

Company name: SANKI ENGINEERING CO., LTD.
Name of representative: Hirokazu Ishida, President and Representative Director
(Securities code: 1961; Prime Market of the Tokyo Stock Exchange)
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Notice Concerning Disposal of Treasury Stock as Restricted Stock Compensation

Sanki Engineering Co., Ltd. (hereinafter the “Company”) hereby announces that, at the Board of Directors meeting held on June 26, 2025, a resolution was passed to dispose of treasury stock (hereinafter the “Disposal of Treasury Stock” or the “Disposal”), of which details are as follows.

1. Overview of the Disposal

(1)	Disposal date	July 25, 2025															
(2)	Class and number of shares to be disposed of	69,000 shares of common stock of the Company															
(3)	Disposal value	4,025 yen per share															
(4)	Total disposal value	277,725,000yen															
(5)	Allottees and number thereof, and number of shares to be disposed of	<table> <tr> <td>Directors of the Company (excluding External Directors)</td><td>7</td><td>24,000 shares</td></tr> <tr> <td>External Directors of the Company</td><td>5</td><td>5,000 shares</td></tr> <tr> <td>Executive Officers of the Company not serving concurrently as Directors</td><td>30</td><td>35,000 shares</td></tr> <tr> <td>Audit & Supervisory Board Members of the Company (excluding External Audit & Supervisory Board Members)</td><td>2</td><td>2,000 shares</td></tr> <tr> <td>External Audit & Supervisory Board Members of the Company</td><td>3</td><td>3,000 shares</td></tr> </table>	Directors of the Company (excluding External Directors)	7	24,000 shares	External Directors of the Company	5	5,000 shares	Executive Officers of the Company not serving concurrently as Directors	30	35,000 shares	Audit & Supervisory Board Members of the Company (excluding External Audit & Supervisory Board Members)	2	2,000 shares	External Audit & Supervisory Board Members of the Company	3	3,000 shares
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External Audit & Supervisory Board Members of the Company	3	3,000 shares															
(6)	Others	An extraordinary report on the Disposal of Treasury Stock has been filed in accordance with the Financial Instruments and Exchange Act															

2. Purposes and Reasons of the Disposal

At the meeting of the Board of Directors held on May 19, 2022, the Company resolved to introduce a Restricted Stock Compensation Plan (hereinafter, the “Plan”) as a new compensation system for the Company’s Directors (including External Directors, hereinafter “Eligible Directors”), Audit & Supervisory Board Members (including External Audit & Supervisory Board Members, hereinafter “Eligible Audit & Supervisory Board Members”), and Executive Officers not serving concurrently as Directors (hereinafter “Eligible Executive Officers”; together with Eligible Directors and Eligible Audit & Supervisory Board Members, they are hereinafter collectively referred to as “Eligible Directors, etc.”) in order to further promote greater value sharing with shareholders and provide an incentive to sustainably improve the Company’s corporate value. Additionally, the Company obtained approval, among other matters, for Proposal No. 6 “Determination of compensation for granting restricted shares to Directors,” and Proposal No. 7 “Determination of compensation for granting

restricted shares to Audit & Supervisory Board Members” at to the 98th Ordinary General Meeting of Shareholders held on June 23, 2022, and for Proposal No. 5 “Revision of the amount of compensation for Directors” at the 101st Ordinary General Meeting of Shareholders held on June 26, 2025, to provide, based on the Plan, monetary claims as monetary compensation that would serve as the property to be contributed for acquisition of shares with transfer restriction (hereinafter “Restricted Stock Compensation”), in an amount not exceeding 340 million yen per year for Eligible Directors (of which, up to 40 million yen for External Directors) and an amount not exceeding 20 million yen per year for Eligible Audit & Supervisory Board Members, and to issue or dispose of shares of common stock of the Company for up to 85,000 shares per year for Eligible Directors (of which, up to 10,000 shares for External Directors) and up to 10,000 shares per year for Eligible Audit & Supervisory Board Members. It was also approved that the transfer restriction period of the restricted stock will be the period from the date on which an Eligible Director, etc. receives the shares of common stock of the Company based on the allotment agreement to be concluded between the Company and the Eligible Director, etc., until the time immediately after his/her resignation from a position of an officer or employee of the Company or its subsidiary where such position is predefined by the Board of Directors of the Company (however, the end of the transfer restriction period may be adjusted within a reasonable range in the event that the said time immediately after retirement or resignation falls before the date on which three months have elapsed from the end of the business year that contains the date on which the shares of the common stock of the Company are to be allotted).

The outline of the Plan and other relevant matters are as follows.

[Outline of the Plan and other relevant matters]

Eligible Directors, etc. will pay in all of the monetary claims provided by the Company in accordance with the Plan as property contributed in kind, and in return receive shares of the Company’s common stock that will be issued or disposed of by the Company. The amount to be paid in per share shall be determined by the Board of Directors on the basis of the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors resolution (or, if no transaction is concluded on such day, the closing price on the most recent trading day preceding the said day) within a range that is not particularly advantageous to the Eligible Directors etc. who receive the shares.

For issuance or disposal of the shares of the Company’s common stock under the Plan, Eligible Directors, etc. shall enter into an agreement on allotment of restricted shares with the Company. This allotment agreement shall specify such matters as (1) Eligible Directors, etc. shall not transfer to a third party, create a security interest on, or otherwise dispose of the shares of the Company’s common stock received in accordance with the allotment agreement for a predetermined period; and (2) the Company shall acquire the said shares of common stock without contribution if certain circumstances arise.

On this occasion, after consultation with the Advisory Committee on Nomination and Remuneration and deliberation by the Audit & Supervisory Board, and with due consideration to the purposes of the Plan, business conditions of the Company, the scope of duties of each Eligible Director, etc. and various other circumstances, the Company decided to grant a total amount of 277,725,000 yen in monetary claims (hereinafter the “Monetary Claims”) and 69,000 shares of common stock as an incentive for each Eligible Director, etc.

For the Disposal of Treasury Stock, the 47 Eligible Directors, etc. who are the planned allottees of the shares based on the Plan will pay in all of the Monetary Claims as property contributed in kind to the Company and will receive the shares of the Company’s common stock (hereinafter the “Allotted Shares”) subject to the Disposal. The outline of the restricted stock allotment agreement to be entered into by and between the Company and the Eligible Directors, etc. in connection with the Disposal of Treasury Stock (hereinafter the “Allotment Agreement”) is described in 3. below.

3. Outline of the Allotment Agreement

(1) Transfer restriction period

From July 25, 2025 (hereinafter the “Disposal Date”), to a time immediately after retirement or resignation from

any or all of the positions as Director, Executive Officer not serving concurrently as Director, Audit & Supervisory Board Member and employee of the Company.

(2) Conditions for lifting transfer restriction

The Company shall lift transfer restriction on all of the Allotted Shares upon expiration of the transfer restriction period, on the condition that an Eligible Director, etc. remains in the position of Director, Executive Director not serving concurrently as Director, Audit & Supervisory Board Member, or employee of the Company throughout the period from the commencement date of his/her execution of duties to the time immediately before the conclusion of the first subsequent ordinary general meeting of shareholders (or, the period from the commencement date of the business year containing the date of the ordinary general meeting of shareholders to the last day of the said business year in the case of Eligible Directors, etc. who are Executive Officers not serving concurrently as Directors; the same shall apply hereinafter) (hereinafter the “Service Period”).

(3) Treatment in the event that an Eligible Director, etc. retires or resigns during the Service Period due to expiration of his/her term of office, attainment of retirement age, or any other justifiable reason

(i) Timing for lifting transfer restriction

In the event that an Eligible Director, etc. retires or resigns from any or all of the positions of Director, Executive Director not serving concurrently as Director, Audit & Supervisory Board Member, or employee of the Company due to expiration of his/her term of office, attainment of retirement age, or any other justifiable reason (including due to death), transfer restriction will be lifted immediately after retirement or resignation of the Eligible Director, etc.

(ii) Number of shares subject to lifting of transfer restriction

The number of shares subject to lifting of transfer restriction shall be the number of the Allotted Shares held at the time of retirement or resignation of the Eligible Director, etc. as specified in (i) above, multiplied by the value (which is to be one if this value exceeds one) obtained by dividing the number of months from the month that contains the Disposal Date (or, the commencement date of the business year that contains the Disposal Date, in the case of Executive Officers not concurrently serving as Directors) to the month that contains the date of retirement or resignation of the Eligible Director, etc. concerned, by the number of months of the Service Period (12) (any fractions less than one share unit resulting from the calculation shall be discarded).

(4) Acquisition without contribution by the Company

In the event that an Eligible Director, etc. violates laws or regulations or falls under certain circumstances as specified in the Allotment Agreement during the transfer restriction period, the Company shall, by right, acquire without contribution all the Allotted Shares held at such point in time. Further, the Company shall, by right, acquire without contribution the Allotted Shares for which the transfer restriction has not been lifted at the time of expiration of the transfer restriction period or at the time of lifting transfer restriction specified in (3) above.

(5) Treatment in reorganization, etc.

If, during the transfer restriction period, matters concerning a merger agreement in which the Company becomes the absorbed company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter concerning reorganization, etc. are approved at a general meeting of shareholders of the Company (or by the Board of Directors of the Company where such reorganization, etc. does not require approval of the general meeting of shareholders of the Company), then by resolution of the Board of Directors, the Company shall, as of the time immediately preceding one business day before the effective date of reorganization, etc., lift transfer restriction on the shares whose number is to be the number of the Allotted Shares held at such point in time, multiplied by the value (which is to be one if this value exceeds one) obtained by dividing the number of months from the month that contains the Disposal Date (or, the commencement date of the business year that contains the Disposal Date, in the case of Executive Officers not concurrently serving as Directors) to the month that contains the date of the relevant approval, by the number of months of the Service Period (12) (any fractions less than one share unit resulting from the calculation shall be discarded).

Further, for any Allotted Shares on which transfer restriction is not lifted at the time immediately after lifting of the transfer restriction, the Company shall, by right, acquire all such Allotted Shares without consideration.

(6) Administration of shares

To prevent transfer, creation of security interest on, or any other disposal of the Allotted Shares during the transfer restriction period, the Allotted Shares shall be administered in dedicated accounts opened by each Eligible Directors, etc. at Nomura Securities Co., Ltd. throughout the transfer restriction period. In order to ensure the effectiveness of transfer restriction on the Allotted Shares and other relevant matters, the Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to administration of the accounts for Allotted Shares held by each of the Eligible Directors, etc. The Eligible Directors, etc. shall consent to the details relating to administration of the accounts.

4. Basis of Calculating the Amount to be Paid In and Specific Details Thereof

The Disposal of Treasury Stock to the planned allottees shall be conducted using, as property to be contributed, monetary claims provided under the Plan as restricted stock compensation for the 102nd business year of the Company. To eliminate any arbitrariness in pricing, the disposal value shall be set at 4,025yen, which is the closing price of shares of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on June 25, 2025 (which is the business day immediately preceding the date of the Board of Directors resolution). As it is the market price immediately preceding the day of the Board of Directors resolution, the Company believes that it is reasonable and does not represent a particularly favorable price.

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
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