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DyDo Group Holdings, Inc.

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This document describes the Company's approach to corporate governance.

I. Basic approach to corporate governance, capital structure, corporate attributes, and other general information

1. Basic Approach

Taking into consideration the provisions and spirit of the Corporate Governance Code issued by the Tokyo Stock Exchange, we have formulated a Basic Approach to Corporate Governance that our basic approach and policies in the area of corporate governance in order to facilitate sustained growth and improve our corporate value over the medium and long term.

[Basic Policy]

1. Basic Approach to Corporate Governance

"DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges."
Our corporate philosophy inspires us in our ongoing quest to ensure proper, upstanding business practices and rigid compliance with relevant laws and regulations. It motivates us to constantly improve management efficiency and transparency, and to promote the group's mutual benefits with all of our stakeholders, including our customers, our employees, our business partners, our communities, and our shareholders. It is the very cornerstone of our corporate governance, which is geared toward generating sustainable growth and improving corporate value over the medium- to long-term.

[DyDo Group Philosophy]
DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges.

[DyDo Group Vision]

Together with customers
We are always offering high-quality products with added surprise to deliver distinctively DyDo taste and wellness to customers.

Together with society
We are committed to building a rich and vibrant society through "All DyDo" product development and corporate activities involving the entire group.

Together with future generations
We create "DyDo standards" for future generations that go beyond current frameworks and values.

Together with people
We uphold a tireless "DyDo challenging spirit" to bring happiness to all people whose lives are touched by the DyDo Group.

Our core business is Domestic Beverage Business and, as approximately 85% of those sales come from vending machines in the local community, it is fair to say that our products are familiar parts of consumers' everyday lives. Moreover, our operations are conducted under a "fabless management" system, which means we have no plants of our own and instead outsource work in close cooperation with producers and distributors nationwide to make and deliver products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have about 280,000 vending machines around Japan, which are maintained by DyDo Group employees and the DyDo Vending Partner Association (vending machine operators that handle DyDo products).

It is a rather unique business model that depends on the trust of our stakeholders. As such, we believe "happiness and prosperity together with people and society as a whole" is more than just a nice phrase for a corporate philosophy—it is our duty, and the overriding objective of our business activities. To that end, our "dynamic efforts" are founded on 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.

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

(1) Securing the rights and Equal Treatment of Shareholders

At the DyDo Group, our corporate philosophy guides us to work in close partnership with a broad range of stakeholders. For instance, we endeavor to effectively secure the rights of our shareholders, and to prepare an environment in which they can exercise those rights appropriately.

(2) Appropriate Cooperation with Stakeholders Other Than Shareholders

We are keenly aware that our efforts to generate sustainable growth and improve corporate value over the medium- to long-term (as enshrined in our corporate philosophy) are reliant on the valuable resources and contributions of a broad spectrum of stakeholders, including our customers, our employees, our business partners, and our communities. Moreover, we are proud to work in close partnership with our stakeholders, and we proactively incorporate their feedback into the running of the DyDo Group. The executives and board of directors are charged with leading the creation and maintenance of a corporate culture that demands respect for the rights and positions of stakeholders and firm adherence to corporate ethics.

(3) Ensuring Appropriate Information Disclosure and Transparency

In line with our policy of transparency, fairness, and long-term focus, we provide shareholders, investors, and all other stakeholders the information they need to make informed decisions. This includes information on our companies' finances, business performance, management strategies and issues, risks, and other matters relating to governance. Indeed, we consider our legal obligation to disclose pertinent information promptly and appropriately to be a serious matter. In addition, however, we are also eager to publish information that encourages correct understanding of the DyDo Group to the furthest possible extent.

(4) Responsibilities of the Board

The board of directors seeks to discharge its responsibility and accountability to shareholders by pursuing a three-pronged strategy for consistent improvement of the group's earning power and capital efficiency so as to achieve sustainable growth and improve corporate value over the medium- to long-term. Those three facets are: 1) set the direction for implementation of the group's corporate strategy; 2) establish a platform for executives to take calculated risks; and 3) institute effective, independent, and objective oversight of executives and directors.

(5) Dialogue with Shareholders

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

[Reasons for not implementing certain principles of Japan's Corporate Governance Code]

Supplementary Principle 1.2.5
Treatment of institutional investors who own shares in the name of a trust bank (*shintaku ginko*) and/or custodial institutions and express a wish in advance to exercise their voting rights at the General Meeting of Shareholders

Because voting rights at the General Meeting of Shareholders are held by entities that are included in or registered on the list of shareholders as of the date of record, we do not allow institutional investors who own shares in the name of a trust bank or other institution to attend, exercise their voting rights at, or pose questions at the General Meeting of Shareholders.

Due to the large number of administrative issues associated with implementation of this principle, we have decided to study it in the future after clarifying future trends.

Supplementary Principle 4.1.3
Succession planning for positions such as president

Since assuming the position in April 2014, Tomiya Takamatsu, the Company's president, 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.

The business environment in which the beverage industry operates has been undergoing dramatic change in recent years, and we find ourselves facing extremely challenging conditions as we strive to increase earnings despite a domestic beverage market that is unlikely to experience significant growth due to factors such as Japan's shrinking and aging population. In order to deal with such abrupt changes in the business environment while achieving sustained growth and increasing corporate value over the medium and long term, we believe that having an executive team from the founding family, which remains a large shareholder, take the reins in an effort to improve transparency while maintaining structures that facilitate prompt and decisive decision-making serves the common benefit of shareholders.

Reflecting that belief, we do not currently have a specific succession plan for positions such as president. However, in keeping with our recognition that the cultivation of corporate officers and management positions that support the Company's executive team is an important task if we are to achieve sustained growth and increase corporate value over the medium and long term, we launched DyDo Innovation Academy, a training program dedicated to fostering the development of the next generation of executives, in FY2016, and we are committed to pursuing a systematic and forward-looking program of human resources development.

Supplementary Principle 4.8.2
Election of a head independent external director

Two of the six positions on our Board of Directors are occupied by independent external directors, but we do not elect a head independent external director.

In addition to the support offered to external directors by the Board of Directors Secretariat to facilitate clear communication and coordination with the rest of the Company's executive team, we foster collaboration with auditors and the *Kansayaku* Board by means of such measures as regular meetings that are attended exclusively by independent external officers.

Supplementary Principle 4.10.1
Establishment of a voluntary advisory committee

Two of the six positions on our Board of Directors are occupied by independent external directors in order to increase the accountability of the executive team and increase transparency, and important matters such as executive and director appointment, stepping down, and compensation require the approval of the Board of Directors, on which these independent external directors sit. While we have not established any voluntary committees or other bodies, we do ensure the participation and advice of independent external directors as appropriate when the Board of Directors deliberates such important matters.

Principle 5.2
Establishing and Disclosing Business Strategy and Business Plan

"Challenge the Next Stage," our medium-term business plan that ends in FY2018, sets forth four challenges: "Challenge to grow existing businesses," "Challenge to enhance product strength," "Challenge to expand overseas businesses," and "Challenge to establish new business foundations."

That plan also identifies consolidated sales of 200.0 billion yen and an operating margin of 4% as medium-term business targets that express our goals in terms of growth and profitability in the simplest possible manner.

While we have not established or announced a specific target for capital efficiency, we have identified ROA and ROIC as indicators of investment efficiency following our transition to a holding company structure on January 21, 2017, in order to augment the sales and operating margin indexes that we've used as management indicators in the past. In addition, we're working to improve the Group's overall profitability and efficiency by clarifying the capital efficiency of individual group companies and developing indexes whose reach extends to individual employees.

Furthermore, we're working to achieve additional improvements in capital efficiency by giving priority to strategic business investments in the allocation of internal reserves and pursuing initiatives to establish new business domains that are characterized by high profitability and growth potential in such areas as health care.

[Disclosures in accordance with the principles of Japan's Corporate Governance Code] Updated

Principle 1.3
Basic Strategy for Capital Policy

Our basic approach to capital policy is to maintain and continue the stable allocation of capital in the challenging business environment in which the Company operates while working to ensure effective use of capital and financial soundness. We give priority to strategic business investments with the potential to lead to sustained profit growth and improved capital efficiency in the allocation of internal reserves, and we have no specific plans concerning the acquisition of treasure stock at the current time.

In addition, a proposal to allocate retained earnings to fund contributions to the communities in which we operate is proposed and approved at every General Meeting of Shareholders as a way for the Company to contribute to community-oriented programs in keeping with the Group Corporate Philosophy of achieving happiness and prosperity together with people and society as a whole. Going forward, we will continue to give something back to the Company's stakeholders on a consistent basis.

Principle 1.4
Cross-Shareholdings

(Policy on cross-shareholdings)

We may establish strategic stakes in important stakeholders such as business partners or companies with which we have entered into operational alliances in keeping with a basic approach of achieving sustained growth and increasing corporate value over the medium and long term while pursuing mutually beneficial relationships with stakeholders.

Examples include situations where we stand to gain stable and sustained cash flow by maintaining a good relationship over the medium and long term because a partner can offer a large number of favorable vending machine locations, or where an operational alliance would contribute to efforts to increase corporate value over the medium and long term. We clearly identify the purpose of each new stake and then regularly verify its status following acquisition.

(Standard on exercising voting rights deriving from cross-shareholdings)

We do not have a single, overriding standard concerning the exercise of voting rights deriving from cross-shareholdings, but rather make determinations on a case-by-case basis according to whether exercising those rights would contribute to the common benefit of shareholders.

Principle 1.7
Related Party Transactions

To prevent directors, auditors, corporate officers, and other company officials and major shareholders

from abusing their positions by engaging in transactions that harm the interests of the Company or its shareholders, competition and conflict of interest transactions with officers and corporations that are substantially controlled by officers must be deliberated and decided by the Board of Directors. In addition, affected officers may not participate in those deliberations and decisions.

Investigations to identify any transactions with directors, corporate auditors, or their close relatives are documented, and any results including material information, are reported to the Board of Directors. Furthermore, the Company discloses transactions between related parties in accordance with the Companies Act, the Financial Instruments and Exchange Act, and rules imposed by the Tokyo Stock Exchange.

Principle 3.1
Full Disclosure

i) Company objectives (e.g., business principles), business strategies and business plans;

The Group has been pursuing “Challenge the Next Stage,” a medium-term business plan that ends in FY2018, in order to achieve additional growth in its corporate value in keeping with the following Group Philosophy: “striving to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges.” We’re working to achieve consolidated sales of 200.0 billion yen and an operating margin of 4% by FY2018 through initiatives that pursue four challenges: “Challenge to grow existing businesses,” “Challenge to enhance product strength,” “Challenge to expand overseas businesses,” and “Challenge to establish new business foundations.”

Market trends in the beverage business have been changing dramatically since the hike in Japan’s consumption tax that took effect in April 2014. It is extremely difficult to operate profitably in the current business environment due to factors including increasingly intense price competition against the backdrop of a growing focus on low prices on the part of consumers, more vigorous negotiations concerning sales promotional activities due to mergers and consolidations affecting distribution chains, and new growth by highly competitive private-label brands.

We believe that group governance that implements transparent, fair, prompt, and decisive decision-making is essential in order to achieve sustained growth in the future and to increase corporate value over the medium and long term as we deal with the rapidly changing business environment. To that end, we have established a series of Basic Approach to Corporate Governance, and we’re working to secure ongoing improvements to our corporate governance.

In addition, we transitioned to a holding company structure as of January 21, 2017, with the goal of continuing to pursue the challenge of increasing corporate value in anticipation of the next generation. Taking achievement of the objectives of our mid-term business plan as one milestone, we will aim to realize sustained growth toward the future, and improve our corporate value in the medium to long term.

ii) Basic Approach and Policy Regarding Corporate Governance

"DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges. "Our corporate philosophy inspires us in our ongoing quest to ensure proper, upstanding business practices and rigid compliance with relevant laws and regulations. It motivates us to constantly improve management efficiency and transparency, and to promote the group’s mutual benefits with all of our stakeholders, including our customers, our employees, our business partners, our communities, and our shareholders. It is the very cornerstone of our corporate governance, which is geared toward generating sustainable growth and improving corporate value over the medium- to long-term.

Our core business is Domestic Beverage Business and, as approximately 85% of those sales come from vending machines in the local community, it is fair to say that our products are familiar parts of consumers’ everyday lives. Moreover, our operations are conducted under a "fabless management" system, which means we have no plants of our own and instead outsource work in close cooperation with producers and distributors nationwide to make and deliver products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have about 280,000 vending machines around Japan, which are maintained by DyDo Group employees and the DyDo Vending Partner Association (vending machine operators that handle DyDo products). It is a rather unique business model that depends on the trust of our stakeholders.

As such, we believe "happiness and prosperity together with people and society as a whole" is more than just a nice phrase for a corporate philosophy—it is our duty, and the overriding objective of our business activities. To that end, our "dynamic efforts" are founded on 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.

Our executive team (consisting of the president and representative director as well as the chairman and director), which consists of members of the family that founded the Company, directs the Company's management through prompt and decisive decision-making, a management stance characterized by a medium- and long-term perspective that is based on stakeholders' positions, and conformity with its members' status as major shareholders of the Company. Their stake totaled about 33% of the Company's shares (as of January 20, 2017) and is exercised through such means as asset management companies under their direct control. In keeping with our recognition that ensuring transparency and fairness in the decision-making process is imperative in order to implement effective corporate governance at the Company, we have chosen to structure the Company as a company with a *Kansayaku* Board. In this organizational structure, auditors have investigative authority under applicable laws and regulations to audit directors' performance of their obligations and responsibilities. By filling three of the four seats on the *Kansayaku* Board with external auditors, we have sought to strengthen the ability of auditors to oversee the Company's management from an independent perspective. Furthermore, we have elected two independent external directors to the Board of Directors since April 2014 in order to incorporate outside perspectives into our management and enhance the Board's ability to supervise the Company's operations. In this way, we're working to increase the accountability of top executives and to increase transparency.

As of April 14, 2017, two of the six seats on our Board of Directors are occupied by independent external directors, with the result that independent external directors account of one-third of the Board of Directors.

iii) Board policies and procedures in determining the remuneration of the senior management and directors;

Director compensation consists of base compensation and bonuses, and the base compensation for individual directors is established based on their responsibilities. Bonuses are determined based on the Company's performance during the fiscal year in question. As part of our transition to a holding company structure effective January 21, 2017, we introduced a performance-based incentive program that awards Company shares in proportion to the extent to which performance targets are achieved in an effort to contribute to the Group's sustained growth and increased corporate value over the medium and long term. The performance-based incentive program does not apply to independent directors or the chairman of the Board of Directors, whose positions place them at a remove from the Company's day-to-day operations.

1) Overview of the performance-based incentive program

Under our performance-based incentive program, the holding company (DyDo Group Holdings) contributes funds to a trust that uses those funds to fund purchases of holding company shares. Those shares are then awarded to directors and other officers at the holding company and select subsidiaries based on factors such as the extent to which performance targets are achieved, in accordance with rules governing awards of shares to directors and corporate officers as established by the holding company and those subsidiaries. In principle, directors and other officers at the holding company and select subsidiaries receive holding company shares when they leave the position that entitled them to the awards.

2) Method for calculating the number of shares awarded

Directors and other officers at the holding company and select subsidiaries are awarded points for each business year based on their position and the extent to which performance targets were achieved during each business year in the target period. Points are then converted into shares at the rate of one share of holding company common stock per point. (That conversion ratio is subject to adjustment as deemed reasonable following any stock splits, allotments of shares without contribution, or reverse splits affecting holding company shares, according to the ratios involved and other factors.)

On the last day of March following the end of each business year in the target period, a certain number of points, calculated by multiplying the base point award for each individual's position for the business year that ended that January 20 by a performance-based coefficient calculated according to the extent to which performance targets were achieved, are awarded to directors and other officers at the holding company and select subsidiaries. The performance-based coefficient used in the calculation is itself calculated based on the extent to which each business year's initial consolidated-basis operating income forecast and sales forecast as announced in the financial briefing were achieved. (For FY2018, this calculation will also take into account the extent to which the targets set forth in the medium-term business plan are achieved.) If performance targets are not achieved, a performance-based coefficient of 0.0 is used.

iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and *kansayaku* candidates;

Our policies require the election of individuals who possess extensive knowledge of the Company's operations and who excel in character, knowledge, and energy as candidates for managing director positions, and of individuals who possess specialized knowledge and extensive experience along with the ability to contribute to the enhancement of our corporate governance, for example by offering advice as appropriate concerning decision-making by the Board of Directors from an independent perspective or by providing highly effective supervision of the Company's executive team, as candidates for external director positions. Similarly, our policies require the election of individuals who possess extensive expertise and experience as specialists in areas such as finance, accounting, or law and who can carry out audits from a highly independent and broad perspective as candidates for external auditor positions.

The key consideration in nominations of individuals to fill top executive positions is the ability to exercise strong leadership and direction over the Company's management through prompt and decisive decision-making, a management stance characterized by a medium- and long-term perspective, and consideration of stakeholders' positions.

v) Explanations with respect to the individual appointments and nominations based on iv).

We include a statement of the reasons for which each candidate was chosen in the notice of convocation of the General Meeting of Shareholders.

An explanation of the reasons for which the directors who were appointed as of April 14, 2017, were chosen follows:

Tomiya Takamatsu (reappointment)

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. In addition to playing a key role in the transition to a holding company organization and orchestrating significant reforms in the company's business model, including by rolling out IoT-enabled vending machines, he has focused on laying the foundation for robust future growth, for example by securing new strategic bases overseas. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Tomihiro Takamatsu (reappointment)

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.

Shinji Mori (reappointment; external director)

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 external auditor and for 3 years as an external director. He has taken advantage of that experience to play an appropriate role in further strengthening the oversight function of the Board of Directors by 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.

While Mr. Mori has not participated in corporate management except as an external director at the company and other companies, it has been determined that he can effectively fulfill the responsibilities of the position of external director for the reasons offered above.

* We have submitted filings to the Tokyo Stock Exchange designating Mr. Mori as an independent external director.

Masataka Inoue (reappointment; external director)

Mr. Inoue has a wealth of knowledge and experience in the food industry. He has taken advantage of his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries to play an appropriate role in further strengthening the functions of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective concerning such issues as accelerating the development of the company's business overseas and expanding its business domain. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

*We have submitted filings to the Tokyo Stock Exchange designating Mr. Inoue as an independent external director.

Naoki Tonokatsu (new appointment)

Mr. Tonokatsu has many years of experience and a proven track record in finance. He has played a central role in such aspects of the company's operations as securing funding in order to achieve the goals set forth in the Medium-term Business Plan, and he is working to ensure that the company operates in a healthy and robust manner, including by building stable structures to anchor the Group's overall finances in his current role as general manager of the Finance Department. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Naoyuki Nishiyama (new appointment)

Mr. Nishiyama has broad experience and a proven track record across a wide range of operational areas encompassing the company's overall management, including corporate strategy, strategic investment, and international business. Currently, he offers key leadership to group companies as an executive officer and general manager of the Corporate Strategy Department, in which capacity he is working to develop new businesses and boost profitability. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Supplementary Principle 4.1.1
Scope of authority delegated to the executive team by the Board of Directors

Our Board of Directors is the body with decision-making authority over important matters related to the Company's operations and responsibility for supervising those operations. The specific matters over which it has decision-making authority and the reporting requirements to which it is subject are set forth in our Board of Directors Rules.

The Management Meeting, whose membership consists of full-time directors and corporate officers, serves as an advisory body for the president by proposing policies and plans related to the overall management of the Company and by investigating, researching, planning, managing, communicating, and coordinating the same.

As part of our recent transition to a holding company structure, we transferred authority for certain operations to group companies in order to accelerate decision-making and stimulate robust deliberation about group strategy, business plans, and other topics by the Board of Directors.

We set forth a series of new, specific standards by revising applicable provisions of the Board of Directors Rules, Management Meeting Rules, Management Authority Rules, and other documents in January 2017.

Principle 4.8
Effective Use of Independent Directors

We have elected two independent external directors to the Board of Directors since April 2014 in order to incorporate outside perspectives into our management and enhance the Board's ability to supervise the Company's operations. In this way, we're working to increase the accountability of top executives and to increase transparency.

As of April 14, 2017, two of the six seats on our Board of Directors are occupied by independent external directors, with the result that independent external directors account of one-third of the Board of Directors.

Going forward, we plan to continue to elect at least two external directors. However, we have no specific plans at the present time concerning the percentage of seats that should be occupied by independent external directors due to the need to promote a variety of people from both inside and outside the Company in response to management issues such as the accelerating globalization of our operations and the expansion of our business domain.

Principle 4.9
Independence Standards and Qualification for Independent Directors

We have established the following standards to govern the independence of independent external directors:

1. Candidates may not be a director (except as an external director), auditor (except as an external auditor), corporate officer, or employee of the DyDo Group
2. Candidates may not count the DyDo Group as a major business partner or be a director, auditor, corporate officer, or employee of company that counts the DyDo Group as a major business partner
3. Candidates may not be a major business partner of the DyDo Group or a director, auditor, corporate officer, or employee of a major business partner of the DyDo Group
4. Candidates may not be a consultant, accounting specialist, or legal specialist who receives a large amount of money or other assets apart from officer compensation from the DyDo Group
5. Candidates may not be a trustee, director, auditor, corporate officer, or employee of an organization that receives donations or subsidies in excess of a certain amount from the DyDo Group
6. Candidates must not have fallen under the statuses described in (1) through (5) above at any time during the last three years
7. Candidates must not be a family member of an individual who falls under any of the statuses described in (1) through (5) above. (However, in the case of employees described in [1], the restriction is limited to employees in key roles.)

* In this context, the DyDo Group would be considered a major business partner if the entity's payments or receipts for transactions with the Group totaled 2% or more of the its total annual consolidated sales during the last business year.
* In this context, "a large amount of money" refers to payments averaging 10 million yen or more per year over the last three years (for individuals) or payments averaging 2% or more of the organization's total consolidated sales over the last three business years (for organizations).
* In this context, a family member is a relative within the second degree of kinship, or a cohabitant relative.
* In this context, an employee in a key role is an employee with the rank of general manager or above.
* In this context, "a certain amount" refers to an annual average of 10 million yen over the last three business years, or 30% of the organization's average annual expenditures, whichever is larger.

Supplementary Principle 4.11.1
Approach to the overall balance of knowledge, experience, and skill as well as the diversity and size of the Board of Directors

Our Articles of Incorporation require seven or fewer directors and four or fewer auditors. Currently, our Board of Directors consists of six seats. We believe this size maintains the potential for meaningful deliberation while bringing together members with different backgrounds in terms of characteristics such as expertise and experience, for example directors who possess extensive knowledge of the Company's businesses as well as external directors who can help enhance the Company's corporate governance by offering highly effective oversight of the executive team and advice concerning appropriate decision-making by the Board from an independent perspective. All directors bring to the table the personal characteristics and diversity needed in order to address the management challenges facing the Company, including growing existing businesses, enhancing product strength, expanding overseas businesses, and establishing new business foundations, and we believe that the current structure of the Board, one-third of whose members are independent external directors, allows us to ensure an additional level of independence and objectivity.

Our Board of Auditors consists of four seats, of which three are occupied by external auditors (and one of which is occupied by a woman). These auditors oversee the manner in which directors carry out their obligations and responsibilities.

Supplementary Principle 4.11.2
Concurrent service by officers of other listed companies on the Company's Board of Directors or *Kansayaku* Board

We disclose information about concurrent service by officers of other listed companies on the Company's Board of Directors or *Kansayaku* Board on an annual basis in notices of convocation of the General Meeting of Shareholders, securities reports, and corporate governance reports.

Currently, one of the Company's two external directors also serves as an external auditor at a listed company.

Supplementary Principle 4.11.3
Analysis and evaluation of the overall effectiveness of the Board of Directors and overview of the results of the same

We have evaluated the effectiveness of the Board of Directors by means of the following analysis/evaluation method since FY2016, and we released an overview of those evaluation results on March 15, 2017.

(1) Analysis/Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, during the period between December 2016 and February 2017, 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, 2017, 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 major items featured in the self-evaluation survey were as shown below.
1) The composition of the Board of Directors.
2) The operation of the Board of Directors.
3) The agenda of the Board of Directors.
4) The framework supporting the Board of Directors.

(3) Overview of Analysis/Evaluation Results

On the basis of the outcome of discussions regarding the analysis of the results of the self-evaluation surveys, the Board of Directors of the Company came to the conclusion that "the Board of Directors is functioning effectively."

- President and Representative Director of the Company, Tomiya Takamatsu, is from the founding family of the Company and is one of the major shareholders of the Company. He demonstrates strong leadership, as evidenced by his mid- to-long term management stance and timely and decisive decision-making skills as he leads the Company.

- The composition of the Board of Directors is such that its ideal size makes it easy to raise and discuss matters, it has a high degree of independence thanks to the fact that 50% of the participants of the Board of Directors are external directors or external auditors (five out of 10), and it can monitor and supervise things effectively from an objective standpoint.

- When discussing important matters, proceedings are carried out while giving respect to the opinions of external directors and external auditors in order to ensure transparent decision-making in the Board of Directors.

There is a shared awareness of the challenges that lie ahead as we seek to strengthen the functions of the Board of Directors and further increase effectiveness.

1) With regard to the composition of the Board of Directors, we will appoint an even more diverse range of personnel as we push forward with our management strategy to accelerate business development overseas and expand our fields of business.

2) With regard to the agenda of the meeting of the Board of Directors, we will refine discussion items and further deepen constructive discussion regarding the major directions of our corporate strategy as part of our Group management, and decide how best to handle risk amidst the increasing requirements of our overseas business operations.

3) With regard to the operation of the Board of Directors, there is room for improvement in the way in which information is provided to external directors, the way in which time is allocated for discussion of matters according to their relative importance, and the way in which information is selected and explained.

(4) Future Efforts

In addition to making the transition to a holding company structure on January 21, 2017, in order to streamline decision-making, our Group has delegated authority to each of the individual businesses. We believe that this will enable us to refine discussion items and further deepen constructive discussion regarding the major directions of our corporate strategy as part of our Group management, and gain a better understanding of how best to handle risk amidst the increasing requirements of our overseas business operations.

In the future, on the basis of the results of the evaluation of the efficiency of the Board of Directors, it is our aim to endeavor to strengthen the functions of the Board of Directors and to further increase its effectiveness, while realizing ongoing growth for the Group and increasing mid-to-long term corporate value.

Supplementary Principle 4.14.2
Policies on the training of directors and auditors

We provide opportunities for directors and auditors, including external directors and external auditors, to gain necessary knowledge about the Company's businesses, financials, organization, and other characteristics and to develop an understanding of the roles and responsibilities of directors and auditors when they assume their positions. We also offer top executives, defined as individuals serving in positions at the corporate officer level and above, opportunities to gain knowledge about corporate legal affairs, accounting, corporate governance, capital markets, and other topics and to keep their knowledge up to date.

Principle 5.1
Policy for Constructive Dialogue with Shareholders

(1) Our Corporate Communication Department, which reports to the president, serves as the point of contact for general dialog with shareholders. Employees of the Corporate Communication Department handle conversations with individual shareholders and investors, with the officer in charge of the department sitting in on meetings as merited by the topic and necessity of such involvement, when the shareholder or investor requests such participation.

(2) The Corporate Communication Department works closely with other involved departments to facilitate smooth dialog with shareholders and investors by holding meetings as necessary. In addition, the head of the department attends meetings of the Board of Directors, Management Meeting, Boards of Directors of important subsidiaries, and other groups in an effort to maintain a timely understanding of information about the Group's management. Furthermore, we hold multiple meetings that are attended by the president and corporate officers with relevant areas of authority, including quarterly financial briefings and briefings on important developments such as mergers and acquisitions, and we carefully study how to best offer easy-to-understand explanations to shareholders and investors.

(3) Means by which we facilitate dialog apart from individual meetings include financial briefings conducted by the president for institutional investors following the end of the second quarter and the end of the fiscal year as well as small meetings that are attended by the president.

In addition, we also focus on pursuing a proactive program of IR activities such as individual visits by the corporate officer in charge of the Corporate Communication Department in order to build smooth relationships with shareholders and investors.

IR activities targeting individual investors include company information sessions through opportunities such as events hosted by brokerage firms and other companies as well as the publication of DyDo

Challenge Tsushin, published twice yearly, is a Japanese-language newsletter that we use as a tool for communicating with shareholders.

(4) We strive to reflect feedback from shareholders and investors in the Company's management by regularly reporting views and concerns that emerge from dialog with shareholders and investors to the Board of Directors and by providing more detailed information to the president as feedback.

(5) We strive to comply with fair disclosure practices by managing insider information during dialog with shareholders and investors in an appropriate manner that conforms with internal rules. Rules require that meetings with individual shareholders and investors be attended by more than one employee, and meeting minutes are shared with top management and division directors. In keeping with our IR policy, we avoid individual meetings with shareholders and investors during quiet periods.

2. Capital structure

Percentage of shares owned by foreigners	Less than 10%

[Major Shareholders]

Shareholder name	Number of shares	Percentage of voting rights (%)
HighWood Co. Ltd.	2,470,800	14.91
Santomi	2,011,600	12.14
Taita Corporation	738,100	4.45
Tomihiro Takamatsu	495,000	2.98
Tomiya Takamatsu	495,000	2.98
Akira Takamatsu	494,000	2.98
Tamon Takamatsu	480,800	2.90
Takamatsu Co., Ltd.	461,050	2.78
Japan Trustee Services Bank, Ltd. (Trust Account)	442,300	2.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	303,700	1.83

Controlling shareholders (except parent company)	--
Parent company	None

3. Corporate attributes

Listed stock exchange and market segment	Tokyo, First Section
End of fiscal year	January
Industry	Foods
Number of employees (consolidated basis) at end of last business year	More than 1,000
Consolidated sales during last business year	From 100.0 billion yen to less than 1 trillion yen
Number of consolidated subsidiaries at end of last business year	From 10 to less than 50

4. Approach to policies to protect minority shareholders in the event of transactions or other dealings with controlling shareholders

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5. Other special circumstances with the potential to have a major impact on corporate governance

On January 21, 2017, the DyDo Group completed its transition to a holding company structure and changed its name to DyDo Group Holdings, Inc.
In addition, the Group transferred its domestic beverage business to DyDo DRINCO, Inc., a wholly owned subsidiary that operated as DyDo DRINCO Split Preparation Co., Ltd., until January 21, 2017.
We will continue taking up the challenge of creating corporate value for the next generation by positioning this transition to a holding company structure as the first step toward rapid growth in the future.

(1) Strengthening group management

By transitioning to a holding company structure, we will strengthen group governance, and clarify the responsibility and authority of each business. As indicators of business management at each operating company, we will establish ROA and ROIC as indicators of investment efficiency in addition to our previous indicators of net sales and operating income ratio, clarify capital efficiency of each operating company, and expand indicators linked to the front lines of business.
In this way, we will strive to improve profitability and efficiency of the group as a whole.

(2) Agile response to expansion of business domains

In order to respond to major changes in the business environment, and realize sustained improvements in profit growth and capital efficiency as a group, we will step up to the challenge of continually increasing cash flow through our core domestic beverage business, and in addition, we feel another key issue will be acquiring new business domains with high profitability and growth potential, such as the healthcare sector, by effectively utilizing the retained profits we have built up. We will put in place a system to enable agile response to M&A strategies, and pro-actively take up new challenges.

(3) Strengthening and nurturing international beverage business

In response to the increasing importance of the international beverage business in our group management, we will establish an International Business Management Department within the holding company, and work to develop business and risk management systems for overseas beverage operating companies. To strengthen and nurture international beverage businesses through synergy with our domestic beverage business, we have decided, for the time being, to adopt a system where the holding company directly supervises international beverage businesses, and we will not establish an international beverage management company as initially planned.

II. Status of management positions related to business decision-making, operations, and oversight and other corporate governance structures

1. Organizational structure, organizational administration, and related information

Organizational structure	Company with *Kansayaku* board

[Board of Directors]

Number of directors as defined in the Articles of Incorporation	7
Term of directors as defined in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of directors	6
Election of external directors	Yes
Number of external directors	2
Number of external directors who have been designated as independent officers	2

Relationship with company (1)

Name	Attribute	Relationship with company*									
		a	b	c	d	e	f	g	h	i	j	k
Shinji Mori	Attorney											
Masataka Inoue	From other company											

* Options to describe relationships with company
* Place a hollow circle in a cell to indicate a current or recent relationship or a hollow triangle to indicate a past relationship.
* Place a solid circle in a cell to indicate a current or recent relationship held by a close relative or a solid triangle to indicate a past relationship held by a close relative.

a. Individual with responsibility over operations at a listed company or the subsidiary of a listed company
b. Individual with responsibility over operations or non-managing director at the parent company of a listed company
c. Individual with responsibility over operations at a fellow subsidiary of a listed company
d. Individual who counts a listed company as a major business partner, or individual with responsibility over operations at an entity that counts a listed company as a major business partner
e. Individual who is a major business partner of a listed company, or an individual with responsibility over operations at such a company
f. Individual who is a consultant, accounting specialist, or legal specialist who receives a large amount of money or other assets apart from officer compensation from a listed company
g. Individual who is a major shareholder of a listed company (if the major shareholder in question is a corporation, individual with responsibility over operations at the corporation in question)
h. Individual with responsibility over operations at a business partner of a listed company (other than [d], [e], or [f] above) (not including close relatives)
i. Individual with responsibility over operations at an entity at which an external director serves in a concurrent position (not including close relatives)
j. Individual with responsibility over operations at an entity that receives donations from a listed company (not including close relatives)
k. Other

Relationship with company (2)

Name	Independent officer	Supplementary explanation concerning compliance	Reason for election
Shinji Mori	○	Mr. Mori serves as an external auditor at Osaka Soda Co., Ltd., and as an auditor at Credit Guarantee Corporation of Osaka. The Company and those entities have no special relationship.	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 external auditor and for 2 years as an external director. Based on that experience, and due to his ability to further strengthen the oversight function of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective, he has been put forward as an external director of the Board of Directors.
Masataka Inoue	○	Mr. Inoue and the Company share no special interests.	Mr. Inoue has a wealth of knowledge and experience in the food industry. Based on his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries, and due to his ability to strengthen the oversight function of the Board of Directors by offering advice and suggestions from an independent perspective concerning such issues as accelerating the development of the company's business overseas and expanding its business domain, he has been put forward as an external director of the Board of Directors.

Voluntary committee equivalent to a nominating committee or compensation committee	None

[Auditors]

Board of Auditors	Yes
Number of auditors as defined in the Articles of Incorporation	4
Number of auditors	4

State of collaboration among auditors, accounting auditor, and internal auditing departments

- In addition to reviewing the accounting auditor's audit plans, auditors assess accounting audit methodology and results and exchange views as necessary by attending the taking of inventory in the field by the accounting auditor and through reports on accounting audit results to the Board of Auditors by the accounting auditor, which are offered at the end of the fiscal year and at the end of interim reporting periods. Full-time auditors attend regular audit meetings, which are held by internal audit departments every three months to report information such as audit results and future audit plans to the president. This arrangement allows them to assess the status of internal audits and internal information related to those audits and to proffer views and make requests as necessary.

- In addition, internal audit departments work closely with the *Kansayaku* Board to point out problem areas and propose improvement measures by auditing the state of individual departments' compliance with laws, regulations, our Articles of Incorporation, and internal rules.

Election of external auditors	Yes
Number of external auditors	3
Number of external auditors who have been designated as independent officers	None

Relationship with company (1)

Name	Attribute	Relationship with company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Taizo Yoshida	Tax Accountant													
Hiroshi Matsumoto	Tax Accountant													
Sachie Kato	Attorney													

* Options to describe relationships with company
* Place a hollow circle in a cell to indicate a current or recent relationship or a hollow triangle to indicate a past relationship.
* Place a solid circle in a cell to indicate a current or recent relationship held by a close relative or a solid triangle to indicate a past relationship held by a close relative.

a. Individual with responsibility over operations at a listed company or the subsidiary of a listed company
b. Non-managing director or accounting councilor at a listed company or a subsidiary of a listed company
c. Individual with responsibility over operations or non-managing director at the parent company of a listed company
d. Auditor at the parent company of a listed company
e. Individual with responsibility over operations at a fellow subsidiary of a listed company
f. Individual who counts a listed company as a major business partner, or individual with responsibility over operations at an entity that counts a listed company as a major business partner
g. Individual who is a major business partner of a listed company, or an individual with responsibility over operations at such a company
h. Individual who is a consultant, accounting specialist, or legal specialist who receives a large amount of money or other assets apart from officer compensation from a listed company
i. Individual who is a major shareholder of a listed company (if the major shareholder in question is a corporation, individual with responsibility over operations at the corporation in question)
j. Individual with responsibility over operations at a business partner of a listed company (other than [f], [g, or [h] above) (not including close relatives)
k Individual with responsibility over operations at an entity at which an external director serves in a concurrent position (not including close relatives)
l. Individual with responsibility over operations at an entity that receives donations from a listed company (not including close relatives)
m Other

Relationship with company (2)

Name	Independent officer	Supplementary explanation concerning compliance	Reason for election
Taizo Yoshida		Mr. Yoshida and the Company share no special interests.	In light of his many years of experience as an accountant, his advanced level of specialized knowledge in finance and accounting, and his extensive knowledge in the field, we consider Mr. Yoshida to be capable of overseeing the Company's auditing operations with a high level of independence and from a broad, overarching perspective.
Hiroshi Matsumoto		Mr. Matsumoto and the Company share no special interests.	In light of his many years of experience as an accountant, his advanced level of specialized knowledge in finance and accounting, and his extensive knowledge in the field, we consider Mr. Yoshida to be capable of overseeing the Company's auditing operations with a high level of independence and from a broad, overarching perspective.
Sachie Kato		Ms. Kato serves as an external director at Yamazen Corporation and at Hisaka Works, Ltd. She and the Company share no special interests.	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.

[Independent officers]

Number of independent officers	2

[Incentives]

Status of implementation of measures related to incentives granted to directors	Introduction of a performance-based compensation program

Supplemental explanation for this item

As part of our transition to a holding company structure effective January 21, 2017, we introduced a performance-based incentive program that awards Company shares in proportion to the extent to which performance targets are achieved in an effort to contribute to the Group's sustained growth and increased corporate value over the medium and long term.

Individuals who are eligible to receive stock option grants	

[Director compensation]

Status of disclosure of individual directors' compensation	We do not disclose individual directors' compensation.

Supplemental explanation for this item Updated

Total compensation by officer type and compensation type; number of included officers

Directors (excluding external directors)	5	179 million yen (basic compensation: ¥160 million; bonuses: ¥18 million)
Auditors (excluding external auditors)	1	13 million yen (basic compensation: 13 million/bonuses: ¥0 million)
Outside directors	6	23 million yen (basic compensation: 23 million yen)

Policies on amount of compensation or the method used to calculate compensation Updated	Yes

Information disclosed about policies on amount of compensation or the method used to calculate compensation

- Compensation for directors is determined by a method that has been approved by the Board of Directors, subject to the scope of total compensation as approved by the General Meeting of Shareholders (not to exceed 280 million yen annually). Compensation for auditors is determined by the *Kansayaku* Board, subject to the scope of compensation as approved by the General Meeting of Shareholders (not to exceed 40 million yen annually).
Our program of retirement benefits for directors and auditors was abolished by the 39th Annual General Meeting of Shareholders, which convened on April 16, 2014. Directors and auditors who continued to serve following the conclusion of that meeting are eligible to receive the retirement benefits they earned during their service before the program was abolished, with the specific amount, timing, method of presentation, and other terms to be determined by the Board of Directors (for directors) or *Kansayaku* Board (for auditors). In addition, the 41st Annual General Meeting of Shareholders, which convened on April 15, 2016, voted to introduce a new performance-based incentive program that awards shares of company stock to directors (except external directors and non-managing directors) starting during the business year that began January 21, 2017. The limits on compensation for directors described above do not apply to this program.

[Support structures for external directors (external auditors)]

・We have structures in place that allow staff members in the Corporate Strategy Department to assist external directors, and staff members tasked with supporting auditors to assist external auditors. Enhancing the extent to which information is provided to external directors and external auditors is an essential precondition for sound debate by the Board of Directors, and we're working to further enhance our capabilities in this regard based on the results of Board of Directors evaluations.

2. Information related to functions such as operations, audits and oversight, director and auditor nominations, and determination of compensation

(overview of current corporate governance structures) Updated

The Board of Directors, which holds regular meetings once a month and extraordinary meetings as necessary, deliberates and makes decisions about important matters related to the Company's operations and oversees Group companies' operations. Two of its six seats are occupied by external directors (as of April 14, 2017), whose function is to offer advice concerning the Company's management and to provide oversight from an independent perspective. Four auditors, including three external auditors, one of whom is a woman, attend meetings of the Board of Directors.

In addition, the Management Meeting, whose membership consists of full-time directors and corporate officers, meets regularly to deliberate important matters and to support prompt decision-making by the president and Board of Directors.

The *Kansayaku* Board consists of one full-time auditor and three external auditors (as of April 14, 2017). In addition to attending important company meetings, including Board of Directors meetings, its members solicit information about the status of operations from leaders of the Group's various organizational entities and oversee the manner in which directors carry out their obligations and responsibilities.

In keeping with the provisions of Article 427 Paragraph 1 of the Companies Act, our external directors and external auditors have entered into contracts with the Company to limit their liability as stipulated by Article 423 Paragraph 1 of the Act. The limits imposed on their liability by these contracts conform to the amounts stipulated by applicable laws and regulations. Those limits are valid only in the event that the external director or external auditor in question exhibits good will in the performance of his or her obligations and responsibilities and does not engage in serious negligence.

We have chosen KPMG Azsa LLG as our accounting auditor to provide advice and guidance concerning the legality and suitability of the Company's accounting and internal controls.

3. Reasons for Selecting the Current Corporate Governance System Updated

We consider transparency, fairness, and equitability in decision-making to be integral factors in ensuring the effectiveness of our corporate governance. To that end, we elected to adopt "company with auditors" status under Japanese corporate law, which essentially means that we appoint auditors who have the authority to audit the directors' execution of their duties. Three of our four auditors are independent of the company, which underscores our dedication to maintaining robust, objective oversight. That intention is further illustrated by our appointment of two independent directors in April 2014 as a means of ensuring better transparency, greater accountability of company executives, and more stringent management supervision as of January 21, 2017, two of six, i.e. one third, of our directors are independent of the company.

In addition, we adopted an executive officer system in March 2012. By delegating the authority and responsibility for discrete parts of the organization to executive officers, not only are we able to keep abreast of changes in the market environment, but we can also maintain a clearer line to customer and stakeholder feedback, which can then be reflected in our business management.

III. Status of implementation of measures related to shareholders and other interested parties

1. Status of initiatives to ensure the relevance and engagement of the General Meeting of Shareholders and facilitate the exercise of voting rights Updated

	Supplemental explanation
Early mailing of notices of the convocation of the General Meeting of Shareholders	Notices of the convocation of the 42nd General Meeting of Shareholders (which will convene on April 14, 2017) were mailed on March 24, 2017. In addition, notices of convocation are published on the Company's website as well as the websites of the Tokyo Stock Exchange and ICJ in advance of mailed notices. (March 17, 2017)
Scheduling of General Meeting of Shareholders sessions so as to avoid conflicts with other such meetings	Our fiscal year ends on January 20, so our scheduling of the General Meeting of Shareholders does not conflict with similar meetings at other companies.
Exercise of voting rights via electromagnetic methods	We introduced the ability for shareholders to exercise voting rights via the Internet, making it possible to vote using a computer, mobile phone, or smartphone.
Participation in electronic voting platforms and other initiatives to improve institutional investors' ability to exercise their voting rights	We began participating in the Electronic Voting Platform operated by ICJ, Inc., and investors can use that platform to cast their votes.
Translation of notices of convocation (summaries) into English	We began translating part of our notices of convocation (including the text of measures being considered by the body) into English, and we publish that translation on the Company's website as well as the websites of the Tokyo Stock Exchange and ICJ.

2. Status of IR activities

	Supplemental explanation	Explanation by president
Establishment and publication of a disclosure policy	We have established an IR policy, and the policy is published on the Company's website.	
Regular briefings for personal investors	Our Information Management Officer holds briefings for individual investors on an ongoing basis. During FY2016, we held a total of 17 such briefings in locations around Japan.	No
Regular briefings for analysists and institutional investors	Our president holds briefings and small meetings for analysts and institutional investors at the end of the fiscal year and at the end of the second quarter, and we provide streaming video of briefings after the second quarter and at the end of the year.	Yes
Publication of IR materials on the website	We make a range of information for investors available on the Company's website, including financial bulletins, securities reports, and financial results materials as well as monthly sales reports, notices of convocation of the General Meeting of Shareholders, notices of measures adopted by the General Meeting of Shareholders (in Japanese only), shareholder newsletters (in Japanese only), and IR news releases. In addition, our website includes pages for individual investors as well as English-language pages to facilitate a deeper understanding of the Company.	
Establishment of an IR department (coordinator)	We have established an IR Group as part of the Corporate Communication Department.	

3. Status of initiatives related to respect for the viewpoints of stakeholders Updated

	Supplemental explanation
Internal and other rules concerning respect for the viewpoints of stakeholders	Our Group Corporate Philosophy requires the Group to strive “to achieve happiness and prosperity together with people and society as a whole.” We have established a CSR Policy to give shape to that philosophy by setting forth our basic stance toward stakeholders. <CSR Policy> Based on our group philosophy of "striving to achieve happiness and prosperity together with people and society as a whole," we are incorporating the voices of our stakeholders into our management and contributing to the realization of an active and enriched society. For our customers "Always offering high quality with added surprise!" Delivering joy and wonder, as well as safety and reliability. For our employees "Offering a dynamic workplace and the fulfilling joy of achievement!" Ensuring effective communication within the company and developing human resources ready to face challenges. For our business partners "Taking on the challenge of the next stage of growth together!" Sharing our management vision and strategies while deepening the bonds of trust with our business partners. For society "Emphasizing the importance of the bonds between people and society!" Contributing to the vitality of local society through our business operations and community activities. For our shareholders "For continued growth in corporate value!" Realizing stable returns through a sound governance system.
Implementation of environmental protection activities, CSR activities, etc.	Based on the idea of achieving happiness and prosperity together, the Group recognizes the role of nature in allowing us to produce the beverages and food products that we deliver to people throughout society. We take our responsibility to pass on a beautiful planet and a rich, healthy society intact to the next generation seriously, and we have made an approach to management that harmonizes our business operations with the natural environment a core part of our environmental policy. We consider it an important responsibility to pass on to the next generation a clean earth and a society full of vitality, so we strive to carry out operations with full consideration for the environment. In addition, we have established the Community Support Fund with the goal of implementing an ongoing program of community service in order to help realize rich and fulfilling local communities through the Group’s development. We adopted an approach that appropriates surplus earnings in this manner so that the fund could go beyond temporary assistance to offer support over the medium and long term in a way that would not be affected by our business performance in any given fiscal year. Furthermore, we support Japanese "MATSURI" Festivals as a way to forge connections with local residents and reinvigorate regional society through festivals. By joining hands with local residents and local governments, we will continue to help build vibrant communities. We provide information about specific CSR initiatives on behalf of all stakeholders, including our customers, employees, business partners, shareholders, and society as a whole to the general public via our website and other means.

Measures such as policies related to information disclosure to stakeholders	We have adopted the following IR policies: 1. IR Action Policy and Goals DyDo Group Holdings strives to achieve happiness and prosperity together with people and society as a whole. Under this group philosophy, we actively undertake two-way communication with all our stakeholders, including our shareholders and investors. This increases understanding of our group and incorporates the voices of our stakeholders as feedback to our management, enabling us to gain a correct appreciation of our corporate value as we aim to be a trustworthy company. 2. Information Disclosure Policy DyDo Group Holdings aims to provide information rapidly, on the basis of transparency, fairness, and continuity, to all our stakeholders, including our shareholders and investors. In addition to information disclosure in accordance with the Companies Act, the Financial Instruments and Exchange Act and other laws, plus the Timely Disclosure Rules of the Tokyo Stock Exchange (TSE), we also strive to disclose information proactively and candidly as far as possible as we believe this will be effective for generating a deeper understanding of DyDo Group Holdings. 3. Important Information and Means of Information Disclosure DyDo Group Holdings takes into consideration the precise candid communication of information by appropriate methods in accordance with the importance and urgency of such, for vital information under the Timely Disclosure Rules of the TSE plus also information not required under those rules but which could have a marked effect on the judgment of investors. For vital information DyDo Group Holdings believes should be disclosed, we first explain it to the TSE, and register it publicly under the TSE Timely Disclosure network (TDnet). Immediately after registering it on TDnet we also provide the same information to news organizations, and post the same documentation on our website without delay. 4. Matters Concerning Performance Forecasts and Future Predictions The plans, future projections and strategies for the DyDo Group stated in the materials we disclose, with the exception of past or current facts, are projections of our future performance, and are based on the judgment and postulations of our management team based on the information available at the present time. Accordingly, the actual performance may differ greatly from these due to unforeseen factors, the economic situation and other risks. 5. Silent Period To protect against leakage of financial information and to ensure fairness, we have set a "silent period" for the thirty days prior to the financial results announcement, where we refrain from answering or commenting on any queries relating to the financial results. During the silent period we also refrain from holding press conferences or having individual meetings with analysts or institutional investors. However, if an important fact that requires disclosure comes up during this silent period, we will disclose such information as required based upon the Timely Disclosure Rules and suchlike. 6. Development and Enhancement of Internal Structure DyDo Group Holdings will operate its IR policy in a proper manner, striving to perform information disclosure of the appropriate information at the appropriate time according to the Timely Disclosure Rules, and will develop and enhance its internal structures for this. DyDo Group Holdings also has internal regulations regarding rules on insider trading and ensures their thorough operation, putting an emphasis on the education of its officers and employees.

Other	[Basic Approach to HR] 1. Recruit diverse personnel who are prepared to boldly take on challenges and are capable of taking responsibility for innovation. 2. Train personnel to increase knowledge and improve skills in order to create and implement a vision and become capable of bringing about innovation. 3. Build an organizational culture and personnel system that promote an ongoing handling of challenges. [Initiatives to respect diversity] Reflecting our respect for diversity of values that transcend gender or gender identity/expression, sexual orientation, age, nationality, disability, and other attributes and our belief that ensuring individual employees can make the most of their abilities allows the company to grow in a sustained manner, we are pursuing the following initiatives: <Promoting hiring of female employees> We work actively to hire and train female employees as one way to secure a diverse workforce. We take a systematic approach to hiring, and 53% of newly hired Group employees during FY2017 were women. <Promoting hiring of disabled employees> As of January 21, 2017, disabled employees made up 2.29% of our workforce. We will continue to work to ensure that each and every employee can build on his or her strengths and abilities while growing together with the Company. <Actively hiring human resources with experience living abroad> We actively hire Japanese and international students who have studied abroad and individuals with experience working overseas in order to promote globalization. As part of those efforts, we participate in career forums held overseas, and we’ve introduced a fall hiring program for graduates of overseas universities.

IV. Internal control systems, etc.

1. Fundamental policies on internal control systems and status of their implementation

We have implemented the following internal control system in accordance with the Companies Act and the Companies Act Enforcement Ordinance.

1. Frameworks to ensure that directors and employees of the corporate group comprised of the Company and the subsidiaries of the Company (the "Group") perform their duties in conformity with laws and regulations and the articles of incorporation

(1) The Group shares as a management philosophy its Group Philosophy and Group Vision, and toward their realization works to observe the Group's code of conduct and corporate ethics including the Compliance Action Guidelines.

(2) The Group establishes and maintains necessary frameworks for the maintenance and monitoring of internal control consistent with the scale and characteristics of the Group.

(3) The Group establishes the DyDo Compliance Hotline ("Hotline") which guarantees that Group employees and corporate officers as well as outsiders will be able to make reports on compliance matters directly and without exposure to retaliation.

(4) The internal auditing department of the Company, in coordination with the *Kansayaku* Board, identifies non-conformities and proposes improvement measures based on audits of each department's status of compliance with laws and regulations, the articles of incorporation, and internal regulations. Additionally, the internal auditing department of the Company performs internal audits in accordance with necessity and promotes the expansion of frameworks for compliance with laws and regulations at subsidiaries.

(5) The Group maintains no transactional relationships with anti-social elements that threaten public order and safety. The Group, in coordination with the relevant institutions, defends itself vigorously across the entire organization to prevent damages should fraudulent claims be brought against the Group.

2. Frameworks concerning the preservation and management of reports on the performance of directors' duties

Matters concerning reports on the performance of directors' duties are appropriately preserved and managed in accordance with internal regulations and shall be accessible for the perusal by directors and corporate auditors when necessary.

3. Regulations and other frameworks for managing the risk of damages to the Group

(1) The Company practices risk assessment and analysis in accordance with the fundamental regulations for risk management, maintains and regularly convenes a risk management committee chaired by the representative director serving as president, and engages in proactive risk management. Moreover, the Company works in coordination with subsidiaries to unify and share information concerning the Group's risk management and crisis management.

(2) For the case of unforeseeable events with potential to materially affect the business of the Company, the Company establishes and maintains frameworks for the convocation of a crisis management committee chaired by the representative director serving as president, and steps to be taken to minimize damages and other adverse effects.

4. Frameworks to ensure that directors, etc., of the Group perform their duties in an efficient manner

All companies of the Group aim through the following measures consistent with the scale and characteristics of each company to achieve the efficient performance of the duties of directors.

(1) Division of duties and clarification of authorities

(2) Deliberations and reporting on important management matters at board of directors' meetings convened at regular intervals or as the need arises

(3) Establishment of a management committee comprised of board directors

(4) Preparation, progress management, and improvement measure implementation for consolidated mid-term management plans and fiscal-year budgets

5. Matters concerning reports to the Company regarding the performance of the duties of directors, etc., of subsidiaries

The Company, in accordance with internal regulations, establishes and maintains a department charged with the coordination of and control over its subsidiaries and the reporting to subsidiaries on the status of execution of operations.

6. Matters concerning employees whose deployment is requested by corporate auditors to support their duties, matters concerning the independence of such employees from directors, and matters for ensuring the effectiveness of instructions issued by corporate auditors to such employees

(1) Upon request of the corporate auditors to have employees deployed to support their duties, the Company deploys employees equipped with the capabilities and knowledge necessary to support corporate auditors and confers upon the corporate auditors the right of command over such employees.

(2) Corporate auditors shall be able to obtain from the director responsible for human resources in advance reports on personnel transfers and personnel assessments with respect to the employees whose support the corporate auditors request, and shall be able, based on reasons to be stated, to request of the director responsible for human resources changes to such personnel transfers.

(3) The director responsible for human resources shall for disciplinary measures, etc., against subject employees obtain the advance approval of the corporate auditors.

7. Frameworks for reports to corporate auditors and frameworks to prevent retaliation against persons who have reported to corporate auditors

(1) Through attendance at the meetings of the board of directors and meetings of other important deliberative bodies such as the management committee, etc., of the Company, the standing corporate auditor shall receive timely reports on important information concerning the Group. Moreover, the risk management department and the legal affairs department shall at regular intervals report on their respective duties to the corporate auditors.

(2) In addition to item (1) above, Group directors, corporate auditors, and employees, etc., shall promptly report to the corporate auditors any matters that affect or threaten to affect the Group in a significant way.

(3) The internal auditing department shares the results of internal audits of the Group with the *Kansayaku* Board.

(4) Persons who have reported a compliance issue to corporate auditors are protected against retaliation on grounds of such reporting. If a person who has reported a compliance issue is found to have been retaliated against, appropriate steps are promptly taken to remove the retaliatory measures.

8. Procedures for advances or reimbursement of costs that arise in connection with the performance of the duties of corporate auditors and matters concerning policies for the treatment of other costs and obligations that arise from the performance of such duties

Advances or reimbursements, etc., claimed by corporate auditors related to expenses that arise in the execution of their duties are settled promptly unless found unnecessary for the execution of the duties of the subject corporate auditor.

9. Other frameworks to ensure the effective execution of audits of corporate auditors

To ensure appropriate communication and effective audit execution, corporate auditors maintain close contact with the internal auditing department, the accounting auditor, and the corporate auditors of subsidiaries, and meet at regular intervals for exchanges of opinion with the representative director serving as president.

10. Frameworks to ensure the reliability of financial reporting

The Group maintains, operates, and assesses continuously its frameworks for the effective and appropriate internal control concerning financial reporting in accordance with the Financial Instruments and Exchange Act and other laws and regulations and works to ensure the reliability and appropriateness of financial reporting.

2. Basic approach to the elimination of antisocial forces and status of its implementation

Our basic approach to implementing internal control systems includes the following commitment: “We will avoid entering into any relationship, business-related or otherwise, with antisocial forces that threaten order or safety in civil society. In the event that an individual or group associated with antisocial forces makes illegal demands of the Company, we will work with the authorities to prevent any damage from those demands while marshalling all of the organization’s resources to face them with a resolute attitude.” Our Compliance Action Guidelines, which set forth a specific code of conduct concerning compliance, also includes a similarly explicit statement, and we strive continually to raise awareness of our position with regard to antisocial forces.

V. Other

1. Introduction of takeover defense measures

Introduction of takeover defense measures	Yes

Supplemental explanation for this item Updated

We adopted a “Basic Policy Regarding Who Should Oversee Decisions Regarding the Financial and Business Policies of the Company” at a Board of Directors meeting held on January 15, 2008. That meeting approved a resolution entitled “Measures to Respond to Large-Scale Acquisition of Our Company’s Stock (Takeover Defense Measures),” which was then approved by the General Meeting of Shareholders held on April 16, 2008.

We have continued to study the nature of those measures following their introduction based on changes in social and economic conditions, various trends and discussions concerning takeover defense measures, core principles of Japan’s Corporate Governance Code, and other factors as part of our efforts to maintain and increase corporate value and the common benefit of shareholders. As a result, we concluded that it would be essential to continue to address the risk of large-scale purchases of company shares as part of our efforts to achieve sustained growth and to increase corporate value over the medium and long term while pursuing mutually beneficial relationships with all stakeholders, including customers, employees, business partners, local communities, and shareholders, in keeping with our Basic Approach to Corporate Governance. Reflecting this conclusion, the Board of Directors, including our two external directors, unanimously approved the continuation of this plan (“the Plan”) on March 6, 2017, and it was subsequently approved by the 42nd General Meeting of Shareholders.

[Reasons for Continuing with the Plan]

In terms of whether we should accept a bid by a large-scale purchaser for large-scale acquisition of our Company’s stock, bearing in mind that the final decision should be left to the shareholders, with regard to acquisition attempts that would seek to contribute to the management of the Company, the Company shall not categorically reject all such acquisition attempts if they would greatly increase the corporate value of the Company.

The purpose of the large-scale acquisition rules laid out in the Plan regarding the large-scale acquisition of our Company’s stock is to provide to you, our shareholders, the information that you need to determine whether or not a large-scale acquisition bid should be accepted, and to advise you of the opinions of the members of the Board of Directors who are presently engaged in the management of the Company, in order to ensure that you have the opportunity to learn about any alternate plans. Currently, although there are some measures in place to control the abusive acquisition of stocks under the Financial Instruments and Exchange Act, it is conceivable that there are cases in which the law is not always effective. For example, when it is not possible to legally secure the time to submit and consider information prior to the commencement of a takeover bid or to restrict buying-up in the market. Therefore, we believe that establishing large-scale acquisition rules will form the basis on which you, our shareholders and investors, can make appropriate investment decisions, and that securing adequate time can be an effective means of facilitating constructive dialogue between shareholders and prospective large-scale purchasers who have the potential to improve corporate value.

The economic environment surrounding our domestic beverage business, which is our Group’s core business, remains harsh, and in order to improve mid-to-long term corporate value, we are in a situation that requires us to constantly modify our earnings structure to be able to more flexibly cope with the changing times.

We believe that it is necessary, at times, from a mid-to-long term perspective, to act rapidly and decisively to implement bold measures as a company, in order to be able to promptly cope with the changes that are expected to occur in the industry at an ever-increasing pace, and achieve continuous growth and increased corporate value in the mid-to-long term, while ensuring the harmonious coexistence and mutual prosperity of all stakeholders, namely our customers, our employees, our business partners, local communities and our shareholders. In cases where stock equivalent to more than 20% of the total number of issued shares of the Company has been acquired, however, it is feared that this will have a major influence on the management of the Company and may lead to a situation in which the aforementioned policies cannot be executed. Furthermore, when we consider factors such as the quorum and the ratio of voting rights, there is clearly the potential for such a situation to have a

major impact on special resolutions at the Annual General Meeting of Shareholders.

The list of major shareholders as of January 20, 2017 is shown in “2. Capital structure (major shareholders).” Although approximately 33% of issued shares are held by the President and Representative Director of the Company, Tomiya Takamatsu, Chairman/Director Tomihiro Takamatsu, and the asset management company under their direct control, many of our shareholders are private investors and are from a wide range of backgrounds. With the exception of the President and Chairman/Director of the Company, none of the founder-related shareholders are presently involved in the management of the company, and as voting rights are executed at the discretion of each individual, there is no difference in terms of position between them and general shareholders. With regard to shares of the Company that are held by founder-related shareholders, it is suspected that they will become further divided through assignment, inheritance and other disposition at the discretion of the individuals involved and according to the circumstances that surround them. In light of the above, there is always the possibility that a large-scale acquisition may occur that will have a negative impact on the corporate value of the Group and be contrary to the best interests of shareholders. The following are but two examples.

(i) The domestic beverage business is our core business and we have approximately 280,000 vending machines located throughout Japan, which makes us a prominent player in the industry. Recently, there have been cases where the value of vending machine businesses has been highly appraised for their merger and acquisition potential in the beverage industry, and there is the possibility that a large-scale purchaser may focus on the large number of vending machines that we hold and we may face the threat of a hostile takeover that does not have an increase in the mid-to-long term corporate value of the Company in mind.

(ii) On the other hand, our Group’s proprietary vending machine business model is built on a mutual relationship of trust between stakeholders, in which the business is run together and directly by the employees of our Group and the employees of Kyoeikai (the vending machine operator that deals with our products), which means that it is heavily reliant on personnel. Depending on the policy of a large-scale purchaser, a change in management policy may cause both groups of employees to feel insecure or cautious, which may lead to resistance or loss of support, resulting in a drop in the quality of the vending machine business, with the resulting huge loss of popular (high sales throughput) vending machine sites, causing reduced cash flow capacity as well as a decline in the mid-to-long term corporate value of the Company.

In light of the above, it was determined that reapproving the large-scale acquisition rules is essential in order to maintain continuous growth and enhance mid-to-long term corporate value, and to be able to respond quickly to changes that are expected to occur in the industry at an ever-increasing pace, and that it is the duty of the Board of Directors to be constantly ready for any unexpected events by continuing with the Plan based on the essence of our Group’s proprietary vending machine business model.

More information about the Plan is available in documentation disclosed on the Company’s website (https://dydo-ghd.co.jp/en/).

2. Other matters related to corporate governance structures, etc.

Overview of structures designed to ensure timely disclosure of information

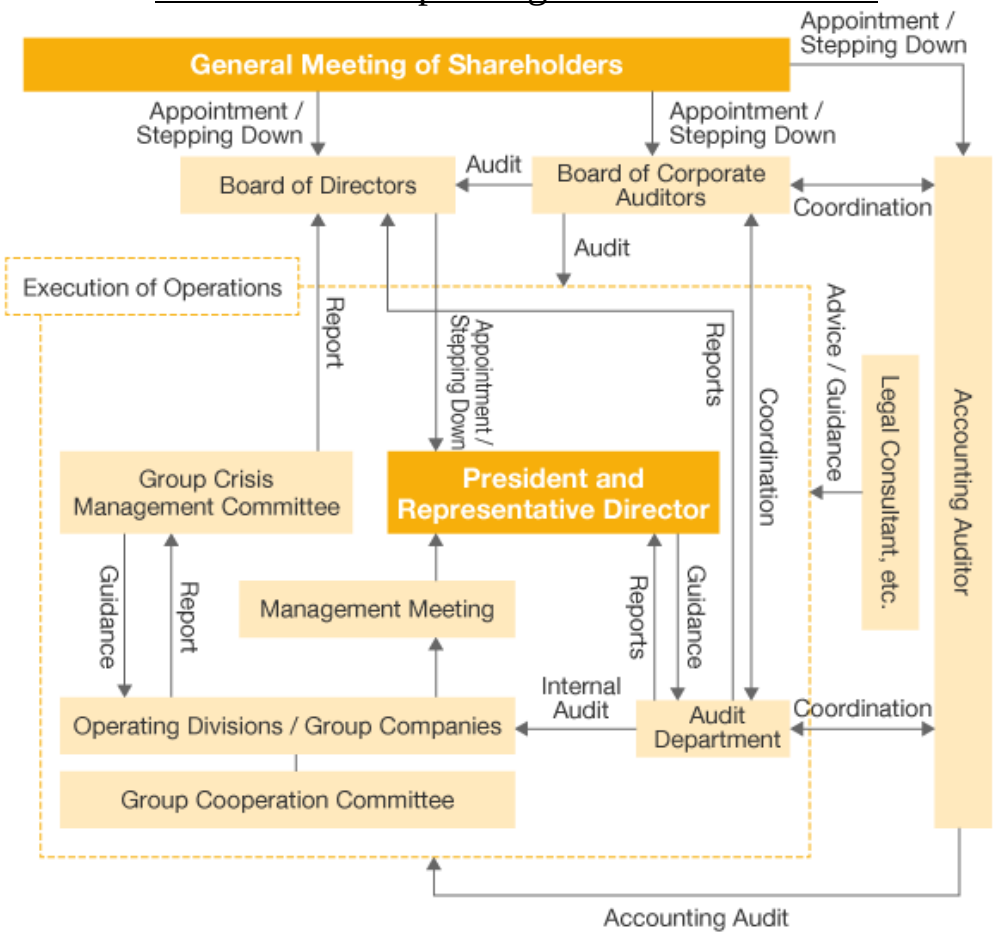
Since our listing on the First Section of the Tokyo Stock Exchange in August 2001, we have endeavored to make employees aware of the importance of disclosing information about the Company and its operations in a timely manner, to promote the centralization and sharing of information, and to make such information available in a timely and accurate manner.

When the Company’s departments or Group companies become aware of material information, they immediately report that information to the Corporate Communication Department, which has responsibility for information disclosure. The general manager of the department, who is broadly responsible for the management of information at the Company, then determines whether that information should be disclosed in a timely manner and, if so, obtains approval from the president and makes it available to stakeholders without delay once it has been reported to, and discussed by, the Board of Directors and Management Meeting. Urgent information that requires immediate disclosure can be made available to stakeholders immediately, without prior reporting to, or discussion by, the Board of Directors and Management Meeting, at the president’s discretion.

In addition to offering his views on information disclosure to the Board of Directors and Management Meeting, the general manager of the Corporate Communication Department reports on information that should be disclosed, the process by which such disclosure is accomplished, and its results. He also attends important meetings at Group companies, for example subsidiaries' Boards of Directors, and works to maintain an understanding of material information. In addition to orchestrating the actual release of information, the Corporate Communication Department's IR Group gathers information from inside and outside the company and reports that information to the general manager of the Corporate Communication Department, along with their associated views.

Full-time auditors maintain an understanding of material information by attending meetings of the Board of Directors and Management Meeting as well as other important meetings and review structures related to information gathering and disclosure.

Overview of corporate governance structures



Outline of the Timely Disclosure



*Information disclosure of facts required in an emergency can be made according to the judgment of the president without going through the board of directors meeting / management council.