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Final Report on the Results of the Review of Operation of the Kawamura Memorial DIC Museum of Art and Policy on Future Operation

In its timely disclosure document titled “Interim Report on Advice from the Corporate Value Improvement Committee Regarding Operation of the Kawamura Memorial DIC Museum of Art, Matters Discussed by the Board of Directors and the Board’s Future Actions,” published on August 27, 2024, DIC Corporation announced that, having clarified the significance of continuing to operate the museum, located in Sakura, Chiba Prefecture, it had resolved to explore downsizing and relocation as a concrete option, and would reach a firm conclusion in December 2024. Based on the results of this process, DIC’s Board of Directors today determined a policy regarding operation of the museum going forward, as outlined below. Accordingly, the Company presents this as the final report on that theme.

1. Results of the review of the operation of the museum and future policy

- (1) As detailed in the August 27 timely disclosure document, operation of the museum was the first theme for deliberation taken up by the Corporate Value Improvement Committee, which was established to explore DIC’s role in society as a company from a high-level, broad viewpoint and to advise the Board of Directors from a third-party perspective regarding the improvement of corporate value over the medium to long term. After a thorough investigation of all the issues, the committee compiled its advice and submitted it to the Board of Directors in August.
- (2) Taking this advice into account, DIC’s Board of Directors sought to clarify the value of continuing to operate the museum and resolved to conduct a detailed review from the perspectives of scale, operation and asset utilization with the aim of better adapting to the times.
- (3) That review included downsizing and relocation as a concrete option, conducting a detailed study that comprehensively examined factors such as feasibility, effectiveness of improving brand value and the economic value to be gained from selling works of art, without excluding the possibility of discontinuing operation.

- (4) After extensive review and deliberation, the Board of Directors has determined the following policy for the future operation of the museum:
- (a) Considering the museum's positioning in terms of both social and economic value, and having concluded that continuing operation at an appropriate scale and in an appropriate location will not only contribute to growth for the DIC Group by bolstering brand value, but will also positively impact stakeholders and society as a whole, the Board of Directors has resolved to downsize and relocate the museum if a feasible option can be identified.
 - (b) Downsizing and relocation of the museum will involve
 - reducing the number of works of art owned by the Company to around 1/4 in line with the redefinition of works of art that particularly embody DIC's identity;
 - relocating to a facility in Tokyo that is accessible to many stakeholders and where the works of art can be more easily exhibited to the public;
 - operating the museum in partnership with a highly public organization, rather than purely independently; and,
 - keeping the cost of relocation to a minimum, i.e., capped at several hundred million yen, while improving the museum's operating balance significantly by boosting visitor numbers and reducing operating costs, etc.
 - (c) After exploring many potential sites, DIC has identified a potential location that meets its downsizing and relocation criteria. Negotiations are being conducted with the aim of reaching a final agreement and making an official announcement by the end of March 2025.
 - (d) At the same time, the Company will begin exploring which art works to sell and how to manage the sales process.
 - (e) The existing museum in Sakura will close from April 1, 2025, with March 31 as its last business day regardless of whether the museum is relocated. However, the Company will negotiate in good faith with local authorities of Sakura regarding continued use of gardens and peripheral facilities by local resident.

2. Factors contributing to this decision

- (1) DIC has operated the Kawamura Memorial DIC Museum of Art in Sakura since 1990. Since that time, the Company has worked to contribute to the appreciation of art and culture in Japan by exhibiting high-caliber works of art from around the world to the public in a fitting environment.
- (2) Over more than three decades, DIC has earned a reputation for the authenticity and credibility of its support for fine art and the arts in general. This reputation is something to be cherished and, once lost, could be difficult to restore. In fact, the museum's esteem and popularity is evidenced by the petition signed by more than 50,000 people from the city of Sakura since the August 27 timely disclosure document calling on the Company to keep the museum where it is, a petition signed by 261 supporting members of the Japanese Council of Art Museums (JCAM) that emphasized the importance of continuing to operate the current museum, statements by the Chiba City Neighborhood Art Museum

Liaison Council and the Chiba Prefecture Museum Association, and a petition by the management of museums by a group of volunteer art and craft teachers at Chiba Prefecture high schools. Recent events have thus highlighted the fact that the museum and the works of art it owns are not simply tangible assets, but represent a hard-earned, intangible asset, which reflects both the Company's identity and its contribution to society.

- (3) This renewed recognition underscored the importance of continuing to operate a museum to further increase social value gained through contributing to society through the support of fine art and the arts in general. At the same time, it also encouraged far-reaching debate regarding how to measure such social value against the economic value—from the perspective of improved capital efficiency—that would potentially be gained from the discontinuation of operation, which would lead to reduced operating costs and capital investment, as well as from an influx of cash arising from the sale of works of art owned by the Company.
- (4) Under such recognition, DIC explored the feasibility and effectiveness of downsizing and relocating to a number of smaller facilities, including its corporate headquarters in Tokyo. Through this process, the Company determined that only by partnering with one specific organization that operates a facility of a more appropriate size in which to continue operating the museum (as described in (4) (c) of item 1 above) will it be able to further contribute to society through its support for fine art and the arts in general, and that the social value thus generated would be comparable and justifiable to the economic value that could potentially be obtained by discontinuing operations. The following are some of the factors that underpinned this determination.
 - (a) Partnering with a highly public organization, to operate the museum will allow for sharing the associated cost burden while meeting the goal of contributing to society and corporate value through art.
 - (b) Due to the broader purpose and activities of the target facility, relocating the museum to that site will allow DIC to forge relationships and stage events that will not only be of great social significance but will enhance DIC's corporate image.
 - (c) The proposed facility has an excellent location and environment, and would allow a greater number of people to see works of art that embody DIC's identity than at present. The new location will allow the museum to uphold its original concept while cultivating fresh, attractive opportunities and initiatives. Moreover, strengthening exchanges and collaboration with nearby museums and other related organizations will allow the Company to contribute to the evolution of art in Japan. The potential improvement in advertising and corporate value as a result is undeniable.
 - (d) Taking advantage of the location, name recognition and social network-related benefits of the proposed facility will enable DIC to engage in idea development, collaboration and promotional activities that align with its "Color & Comfort" value proposition with a broad scope of organizations and companies, as well as with local communities, helping it to create and expand its business.
- (5) It is difficult to forecast in monetary terms the intangible value to be gained through the operation of a new museum in a new location, however the board has determined that the potential social value and

brand value are highly significant.

- (6) In addition, based on the “Cash Allocation Policy” set out in the review of DIC’s long-term management plan “DIC Vision 2030” announced in February 2024, Company is working to generate cash in a planned manner, including expanding and stabilizing operating cash flow through business portfolio transformation and structural reform of acquired businesses, improving working capital, and reducing assets by reviewing cross-shareholdings and selling non-core businesses. On the other hand, since large-scale strategic investments have been completed, the Company is planning smaller-scale investments for the time being. Given this situation, Company will consider sale of works of art as described in 3 below, with taking into consideration the future capital demand.
- (7) Despite this conclusion, DIC has been able to identify only one potential site that meets all of its criteria with respect to feasibility, managing costs, contributing social value and optimizing brand value. Accordingly, in the event that DIC is unable to finalize negotiations with the operator of the proposed facility—in effect making downsizing and relocation impracticable—the Company will discontinue operation of the museum, undertake to sell the works of art, and seek alternative avenues for contributing to society through support for fine art and the arts in general.

3. Sale of works of art

- (1) As stated in (4) (d) of item 1 above, consideration will be given to the sale of works of art owned by the Company that are out of scope from continuous retaining.
- (2) Key codes of conduct and ethics observed in the art world, including principles for art museums and the code of conduct for art museum personnel established by JCAM and the International Council of Museums (ICOM)’s ICOM Code of Ethics for Museums, will be referenced and given due consideration to ensure the transparency and acceptability of transactions, as well as to secure benefits for society, and with regard to individuals involved in operation of the museum.
- (3) Highly acclaimed works of great cultural significance and/or works considered key components of the museum collection will be dealt with very carefully. In the event that any such works are sold, DIC will do its utmost to ensure they remain publicly accessible.
- (4) Keeping these considerations front and center, DIC plans to determine the overall direction of the works of art that it will continue to retain and then promptly begin divesting some of the works of art that are out of scope in fiscal year 2025. The Company expects these sales to generate at least ¥10 billion in cash inflow in fiscal year 2025, although this amount may change depending on market conditions. The remaining works of art not to be retained will be sold in stages from fiscal year 2026 onwards.
- (5) DIC intends to apply the cash generated through the sale of works of art to returns to shareholders, investments in growth, and costs associated with relocation and operation of the museum, but the scale and timing of allocations is yet to be determined.

4. Current museum and peripheral facilities

- (1) As stated in (4) (e) of item 1 above, plans are to close the current museum in Sakura from April 1 2025,

with March 31 as its last business day.

- (2) Since its August 2024 announcement of plans to close the current museum, DIC has seen an increase in calls from residents of Sakura and surrounding areas—exemplified by the petitions described in (2) of item 2 above—as well as requests from people across the country not only for the continued operation of the museum, but also for ongoing access to the gardens and peripheral facilities.
- (3) Taking these views into account, DIC will continue to work with the city of Sakura, the local community and third parties to explore effective ways to use the gardens and peripheral facilities after the museum closes, as well as to examine local social contribution initiatives to replace previous initiatives, without excluding any possible options. To this end, the Company will continue to negotiate with local authorities and other parties involved.

5. Impact on operating results

The matters discussed herein are not expected to impact operating results in fiscal year 2024. Regarding the potential impact on operating results in fiscal year 2025, DIC will carefully scrutinize costs related to the relocation of the museum, as well as the potential revenue from the sale of works of art. Should the need to disclose any information arise, the Company will promptly issue notification.

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Related timely disclosure

[Interim Report on Advice from the Corporate Value Improvement Committee Regarding Operation of the Kawamura Memorial DIC Museum of Art, Matters Discussed by the Board of Directors and the Board's Future Actions](#) (August 27, 2024)