June 14, 2023

ExaWizards Inc. (TSE 4259)

Company's Position on ISS's Voting Advice

ExaWizards, Inc. (the “Company”) is scheduled to hold its 8th Ordinary General Meeting of Shareholders on June 28, 2023, and we have been informed that Institutional Shareholder Services, Inc. ("ISS") has recommended against the proposal No. 2, "Revision of Remuneration for Directors (excluding those who are Outside Directors)" (the "Proposal"). Accordingly, we would like to state our Company's position on ISS's against recommendation as follows, and would appreciate it if you, our shareholders, would kindly refer to Company's position and reaffirm your understanding of the Proposal.

1. Content of ISS's AGAINST-Recommendation

ISS recommends against the stock option compensation in the Proposal based on ISS's voting advisory criteria due to the dilution of the Company's shares, which that the sum of such stock option compensation and the outstanding stock options to exceed 10%, which is the level for growth companies.

2. Company's Position

The Proposal seeks to introduce performance-linked remuneration, which is intended to function as a sound incentive to improve the Company's enterprise value and business performance over the mid-to-long term. With respect to stock option compensation, the details of the stock acquisition rights and the maximum number of stock options to be granted per year are to be determined, and the Proposal requests approval as a framework for executive compensation so that stock options can be issued continuously in the following years and thereafter only by a resolution of the Board of Directors, if the conditions are the same as those stipulated in the Proposal.

In calculating the dilution ratio of the Company's shares due to stock option compensation in accordance with its voting advisory standards, ISS has calculated the dilution ratio assuming that the maximum number of shares available for grant will be granted annually over the next 10 years.

However, as a policy regarding the granting of stock option compensation in the event that the Proposal is approved, the Company has decided in the resolution of the Board of Directors that the stock option compensation will be granted immediately after the grantee is elected as a director (promptly after the beginning of the two-year term of office of directors as stipulated in the Company's Articles of Incorporation). It is also stipulated that no stock option compensation shall be granted more than once during the same term of office. In other words, under this policy, the

maximum number of stock option compensation grants will not be granted every year for 10 years, and the dilution ratio is expected not to exceed 10% if the maximum number of stock option compensation grants are granted every two years for 10 years. The reason that the Proposal is designed to allow stock option compensation to be granted annually is to allow for the election of new internal directors on a temporary basis in the middle of another director's term of office.

The Company also believes that the stock price should be within a range that can be reasonably explained from the viewpoint of appropriate stock price formation, and is considering the use of treasury stock instead of issuing new stocks as an option for shares to be granted upon exercise of stock acquisition rights granted as stock option compensation. In the case that treasury stock is used, there will be no dilution of the Company's shares.

The dilution ratio of 11.7% determined by ISS as the reason for their recommendation against the Proposal is believed to have been calculated based on the omission of Company’s explanation regarding the specific grant schedule for the stock option compensation resolved by the Board of Directors. Therefore, we hereby provide a supplementary explanation as described above.

The Company believes that the maximum number of stock option compensation is sufficient and reasonable to maximize the incentive for directors and is not necessarily excessive, as it will also contribute to the interests of existing shareholders. Furthermore, the Proposal was discussed at a meeting of the Board of Directors attended by all Outside Directors and Outside Corporate Auditors, and we believe that it is appropriate.

We courteously request that the shareholders review the contents of the Proposal with respect to the purpose of the Proposal and the details of the stock option compensation, and carefully determine the appropriateness of the Proposal.

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