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February 14, 2025

To Whom It May Concern,

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(Code number: 4116, Tokyo Stock Exchange Prime Market)
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Notice Concerning Adoption of Restricted Share Incentive Plan for the Employee Shareholding Association and Disposal of Treasury Shares as Restricted Shares to the Employee Shareholding Association

DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD. (the "Company") hereby announces that, at the Board of Directors meeting held today, has resolved to adopt a restricted share incentive plan for the employee shareholding association (the "Incentive Plan"), which grants restricted shares to employees of the Company and its subsidiaries in Japan (collectively, the "Group") through the Dainichiseika Employee Shareholding Association (the "ESA").

In addition, the Company has resolved to dispose of treasury shares as restricted shares with the ESA serving as the designated allottee (the "Disposal of Treasury Shares").

1. Purpose of Adopting the Incentive Plan

The Company has established the goal of "Fostering a Thriving Corporate Culture That Inspires Innovation" under its HR strategy that was formulated as a new basic strategy of its three-year medium-term management plan "TRANSFORMATION for TOMORROW, 2027," effective from the fiscal year ending March 2025.

At its meeting of the Board of Directors held on this date, the Company decided to achieve this goal by offering Group employees who enroll in the ESA and consent to the Incentive Plan (the "Eligible Employees") the opportunity to acquire the Company's common stock as restricted shares to be disposed of by the Company through the ESA, thereby serving as an enhanced benefits initiative for improving engagement and promoting the empowerment of human resources. In addition to assisting the Eligible Employees in building their assets through this initiative, the Company also aims to heighten their motivation with respect to increasing corporate value over the medium to long term in further promoting value sharing with shareholders by heightening awareness of the Group's business performance and share price.

2. Outline of the Incentive Plan

The Eligible Employees who qualify for enrollment in the ESA are to be paid monetary claims from the Group as special incentive for the granting of restricted shares (the "Special Incentive"), subject to their having consented to the Incentive Plan.

An Eligible Employee is to receive issuance or disposal of the Company's common stock as restricted shares through the ESA upon the Eligible Employee having contributed the Special Incentive to the ESA and upon the ESA having made an in-kind contribution to the Company of the Special Incentive contributed by the Eligible Employee. Further details are presented under "4. Purpose and Reason for the Disposal, <Outline of the Incentive Plan>," below.

3. Outline of the Disposal

(1) Date of disposal	July 1, 2025
(2) Class and number of shares to be disposed	274,450 shares of common stock of the Company (Note 1)
(3) Disposal price	¥2,970 per share (Note 2)
(4) Total value of disposal	¥815,116,500 (This constitutes the estimated amount as of this date, calculated by multiplying the disposal price set forth in (3), above, by the number of shares to be disposed set forth in (2), above.)
(5) Disposal method and designated allottee	By means of a third-party allotment method, the number of shares designated for subscription by the ESA are to be allotted to the ESA, the number of which are not to exceed the number of shares to be disposed of stated in (2), above, provided that the ESA furnishes a subscription application. The allotted number of shares shall correspond to the number of shares to be disposed. (Dainichiseika Employee Shareholding Association: 274,450 shares) The Company will not accept from Eligible Employees applications specifying less than the full number of shares to be granted.
(6) Other	The Company has submitted an Extraordinary Securities Report in accordance with the Financial Instruments and Exchange Act with respect to the Disposal of Treasury Shares.

(Notes) 1. The "number of shares to be disposed" and the "total value of disposal" are calculated based on the assumption that 110 shares of the Company's common stock are to be granted as restricted shares respectively to 2,495 employees of the Group, which is the maximum number of persons who are eligible under the Incentive Plan. The actual number of shares to be disposed and the actual total value of disposal are to be determined based on the number of Eligible Employees (up to 2,495), after having encouraged enrollment among non-members of the ESA and after having confirmed that members of the ESA have furnished consent with respect to the Incentive Plan.

2. The estimated amount presented is based on the disposal price calculated using the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange as of February 13, 2025. The Company released its "Consolidated Financial Results for the Nine Months Ended December 31, 2024 [JGAAP]" on this date and accordingly seeks to determine the disposal price of the restricted shares, factoring in the impact of such disclosure on its share price and furthermore considering the interests of its existing shareholders. On February 21, 2025 (the "Condition Determination Date"), the Company will accordingly consider share price trends and other such factors in determining the disposal price of the restricted shares, with such disposal price constituting the higher amount of either (i) the closing price of 2,970 yen with respect to the Company's common stock on the Prime Market of the Tokyo Stock Exchange on February 13, 2025, or (ii) the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the trading day immediately preceding the Condition Determination Date.

4. Purpose and Reason for the Disposal

The purpose and reason for the disposal are presented under "1. Purpose of Adopting the Incentive Plan," above.

An outline of the Incentive Plan is set forth below.

<Outline of the Incentive Plan>

Under the Incentive Plan, the Special Incentive is to be provided to the Eligible Employees in order for the Group to grant each employee 110 restricted shares, with the Eligible Employees accordingly contributing the Special Incentive to the ESA. The ESA is then to receive issuance or disposal of the Company's common stock as restricted shares upon making an in-kind contribution to the Company of the Special Incentive that has been contributed by the Eligible Employees.

When newly issuing or disposing of the Company's common stock under the Incentive Plan, the per-share payment amount of such common stock is to be determined by the Board of Directors to the extent that the amount is not particularly advantageous to the ESA (and thus to the Eligible Employees), with such amount based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the respective resolution by the Board of Directors pertaining to such issuance or disposal (or the closing price on the trading day immediately prior thereto if no transaction is made on such date).

In issuing or disposing of the Company's common stock under the Incentive Plan, the Company and the ESA are to enter into a restricted share allotment agreement, the terms of which are to include: (1) prohibition against transfer to third-party, creation of security interest, or otherwise disposing of the allotted shares (the "Transfer Restrictions") during a certain period, and (2) the Company's right to acquire the allotted shares without consideration if certain events occur. Furthermore, payment of the Special Incentive to an Eligible Employee is to be subject to the Company and the ESA entering into the restricted share allotment agreement.

Meanwhile, restrictions are to be imposed on withdrawal of an Eligible Employee's member equity interests (the "Restricted Share Equity Interests") pertaining to restricted shares held by the Eligible Employee associated with monetary claims contributed to the ESA, based on ESA rules, ESA operational guidelines, and other such rules associated with the ESA (the "ESA Rules, etc.")(Note) until the Transfer Restrictions have been lifted.

(Note) Prior to undertaking the Disposal of Treasury Shares, the ESA plans to resolve amendments to the ESA Rules, etc. at a meeting of the governing body of the ESA held promptly after the Board of Directors' resolution associated with the Disposal of Treasury Shares. After the resolution by the governing body, such amendment is to take effect upon two weeks having elapsed after sending notification to members of the ESA pursuant to the ESA Rules, etc., provided that objections from members of the ESA constitute less than one-third of the total ESA membership.

In undertaking the Disposal of Treasury Shares, disposal of the Company's common stock (the "Allotted Shares") to the ESA, the designated allottee, pursuant to the Incentive Plan is to entail the ESA paying in the full amount of the Special Incentive contributed by the Eligible Employees as property contributed in kind. The outline of the restricted share allotment agreement (the "Allotment Agreement") to be entered into by the Company and the ESA on the Disposal of Treasury Shares is as described in "5. Outline of the Allotment Agreement," below. The number of shares to be disposed in the Disposal of Treasury Shares is to be set at a later date as described in (Note 1) of "3. Outline of the Disposal," above. However, the number of such shares is expected to total 274,450 shares if the number of shares granted per person is fixed at the maximum of 110 shares, and all 2,495 employees of the Group, which is the maximum number of employees who are eligible under the Incentive Plan, enroll in the ESA and consent to the Incentive Plan. Under the assumption of the foregoing number of shares to be disposed, the scale of dilution of shares in the Disposal of Treasury Shares is to be 1.47% (rounded off to two decimal places; the same applies hereinafter in the calculation of percentages) to the total number of issued shares of 18,613,110 as of September 30, 2024, and 1.60% to the total number of voting rights of 171,172 as of September 30, 2024.

Adoption of the Incentive Plan will provide opportunities for Eligible Employees to acquire the Company's common stock issued or disposed of by the Company as restricted shares through the ESA, thereby serving as an enhanced benefits initiative for improving engagement of the Eligible Employees and promoting the empowerment of human resources. The Company hopes this will encourage enrollment in the ESA and assist the Eligible Employees in building their assets. In addition, the Company aims to provide the Eligible Employees with incentive to continually improve corporate value of the Company, while also further promoting value sharing with the Company's shareholders by heightening awareness among the Eligible Employees of the share price and business performance. The Company contends that this will contribute to improving corporate value of the Group, and furthermore deems that the number of shares to be disposed and the scale of dilution of shares in the Disposal of Treasury Shares are reasonable and that the effects on the market will be immaterial given the scale of dilution.

The Disposal of Treasury Shares is to be implemented on the condition that the amended ESA Rules, etc., become effective by the day prior to the date of disposal associated with the Disposal of Treasury Shares, and that the Company and the ESA enter into the Allotment Agreement during the application period.

5. Outline of the Allotment Agreement

(1) Transfer Restriction period

From July 1, 2025 to October 31, 2030

(2) Conditions for lifting the Transfer Restrictions

The Transfer Restrictions are to be lifted upon expiration of the Transfer Restriction period with respect to all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by an Eligible Employee who has satisfied conditions for remaining a member of the ESA consistently throughout the Transfer Restriction period.

(3) Treatment upon terminating membership in the ESA

- Eligible Employees who are Executive Officers not subject to contract of mandate or fixed-term employment contract as of the date of disposal, as well as Eligible Employees who are employees not subject to fixed-term employment contract as of the date of disposal

In cases where an Eligible Employee terminates his or her membership in the ESA during the period from July 1, 2025 to March 30, 2026, due to his or her death, appointment as an officer (excluding Executive Officer; the same applies hereinafter), or any other legitimate grounds (referring to cases where the Eligible Employee loses membership eligibility or applies for termination of membership; the same applies hereinafter), the Company shall lift the Transfer Restrictions as of the date when the ESA receives the application for membership termination from the Eligible Employee (the "Date of Membership Termination Application Receipt" hereinafter referring to the date of losing membership eligibility when the Eligible Employee loses such eligibility {the date of death when the Eligible Employee terminates membership due to death}) with respect to all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by such Eligible Employee on the Date of Membership Termination Application Receipt.

In cases where an Eligible Employee terminates his or her membership in the ESA during the period from March 31, 2026, to October 31, 2030, due to his or her mandatory retirement, elective retirement, death, appointment as an officer, or any other legitimate grounds, the Company shall lift the Transfer Restrictions as of the Date of Membership Termination Application Receipt with respect to all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by such Eligible Employee on the Date of Membership Termination Application Receipt by the ESA from the Eligible Employee.

- Eligible Employees who are Executive Officers subject to contract of mandate or fixed-term employment contract as of the date of disposal, as well as Eligible Employees who are employees subject to fixed-term employment contract as of the date of disposal

In cases where an Eligible Employee terminates his or her membership in the ESA during the period from March 31, 2026, to October 31, 2030, due to conclusion of contract of mandate, retirement upon expiration of the employment contract period, death, or any other legitimate grounds, the Company shall lift the Transfer Restrictions as of the Date of Membership Termination Application Receipt with respect to the number obtained by calculating the number of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by such Eligible Employee on the Date of Membership Termination Application Receipt by the ESA from the Eligible Employee, multiplied by the proportion corresponding to the date listed in the Date of Membership Termination Application Receipt column stated in the table below (any fraction of less than one share shall be rounded down).

Date of Membership Termination Application Receipt	Proportion of shares subject to lifting of the Transfer Restrictions
March 31, 2026 to March 31, 2027	One-fifth
April 1, 2027 to March 31, 2028	Two-fifths
April 1, 2028 to March 31, 2029	Three-fifths
April 1, 2029 to March 31, 2030	Four-fifths
April 1, 2030 to October 31, 2030	Five-fifths

In cases where an Eligible Employee terminates his or her membership in the ESA due to his or her appointment as an officer during the Transfer Restriction period, the Company shall lift the Transfer Restrictions as of the Date of Membership Termination Application Receipt with respect to all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by such Eligible Employee on the Date of Membership Termination Application Receipt by the ESA from the Eligible Employee.

(4) Acquisition without consideration by the Company

In cases where an Eligible Employee has violated laws and regulations during the Transfer Restriction period, or has obtained approval of the chairman of the ESA for suspension of contributions upon having made application thereof to the ESA, or otherwise where conditions specified in the Allotment Agreement have been met, the Company shall automatically acquire without consideration all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by such Eligible Employee as of that point in time. In addition, the Company shall automatically acquire without consideration the Allotted Shares for which the Transfer Restrictions have not been lifted, either upon expiration of the Transfer Restriction period or otherwise upon lifting of the Transfer Restrictions stipulated in (3), above.

(5) Management of shares

The Allotted Shares are to be managed in a dedicated account opened by the ESA at Nomura Securities Co., Ltd. during the Transfer Restriction period to ensure that it is not possible to transfer, create security interest on, or otherwise dispose of the Allotted Shares during the Transfer Restriction period. In addition, the ESA shall register and manage the Restricted Share Equity Interests separately from membership interests other than those held by the Eligible Employees (the “Ordinary Equity Interests”), pursuant to the provisions of the ESA Rules, etc.

(6) Treatment upon organizational restructuring, etc.

In cases where a merger agreement whereby the Company becomes the disappearing company, or a share exchange agreement or a share transfer plan whereby the Company becomes a wholly owned subsidiary, or matters otherwise regarding organizational restructuring, etc., are approved during the Transfer Restriction period by the General Meeting of Shareholders of the Company (or the Company's Board of Directors in cases where such organizational restructuring, etc. does not require approval from the General Meeting of Shareholders of the Company), the Transfer Restrictions are to be lifted by a resolution of the Board of Directors immediately before the business day prior to the effective date of such organizational restructuring, etc., with respect to all of the Allotted Shares, the number of which corresponds to the Restricted Share Equity Interests held by the Eligible Employees from among the Allotted Shares held by the ESA on the date of such approval.

6. Basis of Disposal Price Calculation and Specific Details Thereof

In carrying out the Disposal of Treasury Shares to the ESA, which is the designated allottee, the Eligible Employees are to contribute to the ESA, as contributed property, the Special Incentive that has been provided to the Eligible Employees for the granting of restricted shares. From the perspective of taking existing shareholders into account and to eliminate the prospect of arbitrariness, the disposal price is to be set at an amount constituting the higher of either (i) the closing price of 2,970 yen with respect to the Company's common stock on the Prime Market of the Tokyo Stock Exchange on February 13, 2025 (the business day immediately preceding the date of the resolution by the Board of Directors), or (ii) the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the trading day immediately preceding the Condition Determination Date. The Company deems this to be a reasonable amount that appropriately reflects the Company's corporate value, and that is not particularly advantageous to the ESA.

Additionally, the deviation rates of the closing price of 2,970 yen with respect to the Company's common stock on the Prime Market of the Tokyo Stock Exchange on February 13, 2025 relative to the average closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange (rounded off to two decimal places) are as follows.

Period	Average closing price (Rounded down to the nearest yen)	Deviation rate
One month (January 14, 2025 to February 13, 2025)	¥2,856	3.99%
Three months (November 14, 2024 to February 13, 2025)	¥2,892	2.70%
Six months (August 14, 2024 to February 13, 2025)	¥2,953	0.58%

All four of the Audit & Supervisory Board Members (two of whom are outside Audit & Supervisory Board Members) who attended the meeting of the Board of Directors held on this date expressed their opinion that the disposal price is not particularly advantageous to the designated allottee and is legally compliant given that the purpose of the Disposal of Treasury Shares is that of adopting the Incentive Plan, and given that the disposal price constitutes the higher of either (i) the closing price of the Company's common stock on the business day immediately preceding the date of the resolution by the Board of Directors, or (ii) the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the trading day immediately preceding the Condition Determination Date.

7. Matters Related to Procedures under the Corporate Code of Conduct

The Disposal of Treasury Shares does not call for obtaining opinions from independent third parties or confirming the intentions of shareholders as stipulated in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange given that (i) the dilution rate is less than 25%, and (ii) it does not involve changes in controlling shareholders.

(Note) The forecasts of financial results and other such forward-looking statements contained in this document have been calculated based on currently available information and may differ from actual performance due to various factors going forward.

End

(Reference)

[Structure of the Incentive Plan]

(i) The Company and its subsidiaries will pay monetary claims to the Eligible Employees as the Special Incentive for granting restricted shares.

(ii) The Eligible Employees will contribute the monetary claims from (1), above, to the ESA.

(iii) The ESA will collect the monetary claims contributed in (2), above, and pay them to the Company.

(iv) The Company will allot the Allotted Shares to the ESA as restricted shares.

(v) The Allotted Shares will be deposited in a dedicated account opened by the ESA through Nomura Securities Co., Ltd., and restrictions will be imposed on withdrawals during the Transfer Restriction period.

(vi) The Allotted Shares will be transferred either to the Ordinary Equity Interests or to a securities account in the name of the Eligible Employee after lifting of the Transfer Restrictions.

End