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KIZUNA Bonds Our Future Lives

November 5, 2026

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# Notice Regarding the Introduction of an Employee Stock Grant Plan

ARAKAWA CHEMICAL INDUSTRIES, LTD. (the "Company") hereby announces that at the meeting of the Board of Directors held on November 5, 2026, it resolved to introduce a performance-linked stock grant plan (the "Plan") for the employees of the Company and its domestic subsidiaries (hereinafter, the "Eligible Employees"), as detailed below.

## 1. Purpose, etc., of Introducing the Plan

### (1) Background to the introduction

The Company is advancing the 6th Medium-Term Management Plan, beginning in FY2026 (the "MTMP"). To further increase all employees awareness of achieving the targets set out in the MTMP and to foster, across the Group, a culture that supports medium- and long-term enhancement of corporate value as well as further growth and challenges, the Company has decided to introduce the Plan, under which shares of the Company will be granted to Eligible Employees upon the achievement of the targets in the MTMP.

### (2) Outline of the Plan

The Plan has the following features:

1) Plan design covering all regular employees in the domestic group

The Plan covers not only the Company but also all regular employees enrolled in its domestic subsidiaries. We will build a structure where the entire group works together to achieve the MTMP targets and enhance corporate value.

2) "Performance-linked" points tied to the MTMP targets

The Plan is a performance-linked incentive plan based on the extent of achievement of both annual and MTMP management targets. Each year, Eligible Employees will be awarded points calculated by multiplying base points determined according to their roles and responsibilities by a coefficient based on the achievement level of key performance indicators (KPIs):

- KPI 1: Degree of achievement of the consolidated operating profit target
- KPI 2: Achievement of "Zero Major Accidents and Incidents"
- KPI 3: Degree of achievement of the capital efficiency (ROIC: Return on Invested Capital) target

3) Mid-to-long term incentives and sharing of shareholder perspectives

Points granted during the applicable period (the three years from FY2026 to FY2028) will be accumulated, and after finalization of the results for the third year, shares of the Company will be granted in a lump sum, subject to certain requirements, such as continued employment. This strongly encourages awareness of mid-to-long term corporate value enhancement and stock price appreciation over three years, rather than just pursuing single-year performance.

**(3) Mechanism to be Adopted**

The Plan adopts a stock-grant ESOP (Employee Stock Ownership Plan) trust (hereinafter, the "ESOP Trust").

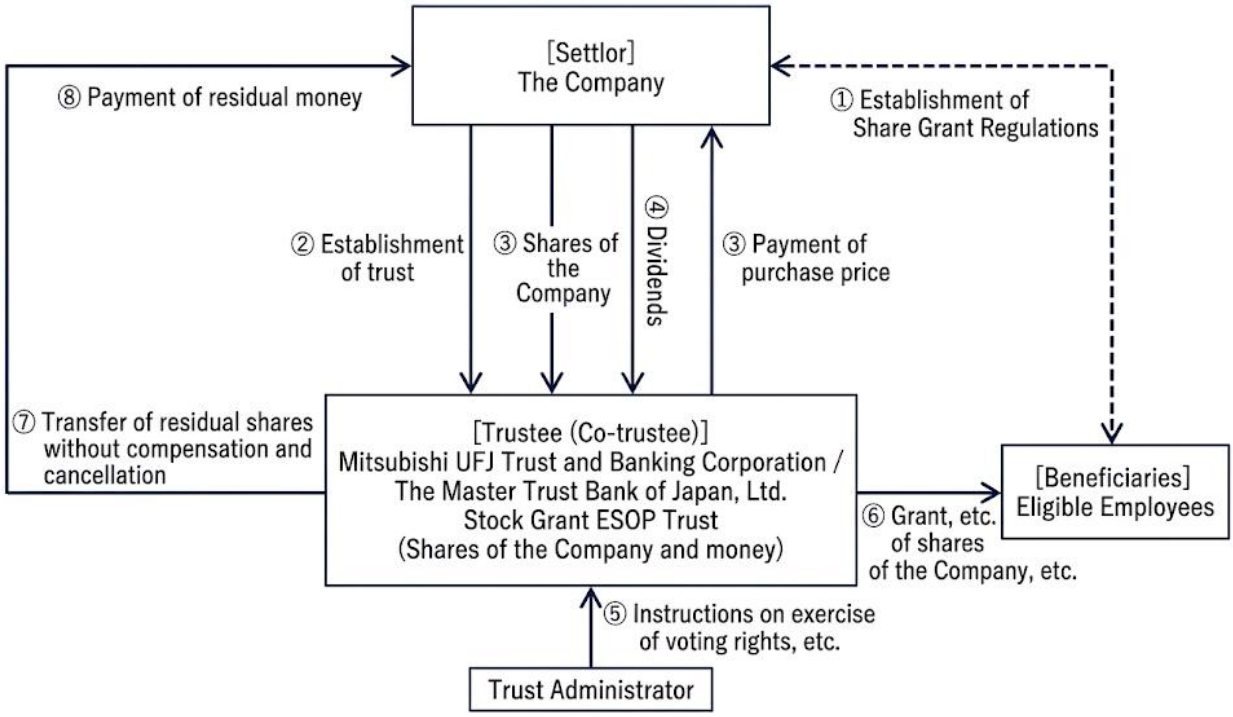
Under this system, Company shares acquired by the ESOP Trust (*) and money equivalent to the conversion value of Company shares (hereinafter, "Company Shares, etc.") are delivered and paid (hereinafter, "Delivery, etc.") to Eligible Employees who meet certain requirements based on pre-determined Share Grant Regulations.

**(4) Expected Effects**

Because the Plan enables Eligible Employees to benefit economically from improved performance and increases in the Company's share price, it is expected to encourage work that is conscious of share price and to further enhance employee motivation.

(*) In connection with the introduction of the Plan, the Company also resolved today to dispose of 256,000 shares (¥503,040,000) out of the 813,758 treasury shares held by the Company (as of September 30, 2026) to The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account) through a third-party allotment. For details, please refer to the "Notice Regarding Disposal of Treasury Shares Through Third-Party Allotment " disclosed separately today.

**2.Structure of the Plan**




1) The Company establishes Share Grant Regulations upon introducing the Plan.

2) The Company contributes money and establishes an ESOP Trust designating Eligible Employees who satisfy the beneficiary requirements as beneficiaries.

3) The ESOP Trust, in accordance with instructions from the trust administrator, acquires from the Company (disposal of treasury shares) the number of shares of the Company expected to be granted to beneficiaries during the trust period, using the money contributed in 2) as funds.

4) Dividends will be paid on shares of the Company held within the ESOP Trust in the same manner as other shares of the Company.
5) For shares of the Company held within the ESOP Trust, the trust administrator will give instructions on the exercise of voting rights and other shareholder rights throughout the trust period, and the ESOP Trust will exercise shareholder rights accordingly.
6) In accordance with the Share Grant Regulations, shares of the Company, etc. will be granted, etc. to Eligible Employees who satisfy certain requirements.
7) If residual shares remain at the expiration of the trust period, the Company plans to either continue using the ESOP Trust for a new stock grant plan by amending the trust agreement and placing additional trusts, or to have such residual shares transferred from the ESOP Trust to the Company without compensation and cancel them by resolution of the Board of Directors.
8) Any residual dividends on shares of the Company within the ESOP Trust remaining at the expiration of the trust period will be utilized as funds to acquire shares if the ESOP Trust is continued. However, if the ESOP Trust is terminated at the expiration of the trust period, the portion exceeding the trust expense reserve is planned to be distributed to the beneficiaries.
(Note) During the trust period, if there is a possibility of a shortfall in the number of shares within the ESOP Trust, or if there is a possibility that the money in the trust assets will be insufficient to pay trust fees and trust expenses, additional money may be entrusted to the ESOP Trust.

**[Reference] Details of the Trust Agreement**

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|---|---|
| 1) Type of trust | A money trust other than a specified individually managed money trust (third-party benefit trust) |
| 2) Purpose of trust | To grant incentives to Eligible Employees |
| 3) Settlor | The Company |
| 4) Trustee | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| 5) Beneficiaries | Eligible Employees who satisfy the beneficiary requirements |
| 6) Trust Administrator | A third party with no conflict of interest with the Company (a certified public accountant) |
| 7) Trust agreement date | November 20, 2026 (planned) |
| 8) Trust period | November 20, 2026 to November 30, 2029 (planned) |
| 9) Exercise of voting rights | The trustee will exercise the voting rights attached to shares of the Company in accordance with instructions from the trust administrator, reflecting the voting preferences of prospective beneficiaries. |
| 10) Class of shares to be acquired | Common stock of the Company |
| 11) Total amount of shares to be acquired | ¥503,040,000 |
| 12) Method of share acquisition | Acquisition through third-party allotment of treasury shares |