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For Immediate Release

**Funai Soken Holdings, Inc. (TSE Prime, stock code 9757)**

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## **Notice Regarding Allocation of Stock Options for Stock-linked Compensation (Subscription Rights for Shares)**

Funai Soken Holdings announces that it has outlined subscription requirements concerning subscription rights for shares (hereinafter, “Subscription Rights”) issued as stock options to company directors (excluding audit committee members and outside directors), executive officers, subsidiary directors, and subsidiary executive officers. At the Board of Directors’ meeting convened on April 21, 2023, the company Board of Directors approved these subscription requirements and passed a resolution to solicit subscribers for these Subscription Rights.

### Details

#### **I. Reason for needing to solicit subscribers for Subscription Rights**

Our objective is to motivate company directors (excluding audit committee members and outside directors), executive officers, subsidiary directors, and subsidiary executive officers towards business management with a more medium-term perspective on performance and stock price. Furthermore, we aim to further increase desire and motivation to contribute to increasing our stock price and our corporate value.

#### **II. Parameters for issuing Subscription Rights**

**1. Name of Subscription Rights:** Funai Soken Holdings Inc. 2023 Subscription Rights for Shares I

**2. Total number of Subscription Rights:** 518

The abovementioned total represents the planned upper limit on allocation. If subscription offers are not received or if we decrease the total number of Subscription Rights allocated, the total number of allocated Subscription Rights shall be total number of Subscription Rights to be issued.

**3. Type and number of shares applicable to Subscription Rights**

The type of shares applicable to Subscription Rights shall be Company common stock. The number of applicable shares for each Subscription Right shall be 180 shares (hereinafter, “Allocated Shares”). However, if, after the allocation date for Subscription Rights set forth in 13 below (hereinafter, “Allocation Date”), the Company conducts a stock split (including the Company’s bonus common stock, hereinafter application to descriptions of stock splits) or stock merger, the Company shall apply the following formula to adjust the number of Allocated Shares. In such cases, adjustments resulting in fractional shares shall be rounded down.

Adjusted Allocated Shares = Unadjusted Allocated Shares x stock split/merger ratio

In the event of a stock split, the Adjusted Allocated Shares shall be applied on or after the date of record for said stock split

(if no date of record is stipulated, then the effective date for said split). In the event of a stock merger, the Adjusted Allocated Shares shall be applied on or after the effective date for said merger. However, for a stock split conditional to the Company General Meeting of Shareholders passing a motion to reduce retained earnings and increase capital or provisions, if the stock split date of record will be a date prior to date of the adjournment of said General Meeting of Shareholders, then Adjusted Allocated Shares shall be applied retroactively to the day after said date of record on or after the date of adjournment for said General Meeting of Shareholders.

Furthermore, if the Company needs to adjust Allocated Shares due to a merger or company split after the Allocation Date, or for other equivalent reasons, the Company may adjust the Allocated Shares appropriately within a reasonable range.

When adjusting Allocated Shares, the Company shall provide notification or public notice of required information to the holders of Subscription Rights indicated in the subscription rights ledger (hereinafter, "Subscription Rightsholders"). Said notification or public notice shall be provided no later than the date prior to the date of application for the adjusted Allocated Shares. However, when notification or public notice cannot be provided prior to said date of application, the Company shall provide notification or public notice afterwards as soon as possible.

#### **4. Amount of assets contributed when Subscription Rights are exercised**

The amount of assets contributed when a Subscription Right is exercised shall be the amount derived by multiplying the Allocated Shares by 1 yen, which shall be the per share strike price for shares subject to issuance via the exercising of Subscription Rights.

#### **5. Period for exercising Subscription Rights**

May 16, 2023 through May 15, 2053

#### **6. Matters concerning increases to capital and capital reserves when issuing stock in relation to the exercising of Subscription Rights**

(1) The increase to capital when issuing stock in relation to the exercising of Subscription Rights shall be one-half the amount of the capital increase limit calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, with any fractional amounts to be rounded up.

(2) The increase to the capital reserve when issuing stock in relation to the exercising of Subscription Rights shall be the amount calculated by subtracting the amount of the capital increase set forth in (1) above from the capital increase limit described in (1) above.

#### **7. Restriction on acquisition of Subscription Rights via transfer of ownership**

The acquisition of Subscription Rights via transfer of ownership shall be subject to a vote by the Board of Directors.

#### **8. Conditions for acquisition of Subscription Rights**

When the following motions (1), (2), (3), (4) or (5) are approved at the Company General Meeting of Shareholders (if a resolution of the General Meeting of Shareholders is not required, then when a resolution is made by the Company Board of Directors), the Company may acquire Subscription Rights free of charge on a date separately determined by the Company Board of Directors.

(1) Motion to approve a merger agreement in which the Company becomes an extinguished company

(2) Motion to approve a split agreement or split plan in which the Company becomes a split company

(3) Motion to approve a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary

(4) Motion to approve an amendment to the Articles of Incorporation establishing provisions concerning the requirement of Company approval in relation to the acquisition of Company stock via transfer as a matter concerning all shares issued by the Company.

(5) Motion to approve an amendment to the Articles of Incorporation establishing provisions concerning the requirement of Company approval in relation to the acquisition of all share types via transfer as a matter concerning the types of shares subject to Subscription Rights or concerning the acquisition of all share types via a resolution by the Company General Meeting of Shareholders.

## **9. Policy for making decisions concerning the details of Subscription Right issuance for companies subject to restructuring during organizational restructuring**

In the event of a merger (limited to cases where the Company is extinguished due to the merger), absorption-type split or new formation-type split (limited to cases where the Company becomes a split company), or share exchange or share transfer (limited to cases where the Company becomes a wholly-owned subsidiary, with the above collectively referred to as "Organizational Restructuring"), the Company shall issue Subscription Rights of the stock company (hereinafter, "Reorganized Company") in accordance with the respective applicability of Companies Act Article 236, Paragraph 1, No. 8 (1) through (5) to each Subscription Rightsholder in possession of residual Subscription Rights (hereinafter, "Residual Subscription Rights") persisting immediately prior to the effective date of the Organizational Restructuring (the date when the absorption-type merger becomes effective in a absorption-type merger, the date of new corporation establishment in a new formation-type merger, the date on which the absorption-type split becomes effective in an absorption-type split, the date on which the newly-established split-established corporation is established in the new formation-type split, the date on which the share exchange becomes effective in a share exchange, and the date of establishment of the parent company in a share transfer, the same to apply below). However, this shall be pursuant to the absorption-type merger agreement, new formation-type merger agreement, absorption-type split agreement, new formation-type split plan, share exchange agreement or share transfer plan stipulating that Subscription Rights of the Reorganized Company in issued in accordance with the provisions set forth below.

(1) Number of Subscription Rights of the Reorganized Company to be issued

Issue the same number of Subscription Rights as the number of Residual Subscription Rights held by Subscription Rightsholders.

(2) Types of shares of the Reorganized Company subject to Subscription Rights

The common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company subject to Subscription Rights

This decision shall be made in accordance with 3 above, with consideration given to the conditions of the Organizational Restructuring.

(4) Amount of assets contributed when Subscription Rights are exercised

The amount of assets contributed when issued Subscription Right are exercised shall be the amount derived by multiplying the post-reorganization strike price by the number of shares of the Reorganized Company subject to Subscription Rights determined in (3) above. The post-reorganization strike price shall be 1 yen per Reorganized Company share subject to issuance via the exercising of issued Subscription Rights.

(5) Period for exercising Subscription Rights

Beginning from the start date of the period during which the Subscription Rights stipulated in 5 above may be exercised or the effective date of the Organizational Restructuring, whichever is later, and up to the expiration of the period during which the Subscription Rights stipulated in 5 above may be exercised.

(6) Matters concerning increases to capital and capital reserves when issuing stock in relation to the exercising of Subscription Rights

To be determined in accordance with 6 above.

(7) Restriction on acquisition of Subscription Rights via transfer of ownership

The acquisition of Subscription Rights via transfer of ownership shall require approval via a resolution by the Board of Directors of the Reorganized Company.

(8) Conditions for acquisition of Subscription Rights

Determined in accordance with 8 above.

(9) Other conditions for exercising Subscription Rights

Determined in accordance with 11 below.

### 10. Provisions for fractional shares generated when exercising Subscription Rights

Fractional shares generated when a Subscription Rightsholder exercises Subscription Rights shall be rounded down.

### 11. Other conditions for exercising Subscription Rights

(1) The partial exercising of Subscription Rights is not permitted.

(2) During the period stipulated in 5 above, Subscription Rightsholder may exercise Subscription Rights during the period set forth in 5 above beginning from the day after losing the position of Company or Company subsidiary director, corporate auditor, or executive officer (hereinafter, "Rights Start Date") held on the allocation date.

(3) Notwithstanding the provisions of (2) above, if during the period stipulated in 5 above, the Subscription Rightsholder is applicable to either cases prescribed below in A or B, then the Subscription Rightsholder may only exercise Subscription Rights (however, in the case of B, this shall exclude when, in accordance with 9 above, provisions stipulating the allocation of Reorganized Company Subscription Rights to Subscription Rightsholders have been set forth in a merger agreement, share exchange agreement, or share transfer plan).

A. When the Subscription Rights holder does not reach a Rights Start Date through May 15, 2052

May 16, 2052 through May 15, 2053

B. When the General Meeting of Shareholders approves a motion to approve a merger agreement through which the Company will be extinguished, or a share exchange agreement or share transfer plan through which the Company will become a wholly-owned subsidiary (if a resolution by the General Meeting of Shareholders is not required, then a resolution by the Board of Directors)

15-day period from the date following said date of approval

(4) The above (2) and (3)A shall not apply to parties who succeed Subscription Rights via inheritance.

(5) If a Subscription Rightsholder renounces Subscription Rights, then said Subscription Rights may not be exercised.

### 12. Method of calculating payment amount for Subscription Rights

The amount to be paid in for each Subscription Right shall be the amount obtained by multiplying the option price per share calculated based on the following base figures (2) to (7) by the number of Allocated Shares (fractions less than 1 yen are rounded up) using the Black-Scholes model of the following formula.

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

Here,

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

- (1) Option price per share (C)
  - (2) Stock price (S) : Closing price of the Company's common stock on the Tokyo Stock Exchange on May 15, 2023 (if there is no closing price, then the base price on the next trading day)
  - (3) Exercise price (X) : 1 yen
  - (4) Expected residual period (T) : 15 years
  - (5) Stock price volatility (σ) : Stock price volatility calculated based on the closing price of ordinary trading for the Company's common stock on each trading day for 15 years (May 15, 2008 to May 15, 2023).
  - (6) Risk-free interest rate (r) : Interest rate of government bonds whose remaining years correspond to the expected residual period
  - (7) Dividend yield (q) : Dividend per share (actual dividends for the past 12 months (dividends in June 2022 and December 2022)) ÷ stock price specified in (2) above
  - (8) Cumulative distribution function of standard normal distribution (N(·))
- \*1: The amount calculated above is the fair value of Subscription Rights and does not constitute advantageous issuance.  
 \*2: The Company shall pay the applicable parties monetary compensation equivalent to the total amount of the Subscription Rights paid in, and offset this compensation claim right with payment obligations for the payment amount of the Subscription Rights.

**13. Subscription Rights allocation date**

May 15, 2023

**14. Due date for payment of monetary amounts in exchange for Subscription Rights**

May 15, 2023.

**15. Persons eligible for allocation of Subscription Rights, said number of eligible persons, and the number of Subscription Rights to be allocated**

518 units will be allocated to 26 members among the Company's directors (excluding audit committee members and outside directors), executive officers, subsidiary directors and subsidiary executive officers.

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