



May 24, 2023

News Release

Company name: Daiei Kankyo Co., Ltd.
Representative: Fumio Kaneko
President and Representative Director
(Securities Code: 9336; Prime Market of TSE)
Contact: Yoshikazu Inoue
Vice President
(TEL: +81-78-857-6600)

Notice Concerning the Introduction of a Restricted Share-based Compensation Plan

Daiei Kankyo Co., Ltd. (the “Company”) hereby announces that it resolved at a meeting of its Board of Directors held on May 24, 2023, to introduce, as follows, a restricted share-based compensation plan (hereinafter referred to as the “Plan”), and plans to submit a proposal for the Plan at the 44th Annual General Meeting of Shareholders to be held on June 27, 2023 (hereinafter referred to as the “General Meeting of Shareholders”).

1. Purpose of the introduction of the Plan, etc.

(1) Purpose of the introduction of the Plan

The Plan will be introduced as a compensation plan under which restricted shares are allotted to the Company’s Directors (excluding Outside Directors) for them to share merits and risks of share price fluctuations with its shareholders and increase their motivation more than ever to contribute to increase share prices and enhance the corporate value.

(2) Conditions for the introduction of the Plan

Under the Plan, monetary compensation claims will be provided as compensation to the Company’s Directors (excluding Outside Directors) in order to allot restricted shares. Therefore, the introduction of the Plan shall be subject to obtaining the approval of shareholders for the provision of such compensation at the General Meeting of Shareholders. At the 43rd Annual General Meeting of Shareholders held on June 27, 2022, it was approved that the total amount of compensation for the Company’s Directors shall be no more than ¥320 million per year (of which, the total amount for Outside Directors shall be no more than ¥30 million). However, comprehensively taking into account various factors such as the degree of contribution of Directors to the Company, the Company plans to ask for approval of its shareholders at the General Meeting of Shareholders for setting the total amount of monetary compensation claims provided as compensation related to restricted shares, etc. to its Directors (excluding Outside Directors) at no more than ¥64 million per year, separately from the above total amount of compensation for Directors.

2. Overview of the Plan

(1) Allotment and payment of restricted shares

The Company provides monetary compensation claims to its Directors (excluding Outside Directors) as compensation related to restricted shares, etc. within the above maximum amount per year based on the resolution of its Board of Directors, and each Director receives allotment of restricted shares by providing all the monetary compensation claims by way of contribution in kind.

The amount paid for restricted shares is determined by the Board of Directors 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 Company's 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 Directors who receive the restricted shares.

In addition, the above monetary compensation claims are provided on the condition that the Company's Directors (excluding Outside Directors) agree on the above contribution in kind and enter into a restricted share allotment agreement including the content specified in (3) below.

(2) Total number of restricted shares

The total number of restricted shares allotted to the Company's Directors (excluding Outside Directors) of 40,000 shares shall be the maximum number of restricted shares allotted in each fiscal year.

However, in the case where a share split (including allotment of common shares of the Company without contribution) or share consolidation of common shares of the Company is conducted on and after the date of resolution on this proposal, or any other similar cases where the total number of restricted shares allotted needs to be adjusted, the total number of the restricted shares may be reasonably adjusted.

(3) Content of restricted share allotment agreement

A restricted share allotment agreement to be concluded between the Company and Directors who receive allotment of restricted shares, based on the resolution of its Board of Directors in the allotment of restricted shares shall include the following content.

(i) Details of restriction on transfer

Directors who received allotment of restricted shares shall not conduct transfer to a third party, establishment of the right of pledge, establishment of security interest by way of transfer, gift during life, bequest, or any other disposal of the restricted shares allotted to the Director (hereinafter referred to as the "Allotted Shares") in the period from the date of granting restricted shares until the date on which three years pass from the Director's retirement from all positions of Director, Executive Officer and employee of the Company, or from the Company (hereinafter referred to as the "Transfer Restriction Period") (hereinafter referred to as the "Transfer Restriction").

(ii) Acquisition of restricted shares without contribution

If a Director who received allotment of restricted shares retires from all positions of Director, Executive Officer and employee of the Company, or from the Company by the date prior to the date of the Company's annual general meeting of shareholders that is first held on and after the start date of the Transfer Restriction Period, the Company automatically acquires the Allotted Shares without contribution, unless there is any reason that its Board of Directors deems legitimate.

In addition, of the Allotted Shares, if there are any restricted shares for which the Transfer Restriction

has not been lifted based on the provisions for events of lifting the Transfer Restriction specified in (iii) below at the expiry of the Transfer Restriction Period set forth in (i) above, the Company automatically acquires these shares without contribution.

(iii) Lifting of the Transfer Restriction

The Company lifts the Transfer Restriction on all the Allotted Shares at the expiry of the Transfer Restricted Period, on the condition that a Director who received allotment of restricted shares has continuously remained in the position of either Director, Executive Officer or employee of the Company until the date of the Company's annual general meeting of shareholders that is first held on and after the start date of the Transfer Restriction Period.

However, if the Director retires from all positions of Director, Executive Officer and employee of the Company, or from the Company by the date prior to the date of its annual general meeting of shareholders that is first held on and after the start date of the Transfer Restriction Period for any reason that its Board of Directors deems legitimate, the number of the Allotted Shares for which the Transfer Restriction is lifted and the timing when the Transfer Restriction is lifted shall be reasonably adjusted as necessary.

(iv) Treatment in organizational restructuring, etc.

If a proposal for 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. is 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 lifts the Transfer Restriction for Allotted Shares in the number reasonably determined in light of the period from the start date of the Transfer Restriction Period to the date of the approval for the organizational restructuring, etc., by resolution of its Board of Directors, prior to the effective date of the organizational restructuring, etc.

In this case, the Company automatically acquires the Allotted Shares for which the Transfer Restriction has still not been lifted without contribution at the time immediately after the Transfer Restriction is lifted based on the aforementioned provision.

(Reference)

The Company plans to allot restricted shares similar to the above restricted shares to its Executive Officers and employees at or after the close of the General Meeting of Shareholders.