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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 2023 and March 2024, 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, 2024, 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 analysis of the self-evaluation results for all corporate officers concluded that the Board of Directors demonstrated adequate supervisory functions and has achieved a high level of effectiveness.

Improvements in Board of Directors operations during FY2023

In FY 2023, the Board of Directors regularly managed the progress of ROIC, a financial KPI of the Mid-Term Business Plan 2026. In addition, the Board of Directors held a free discussion meeting to exchange opinions on the medium- to long-term strategy of the Domestic Beverage Business, and held active discussions. The Material Issues of "Group Mission 2030" was discussed from various perspectives, particularly with regard to human capital management, based on the diverse experience and expertise of the outside directors.

In addition, we have made efforts to promote understanding of the Group's businesses and agenda items through site visits to subsidiary offices for outside directors and outside corporate auditors and video explanations of some agenda items in advance, thereby enhancing discussions at the Board of Directors meetings.

On the other hand, it was recognized that further deliberations should be conducted to optimize the business portfolio in order to improve the capital efficiency of the group as a whole.

In addition, it was shared that future challenges to strengthen the functions of the Board of Directors and further enhance its effectiveness are as follows.

- (1) To further enhance the discussion of important agenda items
- (2) Discuss the business portfolio and allocate management resources appropriately
- (3) To promote further penetration of ROIC as a financial KPI and to promote management with an awareness of cost of capital and profitability
- (4) Strengthening the Company's commitment to Material Issues, with a focus on Governance and Diversity, and providing appropriate oversight of these efforts

4. Future Initiatives

The director selection proposals that we have decided to put forward at the 49th Annual General Meeting of Shareholders (scheduled for April 16, 2024) were chosen from the viewpoints of maintaining an appropriate number of members of the Board of Directors to facilitate effective discussions, continuously strengthening the board's management functions, securing diversity, and ensuring management is transparent and sound, including a new candidate for outside director who has extensive experience and knowledge in global business strategy and management support. If these proposals are approved, more than half of the members of the Board of Directors will be independent outside directors (four of seven).

To achieve the goals of Group Mission 2030, we are working to make continuous improvements to corporate governance, which is the system by which we are able to make decision-making transparent, fair, quick, and decisive, based on viewpoints of inside directors, who are well-acquainted with the business, and the wide range of knowledge possessed by outside directors, who can offer objectivity. Doing so will lead to sustainable growth and improve corporate value in the medium and long term.

[Reference] Issues identified last year

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

- (1) Further enhancing deliberations of important issues for the Board of Directors between directors responsible for business execution, outside directors, and outside auditors.
- (2) Discussing medium- and long-term strategies for the Domestic Beverage Business—the core of the DyDo Group's cash flows—and also supervising progress of major measures and KPIs appropriately.
- (3) Promoting management focused on capital efficiency by ensuring everyone is aware of ROIC, one of our financial KPIs.
- (4) Overseeing initiatives related to material issues, and the status of major KPIs, that impact on our realization of the goals of Group Mission 2030 appropriately.