



Naoyuki Nishiyama
Director, Corporate Officer and General Manager
of the Corporate Strategy Department

Tomiya Takamatsu
President and
Representative Director

Minōru Matsubara
Corporate Officer, Director of Investment
Resona Asset Management Co., Ltd.

Hisao Miyagawa
Professor, Graduate School of Business
Osaka City University

(titles omitted below)

Stakeholder Dialogue

Meeting the Challenge of ESG Management

Achieving our Group Mission 2030

Takamatsu

I formulated the company's current Group Philosophy and Group Vision when I was appointed president in 2014, and subsequently visited over 130 company locations to disseminate them. In 2019, we announced Group Mission 2030, "For DyDo Group to create enjoyable, healthy lifestyles for people around the world." I felt the need to make major changes to the group's business portfolio to adapt to the changes in society, and to promote change strongly, we defined where, and what, we want to be in the near future. (For views relating to the formulation of the Group Philosophy and Group Vision, see p. 11)

Matsubara

Along with the issues of climate change and human rights, particularly as they relate to supply chains, corporate purpose is a major issue for investors. If you ask to whom does the company belong, the answer is naturally the shareholders. At the same time, if you ask what purpose the corporation serves, the answer is evolving from "maximizing shareholder value" to "creating value with stakeholders." The purpose of a corporation indicates the role it aims to fulfill for society, and this is stated in its philosophy. The philosophy indicates the story of what the company aspires to achieve going forward, and becomes a basis for investors to measure corporate value. We also look closely at whether or not the president is practicing the philosophy, whether it has been inculcated in management and the employees, and whether each employee understands what he or she should be doing and to what purpose, and is acting accordingly.

Miyagawa

I believe DyDo has stated its philosophy clearly. A philosophy embodies the reason for the company's existence, its ideology, and the values it regards as important. It embodies concepts that apply

everywhere at any time. It is important that there be an ongoing internal discussion regarding how the abstract concepts of the philosophy should be applied to concrete business practices to serve society. At the same time, the corporate vision embodies a time dimension, setting out where and what the company wants to be in say ten years. On this point, Group Mission 2030 can be generally regarded as a corporate vision. I believe additional concrete detail would make it easier for third parties to understand.

What is ESG management?

Takamatsu

What sort of background factors are driving the evolution toward a goal of joint value creation by companies and stakeholders?

Miyagawa

I believe there are three factors. The first is growing attention to wealth inequality and the growing consensus that the cause of this inequality is an excessive focus on shareholders. Expansion of shareholder value does not conflict inherently with expansion of stakeholder value. Rather, for companies to work for the overall benefit of stakeholders represents a return to the primary purpose of the company. As a second factor, we can note that investors have begun assuming risk relating to the soundness of the social capital that companies use to create value. Companies obtain capital, acquire assets, and create value. The land required to build a factory that will become a corporate asset and the related labor resources, are actually social capital, and business activity is premised on the soundness of such capital. The third factor is that companies now have enormous influence over society, and globalization is progressing further. National governments should actually be tasked with solving social problems, but in fact there are limits on their ability to do so. For companies to fulfill their responsibilities can be seen as economically rational.

Matsubara

My understanding is that this is because international society expects providers of capital, such as investors and financial institutions, to take an ESG perspective when investing and making funding decisions, not on an industry or company basis, because that way those perspectives spread more rapidly.

Takamatsu

Efforts invested in CSR and ESG can also be seen as costs.

Miyagawa

Some companies are investing effort in CSR, but their stock is performing poorly. However, this may be because they are overly focused on activities that only seek to boost their reputation, rather than creating corporate value. What I would like to convey to management is that enhancing shareholder value and engaging in business activities with an ESG viewpoint are mutually consistent. And the narrative basis for those business activities is provided by a clear philosophy. Shareholders, investors, and stakeholders will have a range of expectations of the company, each from their own point of view. To fundamentally resolve the disparities in these expectations, the enterprise should achieve buy-in from all parties, and ask them to regard the philosophy as the object of their investment.

Matsubara

Investors want companies to be good companies, not just good corporate citizens. A good company has a narrative that links social obligations with its business, one that is linked to value creation. We are convinced that such companies are sustainable. Here is a supply-chain example. Use of child labor is a widespread problem and often singled out as a challenge for society. However, people in communities where child labor exists take a different view. Parents may require their children to also work to get by, so forcing an end to child labor may not necessarily be the correct choice. In such cases, investors could advocate that the company educate child laborers, and there are actual cases of such engagement. In this way, a company's supply chain management can enhance the local educational level and lead to enhanced quality of life and can solve general social problems. Even if such solutions seem likely to take time, we can invest and fulfill our obligation to explain that investment story to asset owners, and beyond them, to citizens.

Nishiyama

During fiscal 2019, the Board of Directors engaged in extensive discussions relating to new businesses and investments. Outside directors requested detailed explanations concerning the strategic significance of realizing the corporate philosophy, the actions we planned to take to realize Group Mission 2030, shareholder return, and so on. In some cases, we went back and resolved issues we had deliberated earlier. In other words, I felt we were being asked to depict a medium- to long-term narrative that was firmly grounded in our philosophy. I saw clearly that this story must be practiced firmly by those with direct responsibility.

Miyagawa

I think it is vital that a corporate philosophy be persuasive for any external third party. If the explanation is not effective, things often do not go well. One can't explain something without a serious concept, and any deficiencies or contradictions noted during the

explanation process serve as indicators as to where the strategy needs to be refined.

Matsubara

And it is aspiration and passion that makes the narrative a reality. I hope that you will value the Group Philosophy above all, because it is a source of motive power.

The significance of ESG management for the DyDo Group

Takamatsu

For many years, our Group has engaged in activities to support local festivals, not only to contribute to society, but also because revitalizing local communities helps people continue to live in communities that require our vending machines. In other words, we believe it also helps support our vending machine network, which is our core business. I believe that in our philosophy, our contributions to society and our business activities are linked. At the same time, while efforts to cope with climate change are unavoidable, I feel there is a limit to what one company is capable of, and this concerns me.

Miyagawa

Regardless of degree of influence, if that is your company's stance, I believe that is adequate. A large part of the identity of a private, owner-managed company like DyDo is its deep roots in local communities, and it makes sense that revitalizing local communities is linked to corporate value. The marked continuity and profitability of owner-managed companies in Japan, and their tendency to generate long-term returns, has been verified by researchers. With respect to environmental challenges as well, I think it's important that your activities adhere to the corporate philosophy, regardless of how much impact they have.

Matsubara

With your four priority issues (themes)—Health, Environment, Innovation, and People—I sense the accumulated achievements of DyDo's founder and those who came after, and their hopes for the next generation. I think it's necessary to materially leverage that heritage for new generations and in new locations. (For details on the four themes, see p. 34)

Takamatsu

In other words, first check the philosophy when taking action, and then take time and place into account to consider how the next generation will be affected by that action. We need to cultivate awareness on the part of employees that ESG management is the embodiment of the philosophy. As you pointed out, Group Mission 2030 may seem somewhat vague. To make the strategy more concrete and realize the mission, we formulated an ESG program, and in fiscal 2020 we launched an ESG Promotion Committee. In fiscal 2019, we surveyed our group companies and divisions regarding social challenges relating to the DyDo Group, but many of the responses were superficial. We understand that only when employees discuss changes in the business environment and social problems naturally, and not just because the company is waving the flag, can we say that ESG management is being practiced, and we will work to achieve that level.

Aiming for Corporate Value Creation through ESG Management

The four themes set forth in Group Mission 2030 are at the same time ESG challenges we must address. To do so, we must augment Group Mission 2030 with more specific activity measures and KPIs. The Group as a whole will engage in this effort, and in fiscal 2020 we launched our new ESG Committee.

In fiscal 2019, to prepare for this effort, we identified the major social challenges facing the DyDo Group, surveyed stakeholder expectations, and held discussions in each group company to create a list of candidates for the priority issues we face. In February 2020, we engaged in dialogue with external experts and established four themes: Health, Environment, People, and Innovation. Going forward, we will promote concrete efforts as our ESG program.

To formulate our ESG program, we asked each of our group companies and divisions to identify and order the challenges they needed to address from two viewpoints: impact on society and the environment, and impact on business opportunities and risks. Many of the challenges identified as priority issues were related to coping with risk, and not enough were from the standpoint of the innovation that will be required to expand our business opportunities and achieve the mission goals.

The DyDo Group, which has a culture of striving for happiness and prosperity together with society, has always linked the environment and society in its business activities. The concept isn't difficult; the first step is to relate the environment and society directly to existing activities and establish measures to cope with easily-addressed risk as KPIs. By doing so, we can have people working to solve social problems through their ongoing business activities. And in fiscal 2021 and beyond, I would like us to set our sights higher, and undertake to change our awareness progressively—to broaden new activities that expand our business opportunities, and broaden our innovation-related activities—in other



words, to shift to activities that deliberately push boundaries. Furthermore, the new mid-term business plan we will launch in fiscal 2022 will include clear KPIs to that effect. Looking ahead to post-Covid-19 society, we are preparing to respond flexibly to change and make even greater contributions to people and society.

These efforts have just gotten under way. Based on the Group Philosophy, we will strengthen our efforts to address ESG challenges. In this way, we will undertake to solve social problems through our business. At the same time, we will aim for continued DyDo Group growth and medium- to long-term enhancement of corporate value.

Closing the gap between where we are and where we want to be

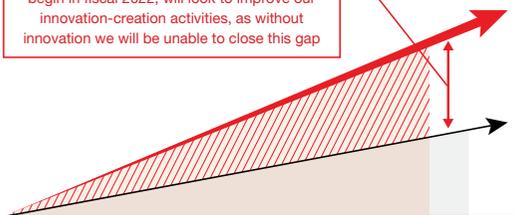
Our next mid-term business plan, which will begin in fiscal 2022, will look to improve our innovation-creation activities, as without innovation we will be unable to close this gap

Where, and what, we want to be

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

The level of value we can create by improving our existing businesses

Under our current ESG program and its continuous improvements this is the amount of value we can create



Themes Determined in Group Mission 2030 and ESG Program

Group Mission 2030

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.

Theme identified in the ESG program

Health

For details on our FY2019 initiatives, see **P35-36**

Together with society.



Taking the lead in social reform

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

Theme identified in the ESG program

Environment

For details on our FY2019 initiatives, see **P37-38**

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.

Theme identified in the ESG program

Innovation

For details on our FY2019 initiatives, see **P39-40**

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.

Theme identified in the ESG program

People

For details on our FY2019 initiatives, see **P41-42**

Social



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.

Risks brought by changes in the external environment: Customers shifting from existing products due to changes in preferences

Opportunities arising from changes in the external environment: Advent of the healthy longevity society, healthcare market expansion

Each operating company in the DyDo Group markets products that customers put in their mouths. These businesses have a direct connection to building customer health. We expect the healthcare market to expand steadily over the next 10 years and the boundaries between beverages, food and pharmaceuticals, which are all businesses areas of the group, to become increasingly blurred. We are working to enhance the value offered by each of these businesses and create new value by combining them.

Domestic Beverage Business | Aiming to gain awareness of DyDo as a health-oriented brand

The DyDo Group formerly positioned its distribution channel as having a single function: to support our sales strategy of drawing customers to vending machines. Because of this, our distribution channel focused on convenience stores, which are efficient touch points for new products. For the same reason, products that were originally developed for sale in vending machines were also sold through the distribution channel.

However, purchasing habits are diversifying, and vending machine customers are not necessarily retail customers. Vending machines are demanded by those needing a quick break, or who are thirsty now. Because of this, it is important to offer a diverse selection of products to provide customers with convenience and meet their needs. The distribution channel, on the other hand, must supply products that fit customer lifestyles, including stockpiling needs at volume retailers. Because of this, we are currently developing products intended for sale through the channel, with emphasis on health-oriented product development.

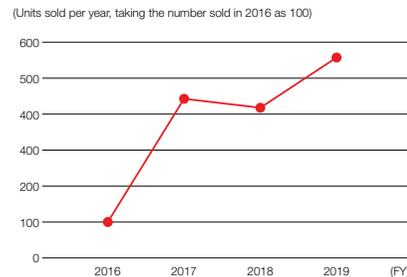
As part of this effort, in 2016 we developed "Calorie Limit for the Mature Aged" in collaboration with FANCL Corporation. This highly-evaluated product combines delicious flavor with functionality, and its claims regarding functionality have been registered with the Consumer Affairs Agency. In-store prices have held firm, and sales volume continues to be positive.

Going forward, we will aim to raise awareness of DyDo as a health-oriented brand, and develop health-oriented products to expand our foothold in the distribution channel.

"Calorie Limit for the Mature Aged" tea series



Trends in number of units sold in the distribution channel



Domestic Beverage Business

Supporting healthy customer lifestyles with a home shopping channel for supplements

Since 2012, the DyDo Group has been offering home shopping for supplements and health foods. Customers used to enjoying DyDo DRINCO products from vending machines have fewer opportunities to do so after retirement. We therefore decided to explore the potential of a home shopping channel to continue to supply customers with that value.

The vision of our home shopping business is to create a society where everyone can aspire to a fulfilling life after retirement by providing innovative value unique to the DyDo Group. Through effective advertising and close communication with customers, we are steadily acquiring an established customer base. Of course, to acquire customers requires attractive products that they will support. With "Locomo Pro" (proteoglycan formulation) as the channel's flagship product, we are expanding sales, and achieved full-year profitability in fiscal 2018, earlier than planned.

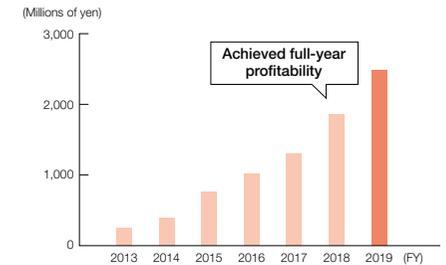
Going forward, the challenge will be to create the next mainstay product to support healthy lifestyles, aimed at fans

of "Locomo Pro."

This home shopping business is currently being developed by DyDo DRINCO, which handles our Domestic Beverage Business, and its performance is part of that business.

Trends in sales in the home shopping business

*For consolidated business results, these sales are included in the sales for the Domestic Beverage Business.



Pharmaceutical-Related Business

Easy to drink, pouch-packaged pharmaceuticals and quasi-drugs

The new manufacturing line that went into operation in February 2020 at the Nara Plant can produce pouch-packaged pharmaceuticals and quasi-drugs for our Pharmaceutical-related Business. This investment may be regarded as the initial step toward achieving Group Mission 2030. Drinks offered in conventional bottle containers, which we have been producing for some time, have a strong association in the minds of consumers with nutritional drinks and general pharmaceuticals, such as cold medicine. Pouch-packaged products can also meet these needs. At the same time, with people who have

lost the ability to chew and swallow as they once did, we expect pouch-packaged products to become more prevalent on the healthcare frontline for nutritional supplementation and administration of medications.

In the future, merging Tarami's jelly manufacturing technology, which maximizes fruit taste, with our pouch-packaged products will enable us to enhance the value offered by the DyDo Group, for example by creating products to enable people of all ages to enjoy delicious taste when taking medications.

International Beverage Business

"Saka," our main mineral water brand, is promoting healthy lifestyles in Turkey and Europe

Mineral water is driving the growth of our Turkish beverage business, which in turn is the DyDo Group's core international business. Sales of mineral water are expanding due to interest in health, which has been increasing in step with Turkey's economic growth. Sales of water in tanks for delivery to offices and homes have been particularly strong. Mineral water is also a principal product in our growing export business out of Turkey. In particular, the mineral water brands we acquired have been exported to the UK for about 15 years, and we established a local subsidiary there in fiscal 2019 with the aim of further sales expansion. Thanks to abundant mineral content and comparatively high pH, our mineral water is recognized not so much as a Turkish product but as healthy, delicious water. We will promote further sales expansion in Turkey as well as internationally, and enhance awareness of DyDo as a healthy brand.

The mineral water "Saka," which has driven positive growth in the Turkish market



The 19-liter bottle for delivery to homes and offices has been selling well

Environment



Taking the Lead in Social Reform

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

Risks brought by changes in the external environment: Global-scale environmental problems, expanding coping costs

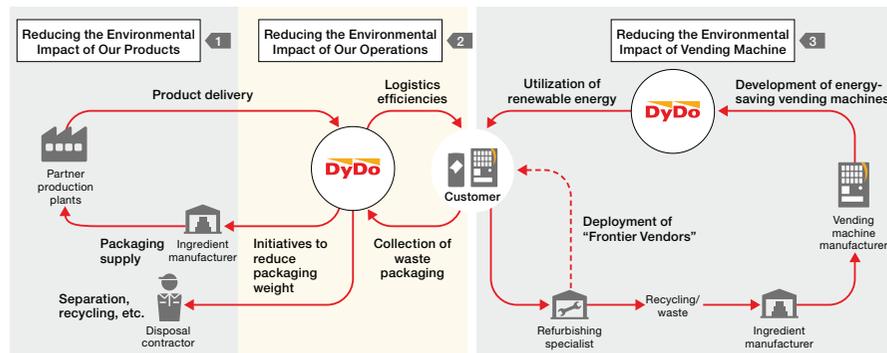
Opportunities arising from changes in the external environment: Expanded demand for eco-friendly products, advances in energy conservation technology

Consumer choice of products and services is also greatly influenced by a company's engagement with environmental issues, beginning with climate change. To combat climate change, laws and regulations in areas such as rationalized energy use and measures to cope with global warming are being strengthened worldwide. Through its businesses, the DyDo Group is demonstrating active leadership with respect to these issues.

Enhancing our Domestic Beverage Business vending machine channel

Management, operation, and maintenance of vending machines consumes considerable resources, including electricity, container materials, and fuel for vehicles. We understand the link between environmental issues and the way we manage our business, and are engaged in ongoing efforts to reduce the environmental impact of our supply chain as a whole.

In addition, successive natural disasters in recent years have made supply chain interruption an issue for companies. The DyDo Group's Domestic Beverage Business follows a flawless management, with sourcing from partner production plants nationwide. Consequently, even if disasters strike, we are able to respond flexibly.



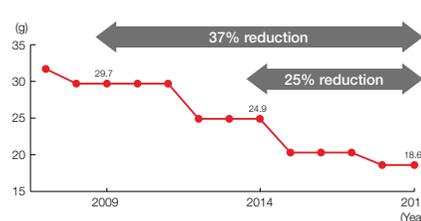
Reducing the Environmental Impact of Our Products 1

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 steel used in our 185g can weighs approximately 37% less than the equivalent container of 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 steel used in 185g cans



Reducing the Environmental Impact of Our Operations 2

Adoption of eco-friendly sales vehicles and route trucks

We are introducing the use of hybrid vehicles in our Domestic Beverage Business, not only for vehicles used by sales reps whose job it is to develop vending machine locations, but also for our trucks, which replenish the machines and maintain the area around them. These and other efforts are reducing the impact of our operations on the environment.

Optimized routing to cut fuel emissions

We are endeavoring to promote a smart operation structure in our Domestic Beverage Business by utilizing IoT in our vending machines. As the operator of one of the industry's largest vending machine networks, this will enable us to maintain operations even in an environment of limited labor availability. At the same time, by optimizing truck routes, we are achieving reductions in operations-related carbon dioxide emissions. (For details, see p. 39)

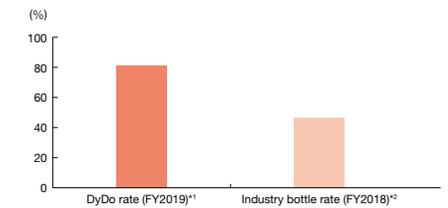
Collection of waste packaging

To help reduce plastic waste in the oceans and more effectively use our resources, we are working on a system to quickly and reliably collect waste containers and packaging. The DyDo Group 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, but we are committed to improving our recovery rate for used containers, and in fiscal 2018 we developed trucks with twice the capacity for empty containers.

Promoting the White Logistics Movement

We are applying the principles of the White Logistics Movement to our Domestic Beverage Business. White Logistics is an initiative advanced by Japan's Ministries of Land, Infrastructure, Transport and Tourism; Economy, Trade and Industry; and Agriculture, Forestry and Fisheries. We have submitted an independent action declaration to the movement, affirming our commitment to realizing a sustainable distribution environment. Going forward we will strengthen these efforts, including extended delivery lead times and a modal shift toward sea- and rail-based logistics.

Voluntary empty container recycling rates



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.

Reducing the Environmental Impact of Vending Machines 3

Deployment of energy-saving vending machines

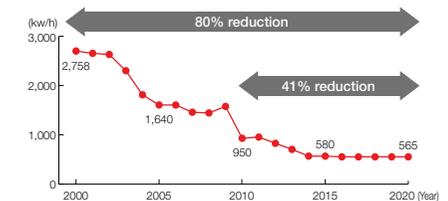
To combat global warming, the Domestic Beverage Business is deploying energy-saving vending machines with significantly reduced power consumption. As a result, a new machine installed in 2019 consumes about 80% less power than one newly installed in 2000.

Deployment of "Frontier Vendors"

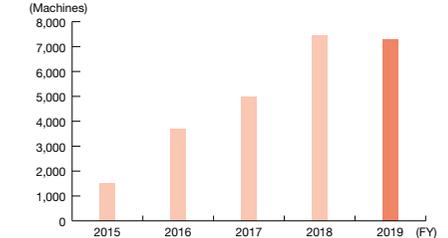
Since 2015, to reduce the environmental impact of our vending machines and cut costs, we have been deploying "frontier vendors" that are designed to reuse and extend the lifespan of our vending machines from around 10 years to 15 years.

Initially, these efforts centered on maintenance and replacement of the cooling/heating unit, which greatly influences the vending machine's energy-saving functions. Subsequently, however, we began replacing conventional lights with LED lighting, switching to digital price displays, and recently, reusing and reconfiguring internal product storage racks to better meet customer needs. Our efforts to devise additional measures to make vending machines even easier for customers to use, yet reduce the impact on the environment and make maximum use of limited resources, are ongoing with cooperation from refurbishing specialists.

Trends in electricity consumption



Number of "Frontier Vendor" machines installed



Social



Creating New Value for Future Generations

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

Risks brought by changes in the external environment: Failure to respond promptly to digital transformation

Opportunities arising from changes in the external environment: Rapid technological advance

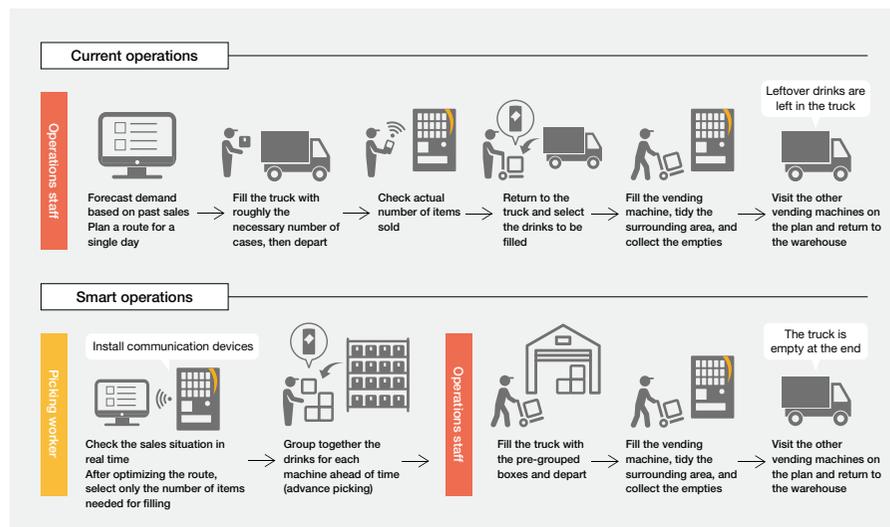
Each group business has labor intensive aspects. We require support from our human resources to maintain vending machine operation in the Domestic Beverage Business, and at manufacturing plants in the Pharmaceutical-related and Food Businesses. Outside major cities, the impact of labor shortages is becoming evident against a backdrop of declining birth rates, an aging population, and population shifts to urban areas. Over the short term, this labor shortage may ease temporarily as unemployment increases due to the influence of Covid-19, but over the medium to long term these trends are expected to become even more widespread and pronounced. This is becoming a major challenge to our future sustainability.

Enhancing operational efficiency in our Domestic Beverage Business

Labor shortages are having a significant impact on the performance of the vending machine segment of our Domestic Beverage Business. The DyDo Group's vending machine network is one of the largest in Japan, and its operations are supported by approximately 3,000 operations staff from the Kyoeikai (special operators of DyDo DRINCO vending machines) and the individual group companies. In recent years, it has become increasingly difficult to secure route managers, especially in areas that lie outside major metropolitan centers, for which the Kyoeikai is responsible. Under these conditions,

they could be forced to shrink their operations until they can be maintained with a small workforce.

So far we have been working to implement numerous frontline improvements to boost operational efficiency. However, to carry out more thoroughgoing measures, we will need to adopt IoT technology and reorganize our operations drastically. One of the strategies of our Mid-term Business Plan 2021 is IoT investments to streamline operations and establish a smart structure that will enable us to operate with a lean workforce.



Recruiting and training human resources for the next generation

Securing personnel with highly specialized skill sets and experience

Securing qualified personnel is a requirement in an environment where increasingly sophisticated skill sets are essential. We are a company that has developed through the expansion of our vending machine business. Now, to promote our product branding, international expansion, M&A, and other recent business strategies, we require a more diversified personnel mix with more emphasis on mid-career hires with advanced specialist skills, non-Japanese professionals, and female new university graduates. Going forward, in executing our growth strategy to build a second major source of revenue in the healthcare sector,

we are undertaking to recruit and retain diverse human resources with advanced specialist skills and experience. A wide range of industries, not limited to beverages and food, are looking to the medical and healthcare industries to play a major role in their growth, and we believe competition to secure human resources will become increasingly intense. One requirement for securing personnel with medical and healthcare industry experience will be not only to put in place the appropriate systems, but also to create work environments where they can demonstrate their capabilities to the maximum extent.

Developing personnel to execute our strategies

Personnel development systems are critical, whether for new university graduates or experienced mid-career hires. We develop younger employees through new challenges that encourage growth, including exposure to our International Beverage Business, or involvement in planning for IoT vending machines in our Domestic Beverage Business. We prioritize assignments that afford them scope to create new business opportunities.

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- 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.

The DyDo Challenge Award

"Creating happiness and prosperity, together with people and society. To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way" is the DyDo Group's corporate philosophy. In fiscal 2017, we established the DyDo Challenge Award to promote systems to enable each of our employees to actualize this philosophy. The award recognizes proposals and efforts that play an outstanding role in enhancing corporate value.

employees that have been selected for implementation during or after the next fiscal year, based on voting by the employees themselves. In fiscal 2019, there were 44 submissions for the DyDo Challenge Award and 68 for the DyDo Challenge Idea Award.

This award system has two categories. The DyDo Challenge Award recognizes efforts during the preceding year that contributed significantly to corporate value, while the DyDo Challenge Idea Award is presented to ideas submitted by

Instituting a regular system to encourage our employees to generate new ideas helps cultivate a corporate culture that welcomes new ideas. At the same time, by recognizing creativity with these awards, we are fostering opportunities to expand the circle of creativity beyond those submitting ideas to other employees around them.

Transitioning to new work practices based on telework

We are also using technological progress to foster workstyle innovation. DyDo DRINCO, which handles our Domestic Beverage Business, shifted to a new, telework-based approach for the entire company on June 1, 2020. The goal of this new approach is enhanced productivity and work-life synergy. During the state of emergency declared by Japan's government in response to the spread of Covid-19, we acquired experience relating to telework-based operations, including the challenges such conditions present. Since then, all DyDo DRINCO employees are working from home, executing their responsibilities autonomously, while commuting to their

offices a few days a week to help vitalize the organization by engaging in direct communication. Sales activities are carried out within a flexible work structure that includes flextime. Under this approach, we will maintain the close sales relationships we have built with customers in the field. At the same time, we are adopting new sales styles such as promoting remote sales through online customer contacts or other web-based activities. In this way, we are aiming to achieve efficient sales activities combining face-to-face and digital contact, and realize a dramatic increase in productivity.

Social



Connecting People to People

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

Risks brought by changes in the external environment: Accelerating change in our business environment

Opportunities arising from changes in the external environment: Promoting workshare expansion and open innovation

In recent years, Japan's established work practices, which assumed lifetime employment, have been shifting progressively toward practices that leverage individual skill sets. This can be seen at the company level with the spread of shared services. The DyDo Group has achieved growth with a spirit of fostering mutually beneficial relationships, including relationships with external companies. Going forward, we will promote such relationships even more, collaborating with other companies and leveraging their expertise for further growth while enhancing our group strengths.

Pursuing distribution reforms

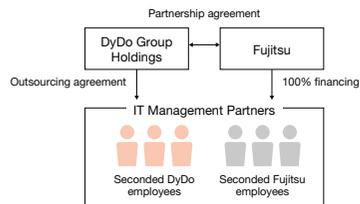
Shibusawa DyDo Group Logistics Co., Ltd.

DyDo DRINCO, which handles our Domestic Beverage Business, has partnered with Shibusawa Warehouse Co., Ltd. to establish Shibusawa DyDo Group Logistics Co., Ltd. We have built our own distribution network over time with help from multiple distribution companies across Japan, but by leveraging Shibusawa Warehouse expertise and sharing distribution facilities, we are working to optimize our distribution.

Developing management systems using advanced AI and IoT

IT Management Partners Co., Ltd.

DyDo Group Holdings has transferred its information systems operations to IT Management Partners Co., Ltd., a subsidiary of Fujitsu Limited. This move will enable us to utilize Fujitsu's IT-related resources and expertise and optimize the DyDo Group's overall IT operations. In addition, group employees will promote a shift to information systems planning, and by keeping current with the most advanced technologies, including AI and IoT, they are building an IT organization that can make direct contributions to management and businesses that utilize such technologies.



The challenge of developing new services

600 Inc.

DyDo Group Holdings has invested in 600 Inc., a company managing cashless, unmanned mini-convenience stores for offices. In addition, the company has concluded a tie-up agreement with DyDo DRINCO. 600 is building a business model based on a system that they have developed that allows customers to buy what they need, when they need it. This is the same model we are pursuing in our vending machine business.

600's business model is structured to offer customers new value. Cashless purchases with credit cards are possible, and product stocking can be optimized by regularly monitoring purchasing patterns. Location owners can also request customized product line-ups. Going forward, we will develop new services that merge 600's cashless technology and their purchasing and other expertise with DyDo DRINCO's expertise accumulated in the vending machine business. Our aim is to create new value by bringing vending machines closer to the customer.



600 Inc. has developed the "600," a cashless, unmanned convenience store

Expanding into the orphan drug business with human resources strategy and partnerships

DyDo Pharma, Inc.

To enter the orphan drug business, the DyDo Group established DyDo Pharma, Inc., which commenced activity in August 2019. Since so-called orphan diseases have few suitable treatment protocols, the field represents a challenge for society. Drug distribution was our founding business, and it is our firm desire to return to that business to help patients and customers. This will be a new challenge, but outsourcing is now advanced in every facet of the new drug field, including development and manufacturing. We will therefore build relationships with outsourced providers at each stage of the process, and work to solve the social challenges these diseases present.

Orphan drugs and DyDo's target

There are approximately 7,000 orphan diseases. Only around 5% of drugs approved for use on a global basis are suitable to treat these diseases, many of which are serious. Several are progressive and life-threatening. Pharmaceutical companies and others around the world are working to create candidate drugs, including an increasing number of pharmaceutical companies in Japan. However, given the typically limited number of patients for these drugs, development efforts have so far been insufficient. DyDo Pharma's goal is to identify new candidate drugs under development by biotechnology companies globally, continue their development in Japan, and obtain regulatory approval so they can reach patients as soon as possible.

Securing human resources for business operations

Although DyDo Pharma began operating in August 2019, we actually announced our entry into the field in March 2018. This enabled us to begin hiring external specialists, and we are currently securing personnel with extensive experience in

every medical industry field, including business development, new drug development, pharmaceutical affairs, and reliability assurance.

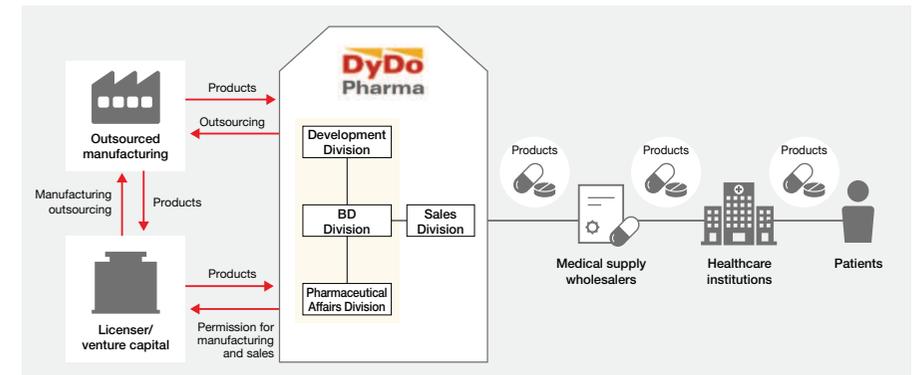
Managing the business through external contractors

We are first of all aiming to invest in candidate drugs produced by pharmaceutical companies around the world, especially where we can obtain exclusive rights to develop, manufacture and market them in Japan. We will then develop them and obtain regulatory approval. Delivering a pharmaceutical to the market requires a wide range of expertise. We will utilize external organizations, such as Contract Research Organizations (CRO) for clinical development and Contract Manufacturing Organizations (CMO) for pharmaceutical manufacturing. We will structure our own sales organization, but in conformance with patient situations. We will also explore other arrangements, including joint sales structures with pharmaceutical manufacturing partners as well as sales outsourcing. Also, as required, we will consider collaborating with external experts, entities, and companies. This approach is aimed at facilitating possible lean management that does not require DyDo Pharma itself to bear considerable fixed expenses.

A deliberative corporate governance system

While the DyDo Group's business activities are closely related to pharmaceuticals, we are not specialists in this field. For this reason, we established an Advisory Board to advise the president in January 2019. Its functions are supplemented by lectures from external specialists that will, for example, assist the committee in issuing recommendations relating to specific issues. (For details on the Advisory Board, see p. 46)

The DyDo Pharma business model



ESG

The Launch and Role of the Group ESG Committee

In January 2020, we established a Group ESG Committee to help the DyDo Group achieve medium- to long-term growth. Two of the individuals responsible for laying the foundations of the committee discuss the process leading to the committee's launch, its goals, the future of our ESG management system.

Kitagawa

In January 2019, I was assigned to set up the ESG Group in the Corporate Communications Department to help the DyDo Group achieve sustainable growth and medium- to long-term corporate value enhancement.

To ensure that company-wide ESG activities are sustained and effective, we made fiscal 2019 a year for laying a foundation for ESG promotion. Our main activity themes were to assess challenges and risks perceived by each group operating company, promote harmonized ESG awareness, and prepare the structures needed for ESG promotion. Because these activities were designed to further the integration of ESG activities with our business strategies, we coordinated with the Management Strategy Department.

Promoting awareness to support promotion

Kitagawa

In recent years, as the DyDo Group has expanded its business sectors, the range of business environments surrounding it has diversified. I therefore started by attending the interviews with operating companies that were carried out by the Group Risk Management Committee, which is directed by the Management Strategy Department, to assess the social challenges and risks that each operating company has identified. These interviews are carried out twice yearly, and I plan to continue collaborating with the Management Strategy Department going forward.



Ryoichiro Kitagawa
Manager, Corporate Communications Department
DyDo Group Holdings, Inc.

The next step was to harmonize ESG awareness across companies. The operating companies and divisions had already been working to address social challenges and manage risk, but to do so systematically as a group requires harmonized awareness. Consequently, in August 2019 we conducted group ESG training for directors at each operating company. During the training, external experts gave lectures that helped deepen participant understanding of ESG and SDGs. In addition, the training undertook to harmonize awareness that the core of our ESG management, is understanding the connection between ESG and practicing the Group Philosophy, achieving the Group Vision, and addressing social challenges through Group Mission 2030. In addition, the training gave participants an opportunity to realize that ESG is not

at all a new concept, and to confirm that our commitment to a spirit of mutually beneficial relationships in conducting our business is itself an embodiment of the ESG concept.

However, to achieve sustained growth, it is important that employees not simply continue business as usual, but use their personal awareness and knowledge to address social challenges. After the training, the president published a message in the group's internal newsletter: "It is important for each of us to raise our awareness of ESG and SDGs and consider what we each can do." As a result, I believe that awareness has risen, but we will continue to disseminate information to foster even greater awareness.

Preparing a foundation for ESG promotion

Otani

To promote ESG management going forward, we launched the ESG Committee to formulate an ESG program and serve as a PDCA cycling mechanism. The Group ESG Committee summarizes and shares changes in medium- to long-term opportunities and risks to the group business model from an ESG standpoint, and in coordination with the Risk Management Committee, promotes group ESG management to meet stakeholder expectations.

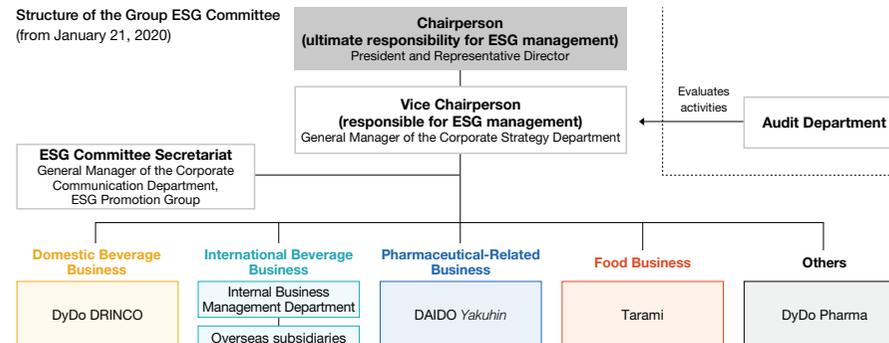
In formulating the ESG program, we first defined the priority issues of the DyDo Group, then characterized the activities of each operating company with respect to those issues. The priority issues (see p. 34) are the four themes of Group Mission 2030: Health, Environment, Innovation, and People. With respect to each of these issues, the operating companies employed SDG aims and targets to formulate concrete measures and KPIs. We asked the operating companies to first take a broad view. We then sifted the results to focus in on activities that would be effective in achieving Group Mission 2030. Specifically, we had the operating companies evaluate each priority issue from two standpoints: the impact on society and the environment, and the impact on business opportunities and risks. This defined the priority activities for the group.

During the process of formulating the ESG program, we had numerous discussions with group management concerning the essence of ESG and what ESG management should be for the group specifically. I think it was also a good opportunity for each operating company, through discussion and issue identification, to consider ESG and SDGs in connection with their day-to-day tasks.



Yuko Otani
Manager, Management Strategy Department
DyDo Group Holdings, Inc.

Structure of the Group ESG Committee (from January 21, 2020)



- Issues for fiscal 2020 and beyond
- Increase the quality and number of new activities to expand business opportunities
 - Increase the number of innovation-related activities
 - Study activities initiated by employees
 - Conduct investigations based on a long-term profit perspective

At the same time, we discovered an additional challenge facing future ESG promotion, namely that many issues of importance to the operating companies concerned risk management, and not enough concerned opportunities. The challenge will therefore be to move forward not only with respect to management of risks brought by changes in society, but also to identifying actively the growth opportunities created by those changes.

Making good use of external input

Kitagawa

When organizations set out to promote ESG, the task usually falls to the management strategy division. I believe it was somewhat unusual for the DyDo Group to situate this effort in its Corporate Communications Department, which is its department responsible for communicating with stakeholders. Our department also contains an investor relations group. Their mission is to convey the DyDo Group's philosophy and strategies to the equity markets and ensure correct understanding. However, conveying the markets' evaluation of those aspects to management, so that the feedback can be tied to management reform, is an even more important mission. This approach is also necessary for ESG. We believe avoiding strategic complacency and ultimately enabling sustainable growth requires us to analyze our risks, identify issues, and brush up the solutions we've formulated through communication with institutional investors and other external individuals.

We incorporate external opinions when formulating our ESG program. We carried out a survey of shareholders and employees of our Domestic Beverage Business. The theme of the survey was "What can we do to achieve sustainable growth?" The survey demonstrated that shareholders have high expectations with respect to the quality and safety of our products and services, while employees are focused on work environments that can make work easier and more rewarding. We believe that expanding these activities will also be important going forward.

Moreover, when the general outline of the ESG program was established in February 2020, we conducted a dialogue with stakeholders and external experts to solicit expectations of the DyDo Group from a customer viewpoint. (For details of the stakeholder dialogue, see pp. 31-32) The program activities we formulated centered on mitigation of important risks, but the dialogue indicated a need to incorporate more innovation activities to generate business opportunities. In addition, we realized that we needed to pay attention to a longer-term profit perspective.

The goals of the current ESG program are limited to generating value from existing businesses, and a gap remains with respect to the goals of Group Mission 2030. As we identify new issues, we plan to incorporate ways to close this gap in the measures and KPIs we formulate, and link them to strategies to achieve the aims of the next mid-term business plan.

Refining strategies with the next generation

Otani

To date, the process of laying ESG foundations has centered on management or mid-level managers. However, in fiscal 2020, we plan to shift the focus to the DyDo Group managers of the future. We will dig deeper to identify business opportunities and risks out to 2030, and consider measures to close the gap between current and future states. The Group ESG committee, which will launch in fiscal 2020, will gather their opinions and utilize them to enhance the sustainability of our current ESG program.

Moreover, we will communicate our ongoing progress in promoting ESG management to internal and external stakeholders. This will enable us to enhance our activities by incorporating their feedback. In addition, we hope that this process of communication and feedback will enhance employee motivation by encouraging them to maintain their daily awareness of how they can contribute.

The DyDo Group's engagement with ESG has just begun, but we are confident that these activities will help ensure sustainable growth and medium- to long-term corporate value enhancement.

Governance

Corporate Governance

Basic Approach to Corporate Governance

"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." 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

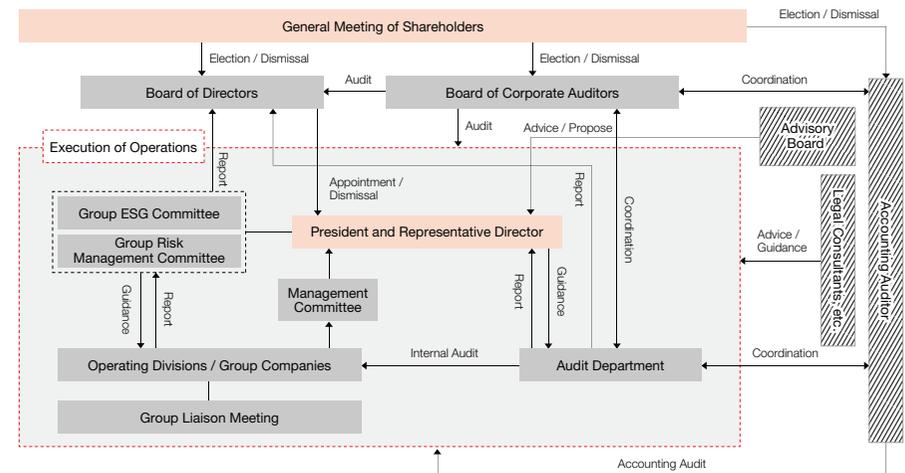
own and instead work in close cooperation with producers and distributors nationwide, to whom we outsource the manufacture and delivery of our products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have one of the industry's most extensive networks of vending machines, which are maintained by DyDo Group employees and the "Kyoekai" (special operators that handle DyDo DRINCO's vending machines).

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 with society" 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 tackling of "new challenges in a dynamic way" is 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

	June, Tarami became a subsidiary										
	December, Started Russian vending machine business										
Business expansion	December, Entered the Malaysian beverage market										
	February, Entered the Turkish beverage market										
	March, Announced entry into the orphan drug business										
	Pre-2012	2012	2013	2014	2015	2016	2017	2018	2019		
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										
	Number of members on the Board of Directors as determined in the Articles of Incorporation: 9 or fewer					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: 7 or fewer					Establishment of the Advisory Board
Improving the effectiveness of the Board of Directors	Introduction of a performance-based incentive program										
	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										

Outline of Our Corporate Governance System



	Directors	Auditors	Corporate Officers	Presidents of Major Subsidiaries ^{*1}	Roles
Board of Directors	●	●	(●*)		<ul style="list-style-type: none"> Discusses/decides management strategy and other important matters Oversees execution of the duties of directors, and execution of the operations of each group company
Board of Corporate Auditors		●			<ul style="list-style-type: none"> Receives reports, discusses, and makes decisions on important matters relating to auditing Audits execution of the duties of directors
Management Committee	○	○	●		<ul style="list-style-type: none"> Formulates policy and plans for overall execution of management, and carries out tasks including investigations, research, planning, management, communication, and coordination
Group Liaison Meeting	○	○	●	●	<ul style="list-style-type: none"> Shares important matters in the group Carries out tasks such as reporting the management situation from each subsidiary
Group Risk Management Committee	○	○	●	●	<ul style="list-style-type: none"> Identifies and evaluates company-wide risks, and formulates countermeasures Conducts checks and improvement of overall risk management
Group ESG Committee	○	○	●	●	<ul style="list-style-type: none"> Investigates and approves the group's overall ESG management Decides on, and directs improvements to, the group-wide ESG program
Advisory Board					<ul style="list-style-type: none"> Formed the Advisory Board (established as a discretionary measure), which includes outside experts and will advise the president, giving evaluations and suggestions for matters requiring a high level of expertise

*1 DyDo DRINCO, DAIDO Yakuhin, Tarami
 *2 Corporate officers who are not also directors participate as observers
 ● All persons concerned attended ○ Only full-time members attended

The Advisory Board

In January 2019, the DyDo Group established its Advisory Board, generally consisting of approximately three outside experts who are not outside directors or corporate auditors. When entering a new business field, one approach is to appoint an individual with expertise in that field as a director. However, in certain instances, such as that of orphan drugs, the small scale of the business and its early stage means that appointing a director would create an unbalanced structure. The Advisory Board was therefore established to act as an advisory body to me as president. The board brings an external point of view to evaluating and implementing advisory strategies, including examining proposals requiring specialist knowledge and providing suggestions relating to DyDo Group management issues, and enhances the transparency of our management.

The board has been operating for approximately a year, but has been providing effective support for management decision-making, including specialist input relating to the field of orphan drugs, where our experience remains limited, as well as useful suggestions for evaluating investment proposals.



Tomiya Takamatsu
 President and Representative Director

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 appraise 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, between December 2019 and March 2020 all directors and auditors conducted a questionnaire-based self-evaluation, accompanied by individual interviews with the secretariat of the Board of Directors.

At the Board of Directors meeting held on March 13, the directors analyzed the results of their self-evaluation, shared their understanding of current issues, and engaged 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 fiscal 2018:

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

Reference: Evaluation results in FY2018

Issues to address in order to boost the effectiveness of the Board of Directors

1. Concerning the composition of the Board over the medium to 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 management strategy and to 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 and more clearly stated briefing materials with supplemental explanation of key considerations regarding matters for discussion by the Management Committee, etc.
3. Concerning discussion of new investments and 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 decision criteria for withdrawal from an investment.
4. Concerning management of risk in the International Beverage Business, it will be necessary to enhance the Company's management and auditing systems 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 securing and developing 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 to long term.

Overview of Analysis/Evaluation Results

On the basis of discussions regarding the analysis of self-evaluation survey results, the Board of Directors concluded that "the Board of Directors is functioning effectively."

Status of improvements to Board of Directors operation in FY2019

To meet a wide range of management challenges during this first year of Mid-term Business Plan 2021, the Management Committee and the Board of Directors respectively summarized and reviewed the terms of submitting matters for consideration. As a result, the Board focused on matters relating to the company as a whole, and engaged in further discussion with respect to clarifying objective standards for withdrawal from business investments.

In addition, from a risk management standpoint, the Audit Department enlarged its report relating to the status of international subsidiaries. The division also determined that reports tracking the progress of management response to issues needed to be enlarged. Consequently, it was decided to have the person in charge of each business segment submit quarterly management status reports directly to the Board of Directors. The Board also engages in deliberation concerning the strategic bases and other matters relating to the International Beverage Business. To facilitate these reviews, opportunities have been created for local managers of international subsidiaries to communicate directly with the Board. In these and other ways, the Board undertook to make improvements to facilitate a more timely, detailed grasp of the local situation.

Awareness was shared concerning the following issues, which remain to be addressed in undertaking to strengthen the functions of the Board and further enhance its effectiveness.

- (1) Concerning the composition of the Board over the medium to long term, it will be necessary to continue considering the appointment of an even more diverse group of directors to respond to the development of the Company's management 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 making important points clearer to understand to further stimulate discussion.
- (3) Concerning the operation of the Board of Directors, it will be necessary to expand the reports submitted to the Board and opportunities for deliberation concerning medium- to long-term corporate value enhancement, including securing and developing human resources, strengthening the foundation of the Domestic Beverage Business, and expanding involvement in the healthcare sector.
- (4) Concerning deliberation with respect to important matters, because of the time limitations of regular Board meetings, it will be necessary to create separate communication opportunities between directors responsible for business execution and outside directors.
- (5) It will be necessary to conduct discussions concerning the strengthening of management systems in response to the increasing importance of international businesses for future growth.

Future Efforts

Based on the evaluation of Board of Directors effectiveness, we will work continuously to make needed adjustments and improvements so that the Board can maximize its oversight functions, including by monitoring the handling of important management issues on an ongoing basis, selecting of topics to further stimulate discussion, and re-evaluating materials used to support Board deliberations.

Outside Director Evaluation of Effectiveness and Findings

Aim for more active discussion between internal and outside directors



Shinji Mori
Independent Outside Director

Director management is improving year by year, especially following the transition to a holding company structure in 2017. On the whole, management is reaching a fully sufficient level, including in sharing and content of briefing materials and the amount of time allocated for deliberation on the day of the meeting. However, with respect to the newly-initiated orphan drugs business, I have the sense that so far, sufficient information has yet to be gathered. The International Beverage Business started in a similar fashion, and was progressively refined as more information was gathered. As such, I would like to see refinements made to the strategic direction more gradually, until the business is ready to manage. I believe that the policy of developing human resources for the next generation, part of Mid-term Business Plan 2021, is also being discussed

internally, but this would seem to be an important issue for discussion by the Board as well. Human resource development can lead to effective governance, and I would like to see discussion deepened further.

In terms of the Board's operation, the president and internal directors pay close attention to the opinions offered by us, the outside directors. However, these opinions are voiced mainly through questions and answers. The outside directors and the corporate auditors have ample opportunity outside Board meetings to exchange views, but if the internal directors could state their opinions more actively, I believe it would be extremely useful for the outside directors, facilitating deeper discussion, and leading to a more active Board.

Outside Director Evaluation of Effectiveness and Findings

Discuss important proposals in each business company-wide, from a medium- to long-term standpoint



Masataka Inoue
Independent Outside Director

The Board discussed the mid-term business plan from a medium- to long-term perspective in fiscal 2018, the year the plan was formulated. However, I believe that the time allocated to discussion from that point of view in fiscal 2019 was insufficient. In particular, the plan for the Domestic Beverage Business, which is the company's core business, is not simply an issue for the operating companies, but is an important initiative for the group. I think more discussion should take place at the level of the holding company's Board of Directors. Further, time for discussion by the Board alone is limited. As such, I have asked for opportunities, even non-public ones, to be created for further discussion.

The materials we receive in advance are clear and the explanations are detailed. However, I hope to see deeper discussion concerning the strategic significance of

measures, the end state they are meant to bring about, and the KPI milestones toward that end state. For example, a medium-term goal of "establish our overwhelming superiority over other companies" was established for the Domestic Beverage Business. However, it will be essential to discuss what such a position would look like and where to set the bar for achieving it. Only then will it be possible to translate the goal into a concrete plan and a roadmap.

Time allocated to discuss overall management strategy and important investment proposals is currently increasing. However, I hope to see those whose role it is to safeguard shareholder interests seek higher investment return targets, bolster standards for withdrawing from investments to avoid losses, and be tenacious in pursuit of their objectives.

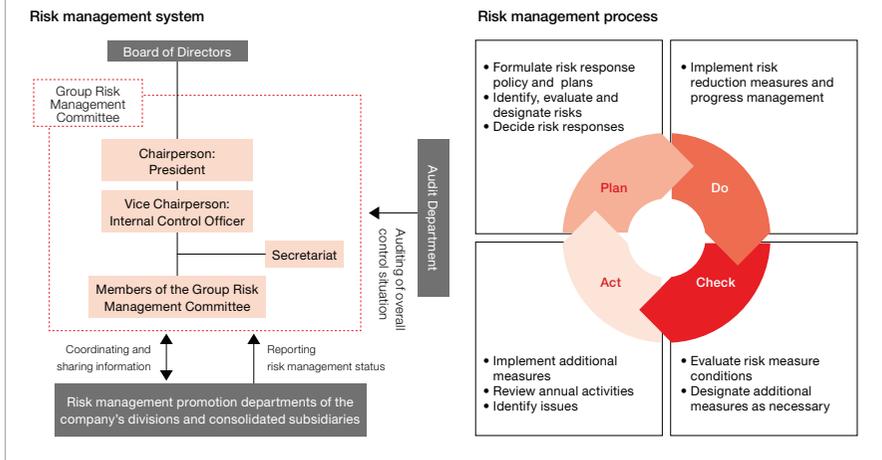
Governance

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. In addition to regularly assessing the risks we face and the appropriateness of our counter-measures, we remain committed to strengthening our risk management system and operations in accordance with our management strategies, including expanding the scope of our business and accelerating overseas development.

Risk Management System and Risk Management Process

The Group has established the Group Risk Management Committee, chaired by the president. As well as determining operating policy and plans for the risk management system, it identifies risks that may have a serious impact on the group and assesses the adequacy of the counter-measures in place for these.



Risk Management Evaluation and Findings

It seems to me that the DyDo Group has accumulated considerable operational knowledge and expertise thanks to continuing willingness to take on challenges in new business areas. At the same time, risk management must be carried out more meticulously as the scope of operations broadens. From that standpoint, I believe the group has much room for further improvement.

For example, it is of course important to delegate operational management in the International Beverage Business to local management teams with in-depth knowledge of their markets. However, from a risk management standpoint, it is important that head office monitoring is taking place. Local audits by the Audit Department are in progress, and the precision of those audits is increasing, but I believe it is necessary to once again carry out a comprehensive search for hidden risks and rank them by priority. In addition, pre-investment plans and actual post-investment status of new business investments may diverge. While each proposal may be evaluated carefully, business scenarios, especially negative or worst-case scenarios, need to be considered more thoroughly. I hope research and analysis at the evaluation stage will be carried out in more depth and detail to ensure that we're not just making plans without considering their outcomes.



Kazuyoshi Hasegawa
Standing Corporate Auditor

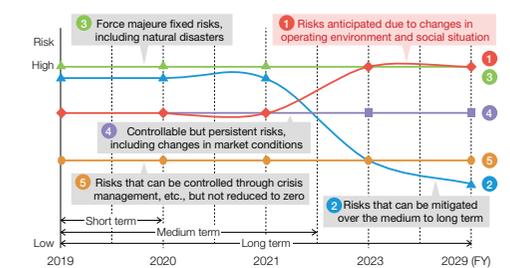
Principal Measures Implemented in FY2019 to Strengthen Our Risk Management

Strengthening Risk Management

Strengthening management of medium- to long-term operating risk

In recent years, change in our business environment is accelerating, and it is likely that future changes are bigger than any so far. To achieve sustainable growth, it will be important to identify and evaluate risk from a medium- to long-term standpoint and initiate necessary measures at an early stage. In fiscal 2019, we established a time axis as a risk assessment indicator for each operating company and business division as we work to build a risk management system from a medium- to long-term perspective.

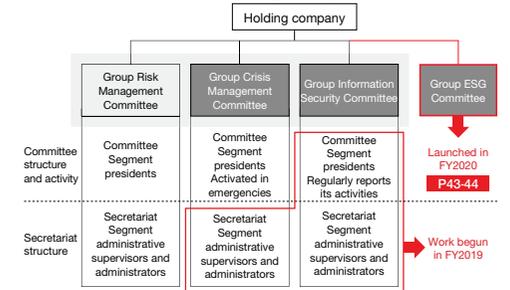
Risk evaluation sheet sample (to be completed by operating companies and divisions)



Strengthening our crisis management system

Risks are now emerging that cannot be predicted precisely, including increasingly severe natural disasters and the spread of global pandemics such as Covid-19. To cope with these risks across the group promptly and flexibly, we are undertaking to strengthen our systems. The Group Crisis Management Committee worked to bolster systems to cope with internal crises, natural disasters and other risks. In addition, group policies regarding information security were updated, and a new forum has been established to report on activities of the Group Security Committee. To strengthen information exchange within the group and collaboration at the administrative level, secretariats were established in both committees as subordinate organizations and staffed with administrative personnel.

Strengthening our group crisis management system



Covid-19 Risk Mitigation

The global spread of Covid-19 has been continuing since January 2020. In early February, the DyDo Group's Crisis Management Committee began meeting several times a week. The Secretariats Committee is hosting discussions concerning how to cope with the pandemic, centering on directors responsible for risk management for the DyDo Group and DyDo DRINCO, which have their headquarters in the same location. Response measures thus decided are shared immediately with group companies and put into effect. In addition, information from each group company, including international subsidiaries, concerning their immediate environment and operations (conditions in each operating territory, sales activities or procurement situation, etc.) is immediately shared with the secretariats. This information is reported to the directors by the secretariats as appropriate. With respect to mitigation measures, secretariat opinions are provided to management so that policies can be determined expeditiously. This facilitates a prompt group-wide response.

Activities to Inculcate the Group Code of Conduct to Strengthen Group Governance

As the DyDo Group's scope of business expands, we are hiring more non-Japanese citizens. In order to ensure that all of our employees adhere to the same principles of conduct, and to enable them to engage in conduct that will help realize the Group Philosophy, we formulated the Group Code of Conduct in January 2019. The Group Code of Conduct is also included in the Compliance Guidebook distributed to all employees, and to facilitate dissemination of the code, study groups centering on secretariat members are being held. In fiscal 2019, study groups were held 42 times in total in different locations throughout Japan for employees of DyDo DRINCO and DyDo Business Service (Domestic Beverage Business),

DAIDO *Yakuhin* (Pharmaceutical-related Business), and Tarami (Food Business). Nearly all employees (more than 1,000) participated. The Code of Conduct consists of 19 articles, and the study groups selected articles for discussion that focuses on confirming and sharing what one can do now, where one is lacking, and which ways of thinking need to be strengthened. The groups also enhanced awareness of the connection between personal conduct and the conduct of business. In fiscal 2020, the scope of these study groups will be extended to group companies involved in the Domestic Beverage Business and others, with an aim of awareness enhancement through continuous dissemination activities.

Governance

Business Risks

The risks identified and assessed by the Group Risk Management Committee in fiscal 2019 that may have a negative impact on the group's results and financial position as well as the extent of their influence are detailed below. Further, the risks listed below have changed relative to fiscal 2018, in terms of probability of occurrence and potential impact, due to changes in the business environment.

	Production and distribution system	Likelihood ↑	In addition to pressure on the distribution system, the Domestic Beverage Business faces risk that the number of production lines capable of producing DyDo Group products may decline due to changes in facilities investment plans of partner production plants to which we have contracted production
	Environmental compliance	Impact ↑	The impact of increased social awareness of environmental issues has been having an increasing impact on each of our businesses, and plastics-related issues have become a major challenge, not only for the Domestic Beverage Business but also for the Food Business
	Corporate takeovers and business/capital alliances	Likelihood ↑	Among the investments we have made to achieve future growth are some that require review with respect to their future direction. While these investments have a relatively small impact on the group overall, we have determined that the probability of their having an impact on our management performance, etc., is increasing
	Legal and other restrictions	Impact ↓	Response to legal changes affecting the International Beverage Business is largely complete

		Impact of revealed risks on business performance, etc.	
		Management strategy issues	Impact
	Securing and developing personnel	<ul style="list-style-type: none"> Securing personnel to operate vending machines and production plants for each business Securing personnel with specialist expertise and experience in growth areas 	<ul style="list-style-type: none"> If continuous employment is hindered, sales and growth strategies for existing businesses will be negatively impacted
	Management and control of overseas subsidiaries	<ul style="list-style-type: none"> Prompt response to problems and phenomena that cannot be anticipated, including changes in laws, systems, and business environments in international territories we have entered and to which we are exporting, differences in commercial culture, and the risk of foreign exchange rate fluctuations 	<ul style="list-style-type: none"> Losses arising from impairment or business withdrawal Medium- to long-term impact on international business strategies
	Corporate takeovers and business/capital alliances	<ul style="list-style-type: none"> Development of a second major source of revenue in non-beverage businesses through investment strategies including corporate takeovers and business/capital alliances Specific risks associated with new business areas and markets 	<ul style="list-style-type: none"> Inability to identify investment opportunities, inability to realize initial expectations of investment performance After investment, impairment loss realized when plan does not progress as expected
	Focus and reliance on the vending machine channel	<ul style="list-style-type: none"> Sales ratio of the vending machine channel for the Domestic Beverage Business is significantly higher than the industry average and fixed management costs are high Declining number of vending machines due to shortages of operations personnel Declining sales per machine due to an increase in the number of convenience stores and other competing retailers 	<ul style="list-style-type: none"> Reduced income from Domestic Beverage Business, which accounts for a large proportion of sales, can easily affect overall group operating profit
	Market competition	<ul style="list-style-type: none"> Apparently limited medium- to long-term growth prospects for the Domestic Beverage Business market Increasing number of players: spread of e-commerce, accelerating increase in drug store outlets 	<ul style="list-style-type: none"> Drop in prevailing market prices, increase in sales promotion costs
	Procurement of ingredients and materials	<ul style="list-style-type: none"> Coffee beans, a major production input, are susceptible to impact from market changes and foreign exchange rate fluctuations Unstable exchange rate and high risk of changes in procurement costs in Turkey, a major international business territory 	<ul style="list-style-type: none"> Market environment may not allow recovery of costs through sales prices
	Production and distribution system	<ul style="list-style-type: none"> Flexible response made possible by diversified production among partner production plants nationwide and diversified distribution 	<ul style="list-style-type: none"> Number of production lines may fall subject to partner facilities investment plan Pressure on distribution due to personnel shortage, risk of steep distribution cost increase
	Quality control system	<ul style="list-style-type: none"> Product responsibility for beverages and food that customers consume 	<ul style="list-style-type: none"> A major distribution or other type of accident, including product contamination with foreign objects or substances, quality problems, or labeling problems, could cause an extremely serious problem, however unlikely
	Environmental compliance	<ul style="list-style-type: none"> Stance on efforts to address environmental issues impacts customer choice of products and services Investigation of containers and packaging that address the global problem posed by plastic waste in the ocean Rationalization of energy use and strengthening of laws and regulations to combat global warming, etc. 	<ul style="list-style-type: none"> Increase in costs to cope with tightened regulations or tightened container and packaging standards Loss of water resources caused by climate changes, impact on coffee beans and other ingredients and materials Emergence of heightened physical risk, including damage to production plants by large-scale natural disasters
	Other risks	<ul style="list-style-type: none"> Changes in economic conditions, changes in external factors including laws and regulations Issues relating to management of customer data and to compliance 	

Impact	1 Extremely rare	2 Unlikely	3 Moderate	4 Frequent	5 Daily
5 Extreme impact			<ul style="list-style-type: none"> Quality control system Management and control of overseas subsidiaries Focus and reliance on the vending machine channel Environmental compliance 	<ul style="list-style-type: none"> Securing and developing personnel Market competition Procurement of ingredients and materials Production system 	
4 Significant impact				<ul style="list-style-type: none"> Corporate takeovers and business/capital alliances 	
3 Moderate impact			<ul style="list-style-type: none"> Legal and other restrictions (legal changes, etc. with major impact on sales and profit) 		
2 Minor impact					
1 Non-material impact					

Likelihood and likely timing of revealed risk, measures to mitigate said risk			
	Risk of occurrence	Mitigation measure	Related page(s)
High	<ul style="list-style-type: none"> Possibility of medium- to long-term labor shortages due to changes in population dynamics 	<ul style="list-style-type: none"> Strengthen personnel management system Enhanced productivity in existing businesses Activate the organization by hiring experienced career professionals 	P 62
Medium	<ul style="list-style-type: none"> Conditions existing in Malaysia, Russia, and China that require close business monitoring 	<ul style="list-style-type: none"> Ensure stable profitability for our Turkish business, a mainstay of our international business, by expanding exports to neighboring countries Bolster holding company business management and risk management systems 	P 64
High	<ul style="list-style-type: none"> We are actively seeking acquisition opportunities, as such we are continuously monitoring risks 	<ul style="list-style-type: none"> Continuous corporate governance improvement, beginning with evaluation of the Board of Directors' effectiveness 	P 47-48
Medium	<ul style="list-style-type: none"> Vending machine numbers are declining for the industry as a whole, and the competitive environment is increasingly challenging 	<ul style="list-style-type: none"> Promotion of efforts to place vending machines where they can be expected to produce stable sales Increase sales per machine with optimized product lineups Reduction of fixed costs through enhanced productivity of vending machine operations Reduce dependence on vending machines by establishing a second major source of revenue 	P 7-8 P 39
High	<ul style="list-style-type: none"> The competitive environment in the beverage market is changing rapidly, including the appearance of coffee in new types of plastic bottles, and increased sales promotion costs associated with in-store distribution in chain stores 	<ul style="list-style-type: none"> Expand our range of products and services offering delicious taste and health Optimize product lineups that suit the characteristics of vending machine location 	P 23 P 35-36
High	<ul style="list-style-type: none"> Product market risk and foreign exchange rate fluctuation risk are always present 	<ul style="list-style-type: none"> Undertake to stabilize procurement pricing by locking in future pricing with domestic coffee roasters Promote detailed procurement strategy for each ingredient and material 	
High	<ul style="list-style-type: none"> We expect distribution costs to keep rising for the present due to changes in social conditions 	<ul style="list-style-type: none"> Pursuing optimization through Shibusawa DyDo Group Logistics, a joint venture established with Shibusawa Warehouse 	P 41
Low	<ul style="list-style-type: none"> Our comprehensive mitigation system minimizes risk 	<ul style="list-style-type: none"> Domestic Beverage Business: maintain safe, reliable production and forwarding system through stringent quality control and evaluation system for own-company and partner production plant subcontractors Pharmaceutical-related and Food Businesses: acquire ISO 9001 and FSSC 22000 certifications Expand number of production lines 	P 21-30
Medium	<ul style="list-style-type: none"> Awareness of threats to the global environment heightens year by year Natural disasters are trending toward greater intensity 	<ul style="list-style-type: none"> Established a Group ESG Committee Summarize medium- to long-term challenges resulting from changes in our business from an ESG perspective Promote ESG management 	P 37-38
		<ul style="list-style-type: none"> Create risk map with analysis of degree of impact and likelihood of occurrence; revise regularly Reconfirm major risks, based on changes in environment, and promote risk management by implementing mitigation measures 	P 50

We will monitor developments closely and consider appropriate counter-measures.

The domestic and international economic slowdown in 2020 as a result of the Covid-19 pandemic may have a significant impact on the DyDo Group's management results.

Governance
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.



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



Director and Corporate Officer
Naoki Tonokatsu

Profile
Mar. 1986 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.



Director and Corporate Officer
Naoyuki Nishiyama

Profile
Mar. 1988 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.



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 six 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



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.
Mar. 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. 1986 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
Mar. 1983 Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P.C.)
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 (Audit and Supervisory Committee Member)



Independent Outside Corporate Auditor
Shigeyuki Moriuchi

Profile
Oct. 1982 Joined Price Waterhouse Certified Public Accountants Office
Jul. 1998 Senior Partner at Aiyama Audit Corporation
Oct. 2005 Director and Senior Partner at ChuoAoyama Audit Corporation
May 2007 Senior Partner at KasumiGassai Audit Corporation (currently Grant Thornton Tokyo LLC)
Jan. 2010 Managing Partner at KasumiGassai 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. Shigeyuki 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.

Important Concurrent Posts

Outside Director (member of Auditing Committee, etc.) at Koshidaka Holdings
Outside Audit & Supervisory Board Member at Kato Sangyo Co., Ltd.



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

Corporate Officer and CEO of Turkey Business

Tadashi Sakashita

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**
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**)

* 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

(as of April 16, 2020)