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November 10, 2026

To Whom It May Concern,

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Representative Director, President, Chief Executive Officer
(Code number: 4116, Tokyo Stock Exchange Prime Market)
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Notice Concerning Introduction of a Trust-type Employee Shareholding Incentive Plan (E-Ship®) and Disposal of Treasury Shares through Third-Party Allotment

DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD. (the “Company”) hereby announces that, at the Board of Directors meeting held today, the Company resolved to introduce a "Trust-type Employee Shareholding Incentive Plan (E-Ship®)" (the "Plan"). The purpose of the Plan is to grant employees of the Company and its domestic subsidiaries (the "Group") incentives to enhance the Company’s medium-to long-term corporate value, expand employee welfare benefits, and encourage the continuous development of the Company by increasing employees’ motivation to work through capital participation as shareholders.

In conjunction with the introduction of this Plan, the Company has also resolved to dispose of a portion of the treasury shares it holds through a third-party allotment to The Nomura Trust and Banking Co., Ltd. (Dainichiseika Employee Shareholding Incentive Plan Trust Account) (the “Disposal of Treasury Shares”), as described below.

1. Purpose of Introducing the Plan

In the three-year medium-term management plan "TRANSFORMATION for TOMORROW 2027," which commenced in the fiscal year ending March 2025, the Company has formulated an "HR Strategy" as a new basic strategy. Under this strategy, the Company has set a goal of "Fostering a Thriving Corporate Culture That Inspires Innovation."

To achieve this goal, the Company resolved at its Board of Directors meeting held today to introduce the Plan as a measure to enhance employee benefits aimed at improving engagement and promoting the active participation of human resources. The purpose of the Plan is to enrich employee benefits by ensuring a stable supply of the Company's shares to the "Dainichiseika Employee Shareholding Association" (the "Shareholding Association") and distributing profits gained through the management and disposal of trust property to employees. In addition, the Plan aims to increase employees' awareness of the Group's performance and stock price and motivation to work, and to further motivate them toward the enhancement of corporate value over the medium to long term.

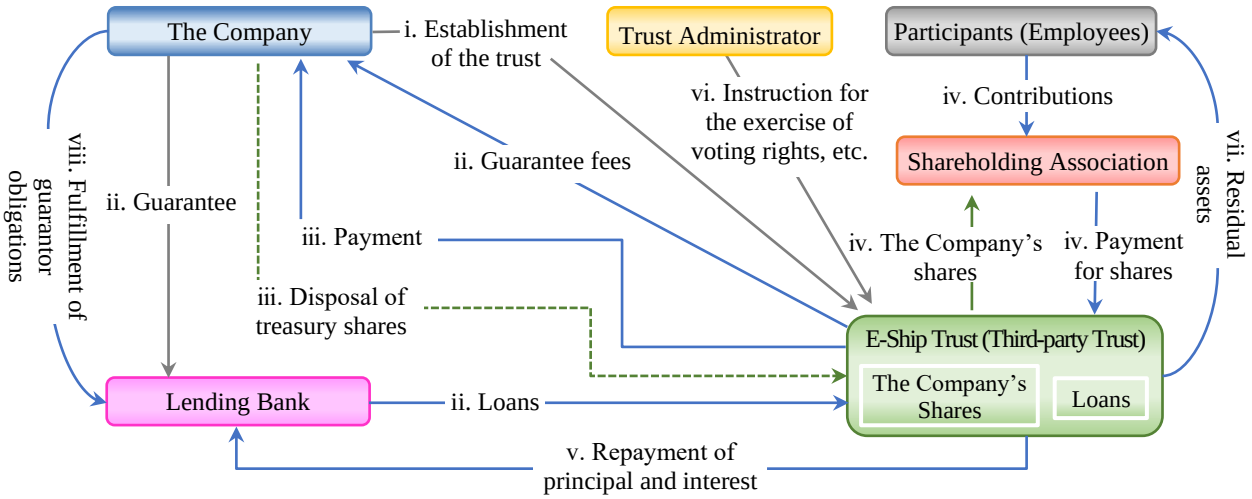
2. Overview of the Plan

The Plan is an incentive plan designed to return the benefits of increases in the Company's stock price to all employees who participate in the Shareholding Association. Under the Plan, the Company will establish the "Dainichiseika Employee Shareholding Incentive Plan Trust Account" (the "E-Ship Trust") with The Nomura Trust and Banking Co., Ltd. The E-Ship Trust will acquire, in advance, through a third-party allotment from the Company, a volume of the Company's shares expected to be acquired by the Shareholding Association over the next approximately three years and six months, using loans from financial institutions as funds.

Subsequently, the E-Ship Trust will continuously sell the Company's shares to the Shareholding Association. If an amount equivalent to gains on the sale of shares has accumulated within the E-Ship Trust at the end of the trust term, such amount will be distributed as residual assets to those who meet the beneficiary eligibility requirements.

Furthermore, as the Company will become the guarantor of the loans taken by E-Ship Trust to acquire the Company's shares, if an amount equivalent to losses on the sale of shares accumulates in the E-Ship Trust due to a decline in the Company's stock price, and any outstanding loan balance equivalent to the losses on the sale of shares remains at the end of the trust term, the Company will be responsible for repaying such debt.

3. Scheme of the Plan



i. The Company establishes an E-Ship Trust (third-party trust) whose beneficiaries are participants in the Shareholding Association who meet the beneficiary eligibility requirements.

ii. The E-Ship Trust takes out loans for funds necessary to acquire the Company's shares from the lending bank, and the Company becomes the guarantor for the said loans. The Company receives guarantee fees from the E-Ship Trust as consideration for the guarantee.

iii. The E-Ship Trust acquires from the Company the number of Company's shares that are expected to be acquired by the Shareholding Association during the trust term.

iv. The E-Ship Trust continuously sells the Company's shares acquired in iii. to the Shareholding Association throughout the trust term at market value according to a prescribed plan (terms, conditions, and method).

v. The E-Ship Trust repays the principal and interest of the loans with the proceeds from the sale of the Company's shares to the Shareholding Association and the dividends from the Company's shares it holds.

vi. The E-Ship Trust exercises its voting rights with respect to the Company's shares it holds as instructed by the trust administrator selected for the beneficiaries.

vii. If any residual assets remain in the E-Ship Trust at the end of the trust term, they are distributed to those who meet the beneficiary eligibility requirements.

viii. If any outstanding loans remain in the E-Ship Trust at the end of the trust term, the Company shall repay them, based on its obligations as guarantor described in ii.

4. Overview of the E-Ship Trust

(1)	Name	Dainichiseika Employee Shareholding Incentive Plan Trust
(2)	Trustor	The Company
(3)	Trustee	The Nomura Trust and Banking Co., Ltd.
(4)	Beneficiaries	Those who meet the beneficiary eligibility requirements (Certain prescribed procedures must be completed after occurrence of the events determining the beneficial interests)
(5)	Trust contract date	November 10, 2026
(6)	Trust term	From November 10, 2026 to May 28, 2030
(7)	Purpose of the trust	Stable and continuous supply of shares to the Shareholding Association and distribution of trust assets to those who meet the beneficiary eligibility requirements
(8)	Beneficiary eligibility requirements	All persons who are alive and participants in the Shareholding Association on the start date of the beneficiary determination procedures (the date on which the trust term ends (May 28, 2030) and the trust assets are converted into cash; the date on which all shares of the Company held as trust assets are sold to the Shareholding Association, etc.) (including persons, who, from the trust contract date to the start date of the beneficiary determination procedures, have resigned from the Shareholding Association due to mandatory retirement, transfer, assumption of office as a Director, selective early retirement, retirement due to expiration of fixed-term employment, or retirement for company convenience (excluding dismissal for cause).).
(9)	Trust administrator	Selected from the employees of the Company
(10)	Exercise of voting rights	The trustee shall exercise the voting rights of the Company's shares based on the instructions of the trust administrator.

5. Overview of the Disposal

(1)	Date of disposal	December 1, 2026
(2)	Class and number of shares to be disposed of	1,532,200 shares of the Company's common stock
(3)	Disposal price	¥1,272 per share
(4)	Total value of disposal	¥1,948,958,400
(5)	Planned allottee	The Nomura Trust and Banking Co., Ltd. (Dainichiseika Employee Shareholding Incentive Plan Trust Account)
(6)	Disposal method	Third-party allotment
(7)	Others	The Disposal of Treasury Shares is conditional upon the securities registration statement filed under the Financial Instruments and Exchange Act taking effect.

6. Purpose and Reason for the Disposal

The purpose and reason for the disposal are as described in "1. Purpose of Introducing the Plan" above.

The Disposal of Treasury Shares will be conducted for The Nomura Trust and Banking Co., Ltd. (Dainichiseika Employee Shareholding Incentive Plan Trust Account), which is to be established for the introduction of the Plan.

The number of shares to be disposed of is calculated by determining the expected annual purchase amount based on the actual purchases of the Shareholding Association (most recent monthly purchases, bonus-based purchases, and dividend reinvestments) on an annualized basis, then calculating the total expected purchase amount for the trust term (approximately three years and six months), and finally dividing this total by the disposal price.

Although the Disposal of Treasury Shares will result in dilution, its impact is expected to be minor and the scale of dilution to be reasonable, as the shares will be transferred gradually each month from the Dainichiseika Employee Shareholding Incentive Plan Trust Account, the planned allottee, to the Shareholding Association. The scale of dilution is as follows:

Number of issued shares (As of September 30, 2026)	72,452,440 shares	2.11%
Total number of voting rights (As of September 30, 2026)	653,571	2.34%

7. Basis for Calculation of the Payment Amount and Specific Details Thereof

The Disposal of Treasury Shares is intended for the introduction of the Plan, which is a shareholding system for employees. To ensure a price that excludes any arbitrariness, the disposal price has been set at ¥1,272, which was the closing price of the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on November 9, 2026 (the business day immediately preceding the date of the Board of Directors' resolution). This price, being the market price immediately prior to the resolution of the Board of Directors, is considered to be reasonable as it appropriately reflects the Company’s corporate value and does not constitute a particularly favorable price for the planned allottee.

The above method for determining the payment amount is in compliance with the "Guidelines Concerning

Handling of Allotment of New Shares to Third Party" established by the Japan Securities Dealers Association. The deviation rates (rounded off to two decimal places) of this price from the average closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange are as follows:

Period	Average closing price (Rounded down to the nearest yen)	Deviation rate
1 month (October 9, 2026 - November 9, 2026)	¥1,313	-3.12%
3 months (August 10, 2026 - November 9, 2026)	¥1,327	-4.14%
6 months (May 8, 2026 - November 9, 2026)	¥1,195	6.44%

(Note) As October 10, 2026, and May 10, 2026, are non-trading days, the calculations were made using the closing prices on October 9, 2026, and May 8, 2026, respectively, which were the immediately preceding trading days.

The Company's Audit and Supervisory Committee (consisting of three members, including two outside directors) has expressed its opinion that the above disposal price is legal and does not constitute a particularly favorable price to the planned allottee. This opinion is based on the facts that the purpose of the Disposal of Treasury Shares is the introduction of the Plan, and that the disposal price is the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors.

8. Matters Concerning Procedures Under the Code of Corporate Conduct

Since the Disposal of Treasury Shares (i) has a dilution rate of less than 25% and (ii) does not involve a change in the controlling shareholder, it does not require an opinion from an independent third party or procedures to confirm shareholder intent as prescribed in Rule 432 of the Securities Listing Regulations of the Tokyo Stock Exchange.

(Note)

The performance forecasts and other forward-looking statements contained in this document are calculated based on currently available information, and actual results may differ depending on various factors in the future.

(Reference)

E-Ship® is a registered trademark of Nomura Securities Co., Ltd.

E-Ship® (an abbreviation for Employee Shareholding Incentive Plan) is an incentive plan for employees developed by Nomura Securities Co., Ltd. and The Nomura Trust and Banking Co., Ltd. by applying the framework of employee shareholding associations, with reference to the Employee Stock Ownership Plan (ESOP) widely used in the United States.

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