

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

January 30, 2017  
METAWATER Co., Ltd.

- I Results for the Third Quarter of Fiscal Year Ending March 2017, Earnings Forecast for the Fiscal Year Ending March 2017
- II Outline of Financial Results for the Third Quarter of Fiscal Year Ending 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 Results for 1-3Q FYE3/'17 - Highlight

## \* Profit & Loss

In addition to the fact that some of the EPC projects that had shifted from the previous fiscal year contributed to sales, O&M and PPP also performed steadily.

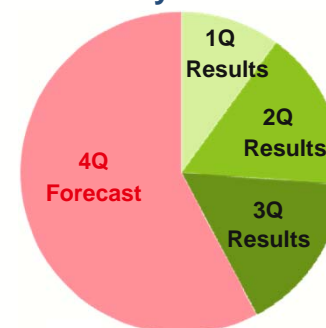
1-3Q results were roughly as expected, and even excluding the consolidated effect of AAS\*, sales and profits increased.

## \* Orders

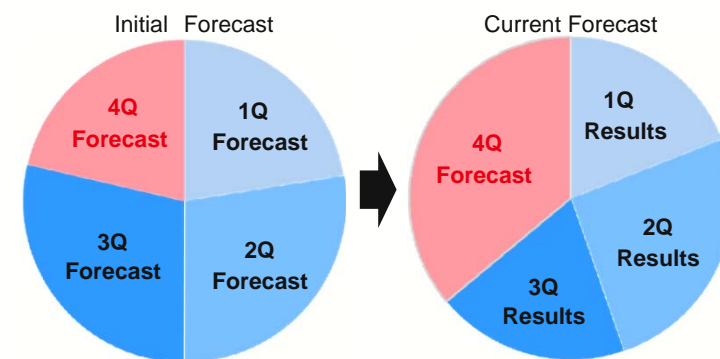
In the current fiscal year, the weighting of 1Q was lower than usual and the weighting of 4Q was large, making the 1-3Q results lower than the result of previous fiscal year's.

PPP projects are concentrated in 4Q and are planned to exceed the result of the previous fiscal year.

Sales by Period



Orders by Period



(Billion yen)

	Orders Received 〈Orders Backlog〉	Net Sales	Operating Profit	Ordinary Income	Net Income*2
1-3Q FYE3/ '17 Results	80.6 〈140.6〉 YoY-5.5 〈-2.0〉	47.3 YoY+9.8	(4.2) YoY+2.1	(4.0) YoY+2.2	(2.3) YoY+2.1
1-3Q FYE3/ '16 Results	86.1 〈142.6〉	37.4	(6.2)	(6.2)	(4.4)

## EPC

### Received 8 large-scale projects with order amount around 1 billion yen (3 during 3Q)

- \* Bureau of Sewerage, Tokyo Metropolitan Government “Reconstruction of Grit Chamber Mechanical Equipment” (3Q)
- \* Nagoya City Waterworks and Sewerage Bureau “High Rate filtration system in Wastewater Treatment Plant” (3Q)
- \* Japan Sewage Works Agency “Construction of Sludge Treatment Equipment in Wastewater Treatment Plant” (3Q)
- \* Bureau of Sewerage, Tokyo Metropolitan Government “Reconstruction of electric equipment for Sludge Incinerator and Dewatering Equipment (2Q)
- \* Bureau of Sewerage, Tokyo Metropolitan Government “High Rate Filtration Systems in Water Reclamation Center” (2Q)
- \* Okinawa Prefectural Enterprise Bureau “Construction of Rapid Sand Filtration tank in Water Purification Plant (2Q)

### Completed 17 projects, each with order amount over 300 million yen (9 during 3Q)

- \* Osaka Municipal Construction Bureau “Construction of sedimentation tank in Wastewater Treatment Plant ” (Osaka) (3Q)
- \* Bureau of Sewerage, Tokyo Metropolitan Government “Sludge Incinerator Removal Work in Water Reclamation Center” (3Q)
- \* Bureau of Waterworks, Tokyo Metropolitan Government “Improvement of Electrical Equipment of Advanced Water Treatment Facility in Water Purification Plant” (3Q)
- \* Bureau of Sewerage, Tokyo Metropolitan Government “Construction of Power Generation Facility of Sludge Treatment Plant” (2Q)
- \* Saitama Prefecture Sewerage Bureau "Renovation Work for Sludge Incinerator facility in Wastewater Treatment Plant" (2Q)

## Overseas

- \* Received an order for sewage treatment facilities in Hoi An City, Vietnam (3Q)
- \* Received order of Cloth Media Filter for South Austin Regional sewage plant, USA (2Q)
- \* Consolidated P/L statement of AAS (from April 2016)
- \* Transferred MUSA\* American business to AAS (from May 2016)

\*MUSA: METAWATER USA, Inc. (Subsidiary at USA: Head Quarters in New Jersey)

# Accomplishments of 1-3Q FYE3/'17 – SS Business

## O&M

### Launch of operations of 3 projects: long-term comprehensive projects (1 during 3Q)

#### \* 5 water purification plants operation management work - Niigata Prefecture (3Q)

- \* Inspection work (long-term contract) at water processing center - Kanagawa Prefecture: Inspection of processing district pump station (1Q)
- \* Comprehensive maintenance and administration work (comprehensive consignment) at Water Treatment Center – Tochigi Prefecture (1Q)

## PPP (PFI/DBO)

### Order received for 2 new projects (1 during 3Q) and launch of operations of 3 projects (1 during 3Q)

#### \* Received order of water distribution management system maintenance project – Fukuoka Prefecture (3Q)

#### \* Launch of operations for O&M business in sludge treatment facilities Water Reclamation Center - Aichi Prefecture (3Q)

First RO sewage project in Japan\*

#### \* Received order of Water Purification Plant renewal project - Niigata Prefecture (2Q)

Water purification plant renovation using first DBO system in Niigata Prefecture

#### \* Launch of operations of “Comprehensive consignment with water business in Arao City” - Kumamoto Prefecture (1Q)

#### \* Launch of operations at Kitakyushu Water Service Co., Ltd. - Fukuoka Prefecture (1Q)

Third Sector in which Kitakyushu City and METAWATER have a stake of 54 % and 19% respectively, and five other partners

8 \* Rehabilitate Operate (a method of maintenance and management of the facility after the selected business operator repairs the target facility)



# Forecast of Financial Results and Dividend of FYE3/'17

## Profit & Loss

\*The 1-3Q results have been generally in line with expectations, and forecasts for the full year are unchanged.

## Orders

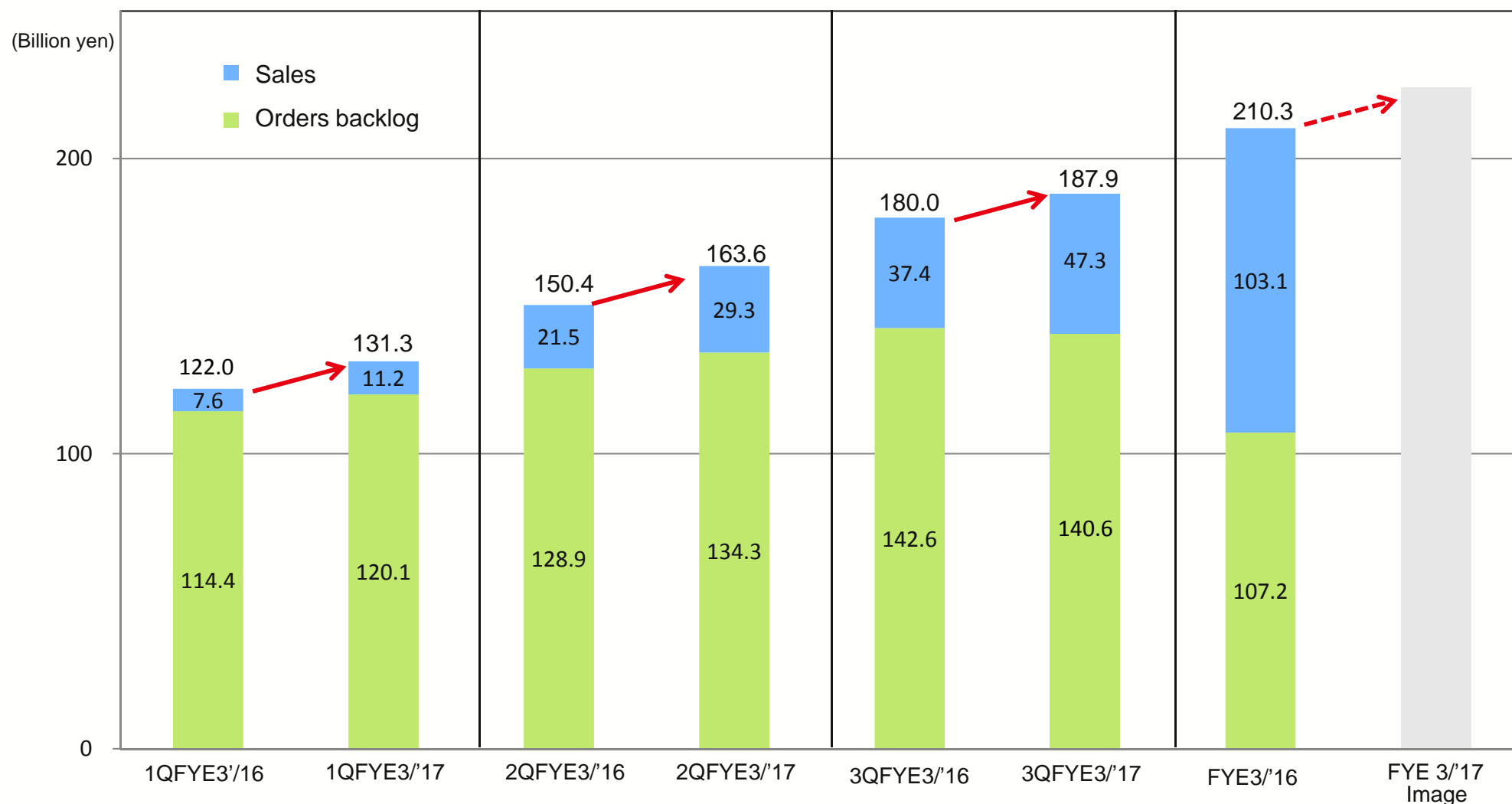
\*Despite the slippage to the next fiscal year, we aim to achieve the full year forecast.

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income *	Annual dividend (yen)
<b>FYE3/'17</b> forecast	126.0 YoY: +13.5	112.0 YoY: +8.9	6.2 YoY: +0.8	6.1 YoY: +1.0	4.0 YoY: +1.2	58
<b>FYE3/'16</b> results	112.5	103.1	5.4	5.1	2.8	58

# Sales + Orders Backlog

In the previous fiscal year, the progress of sales was slower than usual, and the orders backlog increased, then in the current fiscal year, the backlog of orders declined due to progress in sales. "Sales + Orders backlog" continues to increase.



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**II Outline of Financial Results for the Third Quarter of Fiscal Year Ending March 2017**

## II Outline of Financial Results for Third Quarter Fiscal Year Ending March 2017

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

# Consolidated Statement of Income

**METAWATER**

(Billion yen)

	1-3Q FYE3/'16	1-3Q FYE3/'17	Change
<b>Net Sales</b>	37.4	47.3	+9.8
<b>Operating Profit</b>	(6.2)	(4.2)	+2.1
Operating Margin	-16.6%	-8.8%	
<b>Ordinary Income</b>	(6.2)	(4.0)	+2.2
<b>Net Income attributable to parent company shareholders</b>	(4.4)	(2.3)	+2.1

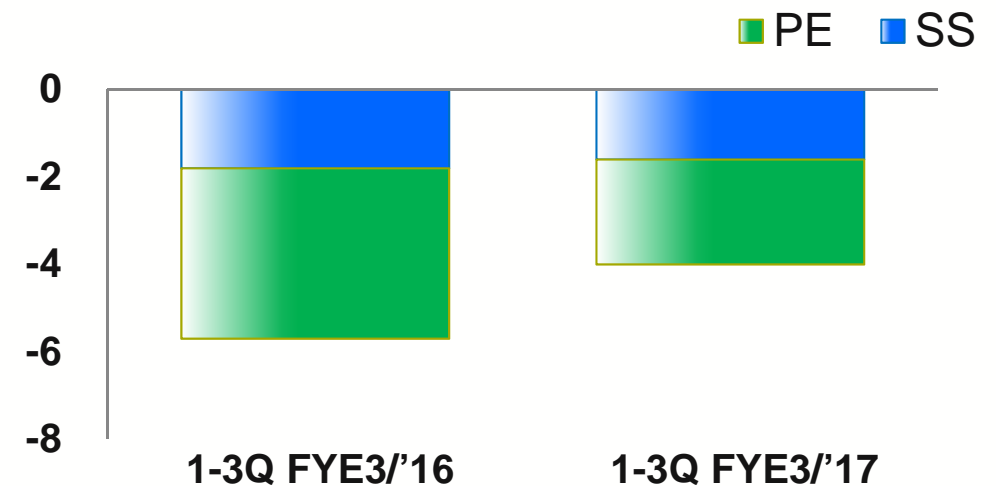
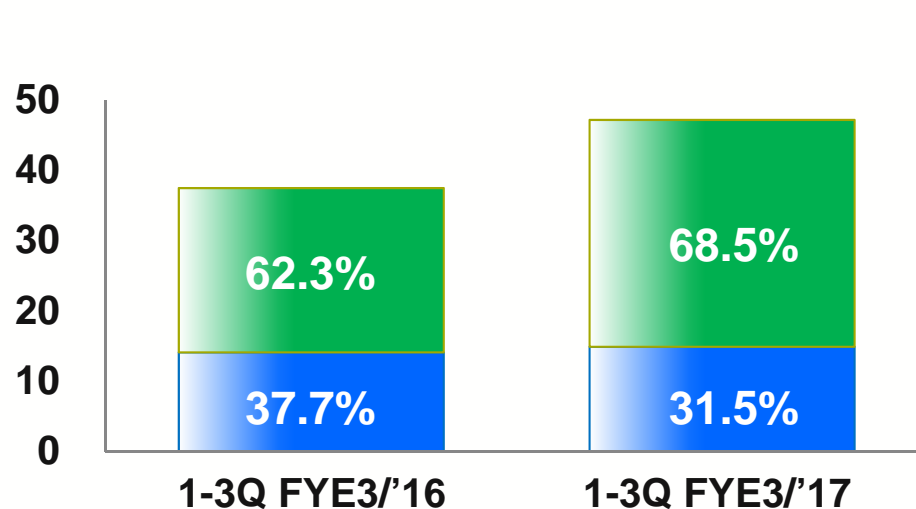
\*Rounded to the nearest 10 million yen

# Segment Information

(Billion yen)

	Net Sales		
	1-3Q FYE3/'16	1-3Q FYE3/'17	Change
PE	23.4	32.3	+9.0
SS	14.1	14.9	+0.9
Total	37.4	47.3	+9.8

	Operating Profit		
	1-3Q FYE3/'16	1-3Q FYE3/'17	Change
PE	(4.4)	(2.9)	+1.5
SS	(1.9)	(1.3)	+0.6
Total	(6.2)	(4.2)	+2.1



# Consolidated Balance Sheet

(Billion yen)

	End of 3/'16	End of 3Q FYE3/'17	Change
Cash and deposits	20.9	16.6	-4.3
Note and accounts receivable-trade	70.8	38.3	-32.5
Inventories	6.6	19.9	+13.3
Others	4.5	5.6	+1.0
<b>Total current assets</b>	<b>102.8</b>	<b>80.3</b>	<b>-22.5</b>
Property, plant and equipment	2.6	2.4	-0.2
Goodwill	8.3	6.6	-1.7
Intangible assets	1.9	1.5	-0.4
Others	5.2	5.7	+0.6
<b>Total fixed assets</b>	<b>18.1</b>	<b>16.3</b>	<b>- 1.8</b>
<b>Total assets</b>	<b>120.9</b>	<b>96.6</b>	<b>-24.3</b>

	End of 3/'16	End of 3Q FYE3/'17	Change
Accounts payable	35.9	13.2	- 22.7
Advance receipts	5.8	14.9	+9.0
Short-term loans payable *1	(0.8) 1.2	(1.4) 1.7	+0.5
Others	8.0	3.8	- 4.2
<b>Total current liabilities</b>	<b>50.9</b>	<b>33.6</b>	<b>-17.2</b>
Long-term loans payable *2	(13.4) 16.0	(11.8) 14.5	-1.5
Others	5.9	5.9	-
<b>Total fixed liabilities</b>	<b>21.8</b>	<b>20.4</b>	<b>-1.5</b>
<b>Total liabilities</b>	<b>72.7</b>	<b>54.0</b>	<b>-18.7</b>
<b>Total net assets</b>	<b>48.2</b>	<b>42.6</b>	<b>-5.6</b>
<b>Total liabilities/ net assets</b>	<b>120.9</b>	<b>96.6</b>	<b>-24.3</b>

# Status of Consolidated Cash Flows

(Billion yen)

	1-3Q FYE3/'16	1-3Q FYE3/'17	Change
Cash and cash equivalents at the end of previous FY	29.6	20.0	-9.6
Operating cash flow	(0.3)	(0.1)	+0.2
Investing cash flow	(0.6)	(1.1)	-0.5
Free cash flow	(0.9)	(1.2)	-0.3
Financing cash flow	(1.9)	(2.6)	-0.7
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	0.0	(0.4)	-0.4
Cash and cash equivalents at the end of current FY	26.8	15.8	-11.0



## Disclosure Policy

### 1. Basic Policy

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

### 2. Basics of information disclosure

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

### 3. Method of information disclosure

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

### 4. Communication after information is disclosed

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

### 5. Silent Period

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

### 6. Forward-looking statements

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

### 7. Establishment of Internal Structure

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



**Contact regarding this document**  
**Investor & Public Relations Department, METAWATER Co., Ltd.**  
**E-mail: [pr@metawater.co.jp](mailto:pr@metawater.co.jp)**