

Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2019

A decorative graphic consisting of a solid orange line that curves upwards from the bottom left towards the top right. Below this line are two overlapping, semi-transparent light blue areas that also curve upwards, creating a layered, wave-like effect.

July 30, 2018
METAWATER Co., Ltd.

We would like to extend our deepest sympathies to those who were affected by the heavy rain in July, 2018.

We wish for the earliest possible recovery and restoration of the areas affected.

METAWATER Group decided to provide support of 10 million yen in order to help affected people, and to support recovery and reconstruction of afflicted areas.

There is no impact on the financial results from this disaster.

Segment Information

□ Plant Engineering Business(PE business)

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)

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)

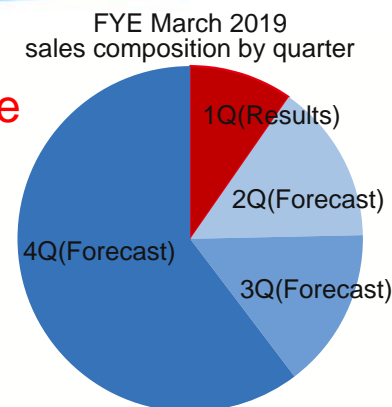
I Highlights of the First Quarter of the Fiscal Year Ending March 2019 and forecasts for the Fiscal Year Ending March 2019

II Outline of Financial Results for the First Quarter of the Fiscal Year Ending March 2019

Financial Highlights of 1Q FYE March 2019 (Consolidated)

* Net Sales & Profit

In 1Q, **both sales and profits increased mostly as planned due to favorable performance of domestic EPC works and O&M works** as well as improvement in gross margin ratio and Cost reduction effect, etc. ⇒ No change in full-year forecast



* Orders Received

In contrast to the previous 1Q where large-scale projects such as PPP concentrated, this 1Q returned to the same level as previous years due to differences in project composition, and the sales fell below the previous fiscal year (as expected)

Order backlogs leading to future sales also maintained a high level

(Reference) End of 1Q FYE 3/'18, 140.4 billion yen ⇒ End of 1Q FYE 3' /19, 149.7billion yen

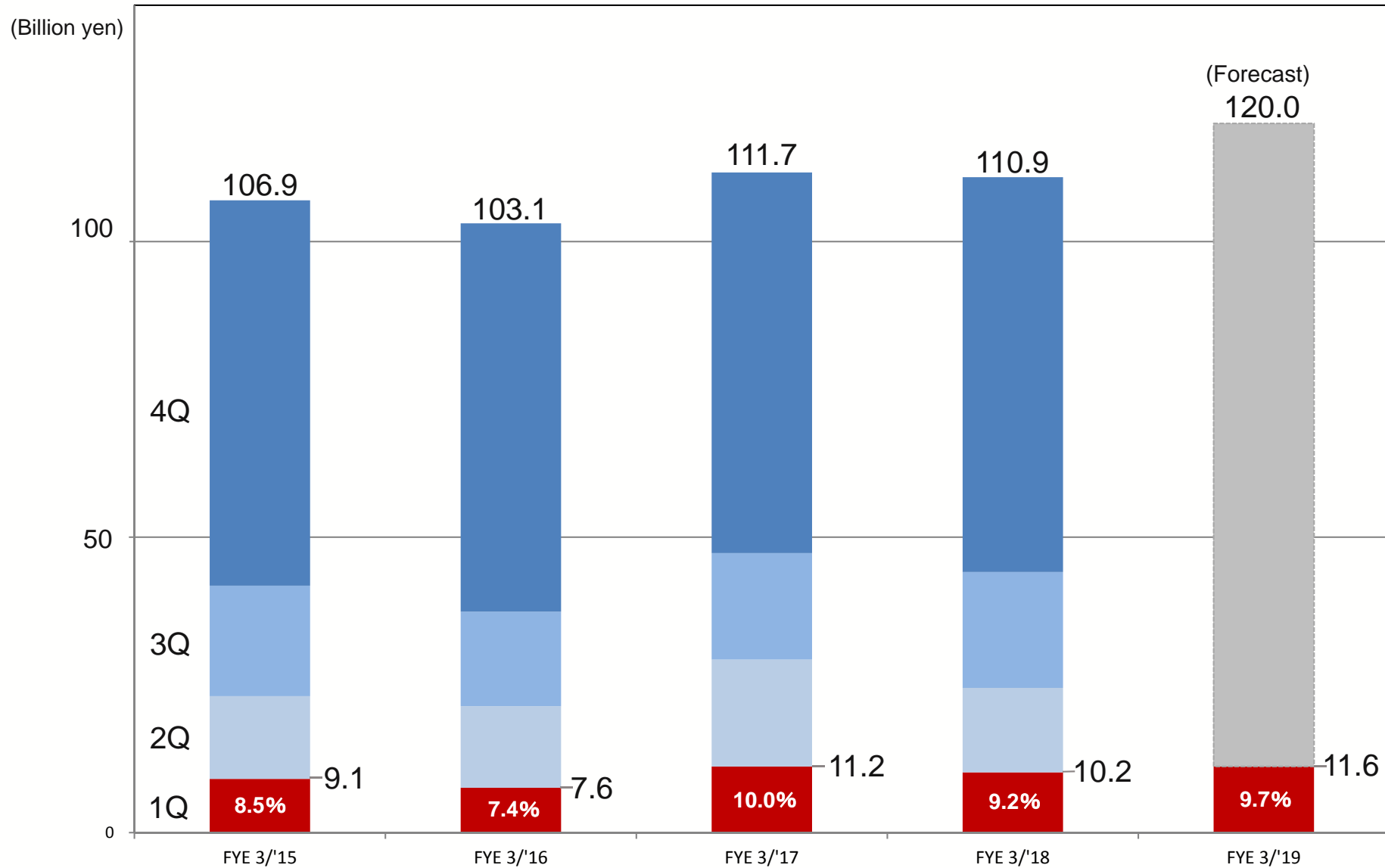
(billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income for the Quarter*	Annual Dividend (yen)
1Q FYE3/'19 Results	25.4 YoY: ▲10 ▲28.2%	11.6 YoY: +1.4 +13.5%	-2.3 YoY: +0.5	-2.1 YoY: +0.7	-1.5 YoY: +0.5	-
1Q FYE3/'18 Results	35.4	10.2	-2.8	-2.8	-2.0	-
FYE3/'19 Forecast	120.0 YoY: ▲11.6 ▲8.8%	120.0 YoY: +9.1 + 8.2%	7.0 YoY: +0.3 +3.8%	6.9 YoY: +0.4 +6.7%	4.7 YoY: +0.8 +19.6%	62 YoY: +4

* Net income attributable to owners of parent company

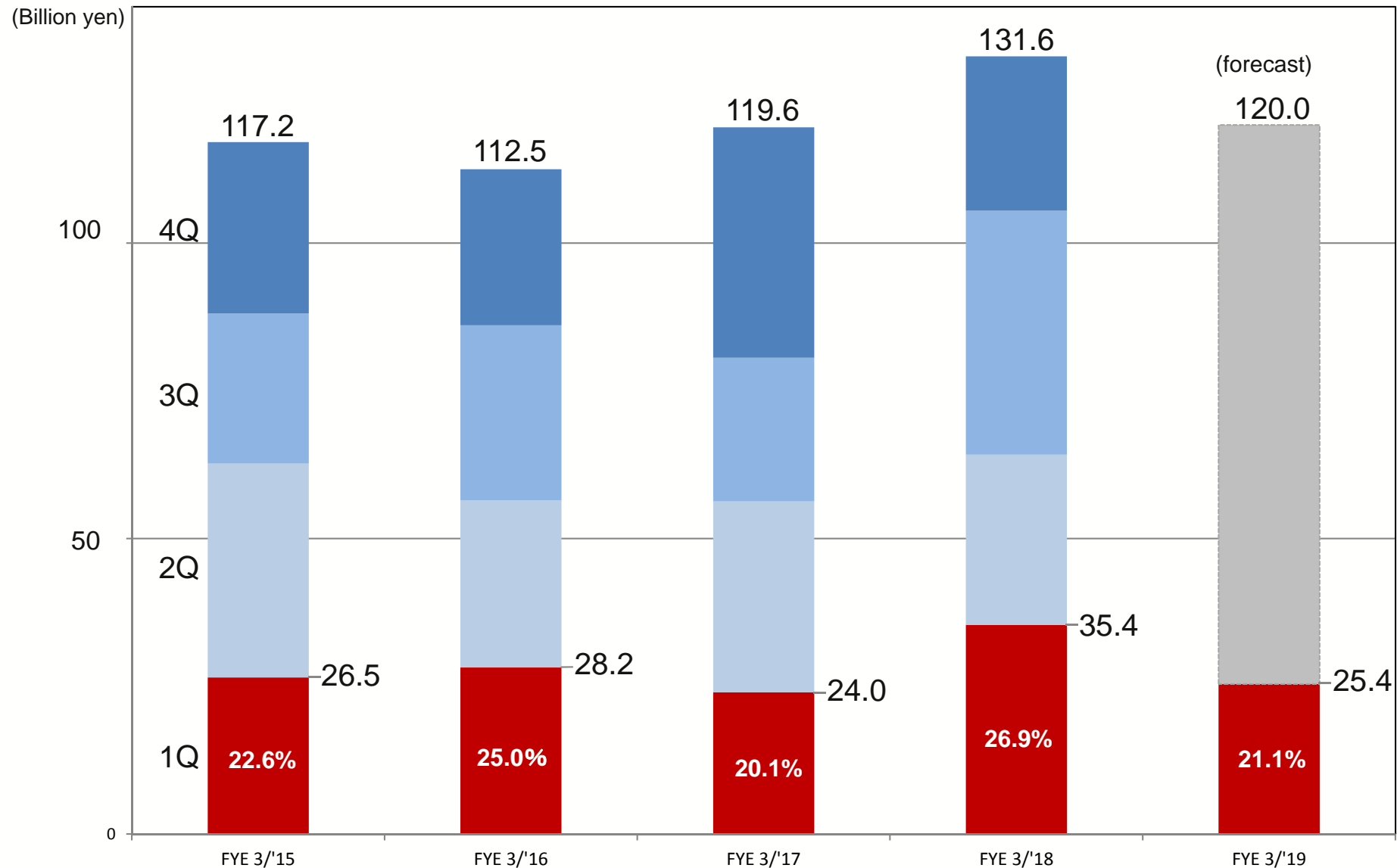
Trend of 1Q Sales

In our group's business, Japanese public works account for the majority, and sales and profits tend to be concentrated in 4Q. As a result, net sales of 1Q in previous years are about 10% of the year total. The net sales of this 1Q is at the same level as in previous years.



Trend of 1Q orders received

The orders received in 1Q usually accounts for around 25% of the year total.
Due to received orders for large-scale projects such as PPP, composition ratio increased in previous 1Q.
However, composition ratio in this 1Q was at the same level as in previous years



Technology and development

- * A guideline is developed from FY2005 B-DASH*¹ project "Demonstration Project: Stormwater Management Technology for Local Heavy rainfall in Urban Area" (May)
- * "Demonstration Project on Practical Application of Realization System of Continuous Stock Management with Maintenance Management as Starting Point Utilizing Cloud" selected for B-DASH*¹ demonstration project in FY2018 (May)
- * Acquired JWRC*² certification in UV treatment equipment using UV-LED (June)
- * "Non aeration circulation type water treatment equipment" was awarded "METI Industrial Technology Environmental Agency Director Prize" in the 44th Excellent Environmental Equipment Award by The Japan Society of Industrial Machinery Manufacturers (July)

*¹ B-DASH (Breakthrough by Dynamic Approach in Sewage High Technology Project) Sewage innovative technology demonstration project implemented by Ministry of Land, Infrastructure and Transport

*² Japan Water Research Center

Efforts made during 1Q of FYE March 2019

Business activities

- * Updated maintenance of Aizu Wakamatsu City Takizawa water treatment plant was completed and maintenance work started (April)
- * Established Concession Project Planning Office (July)

Work-style reform

- * Introduction of Job return system (June) FE15
- * Started trial of four-day workweek (July)

Others

- * Renewal of our website (April) and launch of 10th anniversary commemoration website

<https://www.metawater.co.jp/>



Renewal website



10th anniversary commemoration website

Review of our corporate philosophy

- * Taking into consideration changes in the environment surrounding our group and changes in our group itself etc., we reviewed our corporate philosophy (June)

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

Consolidated Statement of Income

(Billion yen)

	1Q FYE 3/'18	1Q FYE 3/'19	Change
Net Sales	10.2	11.6	+1.4
Operating Profit	(2.8)	(2.3)	+0.5
Operating Profit Margin	-27.7%	-20.0%	+7.7%
Ordinary Income	(2.8)	(2.1)	+0.7
Net Income attributable to parent company shareholders	(2.0)	(1.5)	+0.5

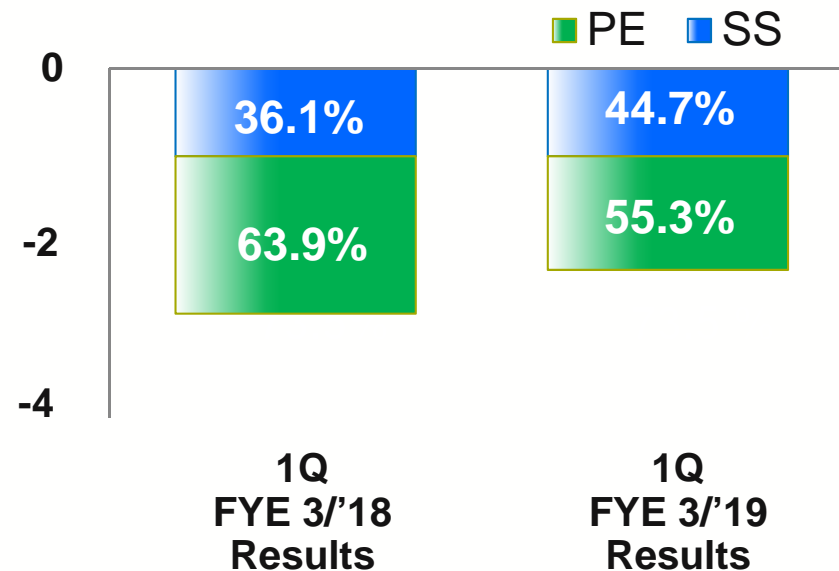
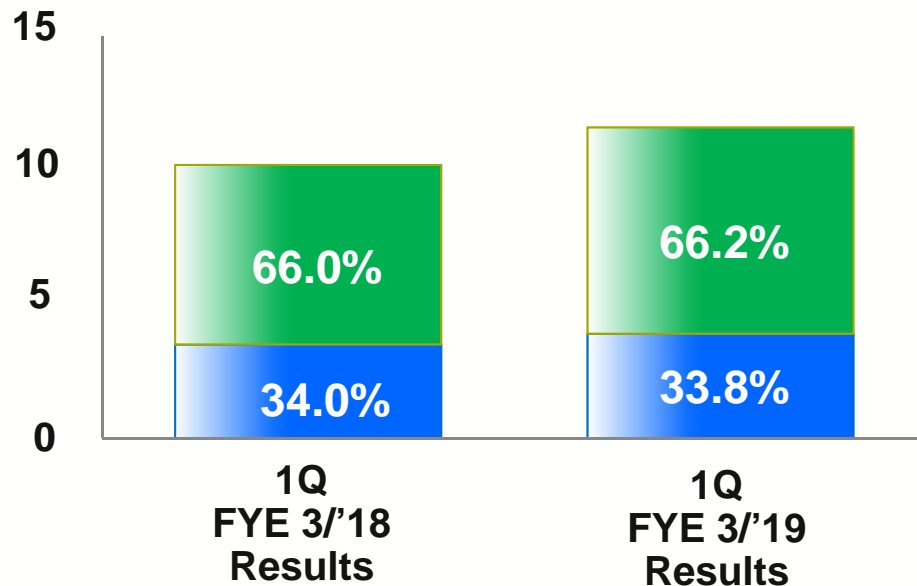
*Rounded to the nearest 10 million yen

Segment Information

(Billion yen)

	Net Sales		
	1Q FYE 3/'18	1Q FYE 3/'19	Change
PE	6.7	7.7	+0.9
SS	3.5	3.9	+0.4
Total	10.2	11.6	+1.4

	Operating Profit		
	1Q FYE 3/'18	1Q FYE 3/'19	Change
PE	(1.8)	(1.3)	+0.5
SS	(1.0)	(1.0)	- 0.0
Total	(2.8)	(2.3)	+0.5



Consolidated Balance Sheet

(Billion yen)

	End of FYE 3/18	End of 1Q FYE 3/19	Change
Cash and deposits	25.8	52.1	+26.3
Notes and accounts receivable-trade	72.2	34.4	-37.7
Inventories	5.9	10.2	+4.3
Others	1.5	2.3	+0.8
Total current assets	105.4	99.1	-6.3
Tangible fixed assets	3.0	2.9	-0.1
Intangible fixed assets	7.1	6.5	-0.6
Deferred Tax assets	3.6	3.5	-0.1
Others	3.9	4.0	+0.1
Total fixed assets	17.6	16.9	-0.7
Total assets	123.0	116.0	-7.0

	End of FYE 3/18	End of 1Q FYE 3/19	Change
Accounts payable-trade	29.9	20.2	-9.6
Short-term loans payable	^{*1} 1.1 <0.8>	<0.8> 1.5	+0.4
Advance received	10.7	18.7	+8.0
Others	7.3	4.8	-2.5
Total current liabilities	49.0	45.3	- 3.8
Long-term loans payable	^{*2} 13.6 <11.6>	<11.2> 13.3	-0.3
Others	5.3	5.4	+0.1
Total fixed liabilities	18.9	18.7	-0.2
Total liabilities	67.9	64.0	-4.0
Total net assets	55.0	52.0	-3.0
Total liabilities/ net assets	123.0	116.0	-7.0

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

Status of Consolidated Cash Flow

(Billion yen)

	1Q FYE 3/18	1Q FYE 3/19	Change
Cash and Cash equivalents at the end of previous FY	23.3	25.0	+1.7
Operating cash flow	25.5	27.0	+1.5
Investing cash flow	(0.1)	(0.1)	0.0
Free cash flow	25.4	26.9	+1.5
Financing cash flow	(1.2)	(0.6)	+0.6
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0	0.0
Cash and Cash equivalents at the end of current FY	47.6	51.3	+3.7

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

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