

TRANSLATION - FOR REFERENCE ONLY



# Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2018

October 30, 2017  
METAWATER Co., Ltd.

- I Highlights of the Second Quarter of the Fiscal Year Ending March 2018 and forecasts for the Fiscal Year Ending March 2018
- II Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2018

## Segment Information

Plant Engineering Business (PE Business) – Domestic EPC works/overseas works

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 works/domestic PPP works

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)

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# Financial Highlights of 2Q FYE March 2018

## Net Sales & Profit

\*Decrease in revenue and profit for 1-2Q is due to differences in the project composition and has been included in the full-year forecast. (As expected)

\*Net income for the quarter was at steady state as there was no longer a tax effect for the US subsidiary from the last FY.

## Orders Received

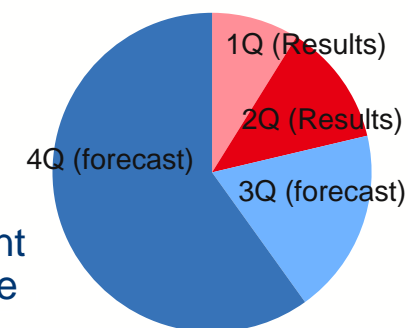
\*Because the PPP project order that we expected to receive in the last FY was delayed until the current FY, and because we received orders for large projects, the orders received for this 1-2Q exceeded the results of the previous fiscal year, and the orders backlog at the end of this 2Q continues to increase.

(Reference) At the end of Q2 in FYE March 2017 134.3 Billion yen >> At the end of Q2 in FYE March 2018 154.9 Billion yen

## Full-year forecast

\*As a result of carefully examining each plan of the ongoing construction works in FYE March 2018 out of the orders backlog in FYE March 2017 and the orders received in FYE March 2018, the initial plan at the beginning of the fiscal year is unchanged.

FYE March 2018 sales composition by quarter

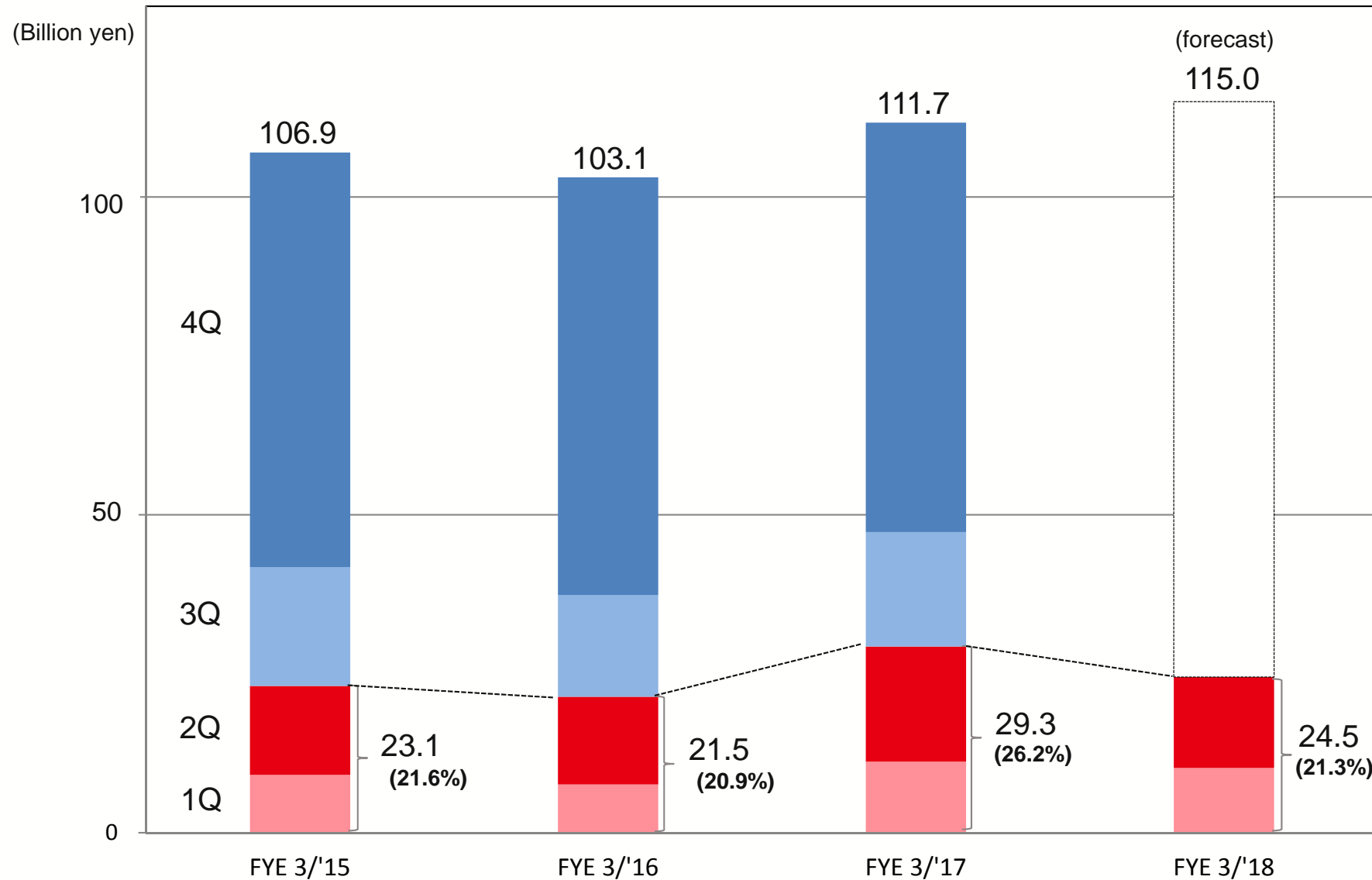


(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the quarter*	Dividend (yen)
2Q FYE3/18 Results (cumulative)	64.2 YoY: +7.9 +14.0%	24.5 YoY: -4.7 -16.2%	(5.1) YoY: -1.1	(5.1) YoY: -0.7	(3.6) YoY: -1.0	(End of 2Q ) 29 Vote planned for Nov.
2Q FYE 3/17 Results (cumulative)	56.3	29.3	(4.0)	(4.4)	(2.6)	(End of 2Q ) 29
FYE 3/18 full year forecast	125.0 YoY: +5.4 +4.9%	115.0 YoY: +3.3 +3.0%	6.5 YoY: +0.2 +2.7%	6.4 YoY: +0.1 +2.4%	4.2 YoY: -0.5 -11.4%	58 YoY: ±0

# Trend of the 1-2Q Sales

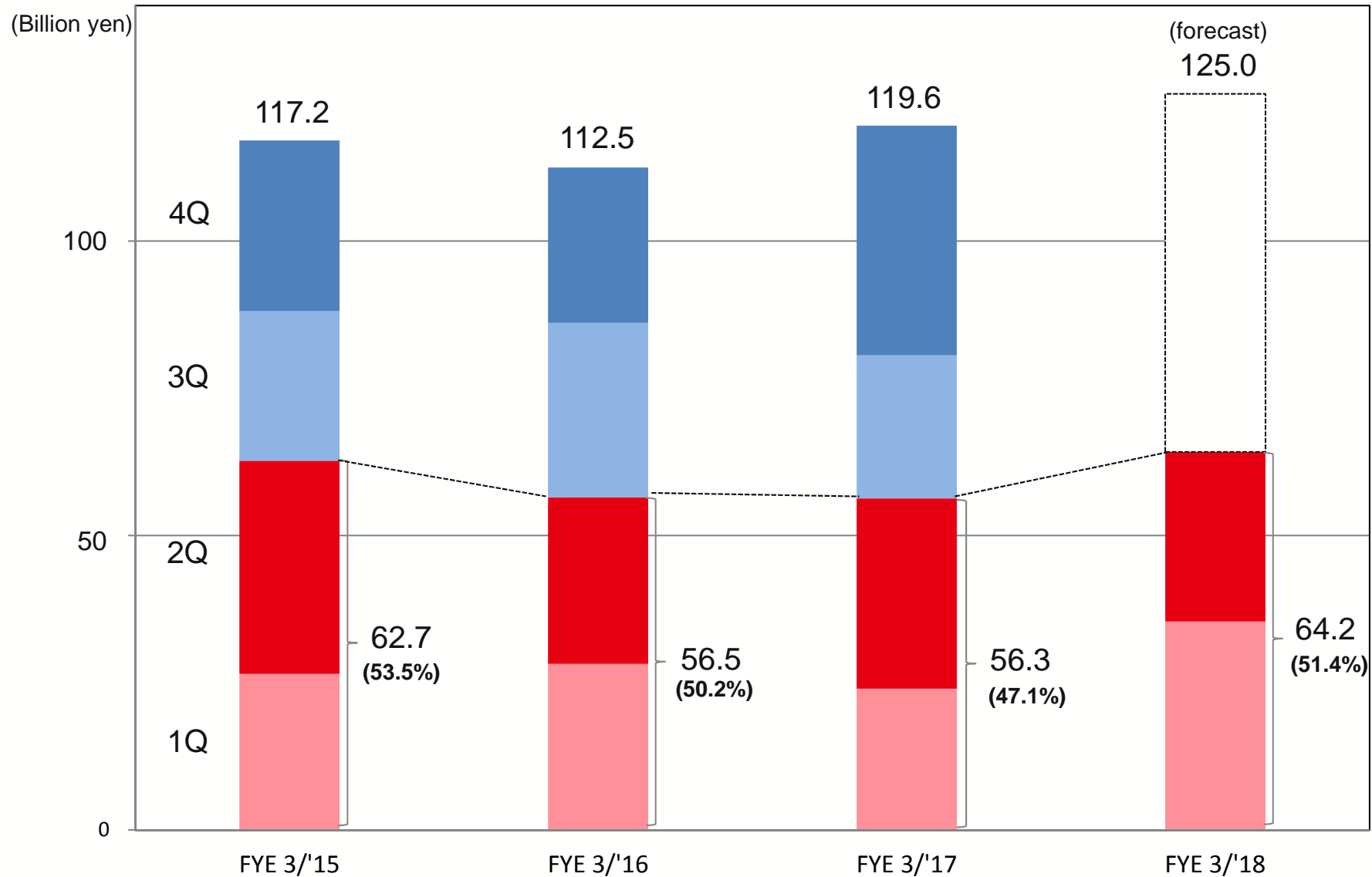
In our group's business, Japanese public works account for the majority, and sales and profits tend to be concentrated in 4Q, so usually the net sales of 1-2Q is about 25% of the year total. The net sales of this 1-2Q is at the same level as in previous years.



# Trend of the 1-2Q Orders Received

The orders received in 1-2Q usually account for about 50% of the annual total orders received.

The total orders received of this 1-2Q are at the same level as in previous years.



# Results of 1-2Q in FYE March 2018

## \* Construction Orders Received:

Orders of six cases\* with 1 billion yen or more (five cases in the previous FY), and five cases with 500 million yen or more and less than 1 billion yen (eight cases in the previous FY) are received.

\*The cases above include one PPP project, and we participated in 28 in total out of 58 water and sewage projects.

<Reference> Ebie Sewage Plant renewal project in Osaka City, concluded a contract in October 2017.

## \* Construction Completed:

Four cases (Six cases in the previous FY) with orders of 500 million yen or more are completed.

## \* Operation and maintenance entrusted: Two cases\*

<Reference> A contract on the construction business of the Kawasaki city sewerage asset management information system (facility / equipment, business management) was concluded in October 2017.

## \* Operation and maintenance started: Three cases\*

\* In which, two projects are commissioned, and three projects are started



## Actions taken in 2Q of FYE March 2018 – Technology,development,etc.

- \* Signed a sales agreement with FURUNO ELECTRIC for a compact X-band double polarized wave Doppler weather radar.  
(Doppler weather radar used in the FY2015 B-DASH \* empirical research)
- \* Our employees received the Tokyo Metropolitan Workers Recognition Award “Labor Encouragement” in FY2017.
- \* The number of visitors to the Kawai Purification Plant (Serarokka) exceeded 10,000.
- \* Established a training center for operators of water / environmental infrastructure facilities and equipment.

\*B-DASH (Breakthrough by Dynamic Approach in Sewage High Technology Project) Sewage innovative technology demonstration project implemented by the Ministry of Land, Infrastructure and Transport

# Efforts toward progress of PPP projects

We established a training center for operators of water / environmental infrastructure and equipment to meet growing needs for further comprehensiveness and wide-area management in the water and sewage business.

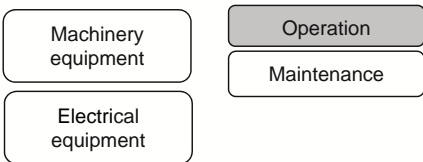
## [Up until now]

Characteristics: order placement for specifications



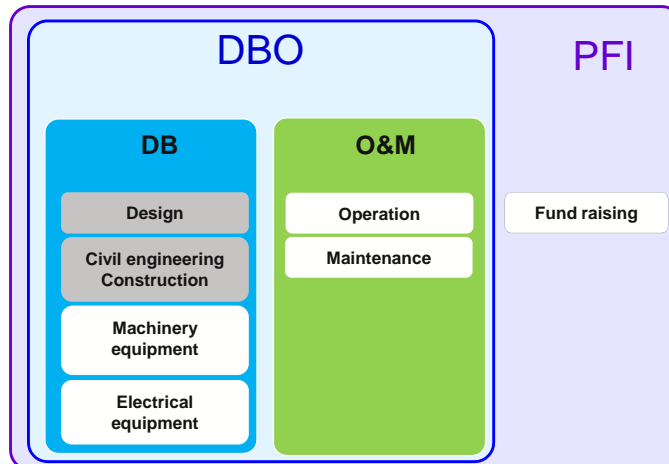
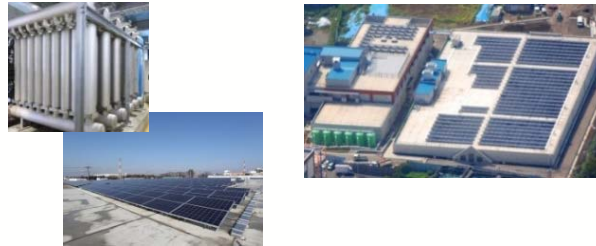
EPC

O&M

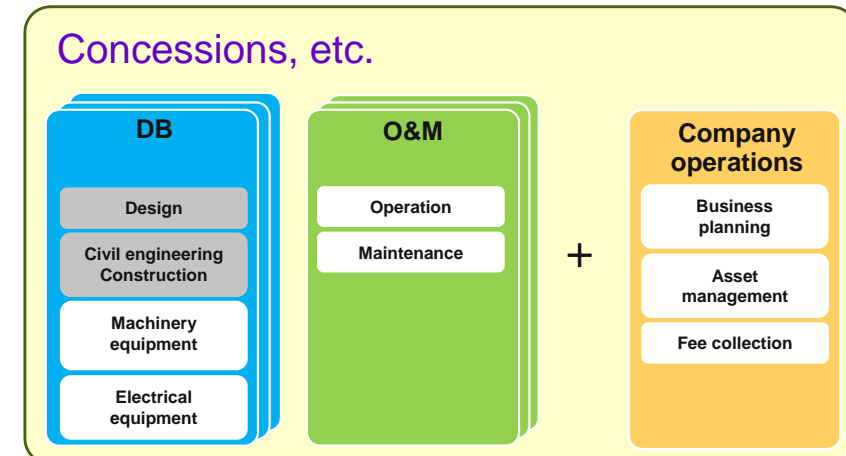
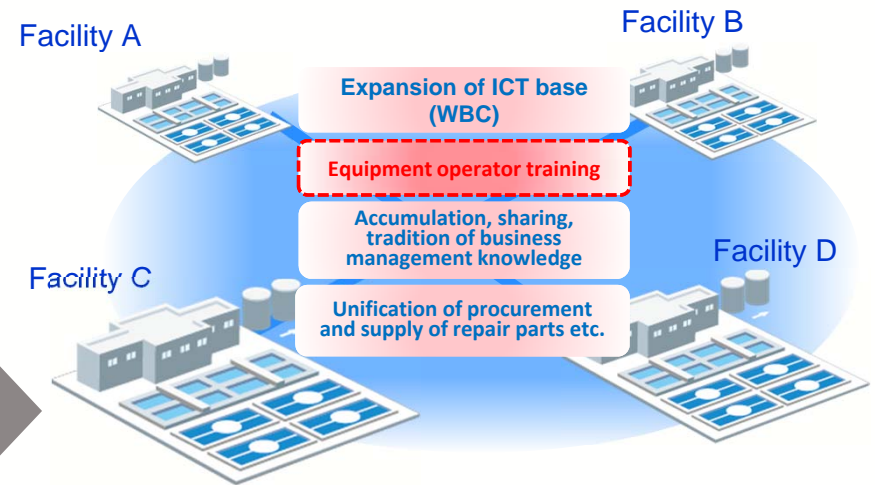


## [further comprehensiveness]

Characteristics: order placement for performance



## [further comprehensiveness + wider area management]



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## II Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 2018

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

# Consolidated Statement of Income

(Billion yen)

	2Q FYE 3/17	2Q FYE 3/18	Change
<b>Net Sales</b>	29.3	24.5	-4.7
<b>Operating Profit</b>	(4.0)	(5.1)	-1.1
<b>Operating Profit Margin</b>	-13.7%	-20.9%	-7.2%
<b>Ordinary Income</b>	(4.4)	(5.1)	-0.7
<b>Net Income attributable to parent company shareholders</b>	(2.6)	(3.6)	-1.0

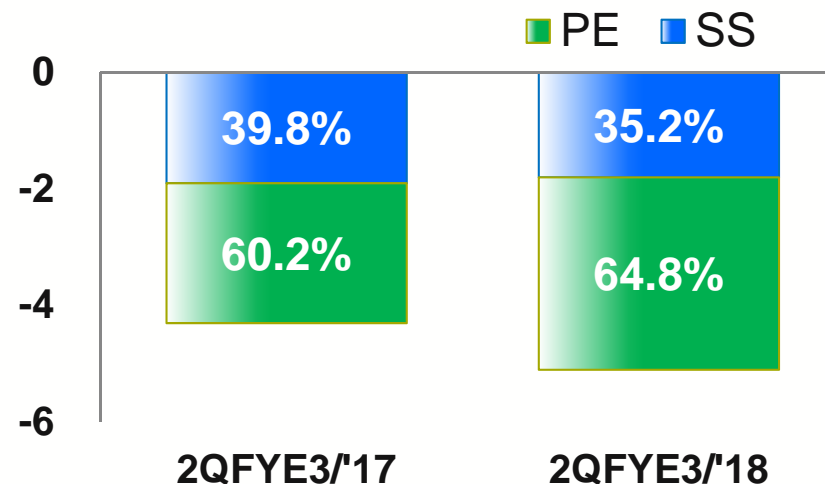
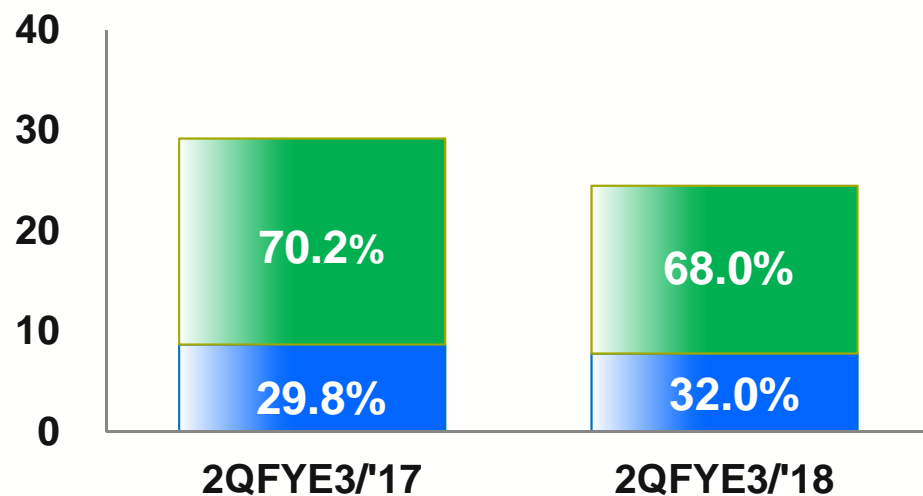
\*Rounded to the nearest 10 million yen

# Segment Information

(Billion yen)

	Net Sales		
	2Q FYE 3/17	2Q FYE 3/18	Change
PE	20.5	16.7	-3.9
SS	8.7	7.8	-0.9
total	29.3	24.5	-4.7

	Operating Profit		
	2Q FYE 3/17	2Q FYE 3/18	Change
PE	(2.4)	(3.3)	-0.9
SS	(1.6)	(1.8)	-0.2
total	(4.0)	(5.1)	-1.1



# Consolidated Balance Sheets

(Billion yen)

	End of FYE3/17	End of 2Q FYE3/18	Change
Cash and deposits	24.2	33.7	+9.5
Notes and accounts receivable-trade	67.9	28.6	-39.4
Inventories	7.2	15.7	+8.4
Deferred Tax assets	1.6	1.6	+0.0
Others	2.6	3.9	+1.4
<b>Total current assets</b>	<b>103.6</b>	<b>83.4</b>	<b>-20.2</b>
Tangible fixed assets	3.1	3.0	-0.1
Intangible fixed assets	8.2	7.5	-0.7
Others	6.2	6.3	+0.1
<b>Total fixed assets</b>	<b>17.4</b>	<b>16.7</b>	<b>-0.7</b>
<b>Total assets</b>	<b>121.0</b>	<b>100.1</b>	<b>-20.9</b>

	End of FYE3/17	End of 2Q FYE3/18	Change
Accounts payable-trade	30.8	10.3	-20.4
Short-term loans payable <sup>*1</sup>	(0.8) 1.1	(1.3) 1.6	+0.5
Advance received	8.7	16.0	+7.4
Others	8.0	4.9	-3.1
<b>Total current liabilities</b>	<b>48.5</b>	<b>32.9</b>	<b>-15.7</b>
Long-term loans payable <sup>*2</sup>	(12.4) 14.8	(12.0) 14.3	-0.5
Others	5.4	5.3	-0.1
<b>Total fixed liabilities</b>	<b>20.2</b>	<b>19.5</b>	<b>-0.6</b>
<b>Total liabilities</b>	<b>68.7</b>	<b>52.4</b>	<b>-16.3</b>
<b>Total net assets</b>	<b>52.3</b>	<b>47.7</b>	<b>-4.6</b>
<b>Total liabilities/ net assets</b>	<b>121.0</b>	<b>100.1</b>	<b>-20.9</b>

15 \* 1 and 2: The figures in parentheses are the amounts of project finance loan for PFI, etc.

# Consolidated Cash Flows

(Billion yen)

	2Q FYE 3/17	2Q FYE 3/18	Change
Cash and Cash equivalents at the end of previous FY	20.0	23.4	+3.4
Operating cash flow	6.6	10.9	+4.3
Investing cash flow	(1.1)	(0.5)	+0.6
<b>Free cash flow</b>	<b>5.5</b>	<b>10.4</b>	<b>+4.9</b>
Financing cash flow	(1.3)	(0.9)	+0.5
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.0)	+0.3
Cash and Cash equivalents at the end of current FY	23.9	32.9	+9.0



## 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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