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June 25, 2025

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Notice Concerning the Disposal of Treasury Shares under the Restricted Share-Based Compensation Plan

SINKO INDUSTRIES LTD. (the “Company”) hereby announces that its Board of Directors has resolved at the meeting held on June 25, 2025 to dispose of treasury shares (hereinafter, the “Disposal of Treasury Shares” or the “Disposal”) as described below.

1. Overview of the disposal

(1) Date of disposal	July 23, 2025	
(2) Class and number of shares to be disposed	30,600 common shares of the Company	
(3) Disposal price	1,209 yen per share	
(4) Total disposal value	36,995,400 yen	
(5) Planned allottees	Directors of the Company	1 individual: 4,500 shares
	Operating officers not concurrently serving as Directors	7 individuals: 18,900 shares
	Directors of the Company’s subsidiaries	2 individuals: 7,200 shares

2. Objectives of and reasons for disposal

At the meeting of the Board of Directors held on May 25, 2017, the Company resolved to introduce a restricted share-based compensation plan (hereinafter, the “Officer Compensation Plan”) as a new compensation plan for Directors of the Company (limited to Directors to whom the Company pays compensation, excluding Directors who are Audit and Supervisory Committee Members. Hereinafter, the “Eligible Directors”), with the aim of providing incentives to sustainably enhance the Company’s corporate value, as well as to further promote the sharing of value between the Eligible Directors and all shareholders. In addition, at the 68th Annual General Meeting of Shareholders held on June 28, 2017, it was resolved that the Company shall provide monetary compensation of no more than 90 million yen per year to the Eligible Directors as property contributed for the grant of transfer-restricted shares under the Officer Compensation Plan (albeit separately from the salary portion of Directors who are also employees), that the transfer restriction period of the transfer-restricted shares shall be between 1 and 5 years, and that the Company’s Board of Directors would set the transfer restriction period in advance.

The overview, etc., of the Officer Compensation Plan is as follows.

[Overview, etc., of the Officer Compensation Plan]

Under this Officer Compensation Plan, the Eligible Directors shall contribute the monetary compensation claims paid by the Company as property contributed in kind for the purpose of acquiring restricted shares. The total number of common shares of the Company to be newly issued or disposed of shall be no more than 90,000 shares a year, and the amount to be paid per share of the said Company’s common shares will be determined by the Board of Directors within a range that is not particularly advantageous to the Eligible Directors who will receive such common shares and does not exceed the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day before the date of resolution of the Board of Directors (if no trading is reported on that day, the closing price on the trading day immediately preceding such day).

However, under this Officer Compensation Plan, compensation equivalent to the remuneration for the performance of duties over three fiscal years will, in principle, be paid in a lump sum in the first year of the three-year period. Therefore, we believe that the total amount of monetary compensation claims per fiscal year is effectively 30 million yen or less, and the total number of common shares to be newly issued or disposed of by the Company is 30,000 shares or less.

In addition, regarding the issuance or disposition of its common shares under the Officer Compensation Plan, the Company will enter into an Agreement on the Allotment of Shares With Restriction on Transfer with the Eligible Directors. The agreement will contain the following items: ① For a certain prescribed period, the Eligible Directors shall not be permitted to transfer, attach a security interest on, or otherwise dispose of the Company’s common shares allotted to them by way of the Agreement (hereinafter, the “Transfer restriction”) on the Allotment of Shares With Restriction on Transfer (hereinafter, the “Allotted Shares”), and ② if certain events occur, the Company may acquire said common shares without consideration.

The Company has also introduced a restricted share-based compensation plan that is largely similar to the Officer Compensation Plan (both shall hereinafter be collectively referred to as the “Plan”) for the Company’s Operating Officers and Directors of the Company’s subsidiaries (excluding part-time and seconded Directors). This disposal of treasury shares is part of the Plan and will be implemented for the sake of the Eligible Directors, the Company’s Operating Officers, and the Directors of the Company’s

subsidiaries (hereinafter to be collectively referred to as the “Eligible Directors, etc.”).

This time, after consideration of the objectives of the Plan, the Company's business performance, the scope of duties of the Eligible Directors, etc., and various factors, for the objective of further raising the motivation of the Eligible Directors, etc., the Company decided to pay a total amount of 36,995,400 yen (of which, the total monetary compensation claims to be paid to the Eligible Directors shall be 5,440,500 yen) in monetary claims as property contributed for the acquisition of shares with transfer restrictions and that the number of common shares that the Company would dispose of would be 30,600 shares (of which, 4,500 shares would be allotted to the Eligible Directors). In addition, as the objective of the Plan is to provide incentives for the medium- to long-term and sustainable improvement of the Company's corporate value, the transfer restriction period shall be three years.

Based on the Plan, the 10 Eligible Directors, etc. who are the expected allottees of shares will pay in as property contributed in kind all the monetary claims against the Company and receive the common shares of the Company that the Company will dispose of in this disposal of treasury shares.

3. Overview of the Agreement on the Allotment of Shares With Restriction on Transfer

An overview of the Agreement on the Allotment of Shares With Restriction on Transfer to be concluded between the Company and the Eligible Directors, etc. in conjunction with this disposal of treasury shares is as follows.

(1) Transfer restriction period: July 23, 2025 to July 22, 2028

(2) Conditions for lifting the transfer restrictions

The Eligible Directors, etc. must continuously hold the same position as at the date of the conclusion of this agreement, throughout the transfer restriction period. However, if the Eligible Directors, etc. retire for legitimate reasons, such as the expiry of terms of office or reaching mandatory retirement age, then the treatment in (3) below shall apply.

(3) Treatment if the Eligible Directors, etc. retire during the transfer restriction period for legitimate reasons, such as the expiry of terms of office or reaching mandatory retirement age

① Timing of lifting the transfer restrictions

(i) Retirement due to the death of an Eligible Director, etc.

After the death of the Eligible Director, etc., transfer restrictions shall be lifted at a time promptly and separately determined by the Company's Board of Directors

(ii) Retirement due to reasons other than the death of an Eligible Director, etc.

Immediately after the retirement or resignation

② The number of shares subject to the lifting of transfer restrictions

The number of shares from this Allotment held by the Eligible Director, etc. at the time of his or her retirement multiplied by the length of time that this Eligible Director, etc. has served in his or her position during the transfer restriction period (i.e., the number of months from July 2025 up to and including the day of the retirement) divided by the total length of the transfer restriction period (36 months), rounded down to the nearest whole number (fractional shares dropped)

(4) Acquisition of the Allotted Shares without consideration by the Company

With regard to shares for which the transfer restrictions were not lifted due to reasons such as (2) and (3) described above, the Company will naturally acquire those shares after the transfer restriction period without consideration.

(5) Management of the Allotted Shares

The Allotted Shares will be managed at a dedicated account to be opened by the Eligible Directors, etc. at Nomura Securities Co., Ltd., so that the Eligible Directors, etc. cannot transfer, attach a security interest to or otherwise dispose of the Allotted Shares during the transfer restriction period. The Company has entered into an agreement with Nomura Securities Co., Ltd. regarding the management of accounts for the Allotted Shares of the Eligible Directors, etc. for the purpose of ensuring the effectiveness of the transfer restrictions, etc. on the Allotted Shares. In addition, the Company has separately obtained the consent of the Eligible Directors, etc. regarding the details of the transfer restrictions, etc.

(6) Treatment in the event of organizational restructuring, etc.

If, during the transfer restriction period, a merger agreement under which the Company becomes a disappearing company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matters related to organizational restructuring, etc. are approved at a general meeting of shareholders of the Company (if the approval of the Company's shareholders meeting is not required for the relevant organizational restructuring, etc., then at a meeting of the Board of Directors), then in accordance with a resolution of the Board of Directors, the transfer restrictions will be lifted on the business day immediately preceding the effective date of the relevant organizational restructuring for the number of Allotted Shares calculated by dividing the number of months from the month that the transfer restriction period began to the month that includes the organizational restructuring by the total length of the transfer restriction period (36 months), and multiplying this number by the number of Allotted Shares in possession as of the relevant date, rounded down to nearest whole numbers (fractional shares dropped).

4. Grounds for calculation of the amount to be paid in and specific details thereof

In order to eliminate any arbitrariness in pricing, and in accordance with the "Rules Concerning Handling of Allotment of New Shares to Third Party, Etc." issued by the Japan Securities Dealers Association, the disposal price has been set at 1,209 yen, which is the closing price of the Company's shares on the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors' resolution regarding the disposal of treasury shares (June 24, 2025). We believe this to be reasonable as it is the market price immediately prior to the date of the Board of Directors' resolution.

(Reference) [Restricted Share (RS) Management Flow in the Restricted Share Plan]

