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January 15, 2019

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

DyDo Group Holdings adopted Group Mission 2030, which sets forth the Group's vision for 2030, based on discussions by the Board of Directors concerning the company's business strategy and overall direction.
This release summarizes the results of a recent evaluation and analysis of the effectiveness of its Board of Directors in light of those goals.

1. Analysis/Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, during the period between December 2018 and March 2019, 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, 2019, in addition to analyzing the results of the self-evaluation surveys, and in an attempt to enhance awareness regarding present problems, constructive discussions were held regarding these matters and future efforts to realize a higher level of effectiveness for the Board of Directors.

2. Evaluation items

The self-evaluation survey form included items addressing the following major topics so that respondents could review the effectiveness with which the Board of Directors deliberated and dealt with issues identified through the evaluation of its effectiveness during the previous year:

(1) Board agenda and operations
(2) Medium- and long-term composition of the Board based on Group Mission 2030
(3) Future issues in light of the Corporate Governance Code

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.”

[Status of improvements related to deliberations by the Board]

- The Board has embraced an agenda that goes beyond mere reporting of results by encompassing a consideration of operations. Time dedicated to discussions of companywide business strategy, companywide resource allocation, and management of key measures (PDCA) increased compared to the previous year.
- In formulating Group Mission 2030, the Board worked to address constraints on the amount of time available for regular Board meetings by taking steps to ensure an adequate amount of time for discussions, including by holding extraordinary Board meetings and meetings designed to facilitate exchanges of views.
- Outside directors were provided with information about important discussions in advance, including risk analysis results and the information about the viability of business plans (purchase prices) for proposed investments.

Directors shared an awareness of the following issues that will need to be addressed in the future in order to further boost the effectiveness of the Board of Directors and strengthen its ability to function:

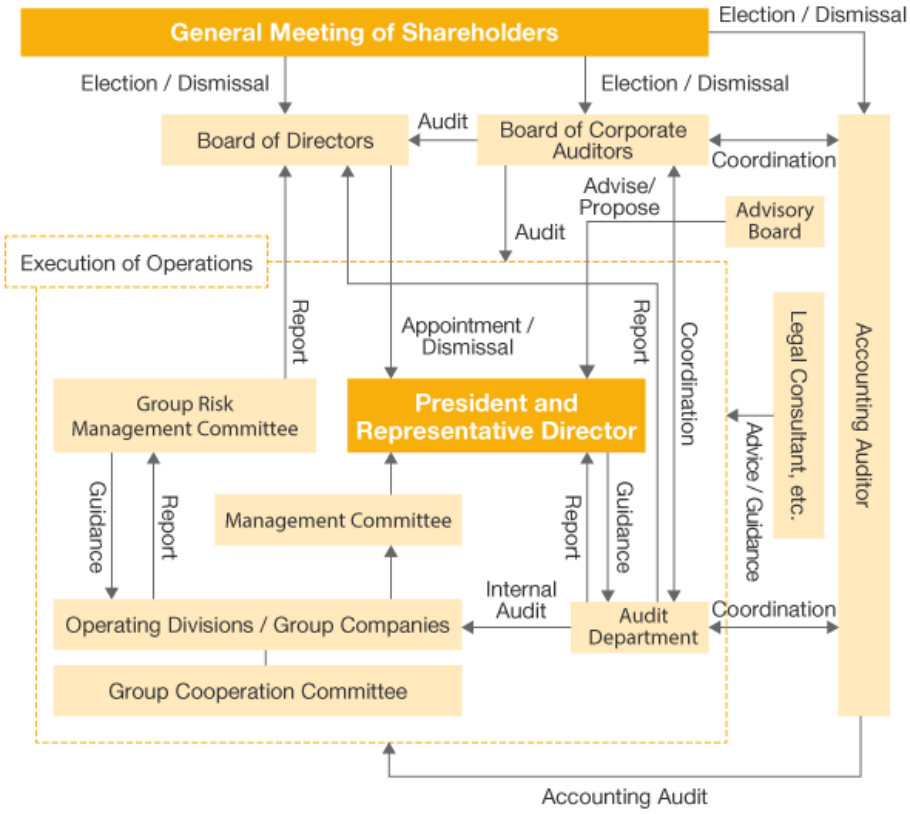
(1) Concerning the composition of the Board over the medium and long term, it will be necessary to consider appointing an even more diverse group of directors in response to the development of the Company’s business strategy and changes in society.
(2) Concerning materials provided to the Board, there remains room to improve the resources offered to directors, for example by augmenting simplified briefing materials with supplemental explanation of key considerations with regard to matters up for discussion by the Management Committee.
(3) Concerning deliberation of new investments and discussions concerning the nature and future direction of the Company’s business portfolio, it will be necessary to engage in even deeper study of related issues, for example with regard to the criteria that would govern a decision to withdraw from the investment.
(4) Concerning management of risk in the International Beverage Business, it will be necessary to enhance the Company’s management and auditing structures as a holding company, for example by assessing local issues and problems in a timely manner and studying how to identify and deal with priority issues based on the likelihood and impact of associated events.
(5) The Board will supervise implementation of a strategic plan to train a new generation of executives in an appropriate manner based on its recognition of the fact that hiring, retaining, and training the human resources that will be responsible for the next generation is a key management issue as the Company works to increase its corporate value over the medium and long term.

4. Future Efforts

Meeting today, the Board of Directors approved the formation of an Advisory Board consisting of roughly three outside experts not currently serving as outside directors or corporate auditors as a voluntary mechanism to further enhance its corporate governance.

In addition to offering assessments and advice from an objective perspective concerning issues that demand a high level of specialized knowledge, for example investment decisions related to the orphan drug business, the Advisory Board, which will advise the president, is intended to further boost the transparency of the Company's management by incorporating outside perspectives into the execution of strategy, for example by offering advice concerning management issues faced by the Group.

Going forward, DyDo Group Holdings will strive to realize sustained growth and increase its corporate value over the medium and long term through the ongoing improvement of its corporate governance.



[Reference] Issues identified last year

Future issues to address in order to boost the effectiveness of the Board of Directors
(as announced March 15, 2018)

(1) With regard to the makeup of the Board, we will find members with expertise in the healthcare domain in accordance with the Company's management strategy.
(2) With regard to the provision of information to external directors and auditors, we will work to provide more information sooner.
(3) With regard to deliberations involving investments, we will push for enhanced explanation of associated risks and returns and clarification of the criteria that would prompt the Company to pull the investment in question.
(4) With regard to risk management in the International Beverage Business, we will undertake additional initiatives, for example to raise awareness of local employees.