

July 13, 2023

To whom it may concern:

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Notification Regarding Stock Remuneration-Type Stock Options (Stock Acquisition Rights) with Stock Price Condition to Directors of the Company

Sansan, Inc. (“the Company”), at a meeting of its Board of Directors held on July 13, 2023, agreed on an agenda item, based on the provisions of Article 361 of the Companies Act, relating to the amount and content of remuneration for stock acquisition rights as stock options for Directors of the Company (excl. Directors serving on the Audit & Supervisory Committee). Having resolved to submit the matter for discussion at the 16th Annual General Meeting of Shareholders (“the AGM”) scheduled to be held on August 29, 2023, the Company sets out the details as follows.

1. Purpose and Conditions Regarding Stock Remuneration-Type Stock Options with Stock Price Condition

Aiming to provide the Company’s Directors, employees of the Company and its subsidiaries, and others with an incentive to improve its corporate value over the medium to long term and in order to retain talented professionals, the Company issued trust-type stock options (“the Trust SO”) on January 31, 2019 based on a resolution approved at the Extraordinary General Meeting of Shareholders held on January 9, 2019 and the Companies Act. However, the Company has granted stock remuneration-type stock options with stock price condition (stock acquisition rights with an exercise price of JPY1 per share; “the Stock Options”) to Directors (excl. Directors serving on the Audit & Supervisory Committee) as a new incentive as it found that the Trust SO would not provide the initially expected incentive following the publication of “Taxation of Stock Options (Q&A)” by the National Tax Agency. See “Notification Regarding Trust-Type Stock Options Introduced by the Company” released today for details.

With the aim of providing further value sharing with its shareholders while improving the medium- to long-term shareholder value and corporate value of the Company, the Company grants the Stock Options to Directors (excl. Directors serving on the Audit & Supervisory Committee) as non-monetary remuneration in order to further raise their motivation and enthusiasm and secure talented professionals.

At the Extraordinary General Meeting of Shareholders held on January 30, 2019, it was approved that the total annual amount of remuneration for Directors (excl. Directors serving on the Audit & Supervisory Committee) should not exceed JPY300 million, and at the 15th Annual General Meeting of Shareholders held on August 30, 2022, it was approved that the amount of remuneration related to stock options with stock price condition for Directors (excl. Directors serving on the Audit & Supervisory Committee) should not exceed JPY250 million (the total number of stock acquisition rights issued within one year from the date of that Annual General Meeting of Shareholders should not exceed 5,000). However, separate from these remuneration limits, the Company will request approval at the AGM to set a new limit of up to JPY250 million for the remuneration related to the Stock Options for Directors (excl. Directors serving on the Audit & Supervisory Committee).

Given that the fair valuation of the Stock Options will fluctuate depending on the stock price situation, the newly set remuneration limit is set as an upper limit assuming a certain degree of stock price increase. In addition, the Stock Options will enable the exercise of rights only when the stock price of the Company reaches the JPY2,344 level, and should that not be achieved, the rights will lapse. Therefore, at the time when we estimate that there is a probability that the Stock Options will lapse, we will then calculate their fair value.

If all of the Stock Options are exercised, the total number of issued shares as of the end of May 2023 will be diluted by up to 0.24%. We do recognize, however, that the achievement of the exercise conditions set for the Stock Options will contribute to the improvement of the Company's shareholder value and corporate value as well as contribute to the interests of existing shareholders, and thus we believe the scale of the issuance to be reasonable. Due to the issuance of the Stock Options, share-based payment expenses will be recorded annually for accounting purposes from the granting of the exercise of rights. If the conditions for exercising the rights are achieved, as mentioned above, improved shareholder value and corporate value can be shared with existing shareholders. In the event that the conditions for exercising the rights are not achieved, the shares will lapse without being issued and recorded share-based payment expenses will conversely be added back. We thus believe that existing shareholders are unlikely to suffer any serious disadvantage.

2. Overview of Stock Acquisition Rights (“the Stock Acquisition Rights”) Issued as the Stock Options

(1) Total Number of Stock Acquisition Rights

The total number of New Stock Acquisition Rights issued to Directors of the Company (excl. Directors serving on the Audit & Supervisory Committee) within one year from the date of the AGM for the fiscal year ended May 31, 2023, shall be limited to 3,000.

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

The class of shares to be issued upon exercise of the Stock Acquisition Rights shall be common stock of the Company, and the number of shares to be issued upon exercise of each of the Stock Acquisition Rights (the “Number of Granted Shares”) shall be one hundred (100). The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the Stock Acquisition Rights, the Company conducts a stock split (including the gratis allotment of common stock of the Company; the same shall apply hereinafter) or a stock consolidation.

Number of Granted Shares after Adjustment = Number of Granted Shares before Adjustment × Ratio of Stock Split (or Stock Consolidation)

In addition, the Number of Granted Shares shall be appropriately adjusted to the extent reasonable in the event that, after the allotment date of the Stock Acquisition Rights, the Company conducts a merger, company split or share exchange, or share transfer (“merger, etc.”) that require adjustment of the Number of Granted Shares. Provided, however, that such adjustment shall be made only with respect to the number of shares underlying the Stock Acquisition Rights that have not been exercised at the time of such adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

(3) Amount to Be Paid in Exchange for Stock Acquisition Rights

The payment of money in exchange for the Stock Acquisition Rights is not needed. Since as stock options the Stock Acquisition Rights are issued in consideration for the execution of duties, they do not fall under the category of “Favorable Issue.”

(4) Value or Calculation Method of Assets to Be Contributed upon Exercise of Stock Acquisition Rights
The purpose of the investment in exercising the Stock Acquisition Rights shall be deemed monetary, and the price shall be the amount of JPY1 per share to be paid when exercising the Stock Acquisition Rights multiplied by the number of shares granted for the Stock Acquisition Rights.

(5) Exercise Period of Stock Acquisition Rights

The period during which the Stock Acquisition Rights are exercisable (the “Exercise Period”) is from August 30, 2026, to August 29, 2033 (provided, however, that if the last day is not a Bank Business Day, it shall be the Previous Bank Business Day).

(6) Restrictions on Assignment of Stock Acquisition Rights

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

(7) Conditions of Exercise of Stock Acquisition Rights

- 1) The Directors who have been allotted the Stock Acquisition Rights (“Holders of the Stock Acquisition Rights”) may exercise their Stock Acquisition Rights if, on a specific day from the allotment date of the Stock Acquisition Rights to the end date of the exercise period (August 29, 2033), the closing price of the common stock of the Company on the Tokyo Stock Exchange exceeds JPY2,344. However, if a stock split or reverse stock split is carried out after the allotment date, the value will be adjusted according to the following formula (rounded up to the nearest yen unit):

$$\text{Adjusted stock price} = \text{Stock price before adjustment} \times \frac{1}{\text{Ratio of split (or merger)}}$$

- 2) Holders of Stock Acquisition Rights are required to be any one of directors, auditors, employees of the Company even at the time of the exercise of the Stock Acquisition Rights. Provided, however, that this shall not apply to the case where the Company’s Board of Directors recognizes that there are justifiable reasons such as retirement due to the expiration of the term of office, retirement at the mandatory retirement age, etc.
- 3) Other conditions for exercising the Stock Acquisition Rights shall be determined by resolution of the Board of Directors of the Company.

(8) Matters Relating to Acquisition of Stock Acquisition Rights

- 1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all of the Stock Acquisition Rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the Stock Acquisition Rights, the part of the Stock Acquisition Rights to be acquired shall be determined by a resolution of the Company’s Board of Directors.
- 2) In the event that the exercise of the Stock Acquisition Rights becomes impossible pursuant to the provisions of Paragraph (7) above prior to the exercise by the holder of the Stock Acquisition Rights, the Company may acquire the Stock Acquisition Rights without any charge.

(9) Other details of Stock Acquisition Rights, etc.

Other details with regard to the Stock Acquisition Rights shall be determined by resolution of the Board of Directors of the Company.