



# METAWATER Co., Ltd.

For Immediate Release

October 27, 2021

## CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021 (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
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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, 2021

#### (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, 2021	39,482	16.2	(3,209)	—	(3,082)	—	(2,391)	—
Six months ended September 30, 2020	33,980	(0.2)	(3,458)	—	(3,547)	—	(2,706)	—

Note: Comprehensive income: Six months ended September 30, 2021 (1,369) million yen — %  
Six months ended September 30, 2020 (2,540) million yen — %

	Net income per share - Basic -	Net income per share - Diluted -
	Yen	Yen
Six months ended September 30, 2021	(54.93)	—
Six months ended September 30, 2020	(62.31)	—

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Net income per share above is calculated assuming that the stock split became effective as of April 1, 2020.

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Million yen	Million yen	%
As of September 30, 2021	107,552	51,631	47.8
As of March 31, 2021	131,194	53,432	40.6

Note: Shareholders' equity: As of September 30, 2021 51,445 million yen  
As of March 31, 2021 53,266 million yen

## 2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	40.00	—	20.00	—
Fiscal year ending March 31, 2022	—	20.00			
Fiscal year ending March 31, 2022 (Forecast)			—	20.00	40.00

Notes:

1. Revision of forecast for dividends from the latest announcement: No
2. The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Dividends per share for the second and fourth quarters of the fiscal year ended March 31, 2021 are shown as the amount before and the after the stock split, respectively. The annual dividends per share for the fiscal year ended March 31, 2021 is shown as “—”.

## 3. Forecast for consolidated operating results for the fiscal year ending March 31, 2022

(Percentages are year-to-year changes)

(Percentages are year-to-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, 2022	135,000	1.2	7,500	(31.0)	7,400	(33.1)	5,400	(17.5)	123.96

Note: Revision of forecast for operating results from the latest announcement: Yes

**Notes:**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021 (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): 51,758,500 shares as of March 31, 2021 and 51,758,500 shares as of September 30, 2021.
  - (b) Number of treasury stock at the end of the period: 8,223,432 shares as of March 31, 2021 and 8,196,032 shares as of September 30, 2021.
  - (c) Average number of shares issued and outstanding for the period: 43,446,597 shares for the six months ended September 30, 2020 and 43,545,848 shares for the six months ended September 30, 2021.

Note: The Company effectuated a 2-for-1 ordinary share stock split on October 1, 2020. Number of shares issued and outstanding at the end of the period, number of treasury stock at the end of the period, and average number of shares issued and outstanding for the period above are calculated assuming that the stock split became effective as of April 1, 2020.

\* This quarterly report is not subject to the quarterly review performed by certified public accountants or accounting firm.

**\* 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.

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# 1. Qualitative Information Regarding Consolidated Results for the Six Months Ended September 30, 2021

## (1) Explanation of Operating Results

Japanese economy during the six months ended September 30, 2021 remained severe due to the effect of COVID-19 outbreak. The global economy was also severe due to the effect of global pandemic of COVID-19, while there were signs of recovery. The positive result of infection control and the improved overseas economies are expected to contribute to the recovery trend.

Under such circumstances, the Group established the Midterm Business Plan 2023 (through the fiscal year ending March 31, 2024), and is making company-wide efforts to achieve the plan by focusing on the following priority measures: i) enhancement of foundation field and expansion of growth field, ii) increase in R&D investment and iii) efforts of sustainable ESG.

The operating results of the Group for the six months ended September 30, 2021 are as the table below.

Our business consists mostly of the domestic public work projects for government agencies, which are typically developed and completed intensively in the fourth quarter. As a result, operating results of the second quarter tend to be low, and this fiscal year is no exception.

	Six months ended September 30, 2020 (Million yen)	Six months ended September 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	33,980	39,482	5,501	16.2
Operating income	(3,458)	(3,209)	249	—
Ordinary income	(3,547)	(3,082)	464	—
Profit attributable to owners of parent	(2,706)	(2,391)	314	—
Sales orders	74,252	66,106	(8,145)	(11.0)
Outstanding orders	178,911	195,931	17,019	9.5

Note:

Effective from the first quarter of the fiscal year ending March 31, 2022, the Group adopted the Accounting Standard for Revenue Recognition. Also, the income statements of Wigen Companies Inc. and Rood Wit Blauw Holding B.V. have been consolidated to the Group's consolidated financial statements from the second and fourth quarters, respectively, of the fiscal year ended March 31, 2021.

The Group's business consists of two segments: Plant Engineering Business Segment including EPC (note 1) as foundation field and foreign business as growth field, and Service Solutions Business Segment including O&M (note 2) as foundation field and PPP (note 3) as growth field.

Operating results by segment are as follows:

Notes:

1. EPC: Engineering, Procurement and Construction
2. O&M: Operation and Maintenance
3. PPP (Public-Private Partnership): the means for the private sector to participate in providing services to the public

(Plant Engineering Business)

The operating results of the Plant Engineering Business are as the table below.

In the EPC business, both net sales and operating income decreased year on year. In the international business, both net sales and operating income increased year on year, mainly as a result of consolidation of Wigen Companies Inc. and Rood Wit Blauw Holding B.V..

	Six months ended September 30, 2020 (Million yen)	Six months ended September 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	23,742	24,160	418	1.8
Operating income	(1,630)	(2,339)	(708)	—
Sales orders	38,827	32,510	(6,317)	(16.3)
Outstanding orders	93,627	107,375	13,747	14.7

(Service Solutions Business)

The operating results of the Service Solutions Business are as the table below.

In the O&M business, both net sales and operating income increased year on year. In the PPP business as well, both net sales and operating income increased year on year.

	Six months ended September 30, 2020 (Million yen)	Six months ended September 30, 2021 (Million yen)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net sales	10,238	15,321	5,083	49.7
Operating income	(1,828)	(869)	958	—
Sales orders	35,424	33,596	(1,828)	(5.2)
Outstanding orders	85,283	88,556	3,272	3.8

## (2) Explanation of Financial Position

Total assets as of September 30, 2021 decreased by ¥23,641 million compared to March 31, 2021 to ¥107,552 million.

Current assets decreased by ¥24,699 million compared to March 31, 2021 to ¥84,550 million due to a decrease in accounts receivable - trade, offsetting an increase in cash and deposits as well as work in process.

Non-current assets increased by ¥1,058 million compared to March 31, 2021 to ¥23,002 million due to an increase in shares of affiliates.

Current liabilities decreased by ¥21,782 million compared to March 31, 2021 to ¥40,808 million due to a decrease in accounts payable - trade, offsetting an increase in contract liabilities.

Non-current liabilities decreased by ¥58 million compared to March 31, 2021 to ¥15,112 million due to a decrease in PFI and other project finance loans.

Total net assets decreased by ¥1,800 million compared to March 31, 2021 to ¥51,631 million due to the recognition of loss attributable to owners of parent and payment of dividends.

The balance of cash and cash equivalents (hereinafter the “funds”) as of September 30, 2021 increased by ¥9,071 million compared to March 31, 2021 to ¥27,115 million. An analysis of the cash flows for the six months ended September 30, 2021 and related commentary thereon is presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥12,599 million (¥6,267 million decrease year to

year): ¥41,911 million decrease in notes and accounts receivable - trade and contract assets, offsetting with ¥3,082 million used for income before income taxes, ¥3,776 million used for payment of income taxes and ¥18,959 million decrease in notes and accounts payable - trade.

(Cash flows from investing activities)

The funds used for investing activities was ¥ 2,380 million (¥935 million decrease year to year): ¥878 million used for purchase of property, plant and equipment, ¥947 million used for purchase of intangible assets and ¥685 million used for acquisition of investment securities.

(Cash flows from financing activities)

The funds used for financing activities was ¥1,396 million (¥34 million decrease year to year): ¥870 million used for payment of dividends and ¥430 million used for repayments of PFI and other project finance loans.

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

Forecast for consolidated operating results for the year ending March 31, 2022 announced on April 27, 2021 has been revised, reflecting the operating results of a special purpose company disclosed in “Announcement on change in a subsidiary (special purpose company)” announced on April 27, 2021. Please refer to “Announcement on revision of forecast for consolidated operating results for the fiscal year ending March 31, 2022 and the Midterm Business Plan 2023” announced on October 27, 2021 for the details. Actual results may differ from the forecast due to a variety of factors in the future.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	18,777	27,793
Notes and accounts receivable - trade	78,398	—
Notes, accounts receivable - trade and contract assets	—	38,225
Work in process	3,209	7,114
Supplies	5,750	6,274
Other current assets	3,114	5,143
Total current assets	109,250	84,550
Non-current assets		
Property, plant and equipment	4,302	4,348
Intangible assets		
Goodwill	2,421	2,457
Customer-related assets	4,125	4,242
Other	1,834	2,391
Total intangible assets	8,380	9,091
Investments and other assets	9,260	9,561
Total non-current assets	21,944	23,002
Total assets	131,194	107,552

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

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	20,585	8,788
Electronically recorded obligations	10,903	5,008
Short-term loans payable	540	742
Current portion of PFI and other project finance loans	863	868
Income taxes payable	3,959	310
Advances received	12,664	—
Contract liabilities	—	14,744
Provision for warranties for completed construction	1,588	1,548
Provision for loss on construction contracts	871	796
Other current liabilities	10,613	7,999
Total current liabilities	62,590	40,808
Non-current liabilities		
Long-term loans payable	1,287	979
PFI and other project finance loans	8,986	8,550
Liability for retirement benefit	3,819	3,983
Other non-current liabilities	1,077	1,599
Total non-current liabilities	15,170	15,112
Total liabilities	77,761	55,920
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,946	11,946
Capital surplus	14,999	15,009
Retained earnings	42,725	39,814
Treasury stock	(13,988)	(13,941)
Total shareholders' equity	55,683	52,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70	72
Foreign currency translation adjustment	(1,160)	(289)
Remeasurements of defined benefit plans	(1,327)	(1,167)
Total accumulated other comprehensive income	(2,417)	(1,384)
Non-controlling interest	166	186
Total net assets	53,432	51,631
Total liabilities and net assets	131,194	107,552

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

**Quarterly Consolidated Statement of Income**

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	33,980	39,482
Cost of sales	28,927	33,527
Gross profit	5,053	5,954
Selling, general and administrative expenses	8,512	9,164
Operating loss	(3,458)	(3,209)
Non-operating income		
Interest income	79	126
Dividends income	39	59
Foreign exchange gain	—	44
Miscellaneous income	21	79
Total non-operating income	140	309
Non-operating expenses		
Interest expenses	66	133
Loss on disposal of non-current assets	0	45
Foreign exchange loss	150	—
Miscellaneous loss	10	3
Total non-operating expenses	228	182
Ordinary loss	(3,547)	(3,082)
Loss before income taxes	(3,547)	(3,082)
Income taxes	(841)	(680)
Net loss	(2,705)	(2,402)
Profit or loss attributable to non-controlling interests	1	(10)
Loss attributable to owners of parent	(2,706)	(2,391)

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

**Quarterly Consolidated Statement of Comprehensive Income**

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net loss	(2,705)	(2,402)
Other comprehensive income		
Valuation difference on available-for-sale securities	12	1
Foreign currency translation adjustment	(27)	870
Remeasurements of defined benefit plans	179	160
Total other comprehensive income	164	1,032
Comprehensive income	(2,540)	(1,369)
(Details)		
Comprehensive income attributable to owners of parent	(2,542)	(1,359)
Comprehensive income attributable to non-controlling interests	1	(10)

**(3) Consolidated Statement of Cash Flows**

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Loss before income taxes	(3,547)	(3,082)
Depreciation	540	729
Amortization of goodwill	113	118
Increase/(decrease) in liabilities for retirement benefits	(103)	87
(Increase)/decrease in assets for retirement benefits	(122)	81
Increase/(decrease) in provision for warranties for completed construction	(61)	(70)
Increase/(decrease) in provision for loss on construction contracts	122	(75)
Interest income and dividends income	(118)	(185)
Interest expenses	66	133
Foreign exchange (gain)/loss	150	(44)
Loss on disposal of non-current assets	0	45
(Increase)/decrease in notes and accounts receivable - trade	44,243	—
(Increase)/decrease in notes, accounts receivable - trade and contract assets	—	41,911
(Increase)/decrease in inventory	(11,569)	(5,261)
Increase/(decrease) in notes and accounts payable-trade	(19,347)	(18,959)
Increase/(decrease) in advances received	11,215	—
Increase/(decrease) in contract liabilities	—	2,097
Other cash flows from operating activities	(662)	(1,201)
Subtotal	20,921	16,325
Interest and dividends income received	118	185
Interest expenses paid	(70)	(134)
Income taxes paid	(2,102)	(3,776)
Cash flows from operating activities	18,866	12,599

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

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from investing activities		
Net (increase)/decrease in time deposits	36	56
Purchase of property, plant and equipment	(639)	(878)
Purchase of intangible assets	(247)	(947)
Purchase of investment securities	(247)	(685)
Acquisition of newly consolidated subsidiaries	(2,198)	—
Payments of loans receivable	(9)	(12)
Collection of loans receivable	14	9
Other cash flows from investing activities	(24)	76
Cash flows from investing activities	(3,315)	(2,380)
Cash flows from financing activities		
Repayments of short-term loans payable	(134)	(142)
Repayments of PFI and other project finance loans	(426)	(430)
Disposal of treasury stock	—	56
Purchase of treasury stock	(0)	—
Cash dividends paid	(868)	(870)
Cash dividends paid to non-controlling interests	(1)	(1)
Other cash flows from financing activities	—	(8)
Cash flows from financing activities	(1,430)	(1,396)
Effect of exchange rate change on cash and cash equivalents	(54)	65
Increase/(decrease) in cash and cash equivalents	14,065	8,887
Cash and cash equivalents at April 1	12,876	18,044
Increase in cash and cash equivalents as a result of the merger of the non-consolidated subsidiary	—	183
Cash and cash equivalents at September 30	26,941	27,115

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Notes on Going Concern Assumption**

No items to report.

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

No items to report.

##### **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, 2021 after applying tax effect accounting, and multiplying such effective tax rate with income before income taxes for the quarter.

##### **Changes in Accounting Policies**

###### **(Application of Accounting Standard for Revenue Recognition)**

As of April 1, 2021, the Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020) (hereinafter referred to as “ASBJ Statement No. 29”) and other related standards. ASBJ Statement No. 29 requires the Group to recognize the revenue at an amount the Group is expected to receive in exchange for the goods or services when they transfer to the customer.

The Group previously adopted the percentage of completion method when the outcome of the work performed related to the construction contract is deemed certain. As a result of adopting ASBJ Statement No. 29, when the Group transfers control of the goods or services to the customer over time, it recognizes the revenue over time as it satisfies the performance obligation to transfer the goods or services to the customer. The stage of completion related to the satisfaction of the Group’s performance obligation is determined by the percentage of the contract costs incurred to the end of each reporting period relative to the total contract costs. If the Group cannot reasonably estimate the stage of completion related to the satisfaction of the Group’s performance obligation, but expects to collect the costs incurred, the Group recognizes the revenue by the cost recovery method.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of ASBJ Statement No. 29, the Group adopted ASBJ Statement No. 29 and other related standards as of April 1, 2021, with the cumulative effect of retrospectively adopting ASBJ Statement No. 29 prior to April 1, 2021 being reflected on the retained earnings as of April 1, 2021. Also, in accordance with Paragraph 86 of ASBJ Statement No. 29, the Group does not retrospectively adopt ASBJ Statement No. 29 to the contracts for which substantially all revenue was previously recognized before April 1, 2021 according to the previous standard.

As a result, net sales and cost of sales for the six months ended September 30, 2021 increased by ¥ 2,976 million and ¥2,545 million, respectively. The Operating loss, ordinary loss and loss before income taxes for the six months ended September 30, 2021 decreased by ¥ 430 million, respectively. Retained earnings as of April 1, 2021 increased by ¥207 million.

As a result of adopting ASBJ Statement No. 29, “Notes and accounts receivable - trade” in “Current assets” on the balance sheet as of March 31, 2021 is included in “Notes, accounts receivable - trade and contract assets” as of September 30, 2021. “Advances received” in “Current liabilities” as of March 31, 2021 is included in “Contract liabilities” as of September 30, 2021. In accordance with the transitional treatment prescribed in Paragraph 89-2 of ASBJ Statement No. 29,

no reclassification has been made for the year ended March 31, 2021 related to the presentation method of ASBJ Statement No. 29.

(Application of Accounting Standard for Fair Value Measurement)

As of April 1, 2021, the Group adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) (hereinafter referred to as “ASBJ Statement No. 30”) and other related standards. In accordance with the transitional treatment prescribed in Paragraph 19 of ASBJ Statement No. 30 and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019), the Group adopted ASBJ Statement No. 30 and other related standards prospectively. This has no impact on the quarterly financial statements of the Group.

## Segment Information

### 1. Net sales and income or loss by reportable segment for the six months ended September 30, 2020 (Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	23,742	10,238	33,980	—	33,980
Inter-segment transactions and transfers	—	—	—	—	—
Total	23,742	10,238	33,980	—	33,980
Segment loss	(1,630)	(1,828)	(3,458)	—	(3,458)

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.

### 2-1. Net sales and income or loss by reportable segment for the six months ended September 30, 2021 (Millions of yen)

	Reportable segments			Adjustments	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net Sales					
Sales to third parties	24,160	15,321	39,482	—	39,482
Inter-segment transactions and transfers	—	—	—	—	—
Total	24,160	15,321	39,482	—	39,482
Segment loss	(2,339)	(869)	(3,209)	—	(3,209)

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.

### 2-2. Impact of change in the accounting standard for reporting segment for the six months ended September 30, 2021

As described in Changes in Accounting Policies above, the Group adopted ASBJ Statement No. 29 along with other related standards as of April 1, 2021, and changed its accounting treatment on revenue recognition. As a result, the measurement method of income or loss by business segment was also changed.

This change resulted in the increase of net sales by reportable segment by ¥690 million in Plant Engineering Business, and ¥2,286 million in Service Solutions Business for the six months ended September 30, 2021. Also, segment loss decreased by ¥46 million in Plant Engineering Business, and ¥384 million in Service Solutions Business.

## Significant Subsequent Events

### (Retirement of treasury stock)

On October 27, 2021, the Board of Directors of the Company resolved the retirement of the treasury stock as follows in accordance with Article 178 of the Companies Act.

#### Details of the retirement of treasury stock

Type of shares	Common stock
Number of shares	4,000,000 shares (percentage to the total number of shares issued and outstanding before retirement: 7.73%)
Retirement date	November 19, 2021
Number of shares issued and outstanding after retirement	47,758,500 shares

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