

TRANSLATION - FOR REFERENCE ONLY



# Outline of Financial Results for the Fiscal Year Ended March 2019

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April 25, 2019  
METAWATER Co., Ltd.

## 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)
Concession	An approach of granting business operation rights to private companies for a long term while leaving the authority of public facilities and authorization of business management to the public.

- I Highlights of Financial Results for the Fiscal Year Ended March 2019
- II Progress of Medium-Term Business Plan 2020 (FY2019-2021)
- III Full-Year Forecast of Financial Results and Dividend for Fiscal Year Ending March 2020
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# Financial Highlights of FYE March 2019 (Consolidated)

## \* Orders Received

Our domestic EPC business performed well and **exceeded previous forecasts**. This is the second highest on record, behind only the previous year. The company's order backlog also **hit a record high**.

[Reference] Order backlog: 135.9 billion yen at the end of the 2018 fiscal year → 142.4 billion yen at the end of the 2019 fiscal year (new record high)

## \* Net Sales & Profit

Sales increased due to strong sales of Domestic EPC, O&M and PPP.

Operating income, ordinary income, and net income **all increased** due to gross profit improved by sales growth.

**Net sales and each income are roughly in line with previous forecasts.**

## \* Dividends

Based on the stable dividend policy, maintained 62 yen per year (interim dividend: 31 yen, year-end dividend: 31 yen\*1) .

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*2	Dividend (yen)
FYE 3/'19 Results	123.8 Change: +3.8 YoY: -7.8	117.3 Change: -0.7 YoY: +6.4	7.6 Change: +0.1 YoY: +0.9	7.6 Change: +0.3 YoY: +1.2	5.2 Change: +0.2 YoY: +1.2	62
	—	—	Margin: 6.5%	Margin: 6.5%	Margin: 4.4%	—
FYE 3/'19 forecast (On 29th Jan.)	120.0	118.0	7.5	7.3	5.0	62
FYE 3/'18 Results	131.6	110.9	6.7	6.5	3.9	58
	—	—	Margin: 6.1%	Margin: 5.8%	Margin: 3.5%	—

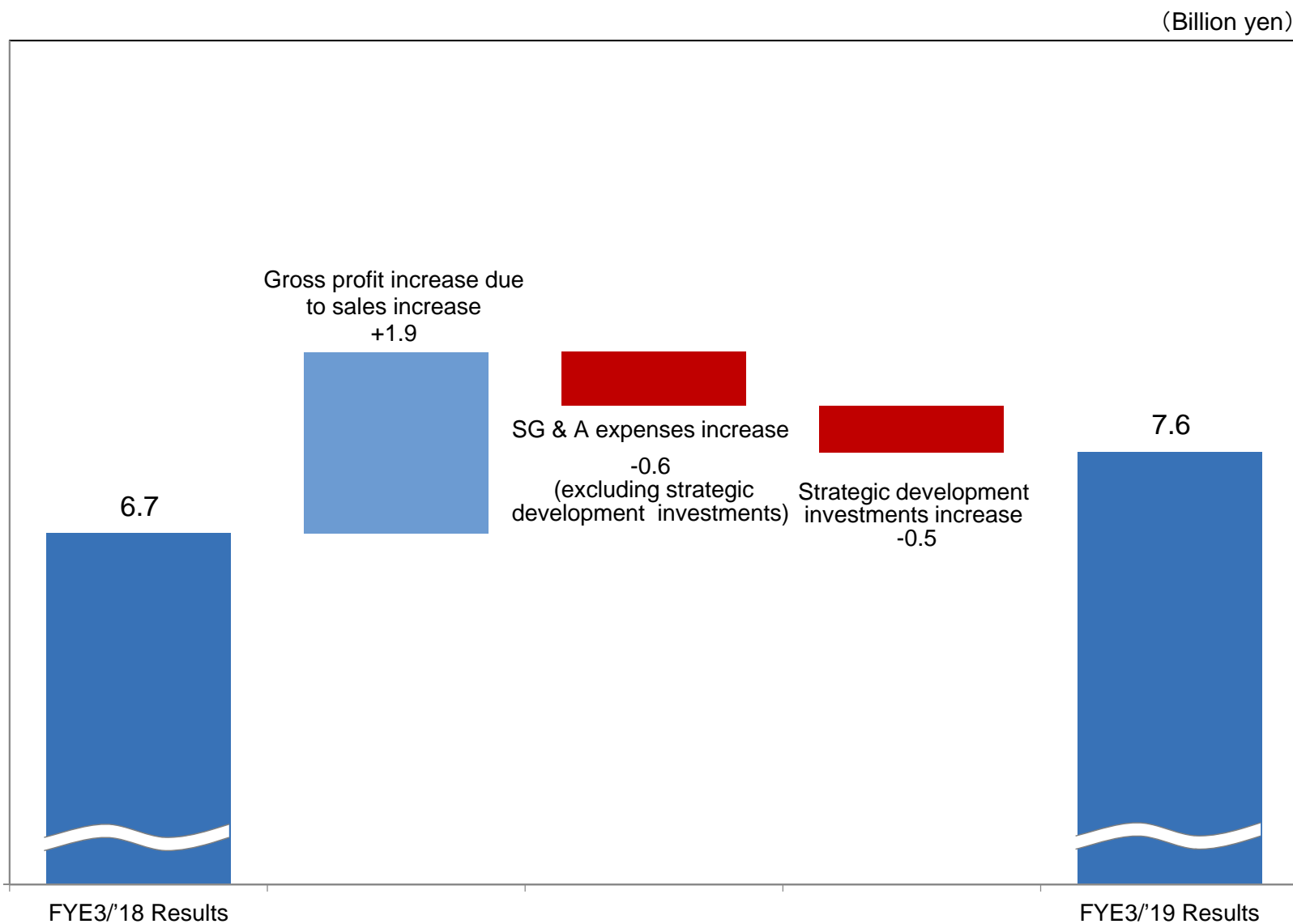
※ Rounded to the nearest 10 million yen

\*1 The year-end dividend of 31 yen will be resolved in May

\*2 Net income attributable to owners of parent company

# Operating profit growth factors and contraction factors (YoY)

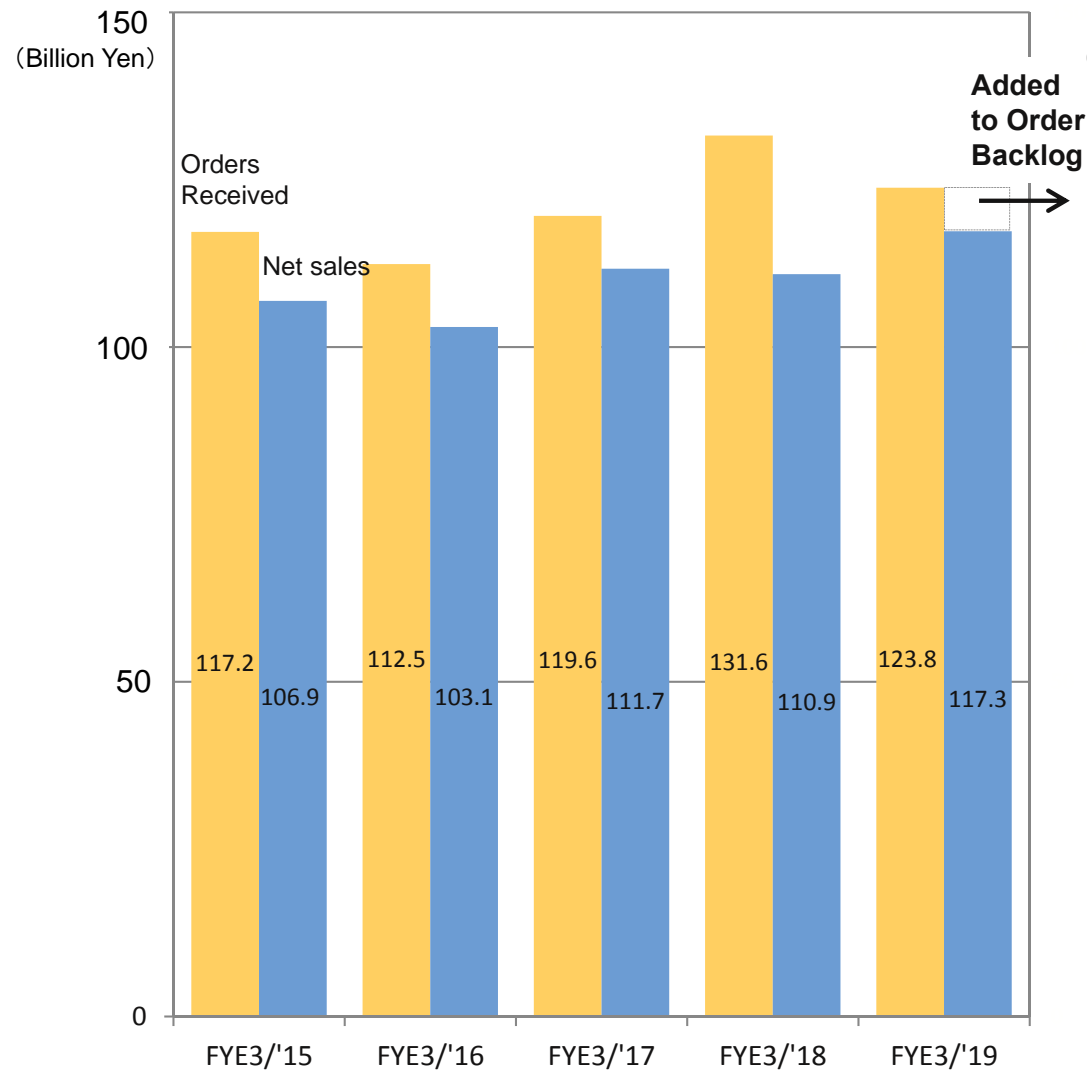
METAWATER's profit grew as increase in sales improved the ratio of gross profit to net sales and other areas and compensated factors of loss such as strategic development investments.



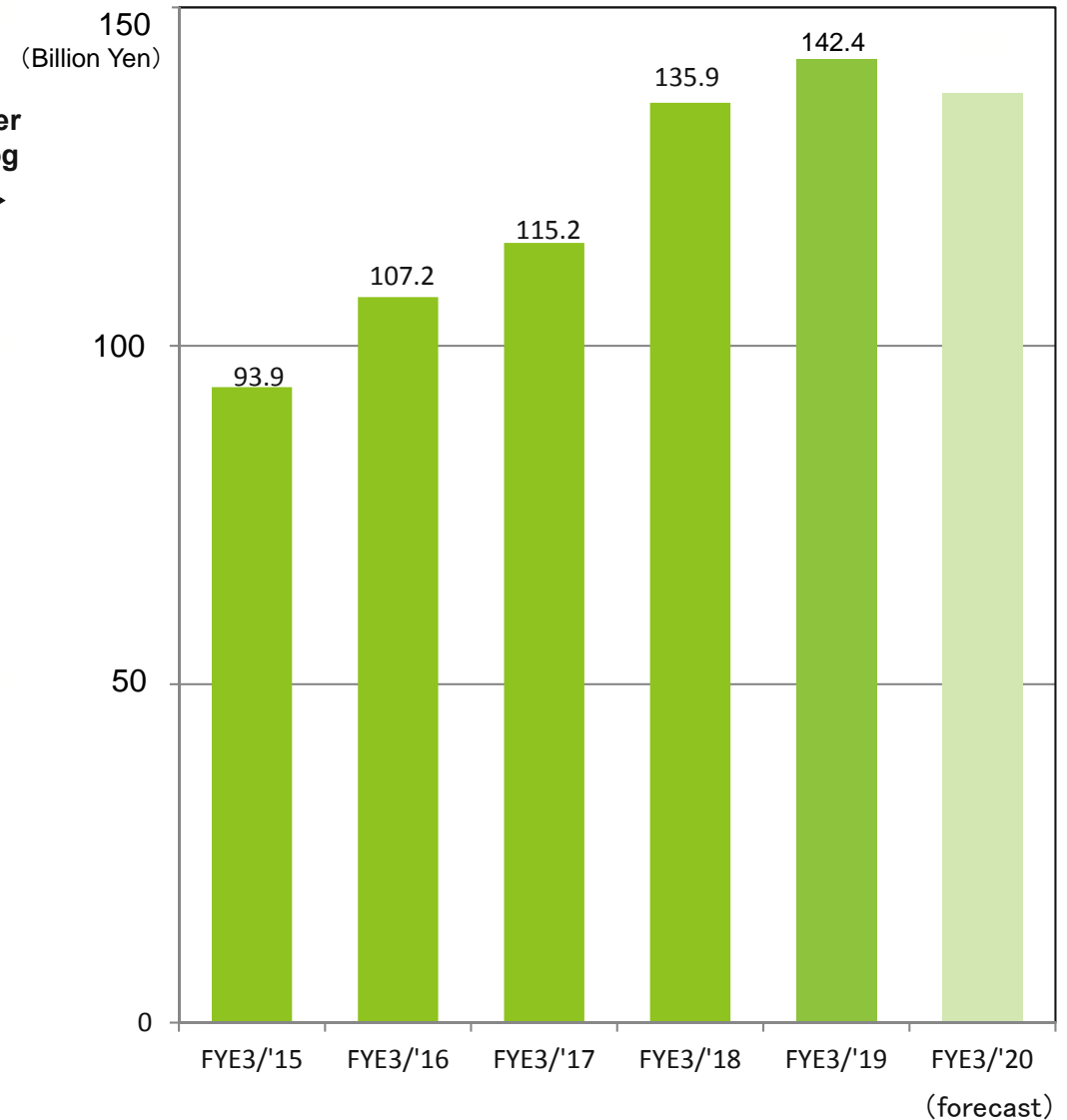
# Backlog of orders

Order backlogs hit record highs and are expected to be converted into future sales.

Change in orders received / Net sales (consolidated)



Changes in order backlogs (consolidated)



## Domestic

- \* Construction Orders Received : **Orders of 13 cases valued at 1 billion yen or more.**  
(Total worth of 25.3 billion yen)  
(16 cases in the previous FY, Total value of 36.2 billion yen)  
  
**Orders of 19 cases with 500 million yen or more and less than 1 billion yen. (Total value of 12.4 billion yen)**  
(13 cases in the previous FY, Total value of 9.5 billion yen)
- \* Construction Completed: **13 cases** (10 cases in the previous FY) **with orders valued at 1 billion yen or more** are completed.
- \* Operation and maintenance new entrusted: **1 case**
- \* Operation and maintenance started: **4 cases**



# Achievements in the FYE March 2019- Business Activities / Partnerships

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## Domestic

- \* Updated maintenance of Aizu Wakamatsu City Takizawa water treatment plant was completed and maintenance work started (1Q)
- \* Establishment of concession preparation room (2Q)
- \* Fukuchiyama City's "comprehensive outsourcing of projects to private sectors such as water-supply system operation" and the like) is commissioned (3Q)
- \* Handover Completed of Nitrogen Removal Facility Using Anammox Bacteria (4Q)

## Overseas

- \* Construction completed for the sewage treatment plant, which the joint venture of METAWATER won an order for in Hoi An City, Vietnam (3Q)
- \* Strengthening strategic alliance with PWNT of the Netherlands to develop water treatment technology using ceramic membranes (3Q)
- \* Establishment of Representative Office Registered in Singapore (4Q)

## Company-wide

- \* Establishment of an investment framework for venture companies etc. with a cumulative maximum of one billion yen in total, and commencement of operation (3Q)

# Achievements in the FYE March 2019 - Technology and Development / Exhibition

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## Technology and development

- \* A guideline is developed from FY2015 B-DASH\* project "Demonstration Project: Stormwater Management Technology for Local Heavy rainfall in Urban Area" (1Q)
- \* "Demonstration Project on Practical Application of Realization System of Continuous Stock Management with Maintenance Management as Starting Point Utilizing Cloud" selected for B-DASH\* demonstration project in FY2018 (1Q)
- \* 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 (2Q)

## Communication activity

- \* Exhibited at Sewage Works Exhibition 2018 In Kitakyushu and Water Exhibition 2018 in Fukuoka (2Q, 3Q)
- \* Participation in IWA (Tokyo ) (2Q) as a sponsor company and setting up a booth at IFAT (Germany) (1Q), SIWW (Singapore) (2Q), Viet water (Vietnam) (3Q), and WEFTEC (US) (3Q)
- \* A business briefing session for institutional investors was held and a booth was set up at an asset management fair, a large scale event for individual investors (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

## Environment・Social

- \* Visit to hold classes at the Shirakami-Sanchi World Heritage Conservation Center (Fujisatokan) in the town of Fujisato, Akita Prefecture (2Q)
- \* 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 (2Q)
- \* Sponsored Ecopro 2018 "Great Adventure Executive Committee on Water" (3Q)
- \* JV (a joint venture company of METAWATER Group and Gero Tube Equipment Association) was offered a letter of appreciation from Gero City for its response to disaster restoration due to the heavy rain in July 2018 (3Q)
- \* Exhibited at the citizen event of "METAWATER Sewerage Science Center Aichi" as a naming rights partner (2Q , 3Q)

## Governance

- \* Establishment of Advisory Committee for Nomination and Remuneration as an optional advisory body under the Board of Directors (3Q)

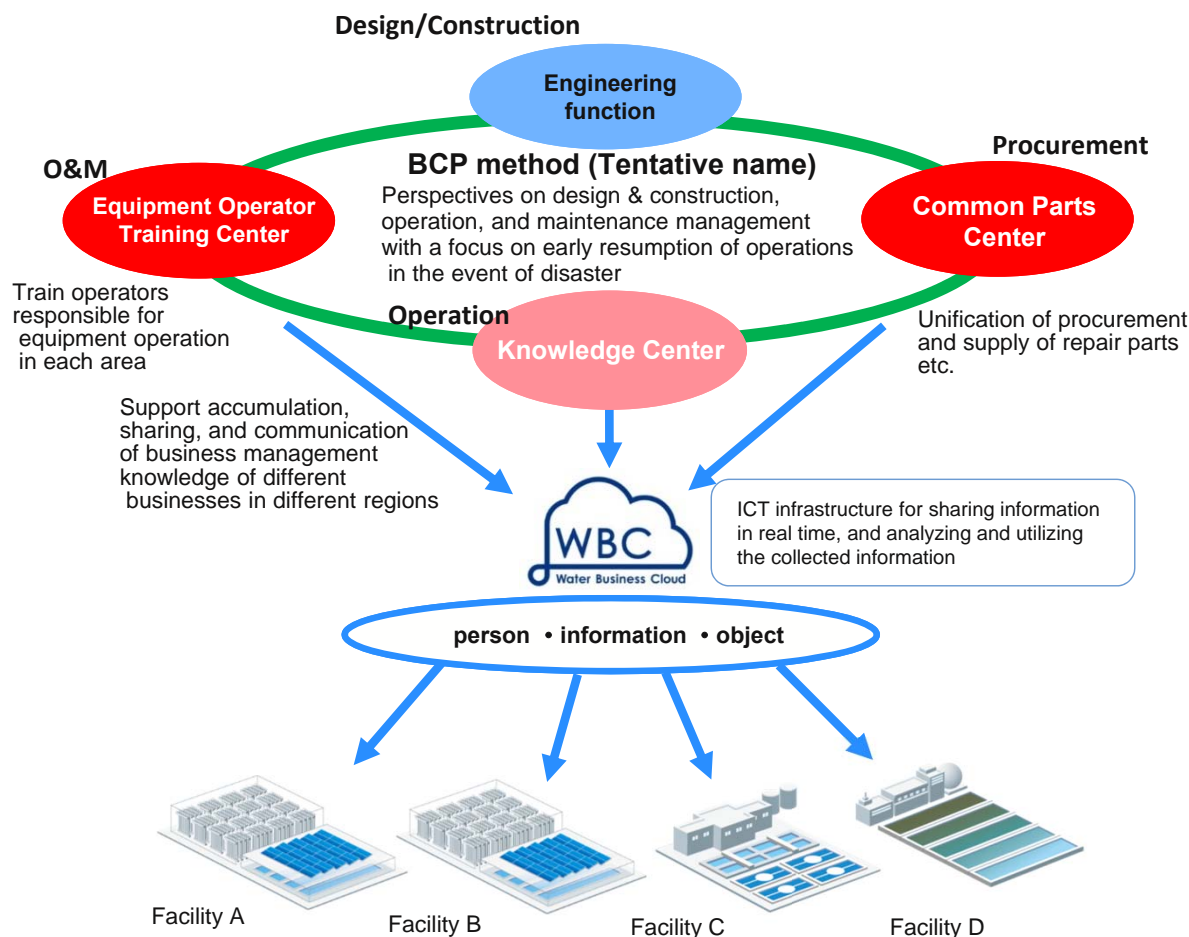
## Others

- \* Review of our corporate philosophy (1Q)
- \* Conducted a campaign to commemorate the 10th anniversary of the establishment of our group (1Q~4Q)

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# Strategic development investment (1) - 3 center concept and initiatives for BCP method (Tentative name)

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



## [Equipment Operator Training Center]

The center is in operation since November 1, 2017. We are developing human resources who will be responsible for facility operation across the country.

We got down to work on construction of a universal design for daily inspections in order for new operators to efficiently carry out complex inspection tasks.

## [Knowledge Center]

On April 1, 2019, the "Innovation Center" was established to expand basic fundamental technologies that make use of cutting-edge technologies.

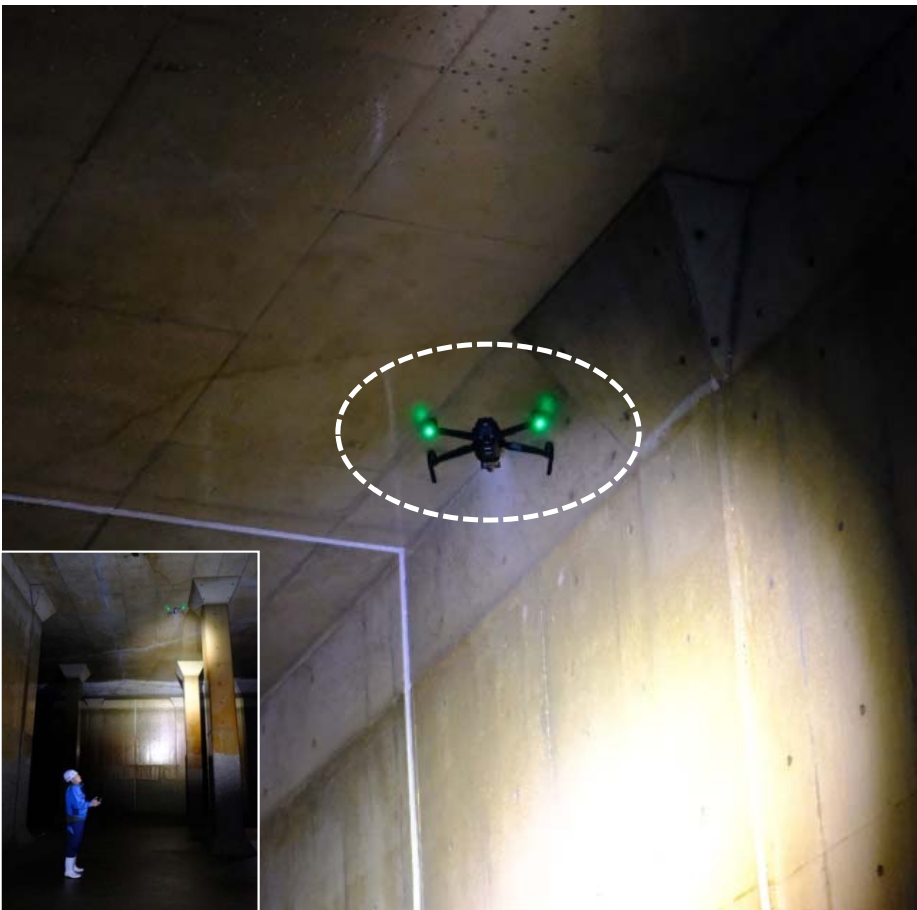
This Center takes on some of the functions of the Knowledge Center in order to accumulate, share and transmit business operation knowledge.

## [Common parts center]

We plan to establish a "Common Parts Center" to promote parts information organization and centralized management as well as optimization and sharing of parts possession

## Strategic development investment (2) - State-of-the-art technology including AI and ICT

Work to secure labor and improve productivity in response to population decline by using AI and ICT.



Start trials of facility inspection using drone  
Check cracks on the inner wall of reservoir

Management of workplace safety with image recognition technology that utilizes artificial intelligence

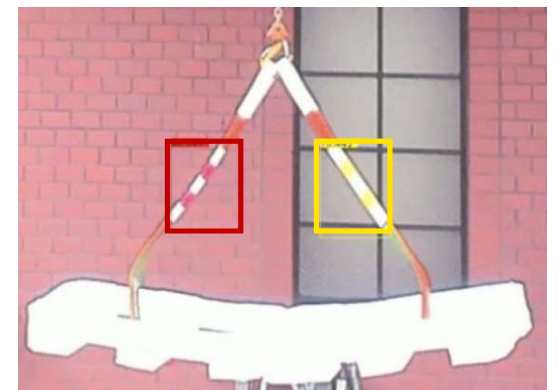


○ Helmet "worn"



× Helmet "not worn"

Constructs a system to visualize abnormal locations of equipment and devices necessary for securing safety





## Strategic development investment (2) - State-of-the-art technology including AI and ICT

Recognize and warn of helmet worn / not worn (a subject distance of around 40m)



## Strategic development investment (2) - State-of-the-art technology including AI and ICT

By giving the facility the function of the "eye", we aim to achieve "a job that can **be easily done by humans** but **cannot be easily done by computers**."

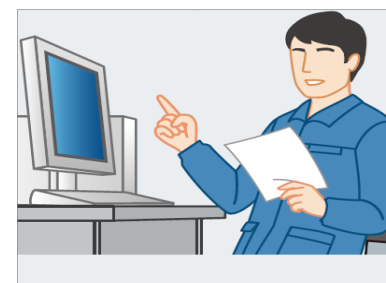
### Operation Management



Central monitoring



Entry and exit (intruder) management



Preparation of a report



Easy to automate  
(already automated)



Easy for humans but  
**difficult for computers**

### Maintenance Safety Management



Patrol and inspection



Inspection of drugs etc.



Work safety check

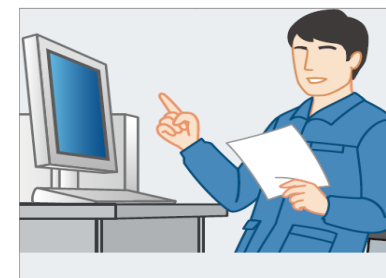
### Water quality management



Water quality inspection



Water quality analysis



Preparation of a report

Work  
using eyes





## Strategic development investment (3) - Development of No. 1 selling product group

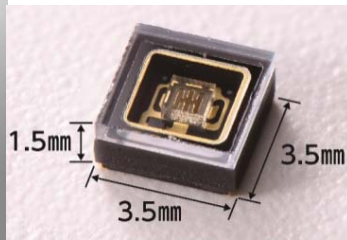
### \* The industry's first UV treatment equipment using LED

Our UV treatment equipment using UV-LED obtained JWRC's\* Certification of Ultraviolet Disinfection Units for 300 m<sup>3</sup>/day model and 1,200 m<sup>3</sup>/day, and sales activities are started.

\*Japan Water Research Center



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)

Thanks to the kindness of Nagoya University, a model is displayed on campus.

Commemorative photo with Prof. Hiroshi Amano, who won the Nobel Prize in Physics in 2014

Photo: Provided by Nagoya University



#### 【Future developments】

1. For the domestic market, we will develop a high-output, large-capacity, power-efficient model, and conduct pilot experiments.
2. Confirm its suitability for the North American market, and consider its deployment at AAS\*.

\*Aqua-Aerobic Systems, Inc.  
(A consolidated subsidiary of a water treatment engineering company in North America)

#### 【reference】

※ Converted at 1 US \$ = ¥ 112

#### North American Disinfection Market

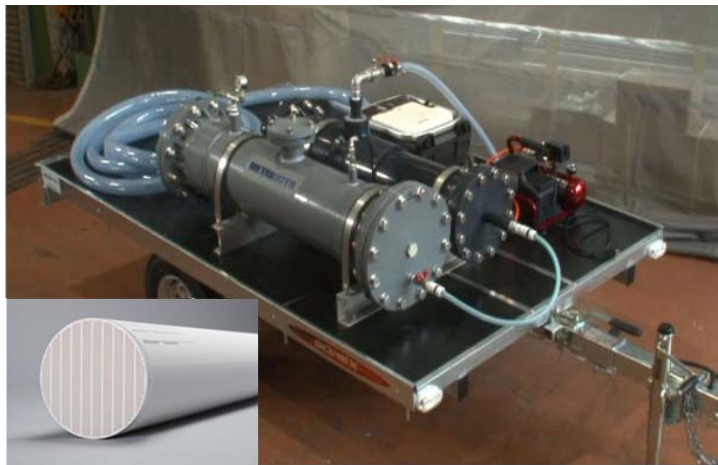
For water and sewage (chlorine, UV, ozone, hypoxia) : approximately 92 billion yen/year (2019)

For water and sewage (UV only) : Approximately 28 billion yen / year (2019)

For private use : It is almost the same size as the water and sewage market, with food / beverage, dechlorination, disinfection of swimming pools, sea farming, etc. at the core.

### \* Portable emergency ceramic membrane systems

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



Ceramic membrane

Prototype model

#### 【Future developments】

1. In Japan, secure the water quality of drinkable level, and set specifications that can perform aggregation, membrane filtration, backwashing, and disinfection using a small generator.
2. For overseas markets, consider development and roll-out of low-cost basic models that can be used without relying on electricity

# Strategic development investment (3) - Development of No. 1 selling product group

## \* Water Environment Controller “ZLS”

(To be announced on April 25, 2019)

Device to control movement of each facility in water purification and sewage treatment plants. It achieves high environmental performance and high level of availability required for operation and maintenance. The specifications are improved as compared to conventional models, and the device ensures complete security compliant with IEC 62443 \*.

\*Security Management System Standard for Control System



Water Environment Controller “ZLS”

### 【Features】

#### 1. Environmental performance

Enhanced resistance to highly corrosive environments through printed circuit board coating for the CPU and power supply part

#### 2. high level of availability

Stable operation with high reliability product technology (hardware, software) and high quality parts

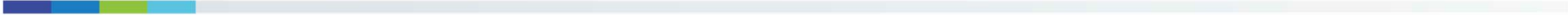
#### 3. high maintainability

Information collection function provided in case of abnormal occurrence

#### 4. Development / Applicability

Hardware and software structure considering future functional expansion

## Strategic development investment (4) - Creation of added value through work-style reform



Abolish the concept of “time” “place” and “age”, and realize a diversified workplace environment that supports a wide variety of work styles tailored to each employee

### **\* Telework**

Approximately 10% of the 1,500 target employees (full-time employees) experienced

### **\* Implementation of a “three-day weekend” trial and study on future full-scale operation**

Approximately 50% of the 160 target employees (design department) experienced

### **\* The Tokyo Labor Bureau requested interviews about the status of our company’s “work-style reform,” and we accepted them. (4Q)**



## Strategic development investment (4) - Creation of added value through work-style reform

Following the head office, satellite offices have opened in Sendai, Tachikawa, Hino, Nagoya, Osaka and Kobe. Opening of another four offices is planned in Saitama, Yokohama, Chita and Kyushu.

[Examples of effect]

- \* The operating rate of Tachikawa Remote Office is 65% to 70%. 30 hours per person per month are saved due to reduction of commute time
  - \* Assumed 90 minutes of commute between Tachikawa and head office (Akihabara)
- \* The head office satellites are used by 100 to 120 people / day including head office workers and business travelers, which results in productivity improvement



**Osaka**  
(inside office)



**Nagoya**  
(inside office)



**Head office**  
(inside office)



**Sendai**  
(inside office)



**Kobe**  
(remote Office)



**Hino**  
(inside office)



**Tachikawa**  
(remote office)

# Promote strengthening of ESG

## BCM\*1 efforts and improvement of BCP\*2 effectiveness

【Conducted disaster drills assuming large earthquakes】

In cooperation with the Arao City Business Bureau, Kumamoto Prefecture, we have verified the recovery response ability level within 9 hours after a disaster and the effectiveness of the ICT tool

### Field training exercise

Equipment inspection  
Understanding and reporting  
of the disaster situation



### Training at countermeasure headquarters

Regular sharing of collected information  
Creation of emergency response plans, etc.



### Wide area cooperation support training

Scrutinizing support request items  
Adjustment of support plans



\* 1 BCM: Business continuity management    \* 2 BCP: Business Continuity Plan

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# Forecast of FYE 3/'20 (Consolidated)

## \* Orders Received

Aiming for stable orders to realize our long-term vision.

## \* Net Sales

Domestic EPC, O&M, and PPP businesses continue to perform well and sales are expected to **increase**.

## \* Profit

For the fiscal year ending March 2020, **the company's profit is expected to increase only slightly as compared to the increase in sales** due to the impact of some of the large-scale projects with low gross profit.

We will carefully review our work progress forecasts for the fiscal year ending March 2020, and announce them when releasing financial results for the second quarter of fiscal 2019.

## \* Dividend

We will maintain stable dividends.

(Billion Yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*	Dividend (yen)
FYE3/'20 Forecast	120.0 YoY: -3.8 -3.1%	125.0 YoY: +7.7 +6.5%	8.0 YoY: +0.4 +5.2%	8.0 YoY: +0.4 +4.9%	5.5 YoY: +0.3 +6.4%	62
	—	—	Margin: 6.4%	Margin: 6.4%	Margin: 4.4%	—
FYE3/'19 Results	123.8	117.3	7.6	7.6	5.2	62
	—	—	Margin: 6.5%	Margin: 6.5%	Margin: 4.4%	—

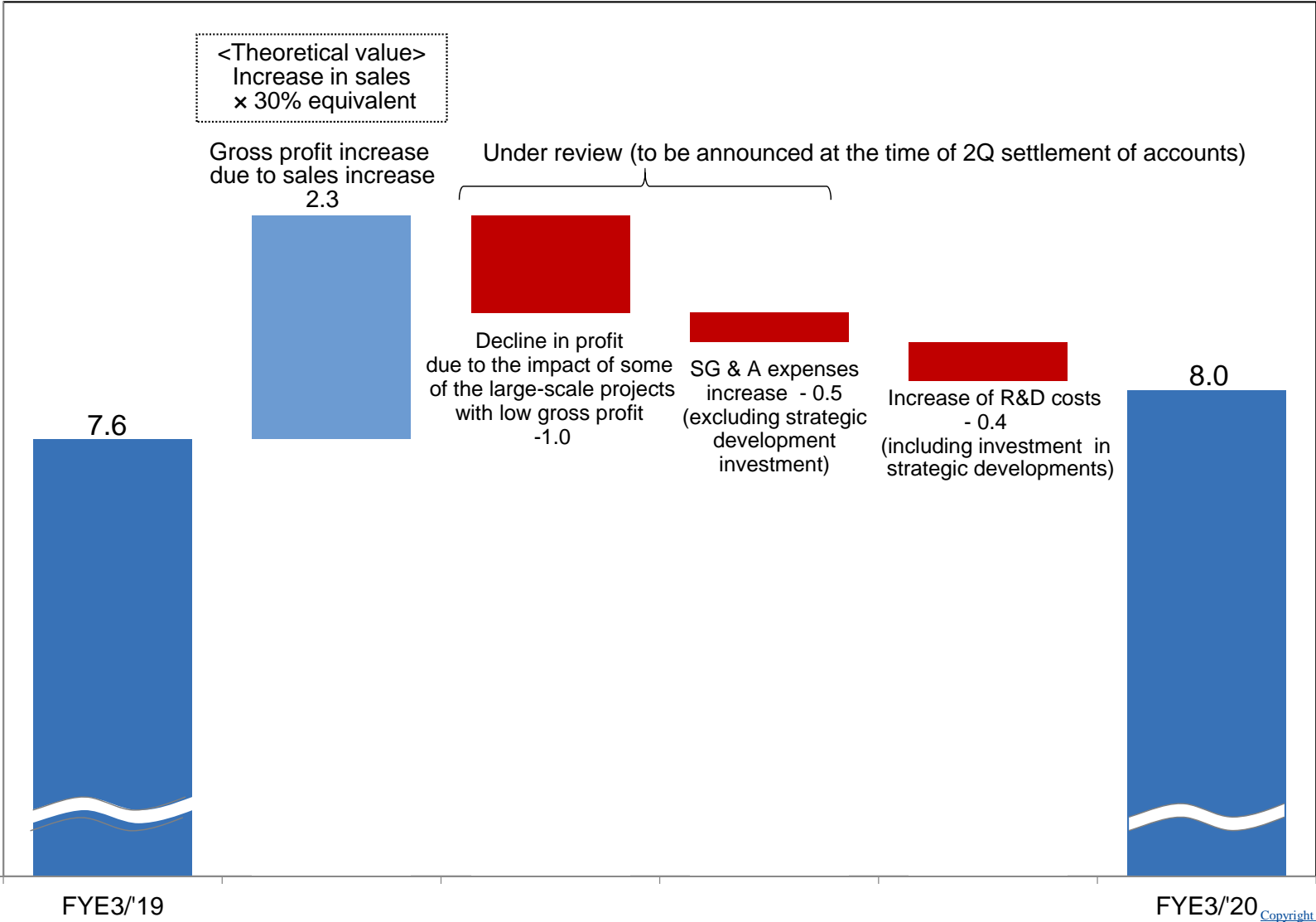
\* Net income attributable to owners of parent company



# Operating profit growth factors and contraction factors (vs. published value)

For the fiscal year ending March 2020, the company's profit is expected to increase only slightly as compared to the increase in sales due to the impact of some of the large-scale projects with low gross profit. We will carefully review our construction progress forecasts for the fiscal year ending March 2020, and announce them when releasing financial results for the second quarter of fiscal 2019.

(Billion Yen)



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## IV Outline of Financial Results for the Fiscal Year Ended 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)

	FYE 3/'18	FYE 3/'19	change
<b>Net Sales</b>	110.9	117.3	+6.4
<b>Operating Profit</b>	6.7	7.6	+0.9
<b>Operating Profit Margin</b>	6.1%	6.5%	+0.4%
<b>Ordinary Income</b>	6.5	7.6	+1.2
<b>Net Income attributable to parent company shareholders</b>	3.9	5.2	+1.2

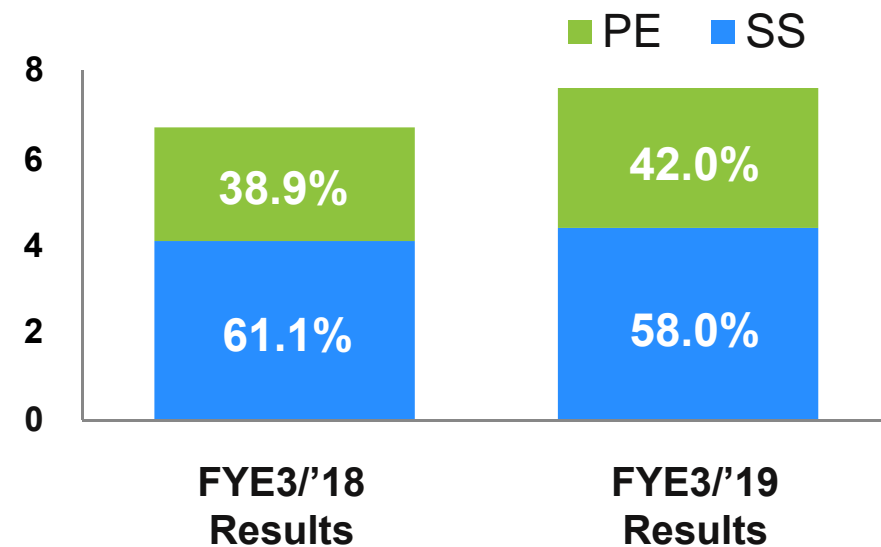
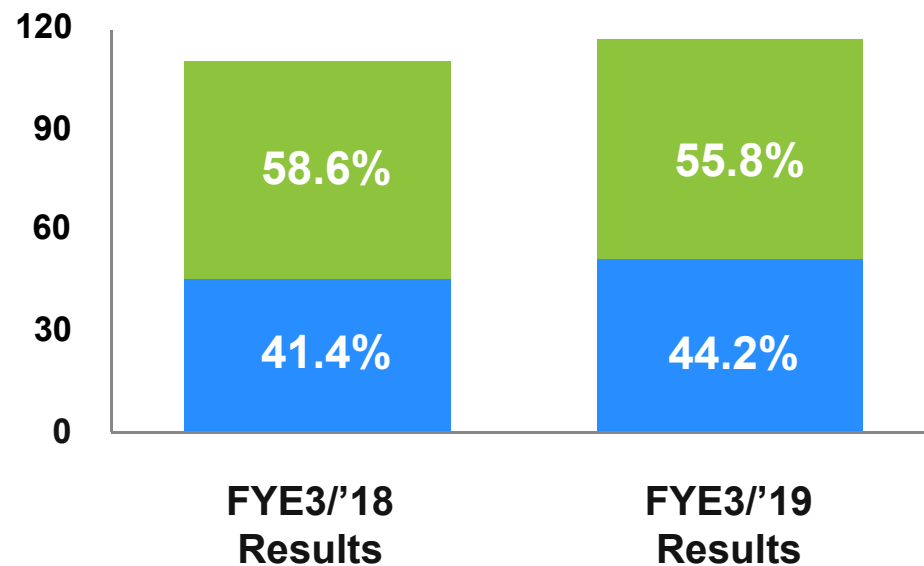
(Rounded to the nearest 10 million yen)

# Segment Information

(Billion yen)

	Net Sales		
	FYE 3/'18	FYE 3/'19	change
<b>PE</b>	65.0	65.5	+0.5
<b>SS</b>	45.9	51.8	+5.9
<b>Total</b>	110.9	117.3	+6.4

	Operating Profit		
	FYE 3/'18	FYE 3/'19	change
	2.6	3.2	+0.6
	4.1	4.4	+0.3
	6.7	7.6	+0.9



# Consolidated Balance Sheets

(Billion yen)

	End of FYE 3/18	End of FYE 3/19	change
Cash and deposits	25.8	28.6	+2.8
Notes and accounts receivable-trade	72.2	76.3	+4.1
Inventories	5.9	8.6	+2.7
Others	1.5	2.1	+0.6
<b>Total current assets</b>	<b>105.4</b>	<b>115.5</b>	<b>+10.1</b>
Tangible fixed assets	3.0	3.2	+0.2
Intangible fixed assets	7.1	6.1	-1.0
Deferred Tax assets	3.5	3.3	-0.3
Others	4.0	4.6	+0.6
<b>Total fixed assets</b>	<b>17.6</b>	<b>17.1</b>	<b>-0.5</b>
<b>Total assets</b>	<b>123.0</b>	<b>132.6</b>	<b>+9.6</b>

	End of FYE 3/18	End of FYE 3/19	change
Accounts payable-trade	29.9	30.3	+0.5
Short-term loans payable	<sup>*1</sup> (0.8) 1.1	<sup>(0.8)</sup> 1.2	+0.1
Advance received	10.7	16.1	+5.4
Others	7.2	8.7	+1.5
<b>Total current liabilities</b>	<b>48.9</b>	<b>56.3</b>	<b>+7.4</b>
Long-term loans payable	<sup>*2</sup> (11.5) 13.6	<sup>(10.7)</sup> 12.6	-1.0
Others	5.4	4.7	-0.7
<b>Total fixed liabilities</b>	<b>19.0</b>	<b>17.3</b>	<b>-1.8</b>
<b>Total liabilities</b>	<b>67.9</b>	<b>73.6</b>	<b>+5.6</b>
<b>Total net assets</b>	<b>55.0</b>	<b>59.0</b>	<b>+4.0</b>
<b>Total liabilities/ net assets</b>	<b>123.0</b>	<b>132.6</b>	<b>+9.6</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)

	FYE 3/'18	FYE 3/'19	change
Cash and Cash equivalents at the end of previous FY	23.4	25.0	+1.6
Operating cash flow	5.2	6.2	+1.1
Investing cash flow	(0.9)	(0.8)	+0.1
Free cash flow	4.3	5.4	+1.1
Financing cash flow	(2.6)	(2.6)	+0.0
Effect of exchange rate changes on cash and cash equivalents	(0.1)	0.0	+0.0
Cash and Cash equivalents at the end of current FY	25.0	27.8	+2.8

# Research & Development／Capital Investment／Depreciation expenses

(Billion yen)

	FYE 3/'18	FYE 3/'19	Change
Research and Development expenses	1.7	1.9	+0.2
Capital Investment	0.7	0.7	-0.1
Depreciation expenses	1.4	1.3	-0.1



## 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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