May 27, 2020

DyDo Group Holdings, Inc.
Summary of Questions and Answers
from the FY2020 (Ending January 2021) 1st Quarter Financial Briefing

Q1. Sales in the vending machine channel are falling across the industry as consumers stay home and work from home due to the COVID-19 pandemic. How does DyDo characterize the current state of its operations, the future of the vending machine market, and its strategy going forward?

A1. Sales volume in April and May is down about 14% compared to the same months last year, which is a more gradual decline than is being experienced by other companies in the industry. This difference reflects the fact that we have dedicated a smaller percentage of our vending machine "fleet" to locations that are close to employees' places of work, for example in offices, where they would be more affected by the recent trend toward telework. Also contributing to this more moderate decline is the fact that our placement of vending machines is weighted towards more rural areas instead of urban locations, where the tendency to stay at home has been more pronounced.

With regard to the vending machine market, we expect to find that sales volume bottomed out in April and May now that the state of emergency has been lifted. While it's difficult to predict whether sales will bounce back to previous levels, significant changes in the movements of people, particularly in cities, mean that the sales base may fall. That said, we believe that people will reassess the function of vending machines as a means of sales that does not depend on face-to-face contact.

Although we are not planning to change our policy of placing more vending machines in high-traffic areas such as office buildings, we will carefully monitor changes in consumer behavior and associated sales trends and react in a timely and flexible manner.

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Q2. DyDo is streamlining its operations in an effort to gain an advantage in the vending machine market. What can you tell us about progress in that effort and in changes that have been made to plans in light of the COVID-19 pandemic?

A2. Our initiative to network all vending machines managed by a subset of our sales offices using the IoT and to conduct pilot tests of that approach continues to progress according to plan. Our plan to increase the number of sales offices participating in this pilot program during the second half of FY2020 and then to roll out the initiative at larger scale during FY2021 after more testing remains unchanged. Our commitment to improve operational efficiency by networking vending machines using the IoT is unambiguous, but we believe that there is a risk that associated mechanical work will lead to a reduction in customer satisfaction. We will work to maintain and improve customer satisfaction by optimizing restocking routes and product selection for individual vending machines using tools such as AI-based analysis. Then we will make adjustments based on our expertise and operational personnel's experience while taking into account changes in the surrounding environment and consumer wishes concerning vending machine locations. Our goal is to gain an advantage in the market by differentiating ourselves from other companies through high-quality operations that bring together IT and employees.

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Q3. What was your reasoning for changing the useful life of vending machines right now?

A3. While the legal useful life of vending machines is five years, we've been able to keep them in the field for more than 10 years in recent years thanks to initiatives to extend their service life. Companies that use the International Financial Reporting Standards (IFRS) base the useful life of assets on the period of time over which those assets are actually used, and the international trend is to account for expenses in a way that reflects such actual conditions. It was against that backdrop that we discussed changing the useful life of vending machines with our audit corporation and determined to apply the new approach starting in FY2020. The change applies only to accounting estimates and has no bearing on the decision-making criteria sales personnel use when developing new locations or on our ongoing efforts to achieve substantial improvements in the profitability of the investments we make.

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Q4. Despite challenges posed by increasing depreciation expenses during the first quarter, the contract business operated by the Pharmaceutical-related Business expects to realize growth, including through businesses being pursued with Food Business unit Tarami that go beyond conventional segment boundaries. How does DyDo see the potential of these developments?

A4. We feel that interest in maintaining and improving health is rising as a result of the COVID-19 pandemic, and new consumer needs can be expected to emerge in connection with this trend. In the Pharmaceutical-related Business, which began operating a new pouch packaging line in 2019, we believe that there is room to achieve significant growth by meeting such needs through an effort to increase the ability of our contract manufacturing business to accommodate a variety of formulation types. As we undertake that effort, we will not rely solely on our own capital investments, but also continue to actively consider M&As.

Q5. What was the reason for DyDo's recent share repurchases? Is it possible that those will continue in the future, depending on share prices, and, if so, will they be guided by quantitative standards?

A5. Our share price fell significantly as part of the global decline in share prices that has accompanied the COVID-19 pandemic. We have not established any quantitative decision-making criteria regarding share price levels that would trigger repurchases; rather, the repurchases were the result of a comprehensive determination that the share price did not accurately reflect the company's core value. It is possible that we will use the treasury stock we acquired to fund future M&As as a growth strategy, rather than canceling it. Please note that we do not have any specific plans for additional share repurchases at the present time.

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