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Overview of the Results of an Evaluation of the Effectiveness of the Board of Directors

DyDo Group Holdings is dedicated to realizing sustained growth while increasing its corporate value over the medium and long term, and to that end the company has established the Group Mission 2030. The Mid-term Business Plan 2021, a three-year plan conceived to facilitate the realization of that vision, has entered its final year against the backdrop of significant upheaval in the business environment due to social change stemming from the COVID-19 pandemic.

This release summarizes the results of a recent evaluation and analysis of the effectiveness of its Board of Directors in light of those goals.

1. Analysis/Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, during the period between December 2020 and February 2021, all directors and auditors carried out a self-evaluation survey, and individual interviews were carried out by the Secretariat of the Board of Directors.

After that, at a meeting of the Board of Directors that was held on March 4, 2021, in addition to analyzing the results of the self-evaluation surveys, and in an attempt to enhance awareness regarding present problems, constructive discussions were held regarding these matters and future efforts to realize a higher level of effectiveness for the Board of Directors.

2. Evaluation items

The self-evaluation form used the following headings to facilitate a review of the nature of discussions held by the Board as well as how the body dealt with issues over the last year.

- (1) Agenda and operations of the Board of Directors
- (2) Operations of the Board of Directors over the medium and long term in light of the Group Mission 2030
- (3) Other (issues related to the strengthening of governance structures, etc.)

3. Overview of Analysis/Evaluation Results

A discussion based on our analysis of the self-evaluation results concluded that the Board of Directors is functioning effectively.

Improvements in Board of Directors operations during FY2020

The Board of Directors sought to improve materials provided to directors in a number of ways, for example by including supplemental explanations of progress in important KPIs in our Domestic Beverage Business, which is one of the Group's core businesses, and of points of discussion at the Management Committee and other bodies. It also worked to expand availability of information that contributes to ongoing monitoring of our approach to key management issues, for example by creating regular opportunities for reporting on progress in implementing our human resources strategy, and it held a series of discussions on criteria for exiting certain businesses.

With regard to deliberation of important matters, the Board sought to stimulate discussions, for example by convening meetings to facilitate the exchange of views in advance of Board meetings so that outside directors and auditors can better communicate with the directors who execute the company's operations.

With regard to discussions related to more highly specialized business domains, directors affirmed the need to provide sufficient and thorough explanations in advance of meetings and to appoint outside executives with extensive experience and expertise in specialized domains in the future.

The Board also identified the following issues, which will need to be overcome in order to further strengthen its function and effectiveness going forward:

- (1) The Board needs to create new opportunities for communication and further deepen discussions on the nature of the company's business portfolio and on the direction of its investment strategy as the company prepares to formulate the next mid-term business plan.
- (2) The Board needs to ensure appropriate oversight of the status of initiatives related to the hiring, retention, and training of human resources with the skills necessary to implement the succession plan that will orchestrate the transition to a new generation of executive leadership and the company's international business strategy.
- (3) In addition to working to strengthen management and auditing structures to accommodate the expansion of our international businesses, the Board needs to develop more sophisticated management techniques, for example by establishing KPIs that accommodate growth in our business domains.
- (4) With regard to the composition of the Board of Directors over the medium and long term, we need to continue to study how to appoint even more diverse human resources in response to progress in our management strategy and changes in society.

4. Future Efforts

In an effort to further strengthen its oversight function, the company will propose a resolution appointing new directors that includes an outside director candidate with extensive experience and expertise in the pharmaceuticals industry to the 46th General Meeting of Shareholders, which is scheduled to be held on April 16, 2021. Going forward, we will work to increase the company's value over the medium and long term by pursuing ongoing improvements in corporate governance structures that facilitate transparent, fair, timely, and decisive decision-making.

[Reference] Issues identified last year

Future issues to address in order to boost the effectiveness of the Board of Directors

- (1) Concerning the composition of the Board over the medium and long term, it will be necessary to continue considering appointing an even more diverse group of directors in response to the development of the Company's business strategy and changes in society.
- (2) Concerning materials provided to the Board, there remains room to improve the resources offered to directors, for example by better clarifying key issues in order to further stimulate discussion.
- (3) Concerning the operation of the Board, it will be necessary to enhance opportunities for reporting to, and deliberation by, the Board with regard to important management issues as we seek to increase our corporate value over the medium and long term, including in the hiring and training of human resources, the strengthening of the foundation of our Domestic Beverage Business, and the expansion of our operations in the healthcare domain.
- (4) Concerning deliberation of important issues, it will be necessary to enhance opportunities for directors, operating officers, and outside officers to communicate about operations apart from regular meetings of the Board, which are necessarily subject to time constraints.
- (5) We will also study how to strengthen management structures to reflect the growing importance of international businesses for future growth.