



June 21, 2024

To whom it may concern

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Notice of Issuance of Stock Options (Stock Acquisition Rights)

At the Board of Directors' meeting on June 21, 2024, Digital Garage, Inc. (the "Company") resolved, pursuant to Articles 236, 238, and 240 of the Companies Act, to determine the subscription of stock acquisition rights to be issued as stock options (the "Stock Options") to the members of its Board of Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors, hereinafter referred to as the "Company Directors") and solicit subscribers for the said stock acquisition rights.

I. Purpose of Issuance of Stock Acquisition Rights as the Stock Compensation-type Stock Options

The purpose is to encourage the Company Directors' motivation to make contributions to improve business performance and enhance the corporate value of the Company in the medium to long term through increasing the link between the Company Directors' remuneration and the share price, and sharing with shareholders not only the benefits of higher share prices but also the risks associated with lower share prices.

II. Outline of the Issuance of Stock Acquisition Rights

1. Name of Stock Option: Digital Garage, Inc. 27th Stock Option

2. Total number of Stock Options: 93,000 units

The above total number is the scheduled number to be allotted. If the total number of the Stock Options to be allotted decreases including the case where no Stock Option has been subscribed for, the total number of the Stock Options to be allotted shall be the total number of the Stock Options to be issued.

3. Details of Stock Options

(1) Class and number of shares to be issued upon exercise of the Stock Options:

The class of shares to be issued upon exercise of the Stock Options shall be the Company's common stock, and the number of shares to be issued upon exercise of the Stock Options ("Number of Granted Shares") shall be one (1) share for each Stock Option.

However, after the date of allotment of the Stock Options ("Allotment Date"), in the event of any stock split or stock consolidation, the Number of Granted Shares shall be adjusted in accordance with the following formula, rounding down the number of shares less than one share resulting from the adjustment. Such adjustment shall be made only to the Number of Granted Shares to which the Stock Options have not yet been exercised at the time of such adjustment.

$$\frac{\text{the Number of Granted Shares after adjustment}}{\text{the Number of Granted Shares before adjustment}} = \text{Ratio of stock split or stock consolidation} \times$$

Other than the above, in the case of a merger with any other company, corporate split, share exchange or share transfer, or gratis allotment of the Company that require an adjustment of the Number of Granted Shares after the Allotment Date, the Company will perform the adjustment to the extent it deems reasonable.

(2) Value of assets contributed upon exercise of the Stock Options:

The value of assets to be contributed upon the exercise of each Stock Option shall be determined by multiplying one (1) yen as the amount per share to be delivered upon exercise of the Stock Options (the “Exercise Price”) by the Number of Granted Shares.

(3) Exercise period for the Stock Options:

The period during which the Stock Options are exercisable is from July 13, 2024 to July 12, 2074.

(4) Matters concerning an increase in share capital and capital surplus due to the issuance of shares upon exercise of the Stock Options:

(i) The amount of increase in share capital when shares are issued upon exercise of the Stock Options shall be one half (1/2) of the maximum amount of the capital increase, which is calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules, with any amount less than one yen arising as a result of the calculation shall be rounded up; and

(ii) The amount of increase in capital surplus when shares are issued upon exercise of the Stock Options shall be the amount calculated by subtracting the amount of increase in share capital from the maximum increase amount of capital, both set forth in the preceding (i) above.

(5) Restrictions on acquisition of the Stock Options by transfer:

Any acquisition of the Stock Options by transfer shall be subject to the approval by resolution of the Board of Directors of the Company.

(6) Conditions on acquisition of the Stock Options

(i) The Company may acquire the Stock Options without compensation on a date separately determined by the Board of Directors of the Company in the event that any of the proposals regarding the listed items below is approved at the General Meeting of Shareholders of the Company (or a resolution of the Company’s Board of Directors has been passed if no approval of the General Meeting of Shareholders is required):

(a) a merger agreement pursuant to which the Company will become an absorbed company;

(b) a corporate split agreement or a corporate split plan pursuant to which the Company will become a splitting company; or

(c) a share exchange agreement or a share transfer plan pursuant to which the Company will become a wholly-owned subsidiary.

(ii) The Company may acquire the Stock Options without compensation on a date separately determined by the Board of Directors of the Company in the event that holder of the Stock Options (the “Stock Option Holder”) is no longer qualified to exercise the Stock Options due to the conditions and constraints stipulated in Clause (9) below.

- (iii) The Company may acquire the Stock Options without compensation on a date separately determined by the Board of Directors of the Company in the event that the Stock Option Holder provides a written offer to waive all or part of the Stock Options.
 - (iv) The Company may acquire the Stock Options without compensation on a date separately determined by the Board of Directors of the Company in the event that the Stock Option Holder violates the provisions of the Agreement of Allotment of Stock Options executed between the Company and the Stock Option Holders.
- (7) Policy for determining terms for extinct of the remaining Stock Options and the issuance of Stock Options of the Reorganized Company following a Reorganization

In the event of a merger (only when the Company becomes an absorbed company), an absorption-type corporate split, incorporation-type corporate split, share exchange or share transfer with regard to the Company (hereinafter collectively referred to as the “Reorganization”), the Company shall deliver to the Stock Option Holders holding the Stock Options outstanding immediately prior to the effective date of such Reorganization (the “Outstanding Stock Options”) the Stock Options of the companies listed in (a) to (e) of Article 236, Paragraph 1, Item 8, of the Companies Act (the “Reorganized Company”) according to the provisions of the respective items below. In such case, the Outstanding Stock Options shall be extinguished and the Reorganized Company shall issue new Stock Options on the condition that the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type corporate split agreement, incorporation-type corporate split plan, or share exchange agreement or share transfer plan set forth the Stock Options of the Reorganized Company shall be delivered in accordance with the following terms.

- (i) Number of Stock Options of the Reorganized Company to be issued:
The number of Stock Options of the Reorganized Company to be issued shall be the same number as the remaining Stock Options held by each Stock Option Holder.
- (ii) Class of shares of the Reorganized Company for the Stock Options of the Reorganized Company:
The class of shares to be issued upon exercise of the Stock Options of the Reorganized Company shall be the common stock of the Reorganized Company.
- (iii) Number of shares of the Reorganized Company for the Stock Options:
The number shall be determined in accordance with the provisions of Clause (1) above, taking into consideration of various factors including the conditions of the Reorganization.
- (iv) Value of assets contributed upon exercise of the Stock Options:
The value of assets to be contributed upon exercise of each Stock Option issued by the Reorganized Company shall be the amount obtained by multiplying (a) the Exercise Price after the Reorganization set forth below by (b) the number of shares of the Reorganized Company for the Stock Options as determined pursuant to item (iii) above. The Exercise Price after the Reorganization shall be one (1) yen which is the amount per share of the Reorganized Company acquired upon exercising the Stock Options to be issued.
- (v) Exercise period for the Stock Options:
The exercise period shall commence on the start date of the exercise period of the Stock Options set forth in Clause (3) above or the effective date of the Reorganization, whichever comes later, and

terminate on the expiration date of the exercise period set forth in Clause (3).

- (vi) Matters concerning an increase in share capital and capital surplus due to the issuance of shares upon the exercise of Stock Options:

They shall be determined in accordance with the provisions of Clause (4) above.

- (vii) Restrictions on acquisition of the Stock Options by transfer:

Any acquisition of the Stock Options by transfer shall be subject to the approval by resolution of the Board of Directors of the Reorganized Company.

- (viii) Conditions on acquisition of the Stock Options:

They shall be determined in accordance with the provisions of Clause (6) above.

- (ix) Other conditions on exercise of the Stock Options:

They shall be determined in accordance with the provisions of Clause (9) below.

- (8) Agreement on fractions less than one share upon exercise of the Stock Options:

Any fraction less than one (1) share included in the shares issued to the Stock Option Holders who exercise their Stock Options is discarded.

- (9) Other conditions and constraints on exercise of the Stock Options:

(i) The Stock Option Holder may exercise the Stock Options within 10 days from the next day after losing their position as either Director or Executive Officer of the Company.

(ii) In the case of the death of Stock Option Holder, his/her heirs may succeed and exercise the Stock Options that are unexercised on a date on which any causes for inheritance arise in accordance with the provisions of the Agreement of Allotment of Stock Options executed between the Company and the Stock Option Holder.

(iii) Each Stock Option is not partially exercisable when the Stock Option Holder exercises their Stock Options.

(iv) The Stock Option Holder may exercise the Stock Options only if the number of shares to be issued upon the exercise of the Stock Options will be an integral multiple of one unit of the Company's common stock.

(v) If the Stock Option Holder waives the Stock Options, such Stock Options cannot be exercised.

(vi) Other conditions and constraints on exercise of the Stock Options, pursuant to a resolution adopted by the Board of Directors of the Company, are provided under the Agreement of Allotment of Stock Options executed between the Company and Stock Option Holders.

- (10) Paid-in amount for the Stock Options:

The paid-in amount for the Stock Options shall be equal to the amount obtained by multiplying the fair value of one Stock Option calculated on the Allotment Date based on the Black-Scholes model by the Number of Granted Shares.

The Company shall provide the person to whom the Stock Options are allotted with the monetary compensation equal to the total of the paid-in amount for the Stock Options to be allotted to each person and offset their monetary compensation receivables against their payment obligations of the paid-in amount for the Stock Options.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

In this formula:

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (i) Fair value of Stock Option per share (C)
 - (ii) Share price (S): Closing price for shares of common stock of the Company in regular trading on the Tokyo Stock Exchange on July 12, 2024 (if there is no closing price, then the standard price on the immediately following trading day).
 - (iii) Exercise Price (X): One (1) yen
 - (iv) Estimated time to maturity (T): 2.49 years
 - (v) Volatility (σ): The volatility rate of share price, calculated based on the closing price for shares of common stock of the Company in regular trading on last trading day of each week during the period from January 16, 2022 to July 12, 2024.
 - (vi) Risk-free interest rate (r): The interest rate on Japanese government bonds for which the number of years to maturity correspond to the estimated time to maturity as specified in (iv) above.
 - (vii) Dividend yield (q): Dividend per share (the amount of actual dividends in the fiscal year ended March 2024) \div share price as specified in (ii) above.
 - (viii) Cumulative distribution function of the standard normal distribution ($N(\cdot)$)
- (11) Allotment Date for the Stock Options:
July 12, 2024
- (12) Persons to be allotted the Stock Options, the number of such persons, and the number of the Stock Options to be allotted:
93,000 units to 5 Directors of the Company
- (13) Other conditions:
Other conditions related to the Stock Options are under the provision of the Agreement of Allotment of Stock Options executed between the Company and the Stock Option Holders.