

Outline of Financial Results for the First Quarter of Fiscal Year Ending March 2018

A decorative graphic consisting of a solid orange line that curves upwards from the bottom left towards the top right. This line is surrounded by a light blue shaded area that also curves upwards, creating a sense of growth or expansion.

July 31, 2017
METAWATER Co., Ltd.

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and forecasts for Fiscal Year Ending March 2018
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Segment Information

Plant Engineering Business (PE Business) – Domestic EPC works/overseas works

The main work in this segment is different type of engineering that focus on the design and construction of machinery facilities used in the purification processes in purification plans, sewage processes in sewage plants, sludge treatment processes, and processes for creating fuel in Japan and overseas as well as the design and construction of electrical facilities for the operation, monitoring, and control of these.

Service Solution Business (SS Business) – Domestic O&M works/domestic PPP works

The main work in this segment includes a range of services such as repair work, operation, and management (maintenance/inspection) of mechanical and electrical facilities for purification plans, sewage plants, refuse processing facilities, and recycling facilities in Japan and overseas.

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)

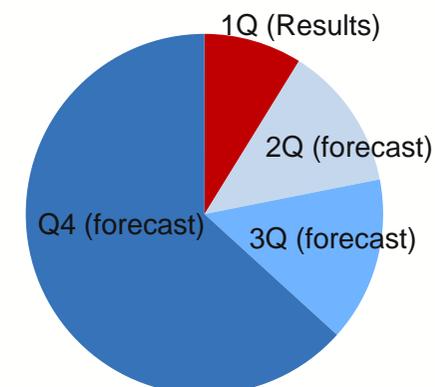
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Financial Highlights of 1Q FYE March 2018

Net Sales & Profit

- * Decrease in revenue and profit for 1Q is due to differences in project composition and has been included in the full-year forecast (1Q is as expected) >> Full-year forecast is unchanged
- * Net income for the quarter was at steady state as there was no longer be a tax effect for the US subsidiary from last FY.

FYE March 2018 sales composition by quarter



Orders Received

- * Due to the delay in PPP project order that we expected to receive in the last FY, and due to orders for large projects, the orders received for this 1Q exceeded the results of the previous fiscal year, and the orders backlog at the end of this 1Q continues to increase.

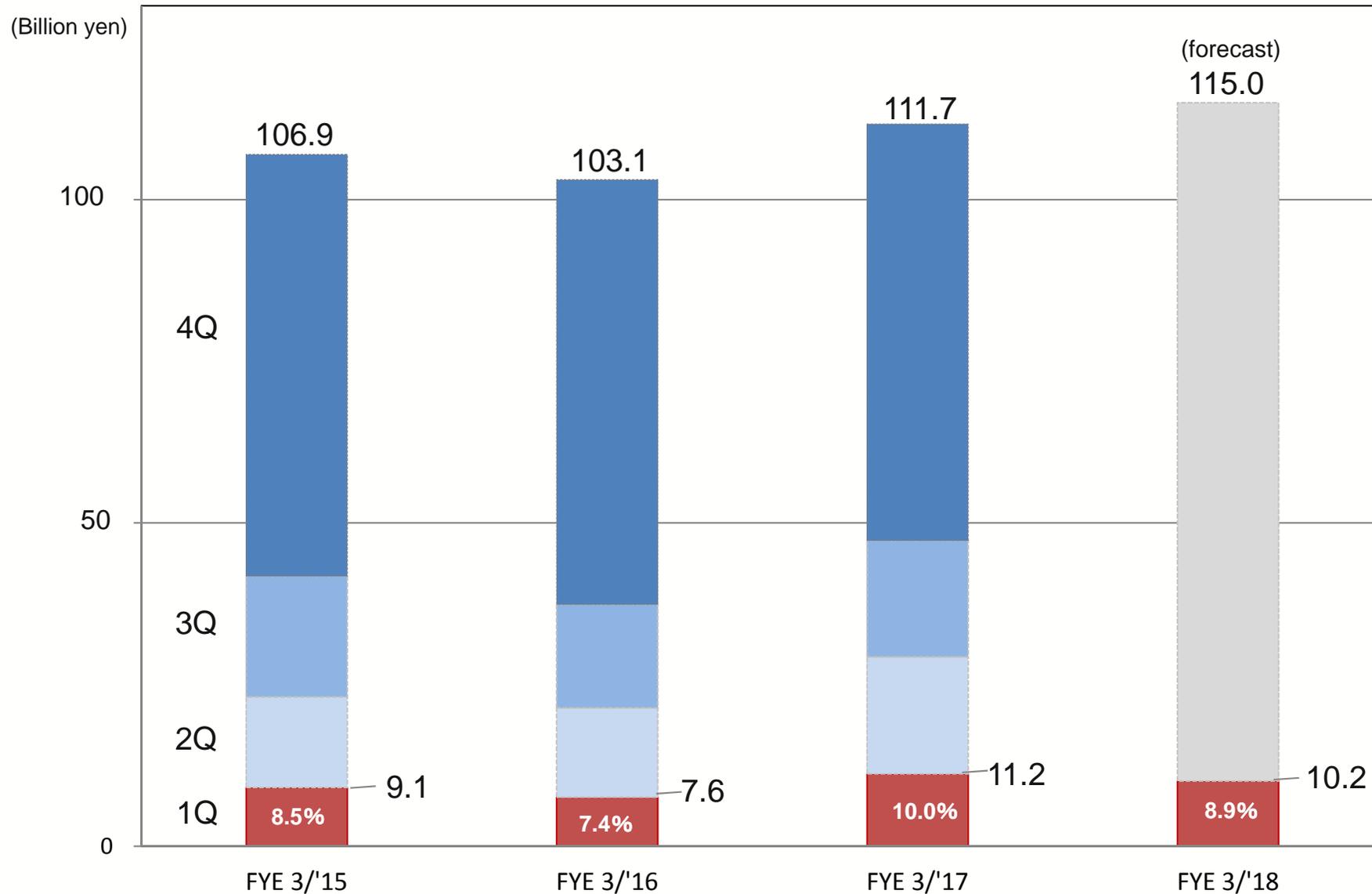
(Reference) At the end of Q1 in FYE March 2017 120.1 Billion yen >> At the end of Q1 in FYE March 2018 140.4 Billion yen

| | Orders Received | Net Sales | Operating Profit | Ordinary Income | Net Income for the quarter* | Annual dividend (yen) |
|----------------------|------------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------|-----------------------|
| 1Q FYE3/'18 Results | 35.4 YoY: +11.4 +47.3% | 10.2 YoY: ▲1.0 ▲9.1% | -2.8 YoY: ▲0.4 | -2.8 YoY: ▲0.0 | -2.0 YoY: ▲0.7 | - |
| 1Q FYE 3/'17 Results | 24.0 | 11.2 | -2.5 | -2.8 | -1.3 | - |
| FYE 3/'18 forecast | 125.0 YoY: +5.4 +4.9% | 115.0 YoY: +3.3 +3.0% | 6.5 YoY: +0.2 +2.7% | 6.4 YoY: +0.1 +2.4% | 4.2 YoY: ▲0.5 ▲11.4% | 58 YoY: ±0.0 |

* Quarter Net income attributable to owners of parent company

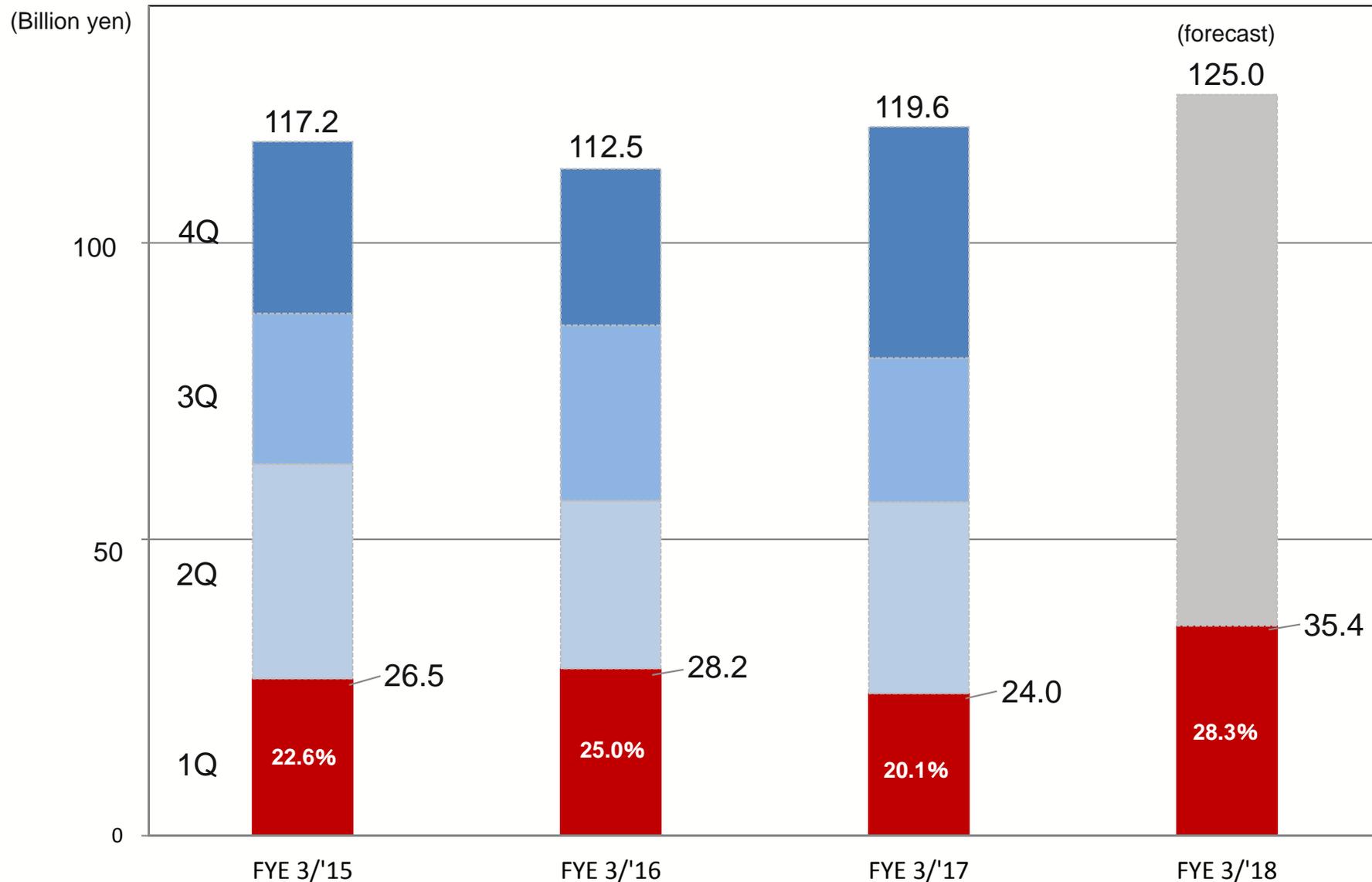
Trend of the 1Q Sales

In our group's business, Japanese public works are the majority, and sales and profits tend to be concentrated in 4Q, so usually the net sales of 1Q is about 10% of the year total. Net sales of this 1Q is at the same trend as in previous years



Trend of the 1Q Orders Received

The orders received in 1Q are usually 25% or less of the annual total orders received. Due to the delay in PPP project order that we expected to receive in the last FY, and due to orders for large projects, the orders received for this 1Q is higher than usual level in the previous years



* Construction Orders Received:

Orders of 5 cases* with 1 billion yen or more (1 case in the previous FY), and 14 cases with more than 300 million yen (9 cases in the previous FY) are received

*In which, we have participated in 1 PPP project, 28 in total out of 58 water and sewage projects

* Construction Completed:

4 cases (4 cases in the previous FY) with orders of 300 million yen or more are completed

* Operation and maintenance entrusted: 2 cases

* Operation and maintenance started: 3 cases*

* In which, 2 projects are commissioned, and 3 projects are started

Our technology and development initiatives are appraised in various fields

- * “Development of pulverized coal - high basicity coagulant - membrane separation water purification system” received Science and Technology Award by Education, Culture, Sports, Science and Technology Minister in the field of science and technology in 2017
- * “Empirical research on technology for improving final sedimentation pond processing ability” is adopted as B-DASH* project of 2017
- * “Merging Improvement High-speed Filtration Technology Using Levitation Filter” received Technical Award from Japan Society on Water Environment
- * “Construction of integrated monitoring and control facility of Kanamachi Purification Plant” received the superb contract work (Director General Award) by Bureau of Waterworks Tokyo Metropolitan Government

Open innovation through partnership

- * In collaboration with Kokusai Kogyo Co., Ltd. and KANSEI Company, started providing WBC* service to support inspection and maintenance management work of sewer pipeline (announced today)

*B-DASH (Breakthrough by Dynamic Approach in Sewage High Technology Project) Sewage innovative technology demonstration project implemented by Ministry of Land, Infrastructure and Transport

*WBC (Water Business Cloud) Business cloud service that standardizes and shares information and data related to water and sewerage, and supports inclusion/broadening

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II Outline of Financial Results for the First Quarter of Fiscal Year Ending March 2018

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

Consolidated Statement of Income

(Billion yen)

| | 1Q FYE 3/17 | 1Q FYE 3/18 | Change |
|---------------------------------------------------------------|-------------|-------------|--------|
| Net Sales | 11.2 | 10.2 | -1.0 |
| Operating Profit | (2.5) | (2.8) | -0.4 |
| Operating Margin | -22.0% | -27.7% | -5.7.% |
| Ordinary Income | (2.8) | (2.8) | -0.0 |
| Net Income attributable to parent company shareholders | (1.3) | (2.0) | -0.7 |

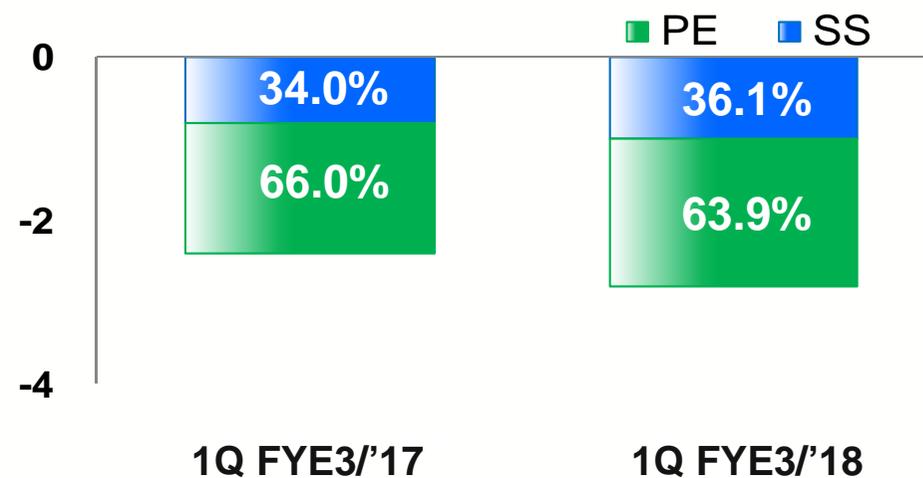
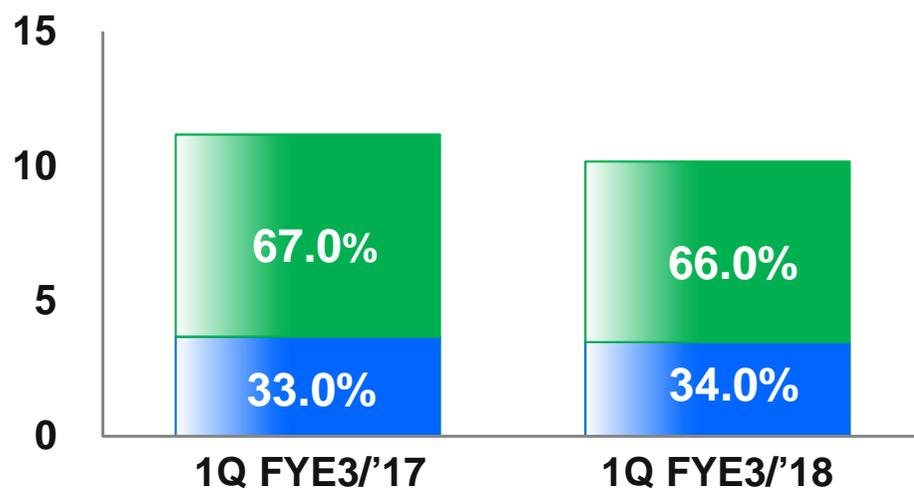
*Rounded to the nearest 10 million yen

Segment Information

(Billion yen)

| | Net Sales | | |
|--------------|-------------|-------------|-------------|
| | 1Q FYE 3/17 | 1Q FYE 3/18 | Change |
| PE | 7.5 | 6.7 | -0.8 |
| SS | 3.7 | 3.5 | -0.2 |
| Total | 11.2 | 10.2 | -1.0 |

| Operating Profit | | |
|------------------|--------------|-------------|
| 1Q FYE 3/17 | 1Q FYE 3/18 | Change |
| (1.6) | (1.8) | -0.2 |
| (0.8) | (1.0) | -0.2 |
| (2.5) | (2.8) | -0.4 |



Consolidated Balance Sheets

(Billion yen)

| | End of FYE3/17 | End of 1Q FYE3/18 | Change |
|----------------------------------------|-------------------|----------------------|--------------|
| Cash and deposits | 24.2 | 48.5 | +24.2 |
| Notes and accounts receivable-trade | 67.9 | 30.5 | -37.4 |
| Inventories | 7.2 | 10.8 | +3.5 |
| Deferred Tax assets | 1.6 | 1.6 | -0.0 |
| Others | 2.6 | 2.3 | -0.3 |
| Total current assets | 103.6 | 93.6 | -9.9 |
| Tangible fixed assets | 3.1 | 3.0 | -0.1 |
| Intangible fixed assets | 8.2 | 7.7 | -0.5 |
| Others | 6.2 | 6.3 | +0.1 |
| Total fixed assets | 17.4 | 17.0 | -0.4 |
| Total assets | 121.0 | 110.6 | -10.4 |

| | End of FYE3/17 | End of 1Q FYE3/18 | Change |
|------------------------------------------|-------------------|----------------------|--------------|
| Accounts payable-trade | 30.8 | 20.1 | -10.6 |
| Short-term loans payable ^{*1} | (0.8) 1.1 | (0.8) 1.1 | +0.0 |
| Advance received | 8.7 | 16.2 | +7.5 |
| Others | 8.0 | 4.2 | -3.8 |
| Total current liabilities | 48.5 | 41.6 | -6.9 |
| Long-term loans payable ^{*2} | (12.4) 14.8 | (12.0) 14.4 | -0.4 |
| Others | 5.4 | 5.4 | -0.0 |
| Total fixed liabilities | 20.2 | 19.8 | -0.4 |
| Total liabilities | 68.7 | 61.4 | -7.3 |
| Total net assets | 52.3 | 49.2 | -3.1 |
| Total liabilities/ net assets | 121.0 | 110.6 | -10.4 |

14 * 1 and 2: The figures in parentheses are the amounts of project finance loan for PFI, etc.

Status of Consolidated Cash Flows

(Billion yen)

| | 1Q FYE 3/17 | 1Q FYE 3/18 | Change |
|--------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Cash and Cash equivalents at the end of previous FY | 20.0 | 23.3 | +3.3 |
| Operating cash flow | 20.0 | 25.5 | +5.5 |
| Investing cash flow | (0.1) | (0.1) | 0.0 |
| Free cash flow | 19.9 | 25.4 | +5.5 |
| Financing cash flow | (1.2) | (1.2) | 0.0 |
| Increase (decrease) in cash and cash equivalents resulting from Change in scope of consolidation | 0.0 | 0.0 | 0.0 |
| Cash and Cash equivalents at the end of current FY | 38.7 | 47.5 | +8.8 |

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