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for the sound mind and body

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March 4, 2020

Company: DyDo Group Holdings, Inc.
Representative: Tomiya Takamatsu, President
(Code 2590 on the First Section of the Tokyo Stock Exchange)
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and General Manager of Corporate Communication Department

Continuance of the Measures to Address Large-Scale Acquisitions of the Company's Stock (Takeover Defense Measures)

At the Company's Board of Directors meeting held on January 15, 2008, the Company initially adopted Measures to Address Large-Scale Acquisitions of the Company's Stock (Takeover Defense Measures) and recently obtained approval to continue the Measures (hereinafter referred to as "the Current Plan") at the 42nd Annual General Meeting of Shareholders held on April 14, 2017. However, the Current Plan will expire as of the closing of the 45th Annual General Meeting of Shareholders to be held in April 2020 (hereinafter referred to as "this meeting"). Even after the Current Plan was continued, as one effort to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders, the Company has continued to examine the best approach for the future while taking into consideration various factors, including changes in social and economic conditions, various trends related to takeover defense measures and the direction of such debate, and the purport of the Corporate Governance Code.

As a result, the Company has reached the conclusion that it is necessary and indispensable to continue the Measures to Address Large-Scale Acquisitions of the Company's stock as one way to work to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term by coexisting and prospering with all stakeholders, including customers, employees, business partners, communities and shareholders, based on the Basic Policy on Corporate Governance. At the Company's Board of Directors meeting held on the date of this notice, a unanimous decision was reached by all Directors in attendance, including two Outside Directors, to continue the Current Plan (hereinafter the continued Measures to Address Large-Scale Acquisitions of the Company's Stock is referred to as "the Plan") conditional upon obtaining the approval of shareholders at this meeting. The reasons for continuing the Plan are given in **[Reasons for the Company to continue the Plan]** given below.

All four members of the Board of Corporate Auditors noted their opinion that they agree with continuing the Plan on condition that the Plan is to be administered appropriately in detail. Attached document 1 gives the current status of Major Shareholders as of January 20, 2020. In addition, as of the date of this notice, the Company has not received any form of proposal regarding a large-scale acquisition of the Company's stock, etc.

Furthermore, in this continuance of the Plan, the Company has made revisions to phrasing and wording and amended and streamlined certain terms, etc. from the Current Plan, but there are no substantial changes to the mechanism of the Current Plan.

[Reasons for the Company to continue the Plan]

For the Company, the decision whether to agree to a large-scale acquisition by a large-scale purchaser should ultimately be entrusted to the judgment of shareholders, and the Company will not necessarily unconditionally reject a bid to participate in the Company's management if the acquisition would dramatically enhance the Company's corporate value.

The purpose of the large-scale acquisition rules in the Plan is to ensure the opportunity for shareholders to receive an alternate plan by providing not only information that can allow shareholders to determine whether to agree to the large-scale acquisition but also the opinion of the Board of Directors, which is responsible for managing the Company. At the present time, the Financial Instruments and Exchange Act includes certain restrictions on hostile takeovers, but it may not be effective in various ways as it neither legally ensures the provision of information and time to review such information before the launch of a tender offer nor legally restricts acts of buying up shares in the market. Therefore, establishing large-scale acquisition rules is a precondition for shareholders and investors making appropriate investment decisions, and the Company believes that ensuring sufficient time is also effective for having constructive dialogues with large-scale purchasers regarding improving corporate value.

The Group formulated the Group Mission 2030 by incorporating issues previously identified and analyzing changes to domestic population trends and other medium- and long-term changes in the business environment as either risks or business opportunities that will exert a serious impact on its business model. The mission provides a vision for the Group as it moves toward and beyond 2030 and looks to achieve sustainable growth and an enhancement in the corporate value of the Company over the medium and long term. In order to continue to create value for customers and society by tapping the potential of these medium- and long-term changes in the business environment and transforming risks into business opportunities, the Group believes that it will be necessary to adopt highly competitive business models in an age of uncertainty by embracing discontinuous innovation while taking advantage of its strengths, including the vending machine business. However, there are concerns that if 20% or more of the Company's issued shares were acquired, it would have a major impact on the Company's management and make it impossible to implement corporate measures aimed at achieving sustainable growth and enhancing corporate value over the medium and long term in a timely manner. This could also have a marked impact on the special resolutions at a General Meeting of Shareholders if one considers factors such as quorum and percentage of voting rights exercised.

The status of the Company's major shareholders as of January 20, 2020, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, there is always the possibility of a large-scale acquisition of the Company's stock that would undermine the corporate value of the Group and common interests of its shareholders. The examples of situations of concern are described below.

- (i) The domestic beverage business which is core for the Group has a network of vending machines throughout Japan, one of the largest in the industry. There have previously been cases of M&As in the beverage industry, in which the business value of vending machine businesses has been extremely highly rated, and the Company could be exposed to the danger of a hostile takeover by a large-scale purchaser focused only on the number of vending machines possessed by the Group, not on enhancing the Company's corporate value over the medium and long term.

- (ii) On the other hand, the unique business model for the Group's vending machine business is founded on the trust of stakeholders, and operations of the network of vending machines throughout Japan, one of the largest in the industry, are based on a system run directly by the Group's employees and employees of DyDo Vending Partner Association (vending machine operators that handle the Company's products). It is thus highly dependent on human resources. In order to enhance the corporate value of the Group over the medium and long term, it is necessary to implement reforms to vending machine operations with the understanding of employees and the DyDo Vending Partner Association, but if these parties were to become concerned or alarmed about changes in the management policy on account of the policies of a large-scale purchaser, the quality of the vending machine operations could decline due to various consequences including employee unrest or exodus, which could undermine the ability of the vending machine business to generate cash flows on account of a major loss of vending machine locations that are extremely efficient in terms of sales, and this in turn, could lower the Group's corporate value over the medium and long term.

As discussed above, continuing to have large-scale acquisition rules is necessary and indispensable to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term. Considering the characteristics of the Group's unique vending machine business model, it has been determined that always being prepared for unexpected situations by continuing the Plan is a responsibility of the Board of Directors.

I. Basic Policy regarding Who should Oversee Decisions regarding the Financial and Business Policies of the Company

In terms of who should oversee decisions regarding the financial and business policies of the Company, we believe that it is desirable for that person to be someone who will strive for the harmonious coexistence and mutual prosperity of all stakeholders in our Company, including you, our shareholders, our customers, local communities, our business partners, and our employees, and work to secure and improve the mutual benefit of all shareholders, as well as the corporate value of our Company.

Shareholders come to us through the freedom to trade on the share market, and ultimately it is the shareholders who control and actually oversee those who oversee the Company. Therefore, we believe that ultimately the decisions concerning whether or not to accept proposals regarding acquisitions accompanying the transfer of control of the Company should be carried out based on the will of the shareholders as a whole.

However, among the large-scale acquisition bids or acquisition offers involving the shares of this Company, we believe that there will be some that will not contribute to the corporate value of the Company or to the mutual benefit of shareholders, including those that may practically force shareholders to sell shares, those that do not provide the necessary time or information for the Board of Directors and shareholders of the Company to be able to consider the details of such an acquisition, or for the Board of Directors of the Company to present an alternative offer, those where the price offered for such acquisition, and the method and other details associated with such acquisition, are inappropriate for the corporate value of the Company and the shareholders, and those where it is feared that such acquisition may harm the relationship between the Company and stakeholders.

The Company believes that a person who is engaged in such large-scale acquisition bids or acquisition offers, and who has the potential to have a serious detrimental effect on the corporate value and the brand of the Company, which will be reflected in the mutual benefit of shareholders, is inappropriate to have as a person to oversee decisions regarding the financial and business policies of the Company.

II. Efforts that Contribute to the Realization of the Basic Policy

In order to encourage long-term continuous investment in the Company by you, our many investors, as part of efforts to increase the corporate value of the Company and the mutual benefit of shareholders, the Company is carrying out the following measures. We believe that these efforts will contribute to the realization of the Basic Policy described in **I.** above.

1. Efforts that Contribute to the Continuous Improvement of Corporate Governance

The domestic beverage business, which is the core business of our Group, deals with the soft drink products that are so closely related to the daily lives of consumers. Approximately 85% of the sales in this segment are derived from sales through vending machines that are part of our local communities. By adopting fables management, in which production and transportation are all subcontracted to partner businesses throughout the country without owning a factory, we can concentrate our management resources on the planning and development of our products and the vending machine operation. We have one of the industry's most extensive networks of vending machines, which are managed by the employees of our Group and *Kyoeikai* (the vending machine operator that handles our products).

As such a unique business model can only stand on the basis of mutual trust between the Company and our stakeholders, we are extremely aware that it is our corporate duty and top management priority to achieve "happiness and prosperity together with people and society as a whole". In order to achieve that, we are working to continuously improve our corporate governance, which is the framework for transparent, fair, quick and bold decision-making that forms the foundation from which we can "continue our dynamic efforts to take on new challenges".

Please see **Attachment 2** for the Company's Basic Policy regarding corporate governance.

The main facets of these ongoing efforts to improve corporate governance that were carried out during the term of the Existing Plan are as shown below.

(1) Formulation of the Group Code of Conduct and adoption of measures to raise awareness

Taking advantage of the opportunity posed by the adoption of the Group Vision 2030, the DyDo Group formulated a new Group Code of Conduct designed to ensure that all Group employees conduct themselves in accordance with a consistent set of decision-making standards that transcend national borders and the frameworks of existing businesses so that the Group Philosophy and Group Vision can be realized. In addition to distributing the new code to employees in the form of a DyDo Group Compliance Handbook designed to serve as a guide for day-to-day operations, we're working to raise awareness of the code by offering nationwide training sessions that encourage employees to think about what it means in the context of their own work responsibilities.

(2) Revision of the IR Policy

The Group is working to build trust by putting in place structures that allow it to communicate actively through dialog with all stakeholders and to bring that feedback to bear on its management. We revised the IR Policy to comply with the introduction of fair disclosure rules in March 2018 by clarifying our approach to promoting constructive dialog and improving the fairness of information access.

(3) Establishment of an Advisory Board

In March 2019, the Group established an Advisory Board consisting of about three outside experts not serving as outside directors or outside auditors to provide an organizational mechanism for further enhancing its corporate governance.

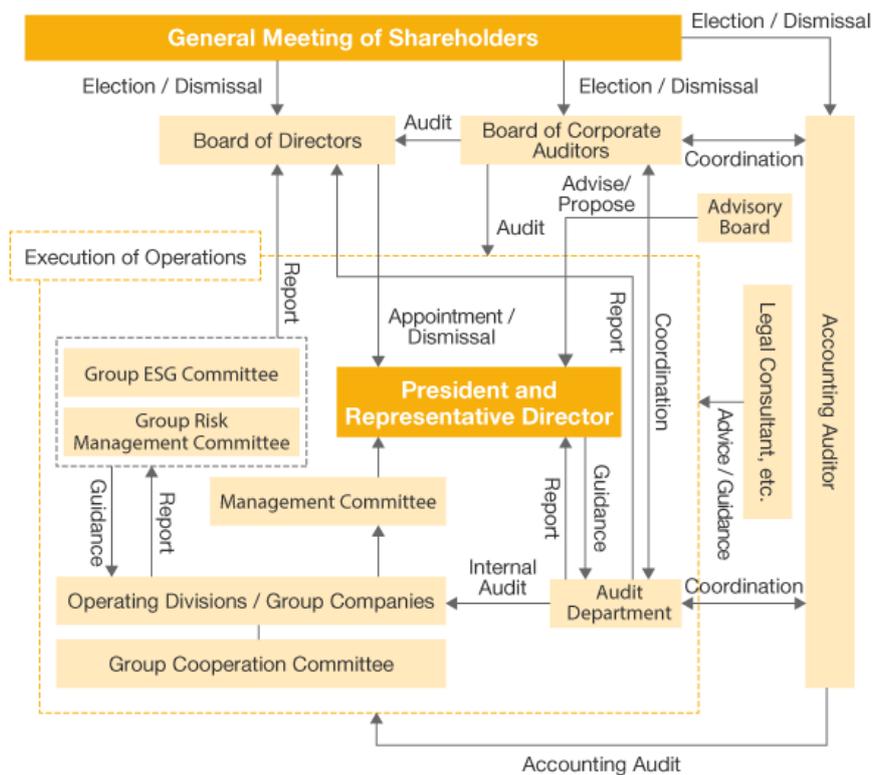
By serving as advisory body for the president, the Advisory Board brings an outside perspective to the execution of strategy while boosting transparency in management, including by offering evaluations and advice from an objective perspective concerning matters that demand advanced expertise, for example decisions about investments in the orphan drug business, and by offering suggestions on the Group’s management issues.

(4) Establishment of a Group ESG Committee

Reflecting its commitment to resolve social issues through its businesses, the Group is striving to strengthen initiatives that address ESG issues, to realize sustained growth, and to increase its corporate value over the medium and long term.

We established the Group ESG Committee in FY2020 to promote ESG management throughout the Group.

A diagram of the Group’s corporate governance structures can be found below.



2. Initiatives to increase corporate value through the Group Vision 2030

The Group has adopted the Group Vision 2030, which sets forth a vision for the year 2030, in order to increase its corporate value over the medium and long term. Specifically, the period of time between now and 2030 has been divided into three segments: a Platform-strengthening and Investment Stage, a Growth Stage, and an Achievement Stage. By pursuing business strategies that address each stage, we will build highly competitive business models and develop a high-growth, highly profitable, highly efficient business portfolio.

For DyDo Group to create enjoyable, healthy lifestyles for people around the world

Together with our customers.



Nurturing our customers' health

We will deliver products and services that help improve health and quality of life for our customers around the world, in a tireless quest for delicious taste.

Together with the next generation.



Creating new value for future generations

We will take advantage of innovative technologies, bringing surprise and delight to all of our stakeholders.

Together with society



Taking the lead in social reform

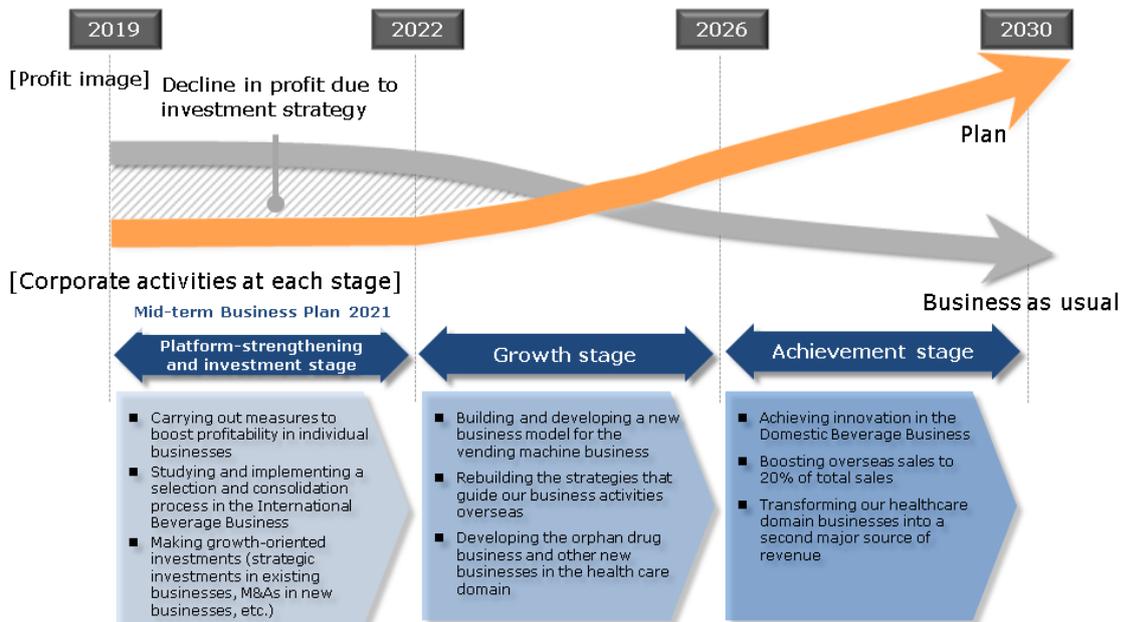
We will take the lead in social reform, going beyond conventional wisdoms to adopt new for achieving a sustainable society.

Together with our people.



Connecting people to people

We will seek out new ways to form mutually beneficial relationships with stakeholders, both old and new, within and outside the company, working flexibly with them and respecting the diversity of their values and abilities.



III. Content of The Plan

(Measures to prevent the control of decision-making regarding the financial and business policies of the Company by someone inappropriate in light of our Basic Policy.)

1. Purpose for continuing the Plan

The Plan will be continued as a measure to prevent unsuitable parties from controlling decisions regarding the Company's financial and business policies in light of the basic policy as described in the above **item I**.

The purpose of the Plan is to provide shareholders with the necessary and sufficient information and time to reach an appropriate decision regarding whether to agree to a large-scale acquisition by (1) requiring large-scale purchasers to submit necessary and sufficient information before the execution; (2) securing time for information gathering, review, and similar tasks relating to the large-scale acquisition, and; (3) on that basis, presenting the plan of the Company's management or an alternative plan to the shareholders and conducting negotiations with the large-scale purchaser if necessary.

The status of the Company's major shareholders as of January 20, 2020, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, no guarantee can be given as to the future stability of ownership of the Company's shares. It is also fully possible that aspects such as the business foundations, centered on vending machines, an integral part of the Company's unique business model, and related management knowhow could be exposed to the potential risk of being purchased. Taking these conditions into consideration, it cannot be denied that there is the possibility that the Company's share could be the target of a large-scale acquisition that could damage the corporate value of the Company and, in turn, common interests of its shareholders, and, just like other companies, it is still important to ensure the necessary time and information for shareholders if such an acquisition were to occur. Therefore, the Company's Board of Directors considers it important to introduce measures to address such contingencies.

Because of the above, the Company's Board of Directors decided to stipulate certain rules related to points such as providing information in the case of a large-scale acquisition (hereinafter referred to as "Large-Scale Acquisition Rules") and to continue the Plan as a takeover defense measure, including countermeasures against a large-scale acquisition by an unsuitable party in light of the basic policy as described in the above item I., conditional upon obtaining the approval of shareholders at this meeting.

As described above, because of the highly concentrated nature of the current shareholder composition, which is considered to be stabilizing, the Plan includes the establishment of an Independent Committee to eliminate arbitrariness in the decisions of the Board of Directors, and resolutions to execute the countermeasures shall be submitted to a General Meeting of Shareholders only if recommended by the Independent Committee, thereby establishing a scheme that also takes into consideration the Board of Directors implementing arbitrary measures on account of the stable shareholders.

Refer to Attached document 3 for an outline of the flow of the Plan.

2. Acquisitions of the Company's stock that the Plan applies to

Acquisitions of the Company's stock that the Plan applies to are ones whose purpose is for a specified shareholder group (Note 1) to obtain 20% or more of the voting rights (Note 2) and ones that ultimately result in a designated shareholder group obtaining 20% or more of the voting rights through the acquisition of the Company's share certificates, etc. (Note 3) (Although the Plan applies regardless of how the instruments are acquired, such as purchases in the market or takeover bid, this does not apply to acquisitions by parties who obtain the prior approval of the Company's Board of Directors. Hereinafter these purchases are referred to as "Large-Scale Acquisitions," and the party acquiring the instruments, "Large-Scale Purchaser.")

Note 1: "Specified shareholder group" refers to

- (i) a holder (including parties deemed as holders pursuant to Article 27-23, paragraph (3) of the Financial Instruments and Exchange Act; the same applies hereinafter) and joint holders (as stipulated in Article 27-23, paragraph (5) of the Financial Instruments and Exchange Act, including parties deemed a joint holder pursuant to paragraph (6) thereof; the same applies hereinafter) of the Company's share certificates, etc., (as stipulated in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act), or parties with certain relationships with the holder or joint holder of the holder that is similar to the relationship between the holder and joint holder (hereinafter referred to as "quasi-joint holders), or
- (ii) parties conducting purchases, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act, including any purchase, etc. made on a market operated by a financial instruments exchange) of the Company's share certificates, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act), and its specially related party (as stipulated in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act; the same applies hereinafter).

Note 2: "Percentage of voting rights" refers to

- (i) in the case of specified shareholder group as given in Note 1 (i), the total of (1) the holding ratio of share certificates, etc., (as stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act; in this case, this includes the number of share certificates, etc., held by joint holders with the holder [number of share certificates, etc. held as stipulated in the same paragraph; the same applies hereinafter]) of the holder and (2) the holding ratio of share certificates, etc. of quasi-joint holders with the holder (minus the number of held share certificates, etc., counted twice in the total of (1) and (2)), or
- (ii) in the case of a specified shareholder group as given in Note 1 (ii), the total of the holding ratio of share certificates, etc. of the Large-Scale Purchaser and that of its specially related party (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act).

Furthermore, when calculating the percentage of voting rights, whichever of the Company's annual report, quarterly report, or reports on repurchase that has been most recently submitted to the authorities may be used to determine the total number of voting rights (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act) and the total number of issued shares (stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act).

Note 3: "Share certificate, etc." refers to shares and other securities as stipulated in Article 27-23, paragraph (1), and Article 27-2, paragraph (1), of the Financial Instruments and Exchange Act.

3. Establishment of the Independent Committee

The Company's Board of Directors shall consult with the Independent Committee (refer to Attached document 4 for an outline of the Independent Committee), which was established as a body independent of the Board of Directors, to prevent arbitrary decisions by the Company's Board of Directors when deciding on the following decisions and to ensure the transparency, objectivity, fairness, and rationality of those decisions. These decisions are as follows: whether Large-Scale Purchasers are adhering to the Large-Scale Acquisition Rules; whether to judge Large-Scale Acquisitions, even those that adhere to Large-Scale Acquisition Rules, as ones that markedly damage the corporate value of the Company and, in turn, common interests of its shareholders and to execute countermeasures; whether to convene a General Meeting of Shareholders regarding executing countermeasures; and whether to take actions such as suspending the execution of countermeasures that have been executed. In addition, when responding to consultation from the Company's Board of Directors, the Independent Committee shall perform the following: carefully evaluate and review Large-Scale Acquisitions from the perspective of protecting and enhancing the corporate value of the Company and, in turn, common interests of its shareholders; clearly indicate the reason and basis for its decisions, and provide advice to the Company's Board of Directors; and the Company's Board of Directors shall give the utmost respect possible to the advice. A summary of the advice by the Independent Committee shall be made public when appropriate.

The Independent Committee shall be composed of at least three members, elected from Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties). (Refer to Attached document 5 for details on candidates to be Independent Committee members after the Plan is continued.)

4. Summary of Large-Scale Acquisition Rules

The Large-Scale Acquisition Rules established by the Company's Board of Directors stipulate that (1) Large-Scale Purchasers shall provide the Company's Board of Directors with necessary and sufficient information related to the Large-Scale Acquisition in advance and (2) launch the Large-Scale Acquisition after an evaluation period for the Company's Board of Directors. An outline of the Rules is provided below.

(1) Submission of statement of intention to the Company in advance

Large-Scale Purchasers planning to make a Large-Scale Acquisition shall submit to the Company's Representative Director a statement of intention written in Japanese that includes the information set forth below and a legally binding pledge to adhere to the Large-Scale Acquisition Rules before making a Large-Scale Acquisition or proposing a Large-Scale Acquisition. After receiving the statement of intention from a Large-Scale Purchaser, the Company shall make public that it has received such a statement of intention, and when necessary, details of that statement.

- (i) Name and address of the Large-Scale Purchaser
- (ii) Applicable law for its establishment
- (iii) Name of the representative
- (iv) Contact information in Japan
- (v) Outline, etc. of the proposed Large-Scale Acquisition

(2) Submission of necessary information

Within ten business days from the day after receiving the statement of intention given in (1) above, the Company's Board of Directors shall send the Large-Scale Purchaser a written statement that includes a list of necessary and sufficient information that the Large-Scale Purchaser should initially submit so that the Company's shareholders can make a decision and the Company's Board of Directors can form an opinion (hereinafter referred to as "Necessary Information"). As stipulated in the list of Necessary Information, the Large-Scale Purchaser shall submit a written response that includes the Necessary Information in Japanese to the Company's Board of Directors.

The following are general items included in Necessary Information. While the specific information will depend on the characteristics of the Large-Scale Purchaser and details specific Large-Scale Acquisition, it shall be limited, in all cases, to information necessary and sufficient for shareholders to make a decision and the Company's Board of Directors to form an opinion.

- (i) Details of the Large-Scale Purchaser and the purchaser's group (joint holders, its specially related party, partners (if a fund), and other constituent members). (This includes names, business details, capital composition, financial details, background and history, and experience related to the same type of business as that of the Company and Group companies.)
- (ii) Purpose and details of the Large-Scale Acquisition (amount and type of compensation for the Large-Scale Acquisition, etc.; timing of the Large-Scale Acquisition, etc.; scheme of related transactions; legality of the method for the Large-Scale Acquisition, etc.; probability of being successful in regard to the Large-Scale Acquisition, related transactions, etc.)
- (iii) Basis for the calculated offer price for the Company's share and proof of funds in the Large-Scale Acquisition (facts that the calculation is based on, calculation method, numerical information used in the calculation, details of the synergies envisioned due to the series of transactions related to the Large-Scale Acquisition, and names of suppliers of funds [including actual providers], financing method, details of related translations, etc.)
- (iv) Candidate managers for the Company and Group companies that the Large-Scale Purchaser envisions appointing after joining the Company's management (including information such as background in businesses similar to that of the Company and Group companies), management policy, business plan, financial plans, capital policy, dividend policy, policy on use of assets, etc.
- (v) Whether there are envisioned changes and their details related to the relationship between the Company (including Group companies) and its stakeholders (customers, business partners, employees and other stakeholders of the Company and Group companies) after completing the Large-Scale Acquisition
- (vi) Other information that the Company's Board of Directors rationally determines is necessary

The Company's Board of Directors may set a deadline for the Large-Scale Purchaser to submit information when necessary from the perspective of quickly applying the Large-Scale Acquisition Rules. However, if the Large-Scale Purchaser requests an extension for a rational reason, the deadline can be extended.

If after carefully examining the Necessary Information initially submitted by the Large-Scale Purchaser, the Company's Board of Directors determines the information is insufficient, the Company's Board of Directors may request that the Large-Scale Purchaser submit additional information after

setting an appropriate and rational deadline for submitting that information (the deadline shall be no more than sixty days after Necessary Information is initially submitted).

If the Company's Board of Directors determines that the Large-Scale Purchaser has submitted necessary and sufficient information to evaluate and review the Large-Scale Acquisition, the Company's Board of Directors shall send the Large-Scale Purchaser notification of that (hereinafter referred to as "Information Submission Completion Notification") and notify the public of that fact.

If even though the Company's Board of Directors requested to submit information in addition to the Necessary Information, the Large-Scale Purchaser does not submit some information but has a rational explanation for not doing so, there are situations when activities such as negotiations with the Large-Scale Purchaser regarding the submission of information, etc., will be concluded even though the Necessary Information requested by the Company's Board of Directors has not been submitted, the public will be notified of that, and the Company's Board of Directors will begin its evaluation, review, etc. given in (3) below.

Necessary Information submitted to the Company's Board of Directors shall be provided to the Independent Committee, and if the information is deemed necessary for shareholders to make a decision, all or some of the information shall be made public when determined appropriate by the Company's Board of Directors.

(3) Evaluation, review, etc. by the Company's Board of Directors

After the Large-Scale Purchaser finishes submitting Necessary Information to the Company's Board of Directors, the Board of Directors shall set a length of time to conduct an evaluation, review, undertake negotiations, form an opinion, and formulate an alternate plan (hereinafter referred to as "Board of Directors Evaluation Period") that is appropriate for the difficulty of conducting those activities, but that period shall not exceed sixty days if the proposed purchase is for all the Company's shares using only cash (yen), and ninety days for other situations.

During the Board of Directors Evaluation Period, while receiving advice from independent outside experts (financial advisors, certified public accountants, attorneys and other experts) when necessary, the Company's Board of Directors shall fully examine and evaluate the submitted Necessary Information and carefully compile and make public its opinion. In addition, the Company's Board of Directors may conduct negotiations with the Large-Scale Purchaser regarding improvements to the terms when necessary and provide the Company's shareholders with an alternate plan.

5. Policy on the countermeasure in the case of a Large-Scale Acquisition

(1) If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules

If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, even if the Company's Board of Directors is opposed to the Large-Scale Acquisition, it shall limit its actions to convincing shareholders by expressing its opinion against the proposed Large-Scale Acquisition and indicating an alternate plan but, as a general rule, shall not execute countermeasures against the Large-Scale Acquisition. The Company's shareholders shall decide whether to agree to the Large-Scale Purchaser's acquisition plan taking into consideration the proposed Large-Scale Acquisition and the Company's opinion regarding such proposed Large-Scale Acquisition, alternate plan, etc.

Even if the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, if the Company's Board of Directors determines that the acquisition will damage the corporate value of the Company and, in turn, common interests of its shareholders, which includes situations such as the Large-Scale Acquisition being one of following, (i) - (vi), and as a result will clearly cause the Company damage that would be difficult to recover from, the Company's Board of Directors may, in accordance with its duty of due care of a prudent manager, execute countermeasures permitted by the Companies Act, other laws and the Company's Articles of Incorporation, including in exceptional situations the gratis

allotment of stock acquisition rights, to the extent necessary and appropriate to secure the interests of the Company's shareholders.

- (i) If the Large-Scale Acquisition is such that it will clearly damage the corporate value of the Company and, in turn, common interests of its shareholders on account of one of the actions given in a.–d. below
 - a. Acquiring a large number of the Company's shares and demanding the Company purchase those shares at an inflated price (so-called green mail)
 - b. Acquiring temporary control of the Company's management and managing the Company in a manner that benefits the purchaser at the expense of the Company, such as acquiring the important assets of the Company or Group companies, etc. at a discounted price
 - c. Using the assets of the Company or Group companies as collateral for or as a source of funds to repay the liabilities of the purchaser or the purchaser's group companies.
 - d. Acquiring temporary control of the Company's management, disposing of items such as highly valuable assets not currently related to the business of the Company or Group companies, using the funds raised to temporarily boost the dividends or waiting for the stock price to rise due to a temporary high dividend to sell off the shares at a higher price
- (ii) If the Large-Scale Acquisition may in fact force shareholders to sell off their shares, including coercive two-stage acquisition (acquisition of shares such as a tender offer, whereby no solicitations for acquiring all the shares are made in the initial acquisition and the terms for the second-stage acquisition are set more disadvantageously or are not made clear)
- (iii) If it is determined that the acquisition terms proposed by the Large-Scale Purchaser (including but not limited to the type and amount of compensation for the share, basis for calculating the amount, and specific contents, legality and feasibility of other terms) are markedly insufficient or inappropriate considering the Company's corporate value
- (iv) If it is determined that the Large-Scale Purchaser obtaining control will conspicuously harm the corporate value of the Company and, in turn, common interests of its shareholders by activities such as damaging the relationship with customers, business partners, employees, communities and other stakeholders who are indispensable for generating sustainable growth in the Company's corporate value
- (v) If it is determined that because aspects such as the Large-scale Purchaser's post-acquisition management policy are insufficient or inappropriate, this may undermine the growth potential and stability of the Company or Group companies' business and dramatically hinder efforts to protect and enhance the Company's or Group companies' corporate value and, in turn, common interests of their shareholders
- (vi) If the Large-Scale Purchaser is determined to be unsuited for being the controlling of the Company from a public order and morals

(2) If the Large-Scale Purchaser does not adhere to Large-Scale Acquisition Rules

If the Large-Scale Purchaser does not adhere to the Large-Scale Acquisition Rules, after obtaining the advice of the Independent Committee to execute the countermeasures, the Company's Board of Directors may oppose the Large-Scale Acquisition and execute countermeasures permitted by the Companies Act, other laws and the Company's Articles of Incorporation, including the gratis allotment of stock acquisition rights, to the extent necessary and appropriate to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.

(3) Board of Director's resolution and convening a General Meeting of Shareholders

When deciding whether to execute countermeasures discussed in (1) and (2) above, the Company's Board of Directors shall make an assessment regarding issues such as whether to execute countermeasures after giving the utmost respect possible to the advice of the Independent Committee and fully reviewing issues such as the necessity and reasonableness of the countermeasures.

The specific measure taken shall be the one that the Company's Board of Directors determines to be the most appropriate at that time. An outline of the case when the Company's Board of Directors conducts a gratis allotment of stock acquisition rights as a specific countermeasure is given in Attached document 6. In an event where the Company actually conducts a gratis allotment of stock acquisition rights, conditions may be stipulated that take into consideration the effectiveness of countermeasures, and these could include one of the conditions for exercising stock acquisition rights as being a shareholder who is not part of a specified shareholder group that holds a certain percentage or more of voting rights or a special provision that the Company shall acquire the stock acquisition rights from rights holder in exchange for the Company's shares. However, in that case, it is not envisioned that the Company would provide cash to acquire the stock acquisition rights held by the Large-Scale Purchaser.

If the Independent Committee advises that countermeasures be executed, determines that it is appropriate to confirm the will of shareholders regarding the necessity and reasonableness to execute the countermeasures, and requests that a General Meeting of Shareholders regarding a resolution to execute the countermeasures be held, the Company's Board of Directors may set a period of time, not to exceed sixty days, for shareholders to fully review whether to execute the countermeasures in the Plan (hereinafter referred to as "Shareholder Review Period") and convene a General Meeting of Shareholders within that Period.

If the Company's Board of Directors passes a resolution convening a General Meeting of Shareholders and decides on a record date, the Board of Directors Evaluation Period shall end on that day, and the Shareholder Review Period shall begin.

When convening the General Meeting of Shareholders, the Company's Board of Directors shall send shareholders written material that includes necessary information submitted by the Large-Scale Purchaser, the Board of Director's opinion of the necessary information, the Board of Director's alternative plan and other information that the Board of Directors judges appropriate along with the notice of a convocation of General Meeting of Shareholders and disclose that it will do so in a timely and appropriate manner.

The Company's Board of Directors shall adhere to resolutions regarding whether to execute countermeasures passed at the General Meeting of Shareholders. If a resolution to execute the countermeasures is not adopted at the General Meeting of Shareholders, the Company's Board of Directors shall not execute the countermeasures. The Shareholder Review Period shall end at the close of the General Meeting of Shareholders, and the results of the meeting shall be disclosed in a timely and appropriate manner after the resolutions are passed.

(4) Large-scale acquisition waiting period

The large-scale acquisition waiting period shall be until the end of Board of Directors Evaluation Period if a Shareholder Review Period is not set or the end of the combined period of the Board of Directors Evaluation Period and Shareholder Review Period if a Shareholder Review Period is set. Large-Scale Acquisitions cannot be conducted during the large-scale acquisition waiting period.

Therefore, Large-Scale Acquisitions can only be launched after the large-scale acquisition waiting period is over.

(5) Suspension of the execution of countermeasures, etc.

If after it is decided at a Company's Board of Directors meeting or a General Meeting of Shareholders to execute specific countermeasures as discussed in (3) above, the Company's Board of Directors determines it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors may suspend the execution of countermeasures or take other steps after giving the utmost respect possible to the advice of the Independent Committee.

For example, in an event where a gratis allotment of stock acquisition rights is conducted as a countermeasure, even after the resolution regarding the gratis allotment is passed or the gratis allotment is conducted, if the Board of Directors determines that it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors can suspend the execution of the countermeasures by discontinuing the gratis allotment of stock acquisition rights up to the day before the rights come into effect or having the Company acquire the stock acquisition rights without contribution after the gratis allotment of stock acquisition rights but before the day before the start of the exercise period after giving the utmost respect possible to the recommendation of the Independent Committee. If the execution of countermeasures is suspended in this way or there is a similar development, the decision shall be disclosed in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

6. Impact on shareholders, investors, etc.

(1) Impact of the Plan on shareholders, investors, etc.

When the Plan is continued, there will be no specific direct impact on the interest of shareholders because a gratis allotment of stock acquisition rights will not be conducted at that time. The Large-Scale Acquisition Rules in the Plan are to provide the necessary information for shareholders to decide whether to agree to a Large-Scale Acquisition and the opinion of the Board of Directors, who are currently responsible for managing the Company, and to ensure an opportunity for shareholders to receive an alternative plan. Because of this, shareholders will be able to make an appropriate decision regarding whether to agree to the Large-Scale Acquisition taking into consideration sufficient information and the proposal, and the Company believes that this will protect the corporate value of the Company and, in turn, common interests of its shareholders. Therefore, the establishment of Large-Scale Acquisition Rules is a precondition for shareholders and investors to make an appropriate investment decision and will contribute to the interest of shareholders and investors.

Because the Company's policy to address a Large-Scale Acquisition depends on whether the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, shareholders and investors should pay close attention to material the Company releases and what Large-Scale Purchasers do.

(2) Impact on shareholders and investors if countermeasures are executed

If the Company's Board of Directors decides to execute countermeasures as described in the above **item 5. "Policy on the countermeasure in the case of a Large-Scale Acquisition"** to protect the corporate value of the Company and, in turn, common interests of its shareholders, the Company's Board of Directors shall disclose the decision in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

When countermeasures are executed, the Company does not assume that shareholders other than the Large-Scale Purchaser, etc. will incur particular losses in terms of legal rights or economic interest. If a gratis allotment of stock acquisition rights is undertaken as one of the countermeasures, shareholders as of the record date for the allotment are allotted a number of stock acquisition rights without contribution proportional to the number of shares they hold.

After that, if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, shareholders other than the Large-Scale Purchasers, etc. will not suffer a substantial, negative impact because they will receive the Company's share as compensation of the acquisition of the stock acquisition rights by the Company. If in response to the advice of the Independent Committee, the Company discontinues the issuance of stock acquisition rights or acquires the issued stock acquisition rights without contribution in line with a decision by the Company's Board of Directors, shareholders and investors who trade the Company's share or take other actions assuming the Company's share value would be diluted after shareholders to receive the gratis allotment of stock acquisition rights were finalized (after the ex-rights date) may incur unforeseen losses due to changes in the share price.

As for Large-Scale Purchasers, etc., if it is determined that they have not adhered to the Large-Scale Acquisition Rules, or if it is determined that the Large-Scale Acquisition will markedly damage the corporate value of the Company and, in turn, common interests of its shareholders even if they have adhered to the Large-Scale Acquisition Rules, their legal rights and economic interest may be undermined as a result of the execution of countermeasures. The Plan is made public as an advance warning so that Large-Scale Purchasers do not violate the Large-Scale Acquisition Rules.

(3) Procedures required of shareholders when countermeasures are executed

If a gratis allotment of stock acquisition rights is conducted as one of the countermeasures, shareholders as of the record date for the allotment shall be allotted stock acquisition rights without having to apply for them, and if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, there is no need for shareholders to complete procedures, such as applying or paying for the stock acquisition rights, because shareholders will receive the Company's share as compensation for the Company acquiring the stock acquisition rights, without paying an amount equivalent to the stock acquisition right exercise price. Details regarding these procedures will be disclosed in a timely and appropriate manner based on laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc. when conducting an actual gratis allotment of stock acquisition rights.

7. Commencement of application, effective period, abolishment of the Plan, etc.

Assuming approval is obtained at this meeting, the Plan will come into effect on that day, and the Plan shall stay in effect until the conclusion of the Annual General Meeting of Shareholders for the last fiscal year that falls within three years of that date (the Annual General Meeting of Shareholders scheduled to be held in April 2023).

Even if the Plan has yet to expire, however, the Plan will be abolished at the time a resolution to abolish the Plan is passed at a General Meeting of Shareholders or Board of Directors meeting. If the Plan is abolished, the fact that it has been abolished shall be made public in a timely and appropriate manner.

Even if the Plan has yet to expire, in an event where it becomes necessary to make revisions to the terms stipulated in the Plan, meaning of terms, etc. for any of various reasons including newly established, revised, or repealed related laws and regulations, listing rules of the financial instruments exchange, etc., the Company's Board of Directors shall rationally interpret and apply the Plan to the extent possible without violating the purport of the General Meeting of Shareholders resolution and taking into consideration the purport of the newly established, revised, or repealed item, etc. and giving the utmost respect possible to the advice of the Independent Committee.

IV. The Plan is in accord with the basic policy and the corporate value of the Company, in turn, common interests of its shareholders, and its purpose is not to maintain the position of the Company's officers

The Company believes that the Plan is in accord with the basic policy described in the above item I. and the corporate value of the Company and, in turn, common interests of its shareholders and that its purpose is not to maintain the position of the Company's officers because the following points were taken into consideration when the designing the Plan.

(1) Satisfaction of the requirements of guidelines on takeover defense measures

The Plan fulfills the three principles stipulated by "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests" released by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005 ([i] principle of protecting and enhancing corporate value and the interests of shareholders as a whole, [ii] principle of prior disclosure and shareholders' will, [iii] principle of ensuring the necessity and reasonableness). The Plan was also developed taking into consideration the report entitled "Takeover Defense Measures in Light of Recent Environmental Changes," released on June 30, 2008 by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry, and "Principle 1.5 Anti-Takeover Measures" of Japan's Corporate Governance Code released by the Tokyo Stock Exchange on June 1, 2015.

(2) Continuance of the Plan to protect and enhance the common interests of the shareholders

The Plan makes various things possible in the case of a Large-Scale Acquisition of the Company's stock, including ensuring the opportunity to receive the time and information necessary for shareholders to decide whether to agree to the Large-Scale Acquisition and an alternative plan by the Company's Board of Directors and will be continued to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.

(3) Reflection of the will of shareholders

The Company will confirm the will of shareholders related to the Plan at this meeting. Even if the Plan is still in effect, in an event where a resolution to abolish the Plan is adopted at the Company's General Meeting of Shareholders or a Board of Directors meeting, the Plan will be abolished at that time to reflect the will of shareholders.

(4) Elimination of arbitrary decisions by the Board of Directors

The Plan establishes the Independent Committee as an organization independent of the Company's Board of Directors, and the Company's Board of Directors shall give the utmost respect possible to the advice of the Independent Committee when deciding whether to execute countermeasures to ensure the transparency, objectivity, fairness, and rationality of the decision and to eliminate arbitrary decisions by the Company's Board of Directors. A summary of decisions by the Independent Committee shall be disclosed to shareholders, and a mechanism is secured so that the Plan is implemented in a transparent manner that serves the corporate value of the Company and, in turn, common interests of its shareholders.

(5) Establishment of rational, objective conditions to execute the Plan

The Plan was designed so that countermeasures are not executed unless rational, objective conditions are satisfied, and a mechanism is secured to prevent an arbitrary execution of countermeasures by the Company's Board of Directors.

(6) This is not a dead hand-type or slow-hand type takeover defense measure

The Plan can be abolished by the Board of Directors composed of directors elected at the Company's General Meeting of Shareholders. Therefore, the Plan is not a dead hand-type takeover defense measure (a takeover defense measure in which the execution of the countermeasures cannot be halted even if a majority of constituent members of the Board of Directors are replaced).

Furthermore, Directors of the Company have a term of one year, and the terms of Directors are not staggered. Therefore, the Plan is not a slow-hand takeover defense measure (a takeover defense measure in which it takes time to halt the execution of countermeasures because constituent members of the Board of Directors cannot be replaced all at once). Furthermore, resolutions to remove Directors do not have additional requirements for resolution such as requiring a special resolution.

Major Shareholders as of January 20, 2020

Shareholder Name	Number of shares (Thousand shares)	Percentage of number of shares held in the total number of issued shares (%)
HighWood Co. Ltd.	2,470	14.91
Santomi	2,011	12.14
Taita Corporation	718	4.33
Tomihiro Takamatsu	495	2.98
Tomiya Takamatsu	495	2.98
Akira Takamatsu	494	2.98
Japan Trustee Services Bank, Ltd. (Trust Account)	312	1.88
Tamon Takamatsu	305	1.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	302	1.82
Lemongas Kagoshima Co., Ltd.	250	1.50
Total	7,854	47.41

- Notes: 1. The percentage of number of shares held in the total number of issued shares is calculated by excluding treasury shares (1,021 shares).
2. Numbers of shares held have been rounded down to the nearest 1,000 shares.

Basic Policy on Corporate Governance

1. 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 and long term.

DyDo Group Corporate Philosophy

**Creating happiness and prosperity, together with people and with society.
To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way.**

DyDo Group Corporate Vision

Together with our customers.	With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only Dydo can.
Together with society.	Bringing together all Dydo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.
Together with the next generation.	We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.
Together with our people.	We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

Our core business is the domestic beverage business and, as 80% or more of those sales come from vending machines in the local community, it is fair to say that our products are familiar parts 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 outsource work in close cooperation with producers and distributors nationwide to make and deliver products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have one of the largest networks of vending machines in the industry, which are maintained by DyDo Group employees and the DyDo Vending Partner Association (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. Our corporate governance serves as a mechanism for carrying out transparent, fair, swift, and bold decision-making and forms the bedrock upon which we can continue our "dynamic efforts," and we believe our efforts to continually improve corporate governance contribute to common interests of shareholders.

2. How We Put the Japan's Corporate Governance Code

(1) Securing the Rights and Equal Treatment of Shareholders

At the Group, our corporate philosophy of "achieving happiness and prosperity together with people and society as a whole" guides us to work in close partnership with a broad range of stakeholders. For instance, we endeavor to effectively secure the rights of our shareholders, and to prepare an environment in which they can exercise those rights appropriately.

(2) Appropriate Cooperation with Stakeholders Other Than Shareholders

We are keenly aware that our efforts to generate sustainable growth and improve corporate value over the medium and long term (as enshrined in our corporate philosophy of "achieving happiness and prosperity together with people and society as a whole") are reliant on the valuable resources and contributions of a broad spectrum of stakeholders, including our customers, our employees, our business partners, and our communities. Moreover, we are proud to work in close partnership with our stakeholders, and we proactively incorporate their feedback into the running of the Group.

The executives and Board of Directors are charged with leading the creation and maintenance of a corporate culture that demands respect for the rights and positions of stakeholders and firm adherence to corporate ethics.

(3) Ensuring Appropriate Information Disclosure and Transparency

In line with our policy of transparency, fairness, and long-term focus, we provide shareholders, investors, and all other stakeholders with the information they need to make informed decisions. This includes financial information such as financial position and operating results, and non-financial information such as management strategies and issues and information related to risks and governance. Indeed, we consider our legal obligation to disclose pertinent information promptly and appropriately to be a serious matter. In addition, however, we are also eager to publish information that encourages correct understanding of the Company to the furthest possible extent.

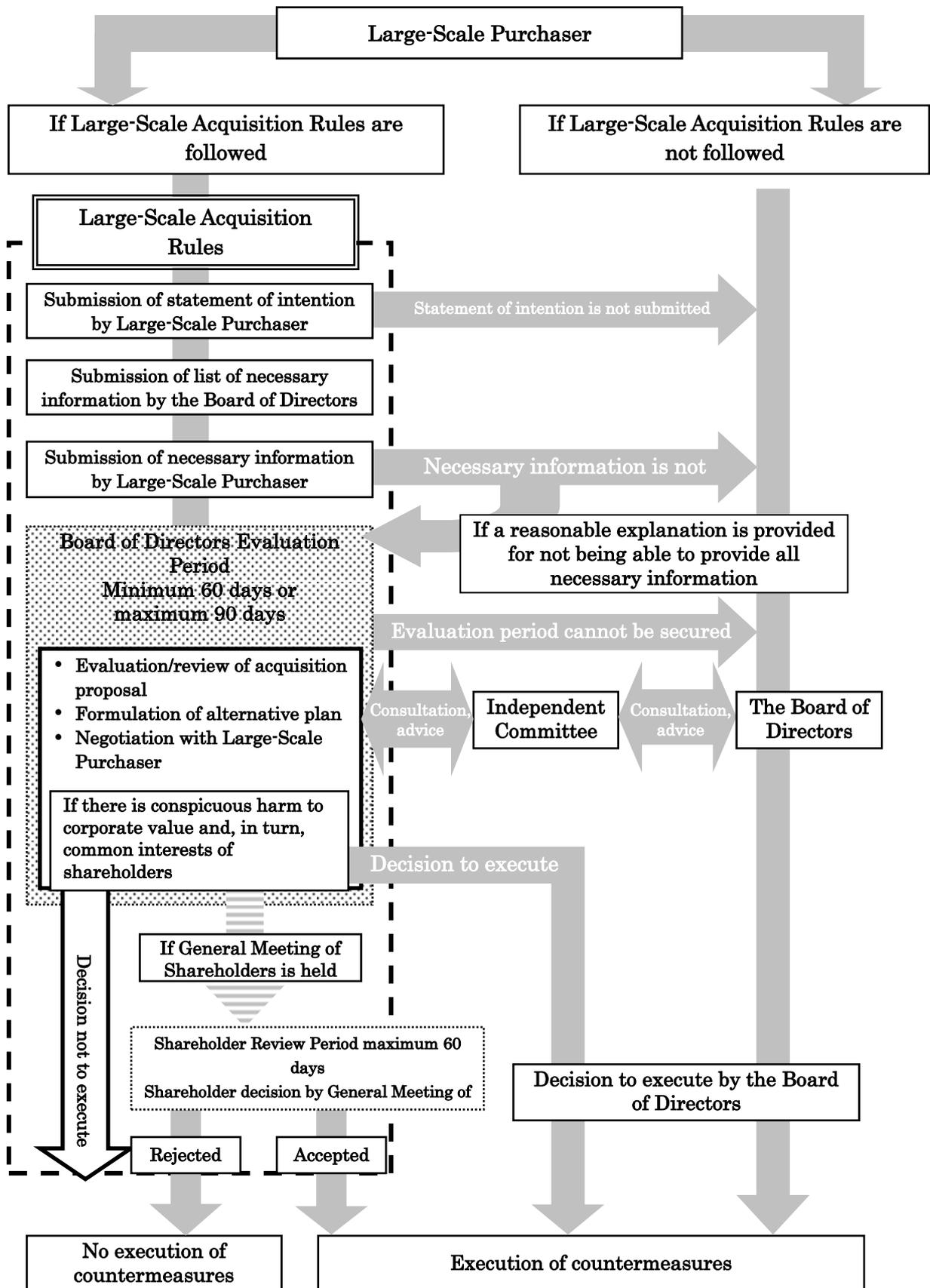
(4) Responsibilities of the Board of Directors, etc.

The Board of Directors seeks to discharge its responsibility and accountability to shareholders by pursuing a three-pronged strategy for consistent improvement of the Group's earning power and capital efficiency so as to achieve sustainable growth and improve corporate value over the medium and long term. Those three facets are: 1) set the direction for implementation of the Group's corporate strategy; 2) establish a platform for executives to take calculated risks; and 3) appropriately fulfill roles and responsibilities primarily by instituting effective oversights of executives and Directors from an independent and objective standpoint.

(5) Dialogue with Shareholders

Constructive dialogue with shareholders is an integral part of our IR strategy, which is geared toward our goal of sustainable growth and improved corporate value over the medium and long term. Such communication not only fosters correct understanding of the Group, but it also generates valuable feedback that serves as a frank appraisal of our true trustworthiness and corporate value.

Outline of the Plan



Note: The figure is a diagram of the flow of typical procedures to contribute to the understanding of the Plan, and not all of the procedures are presented. Refer to the main text for details.

Outline of the Independent Committee

1. Entity authorized to establish and disband the committee

The Independent Committee shall be established and disbanded by Board of Directors resolution.

2. Constituent members

The Committee shall consist of at least three members appointed, by Board of Directors resolution, from among Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties).

3. Parties authorized to convene the committee

Each member of the Independent Committee and the Board of Directors can convene a meeting of the Independent Committee when necessary.

4. Requirements for passing resolutions

Independent Committee resolutions, as a general rule, shall pass with a majority vote at meetings that all members are in attendance.

5. Advice

In response to consultation by the Board of Directors, the Independent Committee shall provide advice along with the reason and basis for the decisions. Each member of the Independent Committee shall make advice from the perspective of whether it contributes to the corporate value of the Company and, in turn, common interests of its shareholders.

6. Authority and duties of the committee

- (1) The Independent Committee can demand that the Board of Directors submit explanations and material necessary to make appropriate decisions.
- (2) If the information submitted by Large-Scale Purchasers is insufficient or it is determined that supplementary information in addition to the submitted information is necessary, the Independent Committee can request that Large-scale Purchasers provide information that the committee deems rational either directly or through the Board of Directors.
- (3) The Independent Committee can request advice from investment banks, securities companies, attorneys, and other independent experts when necessary, and the Company shall pay for that.

7. Board of Director's duty to respect Independent Committee's recommendations

The Board of Directors shall give the utmost respect possible to the advice of the Independent Committee.

Career Summary of Candidates for Members of the Independent Committee

Shinji Mori

Career summary:

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
May 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	Outside Corporate Auditor, the Company
Sep. 2003	Senior Partner, Chuo Sogo Law Office, P. C. (incumbent)
Apr. 2014	Outside Director, the Company (incumbent)

Sachie Kato

Career summary:

Apr. 1969	Joined the Legal Training and Research Institute of Japan
Apr. 1971	Appointed as a public prosecutor, Tokyo District Public Prosecutors Office
May 1974	Registered as a member of the Osaka Bar Association
Mar. 1983	Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P. C.)
Apr. 2014	Outside Corporate Auditor, the Company (incumbent)

Shigeyuki Moriuchi

Career summary:

Oct. 1982	Joined Price Waterhouse Certified Public Accountants Office
Jul. 1998	Senior Partner, Aoyama Audit Corporation
Oct. 2005	Director and Senior Partner, ChuoAoyama Audit Corporation
May 2007	Senior Partner, Kasumigaseki Audit Corporation (currently Grant Thornton Taiyo LLC)
Jan. 2010	Managing Partner, Kasumigaseki 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	Outside Corporate Auditor, the Company (incumbent)

- Notes:
1. There are no special interests between any of the candidates for members of the Independent Committee and the Company.
 2. Outside Director Shinji Mori and Outside Corporate Auditor Sachie Kato are currently working for Chuo Sogo Law Office, P. C., to which the DyDo Group commissions business. The DyDo Group receives legal advice as required from lawyers of this office other than Mr. Shinji Mori and Ms. Sachie Kato, and the annualized advisory fee that the DyDo Group pays to said law office is less than ¥10 million.
 3. Outside Corporate Auditor Shigeyuki Moriuchi serves as Outside Corporate Auditor of KATO SANGYO CO., LTD. The Company does have a trading relationship with KATO SANGYO CO., LTD., however for the past three years, the amount of such trade was less than 2% of the consolidated net sales of either the Company or KATO SANGYO CO., LTD., and accordingly, KATO SANGYO CO., LTD. is not considered a major business partner of the Company.
 4. The Company has notified Outside Director Shinji Mori, Outside Corporate Auditor Sachie Kato, and Outside Corporate Auditor Shigeyuki Moriuchi as independent officers as prescribed by the Tokyo Stock Exchange.

Outline of the Gratis Allotment of Stock Acquisition Rights

1. Shareholders who are entitled to receive the gratis allotment of stock acquisition rights

The Company shall allot one stock acquisition right for each share of the Company's common stock held by shareholders recorded in the last shareholders registry on the record date stipulated by the Company's Board of Directors (this does not apply to the Company's common stock held by the Company), and the stock acquisition rights shall be allotted gratis.

2. Class and number of shares for stock acquisition rights

The class of stock to be used for stock acquisition rights shall be the Company's common stock, and the total number of shares to be used for stock acquisition rights shall not exceed the total number of authorized shares on the record date stipulated by the Company's Board of Directors minus the total number of issued shares of the Company's common stock (excluding the Company's common stock held by the Company). The number of shares for each stock acquisition right shall be set separately by the Company's Board of Directors. In addition, necessary adjustments shall be made in the case of a stock split or reverse split.

3. Total number of stock acquisition rights to be issued

The total number of stock acquisition rights to be issued shall be set by the Company's Board of Directors separately. The Company's Board of Directors may allot stock acquisition rights multiple times.

4. Value of assets to be contributed when exercising one stock acquisition right (amount to be paid in)

The value of assets to be contributed when exercising one stock acquisition right (amount to be paid in) shall be the amount stipulated by the Company's Board of Directors (at least one yen).

5. Restrictions on transfer of stock acquisition rights

The approval of the Company's Board of Directors is required to transfer stock acquisition rights.

6. Conditions on exercising stock acquisition rights

Conditions for exercising stock acquisition rights include not belonging to a specified shareholder group that holds 20% or more of voting rights (this does not apply to parties approved by the Company's Board of Directors in advance). Details of conditions for exercising stock acquisition rights are stipulated separately by the Company's Board of Directors.

7. Stock acquisition rights exercise period, etc.

The date the allotment of stock acquisition rights becomes effective, exercise period, special provisions for acquisition, and other necessary items shall be stipulated separately by the Company's Board of Directors. Special provisions for acquisition may be set to make it possible for the Company to acquire stock acquisition rights held by parties other than those not permitted to exercise stock acquisition rights because of conditions for exercising rights in 6. above and to provide the Company's common stock, the number of which stipulated by the Company's Board of Directors, for each stock acquisition right. In addition, it is not envisioned that cash will be paid to acquire the stock acquisition rights held by parties not permitted to exercise the rights.