こころとからだに、
おいしいものを。

DyDo

FY2019 (Year Ended January 20, 2020) Financial Highlights

DyDo Group Holdings, Inc.

(1st Section of the Tokyo Stock Exchange: 2590)

March 4, 2020

こころとからだに、
おいしいものを。

Table of Contents

こころとからだに、
おいしいものを。

1. About the Group Mission 2030 and the Mid-term Business Plan 2021

こころとからだに、
おいしいものを。

Significance of the DyDo Group

▶ Offering delicious products for sound mind and body

DyDo Group Corporate Philosophy

Creating happiness and prosperity, together with people and with society.
To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way.

DyDo Group Corporate Vision

Together with our customers.	With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only DyDo can.
Together with society.	Bringing together all DyDo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.
Together with the next generation.	We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.
Together with our people.	We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

Group Slogan

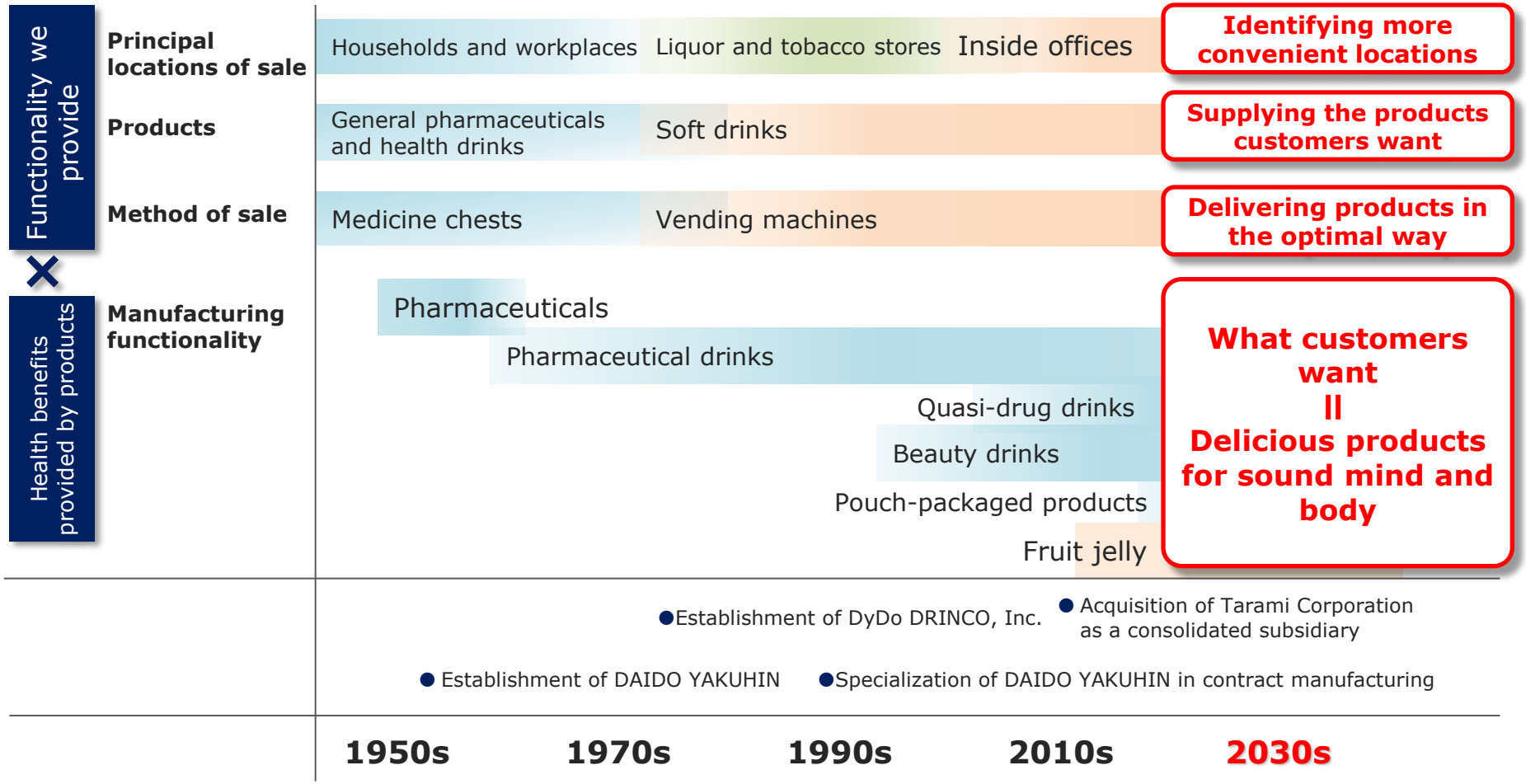
こころとからだに、
おいしいものを。

Offering delicious products
for sound mind and body

こころとからだに、
おいしいものを。

Direction of the DyDo Group

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



こころとからだに、
おいしいものを。

Group Mission 2030

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

Together with our customers.

Nurturing our customers' health

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

Together with the next generation.

Creating new value for future generations

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

Together with society.

Taking the lead in social reform

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

Together with our people.

Connecting people to people

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

こころとからだに、
おいしいものを。

Group Mission 2030 Basic Policies

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

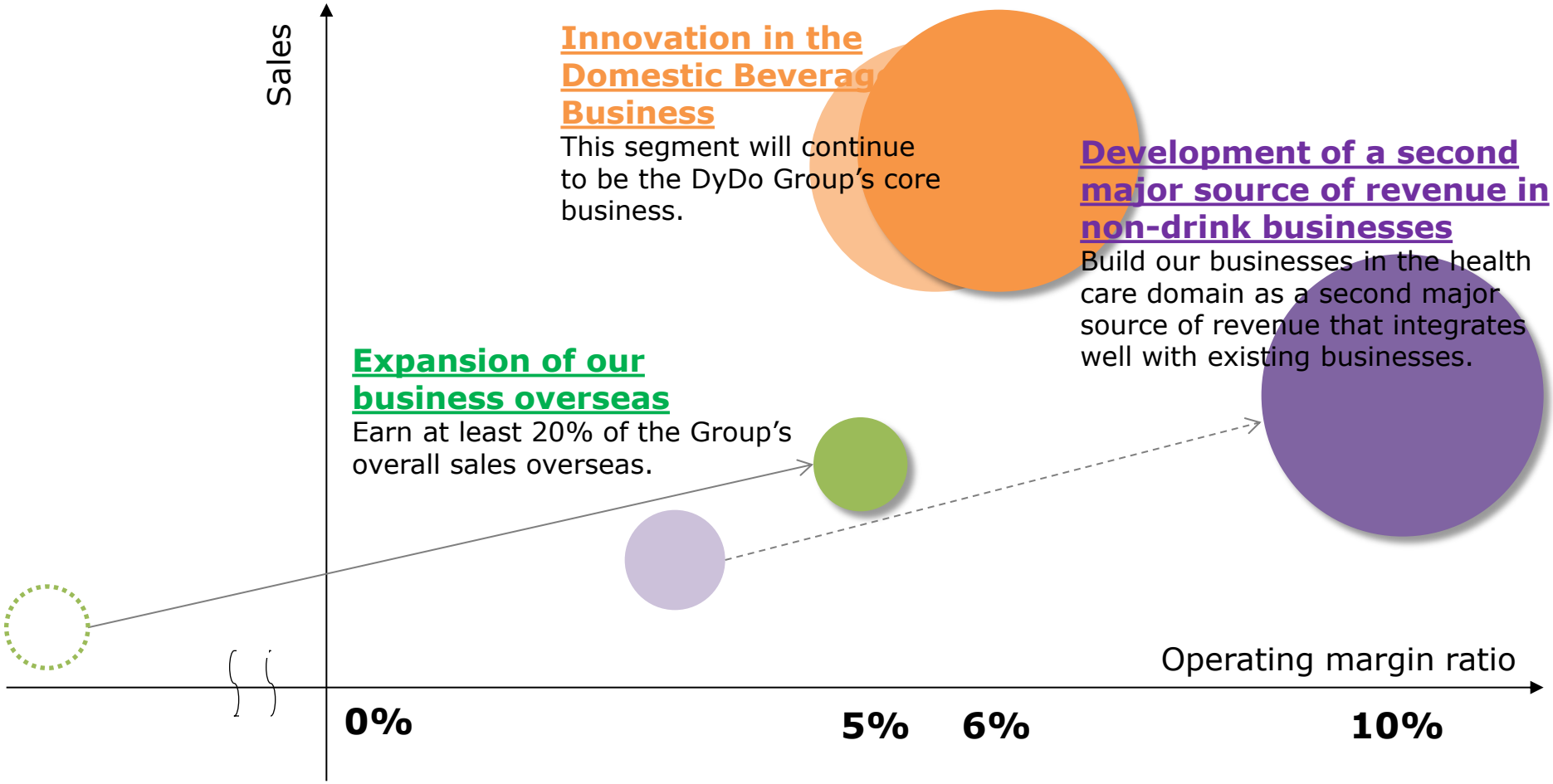
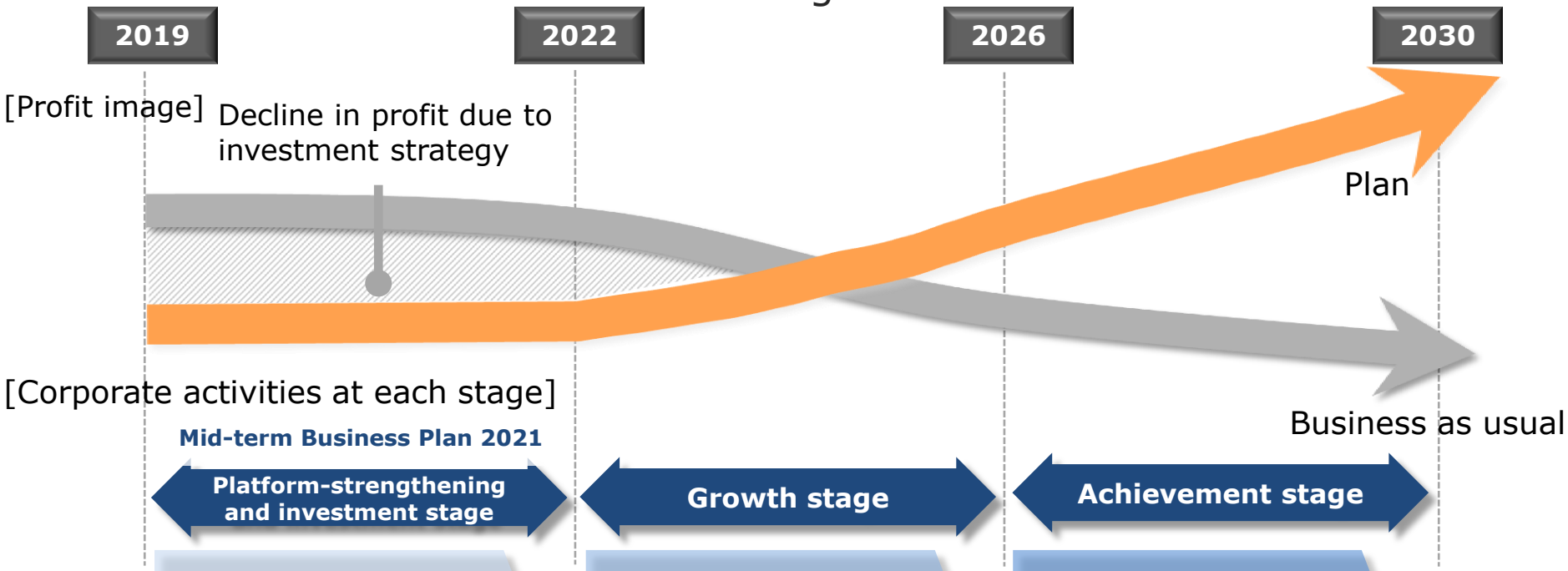


*Figure intended as a general illustration. The size of each circle represents operating income, with FY2018 and FY2030 indicated by light and dark colors, respectively.

こころとからだに、
おいしいものを。

Group Mission 2030 Roadmap

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



[Corporate activities at each stage]

Mid-term Business Plan 2021

Platform-strengthening and investment stage

- Carrying out measures to boost profitability in individual businesses
- Studying and implementing a selection and consolidation process in the International Beverage Business
- Making growth-oriented investments (strategic investments in existing businesses, M&As in new businesses, etc.)

Growth stage

- Building and developing a new business model for the vending machine business
- Rebuilding the strategies that guide our business activities overseas
- Developing the orphan drug business and other new businesses in the health care domain

Achievement stage

- Achieving innovation in the Domestic Beverage Business
- Boosting overseas sales to 20% of total sales
- Transforming our healthcare domain businesses into a second major source of revenue

こころとからだに、おいしいものを。

DyDo

Investment Strategy in the Mid-term Business Plan 2021

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

[Investment resources]

Red borders: Growth investments

About ¥36 billion

Surplus funds on balance sheet

Investing surplus funds in new businesses

[Investments in new businesses] **¥33 billion**

- M&A investments in the health care domain ¥30 billion
- Investments in launching the orphan drug business ¥3 billion

[Return of profits to shareholders through stable dividends] **¥3 billion**

¥40 billion or more

Cumulative operating cash flows over three years created by each business

Reinvesting cash flows in each business

[New investments to grow existing businesses] **¥12 billion**

(Domestic Beverage Business) ¥6 billion

- IoT investments to streamline operations
- Investments to create businesses that utilize vending machines

(Pharmaceuticals Business) ¥6 billion

- Construction of a new plant in the Kanto region
- Construction of a new pouch line at our existing Nara Plant

[Conventional capital investment in existing businesses] **¥28 billion**

こころとからだに、
おいしいものを。

Progress in Implementing the Mid-term Business Plan 2021

- We have made steady progress in implementing initiatives designed to increase our corporate value over the medium and long term

Mid-term Business Plan 2021 basic policy	Progress in implementation at present
Working to maximize cash flows through measures that focus on improving profit	○ In the Food Business and in our Turkish beverage business, profits improved significantly. △ Some segments of our International Beverage Business are poised to return to profitability. × Conditions in the vending machine channel remain challenging, and operating profit fell below the previous year's level.
Expanding products and services designed to deliver delicious flavor and health	○ Robust sales of "Calorie Limit For the Mature Aged" helped us establish a strong position in the functionally labeled food market. ○ Significant growth in mail-order supplement sales contributed to profits. ○ Tarami (Food Business) increased its market share.
Pursuing a policy of selection and consolidation at strategic facilities in the International Beverage Business	○ We developed sales facilities (in the UK and Russia) to increase exports from Turkey. △ We dissolved the joint venture in our Malaysian beverage business and began a new chapter in our operations there. △ We reviewed unprofitable vending machine locations to prepare for a series of adjustments in how our Russian subsidiary operates.
Making strategic investments to spur growth in existing businesses and to create new businesses	○ DAIDO Yakuhin finished construction of a pouch packaging line and new Kanto Plant. △ We invested in IoT and carried out trials and tests as part of an effort to establish smart operational structures. △ We continued to research and study potential M&A transactions.
Adopting strategies to train human resources who will lead the DyDo Group to sustained growth	○ We worked to ensure compliance with the Group Code of Conduct. ○ We pursued health-oriented management based on the DyDo group Health Declaration. △ We strengthened sales structures related to developing vending machine locations.

こころとからだに、
おいしいものを。

Mid-term Business Plan 2021 Guidelines and FY2019 Results

- We are making steady progress in implementing our investment strategy, and we are clearly identified the issues that need to be addressed as we work to increase our corporate value over the medium and long term
- We are accelerating initiatives in the run-up to FY2021, the plan's final year

Guidelines			FY2019 results
Sales	• Organic growth in existing businesses along with new M&As		**¥168.2 billion**
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		**1.7%**
Cash flows (CFs)	• Operating cash flows created by existing businesses:	¥40 billion yen or greater	Sales cash flow: **¥11.4 billion** Capital investment: **¥16.5 billion** Of which, growth investments in the Pharmaceutical-related Business (construction of a new Kanto Plant and a new pouch packaging line at our Nara Plant): **¥5.8 billion**
	• Capital investment necessary in existing businesses:	About ¥28 billion	
Investment strategy	• Growth investments in existing businesses:	About ¥12 billion	
	• Investment in the health care domain to execute new M&As:	About ¥30 billion	—
	• Launch of the orphan drug business:	About ¥3 billion	—
Return to shareholders	• Return of profits to shareholders through stable dividends		**¥60** per share

こころとからだに、おいしいものを。

Principal Results and Issues Based on the Mid-term Business Plan 2021 Basic Policy

- There is an urgent need to strengthen the foundation of our vending machine business

● Improving profits	
Results	Significantly improving profitability in the Food Business and in the Turkish beverage business
Issues	Strengthening the foundation of our vending machine business to help restore profits in the Domestic Beverage Business ➡ P.27
● Pursuing a policy of selection and consolidation for strategic facilities overseas	
Results	Developing sales facilities (in the UK and Russia) to increase exports from Turkey
Issues	Pursuing reforms in the Malaysian beverage business ➡ P.32
● Making growth investments	
Results	Completing construction of a new pouch packaging line at DAIDO Yakuhin and the new Kanto Plant
Issues	Pursuing a growth strategy in the healthcare domain ➡ P.36

こころとからだに、
おいしいものを。

DyDo

2. Overview of Consolidated Results for FY2019 (Year Ended January 20, 2020)

こころとからだに、
おいしいものを。

Overview of Consolidated Results for FY2019

- Consolidated net sales totaled ¥168,256 million (down 1.9% year on year)
- Profitability improved in the Food Business and in the Turkish beverage business
- In the Domestic Beverage Business, falling sales due to factors including adverse weather impacted profits
- We posted an extraordinary loss due to expenses associated with business structure reforms (increased pension benefits, loss on liquidation of subsidiaries and affiliates, etc.)

(Millions of yen)

	FY2018 results		FY2019 results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	171,553	100.0%	168,256	100.0%	(1.9%)	(3,297)
Operating profit	6,071	3.5%	2,893	1.7%	(52.3%)	(3,178)
Ordinary profit	5,998	3.5%	2,857	1.7%	(52.4%)	(3,141)
Profit attributable to owners of parent	3,856	2.2%	1,778	1.1%	(53.9%)	(2,077)
EPS	234.15 yen		108.00 yen		(53.9%)	(126.15)
Dividend per share	60 yen		60 yen		-	-

こころとからだに、
おいしいものを。

Overview of Results for the 4th Quarter of FY2019

- In the Domestic Beverage Business, sales of hot beverages proved challenging due to warmer than usual temperatures during the winter (1)
- In the International Beverage Business, we posted initial costs associated with the rebuilding of the Malaysian beverage business (2)
- In the Pharmaceutical-related Business, depreciation expenses grew rapidly due to the completion of the new Kanto Plant (3)

(Millions of yen)

	3rd quarter: Cumulative results			4th quarter: Cumulative results			Full-year results		
		Year on year			Year on year			Year on year	
		Percent change	Amount (YoY)		Percent change	Amount (YoY)		Percent change	Amount (YoY)
Domestic Beverage	93,146	(2.5%)	(2,389)	28,056	(4.4%)	(1,286)	121,203	(2.9%)	(3,675)
International Beverage	12,709	(9.2%)	(1,292)	3,295	4.5%	142	16,004	(6.7%)	(1,149)
Pharmaceutical-related	8,606	5.0%	407	2,491	(9.9%)	(273)	11,097	1.2%	133
Food	17,022	6.8%	1,088	3,621	13.9%	440	20,643	8.0%	1,529
Adjustment amount	△560	–	(118)	(133)	–	(16)	△693	–	(134)
Total sales	130,925	(1.7%)	(2,304)	37,331	(2.6%)	(992)	168,256	(1.9%)	(3,297)
Domestic Beverage	3,421	(43.9%)	(2,676)	527	(47.8%)	(482)	3,948	(44.4%)	(3,158)
International Beverage	254	–	616	(560)	–	(217)	(306)	–	398
Pharmaceutical-related	427	(46.3%)	(368)	(216)	–	(269)	210	(75.1%)	(637)
Food	848	86.5%	393	(383)	–	(164)	464	97.2%	229
Other	(103)	–	(103)	(45)	–	(45)	(148)	–	(148)
Adjustment amount	(877)	–	109	(397)	–	29	(1,275)	–	138
Total operating profit	3,969	(33.8%)	(2,028)	(1,076)	–	(1,149)	2,893	(52.3%)	(3,178)

(1) (2) (3)

*The "Other" category, which includes business segments that are not included in reported segments, consists of the orphan drug business.

こころとからだに、
おいしいものを。

FY2019 Consolidated Earnings (by Segment)

- We added a new "Others" category in the third quarter as part of the launch of the orphan drug business

(Millions of yen)

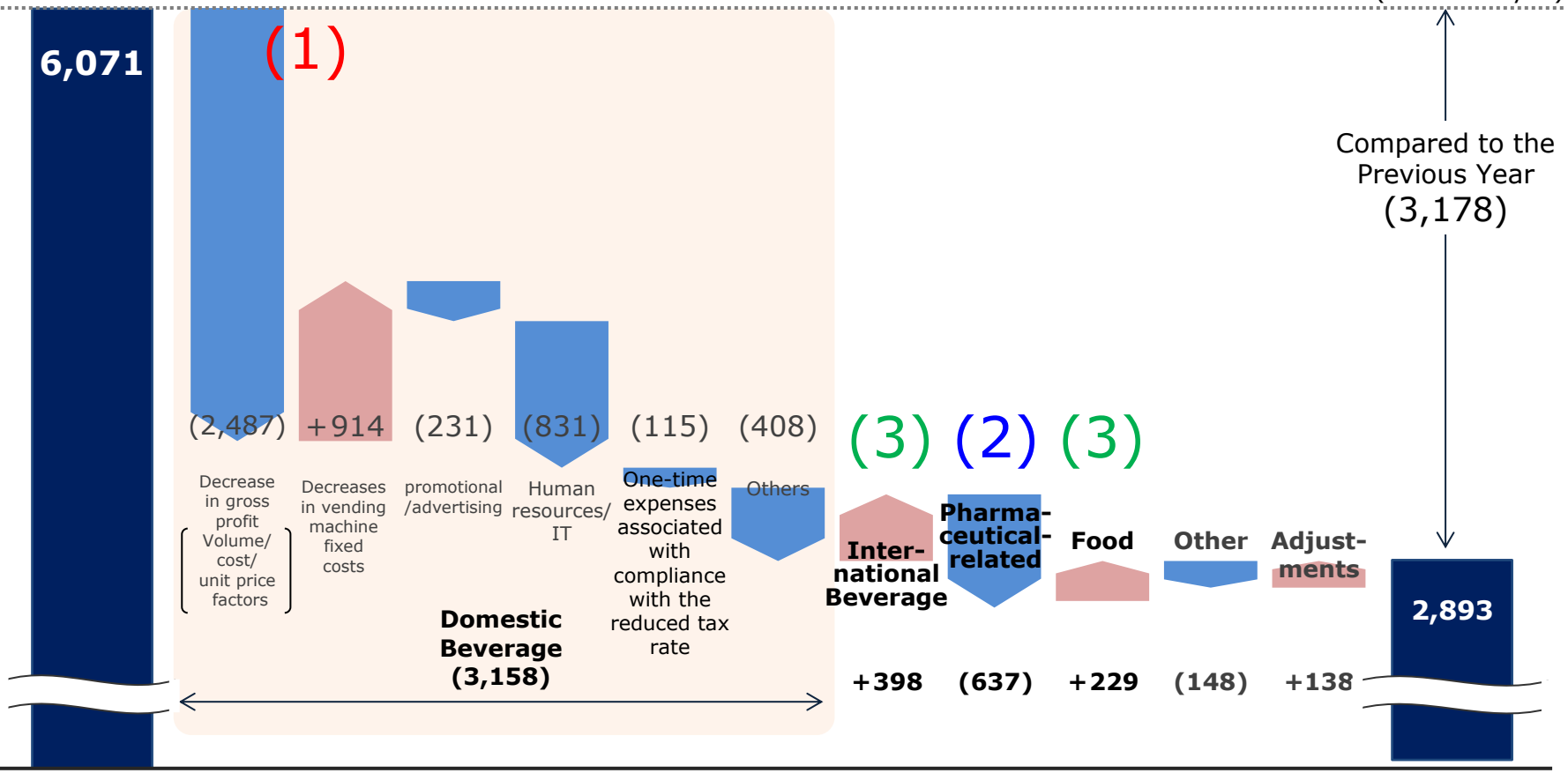
	FY2018 full-year results	FY2019 full-year results		
			% (YoY)	Amount (YoY)
Domestic Beverage	124,879	121,203	(2.9%)	(3,675)
International Beverage	17,154	16,004	(6.7%)	(1,149)
Pharmaceutical-related	10,964	11,097	1.2%	133
Food	19,114	20,643	8.0%	1,529
Adjustment	(559)	(693)	—	(134)
Total net sales	171,553	168,256	(1.9%)	(3,297)
Domestic Beverage	7,106	3,948	(44.4%)	(3,158)
International Beverage	(704)	(306)	–	398
Pharmaceutical-related	847	210	(75.1%)	(637)
Food	235	464	97.2%	229
Other	–	(148)	–	(148)
Adjustment	(1,413)	(1,275)	—	138
Total operating profit	6,071	2,893	(52.3%)	(3,178)

*The "Other" category, which includes business segments that are not included in reported segments, consists of the orphan drug business.

こころとからだに、
おいしいものを。

Factors Contributing to Changes in FY2019 Operating Profit (Compared to the Previous Year)

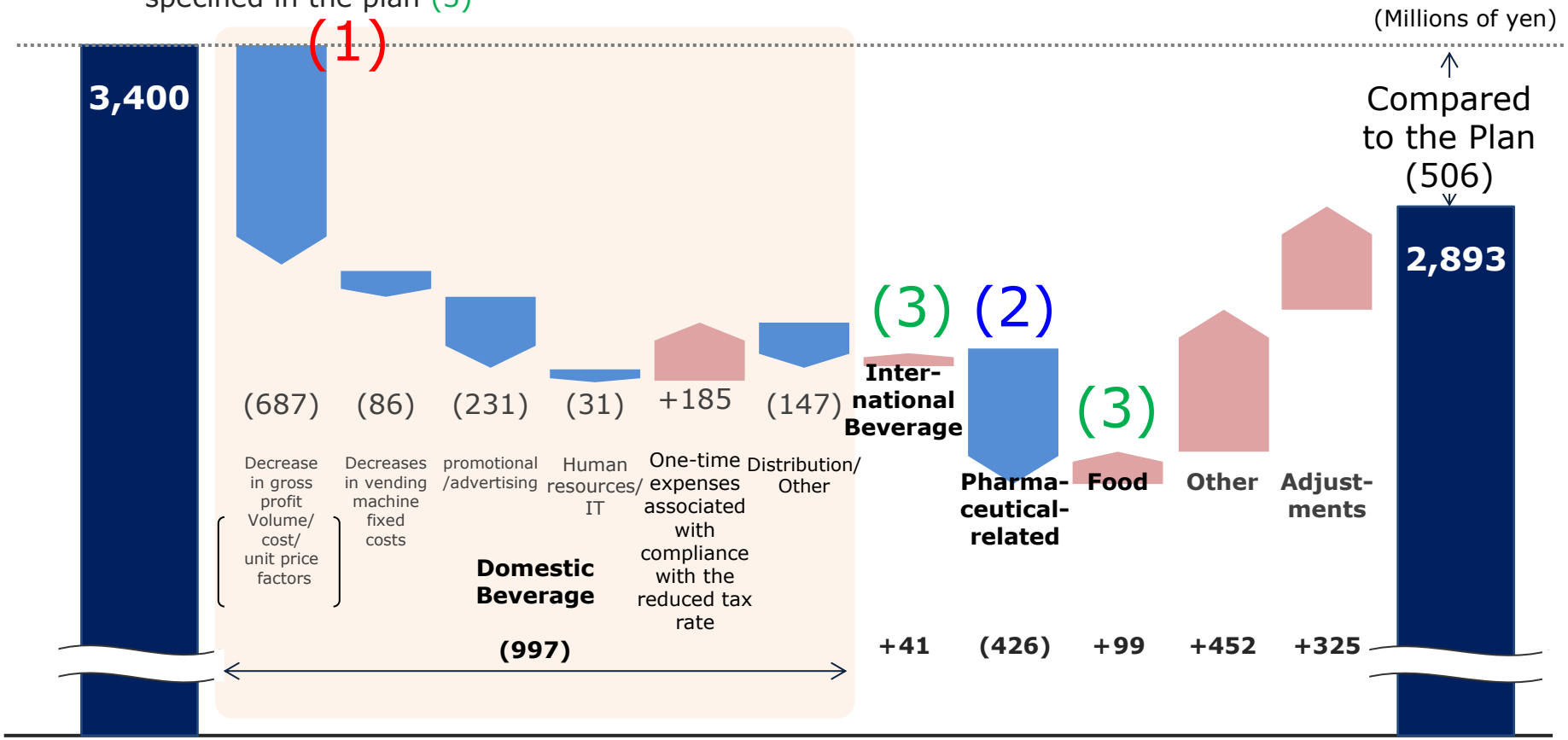
- In the Domestic Beverage Business, profits were impacted by a decline in sales volume caused by adverse weather and a reduction in the number of vending machines we operate (1)
- In the Pharmaceutical-related Business, preparatory expenses associated with the construction of a new plant and pouch packaging line rose (2)
- The International Beverage Business posted a smaller loss, while profitability improved in the Food Business (3)



こころとからだに、おいしいものを。

Factors Contributing to Changes in FY2019 Operating Profit (Compared to the Plan)

- The principal factor accounting for the divergence of operating profit from the figure specified in the plan was a decline in sales volume in the Domestic Beverage Business (1)
- In the Pharmaceutical-related Business, performance was impacted by changes in the mix of products for which we received orders (2)
- In the International Beverage Business and Food Business, operating profit exceeded the figures specified in the plan (3)



こころとからだに、おいしいものを。

Financial Position: Principal Changes in the Consolidated Balance Sheet

- Property, plant and equipment (buildings, machinery, equipment, etc.) rose due to factors including the construction of a new Kanto Plant (completed in October 2019) by DAIDO Yakuhin (Pharmaceutical-related Business)

(Millions of yen)

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

January 20, 2019

(Millions of yen)
Change from previous year shown underneath each figure

Financial assets*1	73,240 *(13,543)*	Interest-bearing debt*2	33,713 *(1,398)*
		Accounts payable	18,623 *(1,092)*
		Other	21,835 *(1,028)*
Accounts receivables	18,497 *(1,306)*	Net assets	89,210 *(4,729)*
Inventries	8,444 *(337)*		
Property, plant and equipment Intangible assets	50,831 *5,637*		
Other	12,369 *1,300*		
Total assets	**163,383** *(8,249)*	**Total assets**	**163,383** *(8,249)*

January 20, 2020

*1: Cash and deposits, securities, investment securities (excluding shares of subsidiaries), and long-term deposits
*2: Short- and long-term loans payable, short- and long-term lease liabilities and obligations, bonds payable, and long-term guaranty deposits

こころとからだに、
おいしいものを。
DyDo

Principal Changes in Free Cash Flow

▶ Steady progress in investments to facilitate growth in existing businesses

(Millions of yen)

	FY2018	FY2019	Amount (YoY)
EBITDA (Operating profit + depreciation costs + amortization of goodwill)	16,880	12,932	(3,947)
Amount of change in working capital cash flow	(2,217)	182	2,400
Other	(3,812)	(1,620)	2,191
Operating cash flow (a)	10,851	11,495	644
Expenditures related to the acquisition of tangible and intangible fixed assets (b)	(12,147)	(14,517)	(2,370)
Free cash flow (a-b)	(1,295)	(3,022)	(1,726)

■ Capital investment

(Millions of yen)

	FY2018	FY2019	Amount (YoY)
Domestic Beverage	6,712	6,853	140
International Beverage	539	434	(104)
Pharmaceutical-related	3,953	7,466	3,512
Food	941	1,252	310
Companywide (including others)	489	537	48
Total	12,635	16,543	3,907

■ Depreciation costs

(Millions of yen)

FY2018	FY2019	Amount (YoY)
8,062	7,148	(914)
675	628	(46)
624	696	71
683	765	82
350	408	57
10,396	9,647	(749)

こころとからだに、
おいしいものを。

3. Earnings Forecast and Overview by Segment for FY2020 (Year Ending January 20, 2021)

こころとからだに、
おいしいものを。

Principal Measures in FY2020

(1) Strengthening the foundation of our vending machine business to help restore profits in the Domestic Beverage Business

➡ P.27

(2) Pursuing reforms in the Malaysian beverage business

➡ P.32

(3) Pursuing a growth strategy in the healthcare domain

➡ P.36

こころとからだに、
おいしいものを。

FY2020 Consolidated Full-year Performance Outlook

- Consolidated sales will total ¥169 billion (up 0.4% year on year), and operating profit will total ¥2.3 billion (down 20.5% year on year)
- Total operating profit in existing business segments (Domestic Beverage Business, International Beverage Business, Pharmaceutical-related Business, and Food Business) will increase about ¥1,070 million from the previous year
- We have included significant leeway in the budget for expenses associated with executing our growth strategy in the healthcare domain ("Other," "Adjustment amount")
- At present, the outlook does not take into account the potential impact of an expanding Covid-19 epidemic.

(Millions of yen)

	FY2019 results		FY2020 earnings forecasts			
		Component ratio		Component ratio	Component ratio	Component ratio
Net sales	168,256	100.0%	169,000	100.0%	0.4%	743
Operating profit	2,893	1.7%	2,300	1.4%	(20.5%)	(593)
Ordinary profit	2,857	1.7%	2,400	1.4%	(16.0%)	(457)
Profit attributable to owners of parent	1,778	1.1%	1,400	0.8%	(21.3%)	(378)
E P S	108.00 yen		84.99円		(21.3%)	(23.01 yen)
Dividend per share	60 yen		60 yen		-	-

こころとからだに、
おいしいものを。

FY2020 Full-year Outlook by Segment

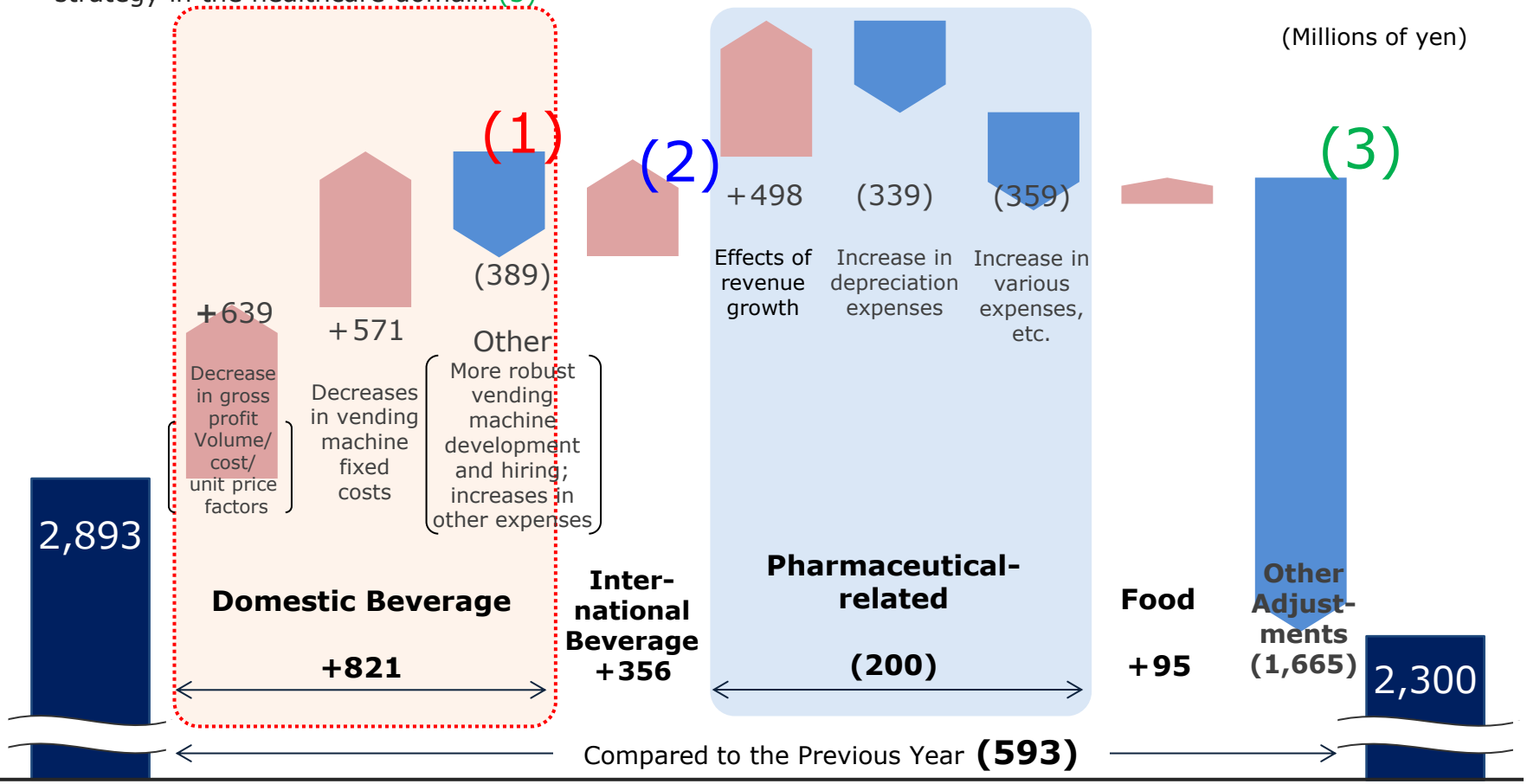
(Millions of yen)

	FY2019 fullyear results	FY2020 full-year earnings forecast		
			% (YoY)	Amount (YoY)
Domestic Beverage	121,203	121,700	0.4%	496
International Beverage	16,004	16,000	(0.0%)	(4)
Pharmaceutical-related	11,097	11,800	6.3%	702
Food	20,643	20,700	0.3%	56
Adjustment	(693)	(1,200)	–	(506)
Total net sales	168,256	169,000	0.4%	743
Domestic Beverage	3,948	4,770	20.8%	821
International Beverage	(306)	50	–	356
Pharmaceutical-related	210	10	(95.3%)	(200)
Food	464	560	20.5%	95
Other	(148)	(900)	–	(751)
Adjustment	(1,275)	(2,190)	–	(914)
Total operating profit	2,893	2,300	(20.5%)	(593)
Capital investment	16,543	8,306	(49.8%)	(8,237)
Depreciation expenses	9,647	9,974	3.4%	327

こころとからだに、おいしいものを。

Factors Contributing to Changes in Operating Profit in the FY2020 Full-year Performance Outlook: Compared to the Previous Year

- In the Domestic Beverage Business, we will undertake a more active vending machine development and hiring program to facilitate a recovery in profitability (1)
- In the International Beverage Business, we will pursue steady growth in the Turkish business and reforms in the Malaysian business (2)
- We have included significant leeway in the budget for expenses associated with executing our growth strategy in the healthcare domain (3)



こころとからだに、おいしいものを。

Domestic Beverage Business
Overview by Segment

▶ We focused on strengthening the foundation of our vending machine business to help restore profits

(Millions of yen)

	FY2018 results		FY2019 results				FY2020 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	124,879	100.0%	121,203	100.0%	(2.9%)	(3,675)	121,700	100.0%	0.4%	496
Operating profit	7,106	5.7%	3,948	3.3%	(44.4%)	(3,158)	4,770	3.9%	20.8%	821

FY2019 summary

- ✓ Conditions in the vending machine channel were challenging due to the impact of a decline in the number of vending machines we operate; sales grew in the distribution channel, and the mail-order channel exhibited robust performance
- ✓ In the vending machine channel, we launched initiatives to strengthen development of locations and streamline operations
- ✓ In the distribution channel, sales volume of the "Calorie Limit For the Mature Aged" tea series rose, and "Pierre Hermé × DyDo Blend Café au Lait Chocolate Breeze" met with a favorable reception.

Unit: Thousands of cartons

Breakdown by channel	Vending machine		Other		Cumulative total	
	Sales volume	Percent change	Sales volume	Percent change	Sales volume	Percent change
Coffee beverages	21,317	(11.8%)	6,203	(2.6%)	27,521	(9.9%)
Other beverages	22,385	2.0%	3,434	19.0%	25,820	4.0%
Total	43,703	(5.2%)	9,638	4.1%	53,341	(3.7%)

FY2020 strategies

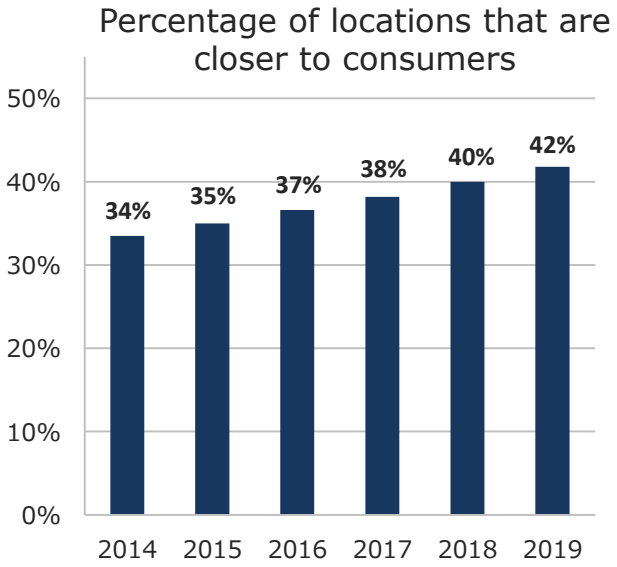
- ✓ Strengthening the foundation of our vending machine business to help restore profits in the Domestic Beverage Business ➡ P.27
- ✓ Optimizing our product line by introducing products that take into account changing consumer preferences ➡ P.28

Domestic Beverage Business
Strengthening the Foundation of the Vending Machine Business to Facilitate a Recovery in Profitability

Principal Measure (1)

▶ Strengthening development of new installation locations for vending machines

- We are strengthening sales structures to accelerate initiatives designed to maintain our vending machine network
- We are targeting locations like offices that are closer to consumers for development
- We are scaling up our staff of coordinators in an ongoing manner through in-house training and sales force automation (SFA, a sales support system).



▶ Streamlining post-installation vending machine operations

- We are building smart operational structures
- We are looking to boost productivity by increasing the number of vending machines overseen by each employee

Conducting pre-testing at sales offices — Complete

Increasing the number of target sales offices — Underway

Studying the scale of the project

Domestic Beverage Business
Product Strategy Geared to Maximize Sales

▶ Vending machine channel

- Strengthening the product line to accommodate demand for drinks designed to rehydrate and optimizing placement to reflect location needs

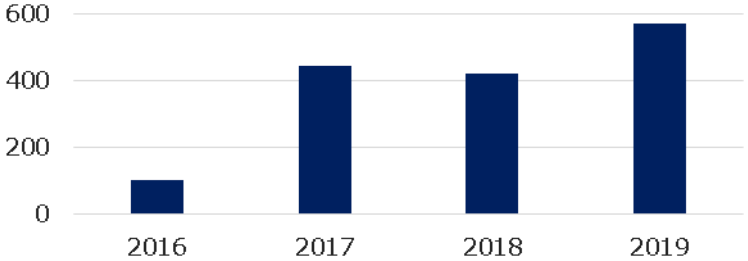
We launched a pair of PET coffee drinks from the "DyDo Blend Supervised by the World's Top Barista*" series.
*Pete Licata, 14th World Barista Championship winner

We redesigned the "miu" series and strengthened our unsweetened tea lineup.

▶ Distribution channel

- Adding new flavors to the "Calorie Limit For the Mature Aged" series, which has been enjoying strong sales

Series sales volume in the distribution channel
(Annual sales volume, where 100 indicates the 2016 sales volume)

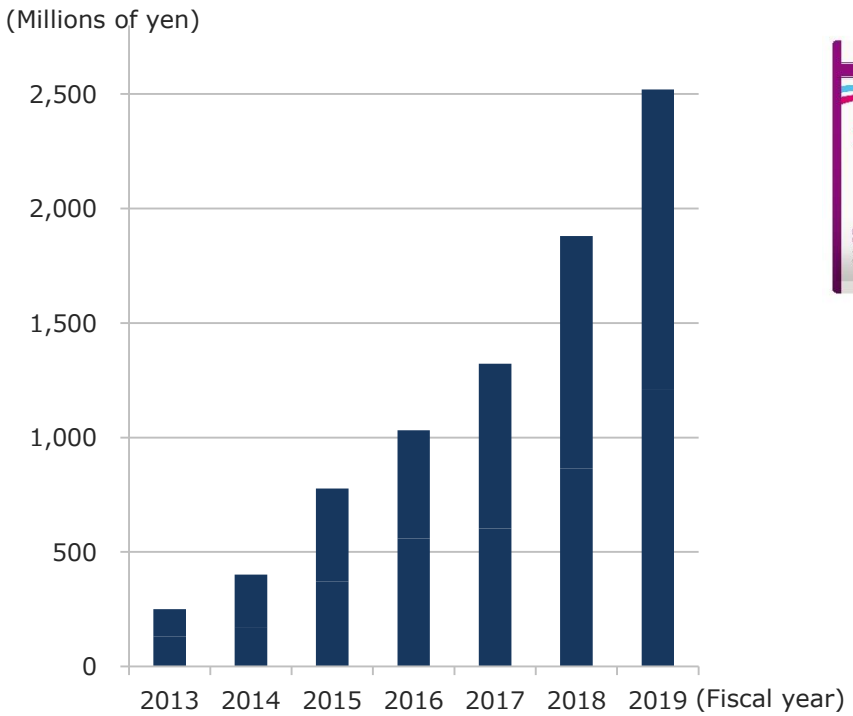


Domestic Beverage Business
Progress in the Mail-order Business

▶ The mail-order channel grew steadily

- Sales and profits grew as the number of customers regularly ordering our "Locomo Pro" core product grew
- Developing a second core product to complement "Locomo Pro" is a priority

Mail-order channel sales



We enhanced the product line, with a focus on core product "Locomo Pro"

Capturing new customers

Growing customer base
+
Increased annual purchase value through cross-selling
+
Continuous customer base growth

➡ **Increased sales and profit**

こころとからだに、
おいしいものを。

International Beverage Business
Overview by Segment

- We are working to return to profitability by fostering steady growth in the Turkish business and pursuing reforms in the Malaysian business

(Millions of yen)

	FY2018 results		FY2019 results				FY2020 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	17,154	100.0%	16,004	100.0%	(6.7%)	(1,149)	16,000	100.0%	(0.0%)	(4)
Operating profit (loss)	(449)	—	(95)	—	—	353	246	1.5%	—	342
Amortization of goodwill, etc.	255	—	210	1.2%	(17.7%)	(45)	196	1.2%	(6.5%)	(13)
Operating profit (loss) after subtracting amortization of goodwill, etc.	(704)	—	(306)	—	—	398	50	0.3%	—	356
JPY per TRY	23.41 yen		19.26 yen		(4.15 yen)		18.00 yen		(1.26 yen)	
JPY per MYR	27.34 yen		26.39 yen		(0.95 yen)		26.00 yen		(0.39 yen)	

FY2019 summary

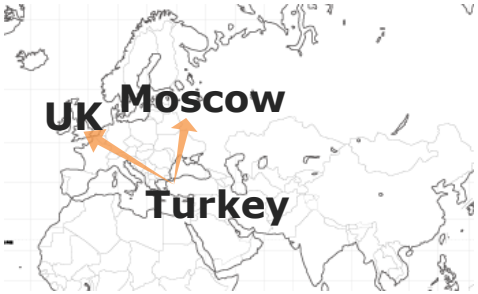
- ✓ In the Turkish business, sales grew as profitability improved, and both sales and profits rose on a local currency basis
- ✓ In the Malaysian beverage business, sales fell as we stopped selling existing brands following the dissolution of our joint venture, and promotional costs rose as we launched house-brand products
- ✓ We developed sales facilities (in the UK and Russia) to increase exports from Turkey

Saka, a mineral water brand driving growth in Turkey

FY2020 strategies

- ✓ Strengthening our export business to spur growth in the Turkish beverage business ➡ P.31
- ✓ Pursuing reforms in the Malaysian beverage business ➡ P.32

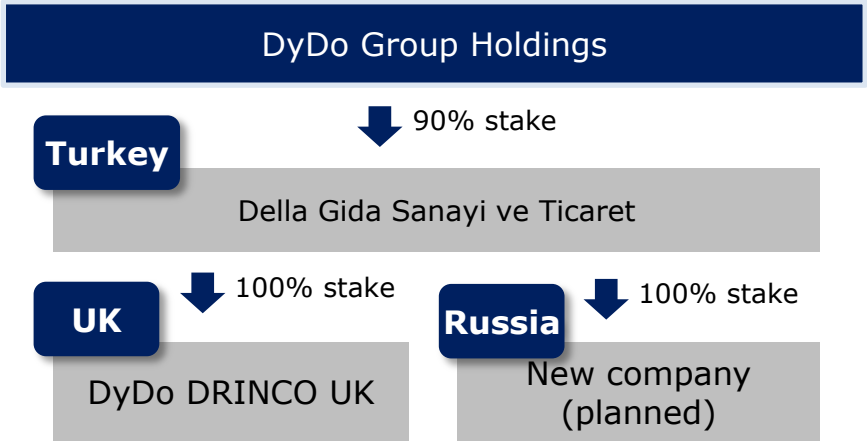
International Beverage Business
Overview of the Business in Turkey and Initiatives to Strengthen the Export Business



- Sales rose 14% year on year on a local-currency basis
  - Strong sales of highly profitable mineral water drove overall performance
  - We developed sales facilities (in the UK and Russia) to increase exports

Local-currency-basis results			1st quarter	2nd quarter	3rd quarter	4th quatrter	Year
FY2019	Sales, YoY	Quarter	+30%	+17%	+2%	15%	+14%
	Exchange rate (JPY per TRY)	Cumulative results	¥20.57	¥19.63	¥19.40	¥19.26	¥18.00
FY2018	Sales, YoY	Quarter	+28%	+32%	+38%	+4%	+26%
	Exchange rate (JPY per TRY)	Cumulative results	¥27.98	¥26.53	¥24.15	¥23.41	¥23.41

- Initiatives to strengthen the export business
  - Consumer spending has been trending down recently in Turkey
  - Even as we work to grow sales by expanding the export business, we will reduce the impact of exchange rate fluctuations on performance



International Beverage Business
Pursuing Reforms in the Malaysian Beverage Business

Principal Measure (2)

- We dissolved our joint venture with Mamee and made the venture's sales company a wholly-owned subsidiary of DyDo

2015

We enter the Malaysian market by acquiring a stake in a major local snack food manufacturer's beverage business (including a 51% stake in the business's sales company and a 49% stake in its manufacturing company).

We sell primarily existing brands by taking advantage of our partner's sales network.

2018

We increase our stake in the sales company to 90% and strengthen development of house brands.

2019

We dissolve the joint venture and gradually shift the product line to house brands.

- We are working to increase sales and improve profitability by expanding sales of house brands
  - Strengthening and expanding the sales network we have built to date
  - Increasing sales of house-brand products developed with DyDo quality

"BeFine"
yogurt drink

"vida"
carbonated beverage

Halal-certified products launched in Malaysia

Pharmaceutical-related Business
Overview by Segment

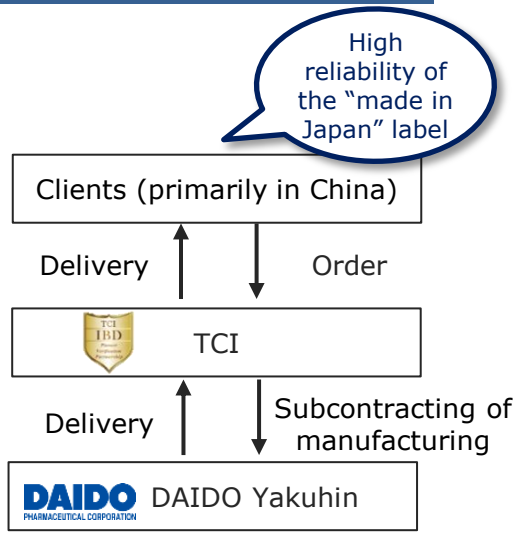
- We are working to optimize production efficiency with a two-facility, four-plant structure, including by launching commercial operations at a new plant

(Millions of yen)

	FY2018 results		FY2019 results				FY2020 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (Y oY)		Component ratio	% (YoY)	Amount (Y oY)
Net sales	10,964	100.0%	11,097	100.0%	1.2%	133	11,800	100.0%	6.3%	702
Operating profit	847	7.7%	210	1.9%	(75.1%)	(637)	10	0.1%	(95.3%)	(200)
Depreciation expenses	624		696		11.4%	71	1,035		48.7%	339

FY2019 summary

- ✓ Transactions with TCI contributed to increased sales throughout the year, while profitability was impacted by changes in the product mix
- ✓ Construction of the Kanto Plant (in Gunma Prefecture), the company's second plant, was completed, and commercial operations will begin in May
- ✓ We built the No. 3 Plant in Nara, where the Head Office Plant is located, and installed a new pouch packaging line, which will begin commercial operations in February
- ✓ Profits fell due to growth in expenses associated with preparing for commercial operations of the new plant and packaging line (a series of limited-time expenses booked through FY2020) and growth in depreciation costs



FY2020 strategies

- ✓ Preparing for a smooth start to commercial operations of the Kanto Plant and quickly establishing a two-facility manufacturing structure
- ✓ Carrying out initiatives to expand business opportunities by strengthening sales of the pouch packaging line

Pharmaceutical-related Business
Completion of the Kanto Plant and Installation of a New Pouch Line at the Nara Plant

- Schedule for the start of operations at the Kanto Plant and pouch packaging line

Kanto Plant

(Investment: About ¥6 billion)

Completion

Commercial operation

← Validation and regulatory approval of launch product

2019 | Sep. | Oct. | 2020 | Feb. | May

No. 3 Plant (new)

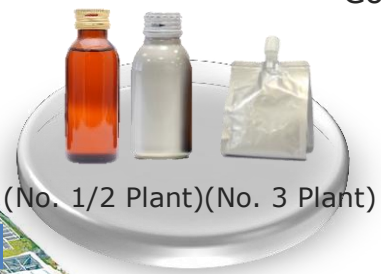
← Testing, validation, etc. →

Pouch line

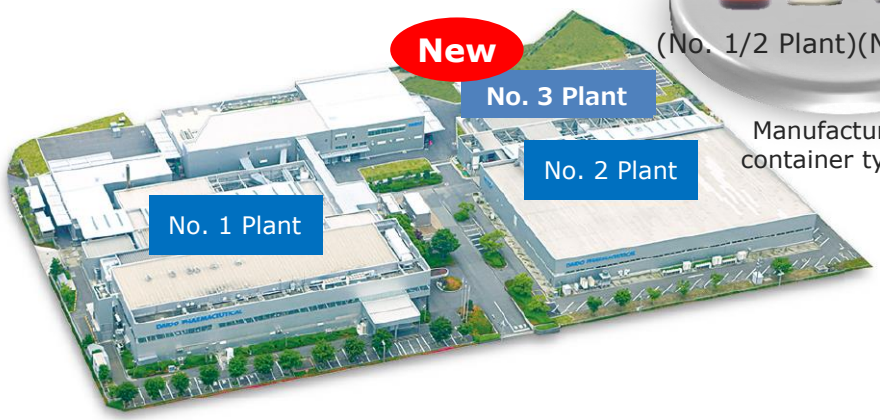
(Investment: About ¥2 billion)

Completion

Commercial operation



Manufactured container types



Nara Plant

Manufactured container types

Kanto Plant

こころとからだに、おいしいものを。

Food Business
Overview by Segment

- We are working to improve profitability in our value chain and to further strengthen earnings capacity

(Millions of yen)

	FY2018 results		FY2019 results				FY2020 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	19,114	100.0%	20,643	100.0%	8.0%	1,529	20,700	100.0%	0.3%	56
Operating profit	587	3.1%	816	4.0%	39.0%	228	912	4.4%	11.7%	95
Amortization of goodwill, etc.	352	1.8%	352	1.7%	0.0%	0	352	1.7%	0.0%	0
Operating profit after subtracting amortization of goodwill, etc.	235	1.2%	464	2.3%	97.2%	229	560	2.7%	20.5%	95

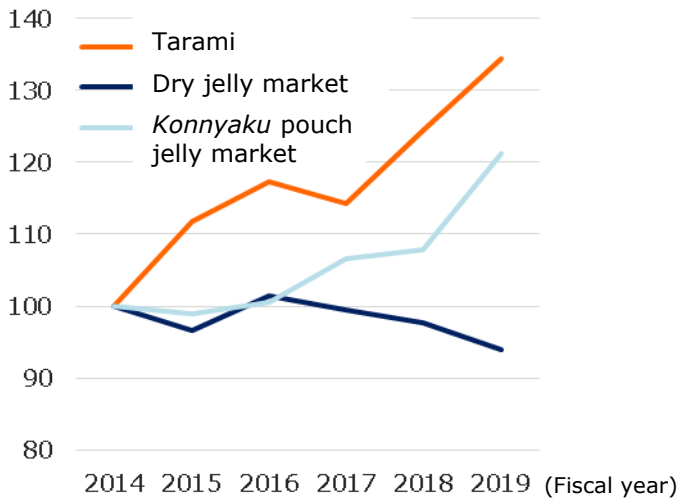
FY2019 summary

- ✓ Sales grew as we captured a new customer segment with the launch of new pouch-packaged jelly products
- ✓ Profitability improved thanks primarily to increased sales of products in the middle price tier

FY2020 strategies

- ✓ Expanding the jelly market and increasing the value of the Tarami brand, which enjoys top market share in the industry
- ✓ Strengthening earnings capacity through employee growth
- ✓ Embracing the challenge of creating business models that transcend market barriers
- ✓ Strengthening food safety

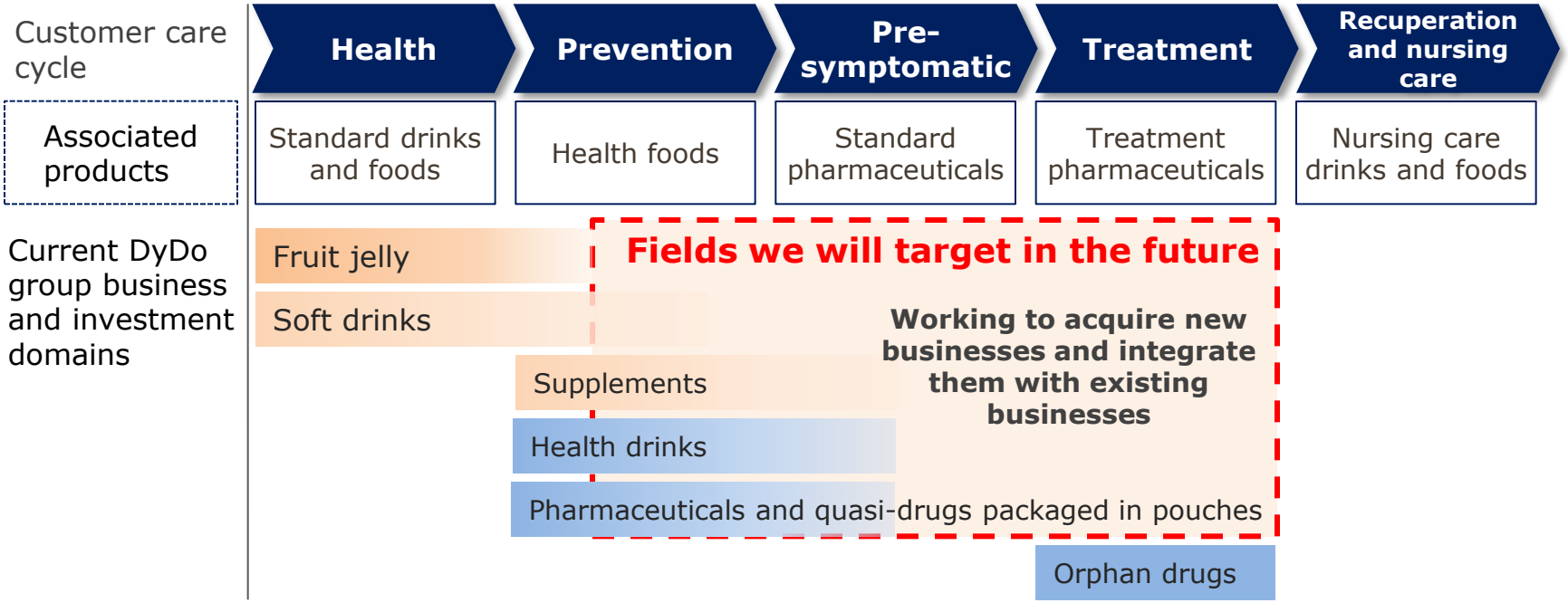
Net sales
(where 100=FY2014 sales)



Source (market trends): intage SRI

Other Businesses
Progress in Implementing Our Growth Strategy in the Healthcare Domain

- We established DyDo Pharma to operate an orphan drug business (established in January 2019 and began operating in August)
- We will continue to target primarily fields that promise a high level of synergy with DAIDO Pharmaceutical (Pharmaceutical-related Business) for M&A transactions designed to build a second core source of revenue



こころとからだに、
おいしいものを。

Seasonal Fluctuations by Segment

Net sales/net sales by segment

(Millions of yen)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Consolidated	FY2018	39,966	47,023	46,239	38,323	171,553
		23.3%	***27.4%***	***27.0%***	***22.3%***	***100.0%***
	FY2019	39,633	45,805	45,486	37,331	168,256
		23.6%	***27.2%***	***27.0%***	***22.2%***	***100.0%***
Domestic Beverage	FY2018	29,510	32,862	33,162	29,343	124,879
		23.6%	***26.3%***	***26.6%***	***23.5%***	***100.0%***
	FY2019	29,143	31,666	32,336	28,056	121,203
		24.0%	***26.1%***	***26.7%***	***23.1%***	***100.0%***
International Beverage	FY2018	3,788	5,199	5,013	3,153	17,154
		22.1%	*30.3%*	*29.2%*	*18.4%*	*100.0%*
	FY2019	3,402	4,606	4,700	3,295	16,004
		21.3%	***28.8%***	***29.4%***	***20.6%***	***100.0%***
Pharmaceuti-cal-related	FY2018	2,694	2,866	2,637	2,764	10,964
		24.6%	***26.1%***	***24.1%***	***25.2%***	***100.0%***
	FY2019	2,887	2,866	2,852	2,491	11,097
		26.0%	***25.8%***	***25.7%***	***22.4%***	***100.0%***
Food	FY2018	4,112	6,275	5,546	3,180	19,114
		21.5%	***32.8%***	***29.0%***	***16.7%***	***100.0%***
	FY2019	4,398	6,869	5,754	3,621	20,643
		21.3%	***33.3%***	***27.9%***	***17.6%***	***100.0%***

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

(Millions of yen)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Consolidated	FY2018	724	2,555	2,718	73	6,071
		11.9%	***42.1%***	***44.8%***	***1.2%***	***100.0%***
	FY2019	(113)	2,146	1,936	(1,076)	2,893
		—	***74.2%***	***66.9%***	***—***	***100.0%***
Domestic Beverage	FY2018	970	2,446	2,679	1,009	7,106
		13.7%	***34.4%***	***37.7%***	***14.2%***	***100.0%***
	FY2019	(74)	1,750	1,745	527	3,948
		—	***44.3%***	***44.2%***	***13.4%***	***100.0%***
International Beverage	FY2018	(158)	(89)	84	(285)	△449
		—	*—*	*—*	*—*	*100.0%*
	FY2019	57	182	173	(509)	△95
		—	***—***	***—***	***—***	***100.0%***
Pharmaceuti-cal-related	FY2018	356	306	132	52	847
		42.0%	***36.2%***	***15.6%***	***6.2%***	***100.0%***
	FY2019	230	127	69	(216)	210
		109.2%	***60.6%***	***32.9%***	***—***	***100.0%***
Food	FY2018	12	443	263	(130)	587
		2.1%	***75.4%***	***44.8%***	***—***	***100.0%***
	FY2019	154	595	361	(295)	816
		18.9%	***72.9%***	***44.3%***	***—***	***100.0%***

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

こころとからだに、
おいしいものを。

DyDo

4. Increasing Corporate Value over the Medium and Long Term

Improving Corporate Governance on a Sustained Basis

こころとからだに、
おいしいものを。

Initiatives to Improve Governance Structures

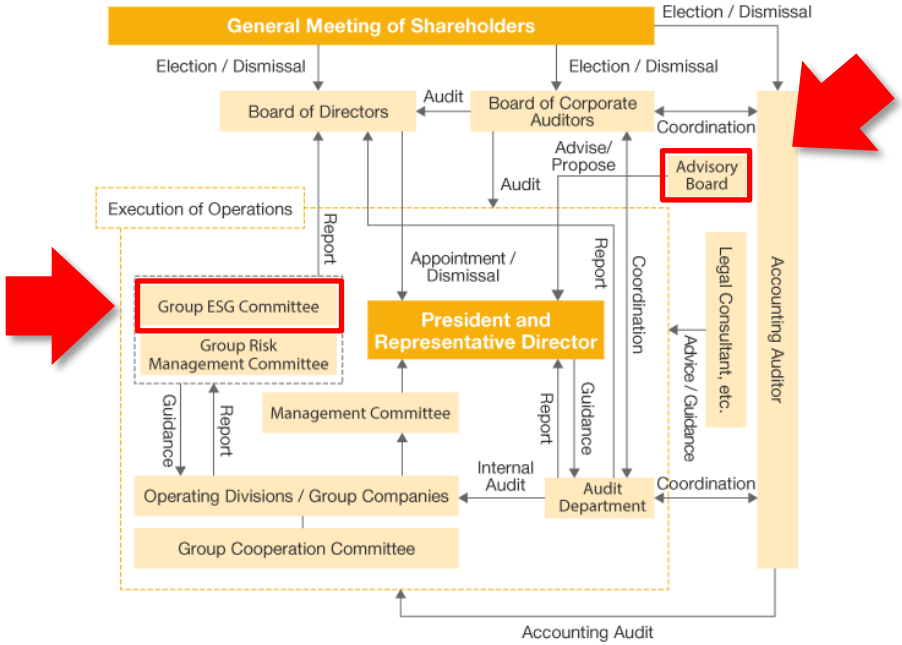
▶ Creation of an Advisory Board

- The Advisory Board, which is designed to play an advisory role for the president and CEO, consists of outside experts who differ from outside directors and outside auditors
- It will serve to bring an outside perspective to the execution of strategy while boosting transparency in management
  - ✓ Playing an evaluation and advisory role for investment decisions related to the orphan drug business and other matters that demand a high level of expert knowledge
  - ✓ Offering advice concerning management issues in the Group

▶ Creation of an ESG Committee

- The ESG Committee will organize and share information about how medium- and long-term changes in the business environment will pose both risks and opportunities for our business models from an environment, social, and governance (ESG) perspective

The DyDo Group's corporate governance structures



(As of January 21, 2020)

こころとからだに、
おいしいものを。

ESG Initiatives

- We will apply the Group Mission 2030 to more specific action policies and KPIs as we move to implement it in the form of a Group ESG Program
- We will resolve social issues through the Group Mission 2030

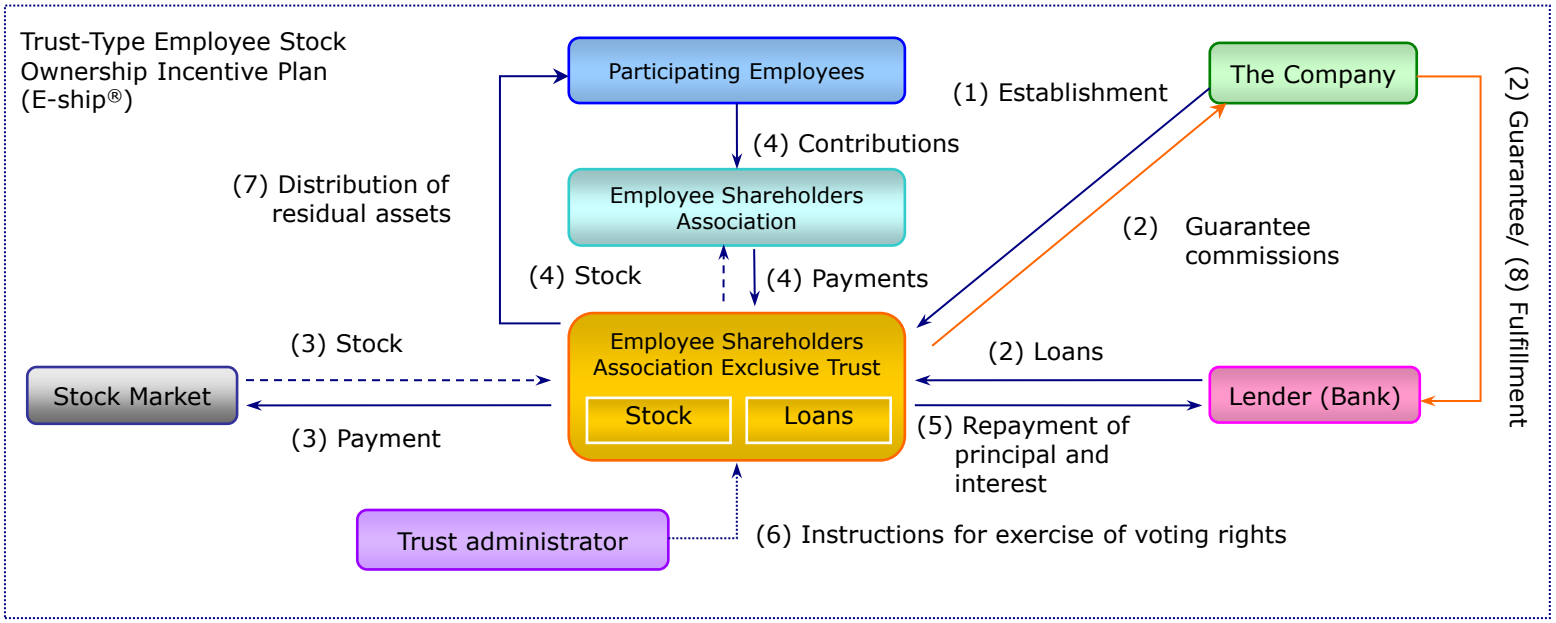
Formulation of the Group ESG Program

1. Identifying and organizing social issues
   Narrowing down the list of social issues — Complete
   - ✓ We have identified People, Health, Environment, and Innovation as priority issues
   - ✓ We have organized our activities around the twin axes of "Social and Environmental Impacts" and "Impacts of Business Opportunities and Risks"
2. Assessing stakeholder expectations and requests — Complete
   - ✓ We conducted a questionnaire targeting shareholders and Domestic Beverage Business employees on the topic of "What does it mean for the DyDo Group to grow in a sustained manner?"
3. Creating a list of (candidate) priority issues — Complete
   - ✓ We assessed the suitability of our activities based on the collection and organization of information described in (1) and the questionnaire described in (2)
     ⇒ We identified (candidate) priority activities for the entire Group
4. Engaging in dialog with experts — Complete
   - ✓ We studied Group priority activities through dialog and other means
5. Holding a meeting of the ESG Committee — Planned on May
   - ✓ We will discuss the Group's priority activities at an ESG Committee meeting

Introducing a Trust-Type Employee Stock Ownership Incentive Plan

- The plan covers all employees who are members of the Shareholders Association Exclusive Trust
- We will help employees acquire and hold shares as a way to build assets over time by expanding the Shareholders Association Exclusive Trust
- We will continue to work together with employees to improve medium- and long-term corporate value

- Framework of the incentive plan



こころとからだに、
おいしいものを。

Promoting the Code of Conduct

- We are working to promote the Group Code of Conduct that was introduced alongside the Group Mission 2030
  - The Code of Conduct defines core principles that must be safeguarded by every member of the DyDo Group despite differences in business domains, areas of responsibility, and individual characteristics such as nationality and gender
  - During FY2019, we held training sessions nationwide for all employees of DyDo DRINCO and DyDo Business Services (Domestic Beverage Business), DAIDO Yakuhin (Pharmaceutical-related Business), and Tarami (Food Business)

Training program

Learning ▶ Understanding ▶ Sharing ▶ Putting into practice

Team members involved with formulating the Code of Conduct explained the background and underlying philosophy.
Nagasaki (Tarami)

Employees participated in group discussions where they connected the Code of Conduct to their own responsibilities.
Nara (DAIDO Yakuhin)

Employees gave presentations about how the Code of Conduct impacts their own work and about parts of the Code of Conduct they consider especially important.
Osaka (Group companies)

Employees put the Code of Conduct into practice in their daily work!

こころとからだに、
おいしいものを。

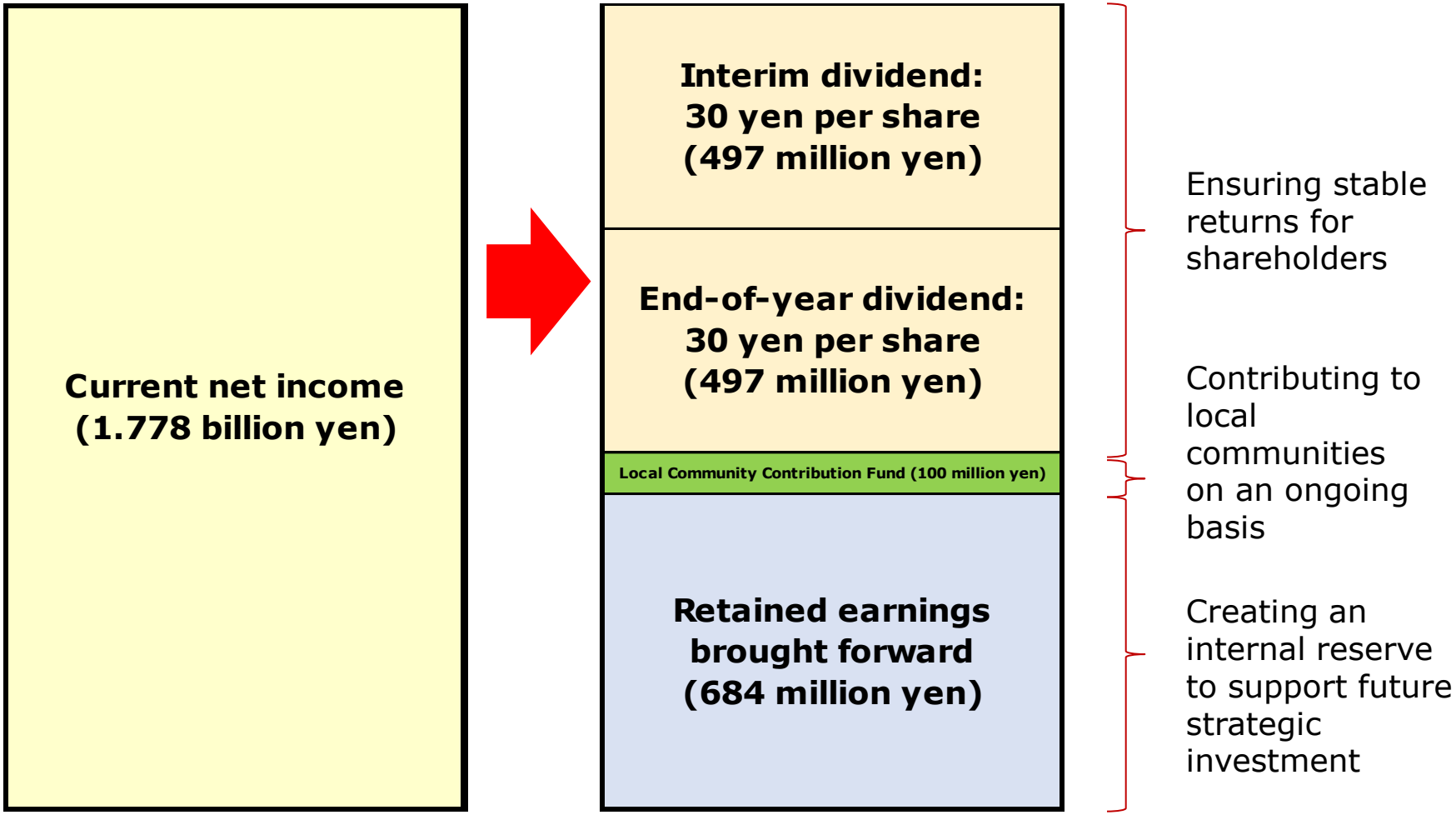
DyDo

■ Appendix
45th Annual Shareholders Meeting

こころとからだに、
おいしいものを。

Allocation of Retained Earnings

Ensuring stable returns for shareholders



Utilizing Retained Earnings: Local Community Contribution Fund

Contributing to society using the Local Community Support Fund

- Ongoing support for reconstruction following the Great East Japan Earthquake

- Support through "Kizuna" vending machines that aid reconstruction in the Tohoku region by donating a share of profits

- Support for cultural programs such as street dance in primary education

- Hands-on vending machine programs to let schoolchildren experience what it's like to work in the industry

- Loaner umbrella program to contribute to society through vending machines

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 45th annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)	
 Currently: President and representative director Tomiya Takamatsu (Date of birth: June 26, 1976) Company shares owned: 495,000	April 2004: Joined the Company. April 2008: Appointed Director at the Company. April 2009: Appointed Managing Director at the Company. March 2010: Appointed Executive Director at the Company. April 2012: Appointed Vice President and Director at the Company. April 2014: Appointed President and Representative director at the Company (his current position). February 2016: President and Representative Director, DyDo DRINCO Split Preparation Co., Ltd. (currently DyDo DRINCE, INC.) (incumbent)	Board of Directors meetings attended: 17 of 17
	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. Mr. Takamatsu has worked steadily to strengthen the Group's management by transitioning to a holding company structure, implement significant reforms in its vending machine business model, establish new strategic bases overseas, and achieve dramatic growth in the future. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.	
 Currently: Chairman and director Tomihiro Takamatsu (Date of birth: January 16, 1948) Company shares owned: 495,000	March 1971: Jointed DyDo PHARMACEUTICAL CORPORATION. January 1975: Appointed Managing Director following the Company's establishment. May 1984: Appointed Executive Director at the Company. June 1990: Appointed Vice President and Director at the Company. April 1992: Appointed Vice President and Representative Director at the Company. April 1994: Appointed President and Representative director at the Company. April 2014: Appointed Chairman and Director at the Company (his current position).	Board of Directors meetings attended: 17 of 17
	Having guided the company as its president for 20 years, Mr. Takamatsu brings a wealth of experience as well as a proven track record to the table. In his current position as chairman and director, he fulfills a range of roles as appropriate, including strengthening the foundation of the group's management in areas such as governance, deciding important issues, and overseeing execution of business operations. In addition, he has worked tirelessly to revitalize the local communities in which the company does business by orchestrating its community service activities over many years. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.	

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 45th annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)	
 Currently: Director, Executive Officer **Naoki Tonokatsu** Executive Officer and General Manager, Finance Department (Date of birth: November 4, 1963) Company shares owned: 3,100	March 1986: Joined the Company. January 2011: Appointed General Manager of the Financial Affairs Department. March 2013: Appointed Executive Officer and Division Director of the Administrative Division. January 2014: Appointed Executive Officer and Division Director of the Finance Division. January 2017: Appointed Executive Officer and General Manager of the Finance Department (his current position). Appointed Director, Executive Officer, and Division Director of the Finance Division at the Company., (his current position). April 2017: Appointed Director, Executive Officer, and Division Director of the Finance Division (his current position).	Board of Directors meetings attended: 17 of 17
	Since joining the Company, Mr. Tonokatsu has engaged in finance for many years and has extensive experience and achievements. Currently, as the Director, Corporate Officer, and General Manager of Finance Department, he is putting effort into sound company management such as by Building a solid structure for the entire Group's financial base and contributing to improving profitability. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.	
 Currently: Director, Executive Officer **Naoyuki Nishiyama** Executive Officer and General Manager, Corporate Strategy Department (Date of birth: July 30, 1965) Company shares owned: 200	March 1988: Joined the company. January 2014: Appointed General Manager of the Corporate Strategy Department. February 2014: Appointed General Manager of the Corporate Strategy Department and General Manager of the International Business Department. March 2015: Appointed Executive Officer, General Manager of the Corporate Strategy Department, and General Manager of the International Business Department. January 2016: Appointed Executive Officer, General Manager of the Corporate Strategy Department, and General Manager of the Strategic Investment Department. January 2017: Appointed Executive Officer and General Manager of the Corporate Strategy Department. April 2017: Appointed Director, Executive Officer, and General Manager of the Corporate Strategy Department (his current position).	Board of Directors meetings attended: 17 of 17
	Mr. Nishiyama has broad experience and a proven track record across a wide range of operational areas encompassing the company's overall management, including corporate strategy, strategic investment, and international business. Currently, he offers key leadership to group companies as an executive officer and general manager of the Corporate Strategy Department, in which capacity he is working to develop new businesses and boost profitability. He was identified as a director candidate based on this track record.	

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 45th annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)	
Independent director  Currently: External director Shinji Mori (Date of birth: May 22, 1946) Company shares owned: 100	April 1972: Joined the Supreme Court Legal Training and Research Institute. April 1974: Appointed to serve as a judge on the Yokohama District Court. April 1986: Became a judge on the Kyoto District Court. April 1989: Registered as a member of the Osaka Bar Association. May 1989: Joined Chuo Sogo Law Office (currently Chuo Sogo Law Office, P. C.) April 2001: Appointed External Auditor of the Company. September 2003: Senior Partner, Chuo Sogo Law Office, P. C. (incumbent) April 2014: Appointed External Director of the Company (his current position).	Board of Directors meetings attended: 17 of 17
	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 external auditor and for 6 years as an external director. He has taken advantage of that experience to play an appropriate role in further strengthening the oversight function of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective. Based on this proven track record, he has been put forward as a candidate for continued service as an external director on the Board of Directors. Based on this proven track record, he has been put forward as a candidate for continued service as an external director on the Board of Directors. While Mr. Mori has not participated in corporate management except as an external director at the company and other companies, it has been determined that he can effectively fulfill the responsibilities of the position of external director for the reasons offered above.	

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 45th annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)	
Independent director  Currently: External director Masataka Inoue (Date of birth: October 12, 1954) Company shares owned: None	April 1978: Joined Nakano Sumise Co., Ltd. July 2005: Appointed Director at Mizkan Holdings Co., Ltd. May 2007: Appointed Managing Director at Mizkan Holdings Co., Ltd. October 2009: Appointed Standing Auditor at Mizkan Holdings Co., Ltd. March 2011: Appointed Divisional manager in charge of the Management Auditing Office at Mizkan Holdings Co., Ltd. March 2014: Appointed Divisional Manager in charge of the Business Planning Division at Mizkan Holdings Co., Ltd. March 2016: Retired from Mizkan Holdings Co., Ltd. April 2016: Appointed External Director of the Company (his current position).	Board of Directors meetings attended: 17 of 17
	Mr. Inoue has a wealth of knowledge and experience in the food industry. He has taken advantage of his experience in business development through overseas M&As and his experience auditing overseas subsidiaries to play an appropriate role in further strengthening the functions of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective concerning such issues as accelerating the development of the company's business overseas and expanding its business domain. Based on this proven track record, he has been put forward as a candidate for service as an external director on the Board of Directors.	

こころとからだに、
おいしいものを。

Proposed Resolution 3: Continuation of Anti-takeover Measures

- Reasons for continuing anti-takeover measures
  - ✓ In establishing large-scale acquisition rules, we have sought to provide sufficient time for shareholders and investors to obtain and consider necessary information in the event of a bid so that they can make appropriate investment decisions.
    - — It is conceivable that a response based on the Financial Instruments and Exchange Act might not function in an effective manner.
    - — The act of ensuring sufficient time in this manner would also provide an effective means of fostering constructive dialog about increasing corporate value with an individual or entity that tendered a large-scale acquisition bid.
  - ✓ The measures are essential so that we can formulate the Group Vision 2030 and realize sustained growth and growing corporate value over the medium and long term.
    - — We must transition to highly competitive business models while turning medium- and long-term changes in the business environment into opportunities and taking advantage of Group strengths such as the vending machine business.
    - — A large-scale acquisition could have a significant impact on the Group's management and prevent the measures described above from being carried out.
  - ✓ Taking steps to remain prepared for unforeseen contingencies in light of the Group's unique vending machine business model is one of the responsibilities of the Board of Directors.
    - — There is a risk of hostile takeovers that focus only on the unparalleled size of the Group's nationwide network of vending machines and not on increasing its corporate value over the medium and long term.
    - — Depending on the policies of the individual or entity responsible for tendering a given large-scale acquisition bid, a backlash or alienation on the part of employees and *Kyoeikai* members could lead to a reduction in the quality of vending machine operations or in the ability of the vending machine business to generate cash flows.

こころとからだに、
おいしいものを。

DyDo

◻ The Business Model of DyDo Group

こころとからだに、
おいしいものを。

DyDo Group History

(Billions of yen) 200

◆ Overseas expansion

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

- Acquisition of Tarami Corporation

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

- HOT& COLD vending machine

- Launch of Demitasse Coffee

- Introduction of point card

- Introduction of talking vending machines with different dialects

- Launch of MIU

- Strengthening of the DyDo Blend brand

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

- Smile STAND

100

2001	Listed on the Second Section of the Tokyo Stock Exchange
2003	Designated as a blue-chip stock on the First Section of the Tokyo Stock Exchange

Beverage sales business spun off

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

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

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

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

- Expansion of orders of beauty health drink

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

*Envisioned sales

1950s **1970s** **1990s** **2010s**

こころとからだに、
おいしいものを。

DyDo Group Business Segments

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

DyDo Group Holdings, Inc.

Domestic Beverage

- DyDo DRINCO
- DyDo Beverage Service
- Others

71.9%

International Beverage

Countries in which we have operations: Turkey, Malaysia, Russia, Others

9.5%

Pharmaceutical-related

・DAIDO *Yakuhin*

6.3%

Food

・Tarami

12.3%

Other

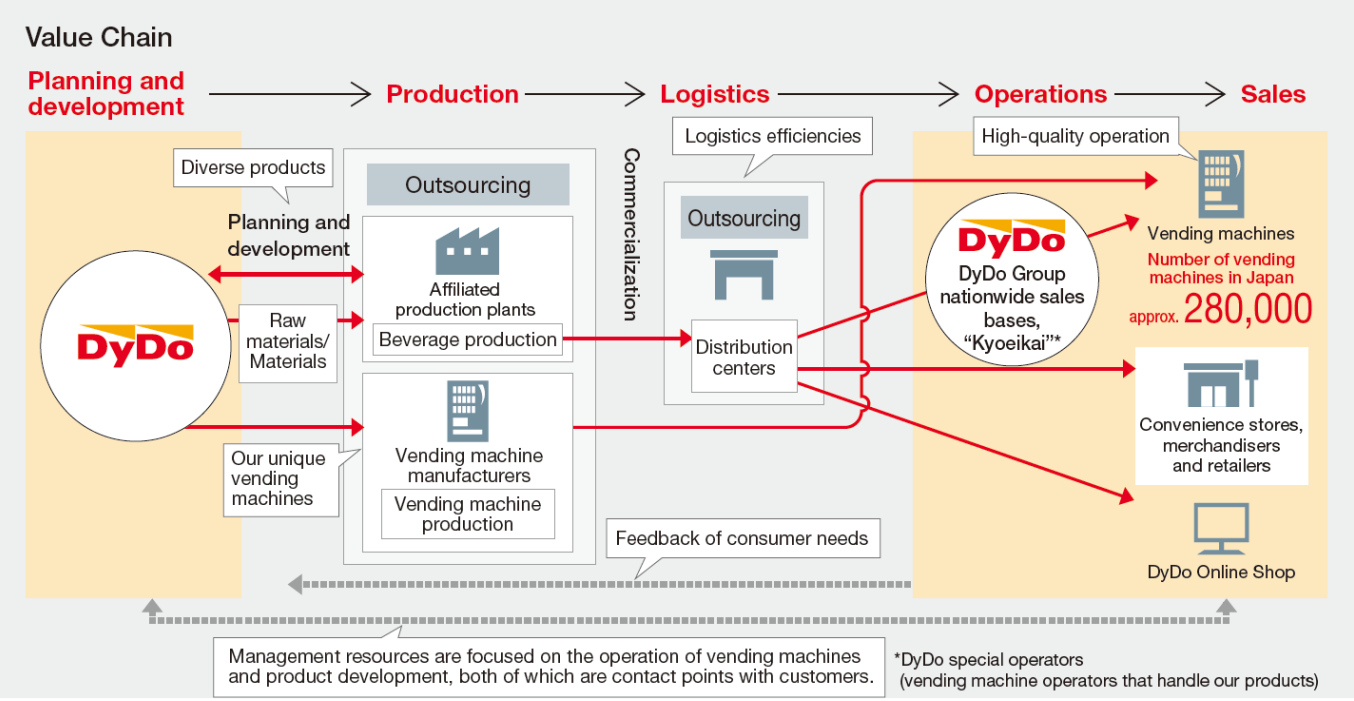
・DyDo Pharma

–

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

こころとからだに、
おいしいものを。

Domestic Beverage Business: Business Model

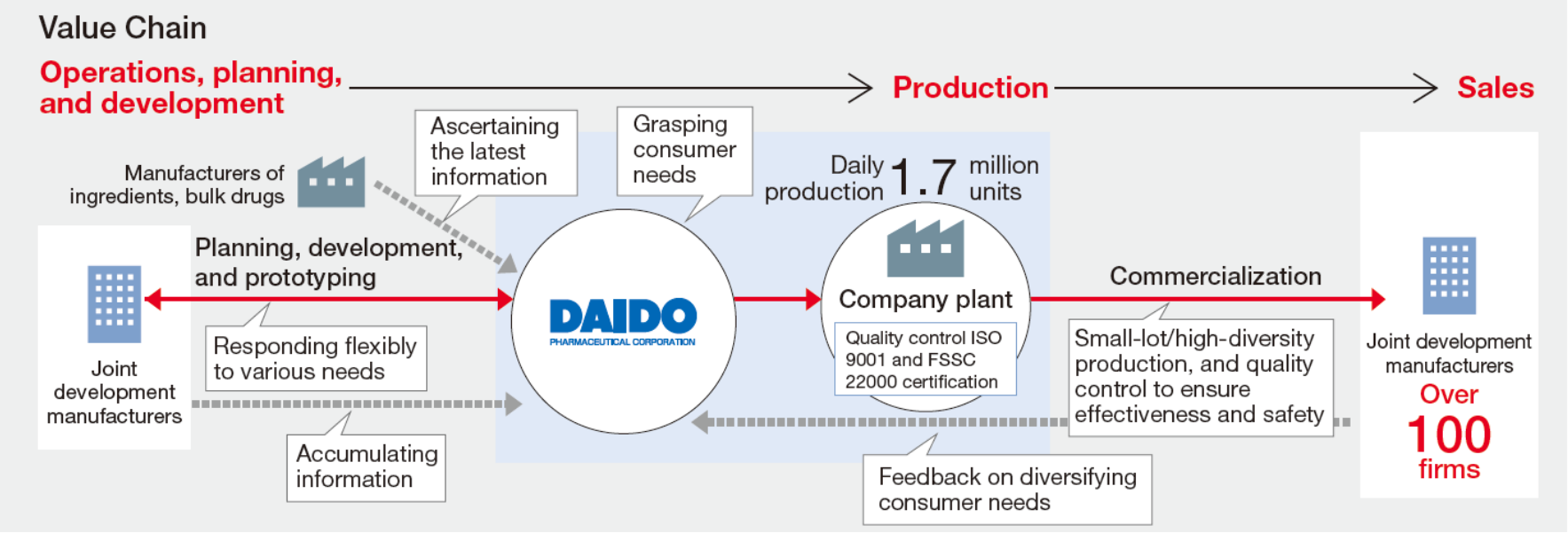


Issues and Future Strategy: Striving to Secure Advantages in the Vending Machine Market

The Domestic Beverage Business, and more specifically the vending machine channel, have an important role to play in creating funding for the investments that will be necessary in order for the DyDo Group to carry out its growth strategy, and these operations must continue to support the Group going forward as a core business. However, the Group was unable to place the vending machine channel on a revenue-growth trajectory under the previous Mid-term Business Plan, and during that period various new challenges such as sales losses and a decline in the number of installed vending machines began to emerge due to a shortage of personnel capable of overseeing operations, particularly at *Kyoeikai* member companies. Additionally, the benefits of the non-current cost-cutting measures related to vending machines that were undertaken as part of the previous Mid-term Business Plan ran their course in FY2020, and it is inevitable that the channel will see reductions in both revenue and profits if the current growth trajectory continues.

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

Pharmaceutical-related Business: Business Model



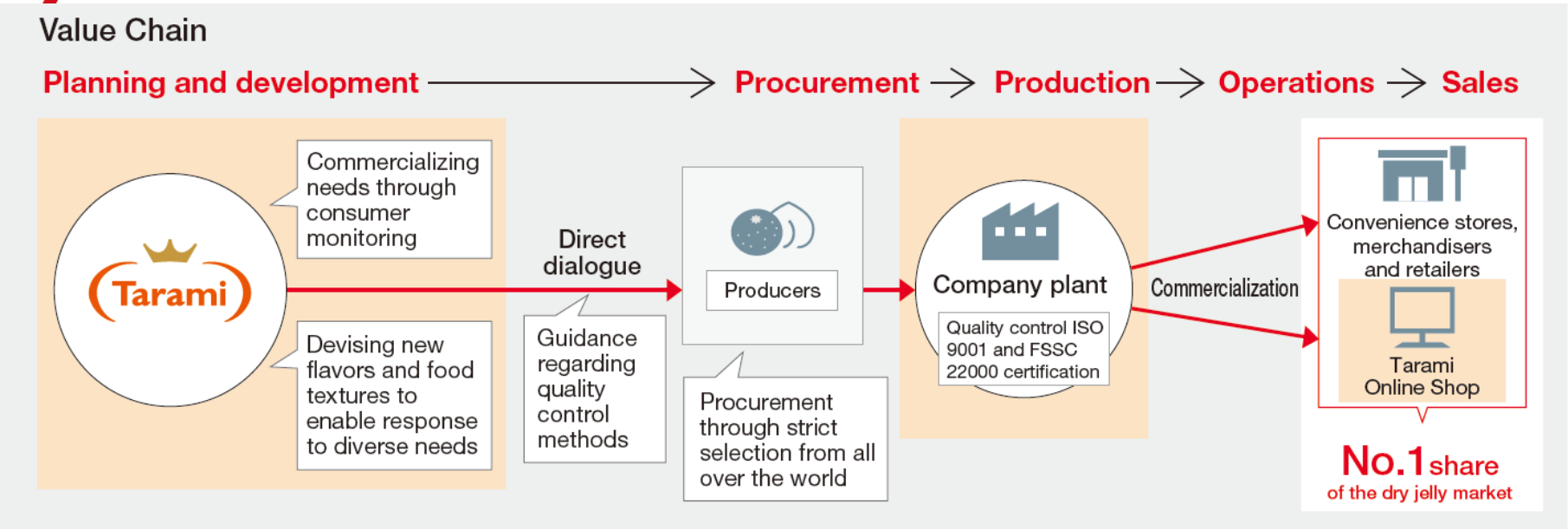
Issues and Future Strategy: Establishing an Overwhelmingly Dominant Position as a Contract Manufacturer of Pharmaceuticals and Quasi-drugs

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

Additionally, we expect the trend toward increased awareness of health and beauty, which is developing against the backdrop of Japan's aging population, to continue to fuel significant growth in the health care market in the future.
We see opportunity in these and related changes in the market environment, and under the Mid-term Business Plan 2021 we will work to strengthen supply structures and competitiveness by building a new Kanto Plant and to expand our range of contract-manufactured products by accommodating new preparation types.

*Pharmaceuticals and Medical Devices Act

Food Business: Business Model



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

Under the previous Mid-term Business Plan, we grew at a
rate that outpaced the market as a whole and solidified our industry-leading share in terms of sales. However, we are aware that our performance in terms of profits, which have been hobbled by rising raw material and labor costs as well
as marketing investments designed to boost our brand value, remains a major issue.
The dry jelly market has been flat overall, but even as the low-priced segment (products priced at 100 yen and under) shrinks, the medium- and high-priced segment (products priced at 140 yen and over) is growing. Moreover, the pouch jelly market has been growing quickly in recent months. These factors make clear a trend on the part of customers to seek not simply inexpensive products, but rather products that deliver delicious flavor, health benefits, and convenience.
In addition to working to improve profitability through a multifaceted review of costs, the Mid-term Business Plan 2021 will seek to create new business models that transcend traditional categories and to realize our vision of bringing happiness to all by pursuing delicious flavor and health through fruit and jelly products.

こころとからだに、
おいしいものを。

DyDo Group Strengths

1. Unique business models based on supplying the delicious flavor customers want in locations that are familiar and convenient

2. Stable cash flows created by invisible assets (i.e., the vending machine business model)

3. 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

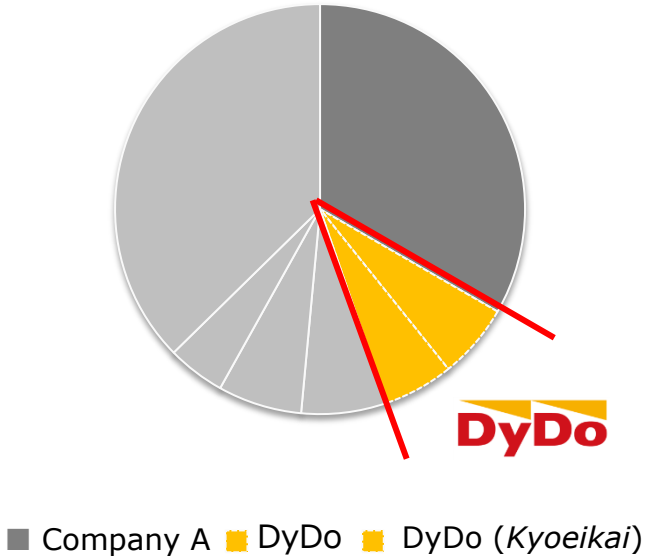
4. Technology for creating delicious jelly products

DyDo Group Strengths (1)
Unique Business Models

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

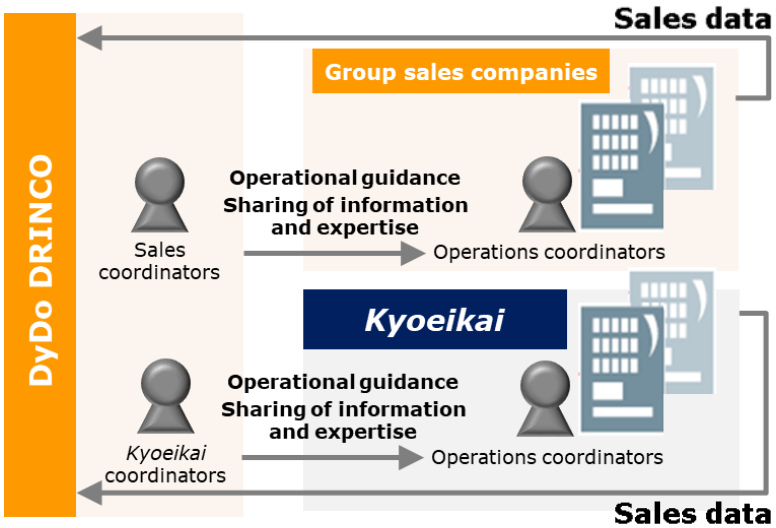
Customers as capital	One of the industry's premier vending machine networks
Organizational strengths as capital	Direct-sale and *Kyoeikai* structures
Human resources as capital	2,000 operations coordinators and the expertise they've helped accumulate

- Vending machines managed by DyDo



- About *Kyoeikai*

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



こころとからだに、おいしいものを。

DyDo Group Strengths (2)
Stable Cash Flows Created by Invisible Assets

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

Invisible capital from the vending machine business

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

[Current assets]

[Liabilities]

[Non-current assets]

[Net assets]

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

Working to increase shareholder value by boosting excess earning power

こころとからだに、
おいしいものを。
DyDo

DyDo Group Strengths (3) Ability to Develop and Manufacture Pharmaceuticals and Quasi-drugs

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

- History of DAIDO Yakuhin

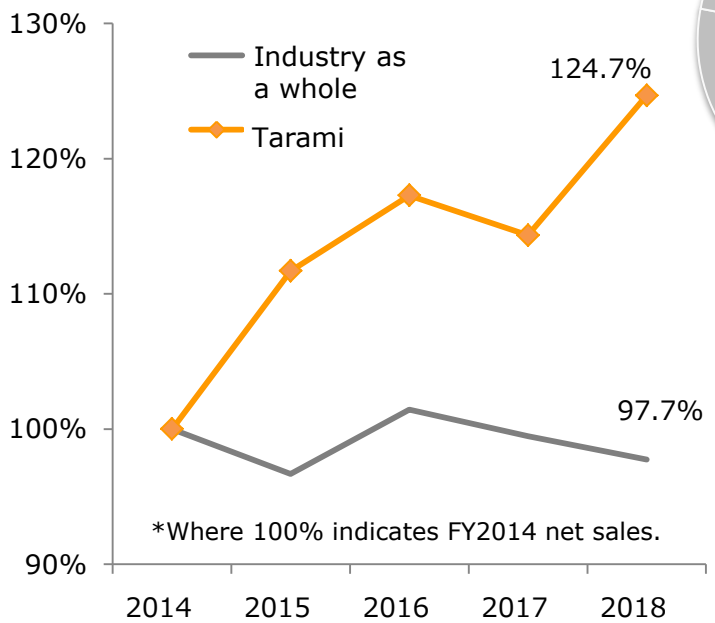
1950s	Manufacture of health drinks as a DAIDO product
1980s	Start of large-scale contract manufacturing of other companies' products and accumulation of manufacturing expertise
1990s	Rapid growth in the popularity of functional drinks: Establishment of a new plant and **development into a company that specializes in contract manufacturing**
1999	Revision of the Pharmaceutical Affairs Act to allow the sale of quasi-drugs in convenience stores and vending machines
2000s	Expansion of contract manufacturing business from cosmetics manufacturers and other customers in the face of rapid growth in the popularity of beauty drinks and **shift to sophisticated planning and development operations**
Fall 2019	Scheduled start of operations by a new pouch packaging line at the Nara Plant
Spring 2020	Scheduled start of operations at new Kanto Plant

こころとからだに、
おいしいものを。

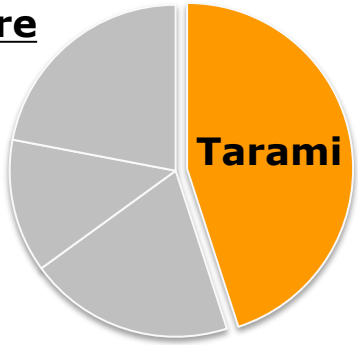
DyDo Group Strengths (4)
Technology for Creating Delicious Jelly Products

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

- Net Sales



Market share



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

Smooth texture that highlights the juiciness of bits of fruit

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

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

こころとからだに、
おいしいものを。

M&A Investments in the Health Care Domain

Customer care cycle	Health	Prevention	Pre-symptomatic	Treatment	Recuperation and nursing care
Associated products	Standard drinks and foods	Health foods	Standard pharmaceuticals	Treatment pharmaceuticals	Nursing care drinks and foods
Current DyDo group business and investment domains	Fruit jelly Soft drinks	Supplements Health drinks	Pharmaceuticals and quasi-drugs packaged in pouches	Orphan drugs	

Fields we will target in the future

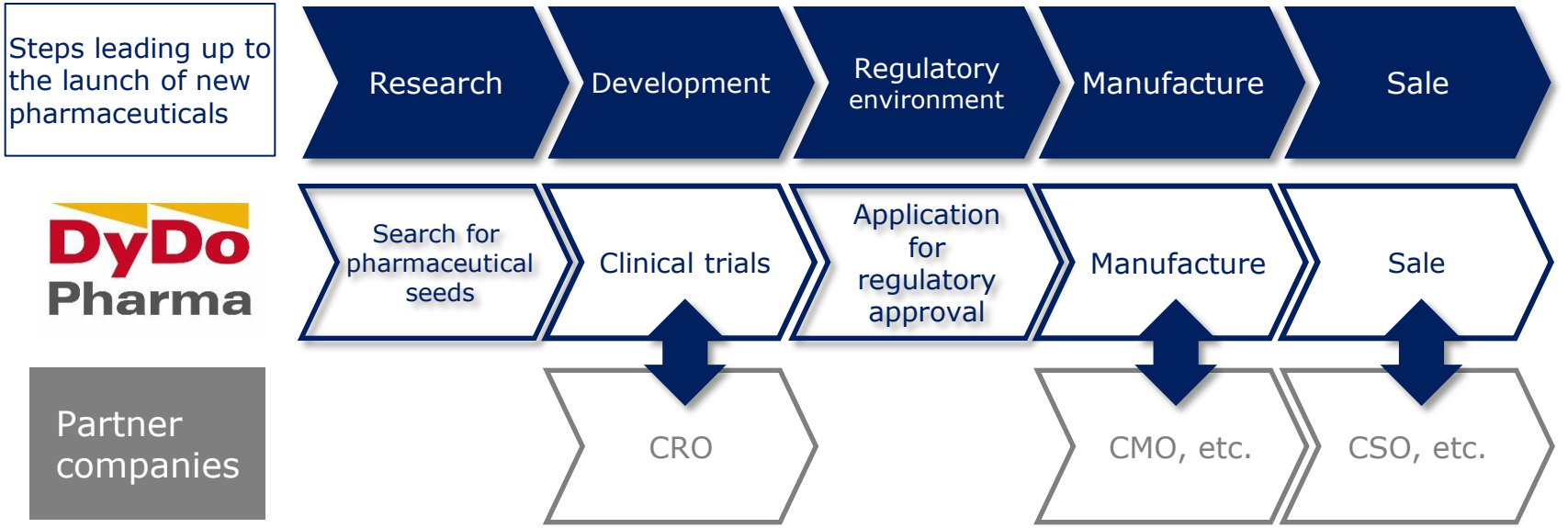
Working to acquire new businesses and integrate them with existing businesses

Investing in human resources who will become a source of competitiveness	
Human resources who contribute to existing business cash flows	Human resources with specialized knowledge, skills, expertise, etc.
Diverse human resources who innovate	

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

Investments in Launching the Orphan Drug Business

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



CRO: Contract Research Organization
CMO: Contract Manufacturing Organization
CSO: Contract Sales Organization

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

こころとからだに、
おいしいものを。

DyDo

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