



METAWATER Co., Ltd.

For Immediate Release

July 30, 2018

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2018 (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	Masayuki Nakagawa Executive Officer Executive General Manager of Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	August 9, 2018
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 three months ended June 30, 2018

(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	%
Three months ended June 30, 2018	11,582	13.5	(2,316)	—	(2,096)	—	(1,486)	—
Three months ended June 30, 2017	10,202	(9.1)	(2,822)	—	(2,823)	—	(1,995)	—

Note: Comprehensive income: Three months ended June 30, 2018 (2,244) million yen — %
Three months ended June 30, 2017 (2,304) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2018	(57.34)	—
Three months ended June 30, 2017	(76.96)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2018	116,026	52,045	44.7
As of March 31, 2018	122,991	55,042	44.6

Note: Shareholders' equity: As of June 30, 2018 51,901 million yen
As of March 31, 2018 54,906 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (Forecast)		31.00	—	31.00	62.00

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

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2019

(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, 2019	120,000	8.2	7,000	3.8	6,900	6.7	4,700	19.6	181.30

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

Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018 (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: No
 - (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, 2018 and 25,923,500 shares as of June 30, 2018.
 - (b) Number of treasury stock at the end of the period: 91 shares as of March 31, 2018 and 91 shares as of June 30, 2018.
 - (c) Average number of shares issued and outstanding for the period: 25,923,456 shares for the three months ended June 30, 2017 and 25,923,409 shares for the three months ended June 30, 2018.

This quarterly report is not subject to the quarterly review performed by certified public accountants or accounting firm.

Appropriate Use of Forecasts and Other Matters

(Forward looking statements disclaimer)

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 Three Months Ended June 30, 2018

(1) Explanation of Operating Results

During the three months ended June 30, 2018, 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. In terms of the world economy, despite uncertainty about the future such as Chinese economic slowdown and concern about trade conflict between the US and China, economic situation generally remains steady.

Under such circumstances, in light of environment surrounding the Group and development of the Group, the Group has changed the corporate philosophy and established the Midterm Business Plan 2020 (from the fiscal year ending March 31, 2019 to fiscal year ending March 31, 2021), as a good refresh of the 10th anniversary of the Group foundation. In order to achieve the Plan, the Group tries our best to implement the priority measures: i) strategic development investment, ii) business strategy (enhancement of foundation field and expansion of growth field) and iii) efforts of sustainable ESG.

For the operating results of the Group for the three months ended June 30, 2018, net sales was ¥11,582 million (13.5% increase year to year), operating loss was ¥2,316 million (¥2,822 million for the three months ended June 30, 2017), ordinary loss was ¥2,096 million (¥2,823 million for the three months ended June 30, 2017) and loss attributable to owners of parent was ¥1,486 million (¥1,995 million for the three months ended June 30, 2017). The outstanding order was ¥25,361 million (28.4% decrease year to year).

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.

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and foreign business as growth field and Service Solutions Business Segment including O&M (note 2) as foundation field and PPP (note 3) as growth field.

Operating results by segment are as follows:

(Plant Engineering Business)

For the Plant Engineering Business, net sales amounted to ¥7,668 million (13.9% increase year to year) and operating loss amounted to ¥1,280 million (¥1,804 million for the three months ended June 30, 2017), due to a steady growth in EPC business, offsetting with sluggish movement in foreign business. Outstanding order was ¥7,936 million (37.1% decrease year to year).

(Service Solutions Business)

For the Service Solutions Business, net sales amounted to ¥3,914 million (12.8% increase year to year) due to a steady growth in O&M and PPP businesses. By contrast, operating loss amounted to ¥1,035 million (¥1,018 million for the three months ended June 30, 2017) due to varied composition of projects. Outstanding order was ¥17,424 million (23.5% decrease year to year).

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 June 30, 2018 decreased by ¥6,965 million compared to March 31, 2018 to ¥116,026 million.

Current assets decreased by ¥6,302 million compared to March 31, 2018 to ¥99,098 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in cash and deposits.

Non-current assets decreased by ¥662 million compared to March 31, 2018 to ¥16,928 million due to a decrease in goodwill.

Current liabilities decreased by ¥3,777 million compared to March 31, 2018 to ¥45,265 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥191 million compared to March 31, 2018 to ¥18,715 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥2,997 million compared to March 31, 2018 to ¥52,045 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, 2019 announced on April 25, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	25,805	52,107
Notes and accounts receivable - trade	72,164	34,427
Work in process	2,623	7,014
Supplies	3,299	3,226
Other current assets	1,508	2,321
Total current assets	105,401	99,098
Non-current assets		
Property, plant and equipment	2,982	2,894
Intangible assets		
Goodwill	1,842	1,699
Customer-related assets	2,769	2,942
Other	2,447	1,849
Total intangible assets	7,060	6,491
Investments and other assets	7,548	7,542
Total non-current assets	17,590	16,928
Total assets	122,991	116,026

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	18,372	5,289
Electronically recorded obligations	8,155	13,228
Short-term loans payable	269	705
Current portion of PFI and other project finance loans	833	838
Income taxes payable	2,173	121
Advances received	10,719	18,670
Provision for warranties for completed construction	857	766
Provision for loss on construction contracts	204	199
Other current liabilities	7,456	5,446
Total current liabilities	49,042	45,265
Non-current liabilities		
Long-term loans payable	2,050	2,118
PFI and other project finance loans	11,549	11,178
Liability for retirement benefit	5,294	5,294
Other non-current liabilities	11	123
Total non-current liabilities	18,906	18,715
Total liabilities	67,949	63,981
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	30,214	27,976
Treasury stock	(0)	(0)
Total shareholders' equity	57,241	55,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	54	58
Foreign currency translation adjustment	84	(800)
Remeasurements of defined benefit plans	(2,474)	(2,360)
Total accumulated other comprehensive income	(2,335)	(3,102)
Non-controlling interest	136	144
Total net assets	55,042	52,045
Total liabilities and net assets	122,991	116,026

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

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	10,202	11,582
Cost of sales	9,231	10,186
Gross profit	970	1,395
Selling, general and administrative expenses	3,793	3,711
Operating loss	(2,822)	(2,316)
Non-operating income		
Interest income	49	46
Dividends income	32	51
Foreign exchange gains	—	176
Miscellaneous income	1	0
Total non-operating income	83	275
Non-operating expenses		
Interest expenses	55	54
Loss on disposal of non-current assets	18	1
Foreign exchange losses	11	—
Miscellaneous loss	0	0
Total non-operating expenses	85	55
Ordinary loss	(2,823)	(2,096)
Loss before income taxes	(2,823)	(2,096)
Income taxes	(833)	(619)
Net loss	(1,990)	(1,477)
Profit attributable to non-controlling interests	4	9
Loss attributable to owners of parent	(1,995)	(1,486)

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

Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net loss	(1,990)	(1,477)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	4
Foreign currency translation adjustment	(434)	(884)
Remeasurements of defined benefit plans	120	113
Total other comprehensive loss	(314)	(766)
Comprehensive loss	(2,304)	(2,244)
(Details)		
Comprehensive loss attributable to owners of parent	(2,309)	(2,253)
Comprehensive income attributable to non-controlling interests	4	9

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Notes on Significant Changes in Shareholders' Equity

No items to report.

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 three months ended June 30, 2018 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

Segment Information

Three months ended June 30, 2017

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	6,732	3,470	10,202	—	10,202
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	6,732	3,470	10,202	—	10,202
Segment loss	(1,804)	(1,018)	(2,822)	—	(2,822)

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.

Three months ended June 30, 2018

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	7,668	3,914	11,582	—	11,582
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	7,668	3,914	11,582	—	11,582
Segment loss	(1,280)	(1,035)	(2,316)	—	(2,316)

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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