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Overview of the Company's Response Policies on Takeovers

Supplementary explanatory materials regarding the introduction of the Company's response policies (response policies on takeovers) for purpose of engaging in good faith negotiations to avoid the risk of Company shareholders remaining as minority shareholders (coercive effect)

DIGITAL HOLDINGS, INC.

Date: October 28, 2025

The Company has received a preliminary proposal from SilverCape Investments Limited regarding a tender offer for the Company's shares and other securities. Based on the conditions outlined, the Company believes there is a high likelihood that this tender offer could exert de facto pressure—i.e., a coercive effect—that may compel general shareholders to tender their shares due to the risk of remaining as minority shareholders.

Accordingly, on October 28, 2025, the Company resolved to adopt response policies on takeovers in order to ensure that general shareholders are provided with the necessary information and sufficient time to make an appropriate decision regarding the tender offer.

Under these response policies, the ultimate decision on whether countermeasures should actually be implemented will be entrusted to our shareholders at a shareholders' meeting to confirm shareholders' intent. If such a meeting is convened, the date, location, and other details will be announced as soon as they are determined.

Please also note that even in the event countermeasures are implemented, the actual value of the shares held by general shareholders will not be diluted or impaired.

● What We Wish to Convey

The Company resolved to adopt response policies on takeovers to ensure shareholders are provided with fair information and sufficient time for decision-making.

- As long as SilverCape complies with the procedures stipulated in the response policies, the final decision on whether to actually implement countermeasures will be entrusted to our shareholders at a Shareholders' Intent Confirmation Meeting. **However, as of now, no resolution has been made to convene such a meeting.**
- Furthermore, **even in the event that countermeasures are implemented, there will be no dilution in the aggregate value of the Company's shares held by general shareholders (based on the total of the originally held common shares and the newly allotted common shares).**

● Background

The Company has received a preliminary proposal from SilverCape for a tender offer targeting the Company's shares and other securities. We are earnestly reviewing the details of SilverCape's proposal; however, we have identified several concerns as outlined below.

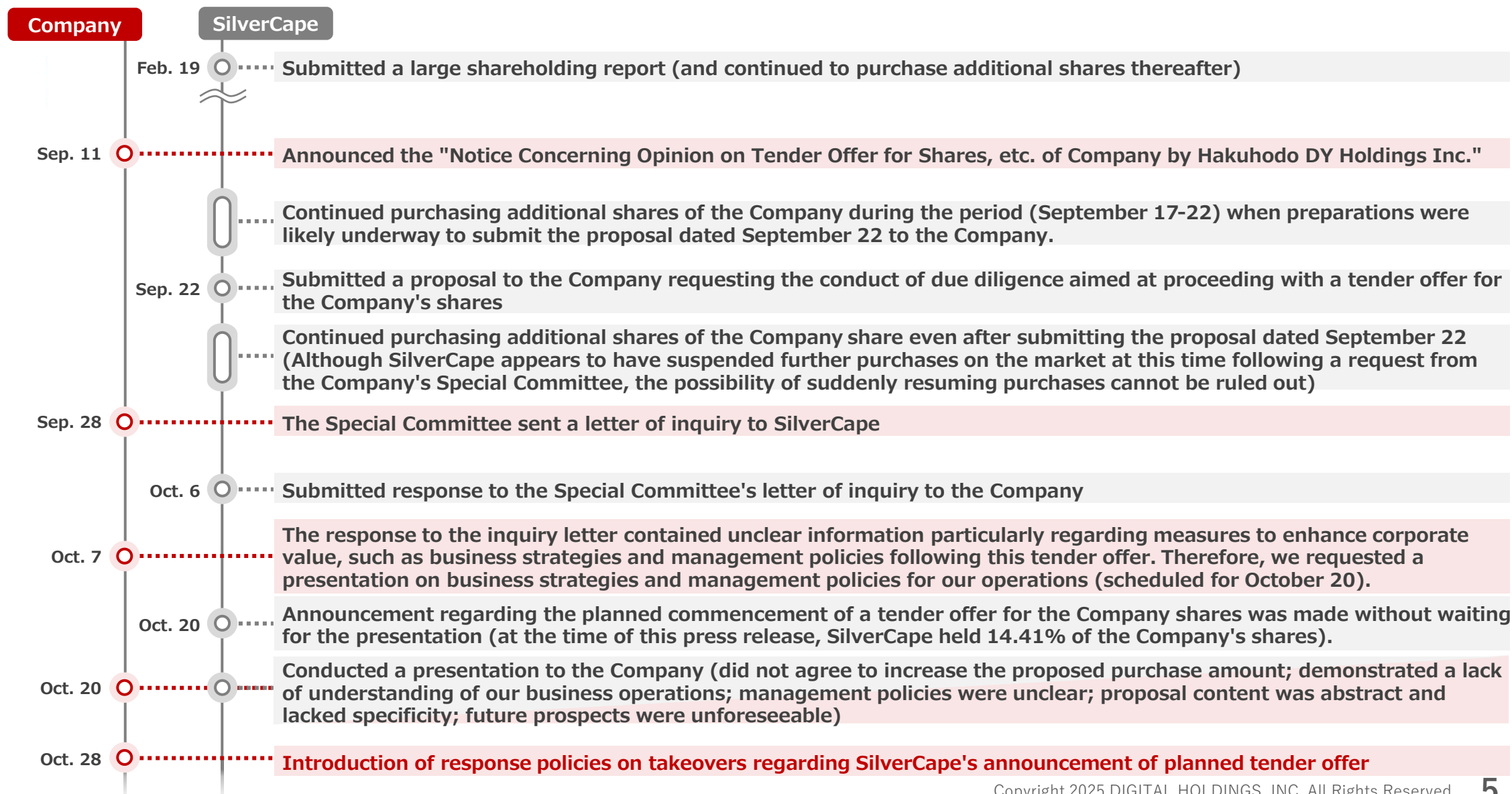
- The number of shares that SilverCape plans to acquire **would fall short of the voting rights threshold (two-thirds or more) required to make the Company a wholly owned subsidiary. As a result, there is a significant risk that general shareholders may remain as minority shareholders after the tender offer, potentially creating a coercive effect that pressures them to tender their shares.**
- Furthermore, **considering the lack of clarity regarding SilverCape's management track record and capabilities, as well as the insufficiency of its explanations concerning specific measures to enhance the Company's corporate value,** the possibility that the Company's corporate value may be impaired following the tender offer cannot be ruled out. These factors further exacerbate the coercive effect that this tender offer poses to general shareholders.

● Next Steps

The Company will continue to engage in good faith discussions with SilverCape with the aim of maximizing the Company's medium- to long-term corporate value and the common interests of its shareholders. Regarding the tender offer for the Company's shares and other securities announced by Hakuhodo DY Holdings on September 11, 2025, the Company resolved to continue to express its support for the Hakuhodo tender offer and to maintain its position that the decision as to whether to tender shares should be left to the discretion of the shareholders.

Background (Overview)	<ul style="list-style-type: none"> February 19 SilverCape submitted its large shareholding report (holding ratio at time of submission: 5.27%). September 11 Hakuhodo DY Holdings announced a tender offer for the Company's shares with the aim of making it a wholly-owned subsidiary (the Company expressed its support). September 22 SilverCape submitted a proposal to the Company requesting the conduct of due diligence for the purpose of proceeding with a tender offer for the Company's shares. <div> <div>The Company</div> : Continued sincere consideration and dialogue thereafter <div>SilverCape</div> : Continued purchasing shares during the period likely spent preparing the proposal (September 17-22) and after the proposal date (currently purchases suspended following request from our Special Committee) </div> October 20 SilverCape announced its intention to commence a tender offer for the Company' shares. <div> <div>The Company</div> : Earnestly arranged a meeting <div>SilverCape</div> : Announced the commencement notice for this tender offer prior to the meeting (on the day of the meeting) </div> October 28 The Company announced the introduction of response policies on takeovers.
Our Current Assessment and Judgment	<ul style="list-style-type: none"> SilverCape's tender offer carries a high risk of coercive effect. The management policies and corporate value enhancement measures proposed for implementation after this tender offer also lack specificity and feasibility, and their management track record and capabilities are unclear. This tender offer does not require delisting as an essential condition, and one of its objectives is to secure a certain level of influence over the Company. While our Special Committee has repeatedly confirmed whether SilverCape would raise the minimum number of shares to be purchased for this tender offer to at least two-thirds, SilverCape has not agreed to an increase. It is necessary to avoid the risk of our shareholders remaining as minority shareholders (coercive effect) and to secure the information and time required to make an appropriate decisions. The decision to introduce response policies on takeovers was made with the objective of conducting sincere discussions with SilverCape to maximize the Company's medium- to long-term corporate value and the common interests of all shareholders.
Resolution Items	<ul style="list-style-type: none"> <u>Introduction of response policies on takeovers</u> in response to SilverCape's notice of planned commencement of a tender offer for the Company's shares <u>Setting the record date</u> for convening an extraordinary general meeting of shareholders in preparation for the possibility of holding the Shareholders' Intent Confirmation Meeting Continuing to express its support for the Hakuhodo tender offer and maintaining its position that the decision as to whether to tender shares should be left to the discretion of the shareholders

Background of Introduction of Response Policies



Key Concerns Regarding SilverCape's Tender Offer

- Numerous concerns exist regarding the terms and conditions of SilverCape's tender offer.

1

Coercive effect of tender offer conditions

- The low minimum number of shares to be purchased of 33.34% raises concerns that minority shareholders may be left as minority shareholders as a result of the squeeze-out procedures not being implemented following the Silver Cape's tender offer.
- Although our Special Committee has repeatedly confirmed whether it is possible to set the minimum number of shares to be purchased at two-thirds or more, SilverCape has not agreed to raise it.
- This creates a high likelihood of de facto pressure (coercive effect) compelling shareholders to tender their shares in the tender offer.

2

Insufficient explanation regarding measures to enhance the Company's corporate value

- No concrete explanation has been provided regarding management policies or business strategies after the tender offer.
- There is no evidence of sincere consideration or clear intent regarding the management of the Company after the tender offer.

3

Management track record and capabilities are unclear (No track record)

- An investment fund established as recently as August 2024, with no discernible track record of acquiring and managing listed companies at 100% ownership, either domestically in Japan or internationally.
- In particular, it has no investment experience in companies operating in the advertising business.

4

Funding for the tender offer remains unclear

- While SilverCape states it will cover the full amount of funds required for the tender offer using its own capital, the breakdown merely suggests the possibility of utilizing listed shares as collateral for margin trading or marketable securities.
- Simultaneously, it mentions the possibility of raising funds from major banks, indicating that the backing for the acquisition funds has not been definitively confirmed.

Issues Concerning Coercive Effect

- The Company has introduced response policies on takeovers with the aim of avoiding coercive effect, among other objectives.

Q: What is coercive effect?

A: It refers to the pressure that forces shareholders to sell their shares against their will.

It is the de facto pressure that arises for general shareholders, stemming from the risk of being left as minority shareholders as a result of the squeeze-out procedures not being implemented after a tender offer is completed, thereby compelling them to tender their shares.

Q: Why does coercive effect arise when SilverCape conducts a tender offer?

A: Because the conditions set are unclear regarding whether a squeeze-out (full privatization) will occur.

SilverCape has set the minimum number of shares to be purchased in the tender offer such that, combined with the shares it currently holds in the Company (ownership ratio: 14.41%) to reach 33.34% of total voting rights. Consequently, it is uncertain whether the voting rights associated with SilverCape's shares would reach the two-thirds majority of total shareholder voting rights required to implement a squeeze-out procedure if the tender offer succeeds.

Q: Why is coerciveness a problem?

A: Because there is concern that it may unilaterally distort the decision-making of general shareholders.

Even shareholders who would normally oppose SilverCape's tender offer may find themselves compelled to participate against their will to avoid the disadvantage of remaining as minority shareholders. This creates a risk of unilaterally distorting the decision-making of general shareholders.

Content of the Meeting with SilverCape

- Although meetings were held, no specific explanation regarding corporate value enhancement measures was provided.

Summary of SilverCape's Presentation During the Meeting

Business strategy considering the Company's competitive environment, etc.



Investing in AI to transform the business model of the Company's marketing business



The explanations were abstract and lacked feasibility; the content reveals neither an understanding of our business nor any sincere consideration or clear intent regarding the management of the Company following this tender offer.

Measures to enhance corporate value of the Company following the tender offer



We aim to accelerate M&A and AI investment activities using the acquisition of control as a stepping stone. For funding, we anticipate utilizing Digital Holdings' cash reserves, among other methods.



The explanation regarding the effective realization of enhancing the Company's corporate value is insufficient.

Policies in the event of going private and in the event of not going private



If the Company's shares remain listed after the tender offer, SilverCape will support the investment business as a significant minority investor, aiming to exit in 2-4 years while the shares remain listed. Conversely, if the Company's shares are delisted after the tender offer, SilverCape will focus its efforts on supporting the marketing business as the 100% shareholder.



The explanation regarding future state of the Company after the tender offer is extremely opaque and insufficient. Furthermore, there has been no clear response to our repeated inquiries as to whether SilverCape prioritizes delisting or maintaining the listing. Consequently, the general shareholders of the Company are not in a position to foresee the future state of the Company after the tender offer.

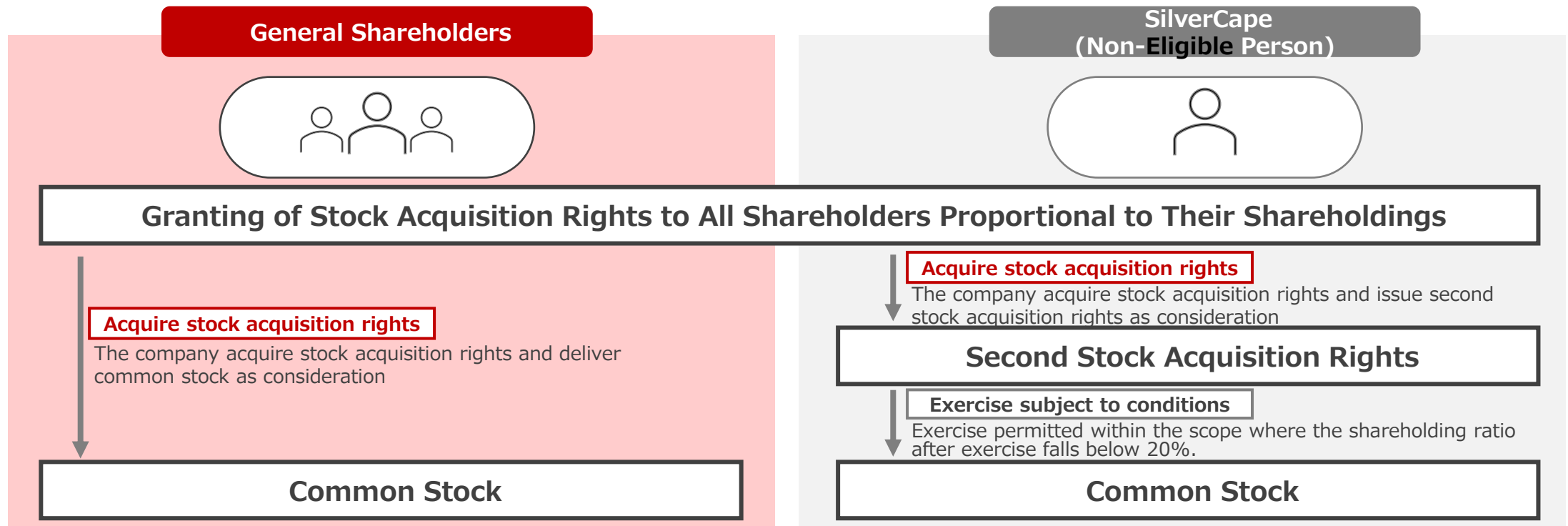
Overview of Response Policies

Emergency/Ordinary		<ul style="list-style-type: none"> Emergency Implementation Type (To avoid the risk of our shareholders remaining as minority shareholders (coercive effect) due to a previously announced tender offer)
Trigger		<ul style="list-style-type: none"> 20% or more (Current SilverCape ownership ratio: 14.41%*)
Special Committee		<ul style="list-style-type: none"> Composed of 4 independent outside directors (makes recommendations on whether to implement countermeasures and other necessary matters)
Procedure	Deadline for submission of Statement of Intent	<ul style="list-style-type: none"> 60 business days prior (Large-scale acquirers must submit to the Company's Board of Directors at least 60 business days prior to undertaking the large-scale acquisition activities)
	Information provision (deadline)	<ul style="list-style-type: none"> Within 5 business days (The Company shall, in principle, request the large-scale acquirer to provide necessary information within 5 business days of receiving the Statement of Intent)
	Board evaluation period	<ul style="list-style-type: none"> Within 60 business days (The Company evaluates and considers the merits of the large-scale scale acquisition activities within 60 business days of receiving the Statement of Intent)
	Shareholders' Intent Confirmation Meeting	<ul style="list-style-type: none"> Based on the Special Committee's opinion, if the Company opposes the large-scale scale acquisition activities, it will submit the implementation of countermeasures to the Shareholders' Intent Confirmation Meeting for approval.
	Implementation of countermeasures	<ul style="list-style-type: none"> If the countermeasure proposal is approved at the Shareholders' Intent Confirmation Meeting and the large-scale acquisition activities, is not withdrawn, the countermeasures will be implemented
Outline of countermeasures		<ul style="list-style-type: none"> Implement a free allocation of stock acquisition rights to our shareholders (however, non-eligible persons cannot exercise them). Non-eligible persons shall acquire the second stock acquisition rights (exercisable within a range below 20% or the ratio determined by the Company's Board of Directors).
Validity period of the response policies		<ul style="list-style-type: none"> In principle, until the conclusion of the first Board of Directors meeting held after the Company's ordinary shareholders' meeting scheduled to be held by March 2026.

* SilverCape's ownership percentage of the Company's shares is based on the information provided in the "Notice Regarding the Planned Commencement of a Tender Offer for Shares of DIGITAL HOLDINGS INC. (Stock Code: 2389)".

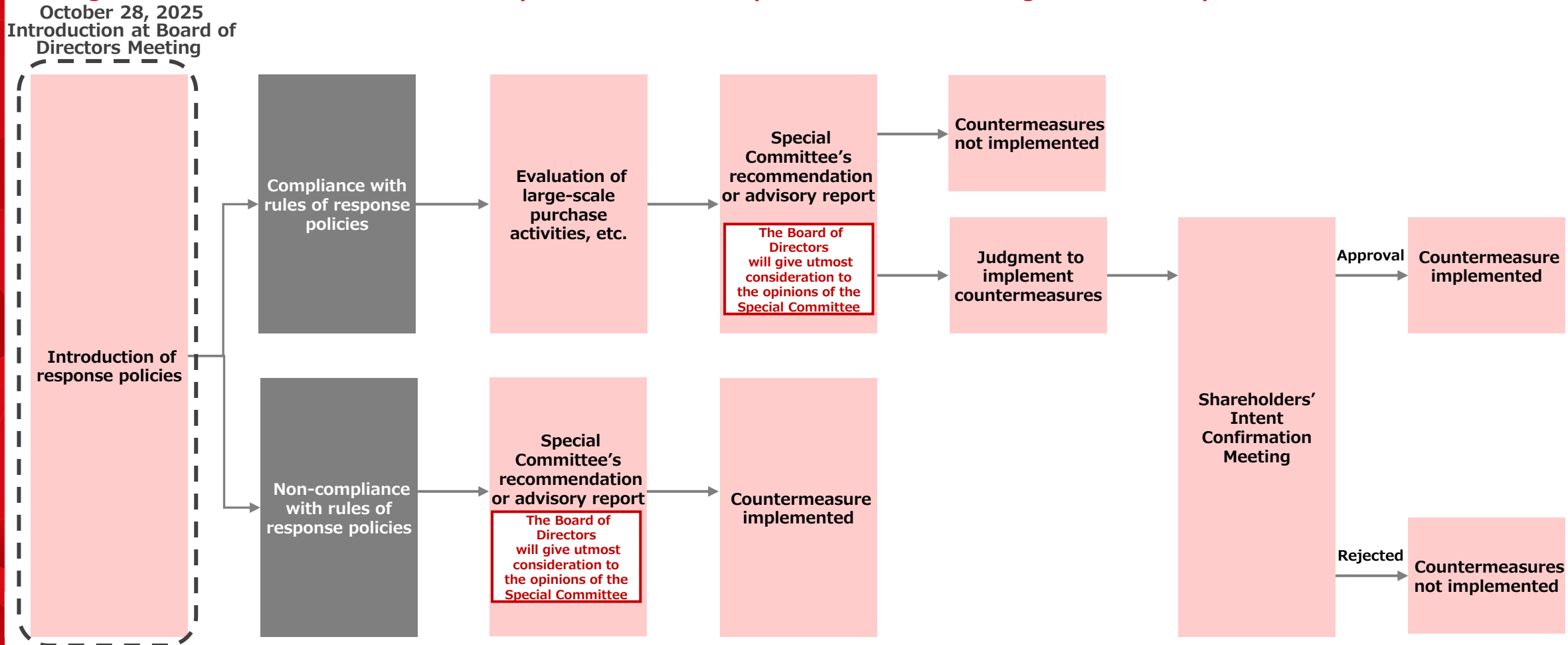
Outline of Countermeasures Against Large-Scale Acquisitions

- **If the countermeasure proposal is approved at the Shareholders' Intent Confirmation Meeting and the large-scale acquisitions are not withdrawn, this countermeasure will be implemented.**
- The Company will, by resolution of the Board of Directors, grant new stock acquisition rights free of charge to general shareholders and SilverCape, with differing exercise conditions and acquisition terms.
- The aggregate value of the Company shares held by all general shareholders **will not be diluted against the wishes of all general shareholders.**



Process for Implementing Countermeasures

- As of October 28, 2025, the Board resolved to introduce response policies, but it **has not resolved to implement countermeasures or convene a shareholders' meeting**.
- Should SilverCape submit a Large-scale Acquisition Activities Statement of Intent or commence a tender offer, **the Board of Directors will give the utmost consideration to the Special Committee's opinion when determining whether to implement countermeasures.**





DIGITAL - The Heartbeat of the Future