こころとからだに、
おいしいものを。

Offering delicious products
for sound mind and body

DyDo Group Holdings

Integrated Report 2019

こころとからだに、
おいしいものを。

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.

Contents

Editorial Policy

The purpose of creating this DyDo Group Holdings Integrated Report is to deepen our stakeholders' understanding about the group, while also promoting constructive dialogue to further the group's development in the future.

This year's report, which was formulated with reference to the *Guidance for Collaborative Value Creation*, was compiled to bring together and explain the inter-relationship of the Group Philosophy, our business models, ESG issues, our business strategies, and our corporate governance, among other elements. These are all necessary to bring about the goals of the Mid-term Business Plan 2021 and the Group Mission 2030, which were announced in January 2019.

Going forward, we will continue to strive to provide complete disclosure and dialogue in order to deepen our stakeholders' understanding of the measures we are taking toward sustainable growth for the group.

Environment
Social
Governance

Guidance for Collaborative Value Creation

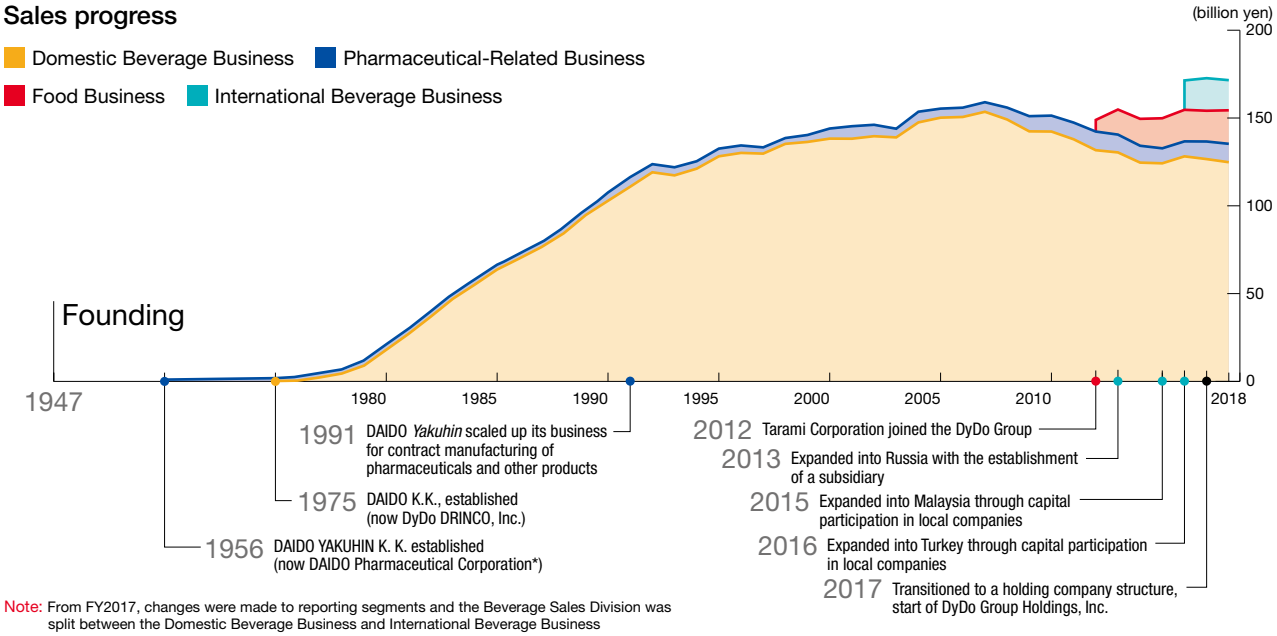
Pioneering the Next Generation by Always Taking Up New Challenges

The DyDo Group started out in the Japanese "use first, pay later" medicine business, which values relationships with individual customers. From there, the group has expanded its business by constantly taking up all sorts of challenges, with the top priority of "striving to achieve happiness and prosperity together." We shifted to a holding company structure in January 2017, and we are accelerating steps to meet the challenge of creating sustainable growth and corporate value in the medium to long term.

Founder Tomio Takamatsu

Medicine box

Sales progress



Note: From FY2017, changes were made to reporting segments and the Beverage Sales Division was split between the Domestic Beverage Business and International Beverage Business

1940s Adhering to a mindset of always considering the customer

The history of the DyDo Group began when our founder took up the "use first, pay later" medicine business as a personal business after World War II. This business is called *okigusuri*, and was a medicine sales system unique to Japan, in use for more than 300 years. With this system, medicine boxes were placed in each home. Customers used remedies such as cold medicine and stomach medicine when needed, and payment was collected later. This system can be regarded as the forerunner of today's vending machine business, where a vending machine is first installed at a location where it is needed, and a variety of products are provided, so that customers can buy them any time, when needed.

With the growth of this "use first, pay later" medicine business, the company was incorporated. DAIDO YAKUHIN K.K. (today's DAIDO Pharmaceutical Corporation*) was established, and after obtaining licensing for manufacturing and sales of pharmaceuticals two years later, we built a new plant. We first manufactured ampules (liquid medication sealed in a small glass container), and then moved on to manufacturing today's drinkable preparations with caps. On the other hand, sales channels for the "use first, pay later" medicine business broadened from homes to company offices, and as sales grew with demand for drinkable preparations, Japan entered a period of high economic growth.

*hereafter, and elsewhere, referred to as DAIDO *Yakuhin*

Growing Dramatically by Grasping the Needs of the Times

1970s Vending machines became our core business

During Japan's period of high economic growth, our group also achieved major growth. Driving this were sales of drinkable preparations and beverages, primarily canned coffee, which is currently the mainstay product of our group.

With the sudden increase in automobile traffic, we expanded our focus at first to truck drivers as a new customer segment, due to their pressing need to stay awake while driving, and began sales of drinkable preparations by installing showcases at parking facilities along national highways.

After that, we turned to canned coffee, a new product on the scene expected to have the same effects, launching a beverage sales business selling coffee as a new business of DAIDO *Yakuhin*.

At the time, we had almost no ready know-how regarding manufacturing of canned coffee or soft drinks, and this led us to opt for joint development with affiliated manufacturers, such as outside manufacturing plants and producers of ingredients and materials. The taste of canned coffee changes if the water or manufacturing environment is different, even if the blend of beans is the same. We repeated a process of trial and error together with affiliated manufacturers by, for example, changing the degree of roasting and extraction temperature at each plant, and as a result, we finally achieved a product we could be proud of, one that would meet customer needs. This was the birth of DyDo Jamaican Blend Coffee in 1973. At the time, 250g cans were the mainstream, but we were convinced that our product, which pursued "genuine delicious taste" could deliver fully satisfying quality and taste in a smaller volume, and it was decided to sell coffee in 190g short cans.

After the launch, sales steadily grew, and canned coffee sales became our second mainstay. Seizing that opportunity, a new beverage sales business company, DAIDO K.K. (now DyDo DRINCO, Inc.), was established in 1975. Alongside this change, DyDo Jamaican Blend Coffee evolved into DyDo Blend Coffee, and even today its legacy continues as the flagship product of our group.

At the same time, vending machines enabling simultaneous sales of both hot and cold canned drinks appeared. We foresaw that vending machines would be an effective sales tool for canned coffee, which customers want to drink hot or cold, depending on their taste, and we replaced our previous showcases with vending machines, and entered in earnest into the vending machine business.

Amidst the explosive dissemination of vending machines in Japan and dramatically growing demand, our group not only opened up sales channels but also promoted the expansion of its vending machines with a network of companies in regions throughout Japan. We then organized the special operators throughout Japan, who are contractors who handle our products, as the DyDo Vending Partner Association ("Kyoeikai"), promoting the sharing of vending machine deployment methods and operational know-how, and establishing an organized sales structure.

By taking up challenges which respond to current trends and cooperating with companies in each region, we can provide an operation system boasting the highest quality in the industry and an extensive nationwide network of vending machines.

1973
DyDo Jamaican Blend Coffee goes on sale

1975
DyDo Blend Coffee goes on sale

Present
Diversification of products to meet customers' diversifying tastes

1973
Sales begin through countertop vending machines

1977
Appearance and dramatic spread of vending machines that can both heat and refrigerate

1990s
Acceleration of eco-friendly low-energy measures for vending machines

Present
Promoting installation of IoT-enabled vending machines

Turning Points That Led to Greater Growth

1990s DAIDO *Yakuhin* becomes a specialist contract manufacturer of drinkable preparations

Alongside the large growth achieved by DyDo DRINCO, the founding business DAIDO *Yakuhin* also greatly changed the business model with which it operates. To make use of the efficiency increases of our production lines, in addition to producing our own drinkable preparations we also gradually started accepting contract manufacturing of other companies' products. In the midst of the functional drink boom, and the resulting increase in production, in 1991 we moved to our newly constructed factory in the city of Katsuragi, Nara Prefecture. With this change, we both transitioned from manufacturing our own brand of drinkable preparations, to a specialist contract manufacturer of other, primarily pharmaceutical, companies' drinkable preparations.

Using the expertise we had accrued in the development and manufacturing of our own products, we were able to skillfully respond to changes in the industry while steadily building a record of results as a contract manufacturer. An even greater leap forward came courtesy of reforms to the Pharmaceutical Affairs Law in 1999. The softening of regulations meant that some drinkable preparations that were deemed quasi-drugs, with only a mild medicinal effect, that could previously only be sold at pharmacies, were permitted to be sold at convenience stores or through vending machines. In the same year, we started operations at our Plant 2 with an assembly predominantly geared toward the manufacture of 100 ml drinks preparations, and put in place a system to accept orders from a major company whose products were popular at retailers such as convenience stores and pharmacy chains.

In the following year, we started sales of our nutritional drinks through DyDo DRINCO vending machines, and expanded our sales avenues.

In the 2000s, beauty drinks (collagen drinks) aimed at women appeared, and started a boom for the drinks, during which DAIDO *Yakuhin's* dealings with cosmetics companies increased. Thanks to participation in various different industries' drinkable preparations markets, and as a partner company with innovative suggestions and product development, and an excellent quality assurance system cultivated by contract manufacturing for numerous pharmaceutical companies, we established ourselves as a leading Japanese contract manufacturer in the current industry.

Products DAIDO *Yakuhin* manufactures under contract (a selection of some of the products for which we have permission to print)

2000s Enhancing our strengths as a listed company

DyDo DRINCO draws a clear distinction between itself and ordinary beverage manufacturers. We regard vending machines as our retail outlets, and have focused our efforts on improving their appeal. While augmenting vending machine features and pursuing fine-tuned operation, we are also refining the attractiveness of our products. To make choosing at a vending machine enjoyable for our customers, we always offer over 30 products, and constantly expand our lineup of coffees. In the area of soft drinks, we are developing flagship products like "miu" using deep-sea water, and working to develop unique products with meticulously selected ingredients.

Also, in August 2001 our shares were listed on the second section of the Tokyo Stock Exchange, and in January 2003 we were selected for inclusion in the first section. As a result, we took new steps to improve our management as a firm growing together with our shareholders.

In pursuit of more authentic canned coffee, we used sumptuous amounts of high-grade beans, and offered the market's first*1 small-size 160g can

By adding slightly sweetened and sugar-free black types, it has grown to become the top-selling*2 small-size canned coffee series

Noticing that deep-seawater is rich in minerals, we began sales of a "bodysonic" isotonic drink using this as a core ingredient

This has evolved into the "miu" brand, with a lineup including water, flavored water, sparkling water, and sports drinks

*1 Survey by our company at the time of product launch
*2 Intage SRI: Market for cans and bottle-cans at 180 ml or less; cumulative sales revenue for Demitasse series, March 2014–December 2016

Strengthening Our Group's Capabilities, and Making Even Greater Strides

2010s Expanding our business categories and business fields

Our group has continued to grow together with the dissemination of vending machines, but we began to see growth tapering off as we entered the 2000s. To achieve the next level of growth in such an environment, we have been working since the 2010s to diversify our business, and expand our business fields.

In 2012, we acquired all of the shares of Tarami Corporation, a company with outstanding name recognition and overwhelming brand strength in the fruit jelly market, and the company was made into a consolidated subsidiary. Tarami is steadily growing in sales, by offering products in response to the multifaceted needs of customers, and thereby ensuring that its position at the top of the industry is solid.

We also began efforts in earnest to expand internationally. Using methods tailored to the characteristics of each country and region, we are expanding our field of business to the world. In 2013, we established a subsidiary in Moscow, Russia. We are striving to expand the vending machine business that is our specialty. In December 2015, we entered the soft drinks market in Malaysia. By utilizing DyDo in Japan's product development expertise, we are working to develop new, high-quality products that cater to health trends. Furthermore, in February 2016 we entered the beverage market in Turkey by acquiring shares in the soft drinks department of the country's biggest confectionery manufacturer. Since that acquisition, alongside steadily establishing a business foundation, we have been promoting acquisition as a central pillar of our international business such as through acquiring manufacturing companies that produce mineral water, for which demand has increased dramatically, in December 2017.

Tarami products have a diverse lineup and boast the top market share in the industry

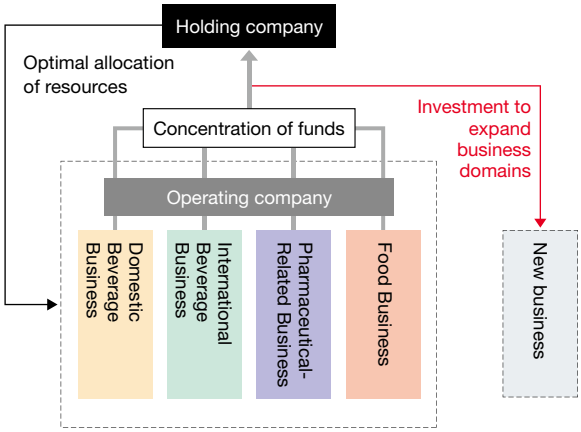
"Yobick" is sold in Malaysia in a popular package that evokes Japan

"Saka" mineral water sold in Turkey is steadily growing in sales

2014 Revision of our Group Philosophy and Group Vision

In 2014, Tomiya Takamatsu took over as our current president, and formulated a Group Philosophy and Group Vision. In addition to the spirit of striving to achieve happiness and prosperity together—a spirit we have always valued—we took up the new challenge of achieving sustained growth as a company, even under conditions where there is no major growth in the domestic market. At the same time, we announced our mid-term business plan "Challenge the Next Stage," and started business and governance reforms.

In January 2017, we changed our previous system, where DyDo DRINCO was the parent company of the group, and shifted to a holding company structure, marking the inception of DyDo Group Holdings. Going forward, the DyDo Group will continue to meet the challenge of sustained growth and improving corporate value for the medium to long term.



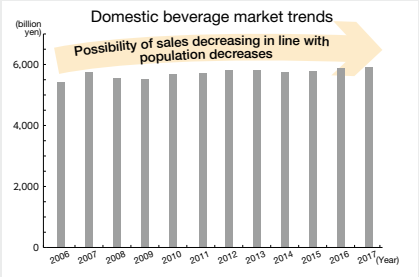
Direction of the DyDo Group

The times, and the operating environment in which the DyDo Group finds itself, are changing. If we wish to still be in business in a hundred years' time, we cannot merely carry on along the same path we've always trod, instead it will require us, too, to continually adapt. By taking advantage of the strengths we have forged along the way, we aim to position ourselves to take on whatever the future has in store.

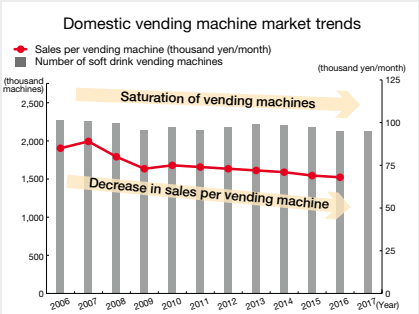
The Status of the DyDo Group

Changes in the DyDo Group's Operating Environment

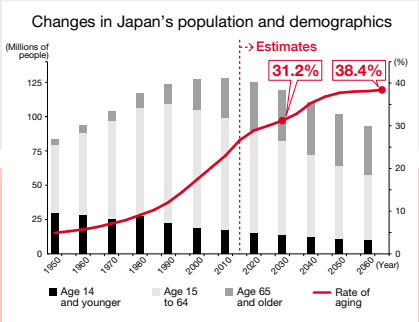
Threats



Importance of investment to guarantee space on retailers' shelves will increase



As a highly profitable sales channel, the competition over the best locations for vending machines will intensify



There is a likelihood that it will become more difficult to secure personnel to operate the vending machines, and labor costs may rise

Opportunities

Growth in the healthcare-related market

Advances in technology

Strengths the DyDo Group has developed P03-06

Strengths

- Unique business models based on supplying the delicious flavor customers want in locations that are familiar and convenient P25
- Stable cash flows created by invisible assets (i.e., the vending machine business model) P13
- 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 P31
- Technology to create delicious jelly products P33

What the DyDo Group Needs to Achieve

To still be in business in a hundred years' time, we need to be able to respond to an uncertain future

After defining where, and what, we want to be by the year 2030, we can begin to work on producing intermittent explosive innovation

The period of the Mid-term Business Plan 2021

2019

2021

Where, and what, we want to be by 2030

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

P12

Group Mission 2030 Basic Policies

Sales

Innovation in the Domestic Beverage Business
This segment will continue to be the DyDo Group's core business.

Expansion of our business overseas
Earn at least 20% of the Group's overall sales overseas.

Development of a second major source of revenue in non-drink businesses
Build our businesses in the healthcare domain as a second major source of revenue that integrates well with existing businesses.

Operating margin ratio

0% 5% 6% 10 %

*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.

To be a company that can continue expanding, improvements in profitability in terms of sales growth are necessary

In order to improve profitability, we need to be able to continually produce capital that can be used for investments

What we hope to achieve through our ESG measures

Create value through resolving societal issues

- Respond to future labor shortages with technology

Turning risk into opportunity

Secure our primacy in the shrinking vending machine market, which we will keep as the group's core business P16/P27

- Open up markets that cater to people's ever-longer lifespans

Taking these opportunities, utilizing our strengths

Construct a second pillar for the group in the healthcare sector, which integrates well with our existing businesses P17-18

Build a foundation for growth

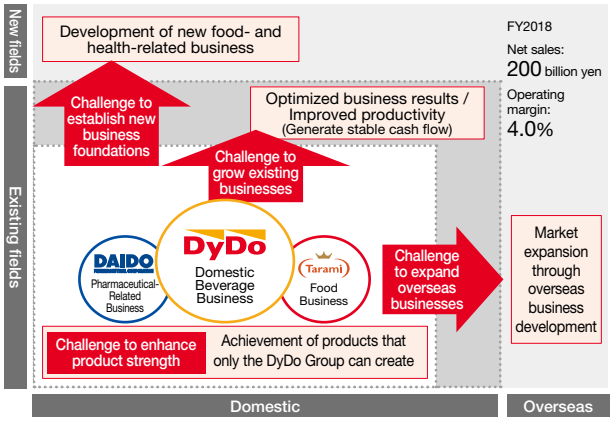
- Work ceaselessly to improve our human resources strategy and corporate governance P19-20 P35-48

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

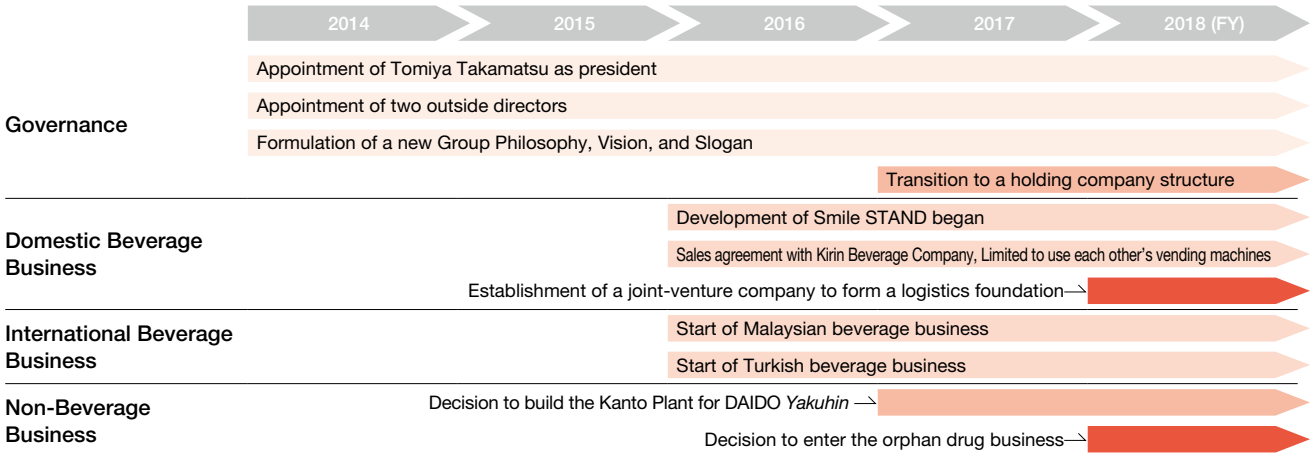
Looking Back on Our Previous Mid-Term Business Plan "Challenge the Next Stage"

The five-year mid-term business plan "Challenge the Next Stage" that began in 2014, when I was appointed as president, has now ended. In line with our Group Philosophy and Vision, put in place at the same time as the mid-term business plan, we have tackled reforms in corporate governance, as well as dealing with challenges across our various businesses. We have accelerated sales through expanding our business overseas in regions such as Turkey and Malaysia, and have established the foundations for future growth with the development of a group-wide framework through initiatives such as the transition to a holding company structure. In terms of our results, despite working to restructure fixed costs in the vending machine channel and improve profitability, we were unable to achieve sales growth in the Domestic Beverage Business. This, and our inability to acquire new businesses that can drive future growth through M&A, are major issues for us, and ones that we are making efforts to address as quickly as possible.

Previous Mid-term Business Plan "Challenge the Next Stage"



Reforms during the previous mid-term business plan "Challenge the Next Stage"



Challenge to Grow Existing Businesses

In the vending machine channel, the principal sales channel for the Domestic Beverage Business, we have worked to reduce fixed costs with a focus on vending machine procurement costs. Although sales were sluggish, we have successfully generated profits and stable cash flows. In addition, we are actively installing vending machines close to where customers are, such as in the office or near a station. The proportion of these locations has gradually increased. On the other hand, the trend of declining sales per vending machine continued. Our inability to improve profitability through sales growth was the main reason why we did not achieve the operating profit margin targeted in our mid-term business plan. We recognize that this is a major issue that we will need to address.

In the Pharmaceutical-related Business, sales have been on a rising trend with orders expanding, including products for overseas markets. We will launch our new Kanto Plant (Tatebayashi, Gunma Prefecture) in 2020 and are steadily receiving orders ahead of its operational launch.

In the Food Business, sales growth has been strong over the past five years and ahead of the market. However, many issues remain with profitability.

Although the measures required for each business are different, we continue to work on improving profitability in line with our sales growth.

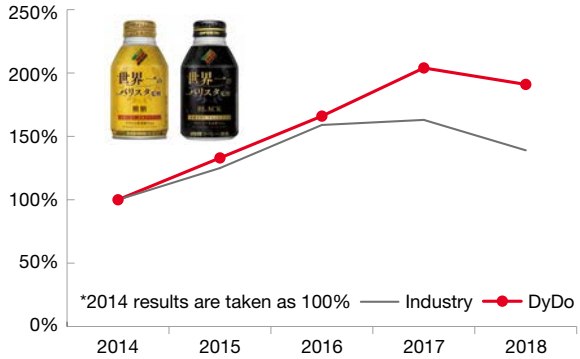
Challenge to Enhance Product Strength

We have been successful in strengthening our product capabilities. As an example from among our mainstay coffee products, we have raised awareness of our "Supervised by the World's Top Barista*" series and now consider it to be well-established in the bottle-can coffee market. Our commitment to authentic tasting coffee without the use of added flavorings has been well-received by the market. In addition, products in the "Calorie Limit for the Mature Aged" tea series developed jointly with FANCL are now well established in the distribution channel.

In the future, we expect customer preferences to continue to diversify, with health awareness growing ever stronger. At the same time as strengthening our vending machine product lineup to meet changing needs, we believe that creating an image that equates DyDo with health is of critical importance in the distribution channel. We develop products matched to the requirements of each channel, be it distribution or vending machines, for example.

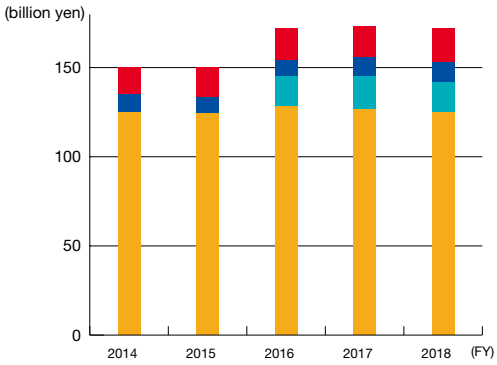
*Pete Licata, 14th World Barista Championship winner

Trends in manufacture and sales quantities of bottle cans of coffee (compiled by DyDo Group)

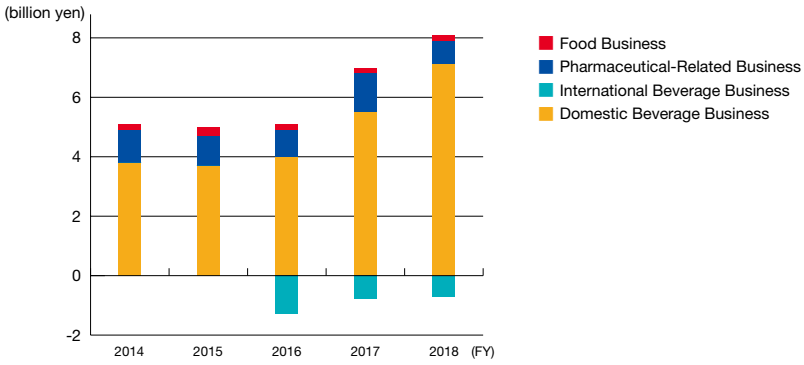


Profit trends by segment during the previous mid-term business plan

Net Sales



Segment Profits



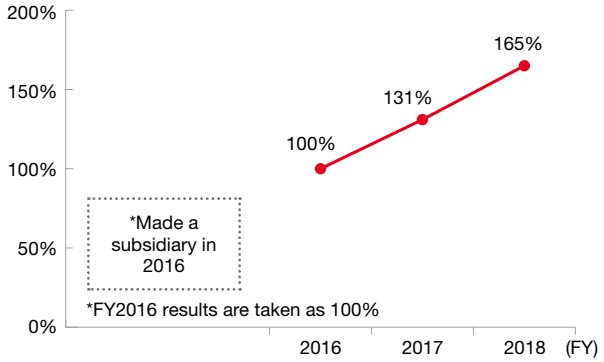
*From FY2017, changes were made to reporting segments and the Beverage Sales Division was split between the Domestic Beverage Business and International Beverage Business (results for FY2015 have been adjusted to fit the new reporting segments, results for the Domestic Beverage Business to FY2015 include results for Russia and China)
*Includes internal sales between segments

Challenge to Expand Overseas Businesses

Overseas, we expanded into Malaysia in 2015 and Turkey in 2016. International sales now make up more than 10% of sales for the entire group. Our core Turkish beverage business continues to grow strongly on a local currency basis. This business has been developed through M&A activity focused on brands that are well-known in Turkey, along with their manufacturing plants. Following acquisition, we have taken initiatives such as rebuilding the sales network, transferring control of production lines and acquiring new mineral water plants, which is a rapidly growing sector of the market. DyDo's strong leadership of these facilities after acquisition has led to the successful business we have today. Clearly, however, there are economic risks in Turkey associated with sudden exchange rate fluctuations. Therefore, we continue to strengthen our export business to protect it against currency movements and to build a solid foundation for growth. We are committed to fostering this as a core operation within the International Beverage Business.

On the other hand, our presence in other countries, such as Malaysia, Russia and China, remains small at present and profitability is still a challenge. We need to restructure our operations in these countries, as well as reviewing our business strategy there.

Trends in sales in the Turkish beverage business (based on local currency)



Challenge to Establish New Business Foundations

The group aims for new business development related to food and health and has looked for M&A opportunities, but it has been hard to find projects that meet our investment criteria. This has been the principal reason for the shortfall in our sales relative to the objective of the mid-term business plan.

However, as we look for new projects with synergies with our existing businesses, the direction of our M&A activity is becoming clearer, with priority given to projects that can generate synergies with DAIDO *Yakuhin*. That is why we have decided to enter the orphan drug market and in future we will focus specifically on the healthcare sector. We have built a solid foundation for constructive dialogue within the company, based on qualitative and quantitative investment criteria. We consider this to be a key achievement in terms of improving corporate governance for the next step of our growth.

Results and Next Steps from Challenge the Next Stage

	Result	Next Step
Challenge to grow existing businesses	• We reformed the fixed cost structure in the vending machine channel • We furthered our IoT-enabled vending machine strategy • We increased sales in the Pharmaceutical-Related Business and Food Business	• Improve profitability through sustainable sales growth • Improve sales per individual vending machine • Promote the installation of vending machines in offices
Challenge to enhance product strength	• We fixed the brand position for "Supervised by the World's Top Barista*" and "Calorie Limit for the Mature Aged" tea series	• Deal with the diversification of customer values and consumption behaviour • Develop products that earn customers' empathy
Challenge to expand overseas businesses	• We acquired strategic bases in the Sharia law-observing Islamic world (Turkey and Malaysia)	• Reform our business in Malaysia, Russia, and China
Challenge to establish new business foundations	• We decided to enter the orphan drug business • We made our health food and supplement mail order business profitable	• Pioneer new markets to accommodate the increase in healthy lifespan • Accelerate new business expansion through strategic investments

*Pete Licata, 14th World Barista Championship winner

For DyDo Group to Create Enjoyable, Healthy Lifestyles for People around the World

Over the five-year period of the previous mid-term business plan we experienced a dramatic shift in the world situation and the environment, well beyond our original expectations.

And there is no doubt that the pace of change will accelerate even further over the next 10 years. In Japan especially, there are significant demographic shifts underway. As longevity increases, we believe a longer life will only be a richer life if accompanied by a healthy lifestyle. In line with the Group Slogan, "Offering delicious products for sound mind and body," the DyDo Group's mission is to provide valuable products that contribute to a healthy lifestyle.

We expect the healthcare market to expand steadily over the next 10 years and the boundaries between beverages, food and pharmaceuticals, which are all business areas of the group, to become increasingly blurred. Although the Domestic Beverage Business, centered on vending machines, will remain our core activity, we will acquire and integrate healthcare-related businesses, creating new markets in line with our mission to establish the healthcare sector as the second major source of profit for our group.

In this period of major changes, and with the expansion of the group's businesses, it is critical that we outline a clear roadmap for our future strategic direction. We have established the Group Mission 2030 to clarify our objectives for the year 2030 in line with our business policy, "For DyDo Group to create enjoyable, healthy lifestyles for people around the world."

To achieve this, we must further refine the strengths we have cultivated so far. We must evolve by integrating capabilities which up till now have been developed within our respective businesses. Finally, we must address those resources we lack, if necessary through M&A.

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 society.

Taking the lead in social reform

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

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 our people.

Connecting people to people

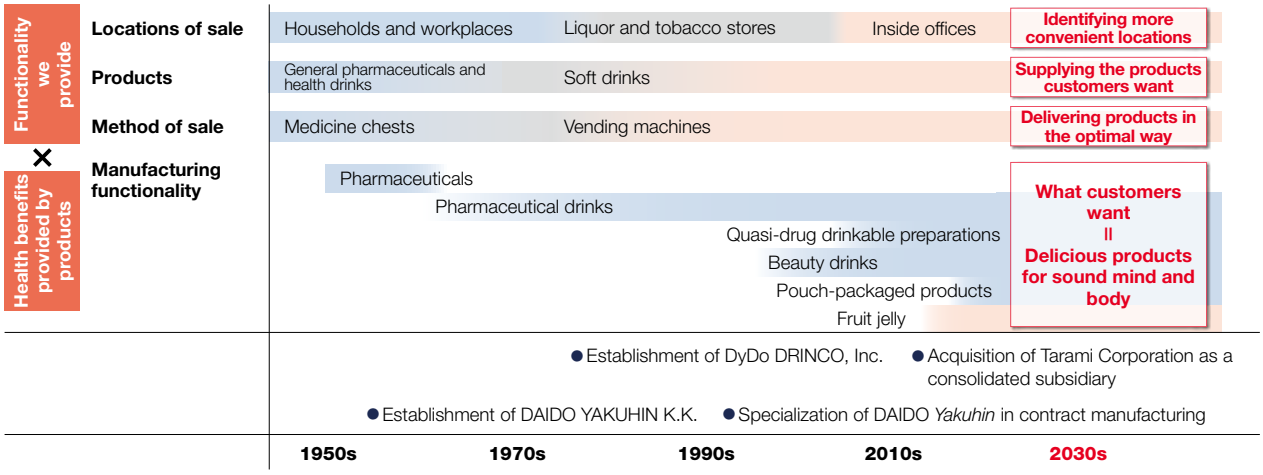
We will seek out new ways to form mutually beneficial relationships with stakeholders, both old and new, within and outside the company, working flexibly with them and respecting the diversity of their values and abilities.

Domestic Beverage Business's Unique Business Model Generates Stable Cash Flows

As mentioned in the History of Corporate Value Creation section of this report, the group's first business was the "use first, pay later" drug business. Times have changed and the sale of beverages, in particular canned coffee sold through vending machines, is now our mainstay business. Since the company was founded, the products we handle and the locations we sell them at have changed, but the actual business model has remained consistent.

This model enables customers to make a purchase anytime they want, in other words, it is the capability to deliver in the closest and most convenient location for the customer. This ability to deliver the taste that customers want in surroundings that are familiar to them is a characteristic of the DyDo Group which is not found in typical beverage makers.

Changes in DyDo Group's business and future goals



The core vending machine business is a business model that can efficiently generate cash flow. (For details on the business model, see pp. 25–6) We are one of the leading companies in the industry in terms of the number of machines we manage. These vending machines are directly managed by group companies and by vending machine operators organized as partner companies ("Kyoeikai"). The structure of the Kyoeikai is one of the sources of the unique strengths of our business. In a nutshell, the Kyoeikai consists of operators responsible for managing DyDo's vending machines in each region of Japan. We do not, however, see these operators simply as wholesalers who sell DyDo DRINCO products. A dedicated DyDo DRINCO manager oversees each Kyoeikai company as part of an integrated sales structure, giving guidance on-site and sharing sales data and operational expertise accumulated through direct sales activities, notwithstanding the investment relationship that we have with these companies. Initiatives such as ensuring the machines never run out and are stocked up at all times with a comprehensive range of products according to their individual location, and keeping the area around the vending machines clean at all times, may be par for the course but lead to sales. We are proud of our status as industry leaders in terms of the operational standards of the company and the Kyoeikai, underpinning our ability to generate sales growth and maintain sales at high levels.

The fixed assets included in our balance sheet are just the vending machines but, in fact, the business' cash flows are derived from the vending machine network, with the capital of our customer base and the capital of our organization, supporting the network in its direct sales and Kyoeikai sales, as well as our human capital of staff who operate more than 2,000 vending machines all over the country. These invisible assets form our capability to deliver and generate our cash flow. We consider this business model to be our greatest strength and know we must further refine it in the future.

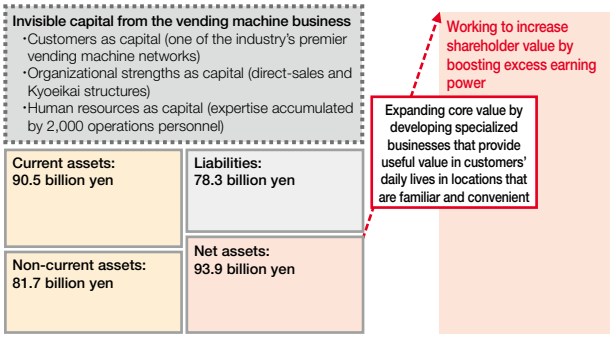
It is our belief that the principal value of a vending machine is in its convenience. Recently, the trading environment for vending machines has become more difficult, reflecting competition with businesses such as convenience stores and drug stores that vie with vending machines in terms of convenient locations, and the impact of staff shortages. Notwithstanding this, we believe there are measures we can take.

The distribution business has shifted from a time when department stores dominated the Japanese market to the current era of supermarkets and convenience stores. The long-term trend is for a gradual shrinkage in retailer size and trading areas. Against this backdrop, we believe that the value of familiar retail formats, such as vending machines, is due a reappraisal. We are involved in price competition with competing stores, but if customers are to select DyDo, which has more vending points than any major convenience store chain, as their "go-to outlet" we need to increase the value we offer. Vending machines are currently simply devices from which you can buy a drink anytime you are thirsty. However, if we were to take the notion of convenience to the next level, then ultimately, we might want to create a vending machine that could walk over to your seat in the office as needed, or that was effectively an in-home convenience store.

In formulating the Group Mission 2030, we brought in employees in their 30s and 40s from both the domestic and overseas beverages departments, as well as other group companies, to talk about future changes in the business environment and to formulate an approach for the company in response to these. Some unique and rather interesting ideas emerged during our discussions on the future of vending machines. For example, the notion that a vending machine is like a "mother." In other words, we should think of a vending machine affectionately as something that is always close at hand. We value it because we know it always has our best interests at heart, even if it may sometimes annoy us! This goes right to the heart of the essential value of vending machines. It is very reassuring to know that we have young employees who can think "outside of the box" like this.

Our aim is to further enhance the core value of our business, refining its capability to deliver to the customer, focusing on convenience and breaking free from current sales approaches and products to evolve into a business that is more familiar to customers and useful for their everyday lives.

Stable cash flows created by invisible assets



*Figures correct as of the end of FY2018

Leveraging the Group's Strengths to Grow Non-Beverage Business

The medicine sector, which was the basis of our original business, is in the DNA of the group. DAIDO *Yakuhin* is responsible for our Pharmaceutical-related Business and is developed from the group's original drug distribution business. It is our oldest company. We first manufactured ampules (liquid medication sealed in a small glass container), and then began manufacturing drinkable preparations. As times have changed, we have moved to being a contract manufacturer specializing in pharmaceutical and drinkable preparations. We have now established a leading position in the industry. The barriers to entry in drug manufacturing are high. We believe the steady growth in DAIDO *Yakuhin's* profile as a specialist contract manufacturer reflects the continued enhancement of its development capabilities and customer appreciation of its quality control systems. Moreover, the customer base of major pharmaceutical and cosmetic manufacturers that we have acquired is also a great asset to our group.

In 2012 we acquired Tarami and made it a subsidiary of the DyDo Group in the expectation that it would play a vital part in bringing together the group's drinks, food and pharmaceutical businesses in future. Tarami's greatest value lies in its jelly manufacturing technology which maximizes the taste of the fruit. Over the past five years, through strong sales growth and marked outperformance of the market, Tarami has gained the leading market share in the industry with a taste that is very highly thought of by its customers. This adaptable jelly-making technology will naturally drive Tarami's growth in future, but it is also a capability which we believe could be effectively applied to the pharmaceuticals business.

Refining Strengths and Turning Changes in the Business Environment into Growth Opportunities

At present, the Domestic Beverage Business, which is the core of the group, is generally referred to as being a drinks manufacturer with a position in the bottom half of the market. Also, from the point of view of manufacturing capabilities, it is a "fabless" business (we have no plants of our own), and this high dependence on external partnerships could be something of a weakness. However, this weakness reflects a concentration of management resources, and we believe our unique strength lies in the value we place on our relationships with our business partners. On the other hand, in the non-beverage business, our internal resources are not sufficient for the development of a second pillar of growth. We strive for steady growth not just through refining our strengths and turning threats into opportunities, but also though capturing external human resources and promoting new partnerships in order to resolve our weaknesses and ensure that we take advantage of those opportunities.

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 healthcare 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
- Expanding contract manufacturing opportunities by establishing a new pouch line
- Growth in the health care market
- Advances in technology

Threats

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

Challenges Faced in Pursuit of the Group Mission 2030

We recognize that the group faces a number of challenges in improving its profitability and efficiency.

In recent years, although progress has been made in the Domestic Beverage Business, our core business, in terms of profitability through various cost initiatives, the continued decline in revenue remains an issue from the previous mid-term business plan as I outlined at the start. Although there has been improvement, we do not believe that our results are as yet at satisfactory levels. We need to become a more robust and resilient group by improving operating profit performance in each of our business domains as well as in domestic beverages. Therefore, as a fundamental policy, Group Mission 2030 sets out an operating profit margin target that each business segment should aim for.

In addition, improving capital efficiency as at the end of fiscal 2018 is a major issue for us. As well as improving profitability, we are focused on improving the rate of total asset turnover. We will convert our capital resources into effective assets by diverting surplus funds accumulated in our existing businesses to the healthcare field, which we have defined as a new business area.

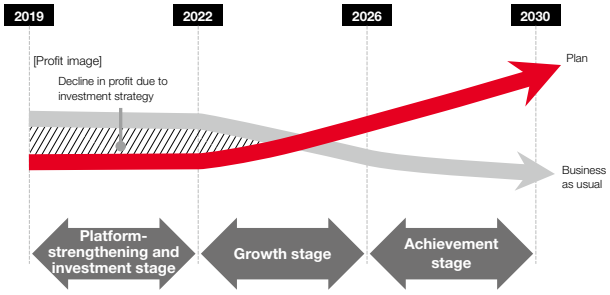
To bring this about, we have drawn up a roadmap that divides the 12 years up to 2030 into three stages. The trading environment for the core vending machine business remains tough. If we continue running the business in the same way as before, it is inevitable that profits will gradually decline. Naturally, return on sales and total asset turnover will also decline.

Therefore, the next three years from now will be the "Platform-strengthening and investment stage." During this period a temporary decline in profits is envisaged. We then expect the investments made during this period to come to fruition in the subsequent "Growth Stage" and "Achievement Stage."

Measures to improve capital efficiency

	Results	Direction	Policy
Operating margin	3.5%	↗	Improvement in operating margin in all business domains •Domestic Beverage Business 5.7% → 6% •International Beverage Business Loss → 5% •Pharmaceutical-Related Business 7.7% •Food Business 1.2% } 10%
Total asset turnover	1.0x	↗	Improvement in asset efficiency through M&A in the healthcare sector (effective use of surplus assets)
Financial leverage	1.9x	→	Balance between financial soundness, growth investment, and shareholder returns taken into consideration as we managed our balance sheets

Roadmap



Basic Policies of the Mid-Term Business Plan 2021

There are three policies for the "Platform-strengthening and investment stage." First of all, in the core Domestic Beverage Business, it is necessary to increase our cash flow generation capability to continue to generate the financial resources for the future growth of the group.

Second, with regard to overseas expansion, we are selecting and consolidating businesses in each country based on the key issues highlighted previously. We are working to create synergies between our business facilities and are also reviewing the viability of these businesses depending on the progress of our strategy.

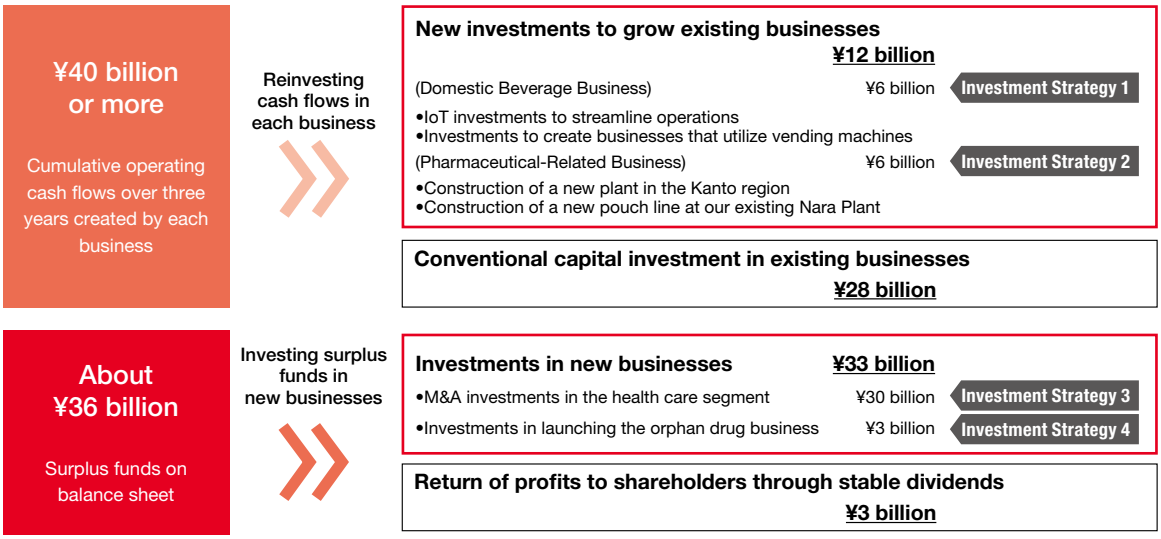
And third, we are making investments for growth in order to achieve Group Mission 2030. This investment for growth is targeted not only at new businesses, but is also systematically aimed at rejuvenating growth in our existing businesses.

Balancing Foundation Reinforcements and Strategic Investments

- Focusing on improving profits and implementing robust management
  - Working to maximize cash flows by undertaking measures to improve profits in each business
  - Expanding products and services designed to pursue delicious flavor and health
- Making judgments about business continuity to facilitate strategic management
  - Selecting and consolidating strategic facilities in the International Beverage Business
- Implementing a growth strategy to achieve Group Mission 2030
  - Implementing an investment strategy to facilitate the growth of businesses and the creation of new businesses in the healthcare sector
  - Implementing a human resources strategy to spur the ongoing growth of the DyDo Group

Investment Strategy

[Investment resources]



Investment Strategy 1
Establish a Vending Machine Operating System Capable of Sustainable Growth

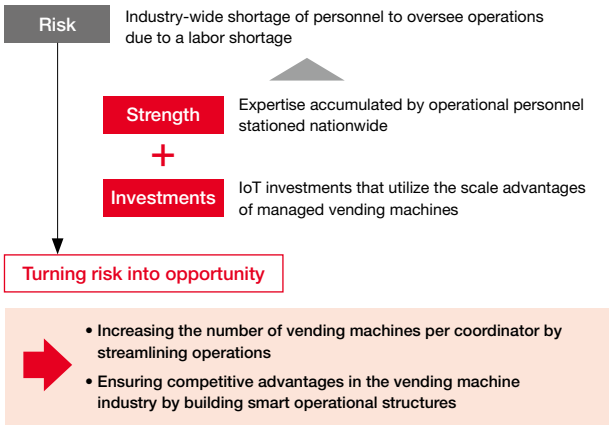
In order for the group to continue growing in the medium to long term, we consider the next three years to be a critical period. To ensure the longevity of the group, we need to build a second pillar in the healthcare sector. However, in order to realize this, first and foremost, it is essential for our existing businesses, especially vending machines, our core business, to maintain their strong cash generative capabilities. Nevertheless, the trading environment for vending machines remains extremely difficult. The value of vending machines, "convenience," has been diminished by the increase in competing retail formats with the rise of convenience stores and drug stores, and sales have remained sluggish. In the previous mid-term business plan, we worked to improve profit margins through cost reductions centered on a review of vending machine procurement methods. There is, however, a limit to the tangible reforms we can implement.

Against this backdrop, problems that have emerged since 2018 have tended to originate from logistical issues as the industry, as a whole, contracts in response to decreasing demand. These problems include a decline in the number of vending machines in the overall industry and a shortage of personnel to operate them due to the shrinking workforce in Japan; issues which then result in sales loss.

Fortunately, at our direct sales subsidiaries, these are not yet major issues. However, as labor shortages increase, this issue is critical and unavoidable. From now on, we need to implement intangible reforms, in other words to further improve the efficiency of our running of our vending machines. Our strength is that we, including those managed by the Kyoeikai, have one of the largest number of vending machines in the industry. We believe we are of sufficient size to make IoT investments that leverage the scale advantages of this infrastructure. Through IoT support we will maximize the productivity of operational employees and increase the number of vending machines that can be managed by each individual. Establishing smart operations enables us to effectively maintain our leading vending machine network even in an environment where labor is in short supply.

Furthermore, in this kind of environment, we believe that other companies in the industry will adopt different strategies towards vending machines. There are things that we can do precisely because we have placed such a strong emphasis on vending machines as a driver of the company. We aim to refine our operational strengths both in terms of quality and quantity, to establish our overwhelming superiority over other companies, and to increase our presence in the shrinking vending machine market. We will maintain vending machines' high cash generation capabilities to enable the business to play a fundamental role as the driving force for the development of the group's second pillar of growth.

Establishing smart operations in the Domestic Beverage Business



Investment Strategy 2

Establishing a Leading Position as a Pharmaceuticals Contract Manufacturer

Although the Pharmaceutical-related Business, for which DAIDO *Yakuhin* is responsible, accounts for less than 10% of sales of the entire group, this is a business where steady growth can be anticipated through carefully planned investment. The principal asset of this business is its customer base, built up through the contract manufacturing of pharmaceutical and quasi-drug drinkable preparations sold by pharmaceutical and cosmetic manufacturers, primarily major domestic companies. These products require regulatory approval for manufacturing, and barriers to entry in this industry are high.

The energy drink market, like soft drinks, is a market that cannot expect major growth in Japan. As such, specialists in contract manufacturing like us have even more of an opportunity to increase our market share even more.

We decided to establish the Kanto Plant in Tatebayashi, Gunma Prefecture in 2018. It is due to start operations in 2020 and will be our second plant after the Nara Plant. Orders are steadily building and we are making good progress in preparing the ground for manufacturing new lines as well as gaining regulatory approval. We are also anticipating growth as orders build up to meet demand for manufacturing beauty drinks in Japan for Chinese manufacturers through our collaboration with Taiwan's TCI Co., Ltd., in which we have a stake. Like DAIDO *Yakuhin*, TCI is also a contract manufacturer for drinkable preparations and other products.

We are adding a production line for pouch products at our Nara Plant as the pouch market is expanding, mainly in food products. By entering into this field with our expertise on pharmaceuticals and quasi-drugs, we are responding to the needs of pharmaceutical and cosmetic manufacturers who are largely existing customers of our group already. In this way we will further strengthen our position as a contract manufacturer.

Expanding the range of products we can manufacture in the Pharmaceutical-Related Business

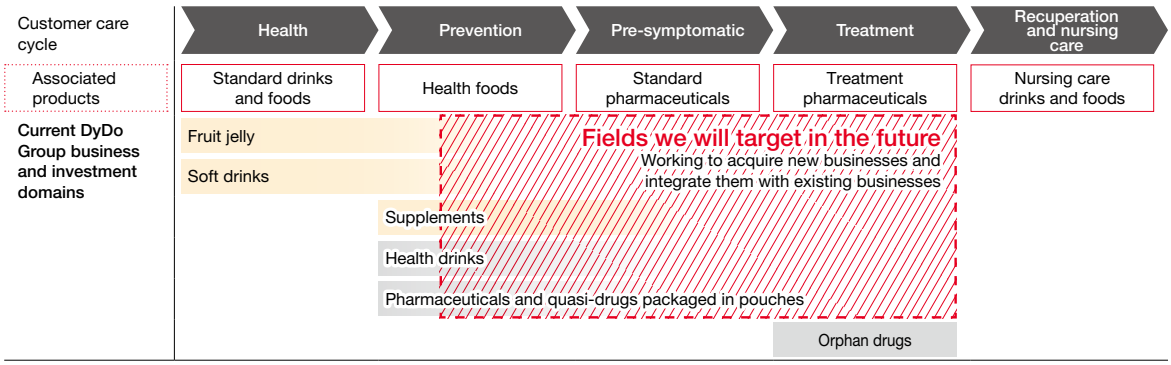
Investment Strategy 3

Strengthening and Expanding the Healthcare Field at the Core of Our Existing Businesses

We believe DAIDO *Yakuhin* is central to the development of the second pillar of our growth. In the previous mid-term business plan we explored the possibility of M&A for acquiring new business pillars in the food and health sectors in which we operate. The phrase "food and health" actually covers a wide range of different industries. In considering different projects, as well as thinking about the likely profitability of a new business, it is important to take account of the potential for synergies with our existing businesses. The fields we plan to concentrate on are businesses associated with preventive medicines or pre-symptomatic treatment; these go one step further than conventional products, such as drinks and jellies, that support body and mind. These are also areas in which DAIDO *Yakuhin's* Pharmaceutical-related Business has an active presence, given that medicine was its founding business.

In addition to manufacturing pouch products and drinkable preparations, we are planning to acquire pharmaceutical or quasi-drug tablet production capabilities through M&A. We aim to develop our contract manufacturing to meet demand for a variety of formats from the pharmaceutical and cosmetic manufacturers that are already established as our existing customers.

M&A investments in the healthcare sector



We also need to strengthen our home shopping supplement business, which we are developing as part of DyDo DRINCO. We still have only a limited number of products to drive future growth at present, so as well as in-house development, we are looking to M&A to add new core products to our portfolio.

We shall utilize what we have learned from previous M&A and it goes without saying that we will disclose our strategy and KPIs fully, along with the expected timeline for achieving these, to keep shareholders and investors informed and to secure their backing.

These measures will be an extension of our existing business areas, but in future we will also look to develop into markets beyond pharmaceuticals, drinks and food, and to develop pillars of growth in the non-beverage business of the healthcare sector.

Investment Strategy 4

Entry into Orphan Drugs Market in Line with our Philosophy

When we first announced our intention to enter the orphan drugs market in 2018 a number of investors asked us, "Why is DyDo Group, which is primarily a seller of canned coffee via vending machines, entering a non-related sector like this?"

Certainly, from the perspective of the current business portfolio, this looks like a non-related sector. However, the medicine sector was our original business at the time of our founding. We aim to be of use to those who need help so the concept of convenience is at the heart of what we do.

However, it is not realistic to simply enter the OTC or prescription drug sector. Although the major pharma groups are making inroads in the field of medicines for rare diseases, known as "orphan drugs," there are 5,000 to 7,000 different diseases of this type and there are many diseases for which patients have no treatment. On the other hand, since the sector benefits from priority support from the government in aspects such as the approval process and price setting, we believe this is a field where barriers to entry can be quite low, even for newcomers such as ourselves.

We established DyDo Pharma, Inc. in January 2019 and are steadily hiring staff and exploring potential pipelines as a good quality pipeline is the key to success in this industry. Our fundamental approach is to target drugs that have been approved abroad but not yet introduced in Japan and to utilize an external contractor for matters related to clinical trials, production or sales where we do not have the necessary experience ourselves. Although this represents a major challenge, first of all, we aim to build a track record in the so-called "ultra-orphan" sector, where there are very few patients. We will look to build the company's reputation through a steady approach in this socially significant business area.

We are not expecting to achieve results in just five, or ten, years' time, but are adopting a very long-term perspective in our management approach. This involves substantial investments, so naturally it is incumbent on us to pursue this business in a way that satisfies our stakeholders in the share market. To this end we are working on the reform of corporate governance as our key management priority. We are addressing gaps in our knowledge of certain highly specialized fields through the establishment of an Advisory Board. With regard to the Board of Directors we are committed to improving the supervisory function and management transparency in the execution of our business through incorporating the perspective of outside directors with a wide range of experience, not solely in medicine.

(For details on our governance reforms, see p. 37)

Making Investments According to Our Guidelines

The three-year mid-term business plan is aimed at improving the profitability of our existing businesses. It takes into account a temporary decline in profits, and in our view provides a platform for comprehensive investment for the future. We decided that it was not appropriate to set numerical targets since the achievement of our business goals requires more than simply hitting quantitative sales and profit targets set in advance.

Although the stock market may be uncomfortable with the anticipated sharp short-term reduction in profits, we ask our stakeholders to understand that the time is now right for us to focus on building the foundations for the company to achieve sustainable growth in future. I, too, am committed to tackling this and will disclose the progress that we make on this in a timely and appropriate manner.

Mid-term Business Plan 2021 guidelines

	Guidelines
Sales	• Organic growth in existing businesses along with new M&As
Operating margin	• 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	• Operating cash flows created by existing businesses: ¥40 billion or greater • Capital investment necessary in existing businesses: About ¥28 billion
Investment strategy	• Growth investments in existing businesses: About ¥12 billion • Investment in the healthcare sector to execute new M&As: About ¥30 billion • Launch of the orphan drug business: About ¥3 billion
Return to shareholders	• Return of profits to shareholders through stable dividends

Strengthening our Human Resources

Above all, it is the employees of the group who will achieve the strategies and measures outlined so far. Naturally, as a company, we create an environment that maximizes the capability of each and every one of our employees. However, I believe individual effort is also required by our employees in order to remain strongly motivated for growth and improved productivity and in both morning meetings and on the company intranet I encourage employees to cherish learning and health.

First of all, I would like our employees to refine the skills and knowledge they need in their current field of specialization, for instance in the sales, marketing or administration departments. In Japan, as well as elsewhere, I expect working practices involving the regular assignment of staff to a range of different roles to increase. Therefore it is important that staff continue to refine their skills to enable them to work wherever they are needed in a professional capacity. At the same time, even if their current role and duties become redundant within the company, I encourage staff to deepen their skills by looking for opportunities in related areas of the company so that it remains an environment where they can continue to make an active contribution. Employees should continue to pursue opportunities in new areas of interest even where they do not have any experience. I would like them to consider their career paths carefully and to continue to improve their skills, looking to occasionally make major changes.

I see the ideal employee as someone who puts their best foot forward, both on the job and in their private lives. And it is through this kind of employee we will find sustainable growth of our group. We will continue to expand our systems and reform employee awareness, and strive to build strong human resources at the DyDo Group, so that it remains robust and continues to grow, driven by the energy of all of our employees.

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 specialists

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

Human Resources Strategy to Demonstrate the Power of the Individual

The group's human resources strategy for growth focuses on securing human capital, fostering the development of human resources who will be responsible for the future of the company, and properly assigning and transferring human resources.

First, we must secure human capital and further strengthen the holding company functions of the group. Because our business expansion has to date been dependent on the advancement of the vending machine business, we have tended to focus on the human resources we have built up in that area. In the last few years in the Domestic Beverage Business, the company has actively sought to recruit external personnel with expertise in marketing and overseas business fields. This has helped to foster positive interactions throughout the company. From now on in the holding company, we will actively hire experienced career professionals to help us develop in new business areas such as prescription drugs.

Of course, we also need to improve the skills of our current employees. We are fostering the next generation of leaders who will drive the group forward and developing human resources who can play an active role in our international business. We will focus on training personnel with advanced specialist knowledge and expertise to provide these employees with the support they need.

Also, until now, personnel transfers have tended to be within the framework of each of the operating companies. From now on, as we cultivate new growth pillars across the boundaries of the beverage, food and pharmaceutical businesses, we see a need for revitalizing our organization and our human resources through group-wide transfers that go beyond existing organizational structures. Thus, in addition to seeking the right people to fill positions through in-house recruitment, we are also considering seconding our staff to external companies to acquire insights and expertise that cannot be found within the group alone.

Aiming for Growth under a New Code of Conduct

In 2014, when I became president of the company, we updated our Group Philosophy, Vision and Action Guidelines, and committed ourselves to the previous mid-term business plan. Over the past five years, the company has expanded its business domains and now consists of four business segments. We are also planning to add a new prescription drugs business. A look at our regional profile shows that DyDo has expanded globally, in places such as Turkey, Malaysia, China and Russia.

Under these circumstances, even if the businesses and the countries we operate in vary, we believed it was necessary to formulate a new Code of Conduct to share our ethical values throughout the group. This will help the company to be united in trying to achieve the Group 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.") and to realize the Group Vision. To the same end, we also replaced our Action Guidelines with the Code of Conduct.

In formulating this Code of Conduct, we consulted with our employees, principally those aged 30 or below who will be responsible for the future of the DyDo Group across its various business segments. With employees from different businesses all across the group participating in formulating this Code of Conduct, we are moving away from being a business focused on DyDo DRINCO towards having a more group-wide focus to help achieve the objective envisaged in Group Mission 2030, "For DyDo Group to create enjoyable, healthy lifestyles for people around the world." In doing so, we have established a solid foundation on which every DyDo employee can base their day-to-day conduct.

Based on this new Code of Conduct, the entire group will work together to achieve Group Mission 2030, aiming for sustainable growth and the improvement of corporate value over the medium to long term.

(For details on the formulation of the Group Code of Conduct, see p. 48)

Group Code of Conduct

Together with our customers.

- We will provide safe, reliable products and services through our commitment to flavor and quality.
- We will act with the customer as our priority at all times and be sincere in our responses to customer feedback.
- We will be creative and inventive, bringing surprise and delight to our customers.

Together with society.

- We will communicate actively with our colleagues and stakeholders.
- We will respond flexibly to changes in the times and environment for the sake of sustainable growth.
- We will appreciate the local community at all times and engage enthusiastically in community service.
- We will strive to lessen our burden on the environment and use finite resources effectively.
- We will disclose information in a timely and appropriate manner to ensure fairness and transparency.
- We will handle confidential information, including personal information, and company assets appropriately.
- We will behave in an ethical manner, upholding relevant laws, regulations and socially acceptable practices.
- We will work to prevent corruption and avoid relationships with antisocial forces.

Together with the next generation.

- Without adhering to rigid stereotypes, we will treat others with deference at all times, and respect all individuals and their diverse values.
- We will not be satisfied with the status quo, and will look for better ways of doing things, starting with what is right in front of us.
- We will approach our work with a sense of playfulness; this will lead to fresh and original ideas and generate new value.
- We will be sensitive to the signs of change in the world around us and take the lead in initiating reform.

Together with our people.

- We will strive to remain healthy in body and mind so we can do good work.
- We will be united as a team, allowing each individual to demonstrate his or her own strengths.
- We will be happy for our colleagues when they succeed, and praise them for taking on challenges when they fail.
- We will take pride and responsibility in our actions, and behave toward all others in ways we can be proud of.

Our Capital Policy

The DyDo Group stands at a significant juncture, but my goal is to ensure that we can set the company moving forward into the next generation and generations to come after them. Furthermore, I would like to see us deliver products that customers want, in more convenient locations, by the best methods possible. To do so, we need to evolve our core vending machine business and invest in a second pillar of earnings. With regard to internal reserves, we will systematically make strategic investments that will lead to ongoing profit growth, aiming to increase dividends over the medium term through achieving sustainable profit growth driven by sales.

Dialogue: President and Outside Directors

Achieving Our Group Mission 2030

President and Representative Director
Tomiya Takamatsu

Independent Outside Director
Shinji Mori

Independent Outside Director
Masataka Inoue

Moving to establish dominance in the vending machine business

Takamatsu In January 2019, we formulated a new Group Mission and commenced a three-year mid-term business plan. Our biggest issue is how to survive the tough conditions we face—in terms of our current performance and the challenging market environment—in the vending machine field that is our core business. I feel the key question is how to establish a system to improve productivity and overwhelm competitors, by using IT and reexamining operations to boost the quality of vending machine operations, which is where our strength lies.

Inoue I think the approach used to formulate the mid-term business plan was a major step forward compared to last time. The previous plan looked at the conditions at the time and aimed to achieve growth through a concept of "more & better." The new plan, in contrast, employs a "vision-driven approach" aimed at creating a system to overwhelm competitors, as the president says. However, at present, DyDo hasn't completely ascertained what it needs to do in order to achieve overwhelming dominance—in other words, what type of company it needs to become. It is important to first identify the specifics of the level you wish to achieve, and then plan out how to get there based on a determined program. A program created in this way links the vision of what the company should be to the mid-term business plan, and then to plans for individual fiscal years. In addition, the tasks each employee should do are clarified within that sequence of links. Also, precisely because the plan includes a determined program, it is possible to provide overall supervision, and the PDCA cycle can also be utilized. During this fiscal year, I hope this will be refined into a more specific plan.

Mori In the current Group Mission, you have outlined the shape of the company in 2030, but at that time I believe the roles required of vending machines will be different in urban areas and rural areas, which are becoming depopulated. In urban areas, it will be critical to fine tune your current strategy, while in rural areas you will need to play the role of social infrastructure. In depopulated areas in particular, DyDo will have to carefully examine the significance of vending machines—selling household items, pharmaceuticals, and other daily necessities. I want them to also play a social role, and if you take that route, I believe we will see many new possibilities for business.

Takamatsu Strength in rural areas is a DyDo advantage, and helping to maintain social infrastructure in rural areas by leveraging vending machines as bases of operations, matches where we want to be in 2030. To achieve this, I believe we must build the operational system that is our objective over these three years, and promote advancements so we can play this role even in rural areas where efficiency will inevitably drop. Keeping an eye on our future objectives, we will steadily work on what we need to do now.

Aiming to build a second mainstay business with the non-beverage business

Takamatsu Business development in the non-beverage business did not yield adequate results in the previous mid-term business plan. As a result of discussion and investigation within the company, it was found that many items did not reach the execution stage. I think, though, that the expertise we developed

investigating these new businesses will prove to be a foundation for growth.

Inoue Many enthusiastically examined ideas were incorporated based on a shared understanding that efforts are needed in new businesses to achieve group growth. However, the important points in new investment and M&A, I believe, are strategic significance—the meaning an idea has for achieving the Group Vision or mid-term business plan—and the ability to yield a return that improves shareholder value. When companies start to examine M&A, they sometimes make it a goal to "just do something" rather than focusing on the specific content. At such times, I want the company to return to the fundamental points: strategic significance and return. It is also our role to point out when that perspective is lost.

Mori M&A is indispensable as a company grows. In order to oversee integrated companies with different backgrounds and corporate cultures, it is crucial to have a system within the company enabling guidance, oversight, and cooperation, as well as the human resources to carry that out. Naturally, I would like you to improve the level of review at the execution stage, but also implement post merger integration strategies, and steadily develop personnel to achieve these objectives.

Systematically incorporating the ESG perspective into management

Mori In the coming 10 years, the ESG perspective will steadily increase in importance as a management viewpoint. What efforts are being made to ensure continuous growth of the company?

Takamatsu Our Group Philosophy is striving to achieve happiness and prosperity together with stakeholders, and in every aspect of our business we are acting with an ESG perspective. However, at present we have not achieved systematic management for the group overall. First, we are ascertaining the current situation, confirming what has been done and what is inadequate, identifying the issues, and preparing to utilize the PDCA cycle starting from FY2020. We would like to formulate basic policy suited to our new vision, identify implementation issues, devise strategy, establish KPIs, and gradually raise our level.

Developing human resources

Mori Development of human resources is also a theme in the current plan. What are your ideas as president regarding how education is, or will be, conducted, including in group companies?

Takamatsu For new and younger employees, we have worked to raise standards through training and on-the-job training. Interaction between groups still hasn't made much progress, but going forward we want to make efforts on that point through our holding company.

Inoue An efficient method for training younger personnel is entrusting them with small-scale business. If the scale is small, it's easier to see the structure as a whole. In such an environment, I believe it is possible to foster a management mindset—through having a vision, creating a plan, and employing the PDCA cycle. Naturally, basic training must be provided, to impart knowledge about marketing and accounting, before entrusting them with business. They also need guidance in how to utilize the PDCA cycle.

Takamatsu I believe we must further improve the capabilities of managers in their 30s and 40s, and those who will go on to become the next generation of executives. In addition to improving skills in their own specialized fields, they need to further improve their management skills so they can train their subordinates and produce results as a team.

Mori At one company, after a screening process, employees are provided with opportunities to learn management and accounting. This also serves as training, enabling the person to utilize the PDCA cycle for the organization. It may be good to provide opportunities for employees to study intensively for about one year.

Inoue First, it is important to have a good understanding of what management is. Management is establishing a vision, and utilizing the PDCA cycle to realize it, and if a person accumulates knowledge and experience while putting that into practice, they will become a strong human resource. I'm repeating myself, but there can be no general supervision without a program and the PDCA cycle will not work with a plan that does not allow general supervision. Conducting plan formulation training in line with the determined plan, where forecasts and plans are clearly delineated, I think, is perhaps the crux.

Takamatsu If someone is entrusted with one business domain, they will become capable of management to some extent, even if they are not aware of it. However, even without that sort of environment, I believe it will make the organization stronger if each employee can be constantly aware of PDCA when they act.

Uniting the group in pursuit of growth based on the new Code of Conduct

Mori A Group Code of Conduct has also been newly established. I've heard this was created through discussions by the younger generation based on proposals from longer-serving employees, and I have high regard for this drafting process. The content was likely developed by considering what needs to be done as the DyDo Group moves into the future, and above all, I feel it is extremely meaningful that this content was finished through a bottom-up process.

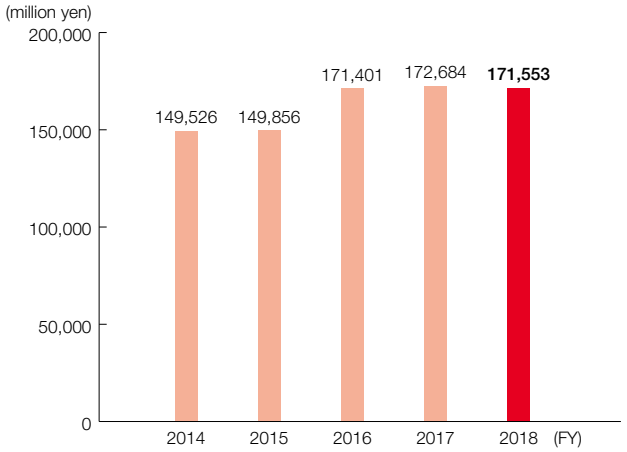
Takamatsu The next issue is activities to ensure that this new code takes. It is important that employees are constantly considering the code, and I believe this is a way of thinking to rely on when something suddenly crops up, or when one is unable to make a decision on the spot. We will work to spread awareness of the code, to be used as a foundational approach, both in Japan and internationally, in all areas of our business.

All employees of the group will work to bring about the Group Philosophy and Group Vision by following the Group Code of Conduct in their actions, and will strive for sustained growth and improvement of corporate value.

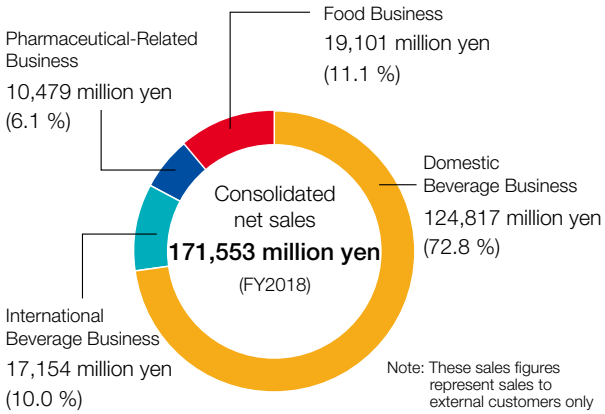
Financial Highlights

Financial Information (consolidated business results)

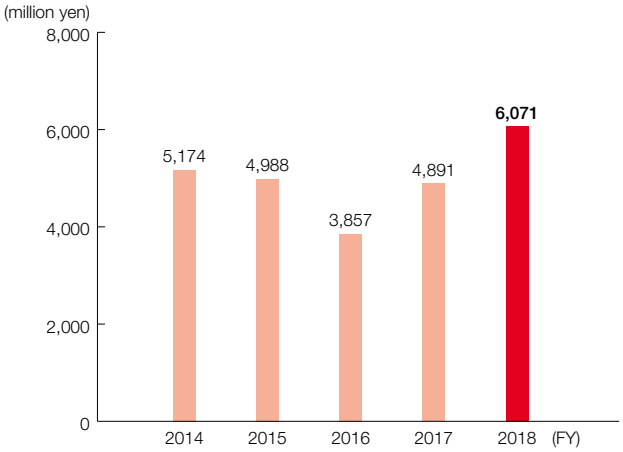
Net Sales



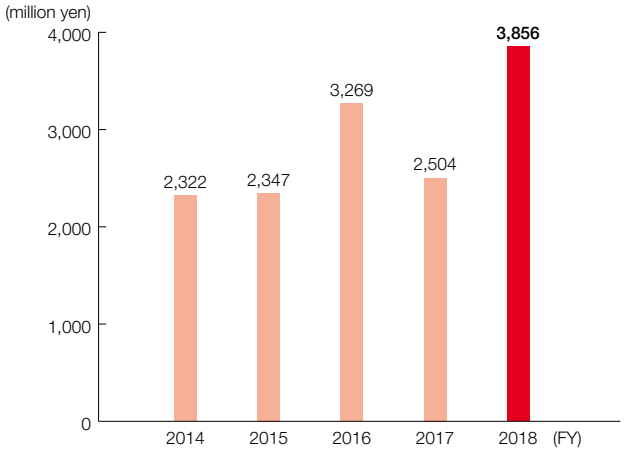
Sales by Business Segment



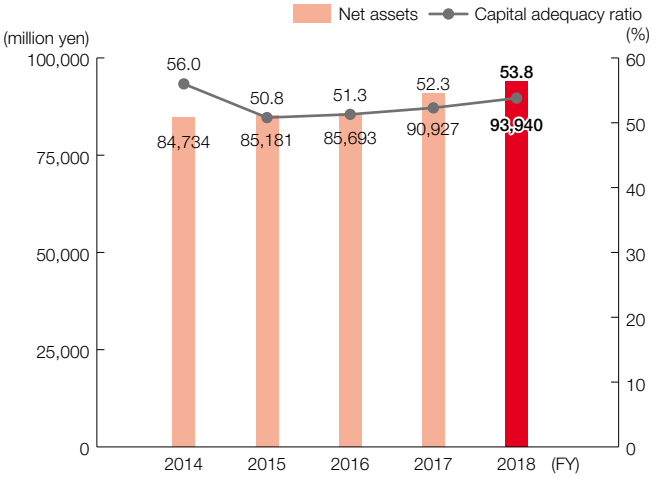
Operating Profit



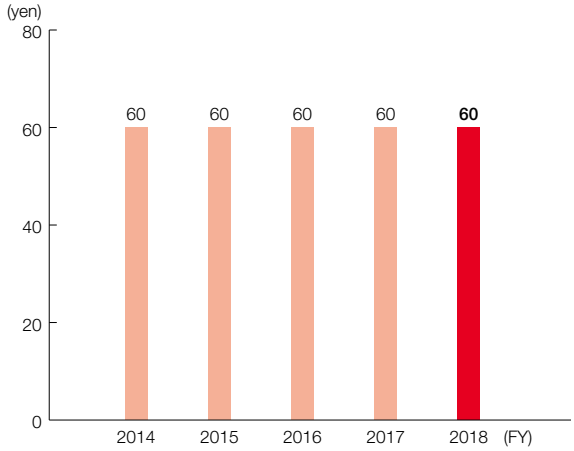
Profit Attributable to Owners of Parent



Net Assets / Capital Adequacy Ratio



Yearly Dividend per Share



Overview by Business Segment

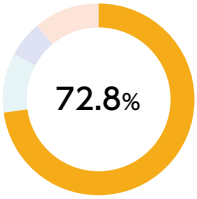
Domestic Beverage Business

P.25-28

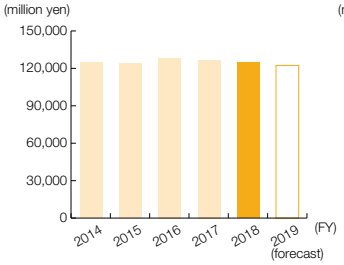
We have constructed a unique business model in which vending machines serve as the main sales channel, selling products created under contract by partner production plants. The business also plays the role of the group's principal source of growth capital.

Related companies:
DyDo DRINCO, Inc.
DyDo Beverage Services, Inc.
Others

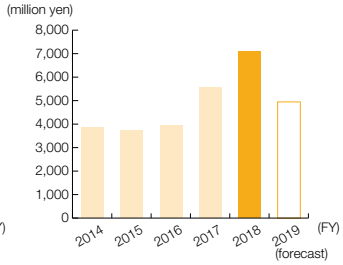
Breakdown of net sales



Net Sales



Segment Profit*



*Results from fiscal 2017 and after take into account the effect of the transition to a holding company structure

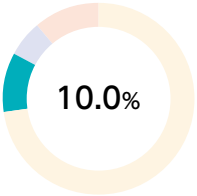
International Beverage Business

P.29-30

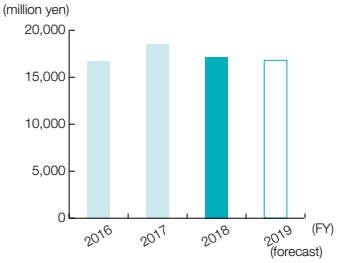
We have constructed a business model tailored to the specific characteristics of the various countries in which we operate, utilizing the expertise we have accrued in the Domestic Beverage Business. We are making progress with reforms, and are aiming to have all parts of International Beverage Business profitable by fiscal 2021.

Countries into which we have expanded:
Turkey, Malaysia, Russia and China

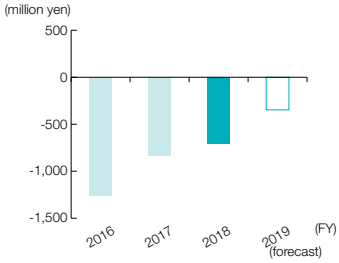
Breakdown of net sales



Net Sales



Segment Profit



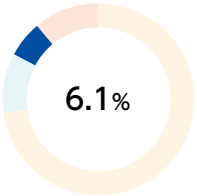
Pharmaceutical-Related Business

P.31-32

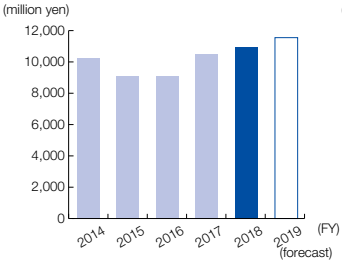
We have developed the business towards creating pharmaceutical and quasi-drug drinkable preparations as a contract manufacturer. Through steps such as our planned new line for pouch products, we are gradually strengthening our position as a top manufacturer.

Related companies:
DAIDO *Yakuhin*

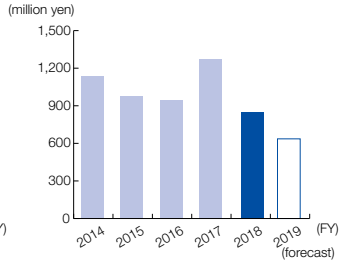
Breakdown of net sales



Net Sales



Segment Profit



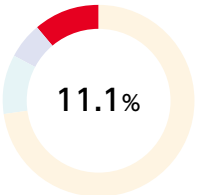
Food Business

P.33-34

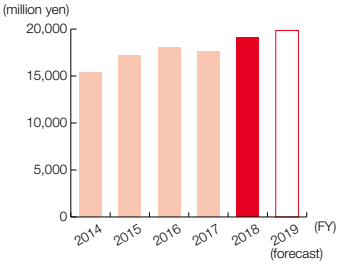
The Food Business is responsible for the manufacture and sale of products such as cup and pouch jellies. The business is exhibiting above-market growth and currently holds the top market share in the dried jelly market.

Related companies:
Tarami Corporation
Shunnotoki Inc.

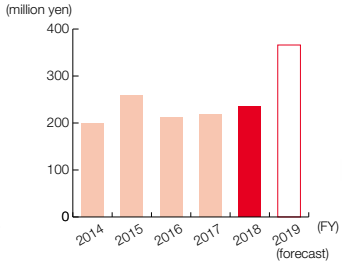
Breakdown of net sales



Net Sales



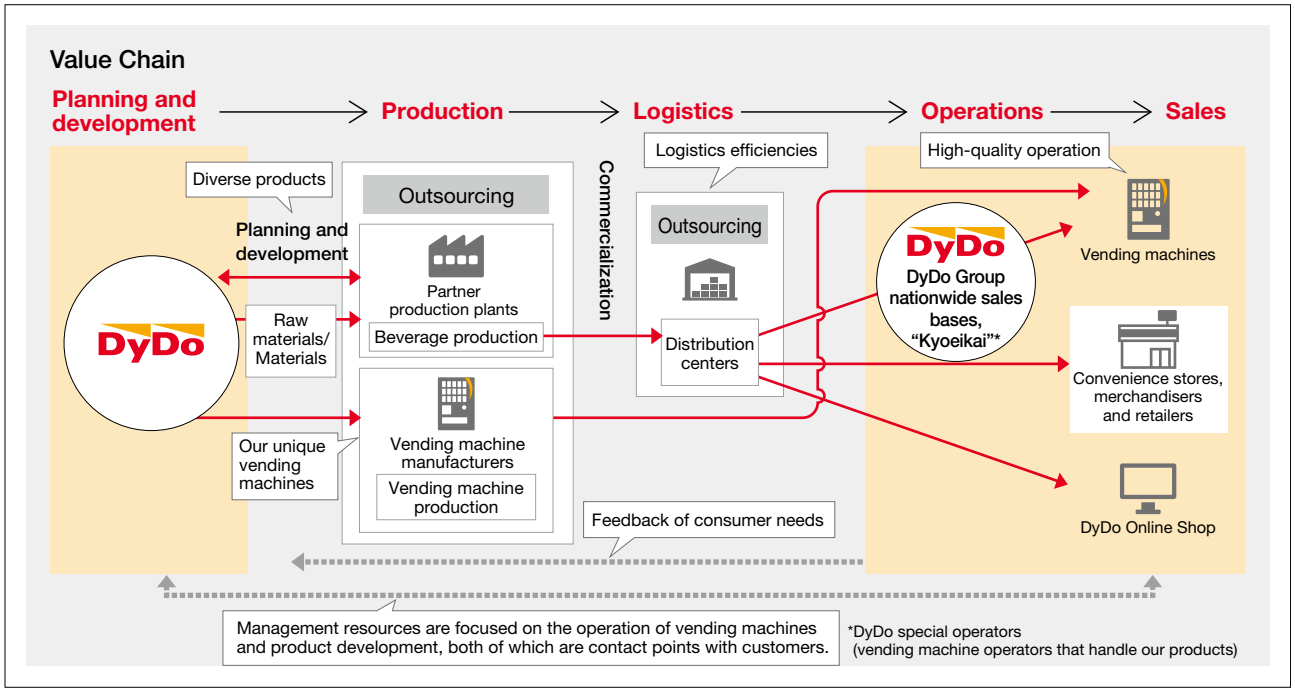
Segment Profit



Our Business Model

Domestic Beverage Business

The Domestic Beverage Business comprises DyDo DRINCO and other group companies under its umbrella. We have established a unique business model, focused on vending machines as the principal sales channel selling drinks produced under contract by our partner production plants. We are committed to consolidating our competitive advantage in the vending machines market to ensure that this remains a core business generating funds to support the growth of the group overall.



Strengths and Characteristics: 1

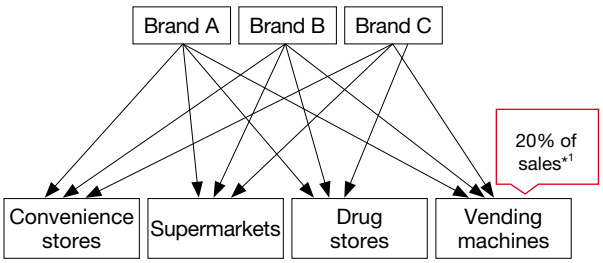
New Value Creation Based on Retail Business Ideas

Although the Domestic Beverage Business develops its own brands in-house, its business model is fundamentally that of a retailer. In contrast to typical drinks manufacturers who make their profit through mass production and sales of proprietary brands, we are focused on the vending machine channel. We install our vending machines in locations where we anticipate high sales and generate revenue growth through improving sales per unit by optimizing the product line-up for each machine. This difference means that while other manufacturers view vending machines as just another sales channel, along with convenience stores, supermarkets and drug stores, they are effectively retail outlets for the DyDo Group.

At the heart of this business model is the concept of selling products that customers want in surroundings that are familiar to them. This concept has been passed down since the time of the company's founding when we first established the "use first, pay later" medicine business. This approach is something that we are fully committed to preserving amidst the backdrop of significant flux in the business environment. It is a strength that enables to us to continue to create new value even if the lines of business we operate in change.

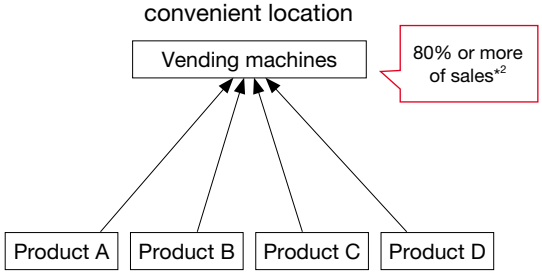
How typical drinks manufacturers operate

Develop a brand, promote sales



How we operate

Fill vending machines with the optimal products customers demand in a convenient location



*1: According to soft drink statistics from the Japan Soft Drink Association
*2: Proportion of sales in the vending machine channel for the Domestic Beverage Business (in FY2018)

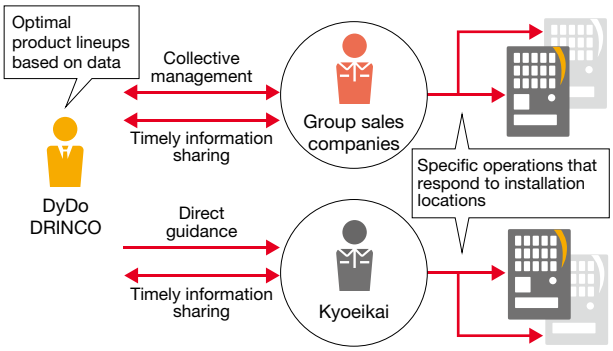
Strengths and Characteristics: 2
Robust Sales System through Working with the Kyoeikai

The Domestic Drinks Business' revenue is made up of the accumulated sales of each individual vending machine. We work hard to maximize the sales of each unit through measures such as optimizing the product line-up according to the installation location, visiting the vending machines when necessary to stock them up to appropriate levels to ensure no sales are lost through stock-outs, switching between hot and cold drinks sales depending on changes in the weather, and point-of-sale decorations such as those tied in with our TV commercials. Our vending machine operation also includes activities to steadily beautify our vending machines and the areas around them, and to maintain them as attractive, well-presented retail outlets. With initiatives like these, we improve the quality of our operations and gain expertise.

The operation of the vending machines is handled by our sales company and by special contract operators who are responsible for the maintenance and expansion of our network, collectively referred to by us as the Kyoeikai. The Kyoeikai are important partners to us; their role goes beyond just supplying vending machines with our products. We share not only our overall business strategies with them, but also region-specific policies and expertise (such as examples of successful sales activities or measures to improve productivity). Through this we have built up a strong partnership, enabling us to make the operation of our vending machines uniform.

This robust sales framework of group companies and the Kyoeikai naturally means we have high-quality operation across all our vending machines nationwide, but also means that we can rapidly disseminate and implement new strategies and initiatives. This is the key strength of the Domestic Beverages Business.

Measures to maintain high-quality operations



Strengths and Characteristics: 3
Vending Machine Business and Fabless Management Generate Strong Cash Flows

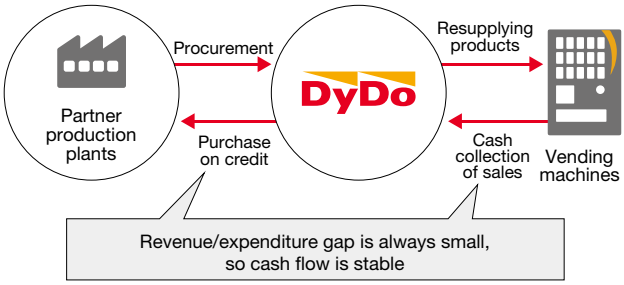
The Domestic Beverage Business does not have its own plants. Instead we concentrate our management resources on areas such as product planning and development and vending machine operations both of which are contact points with our customers.

One of the factors behind the vending machine popularity is the extensiveness of the product lineup. However, producing such a large range of products in-house would be heavily capital intensive. Our outsourcing of production to partner production plants across the country makes it possible to avoid major investment risks.

It also enables us to reduce logistics costs and gives us an advantage in terms of business continuity planning (BCP). Products manufactured all over the country are delivered to regional distribution centers by local logistics companies. We can reduce our distribution costs, and minimize risks associated with potential disruption to transportation, due for example to disasters, that would impact our nationwide vending machine sales.

In terms of funding, products are purchased on credit from partner production plants, and sales are primarily collected in cash from vending machines. Therefore, while vending machine sales remain stable, the revenue/expenditure gap is small, and we generate a steady cash flow. This solid financial base is the Domestic Beverage Business' core strength and the driving force behind our aggressive management approach and new growth group-wide.

Cash-in first business model



Issues and Future Strategy

Striving to Establish Advantages in the Vending Machine Market

The Domestic Beverage Business, and more specifically the vending machine channel, has 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. During the latter half of the plan, various new challenges such as losses of sales opportunities and a decline in the number of installed vending machines began to emerge due to a shortage of personnel capable of overseeing operations, such as visiting machines and stocking them, particularly at Kyoeikai member companies. Additionally, drastic cost cutting measures related to vending machines will come to fruition in FY2020, and it is inevitable that the channel will see reductions in both revenue and profits if the current trajectory continues. Under the newly formulated Mid-term Business Plan 2021, the group will work to secure advantages in the vending machine market despite the ongoing labor shortage by reforming its operations in order to maintain high quality and maintain the network of vending machines that provides the basis for our sales.

Tomiya Takamatsu
President and Representative Director
DyDo DRINCO, Inc.

Dual Focus on Restructuring Vending Machine Operations and Maintaining the Vending Machine Network

We pride ourselves on the premium quality of operations for all DyDo vending machines, including those managed by the Kyoeikai. To establish this as a competitive advantage, we believe the key is building next-generation smart operating structures that also utilize IoT technology. Previously we have focused on “standard operation,” an operational approach that targets quality and efficiency. However, to make our business more efficient, we believe we now need to review our operating methods from scratch beyond their existing framework.

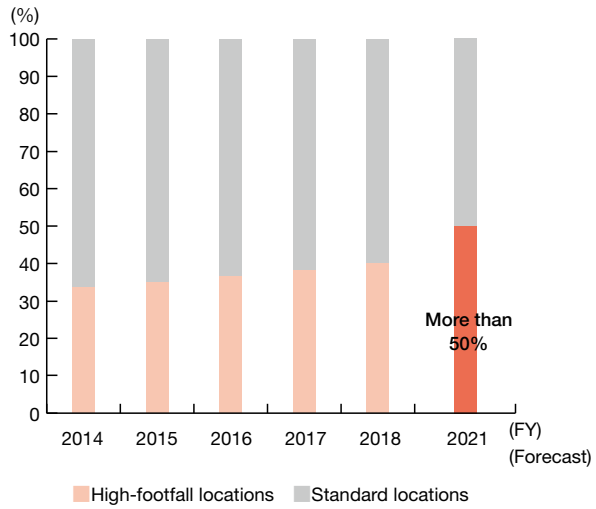
Specifically, by developing the capability to accurately access the sales status of individual vending machines in real-time via online updates, we can determine the type and quantity of products that need to be replenished. Currently, each machine is supervised by one operator who is responsible for preparing and restocking the product lineup as required. We will review our procedures for refilling the machines, taking account of work allocation, with a view to increasing the number of units overseen by each of our operators. In 2019, we will roll out regional trials of Internet-connected vending machines at different designated sales locations with varying market characteristics, responding flexibly to any issues that arise to create an optimal system. From fiscal 2020, we will make a decision on the number of internet-connected machines to invest in, and go for a full-scale deployment of this new style of operational system based on the data we receive from our market testing.

At the same time, we remain thoroughly committed to maintaining our existing vending machine network. In the locations where we have installed machines and built up a relationship of trust with our trading partners, our approach is to propose solutions for the issues and challenges faced by these clients and to ensure they continue to select our machines, while at the same time avoiding getting caught up in price competition. For example, we have worked on proposals for vending machines that send workers messages of encouragement or offer advice on safety awareness, and we have also held workshops dealing with topics such as lifestyle issues or the prevention of heat stroke. As a result, the quality of our sales is steadily rising, with the ratio of vending machine locations we consider to be close to our customers and which therefore benefit from regular custom* within the installed base increasing year by year. For the next three years, we will keep the total number of vending machines at current levels and aim for such locations to comprise 50% or more of the installed base. We will also step up recruitment to accelerate adding quantity to our established quality.

We aim to consolidate our strong competitive advantage in the vending machine market through restructuring our operations and maintaining our existing machine network revenue base.

*Locations with high footfall, such as offices, manufacturing plants, commercial facilities and train stations, where we can expect stable sales

Trends in the proportion of all vending machine locations considered to be high-footfall locations



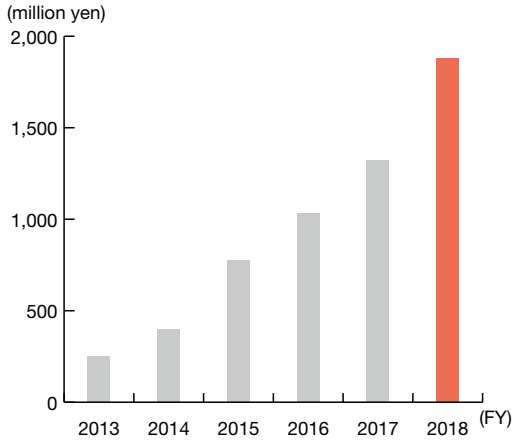
Creating Enjoyable, Healthy Lifestyles for People around the World

In order to realize Group Mission 2030, "For DyDo Group to create enjoyable, healthy lifestyles for people around the world," we believe that our distribution channels and the home shopping sales channel have a major role to play. As part of the previous mid-term business plan, our goal of tackling the "Challenge to enhance product strength," we released the "Calorie Limit for the Mature Aged" tea series in 2016 in collaboration with FANCL, targeted mainly at retail stores. The brand was highly acclaimed for combining functionality with a delicious flavor. The volume of sales is positive, and without the need to put any additional pressure on in-store pricing. This is about more than just having a strong product, this was an example of solution-based sales, helping retailers deal with a challenge in their own business with a strong product and sales promotion. Given our position as a beverage manufacturer in the bottom half of the market, it does not make sense for us to compete directly with other major manufacturers in the distribution channel. Our aim is to establish a unique position as a company that offers an alternative option through innovative sales propositions. In addition, in our distribution channel, we aim to create an image that equates DyDo with health through the sale of products that are targeted at a health-conscious market.

The home shopping sales channel was launched in 2012, focused on health food products. It has steadily grown its customer base through effective advertising and targeted communication. With "Locomo Pro" (proteoglycan formulation) as the channel's flagship product, we achieved full-year profitability in 2018 earlier than initially planned. Based on our vision of creating a society in which it is the norm to aspire to a fulfilling life after retirement through the provision of innovative value that is unique to DyDo Group, we are providing value for the core senior citizen market while developing a key growth segment of our business.

"Calorie Limited for the Mature Aged" tea series, developed in collaboration with FANCL.

Trends in sales in the home shopping channel



HR Strategy to Support the DyDo Group and the Domestic Beverage Business

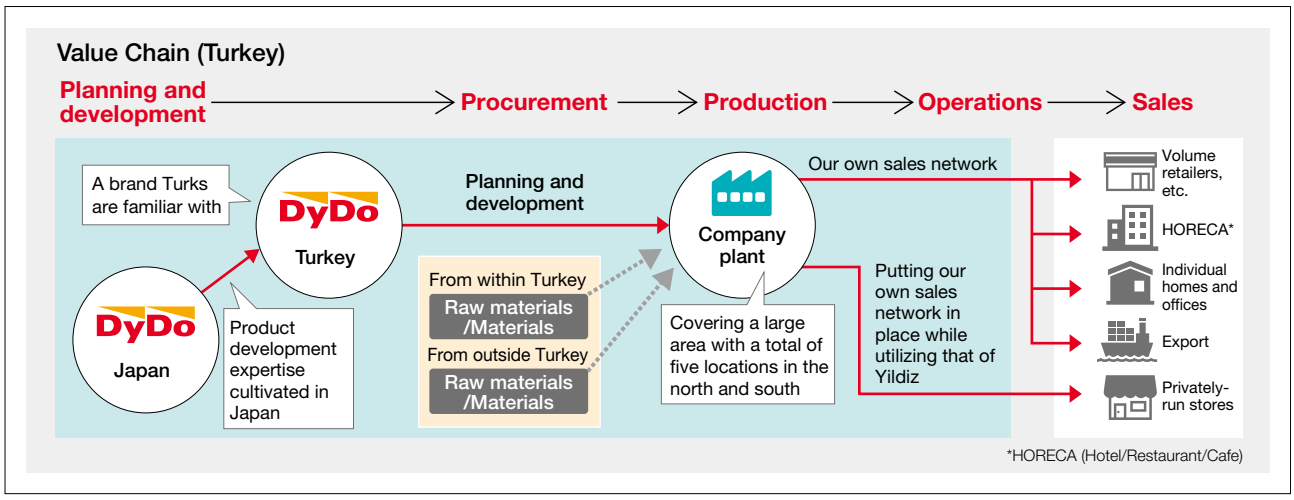
The principal mission of the Mid-term Business Plan 2021 is establishing superiority in the vending machine market. The key to achieving this is our human resources and to this end we have formulated a human resources strategy. Our strategy is focused on succeeding for future generations through the strength of our human resources to realize sustainable growth for the DyDo Group. Our aim is to create an environment in which employees can maximize their potential with a focus on health and learning. Our policy is based on putting our best foot forward, both at work and in life in general. To this end, we are working to promote productivity and work-life synergies, and to create and operate a system that supports independent learning for the development of health and productivity management.

In addition, in order to maintain the vending machine network, we will strengthen our staff numbers in business development both from within the company and from external sources, effectively positioning these resources according to regional growth potential and market share opportunities. We will review our system of personnel evaluation to ensure it is aligned with our strategy, thereby creating a strong organization for the next phase of development for our vending machines.

Our Business Model

International Beverage Business

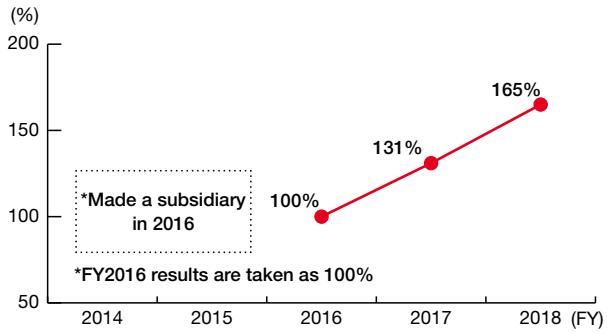
In the International Beverage Business in Turkey, Malaysia, Russia, and China, we are developing our operations in accordance with the market characteristics of each region. The Turkish beverage business, which was launched through acquiring a local company in 2016, manufactures and sells local brands and plays a central role in the group's International Beverage Business.



Strengths and Characteristics: 1
Concentration of Management Resources on Major Brands

The core brands of our Turkish beverage business are well-known in Turkey and were originally acquired from Yildiz Holdings A.S. One such is "Saka," a mineral water rich in minerals with a high PH value, known for being a delicious and healthy water. In addition, we are growing our sales of carbonated beverages such as "Çamlica," a well-known local brand, and our malt-flavored drink, "Maltana," made with hops. We are concentrating our management resources on major brands such as these, building up their brand strength, and even though we are having to pass on the soaring costs of imported raw materials due to the depreciation of Turkish lira in our selling prices, sales are steadily increasing.

Trends in sales in the Turkish beverage business (based on local currency)

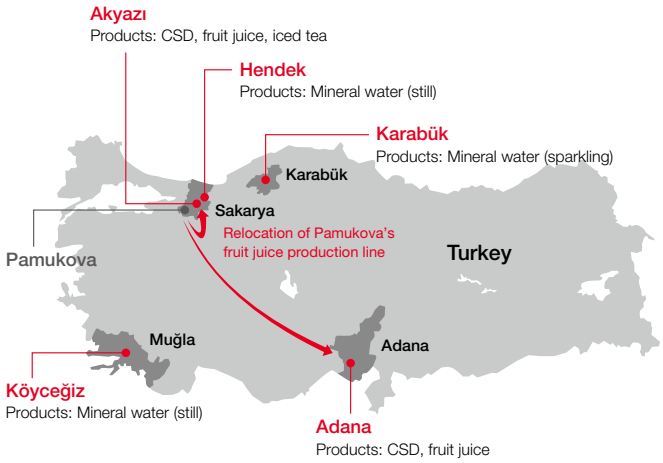


Strengths and Characteristics: 2
Building the Value Chain

In 2016, we moved fruit juice production from our plant in Pamukova to our plants in Akyazı and Adana. Then, in 2017, we acquired a new water source and manufacturing plant in Köyceğiz, in southwestern Turkey, to expand our production capacity for "Saka" in anticipation of increasing demand. Köycegiz is an excellent geographical fit with our existing mineral water manufacturing plants and effectively streamlines our logistics capabilities.

At the same time, we have finished transferring the management of our sales networks from Yildiz Holdings to doing it in-house, with the exception of certain sales channels, and we are now strengthening our sales structures for further growth.

Manufacturing sites and products



Issues and Future Strategy

Pursuing Profitability throughout the International Beverage Business

Since beginning our overseas expansion in earnest in 2013, we have established concerns in Malaysia (2015) and Turkey (2016), and in 2018 overseas sales accounted for some ten percent of all sales. Although the Turkish lira depreciated, expanded sales and an increase in per-sale unit amount meant that, when considered in the local currency, business was indeed brisk. Elsewhere, the small scale of operations means we continue to face challenges in improving revenues.

"Expansion of our business overseas" is one of the core pillars of our Group Mission 2030; we aim to have 20% of total group sales come from overseas. The Mid-Term Business Plan 2021 sets forth our initial mission to achieve profitability across the International Beverage Business; the plan illustrates our determination for global reforms by sharing the DyDo Standards and reviewing the strategic hubs of our worldwide network.

Mamoru Mitamura
Corporate Officer, General Manager of the International Business Management Department
DyDo Group Holdings, Inc.

A Solid Bedrock for Further Growth in the Turkish Beverage Business

The Turkish beverage market requires considerable care, as sudden exchange rate fluctuations cause the price of imported raw materials and ingredients to rise and worsening inflation impacts consumption. The immediate outlook may not be favorable, but Turkey's large youth demographic means it is an attractive market with solid potential for medium- to long-term economic growth.

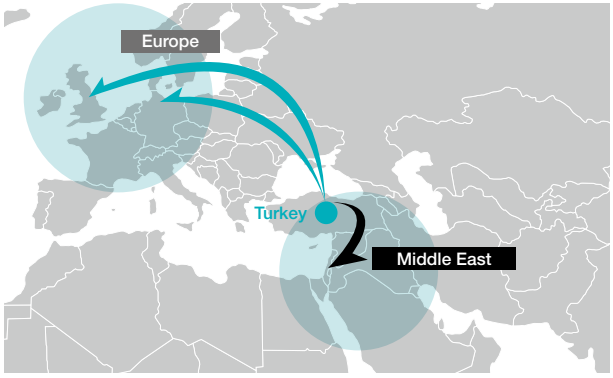
Our efforts over recent years to lock-in major brands have worked well to solidify our presence in the Turkish beverage market, and we will continue with this strategy with particular emphasis on expanding sales of "Saka" mineral water, whose strong sales are driving overall performance. To that end, we have begun looking into securing new water sources with a view to establishing a production framework capable of handling voracious new demand.

The raw material used to make plastic bottles must be imported into Turkey, but the volatile Turkish lira means procuring these materials has a significant effect on the cost of sales. Thus, despite pleasing sales levels, profit growth remains elusive. To improve profitability, we will endeavor to strengthen exports from Turkey as a means of acquiring foreign currency and hedging against exchange risks. For instance, our products can be targeted at Turkish migrants throughout the EU, and, as our products have been certified as halal, have potential in the Middle East. By strengthening the workforce system, we are working to double (or more) sales of exported drinks from their current level of around ten percent of overall sales in the future.

Work on establishing a sales network in Turkey continues apace. Initially, we used Yildiz's network, but have gradually switched to our own framework, mainly centered on the distribution chain—all that remains to be switched over to our network is the distribution channel among privately run store owners. To that end, we intend to use fiscal 2019 to enhance our sales base, i.e., by striving to expand our own sales network and incorporating the privately run store channel into to our network.

In this way, we are striving to build a solid foundation on which we can seek further growth and evolve our Turkish beverage operations into a driver of medium- to long-term growth across the whole DyDo Group.

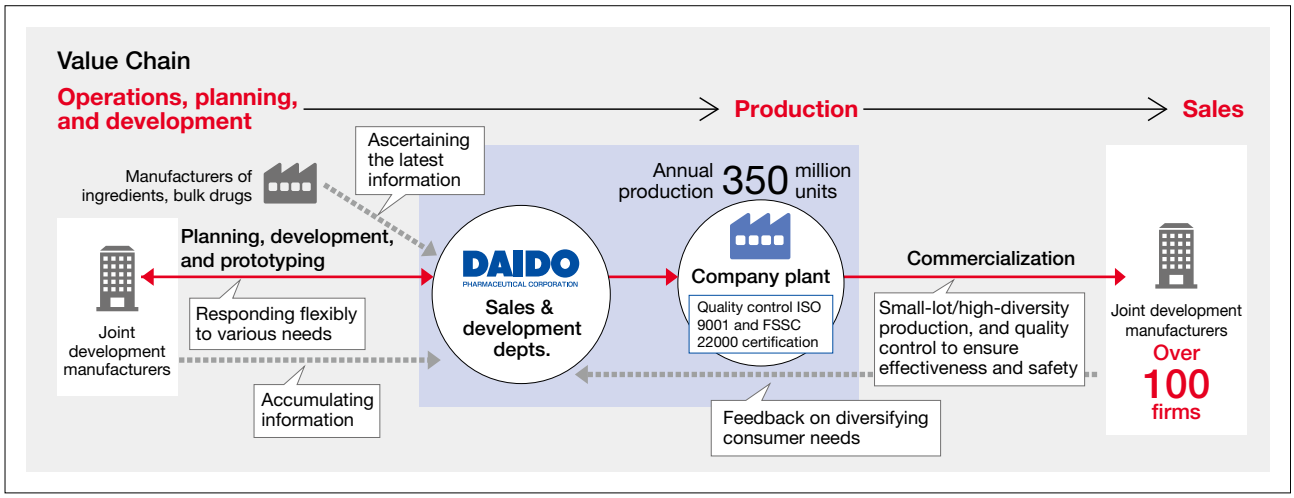
Export area for the Turkish beverage business



Our Business Model

Pharmaceutical-Related Business

In the Pharmaceutical-related Business, DAIDO *Yakuhin* is expanding businesses specialized for OEM (contract manufacturing) such as nutritional drinks with pharmaceuticals and quasi-drugs, and beauty tonics. The company's ability to produce 350 million units a year without compromising high quality standards has earned the trust of major manufacturers throughout Japan, while its top-in-the-industry track record of OEM production has enabled DAIDO *Yakuhin* to sustain profitability.



Strengths and Characteristics: 1
Adaptability Leads to Relationships of Trust with Clients

Sparked by our decision to go all-in on OEM production of drinkable preparations in the 1990s, DyDo's Pharmaceutical-related Business has grown in partnership with manufacturers of pharmaceuticals, health food, cosmetics, and other such items. Over that time, our efforts to make products in accordance with clients' demands helped improve our own product development abilities, drove the expansion of our manufacturing equipment, and enabled us to strengthen our quality control and assurance framework. Today, we are certified to produce pharmaceuticals, quasi-drugs, and soft drinks, and we have the facilities to make them in a variety of container sizes, from 20 ml up to 260 ml.

Our strength lies in our ability to deliver safe products on time, and that hard-won ability is a result of our working on the main drivers of our growth: adapting to clients' diverse needs and building relationships of trust with a range of companies.

Strengths and Characteristics: 2
The Overwhelming Leader of the Drinkable Preparations Industry

The size of the Japanese drinkable preparations market is estimated at around two billion units manufactured per year and, within that industry, the DyDo Group's ability to produce around 350 million units of OEM products a year is topped only by the major pharmaceutical companies who manufacture in-house.

Barriers to entry into this segment are high, including the need for official licenses to manufacture pharmaceuticals and quasi-drugs,* and the limiting niche nature of the contract manufacturing industry itself. In fact, from development to launch, applying for necessary government permits and conducting various tests is incredibly time-consuming. As such, simply switching from one client to another involves significant cost and effort for contract manufacturers.

Being able to navigate the high hurdles of a segment that discourages entry and change has seen our OEM manufacturing of drinkable preparations establish a dominant position and the Pharmaceuticals-related Business become one of the group's most stable earners.

*DAIDO *Yakuhin* is licensed for:
(1) Pharmaceutical manufacturing
(2) Second-class pharmaceutical manufacturing and sales
(3) Quasi-drug manufacturing
(4) Quasi-drug manufacturing and sales
(5) Beverage manufacturing

Issues and Future Strategy

Establishing a Leading Position as a Contract Manufacturer of Pharmaceuticals and Quasi-drugs

In recent years, the nutritional drink market is shrinking as its core users begin to get older, but the beauty drink market is growing through exports, in response to increased demand by customers who had tried the drinks on visits to Japan and wanted to be able to drink them in their own countries. Meanwhile, there is renewed potential for businesses who produce drinkable preparations under contract after a revision to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. The revision revoked the requirement for pharmaceutical distributors to have their own factories and has enabled pharmaceutical manufacturers to outsource production. Moreover, increased longevity is predicted to drive further interest in health and beauty, and, by extension, growth in the healthcare market.

These market changes are opportunities for the Pharmaceuticals-related Business and, as per the Mid-Term Business Plan 2021, we are set to bolster our competitiveness and supply framework with the construction of a new Kanto Plant, and measures to enable us to keep abreast of new format trends, thus paving the way for expanded contract production business.

Yutaka Takahashi
President and Representative Director
DAIDO *Yakuhin*

Aiming to Lay the Groundwork for Smooth Operations at the Kanto Plant

Increased orders in recent years have pushed production to near its limit of 350 million units a year. To stay abreast of increased demand, we are building a new plant in the east of Japan, in Tatebayashi in the Kanto region, which is due to begin operations in the first half of 2020.

The Kanto Plant will not only expand production capacity, but it will also improve our cost-competitiveness by reducing distribution costs thanks to proximity to the Tokyo metropolitan area, which is the primary market for consumption, and cutting labor costs through labor-saving manufacturing operations. The plant will also play a role in our customers' business continuity plans, which are seen as increasingly important since the Great East Japan Earthquake in 2011, by dispersing their production to reduce operational risk and improve their competitive capacity in ways unrelated to cost.

The Mid-Term Business Plan 2021 positions the problem-free set-up of the Kanto Plant as our overriding mission, and makes clear provisions for this purpose. These include boosting our workforce system and working systematically towards solutions-based sales activities aimed at winning new orders. At the same time we are looking to further enhance our quality control regime to ensure our drinkable preparations meet a level of quality befitting our standing as a top-class manufacturer.

Plant Overview

			
Name	Plant 1	Plant 2	Kanto Plant
Location	Katsuragi, Nara Prefecture	Katsuragi, Nara Prefecture	Tatebayashi, Gunma Prefecture
Site area	Approx. 33,000 m^2		Approx. 27,000 m^2
Construction completed	1991	1999	End of 2019 (scheduled)
Number of assembly lines	3 (20 ml, 30 ml, 50 ml, 75 ml, 100 ml, 120 ml)	1 (80 ml, 100 ml, 150 ml, 260 ml)	1 (100 ml: scheduled)
Yearly production capacity	Approx. 350 million units		Approx. 150 million units
Capital investment	—	—	Approx. 6 billion yen

Initiatives to Expand the Types of Products We Offer

Over the medium to long term, we are looking beyond typical glass bottles to provide drinkable preparations in new package formats and materials. The first step on this quest will be the establishment in autumn 2019 of a new production line in Nara for drinkable preparations in pouches. Currently, only a few contract manufacturers produce pharmaceutical and quasi-drugs in pouches, and the ability to do so without compromising production quality will enhance our ability to develop new products and offer solutions to clients in new categories.

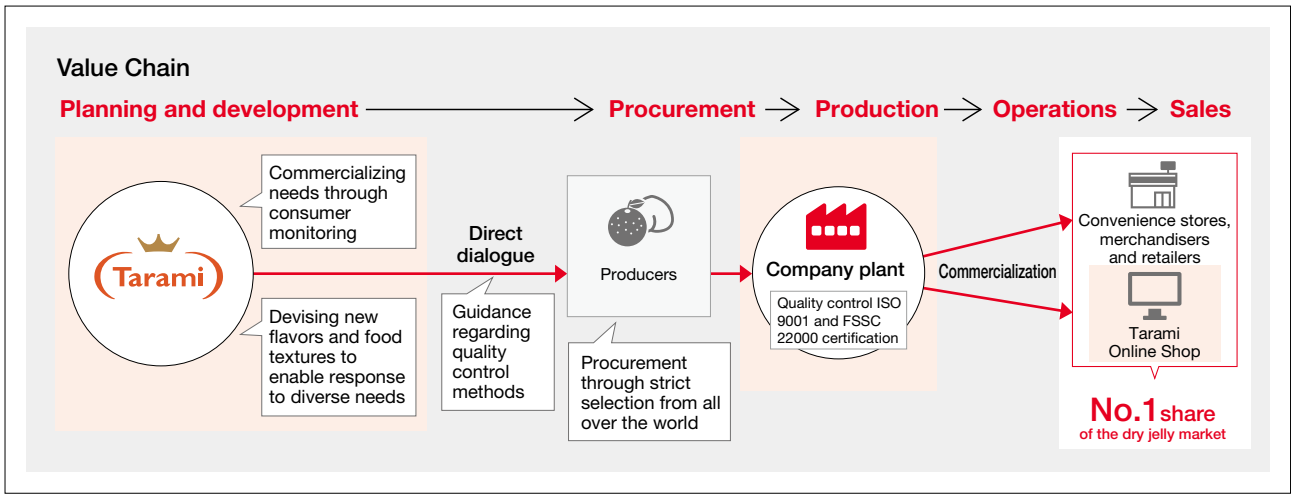
Elsewhere, the Mid-Term Business Plan 2021 lists M&A investments in the healthcare sector as a major investment strategy, and we will target areas of current under-investment, including preventive healthcare and treatment. For now, we are looking to investment in enterprises synergistic with our Pharmaceutical-related Business, so as to grow our platform sustainably to produce pharmaceuticals and quasi-drugs in multiple formats under contract for clients.

Our Business Model

Food Business

Tarami maintains the top share in the dry jelly* market, and is in charge of the Food Business of our group. After becoming a consolidated subsidiary in 2012, its high name recognition is helping to improve the brand strength of the group as a whole.

*Jelly, served in cups, able to be stored at room temperature.



Strengths and Characteristics

Techniques Using the Right Ingredients to Create Jelly with Delicious Taste and Texture for Each Demographic

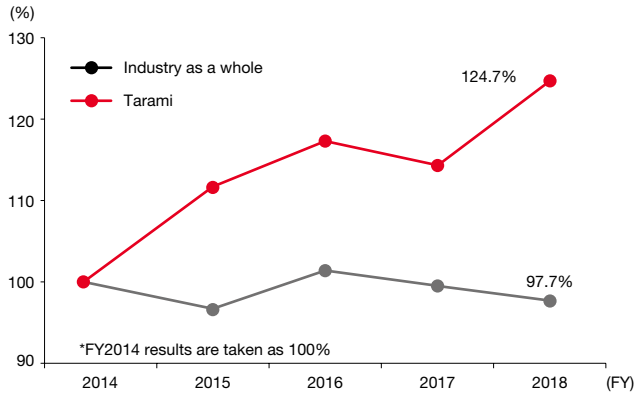
Tarami began as a greengrocer in 1969, and is named for its home town in Nagasaki (Tarami Town has since been incorporated into Isahaya City). In 1988, it began selling jelly as a convenient way for people to enjoy natural fruit wherever and whenever they wanted.

Aiming to deliver consumers value beyond mere fruit, Tarami identifies target demographics and establishes concepts for each of the product brands it develops. For example, the company varies the flavor and texture of the mandarin jelly in each of its brands. In recent years, Tarami has sought to expand its customer base by developing and launching high-added-value jellies for people who enjoy more of a dessert taste and jellies for health-conscious people in addition to their regular fruit jelly lines.

Only fruit that has passed stringent quality inspections is used in Tarami products, and the company makes use of technology to achieve different textures, thus ensuring that each product is as safe as it is delicious. These products are made at Tarami's plant—one of the largest jelly production facilities in the world—which is equipped and administered to make a broad variety of products efficiently.

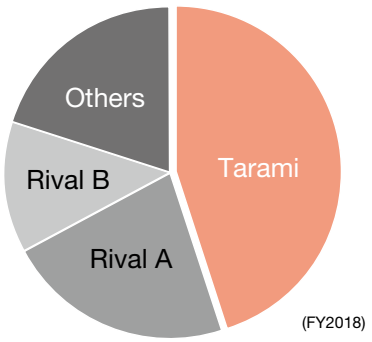
Tarami is a true pioneer of the fruit jelly segment, and continues to cement its top market share by sustaining growth above the market average by honing its product development and manufacturing capabilities.

Trends in sales for Tarami and the dry jelly industry



*according to Tarami research

Share of the dry jelly market



*according to Tarami research

Issues and Future Strategy

Initiatives to Create a Stronger Revenue Base and a New Business Model

Under the previous mid-term business plan, we achieved higher growth than the industry average and solidified our leading market share in terms of sales. Revenues, however, remain a significant challenge, pressured by rising ingredient prices and labor costs, as well as investments in marketing to boost brand value.

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 expanding. 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. The Mid-term Business Plan 2021 will seek to create new business models that transcend traditional categories in addition to working to improve profitability through a multifaceted review of costs, and by doing so bring happiness to all by pursuing delicious flavor and health through fruit and jelly products.

*Jelly sold in individual pouches

Yutaka Wada
Representative Director
Tarami Corporation

Multifaceted Review of Costs Improves Earning Ability

The ongoing upward trend in ingredient costs and manufacturing labor costs necessitates innovation to improve revenue earning abilities and fund sustained growth. For instance, consolidating suppliers and ingredients used and bolstering our line-up of high-added-value products in the high price range are just a couple of ways to mitigate the effects of rising costs.

Another example can be seen at our Konagai Plant in Nagasaki, where we believe improved productivity can be achieved only by changing the attitude of each and every employee. There, revising personnel systems is part of a project incorporating all company departments. And they are even gradually optimizing the supply procedure to allow for supply of goods in disaster situations while mitigating the effects of transportation cost increases.

In this way, a multifaceted review of costs is helping to improve our revenue earning ability.

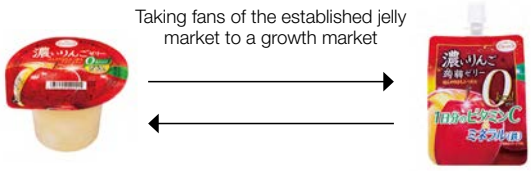
Creating Pan-Category Business Models

We are leveraging our resources with a view to growing the jelly market and expanding the legions of people who like Tarami products by developing products that are at once familiar to fruit and jelly lovers but not constrained by conventional category demarcations.

For instance, the fast-growing pouch jelly market is similar in scale to the dry jelly market, but our share is a paltry one percent. This presents different challenges than a sector in which we are the overwhelming leader, and we relish the thought of being the underdog and seeking new ways of growing our presence.

Our first effort was the launch in fiscal 2019 of the “Koi 0kcal Jelly” (“rich taste, zero calorie jelly”) series in pouch packages. This built on the name recognition built up through our jellies sold in cups and further enhances Tarami’s brand presence.

Meanwhile, in addition to exports from Japan, in which we mainly supply clients in the ASEAN region, Tarami (Qingdao) Foods, a joint venture that serves as a springboard for our Chinese business, began operations in fiscal 2019. In this way, our mid-to-long-range view is broadly global in scope, and we hope to bring delicious and healthy products to consumers throughout Japan and around the world.



Governance

Initiatives to Promote ESG

On January 21, 2019, we established an ESG Group within our Corporate Communication Department to help realize growth by our group over the medium to long term. In this section, Naoyuki Nishiyama, a director in charge of formulating and implementing management strategy, and Naokazu Hasegawa, a corporate officer handling communication with investors and other stakeholders, will showcase our initiatives.

Naoyuki Nishiyama
Director, Corporate Officer and General Manager of the Corporate Strategy Department
DyDo Group Holdings, Inc.

Naokazu Hasegawa
Corporate Officer and General Manager of the Corporate Communication Department
DyDo Group Holdings, Inc.

Nishiyama In our view, ESG management means continually providing value to customers and society. We do this by considering the environment (E), striving for happiness and prosperity together with society (S), and, at the same time, seizing the chances opened up by changing times, and turning risks arising due to such changes into business opportunities. To implement this, I feel it is crucial for governance (G) to function robustly, and to ensure management transparency.

Hasegawa Our founding family holds a fixed amount of stock in the company, and we frequently hear views on governance from investors. We have opted to provide explanations for the 12 principles in our Corporate Governance Report. This is because we don't want to comply only in a formal sense. We believe it is more significant to provide an explanation of our thinking to investors, obtain their feedback, and then connect that with optimal improvements in management.

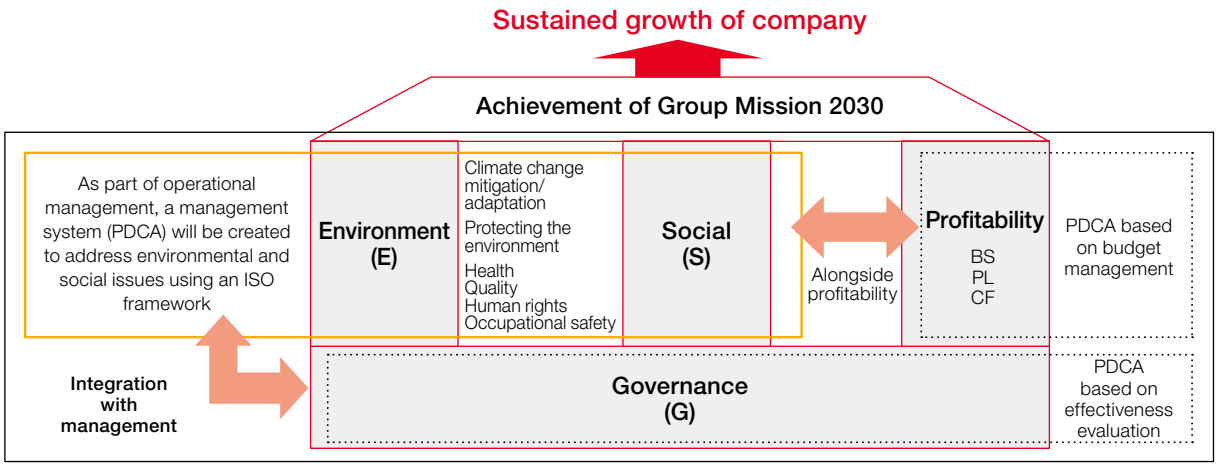
For example, our president, Tomiya Takamatsu, a member of the founder's family, is young in his early forties and is a major shareholder. This means that he can manage the company with a long-term perspective. According to the Corporate Governance Code, (Supplementary Principle 4. 1. 3), companies' boards of directors are required to be proactively engaged in the establishment and implementation of succession plans for CEOs and other top executives. For our company, a long-term succession plan is a matter of course, and development of executives for the next generation is a more important, pressing issue. For that reason, we opt to explain this principle, and we have asked the Board of Directors to be responsible for the oversight of planning and implementation to develop the next generation of executives. I believe it's important to be responsive to the actual situation at each company in this way.

At the same, time, I feel this is also connected with good discipline inside the company. The issues of the company are publicized to the outside, and this gives management a healthy sense of tension, and also helps employees to pull in the same direction.

Nishiyama Two years ago, in January 2017, we shifted to a holding company structure, but previously we were a corporate group with DyDo DRINCO, the company in charge of our Domestic Beverage Business, as the parent company. Recently, we formulated a new Group Code of Conduct, but the Domestic Beverage Business remains the primary driver in terms of environmental policy and methods of managing risks. I believe a major issue will be shifting to a system suited to our current organizational structure.

Hasegawa For example, in carrying out the business activities of our group, there are themes we have to carefully take into consideration such as depletion of water resources, plastic pollution in the ocean, and so forth. Naturally, we take rigorous steps at each

Establishing an integrated management system to support the triple bottom line



business site, but there are still many issues in terms of making systematic efforts from a company-wide perspective. Furthermore, in the international business we have launched in recent years, I believe we should treat, as group risks, parts of our business entrusted to local regions such as the development of systems to protect human rights and prevent bribery and corruption.

Nishiyama For reasons of compliance, the HR & General Affairs Department has previously been in charge of the Secretariat of the Risk Management Committee, but in FY2019 a system was adopted in which the Corporate Strategy Department is responsible for the Secretariat. More elaborate efforts are being made from the perspective of group management, such as expanding the scope of risk checking, and adjusting the time axis.

Hasegawa The ESG Group was established within the Corporate Communication Department in charge of communication with stakeholders. There is also an IR Group within this department, and the purpose of the group's activities is primarily to inform the stock market and ensure correct understanding of our company's philosophy and strategies. However, communicating the market's evaluation of our stance to our top management and linking this with management reform is an even more important mission. I believe this approach is essential for ESG, and by analyzing our company's risks, identifying issues, and refining the strategies we have formulated through communication with institutional investors and others outside the company, we can avoid complacent strategies, and achieve sustainable growth as a result.

Nishiyama In our Group Mission 2030, we established the goal of strengthening ESG-aware initiatives. Going forward, we will need to focus more specifically on measures to address societal problems. Our company still has inadequate understanding at the company-wide level of the ESG concept, and I believe this is an issue we should resolve first in our efforts as we go on. We will strive for shared understanding so that top management is aware of such issues, while middle management in charge of promotion and implementation, and all other employees, can evaluate operations using the same standards, and make connections with their own conduct. In this way we will take concrete steps regarding ESG management in our group.

Hasegawa At present, we are in the early stage of developing a system, and to gauge understanding of the important social problems the company needs to address, and the risks facing each department, the Group Risk Committee conducts interviews twice a year with each group company, and we are starting by having members of the ESG Group attend these interviews. As part of that, we ensure they understand that ESG isn't really a new concept; it's something we've previously devoted ourselves to as a matter of course, based on our legacy of "striving to achieve happiness and prosperity together." At the same time, we ask that, going forward, they examine more deeply their response to environmental problems, where a more aggressive response will be needed, and their approach to securing and developing human resources, an important issue for our company. This will be a step-by-step process of system development, and we want to establish a foundation during our current mid-term business plan, and implement the PDCA cycle throughout the company as a whole.

Nishiyama In formulating our Group Mission 2030, we indicated the social value we intend to create in accordance with SDG targets, but at present, the program is top-down. I believe bottom-up efforts will be important to make each employee think and act while always connecting their own activities to creation of social value.

These ESG promotion activities are an issue we will have to perpetually address in order for our company to achieve continuous growth. Naturally we will establish a PDCA cycle, and we will also work to improve the level of awareness of employees through regular educational activities.

Promoting ESG-aware management

Resolving social issues through business

Offer taste and health

Improve customer health and quality of life throughout the world

- Develop delicious products for sound mind and body that capture customer needs

Develop new drugs with social significance

Achieve early establishment of a prescription drug business for rare diseases

- Acquire pipelines and development "seeds"

Promote a shift of infrastructure to online

Adopt IT technology suited to changing lifestyles for the next generation

- Bring greater online connectivity to vending machines
- Install vending machines equipped with IoT features

+

Continually improve corporate governance

Conduct risk management pertaining to business sustainability

Achieve greater compliance awareness

Governance

Basic Approach to Corporate Governance

Basic Approach to Corporate Governance

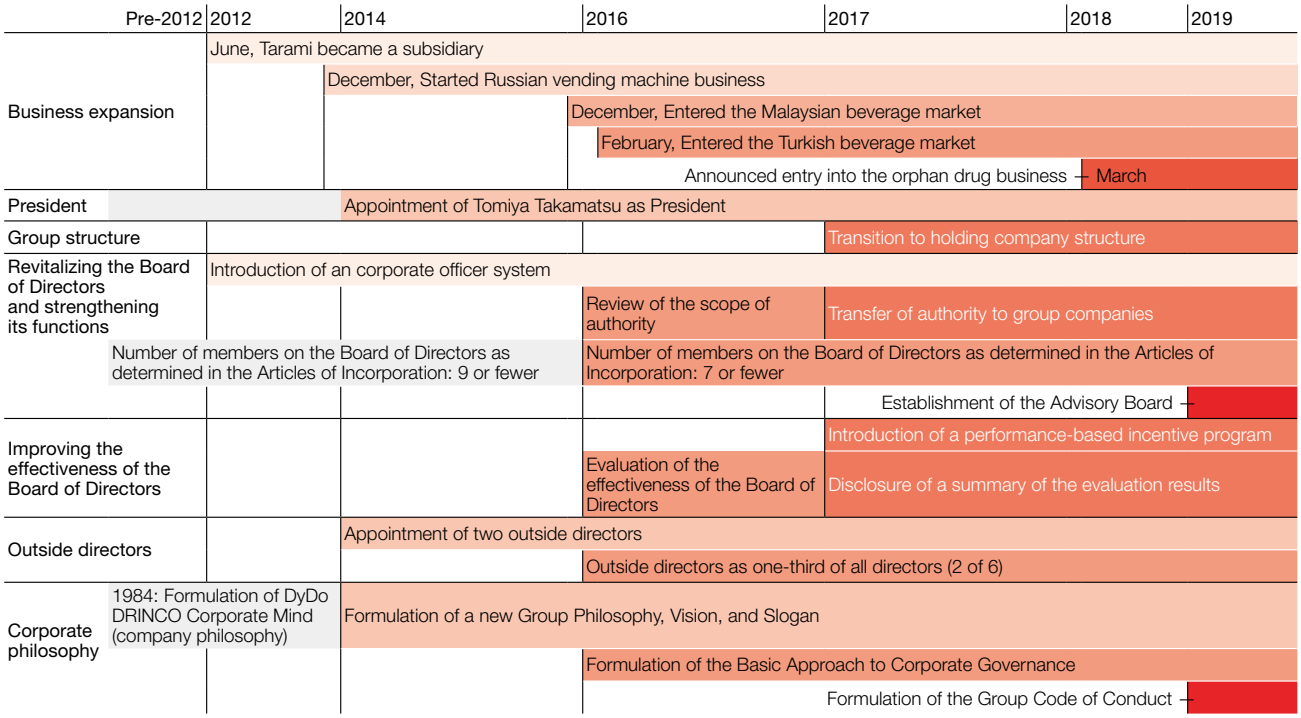
"DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges."

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 to long term.

The core business of the DyDo Group is the Domestic Beverage Business, and considering the fact that 80% or more of our sales for this segment come from vending machines in the local community, it is fair to say that our soft drink products are a familiar part 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 work in close cooperation with producers and distributors nationwide, to whom we outsource the manufacture and delivery of our products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have one of the industry's most extensive networks of vending machines, which are maintained by DyDo Group employees and the "Kyoeikai" (special 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. To that end, our "dynamic efforts" are founded on a bedrock of corporate governance, a steadfast platform of transparent, fair, swift, and bold decision-making. Moreover, we continually work to improve that foundation in order to contribute to the benefit of our shareholders.

Ongoing improvements to corporate governance



Establishment of the Advisory Board

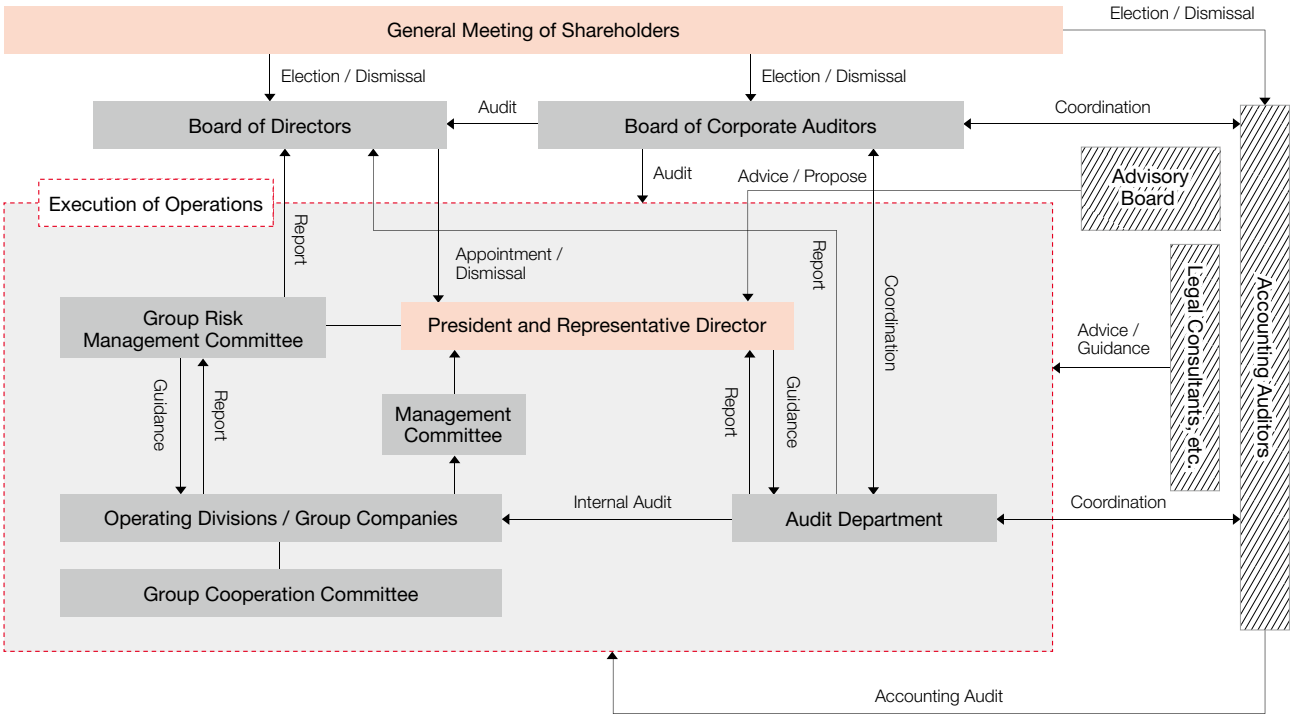
In order to respond to changes in the business environment and achieve sustainable growth, in recent years the group has actively looked to expand overseas and has launched the orphan drugs business. In future we intend to step up our efforts to expand the scope of the business to achieve one of the objectives stated in Group Mission 2030, "Development of a second major source of revenue in non-drink businesses."

Against this background of change in management strategy, we established an Advisory Board in March 2019 that currently consists of three outside experts. The Advisory Board, which will advise the president, incorporates outside perspectives into the execution of strategy, for example by offering advice concerning management issues faced by the Group, for example investment decisions related to the orphan drug market.

Our aim is to incorporate an external perspective into our strategy to further enhance management transparency and improve corporate value.

Governance

Outline of Our Corporate Governance System



(as of April 16, 2019)

Organizational structure	Company with *Kansayaku* board	Corporate officer system	Yes
Number of directors as defined in the Articles of Incorporation	7 or fewer	Number of auditors as defined in the Articles of Incorporation	4 or fewer
Term of directors as defined in the Articles of Incorporation	1 year	Term of auditors as defined in the Articles of Incorporation	4 years
Number of directors	6 (of which 2 are independent outside directors)	Number of auditors	4 (of which 3 are outside auditors)

	Directors	Auditors	Corporate Officers	Presidents of Major Subsidiaries*1	Roles
Board of Directors	●	●	(●*2)		Discusses/decides management strategy and other important matters, and oversees execution of the duties of directors, and execution of the operations of each group company.
Board of Corporate Auditors		●			Receives reports, discusses, and makes decisions on important matters relating to auditing, and audits execution of the duties of directors.
Management Committee	○	○	●		Formulates policy and plans for overall execution of management, and carries out tasks including investigations, research, planning, management, communication, and coordination.
Group Cooperation Committee	○	○	●	●	Shares important matters in the group, and carries out tasks such as reporting the management situation from each subsidiary.
Group Risk Management Committee	○	○	●	●	Identifies and evaluates company-wide risks, formulates counter-measures, and conducts checks and improvement of overall risk management.

*1 DyDo DRINCO, DAIDO *Yakuhin*, Tarami
*2 Corporate officers who are not also directors participate as observers

●All persons concerned attended ○Only full-time members attended

Governance

Evaluation of the Effectiveness of the Board of Directors

To verify that the Board of Directors is carrying out its duties effectively, and to strengthen its functioning, we have been appraising the Board of Directors using the following analysis and evaluation method.

Analysis and Evaluation Method

In order to analyze and evaluate the effectiveness of the Board of Directors, all directors and auditors conduct a questionnaire-based self-evaluation, accompanied by individual interviews with the secretariat of the Board of Directors. At the Board of Directors meeting held afterwards, the directors analyze the results of their self-evaluation, share their understanding of current issues, and engage in constructive discussions of topics such as efforts going forward to realize a more effective Board of Directors.

Evaluation Items

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

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

Reference: Issues identified last year

Issues to address in order to boost the effectiveness of the Board of Directors

(as announced March 15, 2018)

(1) With regard to the makeup of the Board, we will find members with expertise in the healthcare domain in accordance with the Company's management strategy.

(2) With regard to the provision of information to external directors and auditors, we will work to provide more information sooner.

(3) With regard to deliberations involving investments, we will push for enhanced explanation of associated risks and returns and clarification of the criteria that would prompt the Company to pull the investment in question.

(4) With regard to risk management in the International Beverage Business, we will undertake additional initiatives, for example to raise the awareness of local employees.

Overview of Analysis/Evaluation Results for FY2018

On the basis of the outcome of discussions regarding the analysis of the results of the self-evaluation surveys, the Board of Directors of the company came to the conclusion that "the Board of Directors is functioning effectively."

Status of improvements to agenda management and operations of the Board of Directors

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

Challenges for the future

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

Future Efforts

At the Board of Directors meeting held on March 15, 2019, we decided to establish an Advisory Board consisting of roughly three outside experts as a voluntary mechanism to further enhance our corporate governance.

(For details on the Advisory Board, see p. 37)

Governance

Executive Compensation

The group has designed and implemented an executive compensation system so that the remuneration system for directors can contribute to the sustainable growth of the group and improvement of its medium- to long-term corporate value.

Remuneration System for Directors

The remuneration of directors consists of basic remuneration, bonuses as a short-term incentive and performance-linked equity-based remuneration as a long-term incentive. The level of individual basic compensation is set according to directors' responsibilities. With regard to bonuses, the amount is determined according to their performance during the fiscal year.

■ FY2018 executive compensation, etc.

(Millions of yen)

	Total compen-sation	Total compensation divided by type			Number of those ap-plicable
		Basic compen-sation	Share delivery trust	Bonus	
Directors*1	123	103	8	12	4
Auditors*2	14	14	—	0	1
Outside Directors	12	12	—	—	2
Outside Corporate Auditors	10	10	—	—	3

*1 Excluding outside directors *2 Excluding outside auditors

Performance-Based Incentive System

We introduced a performance-based incentive system*3 aimed at heightening awareness of the importance of improving performance and the need to contribute to greater corporate value. It is a system through which executives are rewarded with shares in the company commensurate with performance.

Targeted positions

Directors*4 and corporate officers of the companies listed below:

- DyDo Group Holdings
- DyDo DRINCO
- DAIDO *Yakuhin*
- Tarami

Method for calculating the number of shares awarded

Points are awarded according to the individual's position and performance achievement level in each business year. The points are then converted into shares at the rate of one share of holding company common stock per point.

Number of shares to be paid = basic points according to position × performance correlation coefficient

The performance correlation coefficient is set*5 according to numbers disclosed in the Financial Report: percentage achievement of targets for forecast consolidated operating profit and consolidated net sales for the start of each business year.

*3 Incentives from the performance-based incentive system are paid separately from the compensation limit for directors.
*4 Excluding outside directors and Chairman of the Board, who are in positions independent from business execution.
*5 FY2018, the final year of the "Challenge the Next Stage" mid-term business plan, is also considered in performance with regard to how well plan objectives were achieved.

Governance

Internal Control and Compliance

We have established a Fundamental Policy Regarding the Building of Internal Control Systems and a Group Code of Conduct, and are pursuing sound corporate practices together with compliance initiatives.

Establishment of the Internal Control System

At the DyDo Group, by executing the duties of the directors in compliance with the law and the Articles of Incorporation and by pursuing sound and efficient work, we have established a Fundamental Policy Regarding the Building of Internal Control Systems based on the Companies Act and its enforcement regulations.

Based on this policy, group companies have established and operate an internal control system. The internal audit department cooperates with the Board of Corporate Auditors in inspecting each department's compliance with laws and regulations along with the Articles of Incorporation and internal regulations. As well as highlighting potential problems and proposing improvements, it conducts internal audits as necessary. We are now engaged in expanding our subsidiaries' legal compliance systems.

Establishment of the Group Code of Conduct

In January 2019, We formulated a Group Code of Conduct in order to achieve the Group Philosophy and Group Vision. Under this Group Code of Conduct, based on shared values across the group companies and our high ethical standards, all employees are united in rising to the challenge of achieving sustainable growth and improving corporate value over the medium and long term.

(For details on the Group Code of Conduct, see p. 20.)

Efforts to Improve Compliance Awareness

In order to improve the compliance awareness of employees, DyDo DRINCO conducts compliance training focused on new employees, provides learning opportunities through e-learning, and periodically issues the *Compliance Tsushin* newsletter introducing examples of compliance in familiar situations in an easy-to-understand format using illustrations.

Governance

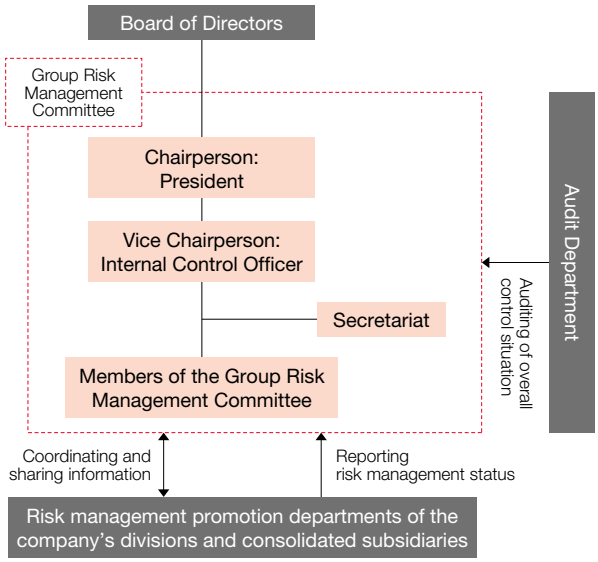
Risk Management

The external environment is changing at an unprecedented rate because of demographic and social shifts, the evolution of technology and a variety of other factors, and the risks surrounding the group are diverse and in constant flux. Even under such circumstances, the role of risk management in accurately identifying risks and taking swift action to counter these has become ever more important for the achievement of sustainable improvement in corporate value.
In addition to regularly assessing the risks we face and the appropriateness of our counter-measures, the group remains committed to strengthening its risk management system and operations in accordance with our business strategies, including expanding the scope of our business and accelerating overseas development.

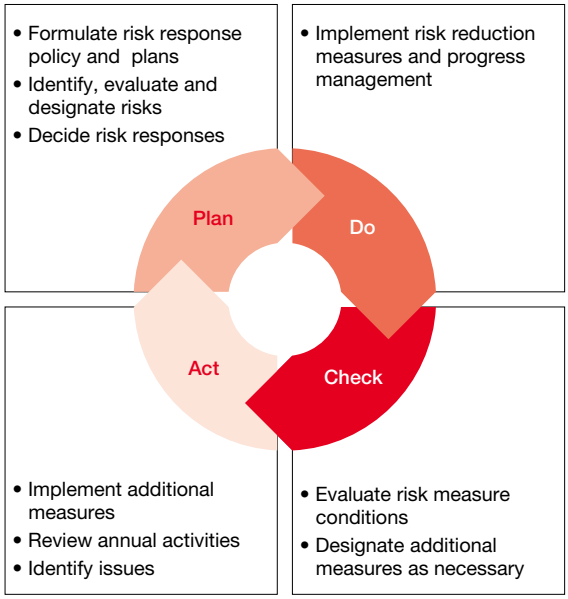
Risk management system and risk management process

The Group has established the Group Risk Management Committee, chaired by the president. As well as determining operating policy and plans for the risk management system, it identifies risks that may have a serious impact on the group and assesses the adequacy of the counter-measures in place for these.

Risk management system



Risk management process



Challenges to Strengthening Risk Management

One of the basic policies in our Group Mission 2030 is the "Development of a second major source of revenue in non-drink businesses." We assume that the risks we face which may have a serious impact on the group are now much broader in scope. To achieve sustainable growth under such circumstances, in a future where change is expected to occur on an unprecedented scale, we believe it is important to identify and evaluate risks from a medium- to long-term perspective, and implement counter-measures from an early stage.

In fiscal 2019, as well as including our orphan drugs business in our risk identification and assessment process, we will establish a "time axis" as a risk assessment indicator as we work to build a risk management system from a medium- to long-term perspective.

Business Risks

The risks identified and assessed by the Group Risk Management Committee in fiscal 2018 that may have a negative impact on the group's results and financial position include the following. Compared to the previous fiscal year, in addition to an increased risk of market competition in the beverage industry, as risks related to increased consumer awareness and regulatory tightening now come to the fore, we believe that the impact of environmental compliance has also increased.

Risks That We Deem to Have Increased Compared to Last Fiscal Year

1. Market Competition in the Beverage Industry

Impact of Materialization of Risk

An inability to respond to the speed of market change through product, sales and pricing strategies result in decreased market competitiveness

• Shorter product life cycle

In the domestic soft drinks industry, it is difficult to expect major growth in the medium to long term in light of the impact of the declining birthrate and aging population. Companies in the industry are investing aggressively in marketing and the successive launch of various new products. As a result, the market overall continues to grow slightly, while the product life cycle is becoming shorter.

• Decline in profitability due to packaging mix change in coffee products

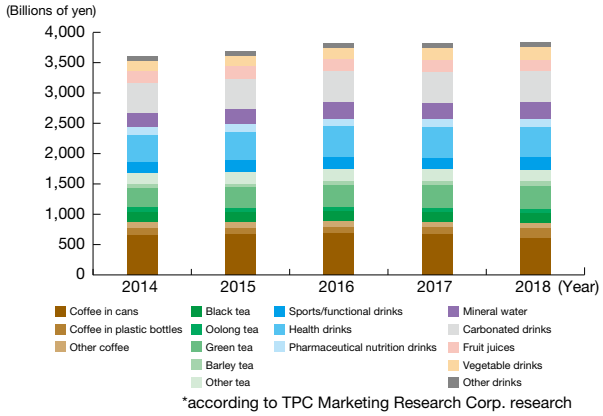
In recent years, the growth of coffee sold in plastic bottles has led to a drastic change in the packaging mix. A reduction in the proportion of SOT* can coffee drinks sold has a major impact on the profitability of companies in the industry given SOT cans' high gross margin.

*SOT stands for stay-on-tab.

• Increased sales promotion costs in the distribution chain

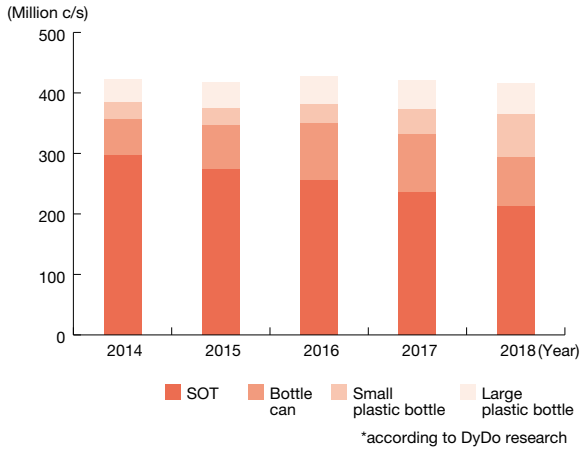
As a measure to respond to expanding e-commerce sales and aggressive store opening strategies in the drug store industry, drinks distributors are focusing on adding value at store level and placing more emphasis on pricing and sales promotion. As a result, prevailing prices in the domestic beverage market are on a downward trend and the competitive environment is changing rapidly, as the costs of sales promotions to maintain and expand product in-store distribution also increase.

Trends in category mix of domestic beverage market



*according to TPC Marketing Research Corp. research

Trends in packaging mix of domestic coffee drink market



*according to DyDo research

Risk Mitigation

In our previous mid-term business plan, we focused on strengthening our brand. However, in the Mid-Term Business Plan 2021, which focuses on improving profitability, we are concentrating on developing products to maximize sales in the high-margin vending machine channel. In addition, we will strive not to get involved in price competition by expanding our high value-added products and services in pursuit of delicious flavor and health.

(For details on products and services designed to pursue delicious flavor and health, see p. 28)

Counter-measures

To maximize our sales in the vending machine channel, it is essential to have a product lineup and pricing strategy optimized for each of our installation sites. We use market surveys and data analysis to gain a detailed insight of vending machine users. In this way, we look to achieve timely product development and pricing strategies suitable for vending machines through building a development process that enhances collaboration between those involved in production-related work and those in sales.

2. Environmental Compliance

Impact of Materialization of Risk

The costs of environmental compliance rise as environmental regulations become more stringent and product supply capacity declines as a result of climate change and natural disasters

• Enforcing environmental regulations on a global scale

Regulations to keep climate change in check, such as the rationalization of energy use and global warming counter-measures, are intensifying on a global scale. As well as regulations on climate change, certain other risks are beginning to emerge. For example, Asian countries have import restrictions in place on plastic waste and the cost of disposal of plastic bottles is increasing.

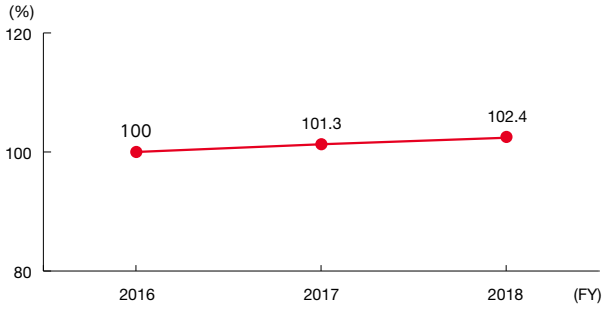
• Consumer awareness of environmental issues

Stakeholders' assessments of companies' attitudes towards climate change and other environmental issues, as well as the changes in corporate market values that result from this, have affected the choice of products and services that consumers make. In recent years this trend has become even more pronounced.

• Expanding impact of climate change on the supply chain

Climate change affects the stable supply of raw materials, for example through depletion of water resources or crop failure. It can also affect the whole supply chain, for instance when manufacturing facilities shut down or distribution networks are disrupted because of large-scale natural disasters. This in turn leads to a decline in product supply capabilities.

Trends in disposal costs* for waste packaging

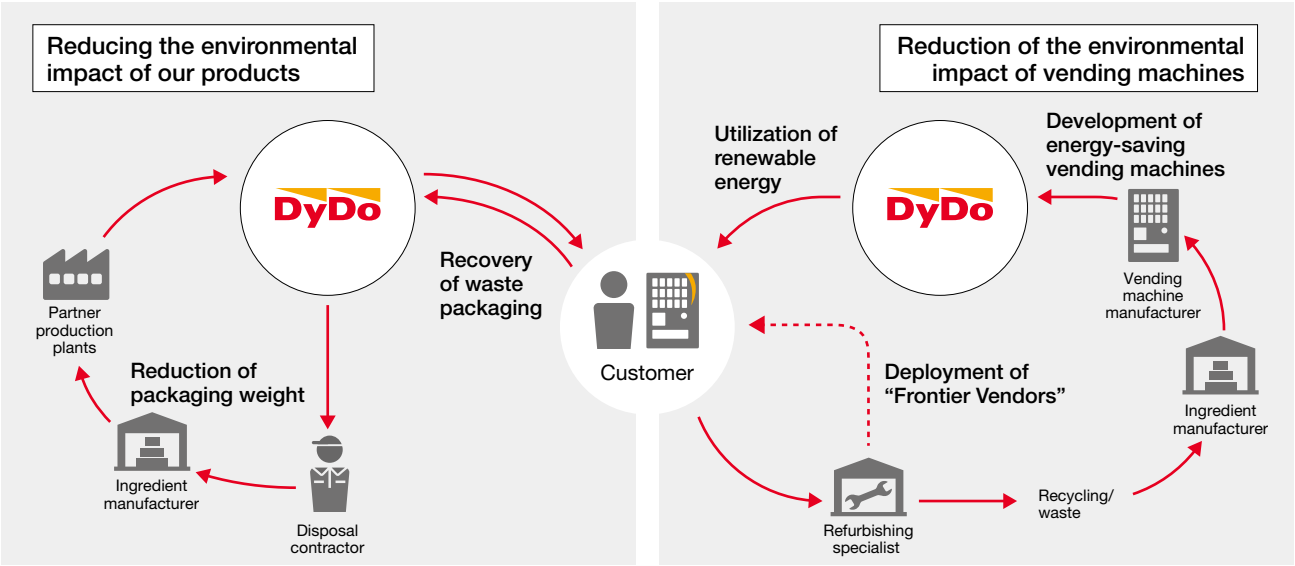


*1 Average annual cost per branch office
FY2016 results are taken as 100%

Risk Mitigation

Responding appropriately to environmental issues is critical to business management. We are committed to reducing the environmental impact of our entire supply chain, and we strive to conserve the natural environment and prevent pollution through compliance with environmental laws and regulations related to our business activities. The Domestic Beverage Business operates on a fabless basis, with production allocated and commissioned to partner production plants across the country. This system enables us to respond flexibly in the event of a disaster.

Counter-measures

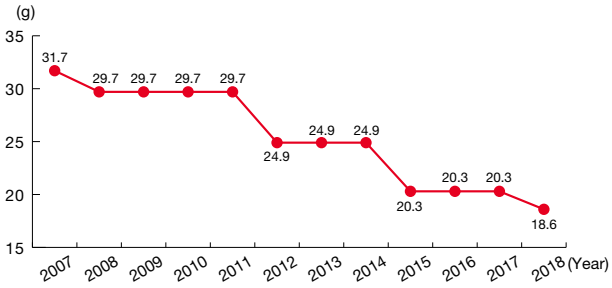


• Lighter packaging

One of our key initiatives to reduce the environmental impact of the Domestic Beverage Business is the use of lighter packaging. Our main product, canned coffee, uses the lightest steel can available in Japan, the new model TULC can.* The 190g steel can weighs approximately 37% less than the equivalent container ten years ago.

*The can is made using a manufacturing process that emits only a small amount of carbon dioxide. No water is used during processing, and the amount of solid waste generated during the washing process is almost zero, greatly reducing its impact on the environment.

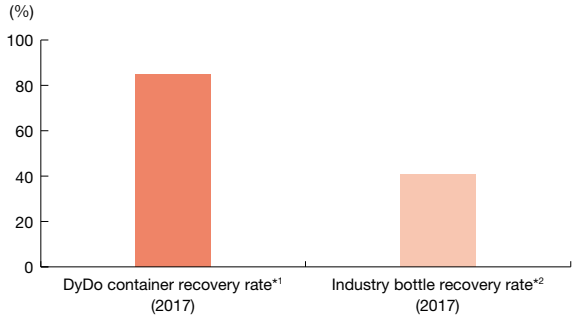
Trends in weight of 190g steel cans



• Collection of waste packaging

To help reduce plastic waste in oceans and to make more effective use of our resources, we are working on a system for quickly and reliably collecting waste containers and packaging. DyDo DRINCO tends to have a high rate of voluntary recycling of plastic bottles because it makes a large proportion of its sales in the vending machine channel. We are committed to improving our recovery rate for used containers and in FY2018 developed vehicles with twice the capacity for empty containers.

Voluntary recovery of plastic bottles



*1 Amount collected from company container recycling boxes divided by domestic shipments of company products
*2 Collection rate trends published by Council for PET Bottle Recycling.

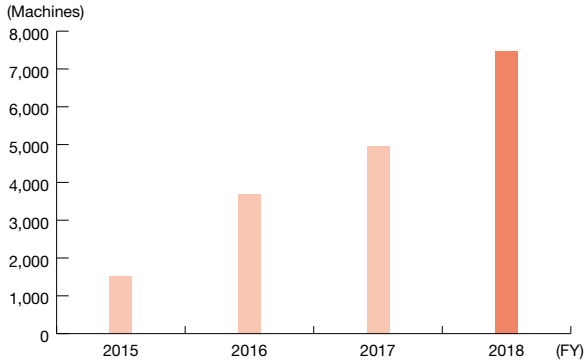
• Energy-saving vending machines

To combat global warming, the Domestic Beverage Business is developing energy-saving vending machines with significantly reduced power consumption. As a result, the 2019 machine consumes about 80% less power than the 2000 machine.

• Deployment of "Frontier Vendors"

In order to reduce the environmental impact of our vending machines as well as to reduce costs, we are developing "frontier vendors" that are designed to reutilize and extend the lifespan of our vending machines. The average lifespan of a vending machine is about 10 years, and the main reason they are scrapped is failure of the cooling/heating unit. We recondition and replace the machines' cooling and humidifying units and bring them back to life with functions that are comparable to the as-new models.

Number of "Frontier Vendor" machines installed



• Utilization of renewable energy

DyDo DRINCO was the first company in the soft drinks industry to participate in the Green Power Certification Scheme in 2002. By utilizing renewable energy from wind power, we contribute to the reduction of CO_2 emissions by around 400 metric tons per year.

Materialization of Risk and Mitigation

In the Food Business, Tarami's distribution network was severely impacted by the floods in southwestern Japan in July 2018. This highlighted a number of issues in our supply chain and we recorded an extraordinary loss of 25 million yen. While fulfilling our responsibility to supply products to our customers even during periods of disaster, we are working to optimize our product supply system in order to minimize the impact of soaring logistics costs. Specifically, we have begun to build a new distribution network, spreading out our distribution bases through Kanto and Kansai. Previously they were concentrated in Nagasaki Prefecture, where the Tarami head office plant is located.

Previously Identified Issues Which Remain a Risk

Securing and Developing Personnel

Impact of Materialization of Risk

Decline of business caused by difficulties in acquiring personnel suitable to each of our business areas

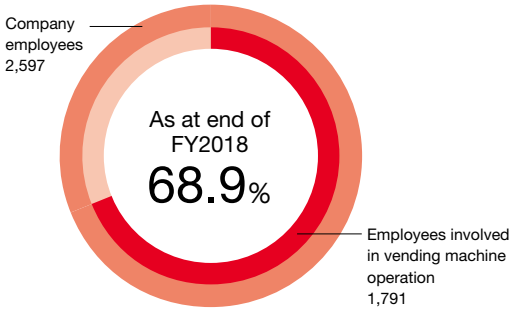
• Labor shortage caused by demographic change in Japan

Each business of the group has labor intensive aspects. We require support from our human resources for the operation of vending machines in the Domestic Beverage Business and manufacturing plants in the Pharmaceutical-related Business and Food Business. Outside the major cities, the impact of labor shortage is now becoming evident, against the backdrop of a declining birth rate, an aging population and population shifts to urban areas. These trends are expected to become even more widespread and pronounced as Japanese population dynamics continue to change. This is becoming a major issue for our future sustainability and growth.

• Competition to recruit personnel with high-level expertise and experience

Up till now the group's development has been focused on the Domestic Beverage Business. Our growth strategy, namely, to build a second major source of revenue in the health care domain, requires us to secure and retain a wide range of personnel with high-level expertise and experience. However, competition for acquiring professional staff is expected to intensify for any industry which depends on the medical and healthcare sector as a driver of growth, not just the drinks and food industries.

Percentage of employees engaged in vending machine operations* in the Domestic Beverage Business



*Total employees of DyDo Beverage Service, DyDo Beverage Shizuoka, DyDo DRINCO Service Kanto, and DyDo West Vending.

Risk Mitigation

Under our Mid-term Business Plan 2021, we are working to strengthen our human resource management structure from three perspectives: securing human capital; fostering the development of human resources; and assigning and transferring human resources. In the Domestic Beverage Business, we are working to build smart operational structures utilizing IoT to establish a strong competitive advantage in an era of labor shortage.

(For details on our human resources strategy, see p. 19)
(For details on our smart operational structures, see p. 27)

Counter-measures

• Recruiting diverse human resources and promoting good working practices

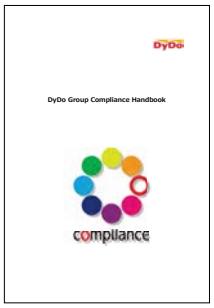
Our company has developed by expanding its vending machine operations, and is now bringing new talent into the company with a high level of expertise and diversity, including foreign workers and female employees, as we implement new strategies to grow our business, such as branding, international expansion and M&A.

• Distribution of DyDo Group Compliance Handbook

Against the background of diversification in our employee base reflecting international expansion and the broadening of our business areas, we have utilized these diverse perspectives to formulate a company-wide set of action guidelines, our Group Code of Conduct, in order to achieve the Group Philosophy through acting according to integrated evaluation criteria. In addition, to promote understanding of this, the DyDo Group Compliance Handbook is produced in Japanese and English and distributed to all employees.

In FY2019 we introduced teleworking options for employees who are raising children or providing nursing care for their families as part of our initiative to create an environment in which employees are able to utilize their skills to best effect. We will work to create an environment in which all our staff can work effectively, regardless of any childcare or nursing care responsibilities they may have.

DyDo Group Compliance Handbook



- **Implementation of our next-generation executive development and identification program, DyDo Innovation Academy**

We run the DyDo Innovation Academy (DIA), a long-term training program for middle management-level employees to help develop and identify executives who will lead the company in the future. Programs that combine off-the-job and on-the-job training are used to build problem-solving skills and the abilities needed to overcome challenges, while strengthening leadership and enhancing business literacy.

- **Leadership School**

In accordance with a policy of taking on new challenges, both individually and collectively with others, and in order to contribute to the growth of the company, our younger employees (who have been working for one to ten years) have voluntarily set up the Leadership School. The Leadership School organizes discussion groups on topics of interest and uses workshops and exchanges with other companies to develop the skills of those employees who will be our leaders in the next generation.

DIA group workshop

Leadership School activities

Other Risks

Risks	Key features of the business and business plan	Details	Risk mitigation
Management and control of overseas subsidiaries	Focus on international expansion with the aim of deriving at least 20% of total group sales from overseas by 2030 (10% in FY2018)	• Risk that our business continuity and ability to generate a return on investment could be threatened by unforeseen problems or delays in responding to these, for example, because of sudden changes in laws and regulations or in the political and economic environment in any of the countries in which we operate	• Development of a system to directly control and manage overseas beverage subsidiaries through the holding company • Development of business management and risk management systems for each of our operating companies
Corporate takeovers and business/ capital alliances	Investigation of M&As that show potential for synergy, particularly with the Pharmaceutical-related Business, with the aim of constructing a second major source of revenue in the non-beverage business by 2030	• Risk of failing to achieve our business plans because of difficulty in finding effective investment opportunities • Risk that investment benefits will not emerge or that a goodwill impairment will be required if unexpected problems arise and development of a business does not go to plan • When entering a new business domain, new risks may emerge that are unique to a particular business and market	• Development of a framework within the holding company to respond flexibly to the expansion of our business segments • Ongoing improvement of corporate governance
Focus and reliance on the vending machine channel	82.8% of our sales in the Domestic Beverage Business are concentrated in the vending machine channel (industry average is approximately 30%)	• Risk that our ability to generate cash flow will be affected by increased competitive pressure in the vending machine channel <Emerging risk> • Decrease in total number of machines in the overall vending machine market because of a shortage in vending machine operating personnel • Decline in sales per vending machine reflecting an increase in sales through convenience stores and other convenient sales outlets	• Installation of vending machines where stable sales can be expected and optimization of product lineup • Innovations in the Domestic Beverage Business that offer familiarity for consumers and convenience in daily life
Procurement of ingredients and materials	• The crops we use are subject to market fluctuations due to weather conditions Some of our raw materials are imported and procurement costs can be affected by exchange rate movements • Lira depreciation affects the development of our Turkish business	• Risk of not being able to pass on the cost of raw materials and ingredients through sales prices due to fluctuations in market conditions and exchange rates	• Contracts to fix transaction prices for coffee beans, the main raw ingredient, to maintain the stability of procurement prices • Hedging against exchange rate risk in the Turkish beverage business by strengthening its export business
Production system and quality control system	Focus on beverage and food products that are safe to consume	• Risk of loss of consumer confidence because of contamination, defects in product quality or product description and labeling issues	• Quality assurance audits of partner production plants in the Domestic Beverage Business to improve safety and quality in the manufacturing process and build trust • Quality improvement in the pharmaceutical-related and food businesses through acquisition of ISO 9001 and FSSC 22000 certification
Other risks	–	• Risks from changes in economic conditions or external factors, such as laws and regulations • Risks related to compliance and management of customer information	• Creation of a "risk map" that analyzes the degree of likelihood of risks and their potential impact, promotion of risk management by identifying serious risks that could result from changes in the business climate and implementation of counter-measures

Social

Employee-Initiated Challenges

The DyDo Group has gone through transformations since its founding in the medicine business. To achieve sustainable growth for the future, all of our employees must take up the challenge of working to transform our business to accommodate the changes that take place continuously in society. We are facilitating this effort through the Group Code of Conduct, which forms a solid foundation for making decisions and taking action to achieve the goals of our Group Philosophy and Group Vision.

The DyDo Challenge Award

The DyDo Challenge Award was set up in FY2017 both to recognize employees who have taken on challenges and to further encourage a bold spirit of pursuing challenges. We commend employees with awards for plans they have developed or steps they have taken that will lead to or currently contribute to enhanced corporate value. This system was established to commemorate the 40th anniversary of DyDo DRINCO, continuing the work of the Tackling the Big Four Challenges Together program, set up to acknowledge challenges proposed by employees. FY2018 was the fourth year of this effort and during the year, 33 candidates submitted proposals to vie for the DyDo Challenge Award*1 (up from 13 the previous year), together with 123 candidates for the DyDo Challenge Idea Award*2 (up from 52). By publicizing, both inside and outside the company, employees who take on challenges with determination or their efforts, we are gradually spreading the idea of taking on such challenges.

DyDo Challenge Award recipients

*1 An award to recognize challenges implemented over the preceding year that have contributed to improved corporate value
*2 An award presented to ideas, submitted by employees, that have been chosen to be implemented during or after the next fiscal year

Transformation of our system to promote employee initiatives

2015
Tackling the Big Four Challenges Together

Supporting employee challenges

Initiatives

40th anniversary project

Employees proposed ideas they wanted to see made a reality, then worked to put them into practice

Implemented ideas (selection)

- Vending machines that have talking features in 4 different languages, to target foreign visitors to Japan
- Rental umbrellas

2016
Challenge Report Meeting

Recognition of employee challenges

Initiatives

The best challenges (initiatives) of the preceding year were chosen from each division. The results of the challenges were then shared and recognized at a report meeting

Implemented ideas (selection)

- Marketing with the “neuro investigation” concept
- Entry into the health supplement server business (which led to investment in the health server business)

2017
DyDo Challenge Award

(1) Commending employee challenges
(2) Making employee ideas a reality

Initiatives

(1) DyDo Challenge Award
An award to recognize challenges implemented over the preceding year that have contributed to improved corporate value

(2) DyDo Challenge Idea Award
An award presented to ideas, submitted by employees, that have been chosen to be implemented during or after the next fiscal year

2018 DyDo Challenge Award ceremony

The winner of the 2018 DyDo Challenge Awards was the Group Code of Conduct Development Project, an initiative that crosses company and departmental boundaries.

Implementation of the Group Code of Conduct Development Project

With the formulation of Group Mission 2030, a new Group Code of Conduct was created to replace the existing one, aiming to fulfill the mission expressed in our Group Philosophy and Group Vision. This project began with a proposal by an employee that was eventually implemented through the cross-divisional Group Code of Conduct Development Project.

| The need for lasting guidelines in an age of change

This project was born out of a proposal by an employee who felt there was a need for guidelines that were the same throughout the group, that could be followed by everyone, no matter their nationality, age, gender, or job duties, and of which everyone could be proud for a long time to come. The employee felt that such guidelines were especially needed at a time when the group was expanding and social conditions were changing along with the environment in and around the company.

| Project members with a variety of work backgrounds

The project team responsible for developing the Group Code of Conduct was made up of 25 employees, particularly younger employees who will one day lead the group, from our four business segments—the Domestic Beverage, International Beverage, Pharmaceutical-related, and Food businesses. This effort to create guiding principles that will last over time has received the support of all companies within the group and to ensure that a wide range of views are given importance, the project members were selected from a variety of job roles in areas that included management and planning, sales, and manufacturing. To make sure of a diverse range of values, members with experience overseas were also involved in formulating the code and separate interviews were held with employees unable to attend meetings in Japan in real time to compare and adjust perceptions.

| An integration of unique viewpoints and strengths

Meetings were first held separately by business segment, then cross-segment teams were formed and the final stage was a meeting with everyone together. Teleconferencing and other systems were utilized to bring everyone together to share and discuss ideas, particularly those from the three locations of Tokyo and Osaka, where all group companies have offices, and Nagasaki, where the head office and factories of Tarami, responsible for the Food Business, are located. Even though their business models and work responsibilities vary, everyone came together, valuing each other's contributions and finally produced a new Code of Conduct that focused on the twin aspects of safety and value creation, and which combined the strengths and ideas of the various group companies.

| Forming a basis for the actions of every employee

The Code of Conduct, formed in this way, provides guiding principles to refer back to during one's daily work duties and is distributed to group employees as the DyDo Group Compliance Handbook.

Communication tools are used to further promote the guidelines, such as by reporting employees' efforts on the company intranet. There are also plans for project members to travel around Japan to explain how the Code of Conduct was formulated and to study how it is tying in to people's individual work duties.

Going forward, we will use the changes in the business environment as a chance to achieve sustainable growth and raise corporate value for the group as a whole in the medium to long term.

Some of the members of the Group Code of Conduct Development Project

The project involved elements such as group work in each location and teleconference meetings between teams

Article on the corporate intranet introducing the Group Code of Conduct

Governance

Promoting Constructive Dialogue with Improved Information Disclosure

At the DyDo Group, we believe that constructive dialogue with shareholders, investors, and other stakeholders, and reflection of their views in our business administration, are conducive to sustained growth and improved corporate value over the medium to long term. To that end, proactive IR interaction with stakeholders, based on transparency, fairness and a long-term focus is imperative.

Improving Fair Access to Information

We are working to upgrade the tools we use for information disclosure purposes to meet the demands of investors. In particular, our website is an important vehicle for promoting fair access to information for all stakeholders. For instance, following the presentation of financial results to institutional investors, we will strive to post the handouts and video footage of the meeting, as well as transcripts, questions and answers, and outlines of other information deemed useful for individuals to make informed investment decisions. Moreover, we are working towards having English versions of almost all materials (with the exception of statutory materials required to be released under Japanese law, and video footage) released simultaneously with Japanese versions to ensure fair access to investors overseas.

Improving Publishing of Comprehensive Disclosure

In the interests of driving sustained growth and medium- to long-term improvement of corporate value, we believe it is important to disclose information in a more comprehensive manner by framing the latest facts and figures within the context of the broader narrative of the company, from our founding principles through to our vision of the future.

Based on the draft form of the *Principles Regarding the Disclosure of Narrative Information* (announced on December 18, 2018), the FY2018 financial summary and securities report was released, providing a more accurate understanding of the direction of management by newly disclosing management and investment strategies, which included risk information and analysis of management results and other data from the perspective of management.

Also, with the revised *Cabinet Office Order on Disclosure of Corporate Affairs* announced on January 31, 2019, and prior to its going into effect, we aim to enhance the depth of MD&A and risk information in our securities report for fiscal 2018, as we strive to promote dialogue from the perspective of medium- to long-term shareholder value.

We also hope to use the notices announcing the convening of our regular general meetings of shareholders as a tool for promoting understanding of our medium- to long-term strategy. To this end, from the general meeting of shareholders held this April, the 44th, we revised the structure of the notice, so as to be able to explain recent results from a longer-term perspective. To further deepen understanding, we also newly added our history from the time of our founding and a message from the president himself regarding the overarching direction of DyDo's management. Through these changes, as well as a move to color printing and the use of diagrams that visualize the data to improve understanding, we believe we are ensuring a full spread of information that is easily comprehensible.

We are determined to offer information proactively and beyond mere legal requirements in order to promote valuable dialogue and enable informed investment decisions.

Composition of the Notice of Convocation of the 44th Annual General Meeting of Shareholders

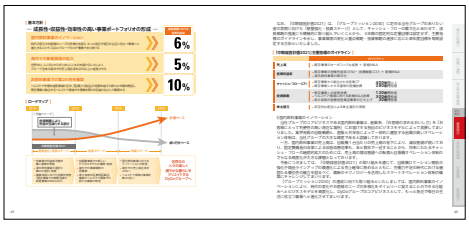
- Notice of Convocation of the 44th Annual General Meeting of Shareholders
  - History of Value Creation in the DyDo Group
  - Message from the President — Point1
- Reference documents for general meeting of shareholders
- Business reports
  - Items regarding the current status of the organization
    - (1) Status of the businesses in the current fiscal year
      - 1. Business progress and results
      - 2. Financial situation
      - 3. Status of capital investment
      - 4. Status of fundraising
    - (2) Profit/loss and assets status for the preceding 3 fiscal years
    - (3) Issues requiring resolution — Point2
    - (4) Major businesses
    - (5) Status of major subsidiaries and sites
    - (6) Status of the workforce
    - (7) Status of major lenders
    - (8) Other important items regarding the current status of the organization
  - Items regarding the company's shares
  - Items regarding the company's share warrant
  - Items regarding the company's executives
  - Status of the accounting auditors
- Consolidated financial statements
- Financial statements
- Audit reports

Point1

As well as the company's history from the time of founding, the notice opened with the president elucidating the direction the company is aiming to take and important factors in the company's future.

Point2

The notice explained the issues that require resolving from a medium- to long-term perspective, including explanations of the Group Mission 2030 and the Mid-term Business Plan 2021.



Dialogue with shareholders and investors

			2015	2016	2017	2018	2019
Institutional investors (including shareholders)	Financial results briefings	times held	2	2	2	2	2*
	Small meetings	times held	4	5	3	3	3*
	Individual meetings	times held	173	191	181	205	—
	Business briefings or factory tours	times held	0	0	1	0	—
Individual investors	Briefings for individual investors	times held	15	16	17	20	20*
		where the president attended	0	0	1	1	1*
		total participants	1,316	1,206	1,821	1,737	—
Shareholders	General meeting of shareholders	Participants	692	684	732	791	790
	Business briefings or factory tours	times held	0	0	1	1	1*
	Percentage that responded to questionnaires (average: %)		15.7	13.5	13.0	10.6	—
	Number of individual shareholders at the end of the period		24,980	25,088	29,626	30,617	—

*denotes scheduled meetings

Constructive Dialogue with Institutional Investors

Institutional investors are not just potential shareholders, but are also a source of objective insights on how to raise corporate value in the medium to long term. For that reason, we seek forward-looking dialogue with such investors via financial results briefings and small meetings attended by the president, and individual meetings held by our IR team. Feedback received from institutional investors is then shared with the board of directors at monthly meetings.

In order to further incorporate ideas from outside the company into the formulation of our long-term vision or management plans, four executives from the country, including the president and external directors, and 14 institutional investors met in May 2018 to hold a roundtable discussion on ESG issues. Questions posed by the institutional investors at the ESG Round Table drew responses that showed the president's thinking and the external directors' evaluations, which led to a deepening of the discussion, as well as an opportunity to share information about the obstacles to medium- to long-term growth.

We will continue to expand our platforms for dialogue and our suite of tools for promoting these, and we look forward to incorporating the insights gleaned from interaction with institutional investors into our management strategies so as to boost growth.

Main discussion points at the ESG Round Table

- Propagation of the Group Philosophy
- Status of international subsidiary monitoring
- Business risks in the medium to long term.
- Prioritising obstacles to sustainable growth
- Lessons learnt from previous M&A and other investments
- Details of the discussion at the Board of Directors regarding entry into the orphan drug business

Constructive Dialogue with Individual Investors and Shareholders

Because our business is directly linked to consumers, we value the input of individual investors as a direct line to consumer sentiment—a source of unvarnished feedback from "fans" aimed at promoting sustained growth. For that reason, we have a range of initiatives in place aimed at increasing the number of individual investors, such as corporate seminars held nationwide and shareholder benefits that double as vehicles for announcing products.

For our shareholders, we publish DyDo *Challenge Tsushin*, a Japanese-language newsletter, and deliver both it and separate "shareholder benefit" items twice a year, each of which contains a questionnaire for shareholders to fill out (response rate for our autumn 2018 edition: 9.8%). The opinions and views received in the questionnaire are fed back to the appropriate department and used to inform future practices regarding publishing and other contact with individual shareholders and investors.

In June 2018, for the benefit of individual shareholders, we held a business briefing session where the heads of the Domestic Beverage Business, Vending Machine Department, and Marketing Department, explained their business strategies. Elsewhere, we held a meeting—attended by the president—in October 2018 for individual investors in the Tokyo metropolitan area who would find it difficult to attend our general meetings of shareholders in Osaka. In this and other ways, we are seeking to increase opportunities for dialogue.

Individual investors and shareholders are the most immediate customers of our products, and we vow to take heed of what they have to say so that we may pursue mutual prosperity alongside all of our stakeholders.

Management

Board of Directors

President and Representative Director

Tomiya Takamatsu

Profile

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 of DyDo DRINCO Split Preparation Co., Ltd. (currently DyDo DRINCO, Inc.) (incumbent)

Reason for Appointment

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 is considered to be qualified for service on the Board of Directors.

Important Concurrent Posts

President and Representative Director of DyDo DRINCO Inc.

Chairman and Director

Tomihiro Takamatsu

Profile

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)

Reason for Appointment

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 is considered to be qualified for service on the Board of Directors.

Important Concurrent Posts

Board Chairman for the non-profit organization Nippon Matsuri Network

Director and Corporate Officer

Naoki Tonokatsu

Profile

Mar. 1986 Joined the Company
Jan. 2011 General Manager of the Financial Affairs Department, the Company
Mar. 2013 Corporate Officer and Division Director of the Administrative Division, the Company
Jan. 2014 Corporate Officer and Division Director of the Finance Division, the Company
Jan. 2017 Corporate Officer and General Manager of the Finance Department, the Company Director, Corporate Officer, Division Director of the Finance Division, DyDo DRINCO, Inc. (incumbent)
Apr. 2017 Director, Corporate Officer, and General Manager of the Finance Department (incumbent)

Reason for Appointment

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 the 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.

Director and Corporate Officer

Naoyuki Nishiyama

Profile

Mar. 1988 Joined the company
Jan. 2014 General Manager of the Corporate Strategy Department, the Company
Feb. 2014 General Manager of the Corporate Strategy Department and General Manager of the International Business Department, the Company
Mar. 2015 Corporate Officer, General Manager of the Corporate Strategy Department, and General Manager of the International Business Department, the Company
Jan. 2016 Corporate Officer, General Manager of the Corporate Strategy Department, and General Manager of the Strategic Investment Department
Jan. 2017 Corporate Officer and General Manager of the Corporate Strategy Department, the Company
Apr. 2017 Director, Corporate Officer, and General Manager of the Corporate Strategy Department (incumbent)

Reason for Appointment

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 achievement. Currently, he is leading Group companies as the Director, Corporate Officer, and General Manager of the Corporate Strategy Department and pursuing initiatives to expand into new business domains. Based on this proven track record, he is considered to be qualified for service on the Board of Directors.

Independent Outside Director

Shinji Mori

Profile

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
Apr. 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 Corporate Auditor, the Company
Sep. 2003 Senior Partner, Chuo Sogo Law Office, P.C. (incumbent)
Apr. 2014 Director, the Company (incumbent)

Reason for Appointment

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 five 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 is considered to be qualified for service on the Board of Directors as an Outside Director. 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.

Important Concurrent Posts

Outside Corporate Auditor at Osaka Soda Co., Ltd.
Auditor at Credit Guarantee Corporation of Osaka

Independent Outside Director

Masataka Inoue

Profile

Apr. 1978 Joined Nakano Sumire Co., Ltd.
Jul. 2005 Director at Mizkan Group Corporation
May 2007 Managing Director at Mizkan Group Corporation
Oct. 2009 Full-time Corporate Auditor, Mizkan Group Corporation
Mar. 2011 Divisional Manager in charge of the Management Auditing Office at Mizkan Group Corporation
Mar. 2014 Appointed 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)

Reason for Appointment

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 is considered to be qualified for service on the Board of Directors as an Outside Director.

Corporate Auditors

Standing Corporate Auditor

Kazuyoshi Hasegawa

Profile

Mar. 1980 Joined the Company
Mar. 1996 Manager of the Chiba Office, the Company
Jan. 2006 Head of the General Affairs Department, the Company
Mar. 2010 Head of the Wide-area Distribution Department, the Company
Mar. 2012 Head of the Corporate Sales Daisan Department, the Company
Jan. 2015 Chief Manager of the Corporate Sales Department, the Company
Apr. 2015 Full-time Corporate Auditor, the Company (incumbent)

Reason for Appointment

In his capacity as a full-time Corporate Auditor, Mr. Hasegawa is appropriately carrying out his role of auditing the execution of duties by Directors. He has been attending the Board of Directors meetings and other important meetings, and providing comments from a perspective of legality and suitability. While performing activities including the establishment of an environment for auditing and the collection of internal company information, he has been regularly monitoring the status of the construction and operation of the internal control system. Based on this proven track record, he is considered to be qualified for service as a Corporate Auditor.

Independent Outside Corporate Auditor

Sachie Kato

Profile

Apr. 1969 Joined the Legal Training and Research Institute
Apr. 1971 Public Prosecutor at the Tokyo District Public Prosecutors Office
May 1974 Registered as a member of the Osaka Bar Association
Apr. 2014 Corporate Auditor, the Company (incumbent)

Reason for Appointment

In light of her many years of experience as an attorney, her high level of discernment as a specialist in the law, her contribution to resolving a range of legal issues faced by multiple corporations, and her deep insight into corporate management, we consider Ms. Kato to be capable of overseeing the Company's auditing operations with a high level of independence and from a broad, overarching perspective.

Important Concurrent Posts

Outside Director of Yamazen Corporation
Outside Director of Hisaka Works, Ltd.

Independent Outside Corporate Auditor

Shigeyuki Moriuchi

Profile

Oct. 1982 Joined Price Waterhouse Certified Public Accountants Office
Jul. 1998 Senior Partner at Aoyama Audit Corporation
Oct. 2005 Director and Senior Partner at ChuoAoyama Audit Corporation
May 2007 Senior Partner at Kasumigaseki Audit Corporation (currently Grant Thornton Taiyo LLC)
Jan. 2010 Managing Partner at 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 Corporate Auditor, the Company (incumbent)

Reason for Appointment

Mr. Moriuchi has gained longstanding auditing experience at a major accountants office and a major audit corporation, and he has business experience in a wide range of areas including legal auditing operations, international operations, IPO support and has extensive insight as an accounting specialist. The Company therefore wishes for such expertise to be reflected in the Company's auditing and has put him in the position of Outside Corporate Auditor.

Outside Corporate Auditor

Kiyoshi Watanabe

Profile

Feb. 1997 Registered as a certified tax accountant
Jul. 1997 Established Kiyoshi Watanabe Certified Tax Accountant Office (his current position)
Apr. 2019 Appointed Corporate Auditor of the company (incumbent)

Reason for Appointment

Mr. Watanabe has a wealth of experience in performing the duties of both certified tax accountant and management consultant, and is able to share his insight as a specialist in the taxation field. For these reasons, we consider Mr. Watanabe to be qualified for services as an Outside Corporate Auditor.

(as of April 16, 2019)

Corporate Officers

Corporate Officer and General Manager of the Corporate Communication Department

Naokazu Hasegawa

Corporate Officer and General Manager of the HR & General Affairs Department

Akikazu Hamanaka

Corporate Officer and General Manager of the International Business Management Department

Mamoru Mitamura

Independence Standards and Qualification for Outside Directors

We have established the following standards to govern the independence of outside directors:

1. Not a DyDo Group executive officer*1
2. Not a trading partner for whom DyDo Group is a major client*2 or one of its executive officers
3. Not a major trading partner of the DyDo Group or one of its executive officers
4. Not a consultant, accounting expert, or legal expert who has obtained a large amount of money*3 or other assets from the DyDo Group, apart from executive officer compensation
5. Not a director or other executive officer of an organization that receives donations or subsidies from the DyDo Group exceeding a designated amount*4
6. Not a major shareholder*5 or executive officer of the company
7. If the executive directors and Standing corporate auditors of the company concurrently serve as outside directors or outside corporate auditors of other companies, that they are not executive officers of the other companies
8. Someone for whom none of the 7 items above have applied over the last 3 years
9. Not a close relative*6 of any person to whom any of the 8 items above applies (however, employees in Item 1 are limited to key employees*7)

*1 Executive officer: an executive director, operating officer, or other officer who executes the duties of a corporation, etc., or person or employee in an equivalent position

*2 Major client: a client whose payments or receipts through transactions with the DyDo Group in the most recent fiscal year exceeds 2% of total annual consolidated sales

*3 Large amount of money: for an individual, an average of 10 million yen or more over the past 3 years; for a group, an average that exceeds 2% of the group's consolidated total sales over the past 3 fiscal years

*4 Designated amount: Either 10 million yen per year on average over the past three fiscal years or 30% of the average annual costs of the organization, whichever is higher

*5 Major shareholder of the company: a person who holds, directly or indirectly, 10% or more of the company's voting rights

*6 Close relative: a spouse, second-degree relative or closer, or a co-resident relative

*7 Key employee: an employee at the department managerial level or higher

Financial Summary

Fiscal Year	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
						Previous Mid-term Business Plan "Challenge		
			*1				*2 *3	
Net sales	151,048	151,369	147,404	148,902	154,828	149,526	149,856	171,401
Cost of sales	70,981	68,927	67,284	67,976	70,553	67,553	68,859	81,947
Gross profits	80,067	82,442	80,120	80,925	84,275	81,972	80,996	89,454
SG&A expenses	74,006	75,903	72,824	72,990	78,270	76,798	76,008	85,596
Operating profit	6,060	6,539	7,295	7,934	6,004	5,174	4,988	3,857
Ordinary profit	5,518	5,809	6,687	7,725	5,962	4,470	4,262	3,741
Profit attributable to owners of parent	705	2,691	2,351	4,410	3,712	2,322	2,347	3,269
Main SG&A expenses								
Shipment expenses	4,271	4,123	3,940	4,213	4,607	4,588	4,803	6,572
Advertising expenses	2,671	3,978	4,159	6,167	6,697	5,963	5,096	6,190
Promotion expenses	18,811	19,965	20,103	21,101	23,203	23,126	24,128	26,368
Salaries and allowances	13,435	12,804	11,861	11,526	11,281	11,006	11,143	11,893
Equipment								
Capital expenditure	1,184	*4 1,481	6,839	16,833	*5 14,376	12,261	10,681	10,037
Depreciation	12,487	12,747	12,350	11,202	12,080	12,343	11,704	12,611
Assets / Employees								
Total assets	125,326	125,497	128,550	140,487	146,479	147,894	163,697	163,870
Net assets	71,020	73,049	74,788	79,097	82,554	84,734	85,181	85,693
Number of employees (persons)	3,281	3,149	2,936	2,916	2,770	2,767	2,887	3,602
Cash flow								
Cash flow from operating activities	19,650	14,911	17,540	16,491	14,764	13,959	14,603	15,309
Cash flow from investing activities	(8,390)	(3,252)	(8,274)	(6,704)	(16,580)	3,734	(8,090)	(20,560)
Cash flow from financing activities	(13,539)	(11,964)	(11,016)	(219)	(469)	(2,561)	12,412	(9,445)
Cash and cash equivalent at end of period	21,533	21,174	19,424	29,051	26,874	42,020	60,898	46,120
Financial index								
Gross profit margin (%)	53.0	54.5	54.4	54.3	54.4	54.8	54.0	52.2
Operating margin (%)	4.0	4.3	4.9	5.3	3.9	3.5	3.3	2.3
Profit margin on net sales (%)	0.5	1.8	1.6	3.0	2.4	1.6	1.6	1.9
Total asset turnover (times)	1.2	1.2	1.1	1.1	1.1	1.0	0.9	1.0
Inventory turnover (times)	24.0	24.2	24.4	24.1	24.1	22.0	21.0	22.2
Capital adequacy ratio (%)	55.6	57.0	56.9	55.1	55.1	56.0	50.8	51.3
ROA (%)	4.9	4.6	5.3	5.7	4.2	3.0	2.7	2.3
ROE (%)	1.0	3.8	3.2	5.9	4.7	2.8	2.8	3.9
Information per share								
Earnings per share (yen)	42.61	162.45	141.91	266.22	224.08	140.16	141.68	197.34
Book value per share (yen)	4,208.25	4,321.26	4,416.66	4,670.18	4,872.53	4,999.88	5,022.16	5,075.31
Dividend per share (yen)	50	50	50	60	60	60	60	60
Dividend payout ratio (%)	117.4	30.8	35.2	22.5	26.8	42.8	42.3	30.4

the Next Stage" (to FY2019)

Millions of yen

FY2017	FY2018
172,684	**171,553**
83,420	**83,026**
89,263	**88,527**
84,372	**82,455**
4,891	**6,071**
5,382	**5,998**
2,504	**3,856**
7,066	**7,208**
5,494	**5,685**
25,917	**26,254**
12,424	**12,446**
9,454	**12,635**
11,860	**10,396**
171,147	**172,228**
90,927	**93,940**
3,771	**3,912**
14,308	**10,851**
(8,947)	**(16,876)**
(3,843)	**(2,618)**
47,520	**38,413**
51.7	**51.6**
2.8	**3.5**
1.5	**2.2**
1.0	**1.0**
19.9	**19.4**
52.3	**53.8**
3.2	**3.5**
2.9	**4.2**
151.73	**234.15**
5,430.20	**5,628.56**
60	**60**
39.5	**25.6**

Segment Information

Previous Mid-term Business Plan "Challenge the Next Stage" (to FY2019)

Millions of yen

Fiscal Year	FY2014	FY2015	FY2016	FY2017	FY2018
Domestic Beverage Business*7				*6 →	
Net sales*8	124,597	124,192	128,278	126,712	124,879
Segment profit	3,839	3,745	3,958	5,542	7,106
Segment profit margin (%)	3.1%	3.0%	3.1%	4.4%	5.7%
Segment assets	130,485	145,737	110,241	52,219	50,526
Capital expenditure	11,500	9,788	7,017	6,505	6,712
Depreciation	11,287	10,657	10,643	9,246	8,062
ROA (%)	3.0%	2.7%	3.1%	10.3%	13.8%
International Beverage Business*7					
Net sales*8	-	-	16,735	18,547	17,154
Segment profit	-	-	(1,266)	(838)	(704)
Segment profit margin (%)	-	-	-	-	-
Segment assets	-	-	21,744	20,717	15,186
Capital expenditure	-	-	1,882	842	539
Depreciation	-	-	907	918	675
Goodwill amortization value	-	-	182	171	114
ROA (%)	-	-	-	-	-
Pharmaceutical-Related Business					
Net sales*8	10,220	9,126	9,068	10,536	10,964
Segment profit	1,135	979	944	1,271	847
Segment profit margin (%)	11.1%	10.7%	10.4%	12.1%	7.7%
Segment assets	13,684	13,568	14,962	17,001	17,803
Capital expenditure	291	298	423	1,248	3,953
Depreciation	483	459	430	517	624
ROA (%)	8.3%	7.2%	6.6%	8.0%	4.9%
Food Business					
Net sales*8	15,360	17,155	18,013	17,560	19,114
Segment profit	198	259	212	219	235
Segment profit margin (%)	1.3%	1.5%	1.2%	1.2%	1.2%
Segment assets	17,166	17,537	17,395	17,791	17,459
Capital expenditure	470	595	742	465	941
Depreciation	572	587	632	656	683
Goodwill amortization value	306	306	298	298	298
ROA (%)	2.3%	1.5%	1.2%	1.2%	1.3%

*1 The acquisition of Tarami Corporation (Food Business) is assumed for the purposes hereof to have taken place on July 20, 2012 and is included in consolidated accounts for six months of FY2012
*2 Acquisition of the Malaysian beverage business was completed in December 2015 and it is included in consolidated accounts starting FY2016
*3 Acquisition of the Turkish beverage business was completed in February 2016, and it is included in consolidated accounts for eleven months of FY2016
*4 Started the transition from a lease to a purchasing method of vending machine procurement in FY2011.
*5 Due to second-hand parts use and a revision to the vending machine procurement method in the Domestic Beverage Business, purchasing costs per vending machine decreased.
*6 A change took place in assets and costs in conjunction with the transition to a holding company structure
*7 From FY2017, changes were made to reporting segments and the Beverage Sales Division was split between the Domestic Beverage Business and International Beverage Business
Results for FY2016 have been adjusted to fit the new reporting segments
Results for the Domestic Beverage Business to FY2015 include results for Russia and China
*8 Each sales figure includes internal sales between segments

Status of Shares / Rating Information / Corporate Bond Information

(as of January 20, 2019)

Status of Shares

Total Shares / Number of Shareholders

Authorized number of shares: 50,000,000

Number of shares outstanding:
16,568,500 (including 997 shares of treasury stock)

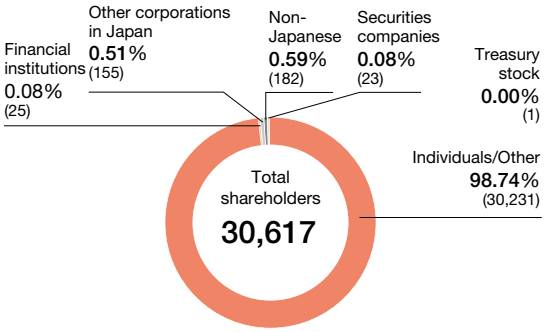
Minimum trading unit: 100 shares

Number of shareholders: 30,617

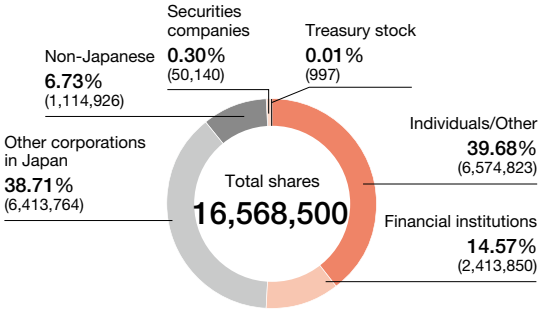
Major Shareholders

Shareholder name	Number of shares	Percentage of voting rights (%)
HighWood Co., Ltd.	2,470,800	14.91
Santomi	2,011,600	12.14
Taita Corporation	738,100	4.45
Tomihiro Takamatsu	495,000	2.98
Tomiya Takamatsu	495,000	2.98
Akira Takamatsu	494,000	2.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	488,500	2.94
Japan Trustee Services Bank, Ltd. (Trust Account)	476,000	2.87
Japan Trustee Services Bank, Ltd. (Trust Account 9)	451,700	2.72
Tamon Takamatsu	445,800	2.69

Number of Shareholders by Shareholder Category



Number of Shares by Shareholder Category



Trends in Total Shareholder Returns (over five years)

		FY2014	FY2015	FY2016	FY2017	FY2018
Share value at the end of the period (yen)		4,945	5,120	5,980	5,880	5,490
Dividend per share (yen)		60	60	60	60	60
Cumulative dividend per share (yen)		280	290	300	300	300
Share value increase (yen)		1,945	1,970	2,900	2,330	1,180
Total shareholder return* per share						
	Absolute amount (yen)	2,225	2,260	3,200	2,630	1,480
	Percentage	74.2%	71.7%	103.9%	74.1%	34.3%

*total shareholder return for each of the previous five fiscal years (share value increase + cumulative dividend)

(Reference)

TOPIX	on Jan. 20	1,397.63	1,338.97	1,553.46	1,889.74	1,557.59
	Increase/decrease over five years	47.9%	44.4%	105.6%	107.3%	20.4%

Highest and Lowest Share Values by Fiscal Year

	FY2014	FY2015	FY2016	FY2017	FY2018
High (yen)	5,150	5,720	6,290	5,990	7,120
Low (yen)	3,925	4,530	4,935	5,070	5,110

Rating Information / Corporate Bond Information

Rating Information

The DyDo Group has been given the following rating by the credit rating agency listed below.

(as of July 19, 2018)

Rating agency	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	A-	Stable

Corporate Bond Information

Description	First unsecured straight bond (with a limited inter-bond pari passu ranking clause)
Date of issue	October 16, 2015
Total amount issued	¥15 billion
Interest rate	0.341% (per year)
Redemption date	October 16, 2020

Corporate Data / Group Companies (as of January 20, 2019)

Corporate Data

Company Name	DyDo Group Holdings, Inc.
Head Office	2-2-7 Nakanoshima, Kita-ku, Osaka 530-0005, Japan
Representative	President and Representative Director Tomiya Takamatsu
Established	January 27, 1975
Fiscal Year	From every January 21 to January 20 of the following year
Paid-in Capital	1,924 million yen
Stock Exchange Listing	Tokyo Stock Exchange, 1st Section
Securities Code	2590
Number of Employees	Consolidated: 3,912

Group Companies

Domestic Beverage Business

DyDo DRINCO, INC. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Osaka

DyDo Beverage Service, Inc. Consolidated Subsidiary
Business Outline: Contract sales of soft drinks, etc.
Location: Osaka

DyDo Business Service, Inc. Consolidated Subsidiary
Business Outline: Business processing services for the Group
Location: Osaka

DyDo Beverage Shizuoka, Inc. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Fukuroi, Shizuoka

DyDo West Vending, Inc. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Yonago, Tottori

DyDo DRINCO Service Kanto, Inc. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Shimotsuga, Tochigi

DyDo-Takenaka Beverage, Inc. Equity Method Affiliate
Business Outline: Manufacture and sales of soft drinks, etc.
Location: Muroto, Kochi

DyDo-Takenaka Vending, Inc. Equity Method Affiliate
Business Outline: Sales of soft drinks, etc.
Location: Nankoku (registered location: Kochi), Kochi

Akita-DyDo Corporation Equity Method Affiliate
Business Outline: Sales of soft drinks, etc.
Location: Akita

Gunma-DyDo Corporation Equity Method Affiliate
Business Outline: Sales of soft drinks, etc.
Location: Sawa, Gunma

Shibusawa DyDo Group Logistics Co., Ltd. Equity Method Affiliate
Business Outline: Freight forwarding on consignment
Location: Osaka

International Beverage Business

Shanghai DyDo DRINCO, Inc. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Shanghai, China

DyDo DRINCO RUS, LLC Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Moscow, Russia

DyDo Mamee Distribution Sdn. Bhd. Consolidated Subsidiary
Business Outline: Sales of chilled drinks and soft drinks, etc.
Location: Johor Bahru, Malaysia

Della Gıda Sanayi ve Ticaret A.Ş. Consolidated Subsidiary
Business Outline: Production of soft drinks, etc.
Location: Istanbul, Turkey

Bahar Su Sanayi ve Ticaret A.Ş. Consolidated Subsidiary
Business Outline: Production of soft drinks, etc.
Location: Istanbul, Turkey

DyDo DRINCO TURKEY İçecek Satış ve Pazarlama A.Ş. Consolidated Subsidiary
Business Outline: Sales of soft drinks, etc.
Location: Istanbul, Turkey

Mavidağ Gıda Pazarlama Sanayi ve Ticaret Ithalat Ihracat A.Ş Non-consolidated Subsidiary
Business Outline: Manufacture and sales of mineral water
Location: Muğla, Turkey

Pharmaceutical-Related Business

DAIDO Pharmaceutical Corporation Consolidated Subsidiary
Business Outline: Sales and production of drinkable preparations (medicines, quasi-medicines, soft drinks), etc.
Location: Katsuragi, Nara

Food Business

Tarami Corporation Consolidated Subsidiary
Business Outline: Sales and production of fruit dessert jellies, etc.
Location: Nagasaki

Shunnotoki Inc. Consolidated Subsidiary
Business Outline: Sales of fruit dessert jellies, etc.
Location: Isahaya, Nagasaki

DyDo Group Holdings Website Information

https://www.dydo-ghd.co.jp/en/

In order to provide the latest news to our shareholders and investors in a timely manner, we are committed to IR activities through our website.

こころとからだに、
おいしいものを。

Offering delicious products
for sound mind and body

DyDo Group Holdings, Inc.

2-2-7 Nakanoshima, Kita-ku, Osaka, Japan 530-0005
https://www.dydo-ghd.co.jp/en/

For inquiries regarding this report, please contact:
Corporate Communication Department
ir_info@dydo.co.jp

The plans, future projections and strategies for the DyDo Group stated in this report, 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 on March 4, 2019. 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.