May 11, 2023

ExaWizards Inc. (TSE 4259)

Issuance of Stock Options (Stock Acquisition Rights)

ExaWizards, Inc. (“the Company”) announced today as follows that on May 11, 2023, its Board of Directors passed a resolution regarding the issuance of stock options to directors (excluding outside directors), pursuant to Articles 236, 238, and 240 of the Companies Act. The issuance of stock options is subject to approval of the resolution "Revision of Remuneration Amount for Directors (excluding outside directors)" at the 8th Ordinary General Meeting of Shareholders of the Company to be held on June 28, 2023.

1. Purpose of Issuance of the stock acquisition rights as stock options

In aiming to expand the Company's business performance and increase its enterprise value over the medium to long term, the Company has decided to issue stock options with target stock price conditions as compensation to the Company's directors (excluding outside directors) for the purpose of functioning as a sound incentive for the directors (excluding outside directors) to improve the Company's enterprise value and business performance over the medium to long term.

The amount of remuneration, etc. for the Company's Directors was approved as an annual amount not exceeding 100 million yen at the 2nd Ordinary General Meeting of Shareholders held on June 29, 2017, and up to the present day. The stock options above are to introduce a performance-linked remuneration system separate from such remuneration framework, and in introducing this performance-linked remuneration system, the Company plans to submit the matter for resolution at the 8th Ordinary General Meeting of Shareholders of the Company to be held on June 28, 2023, pursuant to Article 361 of the Companies Act, and will introduce this performance-linked remuneration system and issue these stock options on the condition that it is approved.

If all of the stock options are exercised, there will be a dilution of up to 0.2% of the total number of shares outstanding as of the end of the fiscal year ending March 31, 2023. However, we believe that the size of the issue is reasonable because we recognize that the fulfillment of the conditions for exercising the rights will contribute to the enhancement of our shareholder value and enterprise value, as well as the interests of our existing shareholders.

Although stock compensation expense will be recorded annually for accounting purposes from the grant of these stock options until the exercise, we believe that there is no risk of existing shareholders being materially disadvantaged because, if the conditions for exercising the rights are achieved, existing shareholders will be able to share in the enhancement of shareholder value and enterprise value as described above, and if the conditions for exercising the rights are not achieved, the shares will not be issued and the stock options will expire, and the recorded stock compensation expense will be reversed.

2. Outline of the Issuance of the Stock Acquisition Rights

Outline of Issuance of the 24th Share Options

1. Name of share options

The 24th Share Options

2. The persons who are to be granted share options and the total number of share options

Company directors (excluding outside directors)	4 persons	6,000 share options
Total	4 persons	6,000 share options

The total number shown above is the expected number of share options to be allotted. If the number of applications for subscriptions to share options is lower than the number of share options to be allotted or otherwise the total number of share options to be allotted is decreased, the total number of share options to be allotted shall be the total number of share options to be issued.

3. Class and number of shares underlying the share options

The class of shares underlying the share options shall be common shares, and the number of shares underlying one share option (hereinafter, the "Number of Shares to Be Granted") shall be one hundred (100).

When the Company conducts a share split, an allotment of shares without contribution, or a consolidation of shares with regard to its common shares after the date of allotment of share options (hereinafter, the "Date of Allotment"), if it is appropriate to adjust the Number of Shares to Be Granted, it shall be adjusted by the following formula; provided, however, that this adjustment shall be performed only for the share options that have not yet been exercised at that time and any fraction of less than one share arising as a result of the adjustment shall be rounded down.

Adjusted Number of Shares to Be Granted = Pre-adjustment Number of Shares to Be Granted × Ratio of share split, allotment of shares without contribution, or consolidation of share

The adjusted Number of Shares to Be Granted shall apply after the day following the record date for the relevant share split or after the effective date of the relevant consolidation of shares or allotment of shares without contribution; provided, however, that when a share split or allotment of shares without contribution is conducted under the condition that the Company's General Meeting of Shareholders approves a proposal for decreasing the amount of surplus and increasing the capital or reserve fund, if the record date or effective date of the share split or allotment of shares without contribution is a date before the conclusion of the relevant General Meeting of Shareholders, the adjusted Number of Shares to Be Granted shall apply after the day following the conclusion of the General Meeting of Shareholders.

In addition, in the event of a merger, company split or share exchange, share transfer or share delivery, the Company may adjust the Number of Shares to Be Granted to a reasonable extent by a resolution of the Board of Directors. Other than the above, if it is necessary to adjust the Number of Shares to Be Granted, the Company may adjust the Number of Shares to Be Granted to a reasonable extent.

When adjusting the Number of Shares to Be Granted, the Company shall notify the persons holding the share options for subscription who are listed in the share option registry (hereinafter, the "Holder(s) of Share Options") of the necessary matters by the day immediately prior to the day on which the adjusted Number of Shares to Be Granted applies; provided, however, that if there is any unavoidable reason for

not notifying them by the day immediately prior to the date of application, the Company shall notify them promptly after the relevant reason ceases to exist.

4. Amount to be paid for share options

It is not required to pay money in exchange for share options. The share options are allotted as consideration for the performance of duties, and the issuance thereof does not constitute an issuance under favorable conditions.

5. Value of the property to be contributed for the exercise of share options

The value of the property to be contributed for the exercise of one share option shall be calculated by multiplying the amount to be paid per share to be granted by the exercise of the share options (hereinafter, the "Exercise Value") by the Number of Shares to Be Granted.

The Exercise Value shall be calculated by multiplying the average closing price of our common stock on the Tokyo Stock Exchange for each day of the month preceding the month to which the allocation date belongs (excluding days on which no trades were executed) by 1.05, and rounding up any fractional amount less than 1 yen. However, if the Exercise Value is lower than the closing price on the allocation date (or, if no trades were executed on that date, the closing price on the immediately preceding trading day), the closing price shall be used as the Exercise Value.

If any of the following items applies after the Date of Allotment, the value of the property to be contributed shall be calculated by multiplying the Exercise Value adjusted by the formula shown in each item by the Number of Shares to Be Granted. For the adjusted Exercise Value, any fraction of less than one yen shall be rounded up.

(1) Where the Company conducts a share split, an allotment of shares without contribution, or a consolidation of shares with regard to its common shares

$$\text{Adjusted Exercise Value} = \text{Pre-adjustment Exercise Value} \times \frac{1}{\text{Ratio of share split, allotment of shares without contribution, or consolidation of shares}}$$

(2) Where the Company issues new common shares (including the issuance of shares for the allotment of shares without contribution and the granting of treasury shares, excluding the issuance of shares by the exercise of share options (including bonds with share options), the issuance of shares at a fair market value, and the issuance of shares by conversion of securities that are convertible into the Company's common shares) at a price lower than the market value (before the listing of the Company's common shares on any stock exchange (hereinafter, the "Public Offering of Shares"), the pre-adjustment Exercise Value at that time shall be deemed to be the market value)

$$\text{Adjusted Exercise Value} = \text{Pre-adjustment Exercise Value} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid per share}}{\text{Market value before the issuance of new}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

The number of shares already issued in the formula shall be calculated by deducting the number of treasury common shares held by the Company at that time from the total number of the Company's

shares already issued as of the day immediately prior to the effective date of the above issuance of new shares. When disposing of treasury shares, the "Number of shares newly issued" shall be read as the "Number of treasury shares to be disposed of," and the "Market value before the issuance of new shares" shall be read as the "Market Value before disposition."

In addition to the above, if the Company conducts a merger or a company split or needs to adjust the Exercise Value for any other equivalent reason, the Company may adjust the Exercise Value appropriately to a reasonable extent.

6. Period in which share options may be exercised

The exercise period shall be from July 15, 2025, to June 14, 2033. If the start date of the exercise period falls on a Company holiday, the business day following the holiday shall be the start date of the exercise period, and if the last day of the exercise period falls on a Company holiday, the business day following the holiday shall be the last day of the exercise period.

7. Matters related to capital and the capital reserve to be increased when shares are issued by the exercise of share options

(1) The amount of capital to be increased when the shares are issued by the exercise of share options shall be one-half of the maximum amount of an increase in capital, etc., calculated in accordance with the provisions of Article 17, paragraph 1 of the Rules of Corporate Accounting. Any fraction of less than one yen arising as a result of the calculation shall be rounded up.

(2) The amount of the capital reserve to be increased when shares are issued by the exercise of share options shall be calculated by deducting the amount of capital to be increased specified in (1) above from the maximum amount of an increase in capital, etc., specified in (1) above.

8. Restrictions on transfer of share options

The acquisition of share options by transfer shall require the approval of the Board of Directors.

9. Conditions for the acquisition of share options

(1) If any of the proposals (i) through (iii) below is approved by the Company's General Meeting of Shareholders (or by a resolution of the Company's Board of Directors, if a resolution of the General Meeting of Shareholders is not required), or if the proposals (ⅳ) is approved by the Share Delivery Parent Company, the Company may acquire the share options without contribution on a day separately determined by the Board of Directors:

(i) Proposal for approving a merger agreement under which the Company is the non-surviving company

(ii) Proposal for approving an absorption-type company split agreement or an incorporation-type company split plan under which the Company is the split company

(iii) Proposal for approving a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary

(ⅳ) Proposal for approving a share delivery plan under which the Company becomes a subsidiary

(2) If a Holder of Share Options does not satisfy the conditions for the exercise of share options provided in 12 (1) below and is unable to exercise the share options, the Company may acquire the share options held by the relevant Holder of Share Options without contribution on a day separately determined by the Board of Directors.

(3) If a Holder of Share Options waives all or part of the share options, the Company may acquire the share options without contribution.

(4) Any other grounds or condition for acquisition shall be determined in the Share Option Allotment Agreement executed between the Company and the Holders of Share Options based on a resolution of the Board of Directors.

10. Matters related to the handling of share options in the case of a merger, absorption-type company split, incorporation-type company split, share exchange, and share transfer

When the Company conducts a merger (only if the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split (only if the Company is a split company), or a share exchange or share transfer (only if the Company becomes a wholly-owned subsidiary), the share options in the stock company listed in Article 236, paragraph 1, item 8 (a) through (e) in each case (hereinafter, the "Reorganized and Surviving Company") shall be granted to the Holders of Share Options who hold the remaining share options (hereinafter, the "Remaining Share Options") immediately before the effective date of reorganization (effective date of absorption-type merger, date of the establishment of a company by consolidation-type merger, effective date of absorption-type company split, date of the establishment of a company by incorporation-type company split, effective date of share exchange, or date of the establishment of a wholly owning parent company by share transfer), and the Remaining Share Options shall cease to exist under the condition that the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan provides that the share options in the Reorganized and Surviving Company will be granted in accordance with the following conditions:

(1) Number of share options in the Reorganized and Surviving Company to be granted
The same number of share options as the Remaining Share Options held by each Holder of Share Options shall be granted.

(2) Class of shares in the Reorganized and Surviving Company underlying the share options
The class of shares shall be common shares in the Reorganized and Surviving Company.

(3) Number of shares in the Reorganized and Surviving Company underlying the share options
It shall be determined in accordance with 3 above in consideration of the conditions, etc., of reorganization.

(4) Value of the property to be contributed for the exercise of share options
(i) The value of the property to be contributed for the exercise of share options to be granted shall be calculated by multiplying the amount to be paid after the reorganization by the number of shares in the Reorganized and Surviving Company underlying the share options that is determined in accordance with (3) above.
(ii) The amount to be paid after the reorganization shall be the amount obtained by adjusting the Exercise Value per share that is determined in 5 above in consideration of the conditions, etc., of the reorganization

(5) Period in which share options may be exercised
From the date of commencement of the period in which share options may be exercised that is specified in 6 above or the effective date of reorganization, whichever is the later, to the date of expiry of the period in which share options may be exercised that is specified in 6 above.

(6) Matters related to capital and the capital reserve to be increased when shares are issued by the exercise of share options
They shall be determined in accordance with 7 above.

(7) Restrictions on the transfer of share options
The acquisition of share options by transfer shall require the approval of the Reorganized and

Surviving Company.

(8) Conditions for the acquisition of share options
They shall be determined in accordance with 9 above.

(9) Other conditions for the exercise of share options
They shall be determined in accordance with 12 below.

11. Agreement on any fraction of less than one share arising at the time of the exercise of share options
Any fraction of less than one share shall be rounded down with regard to the number of shares to be granted to the Holder of Share Options who has exercised the share options.

12. Other conditions for the exercise of share options

(1) The Holders of Share Options shall hold the position of director, auditor, or employee of the Company or its subsidiary or affiliated company at the time of exercising the share options; provided, however, that this shall not apply if the relevant Holder of Share Options retires or resigns due to the expiry of his/her term of office, he/she reaches retirement age, or for the company's reasons or the Board of Directors decides, by a resolution, that there are reasonable grounds for the exercise of share options after the retirement or resignation of the Holder of Share Options.

(2) If a Holder of Share Options has died, the heir of the Holder of Share Options shall not be permitted to exercise the share options and the relevant share options shall cease to exist pursuant to Article 287 of the Companies Act.

(3) The Holders of Share Options may exercise all or part of the number of share options allotted; provided, however, that a share option of less than one unit may not be exercised.

(4) If a Holder of Share Options no longer holds the position of director, auditor, or employee of the Company or its subsidiary or affiliated company, the Company may determine, by a resolution of the Board of Directors, that the relevant Holder of Share Options shall not be permitted to exercise the share options. In this case, the share options shall cease to exist on the date of resolution pursuant to Article 287 of the Companies Act.

(5) The Holders of Share Options may exercise their share options only when the closing price of the Company's common shares in ordinary transactions on the Tokyo Stock Exchange exceeds the target price (1,200 yen) at least once during the period from the Date of Allotment to the expiration date of the exercise period (June 14, 2033).
However, when the Company conducts a share split, an allotment of shares without contribution, or a consolidation of shares with regard to its common shares after the Date of Allotment, the target price shall be the figure after adjustment according to the following formula. The Adjusted target price shall be rounded up to the nearest one yen.

$$\text{Adjusted target price} = \text{Pre-adjustment target price} \times \frac{1}{\text{Ratio of share split, allotment of shares without contribution, or consolidation of shares}}$$

13. Date of allotment of share options
July 14, 2023

14. Method of demanding the exercise of share options and payment therefor

(1) To exercising the share options, the Holders of Share Options shall fill in the Written Demand for Exercise of Share Options in the form prescribed by the Company, sign the form, and submit it to the place of receiving demands for exercising share options specified in 15 below.

(2) In addition to the submission of the Written Demand for Exercise of Share Options specified in (1) above, the Holders of Share Options shall pay the entire monetary amount calculated by multiplying the value of the property to be contributed for the exercise of share options for subscription by the number of share options to be exercised into the bank account of the place that is handling the payment designated by the Company by the date designated by the Company.

15. Place of receiving demands for exercising share options

The Company's Human Resource and Administration Department (or any other department in charge of the receipt of a demand for exercising share options, if any change is made to the operations performed by each department)

16. Time of effectuation of the exercise of share options, etc.

(1) The Holder of Share Options who has exercised the share options shall become the holder of shares underlying the Company's share options pursuant to Article 282 of the Companies Act.

(2) Immediately after the completion of the exercise procedure, the Company shall take the necessary procedures for entering or recording the shares acquired by a Holder of Share Options who has exercised the share options in an account held in the name of the Holder of Share Options with the financial instruments business operator, etc., designated by the Company in advance.

17. Matters related to the certificates of share options

The Company shall not issue any certificates for the share options.

18. Replacement of terms in the provisions of this Outline and handling of other measures

If any term used in this Outline needs to be replaced or any other measure needs to be taken due to the revision or abolition of the Companies Act or other laws and regulations, this Outline may be amended with regard to the handling of the relevant matters by a method that the Company thinks appropriate in accordance with the provisions of the Companies Act and the purpose of this Outline. The relevant amendment shall be integrated into this Outline.

19. Public notice on the outline of issuance

The Company shall retain a certified copy of the outline of issuance of share options for subscription at its head office and make it accessible to the Holders of Share Options during its business hours.

Other necessary matters related to the share options for subscription shall be determined by the Representative Director.

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