

Outline of Financial Results for the Fiscal Year Ended March 2018 and "Medium-Term Business Plan 2020"

A decorative graphic consisting of several overlapping, curved, light blue and yellow shapes that sweep upwards from the bottom left towards the right side of the slide.

April 25, 2018
METAWATER Co., Ltd.

- I Outline of Financial Results for the Fiscal Year Ended March 2018 / Full-Year Forecast of Financial Results and Dividend for Fiscal Year Ending March 2019

- II Summary of the Previous Medium-Term Business Plan (Fiscal Year Ended March 2016 to Fiscal Year Ended March 2018)

- III Outline of “Medium-Term Business Plan 2020” (Fiscal Year Ending March 2019 to Fiscal Year Ending March 2021)

Segment Information

☐ **Plant Engineering Business (PE Business)**

The main work in this segment is different types 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)**

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 through which the private sector participates in the provision of public services)
PFI	Private Finance Initiative (Method of public works which utilizes the private sector for the design and construction, operation and maintenance management, and capital procurement of public facilities)
DBO	Design, Build and Operate (Method of public works which utilizes the private sector for the design and construction, and operation and maintenance management of public facilities)

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Financial Highlights of FYE March 2018 (Consolidated)

*Orders Received

Due to the delay in PPP project orders that we forecasted to have received in the previous fiscal year but received in the current fiscal year, as well as the orders for large-scale projects, the sales for the current fiscal year significantly increased and achieved the record high.

Order backlogs also continued to show an upward trend, and marked a record high.

(Reference) 115.2 billion yen at Fiscal year ended March 2017 → 135.9 billion yen at Fiscal year ending March 2018

*Net Sales Profit

Although Net sales decreased slightly due to an increase in long-term delivery deals such as PPP projects and a delay in posting sales of some projects, operating income increased due to improved gross margin due to cost reduction and other factors.

Net income decreased due to foreign exchange loss due to the appreciation of yen and there was no tax benefit from the US subsidiary that we had in the previous fiscal year.

However, the results of the US subsidiary in the local currency were steady

*Dividends

Based on the policy of stable dividends, maintained 58 yen per year (29 yen at mid-year, 29 yen at year-end) * 1.

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income *2	Dividend (Yen)
FYE3/'18 Results	131.6 Change: +6.6 YoY: +12.0	110.9 Change: -4.1 YoY: -0.8	6.7 Change: +0.2 YoY: +0.4	6.5 Change: +0.1 YoY: +0.2	3.9 Change: -0.3 YoY: -0.8	58 *1
FYE3/'18 forecast	125.0	115.0	6.5	6.4	4.2	58
FYE3/'17 Results	119.6	111.7	6.3	6.3	4.7	58

*1 The year-end dividend of 29 yen will be resolved in May

*2 Net income attributable to owners of parent company

Achievements in the FYE March 2018 - Projects

[Domestic]

- * Construction Orders Received : **Orders of 16 cases with 1 billion yen or more. (maintenance of the total worth on a high level at 36.2 billion yen)** (18 cases in the previous FY, total worth of 35 billion yen)

The cases above include **3 PPP project**, and we participated in **30 in total out of 62 (according to the results of our examination)** water and sewage projects.

Orders of 13 cases with 500 million yen or more and less than 1 billion yen (Total worth of 9.5 billion yen) (13 cases in the previous FY Total worth of 8.5 billion yen) .

- * Construction Completed: **10 cases** (13 cases in the previous FY) **with orders of with 1 billion yen or more are completed.**
- * Operation and maintenance new entrusted: **4 cases**
- * Operation and maintenance started: **7cases** (include 1 PPP and 3 new entrusted projects.)

[Overseas]

* Orders Received

- China: Ozone generation system for purification plant

- * In collaboration with Kokusai Kogyo Co., Ltd. and KANSEI Company, started providing cloud service to support inspection and maintenance management work of sewer pipeline (2Q)**
- * Signed a sales agreement with FURUNO ELECTRIC for a compact X-band double polarized wave Doppler weather radar. (2Q)**
(Doppler weather radar used in the FY2015 B-DASH * empirical research)
- * Established a training center for operators of water / environmental infrastructure facilities and equipment (3Q)**
- * Concluded an agreement to transfer water quality measuring device business for waterworks with DKK-TOA Corporation (4Q)**
- * Assigned to a third-party allotment of Sky Seeker Co., Ltd. (4Q)**

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

- * **“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 (1Q)**
- * **“Empirical research on technology for improving final sedimentation pond processing ability” is adopted as B-DASH project of 2017 (1Q)**
- * **“Merging Improvement High-speed Filtration Technology Using Levitation Filter” received Technical Award from Japan Society on Water Environment (1Q)**
- * **“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 (2Q)**
- * **Our employees received the Tokyo Metropolitan Workers Recognition Award “Labor Encouragement” in FY2017 (3Q)**

- * Held a joint exhibition with sewer pipeline publicity platform on Eco-Pro (3Q)**
- * Bureau of Waterworks Tokyo Metropolitan Government “Planning the Forest of the Water Fountain Made by All” Sponsored Corporate Sponsorship (3Q)**
- * Sponsored the Angkor Wat International Half Marathon (3Q)**
- * Established satellite space "Island" for employees (4Q)**
- * Renewed the agreement on ‘Water source eco-project 【W-eco・p (Wicopp)】 with Yokohama City Waterworks Bureau (4Q)**

Consolidated Statement of Income (FYE 3/'18)

(Billion yen)

	FYE 3/'17 1-4Q	FYE 3/'18 1-4Q	Change
Net Sales	111.7	110.9	-0.8
Operating Profit	6.3	6.7	+0.4
Operating Profit Margin	5.7%	6.1%	+0.4%
Ordinary Income	6.3	6.5	+0.2
Net Income attributable to parent company shareholders	4.7	3.9	-0.8

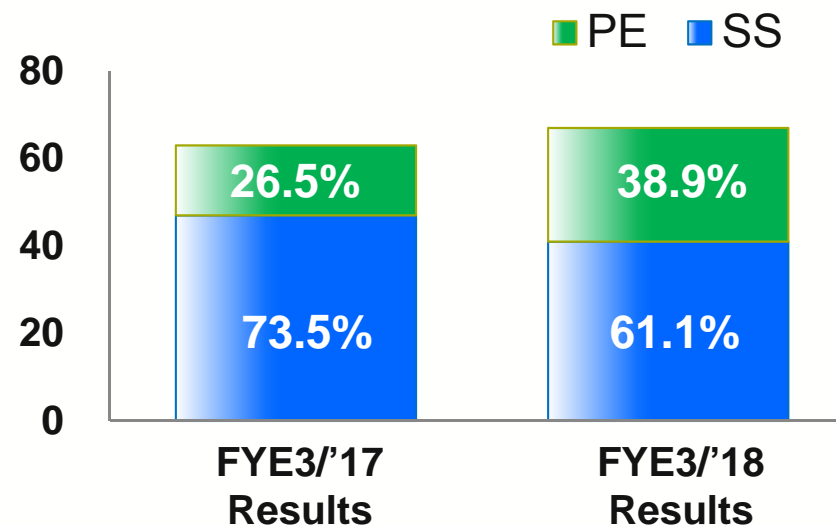
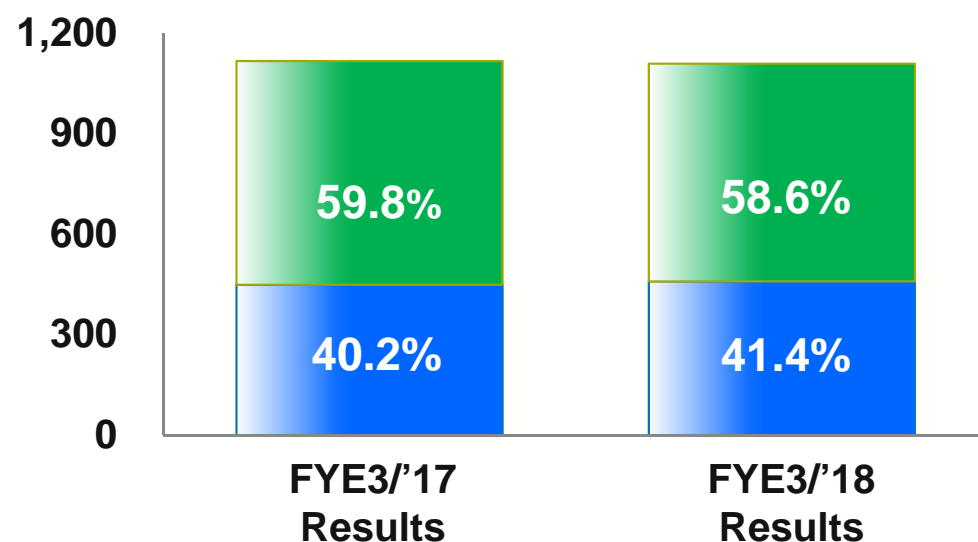
*Rounded to the nearest 10 million yen

Segment Information

(Billion yen)

	Net Sales		
	FYE 3/'17	FYE 3/'18	Change
PE	66.8	65.0	-1.8
SS	44.9	45.9	+1.0
Total	111.7	110.9	-0.8

	Operating Profit		
	FYE 3/'17	FYE 3/'18	Change
PE	1.7	2.6	+0.9
SS	4.7	4.1	-0.5
Total	6.3	6.7	+0.4



Consolidated Balance Sheet

(Billion yen)

	End of FYE 3/'17	End of FYE 3/'18	Change
Cash and deposits	24.2	25.8	+1.6
Notes and accounts receivable-trade	67.9	72.2	+4.2
Inventories	7.2	5.9	-1.3
Deferred Tax assets	1.6	1.5	-0.1
Others	2.6	1.5	-1.1
Total current assets	103.6	106.9	+3.3
Tangible fixed assets	3.1	3.0	-0.1
Intangible fixed assets	8.2	7.1	-1.1
Others	6.2	6.1	-0.1
Total fixed assets	17.4	16.1	-1.3
Total assets	121.0	123.0	+2.0

	End of FYE 3/'17	End of FYE 3/'18	Change
Accounts payable-trade	30.8	29.9	-0.9
Short-term loans payable ^{*1}	(0.8) 1.1	(0.8) 1.1	-0.0
Advance received	8.7	10.7	+2.0
Others	8.0	7.3	-0.6
Total current liabilities	48.5	49.0	+0.5
Long-term loans payable ^{*2}	(12.4) 14.8	(11.6) 13.6	-1.2
Others	5.4	5.3	-0.0
Total fixed liabilities	20.2	18.9	-1.3
Total liabilities	68.7	67.9	-0.8
Total net assets	52.3	55.0	+2.8
Total liabilities/ net assets	121.0	123.0	+2.0

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

Status of Consolidated Cash Flow

(Billion yen)

	FYE 3/'17	FYE 3/'18	Change
Cash and Cash equivalents at the end of previous FY	20.0	23.4	+3.4
Operating cash flow	7.8	5.2	-2.6
Investing cash flow	(1.5)	(0.9)	+0.7
Free cash flow	6.2	4.3	-1.9
Financing cash flow	(2.7)	(2.6)	+0.1
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(0.1)	+0.1
Cash and Cash equivalents at the end of current FY	23.4	25.0	+1.6

Research & Development／Capital Investment／Depreciation expenses **METAWATER**

(Billion yen)

	FYE 3/'17	FYE 3/'18	Change
Research and Development expenses	1.6	1.7	+0.1
Capital Investment	0.7	0.7	+0
Depreciation expenses	1.1	1.4	+0.3

Forecast of FYE 3/'19 (Consolidated)

(Billion Yen)

	FYE 3/'18	FYE 3/'19 (forecast)	Change
Net Sales	110.9	120.0	+9.1
Operating Margin	6.7	7.0	+0.3
(Operating margin ratio)	6.1%	5.8%	-0.3%
Ordinary Income	6.5	6.9	+0.4
Net Income attributable to parent company shareholders	3.9	4.7	+0.8
Orders Received	131.6	120.0	-11.6
Dividend (Yen)	58	62	+4

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Market and Environmental Change

- Lack of financial resources and shortage of engineers to address the aging facilities and disaster countermeasures
- Delay in civil engineering and construction work due to a labor scarcity (also affecting machinery and electrical equipment work)
- Longer lead time due to larger project size (PFI / DBO / DB)
- Progress in outsourcing to new private sector (Concession)

Our Efforts

- Progress of PPP project (11 out of 15 new entrusted contracts in 3 years)
 - “Arao Water Service Co., Ltd.” (SPC: our representative company) was newly entrusted by Arao City for "Comprehensive outsourcing of Arao municipal water projects etc." (operation started on April 1, 2016)
 - Participation in "Kitakyushu Water Service Co., Ltd. (operation started on April 1, 2016) and others
 - "Equipment Operator Training Center" (established on November 11, 2017)
- Participation in the Ministry of Land, Infrastructure, Transport and Tourism / Breakthrough by Dynamic Approach in Sewage High Technology Project (B-DASH Project)
 - Fiscal Year 2015 "Demonstration Project on Rainwater Management Technology for Local Concentrated Heavy Rainfall in Urban Area"
 - Demonstration facilities were in operation in Fukui City and Toyama City in FY2016
 - Fiscal Year 2017 "Demonstration Project for Improving Processing Ability of Final Settling Tank" and others

Environmental Change

- North America: Aging facilities, securing water resources, stricter environmental regulations, and increased investment in infrastructure
- Europe: Aging facilities, outsourcing to private sectors (concession etc.)
- Asia and Others: Improvement of water supply and wastewater facilities penetration rate, and expansion of Chinese / Korean companies etc.

Our Efforts

- North America: Acquired Aqua-Aerobic Systems, Inc. (AAS) (January 2016)
→AAS has been consolidated since fiscal year 3/2016
- Europe: Promotion of cooperation with PWNT B.V.(PWNT) and Rood Wit Blauw Holding B.V., New entrustment for PWNT's CeraMac® system at Singapore's purification plant
→Adoption of the PWNT CeraMac ® system for Singapore's first ceramic membrane filtration plant (November 2015)
- Others: Sewage plant in Hoi An City, Vietnam, newly entrusted with ODA in December 2016
Implementation of technology that was “confirmed for overseas” by the Japan. Sewage Works Agency
Vehicle-mounted ceramic membrane systems newly entrusted in Myanmar (February 2017)

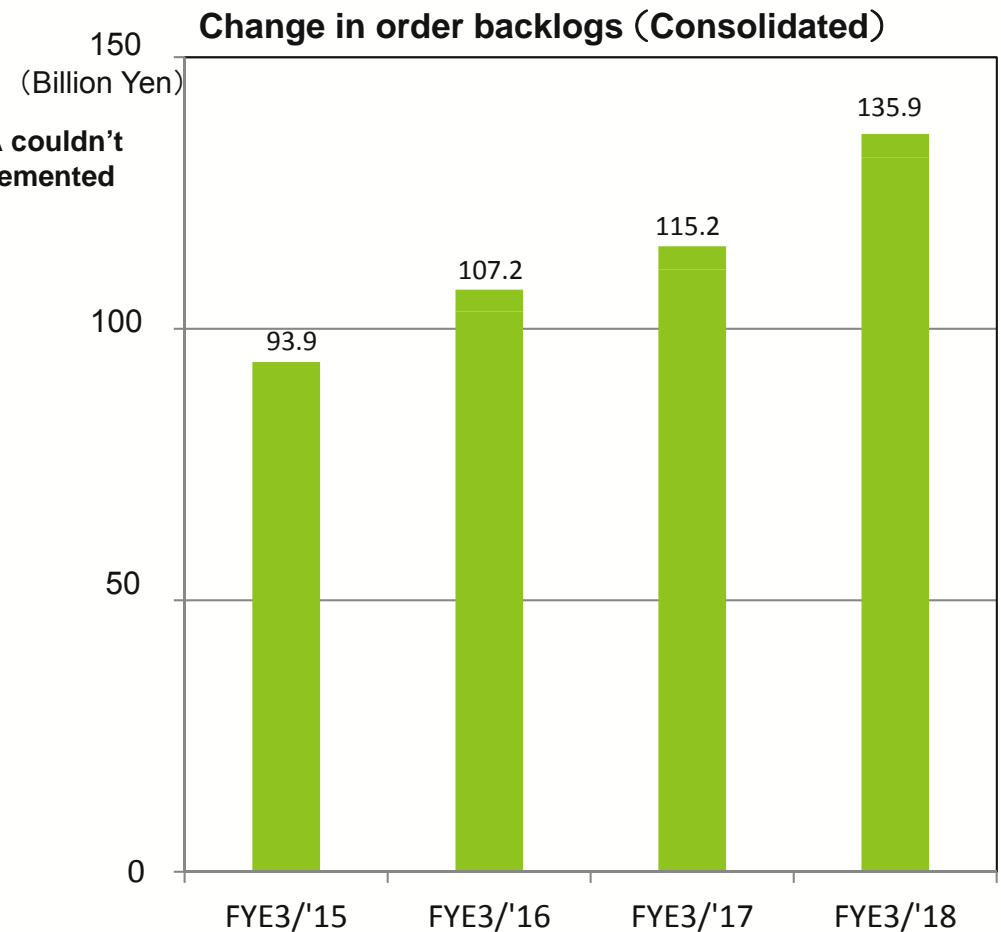
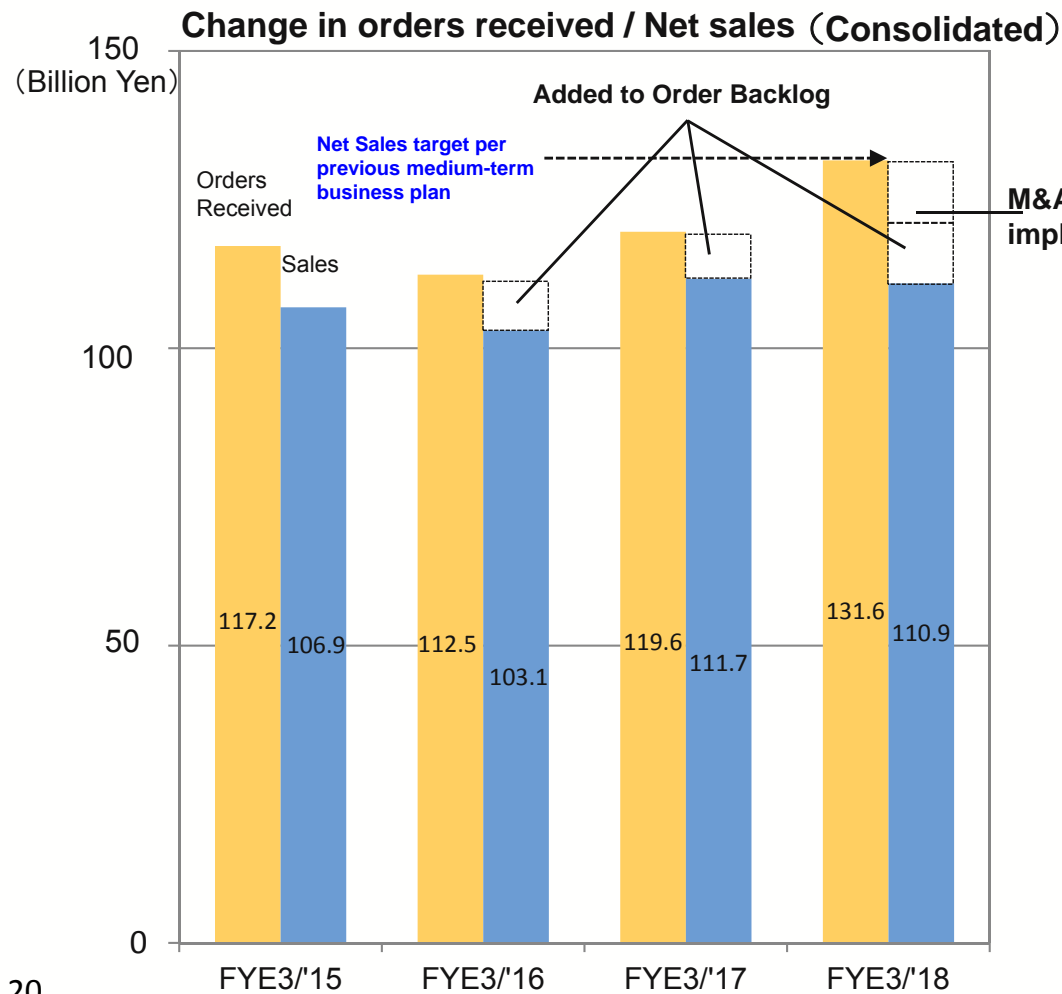
The targets of the previous medium-term management plan (3/2018) have not yet Reached. However we achieved a record-high orders received and orders backlogs, **and made progress to build the foundation for medium-to long-term growth**

(Billion Yen)

(Consolidated)	FYE 3/16 Results	FYE 3/17 Results	FYE 3/18 Results	FYE 3/18 Target	Change
Orders Received	112.5	119.6	131.6	140.0	-8.4
Net Sales	103.1	111.7	110.9	130.0	-19.1
Operating Margin (ratio)	5.4 (5.2%)	6.3 (5.7%)	6.7 (6.1%)	10.0 (7.7%)	-3.3 (-1.7%)
Net Income	2.8	4.7	3.9	6.0	-2.1
ROE	5.8%	9.5%	7.3%	10.0%	-2.7%

Sales were not reached and profitability declined, due to such facts that M&A has not been conducted, the numbers of PPP projects and other long-term projects increased, and recording of sales were delayed in some projects.

However, **the order backlog has accumulated to be at a record high.**



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"Medium-Term Business Plan 2020"

Re-challenge to the level aimed at the previous medium-term management plan
Aiming for consolidated operating income of 9 billion yen in record highs for the final year (3/2021 period)

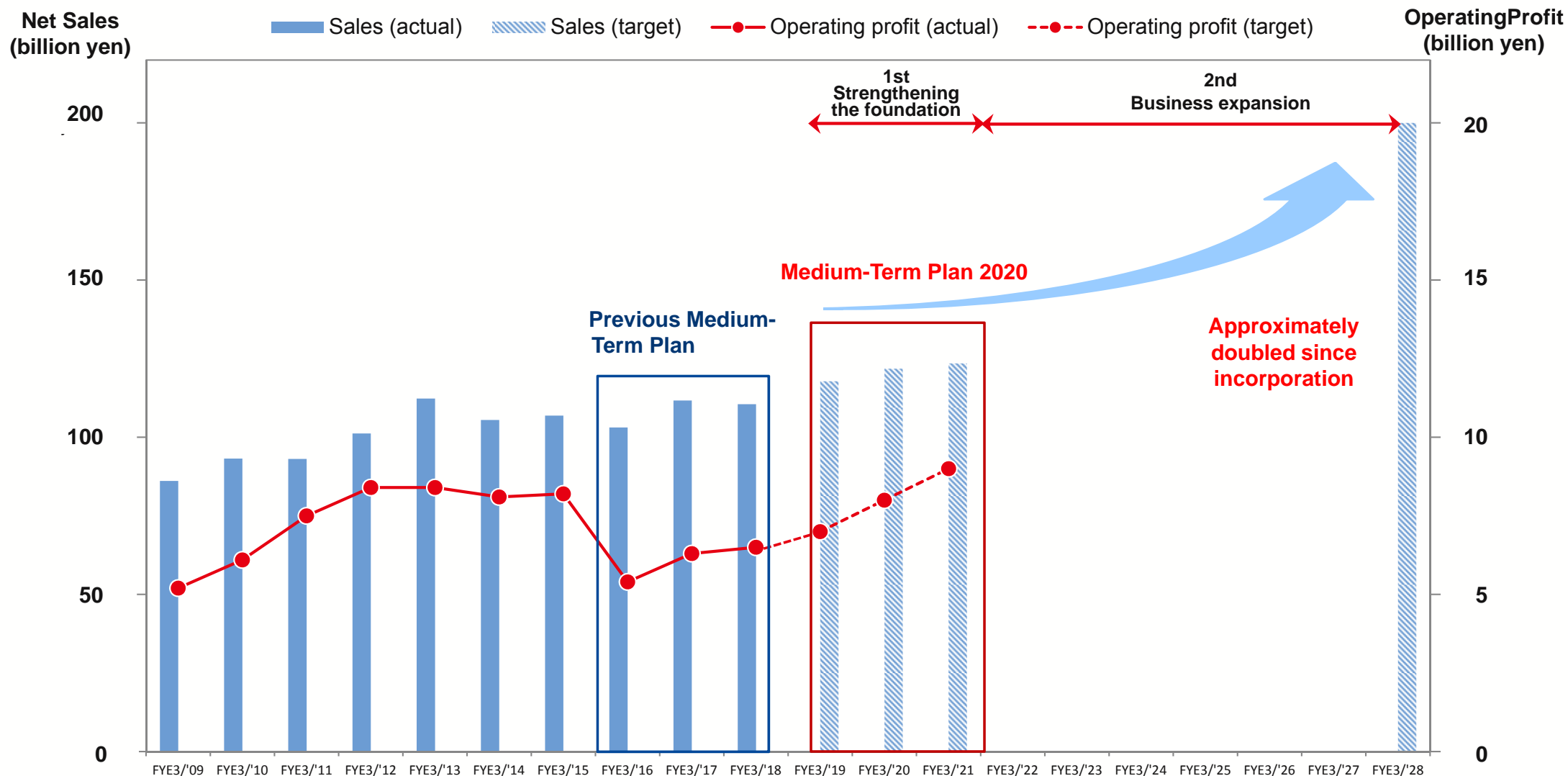
(billion yen)

(Consolidated)	FYE 3/18 Result	FYE 3/21 Target	Change
Orders Received	131.6	140.0	+8.4
Net Sales	110.9	128.0	+17.1
Operating Margin	6.7	9.0	+2.3
Net Income	3.9	6.2	+2.3

The targets for the FY ending in March 2021 do not include effects in the case of M&A implementation.

Positioning of "Medium-Term Business Plan 2020"

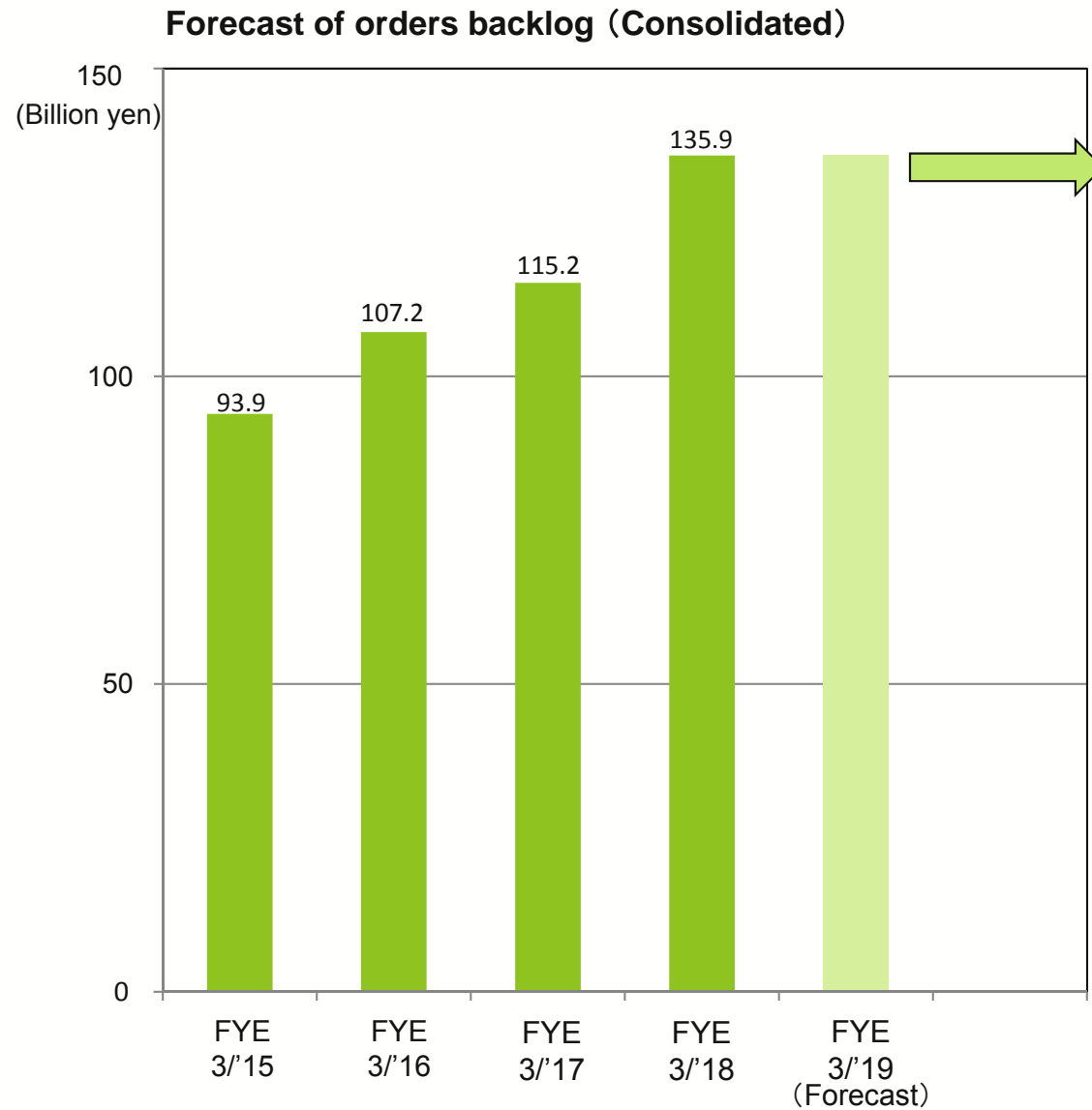
Positioned as a three-year period for strengthening of the corporate resiliency toward achievement of the long-term vision (for 10 years in the future)



Note: Standalone net sales and operating profit for fiscal year 2008 to 2010, and consolidated sales and operating income from fiscal year 2011 onward.

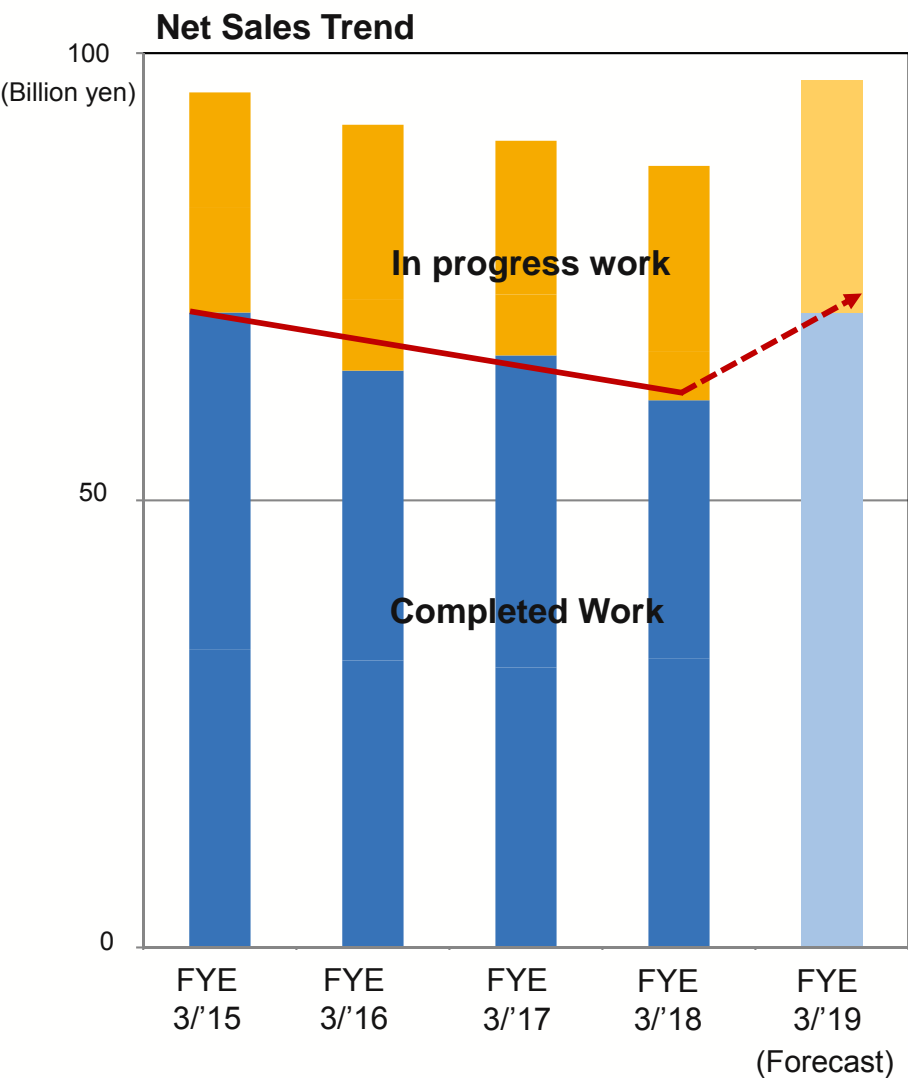
Forecast of orders backlog

Orders backlogs maintain high level we expect Net sales increase

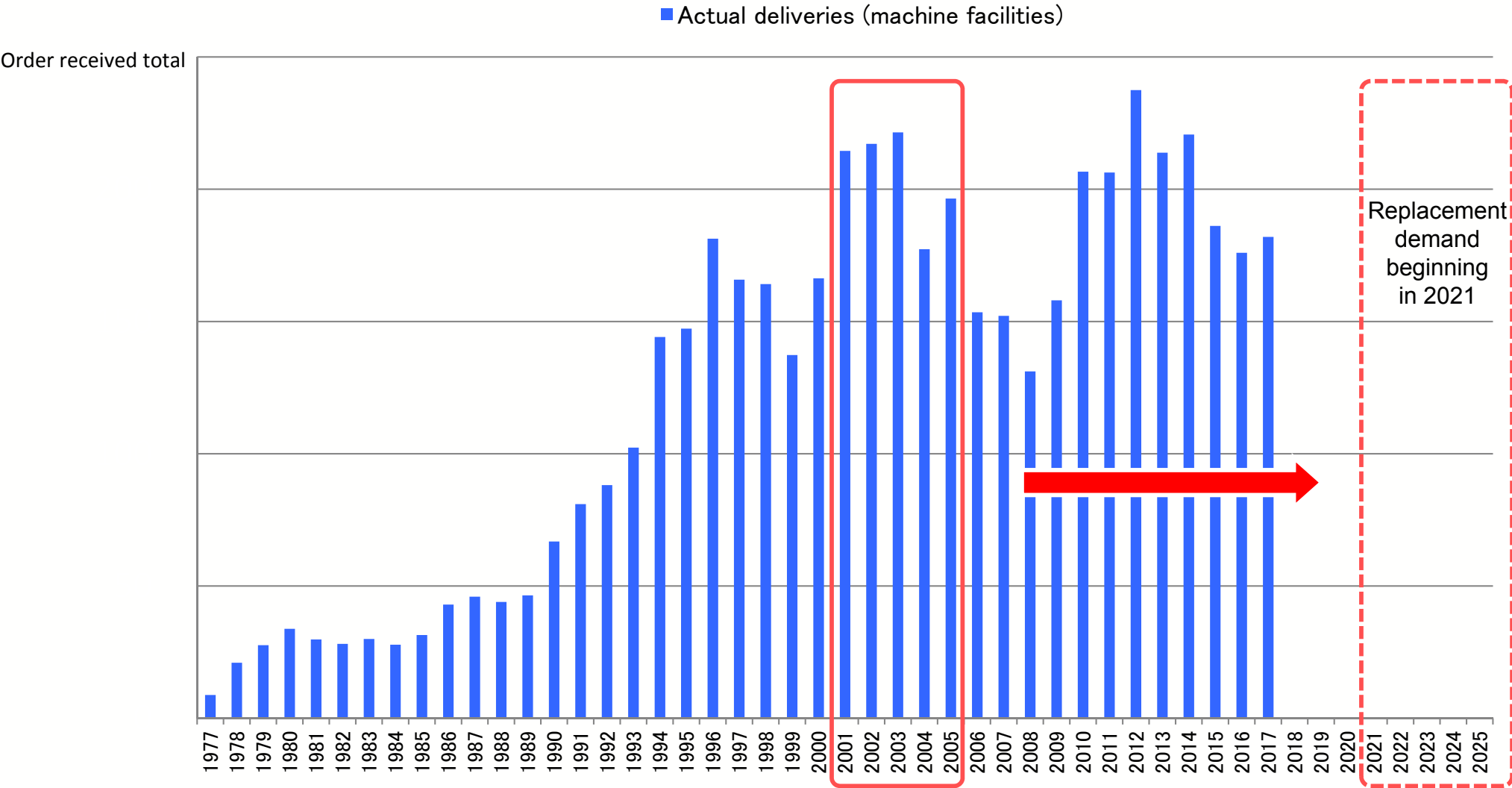


Percentage of completed projects in sales (non-consolidated) METAWATER

From the 3/2019 onwards, long-term delivery orders already ordered will enter into the period of sales contribution and **projects with high profitable construction will increase,so the company's business performance is expected to recover**



Demand for renewal of **major systems delivered after 2000 will come after 2021**

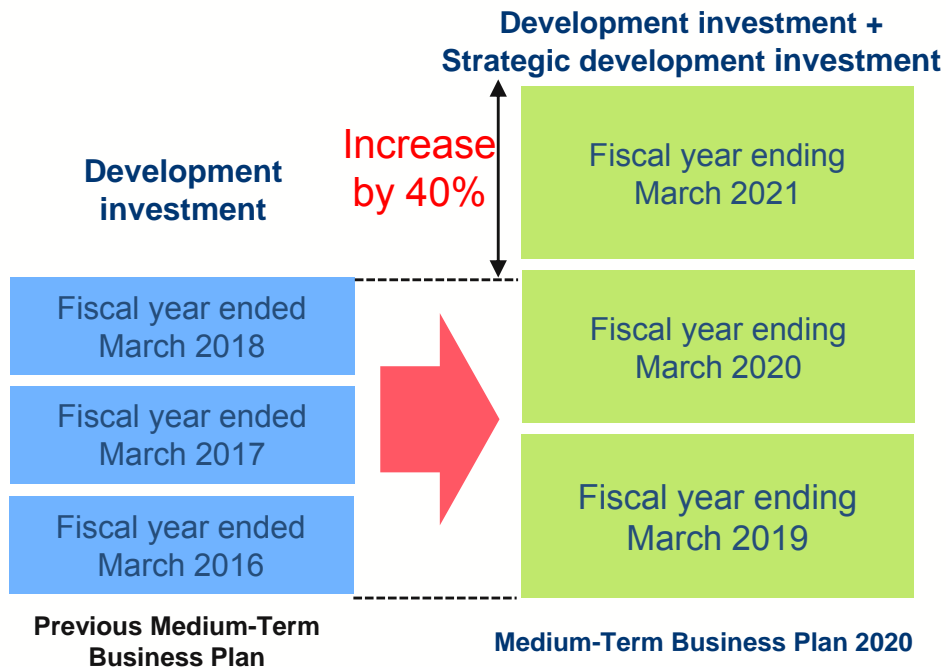


* According to the results of our examination (actual trend of domestic deliveries of our major systems)

Strategic development investment

We intend to anticipate major environmental changes over the next ten years, such as an increase in blanket projects and other long delivery term projects and the emergence of wide-area projects exemplified by concessions, and establish a corporate resiliency enabling achievement of our long-term vision. **To this end, we are going to add "strategic development investment" to our usual development investment, and invest a total of 7 - 8 billion yen, up 40% from the previous medium-term management plan, for the three fiscal years.**

Comparison with the previous medium-term business plan



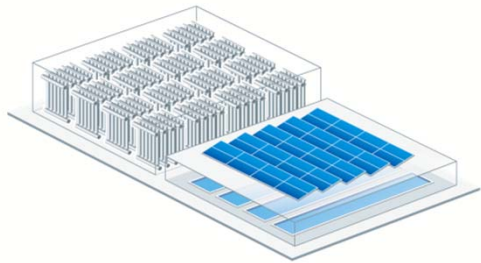
Specific Subjects

- (1) Economies of scale corresponding to the unification and inclusion Promotion of management structure
- (2) Decrease in construction costs, more efficient O&M, and increase in safety through incorporation of leading-edge technologies in areas such as AI and ICT
- (3) Development of No. 1 product (water-droplet product) groups and development of new business
- (4) Creation of added value through promotion of work-style reform

Strategic development investment(1)

Promotion of management system to achieve economies of scale corresponding to unification + inclusion

Inclusion (PFI · DBO)



Design · Construction
+ Operation · Management
of water supply and
sewerage facilities

(Target)
Reduction of
operating cost by
30%



Inclusion + Unification (concession etc.)

Support system for concession etc. which are expected to increase after 2021

Equipment
Operator Training
Center

Train operators
responsible for
equipment operation in
each area

Knowledge
Center

Support accumulation, sharing,
and communication of business
management knowledge of
different businesses in different
regions

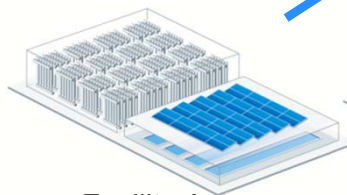
Parts Supply
Center

Unification of
procurement and supply
of repair parts etc.

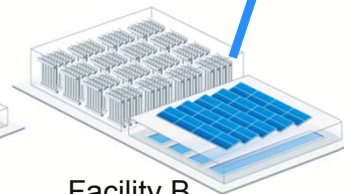


ICT infrastructure for sharing
information in real time, and analyzing
and utilizing the collected information

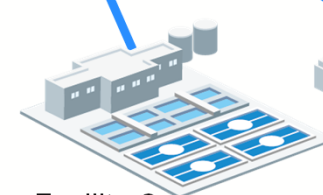
person · information · object



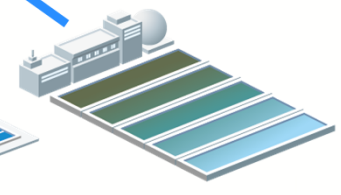
Facility A



Facility B



Facility C



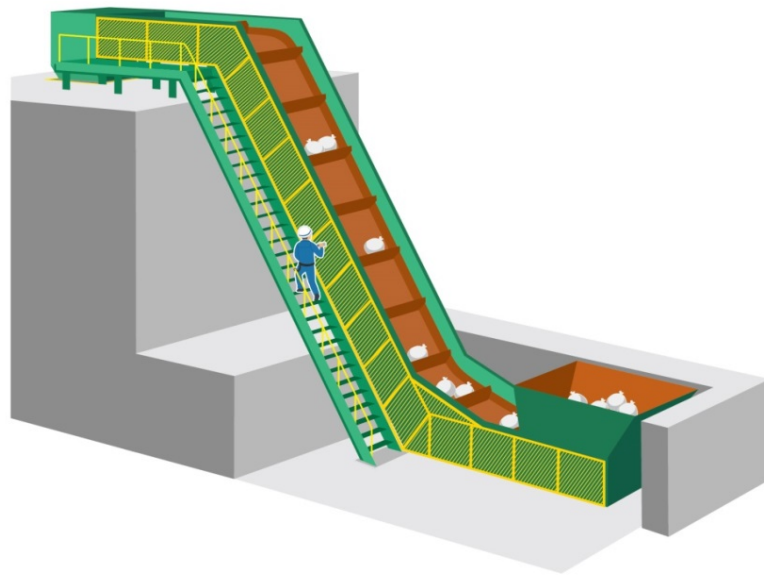
Facility D

Introduction of state-of-the-art technology including AI and ICT

Outcome: ① Reduction of construction costs ② Improved efficiency of maintenance and management
③ Improvement of safety ④ Response in the event of a disaster

Introduction example of drones

Before introduction



After introduction



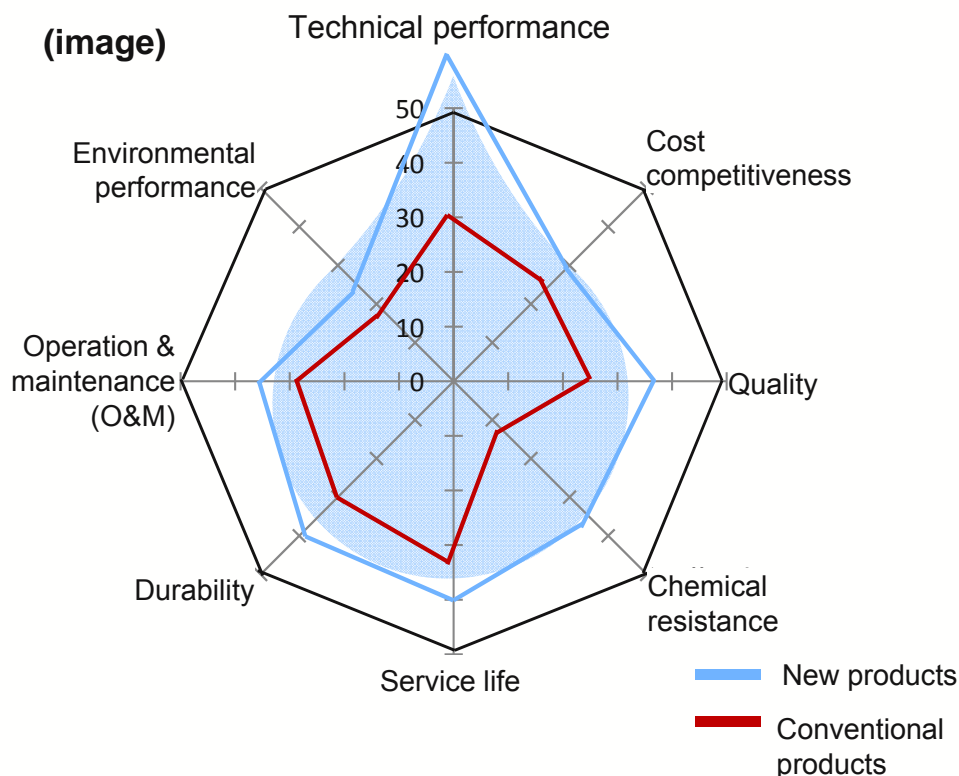
Need for checking work in high places by workers
Need for inspection stairs and hazard prevention cover

No need for checking work in high places by workers
No need for inspection stairs and hazard prevention cover

Development of No. 1 selling product group / Development of new business

Development of No. 1 product (water-droplet product) groups

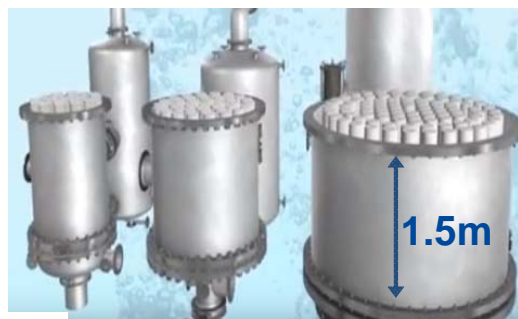
Development of products with outstanding features in specific areas such as products with superior environmental performance, and products with extremely low LLC



Development of new business

- Launch of AAS and PWNT products in Japan
- Development of new products by integration of technology and know-how of our company and AAS
- Development of new implementation method of ceramic membrane

Products of PWNT (CeraMac® system)



Products of AAS Cloth media filter system for tertiary treatment (cloth media filter)



Strategic development investment(4)

Work-style reform

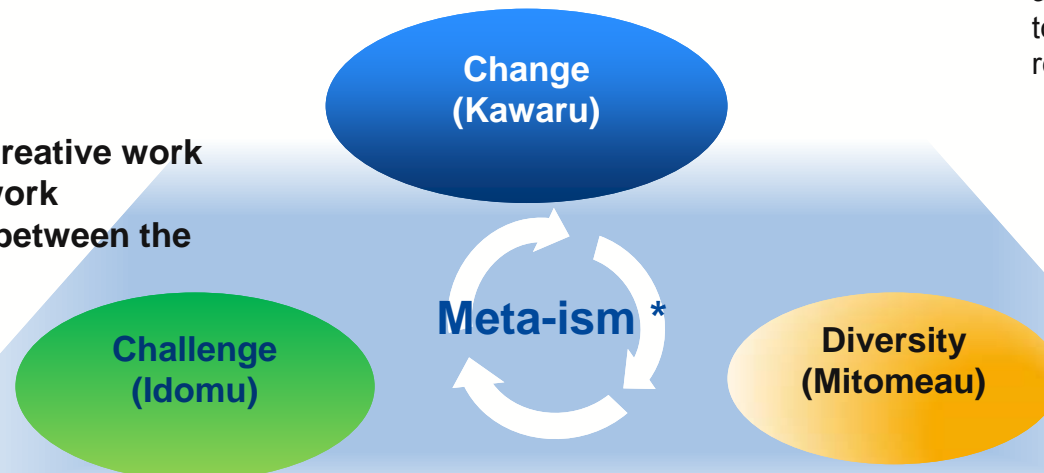
Abolish the concept of “time” “place” “age”, and realize a diversified workplace environment that supports work style of various employees

- ✓ Higher efficiency of operations by restructuring core systems and introduction of AI
- ✓ Gradual opening of satellite offices (10 locations nationwide)
- ✓ Expansion of working hours of work-from-home system
- ✓ Expansion of non-core time flex operation
- ✓ Introduction of four-day workweek



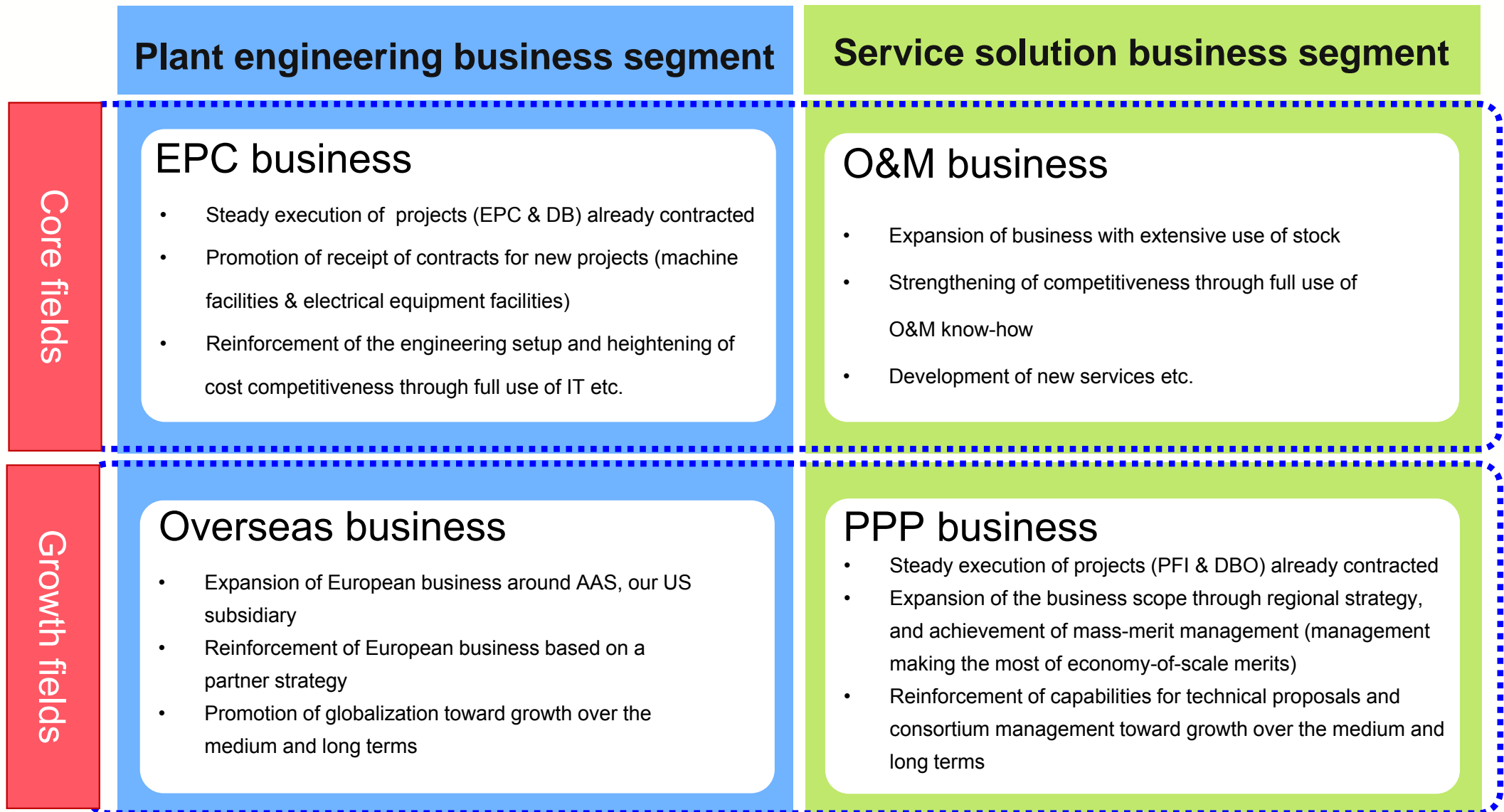
Breakaway from customary work styles and establishment of satellite work space to occasion a consciousness renewal with recognition of diverse work styles

- * Creating additional value by creative work
- * Aim for self-growth through work
- * For the Win-Win relationship between the company and employees



* Meta-ism: Idea of promoting diversity in which diverse "individuals" collaborate, by supporting "individuals" who enjoy challenging themselves to create change

Reinforcement of EPC and O&M business **as core fields**,
and **expansion** of PPP and overseas business **as growth fields**



Promote strengthening of ESG as a water infrastructure company

- * Promote contribution to environmental protection through reduction of environmental burden and operation
- * Enhancement of environmental education and community contribution activities
- * BCM*¹ efforts and improvement of BCP*² effectiveness
- * Improved efficiency and strengthening of management system
- * Promotion of active dialogue with each stakeholder

* 1 BCM: Business continuity management,

* 2 BCP: Business Continuity Plan

We are going to contribute to the attainment of SDG targets through our business and CSR activities.

* Seventeen international development goals that form the core of the 2030 Agenda for Sustainable Development adopted as a global task at the United Nations Summit held in September 2015



ROE target and Dividend Policy

Aiming for improvement of capital efficiency while maintaining financial foundation

【ROE* Target】

	(billion yen)	
(Consolidated)	FYE 3/18 Result	FYE 3/21 Target
ROE	7.3%	Over 10.0%

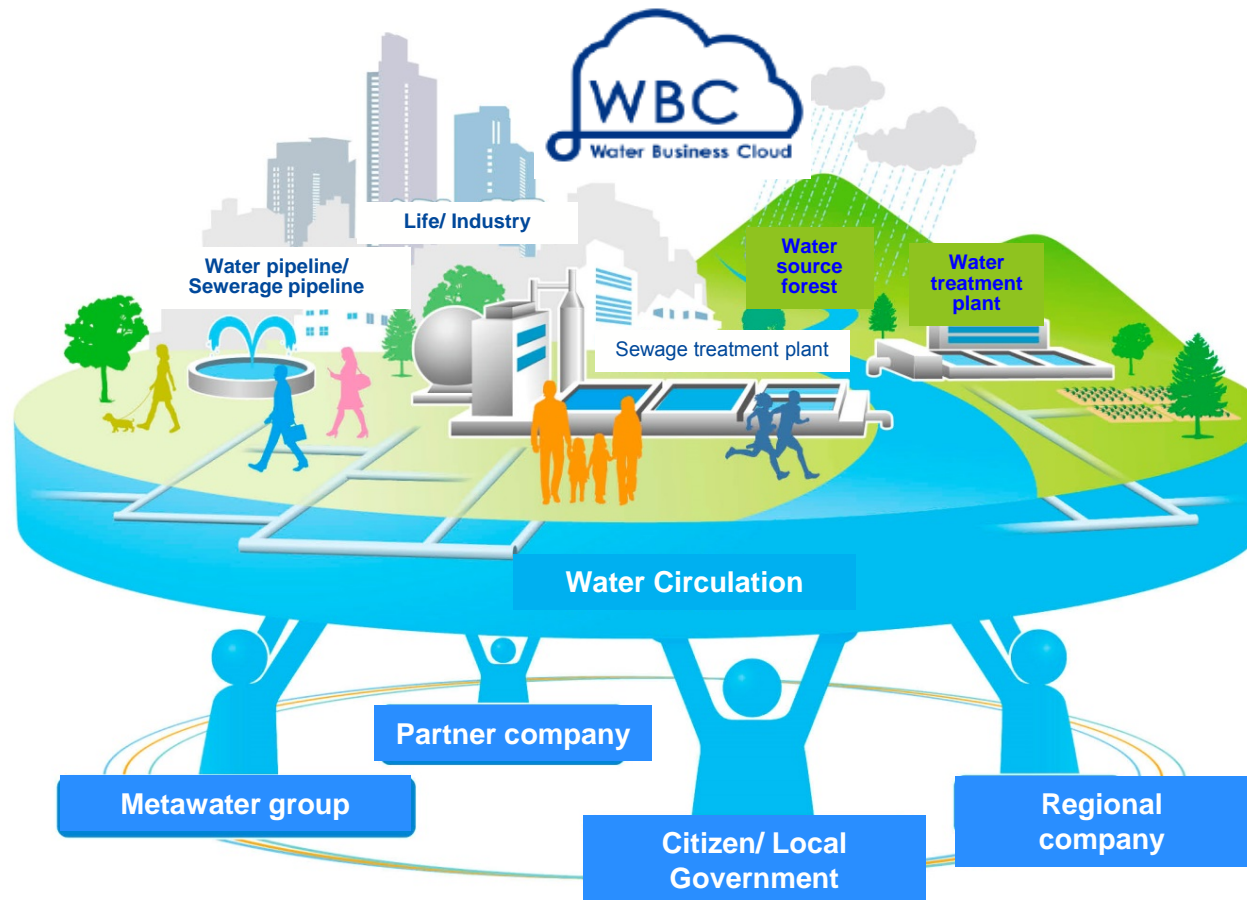
【Dividend policy】

While securing internal retained funds necessary to cope with stable growth and changes in the business environment and continue to return profits to shareholders according to management situation (Dividends are based on interim dividend and year-end dividend twice a year)

* Return on equity = net on-term profit ÷ equity

For realization of long-term vision

Our group wants to gain trust by a consortium partners to maintain sustainability of water and environmental infrastructure, be expected by local governments, and be sought by society, and for that, we interact with local communities, face the local issues as one-stop provider, and we aim to become a water and environmental business management company that will continue to contribute to solving problems with people, technology and information.



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS



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

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