



Color & Comfort

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Notice regarding the opinion of the Board of Directors regarding the shareholder proposal

DIC Corporation have received a shareholder proposal (the "Shareholder Proposal") from OASIS INVESTMENTS II MASTER FUND LTD. and OASIS JAPAN STRATEGIC FUND LTD. (the "Proposing Shareholders") regarding the agenda for the 127th Ordinary General Meeting of Shareholders to be held on March 27, 2025.

In response to this, Company would like to announce that at the Board of Directors meeting held on February 12, 2025, the entire board of directors, including the outside directors, unanimously resolved to oppose the Shareholder Proposal, as set forth in Attachment 1.

The proposing shareholder submitted three proposals. However, with regard to the two proposals other than the "Revision of the Articles of Incorporation (Regarding and monitoring of related-party transaction)" set out in Attachment 2, they are proposals seeking advisory resolutions and are not matters for resolution at a general meeting of shareholders under laws, regulations or the Articles of Incorporation. As such, the Company have determined that they are inappropriate as shareholder-proposed proposals and therefore will not be submitted to the Ordinary General Meeting of Shareholders.

Please refer to Attachment 2 for the details of the Shareholder Proposals (excluding proposals that will not be submitted to this Annual General Meeting of Shareholders).

—Ends—

Opinion of the Company's Board of Directors on the Shareholder Proposal

1. Opinion of the Board of Directors

The Company's Board of Directors opposes the Shareholder Proposal.

2. Reasons for opposition

This proposal calls for the Board of Directors of the Company to make a resolution to receive reports on transactions between the Group and related parties at the time the transactions commence and on a quarterly basis, to appropriately monitor the transactions, and to confirm their appropriateness. The proposal also calls for the Articles of Incorporation to stipulate that "related parties" in this provision shall include persons who have retired as directors of the Company and their associates ("retired directors, etc.").

With regard to transactions with "related parties" as defined in Article 112, Paragraph 4 of the Corporate Accounting Regulations, the department in charge carefully investigates the appropriateness of the transaction terms by researching neighboring market prices, comparing the transaction terms with those of the related parties' competitors, and analyzing the factors behind price fluctuations. Audits are also conducted by the Internal Control Department and the Audit & Supervisory Board members. In addition, the results of the verification of related party transactions are reported to the Board of Directors once a year, and appropriate monitoring and supervision of related party transactions is already being carried out. Taking this reality into account, the securities report states that the "transaction terms and policies for determining transaction terms, etc." for related party transactions are conducted on general transaction terms that take into account local market prices or are similar to those for transactions between independent third parties. In addition, the corporate governance report states that "we receive reports to confirm that transactions are being conducted on fair and reasonable terms, following prescribed procedures such as comparing the transaction terms with those with independent third parties at the time the transaction begins and on a regular basis, and monitor the transaction."

As such, with regard to related party transactions, the Company already has the relevant department review the transaction content, the Internal Control Department and the Audit & Supervisory Board members conduct audits, and the results are reported to the Board of Directors, and the Board of Directors conducts appropriate monitoring and supervision. Therefore, there is no need to stipulate obligations such as those proposed in the Articles of Incorporation, which are the fundamental rules of the company.

Regarding the section requiring the inclusion of former directors, etc. in the scope of "related parties," the scope of "related parties" is clearly stipulated in the Corporate Accounting Rules, which are stipulated in accordance with Article 8, Paragraph 17 of the Rules on Terminology, Forms and Preparation Methods of Financial Statements, etc., and there is no need to deliberately expand the meaning of related parties to a scope that differs from the provisions of these rules. The proposing shareholder's reasons for the proposal

also do not mention anything about the need to expand the scope of related parties.

In addition, in its reasons for the proposal, the proposing shareholder states that the Company has asserted in the court proceedings that there are no minutes of the related party transactions with both Dainichi Can and Nisshin Trading. However, the minutes of the board of directors meeting that the proposing shareholder is requesting to disclose are the "portion relating to discussions and decisions" regarding the transactions with the two companies mentioned above, i.e., disclosure of the approval details for those transactions. However, the scale and content of those transactions did not require individual approval, and therefore the Company has simply responded that there are no minutes. On the other hand, since there were other cases in which approval was given, the Company acknowledged the existence of the minutes during the court proceedings. The Company will continue to respond appropriately to the court proceedings filed by the proposing shareholder and will assert the validity and legitimacy of its claims in court.

Therefore, the Board of Directors of the Company opposes this proposal.

Details of the shareholder proposal

- ※ The relevant sections of the shareholder proposals submitted by the proposing shareholders (excluding proposals that were not raised as being illegal) are published in their original form, with only formal adjustments made.

Proposal: Revision of the Articles of Incorporation (Regarding and monitoring of related-party transaction)

(1) Summary of the proposal

(underlined parts show the changes)

Current AOI	Proposed changes
(Newly added)	<p><u>Chapter 8 Monitoring related-party transactions</u> <u>(Reporting and Monitoring of related-party transactions)</u></p> <p><u>Article 42 The Board of Directors shall monitor transactions with related-parties of the DIC Group, following the receipt of a report that the conditions of such transactions are fair and reasonable, through designated procedures such as the comparison of these terms with those of transactions with independent third parties, and confirm their reasonableness through board resolutions, at the point the transaction is initiated and every quarter.</u> <u>Further, any retied directors, their relatives, and companies and entities that are effectively controlled by them shall be considered a related-party for this purpose.</u></p>

(2) Reasons for the Proposal

As the Proposing Shareholders had doubts about the fairness of the related-party transactions with Dainichi Can and Nissin Trading disclosed in the Company's annual securities report, the Proposing Shareholders filed a court claim seeking to make copies and inspect the minutes of the meetings of the board of directors regarding the relevant related-party transactions.

Despite the Company's corporate governance report stating, "the Board of Directors monitors transactions with related parties of the DIC Group, following the receipt of a report that the conditions of such transactions are fair and reasonable, through designated procedures such as comparison with the terms with those of transactions with independent third parties, at the point the transaction is initiated and at periodic intervals thereafter", the Company argued that there are no such board minutes regarding the related-party transactions with the said companies, which reveals that there is a concern that no appropriate monitoring has been conducted by the board.

There are risks with related-party transactions since they could profit the related parties at the cost of the Company's own interests. Therefore, the Proposing Shareholders make this Proposal with the

aim to ensure appropriate monitoring of these types of transactions.