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August 29, 2019

DyDo Group Holdings, Inc.
Summary of Questions and Answers
from the FY2019 (Ending January 2020) 2nd Quarter Financial Briefing

Q1. How do you see the competitive environment in the vending machine business changing as a result of efforts by competitors to increase their sales volume? What measures are you considering in response?

A1. Broadly speaking, we have two policies. Our first policy is to increase the number of operating vending machines despite the challenging competitive environment by acquiring favorable locations. To that end, we have revamped our sales structures and increased the size of our sales force, for example by reassigning personnel. However, progress has lagged, and we plan to actively hire new salespeople, including through mid-career hires, during the second half. Our second policy is to improve productivity of vending machine operations and maintain our vending machine network. Specifically, we will simplify work that must be performed at vending machines by picking products that need to be restocked in advance based on sales and inventory data sent from networked vending machines. Additionally, we will work to improve sales by utilizing sales data in optimizing each vending machine's product mix. We plan to assess the results of a trial currently underway at three sales offices and finalize online investment amounts for the next and subsequent fiscal years, with the goal of increasing productivity by 30% to 50% from current levels. In this way, we will reorganize our vending machine business so that it can consistently generate cash flow by adding operating machines to increase sales and by improving operational productivity.

Q2. Performance of the International Beverage Business and the Food Business has been steadily improving, and there has been progress in business portfolio reforms. Has strengthened governance of subsidiaries been a factor?

A2. Looking at the International Beverage Business, a major factor in the strong performance in our Turkish beverage business has been the assignment of a Japanese DyDo staff member to serve as CEO of our subsidiary there (the post was previously filled by a local executive) and his subsequent introduction of DyDo policies in the company's management. With regard to the Food Business, DyDo Holdings worked with Tarami to align awareness of targets and issues after a new CEO took over there. I believe that establishing a shared awareness of the need to improve profitability as the top priority has allowed Tarami to accelerate its initiatives.

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Q3. What can you tell us about the implications of Kirin Holdings' investment in Fancℓ, given that you do business with both companies? It seems that pursuing an alliance with Fancℓ would have been a viable option for DyDo as it looks to increase its business in the healthcare domain. What can you tell us about the significance of DyDo's entry into that domain, and its strengths there?

A3. DyDo plans to continue its collaborative relationship with both companies in the future, and we understand that our partners also wish to maintain that friendly relationship. Although businesses such as that of Fancℓ are one target as we look to increase our presence in the healthcare domain, our M&A campaign will primarily target businesses that focus on manufacturing pharmaceutical and healthcare products in the manner of DAIDO *Yakuhin*. Going forward, we will continue to move toward realizing our goals in the healthcare space.

Q4. What can you tell us about the results of the growth investments outlined in the Mid-term Business Plan 2021 and the amount you anticipate investing during the upcoming fiscal year?

A4. Although investments in bringing DAIDO *Yakuhin*'s new plant online accounted for a major share of our investments this year, the effects of those investments will make themselves felt following the facility's start of commercial-scale operation next year. Additionally, because investments into networking vending machines remain at the trial stage, and because there have been slight delays from what we envisioned in our initial plans, those efforts are not yet yielding results. However, we will assess the results of trials during the second half and finalize investment amounts for the next fiscal year.

Note

These materials were prepared by DyDo Group Holdings Inc. as a summary of questions asked and answers provided during its financial briefing for the second quarter of FY2019 (year ending January 2020) from the standpoint of fair disclosure. (Questions and answers are presented in no particular order, and they have been supplemented and revised for clarity.) DyDo Group Holdings Inc. makes no warranty as to the accuracy or completeness of the information provided, which is subject to change without notice. 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.