

Outline of Financial Results for the Third 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 is a light blue shaded area that also curves upwards, creating a sense of growth or expansion.

January 29, 2019
METAWATER Co., Ltd.

Segment Information

- **Plant Engineering Business(PE business)** :Domestic EPC business / Overseas 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)** :Domestic O&M business / Domestic PPP 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)
Concession	An approach of granting business operation rights to private companies for a long term while leaving the authority of public facilities and authorization of business management to the public.

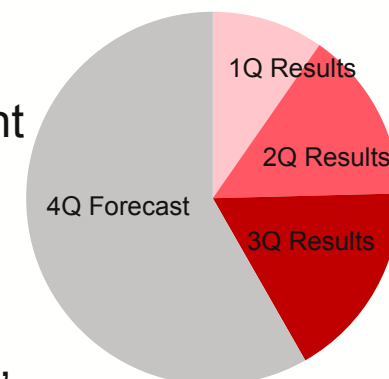
I Highlights of the Third Quarter of the Fiscal Year Ending March 2019 and Revision of Forecasts for the Fiscal Year Ending March 2019

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

Financial Highlights of 3Q FYE March 2019 (Consolidated)



FYE March 2019
sales composition by quarter



* Net Sales & Profit

In 1-3Q, both sales and profits **significantly improved** compared to the previous 1-3Q due to **favorable performance of domestic EPC, O&M and PPP** as well as improvement in gross margin ratio and cost reduction effect, etc.

* Orders Received

In contrast to the previous 1-3Q where large-scale projects such as PPP concentrated, this 1-3Q returned to **the same level as previous**.

Order backlogs leading to future sales also **maintained a high level**.

(Reference) End of 3Q FYE 3/'18, 176.6 billion yen ⇒ End of 3Q FYE 3/'19, 180.6 billion yen.

(billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*	Interim Dividend (yen)
3Q(1-3Q) FYE3/'19	94.8 YoY:-10.7 -10.1%	50.1 YoY:+6.0 +13.6%	(3.9) YoY:+1.3	(3.7) YoY:+ 1.5	(2.6) YoY:+1.0	31 YoY:+2.0
3Q(1-3Q) FYE3/'18	105.5	44.1	(5.2)	(5.2)	(3.7)	29

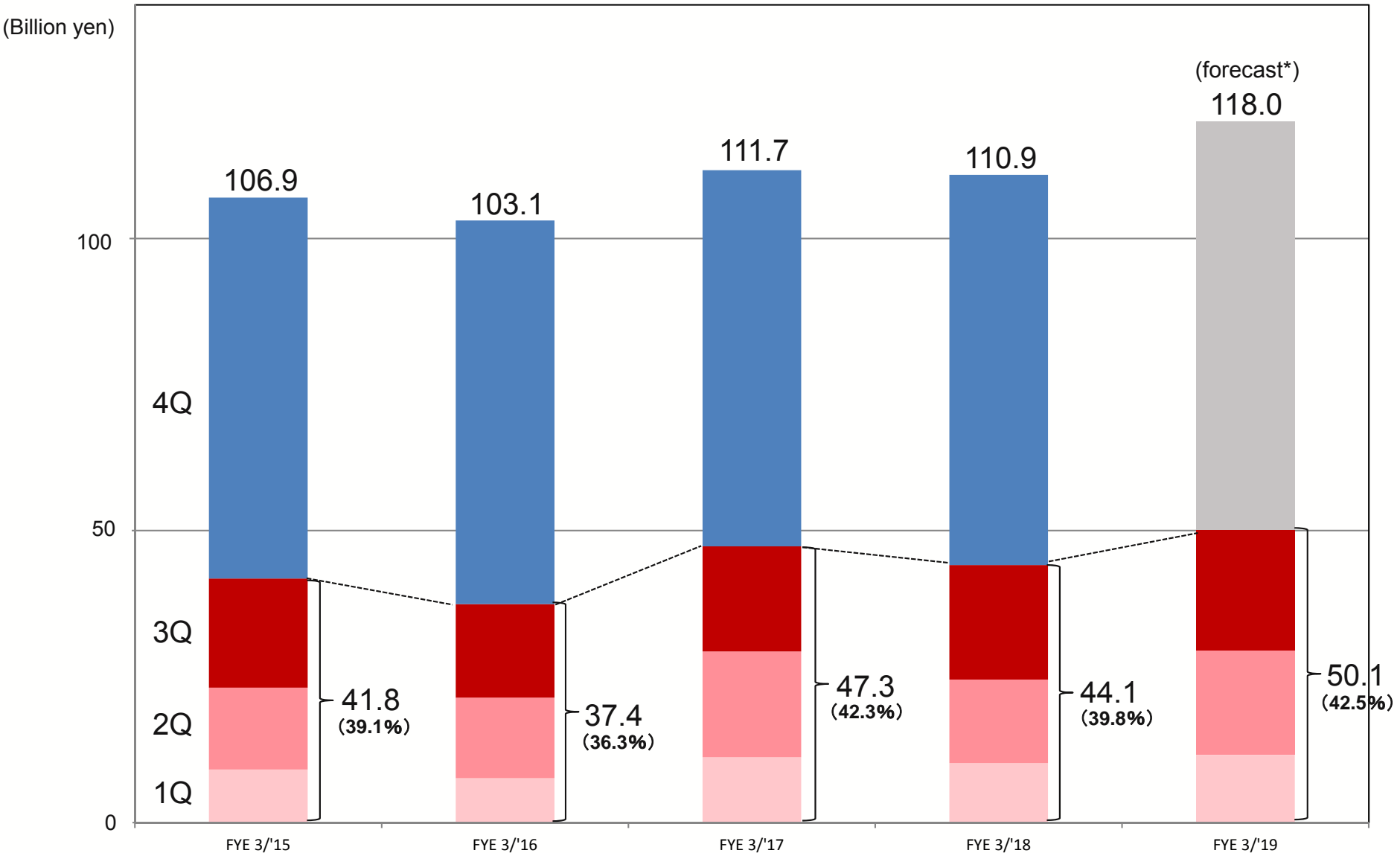
(Rounded to the nearest 10 million yen)

*Net income attributable to owners of parent company

Trend of 3Q Sales (Consolidated)



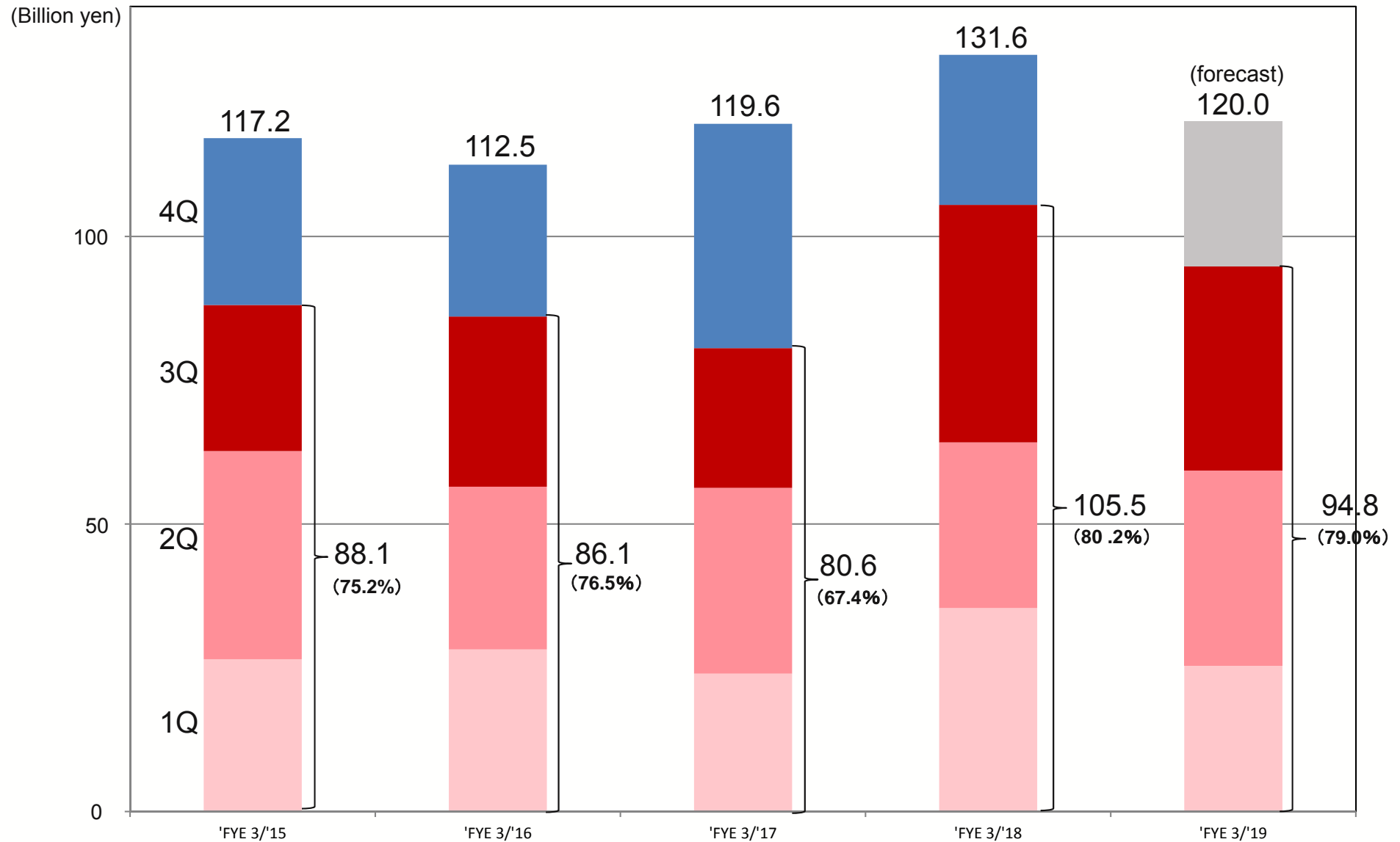
In our group's business, Japanese public works account for the majority, and sales and profits tend to be concentrated in 4Q. As a result, net sales of 1-3Q in previous years are around 40% of the year total. The net sales of this 1-3Q is at the same level as in previous years.



*Refer to p10

Trend of 3Q orders received (Consolidated)

The orders received in 1-3Q usually accounts for around 70%~80% of the year total. Composition ratio in this 1-3Q was at the same level as in previous years.



Promote "strategic development investment *1" as planned

Development of No. 1 selling product group / Development of new business

- * Acquired JWRC's*2 Certification of Ultraviolet Disinfection Unit for industry's first 1,200 m³ /day model of UV treatment equipment using UV-LED following the 300 m³ /day model, and started sales activities
- * Promoting development of emergency ceramic membrane systems

Work-style reform

- * Setting up satellite offices in Kobe and Hino, following the headquarters and Tachikawa, as part of the work-style reform

*1 In the Medium-Term Business Plan 2020 (from the FYE 3/19 to the FYE 3/21), we set a strategic development investment which is total of 7 to 8 billion yen, 40% higher than the previous medium-term business plan (from the FYE 3/16 to the FYE 3/18)

*2 Japan Water Research Center

Promote measures to strengthen and expand the core fields and growth fields

Domestic business

- * Establishment of concession preparation room
- * Promote three center concept and initiatives for BCP method (temporary name)
(Refer to Outline of Financial Results for the Second Quarter of the Fiscal Year Ending March 2019)
- * Presented papers on technology, disaster countermeasures etc. at the annual technical conference on water treatment, and participated in Water Exhibition 2018 in Fukuoka held at the same time

Overseas business

- * Strengthening strategic alliance with PWNT of the Netherlands to develop water treatment technology using ceramic membranes
- * Construction completed for the sewage treatment plant, which the joint venture of METAWATER won an order for in Hoi An City, Vietnam
- * Exhibited at "Vietwater 2018", the largest water related exhibition in Vietnam

Company-wide

- * Establishment of an investment framework for venture companies etc. with a cumulative maximum of one billion yen in total, and commencement of operation

Promote strengthening of ESG (3Q Topics)

Promote strengthening of E (Environment) S (Social) G (Governance) as a water infrastructure company

Environmental education

- * Sponsored Ecopro 2018 "Great Adventure Executive Committee on Water",
- * Exhibited at the citizen event of "METAWATER Sewerage Science Center Aichi" as a naming rights partner

Enhancement of community contribution activities

- * JV (a joint venture company of METAWATER Group and Gero Tube Equipment Association) was offered a letter of appreciation from Gero City for its response to disaster restoration due to the heavy rain in July 2018

Improved efficiency and strengthening of management system

- * Establishment of Advisory Committee for Nomination and Remuneration as an optional advisory body under the Board of Directors

Promotion of active dialogue with each stakeholder

- * Exhibited at Nomura Investor Relations Investment Fair for Individual Investor
- * Held business presentation meeting for Institutional Investor

Revision of FY19/3 Full-year Forecast (Consolidated)

- * Orders received are expected to follow the initial forecast.
- * Although the depreciation of yen contributed to increase in sales, the company's forecast for net sales is expected to be slightly lower than the previous forecast due to factors such as some sales for machinery and electric equipment construction shifted to the next period for delays in civil engineering works in the previous process.
- * Profits including operating profit, ordinary income, and net income attributable to parent company shareholders are expected to surpass the previous forecast due to improvement in gross margin by reducing costs and the impact of yen's depreciation.

→ Revision of full-year forecast

(Billion yen)

	Orders Received	Net Sales	Operating Profit	Ordinary Income	Net Income*	Net Income per share (Yen)	Dividend (Yen)
Previous forecast (Announced on 31th October)	120.0	120.0	7.2	7.1	4.8	185.20	62
Revised forecast	120.0	118.0	7.5	7.3	5.0	192.86	62
Change	-	-2.0	+0.3	+0.2	+0.2	-	-
Rate of change	-	-1.7%	+4.2%	+2.8%	+4.2%	-	-
Results of for Previous year	131.6	110.9	6.7	6.5	3.9	151.65	58

*Net income attributable to owners of parent company

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**II Outline of Financial Results for the Third Quarter
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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)

	1-3Q FYE 3/18	1-3Q FYE 3/19	Change
Net Sales	44.1	50.1	+6.0
Operating Profit	(5.2)	(3.9)	+1.3
Operating Profit Margin	-11.8%	-7.8%	+4.0%
Ordinary Income	(5.2)	(3.7)	+1.5
Net Income attributable to parent company shareholders	(3.7)	(2.6)	+1.0

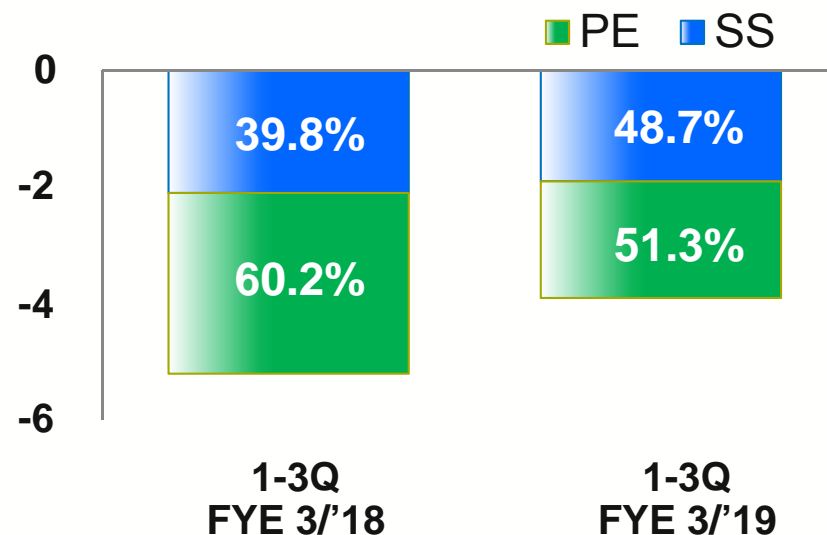
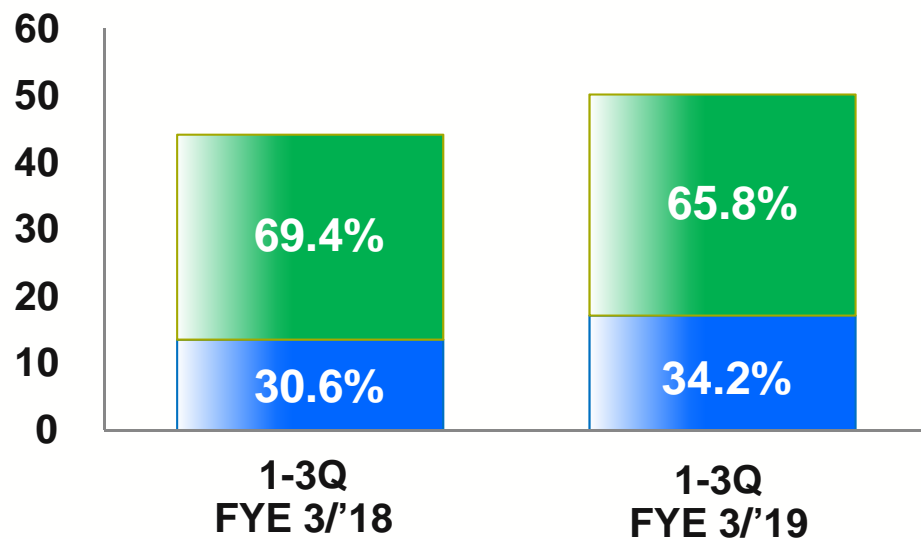
(Rounded to the nearest 10 million yen)

Segment Information

(Billion yen)

	Net Sales		
	1-3Q FYE 3/18	1-3Q FYE 3/19	Change
PE	30.6	33.0	+2.4
SS	13.5	17.1	+3.6
Total	44.1	50.1	+6.0

	Operating Profit		
	1-3Q FYE 3/18	1-3Q FYE 3/19	Change
	(3.1)	(2.0)	+1.1
	(2.1)	(1.9)	+0.2
	(5.2)	(3.9)	+1.3



Consolidated Balance Sheets

(Billion yen)

	End of FYE 3/18	End of 3Q FYE 3/19	Change
Cash and deposits	25.8	26.0	+0.2
Notes and accounts receivable-trade	72.2	37.2	-35.0
Inventories	5.9	22.7	+16.7
Others	1.5	5.1	+3.5
Total current assets	105.4	90.9	-14.5
Tangible fixed assets	3.0	3.1	+0.2
Intangible fixed assets	7.1	6.4	-0.7
Deferred Tax assets	3.6	3.4	-0.2
Others	4.0	4.2	+0.2
Total fixed assets	17.6	17.2	-0.4
Total assets	123.0	108.1	-14.9

	End of FYE 3/18	End of 3Q FYE 3/19	Change
Accounts payable-trade	29.9	16.2	-13.7
Short-term loans payable	^{*1} (0.8) 1.1	(0.8) 1.1	+0.0
Advance received	10.7	17.2	+6.5
Others	7.3	4.4	-2.8
Total current liabilities	49.0	39.0	-10.0
Long-term loans payable	^{*2} (11.5) 13.6	(10.7) 12.7	-0.9
Others	5.3	5.3	-0.1
Total fixed liabilities	18.9	18.1	-1.0
Total liabilities	67.9	57.0	-10.9
Total net assets	55.0	51.0	-4.0
Total liabilities/ net assets	123.0	108.1	-14.9

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

Status of Consolidated Cash Flows

(Billion yen)

	1-3Q FYE 3/18	1-3Q FYE 3/19	Change
Cash and Cash equivalents at the end of previous FY	23.4	25.1	+1.7
Operating cash flow	4.7	3.3	-1.4
Investing cash flow	(0.6)	(0.6)	-0.0
Free cash flow	4.1	2.7	-1.4
Financing cash flow	(2.1)	(2.5)	-0.4
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	25.4	25.3	-0.1

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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