



# METAWATER Co., Ltd.

For Immediate Release

July 27, 2015

## CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2015 (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	<a href="http://www.metawater.co.jp/">http://www.metawater.co.jp/</a>
Representative	Tomoyasu Kida President and Representative Director
Contact person	Yasushi Nakamura Director and General Manager of Corporate Strategy Planning Division (TEL.:+81-3-6853-7317)
Filing date of quarterly securities report	August 7, 2015
Payment date of cash dividends	—
Supplementary information materials on quarterly results	Available
Quarterly results briefing	None

(Amounts are rounded down to the nearest million yen)

### 1. Highlight of consolidated results for the three months ended June 30, 2015

#### (1) Consolidated operating results (year-to-date)

(Percentages are quarter-on-quarter 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, 2015	7,625	—	(3,122)	—	(3,030)	—	(2,099)	—
Three months ended June 30, 2014	—	—	—	—	—	—	—	—

Note: Comprehensive income: Three months ended June 30, 2015 (2,031) million yen — %  
Three months ended June 30, 2014 — million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Three months ended June 30, 2015	(80.98)	—
Three months ended June 30, 2014	—	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2015	104,783	44,988	42.8
As of March 31, 2015	114,257	47,773	41.7

Note: Shareholders' equity: As of June 30, 2015 44,884 million yen  
As of March 31, 2015 47,674 million yen

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
Fiscal year ended March 31, 2015	Yen —	Yen 2,900.00	Yen —	Yen 29.00	Yen —
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31, 2016 (Forecast)		29.00	—	29.00	58.00

Note: Revision of forecast for dividends from the latest announcement: No

The Company has executed a 100-for-1 stock split of its common stock as of October 1, 2014. Annual dividend for the fiscal year ended March 31, 2015 is 58.00 yen assuming the stock split was conducted on April 1, 2014.

## 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2016

(Percentages are year-on-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, 2016	111,000	3.8	8,400	2.2	8,100	(1.4)	5,200	4.2	200.59

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, 2015 (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: Yes
  - (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, 2015 and 25,923,500 shares as of June 30, 2015.
  - (b) Number of treasury stock at the end of the period: Nil shares as of March 31, 2015 and nil shares as of June 30, 2015.
  - (c) Average number of shares issued and outstanding for the period: Not applicable for the three months ended June 30, 2014 and 25,923,500 shares for the three months ended June 30, 2015.

Note: The Company executed a 100-for-1 stock split of its common stock and implements the share unit system, by which 100 shares turn to a share unit with October 1, 2014 as the effective date. Number of shares issued and outstanding (common stock) is calculated based on the assumption that the stock split was conducted on April 1, 2014.

**Information Regarding the Quarterly Review Procedures to be performed by the External Auditor**

At the time of disclosure of this report, the procedures for review of quarterly consolidated financial statements, pursuant to the "Financial Instruments and Exchange Act" of Japan, have not been completed.

**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.

## Contents

<b>1. Qualitative Information Regarding Consolidated Results for the Three Months Ended June 30, 2015</b> .....	5
<b>(1) Explanation of Operating Results</b> .....	5
<b>(2) Explanation of Financial Position</b> .....	6
<b>(3) Explanation of Consolidated Business Forecast</b> .....	6
<b>2. Matters Regarding Summary Information (notes)</b> .....	7
<b>(1) Changing in Significant Subsidiaries during the Period</b> .....	7
<b>(2) Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements</b> .....	7
<b>(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement</b> .....	7
<b>3. Quarterly Consolidated Financial Statements</b> .....	8
<b>(1) Quarterly Consolidated Balance Sheets</b> .....	8
<b>(2) Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income</b> .....	10
<b>(3) Notes on Quarterly Consolidated Financial Statements</b> .....	12
<b>Notes on Going Concern Assumption</b> .....	12
<b>Notes on Significant Changes in Shareholders' Equity</b> .....	12
<b>Segment Information</b> .....	12

# 1. Qualitative Information Regarding Consolidated Results for the Three Months Ended June 30, 2015

## (1) Explanation of Operating Results

Descriptions and statements in relation to forward-looking projections disclosed in this document reflect the judgment of the Group as of June 30, 2015. Comparative analysis with the three months ended June 30, 2015 is not performed as the quarterly consolidated financial statements for the three months ended June 30, 2014 were not prepared in accordance with Financial Instruments and Exchange Act of Japan.

During the three months ended June 30, 2015, business conditions of the Japanese economy have continued to recover moderately, as shown in improving corporate earnings as a result of a decline in oil prices and implementation of various policies, increasing capital investments and improving labor market. With respect to the world economy, although economic performance is weak in some regions due to a sequence of actions toward monetary policy normalization in the U.S. and impact of the decline in oil prices, in general, moderate economic recovery has been achieved.

Domestic business environment surrounding the Group has continued to face challenges such as continuing control in public investments and a sharp increase in labor costs arising from shortage of human resources.

Consequently, on May 29, 2015, the Group developed “Midterm business plan (from the fiscal year ending March 31, 2016 to 2018)” to work on establishment of strong business foundations and development of new solutions, as well as business expansion in cooperation with local companies and partner companies in Japan.

The consolidated operating results of the Group for the three months ended June 30, 2015 showed net sales of ¥7,625 million and operating loss of ¥3,122 million. Ordinary loss was ¥3,030 million and loss attributable to owners of parent was ¥2,099 million.

Our business consists mostly of the domestic public work projects for government agencies and local government, 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. But for the most part, it remains appropriate as expected. Also, sales orders amounted to JPY28,186 million remains steady.

Operating results by segment are as follows:

### (Plant Engineering Business)

Orders, net sales and operating loss amounted to ¥13,491 million, ¥4,636 million and ¥2,176 million, respectively. Orders showed steady performance as a result of large EPC (Note 1) project of over ¥1,000 million. Net sales and operating loss remained steady although recording of sales tends to be significantly concentrated in the fourth quarter.

### (Service Solutions Business)

Orders, net sales and operating loss amounted to ¥14,695 million, ¥2,989 million and ¥945 million, respectively. Orders showed steady performance as a result of new large PPP (Note 2) project. Net sales and operating loss remained steady although recording of sales tends to be significantly concentrated in the fourth quarter.

Note: 1. EPC: Construction work including engineering, procurement and construction.

2. PPP: Public-private partnership

## **(2) Explanation of Financial Position**

Total assets as of June 30, 2015 decreased by ¥9,473 million compared to March 31, 2015 to ¥104,783 million.

Current assets decreased by ¥9,275 million compared to March 31, 2015 to ¥95,647 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in cash and deposits.

Non-current assets decreased by ¥198 million compared to March 31, 2015 to ¥9,136 million.

Current liabilities decreased by ¥6,674 million compared to March 31, 2015 to ¥41,701 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥14 million compared to March 31, 2015 to ¥18,093 million due to a decrease in liability for retirement benefit.

Total net assets decreased by ¥2,785 million compared to March 31, 2015 to ¥44,988 million due to recognition of loss attributable to owners of parent as a result of seasonal factors and payment of dividends.

## **(3) Explanation of Consolidated Business Forecast**

The Company anticipates that consolidated business forecast for the fiscal year ending March 31, 2016 remains appropriate, and thus, there is no change in the forecast announced on April 24, 2015.

## **2. Matters Regarding Summary Information (notes)**

### **(1) Changing in Significant Subsidiaries during the Period**

No items to report.

### **(2) 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, 2015 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

### **(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement**

#### **(Changes in Accounting Policies)**

“Accounting Standard for Business Combinations (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013)”, “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)” and “Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) have been applied from the three months ended June 30, 2015 and there is a change in presentation of net income and a change from “minority interest” to “non-controlling interest”. Amounts for the three months ended June 30, 2014 and for the fiscal year ended March 31, 2015 have been reclassified in these quarterly consolidated financial statements in order to reflect such change in presentation.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2015	As of June 30, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	19,534	43,232
Notes and accounts receivable - trade	66,549	29,272
Securities	11,000	11,000
Work in process	2,753	5,696
Supplies	2,394	2,264
Other current assets	2,691	4,182
Total current assets	104,923	95,647
Non-current assets		
Property, plant and equipment	1,706	1,626
Intangible assets	2,139	2,023
Investments and other assets	5,489	5,485
Total non-current assets	9,334	9,136
Total assets	114,257	104,783



**(1) Quarterly Consolidated Balance Sheets (continued)**

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	31,664	21,906
Current portion of PFI and other projects finance loans	801	821
Income taxes payable	2,994	110
Advances received	5,130	14,035
Provision for warranties for completed construction	875	798
Provision for loss on construction contracts	68	142
Other current liabilities	6,840	3,885
Total current liabilities	48,376	41,701
Non-current liabilities		
PFI and other projects finance loans	13,663	13,665
Liability for retirement benefit	4,444	4,428
Total non-current liabilities	18,108	18,093
Total liabilities	66,484	59,795
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	23,273	20,422
Total shareholders' equity	50,300	47,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	32
Foreign currency translation adjustment	11	(12)
Remeasurements of defined benefit plans	(2,670)	(2,585)
Total accumulated other comprehensive income	(2,626)	(2,564)
Non-controlling interest	98	103
Total net assets	47,773	44,988
Total liabilities and net assets	114,257	104,783

**(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, 2015
Net sales	7,625
Cost of sales	7,686
Gross loss	(60)
Selling, general and administrative expenses	3,061
Operating loss	(3,122)
Non-operating income:	
Interest income	63
Dividends income	33
Foreign exchange gains, net	58
Miscellaneous income	5
Total non-operating income	160
Non-operating expenses:	
Interest expenses	37
Loss on disposal of non-current assets	31
Miscellaneous loss	0
Total non-operating expenses	69
Ordinary loss	(3,030)
Loss before income taxes	(3,030)
Income taxes	(937)
Net loss	(2,093)
Profit attributable to non-controlling interests	5
Loss attributable to owners of parent	(2,099)

## Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)
	Three months ended June 30, 2015
Net loss	(2,093)
Other comprehensive income	
Valuation difference on available-for-sale securities	(0)
Foreign currency translation adjustment	(23)
Remeasurements of defined benefit plans	85
Total other comprehensive income	61
Comprehensive loss	(2,031)
(Details)	
Comprehensive loss attributable to owners of parent	(2,037)
Comprehensive income attributable to non-controlling interests	5

### (3) Notes on Quarterly Consolidated Financial Statements

#### Notes on Going Concern Assumption

No items to report.

#### Notes on Significant Changes in Shareholders' Equity

No items to report.

#### Segment Information

Three months ended June 30, 2015

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	4,636	2,989	7,625	—	7,625
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	4,636	2,989	7,625	—	7,625
Segment loss	(2,176)	(945)	(3,122)	—	(3,122)

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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