

(This document has been translated from the original document in Japanese. In the event of any discrepancy between this English translation and the original document in Japanese, the original document in Japanese shall prevail.)

February 3, 2023

Name of Company: Sanshin Electronics Co., Ltd.

Representative: Toshiro Suzuki (Representative Director, COO)

(Code No. 8150 Listed in the Prime Market of the Tokyo Stock Exchange)

Enquiries to: Jun-ichi Murakami (Director, Operating Officer and Senior General  
Manager of Finance & Accounting Division)

(Tel: +81-3-3453-5111)

For Immediate Release:

## **Notice Regarding Disposal of Treasury Stock by Means of Third-Party Allotment as Stock Compensation**

The Company has announced that at the Board of Directors meeting held today, it has resolved to dispose of treasury stock (hereinafter referred to as the "Disposal of Treasury Stock") as stock compensation, as outlined below.

### Details

#### 1. Overview of Disposal

(1) Date of disposal	February 21, 2023
(2) Type of and number of shares to be disposed of	38,600 common shares of the Company
(3) Disposal price	2,585 yen per share
(4) Total amount of disposal	99,781,000 yen
(5) Planned destination for disposal	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trust trustee: Custody Bank of Japan, Ltd. (trust account))
(6) Other	Regarding the Disposal of Treasury Stock, we have submitted a securities notification in accordance with the Financial Instruments and Exchange Act.

#### 2. Purpose and Reason for the Disposal

At the Board of Directors meeting held on May 15, 2017, the Company resolved to introduce a new stock compensation plan (hereinafter referred to as the "Plan") using a trust, for the purpose of further clarifying the link between the compensation to the Company's Directors (External Directors are excluded. The same shall apply hereinafter) and the value of its shares. With the introduction of the Plan, Directors will not only enjoy the advantages when the Company's share price rises but also bear the risks when the share price declines, sharing with shareholders the benefits and risks of fluctuations in share prices. This move is intended ultimately to incentivize

Directors to increase medium-to-long-term business results and increase enterprise value. The Plan was approved at the 66th Ordinary General Meeting of Shareholders held on June 23, 2017. The Board of Directors, at a meeting held on June 15, 2022 passed a resolution to continue the Plan, and the Plan continues to this day.

The Disposal of Treasury Stock shall be made to Sumitomo Mitsui Trust Bank, Limited (trust account) (re-trust trustee: Custody Bank of Japan, Ltd. (trust account)) which is the trustee of the trust (hereinafter referred to as the “Trust”) that has already been established for the Plan.

The number of shares to be disposed of will be equivalent to the number of shares expected to be issued to the Directors, based on the Sanshin share delivery rules established by the Company upon the introduction of the Plan, and after taking into consideration the positions and changes in composition of the Company's Directors during the trust period. The degree of dilution is 0.24% for the total number of issued shares of 16,281,373 shares as of September 30, 2022 (0.31% for the total number of voting rights of 123,007 as of September 30, 2022. All numbers are rounded to the third decimal place).

The Company believes that the Plan will clarify the link between the compensation to the Directors and the value of its shares, and in the medium to long term, this will lead to an improvement in our corporate value. We also believe that the number of shares to be disposed of and the degree of dilution due to the Disposal of Treasury Stock are reasonable, and the impact on the secondary market will be minor.

(Reference) Overview of the Trust

Name	Board Benefit Trust
Entruster	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors of the Company who fulfill the requirements for eligible beneficiaries
Trust administrator	Aoyama Sogo Accounting Firm Co., Ltd.
Exercising voting rights	Voting rights of Company shares held by the Trust shall not be exercised throughout the trust period
Trust contract date	August 21, 2017
Trust period	From August 21, 2017 to the end of August 2027
Purpose of the trust	Based on the Sanshin share delivery rules, the company shares shall be delivered to the beneficiaries

### 3. The Basis for Calculation of the Disposal Price and Its Specific Details

In order to set a disposal price that eliminates arbitrariness, and in view of the recent stock price movements, we have set it as 2,585 yen, the closing price on the Tokyo Stock Exchange on February 2, 2023 (the business day before the resolution of the Board of Directors).

This value has a deviation of 7.08% from the average closing price of 2,414 yen (rounded down to the nearest yen) for the most recent one-month period till the business day immediately preceding the date of resolution by the Board of Directors (January 4, 2023 to February 2, 2023), a deviation of 12.78% from the average closing price of 2,292 yen (rounded down to the nearest yen) for the last three months (November 4, 2022 to February 2, 2023), and a deviation of 28.22% from the average closing price of 2,016 yen (rounded down to the nearest yen) for the most recent six months (August 3, 2022 to February 2, 2023). (All deviation rates are rounded off to the third decimal place.)

As a result of taking the above into consideration, the disposal price for the Disposal of Treasury Stock cannot be said to be particularly advantageous to the planned destination for disposal, and we believe it to be reasonable.

All Audit & Supervisory Board Members (four members, two of whom are External Audit & Supervisory Board Members) who attended the Board of Directors meeting agreed that the basis for calculating the disposal price was rational and legal, and does not correspond to a disposal price that is particularly advantageous to the planned destination for disposal.

#### 4. Matters Related to Procedures under the Corporate Code of Conduct

The Disposal of Treasury Stock will (1) have a dilution rate of less than 25% and (2) will not involve a change in the controlling interests. Hence, it is not necessary to obtain an opinion from an independent third party or to confirm the intent of shareholders as stipulated in Article 432 of the Securities Listing Regulations determined by the Tokyo Stock Exchange.

End