TRANSLATION - FOR REFERENCE ONLY

METAWATER Co., Ltd.

For Immediate Release October 28, 2015

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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	http://www.metawater.co.jp
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	November 13, 2015
Payment date of cash dividends	December 4, 2015
Supplementary information materials on quarterly results	Available
Quarterly results briefing	Held for institutional investors and analysts

(Amounts are rounded down to the nearest million yen)

1. Highlight of consolidated results for the six months ended September 30, 2015

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

(Percentages are year-to-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2015	21,469	(7.2)	(5,662)	—	(5,627)	—	(3,860)	—
Six months ended September 30, 2014	23,142	—	(3,883)	—	(3,819)	—	(2,455)	—

Note: Comprehensive income: Six months ended September 30, 2015 (3,667) million yen — %
Six months ended September 30, 2014 (2,334) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Six months ended September 30, 2015	(148.91)	—
Six months ended September 30, 2014	(163.71)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of September 30, 2015	91,496	43,352	47.3
As of March 31, 2015	114,257	47,773	41.7

Note: Shareholders' equity: As of September 30, 2015 43,243 million yen
As of March 31, 2015 47,674 million yen

2. Dividends

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

	Net sales		Operating income		Ordinary income		Net income 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 six months ended September 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 September 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 September 30, 2015.
   (c) Average number of shares issued and outstanding for the period: 15,000,000 shares for the six months ended September 30, 2014 and 25,923,500 shares for the six months ended September 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

1. Qualitative Information Regarding Consolidated Results for the Six Months Ended September 30, 2015 5

(1) Explanation of Operating Results 5

(2) Explanation of Financial Position 6

(3) Explanation of Consolidated Business Forecast 6

2. Matters Regarding Summary Information (notes) 7

(1) Changes in Significant Subsidiaries during the Period 7

(2) Application of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements 7

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement 7

3. Quarterly Consolidated Financial Statements 8

(1) Quarterly Consolidated Balance Sheets 8

(2) Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income 10

(3) Quarterly Consolidated Statement of Cash Flows 12

(4) Notes on Quarterly Consolidated Financial Statements 14

Notes on Going Concern Assumption 14

Notes on Significant Changes in Shareholders' Equity 14

Segment Information 14

Significant Subsequent Events 15

1. Qualitative Information Regarding Consolidated Results for the Six Months Ended September 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 September 30, 2015.

During the six months ended September 30, 2015, business conditions of the Japanese economy have continued to recover moderately, as shown in improving labor market and salary levels as a result of implementation of economic and monetary policy set out by the Government, and increasing consumer spending. With respect to the world economy, although emerging countries including China are now facing economic slowdown, moderate economic recovery has been achieved mainly in the United States and Europe.

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.

For the consolidated operating results of the Group for the six months ended September 30, 2015, Service Engineering Business recorded strong increase in both sales and operating income as compared to the six months ended September 30, 2014, while Plant Engineering Business posted weak results as compared to the six months ended September 30, 2014. Overall, the operating results for the current period underperformed the prior period.

For the six months ended September 30, 2015, net sales was ¥21,469 million (7.2% decrease year to year), operating loss was ¥5,662 million (¥3,883 million for the six months ended September 30, 2014), ordinary loss was ¥5,627 million (¥3,819 million for the six months ended September 30, 2014) and loss attributable to owners of parent was ¥3,860 million (¥2,455 million for the six months ended September 30, 2014).

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. However, for the most part, it remains appropriate as expected. Also, sales orders, which amounted to ¥56,533 million, remain steady.

Operating results by segment are as follows:

(Plant Engineering Business)

For Plant Engineering Business, orders, net sales and operating loss amounted to ¥32,611 million, ¥13,209 million (17.2% decrease year to year) and ¥3,867 million (¥2,021 million for the six months ended September 30, 2014), respectively, because orders and sales related to EPC (Note 1) project are unusually concentrated in the second half of this period.

(Service Solutions Business)

For Service Solutions Business, orders, net sales and operating loss amounted to ¥23,921 million, ¥8,259 million (3.6% increase year to year) and ¥1,795 million (¥1,861 million for the six months ended September 30, 2014), respectively, due to continuing orders and sales related to PPP (Note 2).

Note: 1. EPC: Construction work including engineering, procurement and construction.
2. PPP: Public-private partnership

(2) Explanation of Financial Position

Total assets as of September 30, 2015 decreased by ¥22,760 million compared to March 31, 2015 to ¥91,496 million.

Current assets decreased by ¥22,516 million compared to March 31, 2015 to ¥82,407 million due to a decrease in notes and accounts receivable - trade, offsetting with an increase in cash and deposits and work in process.

Non-current assets decreased by ¥244 million compared to March 31, 2015 to ¥9,089 million.

Current liabilities decreased by ¥18,250 million compared to March 31, 2015 to ¥30,125 million due to a decrease in accounts payable - trade, offsetting with an increase in advances received.

Non-current liabilities decreased by ¥89 million compared to March 31, 2015 to ¥18,018 million due to a decrease in .

Total net assets decreased by ¥4,421 million compared to March 31, 2015 to ¥43,352 million due to recognition of loss attributable to owners of parent as a result of seasonal factors and payment of dividends.

The balance of cash and cash equivalents (hereinafter the "funds") as of September 30, 2015 increased by ¥5,025 million compared to March 31, 2015 to ¥34,630 million. An analysis of the cash flows for the six months ended September 30, 2015 and related commentary thereon is presented below:

(Cash flows from operating activities)

The increase in funds generated by operating activities was ¥6,524 million, which consisted of ¥36,154 million inflow from a decrease in accounts receivable - trade, offset by loss before income taxes of ¥5,627 million, ¥2,889 million outflow from income taxes paid and ¥24,118 million outflow from a decrease in accounts payable - trade.

(Cash flows from investing activities)

The decrease in funds used for investing activities was ¥729 million, which consisted of ¥446 million outflow from purchase of property, plant and equipment and ¥199 million outflow arising from purchase of intangible assets.

(Cash flows from financing activities)

The decrease in funds generated by financing activities was ¥781 million, which consisted of ¥751 million outflow from payment of dividends and ¥375 million inflow from PFI and other project finance loans, which was offset by ¥403 million outflow from repayment of such loans in connection with refinancing and new borrowing of PFI and other project finance loans.

(3) Explanation of Consolidated Business Forecast

There is no change in the forecast for the fiscal year ending March 31, 2016 announced on April 24, 2015.

2. Matters Regarding Summary Information (notes)

(1) Changes 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 six months ended September 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 Divestures (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 six months ended September 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 September 30, 2015
Assets		
Current assets		
Cash and deposits	19,534	24,556
Notes and accounts receivable - trade	66,549	30,402
Securities	11,000	11,000
Work in process	2,753	8,861
Supplies	2,394	2,232
Other current assets	2,691	5,355
Total current assets	104,923	82,407
Non-current assets		
Property, plant and equipment	1,706	1,635
Intangible assets	2,139	1,905
Investments and other assets	5,489	5,548
Total non-current assets	9,334	9,089
Total assets	114,257	91,496

(1) Quarterly Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	31,664	8,920
Current portion of PFI and other project finance loans	801	820
Income taxes payable	2,994	150
Advances received	5,130	15,236
Provision for warranties for completed construction	875	662
Provision for loss on construction contracts	68	97
Other current liabilities	6,840	4,237
Total current liabilities	48,376	30,125
Non-current liabilities		
PFI and other project finance loans	13,663	13,616
Liability for retirement benefit	4,444	4,402
Total non-current liabilities	18,108	18,018
Total liabilities	66,484	48,144
Net assets		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	15,080	15,080
Retained earnings	23,273	18,661
Total shareholders’ equity	50,300	45,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	28
Foreign currency translation adjustment	11	24
Remeasurements of defined benefit plans	(2,670)	(2,498)
Total accumulated other comprehensive income	(2,626)	(2,445)
Non-controlling interest	98	108
Total net assets	47,773	43,352
Total liabilities and net assets	114,257	91,496

(2) Quarterly Consolidated Statement of Income and Quarterly Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	23,142	21,469
Cost of sales	21,145	20,693
Gross profit	1,996	775
Selling, general and administrative expenses	5,880	6,438
Operating loss	(3,883)	(5,662)
Non-operating income:		
Interest income	129	128
Dividends income	24	32
Foreign exchange gains, net	54	26
Miscellaneous income	23	8
Total non-operating income	231	195
Non-operating expenses:		
Interest expenses	99	87
Loss on disposal of non-current assets	46	71
Miscellaneous loss	21	0
Total non-operating expenses	167	160
Ordinary loss	(3,819)	(5,627)
Loss before income taxes	(3,819)	(5,627)
Income taxes	(1,377)	(1,778)
Net loss	(2,442)	(3,848)
Net profit attributable to non-controlling interests	13	11
Loss attributable to owners of parent	(2,455)	(3,860)

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net loss	(2,442)	(3,848)
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(5)
Foreign currency translation adjustment	(42)	13
Remeasurements of defined benefit plans	137	172
Total other comprehensive income	108	181
Comprehensive loss	(2,334)	(3,667)
(Details)		
Comprehensive loss attributable to owners of parent	(2,347)	(3,679)
Comprehensive income attributable to non-controlling interests	13	11

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Loss before income taxes	(3,819)	(5,627)
Depreciation	527	505
Increase/(decrease) in liabilities for retirement benefits	48	(106)
Increase/(decrease) in assets for retirement benefits	(37)	(6)
Increase/(decrease) in provision for warranties for completed construction	(148)	(212)
Increase/(decrease) in provision for loss on construction contracts	(2)	28
Interest income and dividends income	(154)	(160)
Interest expenses	99	87
Foreign exchange (gain)/loss	11	2
Loss on disposal of fixed assets	46	71
(Increase)/decrease in accounts receivable	37,904	36,154
(Increase)/decrease in inventory	(6,227)	(5,944)
Increase/(decrease) in notes and accounts payable-trade	(22,238)	(24,118)
Increase/(decrease) in advances received	10,337	10,105
Other cash flows from operating activities	(1,498)	(1,439)
Subtotal	14,847	9,341
Interest and dividends income received	154	160
Interest expenses paid	(87)	(87)
Income taxes paid	(3,502)	(2,889)
Cash flows from operating activities	11,411	6,524

(3) Quarterly Consolidated Statement of Cash Flows (continued)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from investing activities		
Net (increase)/decrease in time deposits	—	3
Purchase of property, plant and equipment	(385)	(446)
Purchase of intangible assets	(592)	(199)
Purchase of investment securities	(81)	(87)
Payments of loans receivable	—	(15)
Collection of loans receivable	15	16
Other cash flows from investing activities	(88)	(1)
Cash flows from investing activities	(1,130)	(729)
Cash flows from financing activities		
Repayments of short-term loans payable	(4,500)	—
Proceeds from PFI and other project finance loans	13,479	375
Repayments of PFI and other project finance loans	(9,500)	(403)
Cash dividends paid	(564)	(751)
Dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	(1)	—
Cash flows from financing activities	(1,087)	(781)
Effect of exchange rate change on cash and cash equivalents	(29)	11
Net increase/(decrease) in cash and cash equivalents	9,163	5,025
Cash and cash equivalents at April 1	3,097	29,605
Cash and cash equivalents at September 30	12,260	34,630

(4) 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

Six months ended September 30, 2014

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	15,963	7,178	23,142	—	23,142
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	15,963	7,178	23,142	—	23,142
Segment loss	(2,021)	(1,861)	(3,883)	—	(3,883)

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.

Six months ended September 30, 2015

(Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	13,209	8,259	21,469	—	21,469
Inter-segment transactions and transfers	—	—	—	—	—
Net sales	13,209	8,259	21,469	—	21,469
Segment loss	(3,867)	(1,795)	(5,662)	—	(5,662)

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.

Significant Subsequent Events

(Business combination through acquisition)

Metawater Co., Ltd. resolved at its board of directors meeting held on October 28, 2015, to commence a procedure to acquire Aqua-Aerobic Systems, Inc. (hereinafter the "AAS"), a private company in the United States, through METAWATER USA, INC. (hereinafter the "MUSA"), a subsidiary of Metawater Co., Ltd. in the United States, and effective on that date, both parties entered into a merger agreement (Agreement and Plan of Merger).

1. Summary on the business combination

(1) Company name and business of the acquiree

Company name Aqua-Aerobic Systems, Inc.

Business Engineering and service business for water and wastewater treatment

(2) Purpose of the business combination

By acquiring AAS, we aim to expand sales and service network in the market in the United States as well as to establish strong business foundation in North America.

(3) Date of the business combination

Beginning of January 2016 (tentative)

(4) Legal form of the business combination

Acquisition through reverse triangular merger under the U.S. business reorganization law

(5) Company name after business combination

Aqua-Aerobic Systems, Inc.

(6) Ratio of voting rights to be acquired

100%

(7) Basis for determining the acquirer

MUSA, a consolidated subsidiary of Metawater Co., Ltd, is to acquire all shares of AAS for cash consideration.

2. Purchase cost of the acquiree

USD 87 million (estimate)

3. Amount of goodwill arising from the acquisition, as well as its cause, amortization method and amortization period

To be determined.

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