

Governance

Initiatives to Promote ESG

On January 21, 2019, we established an ESG Group within our Corporate Communication Department to help realize growth by our group over the medium to long term. In this section, Naoyuki Nishiyama, a director in charge of formulating and implementing management strategy, and Naokazu Hasegawa, a corporate officer handling communication with investors and other stakeholders, will showcase our initiatives.

Nishiyama In our view, ESG management means continually providing value to customers and society. We do this by considering the environment (E), striving for happiness and prosperity together with society (S), and, at the same time, seizing the chances opened up by changing times, and turning risks arising due to such changes into business opportunities. To implement this, I feel it is crucial for governance (G) to function robustly, and to ensure management transparency.

Hasegawa Our founding family holds a fixed amount of stock in the company, and we frequently hear views on governance from investors. We have opted to provide explanations for the 12 principles in our Corporate Governance Report. This is because we don't want to comply only in a formal sense. We believe it is more significant to provide an explanation of our thinking to investors, obtain their feedback, and then connect that with optimal improvements in management.

For example, our president, Tomiya Takamatsu, a member of the founder's family, is young in his early forties and is a major shareholder. This means that he can manage the company with a long-term perspective. According to the Corporate Governance Code, (Supplementary Principle 4. 1. 3), companies' boards of directors are required to be proactively engaged in the establishment and implementation of succession plans for CEOs and other top executives. For our company, a long-term succession plan is a matter of course, and development of executives for the next generation is a more important, pressing issue. For that reason, we opt to explain this principle, and we have asked the Board of Directors to be responsible for the oversight of planning and implementation to develop the next generation of executives. I believe it's important to be responsive to the actual situation at each company in this way.



Naoyuki Nishiyama
Director, Corporate Officer and General Manager
of the Corporate Strategy Department
DyDo Group Holdings, Inc.



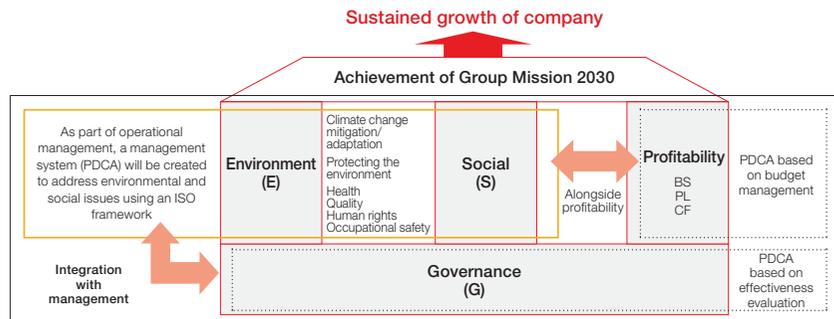
Naokazu Hasegawa
Corporate Officer and General Manager of the
Corporate Communication Department
DyDo Group Holdings, Inc.

At the same time, I feel this is also connected with good discipline inside the company. The issues of the company are publicized to the outside, and this gives management a healthy sense of tension, and also helps employees to pull in the same direction.

Nishiyama Two years ago, in January 2017, we shifted to a holding company structure, but previously we were a corporate group with DyDo DRINCO, the company in charge of our Domestic Beverage Business, as the parent company. Recently, we formulated a new Group Code of Conduct, but the Domestic Beverage Business remains the primary driver in terms of environmental policy and methods of managing risks. I believe a major issue will be shifting to a system suited to our current organizational structure.

Hasegawa For example, in carrying out the business activities of our group, there are themes we have to carefully take into consideration such as depletion of water resources, plastic pollution in the ocean, and so forth. Naturally, we take rigorous steps at each

Establishing an integrated management system to support the triple bottom line



business site, but there are still many issues in terms of making systematic efforts from a company-wide perspective. Furthermore, in the international business we have launched in recent years, I believe we should treat, as group risks, parts of our business entrusted to local regions such as the development of systems to protect human rights and prevent bribery and corruption.

Nishiyama For reasons of compliance, the HR & General Affairs Department has previously been in charge of the Secretariat of the Risk Management Committee, but in FY2019 a system was adopted in which the Corporate Strategy Department is responsible for the Secretariat. More elaborate efforts are being made from the perspective of group management, such as expanding the scope of risk checking, and adjusting the time axis.

Hasegawa The ESG Group was established within the Corporate Communication Department in charge of communication with stakeholders. There is also an IR Group within this department, and the purpose of the group's activities is primarily to inform the stock market and ensure correct understanding of our company's philosophy and strategies. However, communicating the market's evaluation of our stance to our top management and linking this with management reform is an even more important mission. I believe this approach is essential for ESG, and by analyzing our company's risks, identifying issues, and refining the strategies we have formulated through communication with institutional investors and others outside the company, we can avoid complacent strategies, and achieve sustainable growth as a result.

Nishiyama In our Group Mission 2030, we established the goal of strengthening ESG-aware initiatives. Going forward, we will need to focus more specifically on measures to address societal problems. Our company still has inadequate understanding at the company-wide level of the ESG concept, and I believe this is an issue we should resolve first in our efforts as we go on. We will strive for shared understanding so that top management is aware of

such issues, while middle management in charge of promotion and implementation, and all other employees, can evaluate operations using the same standards, and make connections with their own conduct. In this way we will take concrete steps regarding ESG management in our group.

Hasegawa At present, we are in the early stage of developing a system, and to gauge understanding of the important social problems the company needs to address, and the risks facing each department, the Group Risk Committee conducts interviews twice a year with each group company, and we are starting by having members of the ESG Group attend these interviews. As part of that, we ensure they understand that ESG isn't really a new concept; it's something we've previously devoted ourselves to as a matter of course, based on our legacy of "striving to achieve happiness and prosperity together." At the same time, we ask that, going forward, they examine more deeply their response to environmental problems, where a more aggressive response will be needed, and their approach to securing and developing human resources, an important issue for our company. This will be a step-by-step process of system development, and we want to establish a foundation during our current mid-term business plan, and implement the PDCA cycle throughout the company as a whole.

Nishiyama In formulating our Group Mission 2030, we indicated the social value we intend to create in accordance with SDG targets, but at present, the program is top-down. I believe bottom-up efforts will be important to make each employee think and act while always connecting their own activities to creation of social value.

These ESG promotion activities are an issue we will have to perpetually address in order for our company to achieve continuous growth. Naturally we will establish a PDCA cycle, and we will also work to improve the level of awareness of employees through regular educational activities.

Promoting ESG-aware management

Resolving social issues through business

3 PROGRESS TO DATE **Offer taste and health**

Improve customer health and quality of life throughout the world

- Develop delicious products for sound mind and body that capture customer needs

3 PROGRESS TO DATE **Develop new drugs with social significance**

Achieve early establishment of a prescription drug business for rare diseases

- Acquire pipelines and development "seeds"

9 PROGRESS TO DATE **Promote a shift of infrastructure to online**

Adopt IT technology suited to changing lifestyles for the next generation

- Bring greater online connectivity to vending machines
- Install vending machines equipped with IoT features

+

13 PROGRESS TO DATE **Continually improve corporate governance**

Conduct risk management pertaining to business sustainability

Achieve greater compliance awareness

Governance

Basic Approach to Corporate Governance

Basic Approach to Corporate Governance

"DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges."

Our corporate philosophy inspires us in our ongoing quest to ensure proper, upstanding business practices and rigid compliance with relevant laws and regulations. It motivates us to constantly improve management efficiency and transparency, and to promote the group's mutual benefits with all of our stakeholders, including our customers, our employees, our business partners, our communities, and our shareholders. It is the very cornerstone of our corporate governance, which is geared toward generating sustainable growth and improving corporate value over the medium to long term.

The core business of the DyDo Group is the Domestic Beverage Business, and considering the fact that 80% or more of our sales for this segment come from vending machines in the local community, it is fair to say that our soft drink products are a familiar part of consumers' everyday lives. Moreover, our operations are conducted

under a "fabless management" system, which means we have no plants of our own and instead work in close cooperation with producers and distributors nationwide, to whom we outsource the manufacture and delivery of our products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have one of the industry's most extensive networks of vending machines, which are maintained by DyDo Group employees and the "Kyoekai" (special vending machine operators that handle DyDo products).

It is a rather unique business model that depends on the trust of our stakeholders. As such, we believe "happiness and prosperity together with people and society as a whole" is more than just a nice phrase for a corporate philosophy—it is our duty, and the overriding objective of our business activities. To that end, our "dynamic efforts" are founded on a bedrock of corporate governance, a steadfast platform of transparent, fair, swift, and bold decision-making. Moreover, we continually work to improve that foundation in order to contribute to the benefit of our shareholders.

Ongoing improvements to corporate governance

	Pre-2012	2012	2014	2016	2017	2018	2019	
Business expansion		June, Tarami became a subsidiary	December, Started Russian vending machine business	December, Entered the Malaysian beverage market	February, Entered the Turkish beverage market	Announced entry into the orphan drug business	March	
	President	Appointment of Tomiya Takamatsu as President						
	Group structure				Transition to holding company structure			
	Revitalizing the Board of Directors and strengthening its functions	Introduction of an corporate officer system			Review of the scope of authority	Transfer of authority to group companies		
Number of members on the Board of Directors as determined in the Articles of Incorporation: 9 or fewer		Number of members on the Board of Directors as determined in the Articles of Incorporation: 7 or fewer						
Improving the effectiveness of the Board of Directors					Establishment of the Advisory Board			
				Evaluation of the effectiveness of the Board of Directors	Disclosure of a summary of the evaluation results			
Outside directors		Appointment of two outside directors		Outside directors as one-third of all directors (2 of 6)				
	Corporate philosophy	1984: Formulation of DyDo DRINCO Corporate Mind (company philosophy)	Formulation of a new Group Philosophy, Vision, and Slogan					
		Formulation of the Basic Approach to Corporate Governance						
		Formulation of the Group Code of Conduct						

Establishment of the Advisory Board

In order to respond to changes in the business environment and achieve sustainable growth, in recent years the group has actively looked to expand overseas and has launched the orphan drugs business. In future we intend to step up our efforts to expand the scope of the business to achieve one of the objectives stated in Group Mission 2030, "Development of a second major source of revenue in non-drink businesses."

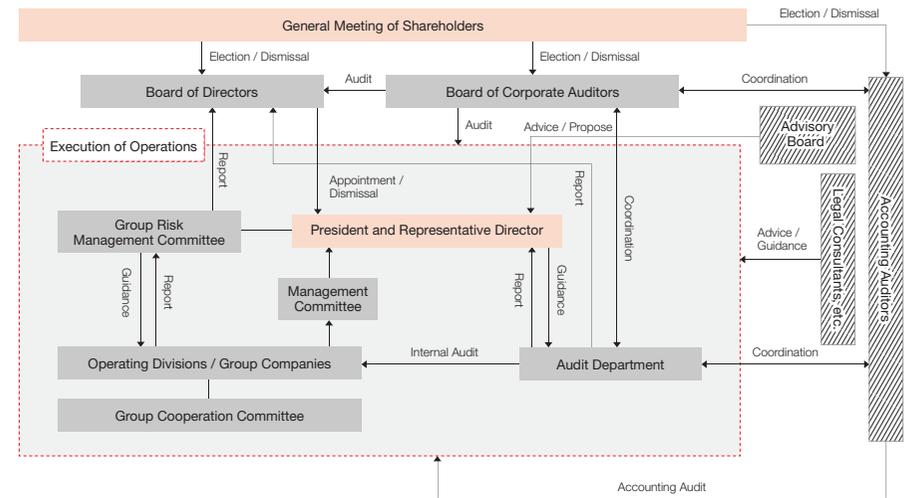
Against this background of change in management strategy, we established an Advisory Board in March 2019 that currently

consists of three outside experts. The Advisory Board, which will advise the president, incorporates outside perspectives into the execution of strategy, for example by offering advice concerning management issues faced by the Group, for example investment decisions related to the orphan drug market.

Our aim is to incorporate an external perspective into our strategy to further enhance management transparency and improve corporate value.

Governance

Outline of Our Corporate Governance System



(as of April 16, 2019)

Organizational structure	Company with <i>Kansayaku</i> board	Corporate officer system	Yes
Number of directors as defined in the Articles of Incorporation	7 or fewer	Number of auditors as defined in the Articles of Incorporation	4 or fewer
Term of directors as defined in the Articles of Incorporation	1 year	Term of auditors as defined in the Articles of Incorporation	4 years
Number of directors	6 (of which 2 are independent outside directors)	Number of auditors	4 (of which 3 are outside auditors)

	Directors	Auditors	Corporate Officers	Presidents of Major Subsidiaries ¹	Roles
Board of Directors	●	●	(●)		Discusses/decides management strategy and other important matters, and oversees execution of the duties of directors, and execution of the operations of each group company.
Board of Corporate Auditors		●			Receives reports, discusses, and makes decisions on important matters relating to auditing, and audits execution of the duties of directors.
Management Committee	○	○	●		Formulates policy and plans for overall execution of management, and carries out tasks including investigations, research, planning, management, communication, and coordination.
Group Cooperation Committee	○	○	●	●	Shares important matters in the group, and carries out tasks such as reporting the management situation from each subsidiary.
Group Risk Management Committee	○	○	●	●	Identifies and evaluates company-wide risks, formulates countermeasures, and conducts checks and improvement of overall risk management.

¹ DyDo DRINCO, DAIDO *Yakuin*, Tarami

² Corporate officers who are not also directors participate as observers

● All persons concerned attended ○ Only full-time members attended

Governance

Evaluation of the Effectiveness of the Board of Directors

To verify that the Board of Directors is carrying out its duties effectively, and to strengthen its functioning, we have been appraising the Board of Directors using the following analysis and evaluation method.

Analysis and Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, all directors and auditors conduct a questionnaire-based self-evaluation, accompanied by individual interviews with the secretariat of the Board of Directors. At the Board of Directors meeting held afterwards, the directors analyze the results of their self-evaluation, share their understanding of current issues, and engage in constructive discussions of topics such as efforts going forward to realize a more effective Board of Directors.

Evaluation Items

The self-evaluation survey form included items addressing the following major topics so that respondents could review how the Board of Directors deliberated and dealt with issues identified through its effectiveness evaluation during the previous fiscal year:

- (1) Board agenda and operations
- (2) Medium- and long-term composition of the Board, based on Group Mission 2030
- (3) Future issues in light of the Corporate Governance Code

Overview of Analysis/Evaluation Results for FY2018

On the basis of the outcome of discussions regarding the analysis of the results of the self-evaluation surveys, the Board of Directors of the company came to the conclusion that "the Board of Directors is functioning effectively."

Status of improvements to agenda management and operations of the Board of Directors

- The Board has embraced an agenda that goes beyond mere reporting of results by encompassing a consideration of operations. Time dedicated to discussions of companywide business strategy, companywide resource allocation, and management of key measures (PDCA) increased compared to the previous year.
- In formulating Group Mission 2030, the Board worked to address constraints on the amount of time available for regular Board meetings by taking steps to ensure an adequate amount of time for discussions, including by holding extraordinary Board meetings and meetings designed to facilitate exchanges of views.
- Outside directors were provided with information about important discussions in advance, including risk analysis results and the information about the viability of business plans (purchase prices) for proposed investments.

Challenges for the future

- (1) Concerning the composition of the Board over the medium and long term, it will be necessary to consider appointing an even more diverse group of directors in response to the development of the Company's business strategy and changes in society.
- (2) Concerning materials provided to the Board, there remains room to improve the resources offered to directors, for example by augmenting simplified briefing materials with supplemental explanation of key considerations with regard to matters up for discussion by the Management Committee.
- (3) Concerning deliberation of new investments and discussions concerning the nature and future direction of the Company's business portfolio, it will be necessary to engage in even deeper study of related issues, for example with regard to the criteria that would govern a decision to withdraw from the investment.
- (4) Concerning management of risk in the International Beverage Business, it will be necessary to enhance the Company's management and auditing structures as a holding company, for example by assessing local issues and problems in a timely manner and studying how to identify and deal with priority issues based on the likelihood and impact of associated events.
- (5) The Board will supervise implementation of a strategic plan to train a new generation of executives in an appropriate manner based on its recognition of the fact that hiring, retaining, and training the human resources that will be responsible for the next generation is a key management issue as the Company works to increase its corporate value over the medium and long term.

Future Efforts

At the Board of Directors meeting held on March 15, 2019, we decided to establish an Advisory Board consisting of roughly three outside experts as a voluntary mechanism to further enhance our corporate governance.

(For details on the Advisory Board, see p. 37)

Reference: Issues identified last year
Issues in order to boost the effectiveness of the Board of Directors
 (as announced March 15, 2018)

- (1) With regard to the makeup of the Board, we will find members with expertise in the healthcare domain in accordance with the Company's management strategy.
- (2) With regard to the provision of information to external directors and auditors, we will work to provide more information sooner.
- (3) With regard to deliberations involving investments, we will push for enhanced explanation of associated risks and returns and clarification of the criteria that would prompt the Company to pull the investment in question.
- (4) With regard to risk management in the International Beverage Business, we will undertake additional initiatives, for example to raise the awareness of local employees.

Governance

Executive Compensation

The group has designed and implemented an executive compensation system so that the remuneration system for directors can contribute to the sustainable growth of the group and improvement of its medium- to long-term corporate value.

Remuneration System for Directors

The remuneration of directors consists of basic remuneration, bonuses as a short-term incentive and performance-linked equity-based remuneration as a long-term incentive. The level of individual basic compensation is set according to directors' responsibilities. With regard to bonuses, the amount is determined according to their performance during the fiscal year.

■ FY2018 executive compensation, etc.

	Total compensation	Total compensation divided by type			Number of those applicable
		Basic compensation	Share delivery trust	Bonus	
Directors ^{*1}	123	103	8	12	4
Auditors ^{*2}	14	14	—	0	1
Outside Directors	12	12	—	—	2
Outside Corporate Auditors	10	10	—	—	3

^{*1} Excluding outside directors ^{*2} Excluding outside auditors

Performance-Based Incentive System

We introduced a performance-based incentive system^{*3} aimed at heightening awareness of the importance of improving performance and the need to contribute to greater corporate value. It is a system through which executives are rewarded with shares in the company commensurate with performance.

Targeted positions

Directors^{*4} and corporate officers of the companies listed below:

- DyDo Group Holdings
- DyDo DRINCO
- DAIDO Yakuhin
- Tarami

Method for calculating the number of shares awarded

Points are awarded according to the individual's position and performance achievement level in each business year. The points are then converted into shares at the rate of one share of holding company common stock per point.

Number of shares to be paid = basic points according to position × performance correlation coefficient

The performance correlation coefficient is set^{*5} according to numbers disclosed in the Financial Report: percentage achievement of targets for forecast consolidated operating profit and consolidated net sales for the start of each business year.

^{*3} Incentives from the performance-based incentive system are paid separately from the compensation limit for directors.
^{*4} Excluding outside directors and Chairman of the Board, who are in positions independent from business execution.
^{*5} FY2018, the final year of the "Challenge the Next Stage" mid-term business plan, is also considered in performance with regard to how well plan objectives were achieved.

Governance

Internal Control and Compliance

We have established a Fundamental Policy Regarding the Building of Internal Control Systems and a Group Code of Conduct, and are pursuing sound corporate practices together with compliance initiatives.

Establishment of the Internal Control System

At the DyDo Group, by executing the duties of the directors in compliance with the law and the Articles of Incorporation and by pursuing sound and efficient work, we have established a Fundamental Policy Regarding the Building of Internal Control Systems based on the Companies Act and its enforcement regulations.

Based on this policy, group companies have established and operate an internal control system. The internal audit department cooperates with the Board of Corporate Auditors in inspecting each department's compliance with laws and regulations along with the Articles of Incorporation and internal regulations. As well as highlighting potential problems and proposing improvements, it conducts internal audits as necessary. We are now engaged in expanding our subsidiaries' legal compliance systems.

Establishment of the Group Code of Conduct

In January 2019, We formulated a Group Code of Conduct in order to achieve the Group Philosophy and Group Vision. Under this Group Code of Conduct, based on shared values across the group companies and our high ethical standards, all employees are united in rising to the challenge of achieving sustainable growth and improving corporate value over the medium and long term.

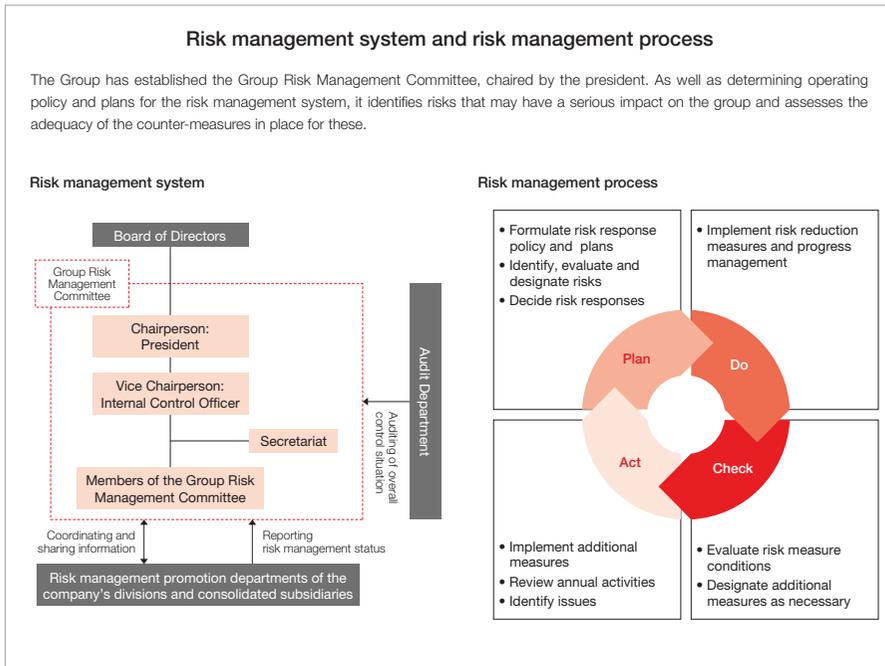
(For details on the Group Code of Conduct, see p. 20.)

Efforts to Improve Compliance Awareness

In order to improve the compliance awareness of employees, DyDo DRINCO conducts compliance training focused on new employees, provides learning opportunities through e-learning, and periodically issues the *Compliance Tsushin* newsletter introducing examples of compliance in familiar situations in an easy-to-understand format using illustrations.

Governance
Risk Management

The external environment is changing at an unprecedented rate because of demographic and social shifts, the evolution of technology and a variety of other factors, and the risks surrounding the group are diverse and in constant flux. Even under such circumstances, the role of risk management in accurately identifying risks and taking swift action to counter these has become ever more important for the achievement of sustainable improvement in corporate value. In addition to regularly assessing the risks we face and the appropriateness of our counter-measures, the group remains committed to strengthening its risk management system and operations in accordance with our business strategies, including expanding the scope of our business and accelerating overseas development.



Challenges to Strengthening Risk Management

One of the basic policies in our Group Mission 2030 is the "Development of a second major source of revenue in non-drink businesses." We assume that the risks we face which may have a serious impact on the group are now much broader in scope. To achieve sustainable growth under such circumstances, in a future where change is expected to occur on an unprecedented scale, we believe it is important to identify and evaluate risks from

a medium- to long-term perspective, and implement counter-measures from an early stage.

In fiscal 2019, as well as including our orphan drugs business in our risk identification and assessment process, we will establish a "time axis" as a risk assessment indicator as we work to build a risk management system from a medium- to long-term perspective.

Governance
Business Risks

The risks identified and assessed by the Group Risk Management Committee in fiscal 2018 that may have a negative impact on the group's results and financial position include the following. Compared to the previous fiscal year, in addition to an increased risk of market competition in the beverage industry, as risks related to increased consumer awareness and regulatory tightening now come to the fore, we believe that the impact of environmental compliance has also increased.

Risks That We Deem to Have Increased Compared to Last Fiscal Year

1. Market Competition in the Beverage Industry

Impact of Materialization of Risk

An inability to respond to the speed of market change through product, sales and pricing strategies result in decreased market competitiveness

• Shorter product life cycle

In the domestic soft drinks industry, it is difficult to expect major growth in the medium to long term in light of the impact of the declining birthrate and aging population. Companies in the industry are investing aggressively in marketing and the successive launch of various new products. As a result, the market overall continues to grow slightly, while the product life cycle is becoming shorter.

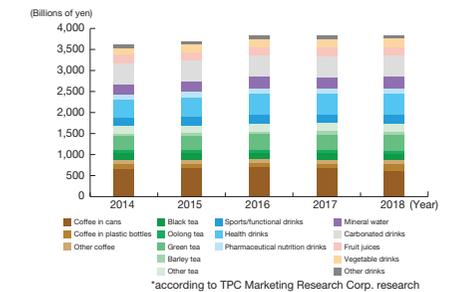
• Decline in profitability due to packaging mix change in coffee products

In recent years, the growth of coffee sold in plastic bottles has led to a drastic change in the packaging mix. A reduction in the proportion of SOT* can coffee drinks sold has a major impact on the profitability of companies in the industry given SOT cans' high gross margin. *SOT stands for stay-on-tab.

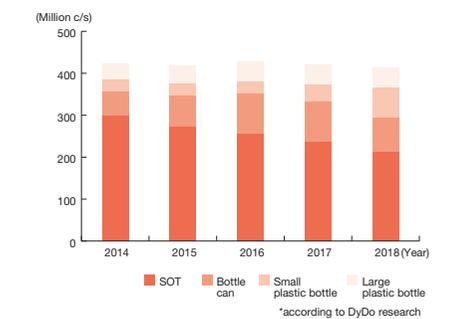
• Increased sales promotion costs in the distribution chain

As a measure to respond to expanding e-commerce sales and aggressive store opening strategies in the drug store industry, drinks distributors are focusing on adding value at store level and placing more emphasis on pricing and sales promotion. As a result, prevailing prices in the domestic beverage market are on a downward trend and the competitive environment is changing rapidly, as the costs of sales promotions to maintain and expand product in-store distribution also increase.

Trends in category mix of domestic beverage market



Trends in packaging mix of domestic coffee drink market



Risk Mitigation

In our previous mid-term business plan, we focused on strengthening our brand. However, in the Mid-Term Business Plan 2021, which focuses on improving profitability, we are concentrating on developing products to maximize sales in the high-margin vending machine channel. In addition, we will strive

not to get involved in price competition by expanding our high value-added products and services in pursuit of delicious flavor and health. (For details on products and services designed to pursue delicious flavor and health, see p. 28)

Counter-measures

To maximize our sales in the vending machine channel, it is essential to have a product lineup and pricing strategy optimized for each of our installation sites. We use market surveys and data analysis to gain a detailed insight of vending machine users. In

this way, we look to achieve timely product development and pricing strategies suitable for vending machines through building a development process that enhances collaboration between those involved in production-related work and those in sales.

2. Environmental Compliance

Impact of Materialization of Risk

The costs of environmental compliance rise as environmental regulations become more stringent and product supply capacity declines as a result of climate change and natural disasters

• Enforcing environmental regulations on a global scale

Regulations to keep climate change in check, such as the rationalization of energy use and global warming counter-measures, are intensifying on a global scale. As well as regulations on climate change, certain other risks are beginning to emerge. For example, Asian countries have import restrictions in place on plastic waste and the cost of disposal of plastic bottles is increasing.

• Consumer awareness of environmental issues

Stakeholders' assessments of companies' attitudes towards climate change and other environmental issues, as well as the changes in corporate market values that result from this, have affected the choice of products and services that consumers make. In recent years this trend has become even more pronounced.

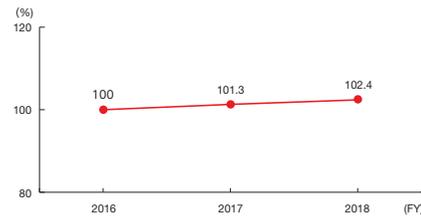
• Expanding impact of climate change on the supply chain

Climate change affects the stable supply of raw materials, for example through depletion of water resources or crop failure. It can also affect the whole supply chain, for instance when manufacturing facilities shut down or distribution networks are disrupted because of large-scale natural disasters. This in turn leads to a decline in product supply capabilities.

Risk Mitigation

Responding appropriately to environmental issues is critical to business management. We are committed to reducing the environmental impact of our entire supply chain, and we strive to conserve the natural environment and prevent pollution through compliance with environmental laws and regulations related to our

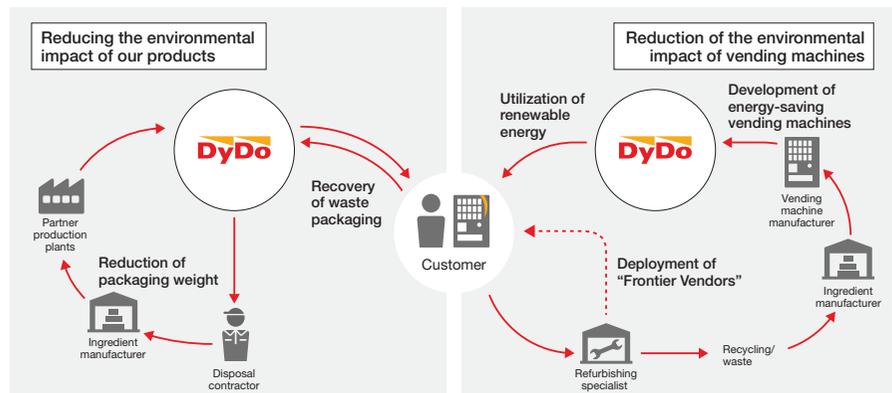
Trends in disposal costs* for waste packaging



*1 Average annual cost per branch office
FY2016 results are taken as 100%

business activities. The Domestic Beverage Business operates on a fabless basis, with production allocated and commissioned to partner production plants across the country. This system enables us to respond flexibly in the event of a disaster.

Counter-measures



• Lighter packaging

One of our key initiatives to reduce the environmental impact of the Domestic Beverage Business is the use of lighter packaging. Our main product, canned coffee, uses the lightest steel can available in Japan, the new model TULC can.* The 190g steel can weighs approximately 37% less than the equivalent container ten years ago.

*The can is made using a manufacturing process that emits only a small amount of carbon dioxide. No water is used during processing, and the amount of solid waste generated during the washing process is almost zero, greatly reducing its impact on the environment.

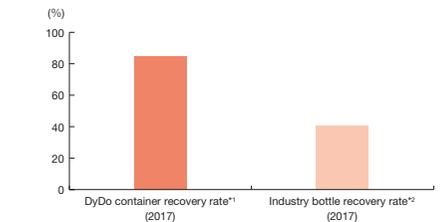
Trends in weight of 190g steel cans



• Collection of waste packaging

To help reduce plastic waste in oceans and to make more effective use of our resources, we are working on a system for quickly and reliably collecting waste containers and packaging. DyDo DRINCO tends to have a high rate of voluntary recycling of plastic bottles because it makes a large proportion of its sales in the vending machine channel. We are committed to improving our recovery rate for used containers and in FY2018 developed vehicles with twice the capacity for empty containers.

Voluntary recovery of plastic bottles



*1 Amount collected from company container recycling boxes divided by domestic shipments of company products
*2 Collection rate trends published by Council for PET Bottle Recycling.

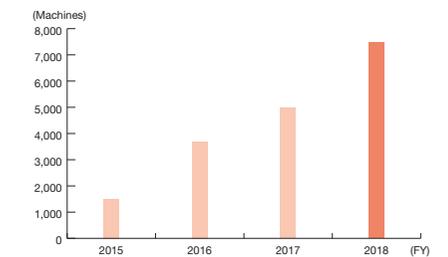
• Energy-saving vending machines

To combat global warming, the Domestic Beverage Business is developing energy-saving vending machines with significantly reduced power consumption. As a result, the 2019 machine consumes about 80% less power than the 2000 machine.

• Deployment of "Frontier Vendors"

In order to reduce the environmental impact of our vending machines as well as to reduce costs, we are developing "frontier vendors" that are designed to reutilize and extend the lifespan of our vending machines. The average lifespan of a vending machine is about 10 years, and the main reason they are scrapped is failure of the cooling/heating unit. We recondition and replace the machines' cooling and humidifying units and bring them back to life with functions that are comparable to the as-new models.

Number of "Frontier Vendor" machines installed



• Utilization of renewable energy

DyDo DRINCO was the first company in the soft drinks industry to participate in the Green Power Certification Scheme in 2002. By utilizing renewable energy from wind power, we contribute to the reduction of CO₂ emissions by around 400 metric tons per year.

Materialization of Risk and Mitigation

In the Food Business, Tarami's distribution network was severely impacted by the floods in southwestern Japan in July 2018. This highlighted a number of issues in our supply chain and we recorded an extraordinary loss of 25 million yen. While fulfilling our responsibility to supply products to our customers even during periods of disaster, we are working to optimize our product supply

system in order to minimize the impact of soaring logistics costs. Specifically, we have begun to build a new distribution network, spreading out our distribution bases through Kanto and Kansai. Previously they were concentrated in Nagasaki Prefecture, where the Tarami head office plant is located.

Previously Identified Issues Which Remain a Risk

Securing and Developing Personnel

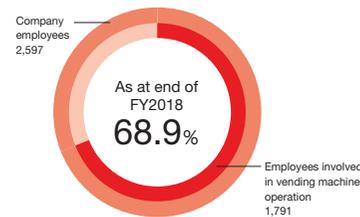
Impact of Materialization of Risk

Decline of business caused by difficulties in acquiring personnel suitable to each of our business areas

• Labor shortage caused by demographic change in Japan

Each business of the group has labor intensive aspects. We require support from our human resources for the operation of vending machines in the Domestic Beverage Business and manufacturing plants in the Pharmaceutical-related Business and Food Business. Outside the major cities, the impact of labor shortage is now becoming evident, against the backdrop of a declining birth rate, an aging population and population shifts to urban areas. These trends are expected to become even more widespread and pronounced as Japanese population dynamics continue to change. This is becoming a major issue for our future sustainability and growth.

Percentage of employees engaged in vending machine operations* in the Domestic Beverage Business



*Total employees of DyDo Beverage Service, DyDo Beverage Shizuoka, DyDo DRINCO Service Kanto, and DyDo West Vending.

• Competition to recruit personnel with high-level expertise and experience

Up till now the group's development has been focused on the Domestic Beverage Business. Our growth strategy, namely, to build a second major source of revenue in the health care domain, requires us to secure and retain a wide range of personnel with high-level expertise and experience. However, competition for acquiring professional staff is expected to intensify for any industry which depends on the medical and healthcare sector as a driver of growth, not just the drinks and food industries.

Risk Mitigation

Under our Mid-term Business Plan 2021, we are working to strengthen our human resource management structure from three perspectives: securing human capital; fostering the development of human resources; and assigning and transferring human resources. In the Domestic Beverage Business, we are working to

build smart operational structures utilizing IoT to establish a strong competitive advantage in an era of labor shortage.
(For details on our human resources strategy, see p. 19)
(For details on our smart operational structures, see p. 27)

Counter-measures

• Recruiting diverse human resources and promoting good working practices

Our company has developed by expanding its vending machine operations, and is now bringing new talent into the company with a high level of expertise and diversity, including foreign workers and female employees, as we implement new strategies to grow our business, such as branding, international expansion and M&A.

In FY2019 we introduced teleworking options for employees who are raising children or providing nursing care for their families as part of our initiative to create an environment in which employees are able to utilize their skills to best effect. We will work to create an environment in which all our staff can work effectively, regardless of any childcare or nursing care responsibilities they may have.

• Distribution of DyDo Group Compliance Handbook

Against the background of diversification in our employee base reflecting international expansion and the broadening of our business areas, we have utilized these diverse perspectives to formulate a company-wide set of action guidelines, our Group Code of Conduct, in order to achieve the Group Philosophy through acting according to integrated evaluation criteria. In addition, to promote understanding of this, the DyDo Group Compliance Handbook is produced in Japanese and English and distributed to all employees.

DyDo Group Compliance Handbook



• Implementation of our next-generation executive development and identification program, DyDo Innovation Academy

We run the DyDo Innovation Academy (DIA), a long-term training program for middle management-level employees to help develop and identify executives who will lead the company in the future. Programs that combine off-the-job and on-the-job training are used to build problem-solving skills and the abilities needed to overcome challenges, while strengthening leadership and enhancing business literacy.

DIA group workshop



• Leadership School

In accordance with a policy of taking on new challenges, both individually and collectively with others, and in order to contribute to the growth of the company, our younger employees (who have been working for one to ten years) have voluntarily set up the Leadership School. The Leadership School organizes discussion groups on topics of interest and uses workshops and exchanges with other companies to develop the skills of those employees who will be our leaders in the next generation.

Leadership School activities



Other Risks

Risks	Key features of the business and business plan	Details	Risk mitigation
Management and control of overseas subsidiaries	Focus on international expansion with the aim of deriving at least 20% of total group sales from overseas by 2030 (10% in FY2018)	<ul style="list-style-type: none"> Risk that our business continuity and ability to generate a return on investment could be threatened by unforeseen problems or delays in responding to these, for example, because of sudden changes in laws and regulations or in the political and economic environment in any of the countries in which we operate 	<ul style="list-style-type: none"> Development of a system to directly control and manage overseas beverage subsidiaries through the holding company Development of business management and risk management systems for each of our operating companies
Corporate takeovers and business/capital alliances	Investigation of M&As that show potential for synergy, particularly with the Pharmaceutical-related Business, with the aim of constructing a second major source of revenue in the non-beverage business by 2030	<ul style="list-style-type: none"> Risk of failing to achieve our business plans because of difficulty in finding effective investment opportunities Risk that investment benefits will not emerge or that a goodwill impairment will be required if unexpected problems arise and development of a business does not go to plan When entering a new business domain, new risks may emerge that are unique to a particular business and market 	<ul style="list-style-type: none"> Development of a framework within the holding company to respond flexibly to the expansion of our business segments Ongoing improvement of corporate governance
Focus and reliance on the vending machine channel	82.8% of our sales in the Domestic Beverage Business are concentrated in the vending machine channel (industry average is approximately 30%) -Emerging risk-	<ul style="list-style-type: none"> Risk that our ability to generate cash flow will be affected by increased competitive pressure in the vending machine channel Decrease in total number of machines in the overall vending machine market because of a shortage in vending machine operating personnel Decline in sales per vending machine reflecting an increase in sales through convenience stores and other convenient sales outlets 	<ul style="list-style-type: none"> Installation of vending machines where stable sales can be expected and optimization of product lineup Innovations in the Domestic Beverage Business that offer familiarity for consumers and convenience in daily life
Procurement of ingredients and materials	<ul style="list-style-type: none"> The crops we use are subject to market fluctuations due to weather conditions Some of our raw materials are imported and procurement costs can be affected by exchange rate movements Lira depreciation affects the development of our Turkish business 	<ul style="list-style-type: none"> Risk of not being able to pass on the cost of raw materials and ingredients through sales prices due to fluctuations in market conditions and exchange rates 	<ul style="list-style-type: none"> Contracts to fix transaction prices for coffee beans, the main raw ingredient, to maintain the stability of procurement prices Hedging against exchange rate risk in the Turkish beverage business by strengthening its export business
Production system and quality control system	Focus on beverage and food products that are safe to consume	<ul style="list-style-type: none"> Risk of loss of consumer confidence because of contamination, defects in product quality or product description and labeling issues 	<ul style="list-style-type: none"> Quality assurance audits of partner production plants in the Domestic Beverage Business to improve safety and quality in the manufacturing process and build trust Quality improvement in the pharmaceutical-related and food businesses through acquisition of ISO 9001 and FSSC 22000 certification
Other risks	-	<ul style="list-style-type: none"> Risks from changes in economic conditions or external factors, such as laws and regulations Risks related to compliance and management of customer information 	<ul style="list-style-type: none"> Creation of a "risk map" that analyzes the degree of likelihood of risks and their potential impact, promotion of risk management by identifying serious risks that could result from changes in the business climate and implementation of counter-measures

Social

Employee-Initiated Challenges

The DyDo Group has gone through transformations since its founding in the medicine business. To achieve sustainable growth for the future, all of our employees must take up the challenge of working to transform our business to accommodate the changes that take place continuously in society. We are facilitating this effort through the Group Code of Conduct, which forms a solid foundation for making decisions and taking action to achieve the goals of our Group Philosophy and Group Vision.

The DyDo Challenge Award

The DyDo Challenge Award was set up in FY2017 both to recognize employees who have taken on challenges and to further encourage a bold spirit of pursuing challenges. We commend employees with awards for plans they have developed or steps they have taken that will lead to or currently contribute to enhanced corporate value. This system was established to commemorate the 40th anniversary of DyDo DRINCO, continuing the work of the Tackling the Big Four Challenges Together program, set up to acknowledge challenges proposed by employees. FY2018 was the fourth year of this effort and during the year, 33 candidates submitted proposals to vie for the DyDo Challenge Award¹ (up from 13 the previous year), together with 123 candidates for the DyDo Challenge Idea Award² (up from 52). By publicizing, both inside and outside the company, employees who take on challenges with determination or their efforts, we are gradually spreading the idea of taking on such challenges.

DyDo Challenge Award recipients



¹ An award to recognize challenges implemented over the preceding year that have contributed to improved corporate value
² An award presented to ideas, submitted by employees, that have been chosen to be implemented during or after the next fiscal year

Transformation of our system to promote employee initiatives

<p>2015 Tackling the Big Four Challenges Together</p> <p>Supporting employee challenges</p> <p>Initiatives</p> <p>40th anniversary project Employees proposed ideas they wanted to see made a reality, then worked to put them into practice</p> <p>Implemented ideas (selection)</p> <ul style="list-style-type: none"> Vending machines that have talking features in 4 different languages, to target foreign visitors to Japan Rental umbrellas 	<p>2016 Challenge Report Meeting</p> <p>Recognition of employee challenges</p> <p>Initiatives</p> <p>The best challenges (initiatives) of the preceding year were chosen from each division. The results of the challenges were then shared and recognized at a report meeting</p> <p>Implemented ideas (selection)</p> <ul style="list-style-type: none"> Marketing with the "neuro investigation" concept Entry into the health supplement server business (which led to investment in the health server business) 	<p>2017 DyDo Challenge Award</p> <p>(1) Commending employee challenges (2) Making employee ideas a reality</p> <p>Initiatives</p> <p>(1) DyDo Challenge Award An award to recognize challenges implemented over the preceding year that have contributed to improved corporate value</p> <p>(2) DyDo Challenge Idea Award An award presented to ideas, submitted by employees, that have been chosen to be implemented during or after the next fiscal year</p>
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2018 DyDo Challenge Award ceremony



The winner of the 2018 DyDo Challenge Awards was the Group Code of Conduct Development Project, an initiative that crosses company and departmental boundaries.

Implementation of the Group Code of Conduct Development Project

With the formulation of Group Mission 2030, a new Group Code of Conduct was created to replace the existing one, aiming to fulfill the mission expressed in our Group Philosophy and Group Vision. This project began with a proposal by an employee that was eventually implemented through the cross-divisional Group Code of Conduct Development Project.

The need for lasting guidelines in an age of change

This project was born out of a proposal by an employee who felt there was a need for guidelines that were the same throughout the group, that could be followed by everyone, no matter their nationality, age, gender, or job duties, and of which everyone could be proud for a long time to come. The employee felt that such guidelines were especially needed at a time when the group was expanding and social conditions were changing along with the environment in and around the company.

Project members with a variety of work backgrounds

The project team responsible for developing the Group Code of Conduct was made up of 25 employees, particularly younger employees who will one day lead the group, from our four business segments—the Domestic Beverage, International Beverage, Pharmaceutical-related, and Food businesses. This effort to create guiding principles that will last over time has received the support of all companies within the group and to ensure that a wide range of views are given importance, the project members were selected from a variety of job roles in areas that included management and planning, sales, and manufacturing. To make sure of a diverse range of values, members with experience overseas were also involved in formulating the code and separate interviews were held with employees unable to attend meetings in Japan in real time to compare and adjust perceptions.

An integration of unique viewpoints and strengths

Meetings were first held separately by business segment, then cross-segment teams were formed and the final stage was a meeting with everyone together. Teleconferencing and other systems were utilized to bring everyone together to share and discuss ideas, particularly those from the three locations of Tokyo and Osaka, where all group companies have offices, and Nagasaki, where the head office and factories of Tarami, responsible for the Food Business, are located. Even though their business models and work responsibilities vary, everyone came together, valuing each other's contributions and finally produced a new Code of Conduct that focused on the twin aspects of safety and value creation, and which combined the strengths and ideas of the various group companies.

Forming a basis for the actions of every employee

The Code of Conduct, formed in this way, provides guiding principles to refer back to during one's daily work duties and is distributed to group employees as the DyDo Group Compliance Handbook.

Communication tools are used to further promote the guidelines, such as by reporting employees' efforts on the company intranet. There are also plans for project members to travel around Japan to explain how the Code of Conduct was formulated and to study how it is tying in to people's individual work duties.

Going forward, we will use the changes in the business environment as a chance to achieve sustainable growth and raise corporate value for the group as a whole in the medium to long term.

Some of the members of the Group Code of Conduct Development Project



The project involved elements such as group work in each location and teleconference meetings between teams



Article on the corporate intranet introducing the Group Code of Conduct



Governance

Promoting Constructive Dialogue with Improved Information Disclosure

At the DyDo Group, we believe that constructive dialogue with shareholders, investors, and other stakeholders, and reflection of their views in our business administration, are conducive to sustained growth and improved corporate value over the medium to long term. To that end, proactive IR interaction with stakeholders, based on transparency, fairness and a long-term focus is imperative.

Improving Fair Access to Information

We are working to upgrade the tools we use for information disclosure purposes to meet the demands of investors. In particular, our website is an important vehicle for promoting fair access to information for all stakeholders. For instance, following the presentation of financial results to institutional investors, we will strive to post the handouts and video footage of the meeting, as well as transcripts, questions and answers, and outlines of other information deemed useful for individuals to make informed investment decisions. Moreover, we are working towards having English versions of almost all materials (with the exception of statutory materials required to be released under Japanese law, and video footage) released simultaneously with Japanese versions to ensure fair access to investors overseas.

Improving Publishing of Comprehensive Disclosure

In the interests of driving sustained growth and medium- to long-term improvement of corporate value, we believe it is important to disclose information in a more comprehensive manner by framing the latest facts and figures within the context of the broader narrative of the company, from our founding principles through to our vision of the future.

Based on the draft form of the *Principles Regarding the Disclosure of Narrative Information* (announced on December 18, 2018), the FY2018 financial summary and securities report was released, providing a more accurate understanding of the

direction of management by newly disclosing management and investment strategies, which included risk information and analysis of management results and other data from the perspective of management.

Also, with the revised *Cabinet Office Order on Disclosure of Corporate Affairs* announced on January 31, 2019, and prior to its going into effect, we aim to enhance the depth of MD&A and risk information in our securities report for fiscal 2018, as we strive to promote dialogue from the perspective of medium- to long-term shareholder value.

We also hope to use the notices announcing the convening of our regular general meetings of shareholders as a tool for promoting understanding of our medium- to long-term strategy. To this end, from the general meeting of shareholders held this April, the 44th, we revised the structure of the notice, so as to be able to explain recent results from a longer-term perspective. To further deepen understanding, we also newly added our history from the time of our founding and a message from the president himself regarding the overarching direction of DyDo's management. Through these changes, as well as a move to color printing and the use of diagrams that visualize the data to improve understanding, we believe we are ensuring a full spread of information that is easily comprehensible.

We are determined to offer information proactively and beyond mere legal requirements in order to promote valuable dialogue and enable informed investment decisions.

Composition of the Notice of Convocation of the 44th Annual General Meeting of Shareholders

Notice of Convocation of the 44th Annual General Meeting of Shareholders	
History of Value Creation in the DyDo Group	Point1
Message from the President	
Reference documents for general meeting of shareholders	
Business reports	
Items regarding the current status of the organization	
(1) Status of the businesses in the current fiscal year	
1. Business progress and results	
2. Financial situation	
3. Status of capital investment	
4. Status of fundraising	
(2) Profit/loss and assets status for the preceding 3 fiscal years	
(3) Issues requiring resolution	Point2
(4) Major businesses	
(5) Status of major subsidiaries and sites	
(6) Status of the workforce	
(7) Status of major lenders	
(8) Other important items regarding the current status of the organization	
Items regarding the company's shares	
Items regarding the company's share warrant	
Items regarding the company's executives	
Status of the accounting auditors	
Consolidated financial statements	
Financial statements	
Audit reports	

Point1

As well as the company's history from the time of founding, the notice opened with the president elucidating the direction the company is aiming to take and important factors in the company's future.

Point2

The notice explained the issues that require resolving from a medium- to long-term perspective, including explanations of the Group Mission 2030 and the Mid-term Business Plan 2021.

Dialogue with shareholders and investors

			2015	2016	2017	2018	2019
Institutional investors (including shareholders)	Financial results briefings	times held	2	2	2	2	2*
	Small meetings	times held	4	5	3	3	3*
	Individual meetings	times held	173	191	181	205	—
	Business briefings or factory tours	times held	0	0	1	0	—
Individual investors	Briefings for individual investors	times held	15	16	17	20	20*
		where the president attended	0	0	1	1	1*
		total participants	1,316	1,206	1,821	1,737	—
Shareholders	General meeting of shareholders	Participants	692	684	732	791	790
	Business briefings or factory tours	times held	0	0	1	1	1*
	Percentage that responded to questionnaires (average: %)		15.7	13.5	13.0	10.6	—
	Number of individual shareholders at the end of the period		24,980	25,088	29,626	30,617	—

*denotes scheduled meetings

Constructive Dialogue with Institutional Investors

Institutional investors are not just potential shareholders, but are also a source of objective insights on how to raise corporate value in the medium to long term. For that reason, we seek forward-looking dialogue with such investors via financial results briefings and small meetings attended by the president, and individual meetings held by our IR team. Feedback received from institutional investors is then shared with the board of directors at monthly meetings.

In order to further incorporate ideas from outside the company into the formulation of our long-term vision or management plans, four executives from the country, including the president and external directors, and 14 institutional investors met in May 2018 to hold a roundtable discussion on ESG issues. Questions posed by the institutional investors at the ESG Round Table drew responses that showed the president's thinking and the external directors' evaluations, which led to a deepening of the discussion, as well as an opportunity to share information about the obstacles to medium- to long-term growth.

We will continue to expand our platforms for dialogue and our suite of tools for promoting these, and we look forward to incorporating the insights gleaned from interaction with institutional investors into our management strategies so as to boost growth.

Main discussion points at the ESG Round Table

- Propagation of the Group Philosophy
- Status of international subsidiary monitoring
- Business risks in the medium to long term.
- Prioritising obstacles to sustainable growth
- Lessons learnt from previous M&A and other investments
- Details of the discussion at the Board of Directors regarding entry into the orphan drug business

Constructive Dialogue with Individual Investors and Shareholders

Because our business is directly linked to consumers, we value the input of individual investors as a direct line to consumer sentiment—a source of unvarnished feedback from “fans” aimed at promoting sustained growth. For that reason, we have a range of initiatives in place aimed at increasing the number of individual investors, such as corporate seminars held nationwide and shareholder benefits that double as vehicles for announcing products.

For our shareholders, we publish *DyDo Challenge Tsushin*, a Japanese-language newsletter, and deliver both it and separate “shareholder benefit” items twice a year, each of which contains a questionnaire for shareholders to fill out (response rate for our autumn 2018 edition: 9.8%). The opinions and views received in the questionnaire are fed back to the appropriate department and used to inform future practices regarding publishing and other contact with individual shareholders and investors.

In June 2018, for the benefit of individual shareholders, we held a business briefing session where the heads of the Domestic Beverage Business, Vending Machine Department, and Marketing Department, explained their business strategies. Elsewhere, we held a meeting—attended by the president—in October 2018 for individual investors in the Tokyo metropolitan area who would find it difficult to attend our general meetings of shareholders in Osaka. In this and other ways, we are seeking to increase opportunities for dialogue.

Individual investors and shareholders are the most immediate customers of our products, and we vow to take heed of what they have to say so that we may pursue mutual prosperity alongside all of our stakeholders.

Management

Board of Directors



President and Representative Director
Tomiya Takamatsu

Profile
Apr. 2004 Joined the Company
Apr. 2008 Director, the Company
Apr. 2009 Managing Director, the Company
Mar. 2010 Executive Director, the Company
Apr. 2012 Vice President and Director, the Company
Apr. 2014 President and Representative Director, the Company (incumbent)
Feb. 2016 President and Representative Director of DyDo DRINCO (Split Preparation Co., Ltd. (currently DyDo DRINCO, Inc.)) (incumbent)

Reason for Appointment

Since his appointment to the position of president in April 2014, Mr. Takamatsu has demonstrated strong leadership by managing the Company with rapid, decisive decision-making in line with its medium- and long-term management posture based on the perspective of all stakeholders and in keeping with the newly formulated Group Philosophy and Group Vision. He has been steadily working to build business foundations geared to achieving growth in the future which has involved strengthening the Group's management. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Important Concurrent Posts

President and Representative Director of DyDo DRINCO Inc.



Director and Corporate Officer
Naoyuki Nishiyama

Profile
Mar. 1998 Joined the company
Jan. 2014 General Manager of the Corporate Strategy Department, the Company
Feb. 2014 General Manager of the Corporate Strategy Department and General Manager of the International Business Department, the Company
Mar. 2015 Corporate Officer, General Manager of the Corporate Strategy Department, and General Manager of the International Business Department, the Company
Jan. 2016 Corporate Officer, General Manager of the Corporate Strategy Department, and General Manager of the Strategic Investment Department
Jan. 2017 Corporate Officer and General Manager of the Corporate Strategy Department, the Company
Apr. 2017 Director, Corporate Officer, and General Manager of the Corporate Strategy Department (incumbent)

Reason for Appointment

Mr. Nishiyama has engaged in a wide range of duties covering overall management such as corporate strategy, strategic investment, and international business and has extensive experience and achievement. Currently, he is leading Group companies as the Director, Corporate Officer, and General Manager of the Corporate Strategy Department and pursuing initiatives to expand into new business domains. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.



Chairman and Director
Tomihiro Takamatsu

Profile
Mar. 1971 Joined DAIDO PHARMACEUTICAL CORPORATION
Jan. 1975 Managing Director following the Company's establishment
May 1984 Executive Director, the Company
Jun. 1990 Vice President and Director, the Company
Apr. 1992 Vice President and Representative Director, the Company
Apr. 1994 President and Representative Director, the Company
Apr. 2014 Chairman and Director, the Company (incumbent)

Reason for Appointment

Having guided the company as its president for 20 years, Mr. Takamatsu brings a wealth of experience as well as a proven track record to the table. In his current position as chairman and director, he fulfills a range of roles as appropriate, including strengthening the foundation of the Group's management in areas such as governance, deciding important issues, and overseeing execution of business operations. In addition, he has worked tirelessly to revitalize the local communities in which the Company does business by orchestrating its community service activities over many years. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Important Concurrent Posts

Board Chairman for the non-profit organization Nippon Matsuri Network



Independent Outside Director
Shinji Mori

Profile
Apr. 1972 Joined the Legal Training and Research Institute of Japan
Apr. 1974 Appointed as a judge, Yokohama District Court
Apr. 1986 Appointed as a judge, Kyoto District Court
Apr. 1989 Registered as a member of the Osaka Bar Association
May 1989 Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P.C.)
Apr. 2001 Corporate Auditor, the Company
Sep. 2003 Senior Partner, Chuo Sogo Law Office, P.C. (incumbent)
Apr. 2014 Director, the Company (incumbent)

Reason for Appointment

Mr. Mori has extensive experience and an advanced level of specialized knowledge as an attorney, and he has served the Company for 13 years as an Outside Corporate Auditor and for five years as an Outside Director. Based on that experience, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by commenting on the Company-wide approach to risk management, and otherwise offering advice and suggestions as to the Company's management from an independent perspective. Based on this proven track record, he is considered to be qualified for service on the Board of Directors as an Outside Director. Although Mr. Mori has not been involved in corporate management in a manner other than that of being an outside director/corporate auditor of the Company and other companies in the past, the Company has judged that he will be able to appropriately carry out his duties as Outside Director for the above reasons.

Important Concurrent Posts

Outside Corporate Auditor at Osaka Soda Co., Ltd.
Auditor at Credit Guarantee Corporation of Osaka



Director and Corporate Officer
Naoki Tonokatsu

Profile
Mar. 1980 Joined the Company
Jan. 2011 General Manager of the Financial Affairs Department, the Company
Mar. 2013 Corporate Officer and Division Director of the Administrative Division, the Company
Jan. 2014 Corporate Officer and Division Director of the Finance Division, the Company
Jan. 2017 Corporate Officer and General Manager of the Finance Department, the Company Director, Corporate Officer, Division Director of the Finance Division, DyDo DRINCO, Inc. (incumbent)
Apr. 2017 Director, Corporate Officer, and General Manager of the Finance Department (incumbent)

Reason for Appointment

Since joining the Company, Mr. Tonokatsu has engaged in finance for many years and has extensive experience and achievements. Currently, as the Director, Corporate Officer, and General Manager of the Finance Department, he is putting effort into sound company management such as by building a solid structure for the entire Group's financial base and contributing to improving profitability. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.



Independent Outside Director
Masataka Inoue

Profile
Apr. 1978 Joined Nakano Sumino Co., Ltd.
Jul. 2005 Director at Mizkan Group Corporation
May 2007 Managing Director at Mizkan Group Corporation
Oct. 2009 Full-time Corporate Auditor, Mizkan Group Corporation
Mar. 2011 Divisional Manager in charge of the Management Office, P.C.
Apr. 2014 Appointed Divisional Manager in charge of the Business Planning Division, Mizkan Holdings Co., Ltd.
Mar. 2016 Retired from Mizkan Holdings Co., Ltd.
Apr. 2016 Director, the Company (incumbent)

Reason for Appointment

Mr. Inoue has a wealth of knowledge and overseas experience in the food industry. Based on his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by commenting with respect to his viewpoint on risk and returns in the course of deliberations concerning such management issues of the Company as accelerated development of the Company's business overseas and expanding into new business domains, and otherwise offering advice and suggestions from an independent perspective. Based on this proven track record, he is considered to be qualified for service on the Board of Directors as an Outside Director.

Corporate Auditors



Standing Corporate Auditor
Kazuyoshi Hasegawa

Profile
Mar. 1980 Joined the Company
Mar. 1996 Manager of the Chiba Office, the Company
Jan. 2006 Head of the General Affairs Department, the Company
Mar. 2010 Head of the Wide-area Distribution Department, the Company
Mar. 2012 Head of the Corporate Sales Daisan Department, the Company
Jan. 2015 Chief Manager of the Corporate Sales Department, the Company
Apr. 2015 Full-time Corporate Auditor, the Company (incumbent)

Reason for Appointment

In his capacity as a full-time Corporate Auditor, Mr. Hasegawa is appropriately carrying out his role of auditing the execution of duties by Directors. He has been attending the Board of Directors meetings and other important meetings, and providing comments from a perspective of legality and suitability. While performing activities including the establishment of an environment for auditing and the collection of internal company information, he has been regularly monitoring the status of the construction and operation of the internal control system. Based on this proven track record, he is considered to be qualified for service as a Corporate Auditor.



Independent Outside Corporate Auditor
Sachie Kato

Profile
Apr. 1969 Joined the Legal Training and Research Institute
Apr. 1971 Public Prosecutor at the Tokyo District Public Prosecutors Office
May 1974 Registered as a member of the Osaka Bar Association
Apr. 2014 Corporate Auditor, the Company (incumbent)

Reason for Appointment

In light of her many years of experience as an attorney, her high level of discernment as a specialist in the law, her contribution to resolving a range of legal issues faced by multiple corporations, and her deep insight into corporate management, we consider Ms. Kato to be capable of overseeing the Company's auditing operations with a high level of independence and from a broad, overarching perspective.

Important Concurrent Posts

Outside Director of Yamazen Corporation
Outside Director of Hisaka Works, Ltd.



Independent Outside Corporate Auditor
Shigeyuki Moriuchi

Profile
Oct. 1982 Joined Price Waterhouse Certified Public Accountants Office
Jul. 1998 Senior Partner at Aoyama Audit Corporation
Oct. 2005 Director and Senior Partner at ChuoAoyama Audit Corporation
May 2007 Senior Partner at Kasumiassaki Audit Corporation (currently Grant Thornton Tokyo LLC)
Jan. 2010 Managing Partner at Kasumiassaki Audit Corporation
Oct. 2013 Partner, Grant Thornton Taiyo LLC (incumbent)
Nov. 2015 Outside Director (Audit and Supervisory Committee Member), KOSHIDAKA HOLDINGS Co., LTD. (incumbent)
Dec. 2016 Outside Corporate Auditor, KATO SANGYO Co., LTD. (incumbent)
Apr. 2019 Corporate Auditor, the Company (incumbent)

Reason for Appointment

Mr. Moriuchi has gained longstanding auditing experience at a major accountants office and a major audit corporation, and he has business experience in a wide range of areas including legal auditing operations, international operations, IPO support and has extensive insight as an accounting specialist. The Company therefore wishes for such expertise to be reflected in the Company's auditing and has put him in the position of Outside Corporate Auditor.



Outside Corporate Auditor
Kiyoshi Watanabe

Profile
Feb. 1997 Registered as a certified tax accountant
Jul. 1997 Established Kiyoshi Watanabe Certified Tax Accountant Office (his current position)
Apr. 2019 Appointed Corporate Auditor of the company (incumbent)

Reason for Appointment

Mr. Watanabe has a wealth of experience in performing the duties of both certified tax accountant and management consultant, and is able to share his insight as a specialist in the taxation field. For these reasons, we consider Mr. Watanabe to be qualified for services as an Outside Corporate Auditor.

Corporate Officers

Corporate Officer and General Manager of the Corporate Communication Department

Naokazu Hasegawa

Corporate Officer and General Manager of the HR & General Affairs Department

Akikazu Hamanaka

Corporate Officer and General Manager of the International Business Management Department

Mamoru Mitamura

Independence Standards and Qualification for Outside Directors

We have established the following standards to govern the independence of outside directors:

1. Not a DyDo Group executive officer^{*1}
2. Not a trading partner for whom DyDo Group is a "major client"^{**} or one of its executive officers
3. Not a major trading partner of the DyDo Group or one of its executive officers
4. Not a consultant, accounting expert, or legal expert who has obtained a large amount of money^{***} or other assets from the DyDo Group, apart from executive officer compensation
5. Not a director or other executive officer of an organization that receives donations or subsidies from the DyDo Group exceeding a designated amount^{***}
6. Not a major shareholder^{***} or executive officer of the company
7. If the executive directors and Standing corporate auditors of the company concurrently serve as outside directors or outside corporate auditors of other companies, that they are not executive officers of the other companies
8. Someone for whom none of the 7 items above have applied over the last 3 years
9. Not a close relative^{***} of any person to whom any of the 8 items above applies (however, employees in Item 1 are limited to key employees^{***})

- *1 Executive officer: an executive director, operating officer, or other officer who executes the duties of a corporation, etc., or person or employee in an equivalent position
- ** Major client: a client whose payments or receipts through transactions with the DyDo Group in the most recent fiscal year exceeds 2% of total annual consolidated sales
- *** Large amount of money: for an individual, an average of 10 million yen or more over the past 3 years; for a group, an average that exceeds 2% of the group's consolidated total sales over the past 3 fiscal years
- **** Designated amount: Either 10 million yen per year on average over the past three fiscal years or 30% of the average annual costs of the organization, whichever is higher
- ***** Major shareholder of the company: a person who holds, directly or indirectly, 10% or more of the company's voting rights
- ***** Close relative: a spouse, second-degree relative or closer, or a co-resident relative
- ***** Key employee: an employee at the department managerial level or higher