

Outline of Financial Results for the Second Quarter of Fiscal Year Ending March 2017

A decorative graphic consisting of a solid blue line that curves upwards from the bottom left towards the top right. This line is surrounded by a light blue, semi-transparent shaded area that also curves upwards, creating a sense of depth and movement.

October 26, 2016
METAWATER Co., Ltd.

- I Results for the Second Quarter of Fiscal Year Ending March 2017, Earnings Forecast for the Fiscal Year Ending March 2017
- II Outline of Financial Results for the Second Quarter of Fiscal Year Ending March 2017

Segment Information

- Plant Engineering Business (PE Business)

This segment is primarily involved in various types of engineering work in the design and construction of mechanical equipment used for water treatment processes, sewage treatment processes and sludge treatment processes. It is also involved in the design, procurement and construction of electric equipment used to operate the said mechanical equipment.

- Service Solution Business (SS Business)

This segment is primarily involved in various kinds of repair work, operation and maintenance (maintenance and check) and operational management of mechanical and electric equipment for water treatment plants, sewage treatment plants, waste treatment facilities and recycling facilities.

Acronyms

EPC Engineering, Procurement and Construction

O&M Operation and Maintenance

PPP Public-Private Partnership

(Method of having private participation in the provision of public services)

PFI Private Finance Initiative

(Method of public works which utilizes the private sector for the design and construction of public facilities, operation and maintenance management, and capital procurement)

DBO Design, Build and Operate

(Method of public works which utilizes the private sector for the design and construction of public facilities, and operation and maintenance management)

I Results for the Second Quarter of Fiscal Year Ending March 2017, Earnings Forecast for the Fiscal Year Ending March 2017

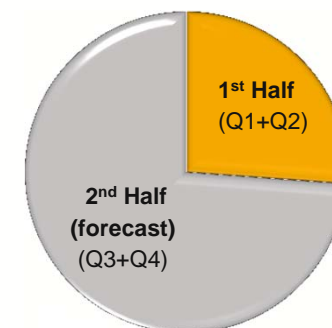
II Outline of Financial Results for the Second Quarter of Fiscal Year Ending March 2017

FYE 2017 Q2 Financial Results Highlights

* Sales/profit

In addition to the contribution made by some of the EPC projects from the previous period to sales, O&M and PPP proceeded smoothly, so the results for Q2 were mainly in line with the forecast increase in income and profit.

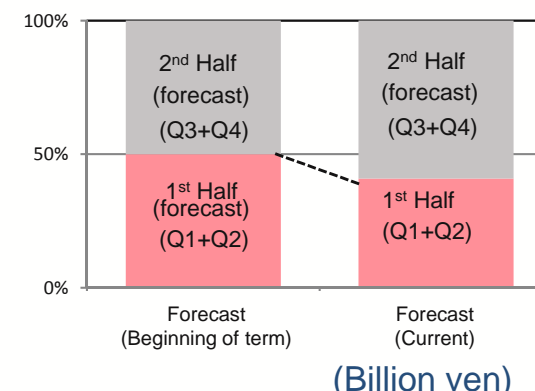
Sales by Period



*Orders

The second half of the year saw a greater concentration of the total orders than was forecast, but although the Q2 results were sluggish, they were the same as the previous period due to the consolidated effect of AAS*¹. The orders backlog increased in comparison to the previous period.

Orders by Period



	Orders Received (Orders backlog)	Net Sales	Operating profit	Ordinary income	Net income* ²
FYE March 2017 Q2 (Results)	56.3 (134.3) YoY ▲0.2 (+5.4)	29.3 YoY+7.8	-4.0 YoY +1.7	-4.4 YoY +1.2	-2.5 YoY+1.3
FYE March 2016 Q2 (Results)	56.5 (128.9)	21.5	-5.7	-5.6	-3.9

5 *¹ AAS: Aqua-Aerobic Systems, Inc. (head office: Illinois, USA, acquired January 2016)

*² Quarterly net profit attributed to parent company shareholders

EPC

Received five large-scale projects with order amount around 1 billion yen (all during Q2)

Largest scale of rapid sand filter base project at our company

- * Development project at Okinawa Prefectural Enterprise Bureau: Second sand filter base machinery in Chatan Water Purification Plant (part 1)
- * Reconstruction project at Bureau of Sewerage, Tokyo Metropolitan Government: Sludge incineration and dewatering equipment of Nambu Sludge Treatment Plant
- * Development project at Bureau of Sewerage, Tokyo Metropolitan Government: (West) High speed filtration systems in Morigasaki Water Reclamation Center
- * Life extension development at Takayama City, Gifu Prefecture: Sludge incinerator service in Miyagawa Sewage Treatment Plant
- * Development project at Kyoto City Waterworks Bureau, Kyoto Prefecture: High speed filtration system machinery in Fushimi Water Environment Conservation Center, etc.

Completed eight projects, each with order amount over 300 million yen (four during Q2)

- * Improvement project at Bureau of Waterworks, Tokyo Metropolitan Government: Electrical equipment in Kanamachi Water Purification Plant 1st advanced water treatment facility (Q2)
- * Second project at Bureau of Waterworks, Tokyo Metropolitan Government: Power generation facility of Nambu Sludge Treatment Plant (Q2)
- * Renewal project at Kyoto City Waterworks Bureau, Kyoto Prefecture: Central monitoring control equipment of Shin-Yamashina Water Purification Plant (Q1)
- * Replacement project at Bureau of Waterworks, Tokyo Metropolitan Government: Emergency in-house power generation facility of Kinuta Water Purification Plant (Q1), etc.

Overseas

- * Consolidated P/L statement of AAS (April 2016-)
- * Transferred MUSA** North American business to AAS (May 2016-)
- * Received order of Cloth Media Filter for South Austin Regional sewage plant, USA (Q2)

O&M

Launch of operations of three projects: long-term comprehensive projects

- * Inspection work (long-term contract) at Kase water processing center, Kawasaki City, Kanagawa Prefecture: Inspection of processing district pump station (Q1)
- * Comprehensive maintenance and administration work (comprehensive consignment) at Kiyohara Water Treatment Center, Utsunomiya City, Tochigi Prefecture and two other locations (Q1) and more

PPP (PFI/DBO)

Order received for one project and launch of operations of two new projects

- * Received order of Aoki Water Purification Plant renewal project, in Mitsuke City, Niigata Prefecture (Q2)
- * Launch of operations of comprehensive consignment with water business in Arao City, Kumamoto Prefecture (Q1)
- * Launch of operations at Kitakyushu Water Service Co., Ltd. in Kitakyushu City, Fukuoka Prefecture (Q1)
(Third Sector in which Kitakyushu City and METAWATER have a stake of 54% and 19% respectively, and five other companies)

Water purification plant renewal by the DBO format; first for Niigata Prefecture

<Reference>

Launch of operations for O&M of maintenance/operations business in sludge treatment facilities, etc. at Toyokawa Water Purification Center (October 2016-)

Forecast of Financial Results and Dividend of FYE March 2017

- * Forecast results for the period unchanged
- * 1st half proceeded mainly as forecast, 2nd half expected to proceed as forecast

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary income	Net Income *	Annual dividend (yen)
FYE March 2017 (forecast)	126.0 YoY:+13.5	112.0 YoY:+8.9	6.2 YoY: +0.8	6.1 YoY: +1.0	4.0 YoY: +1.2	58
FYE March 2016 (results)	112.5	103.1	5.4	5.1	2.8	58

II Outline of Financial Results for Second Quarter of Fiscal Year Ending March 2017

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

Consolidated Statement of Income

(Results for Q2 in fiscal year ending March 2017)

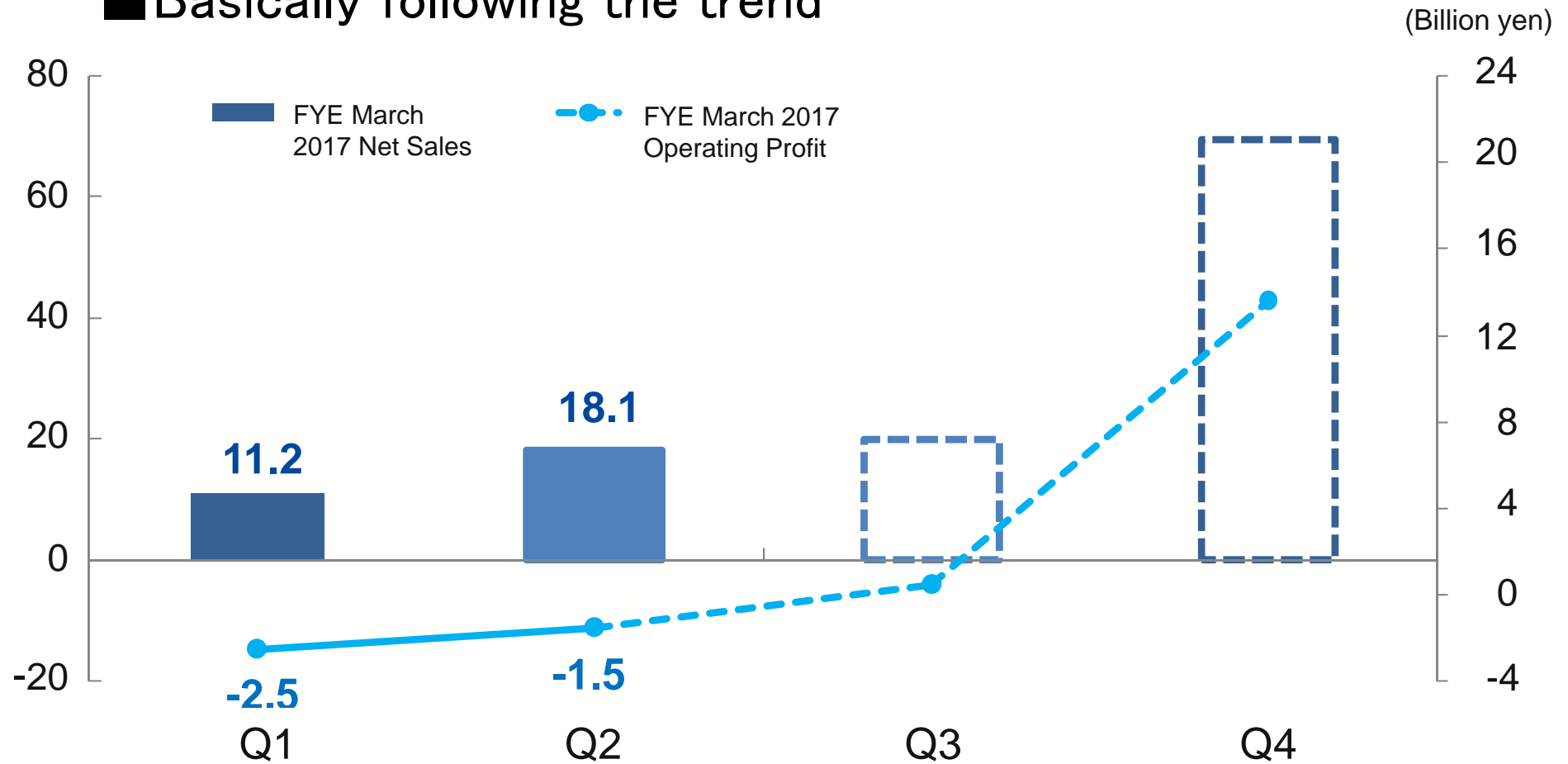
(Billion yen)

	Q2 FYE in March 2016	Q2 FYE in March 2017	Change
Net sales	21.5	29.3	+7.8
Operating profit	-5.7	-4.0	+1.7
(Operating margin)	-26.4%	-13.7%	
Ordinary income	-5.6	-4.4	+1.2
Net income attributable to parent company shareholders	-3.9	-2.5	+1.3

*Rounded to the nearest 10 million yen

Particularity of the Company's Sales (By Quarter)

■ Basically following the trend

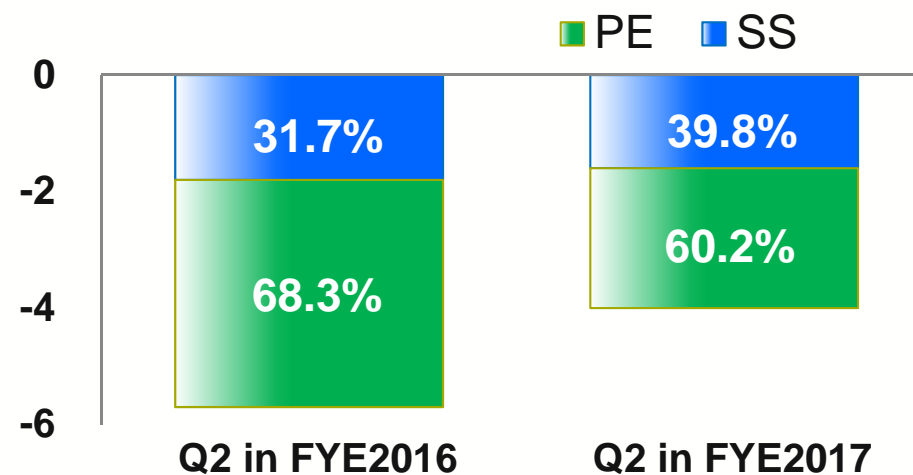
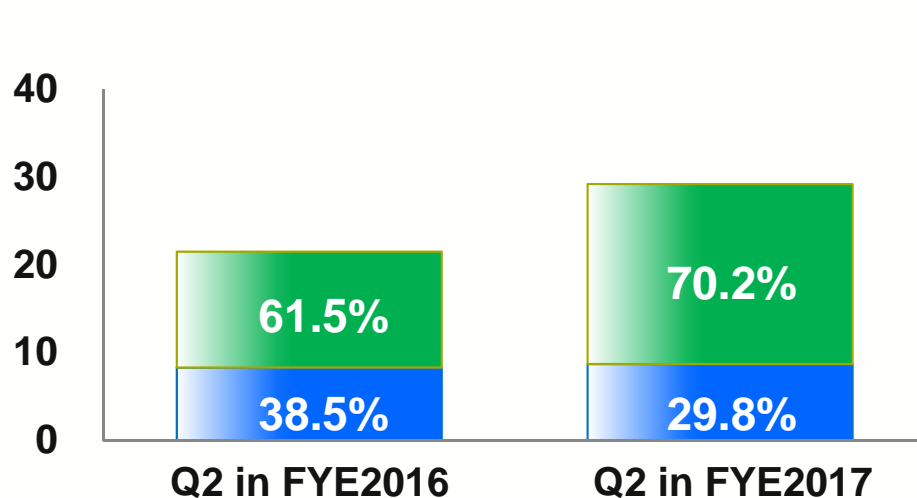


Segment Information

(Billion yen)

	Net Sales		
	Q2 in FYE2016	Q2 in FYE2017	Change
PE	13.2	20.5	+7.3
SS	8.3	8.7	+0.4
total	21.5	29.3	+7.8

	Operating Profit		
	Q2 in FYE2016	Q2 in FYE2017	Change
PE	-3.9	-2.4	+1.5
SS	-1.8	-1.6	+0.2
total	-5.7	-4.0	+1.7



Consolidated Balance Sheet

METAWATER

(Billion yen)

	FYE March 2016 Results	Q2 in FYE March 2017 Results	Change
Cash and deposits	20.9	24.8	+3.8
Note and accounts receivable-trade	70.8	34.9	▲35.9
Inventories	6.6	13.3	+6.8
Others	4.5	4.8	+0.3
Total current assets	102.8	77.8	▲25.0
Property, plant and equipment	2.6	2.5	▲0.1
Goodwill	8.3	6.8	▲1.5
Intangible assets	1.9	1.6	▲0.3
Others	5.2	5.5	+0.3
Total fixed assets	18.1	16.5	▲1.6
Total assets	120.9	94.3	▲26.6

	FYE March 2016 Results	Q2 in FYE March 2017 Results	Change
Accounts payable	35.9	10.2	▲25.6
Advance receipts	5.8	13.5	+7.6
Short-term loans payable *1	(0.8) 1.2	(0.8) 1.1	▲0.1
Others	8.0	4.5	▲3.5
Total current liabilities	50.9	29.3	▲21.6
Long-term loans payable *2	(13.4) 16.0	(12.8) 15.1	▲0.8
Others	5.9	5.9	-
Total fixed liabilities	21.8	21.0	▲0.9
Total liabilities	72.7	50.3	▲22.4
Total net assets	48.2	44.0	▲4.2
Total liabilities/ net assets	120.9	94.3	▲26.6

Status of Consolidated Cash Flows

(Billion yen)

	Q2 in FYE 2016 March	Q2 in FYE 2017 March	Change
Cash and cash equivalents at the end of previous FY	29.6	20.0	▲9.6
Operating cash flow	6.5	6.6	+0.1
Investing cash flow	-0.7	-1.1	▲0.4
Free cash flow	5.8	5.5	▲0.3
Financing cash flow	-0.8	-1.3	▲0.6
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	0.0	-0.3	▲0.3
Cash and cash equivalents at the end of current FY	34.6	23.9	▲10.7

Full-year Financial Forecast

(Billion yen)

	FYE March 2016	FYE March 2017 (Forecast)	Change
Net sales	103.1	112.0	+8.9
Operating profit	5.4	6.2	+0.8
(Operating margin)	5.2%	5.5%	
Ordinary income	5.1	6.1	+1.0
Net income attributable to parent company shareholders	2.8	4.0	+1.2
Orders Received	112.5	126.0	+13.5

<Basic Policy>

The Company provides a stable return of profits to shareholders in accordance with business conditions while maintaining the necessary internal reserve for the purpose of sustaining growth and responding to changes in the business environment.

	FYE March 2017 Q2	FYE March 2017 Q4 (Forecast)	Total
Dividend per share	29 yen	29 yen	58 yen

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.



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