November 29, 2022

TRANSLATION - FOR REFERENCE ONLY

Company	METAWATER Co., Ltd.
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Establishment of an Impact Neutralization Trust® to strengthen METAWATER corporate governance by expanding the number of shares in circulation

At a Board of Directors meeting held on November 29, 2022, a resolution was passed concerning the establishment an Impact Neutralization Trust® (hereinafter referred to as the "Trust") for the purpose of strengthening corporate governance at METAWATER by expanding the number of shares in circulation.

1. Purpose and Background of the Trust

The METAWATER Group strives to realize a sustainable environment and society through the implementation of its corporate philosophy: Continue, to make it sustainable. This is being done in response to environmental issues such as global warming, social issues such as human rights issues, and issues in the business environment surrounding the Group. As the Group moves to improve its mid- to long-term corporate value, the organization is aiming to realize a sustainable company together with society by bringing to fruition an ideal form of corporate governance. To that end, the Group has deemed it an important task to enhance the transparency of its management and strengthen its supervisory functions by promoting the diversification of shareholders.

Based on this policy, METAWATER issued a request to major shareholders and other affiliates to the effect that a portion of their shares be sold (hereinafter referred to as the "Sale of Shares") so as to go about expanding the number of shares in circulation. Specifically, the Sales of Shares involves NGK Insulators, Ltd. (which owns 24.36% of the total number of issued shares and outstanding excluding treasury stock of METAWATER as of September 30, 2022) and Fuji Electric Co., Ltd. (which owns 24.32% of the total number of issued shares and outstanding excluding treasury stock of METAWATER as of September 30, 2022). The aim of this Sale of Shares is to expanding the number of shares in circulation, the proportion of which stood at 45.69% as of September 30, 2022. Upon the issuance of the aforementioned request, the parties involved expressed their acceptance of the Sale of Shares as outlined. However, given the current market liquidity of METAWATER shares, it has been deemed essential to keep the daily volume of share sales (the market participation rate in terms of sales taking place) in check and to sell the shares in question over a sufficient period of time so as to minimize any impacts of the Sale of Shares on the market supply and demand situation. Based on this idea, METAWATER considered various methods for the sale of shares. After considering the matter, METAWATER determined that it would be in the interest of shareholders and other stakeholders of METAWATER to make use of the Trust and thereby minimize the impact of the Sale of Shares on the market supply and demand situation.

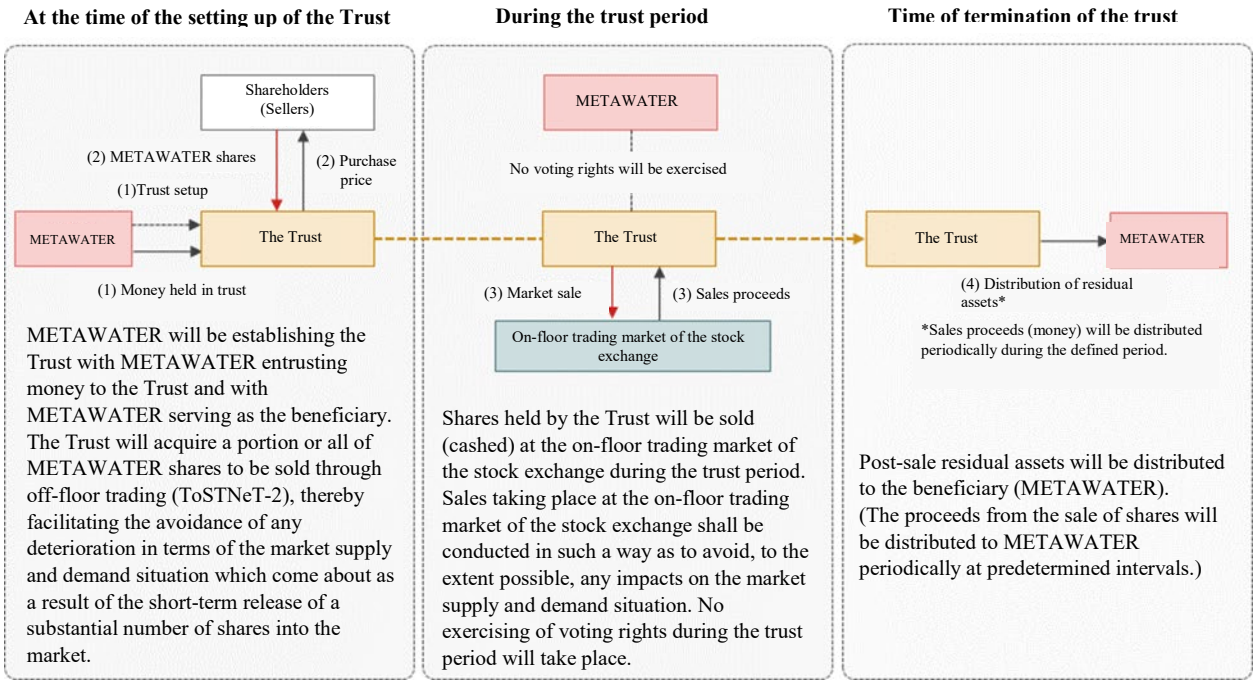
2. Outline of the Trust

Keeping in mind that METAWATER shares will be sold by multiple shareholders or the purpose of strengthening corporate governance at METAWATER by expanding the number of shares in circulation, the Trust will use funds contributed to it by METAWATER to acquire METAWATER shares through off-floor trading based on the most

recent closing price at the Tokyo Stock Exchange (ToSTNeT-2). The Trust will then sell the METAWATER shares in a manner which serves to minimize the impact of METAWATER shares on the market supply and demand situation. METAWATER shares which have been acquired by the Trust will be sold during the trust period. The proceeds from the sale of shares will be distributed to METAWATER periodically at a predetermined intervals*.

After taking into consideration the legal nature of the METAWATER shares and other such elements, METAWATER intends to handle METAWATER shares held by the Trust as investment securities in the context of accounting treatment. The difference between the acquisition price (including incidental expense amounts) of the shares and their market value will be recorded within METAWATER's consolidated balance sheet as "valuation difference on available-for-sale securities." Any gains made on the disposal of METAWATER shares are planned to be recorded in METAWATER's consolidated statement of income as a "gain on sale of investment securities" in instances where the Trust makes any gains on disposal due to rises in the share price. If the Trust incurs any losses on disposal due to falls in the share price, the loss is planned to be recorded as a "loss on sale of investment securities." Please note, however, that the specific handling to be undertaken in terms of accounting treatment is still under discussion and has not yet been finalized.

The status of the sale of METAWATER shares by the Trust is scheduled to be disclosed on a monthly basis.



The acquisition of METAWATER shares by the Trust (hereinafter referred to as the "Acquisition") and the holding and sale of shares involved in the Acquisition shall be conducted in accordance with the regulations considered necessary, taking into consideration the intent and purpose of the various regulations having to do with treasury shares (Articles 155 to 160, Article 165, Article 461, and other such provisions provided for in the Companies Act) along with the details pertaining to the Trust.

[Benefits and Characteristics of the Trust]

(1) The sale of shares at the on-floor trading market of the stock exchange is expected to result in an increase in the number of outstanding shares. As such, the strengthening of corporate governance at METAWATER is expected to take place through the diversification of METAWATER's list of shareholders.

(2) By limiting the number of shares sold on a daily basis (the market participation rate in terms of sales taking place) and by allowing sufficient time for sales to take place, it is anticipated that market liquidity in terms of METAWATER shares will improve and that the impact of the sale on the market supply and demand situation will be mitigated.

(3) With respect to sales of METAWATER shares taking place by multiple shareholders involved in cross-shareholding, it will be possible to avoid the overlapping of market sales by the shareholders and at the same time minimize any impact on the market supply and demand situation.

(4) When it comes to the acquisition of METAWATER shares by the Trust, opportunities to sell shares have been secured not only for the major shareholders who have accepted the sale taking place on this occasion, but also for other shareholders, thereby ensuring equality in terms of sales opportunities.

(5) As a result of changes in the stock price occurring during the trust period in the form of rises in the stock price, a gain on disposal may arise due to the difference arising between the amount of acquisition funds contributed by METAWATER and the amount of the sales proceeds received.

[Drawbacks of and Things to Keep in Mind Concerning the Trust]

(1) Sales taking place at the on-floor trading market of the stock exchange may have a continuous impact on the market supply and demand situation in terms of METAWATER shares until the sale of METAWATER shares by the Trust is completed.

(2) As a result of changes in the stock price occurring during the trust period in the form of falls in the stock price, there may arise a loss on disposal (with the limit, however, being the amount of the funds contributed by METAWATER for the acquisition) due to the difference arising between amount of acquisition funds contributed by and the amount of the sales proceeds received. There is the possibility that the amount in question will constitute a proportional amount. Additionally, the loss on disposal in question may cause a further decline in the stock price.

3. Details of the Trust

(1) Settlor : METAWATER

(2) Trustee : Nomura Trust and Banking Co., Ltd.

(3) Beneficiary : METAWATER

(4) Exercising of voting rights : No voting rights shall be exercised in relation to METAWATER shares held within the Trust.

(5) Handling of dividends, etc.: Either dividends, etc., will not be paid in relation to METAWATER shares held within the Trust or equivalent handling will apply to the shares in question.

(6) Type of trust : Money held in trust in a form other than a money trust

(7) Trust agreement date : November 29, 2022

(8) Period of trust : November 29, 2022 (Planned) to November 30, 2023 (Planned)

(9) Purpose of the trust : To mitigate the deterioration of the market supply and demand situation in terms of METAWATER shares which would result from the sale of METAWATER shares by multiple shareholders, with the goal being to strengthen corporate governance at METAWATER by increasing the number of outstanding shares of the company.

4. Acquisition of METAWATER Shares by the Trust

(1) Class of shares to be acquired : Common stock of METAWATER

(2) Number of shares subject to acquisition (Upper limit) : 3,300,000 shares (7.57% of the total number of issued shares, excluding treasury stock)

(3) Total value of shares subject to acquisition (Upper limit) : 6,600,000,000 yen（Includes fees related to off-floor trading ）

(4) Timing of the acquisition of shares : November 30, 2022 (Planned) to December 7, 2022 (Planned)

(5) Method of the acquisition of shares : Acquisition to take place through off-floor trading based on the most recent closing price at the Tokyo Stock Exchange (ToSTNeT-2)

(6) Acquisition price for shares : The closing price for the previous business day of the date of share acquisition

(7) Date of share acquisition : Scheduled to be disclosed on the previous business day of the date of share acquisition

(8) Conditions for the suspension of the Acquisition : The fulfillment of the purpose of the Trust shall be reasonably expected to take place as a result of the Acquisition

(9) Funds to be contributed for acquisition and to be placed in the trust : 6,600,000,000 yen

5. Method of Sale of METAWATER Shares Within the Trust

The sale of METAWATER shares under the Trust will be conducted through transactions undertaken at the on-floor trading market of the stock exchange. The sales proceeds in question will be received by METAWATER. The execution of specific sales taking place during the trust period will be carried out based on the execution policy stipulated beforehand in the trust agreement. No instructions will be issued by METAWATER in relation thereto.

<Outline of the Execution Policy for Transactions Undertaken at the On-Floor Trading Market of the Stock Exchange>

- Aim to Ensure the completion of sales within the trust period while taking into consideration the dispersion of time intervals between sales. If METAWATER shares falling under the category of property in trust remain on the expiration date of the initial trust period, the expiration date of the Trust will be changed to November 30,2024.
- Taking into account elements such as stock price adjustments happening on the days on which sales take place, the sale of shares should be undertaken in a manner which serves to ensure that the number of shares sold on each business day constitutes roughly 10% of the market volume.
- In principle, sales orders shall be placed using limit orders. Orders shall not be placed using no-limit orders.
- Depending on the conditions in the stock market, the pacing of the sales may be adjusted within a certain range. In particular, sales may be suspended when there is a situation where a significant fall in the stock price is seen.
- In the event that the stock becomes designated as a stock placed on supervisory post for possible delisting or a delisted stock in accordance with the provisions stipulated by the financial instruments exchange, the prompt completion of the sales shall be facilitated regardless of the above.

6. Impact on the Business Performance of METAWATER

The impact of the implementation of the Trust on METAWATER's business performance is under careful examination. Any impacts on METAWATER's business performance resulting from the acquisition and sale of shares and the valuation of remaining shares to be implemented by the end of the third quarter of FYE March 31, 2023, will be announced as soon as soon as they become known. These announcements will take place by the announcement of METAWATER's financial results for the third quarter of FYE March 31, 2023.

[Reference]

*Impact Neutralization Trust® is a registered trademark of Nomura Securities Co., Ltd.