

20 December 2022

Company Name: HEROZ, Inc.

Names of Representatives:

Takahiro Hayashi,

Co-Chief Executive Officer

Stock Code: 4382

Contact: Hiroya Mori,

Chief Financial Officer

(Telephone: +81-3-6435-2495)

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Notice Concerning Issuance of the 12th Offered Stock Acquisition Rights
(Performance-Linked Stock Acquisition Rights)

HEROZ, Inc. (hereinafter referred to as the “Company”) hereby announce that in accordance with the provisions of Articles 236, 238 and 240 of the Companies Act, a resolution has been passed to issue 12th Stock Acquisition Rights to directors, executive officers. This resolution was made at a meeting of the Company's Board of Directors held on December 20, 2022. The details are as follows.

I. Objectives and Reasons for Issuance of the Stock Acquisition Rights

Objectives of issuing the Stock Acquisition Rights with charge to directors, executive officers are to further increase motivation and morale, as well as to further enhance our cohesiveness to expand our business performance and increase our corporate value over the medium to long term.

The total number of shares outstanding (15,027,382 shares) as of the date of resolution of the issuance will be diluted by a maximum of 0.6% if all the stock acquisition rights are exercised.

However, the Stock Acquisition Rights are conditioned on the achievement of pre-determined performance targets, and we recognize that the achievement of such targets will contribute to the enhancement of our corporate value and shareholder value. In designing the exercise condition, in order to avoid transient performance achieved in the fiscal year ending April 30, 2025, the exercise condition is set to achieve a certain level of performance in the following fiscal year as well.

Therefore, we recognize that the issuance of these stock acquisition rights will contribute to the

interests of existing shareholders, and we believe that the size of the share dilution is reasonable.

II. Stock Acquisition Rights Issuance Provisions

1. Number of Stock Acquisition Rights

900 rights

The total number of shares that may be delivered upon exercise of the Stock Acquisition Rights shall be 90,000 shares of common stock of the Company.

2. Payment in Exchange for Stock Acquisition Rights

The issue price per one Stock Acquisition Rights shall be JPY 1. The value, which is not particularly advantageous, has been determined to be the same as the result calculated by StewartMcLaren, Inc., a third-party evaluation organization.

3. Details of Stock Acquisition Rights

(1) Type and number of shares granted for Stock Acquisition Rights

The number and type of shares granted for each Stock Acquisition Right (hereinafter referred to as “number of shares granted”) shall be 100 common shares of the Company.

(2) Value of assets to be invested in the exercise of Stock Acquisition Rights and calculation method

The value of the assets to be contributed upon exercise of the SARs shall be the amount to be paid per share (hereinafter referred to as “exercise price”) multiplied by the number of shares granted. The Exercise Price shall be 1,017 yen.

(3) Period during which Stock Acquisition Rights can be exercised

The period during which the Stock Acquisition Rights can be exercised shall be from 1 August 2025 to 31 July 2028 (if July 31, 2028 is not a bank business day, the preceding bank business day) .

(4) Capital increase and capital reserve

(4.1) The amount of capital to be increased upon share issuance through exercising the Stock Acquisition Rights shall be half of the capital increase limit calculated in accordance with Article 17, Paragraph 1 of the Rules of Corporate Accounting. If the calculation results in a fraction of less than JPY 1, the fraction shall be rounded up to the nearest whole yen.

(4.2) The amount of capital reserve upon share issuance through exercising the Stock Acquisition Rights shall be the amount obtained by subtracting the amount of increased capital set forth in 4.1 above from the maximum increase in capital stated in 4.1 above.

(5) Restrictions on acquisition of Stock Acquisition Rights by transfer

Acquisition of the Stock Acquisition Rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for exercising stock acquisition Rights

(6.1) In the event that the audited consolidated statements of income and EBITDA of the Company as shown in the annual securities report submitted by the Company for the fiscal years ending April 30, 2025 and 2026 satisfy the following conditions, the recipients of the stock acquisition rights allocated to them may exercise the stock acquisition rights up to the percentage of the stock acquisition rights allocated to them as set forth in each of the following items.

(a) If the Company's Net sales for the fiscal year ending April 30, 2025 are 6,000 million yen or more and the Company's EBITDA is positive, 50% of the stock acquisition rights shall be exercisable. However, if the number of exercisable SARs includes a fraction of less than one SAR, only the number of SARs rounded down to the nearest whole number may be exercised.

(b) If the Company's Net sales for the fiscal year ending April 2026 are 7,000 million yen or more and the Company's EBITDA becomes positive, the Stock Acquisition Rights other than the Stock Acquisition Rights in (a) above shall be exercised.

(6.2) Holders of stock acquisition rights must be directors, corporate auditors, executive officers or employees of the Company or its affiliates at the time of exercising the rights. However, this shall not apply in cases that the Board of Directors of the Company recognizes that there is a justifiable reason, such as mandatory retirement age, etc.

(6.3) Exercise of the Stock Acquisition Rights by the heirs of the holders of the Stock Acquisition Rights shall not be permitted.

(6.4) If the total number of shares issued by the Company exceeds the number of authorized shares at that time as a result of the exercise of these stock acquisition rights, these stock acquisition rights may not be exercised.

(6.5) No less than one of these stock acquisition rights may be exercised.

4. Allotment Date of Stock Acquisition Rights
25 January 2023
5. Date for Cash Payment in Exchange for Stock Acquisition Rights
25 January 2023
6. Number of Stock Acquisition Rights and Persons Receiving Them
900 rights for 5 directors, executive officers