



# METAWATER Co., Ltd.

For Immediate Release

January 29, 2019

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 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  | <a href="http://www.metawater.co.jp">http://www.metawater.co.jp</a>  |
| Representative   | Yasushi Nakamura<br>President and Representative Director  |
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| Filing date of quarterly securities report               | February 13, 2019  |
| 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 nine months ended December 31, 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                             | % |
| Nine months ended December 31, 2018 | 50,130      | 13.6  | (3,893)          | — | (3,733)         | — | (2,648)                                 | — |
| Nine months ended December 31, 2017 | 44,110      | (6.7) | (5,194)          | — | (5,200)         | — | (3,674)                                 | — |

Note: Comprehensive income:                      Nine months ended December 31, 2018      (2,448) million yen      — %  
    Nine months ended December 31, 2017      (3,693) million yen      — %

|                                     | Net income per share<br>- Basic - | Net income per share<br>- Diluted - |
|-------------------------------------|-----------------------------------|-------------------------------------|
|                                     | Yen                               | Yen                                 |
| Nine months ended December 31, 2018 | (102.17)                          | —                                   |
| Nine months ended December 31, 2017 | (141.76)                          | —                                   |

## (2) Consolidated financial position

|                         | Total assets | Net assets  | Shareholders' equity to total assets |
|-------------------------|--------------|-------------|--------------------------------------|
|                         | Million yen  | Million yen | %                                    |
| As of December 31, 2018 | 108,060      | 51,036      | 47.1                                 |
| As of March 31, 2018    | 122,991      | 55,042      | 44.6                                 |

Note: Shareholders' equity: As of December 31, 2018 50,865 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            | —                   | 31.00 | —   |       |        |
| Fiscal year ending March 31, 2019 (Forecast) |                     |       |     | 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 | 118,000     | 6.4 | 7,500            | 11.2 | 7,300           | 12.9 | 5,000                                   | 27.2 | 192.86                         |

Note: Revision of forecast for operating results from the latest announcement: Yes

**Notes:**

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2018.
  - (b) Number of treasury stock at the end of the period: 91 shares as of March 31, 2018 and 150 shares as of December 31, 2018.
  - (c) Average number of shares issued and outstanding for the period: 25,923,456 shares for the nine months ended December 31, 2017 and 25,923,388 shares for the nine months ended December 31, 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 Nine Months Ended December 31, 2018**

### **(1) Explanation of Operating Results**

During the nine months ended December 31, 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 our business 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 nine months ended December 31, 2018, net sales was ¥50,130 million (13.6% increase year to year), operating loss was ¥3,893 million (¥5,194 million for the nine months ended December 31, 2017), ordinary loss was ¥3,733 million (¥5,200 million for the nine months ended December 31, 2017) and loss attributable to owners of parent was ¥2,648 million (¥3,674 million for the nine months ended December 31, 2017). The outstanding order was ¥94,842 million (10.1% 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 ¥33,006 million (7.9% increase year to year) and operating loss amounted to ¥1,996 million (¥3,125 million for the nine months ended December 31, 2017), due to a steady growth in EPC business, offsetting with sluggish movement in foreign business. Outstanding order was ¥53,488 million (3.1% decrease year to year).

#### **(Service Solutions Business)**

For the Service Solutions Business, net sales amounted to ¥17,123 million (26.7% increase year to year) due to a steady growth in O&M and PPP businesses. Operating loss amounted to ¥1,896 million (¥2,068 million for the nine months ended December 31, 2017). Outstanding order was ¥41,353 million (17.8% 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 December 31, 2018 decreased by ¥14,931 million compared to March 31, 2018 to ¥108,060 million.

Current assets decreased by ¥14,493 million compared to March 31, 2018 to ¥90,907 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in work in process.

Non-current assets decreased by ¥437 million compared to March 31, 2018 to ¥17,153 million due to a decrease in goodwill and customer-related assets.

Current liabilities decreased by ¥10,069 million compared to March 31, 2018 to ¥38,972 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥855 million compared to March 31, 2018 to ¥18,051 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥4,005 million compared to March 31, 2018 to ¥51,036 million due to recognition of loss attributable to owners of parent and payment of dividends.

## (3) Explanation of Consolidated Business Forecast

Taking into consideration the performances and the business environment for the nine months ended December 31, 2018, the Group has revised the forecast for the fiscal year ending March 31, 2019 announced on October 31, 2018, as follows.

### Consolidated Business Forecast for the fiscal year ending March 31, 2019

|   | 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                            |
| Previous forecast (A)   | 120,000     | 7,200            | 7,100           | 4,800                                   | 185.20                         |
| Revised forecast (B)  | 118,000     | 7,500            | 7,300           | 5,000                                   | 192.86                         |
| Change (B - A)  | (2,000)     | 300              | 200             | 200                                     |                                |
| Change %  | (1.7)%      | 4.2%             | 2.8%            | 4.2%                                    |                                |
| (For reference)<br>Actual result for the<br>fiscal year ended<br>March 31, 2018 | 110,895     | 6,745            | 6,465           | 3,931                                   | 151.65                         |

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

|                                       | (Millions of yen)    |                         |
|---------------------------------------|----------------------|-------------------------|
|                                       | As of March 31, 2018 | As of December 31, 2018 |
| <b>Assets</b>                         |                      |                         |
| Current assets                        |                      |                         |
| Cash and deposits                     | 25,805               | 26,019                  |
| Notes and accounts receivable - trade | 72,164               | 37,176                  |
| Work in process                       | 2,623                | 18,973                  |
| Supplies                              | 3,299                | 3,681                   |
| Other current assets                  | 1,508                | 5,055                   |
| Total current assets                  | 105,401              | 90,907                  |
| Non-current assets                    |                      |                         |
| Property, plant and equipment         | 2,982                | 3,141                   |
| Intangible assets                     |                      |                         |
| Goodwill                              | 1,842                | 1,745                   |
| Customer-related assets               | 2,769                | 2,644                   |
| Other                                 | 2,447                | 2,002                   |
| Total intangible assets               | 7,060                | 6,392                   |
| Investments and other assets          | 7,548                | 7,619                   |
| Total non-current assets              | 17,590               | 17,153                  |
| Total assets                          | 122,991              | 108,060                 |

**(1) Quarterly Consolidated Balance Sheets (continued)**

(Millions of yen)

|  | As of March 31, 2018 | As of December 31, 2018 |
|--|----------------------|-------------------------|
| <b>Liabilities</b>                                     |                      |                         |
| Current liabilities                                    |                      |                         |
| Accounts payable - trade                               | 18,372               | 8,391                   |
| Electronically recorded obligations                    | 8,155                | 6,327                   |
| Short-term loans payable                               | 269                  | 281                     |
| Current portion of PFI and other project finance loans | 833                  | 842                     |
| Income taxes payable                                   | 2,173                | 67                      |
| Advances received                                      | 10,719               | 17,232                  |
| Provision for warranties for completed construction    | 857                  | 664                     |
| Provision for loss on construction contracts           | 204                  | 210                     |
| Other current liabilities                              | 7,456                | 4,952                   |
| Total current liabilities                              | 49,042               | 38,972                  |
| Non-current liabilities                                |                      |                         |
| Long-term loans payable                                | 2,050                | 1,993                   |
| PFI and other project finance loans                    | 11,549               | 10,742                  |
| Liability for retirement benefit                       | 5,294                | 5,196                   |
| Other non-current liabilities                          | 11                   | 118                     |
| Total non-current liabilities                          | 18,906               | 18,051                  |
| Total liabilities                                      | 67,949               | 57,024                  |
| <b>Net assets</b>                                      |                      |                         |
| Shareholders' equity                                   |                      |                         |
| Capital stock  | 11,946               | 11,946                  |
| Capital surplus  | 15,080               | 15,080                  |
| Retained earnings                                      | 30,214               | 26,010                  |
| Treasury stock   | (0)                  | (0)                     |
| Total shareholders' equity                             | 57,241               | 53,038                  |
| Accumulated other comprehensive income                 |                      |                         |
| Valuation difference on available-for-sale securities  | 54                   | 55                      |
| Foreign currency translation adjustment                | 84                   | (95)                    |
| Remeasurements of defined benefit plans                | (2,474)              | (2,132)                 |
| Total accumulated other comprehensive income           | (2,335)              | (2,171)                 |
| Non-controlling interest                               | 136                  | 170                     |
| Total net assets                                       | 55,042               | 51,036                  |
| Total liabilities and net assets                       | 122,991              | 108,060                 |



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

**Quarterly Consolidated Statement of Income**

(Millions of yen)

|  | Nine months ended<br>December 31, 2017 | Nine months ended<br>December 31, 2018 |
|--|--|--|
| Net sales  | 44,110                                 | 50,130                                 |
| Cost of sales                                    | 36,990                                 | 41,774                                 |
| Gross profit                                     | 7,120                                  | 8,356                                  |
| Selling, general and administrative expenses     | 12,315                                 | 12,249                                 |
| Operating loss                                   | (5,194)                                | (3,893)                                |
| Non-operating income                             |  |  |
| Interest income                                  | 144                                    | 148                                    |
| Dividends income                                 | 33                                     | 53                                     |
| Foreign exchange gains                           | 14                                     | 154                                    |
| Miscellaneous income                             | 14                                     | 4                                      |
| Total non-operating income                       | 206                                    | 360                                    |
| Non-operating expenses                           |  |  |
| Interest expenses                                | 161                                    | 156                                    |
| Loss on disposal of non-current assets           | 47                                     | 44                                     |
| Miscellaneous loss                               | 4                                      | 0                                      |
| Total non-operating expenses                     | 213                                    | 201                                    |
| Ordinary loss                                    | (5,200)                                | (3,733)                                |
| Loss before income taxes                         | (5,200)                                | (3,733)                                |
| Income taxes                                     | (1,542)                                | (1,121)                                |
| Net loss   | (3,658)                                | (2,612)                                |
| Profit attributable to non-controlling interests | 16                                     | 36                                     |
| Loss attributable to owners of parent            | (3,674)                                | (2,648)                                |

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

**Quarterly Consolidated Statement of Comprehensive Income**

|  | (Millions of yen)                      |  |
|--|--|--|
|  | Nine months ended<br>December 31, 2017 | Nine months ended<br>December 31, 2018 |
| Net loss   | (3,658)                                | (2,612)                                |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 14                                     | 1                                      |
| Foreign currency translation adjustment                        | (410)                                  | (179)                                  |
| Remeasurements of defined benefit plans                        | 360                                    | 341                                    |
| Total other comprehensive (loss) / income                      | (35)                                   | 163                                    |
| Comprehensive loss   | (3,693)                                | (2,448)                                |
| (Details)  |  |  |
| Comprehensive loss attributable to owners of parent            | (3,710)                                | (2,484)                                |
| Comprehensive income attributable to non-controlling interests | 16                                     | 36                                     |

### **(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 nine months ended December 31, 2018 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

## Segment Information

Nine months ended December 31, 2017

(Millions of yen)

|  | Reportable segments              |                                  |         | Adjustments | Consolidated |
|--|----------------------------------|----------------------------------|---------|-------------|--------------|
|  | Plant<br>Engineering<br>Business | Service<br>Solutions<br>Business | Total   |             |              |
| Net Sales                                      |                                  |                                  |         |             |              |
| Sales to third parties                         | 30,594                           | 13,516                           | 44,110  | —           | 44,110       |
| Inter-segment<br>transactions and<br>transfers | —                                | —                                | —       | —           | —            |
| Net sales                                      | 30,594                           | 13,516                           | 44,110  | —           | 44,110       |
| Segment loss                                   | (3,125)                          | (2,068)                          | (5,194) | —           | (5,194)      |

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.

Nine months ended December 31, 2018

(Millions of yen)

|  | Reportable segments              |                                  |         | Adjustments | Consolidated |
|--|----------------------------------|----------------------------------|---------|-------------|--------------|
|  | Plant<br>Engineering<br>Business | Service<br>Solutions<br>Business | Total   |             |              |
| Net Sales                                      |                                  |                                  |         |             |              |
| Sales to third parties                         | 33,006                           | 17,123                           | 50,130  | —           | 50,130       |
| Inter-segment<br>transactions and<br>transfers | —                                | —                                | —       | —           | —            |
| Net sales                                      | 33,006                           | 17,123                           | 50,130  | —           | 50,130       |
| Segment loss                                   | (1,996)                          | (1,896)                          | (3,893) | —           | (3,893)      |

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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