



May 24, 2023

To All Concerned Parties

Company: Daiseki Eco. Solution Co., Ltd.
Representative: Hiroya Yamamoto, President and
Representative Director
(Securities code: 1712, Prime Market of the Tokyo Stock
Exchange and Premier Market of the Nagoya Stock Exchange)
Contact: Toshiyuki Niwa, General Manager of
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Notice on Disposal of Treasury Shares for Restricted Stock Compensation

Daiseki Eco. Solution Co., Ltd. (“the Company”) resolved at the meeting of its Board of Directors held on May 24, 2023 to dispose of treasury shares for the restricted stock compensation (hereinafter referred to as the “Disposal of Treasury Shares” or the “Disposal”). Details are as follows:

1. Summary of the Disposal

(1) Date of the Disposal	June 12, 2023
(2) Class and number of shares to be disposed of	Common shares of the Company 17,600 shares
(3) Disposal value	925 yen per share
(4) Total disposal value	16,280,000 yen
(5) Title and number of recipients and the number of shares to be disposed of	Two Directors (excluding those who are Audit and Supervisory Committee Members), three Executive Officers, and one Director of a subsidiary 17,600 shares
(6) Other	In relation to the Disposal of Treasury Shares, as the total disposal value is 10 million yen or above, a written notice of securities has been filed in accordance with the Financial Instruments and Exchange Act.

2. Purposes of and reasons for the Disposal

For the purposes of giving an incentive for continuous improvement of our corporate value and further sharing value with shareholders, it was approved at the 21st Annual General Meeting of Shareholders held on May 24, 2017 to provide monetary compensation receivables of within 120 million yen per year to our Directors (excluding those who are Audit and Supervisory Committee Members; hereinafter referred to as the “Eligible Directors”) as properties contributed to obtaining the restricted stock, based on the compensation system for Directors of the Company using the restricted stock (hereinafter referred to as the “System”). In addition, at the 26th Annual General Meeting of Shareholders held on May 25, 2022, it was approved to modify the System to be a compensation system for the Eligible Directors and Executive Officers.

Based on the System, in consideration of the purposes of the restricted stock compensation system, the scope of job responsibilities of each of the Eligible Directors, Executive Officers and the Director of a subsidiary (the “Subsidiary Director”), and other factors, it was resolved at the Board of Directors meeting held today that the Company would

allot 17,600 common shares of the Company (hereinafter referred to as the “Allotted Shares”) through disposal of treasury shares to the Eligible Directors, Executive Officers and the Subsidiary Director in exchange for the recipients paying in as in-kind contribution all of the monetary compensation receivables provided by the Company amounting to a total of 14,245,000 yen to the two Eligible Directors and three Executive Officers and by the subsidiary of 2,035,000 yen to the Subsidiary Director.

Furthermore, in order to realize the purposes of introducing the System, i.e., sharing shareholder value as long as possible and giving an incentive for encouraging the Eligible Directors, Executive Officers and the Subsidiary Director (hereinafter collectively referred to as the “Eligible Directors, etc.”) to continuously improve the Company’s corporate value during their terms of office, the transfer restriction period will be 30 years, and the transfer restrictions will be lifted when, as stated 4. (2) below, an Eligible Director, etc. retires from his/her position due to the expiration of his/her term of office, death, or any other justifiable reason.

3. Summary of the System

The Eligible Directors and Executive Officers shall make in-kind contributions of all the monetary compensation receivables provided by the Company under the System, while the Subsidiary Director shall make in-kind contributions of all the monetary compensation receivables provided by the Subsidiary, and shall, in return, receive the Company’s common shares that are to be issued or disposed of.

The total amount of the monetary compensation receivables to be provided to the Eligible Directors and Executive Officers under the System shall not exceed 120 million yen per year.

A specific timing of payment and allocation to each of the Eligible Directors, etc. will be decided at a Board of Directors meeting. Under the System, the total number of common shares to be newly issued or disposed of by the Company will be up to 60,000 shares per year (*). The amount to be paid in per share shall be the closing price of the common shares of the Company at the first section of the Tokyo Stock Exchange on its business day preceding the day when the relevant resolution is made by the Company’s Board of Directors (or, if the stock’s trading is not closed, the closing price on the day when such trading is closed immediately before).

The issuance or disposal of common shares of the Company under the System shall be subject to the conclusion of a contract on the allotment of shares with transfer restrictions (hereinafter referred to as the “Allotment Contract”) between the Company and an Eligible Director, etc. to be provided with the restricted stock compensation, which includes the following provisions: (i) it is prohibited to transfer to a third party, create a security interest in, and otherwise dispose of the Allotted Shares during a specific period; and (ii) the Company will acquire the Allotted Shares without any compensation therefor when a certain event occurs.

(*) However, if a stock split of the Company’s common shares (including allotment of the common shares of the Company without contribution) or a reverse stock split thereof occurs, or if there is any other reason that necessitates an adjustment to the Company’s common shares to be issued or disposed of as restricted stock, the total number may be reasonably adjusted.

4. Summary of the Allotment Contract

The summary of the Allotment Contract to be concluded between the Company and the Eligible Directors, etc. is as follows:

(1) Transfer restriction period: From June 12, 2023 to June 11, 2053

(2) Lifting of the transfer restrictions

In principle, the Company shall lift the transfer restrictions for all of the Allotted Shares as of the expiration of the transfer restriction period, under the condition that an Eligible Director, etc. has continuously been in a position of Director, Executive Officer, Executive Officer not concurrently serving as Director, Auditor, employee, advisor, consultant or any other position equivalent thereto of the Company or a subsidiary thereof during the transfer restriction period.

However, when an Eligible Director, etc. retires from his or her position of Director, Executive Officer, Executive Officer not concurrently serving as Director, Auditor, employee, advisor, consultant or any other position equivalent thereto of the Company or a subsidiary thereof, and there is any reason for such retirement deemed justifiable by the Board of Directors of the Company, including expiration of his/her term of office and death, the Company shall lift the transfer restrictions for all of the Allotted Shares.

(3) Acquisition without compensation by the Company

The Company will automatically acquire the Allotted Shares without compensation for which the transfer restrictions have not been lifted as of the expiration of the transfer restriction period or the lifting of the transfer restrictions set forth in (2).

When a certain event occurs, the Company will automatically acquire all or part of the Allotted Shares without compensation, based on a resolution by the Board of Directors.

(4) Management of shares

During the transfer restriction period, the Allotted Shares will be managed within a dedicated account at Nomura Securities Co., Ltd. to be opened by an Eligible Director, etc. so as not to transfer, create a security interest in, or otherwise dispose of the Allotted Shares during said period. In order to ensure effectiveness of the transfer restrictions for the Allotted Shares, the Company has entered into a contract with Nomura Securities Co., Ltd. in relation to the management of the account for the Allotted Shares held by each of the Eligible Directors, etc. In addition, the Eligible Directors, etc. have agreed to details of management of the account.

(5) Handling in case of reorganization

In case where a proposal for a merger agreement whereby the Company will be absorbed, a share exchange agreement or a stock transfer plan whereby the Company will become a wholly-owned subsidiary or other forms of reorganization of the Company is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors when such reorganization does not require approval of the Company's General Meeting of Shareholders) during the transfer restriction period, the Company will, by resolution of the Board of Directors, lift the transfer restrictions prior to the effective date of such reorganization. In addition, immediately after the transfer restrictions are lifted, the Company will automatically acquire the Allotted Shares for which the transfer restrictions have not been lifted, without compensation.

5. Grounds for calculation of amount to be paid in and specific contents thereof

The new shares will be issued to the Eligible Directors, etc. using as properties contributed the monetary compensation receivables provided by the Company and the Subsidiary for granting their respective restricted stock for the 28th fiscal year (the fiscal year ending February 29, 2024) under the System.

The disposal value shall be 925 yen which is the closing price of the common shares of the Company at the first section of Tokyo Stock Exchange on May 23, 2023 (the previous business day of the resolution by the Board of Directors) in order to eliminate arbitrariness. As this is a market value immediately before the resolution of the Board of Directors, the Company has deemed it reasonable and not to fall under an especially advantageous value.

6. Matters concerning transactions, etc. with a controlling shareholder

Of the Eligible Directors, etc. who will receive the allotment, the Company's President and Representative Director, Mr. Hiroya Yamamoto, is a relative of the Director of Daiseki Co., Ltd., our parent company. Therefore, part of the Disposal of Treasury Shares falls under a transaction, etc. with a controlling shareholder.

(1) Measures for securing fairness and measures for avoiding conflict of interest

The Disposal of Treasury Shares will be conducted in accordance with provisions and procedures provided for by laws and regulations, as well as other various rules. Contents of the Disposal including determination of the disposal value, terms and conditions, and other matters are appropriate without departure from common contents and terms and conditions. In addition, to avoid conflict of interest, Mr. Hiroya Yamamoto has not participated in deliberations and resolutions of the Board of Directors related to the Disposal of Treasury Shares.

(2) Opinions on not being disadvantageous to minority shareholders

In relation to the validity of contents and terms and conditions of the Disposal of Treasury Shares, a resolution was made today by the Board of Directors of the Company after deliberations thereby. For said resolution by the Board of Directors, from Ms. Miharuru Hanamura, Mr. Satoshi Utsuki, and Mr. Mikihiro Onishi, Directors (Independent Directors) who are Audit and Supervisory Committee Members and have no interest relationship with the controlling shareholder, the Company has obtained a written opinion to the effect that: "measures for securing fairness and measures for avoiding conflict of interest" have been taken; as its purposes are to give an incentive for continuously improving corporate value of the Company and facilitate further sharing of value with shareholders, its contents and terms and conditions are reasonable; and therefore this decision to carry out the Disposal of Treasury Shares is not disadvantageous to minority shareholders.

(3) Conformity with the Corporate Governance Report

“The policy concerning measures for protecting minority shareholders in transactions, etc. with a controlling shareholder” indicated in the Corporate Governance Report disclosed on September 1, 2022 is as follows:

“Daiseki Co., Ltd. is a parent company holding 54.0% of the Company’s voting rights.

When the Company conducts an important transaction with the parent company, the Company deliberates, considers, and executes the transaction in such a way as not to impair the interest of its minority shareholders after properly obtaining opinions from its Independent Outside Directors at the meeting of the Board of Directors from an objective viewpoint based on their experience in corporate management or the like and insight, in order to ensure fairness and rationality of the transaction from a perspective of improving corporate value of the Company.”

For the Disposal of Treasury Shares, measures stated in “(1) Measures for securing fairness and measures for avoiding conflict of interest” and “(2) Opinions on not being disadvantageous to minority shareholders” shown above have been taken. Therefore, the Company has deemed the Disposal of Treasury Shares appropriate and compliant with the above policy.