TRANSLATION - FOR REFERENCE ONLY

October 28, 2015

To whom it may concern

Company	METAWATER Co., Ltd.
Representative	Tomoyasu Kida, President and Representative Director
	(Securities code: 9551 First Section of Tokyo Stock Exchange)
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Commencement of Procedure for Acquiring U.S. Applied Engineering Company for Water and Wastewater Treatment

We are pleased to announce that at the Board of Directors' Meeting held today, METAWATER Co., Ltd. (hereinafter referred to as "the Company") resolved to commence the procedure for acquiring a U.S. applied engineering company (non-listed) focusing on water and wastewater treatment, Aqua-Aerobic Systems, Inc. (hereinafter referred to as "AAS"), and its subsidiary (as a group, they are hereinafter referred to as the "AAS Group") and place the AAS Group under the Company's U.S. subsidiary METAWATER USA, Inc. (hereinafter referred to as "MUSA").

Following the resolution, both parties have concluded a merger and other agreements on the conversion into a subsidiary.

1. Reasons for the acquisition

In May 2015, the METAWATER Group (hereinafter referred to as "the Group") formulated the Medium-term Business Plan for the period from the fiscal year ending March 2016 to the fiscal year ending March 2018. Under the Medium-term Business Plan, the Group aims to evolve from "a comprehensive engineering company in the water and environmental field" to a "corporation providing total solutions for water and environmental infrastructure." To achieve that goal, positioning Japan's public private partnership business (PPP[*1]) and overseas business as growth fields, the Group will focus on bolstering business base and business scale.

In the overseas business, we have selected the North America and Europe as strategic areas on the ground that they are expected to grow stably and will focus on expanding operations there while making efforts to build a business base in Asia and other regions, where markets are projected to expand in the future, through public and private partnership.

Given the circumstances that the North America and Europe face serious natural disasters and are also reinforcing environmental regulations, we believe that the our technologies will be useful because they accommodate with those problems and excel in the lifecycle costs. Therefore the Company has considered making a strategic alliance with a company in order to initiate engineering, procurement and construction business (EPC[*2]) firstly in the North America and Europe as part of its strategic investments, and examined companies which have essential networks and a wealth of experience. As a result of extensive consideration, the Company appointed the AAS Group as an ideal partner and decided to make the group a subsidiary of the Company.

The AAS Group, with its primary base in the U.S. (non-listed), is an applied engineering company engaging globally in product engineering and maintenance service businesses focusing on water and wastewater treatment facilities and equipment with cooperative partners in the Australia, China, India and the U.K.. With its unique technologies, the AAS Group designs and manufactures multiple products for water and

wastewater treatment including cloth media filter systems for tertiary treatment, batch-type and flow-through biological processes, membrane systems, aerators and mixing devices and process control systems. These products have gained significant presence in the wastewater and drinking water markets as well as stormwater, reuse and industrial markets. In addition, the AAS Group has built solid business relationships with sales agents, consulting firms and constructors across the U.S. over the years, and achieved a number of collaborative results. Having such networks is imperative to the operation of the EPC[*2] business in the U.S. From a financial aspect, the AAS Group generates stable revenue and earnings, having posted an operating surplus for the past 10 consecutive years.

The transaction will enable the AAS Group to engage in large projects and multiple deals more than ever on the back of the Group's management resources. On the other hand, the Group will be able to utilize the AAS Group's business platform to provide the Company's products including ozone treatment systems, ceramic-membrane filtration systems, fast-speed filtration systems and other products. In addition, the new product and solution in accord with each regional need can be developed by integrating both company group's technologies and the know-how.

Being integrated with the AAS Group and harmonizing resources which both companies have accumulated over the years, the Group will move forward and grow as a corporate entity which will continue to underpin water and environmental infrastructure in Japan and overseas in the future and contribute to sustaining a water-focused recycling society.

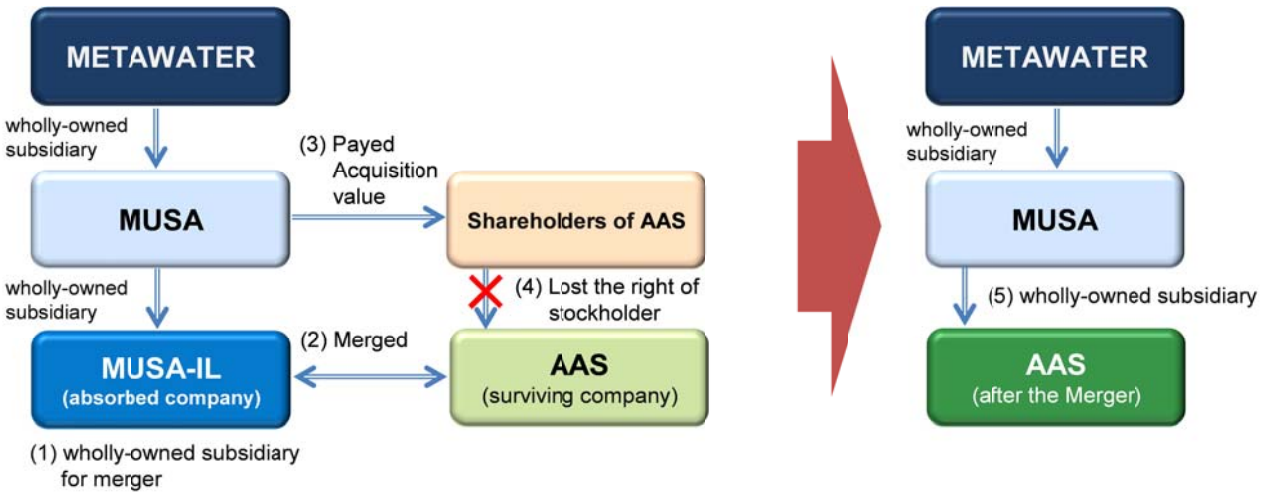
[*1] PPP: This is a notion that refers broadly to methods by which the private sector is involved in the provision of public services in an attempt to improve efficiency and enhance quality in public services by utilizing funds, technology, expertise, and management capabilities in the private sector.

[*2] EPC: The term refers to the design and construction of water and sewage facilities and equipment, and is at the core of the Company's plant engineering business.

2. Method for the acquisition

In compliance with provisions of the Business Corporation Act in Illinois, U.S., MUSA will make AAS its wholly owned subsidiary through a merger between AAS as the surviving company and MUSA's subsidiary for the purpose of merger MUSA-IL, INC. as the absorbed company.

■ Scheme



3. Outline of AAS (Surviving company)

(1) Name	Aqua-Aerobic Systems, Inc.		
(2) Address	6306 North Alpine Road, Loves Park, IL 61111 U.S.A.		
(3) Representative's name and title	Mr. Robert J. Wimmer, President and CEO		
(4) Content of business	Product engineering and maintenance service businesses focusing on water and wastewater treatment facilities and equipment		
(5) Capital	US$ 139,200		
(6) Established	May 1969		
(7) Major shareholders and their holding ratios	Mr. John D. Brubaker: 51.84% Mr. Robert J. Wimmer: 23.13% and 17 other people		
(8) Relationship between the listed company and the target company	Capital relationship	Not applicable	
	Human relationship	Not applicable	
	Business relationship	The Company and ASS had entered into an outsourcing contract related to consulting, etc.	
(9) The target company's consolidated business results and financial conditions over the most recent three years (in 1,000 US$ unless otherwise noted)			
Fiscal period	FY ended December 2012	FY ended December 2013	FY ended December 2014
Consolidated net assets	20,916	25,535	28,394
Consolidated total assets	47,360	48,162	52,754
Consolidated net assets per share	$1,612	$1,968	$2,039
Consolidated net sales	57,008	59,781	68,857
Consolidated operating income	2,533	3,688	7,830
Consolidated ordinary income	2,206	6,559	7,712
Consolidated net income	2,382	5,558	7,260
Consolidated net income per share	$183	$428	$521
Dividend per share	$53	$54	$162

4. Outline of MUSA-IL (Absorbed company)

(1) Name	MUSA-IL, INC.
(2) Address	301 Route 17 North, Suite #504, Rutherford, NJ 07070 U.S.A.
(3) Representative	Ichiro Fukushima, President and Director
(4) Capital	US$1,000
(5) Established	September 2015
(6) Major shareholders and holding ratios	METAWATER USA, INC.: 100%

5. Outline of MUSA

(1) Name	METAWATER USA, INC.
(2) Address	301 Route 17 North, Suite #504, Rutherford, NJ 07070 U.S.A.
(3) Representative's name and title	Ichiro Fukushima, President and Director
(4) Content of business	Sale and construction of water treatment facilities and equipment
(5) Capital	US$3.75 million
(6) Established	January 2013
(7) Net assets	Minus US$1.12 million
(8) Total assets	US$7.02 million
(9) Major shareholders and their holding ratios	METAWATER Co., Ltd.: 100%

6. Situation of share ownership after merger

(1) Number of Shares Owned before Merger	0 shares (Number of the voting rights: 0 units; Percentage of the voting rights owned: 0%)
(2) Acquisition Price	Acquisition price of AAS (estimates): approx. US$87 million Advisory fees, etc. (estimates): US$3 million
(3) Number of Shares Owned after Merger	2,000 shares (Percentage of the voting rights owned: 100%)

* To finance this transaction, funds that were raised when the company listed on the stock exchange market in December last year will be used.

7. Schedule

October 28, 2015	Conclusion of the merger agreements, etc.
Early January 2016 (Planned)	Closing of the transaction*

* The transaction to convert into a subsidiary is scheduled to take place as soon as legal procedures are completed.

8. Prospects for the coming fiscal year

The forecast of consolidated financial results for current fiscal year (announced on April 24, 2015) is not changed because profit and loss of AAS will be consolidated from the next fiscal year and advisory fee, etc. are incorporated in the forecast of consolidated financial results for current fiscal year.

The impacts on the medium-term business results have been incorporated as investment effects in the Medium-term Business Plan which was announced on May 29, 2015.

(Reference) Forecast of consolidated financial results for the fiscal year ending March 2016 (announced on April 24, 2015) and actual consolidated financial results for the fiscal year ended March 2015

(in million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Forecast for consolidated financial results (FY ending March 2016)	111,000	8,400	8,100	5,200
Actual consolidated financial results (FY ended March 2015)	106,945	8,220	8,213	4,989

Note on future outlook:
The Company publishes its outlook on business performance, strategy, goals, etc. on the basis of available information and certain assumptions considered as reasonable at the point of disclosure. Therefore, there is a possibility that actual results, etc. will differ from the forecasts due to various factors.