

こころとからだに、
おいしいものを。



FY2019 (Year Ending January 20, 2020) 2nd Quarter Financial Highlights

**DyDo Group Holdings, Inc.
(1st Section of the Tokyo Stock Exchange: 2590)**

August 27, 2019

Table of Contents

1. The Growth Strategy of DyDo Group	P.03 - 11
2. FY2019 2nd Quarter Financial Highlights / Full-year Earnings Forecast	P.12 - 18
3. Overview of FY2019 2nd Quarter Results by Segment	P.19 - 33
4. Achieving Sustained Growth	P.34 - 38
Appendix	P.39 - 60

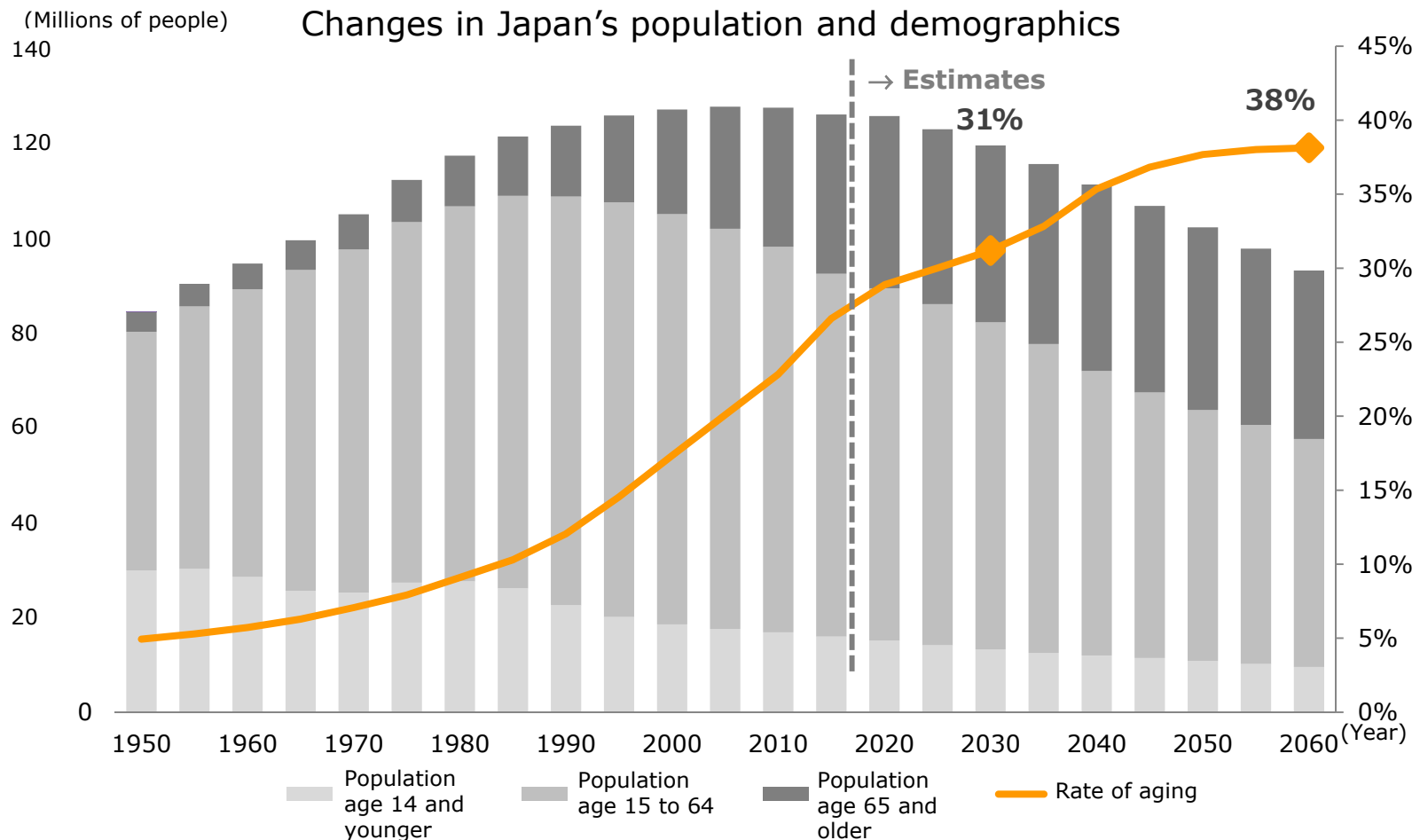
こころとからだに、
おいしいものを。



1. The Growth Strategy of DyDo Group

Changes in the Business Environment

- ▶ The rate at which Japan's population is aging is expected to rise further in the coming years



Source: Compiled based on the FY2018 White Paper on Telecommunications (Ministry of Internal Affairs and Communications)

DyDo Group SWOT

Strengths

- Unique business models based on supplying the delicious flavor customers want in locations that are familiar and convenient
- Stable cash flows created by invisible assets (i.e., the vending machine business model)
- Ability to develop and manufacture pharmaceuticals and quasi-drugs on a contract basis; broad customer base as a manufacturer of products ranging from pharmaceuticals to cosmetics
- Technology for creating delicious jelly products

Weaknesses

- Position in the bottom half of the market as a drink manufacturer
- Inadequate human resources with expertise in the health care and IT fields
- Dependence on outside resources in areas such as ingredient procurement and R&D functionality

Opportunities

- Ensuring competitive advantages as the vending machine market shrinks
- Advances in technology
- Expanding contract manufacturing opportunities by establishing a new pouch line
- Growth in the health care market

Transition

Threats

- Inadequate personnel to oversee vending machine operations
- Changes in the purchasing habits of consumers

☐ Domestic Beverage Business

☐ Non-drink businesses

Group Mission 2030

For DyDo Group to create enjoyable,
healthy lifestyles for people around the world

Together with our customers.



Nurturing our customers' health

We will deliver products and services that help improve health and quality of life for our customers around the world, in a tireless quest for delicious taste.

Together with the next generation.



Creating new value for future generations

We will take advantage of innovative technologies, bringing surprise and delight to all of our stakeholders.

Together with society.



Taking the lead in social reform

We will take the lead in social reform, going beyond conventional wisdoms to adopt new for achieving a sustainable society.

Together with our people.

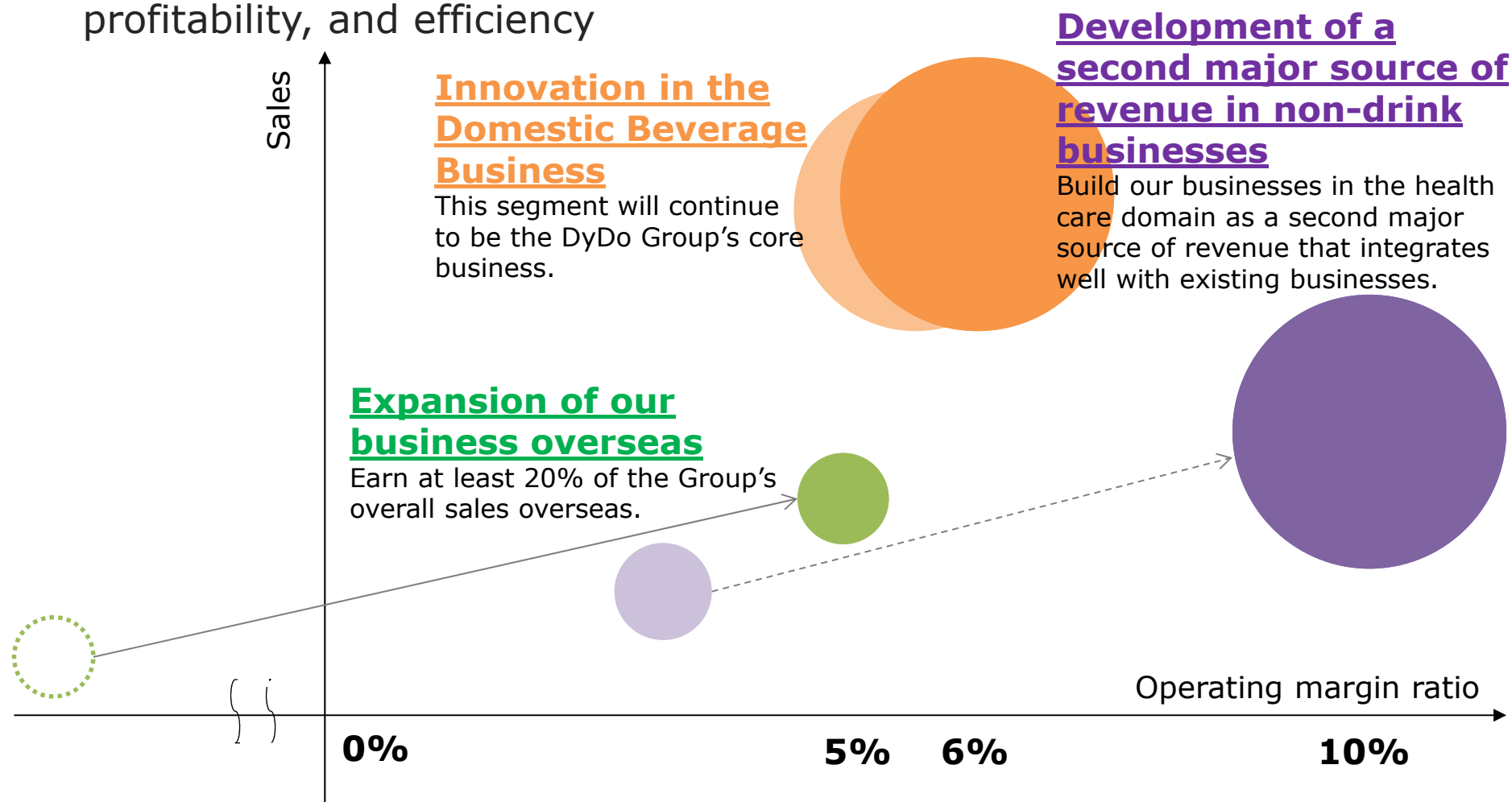


Connecting people to people

We will seek out new ways to form mutually beneficial relationships with stakeholders, both old and new, within and outside the company, working flexibly with them and respecting the diversity of their values and abilities.

Group Mission 2030 Basic Policies

- ▶ Strive to develop a business portfolio characterized by high growth, profitability, and efficiency



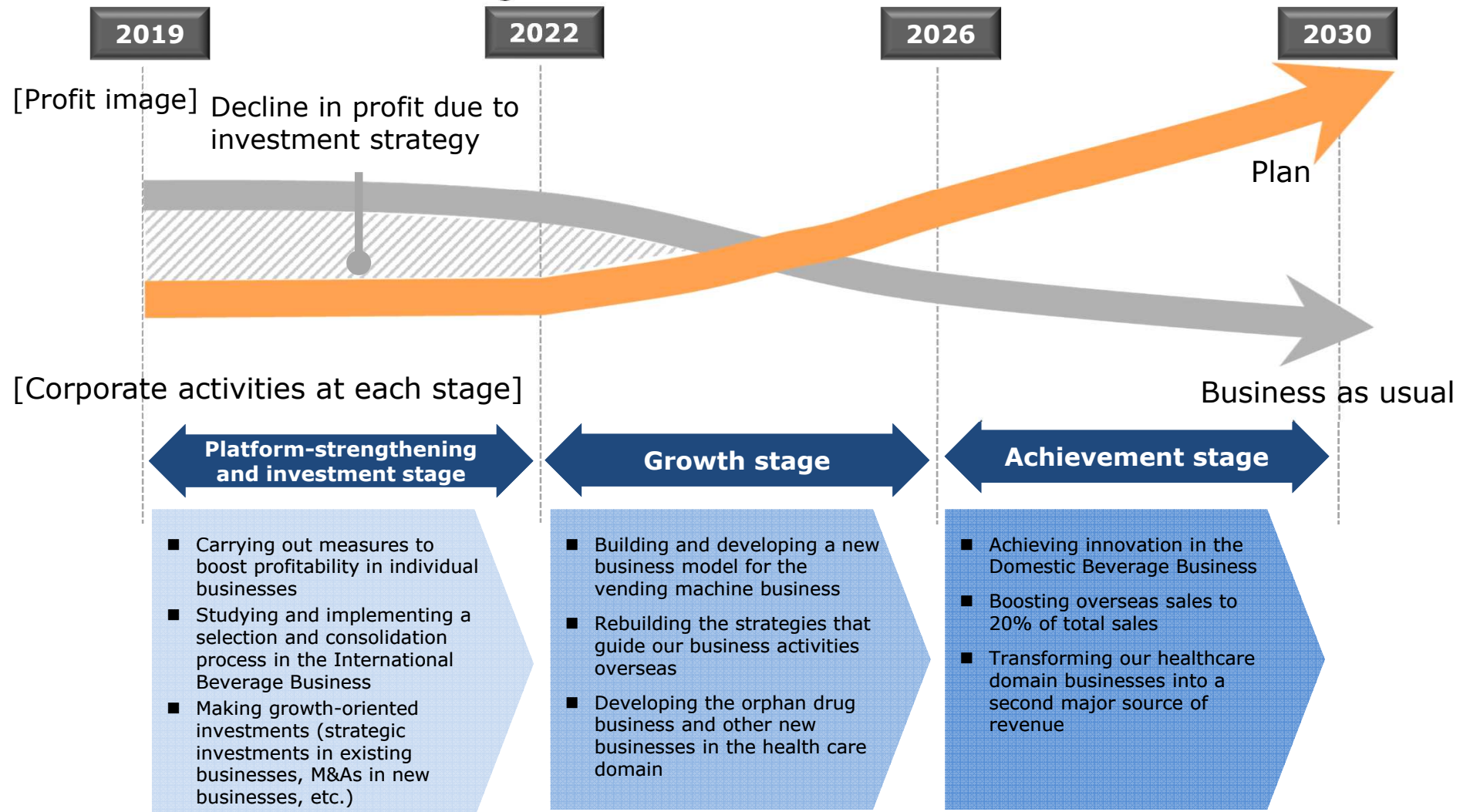
*Figure intended as a general illustration. The size of each circle represents operating income, with FY2018 and FY2030 indicated by light and dark colors, respectively.

ここからだに、
おいしいものを。

Roadmap



- ▶ Although revenue will fall temporarily, we will make advance investments to achieve sustained growth.



ここからだに、
おいしいものを。

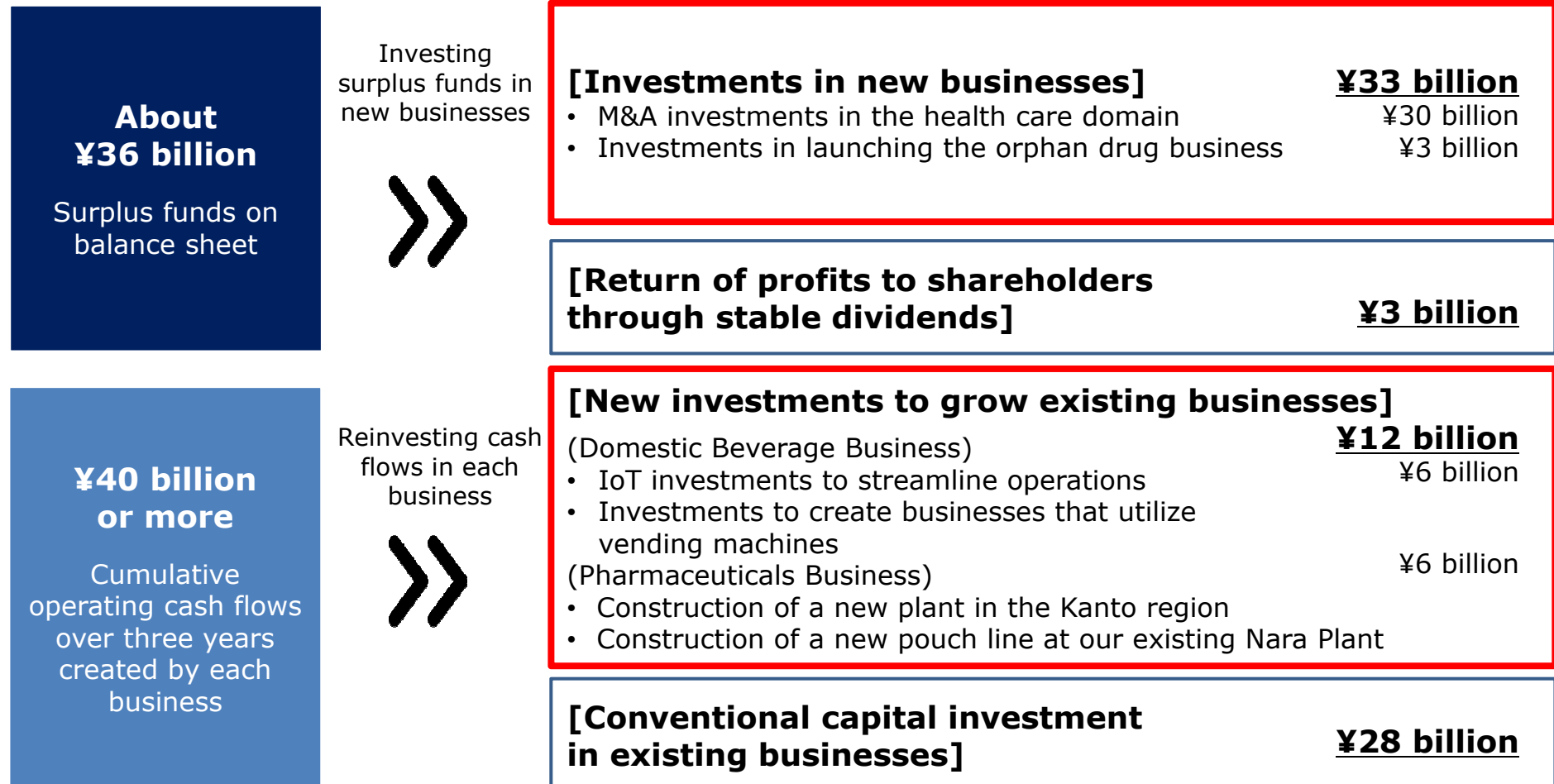


Investment Strategy in the Mid-term Business Plan 2021

- ▶ We anticipate spending a maximum of ¥45 billion in an investment strategy that includes growth investments, M&As, and other components

[Investment resources]

Red borders: Growth investments



Mid-term Business Plan 2021 Guidelines

- ▶ Quantitative targets are disclosed in the one-year plan
- ▶ We will pursue these guidelines as we implement the Mid-term Business Plan

	Guidelines
Sales	<ul style="list-style-type: none"> Organic growth in existing businesses along with new M&As
Operating margin	<ul style="list-style-type: none"> Operating margin in existing businesses (3%) minus investment strategy costs plus profit/loss from new M&As Transition of the International Beverage Business to profitability
Cash flows (CFs)	<ul style="list-style-type: none"> Operating cash flows created by existing businesses: ¥40 billion yen or greater Capital investment necessary in existing businesses: About ¥28 billion
Investment strategy	<ul style="list-style-type: none"> Growth investments in existing businesses: About ¥12 billion Investment in the health care domain to execute new M&As: About ¥30 billion Launch of the orphan drug business: About ¥3 billion
Return to shareholders	<ul style="list-style-type: none"> Return of profits to shareholders through stable dividends

Current progress toward implementing the Mid-term Business Plan 2021

- ▶ We're making steady progress in building a platform to facilitate future growth despite a rocky start

Mid-term Business Plan 2021 basic policy	Current progress
Working to maximize cash flows through measures that focus on improving revenue in each business	<ul style="list-style-type: none"> ○ Profitability has improved significantly in the International Beverage Business and the Food Business × Domestic beverage sales posed challenges due to the effects of low temperatures during July × Operating cash flow fell below corresponding levels during the same period of the previous year
Expanding products and services through a focus on delicious flavor and health	<ul style="list-style-type: none"> ○ "Adult Calolimit®" tea has generated strong sales, and online supplement sales have grown ○ Tarami (Food Business) increased its market share × Sales of coffee beverages continue to pose challenges
Embarking on a process of selection and consolidation of strategic bases in the International Beverage Business	<ul style="list-style-type: none"> ○ The International Beverage Business is operating profitably thanks to significant growth in our Turkish beverage business △ We're putting in place new sales bases to facilitate growth in exports from Turkey △ We dissolved our joint venture in the Malaysian business and plan to convert the company into a wholly-owned subsidiary
Carrying out an investment strategy to ensure growth in each business and to create new businesses in the health care domain	<ul style="list-style-type: none"> ○ Construction of the new plant for DAIDO <i>Yakuhin</i> (in the Pharmaceutical-related Business) is proceeding according to plan △ We are currently conducting a test to prepare for the development of smart operational structures △ We continue to research and study potential M&As
Implementing a human resources strategy to lead to sustained growth of the DyDo Group	<ul style="list-style-type: none"> ○ We're implementing activities to ensure that the Group Code of Conduct takes root

こころとからだに、
おいしいものを。



2. FY2019 2nd Quarter Financial Highlights / Full-year Earnings Forecast

Overview of Consolidated Financial Information for 2nd quarter of FY2019

- ▶ Consolidated net sales during the 2nd quarter totaled 85,438 million yen (down 1.8% year on year)
- ▶ Revenue in the Domestic Beverage Business fell 2.5% from the previous year against the backdrop of a competitive market environment
- ▶ Revenue in the Pharmaceutical-related Business rose 3.5% from the previous year, while revenue in the Food Business rose 8.5% from the previous year on strong sales
- ▶ In the International Beverage Business, the Turkish beverage business grew significantly on a local currency basis

(Millions of yen)

	2nd Half (Jan 21 - July 20)						Full-year					
	FY2018 results		FY2019 results				FY2018 results		FY2019 earnings forecasts			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	86,990	100.0%	85,438	100.0%	(1.8%)	(1,551)	171,553	100.0%	170,000	100.0%	(0.9%)	(1,553)
Operating profit	3,279	3.8%	2,033	2.4%	(38.0%)	(1,246)	6,071	3.5%	3,400	2.0%	(44.0%)	(2,671)
Ordinary profit	3,243	3.7%	1,785	2.1%	(45.0%)	(1,458)	5,998	3.5%	3,700	2.2%	(38.3%)	(2,298)
Profit attributable to owners of parent	1,849	2.1%	1,226	1.4%	(33.7%)	(622)	3,856	2.2%	2,400	1.4%	(37.8%)	(1,456)

E P S	¥112.28	¥74.47	(33.7%) (¥37.81)	¥234.15	¥145.71	(37.8%) (¥88.44)
Dividend per share	¥30.00	¥30.00	— —	¥60	¥60	— —

ここからだに、
おいしいものを。



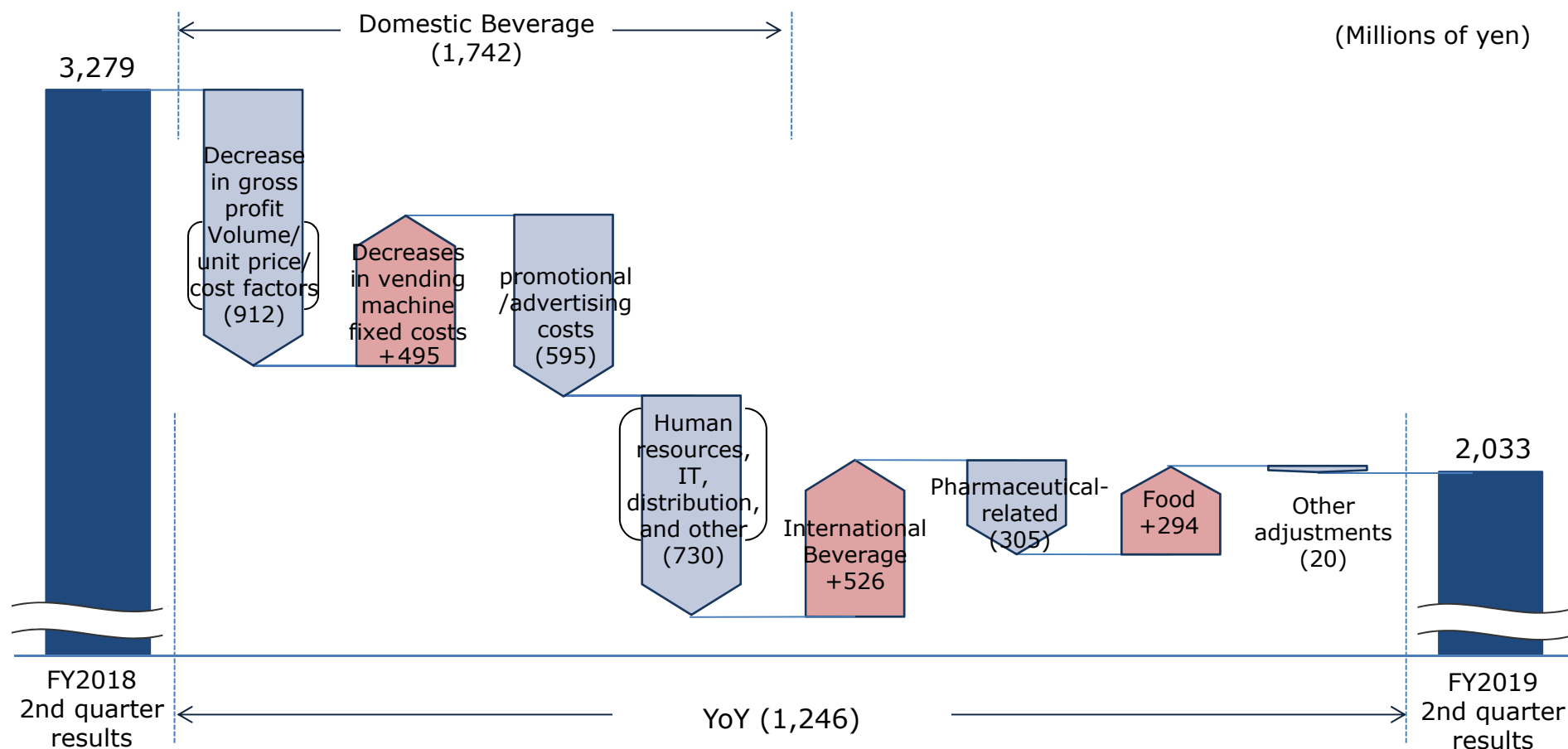
FY2019 2nd Quarter Consolidated Earnings/Full-year Earnings forecast (by Segment)

(Millions of yen)

	FY2018 2nd quarter results	FY2019 2nd quarter results			FY2018 full- year results	FY2019 full-year earnings forecast		
			% (YoY)	Amount (YoY)			% (YoY)	Amount (YoY)
Domestic Beverage Business	62,373	60,809	(2.5%)	(1,563)	124,879	122,350	(2.0%)	(2,529)
International Beverage Business	8,988	8,009	(10.9%)	(979)	17,154	16,800	(2.1%)	(354)
Pharmaceutical-related Business	5,561	5,753	3.5%	192	10,964	11,550	5.3%	585
Food Business	10,387	11,268	8.5%	880	19,114	19,850	3.8%	735
Adjustment	(320)	(402)	—	(81)	(559)	(550)	—	9
Total net sales	86,990	85,438	(1.8%)	(1,551)	171,553	170,000	(0.9%)	(1,553)
Domestic Beverage Business	3,417	1,675	(51.0%)	(1,742)	7,106	4,945	(30.4%)	(2,161)
International Beverage Business	(393)	133	—	526	(704)	(347)	—	357
Pharmaceutical-related Business	663	358	(46.0%)	(305)	847	636	(25.0%)	(211)
Food Business	279	574	105.5%	294	235	366	55.3%	130
Adjustment	(686)	(707)	—	(20)	(1,413)	(2,200)	—	(786)
Total operating profit	3,279	2,033	(38.0%)	(1,246)	6,071	3,400	(44.0%)	(2,671)

Increases/Decreases in Operating Profit for FY2019 2nd Quarter - Year-on-year Comparison -

- ▶ The Domestic Beverage Business was impacted by record low temperatures in July
- ▶ Outlays associated with preparing for a new plant and a new pouch packaging line grew in the Pharmaceutical-related Business
- ▶ Profitability improved significantly as the International Beverage Business returned to profitability and the Food Business enjoyed sales growth

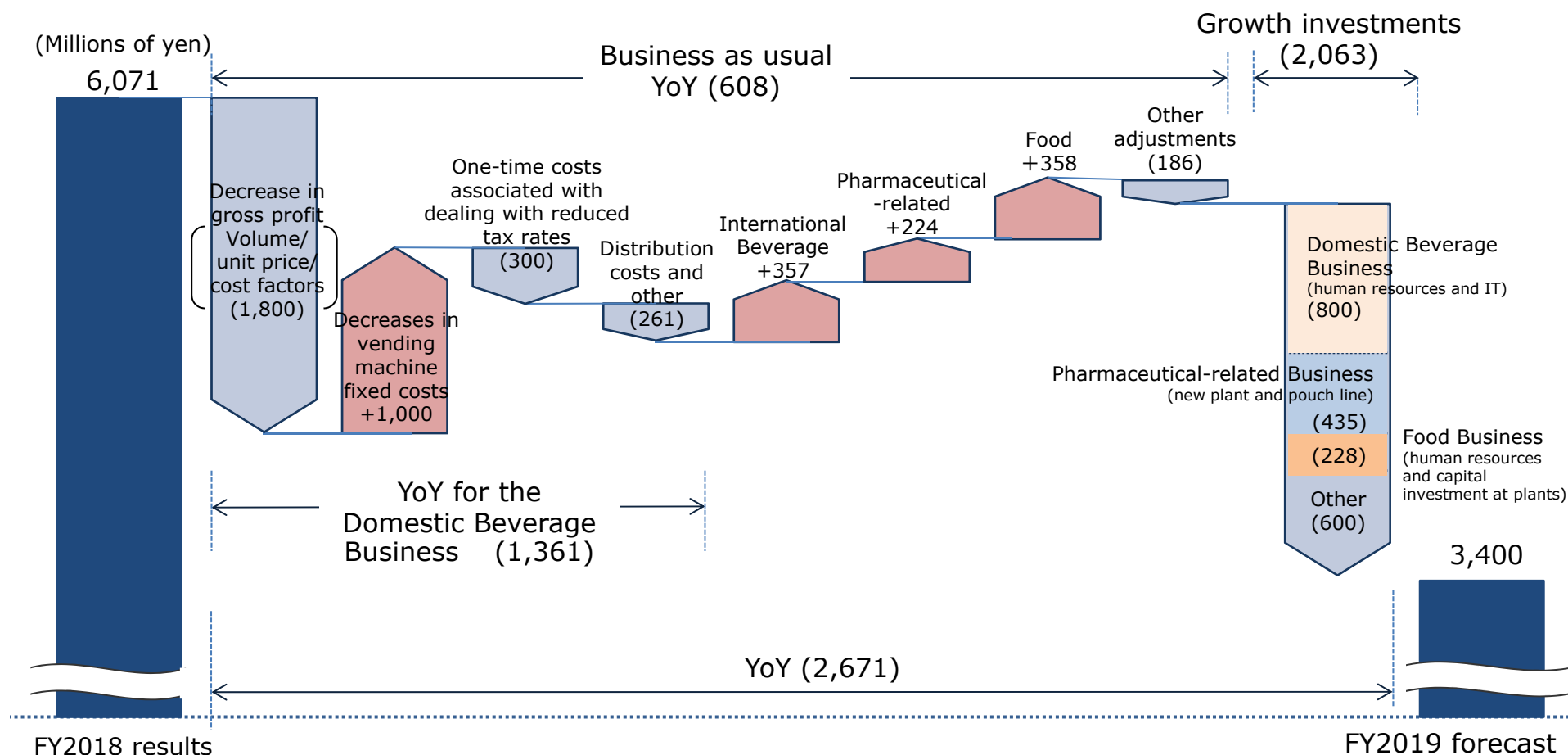


ここからだに、
おいしいものを。



(Reference) Factors Driving Increases/Decreases in Operating Profit for FY2019 - vs. Previous Fiscal Year -

- ▶ The effect of soaring distribution costs and rising cost rates will total about 1.1 billion yen (Domestic Beverage Business)
- ▶ The effect of growth investments will total about 2 billion yen (800 million yen in the Domestic Beverage Business, about 400 million yen in the Pharmaceutical-related Business for construction of a new plant and other costs, and about 200 million yen in the Food Business)



Financial Standing: Principal Changes in the Consolidated Balance Sheet

- ▶ Property, plant, and equipment (construction in progress) rose due to factors including the construction of the DAIDO Yakuhin's new Kanto Plant (in the Pharmaceutical-related Business; the facility is scheduled to be completed in 2020)
- ▶ Interest-bearing debt rose due to factors including borrowing of funds to make vending machine investments during FY2019

(Millions of yen)

Financial assets^{*1} 86,783	Interest-bearing debt^{*2} 35,111
	Accounts payable 19,716
	Other 22,863
Accounts receivables 19,804	Net assets 93,940
Inventories 8,782	
Property, plant and equipment Intangible assets 45,193	
Other 11,069	
Total assets 171,632	Total liabilities and net assets 171,632

January 20, 2019

*1: Cash and deposits, securities, investment securities (excluding shares of subsidiaries), and long-term deposits

*2: Short- and long-term loans payable, short- and long-term lease liabilities and obligations, bonds payable, and long-term guaranty deposits

(Millions of yen)

Financial assets^{*1} 83,848 (-2,935)	Interest-bearing debt^{*2} 37,195 (+2,083)
	Accounts payable 25,346 (+5,629)
	Other 25,482 (+2,618)
Accounts receivable 25,299 (+5,494)	Net assets 92,569 (-1,370)
Inventories 11,401 (+2,619)	
Property, plant and equipment Intangible assets 48,622 (+3,429)	
Other 11,423 (+353)	
Total assets 180,594 (+8,961)	Total liabilities and net assets 180,594 (+8,961)

July 20, 2019

*Increases in trade receivables, inventory assets, and accounts payable are the result of seasonal variations.

Principle Changes in Free Cash Flow

- ▶ We're carrying out a steady program of investments designed to spur growth in existing businesses

(Unit: Millions of yen)

	FY2018 2Q	FY2019 2Q	Change
EBITDA (operating income + depreciation expenses + amortization of goodwill)	8,830	7,035	(1,794)
Change in working capital cash flow	(2,261)	(2,852)	(590)
Other	(1,432)	756	2,188
Operating cash flow (a)	5,136	4,940	(196)
Expenditures to acquire tangible and intangible fixed assets (b)	(4,863)	(6,021)	(1,158)
Free cash flow (a-b)	273	(1,081)	(1,355)

(Unit: Millions of yen)

■ Capital investment

(Unit: Millions of yen)

	FY2018 2Q	FY2019 2Q	Change
Domestic Beverage Business	4,108	4,003	(104)
International Beverage Business	399	176	(222)
Pharmaceutical-related business	805	3,314	2,509
Food Business	353	919	565
Companywide (shared)	222	316	94
Total	5,890	8,731	2,841

■ Depreciation expenses

	FY2018 2Q	FY2019 2Q	Change
	4,143	3,648	(495)
	379	336	(43)
	298	249	(49)
	341	375	33
	173	197	23
	5,337	4,805	(531)

こころとからだに、
おいしいものを。



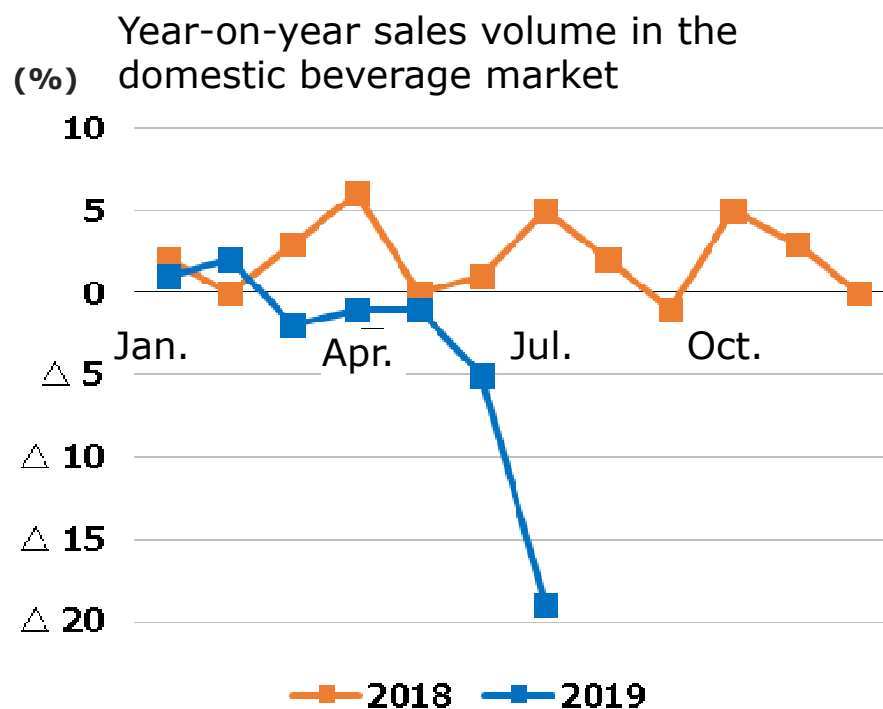
3. Overview of FY2019 2nd Quarter Results by Segment

こころとからだに、
おいしいものを。

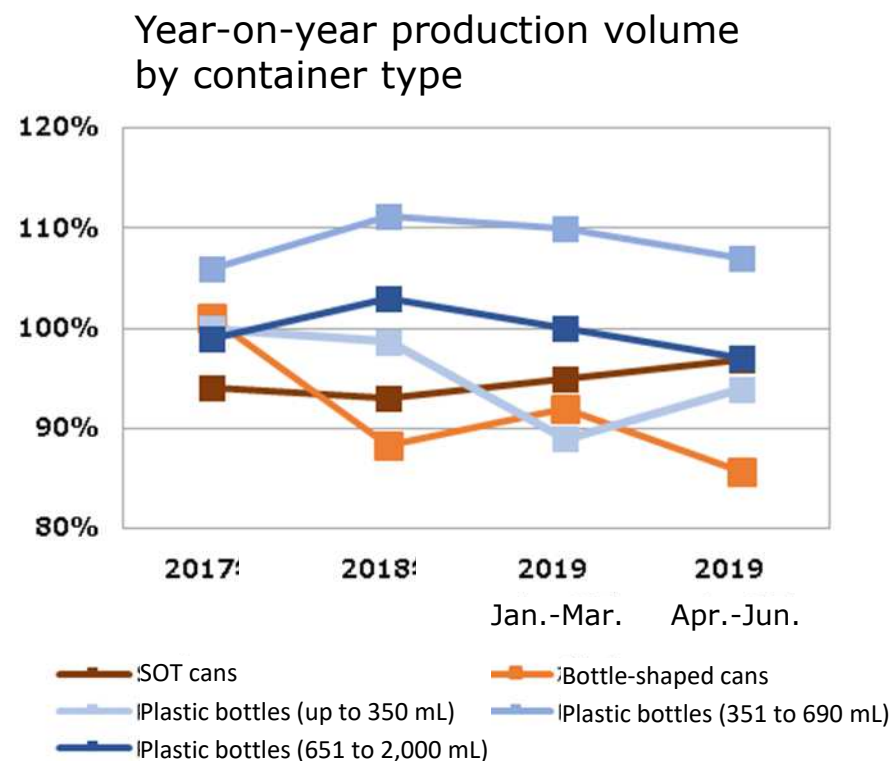


Domestic Beverage Business Sales and Production Volume Trends in the Soft Drink Industry

- ▶ Overall sales volume in the industry during the first half of the year fell slightly to below July levels
- ▶ Sales volume for products sold in large plastic bottles fell due to price changes
- ▶ Manufacturers introduced small plastic bottles in slightly larger sizes, and demand rose for drinks designed to rehydrate



*According to DyDo research.



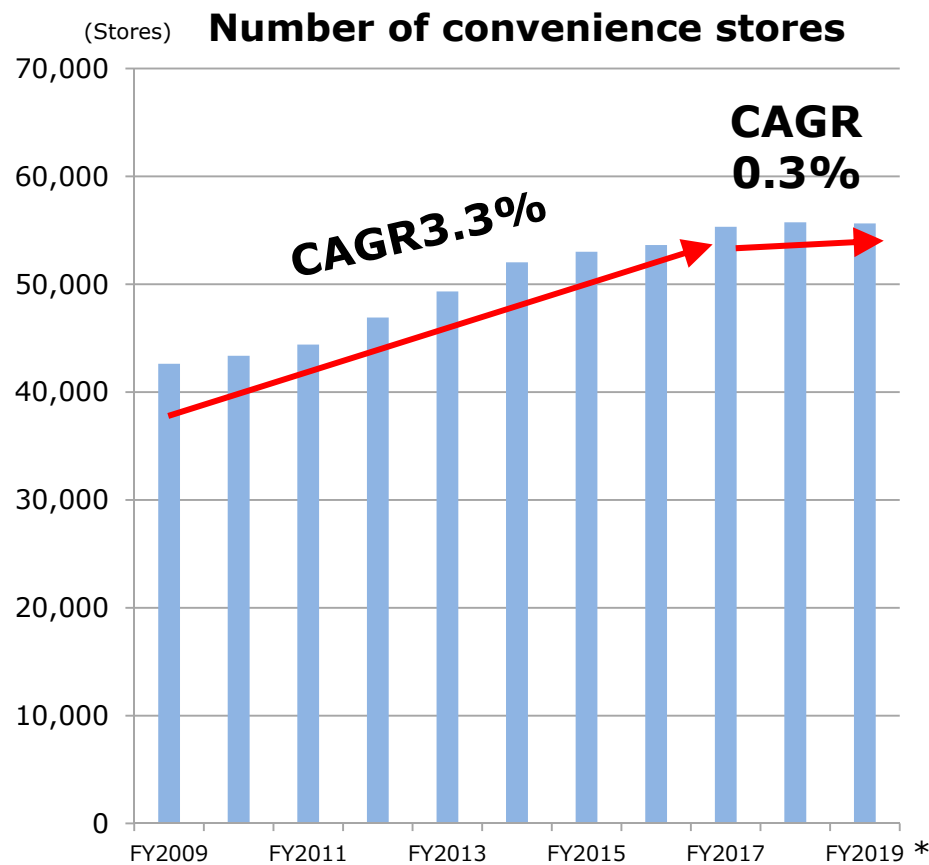
*According to DyDo research.

こころとからだに、
おいしいものを。

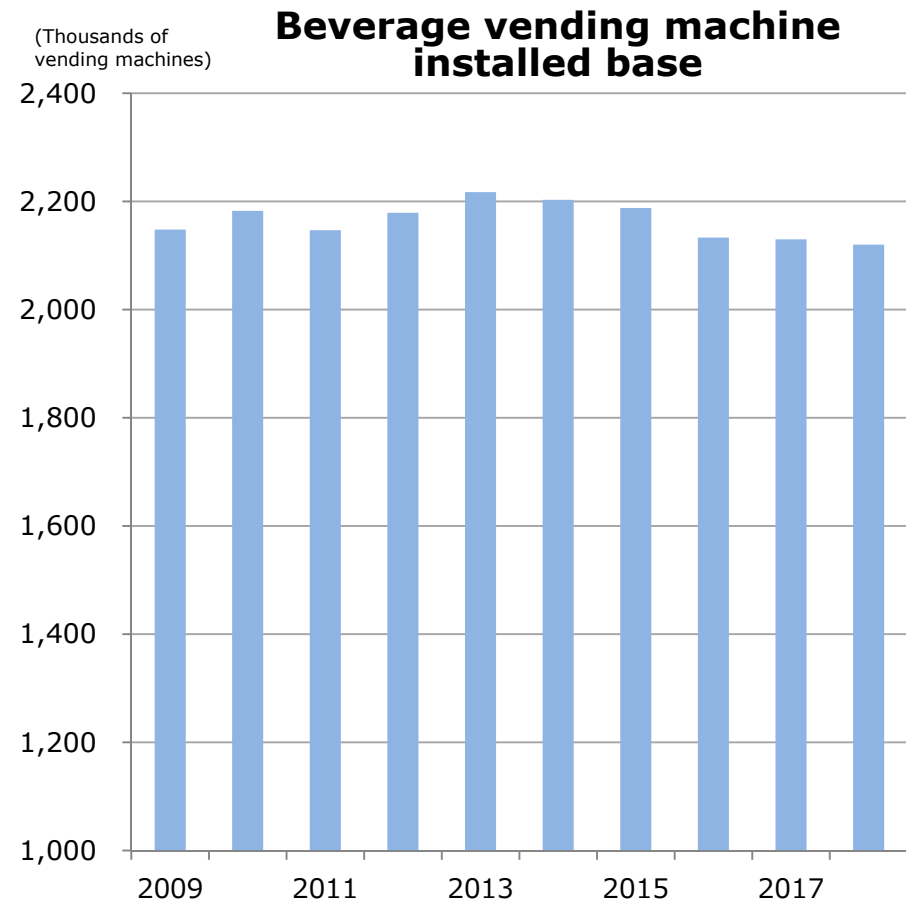


Domestic Beverage Business Convenience Store Count and Vending Machine Installed Base

➡ Change in pace of new convenience store launches



Compiled by DyDo based on data released by the Japan Franchise Association. *FY2019 figures include data through June.



Compiled by DyDo based on data released by the Japan Vending System Manufacturers Association.

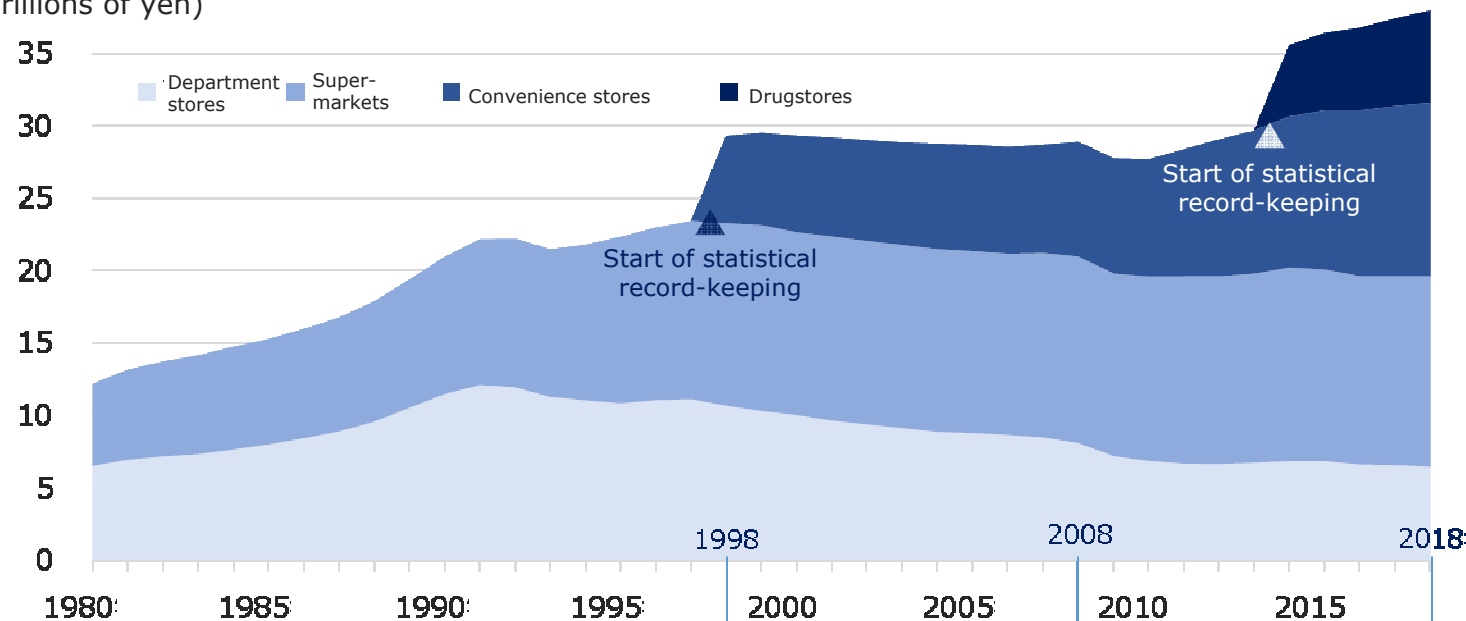
ここからだに、
おいしいものを。



Domestic Beverage Business Sales Value by Retail Segment

- ▶ The retail industry has seen a shift to smaller stores and coverage areas, from department stores to supermarkets and then to convenience stores and drugstores
- ▶ The trend reflects a desire on the part of consumers for more convenient products that are available closer to their daily lives

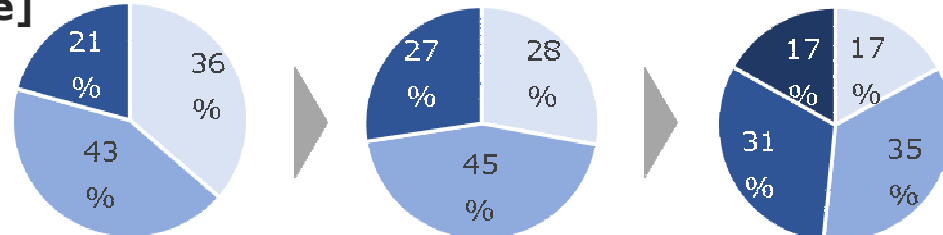
(Trillions of yen)



[Percentage of sales value]

Source: "Current Survey of Commerce" (Ministry of Economy, Trade and Industry)

*Statistical record-keeping began in 1998 for convenience stores and in 2014 for drugstores.



ここからだに、
おいしいものを。



Domestic Beverage Business Overview by Segment

► Overview of the Domestic Beverage Business

(Millions of yen)

	FY2018 2Q		FY2019 2Q results				FY2018 results		FY2019 full-year earnings forecast			
	results	Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	62,373	100.0%	60,809	100.0%	(2.5%)	(1,563)	124,879	100.0%	122,350	100.0%	(2.0%)	(2,529)
Operating profit	3,417	5.5%	1,675	2.8%	(51.0%)	(1,742)	7,106	5.7%	4,945	4.0%	(30.4%)	(2,161)

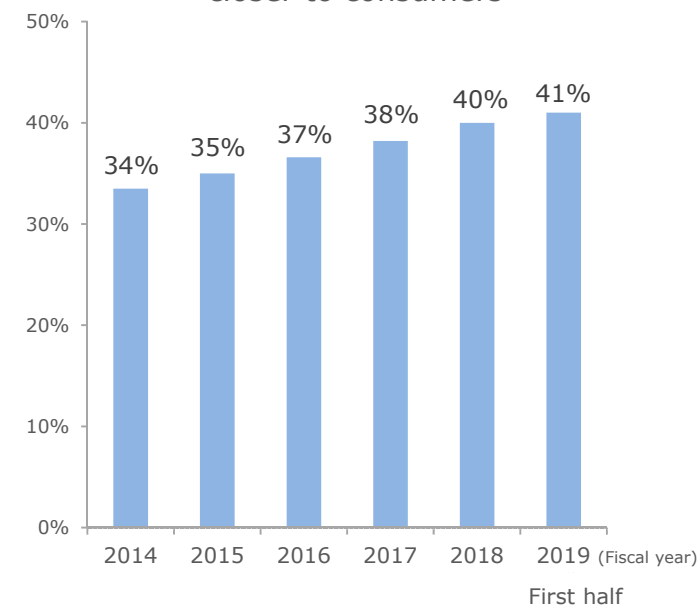
Summary of the 1st half of FY2019

- Record-low temperatures in July significantly impacted performance
- The rate of decline in sales per vending machine has slowed
- Performance in the distribution channel and mail-order channel was strong

Issues and future actions

- Strengthen DyDo's coffee line by introducing new products in the fall and winter
- Strengthen development of locations like offices that are closer to consumers by bolstering sales structures
- Carry out test verification to facilitate the development of smart operational structures

Percentage of locations that are closer to consumers



こころとからだに、
おいしいものを。



Domestic Beverage Business Trends in Sales Volume

- ▶ Sales in the “Other beverages” category rose thanks to strong sales of new and redesigned products this spring



“Calorie Limit For the Mature Aged”
tea series



“DETECTIVE CONAN
HOWAITO SODA”



“SARATTO-SHIBOTTA
ORENJI”

	1st quarter	2nd quarter	1st half total	
	Change (%)	Change (%)	Sales volume (thousands of cases)	Change (%)
Coffee beverages	(8.9%)	(12.8%)	13,965	(10.8%)
Other beverages	7.2%	5.1%	13,041	6.0%
Total	(2.6%)	(4.1%)	27,006	(3.4%)

1st half breakdown by sales channel			
Vending machines		Other	
Sales volume (thousands of cases)	Change (%)	Sales volume (thousands of cases)	Change (%)
11,048	(11.3%)	2,916	(9.1%)
11,037	1.1%	2,003	45.0%
22,085	(5.5%)	4,920	7.2%

Change in days of operation compared to previous quarter	(1 day)	(3 day)	(4 day)
--	----------	----------	----------

こころとからだに、
おいしいものを。



Domestic Beverage Business New Products Coming in Fall and Winter 2019

► Strengthening our line of products to rebuild the coffee category

(1) Redesigning the “Demitasse” series to further strengthen our revenue base



(3) Launching collaborative products designed to capture new customer segments



(2) Launching new products for the growing latte market

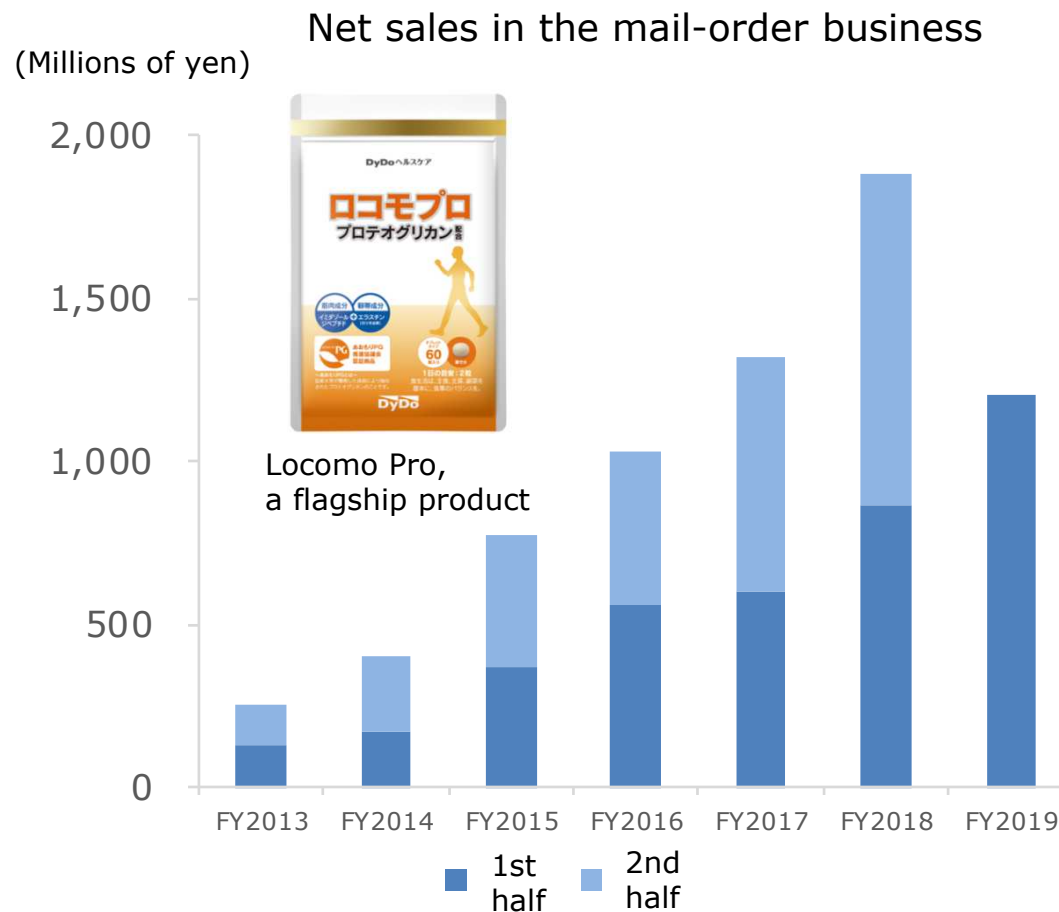
Introducing the second phase of our collaboration with Pierre Hermé!

こころとからだに、
おいしいものを。



Domestic Beverage Business Progress in the Mail-order Business

▶ The mail-order business continued to grow



● We launched Smart Pro targeting primarily Locomo Pro users

✓ The product makes it easier to burn fat during daily activities



Launched
on 21st, May



Announcement to members
of the media (in Osaka)

こころとからだに、
おいしいものを。



International Beverage Business Overview by Segment

► Overview of the International Beverage Business

(Millions of yen)

	FY2018 2Q		FY2019 2Q results				FY2018 results		FY2019 full-year earnings forecast			
	results	Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	8,988	100.0%	8,009	100.0%	(10.9%)	(979)	17,154	100.0%	16,800	100.0%	(2.1%)	(354)
Operating profit (loss)	(248)	—	240	3.0%	—	488	(449)	—	(150)	—	—	299
Amortization of goodwill, etc.	144	—	107	1.3%	(26.0%)	(37)	255	1.5%	196	1.2%	(23.1%)	(59)
Operating profit (loss) after subtracting amortization of goodwill, etc.	(393)	—	133	1.7%	—	526	(704)	—	(347)	—	—	357
JPY per TRY	¥26.53		¥19.63		(¥6.90)		23.41円		18.00円		(¥5.41)	

Summary of the 1st half of FY2019

- Favorable performance in our Turkish beverage business drove up overall sales in the International Beverage Business
- Policies designed to optimize pricing and a factory reorganization designed to streamline operations contributed to strong performance

Issues and future actions

- Strengthening export transactions to accommodate weakness in the Turkish lira



International Beverage Business Overview of Performance in Major Strategic Areas (1)

► Turkish beverage business

- Second-quarter sales rose 22% year on year on a local currency basis
- Strong sales of highly profitable mineral water products drove overall performance
- Our Maltana brand experienced significant growth thanks to the introduction of a new series of products

Local-currency-basis results			1st quarter	2nd quarter	3rd quarter	4th quarter	Year
FY2019	Sales, YoY	Quarter	+30%	+17%			+22%
	Exchange rate (JPY per TRY)	Cumulative results	¥20.57	¥19.63		Assumption→	¥18.00
FY2018	Sales, YoY	Quarter	+28%	+32%	+38%	+4%	+26%
	Exchange rate (JPY per TRY)	Cumulative results	¥27.98	¥26.53	¥24.15	¥23.41	¥23.41



Mineral water brand
Saka



Staff for our popular home
office delivery (HOD) service



Maltana Mocktail
(Launched in May 2019)

International Beverage Business Overview of Performance in Major Strategic Areas (2)

▶ Putting in place structures to expand exports in our Turkish beverage business

- We are establishing a sales subsidiary in the UK (wholly owned by our Turkish subsidiary) (scheduled to be complete in September 2019)
- We are using DyDo DRINCO RUS, LLC, as a sales base for our Turkish products



▶ In our Malaysian beverage business, we will dissolve our joint venture with Mamee and make the sales company a wholly owned subsidiary (planned for November 2019)

- We established sales structures that do not depend on Mamee as a result of initiatives undertaken after acquiring shares in the company in December 2015
- We will stake our success in the business on products with “made in Japan” quality developed by DyDo, within the context of clear standards for withdrawing from the business



Pharmaceutical-related Business Overview by Segment

► Overview of the Pharmaceutical-related Business

(Millions of yen)

	FY2018 2Q results		FY2019 2Q results				FY2018 full-year results		FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (Y oY)		Component ratio		Component ratio	% (YoY)	Amount (Y oY)
Net sales	5,561	100.0%	5,753	100.0%	3.5%	192	10,964	100.0%	11,550	100.0%	5.3%	585
Operating profit	663	11.9%	358	6.2%	(46.0%)	(305)	847	7.7%	636	5.5%	(25.0%)	(211)

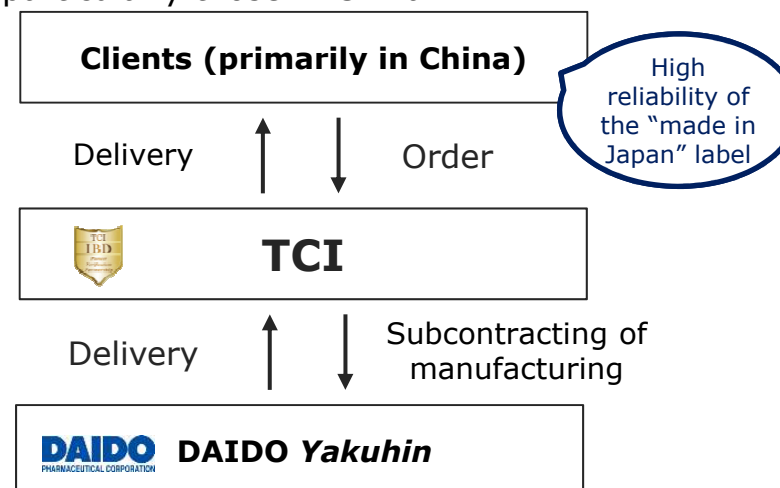
Summary of the 1st half of FY2019

- Orders for beauty drinks for the Chinese market rose thanks to the effects of collaboration with TCI
- Effects of changes in ordered product mix on profitability

Issues and future actions

- Preparations for the start of operations of our pouch packaging line at the beginning of 2020 and of our new Kanto Plant in the first half of 2020

- Increase in contract manufacturing volume thanks to orders via TCI
By maintaining and developing our capital and operational alliance with TCI, in which we made an investment to acquire an 11.8% stake, we will increase order volume from clients, particularly those in China.



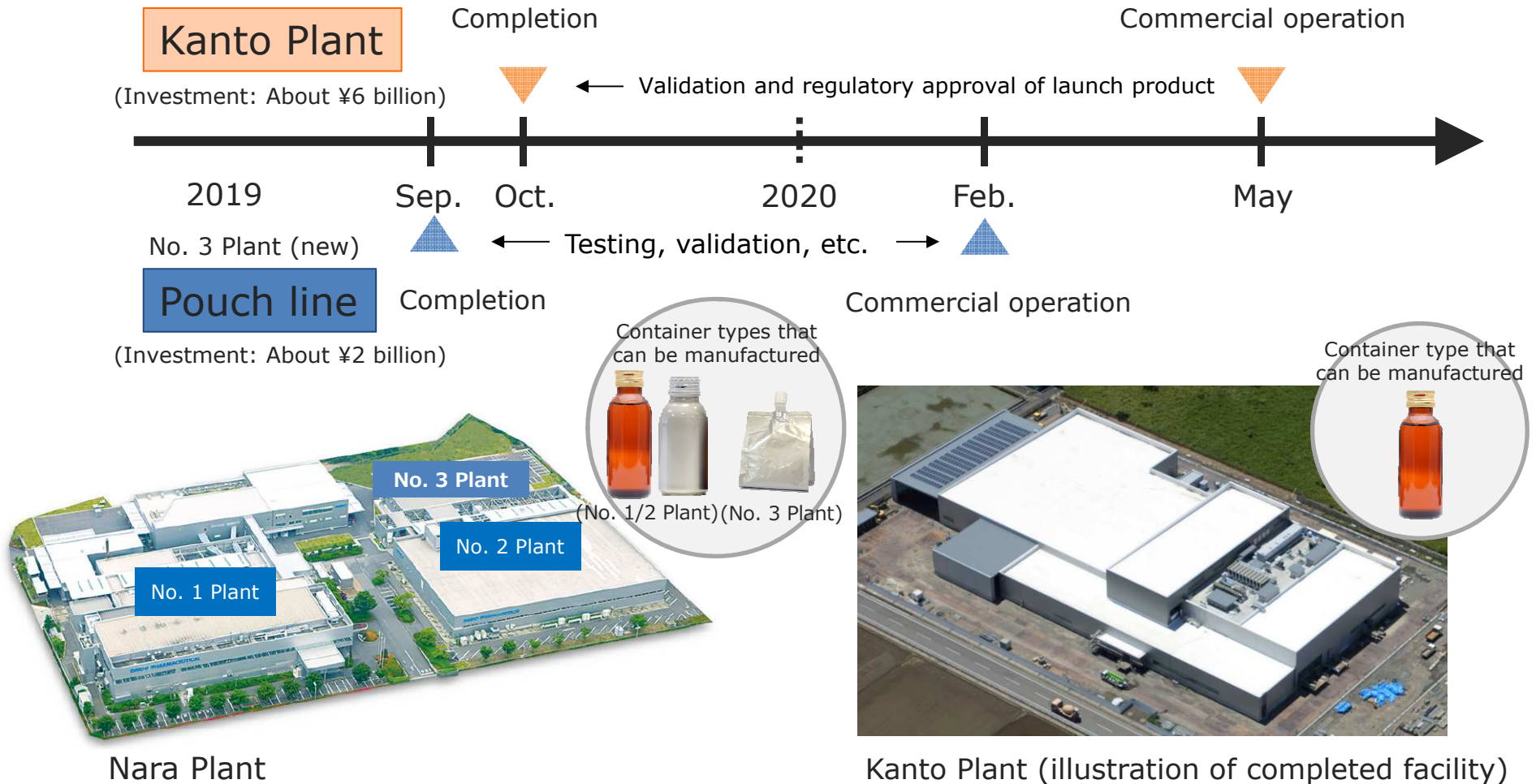
こころとからだに、
おいしいものを。



Pharmaceutical-related Business

Completion of the Kanto Plant and Installation of a New Pouch Line at the Nara Plant

► Schedule for Kanto Plant and pouch line completion and start of operations



Food Business Overview by Segment

► Overview of the Food Business

(Millions of yen)

	FY2018 2Q results		FY2019 2Q results				FY2018 full-year results		FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	10,387	100.0%	11,268	100.0%	8.5%	880	19,114	100.0%	19,850	100.0%	3.8%	735
Operating profit	455	4.4%	750	6.7%	64.7%	294	587	3.1%	716	3.6%	21.8%	128
Amortization of goodwill, etc.	176	1.7%	176	1.6%	—	—	352	1.8%	350	1.8%	(0.6%)	(2)
Operating profit after subtracting amortization of goodwill, etc.	279	2.7%	574	5.1%	105.5%	294	235	1.2%	366	1.8%	55.3%	130

Summary of the 1st half of FY2019

- Increased sales of cup jelly products in the medium- and high-priced segment of the market and the launch of new pouch jelly products contributed to strong performance
- A multifaceted review of costs helped strengthen profitability

Issues and future actions

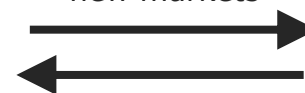
- We made marketing investments designed to facilitate an increase in value for our Tarami brand



PURE series



Bringing fans from
mature markets to
new markets



Bringing new customers
in growth markets to
mature markets



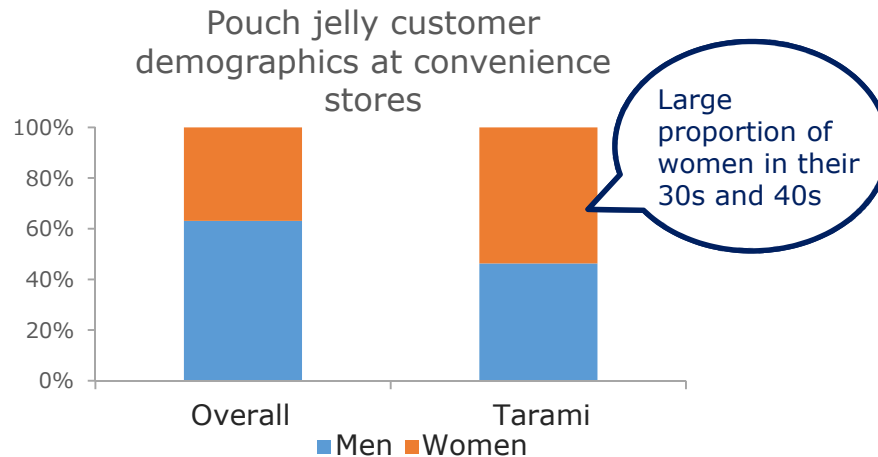
こころとからだに、
おいしいものを。



Food Business

Overview of the Pouch Jelly Market

- ▶ We have established a unique position in the pouch jelly market and increased our market share
- ▶ We launched the Tarami's first functionally labeled product in an effort to further boost sales

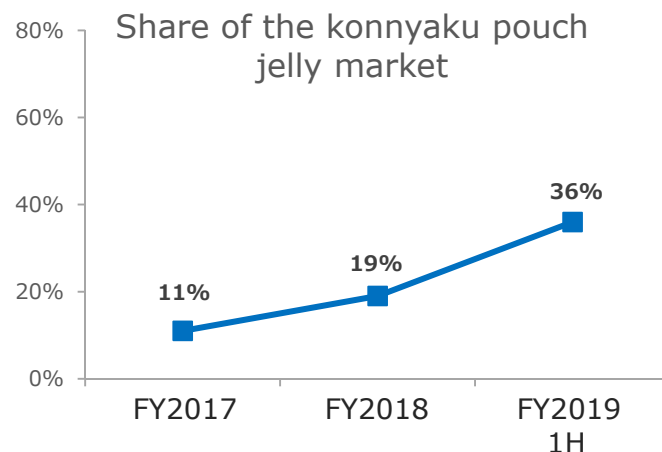


Tarami's first* functionally labeled product:
"Delicious Konnyaku Jelly PREMIUM+"

Launches on
24th,
September



Product images for
illustrative
purposes only



Suggested retail price:
¥183 (excluding tax)

Functional labeling

"Limits increases in neutral fat and blood sugar after ingestion"
"Fosters healthy digestion"

こころとからだに、
おいしいものを。



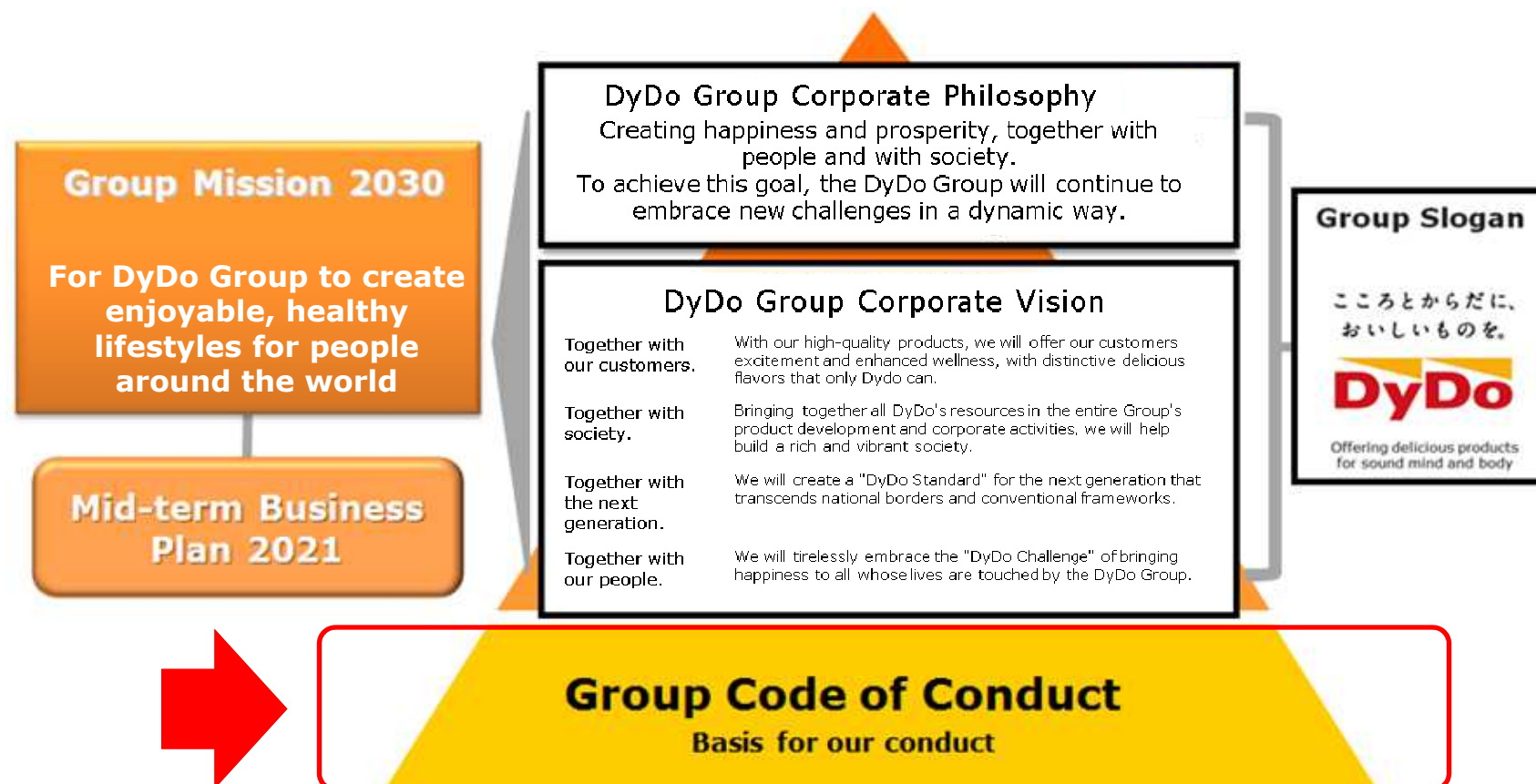
4. Achieving Sustained Growth

こころとからだに、
おいしいものを。



Formulating the DyDo Group Code of Conduct

- ▶ We formulated a DyDo Group Code of Conduct to serve as the basic set of principles in sharing ethical values throughout the Group and ensuring that actual conduct furthers those values.



こころとからだに、
おいしいものを。



Spreading Awareness of the DyDo Group Code of Conduct

- ▶ We are taking steps to ensure that each and every employee understands the DyDo Group Code of Conduct and puts it into practice.
- We created a DyDo Group Compliance Handbook in Japanese and English and distributed it to all employees
- We are progressively offering a course entitled "DyDo Group Code of Conduct Training" at facilities operated by major subsidiaries



Human Resources Strategy

▶ Strengthening Management Structures to Achieve the Group Mission 2030

Securing human capital

- Strengthening holding company functions and hiring career employees who can make an immediate contribution to new businesses
- Hiring new graduates based on future needs



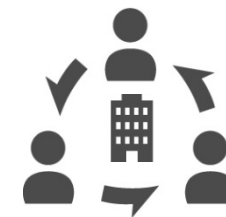
Fostering the development of human resources

- Training a new generation of management candidates
- Training workers to perform global jobs
- Training specialist



Assigning and transferring human resources

- Reallocating management resources in an optimal manner through transfers between Group companies
- Accumulating new expertise by seconding employees to outside companies



Fostering the Development of a New Generation of Human Resources

- ▶ Offering DyDo Innovation Academy (DIA), a program designed to identify and train a new generation of executives from middle management

Improving job skills

**Improving leadership
and management skills**

Increasing loyalty

**Identifying
a new
generation
of
executives**

Purpose of DIA



A group project

こころとからだに、
おいしいものを。



□ APPENDIX

こころとからだに、
おいしいものを。



Seasonal Fluctuations by Segment

Net sales/net sales by segment

(Millions of yen)

		1Q	2Q	3Q	4Q	Total
Consolidated	FY2018	39,966	47,023	46,239	38,323	171,553
		23.3%	27.4%	27.0%	22.3%	100.0%
	FY2019	39,633	45,805	—	—	—

Operating profit (loss)/segment profit (loss)*

(Millions of yen)

1Q	2Q	3Q	4Q	Total
724	2,555	2,718	73	6,071
11.9%	42.1%	44.8%	1.2%	100.0%
(113)	2,146	—	—	—

Domestic Beverage	FY2018	29,510	32,862	33,162	29,343	124,879
		23.6%	26.3%	26.6%	23.5%	100.0%
	FY2019	29,143	31,666	—	—	—
International Beverage	FY2018	3,788	5,199	5,013	3,153	17,154
		22.1%	30.3%	29.2%	18.4%	100.0%
	FY2019	3,402	4,606	—	—	—
Pharmaceutical-related	FY2018	2,694	2,866	2,637	2,764	10,964
		24.6%	26.1%	24.1%	25.2%	100.0%
	FY2019	2,887	2,866	—	—	—
Food	FY2018	4,112	6,275	5,546	3,180	19,114
		21.5%	32.8%	29.0%	16.7%	100.0%
	FY2019	4,398	6,869	—	—	—

970	2,446	2,679	1,009	7,106
13.7%	34.4%	37.7%	14.2%	100.0%
(74)	1,750	—	—	—
(158)	(89)	84	(285)	(449)
—	—	—	—	100.0%
57	182	—	—	—
356	306	132	52	847
42.0%	36.2%	15.6%	6.2%	100.0%
230	127	—	—	—
12	443	263	(130)	587
2.1%	75.4%	44.8%	—	100.0%
154	595	—	—	—

*Figures for the International Beverage Business and Food Business indicate segment profit before goodwill and other amortization.

こころとからだに、
おいしいものを。



□ The Business Model of DyDo Group

こころとからだに、
おいしいものを。



Significance of the DyDo Group

▶ Offering delicious products for sound mind and body

DyDo Group Corporate Philosophy

Creating happiness and prosperity, together with people and with society.

To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way.

DyDo Group Corporate Vision

Together with our customers.

With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only DyDo can.

Together with society.

Bringing together all DyDo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.

Together with the next generation.

We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.

Together with our people.

We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

Group Slogan

こころとからだに、
おいしいものを。



Offering delicious products
for sound mind and body

こころとからだに、
おいしいものを。



DyDo Group History

(Billions of yen)

200

◆ Overseas expansion

- Expansion of vending machine business within Moscow
- Entry into the Turkish and Malaysian markets



- Acquisition of Tarami Corporation



- Establishment of DyDo DRINCO, Inc. and launch of DyDo blend coffee



- HOT& COLD vending machine

- Launch of Demitasse Coffee



- Introduction of point card



- Introduction of talking vending machines with different dialects



- Launch of MIU



- Strengthening of the DyDo Blend brand



- Launch of the "DyDo Blend Supervised by the World's Top Barista" series



- Smile STAND



- Establishment as household pharmaceutical distributor and start of manufacture of drinkable preparations



Beverage sales business spun off

- Start sales of drinkable preparations and canned coffee at gas station



- 2001 Listed on the Second Section of the Tokyo Stock Exchange

- 2003 Designated as a blue-chip stock on the First Section of the Tokyo Stock Exchange

- Relocation of the plant to a new facility in Katsuragi, Nara Prefecture



- Full-scale involvement in OEM following relaxation of regulations for quasi-drugs



- Expansion of orders of beauty health drink



- Expansion of products sold in the Chinese market through a capital and operational alliance with TCI of Taiwan

*Envisioned sales

100

1950s

1970s

1990s

2010s

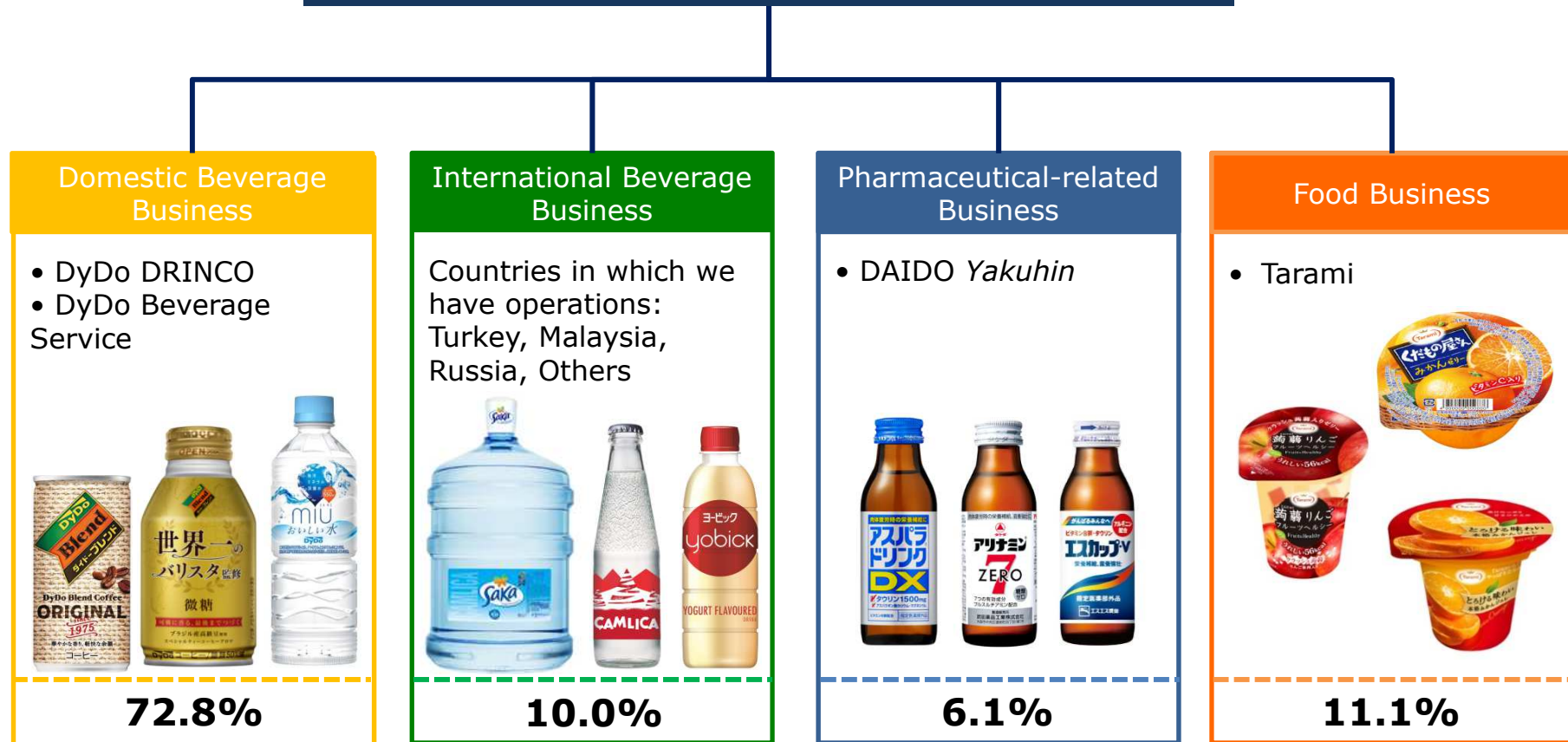
こころとからだに、
おいしいものを。



DyDo Group Business Segments

- ▶ Three businesses with unique business models and a growing international beverage business

DyDo Group Holdings, Inc.



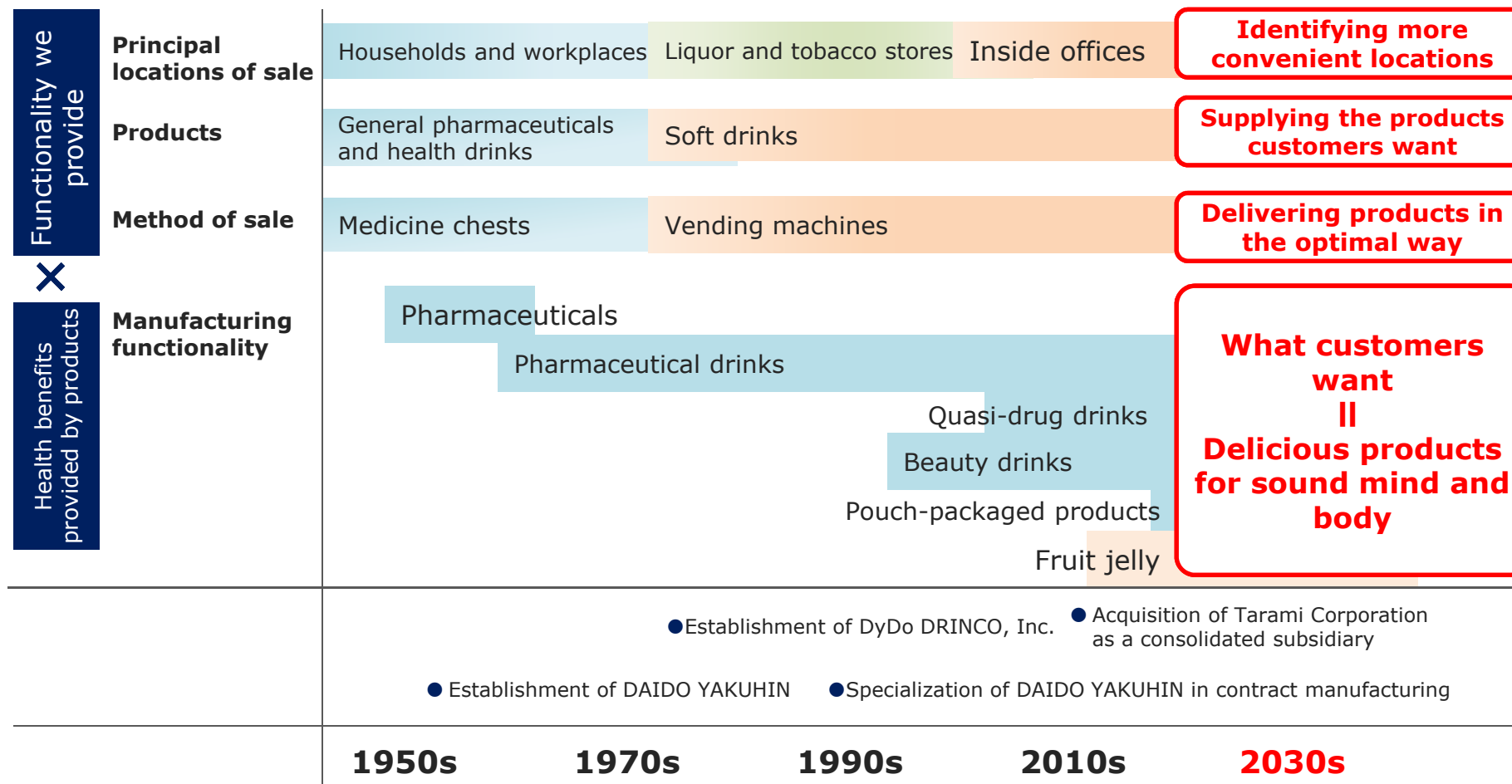
*Sales to external customers as a percentage of total net sales (FY2018 results)

こころとからだに、
おいしいものを。

Direction of the DyDo Group



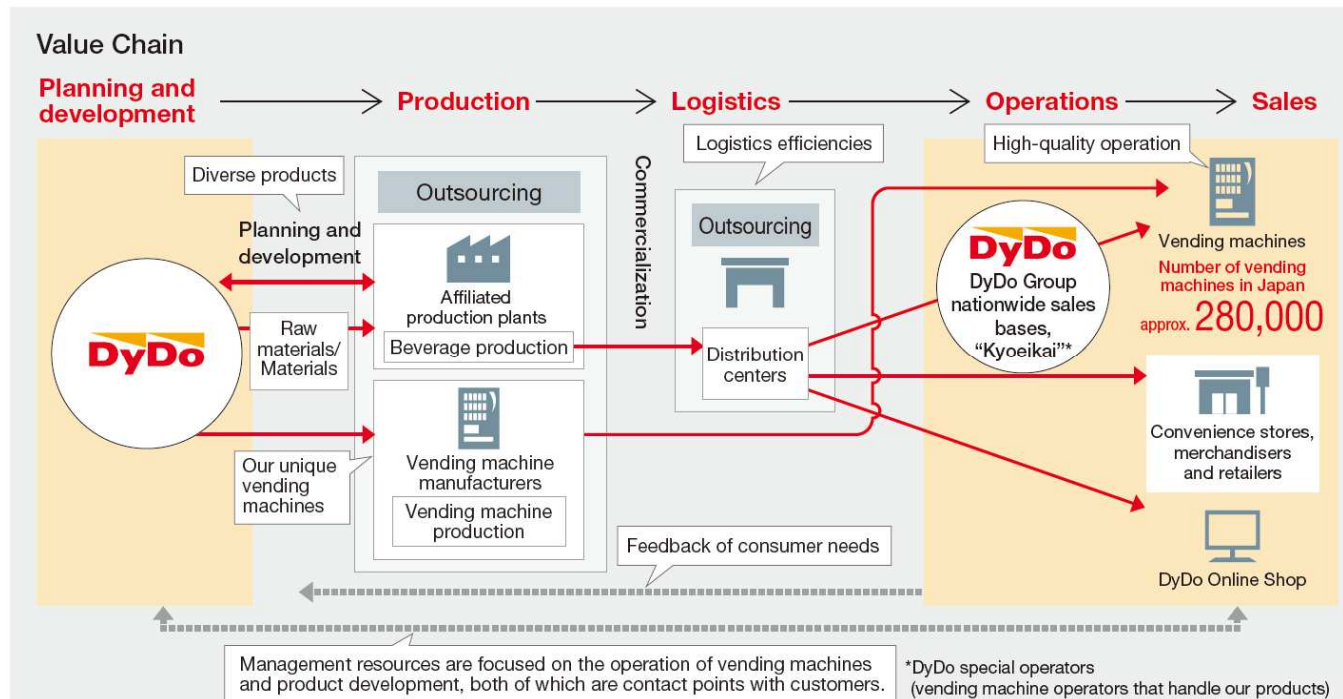
- ▶ Refine our strengths and continue to offer delicious products for sound mind and body



ここからだに、
おいしいものを。



Domestic Beverage Business: Business Model



Issues and Future Strategy: Striving to Secure Advantages in the Vending Machine Market

The Domestic Beverage Business, and more specifically the vending machine channel, have an important role to play in creating funding for the investments that will be necessary in order for the DyDo Group to carry out its growth strategy, and these operations must continue to support the Group going forward as a core business. However, the Group was unable to place the vending machine channel on a revenue-growth trajectory under the previous Mid-term Business Plan, and during that period various new challenges such as sales losses and a decline in the number of installed vending machines began to emerge due to a shortage of personnel capable of overseeing operations, particularly at *Kyoeikai* member

companies. Additionally, the benefits of the non-current cost-cutting measures related to vending machines that were undertaken as part of the previous Mid-term Business Plan ran their course in FY2020, and it is inevitable that the channel will see reductions in both revenue and profits if the current growth trajectory continues.

Under the newly formulated Mid-term Business Plan 2021, the Group will work to secure advantages in the vending machine market by reforming operations in order to maintain high quality despite the ongoing labor shortage and to maintain the network of vending machines that provides the basis for sales.

こころとからだに、
おいしいものを。



DyDo Group Strengths (1) Unique Business Models

- ▶ We build unique business models by combining capital in the form of customers, organizational strengths, and human resources.

Customers as capital

One of the industry's premier vending machine networks

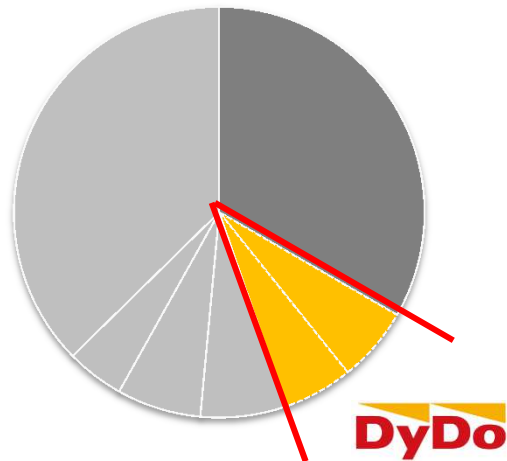
Organizational strengths as capital

Direct-sale and *Kyoeikai* structures

Human resources as capital

2,000 operations coordinators and the expertise they've helped accumulate

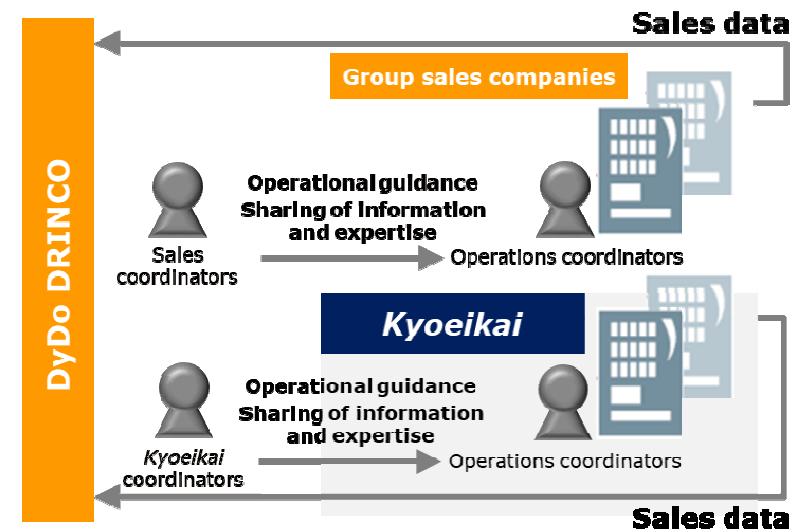
- Vending machines managed by DyDo



■ Company A ■ DyDo ■ DyDo (*Kyoeikai*)

- About *Kyoeikai*

Kyoeikai is a group of operator partners. By sharing sales data and offering operational guidance, we've implemented an integrated approach to operations regardless of whether we have a capital relationship with member companies.



DyDo Group Strengths (2)

Stable Cash Flows Created by Invisible Assets

- ▶ Ability to create cash-rich businesses using invisible assets (i.e., the vending machine business model)
- ▶ Increasing shareholder value by refining operations into mechanisms that meet the needs of the times

Invisible capital from the vending machine business

- Customers as capital (one of the industry's premier vending machine networks)
- Organizational strengths as capital (direct-sales and *Kyoeikai* structures)
- Human resources as capital (expertise accumulated by 2,000 operations personnel)

[Current assets]

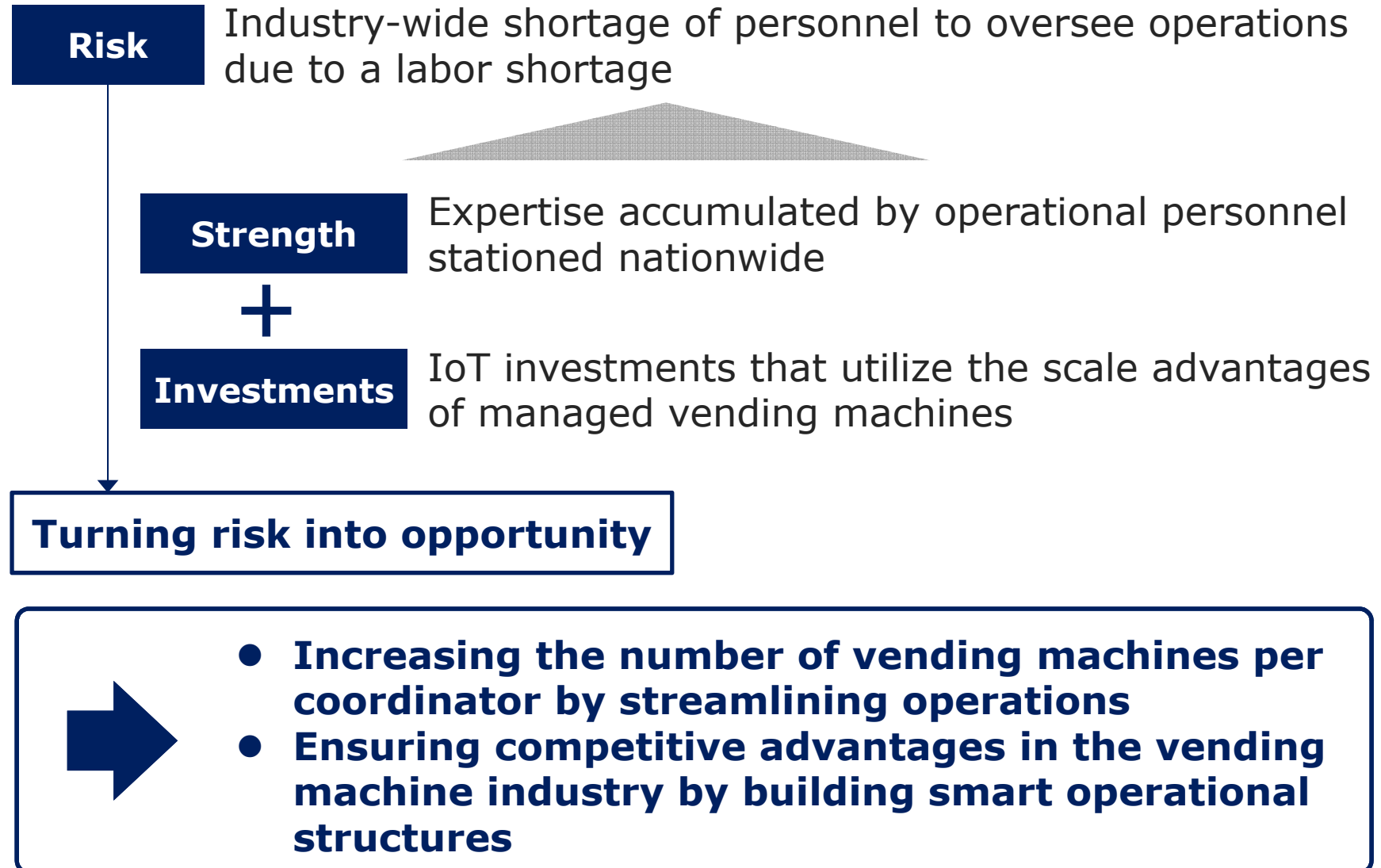
[Liabilities]

[Non-current assets]

[Net assets]

Expanding core value by developing specialized businesses that provide useful value in customers' daily lives in locations that are familiar and convenient

Working to increase shareholder value by boosting excess earning power



Domestic Beverage Business Growth Investments in Existing Businesses: Capital and Operational Alliance with 600 Inc.

- ▶ Concluding investment and operational alliance agreements with the company that operates “600,” a new unmanned convenience stores for offices

- **Investment objective**

- To tap the future potential of a business model that allows consumers to purchase the products they need when they need them at convenient locations

- **Operational alliance objective**

- To facilitate cooperation in the area of sales activities targeting corporations
- To offer new services that combine the cashless technology and purchase analysis expertise of 600 with DyDo’s vending machine expertise



- **Company overview**

Established	June 2017
Head office	Chuo-ku, Tokyo
Representative	Kei Kubo CEO
Businesses	Manufacture, sale, and operation of unmanned convenience stores

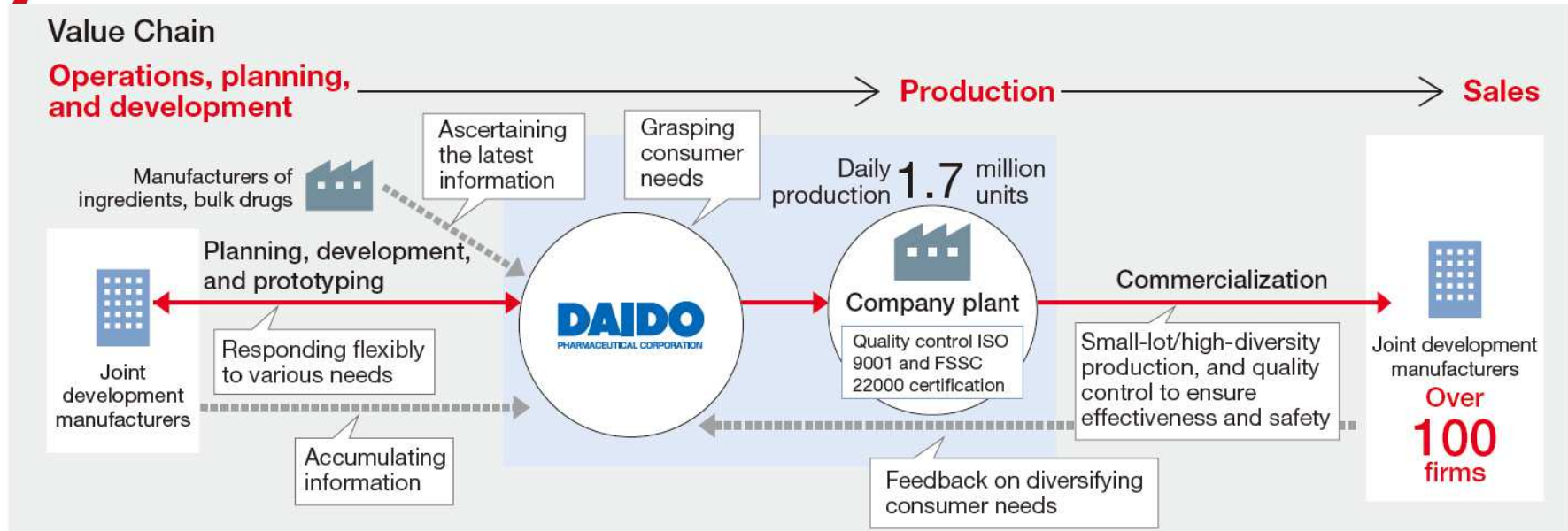
- 600’s approach to the unmanned convenience store

- ✓ The company wants to serve as a sort of concierge for individual customers.
- ✓ Its goal is to provide a different product mix at each company.

➡ **Same vision as our vending machine model**

ここからだに、
おいしいものを。

Pharmaceutical-related Business: Business Model



Issues and Future Strategy: Establishing an Overwhelmingly Dominant Position as a Contract Manufacturer of Pharmaceuticals and Quasi-drugs

The nutritional drink market has been shrinking in recent years due to factors including the aging of its core consumer segment. At the same time, we see new growth potential in the drink preparation contract manufacturing market due to growth in sales of beauty drinks exported overseas as the result of inbound demand and moves by pharmaceutical manufacturers to outsource manufacturing in response to the elimination of a rule requiring pharmaceutical sales companies to operate manufacturing plants under the revised Pharmaceuticals and Medical Devices Act*. Additionally, we expect the trend toward increased

awareness of health and beauty, which is developing against the backdrop of Japan's aging population, to continue to fuel significant growth in the health care market in the future.

We see opportunity in these and related changes in the market environment, and under the Mid-term Business Plan 2021 we will work to strengthen supply structures and competitiveness by building a new Kanto Plant and to expand our range of contract-manufactured products by accommodating new preparation types.

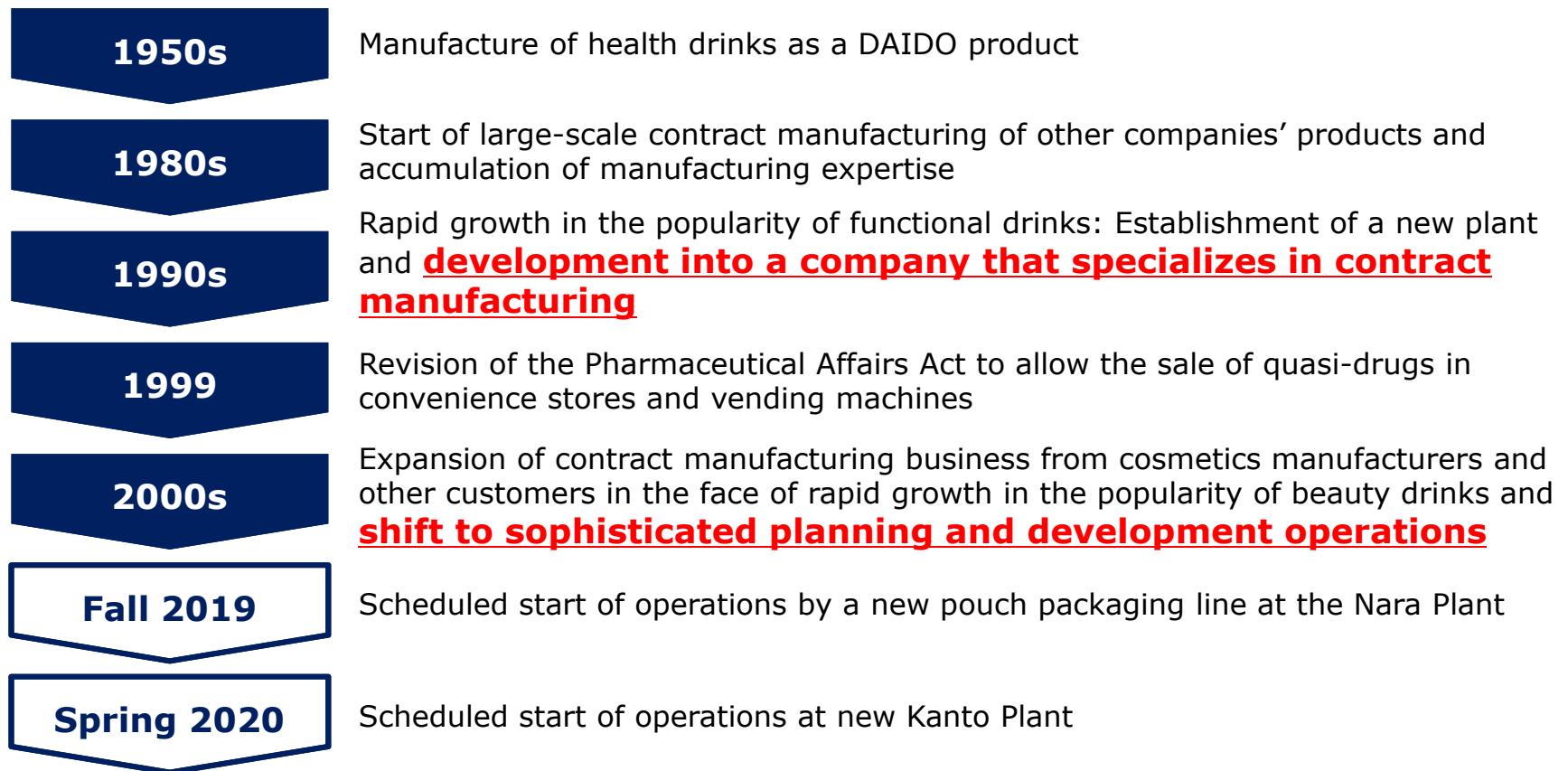
*Pharmaceuticals and Medical Devices Act

DyDo Group Strengths (3)

Ability to Develop and Manufacture Pharmaceuticals and Quasi-drugs

- ▶ Refined development capabilities and quality control structures as a contract manufacturer
- ▶ Establishment of market position as a contract manufacturer of health drinks

● History of DAIDO *Yakuhin*



ここからだに、
おいしいものを。



Pharmaceutical-related Business Growth Investments in Existing Businesses: Expanding the Types of Products



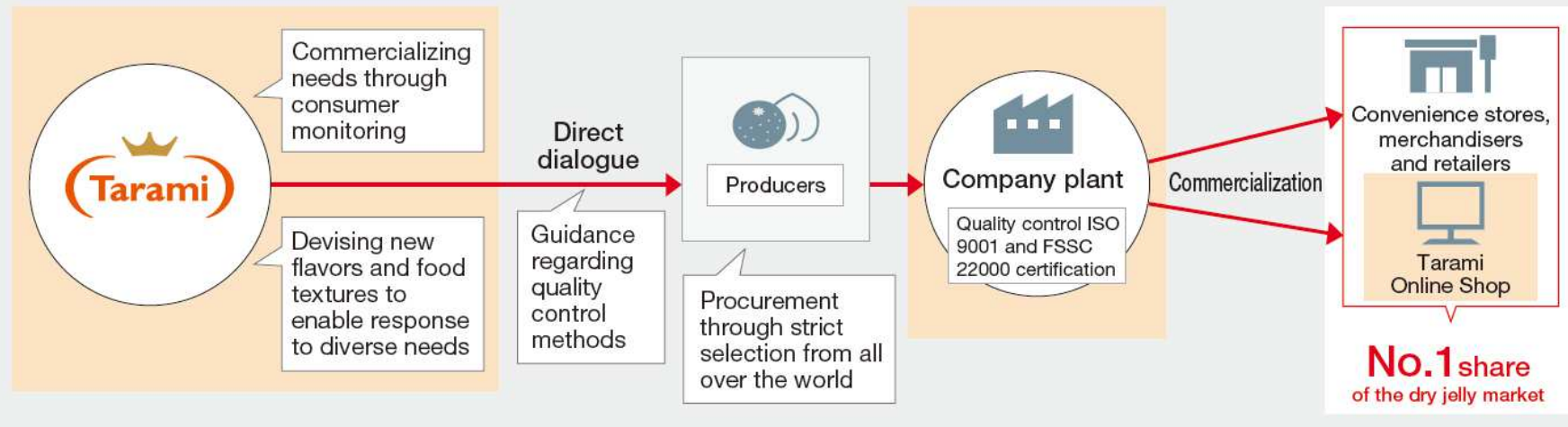
ここからだに、
おいしいものを。

Food Business: Business Model



Value Chain

Planning and development → Procurement → Production → Operations → Sales



Issues and Future Strategy: Strengthening Our Revenue Base and Creating new Business Models to Facilitate Future Growth

Under the previous Mid-term Business Plan, we grew at a rate that outpaced the market as a whole and solidified our industry-leading share in terms of sales. However, we are aware that our performance in terms of profits, which have been hobbled by rising raw material and labor costs as well as marketing investments designed to boost our brand value, remains a major issue.

The dry jelly market has been flat overall, but even as the low-priced segment (products priced at 100 yen and under) shrinks, the medium- and high-priced segment (products priced at 140 yen and over) is growing.

Moreover, the pouch jelly market has been growing quickly in recent months. These factors make clear a trend on the part of customers to seek not simply inexpensive products, but rather products that deliver delicious flavor, health benefits, and convenience.

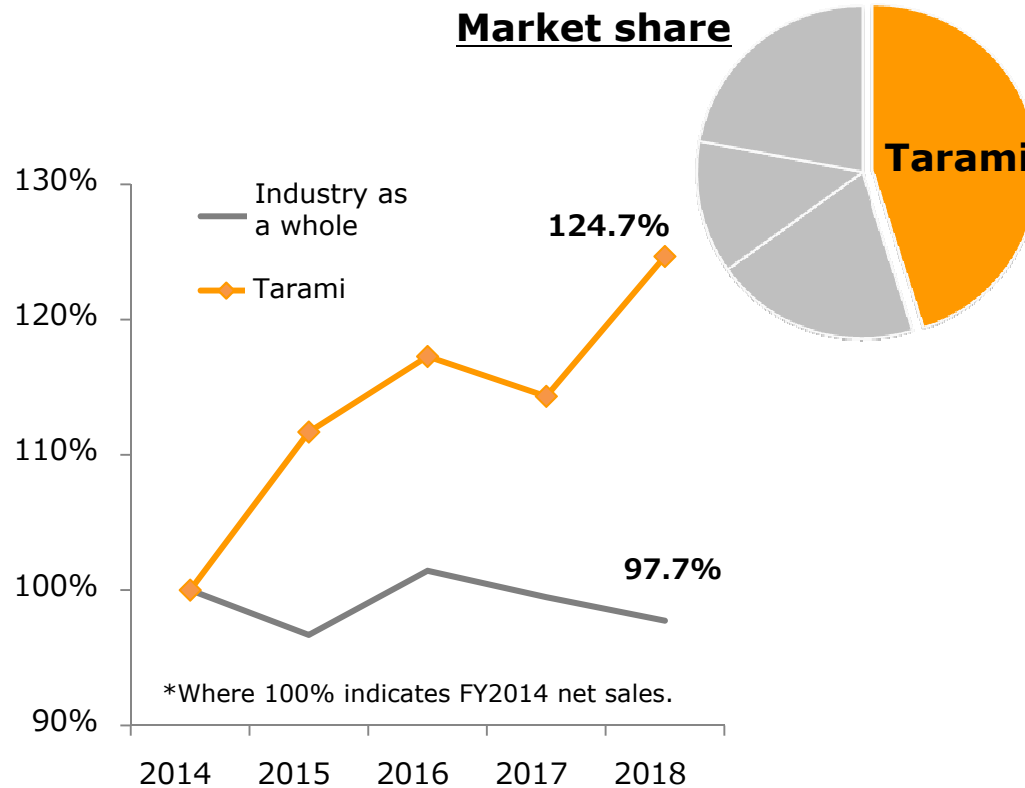
In addition to working to improve profitability through a multifaceted review of costs, the Mid-term Business Plan 2021 will seek to create new business models that transcend traditional categories and to realize our vision of bringing happiness to all by pursuing delicious flavor and health through fruit and jelly products.

DyDo Group Strengths (4)

Technology for Creating Delicious Jelly Products

- ▶ Technology for creating jelly products with delicious texture based on ingredients such as fruit and the preferences of the target market
- ▶ Establishment of position as the industry's leader based on a high growth rate

● Net Sales



● Pursuing jelly texture on a product-by-product basis



Smooth texture that highlights the juiciness of bits of fruit



Melt-in-your mouth texture that highlights the aroma of the fruit and the product's fruit juice-like consistency



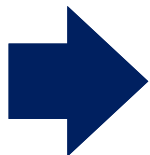
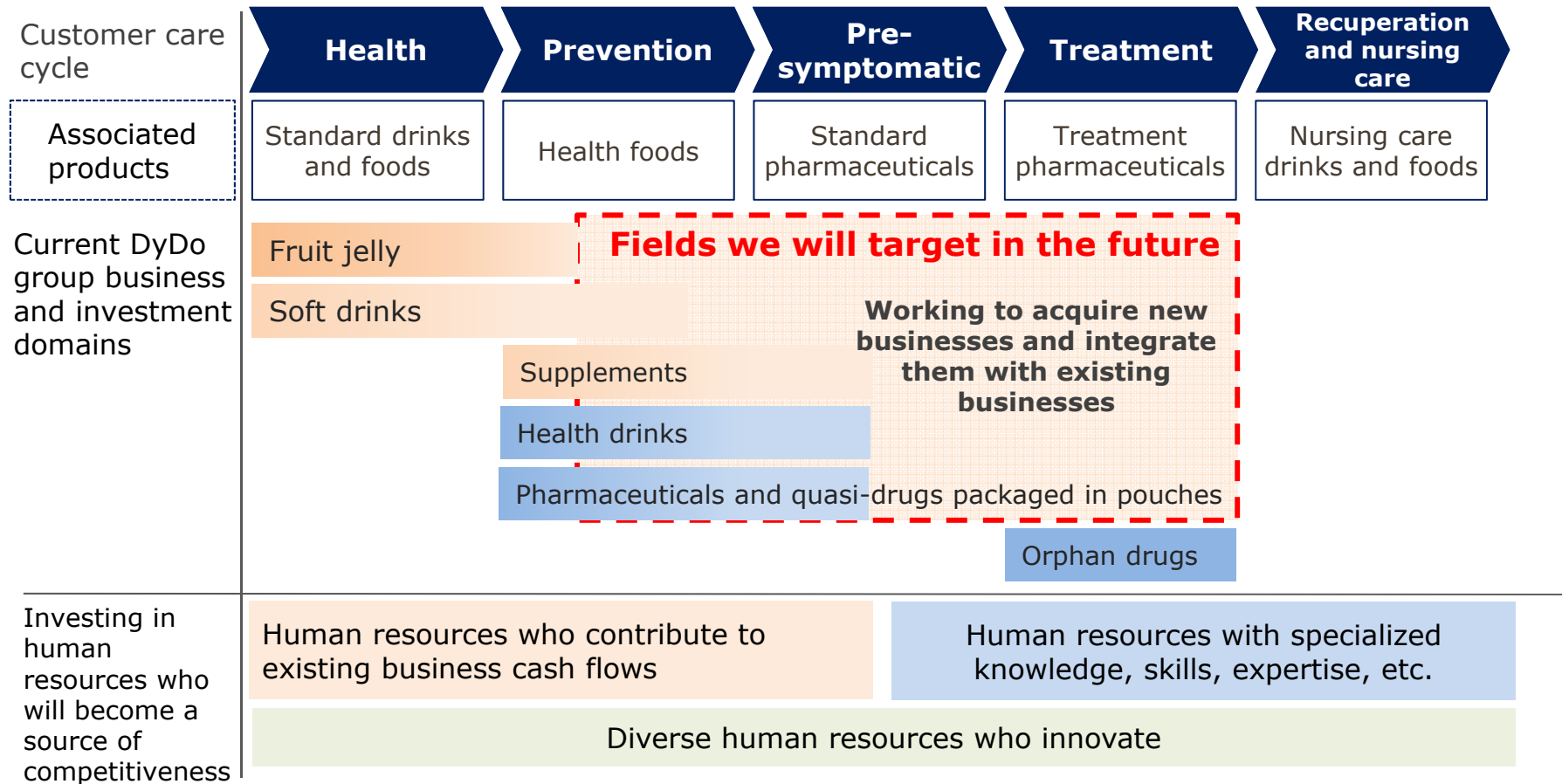
Jelly designed for maximum juiciness to highlight the springy texture of *konnyaku*

ここからだに、
おいしいものを。



Investment Strategy

M&A Investments in the Health Care Domain

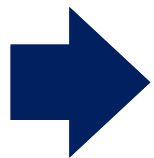
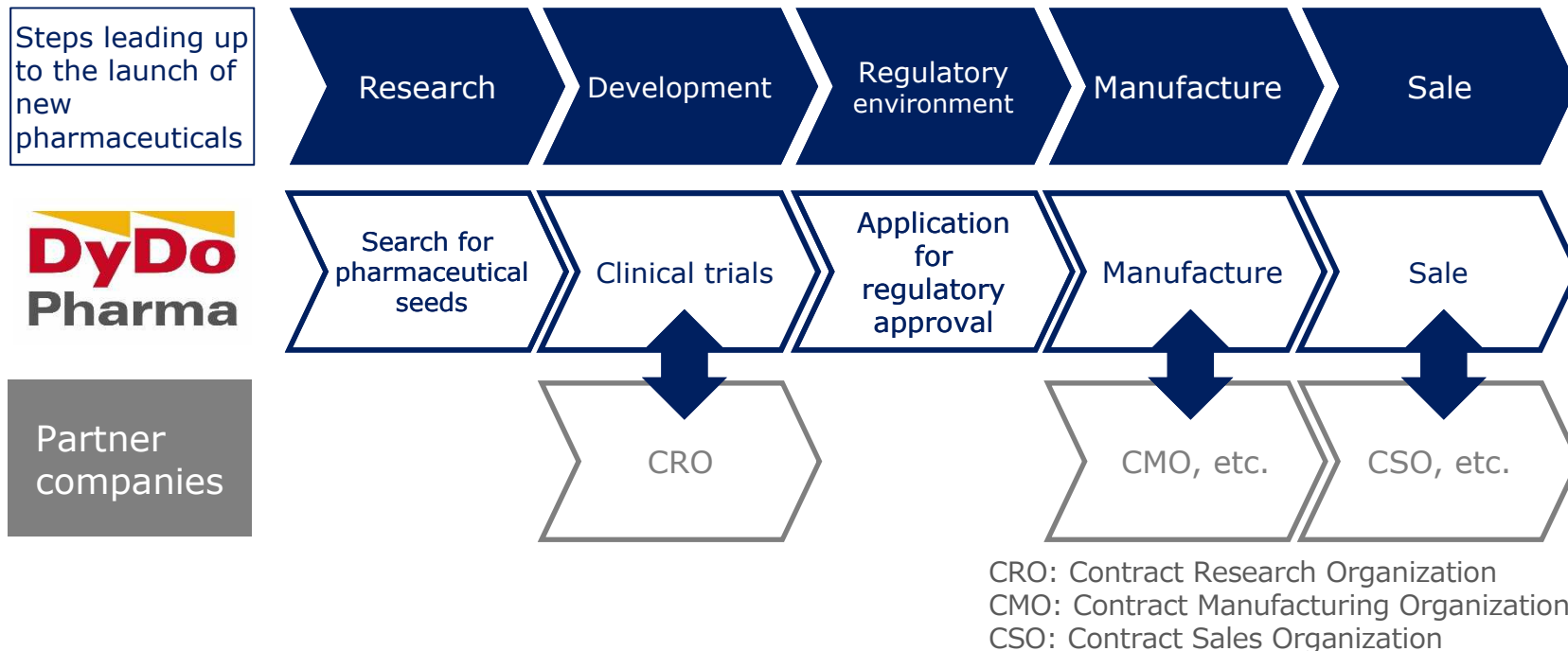


Building major new sources of revenue in non-drink businesses in the health care domain by pioneering markets that transcend the boundaries of the medical and food markets

Investment in New Businesses

Investments in Launching the Orphan Drug Business

- ▶ We established DyDo Pharma, Inc., as a new company operating a treatment pharmaceuticals business on January 21, 2019



Working to deliver profitability in the long term by outsourcing operations and developing a promising new product pipeline of high-quality products

Entering the Orphan Drug Market

- ▶ Entering the orphan drug market (with a planned start of business in August 2019)

- **Helping solve a social problem**

Due to the comparatively small number of patients suffering from rare diseases, there has been inadequate development of orphan drug to date, leaving many patients without access to effective drugs to treat their conditions.

- **Putting the Group Philosophy into practice**

We will work to resolve a social problem through our business by providing value in the form of pharmaceuticals to patients suffering from rare diseases.

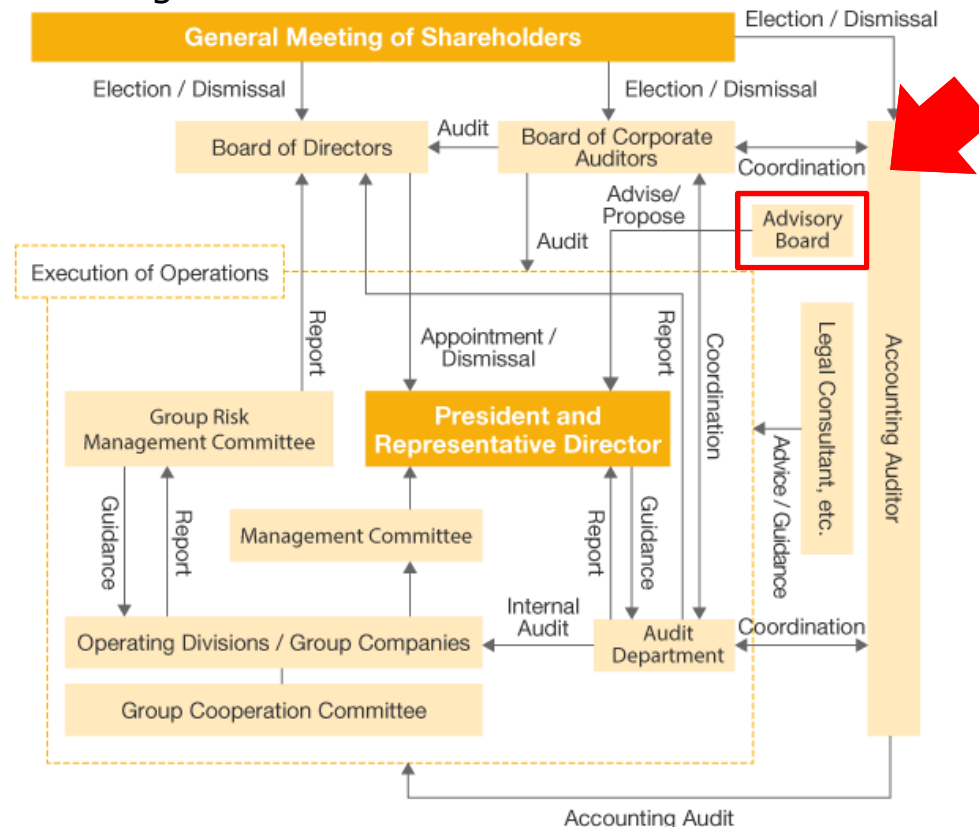
- **Conditions for designation as an orphan drug**

Target patient population	Less than 50,000 in Japan Alternatively, a disease may be designated as a difficult-to-treat disease by regulatory authorities.
Need for treatment	No appropriate alternative pharmaceuticals or treatment methods Alternatively, the pharmaceutical must offer potential in the form of significantly superior efficacy or safety compared to existing pharmaceuticals.
Development viability	There must be evidence supporting use of the pharmaceutical in question to treat the target disease, and the manufacturer's development plan must be reasonable.

Article 77 Paragraph 2 of the Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical devices

Ongoing Improvements in Corporate Governance

- ▶ We created an Advisory Board to serve as an advisory body to the president
 - Consisting of roughly three outside experts not currently serving as outside directors or corporate auditors
 - Offering assessments and advise from an objective perspective concerning issues that demand a high level of specialized knowledge, for example investment decisions related to the orphan drug business



こころとからだに、
おいしいものを。



The plans, future projections and strategies for the DyDo Group stated in this document, with the exception of past or current facts, are projections of our future performance, and are based on the judgment and postulations of our management team based on the information available at the present time. Accordingly, the actual performance may differ greatly from these due to unforeseen factors, the economic situation and other risks. This document is not intended to solicit any investment. Please use your own judgment when making investment decisions.