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June 25, 2026

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Notice Concerning the Granting of Share Remuneration-type Stock Options (Stock Acquisition Rights)

SHIMA SEIKI MFG., LTD. (the "Company") announces that, at a meeting of the Board of Directors held today, it resolved to determine the terms for the offering of stock acquisition rights for allotment to Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors) and Executive Officers of the Company as share remuneration-type stock options (the "Offered Stock Acquisition Rights" or the "Stock Acquisition Rights to be offered"), as well as to solicit subscribers to the said stock acquisition rights, in accordance with Article 238, Paragraph 1 and Paragraph 2 and Article 240, Paragraph 1 of the Companies Act. The purpose of granting the said stock acquisition rights is to further increase the willingness of the recipients to contribute to improving Company performance over the medium- to long-term and to improving corporate value while also further sharing value with the Company's shareholders. The details are as below.

The specific amount to be paid for the Stock Acquisition Rights that are to be offered, as well as any other relevant details that are as yet undetermined, are scheduled to be finalized on July 17, 2026, which is the scheduled allotment date for the said stock acquisition rights.

The Stock Acquisition Rights that are to be offered shall be allocated based on a medium- to long-term perspective while the number of such rights shall be determined based on the business performance of the Company through stringent evaluation by the Nominating and Remuneration Committee, which is a voluntary committee chaired by an Outside Director.

1. Name of the Stock Acquisition Rights to be offered
   SHIMA SEIKI MFG., LTD. 11th Stock Acquisition Rights

2. Allottee of the Stock Acquisition Rights to be offered, the number of allottees and the number of stock acquisition rights to be allotted

Directors (excluding Directors who are Audit and Supervisory Committee Members, and Outside Directors)	3 directors	14 rights
Managing Executive Officer	1 officer	3 rights
Executive Officer	4 officers	8 rights
Total		25 rights

The total number indicated above is the number of stock acquisition rights to be allotted. In the event that the scheduled total number of Offered Stock Acquisition Rights to be allotted is reduced because, for example, an application to subscribe to the stock acquisition rights has not been made, the total number of Offered Stock Acquisition Rights to be allotted shall be the total number of Offered Stock Acquisition Rights that are to be issued.

3. Class and number of shares underlying the Stock Acquisition Rights to be offered

The class of shares underlying the Offered Stock Acquisition Rights is the Company's common share. The number of such shares underlying the Offered Stock Acquisition Rights (the "Number of Granted Shares") is 100 per right.

In the event that the Company conducts a stock split, an allotment of shares without contribution, or a consolidation of the Company's common shares after the allotment date (stipulated in 13. below), the Number of Granted Shares shall be adjusted according to the following equation. Any fractional shares resulting from this adjustment shall be rounded down.

Number of Granted Shares After Adjustment = Number of Granted Shares Before Adjustment × Ratio of Stock Split or Share Allotment Without Contribution or Share Consolidation

In the event of a stock split or share allotment without contribution, the figure given for the Number of Granted Shares After Adjustment shall be reflective of the figure on the day after the record date of the said split or share allotment without contribution. In the event of a share consolidation, the figure given for the Number of Granted Shares After Adjustment shall be reflective of the figure on the day after the date that the said consolidation comes into effect. However, in the event of stock split or share allotment without contribution that takes place upon approval at an Ordinary General Meeting of Shareholders of the Company of proposals to decrease the amount of surplus so as to increase share capital or legal capital surplus, and if a date prior to the conclusion of the said Ordinary General Meeting of Shareholders is set as the record date of the stock split or share allotment without contribution, the figure given for the Number of Granted Shares After Adjustment shall be reflective of the figure on the day after the conclusion of the said Ordinary General Meeting of Shareholders.

Furthermore, in the event that the Company performs an absorption-type merger or an incorporation-type merger and the stock acquisition rights are succeeded, or in the event that the Company performs a share exchange or a share transfer, which makes the Company a wholly owned subsidiary, and the stock acquisition rights are succeeded, the Company may adjust the Number of Granted Shares in accordance with the merger ratio and/or other factors as it deems necessary.

When adjusting the Number of Granted Shares, the Company shall notify the holders of the Offered Stock Acquisition Rights (the "Stock Acquisition Rights Holders") listed in the stock acquisition rights registry, or make public notice to the same effect, of the pertinent information no later than the day prior to which the Number of Granted Shares After Adjustment applies. In such cases where it is not possible to notify or make public notice by the day prior to the said application, the Company shall promptly notify or make public notice at a time thereafter.

4. Value of property to be contributed upon exercise of Offered Stock Acquisition Rights

The value of property to be contributed upon exercise of the Offered Stock Acquisition Rights shall be calculated by multiplying the price per share of shares eligible to be granted upon exercise of the said Offered Stock Acquisition Rights (assumed to be one yen) by the Number of Granted Shares.

5. Exercise period of Offered Stock Acquisition Rights

July 18, 2026 to July 17, 2056

6. Matters pertaining to increases in share capital and legal capital surplus upon the issuance of shares due to exercise of Offered Stock Acquisition Rights

(1) In the event of the issuance of shares due to the exercise of the Offered Stock Acquisition Rights, increases in the amount of share capital shall be half of the maximum amount of increase in share capital, etc. calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen will be rounded up.

(2) In the event of the issuance of shares due to the exercise of the Offered Stock Acquisition Rights, increases in

the amount of legal capital surplus shall be the amount calculated by subtracting the increased share capital provided in (1) above from the maximum increases in share capital, etc. also provided in (1) above.

7. Transfer restrictions on Offered Stock Acquisition Rights

The acquisition of the Offered Stock Acquisition Rights by transfer shall require the approval of the Board of Directors of the Company.

8. Conditions for acquisition of Offered Stock Acquisition Rights

If any of the following proposals ((1) through (5)) are approved at an Ordinary General Meeting of Shareholders (if a resolution of the Ordinary General Meeting of Shareholders is not required, then by a resolution of the Board of Directors of the Company), the Company may acquire the Offered Stock Acquisition Rights without compensation on a date separately predetermined by the Board of Directors.

(1) Proposal on approval of merger agreement in which the Company becomes the dissolving company
(2) Proposal on approval of split agreement or incorporation-type company split plan in which the Company becomes the splitting company
(3) Proposal on approval of share exchange agreement or share transfer plan that makes the Company a wholly owned subsidiary
(4) Proposal on approval of an amendment in the Articles of Incorporation to create the provisions therein to the effect that, as a feature of all shares the Company issues, the approval of the Company is required for the acquisition of the said shares by transfer
(5) Proposal on approval of an amendment in the Articles of Incorporation to create the provisions therein to the effect that, as a feature of the class of shares underlying the Offered Stock Acquisition Rights, the approval of the Company is required for the acquisition of the said class of shares by transfer, or that the Company acquires all of the said class of shares by a resolution at an Ordinary General Meeting of Shareholders

9. Handling of stock acquisition rights in the event of merger, absorption-type company split, incorporation-type company split, share exchange, or share transfer

In the event the Company merges (limited to instances where the Company becomes the dissolving company through the merger), conducts an absorption-type company split or an incorporation-type company split (limited to cases where the Company becomes the splitting company in either case), or implements a share exchange or a share transfer (limited to cases where the Company becomes a wholly owned subsidiary in either case) (collectively, the "Reorganization Actions"), the stock acquisition rights of stock companies described in Article 236, Paragraph 1, items (viii) (a) through (e) of the Companies Act (the "Reorganized Companies") shall be granted to Stock Acquisition Rights Holders with respect to the Offered Stock Acquisition Rights remaining (the "Remaining Stock Acquisition Rights") at the time immediately before the Reorganization Actions take effect (including the date on which the merger takes effect for absorption-type merger, date of incorporation of the company incorporated in the incorporation-type merger, the date on which the absorption-type company split takes effect, date of incorporation of the company incorporated in the incorporation-type company split, date on which the share exchange becomes effective, and date of formation of the wholly owning parent company incorporated in a share transfer). However, this shall apply only when the granting of stock acquisition rights of the Reorganized Companies according to the following conditions is stipulated in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement, or the share transfer plan.

(1) Number of stock acquisition rights of Reorganized Companies to be granted

The same number of stock acquisition rights as the number of Remaining Stock Acquisition Rights held by Stock Acquisition Rights Holders shall be granted.

(2) Class of shares of Reorganized Companies underlying the stock acquisition rights

Common shares of the Reorganized Companies.

(3) Number of shares of Reorganized Companies underlying the stock acquisition rights

Considering the conditions of the Reorganization Actions and other factors, a decision shall be made in accordance with 3. above.

(4) Value of property to be contributed upon exercise of stock acquisition rights

a) The value of property to be contributed upon exercise of the granted stock acquisition rights is calculated by multiplying the post-reorganization payment price by the number of shares of the Reorganized Companies underlying the said stock acquisition rights, which is decided in accordance with (3) above.

b) The post-reorganization payment price is calculated on the assumption that the price per share of the Reorganized Companies, which can be granted through the exercise of the stock acquisition rights granted, is one yen.

(5) Period during which stock acquisition rights may be exercised

From the starting day of the exercise period of the Offered Stock Acquisition Rights specified in 5. above or the date on which the Reorganization Actions take effect, whichever is later, to the last day of the exercise period of the Offered Stock Acquisition Rights specified in 5. above.

(6) Matters concerning increases in share capital and legal capital surplus upon the issuance of shares due to exercise of stock acquisition rights

A decision shall be made in accordance with 6. above.

(7) Restrictions on acquisition of stock acquisition rights by transfer

The acquisition of stock acquisition rights by transfer shall require approval by a resolution of the Board of Directors of the respective Reorganized Company.

(8) Conditions for acquisition of stock acquisition rights

A decision shall be made in accordance with 8. above.

(9) Other conditions for exercising of stock acquisition rights

A decision shall be made in accordance with 11. below.

10. Handling of fractions of less than one share arising from the exercise of the Offered Stock Acquisition Rights

In the number of shares to be granted to the Stock Acquisition Rights Holder who has exercised the Offered Stock Acquisition Rights, any fraction of less than one share shall be rounded down.

11. Other conditions for exercising of Offered Stock Acquisition Rights

(1) Stock Acquisition Rights Holders may exercise the Offered Stock Acquisition Rights only for a limited period of ten days from the date which follows the day on which the said Holder loses his/her status as a Director or Executive Officer of the Company.

(2) In the event that a Stock Acquisition Rights Holder dies, the heir of the said Holder may exercise the stock acquisition rights.

12. Method for calculating the payment price of the Offered Stock Acquisition Rights

The payment amount for each Offered Stock Acquisition Right shall be calculated by multiplying the Number of Granted Shares by the option price per share (amount less than one yen will be rounded up), as determined using the following Black-Scholes model based on the basic values specified in (2) through (7) below.

$$C = Se^{-qT}N(d) - Xe^{-rT}N\left(d - \sigma\sqrt{T}\right)$$

Where:

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

(1) Option price per share (C)
(2) Share price (S): Closing price of the common shares of the Company in ordinary transactions at the Tokyo Stock Exchange on July 17, 2026 (if there is no closing price on that date, then the base price on the next trading day)
(3) Exercise price (X): 1 yen
(4) Expected remaining period (T): 15 years
(5) Volatility (σ): Rate of share price fluctuations calculated based on the closing price of the common shares of the Company in ordinary transactions on the final trading day of each week over a 15-year period (July 18, 2011 through July 17, 2026)
(6) Risk-free interest rate (r): The interest rate on government bonds whose remaining years correspond to the expected remaining period above
(7) Dividend yield (q): Dividend per share (simple average of actual dividends for the two most recent periods) ÷ share price stipulated in (2) above
(8) Cumulative distribution function ($N(\cdot)$) of standard normal distribution

Note 1: The amount calculated using the equation above is the fair value of stock acquisition rights and hence is different from favorable issue.

Note 2: The recipient of the allotment of stock acquisition rights shall offset the remuneration claims to the Company with the obligation to pay the payment amount for the stock acquisition rights.

13. Date of allotment of Offered Stock Acquisition Rights

July 17, 2026

14. The due date of payment of money in exchange for the Offered Stock Acquisition Rights

July 17, 2026

15. Handling in the event that certificates for stock acquisition rights are issued

Certificates pertaining to the Offered Stock Acquisition Rights shall not be issued.