



METAWATER Co., Ltd.

For Immediate Release

July 31, 2017

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2017 (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	http://www.metawater.co.jp
Representative	Yasushi Nakamura President and Representative Director
Contact person	Masayuki Nakagawa Executive Officer Executive General Manager of Financial Planning Office (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	August 10, 2017
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, 2017

(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, 2017	10,202	(9.1)	(2,822)	—	(2,823)	—	(1,995)	—
Three months ended June 30, 2016	11,219	47.1	(2,469)	—	(2,779)	—	(1,311)	—

Note: Comprehensive income: Three months ended June 30, 2017 (2,304) million yen — %
Three months ended June 30, 2016 (1,337) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2017	(76.96)	—
Three months ended June 30, 2016	(50.60)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2017	110,594	49,199	44.4
As of March 31, 2017	120,961	52,260	43.1

Note: Shareholders' equity: As of June 30, 2017 49,079 million yen
As of March 31, 2017 52,142 million yen

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	—	29.00	—	29.00	58.00
Fiscal year ending March 31, 2018	—				
Fiscal year ending March 31, 2018 (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, 2018

(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, 2018	115,000	3.0	6,500	2.7	6,400	2.4	4,200	(11.4)	162.00

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, 2017 (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, 2017 and 25,923,500 shares as of June 30, 2017.
 - (b) Number of treasury stock at the end of the period: 44 shares as of March 31, 2017 and 44 shares as of June 30, 2017.
 - (c) Average number of shares issued and outstanding for the period: 25,923,500 shares for the three months ended June 30, 2016 and 25,923,456 shares for the three months ended June 30, 2017.

This quarterly report is not subject to the quarterly review by the external auditor.

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, 2017

(1) Explanation of Operating Results

During the three months ended June 30, 2017, 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 concern about impact of political climate in Europe and uncertainty of US administration, moderate economic recovery has been achieved.

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, following the principles set out in the “Midterm business plan (from the fiscal year ended March 31, 2016 to fiscal year ending March 31, 2018)”, the Group continued to focus on reinforcing our core businesses: domestic EPC (Note 1) and O&M (Note 2) businesses and expanding our growing businesses: PPP (Note 3) and overseas businesses throughout the current fiscal year, 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, 2017, net sales was ¥10,202 million (9.1% decrease year to year), operating loss was ¥2,822 million (¥2,469 million for the three months ended June 30, 2016), ordinary loss was ¥2,823 million (¥2,779 million for the three months ended June 30, 2016) and loss attributable to owners of parent was ¥1,995 million (¥1,311 million for the three months ended June 30, 2016). Loss attributable to owners of parent increased as favorable movement of tax-effect accounting was recorded at the subsidiary in US for the three months ended June 30, 2016.

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. As a result of more than ¥1 billion orders of large-scale projects, outstanding order was ¥35,400 million (47.3% increase year to year).

Operating results by segment are as follows:

(Plant Engineering Business)

For the Plant Engineering Business, net sales amounted to ¥6,732 million (10.4% decrease year to year) and operating loss amounted to ¥1,804 million (¥1,630 million for the three months ended June 30, 2016), due to sluggish movement in sales of large-scale projects related to domestic EPC business and deliveries made by Aqua-Aerobic Systems, Inc.. Outstanding order was ¥12,610 million (30.9% increase year to year).

(Service Solutions Business)

For the Service Solutions Business, net sales amounted to ¥3,470 million (6.3% decrease year to year) and operating loss amounted to ¥1,018 million (¥838 million for the three months ended June 30, 2016) due to sluggish movement in completed project of O&M business. Outstanding order was ¥22,790 million (58.3% 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 June 30, 2017 decreased by ¥10,366 million compared to March 31, 2017 to ¥110,594 million.

Current assets decreased by ¥9,937 million compared to March 31, 2017 to ¥93,643 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in cash and deposits.

Non-current assets decreased by ¥429 million compared to March 31, 2017 to ¥16,950 million due to a decrease in goodwill.

Current liabilities decreased by ¥6,928 million compared to March 31, 2017 to ¥41,601 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥377 million compared to March 31, 2017 to ¥19,792 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥3,060 million compared to March 31, 2017 to ¥49,199 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, 2018 announced on April 26, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	24,230	48,456
Notes and accounts receivable - trade	67,946	30,538
Work in process	3,119	6,349
Supplies	4,127	4,401
Other current assets	4,155	3,897
Total current assets	103,580	93,643
Non-current assets		
Property, plant and equipment	3,059	2,982
Intangible assets		
Goodwill	2,045	1,935
Customer-related assets	3,044	2,886
Other	3,069	2,872
Total intangible assets	8,160	7,694
Investments and other assets	6,160	6,274
Total non-current assets	17,380	16,950
Total assets	120,961	110,594

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	20,037	5,947
Electronically recorded obligations	7,637	12,898
Short-term loans payable	284	284
Current portion of PFI and other project finance loans	825	829
Income taxes payable	2,367	52
Advances received	8,672	16,125
Provision for warranties for completed construction	1,063	1,012
Provision for loss on construction contracts	167	152
Other current liabilities	7,474	4,297
Total current liabilities	48,530	41,601
Non-current liabilities		
Long-term loans payable	2,436	2,428
PFI and other project finance loans	12,382	12,016
Liability for retirement benefit	5,350	5,347
Total non-current liabilities	20,170	19,792
Total liabilities	68,700	61,394
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	27,787	25,037
Treasury stock	(0)	(0)
Total shareholders' equity	54,814	52,064
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32	33
Foreign currency translation adjustment	133	(300)
Remeasurements of defined benefit plans	(2,838)	(2,718)
Total accumulated other comprehensive income	(2,671)	(2,985)
Non-controlling interest	117	120
Total net assets	52,260	49,199
Total liabilities and net assets	120,961	110,594

(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, 2016	Three months ended June 30, 2017
Net sales	11,219	10,202
Cost of sales	9,865	9,231
Gross profit	1,354	970
Selling, general and administrative expenses	3,823	3,793
Operating loss	(2,469)	(2,822)
Non-operating income:		
Interest income	59	49
Dividends income	36	32
Miscellaneous income	7	1
Total non-operating income	103	83
Non-operating expenses:		
Interest expenses	62	55
Loss on disposal of non-current assets	10	18
Foreign exchange loss	341	11
Miscellaneous loss	0	0
Total non-operating expenses	414	85
Ordinary loss	(2,779)	(2,823)
Loss before income taxes	(2,779)	(2,823)
Income taxes	(1,472)	(833)
Net loss	(1,306)	(1,990)
Net profit attributable to non-controlling interests	5	4
Loss attributable to owners of parent	(1,311)	(1,995)

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net loss	(1,306)	(1,990)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	0
Foreign currency translation adjustment	(154)	(434)
Remeasurements of defined benefit plans	127	120
Total other comprehensive loss	(30)	(314)
Comprehensive loss	(1,337)	(2,304)
(Details)		
Comprehensive loss attributable to owners of parent	(1,342)	(2,309)
Comprehensive income attributable to non-controlling interests	5	4

(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 three months ended June 30, 2017 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

Segment Information

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.

Three months ended June 30, 2017

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	6,732	3,470	10,202	—	10,202
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	6,732	3,470	10,202	—	10,202
Segment loss	(1,804)	(1,018)	(2,822)	—	(2,822)

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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