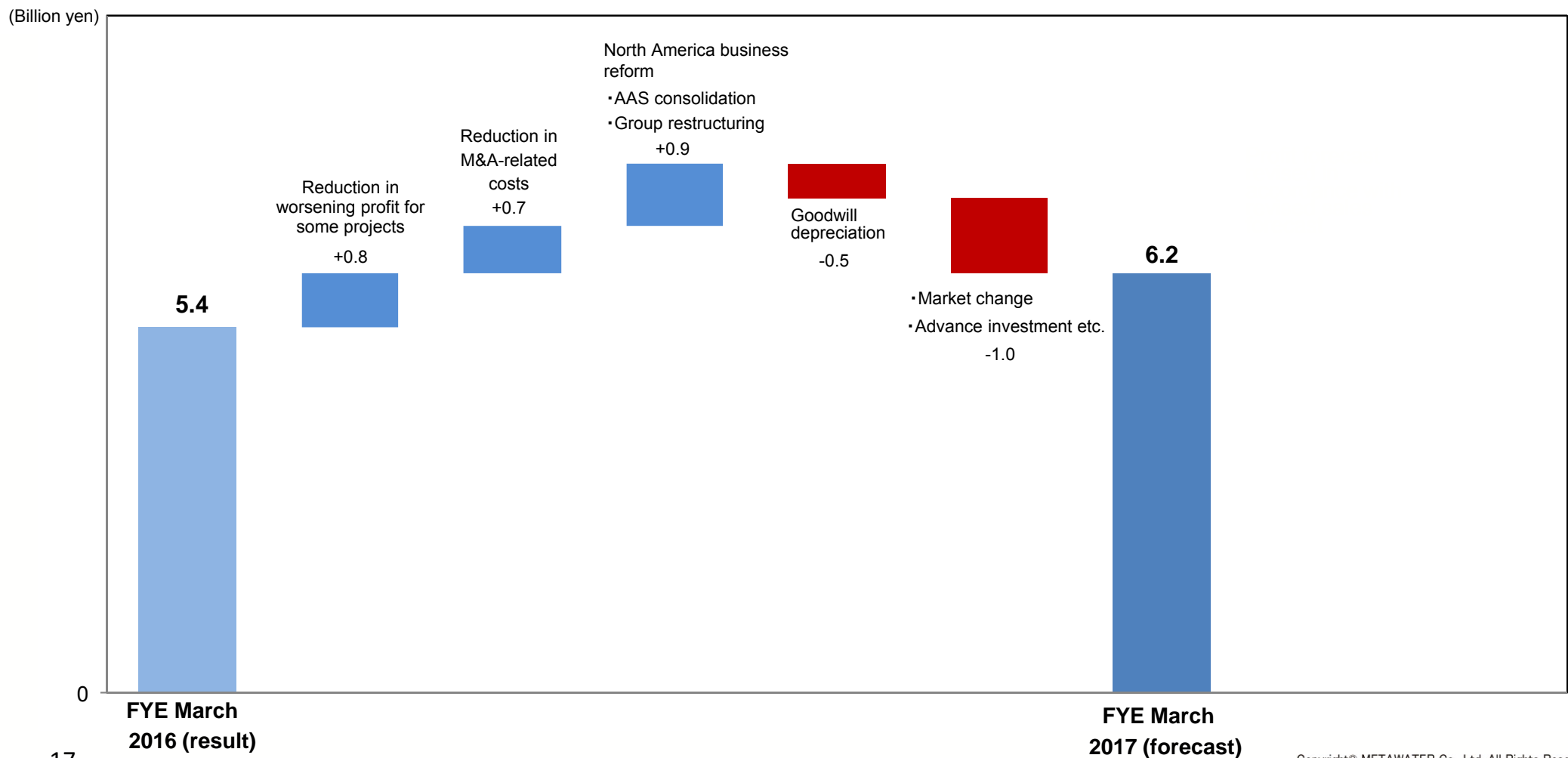
Progress in order timing and construction identified, aiming to revise forecasts upward



FYE March 2017: Operating Profit Forecast

Incorporating lack of one-off costs and effect of North America business reform including AAS consolidation etc.

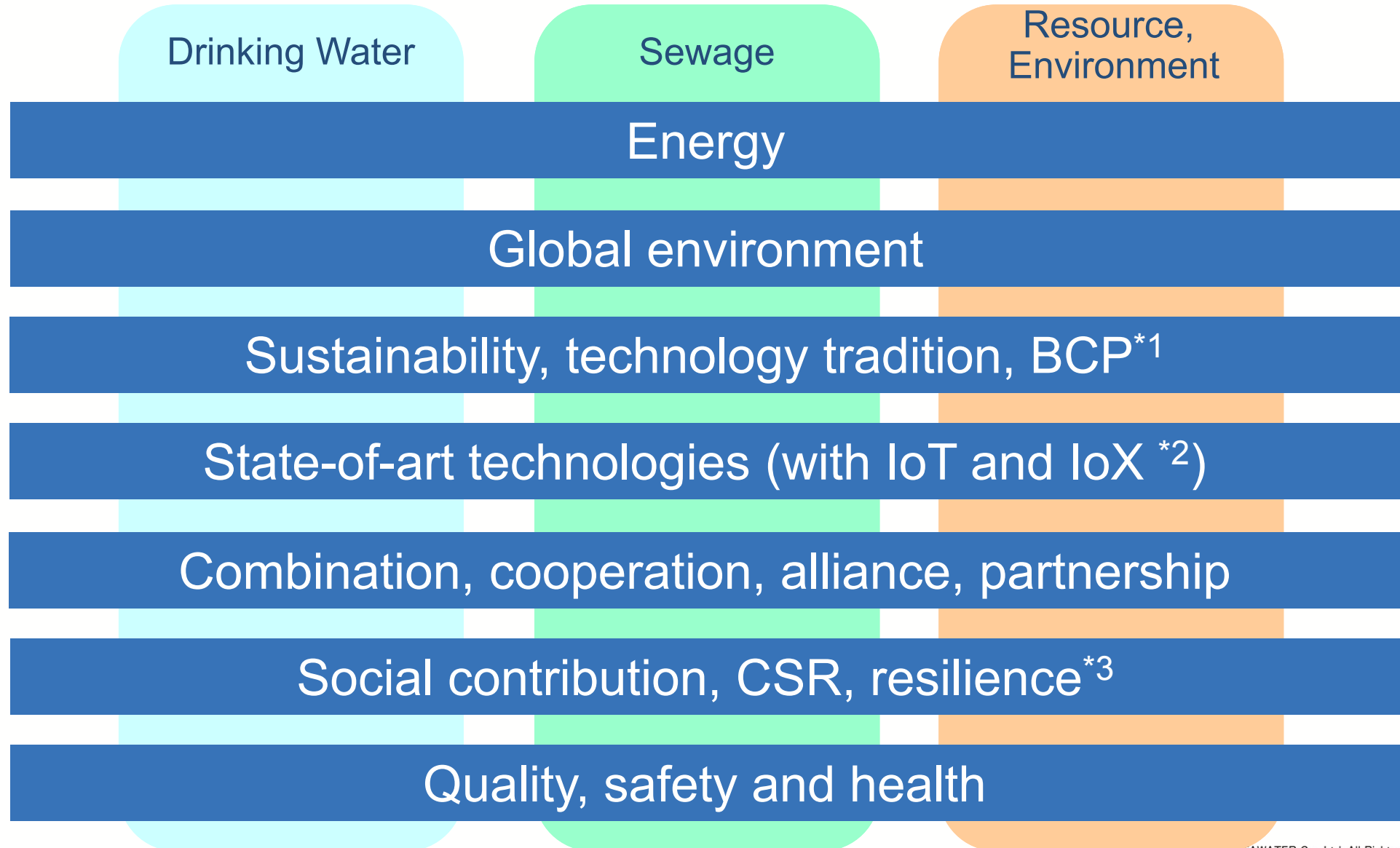
Progress in order timing and construction identified, aiming to revise forecasts upward



Aiming to be a corporation that makes changes in advance and keeps growing

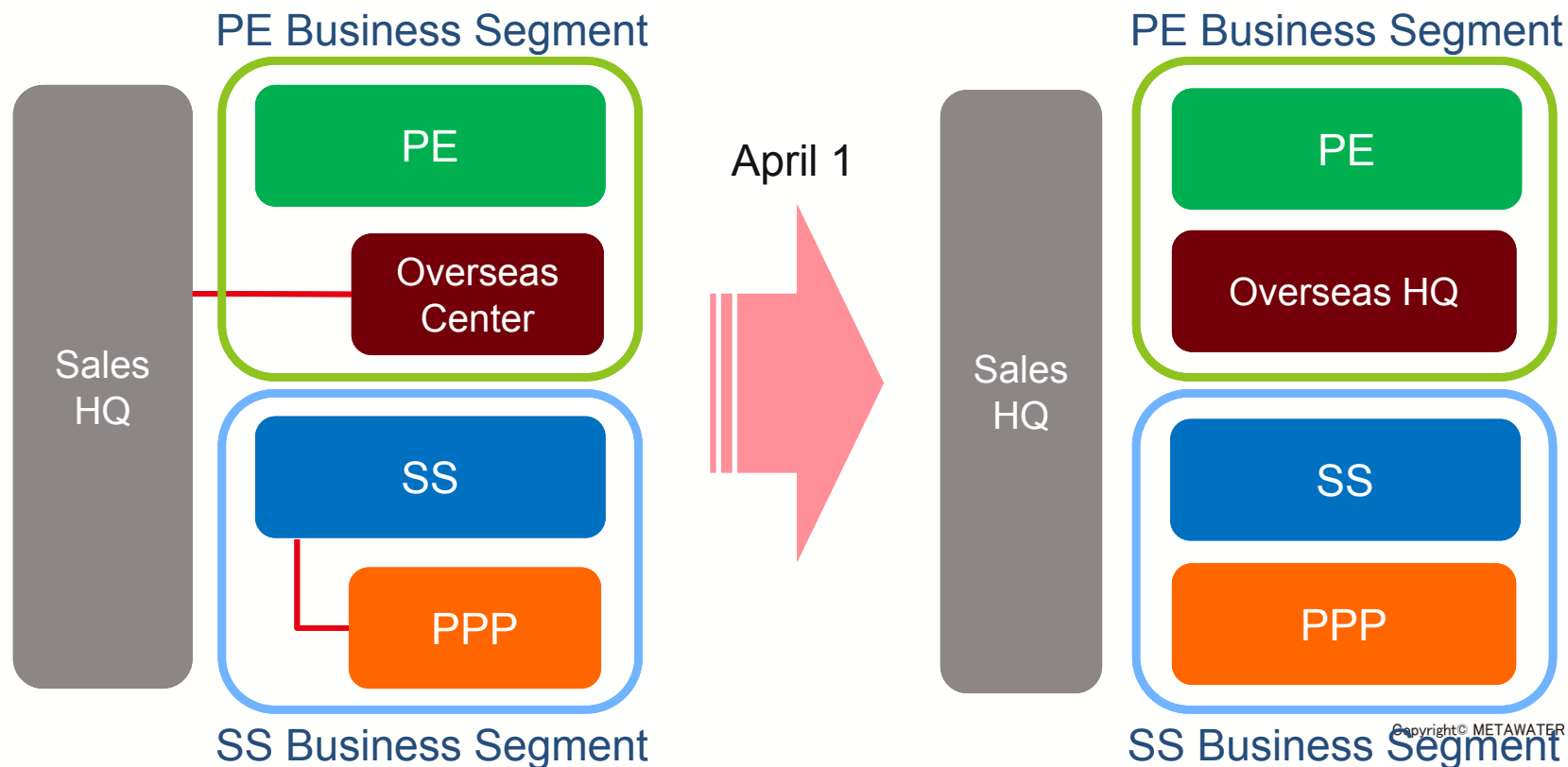
- (1) Putting the customer first, and taking a hands-on approach
- (2) Reinforcing corporate strength from seven management viewpoints
- (3) Clarifying responsibilities and authorities in four business segments and speeding up decision-making

Reinforcing corporate strength from seven management viewpoints



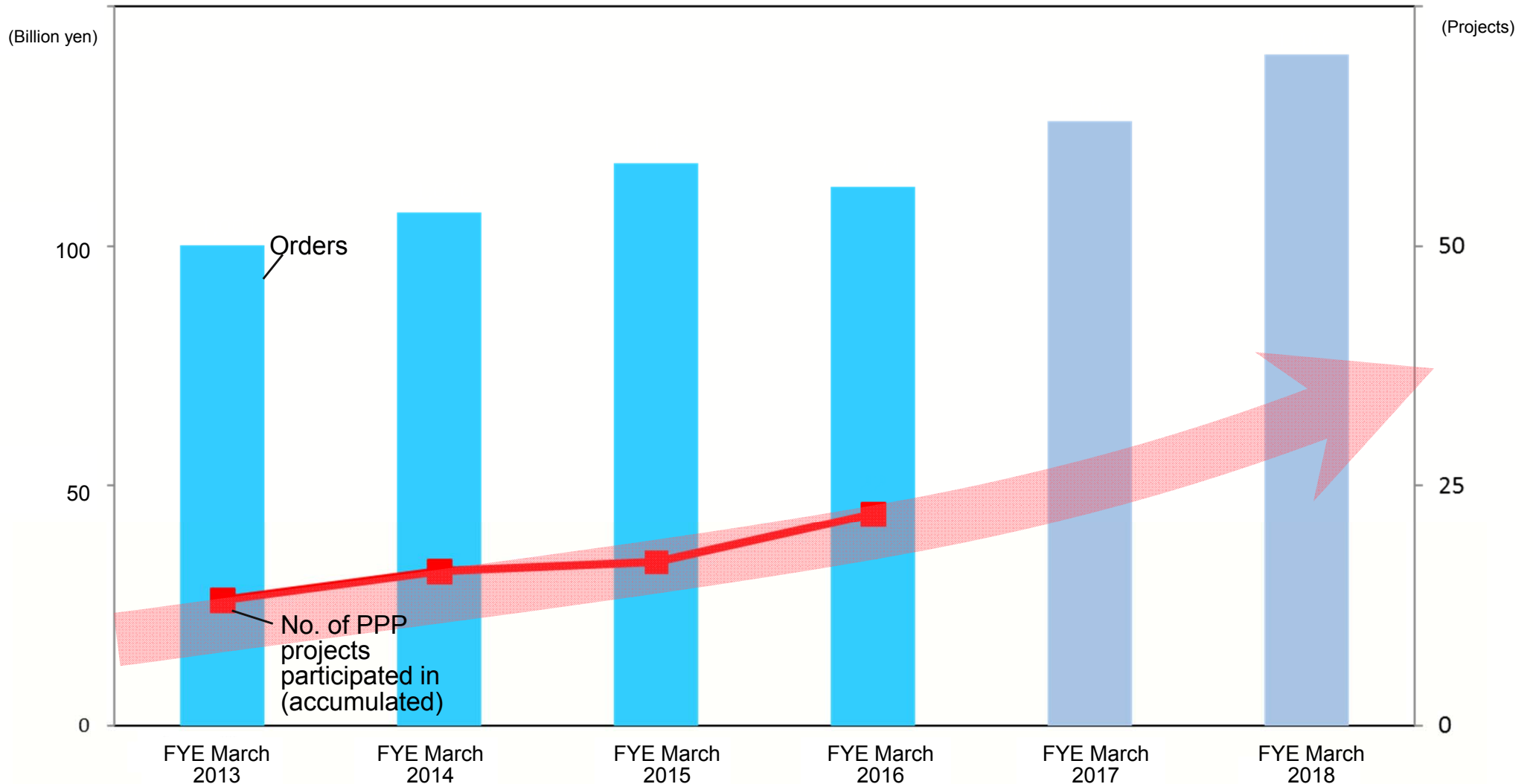
Clarifying responsibilities and authorities in four business segments and speeding up decision-making

- * In order to promote the construction of infrastructure for the overseas business, reorganize the Overseas Center controlled by the Sales Headquarters, making it into the **Overseas Headquarters**, directly reporting to the President
- * In order to expand the PPP business, reorganize the PPP Business Division, controlled by the Service Solution Business Headquarters, making it into the **PPP Headquarters**, directly reporting to the President.



Increase large project orders to realize long-term vision

Trend in orders and number of PPP projects participated in (accumulated)



March 2017 Period Key Measures “Sustainable”

Utilize the system of private sector proposals, reinforce and expand PPP business in view of concession method and broader area

Aizu-Wakamatsu City
Takizawa Water
Treatment Plant, Renewal,
Improvement Project



In 2013,
participated in the first DBO
project where we maintain
water delivery and
distribution

Arao City, Water Service,
Comprehensive Entrustment



In 2016,
participated in progressive project
in the water service field of private
sector proposal and comprehensive
entrustment

Onagawa-cho, Marine Food
Processing Industrial Complex,
Sewage Facility Improvement Project



In 2014,
the first financially
independent PFI project in
Japan

Kita-Kyushu Water Service



In 2016,
participated in the third sector engaged in
providing drinking water and sewage services

Yokohama City, Kawai Water
Treatment Plant, Improvement
Project



In 2008,
participated in the first PFI project
in Japan to comprehensively
engage in renewal of an entire
water treatment plant, operation
and maintenance.

PFI/DBO

Simple service entrustment
Comprehensive service
entrustment

2011 PFI Act
revised

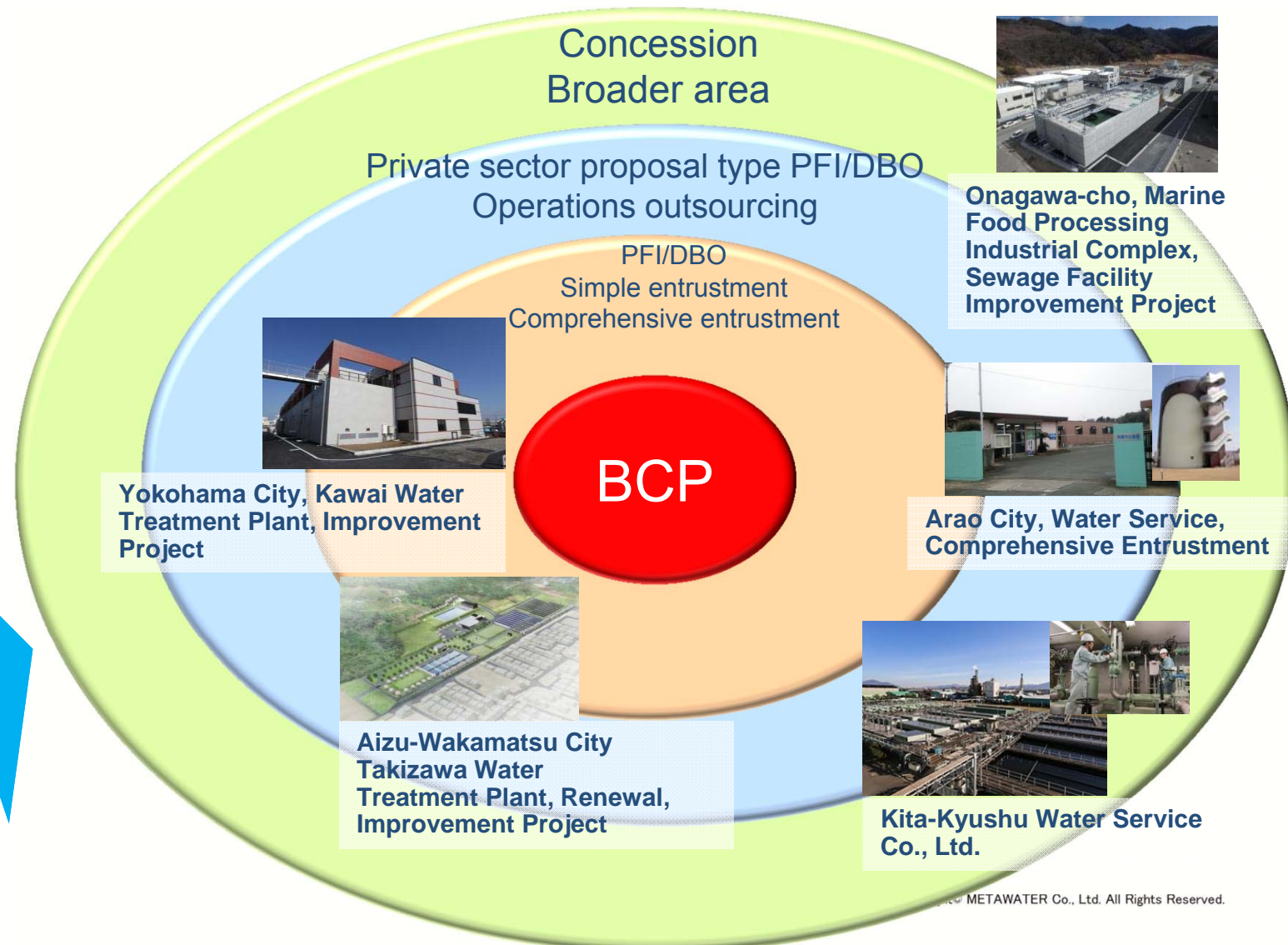
Private sector proposal
PFI/DBO

Management
entrustment

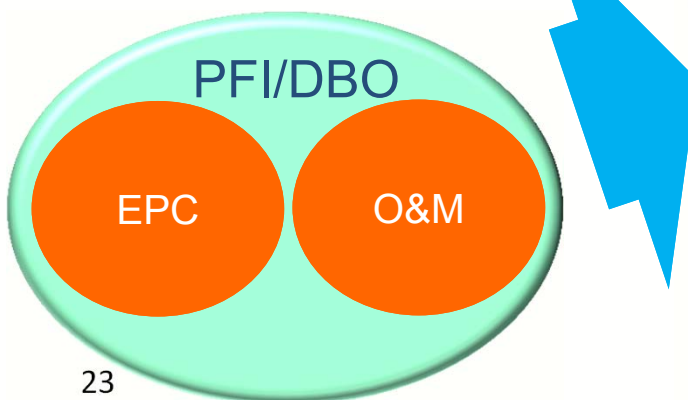
Concession
Wider area

Establish a business process centered on BCP

Based on the restoration time



Based on costs



Reinforce overseas business

Business in Europe

Conduct business mainly through
MECANA*, RWB*, or PWNT

Europe



METAWATER

Form a business base
in other regions or
through private-public
partnership

Business in North America

Conduct business by AAS

North America



AQUA-AEROBIC SYSTEMS, INC.
A Metawater Company



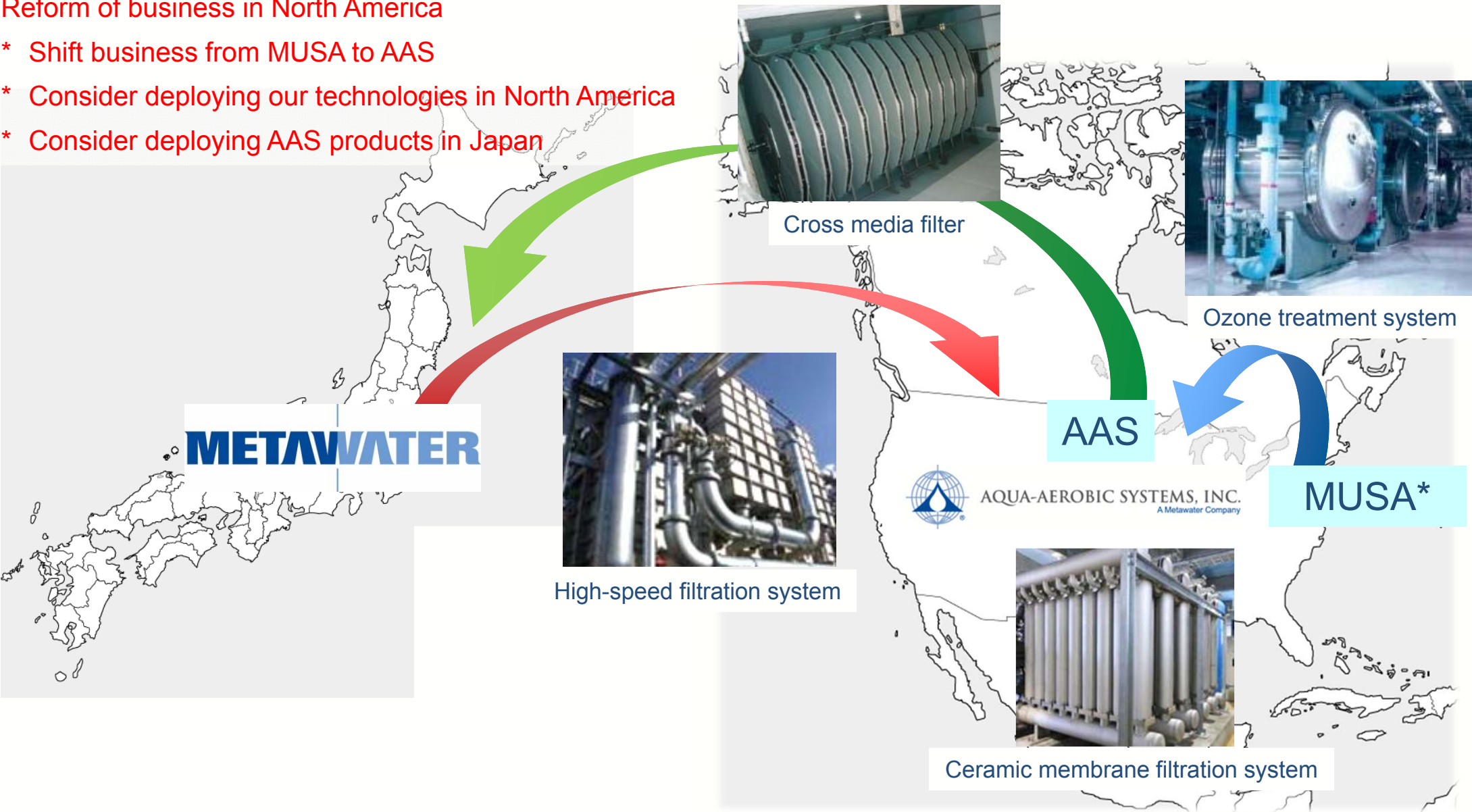
- * MECANA:
Mecana Umwelttechnik GmbH
A subsidiary of AAS
- * RWB:
Rood Wit Blauw Holding B.V.
Established capital and business alliance
- * PWNT:
PWN Technologies
Established strategic business alliance

March 2017 Period Key Measures

"Combining, Cooperation, Alliance, Partnership"

Reform of business in North America

- * Shift business from MUSA to AAS
- * Consider deploying our technologies in North America
- * Consider deploying AAS products in Japan



Improvement of CSR

1) Continue to strengthen basic CSR

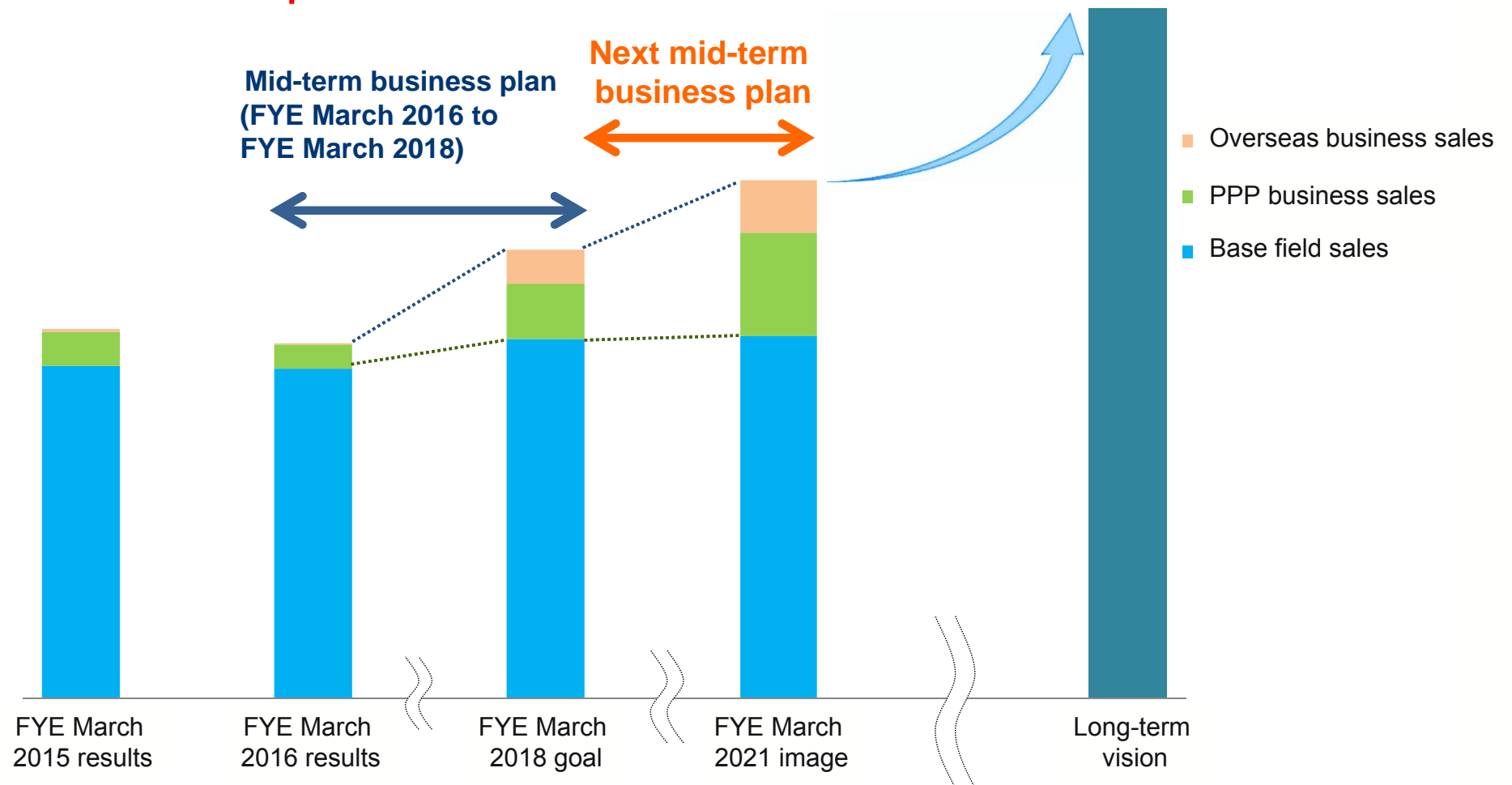
2) Continue to deal with CGC

Our explanation for the Corporate Governance Code

- Investigate appropriate remuneration settings etc. such as that linked to medium-to long-term earnings, and share price remuneration
- Investigate election of two independent external board members
- Create a structure where independent external board members can proactively take part in discussions
- Investigate disclosure of analysis, assessment and results regarding effectiveness of the whole board



Toward realization of the long-term vision,
focus on building a base for growth in the current mid-
term business plan.



III Outline of Financial Results for the Fiscal Year Ended March 2016

1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
4. Consolidated Cash Flows
5. Full-Year Earnings Forecast
6. Dividend Policy

Consolidated Statement of Income

(Results for the fiscal year ended March 2016)

(Billion yen)

	FYE March 2015	FYE March 2016	Change
Net sales	106.9	103.1	-3.8
Operating profit	8.2	5.4	-2.8
(Operating margin)	7.7%	5.2%	
Ordinary income	8.2	5.1	-3.1
Net income attributable to parent company shareholders	5.0	2.8	-2.2

*Rounded to the nearest 10 million yen

Segment Information

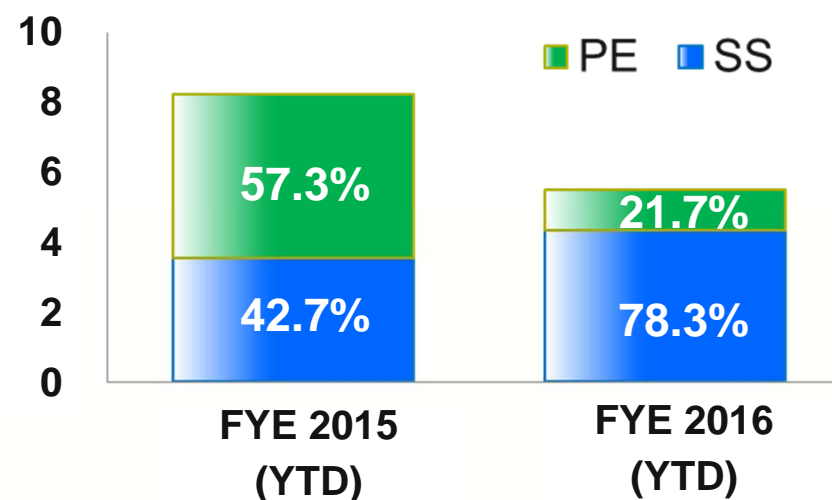
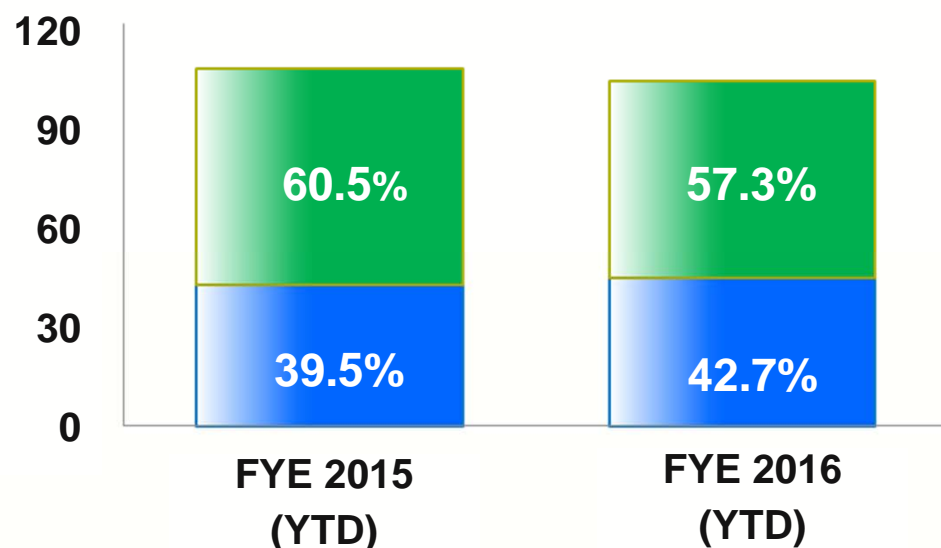
■ PE: Stagnant due to a delay in the timing at which orders were received, worsened earnings of some projects, and the booking of acquisition expenses, etc.

■ SS: Good results due to favorable performance regarding repair work, operation management, etc.

(Billion yen)

	Net Sales		
	FYE 2015 (YTD)	FYE 2016 (YTD)	Change
PE	64.7	59.0	-5.7
SS	42.2	44.1	+1.9
Total	106.9	103.1	-3.8

	Operating Profit		
	FYE 2015 (YTD)	FYE 2016 (YTD)	Change
PE	4.7	1.2	-3.5
SS	3.5	4.2	+0.7
Total	8.2	5.4	-2.8



Consolidated Balance Sheet

■ Total assets increased 6.6 billion yen due to the acquisition of AAS, Co., Ltd.

(Billion yen)

	FYE March 2015 Results	FYE March 2016 Results	Change
Cash and deposits	19.5	20.9	+1.4
Short-term investment securities ^{*1}	11.0	—	-11.0
Note and accounts receivable-trade	66.5	70.8	+4.3
Inventories	5.1	6.6	+1.5
Others	2.8	4.5	+1.7
Total current assets	104.9	102.8	-2.1
Property, plant and equipment	1.7	2.6	+0.9
Intangible assets	2.1	10.2	+8.1
Others	5.6	5.3	-0.3
Total fixed assets	9.4	18.1	+8.7
Total assets	114.3	120.9	+6.6

	FYE March 2015 Results	FYE March 2016 Results	Change
Accounts payable	34.3	35.9	+1.6
Advance receipts	5.1	5.8	+0.7
Short-term loans payable ^{*2}	(0.8) 0.8	(0.8) 1.2	+0.4
Others	8.2	8.0	-0.2
Total current liabilities	48.4	50.9	+2.5
Long-term loans payable ^{*3}	(13.7) 13.7	(13.4) 16.0	+2.3
Others	4.4	5.8	+1.4
Total fixed liabilities	18.1	21.8	+3.7
Total liabilities	66.5	72.7	+6.2
Total net assets	47.8	48.2	+0.4
Total liabilities/ net assets	114.3	120.9	+6.6

Status of Consolidated Cash Flows

■ Investment cash flow increased due to the acquisition of AAS, Co., Ltd.

(Billion yen)

	FYE 2015 March (YTD)	FYE 2016 March (YTD)	Change
Cash and cash equivalents at the end of previous FY	3.1	29.6 ^{*1}	+26.5
Operating cash flow	5.3	0.1	-5.2
Investing cash flow	-1.5	-11.0	-9.5
Free cash flow	3.8	-10.9	-14.7
Financing cash flow	22.7	0.9	-21.8
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	0	0.4	+0.4
Cash and cash equivalents at the end of current FY	29.6 ^{*1}	20.0	-9.6

*1: Including securities (negotiable deposits)

Full-year Financial Forecast

(Billion yen)

	FYE March 2016 (results)	FYE March 2017 (forecast)	Change
Net sales	103.1	112.0	+8.9
Operating profit	5.4	6.2	+0.8
(Operating margin)	5.2%	5.5%	
Ordinary income	5.1	6.1	+1.0
Net income attributable to parent company shareholders	2.8	4.0	+1.2
Orders	112.5	126.0	+13.5

Basic Policy

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

	December 2015 interim dividend	June 2016 year-end dividend	Annual dividend
Dividend per share	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.



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