

# Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2017

A decorative graphic in the bottom right corner consisting of a yellow line and a light blue shaded area, both curving upwards from left to right.

July 25, 2016  
METAWATER Co., Ltd.

I Achievements in 1Q of FYE March 2017 &  
Forecast for FYE March 2017

II Outline of Financial Results for 1Q of FYE  
March 2017

Attachment: Management policy for FYE March 2017

## 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, procurement 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 1Q of FYE March 2017

METAWATER

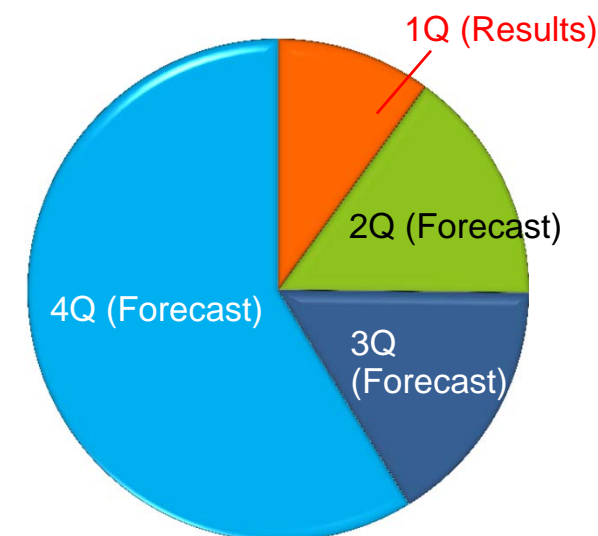
## \* Increase in sales and profits

Both sales and profits increased largely as planned, attributed to strong momentum maintained in EPC, O&M, and PPP businesses, and positive effects from the consolidation with AAS \*1

## \* Orders

The quarterly amount ordered compared with the same period of the previous year declined due to quarterly balance differences, but the outstanding balance of orders largely achieved planned numbers.

Breakdown of Quarterly Net Sales of FYE March 2017



(Billion yen)

	Orders Received (Orders backlog)	Net sales	Operating Profit	Ordinary income	Quarterly net income*2
1Q of FYE March 2017 (results)	24.0(120.1) YoY -4.2 (+5.7)	11.2 YoY +3.6	-2.5 YoY +0.7	-2.8 YoY +0.3	-1.3 YoY +0.8
1Q of FYE March 2016 (results)	28.2(114.4)	7.6	-3.1	-3.0	-2.1

\*1 AAS: Aqua-Aerobic Systems, Inc. (Converted to a subsidiary in Jan. 2016)

\*2 Quarterly net income attributed to parent company shareholders

# Accomplishments of 1Q of FYE March 2017 – PE Business

## EPC

### Completed four projects, each with order amount over 300 million yen

- Improvement project at Bureau of Waterworks, Tokyo Metropolitan Government: Monitoring control equipment of Wadabori Water Supply Station and four other stations
- Renewal project at Kyoto City Waterworks Bureau, Kyoto Prefecture: Central monitoring control equipment of Shin-Yamashina Water Purification Plant
- Replacement project at Bureau of Waterworks, Tokyo Metropolitan Government: Emergency in-house power generation facility of Kinuta Water Purification Plant
- Renewal project at Yodogawa Ugan Ryuiki Gesuido Takatsuki Mizu Mirai Center, Osaka Prefecture: Incinerators to be renewed

### Received one project with order amount over 1 billion yen

- Development project at Bureau of Sewerage, Tokyo Metropolitan Government: (West) High speed filtration systems in Morigasaki Water Reclamation Center (announcement released today)

#### Reference

- Reconstruction project at Bureau of Sewerage, Tokyo Metropolitan Government: Sludge incineration and dewatering equipment of Nambu Sludge Treatment Plant (Order received in July 2016, Announcement released today)

## Overseas

- Consolidation of income statement of the U.S. subsidiary, Aqua-Aerobic Systems, Inc. (AAS), etc.
- Transfer of North America business to AAS (started from May 2016)

# Accomplishments of 1Q of FYE March 2017 –SS Business

## O&M

### Launch of operations of three projects: two long-term comprehensive projects and one new project

- Inspection work (long-term contract) at Kase water processing center, Kawasaki City, Kanagawa Prefecture: Inspection of processing district pump station
- Comprehensive maintenance and administration work (comprehensive consignment) at Kiyohara Water Treatment Center, Utsunomiya City, Tochigi Prefecture and two other locations
- Operation at the Ministry of Land, Infrastructure, Transport and Tourism: Started operation of the nationwide database on sewage system (announcement released on July 20, 2016)

## PPP

### Launch of operations of two new projects

- Comprehensive consignment with Arao Water Business in Arao City, Kumamoto Prefecture
- Kitakyushu Water Service Co., Ltd. in Kitakyushu City, Fukuoka Prefecture  
(Third Sector in which Kitakyushu City and METAWATER have a stake of 54% and 19%, respectively)

# Forecast of Financial Results and Dividend of FYE March 2017

For the first quarter of the fiscal year ending March 2017, all orders received, net sales, and profits have achieved planned numbers largely with full-year forecast unchanged.

\* Orders received:

With an eye to marking a record high, METAWATER will target large projects toward the achievement of a long-term vision.

\* Net sales and profits:

Both sales and profits are expected to increase mainly due to effects of reform of North American businesses.

\* Dividends

Stable dividend distribution will be maintained.

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary income	Net Income *	Annual dividend (yen)
<b>FYE March 2017</b> (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
<b>FYE March 2016</b> (results)	112.5	103.1	5.4	5.1	2.8	58



I Achievements in 1Q of FYE March 2017 &  
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**II Outline of Financial Results for 1Q of FYE  
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## II Outline of Financial Results for 1Q of FYE March 2017

1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
4. Consolidated Cash Flows

# Consolidated Statement of Income

(Results for 1Q of fiscal year ending March 2017)

(Billion yen)

	1Q of FYE March 2016	1Q of FYE March 2017	Change
<b>Net sales</b>	7.6	11.2	+3.6
<b>Operating profit</b>	-3.1	-2.5	+0.7
<b>(Operating margin)</b>	-40.9%	-22.0%	
<b>Ordinary income</b>	-3.0	-2.8	+0.3
<b>Net income attributable to parent company shareholders</b>	-2.1	-1.3	+0.8

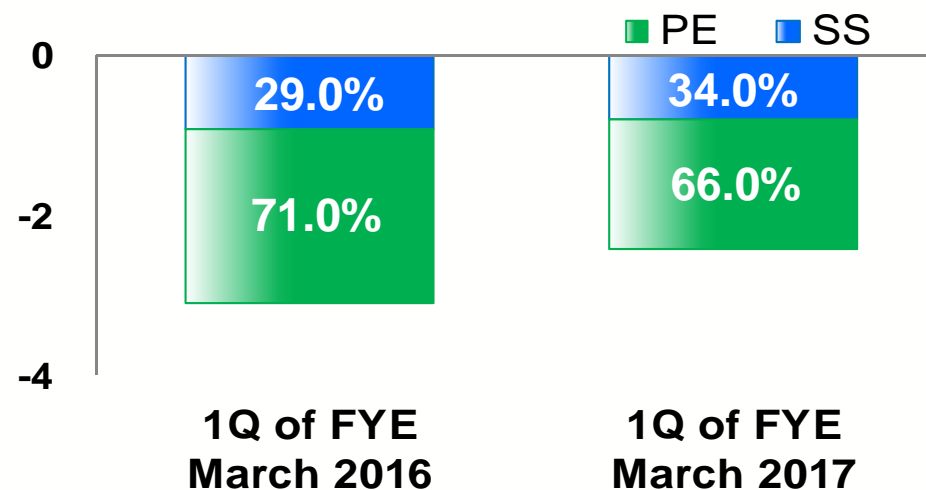
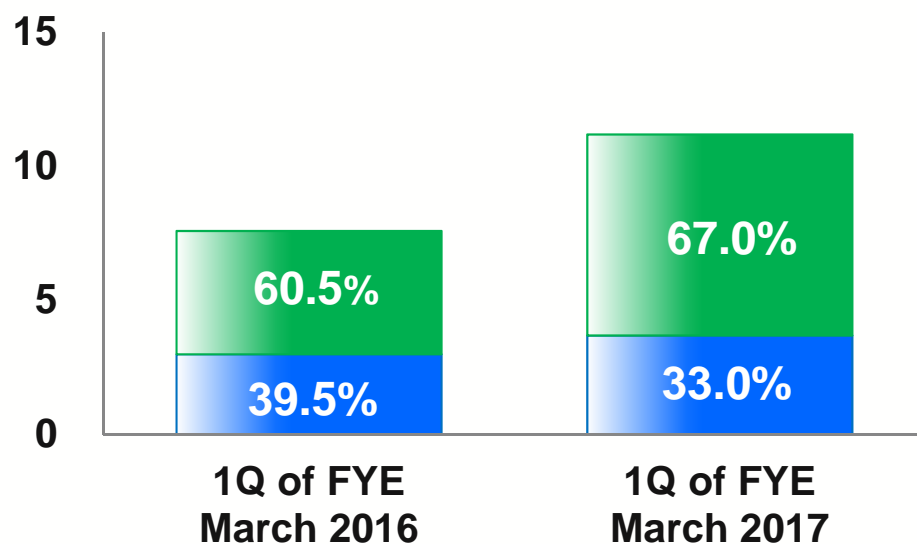
\*Rounded to the nearest 10 million yen

# Segment Information

(Billion yen)

	Net Sales		
	1Q of FYE March 2016	1Q of FYE March 2017	Change
PE	4.6	7.5	+2.9
SS	3.0	3.7	+0.7
Total	7.6	11.2	+3.6

	Operating Profit		
	1Q of FYE March 2016	1Q of FYE March 2017	Change
PE	-2.2	-1.6	+0.5
SS	-0.9	-0.8	+0.1
Total	-3.1	-2.5	+0.7



# Consolidated Balance Sheet

(Billion yen)

	FYE March 2016	1Q of FYE March 2016	Change
Cash and deposits	20.9	39.7	+18.7
Note and accounts receivable-trade	70.8	36.5	- 34.3
Inventories	6.6	9.6	+3.0
Others	4.5	3.5	- 0.9
<b>Total current assets</b>	<b>102.8</b>	<b>89.3</b>	<b>- 13.5</b>
Property, plant and equipment	2.6	2.5	- 0.1
Goodwill	8.3	7.6	- 0.7
Intangible assets	1.9	1.8	- 0.1
Others	5.2	5.7	+0.4
<b>Total fixed assets</b>	<b>18.1</b>	<b>17.6</b>	<b>- 0.5</b>
<b>Total assets</b>	<b>120.9</b>	<b>106.9</b>	<b>- 14.0</b>

	FYE March 2016	1Q of FYE March 2017	Change
Accounts payable	35.9	23.7	- 12.2
Advance receipts	5.8	12.1	+6.3
Short-term loans payable *1	(0.8) 1.2	(0.8) 1.1	- 0.1
Others	8.0	2.6	- 5.4
<b>Total current liabilities</b>	<b>50.9</b>	<b>39.5</b>	<b>- 11.4</b>
Long-term loans payable *2	(13.4) 16.0	(12.8) 15.4	- 0.6
Others	5.9	5.9	—
<b>Total fixed liabilities</b>	<b>21.8</b>	<b>21.3</b>	<b>- 0.5</b>
<b>Total liabilities</b>	<b>72.7</b>	<b>60.8</b>	<b>- 11.9</b>
<b>Total net assets</b>	<b>48.2</b>	<b>46.1</b>	<b>- 2.1</b>
<b>Total liabilities/ net assets</b>	<b>120.9</b>	<b>106.9</b>	<b>- 14.0</b>

# Status of Consolidated Cash Flows

(Billion yen)

	1Q of FYE March 2016	1Q of FYE March 2017	Change
Cash and cash equivalents at the end of previous FY	29.6	20.0	-9.6
Operating cash flow	24.6	20.0	-4.6
Investing cash flow	-0.1	-0.1	—
Free cash flow	24.5	19.9	-4.6
Financing cash flow	-0.8	-1.2	-0.4
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	0	0	—
Cash and cash equivalents at the end of current FY	53.3	38.7	-14.6

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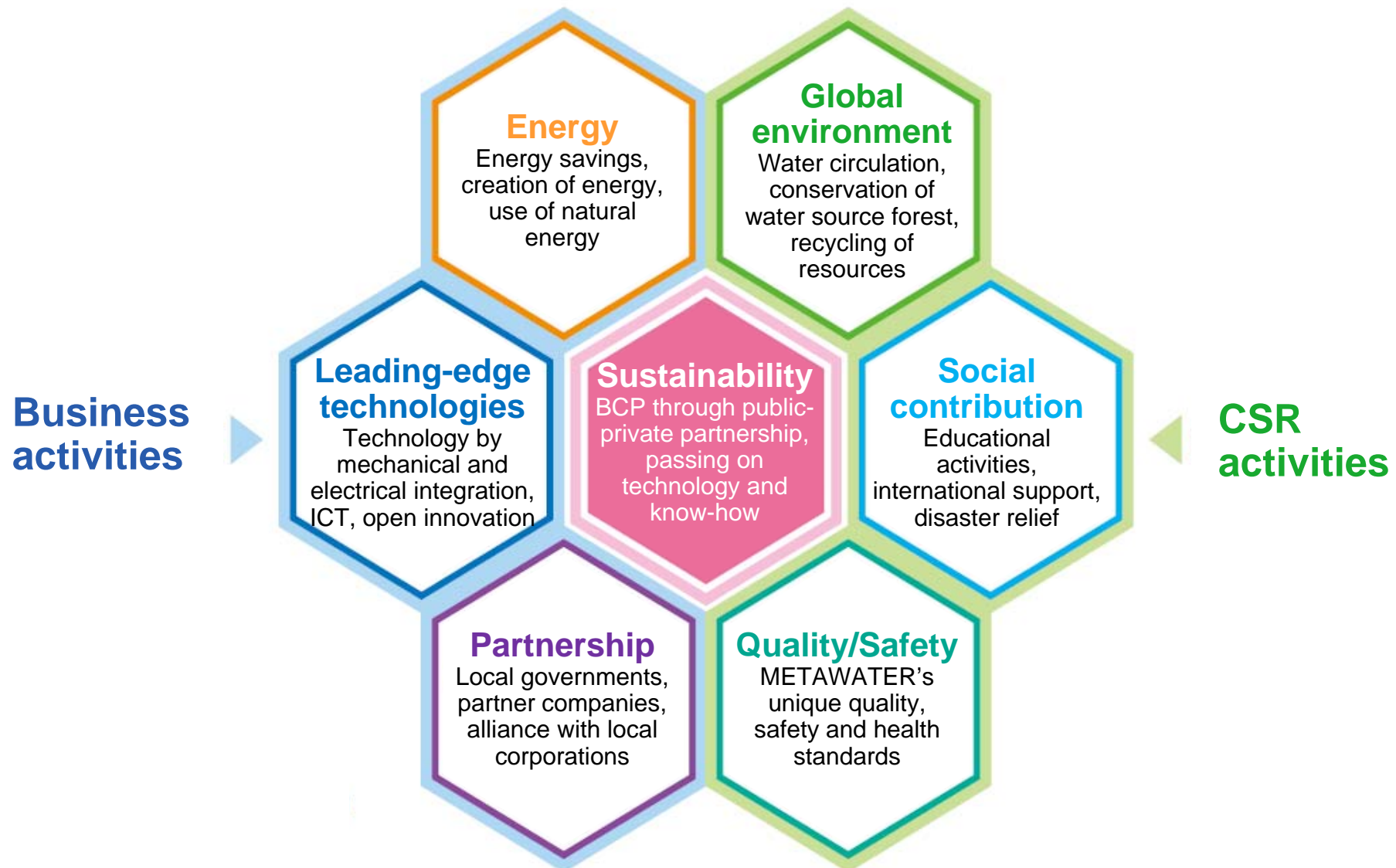
Aiming to be a corporation that makes changes in advance and keeps growing

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

Business activities centered on sustainability and CSR\* activities



\* CSR: corporate social responsibility

# (1) Sustainability

BCP\* through private-public partnership, passing on technology and know-how



Emergency water supply activities



BCP training



Passing on technologies



## (2) Energy

Energy savings, creation of energy, and use of natural energy



Solar power generation



Power generation by using sewage resource



Converting wastewater sludge into fuel

### (3) Leading-edge Technologies

Technology by mechanical and electrical integration, information and communication technology (ICT), open innovation

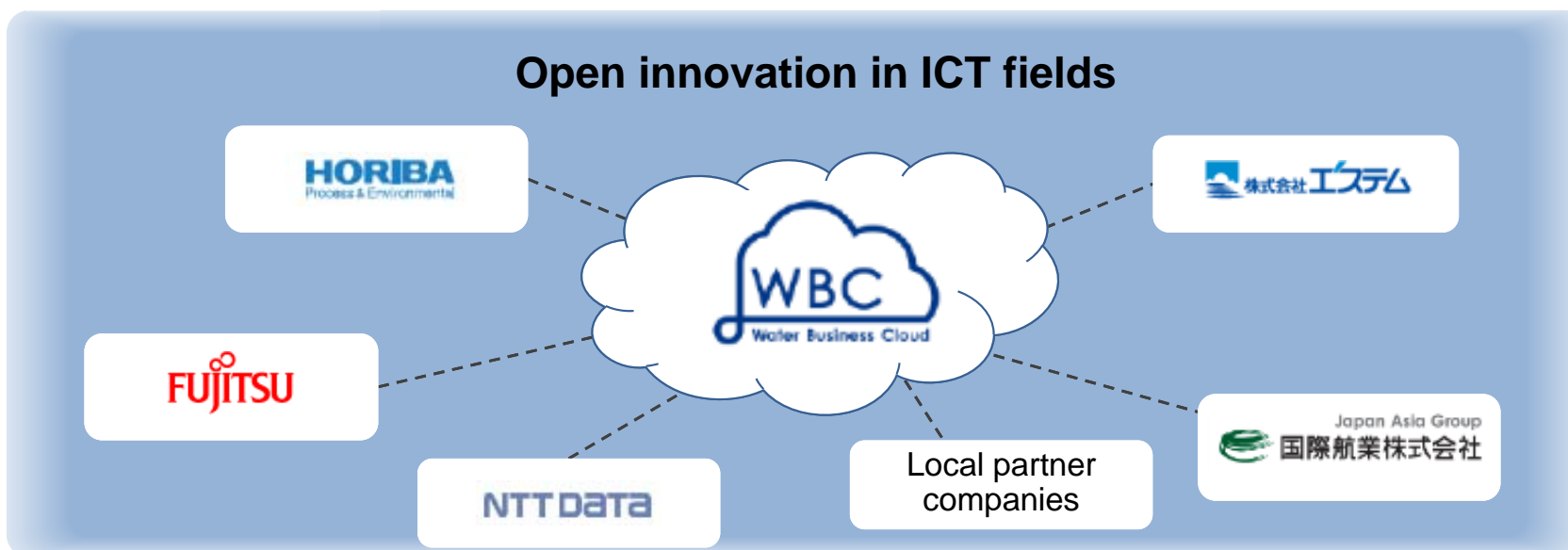
Optimized technologies by mechanical and electrical integration, and their plant operations



Maintenance and administration by using ICT



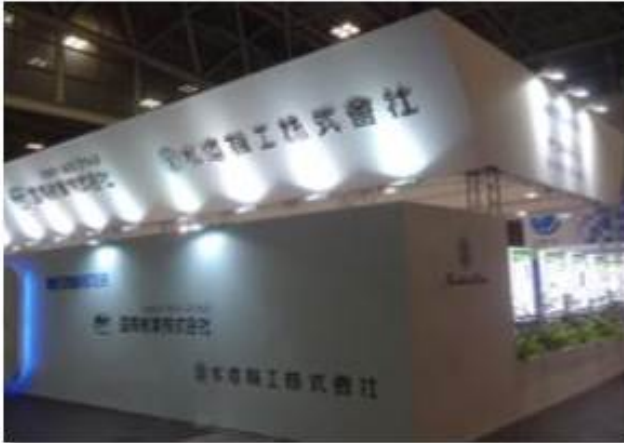
Open innovation in ICT fields





## (4) Partnership

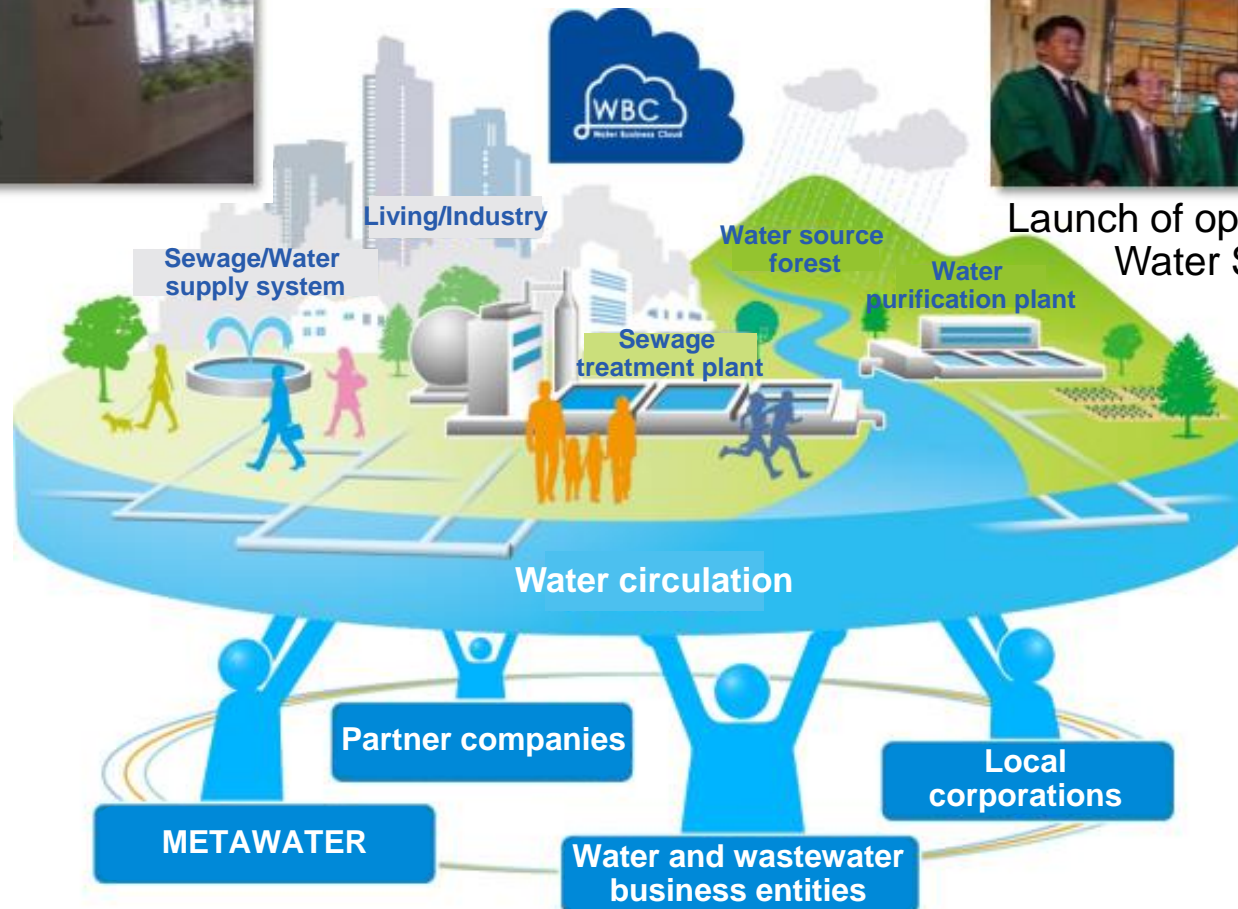
Alliances with local governments, partner companies, and local corporations



Collaboration of three companies through tie-up with Suido Kiko Kaisha, Ltd. and Kokusai Kogyo Co., Ltd.



Launch of operations of Kitakyushu Water Service Co., Ltd.



## (5) Global Environment

Water circulation, conservation of water source forest, recycling of resources



Water  
circulation



Conservation of  
water source forest



Phosphorus  
recovery





## (6) Social Contribution

Educational activities, international support, disaster relief



Educational activities



International support



Disaster relief



## (7) Quality and Safety

### METAWATER'S unique quality, safety and health standards



Safety inspection



Confirmation by pointing to safety equipment



Administration of switchboard



ISO 9001-ISO 14001 Certificate



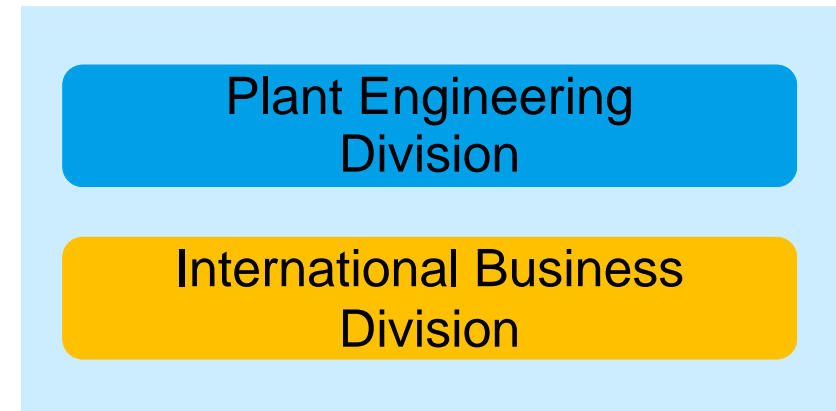
# Four Divisions Structure: Clarification of responsibilities and authorities and speeding up decision-making

## Change from two divisions to four divisions, effective April 1

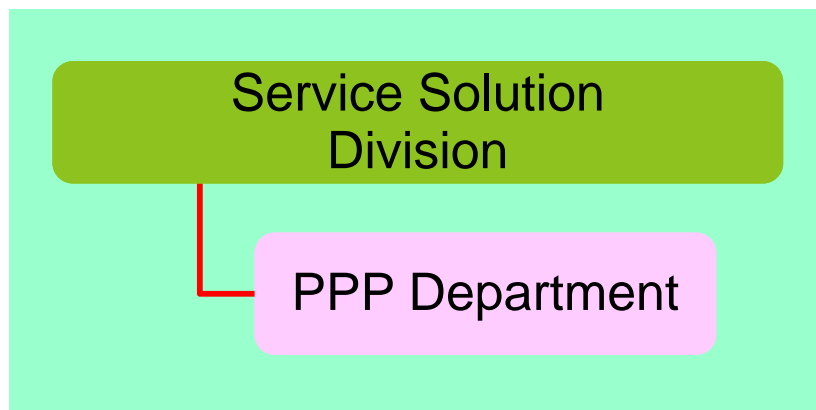
### Plant Engineering Business Segment



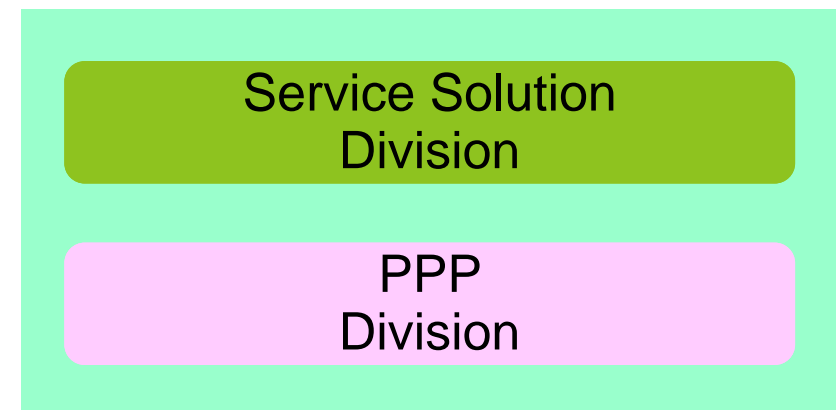
### Plant Engineering Business Segment



### Service Solution Business Segment



### Service Solution Business Segment



## 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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