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Offering delicious products
for the sound mind and body

March 2, 2018

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

Notice Concerning Impairment Losses (Consolidated) and Appraisal Losses on Affiliate Investments and Shares (Non-Consolidated)

DyDo Group Holdings posted the following impairment losses (consolidated) and losses on the valuation of investments in capital of subsidiaries and associates and on the valuation of shares of subsidiaries and associates (non-consolidated), respectively, for the fiscal year ended January 2018 (January 21, 2017, to January 20, 2018).

1. Impairment losses (consolidated)

(1)DyDo DRINCO RUS, LLC (“DDR”; head office: Moscow, Russia; stake: 100%)

DDR has been working to boost sales of products through vending machines by developing a network of vending machines in Moscow since December 2013, but the company is seeing slow progress due to delays in vending machine location auctions by the Moscow city government and an effort to put in place structures to facilitate vending machine operations that is taking longer than initially expected. In addition, the company faces the need to undertake a major review of its operations due to the need to implement government-mandated support for online tax payments starting in July 2018. Following a study of whether it would be possible to recoup our investment based on the Accounting Standards for Impairment Loss on Non-current assets, we posted an impairment loss of ¥161 million on vending machine non-current assets in our consolidated financial results for the fiscal year ended January 2018.

Going forward, DDR will work to conduct a review of vending machine locations and to further enhance the effectiveness of its vending machine operations.

(2) DyDo Mamee Distribution Sdn. Bhd. (“DMD”; head office: Johor Bahru, Malaysia; stake: 51%)

The beverage market in Malaysia has been changing dramatically in recent years as rapidly rising health awareness on the part of consumers drives a striking decline in sales of carbonated beverages. DMD’s performance has fallen significantly below initial plans due to challenges posed by its Cheers carbonated beverages and other drink products. Following a study of whether it would be possible to recoup our investment based on the Accounting Standards for Impairment Loss on Non-current assets, we posted an impairment loss of ¥269 million in our consolidated financial results for the fiscal year ended January 2018 for goodwill arising from our acquisition of DMD shares.

Going forward, DMD plans to rebuild its brand portfolio by discontinuing its existing Cheers brand of carbonated beverages and taking advantage of DyDo DRINCO’s product development expertise to accelerate availability of new, high-quality products that accord with consumers’ growing preference for healthy lifestyles.

2. Losses on the valuation of investments in capital of subsidiaries and associates and on the valuation of shares of subsidiaries and associates (non-consolidated)

Following a significant decline in the effective value of our investment in DDR after posting the impairment loss described in (1) above, we posted a loss on the valuation of investments in capital of subsidiaries and associates of ¥478 million as an extraordinary loss in our non-consolidated financial results for the fiscal year ended January 2018.

Following a significant decline in the effective value of the DMD shares we own after posting the impairment loss described in (2) above, we posted a loss on the valuation of shares of subsidiaries and associates of ¥656 million as an extraordinary loss in our non-consolidated financial results for the fiscal year ended January 2018.

Since these losses on the valuation of investments in capital of subsidiaries and associates and on the valuation of shares of subsidiaries and associates are eliminated on the Group’s consolidated financial statements, neither loss will have any effect on its consolidated performance.

3. Impact on performance

For more information about the financial results for the fiscal year ended January 2018, please see FY2017 (Year Ended January 20, 2018) Financial Briefing Materials.