



METAWATER Co., Ltd.

For Immediate Release

April 26, 2017

CONSOLIDATED RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2017 (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	Yasushi Nakamura President and Representative Director
Contact person	Akira Kato Director and General Manager of Corporate Strategy Planning Division (TEL.:+81-3-6853-7317)
Scheduled date of annual meeting of shareholders	June 27, 2017
Filing date of annual securities report	June 27, 2017
Payment date of cash dividends	June 8, 2017
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, 2017

(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, 2017	111,688	8.3	6,328	17.2	6,251	21.5	4,742 70.7
Fiscal year ended March 31, 2016	103,098	(3.6)	5,399	(34.3)	5,144	(37.4)	2,778 (44.3)

Note: Comprehensive income Fiscal year ended March 31, 2017 5,603 million yen 195.9 %
 Fiscal year ended March 31, 2016 1,894 million yen (60.1) %

	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, 2017	182.95	—	9.5	5.2	5.7
Fiscal year ended March 31, 2016	107.17	—	5.8	4.4	5.2

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

Fiscal year ended March 31, 2017 Nil
 Fiscal year ended March 31, 2016 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, 2017	120,961	52,260	43.1	2,011.42
As of March 31, 2016	120,865	48,161	39.8	1,853.68

Note: Shareholders' equity As of March 31, 2017 52,142 million yen

As of March 31, 2016 48,053 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, 2017	7,769	(1,531)	(2,697)	23,352
Fiscal year ended March 31, 2016	95	(11,023)	874	19,997

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 ended March 31, 2017	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2018 (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, 2016	1,503	54.1	3.1
Fiscal year ended March 31, 2017	1,503	31.7	3.0
Fiscal year ending March 31, 2018 (Forecast)		35.8	

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2018

(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, 2018	115,000	3.0	6,500	2.7	6,400	2.4	4,200	(11.4)	162.0

Notes:

- (1) Changes in significant subsidiaries during the fiscal year ended March 31, 2017 (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, 2016 and 25,923,500 shares as of March 31, 2017.
 - (b) Number of treasury stock: Nil as of March 31, 2016 and 44 shares as of March 31, 2017.
 - (c) Average number of shares issued and outstanding for fiscal year: 25,923,500 shares for the fiscal year ended March 31, 2016 and 25,923,467 shares for the fiscal year ended March 31, 2017.

[For Reference]

Financial Highlights (Non-consolidated)

Highlight of non-consolidated results for the fiscal year ended March 31, 2017

(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, 2017	90,170	(2.0)	4,834	(13.6)	5,121	(7.0)	3,400	(4.4)
Fiscal year ended March 31, 2016	92,028	(3.7)	5,596	(24.9)	5,505	(26.7)	3,555	(21.9)

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Fiscal year ended March 31, 2017	131.16	—
Fiscal year ended March 31, 2016	137.15	—

(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, 2017	102,308	52,386	51.2	2,020.83
As of March 31, 2016	101,566	50,481	49.7	1,947.32

Note: Shareholders' equity As of March 31, 2017 52,386 million yen
 As of March 31, 2016 50,481 million yen

* This report is not subject to audit.

* 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. Operating Results Review

(1) Operating Results Review for the Current Fiscal Year

During the fiscal year ended March 31, 2017, 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 continued to focus on reinforcing our core businesses: domestic EPC (Note 1) and O&M (Note 2) businesses and expanding our growing businesses: PPP (Note 3) and overseas businesses throughout the current fiscal year, aiming to be a “company acts in advance of changes and continues to grow”.

In the domestic businesses, as there are increasing public-private partnership arrangements and use of private sectors to address financing and human resources issues, the Group has continued to make efforts for improvement of earnings as realized in strategic alliances with partner companies, development and expansion of distinguished technologies and products, the Company-wide cost reduction and saving initiatives. As a result, this has led to a series of successful bids of EPC and O&M projects as well as PPP projects (four successful bids out of six bids related to water and sewage treatment). In the overseas businesses, the Group sought to accelerate business developments centered around Europe and the United States., where stable market growth is expected. As part of it, the Group has sought to strengthen business foundations by acquiring Aqua-Aerobic Systems, Inc., an engineering company for water and sewage treatment in the United States in January 2016, to achieve further business expansion in the United States.

For the operating results of the Group for fiscal year ended March 31, 2017, net sales was ¥111,688 million (8.3% increase year to year), operating income was ¥6,328 million (17.2% increase year to year), ordinary income was ¥6,251 million (21.5% increase year to year) and profit attributable to owners of parent was ¥4,742 million (70.7% increase year to year). The increase in profit attributable to owners of parent was due to tax effect of the subsidiaries in the United States for the current fiscal year.

From the fiscal year ended 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.

Sales orders grew steadily, recording ¥119,631 million for the fiscal year ended March 31, 2017, of which ¥115,193 million was outstanding as of March 31, 2017.

Operating results by segment are as follows:

(Plant Engineering Business)

For the Plant Engineering Business, net sales amounted to ¥66,788 million (13.1% increase year to year) due to consolidation of Aqua-Aerobic Systems, Inc. with its three subsidiaries, while there was some offsetting impact arising from delays in completion of civil engineering work and construction work on domestic EPC business; and operating income amounted to ¥1,675 million (43.2% increase year to year) due to an increase in net sales. Outstanding order was ¥62,463 million.

(Service Solutions Business)

For the Service Solutions Business, net sales amounted to ¥44,899 million (1.9% increase year to year) due to a steady growth of domestic O&M and PPP businesses; and operating income amounted to ¥4,652 million (10.0% increase year to year) due to an increase in net sales. Outstanding order was ¥57,167 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) Financial Position Review for the Current Fiscal Year

Total assets as of March 31, 2017 increased by ¥95 million compared to March 31, 2016 to ¥120,961 million.

Current assets increased by ¥477 million compared to March 31, 2016 to ¥103,580 million due to an increase in cash and deposits, offsetting with a decrease in notes and accounts receivable - trade.

Non-current assets decreased by ¥382 million compared to March 31, 2016 to ¥17,380 million due to a decrease in goodwill.

Current liabilities decreased by ¥2,329 million compared to March 31, 2016 to ¥48,530 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥1,673 million compared to March 31, 2016 to ¥20,170 million due to a decrease in PFI and other project finance loans.

Total net assets increased by ¥4,098 million compared to March 31, 2016 to ¥52,260 million due to recognition of profit attributable to owners of parent and payment of dividends.

Acquisition of Aqua-Aerobic Systems, Inc. during the fiscal year ended March 31, 2016 was provisionally accounted for, since the allocation of purchase price was yet to be completed. The allocation of the purchase price is now completed and the completed allocation of the purchase price is reflected in the comparison or analysis of year-to-year operating results for the fiscal year.

(3) Cash Flow Review for the Current Fiscal Year

The balance of cash and cash equivalents (hereinafter the “funds”) as of March 31, 2017 increased by ¥3,355 million compared to March 31, 2016 to ¥23,352 million. An analysis of the cash flows for the fiscal year ended March 31, 2017 and related commentary thereon is presented below:

(Cash flows from operating activities)

The increase in funds generated by operating activities was ¥7,769 million (¥7,674 million increase year to year): ¥6,210 million income before income taxes, ¥2,745 million decrease in accounts receivable - trade and ¥2,845 million increase in advances received, offsetting with ¥4,292 million decrease in accounts payable - trade and ¥2,145 million used for payment of income taxes.

(Cash flows from investing activities)

The decrease in funds used for investing activities was ¥1,531 million (¥9,491 million increase year to year): ¥789 million used for acquisition of a newly consolidated subsidiary, ¥474 million used for purchases of property, plant and equipment and others.

(Cash flows from financing activities)

The decrease in funds used for financing activities was ¥2,697 million (¥3,571 million decrease year to year): ¥1,503 million used for payment of dividends, ¥819 million used for repayments of PFI and other project finance loans and others.

(Reference) Index related to cash flows over the years

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Shareholders' equity to total assets (%)	22.9	41.7	39.8	43.1
Shareholders' equity to total assets based on market value (%)	—	55.7	60.2	62.1
Interest-bearing debt to cash flows (%)	397.2	271.9	17,966.2	205.0
Interest coverage ratio	47.5	29.7	0.5	35.5

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, 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.

(4) Future Forecast

We anticipate that the business conditions of the Japanese economy will continue to recover moderately in the fiscal year ending March 31, 2018, backed by improving labor market and salary levels as well as positive effect of various government policies. With respect to the world economy, we anticipate the trend of moderate recovery will continue, while we should consider heightened uncertainty arising from the United Kingdom withdrawal from the European Union and the impact and development of the policy set by the United States new administration. 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's outstanding orders grew steadily as of April 1, 2017 with certain positive impact of acquisition of Aqua-Aerobic Systems, Inc. on the consolidated results. However, with the increase in large-scale long-term projects, it takes longer to recognize revenue from the time of order receipt and we experience some obvious delays in civil engineering work and construction work, which put us in a difficult situation to achieve Midterm business plan. With improvements in the business processes and cost reduction initiatives, the consolidated results for the fiscal year ending March 31, 2018 is forecasted as follows:

Sales	¥115,000 million (3.0% increase year to year)
Operating income	¥6,500 million (2.7% increase year to year)
Ordinary income	¥6,400 million (2.4% increase year to year)
Profit attributable to owners of parent	¥4,200 million (11.4% decrease 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. 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.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	20,922	24,230
Notes and accounts receivable - trade	70,837	67,946
Work in process	4,005	3,119
Supplies	2,856	4,127
Deferred tax assets - current	1,403	1,582
Other current assets	3,076	2,572
Total current assets	103,102	103,580
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,267	1,244
Machinery and equipment, net	1,131	1,064
Tools, furniture and fixtures, net	456	444
Construction in progress	6	12
Other property, plant and equipment, net	377	292
Total property, plant and equipment	3,239	3,059
Intangible assets		
Software	1,584	1,272
Software in progress	143	88
Goodwill	2,269	2,045
Customer-related assets	3,340	3,044
Other intangible assets	1,935	1,708
Total intangible assets	9,273	8,160
Investments and other assets		
Investment securities	1,125	1,204
Long-term loans receivable	262	251
Guarantee deposits	1,382	1,407
Assets for retirement benefits	247	756
Deferred tax assets - non-current	2,200	2,513
Other non-current assets	30	26
Total investments and other assets	5,248	6,160
Total non-current assets	17,762	17,380
Total assets	120,865	120,961

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	32,442	20,037
Electronically recorded obligations	—	7,637
Short-term loans payable	335	284
Current portion of PFI and other project finance loans	819	825
Income taxes payable	1,990	2,367
Advances received	5,812	8,672
Provision for warranties for completed construction	858	1,063
Provision for loss on construction contracts	97	167
Other current liabilities	8,503	7,474
Total current liabilities	50,860	48,530
Non-current liabilities		
Long-term loans payable	2,535	2,436
PFI and other project finance loans	13,417	12,382
Liability for retirement benefit	5,890	5,350
Total non-current liabilities	21,843	20,170
Total liabilities	72,703	68,700
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	24,548	27,787
Treasury stock	—	(0)
Total shareholders' equity	51,575	54,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	32
Foreign currency translation adjustment	463	133
Remeasurements of defined benefit plans	(4,008)	(2,838)
Total accumulated other comprehensive income	(3,521)	(2,671)
Non-controlling interest	108	117
Total net assets	48,161	52,260
Total liabilities and net assets	120,865	120,961

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

Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	103,098	111,688
Cost of sales	84,036	88,216
Gross profit	19,062	23,471
Selling, general and administrative expenses	13,662	17,142
Operating income	5,399	6,328
Non-operating income		
Interest income	246	205
Dividends income	36	41
Miscellaneous income	17	4
Total non-operating income	299	251
Non-operating expenses		
Interest expenses	187	218
Loss on disposal of non-current assets	109	83
Foreign exchange loss	256	26
Miscellaneous loss	1	0
Total non-operating expenses	554	329
Ordinary income	5,144	6,251
Extraordinary loss		
Loss on valuation of investment securities	—	40
Total extraordinary loss	—	40
Income before income taxes	5,144	6,210
Income taxes - current	2,056	2,410
Income taxes - deferred	299	(954)
Total income taxes	2,355	1,456
Net income	2,789	4,753
Profit attributable to non-controlling interests	10	11
Profit attributable to owners of parent	2,778	4,742

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

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	2,789	4,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	9
Foreign currency translation adjustment	452	(329)
Remeasurements of defined benefit plans	(1,338)	1,170
Total other comprehensive income (loss)	(895)	849
Comprehensive income	1,894	5,603
(Details)		
Comprehensive income attributable to owners of the parent	1,883	5,592
Comprehensive income attributable to non-controlling interests	10	11

(3) Consolidated Statement of Changes in Shareholders' Equity

(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
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					—
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

(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
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						—
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

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

(Millions of yen)

	Fiscal year ended March 31, 2017				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	11,946	15,080	24,548	—	51,575
Changes during the year					
Issuance of new shares					—
Dividends from surplus			(1,503)		(1,503)
Profit attributable to owners of parent			4,742		4,742
Purchase of treasury stock				(0)	(0)
Changes in other equity, net					
Total changes during the year	—	—	3,239	(0)	3,238
Balance at March 31, 2017	11,946	15,080	27,787	(0)	54,814

(Millions of yen)

	Fiscal year ended March 31, 2017					
	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, 2016	23	463	(4,008)	(3,521)	108	48,161
Changes during the year						
Issuance of new shares						—
Dividends from surplus						(1,503)
Profit attributable to owners of parent						4,742
Purchase of treasury stock						(0)
Changes in other equity, net	9	(329)	1,170	849	9	859
Total changes during the year	9	(329)	1,170	849	9	4,098
Balance at March 31, 2017	32	133	(2,838)	(2,671)	117	52,260

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	5,144	6,210
Depreciation	1,024	1,099
Amortization of goodwill	4	136
Increase/(decrease) in liabilities for retirement benefits	(91)	(120)
(Increase)/decrease in assets for retirement benefits	(185)	100
Increase/(decrease) in provision for warranties for completed construction	(16)	213
Increase/(decrease) in provision for loss on construction contracts	28	69
Interest income and dividends income	(282)	(247)
Interest expenses	187	218
Foreign exchange (gain)/loss	4	61
Loss on disposal of property, plant and equipment	85	88
(Increase)/decrease in accounts receivable	(1,107)	2,745
(Increase)/decrease in inventory	(518)	(432)
Increase/(decrease) in notes and accounts payable-trade	702	(4,292)
Increase/(decrease) in advances received	682	2,845
Other cash flows from operating activities	(2,552)	1,196
Subtotal	3,102	9,892
Interest and dividends income received	282	247
Interest expenses paid	(176)	(224)
Income taxes paid	(3,113)	(2,145)
Cash flows from operating activities	95	7,769

(4) Consolidated Statement of Cash Flows (continued)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Net (increase)/decrease in time deposits	3	47
Purchase of property, plant and equipment	(559)	(474)
Purchase of intangible assets	(267)	(261)
Purchase of investment securities	(111)	(69)
Proceeds from sale of investment securities	—	5
Acquisition of newly consolidated subsidiary	(10,134)	(789)
Payments of loans receivable	(15)	(17)
Collection of loans receivable	27	27
Other cash flows from investing activities	34	0
Cash flows from investing activities	(11,023)	(1,531)
Cash flows from financing activities		
Proceeds from long-term loan payable	2,817	—
Repayments of short-term loans payable	—	(372)
Proceeds from PFI and other project finance loans	375	—
Repayments of PFI and other project finance loans	(812)	(819)
Purchase of treasury stock	—	(0)
Cash dividends paid	(1,503)	(1,503)
Cash dividends paid to non-controlling interests	(1)	(1)
Cash flows from financing activities	874	(2,697)
Effect of exchange rate change on cash and cash equivalents	445	(185)
Net increase/(decrease) in cash and cash equivalents	(9,608)	3,355
Cash and cash equivalents at April 1	29,605	19,997
Cash and cash equivalents at March 31	19,997	23,352

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

No items to report.

(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 fiscal year ended March 31, 2017 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 fiscal year ended March 31, 2017, it does not have material impact on the consolidated financial statements nor segment information.

(Business combinations)

1. Significant adjustments to the initial allocation of purchase price

For Aqua-Aerobic Systems, Inc. acquired during the fiscal year ended March 31, 2016, identifiable assets and liabilities and its fair values were yet to be determined at the acquisition date and allocation of the purchase price was not completed. Accordingly, it was provisionally accounted for based on the reasonably available information at the time of preparation of the consolidated financial statements.

As of March 31, 2017, allocation of the purchase price was completed. Adjustments to the goodwill arising from the adjusted purchase price allocation are as follows:

Goodwill (pre-adjustment)	¥8,302 million
Current assets	¥(298) million
Property, plant and equipment	¥(611) million
Intangible assets	¥(5,123) million
Total adjustment	¥(6,033) million
Goodwill (after-adjustment)	¥2,269 million

The above adjustments have been reflected in the consolidated financial statements for the fiscal year ended March 31, 2016.

2. Amount of goodwill arising from the acquisition, as well as its cause, amortization method and amortization period

(1) The amount of goodwill arising from the acquisition

¥2,269 million

(2) Cause of the goodwill

The excess of purchase price over the net amount allocated to assets acquired and liabilities assumed is accounted for as goodwill.

(3) Amortization method and amortization period

15 years on a straight-line basis

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

Major category	Amount	Amortization period
Customer-related assets	¥3,340 million	17 years
Other	¥1,782 million	2 to 15 years

(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, 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

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	66,788	44,899	111,688	—	111,688
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	66,788	44,899	111,688	—	111,688
Segment income	1,675	4,652	6,328	—	6,328

(Per Share Information)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Yen	Yen
Net assets per share	1,853.68	2,011.42
Net income per share	107.17	182.95

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, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Profit attributable to owners of parent	2,778	4,742
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	2,778	4,742
Average number of shares outstanding during the period (number of shares)	25,923,500	25,923,467

(Significant subsequent events)

No items to report.

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