



METAWATER Co., Ltd.

For Immediate Release

January 29, 2020

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019 (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
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Filing date of quarterly securities report	February 12, 2020
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, 2019

(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, 2019	56,502	12.7	(3,473)	—	(3,494)	—	(2,563)	—
Nine months ended December 31, 2018	50,130	13.6	(3,893)	—	(3,733)	—	(2,648)	—

Note: Comprehensive income: Nine months ended December 31, 2019 (2,498) million yen — %
 Nine months ended December 31, 2018 (2,448) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Nine months ended December 31, 2019	(100.73)	—
Nine months ended December 31, 2018	(102.17)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of December 31, 2019	102,300	40,635	39.5
As of March 31, 2019	132,620	59,031	44.4

Note: Shareholders' equity: As of December 31, 2019 40,448 million yen
As of March 31, 2019 58,889 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	—	31.00	—	31.00	62.00
Fiscal year ending March 31, 2020	—	31.00	—		
Fiscal year ending March 31, 2020 (Forecast)				40.00	71.00

Note: Revision of forecast for dividends from the latest announcement: Yes

3. Forecast for consolidated operating results for the fiscal year ending March 31, 2020

(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, 2020	125,000	6.5	8,200	7.8	8,200	7.5	5,600	8.3
								257.79

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

* The Company acquired treasury stock on November 28, 2019 through a tender offer. "Net income per share - Basic -" in the Forecast for consolidated operating results considers the effect of the treasury stock acquired.

Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019 (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, 2019 and 25,923,500 shares as of December 31, 2019.
 - (b) Number of treasury stock at the end of the period: 150 shares as of March 31, 2019 and 4,200,186 shares as of December 31, 2019.
 - (c) Average number of shares issued and outstanding for the period: 25,923,388 shares for the nine months ended December 31, 2018 and 25,449,875 shares for the nine months ended December 31, 2019.

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

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, 2019

(1) Explanation of Operating Results

During the nine months ended December 31, 2019, business conditions of the Japanese economy have recovered moderately, although some weakness remained. This is due in part to the effects of various government policies amid the improving labor market and increasing salary levels. The global economy continued to recover moderately as a whole, despite the risks of uncertainty related to developments in trade issues, the outlook for the Chinese economy and the government policies.

Under such circumstances, in order to achieve the Midterm Business Plan 2020 (through the fiscal year ending March 31, 2021), the Group tries its 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, 2019, net sales was ¥56,502 million (12.7% increase year to year), operating loss was ¥3,473 million (¥3,893 million for the nine months ended December 31, 2018), ordinary loss was ¥3,494 million (¥3,733 million for the nine months ended December 31, 2018) and loss attributable to owners of parent was ¥2,563 million (¥2,648 million for the nine months ended December 31, 2018). The outstanding order was ¥102,749 million (8.3% increase 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 third quarter 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 ¥35,821 million (8.5% increase year to year) and operating loss amounted to ¥1,784 million (¥1,996 million for the nine months ended December 31, 2018), due to a steady growth in EPC and foreign business. Outstanding order was ¥53,219 million (0.5% decrease year to year).

(Service Solutions Business)

For the Service Solutions Business, net sales amounted to ¥20,680 million (20.8% increase year to year) due to a steady growth in O&M and PPP businesses. Operating loss amounted to ¥1,688 million (¥1,896 million for the nine months ended December 31, 2018). Outstanding order was ¥49,529 million (19.8% increase 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, 2019 decreased by ¥30,319 million compared to March 31, 2019

to ¥102,300 million.

Current assets decreased by ¥30,305 million compared to March 31, 2019 to ¥85,233 million due to a decrease in cash and deposits as well as notes and accounts receivable - trade, offsetting with an increase in work in process.

Non-current assets decreased by ¥14 million compared to March 31, 2019 to ¥17,067 million due to a decrease in goodwill and customer-related assets.

Current liabilities decreased by ¥10,926 million compared to March 31, 2019 to ¥45,400 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥997 million compared to March 31, 2019 to ¥16,265 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥18,396 million compared to March 31, 2019 to ¥40,635 million due to purchase of treasury stock.

(3) Explanation of Consolidated Business Forecast

There is no change in the forecast for the fiscal year ending March 31, 2020 announced on October 29, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	28,589	15,089
Notes and accounts receivable - trade	76,282	39,241
Work in process	4,670	20,432
Supplies	3,932	4,775
Other current assets	2,062	5,693
Total current assets	115,538	85,233
Non-current assets		
Property, plant and equipment	3,188	3,155
Intangible assets		
Goodwill	1,670	1,593
Customer-related assets	2,539	2,511
Other	1,861	1,746
Total intangible assets	6,072	5,851
Investments and other assets	7,822	8,061
Total non-current assets	17,082	17,067
Total assets	132,620	102,300

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	18,278	9,940
Electronically recorded obligations	8,380	7,990
Short-term loans payable	337	277
Current portion of PFI and other project finance loans	844	853
Income taxes payable	2,419	23
Advances received	16,075	18,508
Provision for warranties for completed construction	1,361	1,295
Provision for loss on construction contracts	517	685
Other current liabilities	8,111	5,826
Total current liabilities	56,326	45,400
Non-current liabilities		
Long-term loans payable	1,847	1,679
PFI and other project finance loans	10,705	9,888
Liability for retirement benefit	4,603	4,573
Other non-current liabilities	107	124
Total non-current liabilities	17,262	16,265
Total liabilities	73,589	61,665
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	33,830	29,659
Treasury stock	(0)	(14,289)
Total shareholders' equity	60,856	42,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	49	64
Foreign currency translation adjustment	(371)	(654)
Remeasurements of defined benefit plans	(1,645)	(1,359)
Total accumulated other comprehensive income	(1,967)	(1,949)
Non-controlling interest	142	187
Total net assets	59,031	40,635
Total liabilities and net assets	132,620	102,300

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

Quarterly Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	50,130	56,502
Cost of sales	41,774	46,409
Gross profit	8,356	10,093
Selling, general and administrative expenses	12,249	13,566
Operating loss	(3,893)	(3,473)
Non-operating income		
Interest income	148	132
Dividends income	53	45
Foreign exchange gains	154	—
Miscellaneous income	4	21
Total non-operating income	360	198
Non-operating expenses		
Interest expenses	156	148
Foreign exchange loss	—	56
Loss on disposal of non-current assets	44	6
Miscellaneous loss	0	9
Total non-operating expenses	201	220
Ordinary loss	(3,733)	(3,494)
Loss before income taxes	(3,733)	(3,494)
Income taxes	(1,121)	(977)
Net loss	(2,612)	(2,516)
Profit attributable to non-controlling interests	36	46
Loss attributable to owners of parent	(2,648)	(2,563)

(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 December 31, 2018	Nine months ended December 31, 2019
Net loss	(2,612)	(2,516)
Other comprehensive income		
Valuation difference on available-for-sale securities	1	15
Foreign currency translation adjustment	(179)	(283)
Remeasurements of defined benefit plans	341	286
Total other comprehensive income	163	18
Comprehensive loss	(2,448)	(2,498)
(Details)		
Comprehensive loss attributable to owners of parent	(2,484)	(2,545)
Comprehensive income attributable to non-controlling interests	36	46

(3) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

No items to report.

Notes on Significant Changes in Shareholders' Equity

The Company acquired 4,200,000 shares of treasury stock on November 28, 2019 through a tender offer. As a result, treasury stock as of December 31, 2019 amounted to 14,289 million yen, increased by 14,288 million yen during the nine months ended December 31, 2019.

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, 2019 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, 2018

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	33,006	17,123	50,130	—	50,130
Inter-segment transactions and 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.

Nine months ended December 31, 2019

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	35,821	20,680	56,502	—	56,502
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	35,821	20,680	56,502	—	56,502
Segment loss	(1,784)	(1,688)	(3,473)	—	(3,473)

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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