

March 15, 2022

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

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

For the DyDo Group, fiscal 2022 is the first year of the five-year Mid-term Business Plan 2026, which forms the Growth Stage of its moves to bring about the goals of Group Mission 2030, which details the Group's ideals for 2030. As Mid-term Business Plan 2026 began, we discussed medium- to long-term management issues from the perspective of sustainability, and gave strengthening corporate governance as an example of a material issue affecting our organizational foundations.

Taking movements like these into account, we carried out an evaluation and analysis into the effectiveness of the Board of Directors. Here we introduce a summary of the results.

1. Analysis/Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, during the period between December 2021 and March 2022, 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 15, 2022, 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 FY2021

To formulate Mid-term Business Plan 2026, in addition to discussions at the Board of Directors, there were separate opinion exchanges for topics such as human resources strategy and international business strategy. Moreover, we have had an outside director with a wealth of experience and knowledge about the highly specialized medical-use pharmaceuticals business give medical study seminars. In these and other ways, we have worked to invigorate communication between outside directors and auditors and the directors responsible for executing management duties, and to enhance debates.

In August 2021, we established the Nominating and Compensation Committee, more than half of the members of which are independent outside directors. Through this committee and other measures, we are putting in place systems that appropriately oversee initiatives related to succession plans for the next generation of executive leadership and securing personnel.

Furthermore, with regard to investment in the orphan drug business, our new business sector, we have made it clear that we recognize the need to enhance deliberations based on more detailed information, considering the importance of the sector.

Moreover, the future issues that relate to bolstering the functions of the Board of Directors and further improving its effectiveness, are as follows:

- (1) We are promoting greater understanding by outside directors of our businesses by having them visit and monitor worksites and other measures. We also have face-to-face discussions when making important suggestions. Through these and other effective hybrid management methods that take into account living with COVID-19, we will further enhance deliberations.
- (2) We will collaborate with the Nominating and Compensation Committee to strengthen human resources strategy, such as cultivating the next generation of executive leadership and promoting diversity.
- (3) We will promote more detailed management reference documents, including those related to ROIC, which we have newly set as a financial KPI.
- (4) We will appropriately oversee initiatives and the status of major KPIs related to sustainability issues—those issues considered material issues—that impact on our realization of the goals of Group Mission 2030.
- (5) In the orphan drug business, we will appropriately monitor the progress of existing drug development seeds and carry out sufficient discussions as a prerequisite before deciding on investments.

4. Future Initiatives

In order for us to further strengthen the oversight functions of the Board of Directors, we decided to put forward director selection proposals, including a candidate for appointment as a new outside director who has a wealth of experience and knowledge of personnel development, at the 47th Annual General Meeting of Shareholders (scheduled for April 15, 2022). If these proposals are approved, more than half of the members of the Board of Directors will be independent outside directors (four of seven).

Going forward, we will continue to work on continuous improvements to our corporate governance, which is the system by which we are able to make decision-making transparent, fair, quick, and decisive. This will tie in to our efforts to raise corporate value in the medium to long term.

[Reference] Issues identified last year

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

- (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.