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News Release

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Notice Concerning the Disposal of Treasury Shares as a Restricted Share-based Incentive for the Employee Stock Ownership Plan

Daiei Kankyo Co., Ltd. (the “Company”) hereby announces that it resolved at a meeting of its Board of Directors held on September 20, 2023 to introduce a restricted share-based incentive plan for the Employee Stock Ownership Plan (hereinafter this incentive plan is referred to as the “Plan”) and that it resolved at a meeting of its Board of Directors held today to dispose of treasury shares as restricted shares (hereinafter referred to as the “Treasury Share Disposal”) based on the Plan with the Daiei Kankyo Employee Stock Ownership Plan (hereinafter referred to as the “Stock Ownership Plan”) as the planned allottee. The details are described below.

1. Overview of disposal

(1) Date of payment	February 5, 2024
(2) Class and number of shares for disposal	218,100 common shares of the Company (Note)
(3) Disposal value	¥2,010 per share
(4) Total disposal value	¥438,381,000 (Note)
(5) Method of disposal (planned allottee)	Third-party allotment (Daiei Kankyo Employee Stock Ownership Plan: 218,100 shares)
(6) Other	The Treasury Share Disposal is conditional on the securities registration statement filed in accordance with the Financial Instruments and Exchange Act becoming effective.

Note: The figures shown for the “number of shares for disposal” and the “total disposal value” represent the maximum values, and the Company will determine the actual number of shares for disposal and the total disposal value according to the number of individuals who have joined the Stock Ownership Plan and the number of units contributed after the promotion for joining the Stock Ownership Plan has been completed and agreement by the members regarding the Plan has been confirmed.

2. Purpose and reason of the disposal

To commemorate its listing on the Prime Market of TSE in December 2022, the Company resolved to introduce the Plan as announced in the “Notice Concerning the Introduction of a Restricted Share-based Incentive Plan for the Employee Stock Ownership Plan” dated September 20, 2023. The Plan was introduced

as a measure for enhancing the benefits of employees of the Company and its subsidiaries who are eligible to join the Stock Ownership Plan and have agreed to the Plan (hereinafter referred to as the “Eligible Employees”), aiming to support the wealth-building of the Eligible Employees by providing opportunities for the Eligible Employees to acquire restricted shares that the Company issues or disposes of through the Stock Ownership Plan and increase their sense of participation in management by having the Eligible Employees own the Company’s shares while also further promoting shared value with shareholders.

3. Overview of the Plan, etc.

Under the Plan, the Company and its subsidiaries will pay monetary claims (hereinafter referred to as the “Special Contribution”) as a special contribution to allot restricted shares to the Eligible Employees, and the Eligible Employees will contribute the Special Contribution to the Stock Ownership Plan. The Stock Ownership Plan will provide the total amount of the Special Contribution, which was contributed by the Eligible Employees, to the Company as contribution in kind, and receive common shares of the Company as restricted shares that are issued or disposed of by the Company.

The amount paid for restricted shares is determined by the Board of Directors of the Company based on the closing price of common shares of the Company at the Tokyo Stock Exchange on the business day prior to the date of the resolution of the Board of Directors regarding the issuance or disposal (if no trading is made on the day, the closing price on the trading day immediately before the day), to the extent that the amount is not particularly favorable to the Stock Ownership Plan.

Upon the issuance or disposal of common shares of the Company under the Plan, the Company and the Stock Ownership Plan shall enter into a restricted share allotment agreement including such content as (1) there shall be a prohibition on transfers to a third party, establishment of security interest, or any other disposal of the allotted restricted shares for a certain time period (hereinafter referred to as the “Transfer Restriction” in 3.); and (2) in the event that certain circumstances arise, the Company shall acquire the allotted restricted shares without contribution. In addition, the payment of the Special Contribution to the Eligible Employees is conditional on the Company and the Stock Ownership Plan entering into the restricted share allotment agreement.

Moreover, pursuant with the Daiei Kankyo Employee Stock Ownership Plan Rules and detailed management regulations, etc. concerning the Stock Ownership Plan (hereinafter referred to as the “Stock Ownership Plan Rules, etc.”) (See Note), the members’ equity interest related to the restricted shares acquired by the Stock Ownership Plan through the issuance or disposal (hereinafter referred to as the “Restricted-Share Equity Interest”) is subject to a restriction whereby the Eligible Employees may not withdraw the restricted shares corresponding to the Restricted-Share Equity Interest until the Transfer Restriction related to those restricted shares is lifted.

Note: The Stock Ownership Plan will propose at a meeting of its governing board scheduled to be held on November 10, 2023 to revise the Stock Ownership Plan Rules, etc. according to the Plan before the allotment from the Treasury Share Disposal is received and make a public announcement to the members of the Stock Ownership Plan. If the number of members of the Stock Ownership Plan who

object in writing to the revisions is less than one-third of all members, the revisions shall become effective on the date when two weeks have passed since the date of the public announcement.

For the Treasury Share Disposal, in accordance with the Plan, the Stock Ownership Plan, which is the planned allottee, will make a payment, as property contributed in kind, of the total amount of the Special Contribution contributed by the Eligible Employees, and in return, the Stock Ownership Plan will receive common shares of the Company from the disposal. For the Treasury Share Disposal, an overview of the restricted share allotment agreement concluded between the Company and the Stock Ownership Plan (hereinafter referred to as the “Allotment Agreement”) is provided in “4. Overview of the Allotment Agreement” below. Although the number of shares for disposal in the Treasury Share Disposal will be determined at a later date as mentioned in the Note in 1. above, the maximum number of shares planned for disposal for the Stock Ownership Plan is 218,100 shares. Assuming that the maximum number of shares for disposal are disposed of, the size of the dilution of shares resulting from the Treasury Share Disposal would be 0.22% (rounded to the nearest hundredth of a percent; similar rounding applied to percentages hereinafter) of the total number of issued shares of 99,892,900 shares as of September 30, 2023, and 0.22% of the total number of voting rights of 998,563 as of September 30, 2023, and 0.22% of the number of issued shares of the Company.

The Treasury Share Disposal is conditional on the revised Stock Ownership Plan Rules, etc. becoming effective by the date prior to the date of payment for the Treasury Share Disposal.

4. Overview of the Allotment Agreement

(i) Transfer restriction period

From February 5, 2024 to October 31, 2026

During the transfer restriction period (hereinafter referred to as the “Transfer Restriction Period”) defined above, the Stock Ownership Plan, which is the planned allottee, cannot transfer, create a security interest on or otherwise dispose of the allotment of common shares of the Company received under the Allotment Agreement (hereinafter these shares are referred to as the “Allotted Shares”) (hereinafter this restriction is referred to as the “Transfer Restriction”).

(ii) Acquisition of restricted shares without contribution

The Company shall acquire without contribution all of the Allotted Shares that fall under any of the following. In such cases, the Company shall notify the Stock Ownership Plan and the Eligible Employees of its intention to acquire the Allotted Shares without contribution and the number of Allotted Shares to be acquired without contribution. In accordance with the provisions of the Stock Ownership Plan Rules, etc., the Stock Ownership Plan shall deduct the portion of the Restricted-Share Equity Interest based on the Allotted Shares that will be acquired without contribution from the Restricted-Share Equity Interest held by the Eligible Employees at that time.

- (1) The Allotted Shares for which the Transfer Restriction has not been lifted immediately after the expiration of the Transfer Restriction Period (hereinafter referred to as the “Expiration of the Period”)
- (2) The Allotted Shares for which the Transfer Restriction has not been lifted based on the treatment in (iv) below and that correspond to the Restricted-Share Equity Interest held by the Eligible

Employees subject to the treatment in (iv) below immediately after the timing of lifting of the Transfer Restriction as described in (iv) below

- (3) The Allotted Shares in cases where the number of units contributed is less than a certain number of units after a change in the number of units contributed to the Stock Ownership Plan by the Eligible Employees during the Transfer Restriction Period

(iii) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares corresponding to the Restricted-Share Equity Interest held by the Eligible Employees who satisfy the applicable conditions on the first business day after the Expiration of the Period, on the condition that the Eligible Employees have continuously remained members of the Stock Ownership Plan during the Transfer Restriction Period. In such case, the Company shall notify the Stock Ownership Plan of its intention to lift the Transfer Restriction for the Stock Ownership Plan and the number of Allotted Shares for which the Transfer Restriction will be lifted. In accordance with the provisions of the Stock Ownership Plan Rules, etc., the Stock Ownership Plan shall transfer the portion of the Restricted-Share Equity Interest that corresponds to the Allotted Shares for which the Transfer Restriction was lifted, and is held by the Eligible Employees who satisfy the applicable conditions, to the members' equity interest held by the Eligible Employees for the shares acquired by the Stock Ownership Plan not based on the Plan (hereinafter referred to as the "Ordinary Equity Interest").

(iv) Treatment in case of cancellation of membership in the Stock Ownership Plan

If the Eligible Employees cancel their membership in the Stock Ownership Plan during the Transfer Restriction Period due to retirement upon reaching retirement age or other reason that the Board of Directors of the Company deems legitimate (refers to cases where membership eligibility was lost or a membership cancellation application was submitted, and includes cancellation of membership due to death; the same shall apply hereinafter), the Stock Ownership Plan shall, on the first business day after the date on which the Stock Ownership Plan receives the membership cancellation application of the Eligible Employees (hereinafter referred to as the "Membership Cancellation Application Date"), lift the Transfer Restriction on the number of Allotted Shares obtained by first dividing the number of months, from the month immediately after the month that includes the date of payment for the Treasury Share Disposal until the month that includes the Membership Cancellation Application Date of the Eligible Employees, by 32, and multiplying that number by the number of Allotted Shares corresponding to the Restricted-Share Equity Interest held by the Eligible Employees on the Membership Cancellation Application Date (any fraction of less than one share resulting from the calculation shall be rounded down). In such case, the Company shall notify the Stock Ownership Plan of its intention to lift the Transfer Restriction for the Stock Ownership Plan and the number of Allotted Shares for which the Transfer Restriction will be lifted. In accordance with the provisions of the Stock Ownership Plan Rules, etc., the Stock Ownership Plan shall transfer the portion of the Restricted-Share Equity Interest that corresponds to the Allotted Shares for which the Transfer Restriction was lifted, and is held by the Eligible Employees, to the Ordinary Equity Interest of the Eligible Employees.

(v) Provisions related to management of shares

The Allotted Shares shall be managed in dedicated accounts opened by the Stock Ownership Plan at SMBC Nikko Securities Inc. to ensure that the Transfer Restriction is followed during the Transfer Restriction Period. In addition, in accordance with the provisions of the Stock Ownership Plan Rules, etc., the Stock Ownership Plan shall separately register and manage the Restricted-Share Equity Interest and the Ordinary Equity Interest held by the Eligible Employees in relation to the Allotted Shares.

(vi) Treatment in organizational restructuring, etc.

If matters related to a merger agreement where the Company becomes the extinguished entity, a share exchange agreement or share transfer plan where the Company becomes a wholly-owned subsidiary, or any other organizational restructuring, etc. are approved at a general meeting of shareholders of the Company (in cases where approval at a general meeting of shareholders of the Company is not required, by the Board of Directors of the Company) during the Transfer Restriction Period, the Company shall, by resolution of the Board of Directors of the Company and on the business day immediately before the effective date of the organizational restructuring, etc., lift the Transfer Restriction on the number of Allotted Shares obtained by first dividing the number of months, from the month immediately after the month that includes the date of payment for the Treasury Share Disposal until the month that includes the date of such approval, by 32, and multiplying that number by the number of Allotted Shares corresponding to the Restricted-Share Equity Interest held by the Eligible Employees among the Allotted Shares held by the Stock Ownership Plan on the date of such approval (any fraction of less than one share resulting from the calculation shall be rounded down).

In such case, the Company shall, on the business day immediately before the effective date of the organizational restructuring, etc., automatically acquire without contribution all of the Allotted Shares for which the Transfer Restriction has not been lifted and that correspond to the Restricted-Share Equity Interest held by the Eligible Employees on that date.

5. Basis for calculation of the amount to be paid in and specific details thereof

In order to prevent any arbitrariness in the value, the disposal value of the Treasury Share Disposal was set to 2,010 yen, which was the closing price of common shares of the Company at the Tokyo Stock Exchange on the business day (November 8, 2023) immediately before the date of the Board of Directors' resolution regarding the Treasury Share Disposal (hereinafter referred to as the "Date of the Board of Directors' Resolution"). The Company considers this value to be reasonable as it is the market price on the day immediately before the Date of the Board of Directors' Resolution.

In addition, this value is considered not to be a particularly favorable value as the rate of deviation between this value and 2,094 yen (rounded down to the nearest yen; similar rounding applied to simple averages of the closing prices hereinafter), which is the simple average of the closing prices of common shares of the Company at the Tokyo Stock Exchange for one month (from October 9, 2023 to November 8, 2023) until the business day immediately prior to the Date of the Board of Directors' Resolution, is -4.01% (rounded to the

nearest hundredth of a percent; similar rounding applied to rates of deviation hereinafter), the rate of deviation between this value and 2,165 yen, which is the simple average of the closing prices for three months (from August 9, 2023 to November 8, 2023) until the same immediately prior business day, is -7.16%, and the rate of deviation between this value and 2,233 yen, which is the simple average of the closing prices for six months (from May 9, 2023 to November 8, 2023) until the same immediately prior business day, is -9.99%.

All three Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members) who attended the meeting of the Board of Directors held today considered the purpose of introducing the Plan with respect to the Treasury Share Disposal and the closing price on the business day prior to the Date of the Board of Directors' Resolution with respect to the amount to be paid in, and they expressed an opinion that the process, by which the Company judged that the amount to be paid in was not particularly favorable to the Stock Ownership Plan, which is the planned allottee, was reasonable and that the judgment followed due process.

6. Matters concerning the procedure required by the corporate code of conduct

For the Treasury Share Disposal, the opinion of an independent third party and procedures for confirming the intent of shareholders as stipulated in Rule 432 of the Securities Listing Regulations of the Tokyo Stock Exchange are not required because (1) the dilution ratio is less than 25% and (2) the Treasury Share Disposal does not involve a change of a controlling shareholder.

(Reference)

[Structure of the Plan]

- (i) The Company and its subsidiaries pay monetary claims as the Special Contribution to the Eligible Employees.
- (ii) The Eligible Employees contribute the monetary claims in (i) above to the Stock Ownership Plan.
- (iii) The Stock Ownership Plan provides the combined monetary claims contributed in (ii) above as payment to the Company.
- (iv) The Company allots the Allotted Shares to the Stock Ownership Plan.
- (v) The Allotted Shares are deposited in the accounts for the Restricted-Share Equity Interest of the Stock Ownership Plan through SMBC Nikko Securities Inc., and cannot be withdrawn during the Transfer Restriction Period.
- (vi) After the Transfer Restriction is lifted, the Allotted Shares can be withdrawn in the same way as the Ordinary Equity Interest of the Stock Ownership Plan.

