

June 24, 2025

To whom it may concern:

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 (Securities code: 2004; Tokyo Stock Exchange Prime Market)
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Notice Regarding Disposal of Treasury Shares as Restricted Stock Compensation

Showa Sangyo Co., Ltd. (the “Company”) hereby announces that, at the meeting of the Board of Directors held on June 24, 2025, it resolved to dispose of treasury shares (the “Disposal of Treasury Shares” or “Disposal”), as described below.

1. Overview of the Disposal

(1)	Date of disposal	July 23, 2025
(2)	Class and number of shares subject to disposal	26,398 shares of common stock of the Company
(3)	Disposal price	2,959 yen per share
(4)	Total disposal value	78,111,682 yen
(5)	Recipients of the disposal, number thereof, and number of shares subject to disposal	Six Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) 26,398 shares

2. Purpose and reasons for the Disposal

The Company resolved at the meeting of the Board of Directors held on March 24, 2017, to introduce a Restricted Stock Compensation System (the “System”) for the Company’s Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors and non-executive Directors; the “Eligible Directors”) for the purpose of sharing value with shareholders and functioning as a sound incentive to contribute to the sustainable growth of corporate value and the medium- to long-term enhancement of corporate value of the Showa Sangyo Group. The Company received approval at the 116th Annual General Meeting of Shareholders held on June 28, 2017 to pay up to 100 million yen per year in new monetary compensation claims to the Company’s Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) to be used as in-kind contributions for restricted stock, and approval for a transfer restriction period (three years or longer) to be determined by the Company’s Board of Directors for the restricted stock.

The following provides an overview of the System.

Overview of the System

The Eligible Directors, under the System, will make in-kind contributions of all of the monetary compensation claims paid by the Company and receive the issuance or disposal of common stock of the Company. Based on the System, the total number of shares of common stock that will be issued or disposed of by the Company for the Eligible Directors will be no more than 80,000 shares per year. The paid-in amount per share thereof will be determined by the Board of Directors based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately before each date of resolution of the Board of Directors (or the closing price on the nearest trading date prior thereto in case this is not a

trading day), within a range that is not particularly advantageous to the Eligible Directors who will receive the common stock.

Additionally, when the Company issues or disposes of its common stock under the System, the Eligible Directors shall enter into a restricted stock allotment agreement with the Company that includes content such as (1) The Eligible Directors shall not, for a certain period of time, transfer, pledge, or otherwise dispose of the common stock of the Company allotted to them under the restricted stock allotment agreement; and (2) The Company will be entitled, under certain circumstances, to acquire the common stock without compensation.

The Showa Sangyo Group started in April 2023 the three-year Medium-term Management Plan 23-25 toward the realization of the SHOWA Next Stage for 2025, which is the long-term vision for FY2025. The business environment surrounding the Group is expected to remain uncertain going forward due to factors such as fluctuations in raw material grain prices and rising manufacturing costs. Under such circumstances, we recently decided to grant a total of 78,111,682 yen in monetary compensation claims (the “Monetary Compensation Claims”) and 26,398 shares of common stock for the purpose of further increasing the motivation of each Eligible Director of the Company to encourage the Eligible Directors to strive for the sustainable growth of the corporate value of the Group. In addition, a transfer restriction period of 30 years has been set to realize shared value with shareholders over the medium to long term, which is one objective of introducing the System.

With the Disposal of Treasury Shares, under the System, five Eligible Directors as planned allottees will make in-kind contributions of all of the Monetary Compensation Claims to the Company and receive the disposal of common stock of the Company (the “Allotted Shares”). An overview of the restricted stock allotment agreement to be entered into between the Company and the Eligible Directors for the Disposal of Treasury Shares (the “Allotment Agreement”) is provided in 3. below.

3. Overview of the Allotment Agreement

(1) Transfer restriction period: From July 23, 2025 to July 22, 2055

(2) Conditions for lifting the transfer restrictions

The transfer restrictions will be lifted upon the expiration of the transfer restriction period for all of the Allotted Shares on the condition that the Eligible Directors hold the position of Director of the Company continuously during the transfer restriction period.

(3) Treatment in the event that the Eligible Directors resign or retire from their position due to expiration of term of office, reaching retirement age, or other due cause during the transfer restriction period

i) Time of lifting the transfer restrictions

If an Eligible Director resigns or retires from their position of Director of the Company due to expiration of the term of office, reaching retirement age, or other due cause (including retirement by death), the transfer restrictions will be lifted immediately after the Eligible Director’s resignation or retirement. However, if the Eligible Director’s resignation or retirement occurs before the day immediately after three months has passed from the end of the fiscal year that includes the date when the delivery of the Allotted Shares is to be received, the transfer restrictions will be lifted on the day immediately after three months has passed from the end of the fiscal year that includes the date when the Eligible Director is to receive the delivery of the Allotted Shares (or on the next business day if it is not a business day).

In the event of retirement by death, the transfer restrictions will be lifted at a time separately determined by the Board of Directors after the death of the Eligible Director, which is on or after the day immediately after three months has passed from the end of the fiscal year that includes the date when the Eligible Director is to receive the delivery of the Allotted Shares. However, if the death of the Eligible Director occurs before the day immediately after three months has passed from the end of the fiscal year that includes the date when the delivery of the Allotted Shares is to be received, the Company will be entitled to acquire without compensation all of the Allotted Shares at the time of death.

ii) Number of shares subject to lifting of transfer restrictions

The number of shares shall be calculated by dividing by 12 the service period (in months) of the Eligible Director during the transfer restriction period (unless the result of the calculation exceeds one, in which case it is one), and then multiplying the result by the number of Allotted Shares held at the time of the resignation or retirement in i) (however, if the calculation results in a fraction of less than one share, it is

rounded down to the nearest integer).

(4) Gratis acquisition by the Company

If there are Allotted Shares for which the transfer restrictions have not been lifted, the Company will be entitled to acquire these shares without compensation upon expiration of the transfer restriction period or when the transfer restrictions are lifted as stipulated in (3) above.

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

If, during the transfer restriction period, a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter concerning organization restructuring, etc. is approved at a general meeting of shareholders of the Company (or by the Board of Directors of the Company in cases where approval at a general meeting of shareholders of the Company is not required for the organizational restructuring, etc.), the Company will, by resolution of the Board of Directors, lift the transfer restrictions on the Allotted Shares immediately before the preceding business day of the effective date of the organization restructuring, etc. The number of the Allotted Shares for which the transfer restrictions will be lifted is calculated by dividing by 12 the number of months from the beginning month of the transfer restriction period to the month that includes the said date of approval (unless the result of the calculation exceeds one, in which case it is one), and then multiplying the result by the number of Allotted Shares held at that time (however, if the calculation results in a fraction of less than one share, it is rounded down to the nearest integer). However, if the time immediately before the preceding business day of the effective date of the organizational restructuring, etc. is before the day after three months has passed from the end of the fiscal year that includes the date when the Eligible Directors are to receive the delivery of the Allotted Shares, the Company will be entitled to acquire without compensation all of the Allotted Shares immediately before the preceding business day of the effective date of the organizational restructuring, etc.

If there are Allotted Shares for which the transfer restrictions have not been lifted, the Company will be entitled to acquire all these shares without compensation immediately after the transfer restrictions are lifted.

(6) Management of shares

The Allotted Shares will be managed during the transfer restriction period in a dedicated account opened by the Eligible Directors at Nomura Securities Co., Ltd. so that the shares cannot be transferred, pledged, or otherwise disposed of during the transfer restriction period. The Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of an account for the Allotted Shares held by each of the Eligible Directors, to ensure the effectiveness of the transfer restrictions, etc. pertaining to the Allotted Shares. The Eligible Directors shall consent to the content of this account management.

4. Basis of calculation and details of paid-in amount

The Disposal of Treasury Shares will be conducted with monetary compensation claims paid as restricted stock compensation for the 125th fiscal year of the Company under the System, to be treated as contributed assets. To avoid arbitrary pricing, the disposal price for the Disposal of Treasury Shares will be set at 2,959 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market on June 23, 2025, the business day immediately before the date of resolution of the Board of Directors. This is the market share price immediately before the date of resolution of the Board of Directors, and the Company believes that it is reasonable and not a particularly advantageous price.