



# METAWATER Co., Ltd.

For Immediate Release

January 30, 2017

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 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	<a href="http://www.metawater.co.jp">http://www.metawater.co.jp</a>
Representative	Yasushi Nakamura President and Representative Director
Contact person	Akira Kato Director and General Manager of Corporate Strategy Planning Division (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	February 14, 2017
Payment date of cash dividends	—
Supplementary information materials on quarterly results	Available
Quarterly results briefing	Will not be held

(Amounts are rounded down to the nearest million yen)

### 1. Highlight of consolidated results for the nine months ended December 31, 2016

#### (1) Consolidated operating results (year-to-date)

(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	%
Nine months ended December 31, 2016	47,277	26.2	(4,181)	—	(4,003)	—	(2,300)	—
Nine months ended December 31, 2015	37,448	(10.4)	(6,233)	—	(6,223)	—	(4,446)	—

Note: Comprehensive income:                      Nine months ended December 31, 2016      (4,074) million yen      — %  
    Nine months ended December 31, 2015      (4,184) million yen      — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Nine months ended December 31, 2016	(88.75)	—
Nine months ended December 31, 2015	(171.52)	—

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2016	96,601	42,581	44.0
As of March 31, 2016	120,865	48,161	39.8

Note: Shareholders' equity: As of December 31, 2016 42,458 million yen  
As of March 31, 2016 48,053 million yen

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2017	—	29.00	—		
Fiscal year ending March 31, 2017 (Forecast)				29.00	58.00

Note: Revision of forecast for dividends from the latest announcement: No

## 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

Note: Revision of forecast for operating results from the latest announcement: No

**Notes:**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2016 (Changes in specified subsidiaries that caused a change in the scope of consolidation) : No
- (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: Yes
- (3) 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 (3)-(a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatement: No
- (4) Number of shares issued and outstanding (common stock)
  - (a) Number of shares issued and outstanding at the end of the period (including treasury stock): 25,923,500 shares as of March 31, 2016 and 25,923,500 shares as of December 31, 2016.
  - (b) Number of treasury stock at the end of the period: Nil shares as of March 31, 2016 and 44 shares as of December 31, 2016.
  - (c) Average number of shares issued and outstanding for the period: 25,923,500 shares for the nine months ended December 31, 2015 and 25,923,471 shares for the nine months ended December 31, 2016.

**Information Regarding the Quarterly Review Procedures to be performed by the External Auditor**

This report is not subject to the quarterly review procedures under the "Financial Instruments and Exchange Act" of Japan. At the time of disclosure of this report, the procedures for review on the quarterly consolidated financial statements, pursuant to the "Financial Instruments and Exchange Act" of Japan, have not yet 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. Qualitative Information Regarding Consolidated Results for the Nine Months Ended December 31, 2016**

### **(1) Explanation of Operating Results**

During the nine months ended December 31, 2016, business conditions of the Japanese economy have recovered moderately. This is reflected in an improving labor market and increases in salary levels brought about as a result of the implementation of the economic and monetary policy set out by the Government, although some signs of economic recovery remain weak. In terms of the world economy, despite economic slowdown in emerging countries such as China and deteriorating conditions in the Middle East, moderate economic recovery has been achieved as a whole.

The domestic business environment in which the Group operates has continued to face challenges including a downward trend in the level of public spending, a sharp increase in labor costs arising from shortage of human resources, and some delays in civil engineering projects and construction work.

Consequently, in an effort to achieve the “Midterm business plan (from the fiscal year ended March 31, 2016 to fiscal year ending 2018)” developed on May 29, 2015, the Group has sought to strengthen the business foundations by actively investing operating resources and in that respect, Aqua-Aerobic Systems, Inc., became a wholly owned subsidiary of the Group. For this fiscal year, the Group will continue to focus on reinforcing our core businesses: domestic EPC (Note 1) and O&M (Note 2) and expanding our growing businesses: PPP (Note 3) and overseas businesses, aiming to be a “company acts in advance of changes and continues to grow”.

For the operating results of the Group for the nine months ended December 31, 2016, net sales was ¥47,277 million (26.2% increase year to year), operating loss was ¥4,181 million (¥6,233 million for the nine months ended December 31, 2015), ordinary loss was ¥4,003 million (¥6,223 million for the nine months ended December 31, 2015) and loss attributable to owners of parent was ¥2,300 million (¥4,446 million for the nine months ended December 31, 2015).

From the fiscal year ending March 31, 2017, the Group consolidates income statement of Aqua-Aerobic Systems, Inc., located in the United States, which became a subsidiary of the Group in January 2016, with its three subsidiaries.

Our business consists mostly of the domestic public work projects for government agencies, which are typically developed and completed intensively in the fourth quarter. As a result, operating results of the first three quarters tend to be low, and this fiscal year is no exception. Outstanding order was ¥80,601 million.

Operating results by segment are as follows:

#### **(Plant Engineering Business)**

For the Plant Engineering Business, net sales amounted to ¥32,337 million (38.3% increase year to year) due to consolidation of Aqua-Aerobic Systems, Inc. with its three subsidiaries along with a steady growth of domestic EPC business; and operating loss amounted to ¥2,868 million (¥4,359 million for the nine months ended December 31, 2015) due to an increase in net sales. Outstanding order was ¥44,615 million.

#### **(Service Solutions Business)**

For the Service Solutions Business, net sales amounted to ¥14,939 million (6.2% increase year to year) due to a steady growth of domestic O&M and PPP businesses; and operating loss amounted to ¥1,313 million (¥1,873 million for the nine months ended December 31, 2015) due to an increase in net sales. Outstanding order was ¥35,986 million.

Note:

1. EPC: Engineering, Procurement and Construction
2. O&M: Operation and Maintenance
3. PPP (Public-Private Partnership): the means for the private sector to participate in providing services to the public

## **(2) Explanation of Financial Position**

Total assets as of December 31, 2016 decreased by ¥24,264 million compared to March 31, 2016 to ¥96,601 million.

Current assets decreased by ¥22,464 million compared to March 31, 2016 to ¥80,340 million due to a decrease in cash and deposits, notes and accounts receivable - trade.

Non-current assets decreased by ¥1,799 million compared to March 31, 2016 to ¥16,260 million due to a decrease in goodwill.

Current liabilities decreased by ¥17,233 million compared to March 31, 2016 to ¥33,626 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥1,450 million compared to March 31, 2016 to ¥20,392 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥5,580 million compared to March 31, 2016 to ¥42,581 million due to recognition of loss attributable to owners of parent and payment of dividends.

## **(3) Explanation of Consolidated Business Forecast**

There is no change in the forecast for the fiscal year ending March 31, 2017 announced on April 26, 2016.

## **2. Matters Regarding Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

No items to report.

### **(2) Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements**

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate applied to income before income taxes for the consolidated fiscal year including the nine months ended December 31, 2016 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

### **(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement**

(Changes in Accounting Policies)

The Company and its domestic consolidated subsidiaries have applied “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 32, June 17, 2016)” from the three months ended June 30, 2016 and changed the depreciation method for Facilities attached to buildings and Structures acquired after April 1, 2016 to the straight-line method from the declining-balance method.

For the nine months ended December 31, 2016, it does not have material impact on the quarterly consolidated financial statements.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	20,922	16,592
Notes and accounts receivable - trade	70,837	38,332
Work in process	3,706	16,227
Supplies	2,856	3,629
Other current assets	4,480	5,557
Total current assets	102,804	80,340
Non-current assets		
Property, plant and equipment	2,628	2,442
Intangible assets		
Goodwill	8,302	6,612
Other	1,881	1,500
Total intangible assets	10,183	8,112
Investments and other assets	5,248	5,705
Total non-current assets	18,060	16,260
Total assets	120,865	96,601



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

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	32,442	6,288
Electronically recorded obligations	—	4,855
Short-term loans payable	335	295
Current portion of PFI and other project finance loans	819	1,406
Income taxes payable	1,990	4
Advances received	5,812	14,854
Provision for warranties for completed construction	858	609
Provision for loss on construction contracts	97	177
Other current liabilities	8,503	5,135
Total current liabilities	50,860	33,626
Non-current liabilities		
Long-term loans payable	2,535	2,653
PFI and other project finance loans	13,417	11,834
Liability for retirement benefit	5,890	5,904
Total non-current liabilities	21,843	20,392
Total liabilities	72,703	54,019
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	24,548	20,743
Treasury stock	—	(0)
Total shareholders' equity	51,575	47,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	31
Foreign currency translation adjustment	463	(1,716)
Remeasurements of defined benefit plans	(4,008)	(3,626)
Total accumulated other comprehensive income	(3,521)	(5,312)
Non-controlling interest	108	122
Total net assets	48,161	42,581
Total liabilities and net assets	120,865	96,601

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

**Quarterly Consolidated Statement of Income**

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	37,448	47,277
Cost of sales	34,116	39,568
Gross profit	3,332	7,709
Selling, general and administrative expenses	9,565	11,890
Operating loss	(6,233)	(4,181)
Non-operating income:		
Interest income	187	175
Dividends income	32	37
Foreign exchange gain	1	133
Miscellaneous income	16	57
Total non-operating income	237	403
Non-operating expenses:		
Interest expenses	131	195
Loss on disposal of non-current assets	96	30
Miscellaneous loss	0	0
Total non-operating expenses	228	225
Ordinary loss	(6,223)	(4,003)
Extraordinary loss		
Impairment loss	—	15
Total extraordinary loss	—	15
Loss before income taxes	(6,223)	(4,018)
Income taxes	(1,793)	(1,734)
Net loss	(4,429)	(2,284)
Net profit attributable to non-controlling interests	16	16
Loss attributable to owners of parent	(4,446)	(2,300)

# Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net loss	(4,429)	(2,284)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	7
Deferred loss on hedges	(5)	—
Foreign currency translation adjustment	(7)	(2,180)
Remeasurements of defined benefit plans	259	382
Total other comprehensive income (loss)	245	(1,790)
Comprehensive loss	(4,184)	(4,074)
(Details)		
Comprehensive loss attributable to owners of parent	(4,201)	(4,091)
Comprehensive income attributable to non-controlling interests	16	16

### (3) Notes on Quarterly Consolidated Financial Statements

#### Notes on Going Concern Assumption

No items to report.

#### Notes on Significant Changes in Shareholders' Equity

No items to report.

#### Segment Information

Nine months ended December 31, 2015

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	23,376	14,071	37,448	—	37,448
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	23,376	14,071	37,448	—	37,448
Segment loss	(4,359)	(1,873)	(6,233)	—	(6,233)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

Nine months ended December 31, 2016

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	32,337	14,939	47,277	—	47,277
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	32,337	14,939	47,277	—	47,277
Segment loss	(2,868)	(1,313)	(4,181)	—	(4,181)

Note: Segment loss is based on operating loss. There is no difference between segment loss and operating loss recorded on the quarterly consolidated statement of income.

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