

こころとからだに、
おいしいものを。



FY2020 (Year Ending January 20, 2021) 1st Quarter Financial Highlights

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

May 26, 2020

Table of Contents

1. Response to the COVID-19 Pandemic and Its Impact on the Company's Performance/Full-year Outlook
P.03 - 08
2. FY2020 (Year Ending January 20, 2021) 1st Quarter Financial Highlights and Full-year Outlook
P.09 - 15
3. Overview by Segment for FY2020 (Year Ending January 2021) 1st Quarter
P.16 - 24

こころとからだに、
おいしいものを。



1. Response to the COVID-19 Pandemic and Its Impact on the Company's Performance



Response to the COVID-19 Pandemic (Business Continuity)

- ▶ We are implementing a thorough regime of health and safety management measures as we give top priority to the health and safety of our customers and employees
- ▶ We are taking steps to ensure the continuity of our businesses so that we can fulfill our social role of supplying safe, reliable products to our customers
- ▶ At this point in time, we are not experiencing any problems that would impact our ability to supply products in a stable manner

Business timeline by segment

	January	February	March	April	May
Developments in Japan			February 26: The government calls for the cancellation or postponement of large-scale events. February 27: The government calls on elementary, middle, and high schools to close temporarily.	April 7: The government declares a state of emergency (in 7 prefectures). April 16: The government declares a state of emergency (nationwide).	→ May 25: Restriction is lifted.
Holding company	January 21 to			April 20	
	· We halt overseas trips and recommend staggering employee hours.			· The Head Office and other facilities instruct employees to work from home where possible (to continue until May 31).	
Domestic Beverage Business	January 21 to			April 20	
	· We halt overseas trips and recommend staggering employee hours.			· The Head Office and other facilities instruct employees to work from home where possible (to continue until May 31). · Employees responsible for vending machine operations start working in shifts (to continue until May 31).	
Pharmaceutical-related Business	January 21 to			April 20	
			· Sales facilities instruct employees to work from home where possible. · Plants continue to operate normally with additional measures to prevent the spread of infection.		
Food Business	January 1 to		March 31		
			· Sales facilities instruct employees to work from home where possible. · Plants continue to operate normally with additional measures to prevent the spread of infection.		
International Beverage Business	January 1 to		March 31		(April 23 to May 23: Ramadan)
Turkish business				March 27: The government halts flights into and out of the country and imposes restrictions on domestic travel. April 3: The government imposes a lockdown targeting people age 20 and younger and people age 65 and older.	→ Restrictions are gradually eased starting at the end of April.
				· Our offices switch to remote work (factories continue to operate).	
Malaysian business				March 18: Government offices and private-sector facilities close following an order restricting activities.	→ Restrictions are gradually eased starting at the beginning of May. → Since May 4: We continue normal operations after receiving authorization from
				· Our offices close (although we continue to supply products).	



Impact of the COVID-19 Pandemic on the Company's Performance

- ▶ Although the COVID-19 pandemic had only comparatively mild effects on our performance during the first quarter, the impact on our performance during the current fiscal year will be unavoidable.

	Impact on Q1 performance	Anticipated future impacts
Domestic Beverage Business	<ul style="list-style-type: none"> • As people have increasingly stayed at home due to factors such as the government's imposition of a state of emergency, the primary impact has been on sales in the vending machine channel. • Profits have grown thanks to a decline in advertising spending and in depreciation expenses associated with vending machines (p.13). 	<ul style="list-style-type: none"> • Beverage demand is set to fall as the tendency to stay at home and work from home becomes entrenched. • Efforts to place vending machines in new locations will be experiencing partial delays as customer companies expand their reliance on telework.
International Beverage Business	<p><u>Turkey</u></p> <ul style="list-style-type: none"> • Sales and profit grew significantly thanks to strong demand for mineral water. <p><u>Malaysia</u></p> <ul style="list-style-type: none"> • Sales continued to grow during the first quarter (January through March). 	<p><u>Turkey</u></p> <ul style="list-style-type: none"> • Profits will be impacted due to an economic situation where it is difficult to adjust prices to account for rapid growth in raw materials due to exchange rate fluctuations. • We expect delays in implementing initiatives to strengthen exports to the UK and Russia. <p><u>Malaysia</u></p> <ul style="list-style-type: none"> • Sales and profits will be impacted by strict restrictions on activities that took effect in April.
Pharmaceutical -related Business	<ul style="list-style-type: none"> • Despite a decline in orders for beauty drinks from customers in China, the impact on performance during the first quarter was comparatively mild. 	<ul style="list-style-type: none"> • The outlook for beauty drink orders from customers in China is unclear, and calls by the government for people to exercise restraint in going outdoors may impact the number of orders in Japan as well. • We expect the start of commercial operations at the Kanto Plant to slip to July.
Food Business	<ul style="list-style-type: none"> • Profits rose thanks to strong sales during the first quarter (January through March) and multi-faceted cost reduction initiatives. 	<ul style="list-style-type: none"> • While demand for groceries will grow, performance may be impacted by a decline in customer traffic at stores and restraint in pursuing promotional measures in the distribution chain.

Full-year Outlook

- ▶ Although there is a risk that a slowdown in the domestic and international economies due to the spreading COVID-19 pandemic will have an increased impact on the company's performance, it remains unclear when the pandemic will end
- ▶ At the present time, it is difficult to quantify the potential impact of the COVID-19 pandemic on our performance in a rational manner
- ▶ We are currently characterizing the full-year outlook as "undetermined" and will announce revised figures when it becomes possible to calculate them

(Millions of yen)

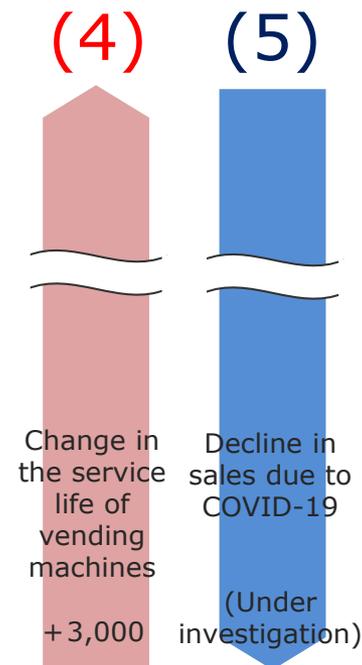
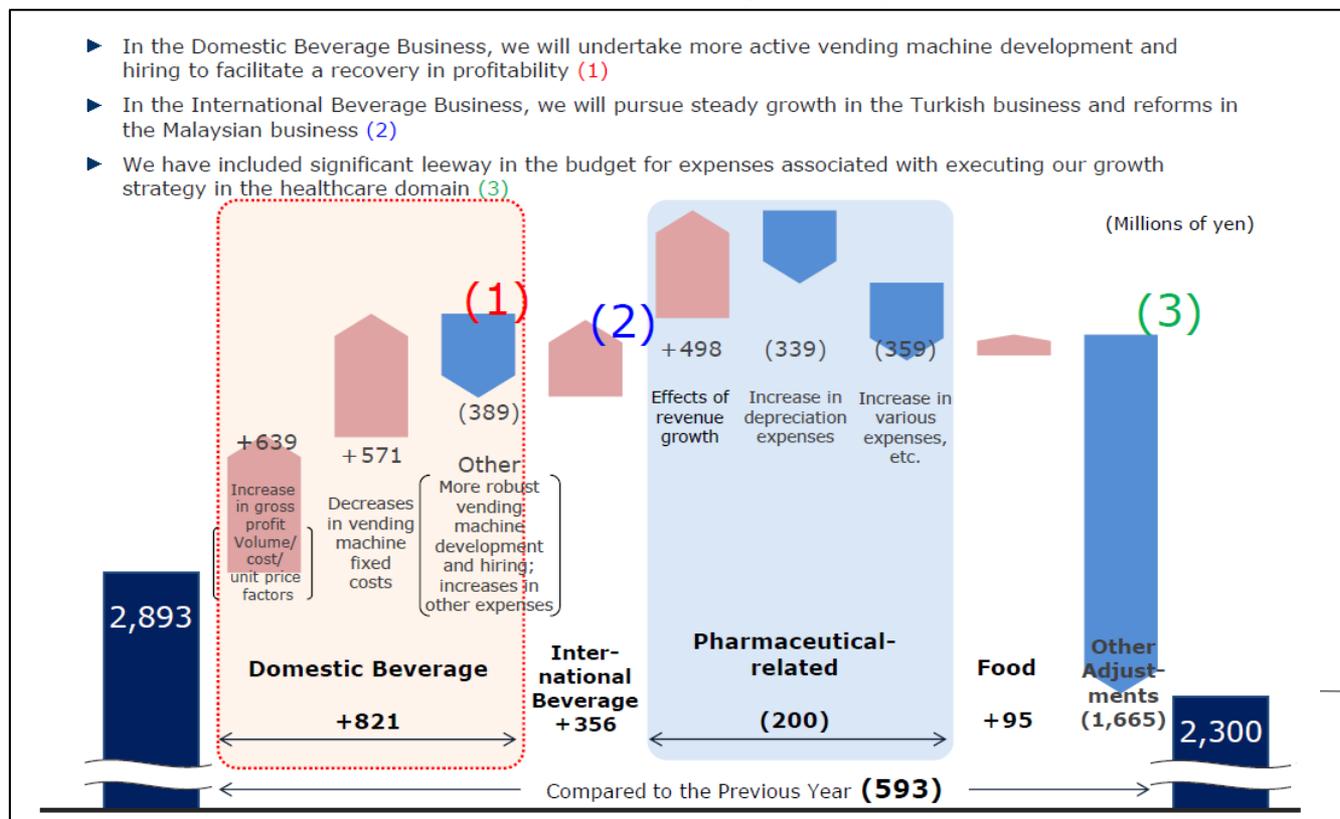
	FY2019 results		FY2020 earnings forecasts		FY2020 earnings forecasts (Initial plan)			
		Component ratio	(Current outlook)	Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	168,256	100.0%	-	-	169,000	100.0%	0.4%	743
Operating profit	2,893	1.7%	-	-	2,300	1.4%	(20.5%)	(593)
Ordinary profit	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 yen		(21.3%)	(23.01 yen)
Dividend per share	60 yen		60 yen		60 yen		-	-

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

- ▶ Depreciation expenses fell ¥3.0 billion versus plan due to a change in the service life of vending machines (4)
- ▶ At the present time, the potential impact of the spreading COVID-19 pandemic on sales remains unclear (5)

Initial plan (as announced March 4, 2020)

(Millions of yen)



FY2019 results

FY2020 initial plan

FY2020 plan

Anticipating Changes in a Post-coronavirus Society

- ▶ As we strive to achieve the vision for the Group set forth in the Group Mission 2030, we see new business opportunities in major changes affecting society and will strive to harness them to drive sustained growth and increased corporate value over the medium and long term



Opportunities

Creating markets that go beyond established beverage, pharmaceutical, and food categories to accommodate growing interest in health and disease prevention

Risks

Opportunities

Changes in the vending machine market due to increasing adoption of telework and changes in customer behavior

こころとからだに、
おいしいものを。



2. FY2020 (Year Ending January 20, 2021) 1st Quarter Financial Highlights and Full-year Outlook

Overview of Consolidated Financial Results for FY2020 1st Quarter

- ▶ Consolidated sales during the first quarter totaled ¥37,413 million (down 5.6% year on year)
- ▶ Operating profit was up to ¥741 million due to a change in the depreciation period for vending machines ➡ **P.13**

(Millions of yen)

	FY2019 1st quarter		FY2020 1st quarter			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	39,633	100.0%	37,413	100.0%	(5.6%)	(2,219)
Operating profit	(113)	(0.3%)	741	2.0%	-	854
Ordinary profit	(149)	(0.4%)	559	1.5%	-	708
Loss attributable to owners of parent	(322)	(0.8%)	(38)	(0.1%)	-	283
EPS	(19.56 yen)		(2.36 yen)		-	17.20 yen
Dividend per share	60 yen		60 yen		-	-

FY2020 1st Quarter Consolidated Earnings (by Segment)

- ▶ Sales fell in the Domestic Beverage Business due to the impact of the state of emergency and pressure for people to stay at home
- ▶ The impact of the pandemic on first-quarter results in the International Beverage Business, Pharmaceutical-related Business, and Food Business was limited

	FY2019 1st quarter	FY2020 1st quarter		(Millions of yen)
		% (YoY)	Amount (YoY)	
Domestic Beverage	29,143	26,662	(8.5%)	(2,481)
International Beverage	3,402	3,551	4.4%	148
Pharmaceutical-related	2,887	2,900	0.4%	12
Food	4,398	4,497	2.2%	98
Adjustment	(199)	(197)	—	1
Total net sales	39,633	37,413	(5.6%)	(2,219)

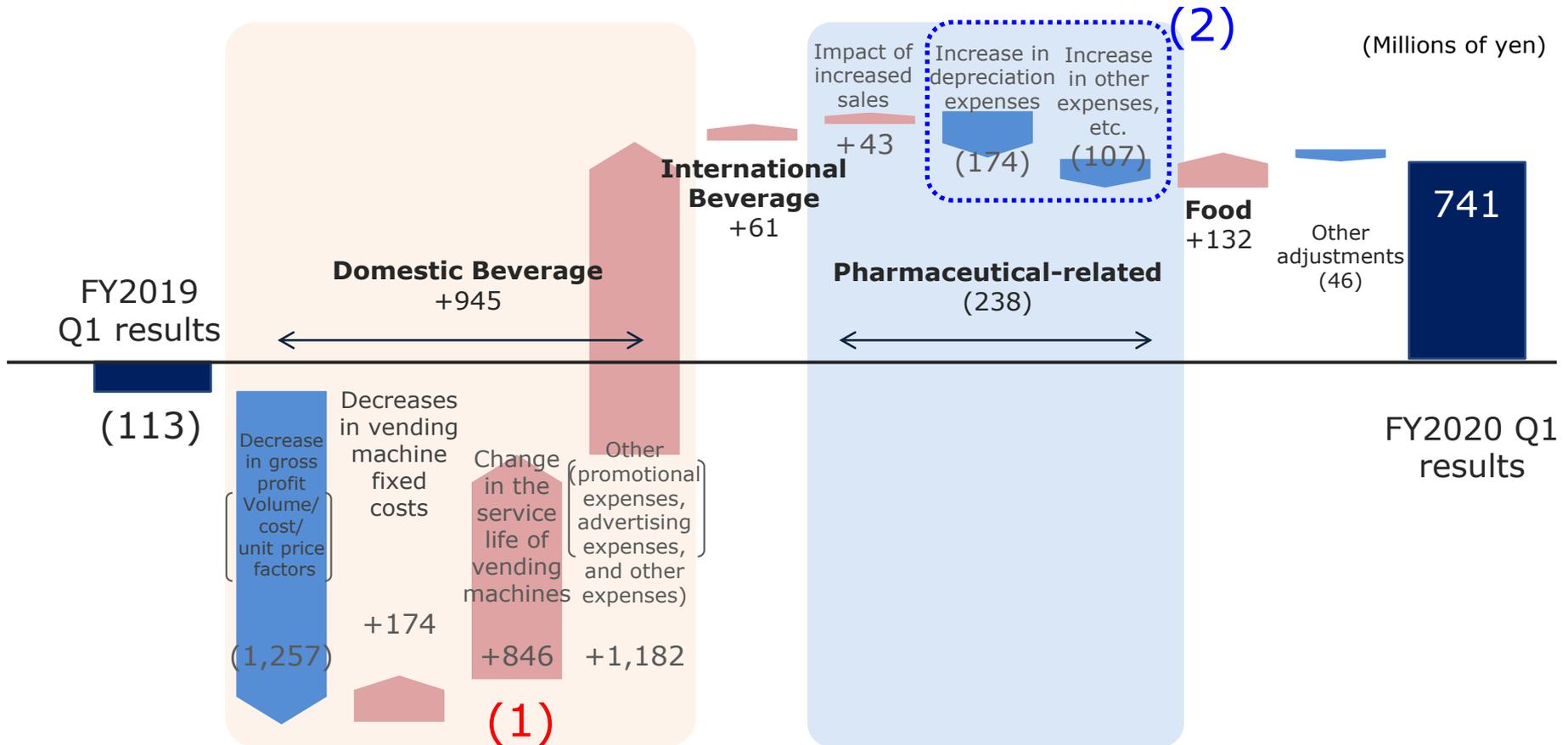
Domestic Beverage	(74)	870	—	945
International Beverage	1	62	—	61
Pharmaceutical-related	230	(8)	—	(238)
Food	66	199	198.8%	132
Other	—	(39)	—	(39)
Adjustment	(336)	(343)	—	(6)
Total operating profit	(113)	741	—	854

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



Factors Contributing to Changes in FY2020 1st Quarter Operating Profit

- ▶ Profits grew significantly in the Domestic Beverage Business due to a change in the service life of vending machines (1)
- ▶ Profitability improved in the International Beverage Business and Food Business (2)
- ▶ Depreciation and other costs rose in the Pharmaceutical-related Business due to factors including the completion of the Kanto Plant (in October 2019)



Impact of a Change in the Service Life of Vending Machines on Depreciation Expenses

- ▶ We changed the service life (depreciation period) of vending machines to take into account growth in the number of years vending machines can be used thanks to cost-improvement measures undertaken in the vending machine channel starting in 2014

➔ Previous service life 5 years (statutory service life)
➔ Service life after change 10 years (reflecting current average service life of 10 years or more)

● Impact of change in service life

(Millions of yen)

		FY2019 full-year result	FY2020 full-year outlook		
				% (YoY)	Amount (YoY)
No change	Capital investment	16,543	8,306	(49.8%)	(8,237)
	Depreciation amount	9,647	9,974	3.4%	327
Plan at start of fiscal year	Of which, Domestic Beverage Business share	7,148	6,577	(8.0%)	(571)
	Depreciation amount	9,647	6,974	(27.7%)	(2,673)
After change	Of which, Domestic Beverage Business share	7,148	3,577	(50.0%)	(3,571)

Initiatives to date to reduce vending machine costs

- ✓ Reducing procurement costs by narrowing the number of models used
- ✓ Introducing "frontier vendors" (vending machines that have been taken out of service and reconditioned by replacing their cooling unit, racks, and other parts to allow additional use)
- ✓ Aggressively reusing parts and materials



● Impact of change

- ✓ Effects of the reduction in costs will extend to about 2026
- ✓ Taxes will rise due to growth in profits
⇒ Operating cash flows will decline as a result.

Financial Position: Principal Changes in the Consolidated Balance Sheet

- ▶ Payment of retained earnings as dividends and share repurchases were the principal factors behind the decline in financial assets and net assets
- ▶ The changes in accounts receivables and inventories reflect seasonal fluctuations

(Millions of yen)

Financial assets*1	73,240	Interest-bearing debt*2	33,713
		Accounts payable	18,623
		Other	21,835
Accounts receivables	18,497	Net assets	89,210
Inventories	8,444		
Property, plant and equipment Intangible assets	50,831		
Other	12,369		
Total assets	163,383		Total liabilities and net assets

January 20, 2020

(Millions of yen)

Change from previous year shown underneath each figure

Financial assets*1	67,863 <i>(5,376)</i>	Interest-bearing debt*2	35,665 <i>1,951</i>
		Accounts payable	20,481 <i>1,857</i>
		Other	21,131 <i>(844)</i>
Accounts receivables	19,993 <i>1,495</i>	Net assets	86,003 <i>(3,207)</i>
Inventories	10,645 <i>2,200</i>		
Property, plant and equipment Intangible assets	50,732 <i>(98)</i>		
Other	14,047 <i>1,677</i>		
Total assets	163,282 <i>(101)</i>		Total liabilities and net assets

April 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

Share Repurchases (Announced on March 31, 2020)

- ▶ We announced share repurchases in order to facilitate an agile capitalization policy while increasing shareholder value in response to changes in the business environment.

- Repurchase details
 - (1) Type of shares to be repurchased: Common shares
 - (2) Total number of shares to be repurchased: Up to 828,000
(Percentage of total outstanding shares [excluding treasury stock]: 5.0%)
 - (3) Total cost of repurchased shares: Up to ¥3.0 billion
 - (4) Repurchase dates: April 1 to June 30, 2020
 - (5) Repurchase method: Market purchases through trust arrangement

こころとからだに、
おいしいものを。



3. Overview by Segment for FY2020 (Year Ending January 2021) 1st Quarter

Domestic Beverage Business Overview by Segment

- ▶ The government's declaration of a state of emergency in April has consumers to stay at home, impacting sales

(Millions of yen)

	FY2019 1Q results		FY2020 1Q results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	29,143	100.0%	26,662	100.0%	(8.5%)	(2,481)
Operating profit	(74)	–	870	3.3%	–	945
Depreciation expenses	1,852		830		(55.1%)	(1,021)

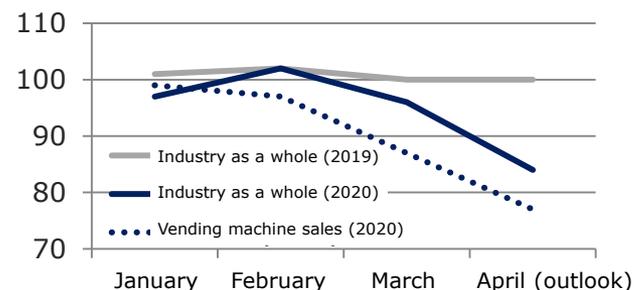
(Accounting period under review: January 21 to April 20)

- ✓ Profits grew due to a change in the depreciation period of vending machines and a decline in advertising expenses.
 - ✓ Despite hiring new employees to strengthen the foundation of the vending machine business, sales activities geared toward securing new locations have suffered partial delays.
 - ✓ We are making preparations, including by revising our budget, in anticipation of a longer-term disappearance of sales opportunities due to a tendency on the part of consumers to stay at home and of other lifestyle changes (including more widespread adoption of telework and a reappraisal of non-contact sales).
- Sales channel compared to previous year by channel

Quarterly trend	February	March	April	1Q	May
Vending machine channel	93.9%	94.1%	84.6%	90.6%	84.9%
Distribution channel	90.6%	97.3%	89.7%	92.5%	89.5%
Total	93.4%	94.8%	85.7%	91.0%	85.8%

Monthly accounting period: 21st of previous month to 20th of current month (For example, the April accounting period runs from March 21 to April 20.)

- Soft drink market shipments (FY2020 and FY2019)



Source: Beverage Business

▶ Strengthening development of new installation locations for vending machines

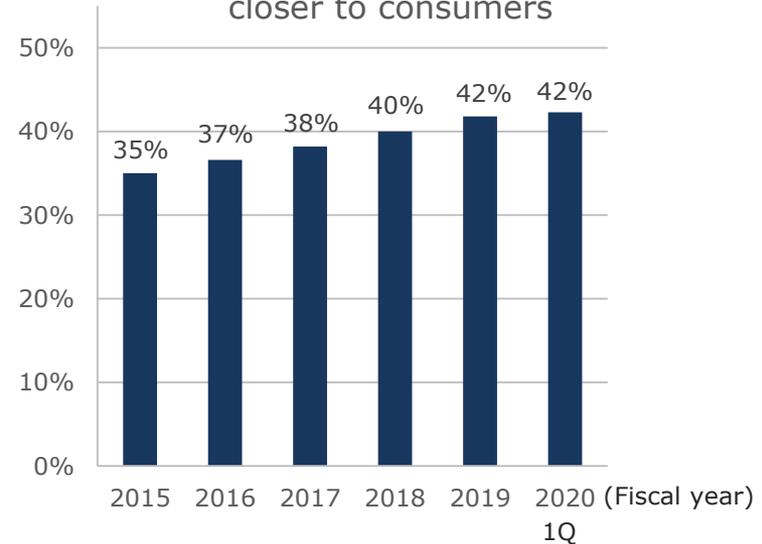
- ✓ We have made progress in strengthening sales structures to accelerate initiatives geared toward maintaining our vending machine network
- ✓ Concerning direct sales, the number of new vending machine installations exceeded the previous year, but sales activities are currently in a state of suspension
- ✓ Efforts to keep vending machines from being removed from service have been effective, both for direct sales and *Kyoeikai** sales

*An organization of distributors that is responsible for DyDo vending machine operations in primarily rural areas

▶ Streamlining operations after vending machine installation (boosting productivity by increasing the number of vending machines that can be maintained by each employee)

- ✓ A test sales office has achieved productivity improvements
- ✓ We are working to increase the number of networked vending machines

Percentage of locations that are closer to consumers



Conducting pre-testing at sales offices

Complete

Increasing the number of target sales offices

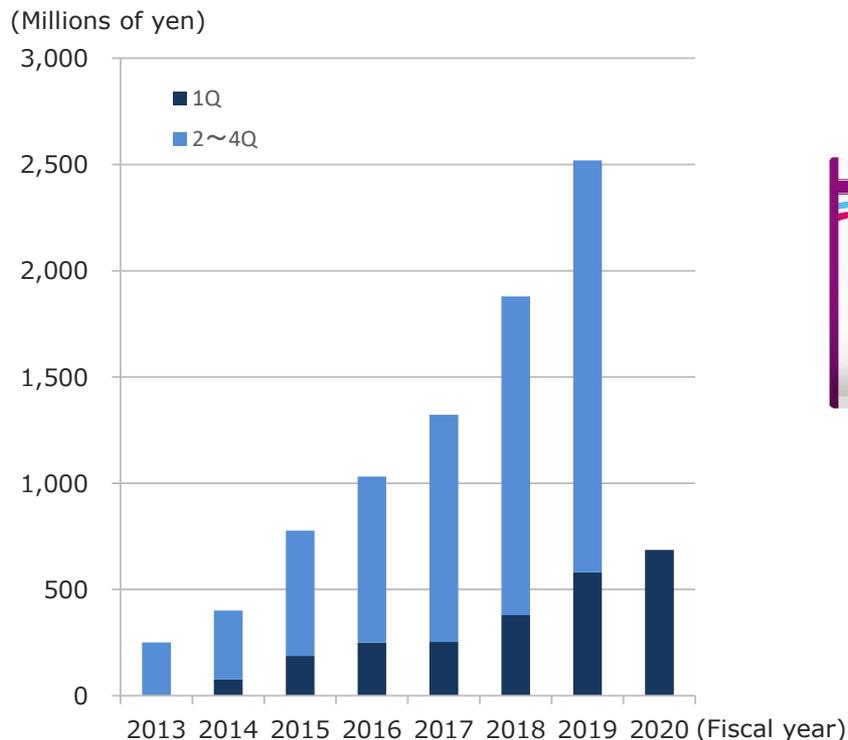
Underway

Studying the scale of the project

Domestic Beverage Business Progress in the Mail-order Business

▶ The supplement mail-order channel grew steadily

- ✓ The COVID-19 pandemic is having only a slight impact since the channel uses a mail-order business model
- Mail-order channel sales
- We enhanced the product line, with a focus on core product "Locomo Pro"



Capturing new customers



International Beverage Business Overview by Segment

- ▶ Although the COVID-19 pandemic had only a slight effect on first-quarter performance, its impact began to intensify in late March (Millions of yen)

	FY2019 1Q results		FY2020 1Q results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	3,402	100.0%	3,551	100.0%	4.4%	148
Operating profit	57	1.7%	110	3.1%	91.8%	52
Amortization of goodwill, etc.	56	1.6%	47	1.3%	(15.0%)	(8)
Operating profit after subtracting amortization of goodwill, etc.	1	0.0%	62	1.8%	-	61
JPY per TRY	20.57 yen		17.48 yen		(3.09 yen)	
JPY per MYR	27.05 yen		25.98 yen		(1.07 yen)	

(Accounting period under review: January 1 to March 31)

● Turkish beverage business

- ✓ The impact of the COVID-19 pandemic has come comparatively late, and first-quarter sales and profits grew substantially
- ✓ Risk due to an economic slowdown and exchange rate fluctuations is rising
- ✓ We expect initiatives to strengthen exports to the UK and Russia to be delayed due to the impact of factors such as Turkey's ban on international flights

● Malaysian beverage business

- ✓ Although we have been making progress on establishing a foundation for sales of house-brand products, the lockdown that began in mid March has triggered abrupt changes in the business environment
- ✓ Strict restrictions on activities by the general public will have an unavoidable impact on sales and profits starting in the second quarter
- ✓ We will focus on putting in place internal structures in anticipation of the future recovery

International Beverage Business Overview of Performance in Major Geographical Areas

▶ Turkish beverage business

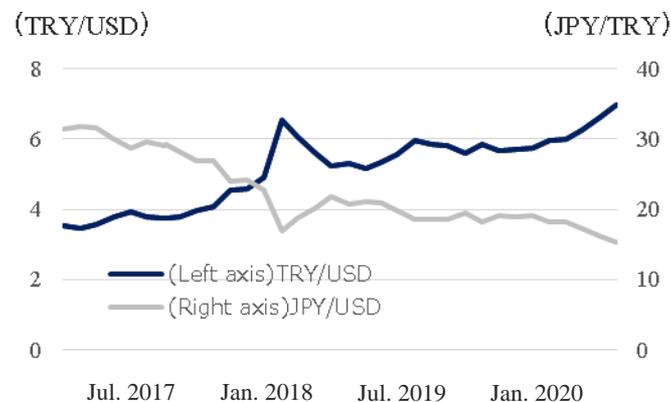
- ✓ Sales of mineral water remained brisk, and first-quarter sales rose 19% year on year on a local currency basis
- ✓ The lira has been weakening as the COVID-19 pandemic spreads worldwide, driving up the cost of imported raw materials at a time that it would be difficult to pass on the increases to sales prices

Local-currency-basis results			1st quarter	2nd quarter	3rd quarter	4th quarter	Year
FY2020	Sales, YoY	Quarter	+19%				
	Exchange rate (JPY per TRY)	Cumulative results	¥17.48				(Outlook at start of fiscal year)¥18
FY2019	Sales, YoY	Quarter	+30%	+17%	+2%	+15%	+14%
	Exchange rate (JPY per TRY)	Cumulative results	¥20.57	¥19.63	¥19.40	¥19.26	¥19.26



Mineral water brand
Saka

● Exchange rate trend



Pharmaceutical-related Business Overview by Segment

- ▶ The effects of the COVID-19 pandemic may make themselves felt in the contract manufacturing business starting during the second quarter

(Millions of yen)

	FY2019 1Q results		FY2020 1Q results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	2,887	100.0%	2,900	100.0%	0.4%	12
Operating profit	230	8.0%	(8)	—	—	(238)
Depreciation expenses	124		299		139.7%	174

(Accounting period under review: January 21 to April 20)

- ✓ Despite robust demand for quasi-drugs, a decline in the order of export products for China for beauty drinks via TCI keeps sales on par with the previous year
- ✓ The installation of a new pouch packaging line at the Nara Plant (in September 2019) and the completion of the Kanto Plant (in October 2019) are pushing depreciation expenses up and profits down
- ✓ The future outlook remains opaque due to the possibility that slack demand due to consumer restraint and a growing reliance on telework will lead to inventory adjustments and the fact that the outlook for beauty drink orders from the Chinese market is unclear
- ✓ The Kanto Plant (in Tatebayashi, Gifu Prefecture), which was completed in October 2019, has experienced delays in completing certain regulatory procedures due to the effects of the COVID-19 pandemic, pushing back the start of commercial operations
- ✓ Despite obstacles to sales activities resulting from the state of emergency, we have high expectations with regard to customers for the new plant and packaging line and will continue to put in place structures in anticipation of a resumption of economic activities

Food Business Overview by Segment

- ▶ The impact of the COVID-19 pandemic has been comparatively minor so far, but we are paying close attention to future developments

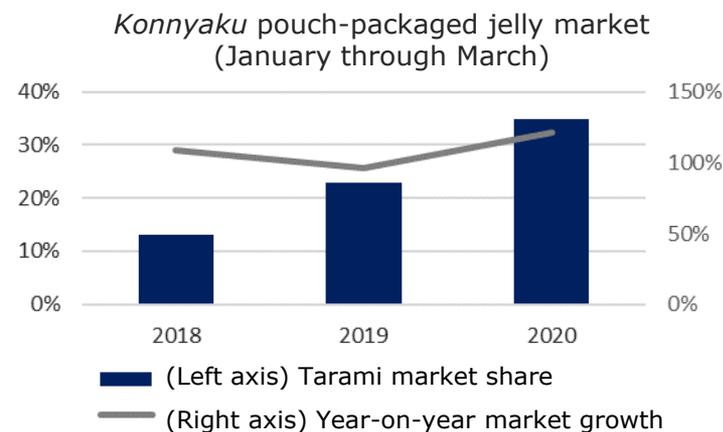
(Millions of yen)

	FY2019 1Q results		FY2020 1Q results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	4,398	100.0%	4,497	100.0%	2.2%	98
Operating profit	154	3.5%	287	6.4%	85.6%	132
Amortization of goodwill, etc.	88	2.0%	88	2.0%	0.0%	0
Operating profit after subtracting amortization of goodwill, etc.	66	1.5%	199	4.4%	198.8%	132

(Accounting period under review: January 1 to March 31)

- ✓ We expect slight growth in sales to drive significant growth in profits thanks to improving profitability
- ✓ Our share of the pouch-packaged jelly market continues to grow
- ✓ Careful study of future sales trends is necessary as reliance on telework drives down convenience store demand and consumers turn to mass retailers for staples
- ✓ We will continue to work to improve productivity in an effort to further boost profitability

- Trend in pouch-packaged food market sales



Source: Intage SRI (jelly beverages)

Seasonal Fluctuations by Segment

Net sales/net sales by segment

(Millions of yen)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Consolidated	FY2019	39,633	45,805	45,486	37,331	168,256
		23.6%	27.2%	27.0%	22.2%	100.0%
	FY2020	37,413	–	–	–	–

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

(Millions of yen)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
		(113)	2,146	1,936	(1,076)	2,893
		–	74.2%	66.9%	–	100.0%
		741	–	–	–	–

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Domestic Beverage	FY2019	29,143	31,666	32,336	28,056	121,203
		24.0%	26.1%	26.7%	23.1%	100.0%
	FY2020	26,662	(26,662)	–	–	–
International Beverage	FY2019	3,402	4,606	4,700	3,295	16,004
		21.3%	28.8%	29.4%	20.6%	100.0%
	FY2020	3,551	–	–	–	–
Pharmaceutical-related	FY2019	2,887	2,866	2,852	2,491	11,097
		26.0%	25.8%	25.7%	22.4%	100.0%
	FY2020	2,900	–	–	–	–
Food	FY2019	4,398	6,869	5,754	3,621	20,643
		21.3%	33.3%	27.9%	17.6%	100.0%
	FY2020	4,497	–	–	–	–
Other	FY2019	–	–	–	–	–
		–	–	–	–	–
	FY2020	–	–	–	–	–

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
		(74)	1,750	1,745	527	3,948
		–	44.3%	44.2%	13.4%	100.0%
		870	–	–	–	–
		57	182	173	(509)	(95)
		–	–	–	–	100.0%
		110	–	–	–	–
		230	127	69	(216)	210
		109.2%	60.6%	32.9%	–	100.0%
		(8)	–	–	–	–
		154	595	361	(295)	816
		18.9%	72.9%	44.3%	–	100.0%
		287	–	–	–	–
		–	0	(103)	58	(45)
		–	–	–	–	100.0%
		(39)	–	–	–	–

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