



July 29, 2024

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Representative: ONO YuuRi, President and CEO  
(Securities code: 6699; Prime Market)  
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### **Notice Concerning Issuance of Paid Stock Options (7th Stock Acquisition Rights)**

At the board meeting held today, Diamond Electric Holdings Co., Ltd. (“the Company”) resolved to issue the 7th Series Stock Acquisition Rights as paid-in stock options to the Company’s Directors, Executive Officers and Chief Engineers, as well as the Directors and “Comrades” (i.e., Employees) of the Company’s wholly owned subsidiaries pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act.

The Stock Acquisition Rights will be issued to subscribers for a fee at a fair price, and as the conditions are not particularly advantageous, it will be implemented without obtaining the approval of the General Meeting of Shareholders. In addition, this Stock Acquisition Rights will be underwritten based on the individual investment decision of each person, not as remuneration to the grantees.

#### **I. Purpose and Reason for Issuance of Stock Acquisition Rights**

The Company is now implementing its mid- to long-term management plan “*Scrum of Fire*,” united to achieve its commitment to Customer Interface Creation, Global Supply Chain Deconstruction, and “Monozukuri”, (i.e., manufacturing) in accordance with the President’s Monozukuri Policy which was established last fall: “*GENBA, GENBA, GENBA -Do Stand in Their Shoes, We Really Do.*” The Company intends to work with dogged determination to achieve its mid- to long-term management plan, and to leverage its sluggish stock price.

So the Company is issuing the Stock Acquisition Rights for a fee to its Directors, Executive Officers and Chief Engineers, as well as the Directors and “Comrades” of wholly owned subsidiaries of the Company to make them strongly feel being united with shareholders in raising morale and income, and that they will be required to work hard to achieve the mid- to long-term management plan and improve the share price responsibly. In addition to the paid stock options, we will strongly encourage our top management to invest in accumulated stocks and our employees to participate in the Comrades’ Stock Ownership Plan (Employees’ Stock Ownership Plan).

The total number of shares of common stock of the Company that will increase if all of the Stock Acquisition Rights are exercised this time is equivalent to 1.4% of the total number of issued shares. The Stock Acquisition Rights must be exercised when the Company’s stock price falls below a certain level. Accordingly, the Company believes that the issuance of Stock Acquisition Rights this time will contribute to the interests of the Company’s existing shareholders and that the impact on the dilution of shares is

within a certain range, and reasonable.

## II. Outline of Issuance of Stock Acquisition Rights

### 1. Name of Stock Acquisition Rights

Diamond Electric Holdings Co., Ltd. The 7th Series Stock Acquisition Rights (hereinafter referred to as the "7th Series Stock Acquisition Rights")

### 2. Number of Stock Acquisition Rights

Number of 7th Series Stock Acquisition Rights: 1,277 rights

The total number of shares to be delivered upon exercise of the 7th Series Share Acquisition Rights shall be 127,700 shares of common stock of the Company and if the Number of Granted Shares pertaining to the 7th Series Stock Acquisition Rights is adjusted pursuant to 4. (1) below, it shall be the number obtained by multiplying the Number of Granted Shares after adjustment by the number of the 7th Series Stock Acquisition Rights.

### 3. Amount to Be Paid in Exchange for Stock Acquisition Rights

The issue price per 7th Series Stock Acquisition Right shall be 100 JPY. This price was determined by Plutus Consulting Co., Ltd., a third party evaluation organization, with reference to the results calculated by Monte Carlo simulation, which is a general option price calculation model in consideration of the Company's stock price information, etc.

### 4. Details of Stock Acquisition Rights

#### (1) Class and Number of Shares to Be Acquired upon Exercise of Stock Acquisition Rights

The number of shares to be issued upon exercise of each 7th Series Stock Acquisition Right (hereinafter referred to as the "Number of Granted Shares") shall be 100 shares of common stock of the Company.

The Number of Granted Shares shall be adjusted in accordance with the following formula if the Company conducts a stock split (including the gratis allotment of shares of common stock of the Company; the same shall apply hereinafter) or reverse stock split after the allotment date of the 7th Series Stock Acquisition Rights. Provided, however, that such adjustment shall be made only to the number of shares subject to the 7th Series Stock Acquisition Rights that have not been exercised at the time of such adjustment, and any fraction of less than one share resulting from such adjustment shall be rounded down.

$$\text{Number of Granted Shares after Adjustment} = \text{Number of Granted Shares before Adjustment} \times \text{Ratio of Stock Split (or Stock Consolidation)}$$

The Number of Granted Shares shall be appropriately adjusted to the extent reasonable if the Company conducts a merger, a company split, a share exchange or a share delivery that require adjustment of the Number of Granted Shares in accordance with these cases, after the date of allotment of the 7th Series Stock Acquisition Rights.

(2) Value or Calculation Method of Assets to Be Contributed upon Exercise of Stock Acquisition Rights

Value of assets to be contributed upon exercise of 7th Series Stock Acquisition Rights shall be the amount to be paid per share (hereinafter referred to as the “Exercise Price”) multiplied by the Number of Granted Shares.

The Exercise Price shall be 656 JPY.

If the Company conducts a stock split or stock consolidation after the allotment date of the 7th Series Stock Acquisition Rights, the Exercise Price shall be adjusted using the following formula, and any fraction of less than one JPY resulting from such adjustment shall be rounded up.

$$\text{Exercise Price After Adjustment} = \text{Exercise Price Before Adjustment} \times \frac{1}{\text{Ratio of Stock Split (or Stock Consolidation)}}$$

In the event that the Company issues new shares or disposes of treasury shares of the Company's common stock at a price lower than the market price after the allotment date of the 7th Series Stock Acquisition Rights (excluding the cases of issuance of new shares and disposal of treasury shares based on the exercise of the Stock Acquisition Rights, and any fraction of less than one JPY resulting from such adjustment shall be rounded up, or issuance of new shares and delivery of treasury shares through a merger, company split, share exchange, or share delivery), the Exercise Price shall be adjusted by the following formula, and any fraction of less than one JPY resulting from such adjustment shall be rounded up.

$$\text{Exercise Price After Adjustment} = \text{Exercise Price Before Adjustment} \times \frac{\text{Number of Outstanding Shares} + \frac{\text{Number of New Shares To Be Issued} \times \text{Amount To Be Paid per Share}}{\text{Quotation per Share before Issuance}}}{\text{Number of Outstanding Shares} + \text{Number of New Shares To Be Issued}}$$

In the above formula, the “Number of Outstanding Shares” is the total number of issued common shares of the Company minus the number of treasury shares of common shares held by the Company. When disposing of treasury stock related to the Company’s common stock, the “Number of New Shares to Be Issued” shall be replaced by “Number of Treasury Stock to Be Disposed Of.”

In addition to the above, if the Company conducts a merger, company split, share exchange, or share delivery after the allotment date of the 7th Series Stock Acquisition Rights, or if the Company needs to adjust the Exercise Price in accordance with these cases, the Company may appropriately adjust the Exercise Price to the extent reasonable.

(3) Exercise Period of Stock Acquisition Rights

The period during which 7th Series Stock Acquisition Rights are exercisable (hereinafter referred to as the “the Exercise Period”) is from August 23, 2024 to August 22, 2034.

(4) Matters Concerning the Capital and Capital Reserve to Be Increased

- (I) The amount of increase in capital due to the issuance of shares upon the exercise of the 7th Series Stock Acquisition Rights shall be one half of the maximum amount of increase in the capital, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations. Any fraction of less than one JPY resulting from the calculation shall be rounded up.
- (II) The amount of capital reserve to be increased upon the issuance of shares upon the exercise of the 7th Series Stock Acquisition Rights shall be the amount obtained by subtracting the amount of capital to be increased set forth in (I) above from the maximum amount of increase in capital, etc. set forth in (I) above.

(5) Restrictions on Assignment of Stock Acquisition Rights

Any acquisition of the 7th Series Stock Acquisition Rights through transfer shall require the approval by resolution of the Board of Directors of the Company.

(6) Conditions for Exercise of Stock Acquisition Rights

- (I) During the period from the allotment date to the end of the Exercise Period of the 7th Series Stock Acquisition Rights, if the average value of the closing price of the Company's common stock in regular trading on the financial instruments exchange for one month (21 trading days including the allotment date) falls below the price obtained by multiplying the Exercise Price by 50% even once, the holders of Stock Acquisition Rights shall exercise all the remaining 7th Series Stock Acquisition Rights at the Exercise Price by the expiration date of the Exercise Period. Provided, however, that this shall not apply to cases that fall under any of the following items:
  - (a) When it is found that the Company's disclosure information contains material misstatements;
  - (b) Where it is found that the Company has not properly disclosed material facts that should be disclosed in accordance with laws and regulations or the rules of a financial instruments exchange;
  - (c) In the event of delisting, bankruptcy, or other significant changes in circumstances that were premised on the issuance date of the 7th Series Stock Acquisition Rights;
  - (d) If the Company engages in any other act that is objectively deemed to significantly damage the trust of the holders of Stock Acquisition Rights
- (II) The exercise of the 7th Series Stock Acquisition Rights by the heirs of the Stock Acquisition Right Holders shall not be permitted.
- (III) If the total number of issued shares of the Company exceeds the total number of authorized shares at the time by the exercise of the 7th Series Stock Acquisition Rights, the 7th Series Stock Acquisition Rights may not be exercised.

(IV) Each 7th Series Stock Acquisition Right may not be exercised for less than one Stock Acquisition Right.

5. Allotment Date of the Stock Acquisition Rights

August 23, 2024

6. Matters Concerning the Acquisition of Stock Acquisition Rights

The Company may acquire all of the 7th Series Stock Acquisition Rights free of charge at the arrival of a date separately determined by the Board of Directors of the Company if a merger agreement under which the Company is to be dissolved, a company split agreement or plan under which the Company is to be split, or a share exchange agreement, share delivery plan, or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by the General Meeting of Shareholders (or resolved by the Company's Board of Directors if the approval of the General Meeting of Shareholders is not required).

7. Handling of Stock Acquisition Rights upon Reorganization

If the Company is to engage in a merger (limited to cases where the Company is to be dissolved as a result of the merger), separated and absorbed, separated and newly incorporated, or subject to a share exchange or share transfer (all of which are collectively referred to as the "Act of Structural Reorganization"), the New Stock Acquisition Rights in the entity specified under Article 236, Paragraph 1, Items 8 (a) through (e) of the Companies Act (such entity hereafter referred to as the "Reorganized Company") are to be issued in accordance with applicable items below. Provided, however, that this shall be limited to cases where it is stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan that the Stock Acquisition Rights of the Reorganized Company shall be delivered in accordance with the following conditions:

(1) Number of Stock Acquisition Rights of the Reorganized Company to be Delivered

The same number of Stock Acquisition Rights of the Reorganized Company as the number of 7th Series Stock Acquisition Rights held by the Stock Acquisition Rights holders will be delivered.

(2) Class of Shares of the Reorganized Company to Be Issued upon Exercise of Stock Acquisition Rights

Common stock of the Reorganized Company shall be issued.

(3) Number of Shares of the Reorganized Company to Be Issued Upon Exercise of Stock Acquisition Rights

To be determined in accordance with 4. (I) above based on consideration of conditions of the Act of Structural Reorganization.

(4) Value of Assets to Be Contributed Upon Exercise of Stock Acquisition Rights

The value of the assets to be contributed upon the exercise of each Stock Acquisition Right to be delivered shall be the amount obtained by multiplying the Exercise Price after Reorganization, which is obtained by adjusting the Exercise Price set forth in 4. (II) above, by the number of shares of the

Reorganized Company to be issued upon exercise of the Stock Acquisition Rights, which is determined in accordance with 7. (3) above based on consideration of conditions of the Act of Structural Reorganization.

(5) Period during Which the Stock Acquisition Rights are Exercised

The Exercise Period shall be from the first day of the Exercise Period set forth in 4. (3) above or the effective date of the Acts of Structural Reorganization, whichever is later, to the last day of the exercise period set forth in 4. (3) above.

(6) Matters Concerning the Capital and Capital Reserve to Be Increased in the Event of the Issuance of Shares Upon the Exercise of Stock Acquisition Rights

To be determined in accordance with 4. (4) above.

(7) Restrictions on Transfer of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights through transfer shall require approval by resolution of the Board of Directors of the Reorganized Company.

(8) Other Conditions for Exercising Stock Acquisition Rights

To be determined in accordance with 4. (6) above.

(9) Reasons and Conditions for Acquisition of Stock Acquisition Rights

To be determined in accordance with 6 above.

(10) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

8. Matters Related to Stock Acquisition Rights Certificates for Stock Acquisition Rights

The Company shall not issue certificates for the 7th Series Stock Acquisition Rights.

9. Payment Date of Money in Exchange for the 7th Series Stock Acquisition Rights

August 23, 2024

10. Application Date

August 6, 2024

11. Persons to Whom the 7th Series Stock Acquisition Rights Will Be Allotted and the Number Thereof

Directors, Executive Officers and Chief Engineers of the Company: 22 persons, 1,002 rights

Directors and Comrades (Employees) of the Company's wholly owned subsidiary: 28 persons, 275 rights

<p>Note: This document is a translation of the original Japanese version. In the event of any discrepancy between the meaning or wording of the English version and the Japanese version, the meaning or wording of the Japanese version shall prevail.</p>
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