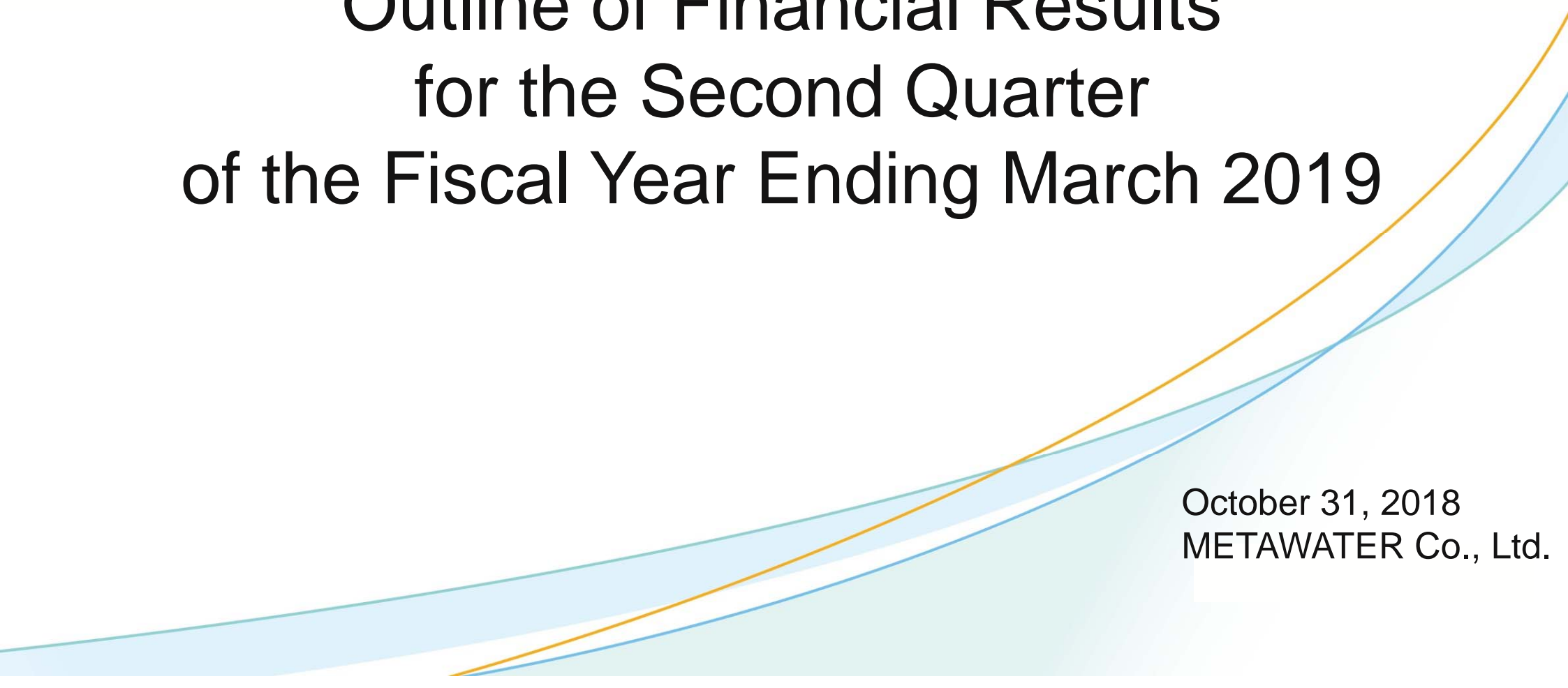


# Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2019

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.

October 31, 2018  
METAWATER Co., Ltd.

We would like to extend our deepest sympathies to those who were affected by earthquake, typhoon and heavy rain.

We wish for the earliest possible recovery and restoration of the areas affected.

There is no impact on the financial results from this disaster.

## Segment Information

### ☐ Plant Engineering Business(PE business) Domestic EPC business / Overseas 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) Domestic O&M business / Domestic PPP 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)

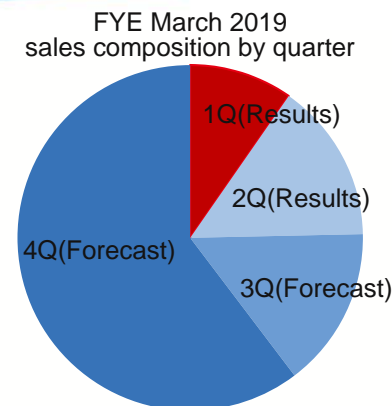
# I Highlights of the Second Quarter of the Fiscal Year Ending March 2019 and forecasts for the Fiscal Year Ending March 2019

## II Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2019

# Financial Highlights of 2Q FYE March 2019 (Consolidated)

## \* Net Sales & Profit

In 1-2Q, both sales and profits **significantly improved** compared to the previous 1-2Q due to **favorable performance of domestic EPC works** as well as improvement in gross margin ratio and cost reduction effect, etc.



## \* Orders Received

In contrast to the previous 1-2Q where large-scale projects such as PPP concentrated, this 1-2Q returned to the same level as previous years due to differences in project composition.

Order backlogs leading to future sales also maintained a high level.

(Reference) End of 2Q FYE 3/'18, 154.9 billion yen ⇒ End of 2Q FYE 3/'19, 165.8 billion yen.

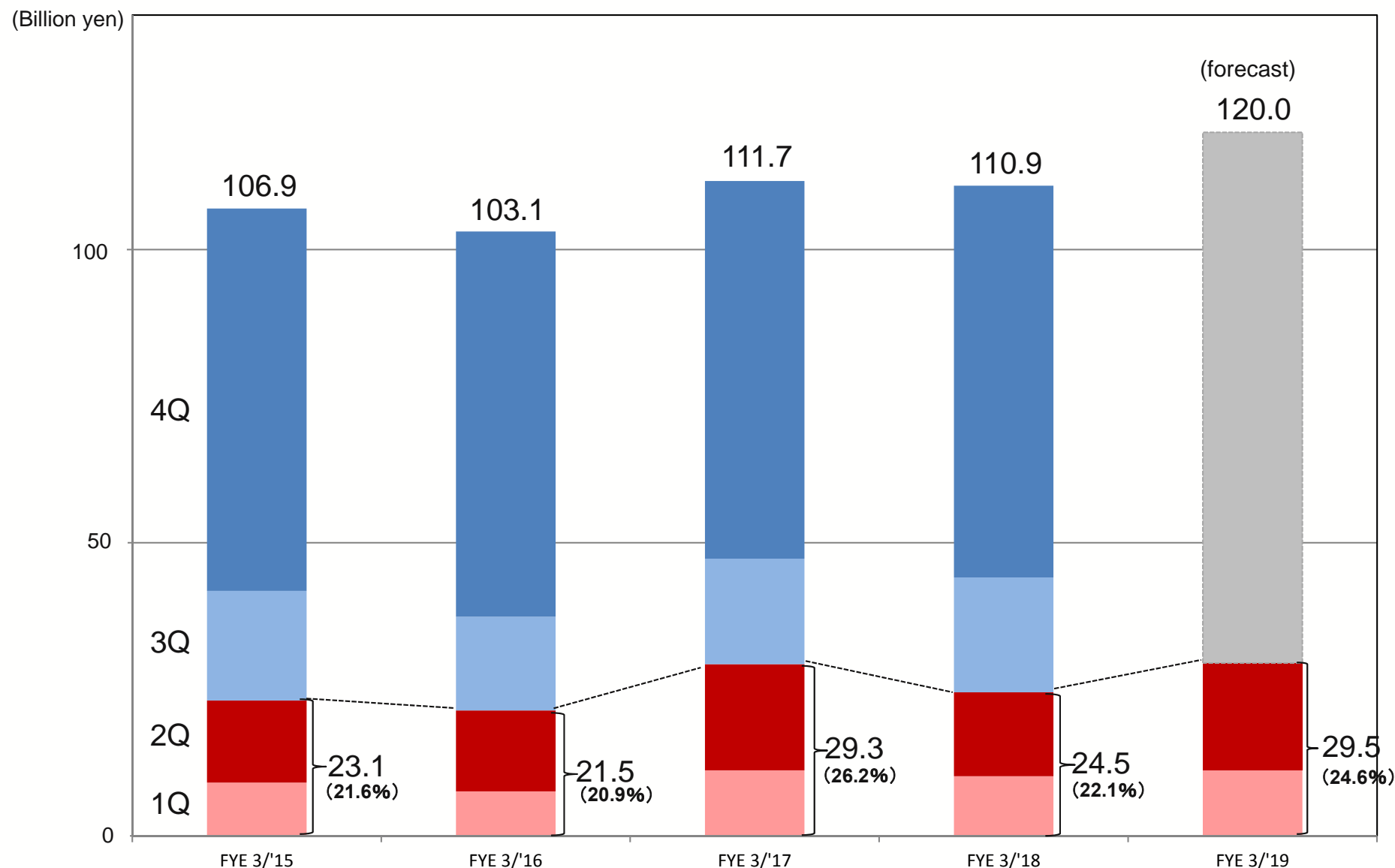
(billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the Quarter*	Interim Dividend (yen)
2Q FYE3/'19 Results	59.4 YoY: ▲4.8 ▲7.5%	29.5 YoY: +5.0 +20.5%	(3.7) YoY: +1.5	(3.4) YoY: + 1.8	(2.4) YoY: +1.2	31
2Q FYE3/'18 Results	64.2	24.5	(5.1)	(5.1)	(3.6)	29

\* Net income for the quarter attributable to owners of parent company

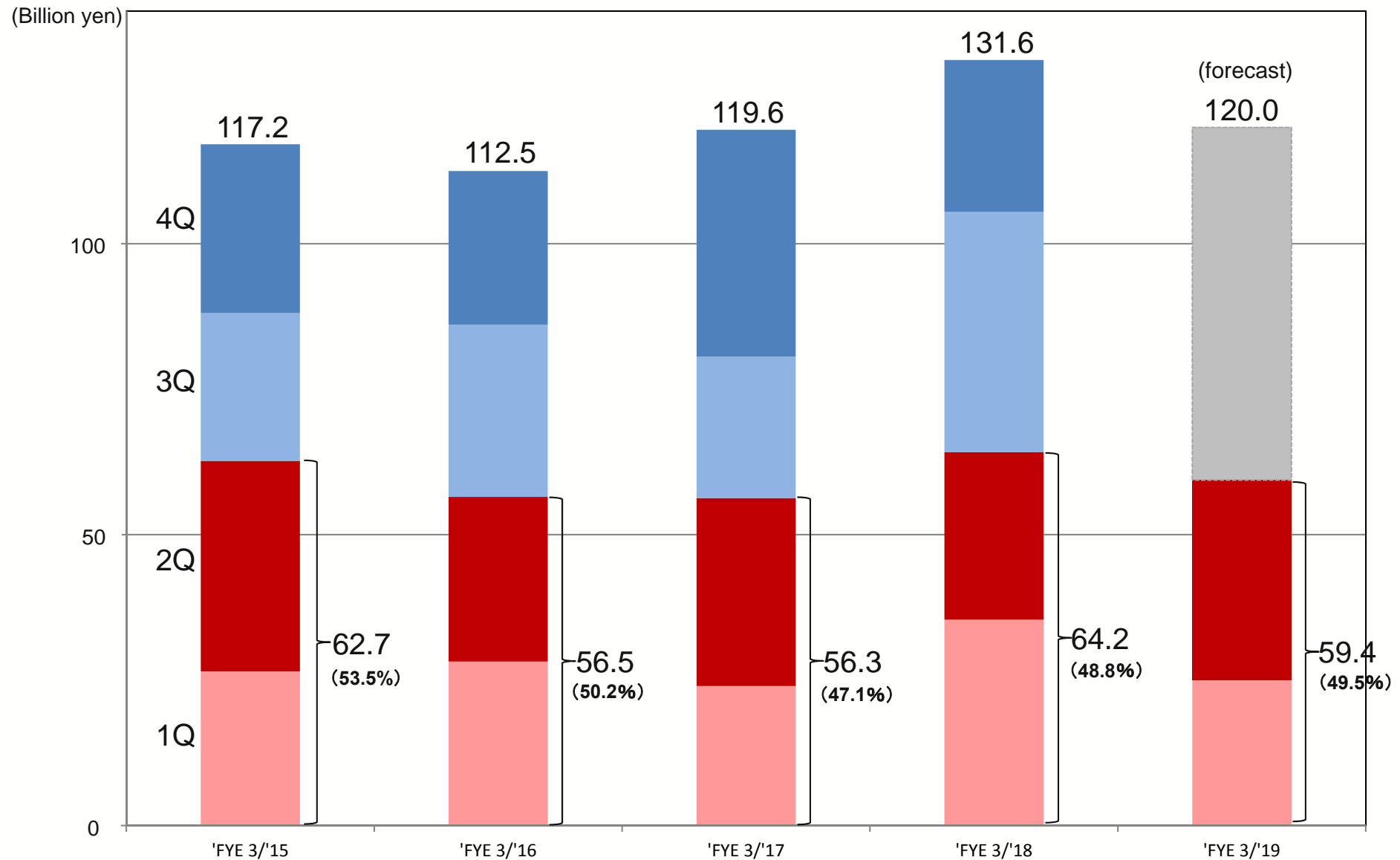
# Trend of 2Q Sales (Consolidated)

In our group's business, Japanese public works account for the majority, and sales and profits tend to be concentrated in 4Q. As a result, net sales of 1-2Q in previous years are around 25% of the year total. The net sales of this 1-2Q is at the same level as in previous years.



# Trend of 2Q orders received (Consolidated)

The orders received in 1-2Q usually accounts for around 50% of the year total.  
Composition ratio in this 1-2Q was at the same level as in previous years.



# Initiatives for medium-term strategic plan

## Technological development and investment

- \* Non aeration circulation type water treatment equipment was awarded “METI Industrial Technology Environmental Agency Director Prize” in “The 44th Excellent Environmental Equipment Award” by The Japan Society of Industrial Machinery Manufacturers
- \* Acquisition of JWRC\* Certification for UV Treatment Equipment with industry's first 1,200 m<sup>3</sup>/day model of UV treatment equipment using UV-LED following the 300 m<sup>3</sup>/day model (Refer to page 9)
  - \*The Japan Water Research Center, a public interest incorporated foundation
- \* Started development of portable emergency ceramic membrane systems (Refer to page 10)
- \* Establishment of an investment framework for venture companies etc. with a cumulative maximum of one billion yen in total, and commencement of operation

## PPP initiatives

- \* Establishment of concession preparation room
- \* Three center concept and initiatives for BCP method (temporary name) (Refer to page 11)



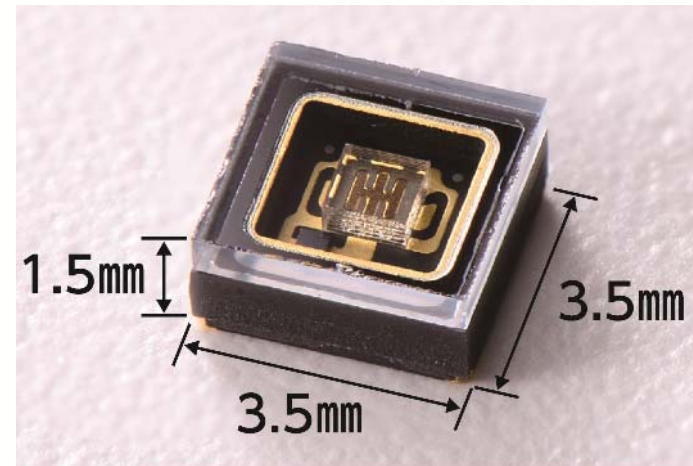
## Industry's first 1,200 m<sup>3</sup>/day model of UV treatment equipment using LED

Following the 300m<sup>3</sup>/day water treatment capacity model of UV treatment equipment using UV-LED as the light source for water purification, we acquired "JWRC Certification for UV Irradiation Equipment" of Japan Water Research Center (JWRC\*) with the industry's first 1,200m<sup>3</sup>/day water treatment capacity model.

\*The Japan Water Research Center, a public interest incorporated foundation



Image of the equipment's main body  
(image is of a 300 m<sup>3</sup>/day water treatment capacity model)



UV-LED package (enlarged view)

## Portable emergency ceramic membrane systems

We began developing portable emergency ceramic membrane systems using ceramic membrane which is one of our flagship technologies. (For water for domestic use such as for toilet / bath / laundry)

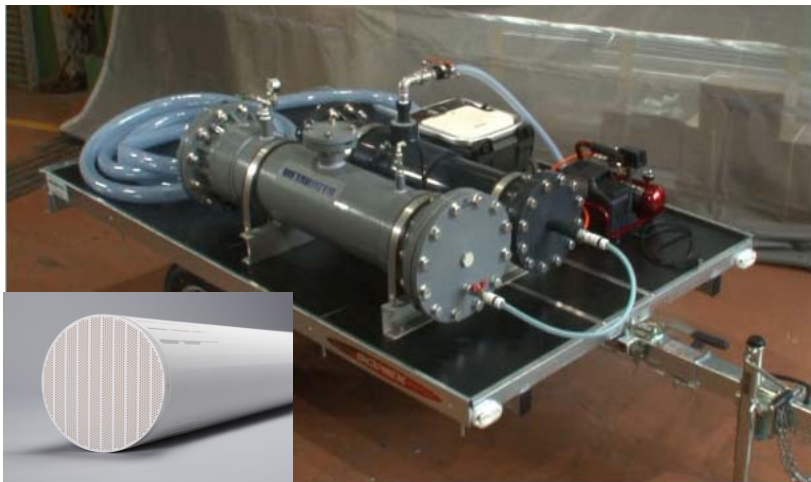
In addition to free loans to desired local governments, we are planning the deployment to our domestic bases in preparation for emergency loans.

### [Concept of Development]

- \* Based on the opinions of municipality who experienced a disaster
- \* Easy to install in a short time
- \* Excellent durability, and can be reused after long-term storage in a short time

### 【Performance/specification】

- \* Filtration capability : 25m<sup>3</sup> / day (depend on water quality and amount of water)
- \* Equipment weight : approx.120kg (after drying) / approx.170kg (in use)



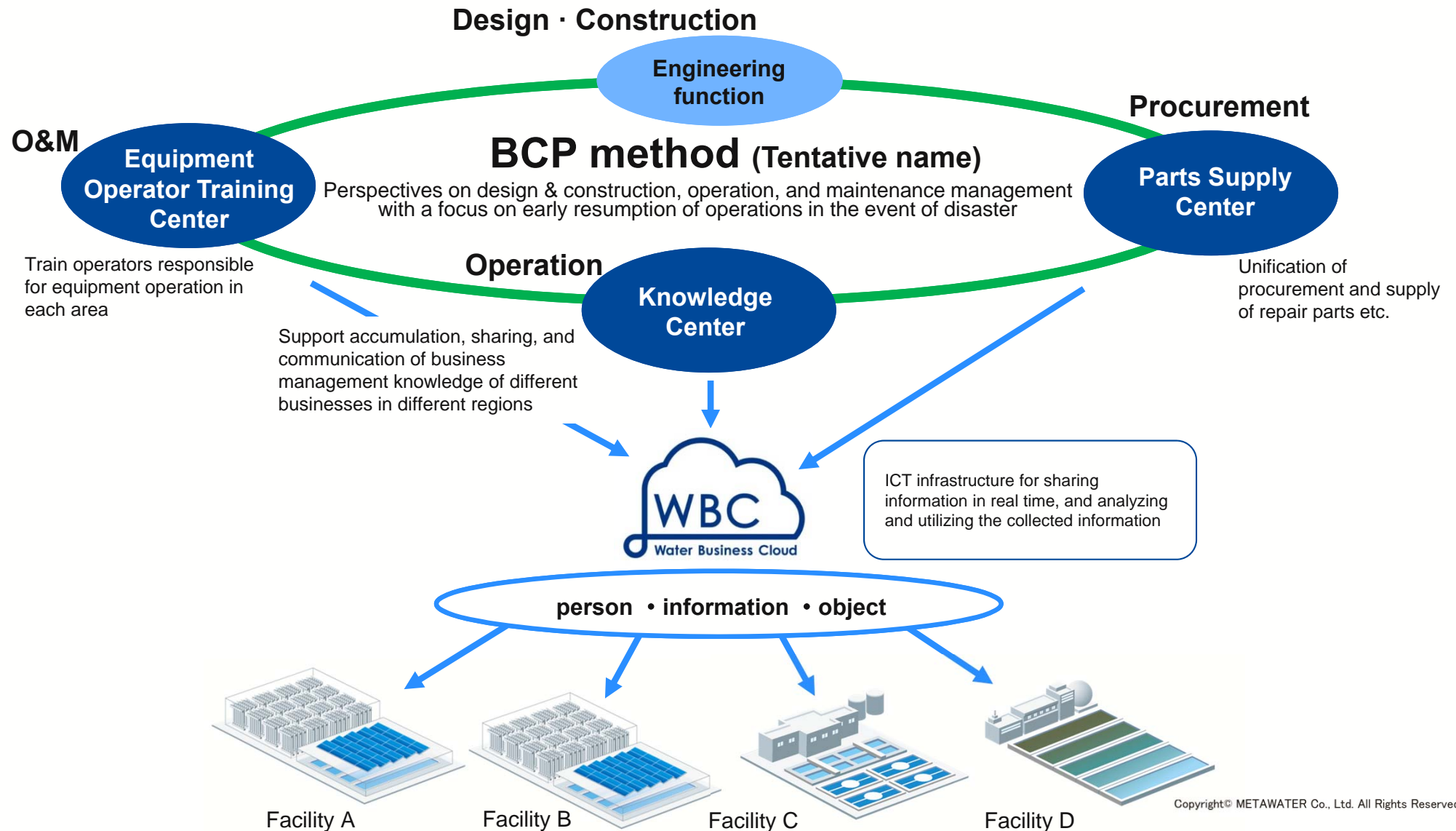
Ceramic membrane

Prototype model



Putting on the vehicle (image)

Development of methodology for **promotion of management system to achieve economies of scale** corresponding to unification + inclusion.



## Business promotion activities

- \* Participated as a sponsor company at the 11th International Water Association (IWA) World Water Congress/Exhibition (In Tokyo) (Refer to page 13)
- \* Participated in Singapore International Water Week 2018
- \* Participated in WEFTEC 2018, the largest water environment exhibition in North America
- \* Participated in Sewage Works Exhibition 2018 (In Kitakyushu)
- \* Participated in Water Exhibition 2018 (In Fukuoka)

## CSR activities

- \* Training programs and activities for education about the water cycle for children, the general public, and teachers
  - Visit to hold classes at the Shirakami-Sanchi World Heritage Conservation Center (Fujisatokan) in the town of Fujisato, Akita Prefecture
  - Private company training for teachers held by the Keizai Koho Center (the Japan Institute for Social and Economic Affairs, a general incorporated foundation) and other activities



# Business promotion activities IWA World Water Congress /Exhibition



Opening reception Greetings from sponsors



Business forum of host country committee PPP initiatives presented



Exhibition Booth of METAWATER



Business forum in the exhibition venue General managers for each division gave a lecture



**International Business Division**

"Development of differentiated water treatment technology by partnerships"

**Plant Engineering Division**

"Adapting to the era of Public Private Partnership (PPP) which is well under way, by combining mechanical and electrical services"

**Service Solution Division**

"Service strategies utilizing ICT such as community-based strategies and IOT cloud computing"

**Public Private Partnership Division**

"Development of business strategies that capture the change, and anticipate privatization, regionalization, and inclusion"

# Revision of FY19/3 Full-year Forecast (Consolidated)

\* Orders received and net sales were in line with the expectation

\* Meanwhile, concerning the profit, we are expecting the operating profit, ordinary income and net income\* to exceed our initial forecasts due to improvements in gross margin and progress in cost reduction

→ Revision of full-year forecast

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*	Net Income per share (Yen)	Dividend (Yen)
Previous forecast (Announced on 25th April)	120.0	120.0	7.0	6.9	4.7	181.30	62
Revised forecast	120.0	120.0	7.2	7.1	4.8	185.20	62
Change	-	-	+0.2	+0.2	+0.1	-	-
Rate of change	-	-	+2.9%	+2.9%	+2.1%	-	-
Results of for Previous year	131.6	110.9	6.7	6.5	3.9	151.65	58

\*Net income attributable to owners of parent company

I Highlights of the Second Quarter of the Fiscal Year  
Ending March 2019  
and forecasts for the Fiscal Year Ending March 2019

II Outline of Financial Results for the second Quarter  
of the Fiscal Year Ending March 2019

## II Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2019

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



# Consolidated Statement of Income

(Billion yen)

	1-2Q FYE 3/'18	1-2Q FYE 3/'19	Change
Net Sales	24.5	29.5	+5.0
Operating Profit	(5.1)	(3.7)	+1.5
Operating Profit Margin	-20.9%	-12.4%	+8.5%
Ordinary Income	(5.1)	(3.4)	+1.8
Net Income attributable to parent company shareholders	(3.6)	(2.4)	+1.2

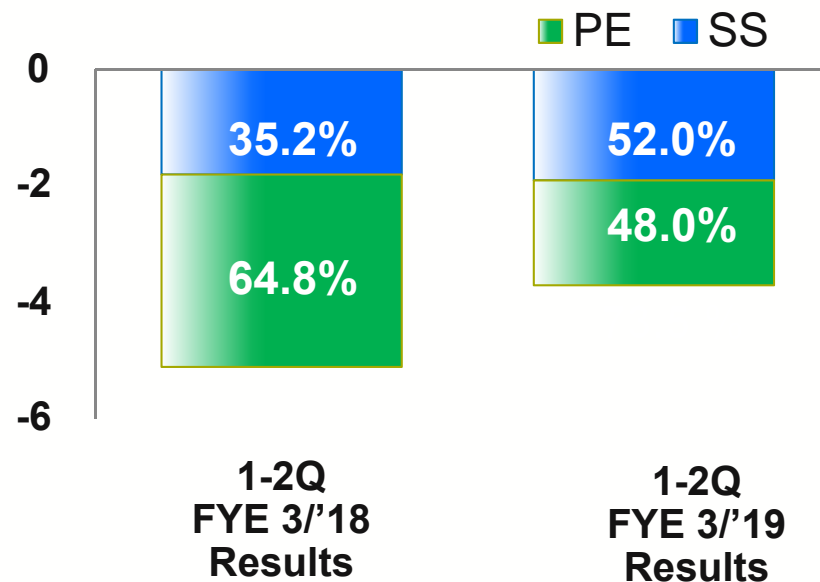
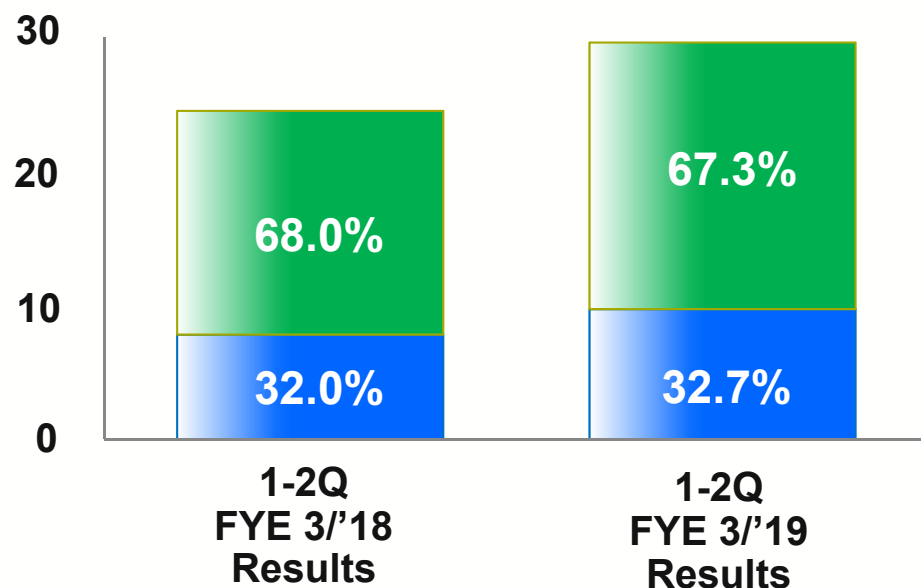
\*Rounded to the nearest 10 million yen

# Segment Information

(Billion yen)

	Net Sales		
	1-2Q FYE 3/'18	1-2Q FYE 3/'19	Change
PE	16.7	19.9	+3.2
SS	7.8	9.7	+1.8
<b>Total</b>	<b>24.5</b>	<b>29.5</b>	<b>+5.0</b>

	Operating Profit		
	1-2Q FYE 3/'18	1-2Q FYE 3/'19	Change
PE	(3.3)	(1.8)	+1.6
SS	(1.8)	(1.9)	-0.1
<b>Total</b>	<b>(5.1)</b>	<b>(3.7)</b>	<b>+1.5</b>



# Consolidated Balance Sheets

(Billion yen)

	End of FYE 3/'18	End of 2Q FYE 3/'19	Change
Cash and deposits	25.8	36.5	+10.7
Notes and accounts receivable-trade	72.2	34.1	-38.1
Inventories	5.9	15.4	+9.4
Others	1.5	3.7	+2.2
<b>Total current assets</b>	<b>105.4</b>	<b>89.7</b>	<b>-15.7</b>
Tangible fixed assets	3.0	3.0	-0.0
Intangible fixed assets	7.1	6.5	-0.6
Deferred Tax assets	3.6	3.4	-0.1
Others	4.0	4.1	+0.1
<b>Total fixed assets</b>	<b>17.6</b>	<b>17.0</b>	<b>-0.6</b>
<b>Total assets</b>	<b>123.0</b>	<b>106.6</b>	<b>-16.4</b>

	End of FYE 3/'18	End of 2Q FYE 3/'19	Change
Accounts payable-trade	29.9	12.6	-17.3
Short-term loans payable	<sup>*1</sup> (0.8) 1.1	(0.8) 1.1	+0.0
Advance received	10.7	17.4	+6.7
Others	7.3	5.5	-1.9
<b>Total current liabilities</b>	<b>49.0</b>	<b>36.7</b>	<b>-12.4</b>
Long-term loans payable	<sup>*2</sup> (11.5) 13.6	(11.1) 13.2	-0.4
Others	5.3	5.3	-0.0
<b>Total fixed liabilities</b>	<b>18.9</b>	<b>18.5</b>	<b>-0.5</b>
<b>Total liabilities</b>	<b>67.9</b>	<b>55.1</b>	<b>-12.8</b>
<b>Total net assets</b>	<b>55.0</b>	<b>51.5</b>	<b>-3.5</b>
<b>Total liabilities/ net assets</b>	<b>123.0</b>	<b>106.6</b>	<b>-16.4</b>

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

# Status of Consolidated Cash Flows

(Billion yen)

	1-2Q FYE 3/18	1-2Q FYE 3/19	Change
Cash and Cash equivalents at the end of previous FY	23.4	25.0	+1.6
Operating cash flow	10.9	12.5	+1.6
Investing cash flow	(0.5)	(0.5)	+0.0
Free cash flow	10.4	12.0	+1.6
Financing cash flow	(0.9)	(1.3)	-0.5
Effect of exchange rate changes on cash and cash equivalents	(0.0)	(0.0)	0.0
Cash and Cash equivalents at the end of current FY	32.9	35.7	+2.9

## 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

CSR Promotion Office, Investor & Public Relations Department, METAWATER Co., Ltd.

E-mail: [pr@metawater.co.jp](mailto:pr@metawater.co.jp)