



# METAWATER Co., Ltd.

For Immediate Release

July 25, 2016

## CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2016 (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	August 12, 2016
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, 2016

#### (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, 2016	11,219	47.1	(2,469)	—	(2,779)	—	(1,311)	—
Three months ended June 30, 2015	7,625	—	(3,122)	—	(3,030)	—	(2,099)	—

Note: Comprehensive income: Three months ended June 30, 2016 (1,337) million yen — %  
Three months ended June, 30 2015 (2,031) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2016	(50.60)	—
Three months ended June 30, 2015	(80.98)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2016	106,868	46,071	43.0
As of March 31, 2016	120,865	48,161	39.8

Note: Shareholders' equity: As of June 30, 2016 45,960 million yen  
As of March 31, 2016 48,053 million yen

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (Forecast)		29.00	—	29.00	58.00

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

## 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2017

(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, 2017	112,000	8.6	6,200	14.8	6,100	18.6	4,000	44.0	154.30

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, 2016 (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: Yes
  - (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, 2016 and 25,923,500 shares as of June 30, 2016.
  - (b) Number of treasury stock at the end of the period: Nil shares as of March 31, 2016 and nil shares as of June 30, 2016.
  - (c) Average number of shares issued and outstanding for the period: 25,923,500 shares for the three months ended June 30, 2015 and 25,923,500 shares for the three months ended June 30, 2016.

**Information Regarding the Quarterly Review Procedures to be performed by the External Auditor**

At the time of disclosure of this report, the procedures for review on the quarterly consolidated financial statements, pursuant to the "Financial Instruments and Exchange Act" of Japan, have not yet been completed.

**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 Three Months Ended June 30, 2016**

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

Descriptions and statements in relation to forward-looking projections disclosed in this document reflect the judgment of the Group as of June 30, 2016.

During the three months ended June 30, 2016, 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, although some signs of economic recovery remain weak. In terms of the world economy, despite economic slowdown in emerging countries such as China and deteriorating conditions in the Middle East, moderate economic recovery has been achieved as a whole, mainly in the United States.

The domestic business environment in which the Group operates has continued to face challenges including a downward trend in the level of public spending, a sharp increase in labor costs arising from shortage of human resources, and some delays in civil engineering projects and construction work.

Consequently, in an effort to achieve the “Midterm business plan (from the fiscal year ending March 31, 2016 to 2018)” developed on May 29, 2015, the Group has sought to strengthen the business foundations by actively investing operating resources and in that respect, Aqua-Aerobic Systems, Inc., became a wholly owned subsidiary of the Group. For this fiscal year, the Group will continue to focus on reinforcing our core businesses: domestic EPC (Note 1) and O&M (Note 2) and expanding our growing businesses: PPP (Note 3) and overseas businesses, aiming to be a “company acts in advance of changes and continues to grow”.

For the operating results of the Group for the three months ended June 30, 2016, net sales was ¥11,219 million (47.1% increase year to year), operating loss was ¥2,469 million (¥3,122 million for the three months ended June 30, 2015), ordinary loss was ¥2,779 million (¥3,030 million for the three months ended June 30, 2015) and loss attributable to owners of parent was ¥1,311 million (¥2,099 million for the three months ended June 30, 2015).

From the three months ended June 30, 2016, the Group consolidates income statement of Aqua-Aerobic Systems, Inc., located in the United States, which became a subsidiary of the Group in January 2016, with its three subsidiaries.

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. Outstanding order was ¥24,032 million.

Operating results by segment are as follows:

#### **(Plant Engineering Business)**

For the Plant Engineering Business, net sales amounted to ¥7,515 million (62.1% increase year to year) due to consolidation of Aqua-Aerobic Systems, Inc. with its three subsidiaries along with a steady growth of domestic EPC business; and operating loss amounted to ¥1,630 million (¥2,176 million for the three months ended June 30, 2015) due to an increase in net sales. Outstanding order was ¥9,632 million.

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

For the Service Solutions Business, net sales amounted to ¥3,704 million (23.9% increase year to year) due to a steady growth of domestic O&M and PPP businesses; and operating loss amounted to

¥838 million (¥945 million for the three months ended June 30, 2015) due to an increase in net sales. Outstanding order was ¥14,399 million.

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, 2016 decreased by ¥13,996 million compared to March 31, 2016 to ¥106,868 million.

Current assets decreased by ¥13,528 million compared to March 31, 2016 to ¥89,276 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in cash and deposits.

Non-current assets decreased by ¥468 million compared to March 31, 2016 to ¥17,592 million.

Current liabilities decreased by ¥11,357 million compared to March 31, 2016 to ¥39,502 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥548 million compared to March 31, 2016 to ¥21,294 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥2,090 million compared to March 31, 2016 to ¥46,071 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, 2017 announced on April 26, 2016.

## **2. Matters Regarding Summary Information (notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

No items to report.

### **(2) 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, 2016 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

### **(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement**

#### **(Changes in Accounting Policies)**

The Company and its domestic consolidated subsidiaries have applied “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 32, June 17, 2016)” for the three months ended June 30, 2016 and changed the depreciation method for Facilities attached to buildings and Structures acquired after April 1, 2016 to the straight-line method from the declining-balance method.

For the three months ended June 30, 2016, it does not have material impact on the quarterly consolidated financial statements.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	20,922	39,659
Notes and accounts receivable - trade	70,837	36,499
Work in process	3,706	5,932
Supplies	2,856	3,658
Other current assets	4,480	3,526
Total current assets	102,804	89,276
Non-current assets		
Property, plant and equipment	2,628	2,526
Intangible assets	10,183	9,396
Investments and other assets	5,248	5,669
Total non-current assets	18,060	17,592
Total assets	120,865	106,868



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

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	32,442	21,067
Short-term loans payable	335	261
Current portion of PFI and other project finance loans	819	828
Income taxes payable	1,990	54
Advances received	5,812	12,073
Provision for warranties for completed construction	858	779
Provision for loss on construction contracts	97	103
Other current liabilities	8,503	4,333
Total current liabilities	50,860	39,502
Non-current liabilities		
Long-term loans payable	2,535	2,517
PFI and other project finance loans	13,417	12,846
Liability for retirement benefit	5,890	5,930
Total non-current liabilities	21,843	21,294
Total liabilities	72,703	60,796
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	24,548	22,484
Total shareholders' equity	51,575	49,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	20
Foreign currency translation adjustment	463	309
Remeasurements of defined benefit plans	(4,008)	(3,881)
Total accumulated other comprehensive income	(3,521)	(3,551)
Non-controlling interest	108	111
Total net assets	48,161	46,071
Total liabilities and net assets	120,865	106,868

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

**Quarterly Consolidated Statement of Income**

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	7,625	11,219
Cost of sales	7,686	9,865
Gross profit (loss)	(60)	1,354
Selling, general and administrative expenses	3,061	3,823
Operating loss	(3,122)	(2,469)
Non-operating income:		
Interest income	63	59
Dividends income	33	36
Foreign exchange gain	58	—
Miscellaneous income	5	7
Total non-operating income	160	103
Non-operating expenses:		
Interest expenses	37	62
Loss on disposal of non-current assets	31	10
Foreign exchange loss	—	341
Miscellaneous loss	0	0
Total non-operating expenses	69	414
Ordinary loss	(3,030)	(2,779)
Loss before income taxes	(3,030)	(2,779)
Income taxes	(937)	(1,472)
Net loss	(2,093)	(1,306)
Net profit attributable to non-controlling interests	5	5
Loss attributable to owners of parent	(2,099)	(1,311)

## Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net loss	(2,093)	(1,306)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(3)
Foreign currency translation adjustment	(23)	(154)
Remeasurements of defined benefit plans	85	127
Total other comprehensive income (loss)	61	(30)
Comprehensive loss	(2,031)	(1,337)
(Details)		
Comprehensive loss attributable to owners of parent	(2,037)	(1,342)
Comprehensive income attributable to non-controlling interests	5	5

### (3) Notes on Quarterly Consolidated Financial Statements

#### Notes on Going Concern Assumption

No items to report.

#### Notes on Significant Changes in Shareholders' Equity

No items to report.

#### Segment Information

Three months ended June 30, 2015

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	4,636	2,989	7,625	—	7,625
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	4,636	2,989	7,625	—	7,625
Segment loss	(2,176)	(945)	(3,122)	—	(3,122)

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, 2016

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	7,515	3,704	11,219	—	11,219
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	7,515	3,704	11,219	—	11,219
Segment loss	(1,630)	(838)	(2,469)	—	(2,469)

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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