

TRANSLATION - FOR REFERENCE ONLY



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

January 31, 2018
METAWATER Co., Ltd.

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

I Highlights of the Third Quarter of the Fiscal Year Ending March 2018 and forecasts for the Fiscal Year Ending March 2018

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

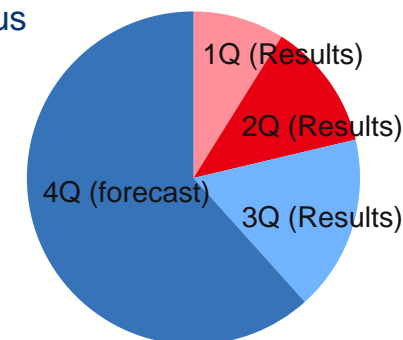
Financial Highlights of 3Q FYE March 2018

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 1-3Q exceeded the results of the previous fiscal year, and the orders backlog at the end of this 3Q continues to increase.

(Reference) At the end of 3Q in FYE March 2017 140.6 Billion yen >> At the end of 3Q in FYE March 2018 176.6 Billion yen

FYE March 2018 sales composition by quarter



Net Sales & Profit

- * Decrease in revenue and profit for 1-3Q 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.

Full-year forecast

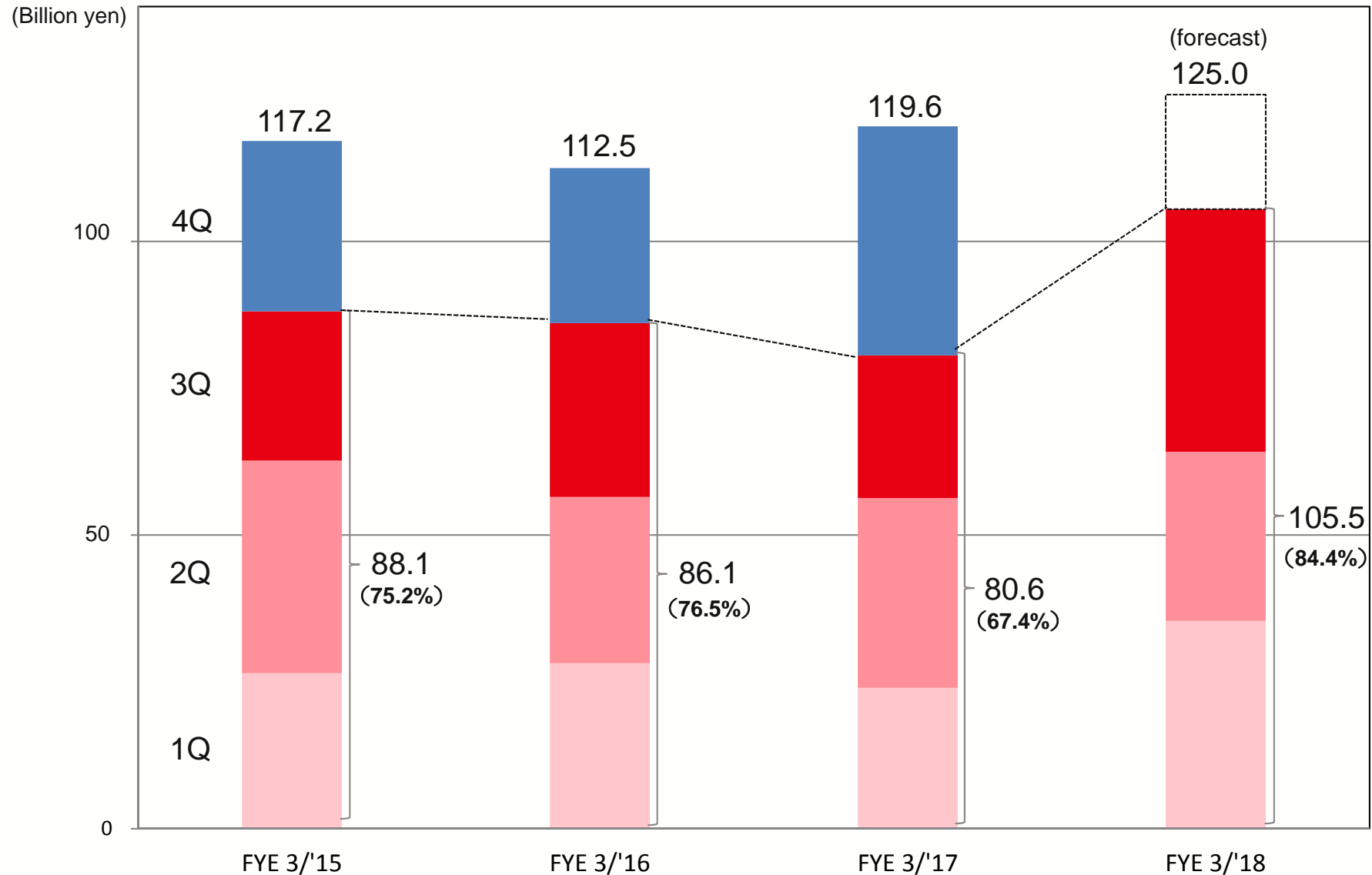
- * 1-3Q results proceeded mainly as forecast. Full year forecast FYE March 2018 are unchanged.

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the quarter*	Dividend (yen)
1-3Q FYE3/18 Results	105.5 YoY: +24.9 +30.9%	44.1 YoY: -3.2 -6.7%	(5.2) YoY: -1.0	(5.2) YoY: -1.2	(3.7) YoY: -1.4	(End of 2Q) 29
1-3Q FYE3/17 Results	80.6	47.3	(4.2)	(4.0)	(2.3)	(End of 2Q) 29
FYE 3/18 full year forecast	125.0 YoY: +5.4 +4.5%	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

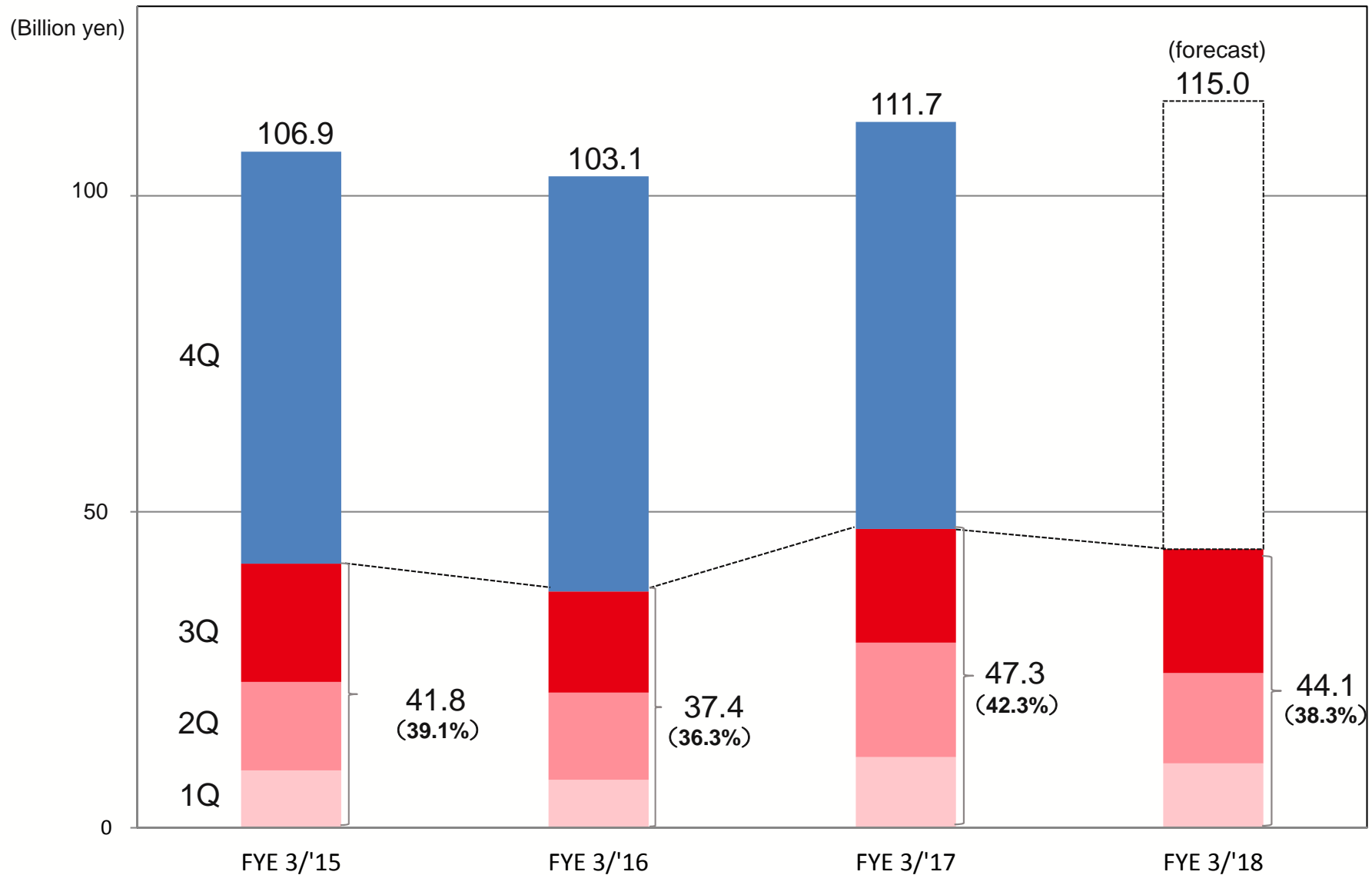
Trend of the 1-3Q Orders Received

The orders received in 1-3Q usually account for about 70% of the annual total orders received. The total orders received of this 1-3Q exceed the previous year and is at record high.



Trend of the 1-3Q 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 1-3Q is about 40% of the year total. The net sales of this 1-3Q is at the same level as in previous years.



[Domestic]

* Construction Orders Received: **Orders of 11 cases*¹ with 1 billion yen or more** (8 cases in the previous FY), **and 10 cases with 500 million yen or more and less than 1 billion yen** (10 cases in the previous FY) are received.

*¹ The cases above include **2 PPP project**, and we participated in **29 in total out of 60** water and sewage projects.

<Reference> Ofunato Purification Center in Iwate Prefecture, an outsourcing contract of comprehensive management business with facilities improvement will be concluded (4Q)

* Construction Completed: **7 cases** (12 cases in the previous FY) **with orders of 500 million yen or more** are completed.

* Operation and maintenance new entrusted: **4 cases**

* Operation and maintenance started: **5 cases*²**

*² include 1PPP and 3 new entrusted projects.

[Overseas]

* Orders Received

- China: Ozone generation system for purification plant

- * Established a training center for operators of water / environmental infrastructure facilities and equipment (November 1, 2017)
- * Concluded an agreement to transfer water quality measuring device business for waterworks with DKK-TOA Corporation (Scheduled to be transferred in April 2018)
- * Sponsored the Angkor Wat International Half Marathon
- * Bureau of Waterworks Tokyo Metropolitan Government "Planning the Forest of the Water Fountain Made by All" Sponsored Corporate Sponsorship

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**II Summary of Financial Results for the Third Quarter
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1. Consolidated Statement of Income
2. Segment Information
3. Consolidated Balance Sheets
4. Consolidated Cash Flows

Consolidated Statement of Income

(Billion yen)

	1-3Q FYE 3/17	1-3Q FYE 3/18	Change
Net Sales	47.3	44.1	-3.2
Operating Profit	(4.2)	(5.2)	-1.0
Operating Profit Margin	-8.8%	-11.8%	-3.0%
Ordinary Income	(4.0)	(5.2)	-1.2
Net Income attributable to parent company shareholders	(2.3)	(3.7)	-1.4

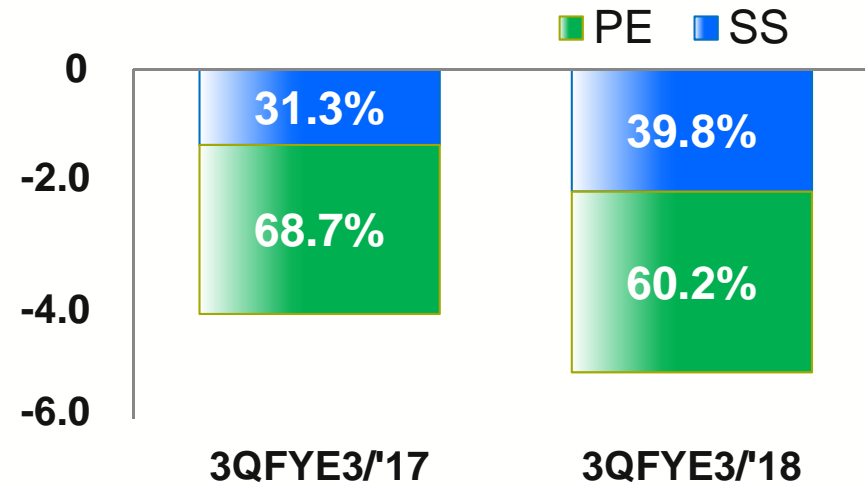
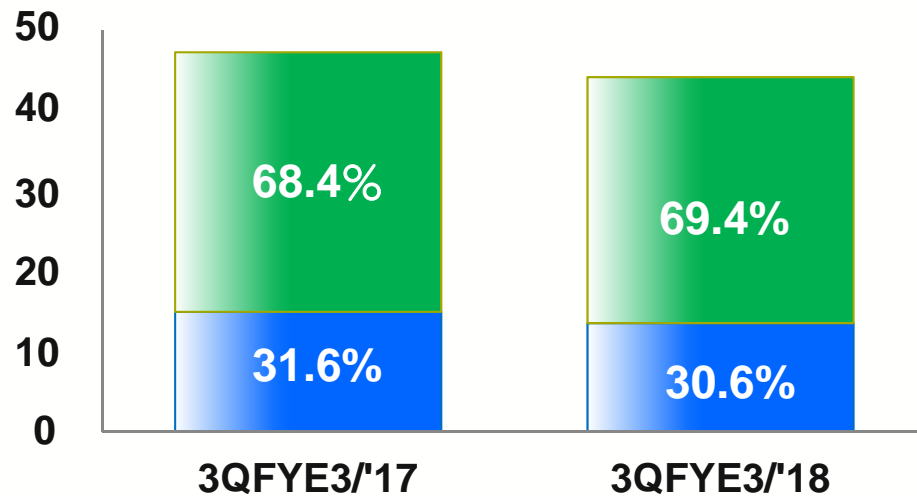
*Rounded to the nearest 10 million yen

Segment Information

(Billion yen)

	Net Sales		
	1-3Q FYE 3/'17	1-3Q FYE 3/'18	Change
PE	32.3	30.6	-1.7
SS	14.9	13.5	-1.4
total	47.3	44.1	-3.2

	Operating Profit		
	1-3Q FYE 3/'17	1-3Q FYE 3/'18	Change
PE	(2.9)	(3.1)	-0.2
SS	(1.3)	(2.1)	-0.8
total	(4.2)	(5.2)	-1.0



Consolidated Balance Sheets

(Billion yen)

	End of FYE3/'17	End of 3Q FYE3/'18	Change
Cash and deposits	24.2	26.2	+2.0
Notes and accounts receivable-trade	67.9	32.8	-35.1
Inventories	7.2	22.3	+15.0
Deferred Tax assets	1.6	1.6	0
Others	2.6	5.1	+2.5
Total current assets	103.6	88.0	-15.5
Tangible fixed assets	3.1	3.0	-0.1
Intangible fixed assets	8.2	7.2	-0.9
Others	6.2	6.2	+0.1
Total fixed assets	17.4	16.4	-1.0
Total assets	121.0	104.4	-16.5

	End of FYE3/'17	End of 3Q FYE3/'18	Change
Accounts payable-trade	30.8	14.8	-15.9
Short-term loans payable ^{*1}	<0.8> 1.1	<0.8> 1.5	+0.3
Advance received	8.7	17.6	+8.9
Others	8.0	4.3	-3.7
Total current liabilities	48.5	38.2	-10.4
Long-term loans payable ^{*2}	<12.4> 14.8	<11.6> 13.9	-0.9
Others	5.4	5.3	-0.1
Total fixed liabilities	20.2	19.2	-1.0
Total liabilities	68.7	57.4	-11.3
Total net assets	52.3	47.1	-5.2
Total liabilities/ net assets	121.0	104.4	-16.5

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

Consolidated Cash Flows

(Billion yen)

	1-3Q FYE 3/17	1-3Q FYE 3/18	Change
Cash and Cash equivalents at the end of previous FY	20.0	23.4	+3.4
Operating cash flow	(0.1)	4.7	+4.8
Investing cash flow	(1.2)	(0.6)	+0.6
Free cash flow	(1.3)	4.1	+5.4
Financing cash flow	(2.6)	(2.1)	+0.5
Effect of exchange rate changes on cash and cash equivalents	(0.4)	0	+0.4
Cash and Cash equivalents at the end of current FY	15.7	25.4	+9.6

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.



Contact regarding this document

CSR Promotion Office, Investor & Public Relations Department, METAWATER Co., Ltd.

E-mail: pr@metawater.co.jp