

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities code: 2590
March 26, 2020

To Our Shareholders,

Tomiya Takamatsu, President and Representative Director
DyDo GROUP HOLDINGS, INC.
2-2-7 Nakanoshima, Kita-ku, Osaka

Notice of Convocation of the 45th Annual General Meeting of Shareholders

You are cordially invited to attend the 45th Annual General Meeting of Shareholders of DyDo GROUP HOLDINGS, INC. (“the Company”) to be held as described below.

If you are unable to attend the meeting, you can exercise voting rights by either of the following methods. Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights before 5:00 p.m., Wednesday, April 15, 2020 (JST).

[Exercising voting rights in writing]

Please indicate your vote of approval or disapproval of each proposal on the enclosed voting card, and return the card so that it arrives by the time and date stated above.

[Exercising voting rights by electronic or magnetic means (via the Internet)]

Please read the instructions for “Exercising Voting Rights via the Internet” on page 3 and exercise your voting rights by the time and date stated above.

- 1. Date and Time:** 10:00 a.m., Thursday, April 16, 2020 (JST) (Reception desk opens at 9:00 a.m.)
- 2. Venue:** “The Hō” Function Room, Second floor, Hotel New Otani Osaka
1-4-1 Shiromi, Chuo-ku, Osaka

3. Purpose of the Meeting:

Matters to be reported:

1. The business report, the consolidated financial statements and audit reports of the Accounting Auditor and the Board of Corporate Auditors for the consolidated financial statements for the 45th term (from January 21, 2019 to January 20, 2020)
2. The non-consolidated financial statements for the 45th term (from January 21, 2019 to January 20, 2020)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Six (6) Directors
Proposal 3: Continuance of the Measures to Address Large-Scale Acquisitions of the Company’s Stock (Takeover Defense Measures)

When attending the meeting, you are kindly requested to present the enclosed voting card to the receptionist.

Pursuant to the relevant laws and regulations and Article 17 of the Company’s Articles of Incorporation, “Systems and policy of the Company” in the business report, “Notes to consolidated financial statements” in the consolidated financial statements and “Notes to non-consolidated financial statements” in the non-consolidated financial statements are posted on the Company’s website and are not attached to this notice. Accordingly, the attached documents to this notice are part of the documents that were audited by the Corporate Auditors and the Accounting Auditor in preparing the audit reports.

Any modifications to the Reference Documents for General Meeting of Shareholders, the business report, the consolidated financial statements and the non-consolidated financial statements will be posted on the Company’s website.

Company’s website: <https://www.dydo-ghd.co.jp/>

Guide to Exercising Voting Rights

There are three methods to exercise your voting rights as indicated below.

Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights.

Exercising Voting Rights by Attendance at the General Meeting of Shareholders

Please present the enclosed voting card to the receptionist.

Date and Time: 10:00 a.m., Thursday, April 16, 2020 (JST) (Reception desk opens at 9:00 a.m.)

Venue: Hotel New Otani Osaka (Second floor, “The Hō” Function Room)
1-4-1 Shiromi, Chuo-ku, Osaka

Exercising Voting Rights in Writing

Please indicate your vote of approval or disapproval of each proposal on the enclosed voting card, and return the card so that it arrives by the time and date stated below.

Votes to be received by: 5:00 p.m., Wednesday, April 15, 2020 (JST)

Guide to filling in the voting card

Please indicate your approval or disapproval of each proposal.

Proposal 1 and Proposal 3

If you consent: Mark a in the box marked “賛”

If you dissent: Mark a in the box marked “否”

Proposal 2

If you consent for all candidates: Mark a in the box marked “賛”

If you dissent for all candidates: Mark a in the box marked “否”

If you selectively veto certain candidates: Mark a in the box marked “賛” and write the number of each candidate you choose to veto.

If you duplicate the vote by exercising the voting rights both in writing (by mail) and via the Internet, only the Internet vote will be deemed valid. If you exercise your voting rights more than once via the Internet, only the latest vote will be deemed valid.

Exercising Voting Rights via the Internet

Votes to be transmitted by: 5:00 p.m., Wednesday, April 15, 2020 (JST)

Scanning the QR code “Smart voting”

You can log in to the dedicated voting website for exercising voting rights without having to enter your voting right exercise code and password.

1. Scan the QR code printed on the right side of voting card.
2. Then indicate your approval or disapproval of each proposal by following the on-screen instructions.

“Smart voting” can only be used once to exercise your voting rights.

In the event that you wish to modify the details of your vote after exercising your voting rights, please access the PC version of the website, enter the voting right exercise code printed on the voting card together with your password, log in, and exercise your voting rights once again.

* If the QR code is read a second time, you will be transferred to the PC version of the website.

Entering the voting right exercise code and password

Dedicated voting website: <https://www.web54.net>

1. Please access the dedicated voting website and click “次へすすむ (Next).”
2. Enter the voting right exercise code printed on voting card and click “ログイン (Log in).”
3. Enter the initial password printed on voting card, enter the new password that you will actually use, and click “登録 (Resister).”
4. Then indicate your approval or disapproval of each proposal by following the on-screen instructions.

If you have questions about the operation of your PC, smartphone or mobile phone regarding the exercise of voting rights via the Internet, please contact:

Stock Transfer Agency Web Support,
Sumitomo Mitsui Trust Bank, Limited
Tel: 0120-652-031
(available from 9:00 a.m. to 9:00 p.m.)

For institutional investors, the electronic voting platform for institutional investors operated by ICJ, Inc. is available for exercising voting rights.

Reference Documents for General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

The Company recognizes that the distribution of profits to shareholders is a key issue in business management. The Company's basic policy for the distribution of profits is to maintain stable dividend payments while giving consideration to the balance between the internal reserves necessary for sustainable growth and returns to the shareholders.

In accordance with such perception, the Company proposes a ¥30 per share year-end dividend for the fiscal year under review.

Since a ¥30 per share interim dividend has already been paid, the annual dividend for the fiscal year under review will be ¥60 per share.

1. Year-end Dividend

- (1) Type of dividend property
Money
- (2) Allotment of dividend property and total amount
¥30 per share of common stock of the Company
The total amount of dividends: ¥497,024,370
- (3) Effective date of dividends from surplus
April 17, 2020

2. Other Appropriation of Surplus

In order to contribute to the development of a rich and robust society, the Company's group (hereinafter referred to as the "Group") will promote activities which promote co-existence and co-prosperity with local communities. Based on the Group philosophy of "striving to achieve happiness and prosperity together with people and society as a whole" and in order to utilize the contributions to local community activities, the Company proposes to reserve the amount of ¥100,000,000 as stated below for the Local Community Contribution Fund:

- (1) Item to be decreased and amount of decrease
Retained earnings carried forward: ¥100,000,000
- (2) Item to be increased and amount of increase
Local Community Contribution Fund: ¥100,000,000

Proposal 2: Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this meeting. Accordingly, the Company proposes to elect six (6) Directors.

The candidates for Director are as follows:

No.	Name	Current positions and areas of responsibilities in the Company
1	Tomiya Takamatsu	President and Representative Director Reappointment
2	Tomihiro Takamatsu	Chairman and Director Reappointment
3	Naoki Tonokatsu	Director, Corporate Officer, General Manager of Finance Department Reappointment
4	Naoyuki Nishiyama	Director, Corporate Officer, General Manager of Corporate Strategy Department Reappointment
5	Shinji Mori	Director Reappointment Independent Outside
6	Masataka Inoue	Director Reappointment Independent Outside

Reappointment Candidate for Director to be reappointed

Independent Candidate for independent officer as prescribed by the Tokyo Stock Exchange

Outside Candidate for Outside Director

Candidate No.

1

Tomiya Takamatsu

Date of birth
June 26, 1976

Reappointment

Number of the Company's
shares held

495,000 shares

Term of office as Director

12 years and 0 months
(at the conclusion of
this meeting)

Attendance at Board of
Directors meetings

17/17 (100%)

Career summary, positions and areas of responsibilities in the Company

Apr. 2004	Joined the Company
Apr. 2008	Director, the Company
Apr. 2009	Managing Director, the Company
Mar. 2010	Executive Director, the Company
Apr. 2012	Vice President and Director, the Company
Apr. 2014	President and Representative Director, the Company (incumbent)
Feb. 2016	President and Representative Director, DyDo DRINCO Split Preparation Co., Ltd. (currently DyDo DRINCO, INC.) (incumbent)

Significant concurrent positions

President and Representative Director, DyDo DRINCO, INC.

Reasons for nomination as candidate for Director

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. He has been steadily working to build business foundations geared to achieving growth in the future which has involved strengthening the Group's management. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.

Candidate No.

2

Tomihiro Takamatsu

Date of birth

January 16, 1948

Reappointment

Number of the Company's
shares held

495,000 shares

Term of office as Director

45 years and 3 months
(at the conclusion of
this meeting)

Attendance at Board of
Directors meetings

17/17 (100%)

Career summary, positions and areas of responsibilities in the Company

Mar. 1971	Joined DAIDO PHARMACEUTICAL CORPORATION
Jan. 1975	Managing Director following the Company's establishment
May 1984	Executive Director, the Company
Jun. 1990	Vice President and Director, the Company
Apr. 1992	Vice President and Representative Director, the Company
Apr. 1994	President and Representative Director, the Company
Apr. 2014	Chairman and Director, the Company (incumbent)

Significant concurrent positions

President, Nippon Matsuri Network NPO (Non-Profit Organization)

Reasons for nomination as candidate for Director

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 has been put forward as a candidate for continued service on the Board of Directors.

Candidate No.

3

Naoki Tonokatsu

Date of birth

November 4, 1963

<u>Reappointment</u>	Career summary, positions and areas of responsibilities in the Company	
Number of the Company's shares held	Mar. 1986	Joined the Company
3,100 shares	Jan. 2011	General Manager of Financial Affairs Department, the Company
Term of office as Director	Mar. 2013	Corporate Officer, Division Director of Administration Division, the Company
3 years and 0 months (at the conclusion of this meeting)	Jan. 2014	Corporate Officer, Division Director of Finance Division, the Company
Attendance at Board of Directors meetings	Jan. 2017	Corporate Officer, General Manager of Finance Department, the Company Director, Corporate Officer, Division Director of Finance Division, DyDo DRINCO, INC. (incumbent)
17/17 (100%)	Apr. 2017	Director, Corporate Officer, General Manager of Finance Department, the Company (incumbent)
	Reasons for nomination as candidate for Director	
	Since joining the Company, Mr. Tonokatsu has engaged in finance for many years and has extensive experience and achievements. Currently, as the Director, Corporate Officer, and General Manager of Finance Department, he is putting effort into sound company management such as by building a solid structure for the entire Group's financial base and contributing to improving profitability. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.	

Candidate No.

4

Naoyuki Nishiyama

Date of birth

July 30, 1965

<u>Reappointment</u>	<u>Career summary, positions and areas of responsibilities in the Company</u>	
Number of the Company's shares held 200 shares	Mar. 1988	Joined the Company
	Jan. 2014	General Manager of Corporate Strategy Department, the Company
Term of office as Director 3 years and 0 months (at the conclusion of this meeting)	Feb. 2014	General Manager of Corporate Strategy Department and General Manager of International Business Department, the Company
	Mar. 2015	Corporate Officer, General Manager of Corporate Strategy Department and General Manager of International Business Department, the Company
	Jan. 2016	Corporate Officer, General Manager of Corporate Strategy Department and General Manager of Strategic Investment Department, the Company
Attendance at Board of Directors meetings 17/17 (100%)	Jan. 2017	Corporate Officer, General Manager of Corporate Strategy Department, the Company
	Apr. 2017	Director, Corporate Officer, General Manager of Corporate Strategy Department, the Company (incumbent)

Reasons for nomination as candidate for Director

Mr. Nishiyama has engaged in a wide range of duties covering overall management such as corporate strategy, strategic investment, and international business and has extensive experience and achievements. Currently, he is leading Group companies as the Director, Corporate Officer, and General Manager of Corporate Strategy Department and pursuing initiatives to expand into new business domains. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.

Candidate No.

5

Shinji Mori

Date of birth
May 22, 1946

Reappointment	Career summary, positions and areas of responsibilities in the Company
Independent	Apr. 1972 Joined the Legal Training and Research Institute of Japan
Outside	Apr. 1974 Appointed as a judge, Yokohama District Court
	Apr. 1986 Appointed as a judge, Kyoto District Court
Number of the Company's shares held	May 1989 Registered as a member of the Osaka Bar Association
100 shares	May 1989 Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P. C.)
	Apr. 2001 Corporate Auditor, the Company
Term of office as Outside Director	Sep. 2003 Senior Partner, Chuo Sogo Law Office, P. C. (incumbent)
6 years and 0 months (at the conclusion of this meeting)	Apr. 2014 Director, the Company (incumbent)
	Significant concurrent positions
	Outside Corporate Auditor, OSAKA SODA CO., LTD. Auditor, CREDIT GUARANTEE CORPORATION OF OSAKA
Attendance at Board of Directors meetings	Reasons for nomination as candidate for Outside Director
17/17 (100%)	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 Outside Corporate Auditor and for six years as an Outside Director. Based on that experience, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by commenting on the Company-wide approach to risk management, and otherwise offering advice and suggestions as to the Company's management from an independent perspective. Based on this proven track record, he has been put forward as a candidate for continued service as an Outside Director on the Board of Directors. Although Mr. Mori has not been involved in corporate management in a manner other than that of being an outside director/corporate auditor of the Company and other companies in the past, the Company has judged that he will be able to appropriately carry out his duties as Outside Director for the above reasons.

Candidate No.

6

Masataka Inoue

Date of birth

October 12, 1954

Reappointment	Career summary, positions and areas of responsibilities in the Company																
Independent																	
Outside																	
Number of the Company's shares held – shares	<table border="1"> <tr> <td>Apr. 1978</td> <td>Joined Nakano Sumise Co., Ltd.</td> </tr> <tr> <td>Jul. 2005</td> <td>Director, Mizkan Group Corporation</td> </tr> <tr> <td>May 2007</td> <td>Managing Director, Mizkan Group Corporation</td> </tr> <tr> <td>Oct. 2009</td> <td>Full-time Corporate Auditor, Mizkan Group Corporation</td> </tr> <tr> <td>Mar. 2011</td> <td>Divisional Manager in charge of the Management Auditing Office, Mizkan Group Corporation</td> </tr> <tr> <td>Mar. 2014</td> <td>Divisional Manager in charge of the Business Planning Division, Mizkan Holdings Co., Ltd.</td> </tr> <tr> <td>Mar. 2016</td> <td>Retired from Mizkan Holdings Co., Ltd.</td> </tr> <tr> <td>Apr. 2016</td> <td>Director, the Company (incumbent)</td> </tr> </table>	Apr. 1978	Joined Nakano Sumise Co., Ltd.	Jul. 2005	Director, Mizkan Group Corporation	May 2007	Managing Director, Mizkan Group Corporation	Oct. 2009	Full-time Corporate Auditor, Mizkan Group Corporation	Mar. 2011	Divisional Manager in charge of the Management Auditing Office, Mizkan Group Corporation	Mar. 2014	Divisional Manager in charge of the Business Planning Division, Mizkan Holdings Co., Ltd.	Mar. 2016	Retired from Mizkan Holdings Co., Ltd.	Apr. 2016	Director, the Company (incumbent)
Apr. 1978	Joined Nakano Sumise Co., Ltd.																
Jul. 2005	Director, Mizkan Group Corporation																
May 2007	Managing Director, Mizkan Group Corporation																
Oct. 2009	Full-time Corporate Auditor, Mizkan Group Corporation																
Mar. 2011	Divisional Manager in charge of the Management Auditing Office, Mizkan Group Corporation																
Mar. 2014	Divisional Manager in charge of the Business Planning Division, Mizkan Holdings Co., Ltd.																
Mar. 2016	Retired from Mizkan Holdings Co., Ltd.																
Apr. 2016	Director, the Company (incumbent)																
Term of office as Outside Director 4 years and 0 months (at the conclusion of this meeting)	Reasons for nomination as candidate for Outside Director																
Attendance at Board of Directors meetings 17/17 (100%)	<p>Mr. Inoue has a wealth of knowledge and overseas experience in the food industry. Based on his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by commenting with respect to his viewpoint on risk and returns in the course of deliberations concerning such management issues of the Company as accelerated development of the Company's business overseas and expanding into new business domains, and otherwise offering advice and suggestions from an independent perspective. Based on this proven track record, he has been put forward as a candidate for continued service as an Outside Director on the Board of Directors.</p>																

- Notes:
1. Mr. Shinji Mori serves as Senior Partner of Chuo Sogo Law Office, P. C., Outside Corporate Auditor of OSAKA SODA CO., LTD., and Auditor of CREDIT GUARANTEE CORPORATION OF OSAKA. There are no special interests between the Company and OSAKA SODA CO., LTD. and CREDIT GUARANTEE CORPORATION OF OSAKA. Mr. Shinji Mori is currently working for Chuo Sogo Law Office, P. C., to which the Group commissions business. The Group receives legal advice as required from lawyers of this office other than Mr. Shinji Mori, and the annualized advisory fee that the Group pays to said law office is less than ¥10 million. There are no special interests between candidates other than Mr. Shinji Mori and the Company.
 2. The Company has concluded agreements with Messrs. Tomihiro Takamatsu, Shinji Mori and Masataka Inoue pursuant to the provisions of Article 427, paragraph (1) of the Companies Act to limit the amount of their liability to damages as provided for in Article 425, paragraph (1) of the same Act.
If the reelections of Messrs. Tomihiro Takamatsu, Shinji Mori and Masataka Inoue are approved, the Company plans to extend the same agreements.
 3. The Company has notified Messrs. Shinji Mori and Masataka Inoue as independent officers as prescribed by the Tokyo Stock Exchange. If the reelections of Messrs. Shinji Mori and Masataka Inoue are approved, the Company plans to maintain their positions as independent officers.

Proposal 3: Continuance of the Measures to Address Large-Scale Acquisitions of the Company’s Stock (Takeover Defense Measures)

At the Company’s Board of Directors meeting held on January 15, 2008, the Company initially adopted Measures to Address Large-Scale Acquisitions of the Company’s Stock (Takeover Defense Measures) and recently obtained approval to continue the Measures (hereinafter referred to as “the Current Plan”) at the 42nd Annual General Meeting of Shareholders held on April 14, 2017. However, the Current Plan will expire as of the closing of this meeting. Even after the Current Plan was continued, as one effort to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders, the Company has continued to examine the best approach for the future while taking into consideration various factors, including changes in social and economic conditions, various trends related to takeover defense measures and the direction of such debate, and the purport of the Corporate Governance Code.

As a result, the Company has reached the conclusion that it is necessary and indispensable to continue the Measures to Address Large-Scale Acquisitions of the Company’s stock as one way to work to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term by coexisting and prospering with all stakeholders, including customers, employees, business partners, communities and shareholders, based on the Basic Policy on Corporate Governance as described in the Attached document 2. At the Company’s Board of Directors meeting held on March 4, 2020, a unanimous decision was reached by all Directors in attendance, including two Outside Directors, to continue the Current Plan (hereinafter the continued Measures to Address Large-Scale Acquisitions of the Company’s Stock is referred to as “the Plan”) conditional upon obtaining the approval of shareholders at this meeting. The reasons for continuing the Plan are given in [Reasons for the Company to continue the Plan] given below. The Company therefore seeks the shareholders’ approval.

All four members of the Board of Corporate Auditors noted their opinion that they agree with continuing the Plan on condition that the Plan is to be administered appropriately in detail. Attached document 1 gives the current status of Major Shareholders as of January 20, 2020.

Furthermore, in this continuance of the Plan, the Company has made revisions to phrasing and wording and amended and streamlined certain terms, etc. from the Current Plan, but there are no substantial changes to the mechanism of the Current Plan.

[Reasons for the Company to continue the Plan]

For the Company, the decision whether to agree to a large-scale acquisition by a large-scale purchaser should ultimately be entrusted to the judgment of shareholders, and the Company will not necessarily unconditionally reject a bid to participate in the Company’s management if the acquisition would dramatically enhance the Company’s corporate value.

The purpose of the large-scale acquisition rules in the Plan is to ensure the opportunity for shareholders to receive an alternate plan by providing not only information that can allow shareholders to determine whether to agree to the large-scale acquisition but also the opinion of the Board of Directors, which is responsible for managing the Company. At the present time, the Financial Instruments and Exchange Act includes certain restrictions on hostile takeovers, but it may not be effective in various ways as it neither legally ensures the provision of information and time to review such information before the launch of a tender offer nor legally restricts acts of buying up shares in the market. Therefore, establishing large-scale acquisition rules is a precondition for shareholders and investors making appropriate investment decisions, and the Company believes that ensuring sufficient time is also effective for having constructive dialogues with large-scale purchasers regarding improving corporate value.

The Group formulated the Group Mission 2030 by incorporating issues previously identified and analyzing changes to domestic population trends and other medium- and long-term changes in the business environment as either risks or business opportunities that will exert a serious impact on its business model. The mission provides a vision for the Group as it moves toward and beyond 2030 and looks to achieve sustainable growth and an enhancement in the corporate value of the Company over the medium and long term. In order to continue to create value for customers and society by tapping the potential of these medium- and long-term changes in the business environment and transforming risks into business opportunities, the Group believes that it will be necessary to adopt highly competitive business models in an age of uncertainty by embracing discontinuous innovation while taking advantage of its strengths, including the vending machine business. However, there are concerns that if 20% or more of the Company’s issued shares were

acquired, it would have a major impact on the Company's management and make it impossible to implement corporate measures aimed at achieving sustainable growth and enhancing corporate value over the medium and long term in a timely manner. This could also have a marked impact on the special resolutions at a General Meeting of Shareholders if one considers factors such as quorum and percentage of voting rights exercised.

The status of the Company's major shareholders as of January 20, 2020, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, there is always the possibility of a large-scale acquisition of the Company's stock that would undermine the corporate value of the Group and common interests of its shareholders. The examples of situations of concern are described below.

- (i) The domestic beverage business which is core for the Group has a network of vending machines throughout Japan, one of the largest in the industry. There have previously been cases of M&As in the beverage industry, in which the business value of vending machine businesses has been extremely highly rated, and the Company could be exposed to the danger of a hostile takeover by a large-scale purchaser focused only on the number of vending machines possessed by the Group, not on enhancing the Company's corporate value over the medium and long term.
- (ii) On the other hand, the unique business model for the Group's vending machine business is founded on the trust of stakeholders, and operations of the network of vending machines throughout Japan, one of the largest in the industry, are based on a system run directly by the Group's employees and employees of DyDo Vending Partner Association (vending machine operators that handle the Company's products). It is thus highly dependent on human resources. In order to enhance the corporate value of the Group over the medium and long term, it is necessary to implement reforms to vending machine operations with the understanding of stakeholders including employees and the DyDo Vending Partner Association, but if these parties were to become concerned or alarmed about changes in the management policy on account of the policies of a large-scale purchaser, the quality of the vending machine operations could decline due to various consequences including employee unrest or exodus, which could undermine the ability of the vending machine business to generate cash flows on account of a major loss of vending machine locations that are extremely efficient in terms of sales, and this in turn, could lower the Group's corporate value over the medium and long term.

As discussed above, continuing to have large-scale acquisition rules is necessary and indispensable to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term. Considering the characteristics of the Group's unique vending machine business model, it has been determined that always being prepared for unexpected situations by continuing the Plan is a responsibility of the Board of Directors.

I. Content of the Plan to be approved

1. Purpose for continuing the Plan

The Plan will be continued as a measure to prevent unsuitable parties from controlling decisions regarding the Company's financial and business policies in light of the Basic Policy on Control of the Company.

The purpose of the Plan is to provide shareholders with the necessary and sufficient information and time to reach an appropriate decision regarding whether to agree to a large-scale acquisition by (1) requiring large-scale purchasers to submit necessary and sufficient information before the execution; (2) securing time for information gathering, review, and similar tasks relating to the large-scale acquisition, and; (3) on that basis, presenting the plan of the Company's management or an alternative plan to the shareholders and conducting negotiations with the large-scale purchaser if necessary.

The status of the Company's major shareholders as of January 20, 2020, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, no guarantee can be given as to the future stability of ownership of the Company's shares. It is also fully possible that aspects such as the business foundations, centered on vending machines, an integral part of the Company's unique business model, and related management knowhow could be exposed to the potential risk of being purchased. Taking these conditions into consideration, it cannot be denied that there is the possibility that the Company's share could be the target of a large-scale acquisition that could damage the corporate value of the Company and, in turn, common interests of its shareholders, and, just like other companies, it is still important to ensure the necessary time and information for shareholders if such an acquisition were to occur. Therefore, the Company's Board of Directors considers it important to introduce measures to address such contingencies.

Because of the above, the Company's Board of Directors decided to stipulate certain rules related to points such as providing information in the case of a large-scale acquisition (hereinafter referred to as "Large-Scale Acquisition Rules") and to continue the Plan as a takeover defense measure, including countermeasures against a large-scale acquisition by an unsuitable party in light of the Basic Policy on Control of the Company, conditional upon obtaining the approval of shareholders at this meeting.

As described above, because of the highly concentrated nature of the current shareholder composition, which is considered to be stabilizing, the Plan includes the establishment of an Independent Committee to eliminate arbitrariness in the decisions of the Board of Directors, and resolutions to execute the countermeasures shall be submitted to a General Meeting of Shareholders only if recommended by the Independent Committee, thereby establishing a scheme that also takes into consideration the Board of Directors implementing arbitrary measures on account of the stable shareholders.

Refer to Attached document 3 for an outline of the flow of the Plan.

2. Acquisitions of the Company's stock that the Plan applies to

Acquisitions of the Company's stock that the Plan applies to are ones whose purpose is for a specified shareholder group (Note 1) to obtain 20% or more of the voting rights (Note 2) and ones that ultimately result in a designated shareholder group obtaining 20% or more of the voting rights through the acquisition of the Company's share certificates, etc. (Note 3) (Although the Plan applies regardless of how the instruments are acquired, such as purchases in the market or takeover bid, this does not apply to acquisitions by parties who obtain the prior approval of the Company's Board of Directors. Hereinafter these purchases are referred to as "Large-Scale Acquisitions," and the party acquiring the instruments, "Large-Scale Purchaser.")

Note 1: "Specified shareholder group" refers to

- (i) a holder (including parties deemed as holders pursuant to Article 27-23, paragraph (3) of the Financial Instruments and Exchange Act; the same applies hereinafter) and joint holders (as stipulated in Article 27-23, paragraph (5) of the Financial Instruments and Exchange Act, including parties deemed a joint holder pursuant to paragraph (6) thereof; the same applies hereinafter) of the Company's share certificates, etc., (as stipulated in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act), or parties with certain relationships with the holder or joint holder of the holder that is similar to the relationship between the holder and joint holder (hereinafter referred to as "quasi-joint holders), or
- (ii) parties conducting purchases, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act, including any purchase, etc. made on a market operated by a financial instruments exchange) of the Company's share certificates, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act), and its specially related party (as stipulated in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act; the same applies hereinafter).

Note 2: "Percentage of voting rights" refers to

- (i) in the case of specified shareholder group as given in Note 1 (i), the total of (1) the holding ratio of share certificates, etc., (as stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act; in this case, this includes the number of share certificates, etc., held by joint holders with the holder [number of share certificates, etc. held as stipulated in the same paragraph; the same applies hereinafter]) of the holder and (2) the holding ratio of share certificates, etc. of quasi-joint holders with the holder (minus the number of held share certificates, etc., counted twice in the total of (1) and (2)), or
- (ii) in the case of a specified shareholder group as given in Note 1 (ii), the total of the holding ratio of share certificates, etc. of the Large-Scale Purchaser and that of its specially related party (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act).

Furthermore, when calculating the percentage of voting rights, whichever of the Company's annual report, quarterly report, or reports on repurchase that has been most recently submitted to the authorities may be used to determine the total number of voting rights (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act) and the total number of issued shares (stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act).

Note 3: "Share certificate, etc." refers to shares and other securities as stipulated in Article 27-23, paragraph (1), and Article 27-2, paragraph (1), of the Financial Instruments and Exchange Act.

3. Establishment of the Independent Committee

The Company's Board of Directors shall consult with the Independent Committee (refer to Attached document 4 for an outline of the Independent Committee), which was established as a body independent of the Board of Directors, to prevent arbitrary decisions by the Company's Board of Directors when deciding on the following decisions and to ensure the transparency, objectivity, fairness, and rationality of those decisions. These decisions are as follows: whether Large-Scale Purchasers are adhering to the Large-Scale Acquisition Rules; whether to judge Large-Scale Acquisitions, even those that adhere to Large-Scale Acquisition Rules, as ones that markedly damage the corporate value of the Company and, in turn, common interests of its shareholders and to execute countermeasures; whether to convene a General Meeting of Shareholders regarding executing countermeasures; and whether to take actions such as suspending the execution of countermeasures that have been executed. In addition, when responding to consultation from the Company's Board of Directors, the Independent Committee shall perform the following: carefully evaluate and review Large-Scale Acquisitions from the perspective of protecting and enhancing the corporate value of the Company and, in turn, common interests of its shareholders; clearly indicate the reason and basis for its decisions, and provide advice to the Company's Board of Directors; and the Company's Board of Directors shall give the utmost respect possible to the advice. A summary of the advice by the Independent Committee shall be made public when appropriate.

The Independent Committee shall be composed of at least three members, elected from Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties). (Refer to Attached document 5 for details on candidates to be Independent Committee members after the Plan is continued.)

4. Summary of Large-Scale Acquisition Rules

The Large-Scale Acquisition Rules established by the Company's Board of Directors stipulate that (1) Large-Scale Purchasers shall provide the Company's Board of Directors with necessary and sufficient information related to the Large-Scale Acquisition in advance and (2) launch the Large-Scale Acquisition after an evaluation period for the Company's Board of Directors. An outline of the Rules is provided below.

(1) Submission of statement of intention to the Company in advance

Large-Scale Purchasers planning to make a Large-Scale Acquisition shall submit to the Company's Representative Director a statement of intention written in Japanese that includes the information set forth below and a legally binding pledge to adhere to the Large-Scale Acquisition Rules before making a Large-Scale Acquisition or proposing a Large-Scale Acquisition. After receiving the statement of intention from a Large-Scale Purchaser, the Company shall make public that it has received such a statement of intention, and when necessary, details of that statement.

- (i) Name and address of the Large-Scale Purchaser
- (ii) Applicable law for its establishment
- (iii) Name of the representative
- (iv) Contact information in Japan
- (v) Outline, etc. of the proposed Large-Scale Acquisition

(2) Submission of necessary information

Within ten business days from the day after receiving the statement of intention given in (1) above, the Company's Board of Directors shall send the Large-Scale Purchaser a written statement that includes a list of necessary and sufficient information that the Large-Scale Purchaser should initially submit so that the Company's shareholders can make a decision and the Company's Board of Directors can form an opinion (hereinafter referred to as "Necessary Information"). As stipulated in the list of Necessary Information, the Large-Scale Purchaser shall submit a written response that includes the Necessary Information in Japanese to the Company's Board of Directors.

The following are general items included in Necessary Information. While the specific information will depend on the characteristics of the Large-Scale Purchaser and details specific Large-Scale Acquisition, it shall be limited, in all cases, to information necessary and sufficient for shareholders to make a decision and the Company's Board of Directors to form an opinion.

- (i) Details of the Large-Scale Purchaser and the purchaser's group (joint holders, its specially related party, partners (if a fund), and other constituent members). (This includes names, business details, capital composition, financial details, background and history, and experience related to the same type of business as that of the Company and Group companies.)
- (ii) Purpose and details of the Large-Scale Acquisition (amount and type of compensation for the Large-Scale Acquisition, etc.; timing of the Large-Scale Acquisition, etc.; scheme of related transactions; legality of the method for the Large-Scale Acquisition, etc.; probability of being successful in regard to the Large-Scale Acquisition, related transactions, etc.)
- (iii) Basis for the calculated offer price for the Company's share and proof of funds in the Large-Scale Acquisition (facts that the calculation is based on, calculation method, numerical information used in the calculation, details of the synergies envisioned due to the series of transactions related to the Large-Scale Acquisition, and names of suppliers of funds [including actual providers], financing method, details of related translations, etc.)
- (iv) Candidate managers for the Company and Group companies that the Large-Scale Purchaser envisions appointing after joining the Company's management (including information such as background in businesses similar to that of the Company and Group companies), management policy, business plan, financial plans, capital policy, dividend policy, policy on use of assets, etc.
- (v) Whether there are envisioned changes and their details related to the relationship between the Company (including Group companies) and its stakeholders (customers, business partners, employees and other stakeholders of the Company and Group companies) after completing the Large-Scale Acquisition
- (vi) Other information that the Company's Board of Directors rationally determines is necessary

The Company's Board of Directors may set a deadline for the Large-Scale Purchaser to submit information when necessary from the perspective of quickly applying the Large-Scale Acquisition Rules. However, if the Large-Scale Purchaser requests an extension for a rational reason, the deadline can be extended.

If after carefully examining the Necessary Information initially submitted by the Large-Scale Purchaser, the Company's Board of Directors determines the information is insufficient, the Company's

Board of Directors may request that the Large-Scale Purchaser submit additional information after setting an appropriate and rational deadline by which the Large-Scale Purchaser must provide the additional information until all of the Necessary Information is received (the deadline shall be no more than sixty days after Necessary Information is initially submitted).

If the Company's Board of Directors determines that the Large-Scale Purchaser has submitted necessary and sufficient information to evaluate and review the Large-Scale Acquisition, the Company's Board of Directors shall send the Large-Scale Purchaser notification of that (hereinafter referred to as "Information Submission Completion Notification") and notify the public of that fact.

If even though the Company's Board of Directors requested to submit information in addition to the Necessary Information, the Large-Scale Purchaser does not submit some information but has a rational explanation for not doing so, there are situations when activities such as negotiations with the Large-Scale Purchaser regarding the submission of information, etc., will be concluded even though the Necessary Information requested by the Company's Board of Directors has not been submitted, the public will be notified of that, and the Company's Board of Directors will begin its evaluation, review, etc. given in (3) below.

Necessary Information submitted to the Company's Board of Directors shall be provided to the Independent Committee, and if the information is deemed necessary for shareholders to make a decision, all or some of the information shall be made public when determined appropriate by the Company's Board of Directors.

(3) Evaluation, review, etc. by the Company's Board of Directors

After the Large-Scale Purchaser finishes submitting Necessary Information to the Company's Board of Directors, the Board of Directors shall set a length of time to conduct an evaluation, review, undertake negotiations, form an opinion, and formulate an alternate plan (hereinafter referred to as "Board of Directors Evaluation Period") that is appropriate for the difficulty of conducting those activities, but that period shall not exceed sixty days if the proposed purchase is for all the Company's shares using only cash (yen), and ninety days for other situations.

During the Board of Directors Evaluation Period, while receiving advice from independent outside experts (financial advisors, certified public accountants, attorneys and other experts) when necessary, the Company's Board of Directors shall fully examine and evaluate the submitted Necessary Information and carefully compile and make public its opinion. In addition, the Company's Board of Directors may conduct negotiations with the Large-Scale Purchaser regarding improvements to the terms when necessary and provide the Company's shareholders with an alternate plan.

5. Policy on the countermeasure in the case of a Large-Scale Acquisition

(1) If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules

If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, even if the Company's Board of Directors is opposed to the Large-Scale Acquisition, it shall limit its actions to convincing shareholders by expressing its opinion against the proposed Large-Scale Acquisition and indicating an alternate plan but, as a general rule, shall not execute countermeasures against the Large-Scale Acquisition. The Company's shareholders shall decide whether to agree to the Large-Scale Purchaser's acquisition plan taking into consideration the proposed Large-Scale Acquisition and the Company's opinion regarding such proposed Large-Scale Acquisition, alternate plan, etc.

Even if the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, if the Company's Board of Directors determines that the acquisition will damage the corporate value of the Company and, in turn, common interests of its shareholders, which includes situations such as the Large-Scale Acquisition being one of following, (i) - (vi), and as a result will clearly cause the Company damage that would be difficult to recover from, the Company's Board of Directors may, in accordance with its duty of due care of a prudent manager, execute countermeasures permitted by the Companies Act, other laws and the Company's Articles of Incorporation, including in exceptional situations the gratis allotment of stock acquisition rights, to the extent necessary and appropriate to secure the interests of the Company's shareholders.

- (i) If the Large-Scale Acquisition is such that it will clearly damage the corporate value of the Company and, in turn, common interests of its shareholders on account of one of the actions given in a.–d. below
 - a. Acquiring a large number of the Company’s shares and demanding the Company purchase those shares at an inflated price (so-called green mail)
 - b. Acquiring temporary control of the Company’s management and managing the Company in a manner that benefits the purchaser at the expense of the Company, such as acquiring the important assets of the Company or Group companies, etc. at a discounted price
 - c. Using the assets of the Company or Group companies as collateral for or as a source of funds to repay the liabilities of the purchaser or the purchaser’s group companies.
 - d. Acquiring temporary control of the Company’s management, disposing of items such as highly valuable assets not currently related to the business of the Company or Group companies, using the funds raised to temporarily boost the dividends or waiting for the stock price to rise due to a temporary high dividend to sell off the shares at a higher price
- (ii) If the Large-Scale Acquisition may in fact force shareholders to sell off their shares, including coercive two-stage acquisition (acquisition of shares such as a tender offer, whereby no solicitations for acquiring all the shares are made in the initial acquisition and the terms for the second-stage acquisition are set more disadvantageously or are not made clear)
- (iii) If it is determined that the acquisition terms proposed by the Large-Scale Purchaser (including but not limited to the type and amount of compensation for the share, basis for calculating the amount, and specific contents, legality and feasibility of other terms) are markedly insufficient or inappropriate considering the Company’s corporate value
- (iv) If it is determined that the Large-Scale Purchaser obtaining control will conspicuously harm the corporate value of the Company and, in turn, common interests of its shareholders by activities such as damaging the relationship with customers, business partners, employees, communities and other stakeholders who are indispensable for generating sustainable growth in the Company’s corporate value
- (v) If it is determined that because aspects such as the Large-scale Purchaser’s post-acquisition management policy are insufficient or inappropriate, this may undermine the growth potential and stability of the Company or Group companies’ business and dramatically hinder efforts to protect and enhance the Company’s or Group companies’ corporate value and, in turn, common interests of their shareholders
- (vi) If the Large-Scale Purchaser is determined to be unsuited for being the controlling shareholder of the Company from a public order and morals

(2) If the Large-Scale Purchaser does not adhere to Large-Scale Acquisition Rules

If the Large-Scale Purchaser does not adhere to the Large-Scale Acquisition Rules, after obtaining the advice of the Independent Committee to execute the countermeasures, the Company’s Board of Directors may oppose the Large-Scale Acquisition and execute countermeasures permitted by the Companies Act, other laws and the Company’s Articles of Incorporation, including the gratis allotment of stock acquisition rights, to the extent necessary and appropriate to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.

(3) Board of Directors’ resolution and convening a General Meeting of Shareholders

When deciding whether to execute countermeasures discussed in (1) and (2) above, the Company’s Board of Directors shall make an assessment regarding issues such as whether to execute countermeasures after giving the utmost respect possible to the advice of the Independent Committee and fully reviewing issues such as the necessity and reasonableness of the countermeasures.

The specific measure taken shall be the one that the Company’s Board of Directors determines to be the most appropriate at that time. An outline of the case when the Company’s Board of Directors conducts a gratis allotment of stock acquisition rights as a specific countermeasure is given in Attached document 6. In an event where the Company actually conducts a gratis allotment of stock acquisition rights, conditions may be stipulated that take into consideration the effectiveness of countermeasures,

and these could include one of the conditions for exercising stock acquisition rights as being a shareholder who is not part of a specified shareholder group that holds a certain percentage or more of voting rights or a special provision that the Company shall acquire the stock acquisition rights from rights holder in exchange for the Company's shares. However, in that case, it is not envisioned that the Company would provide cash to acquire the stock acquisition rights held by the Large-Scale Purchaser.

If the Independent Committee advises that countermeasures be executed, determines that it is appropriate to confirm the will of shareholders regarding the necessity and reasonableness to execute the countermeasures, and requests that a General Meeting of Shareholders regarding a resolution to execute the countermeasures be held, the Company's Board of Directors may set a period of time, not to exceed sixty days, for shareholders to fully review whether to execute the countermeasures in the Plan (hereinafter referred to as "Shareholder Review Period") and convene a General Meeting of Shareholders within that Period.

If the Company's Board of Directors passes a resolution convening a General Meeting of Shareholders and decides on a record date, the Board of Directors Evaluation Period shall end on that day, and the Shareholder Review Period shall begin.

When convening the General Meeting of Shareholders, the Company's Board of Directors shall send shareholders written material that includes necessary information submitted by the Large-Scale Purchaser, the Board of Directors' opinion of the necessary information, the Board of Directors' alternative plan and other information that the Board of Directors judges appropriate along with the notice of a convocation of General Meeting of Shareholders and disclose that it will do so in a timely and appropriate manner.

The Company's Board of Directors shall adhere to resolutions regarding whether to execute countermeasures passed at the General Meeting of Shareholders. If a resolution to execute the countermeasures is not adopted at the General Meeting of Shareholders, the Company's Board of Directors shall not execute the countermeasures. The Shareholder Review Period shall end at the close of the General Meeting of Shareholders, and the results of the meeting shall be disclosed in a timely and appropriate manner after the resolutions are passed.

(4) Large-scale acquisition waiting period

The large-scale acquisition waiting period shall be until the end of Board of Directors Evaluation Period if a Shareholder Review Period is not set or the end of the combined period of the Board of Directors Evaluation Period and Shareholder Review Period if a Shareholder Review Period is set. Large-Scale Acquisitions cannot be conducted during the large-scale acquisition waiting period.

Therefore, Large-Scale Acquisitions can only be launched after the large-scale acquisition waiting period is over.

(5) Suspension of the execution of countermeasures, etc.

If after it is decided at a Company's Board of Directors meeting or a General Meeting of Shareholders to execute specific countermeasures as discussed in (3) above, the Company's Board of Directors determines it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors may suspend the execution of countermeasures or take other steps after giving the utmost respect possible to the advice of the Independent Committee.

For example, in an event where a gratis allotment of stock acquisition rights is conducted as a countermeasure, even after the resolution regarding the gratis allotment is passed or the gratis allotment is conducted, if the Company's Board of Directors determines that it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors can suspend the execution of the countermeasures by discontinuing the gratis allotment of stock acquisition rights up to the day before the rights come into effect or having the Company acquire the stock acquisition rights without contribution after the gratis allotment of stock acquisition rights but before the day before the start of the exercise period after giving the utmost respect possible to the recommendation of the Independent Committee. If the execution of countermeasures is suspended in this way or there is a similar

development, the decision shall be disclosed in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

6. Commencement of application, effective period, abolishment of the Plan, etc.

Assuming approval is obtained at this meeting, the Plan will come into effect on that day, and the Plan shall stay in effect until the conclusion of the Annual General Meeting of Shareholders for the last fiscal year that falls within three years of that date (the Annual General Meeting of Shareholders scheduled to be held in April 2023).

Even if the Plan has yet to expire, however, the Plan will be abolished at the time a resolution to abolish the Plan is passed at a General Meeting of Shareholders or Board of Directors meeting. If the Plan is abolished, the fact that it has been abolished shall be made public in a timely and appropriate manner.

Even if the Plan has yet to expire, in an event where it becomes necessary to make revisions to the terms stipulated in the Plan, meaning of terms, etc. for any of various reasons including newly established, revised, or repealed related laws and regulations, listing rules of the financial instruments exchange, etc., the Company's Board of Directors shall rationally interpret and apply the Plan to the extent possible without violating the purport of the General Meeting of Shareholders resolution and taking into consideration the purport of the newly established, revised, or repealed item, etc. and giving the utmost respect possible to the advice of the Independent Committee.

II. Supplementary explanations

1. Impact on shareholders, investors, etc.

(1) Impact of the Plan on shareholders, investors, etc.

When the Plan is continued, there will be no specific direct impact on the interest of shareholders because a gratis allotment of stock acquisition rights will not be conducted at that time. The Large-Scale Acquisition Rules in the Plan are to provide the necessary information for shareholders to decide whether to agree to a Large-Scale Acquisition and the opinion of the Board of Directors, who are currently responsible for managing the Company, and to ensure an opportunity for shareholders to receive an alternative plan. Because of this, shareholders will be able to make an appropriate decision regarding whether to agree to the Large-Scale Acquisition taking into consideration sufficient information and the proposal, and the Company believes that this will protect the corporate value of the Company and, in turn, common interests of its shareholders. Therefore, the establishment of Large-Scale Acquisition Rules is a precondition for shareholders and investors to make an appropriate investment decision and will contribute to the interest of shareholders and investors.

Because the Company's policy to address a Large-Scale Acquisition depends on whether the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, shareholders and investors should pay close attention to material the Company releases and what Large-Scale Purchasers do.

(2) Impact on shareholders and investors if countermeasures are executed

If the Company's Board of Directors decides to execute countermeasures as described in the above item 5. "Policy on the countermeasure in the case of a Large-Scale Acquisition" to protect the corporate value of the Company and, in turn, common interests of its shareholders, the Company's Board of Directors shall disclose the decision in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

When countermeasures are executed, the Company does not assume that shareholders other than the Large-Scale Purchaser, etc. will incur particular losses in terms of legal rights or economic interest. If a gratis allotment of stock acquisition rights is undertaken as one of the countermeasures, shareholders as of the record date for the allotment are allotted a number of stock acquisition rights without contribution proportional to the number of shares they hold. After that, if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, shareholders other than the Large-Scale Purchasers, etc. will not suffer a substantial, negative impact because they will receive the Company's share as compensation of the acquisition of the stock acquisition rights by the Company. If in response to the advice of the Independent Committee, the Company discontinues the issuance of stock acquisition rights or acquires the issued stock acquisition rights without contribution in line with a

decision by the Company's Board of Directors, shareholders and investors who trade the Company's share or take other actions assuming the Company's share value would be diluted after shareholders to receive the gratis allotment of stock acquisition rights were finalized (after the ex-rights date) may incur unforeseen losses due to changes in the share price.

As for Large-Scale Purchasers, etc., if it is determined that they have not adhered to the Large-Scale Acquisition Rules, or if it is determined that the Large-Scale Acquisition will markedly damage the corporate value of the Company and, in turn, common interests of its shareholders even if they have adhered to the Large-Scale Acquisition Rules, their legal rights and economic interest may be undermined as a result of the execution of countermeasures. The Plan is made public as an advance warning so that Large-Scale Purchasers do not violate the Large-Scale Acquisition Rules.

(3) Procedures required of shareholders when countermeasures are executed

If a gratis allotment of stock acquisition rights is conducted as one of the countermeasures, shareholders as of the record date for the allotment shall be allotted stock acquisition rights without having to apply for them, and if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, there is no need for shareholders to complete procedures, such as applying or paying for the stock acquisition rights, because shareholders will receive the Company's share as compensation for the Company acquiring the stock acquisition rights, without paying an amount equivalent to the stock acquisition right exercise price. Details regarding these procedures will be disclosed in a timely and appropriate manner based on laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc. when conducting an actual gratis allotment of stock acquisition rights.

2. The Plan is in accord with the basic policy and the corporate value of the Company, in turn, common interests of its shareholders, and its purpose is not to maintain the position of the Company's officers

The Company believes that the Plan is in accord with the Basic Policy on Control of the Company, the corporate value of the Company and, in turn, common interests of its shareholders, and that its purpose is not to maintain the position of the Company's officers because the following points were taken into consideration when the designing the Plan.

(1) Satisfaction of the requirements of guidelines on takeover defense measures

The Plan fulfills the three principles stipulated by "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests" released by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005 ([i] principle of protecting and enhancing corporate value and the interests of shareholders as a whole, [ii] principle of prior disclosure and shareholders' will, [iii] principle of ensuring the necessity and reasonableness). The Plan was also developed taking into consideration the report entitled "Takeover Defense Measures in Light of Recent Environmental Changes," released on June 30, 2008 by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry, and "Principle 1.5 Anti-Takeover Measures" of Japan's Corporate Governance Code released by the Tokyo Stock Exchange on June 1, 2015.

(2) Continuance of the Plan to protect and enhance the common interests of the shareholders

The Plan makes various things possible in the case of a Large-Scale Acquisition of the Company's stock, including ensuring the opportunity to receive the time and information necessary for shareholders to decide whether to agree to the Large-Scale Acquisition and an alternative plan by the Company's Board of Directors and will be continued to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.

(3) Reflection of the will of shareholders

The Company will confirm the will of shareholders related to the Plan at this meeting. Even if the Plan is still in effect, in an event where a resolution to abolish the Plan is adopted at the Company's General Meeting of Shareholders or a Board of Directors meeting, the Plan will be abolished at that time to reflect the will of shareholders.

(4) Elimination of arbitrary decisions by the Board of Directors

The Plan establishes the Independent Committee as an organization independent of the Company's Board of Directors, and the Company's Board of Directors shall give the utmost respect possible to the advice of the Independent Committee when deciding whether to execute countermeasures to ensure the transparency, objectivity, fairness, and rationality of the decision and to eliminate arbitrary decisions by the Company's Board of Directors. A summary of decisions by the Independent Committee shall be disclosed to shareholders, and a mechanism is secured so that the Plan is implemented in a transparent manner that serves the corporate value of the Company and, in turn, common interests of its shareholders.

(5) Establishment of rational, objective conditions to execute the Plan

The Plan was designed so that countermeasures are not executed unless rational, objective conditions are satisfied, and a mechanism is secured to prevent an arbitrary execution of countermeasures by the Company's Board of Directors.

(6) This is not a dead hand-type or slow-hand type takeover defense measure

The Plan can be abolished by the Board of Directors composed of directors elected at the Company's General Meeting of Shareholders. Therefore, the Plan is not a dead hand-type takeover defense measure (a takeover defense measure in which the execution of the countermeasures cannot be halted even if a majority of constituent members of the Board of Directors are replaced).

Furthermore, Directors of the Company have a term of one year, and the terms of Directors are not staggered. Therefore, the Plan is not a slow-hand takeover defense measure (a takeover defense measure in which it takes time to halt the execution of countermeasures because constituent members of the Board of Directors cannot be replaced all at once). Furthermore, resolutions to remove Directors do not have additional requirements for resolution such as requiring a special resolution.

Major Shareholders as of January 20, 2020

Shareholder Name	Number of Shares Held (Thousand shares)	Shareholding Ratio (%)
HighWood Co. Ltd.	2,470	14.91
Santomi	2,011	12.14
Taita Corporation	718	4.33
Tomihiro Takamatsu	495	2.98
Tomiya Takamatsu	495	2.98
Akira Takamatsu	494	2.98
Japan Trustee Services Bank, Ltd. (Trust Account)	312	1.88
Tamon Takamatsu	305	1.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	302	1.82
Lemongas Kagoshima Co., Ltd.	250	1.50
Total	7,854	47.41

- Notes: 1. Shareholding ratio (the percentage of number of shares held in the total number of issued shares) is calculated by excluding treasury shares (1,021 shares).
2. Numbers of shares held have been rounded down to the nearest 1,000 shares.

Basic Policy on Corporate Governance

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 and long term.

<p>DyDo Group Corporate 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.</p>	
<p>DyDo Group Corporate Vision</p>	
Together with customers	Offering high-quality products and adding the element of surprise to deliver “distinctive 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 timeless “DyDo challenging spirit” to bring happiness to all people whose lives are touched by the DyDo Group.

Our core business is the domestic beverage business and, as 80% or more 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 one of the largest networks of vending machines in the industry, 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. Our corporate governance serves as a mechanism for carrying out transparent, fair, swift, and bold decision-making and forms the bedrock upon which we can continue our “dynamic efforts,” and we believe our efforts to continually improve corporate governance contribute to common interests of shareholders.

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

(1) Securing the Rights and Equal Treatment of Shareholders

At the Group, our corporate philosophy of “achieving happiness and prosperity together with people and society as a whole” 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 and long term (as enshrined in our corporate philosophy of “achieving happiness and prosperity together with people and society as a whole”) 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 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 with the information they need to make informed decisions. This includes financial information such as financial position and operating results, and non-financial information such as management strategies and issues and information related to risks and 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 Company to the furthest possible extent.

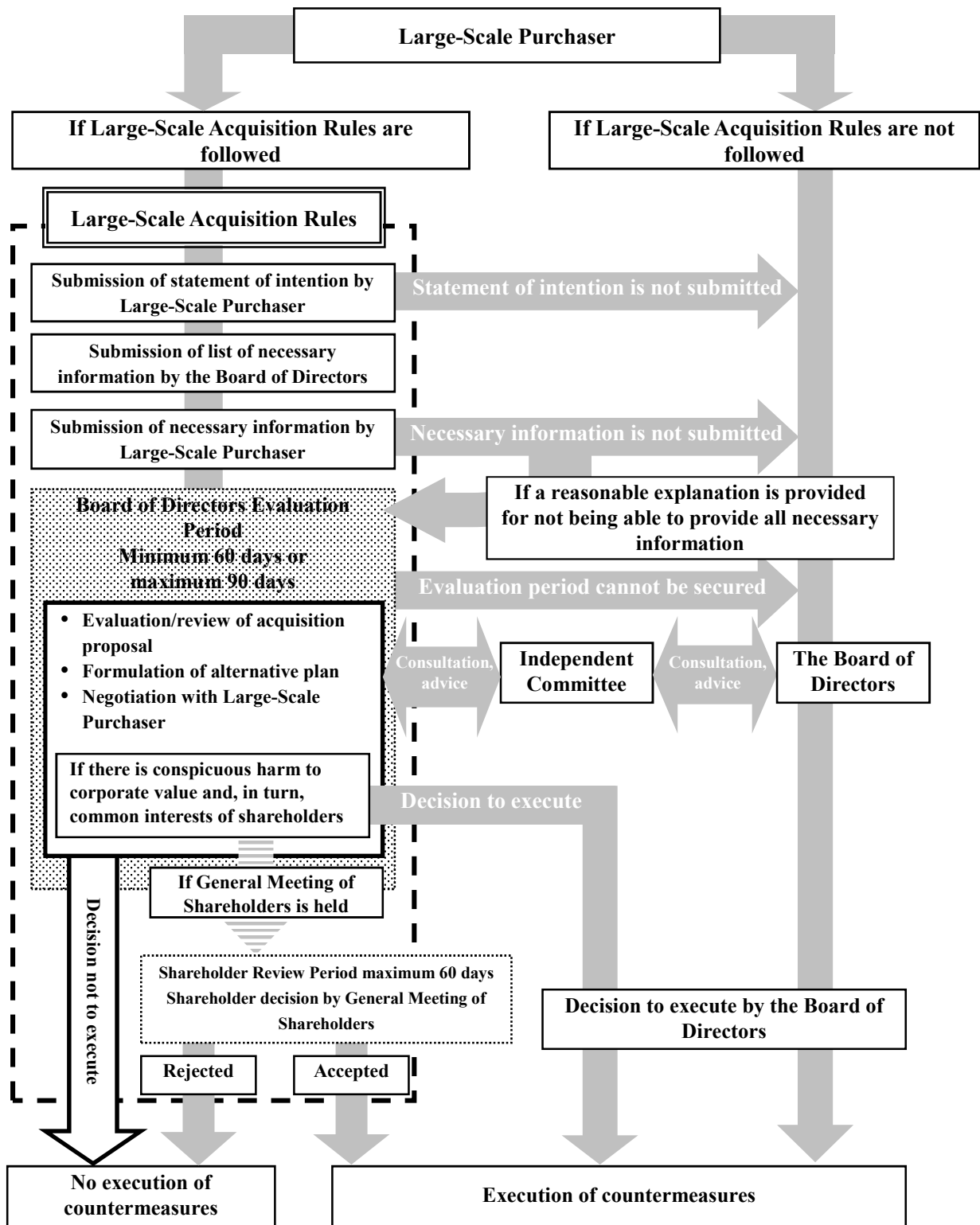
(4) Responsibilities of the Board of Directors, etc.

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 and 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) appropriately fulfill roles and responsibilities primarily by instituting effective oversights of executives and Directors from an independent and objective standpoint.

(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 and long term. Such communication not only fosters correct understanding of the Group, but it also generates valuable feedback that serves as a frank appraisal of our true trustworthiness and corporate value.

Outline of the Plan



Note: The figure is a diagram of the flow of typical procedures to contribute to the understanding of the Plan, and not all of the procedures are presented. Refer to the main text for details.

Outline of the Independent Committee

1. Entity authorized to establish and disband the committee

The Independent Committee shall be established and disbanded by Board of Directors resolution.

2. Constituent members

The Independent Committee shall consist of at least three members appointed, by Board of Directors resolution, from among Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties).

3. Parties authorized to convene the committee

Each member of the Independent Committee and the Board of Directors can convene a meeting of the Independent Committee when necessary.

4. Requirements for passing resolutions

Independent Committee resolutions, as a general rule, shall pass with a majority vote at meetings that all members are in attendance.

5. Advice

In response to consultation by the Board of Directors, the Independent Committee shall provide advice along with the reason and basis for the decisions. Each member of the Independent Committee shall make advice from the perspective of whether it contributes to the corporate value of the Company and, in turn, common interests of its shareholders.

6. Authority and duties of the committee

- (1) The Independent Committee can demand that the Board of Directors submit explanations and material necessary to make appropriate decisions.
- (2) If the information submitted by Large-Scale Purchasers is insufficient or it is determined that supplementary information in addition to the submitted information is necessary, the Independent Committee can request that Large-scale Purchasers provide information that the committee deems rational either directly or through the Board of Directors.
- (3) The Independent Committee can request advice from investment banks, securities companies, attorneys, and other independent experts when necessary, and the Company shall pay for that.

7. Board of Directors' duty to respect Independent Committee's recommendations

The Board of Directors shall give the utmost respect possible to the advice of the Independent Committee.

Career Summary of Candidates for Members of the Independent Committee

Shinji Mori

Career summary:

Apr. 1972	Joined the Legal Training and Research Institute of Japan
Apr. 1974	Appointed as a judge, Yokohama District Court
Apr. 1986	Appointed as a judge, Kyoto District Court
May 1989	Registered as a member of the Osaka Bar Association
May 1989	Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P. C.)
Apr. 2001	Outside Corporate Auditor, the Company
Sep. 2003	Senior Partner, Chuo Sogo Law Office, P. C. (incumbent)
Apr. 2014	Outside Director, the Company (incumbent)

Sachie Kato

Career summary:

Apr. 1969	Joined the Legal Training and Research Institute of Japan
Apr. 1971	Appointed as a public prosecutor, Tokyo District Public Prosecutors Office
May 1974	Registered as a member of the Osaka Bar Association
Mar. 1983	Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P. C.)
Apr. 2014	Outside Corporate Auditor, the Company (incumbent)

Shigeyuki Moriuchi

Career summary:

Oct. 1982	Joined Price Waterhouse Certified Public Accountants Office
Jul. 1998	Senior Partner, Aoyama Audit Corporation
Oct. 2005	Director and Senior Partner, ChuoAoyama Audit Corporation
May 2007	Senior Partner, Kasumigaseki Audit Corporation (currently Grant Thornton Taiyo LLC)
Jan. 2010	Managing Partner, Kasumigaseki Audit Corporation
Oct. 2013	Partner, Grant Thornton Taiyo LLC (incumbent)
Nov. 2015	Outside Director (Audit and Supervisory Committee Member), KOSHIDAKA HOLDINGS Co., LTD. (incumbent)
Dec. 2016	Outside Corporate Auditor, KATO SANGYO CO., LTD. (incumbent)
Apr. 2019	Outside Corporate Auditor, the Company (incumbent)

- Notes:
1. There are no special interests between any of the candidates for members of the Independent Committee and the Company.
 2. Outside Director Shinji Mori and Outside Corporate Auditor Sachie Kato are currently working for Chuo Sogo Law Office, P. C., to which the DyDo Group commissions business. The DyDo Group receives legal advice as required from lawyers of this office other than Mr. Shinji Mori and Ms. Sachie Kato, and the annualized advisory fee that the DyDo Group pays to said law office is less than ¥10 million.
 3. Outside Corporate Auditor Shigeyuki Moriuchi serves as Outside Corporate Auditor of KATO SANGYO CO., LTD. The Company does have a trading relationship with KATO SANGYO CO., LTD., however for the past three years, the amount of such trade was less than 2% of the consolidated net sales of either the Company or KATO SANGYO CO., LTD., and accordingly, KATO SANGYO CO., LTD. is not considered a major business partner of the Company.
 4. The Company has notified Outside Director Shinji Mori, Outside Corporate Auditor Sachie Kato, and Outside Corporate Auditor Shigeyuki Moriuchi as independent officers as prescribed by the Tokyo Stock Exchange.

Outline of the Gratis Allotment of Stock Acquisition Rights

1. Shareholders who are entitled to receive the gratis allotment of stock acquisition rights

The Company shall allot one stock acquisition right for each share of the Company's common stock held by shareholders recorded in the last shareholders registry on the record date stipulated by the Company's Board of Directors (this does not apply to the Company's common stock held by the Company), and the stock acquisition rights shall be allotted gratis.

2. Class and number of shares for stock acquisition rights

The class of stock to be used for stock acquisition rights shall be the Company's common stock, and the total number of shares to be used for stock acquisition rights shall not exceed the total number of authorized shares on the record date stipulated by the Company's Board of Directors minus the total number of issued shares of the Company's common stock (excluding the Company's common stock held by the Company). The number of shares for each stock acquisition right shall be set separately by the Company's Board of Directors. In addition, necessary adjustments shall be made in the case of a stock split or reverse split.

3. Total number of stock acquisition rights to be issued

The total number of stock acquisition rights to be issued shall be set by the Company's Board of Directors separately. The Company's Board of Directors may allot stock acquisition rights multiple times.

4. Value of assets to be contributed when exercising one stock acquisition right (amount to be paid in)

The value of assets to be contributed when exercising one stock acquisition right (amount to be paid in) shall be the amount stipulated by the Company's Board of Directors (at least one yen).

5. Restrictions on transfer of stock acquisition rights

The approval of the Company's Board of Directors is required to transfer stock acquisition rights.

6. Conditions on exercising stock acquisition rights

Conditions for exercising stock acquisition rights include not belonging to a specified shareholder group that holds 20% or more of voting rights (this does not apply to parties approved by the Company's Board of Directors in advance). Details of conditions for exercising stock acquisition rights are stipulated separately by the Company's Board of Directors.

7. Stock acquisition rights exercise period, etc.

The date the allotment of stock acquisition rights becomes effective, exercise period, special provisions for acquisition, and other necessary items shall be stipulated separately by the Company's Board of Directors. Special provisions for acquisition may be set to make it possible for the Company to acquire stock acquisition rights held by parties other than those not permitted to exercise stock acquisition rights because of conditions for exercising rights in 6. above and to provide the Company's common stock, the number of which stipulated by the Company's Board of Directors, for each stock acquisition right. In addition, it is not envisioned that cash will be paid to acquire the stock acquisition rights held by parties not permitted to exercise the rights.