Consolidated Summary

DyDo Policies

Appointment of Tomiya Takamatsu as vice president (2012)

Appointment of Tomiya Takamatsu as president (2014)

	2008–2011	2012	2014–2018	2019 onward
DyDo Policies	Domestic Beverage Business restructuring	Promotion of new business development	Group Philosophy and Group Vision established Our Mid-term Business Plan "Challenge the Next Stage"	Group Mission 2030 Mid-term Business Plan 2021
Achievements	Profit margin improvement through shift from focus on number of machines to sales per machine and slimmed-down workforce system	DyDo Blend brand strengthening	Restructuring fixed costs in the vending machine channel, full-scale international business deployment	
Next steps	Secured future growth potential amid underlying downward sales trend	Business portfolio expansion	Improved profitability through continuous sales growth, expansion of business in the healthcare sector to establish a new business base	

External environment

2008 / 2009 / 2010 / 2011 / 2012 / 2013 / 2014 / 2015 / 2016 / 2017 / 2018 / 2019 onward

- 2008: Economic turndown in wake of financial crisis
- 2009: Further deflation, declining personal consumption
- 2010: Rapid yen appreciation, stock price slump
- 2011: Great East Japan Earthquake
- 2012: Issue of insufficient power supply, persistent strong yen
- 2013: Signs of economic recovery due to economic policies
- 2014: Impact of consumption tax hike on personal consumption, accelerating downward price trend
- 2015: Improved employment environment against background of economic policies
- 2015: Economic slowdown in developing nations, heightened geopolitical risk
- 2016: Continued favorable employment environment
- 2017: Rising sense of labor market shortage
- 2018: Successive natural disasters: earthquakes, typhoons, heavy rains, etc.
  Further workstyle diversification

Domestic Beverage Business environment

- 2008: Sluggish personal consumption
- 2011: Impact on supply chain
- 2013: Convenience stores begin selling freshly brewed coffee from in-store machines
- 2014: Spread of freshly brewed coffee at convenience stores, expansion of private brands in retail channel
  Number of vending machines in overall market begins to decline

Peak season (summer) situation

- 2009: Unseasonable weather
- 2010: Extremely high temperatures
- 2017: Unseasonable weather
- 2018: Extremely high temperatures
- 2019 onward: Unseasonable weather

Management strategy

Domestic Beverage Business (excluding home shopping supplement business)

- 2008: Shift from quantity to quality
  ➡Begin review and elimination of unprofitable vending machine sites
- 2009: Cost reduction through total review of operations
  ➡Business structure reform cost of 2.374 billion yen recorded as extraordinary loss
- 2010: Organizational reform of Domestic Beverage Business
  ➡Transition to function-specific organization, with separate development and operation functions
- 2011: Transition to channel-specific (vending machines, distribution) marketing division structure
  Secured operating profit through cost control
  Extraordinary loss of 758 million yen from disaster
- 2012: Launch of reformulated DyDo Blend
- 2013: Coffee-centric marketing deployed
  Sustaining of vending machine business, strengthening/expansion of retail channel
- 2014: Revision of vending machine prices upon consumption tax increase
  ➡Sales volume decreased
- 2014: Launch of bottle-can coffee from the "Supervised by the World's Top Barista" series, expanded lineup
  Review of vending machine procurement method P61
- 2015: 40th anniversary of DyDo Blend launch
  Deployment of "frontier vendors" to lessen vending machine burden on the environment and reduce costs P38
- 2016: Deployment of Smile STAND
  Launch of "Calorie Limit for the Mature Aged" tea series P35
  Agreement with Kirin Beverage Company to use each other's vending machines
- 2019 onward: Beginning of smart operation system structuring P39

Other businesses

Domestic Beverage Business / International Beverage Business / Pharmaceutical-Related Business / Food Business

- 2012: Launch of home shopping supplement business P36 (Domestic Beverage Business)
- 2012: Tarami becomes consolidated subsidiary (Food Business)
- 2013: Establishment and beginning of operation of Russian local subsidiary (International Beverage Business)
- 2015: Acquisition of shares for Malaysia business (International Beverage Business)
- 2016: Acquisition of shares for Turkey business (International Beverage Business)
- 2017: Transition to holding company system
- 2018: Home shopping supplement business becomes profitable (Domestic Beverage Business)
- 2018: Other: Decision to enter orphan drug business P42
- 2019 onward: Dissolution of Malaysia business joint venture (International Beverage Business)
- 2019 onward: DAIDO *Yakuhin* completes Kanto Plant (Pharmaceutical-Related Business)

Consolidated Financial Summary[*1]

(Millions of yen)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 onward
Sales[*2]	155,941	151,048	151,369	147,404	148,902	154,828	149,526	149,856	[*6] 171,401	172,684	171,553	168,256
Domestic Beverage	149,158	142,400	142,287	137,897	131,671	130,400	124,597	124,192	[*7] 128,278	[*8] 126,712	124,879	121,203
International Beverage	–	–	–	–	–	–	–	–	16,735	18,547	17,154	16,004
Pharmaceutical-Related	6,783	8,647	9,082	10,838	11,416	10,857	10,220	9,126	9,068	10,536	10,964	11,097
Food	–	–	–	–	[*3] 6,648	14,299	15,360	17,155	18,013	17,560	19,114	20,643
Operating profit	2,619	6,060	6,539	7,295	7,934	6,004	5,174	4,988	3,857	4,891	6,071	2,893
Ordinary profit	2,935	5,518	5,809	6,687	7,725	5,962	4,470	4,262	3,741	5,382	5,998	2,857
Profit attributable to owners of parent	1,002	705	2,691	2,351	4,410	3,712	2,322	2,347	3,269	2,504	3,856	1,778
Number of employees	3,489	3,281	3,149	2,936	2,916	2,770	2,767	2,887	3,602	3,771	3,912	4,160
Domestic Beverage	3,340	3,102	2,972	2,762	2,548	2,424	2,418	2,511	3,221	2,575	2,597	2,658
International Beverage	–	–	–	–	–	–	–	–	–	729	827	951
Pharmaceutical-Related	149	179	177	174	207	172	179	183	190	198	245	299
Food	–	–	–	–	161	174	170	193	191	249	217	225
Other	–	–	–	–	–	–	–	–	–	–	–	6
Whole Company	–	–	–	–	–	–	–	–	–	20	26	21
ROE (%)	1.4	1.0	3.8	3.2	5.9	4.7	2.8	2.8	3.9	2.9	4.2	2.0
Profit margin (%)	0.6	0.5	1.8	1.6	3.0	2.4	1.6	1.6	1.9	1.5	2.2	1.1
Total asset turnover (times)	1.5	1.2	1.2	1.1	1.1	1.1	1.0	0.9	1.0	1.0	1.0	1.0
Financial leverage (multiplier)	1.5	1.8	1.8	1.8	1.8	1.8	1.8	2.0	1.9	1.9	1.9	1.9
FCF	(380)	18,192	13,011	15,257	6,838	3,734	3,535	4,806	6,862	5,395	(1,296)	(3,022)
Operating cash flow	1,277	19,650	14,911	17,540	16,491	14,764	13,959	14,603	15,309	14,308	10,851	11,495
Expenditures related to tangible and intangible fixed asset acquisition	(1,657)	(1,458)	(1,900)	(2,283)	(9,653)	(11,030)	(10,424)	(9,797)	(8,447)	(8,913)	(12,147)	(14,517)
Capital expenditure	1,386	1,184	[*4] 1,481	6,839	16,833	[*5] 14,376	12,261	10,681	10,037	9,454	12,635	16,543
Depreciation	1,696	12,487	12,747	12,350	11,202	12,080	12,343	11,704	12,611	11,860	10,396	9,647

*1 Fiscal year for all group companies is from January 21 to January 20 of the following year *2 From FY2011, each sales figure includes internal sales between segments *3 The acquisition of Tarami Corporation (Food Business) is assumed for the purposes hereof to have taken place on July 20, 2012 and is included in consolidated accounts for six months of FY2012 *4 Transition from lease to purchasing method for vending machine procurement (starting FY2011) *5 Reduced purchasing costs per vending machine due to revised machine procurement method in Domestic Beverage Business and component recycling

*6 Acquisition of Malaysian beverage business was completed in December 2015 and included in consolidated accounts starting FY2016. Acquisition of Turkish beverage business was completed in February 2016 and included in consolidated accounts for eleven months of FY2016 *7 From FY2017, changes made to reporting segments; Beverage Sales Division split between Domestic Beverage Business and International Beverage Business. Results for FY2016 adjusted to fit new reporting segments. Results for Domestic Beverage Business to FY2015 include Russia and China
*8 A change took place in assets and costs in conjunction with the transition to a holding company structure

Management Analysis of the Financial Situation, and the Status of Business Results and Cash Flow

FY2019 Achievements and Next Steps

Improving profits	
Achievements	Significantly improving profitability in the Food Business and in the Turkish beverage business
Next steps	Strengthening the foundation of our vending machine business to help restore profits in the Domestic Beverage Business

Pursuing a policy of selection and consolidation for strategic facilities overseas	
Achievements	Developing sales facilities (in the UK and Russia) to increase exports from Turkey
Next steps	Pursuing reforms in the Malaysian beverage business

Making growth investments	
Achievements	Completing construction of a new pouch packaging line at DAIDO *Yakuhin* and the new Kanto Plant
Next steps	Pursuing a growth strategy in the healthcare domain

The fiscal year is from January 21, 2019 to January 20 of the following year

Tomiya Takamatsu
President and Representative Director
DyDo Group Holdings, Inc.

1. Analysis of Business Results

Group Mission 2030 was established in fiscal 2019, and the ensuing year—the first of the plan's duration—was one of working hard to achieve its objectives for the year 2030 in line with our business policy, "For DyDo Group to create enjoyable, healthy lifestyles for people around the world." The upcoming three years have been deemed the "Platform-strengthening and Investment Stage" in which, guided by Mid-term Business Plan 2021, we will endeavor to achieve Group Mission 2030 by strengthening our existing businesses and undertaking new investments aimed at establishing a second major source of revenue to complement the Domestic Beverage Business.

Unfortunately, our performance in fiscal 2019 did not live up to expectations. Our core business, the Domestic Beverage Business, was affected by the climate—in particular, a wet summer, autumn typhoons, and a warm winter—and the decrease in sales meant final performance was disappointing. Conversely, in the Food Business, long years of effort to improve costs and a careful sales strategy helped improve revenues dramatically. Similarly, the Turkish beverage business, which has steadily implemented post-merger integration since 2016 continued to perform robustly in the local currency, thus bringing us within sight of our goal of making the International Beverage Business profitable overall within the Mid-term Business Plan 2021 period.

We must recognize, however, that the Domestic Beverage Business's struggles are systemic and cannot be explained away simply by capricious weather. The vending machine business, for instance, faces declining vending machines numbers across the market as a whole, as well as increased competition from stores, including the rise of drug stores in addition to convenience stores. As a result, sales per vending machine are on a downward trend, and these systemic issues had a major impact on revenues in fiscal 2019.

FY2019 consolidated results

(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)

Results by segment

(Millions of yen)

	Net sales				Segment profit			
	FY2018 results	FY2019 results			FY2018 results	FY2019 results		
			% (YoY)	Amount (YoY)			% (YoY)	Amount (YoY)
Domestic Beverage Business	124,879	121,203	(2.9%)	(3,675)	7,106	3,948	(44.4%)	(3,158)
International Beverage Business	17,154	16,004	(6.7%)	(1.149)	(704)	(306)	—	398
Pharmaceutical-Related Business	10,964	11,097	1.2%	133	847	210	(75.1%)	(637)
Food Business	19,114	20,643	8.0%	1,529	235	464	97.2%	229
Other	—	—	—	—	—	(148)	—	(148)
Adjustment	(559)	(693)	—	(134)	(1,413)	(1,275)	—	138
Total	171,553	168,256	(1.9%)	(3,297)	6,071	2,893	(52.3%)	(3,178)

*Includes internal sales between segments. "Other" represents the orphan drugs business, which is not included in the reported segments.

2. Mid-term Business Plan 2021 Guidelines and FY2019 Achievements

Over the three years of Mid-term Business Plan 2021, we aim to improve the profitability of our existing businesses. There will be a temporary decline in profits, but in our view it provides a platform for comprehensive investment for the future. To that end, we have not set fixed numerical targets for those three years, instead establishing guidelines based on key indicators that will serve as the basis for annual targets to be instituted each year taking into account the changing business landscape and our progress toward achieving key strategies and investment strategies.

In fiscal 2019, regular capital investments in existing business activities were combined with around 5.8 billion yen in growth investments, including for the construction of a new plant, the Kanto Plant, for our Pharmaceutical-related Business, and for a new production line for pouch-packaged products in our home base of Nara. Overall, capital investments totaled approximately 16.5 billion yen. Furthermore, although we have no major investments underway at the moment such as new M&A or orphan drug projects in the healthcare market, we are looking into these as a potential means of establishing a second major source of revenue.

Operating cashflow improved in fiscal 2019 over the preceding year, but still reached only about 11.4 billion yen. It is vital that we boost operating cash flow to fund growth investments aimed at increasing corporate value over the medium to long term, and with that goal in mind, we will redouble our efforts to improve the profitability of our existing businesses.

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 •Capital investment necessary in existing businesses	¥40 billion or greater About ¥28 billion	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**]
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

3. Mid-term Business Plan 2021 Progress

Despite its struggles in the vending machine channel in fiscal 2019, our core Domestic Beverage Business made solid progress toward improving corporate value over the medium- to long-term in its other channels and businesses.

As stated above, in terms of revenues (see the first basic policy on the next page), there were significant gains in the Food Business, while the growth of our Turkish beverage business means our goal of overall profitability for the International Beverage Business is in sight.

Regarding the Domestic Beverage Business's product range (see the second basic policy), the "Calorie Limit for the Mature Aged" teas that were developed jointly with FANCL are experiencing robust sales growth in the store (i.e., mass retailers, convenience stores) space without resorting to discounting, even among the crowded "foods with function claims" drink market. Meanwhile in the home shopping channel, through which we sell supplements and health foods, we have acquired a number of loyal customers. These factors have resulted in a large increase in sales and made a significant contribution to revenues.

In the International Beverage Business, the process of selection and consolidation of facilities continues (see the third basic policy). Although there is growth in our Turkish operations, this is tempered by the potential impact on business performance of short-term trends such as an economic downturn and medium- to long-term instability in the Turkish lira. In light of which, we are endeavoring to stabilize our Turkish business by expanding its export operations. To that end, we established a local subsidiary in the UK in fiscal 2019 and set up a sales office in Russia.

In the Malaysian beverage business, however, we have dissolved our joint venture in that country to make a fresh start, while in Russia, where we had hoped to pursue opportunities in the vending machine sector, we have pulled out of most of our operations (with the exception of some profitable locations) and have begun winding up our local subsidiary.

Regarding investments aimed at facilitating the growth of existing businesses and the creation of new businesses (see the fourth basic policy), we are looking into investments and M&A in the Pharmaceutical-related Business, while in the Domestic Beverage Business, we are testing new ways of working that incorporate IoT technology to allow efficient vending machine operations in this age of labor shortages, and we look forward to implementing these in earnest within the Mid-term Business Plan 2021 period.

The bedrock that underpins all these is our workforce (see the fifth basic policy). I see the ideal employee as someone who puts their best foot forward, both on the job and in their private lives, and the most fundamental prerequisite for that is employee health. To ensure this, we seek to implement systems and policies under the DyDo Group Health Declaration that help employees maintain and improve their health. In this way, we hope that each employee is ready and able to take the initiative and help the DyDo Group stay abreast of the times and make real progress toward achieving our Group Philosophy and Vision. Already, the new Code of Conduct, instituted in 2019, has become firmly established and there is a palpable feeling of increased awareness regarding these issues.

On the other hand, urgent, specific challenges remain in our quest to develop a workforce to propel our businesses into the future. The decrease in vending machine numbers—a major factor in the Domestic Beverage Business's troubles in fiscal 2019—has the very foundations of our business. We are working to bolster our sales framework so as to arrest and reverse the fall in vending machine numbers, but our progress in doing so is not fast enough and that is the group's biggest and most pressing problem. Moving forward, we will continue to strengthen our set-up, including taking on more new staff, and work on overcoming our biggest challenges: beefing up the foundations on which the Domestic Beverage Business is built.

Progress for each basic policy

Mid-term Business Plan 2021 basic policy	Progress in implementation at present		
① 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.
② 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.
③ 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.
④ 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.
	Other	△	We continued to research and study potential M&A transactions.
⑤ Adopting strategies to train human resources who will lead the DyDo Group to sustained growth	Other	○	We worked to ensure compliance with the Group Code of Conduct.
	Other	○	We pursued health-oriented management based on the DyDo group Health Declaration.
		△	We strengthened sales structures related to developing vending machine locations.

4. Analysis of Finances and Cash Flow

In fiscal 2019, investments designed to facilitate growth in existing businesses, such as building DAIDO *Yakuhin's* new Kanto Plant, resulted in an increase in property, plant, and equipment and a decrease in current assets, but this did not affect the health of our finances, as the current asset ratio was 146.6% at the end of fiscal 2019, the fixed asset ratio was 92.5%, and the equity ratio was 53.9%.

While there was a slight decrease in accounts receivable and inventories, the drop in operating income meant that there was only a slight increase in cash flows from operating activities. We are well aware that we need urgently to bolster the foundations of our vending machine business, the source of the group's cash flow, in order to keep generating the cash needed to maintain ongoing growth investments.

Consolidated balance sheet

(Millions of yen)

	FY2018	FY2019	Amount (YoY)
Current assets	89,852	81,968	(7,883)
Non-current assets	81,780	81,415	(365)
Total assets	171,632	163,383	(8,249)
Current liabilities	42,175	55,911	13,735
Non-current liabilities	35,517	18,261	(17,225)
Total liabilities	77,692	74,172	(3,519)
Total net assets	93,940	89,210	(4,729)

(Millions of yen)

	Capital investment			Depreciation expenses		
	FY2018	FY2019	Amount (YoY)	FY2018	FY2019	Amount (YoY)
Domestic Beverage Business	6,712	6,853	140	8,062	7,148	(914)
International Beverage Business	539	434	(104)	675	628	(46)
Pharmaceutical-Related Business	3,953	7,466	3,512	624	696	71
Food Business	941	1,252	310	683	765	82
Group-wide (including "Other")	489	537	48	350	408	57
Total	12,635	16,543	3,907	10,396	9,647	(749)

The changes in accounts receivable and inventories reflect seasonal fluctuations

January 20, 2019

(Millions of yen)

Assets		Liabilities and net assets	
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
Inventories	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, 2020

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

Assets		Liabilities and net assets	
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)
Inventories	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 liabilities and net assets	163,383 (8,249)

*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

5. Challenges to Improving Capital Efficiency

In order to improve the DyDo Group's capital productivity, we need to reinvest operating cash flows provided by existing businesses to generate growth and harness excess funds for strategic investments in new businesses. Under Group Mission 2030, the Mid-term Business Plan 2021 period is the "Platform-strengthening and Investment Stage" in which we pursue growth investments. We will pool the group's capital in a holding company and allocate funds as appropriate, and each potential investment will be judged soberly in accordance with quantitative and qualitative criteria to ascertain their profit potential and efficiency.

6. Challenges of the Post-Covid-19 World

As of writing in fiscal 2020, Covid-19 is wreaking havoc on the world's economic status. When this global crisis eventually subsides, we predict that there will have been a fundamental shift in the way people think about food and health, our core business domains, and in how they do business. We will respond flexibly to these rapid changes in the business environment so that the DyDo Group can continue to create enjoyable, healthy lifestyles for people around the world.

Status of cash flows

(Millions of yen)

	FY2018	FY2019	Amount (YoY)
Cash flow from operating activities	10,851	11,495	644
Cash flow from investing activities	(16,876)	(15,472)	1,403
Cash flow from financing activities	(2,618)	(4,099)	(1,481)
Effect of exchange rate change on cash and cash equivalents	(464)	(86)	377
Net increase (decrease) in cash and cash equivalents	(9,107)	(8,163)	943
Cash and cash equivalents at beginning of period	47,520	38,413	(9,107)
Increase in cash and cash equivalents due to new consolidation	—	3	3
Cash and cash equivalent at end of period	38,413	30,253	(8,159)

Major factors affecting increases/decreases in free cash flow

(Millions of yen)

	FY2018	FY2019	Amount (YoY)
EBITDA*	16,880	12,932	(3,947)
Working capital cash flow increase (decrease)	(2,217)	182	2,400
Other	(3,812)	(1,620)	2,191
Cash flow from operating activities (a)	10,851	11,495	644
Purchase of property, plant and equipment and intangible assets (a)	(12,147)	(14,517)	(2,370)
Free cash flow (a-b)	(1,295)	(3,022)	(1,726)

* EBITDA = operating income + depreciation expenses + amortization of goodwill

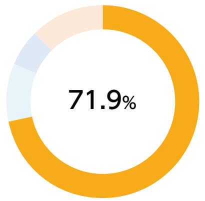
Our Business Segments: Achievements and Next Steps

In the case of revisions stemming from changes in segments and accounting standards, the effects of those changes are applied retroactively only to the figures for the year immediately preceding the year in which the change took place.

Domestic Beverage Business

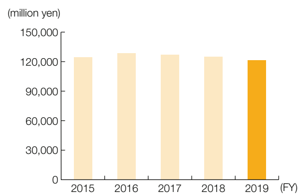
P.21-24

Breakdown of net sales

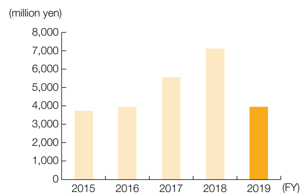


(Breakdown of sales to external customers)

Net Sales



Segment Profit*



(Millions of yen)

Business year	2013	2014	2015	2016	2017	2018	2019
Net sales	130,400	124,597	124,192	128,278	126,712	124,879	121,203
Segment profit	4,578	3,839	3,745	3,958	5,542	7,106	3,948
Segment profit margin (%)	3.5%	3.1%	3.0%	3.1%	4.4%	5.7%	3.3%
Segment assets	129,275	130,485	145,737	110,241	52,219	50,117	50,148
Capital expenditure	13,741	11,500	9,788	7,017	6,505	6,712	6,853
Depreciation	10,961	11,287	10,657	10,643	9,246	8,062	7,148
ROA (%)	3.6%	3.0%	2.7%	3.1%	10.3%	13.9%	7.9%

The fiscal year for each business runs from January 21 to January 20 of the following year
*Results from fiscal 2017 and after take into account the effect of the transition to a holding company structure

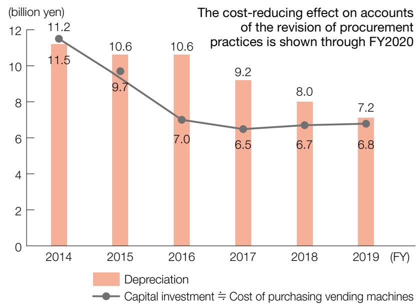
In Review: The Revision of Vending Machine Hardware Procurement Practices

As part of our efforts to make the Domestic Beverage Business leaner, we revised our procurement practices in 2014 for new vending machines. Reducing per-machine procurement costs by tighter selection of vending machine models and suppliers has enabled us to bring fixed costs down while maintaining machine numbers.

As a result, capital investment in fiscal 2016 was approximately 4.5 billion yen lower than in fiscal 2014, the year in which we began investigating these changes, and depreciation and amortization costs have also decreased gradually in the five years* from fiscal 2016 to fiscal 2020. At the same time, we have also striven to extend the useful life of each vending machine, and the cost savings realized through these initiatives are being directed toward strengthening our next business foundation.

*Five years is the useful life span of a vending machine.

Extending the Useful Life Span of Vending Machines
Starting with the year ending January 2021, we have revised the figure given as the theoretical useful life span of our vending machines to ten years to better reflect the longer periods for which machines are now used. For details on the impact of this revision, see the latest account information on our website.



Mid-term Business Plan 2021 Progress

FY2019 Achievements and Next Steps

Achievements	Dramatic growth in supplement sales via home shopping channels contributes to profits
Next steps	Strengthening the foundation of our vending machine business to help restore profits

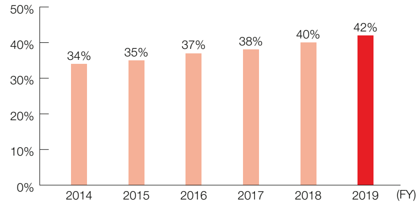
Takanori Nakashima
Director, Executive Officer, Director of the Vending Machine Sales Division
DyDo DRINCO, Inc.

Strengthening Our Vending Machine Location Scouting Capabilities

The Domestic Beverage Business is at the very core of the DyDo Group, and our chief task under Mid-term Business Plan 2021 is sustaining and expanding cash flows. However, since the second half of fiscal 2018, a shortage of vending machine operations staff has contributed to a decrease in vending machine numbers, particularly in the non-metropolitan regions covered by the Kyoeikai (special vending machine operators that handle DyDo products). In fiscal 2019, we worked to strengthen sales activity aimed at developing new locations for installing vending machines directly (i.e., without going through the Kyoeikai). This went some way to improving the situation—development efficacy per head was up and a greater proportion of our vending machines are now installed in more profitable high-footfall locations such as offices and factories—but it was not enough to cover the losses created by the drop in vending machine numbers.

Revitalizing the foundation of the group's business, the vending machine network that generates our cash flows, is our foremost challenge. We will work to further improve quality and raise the number of new installations per staff member, while shoring up our sales framework through intragroup redeployment of staff and increased mid-career hiring. In doing this, our top priority is to return to an upward trend in in-service vending machine numbers, and we will do whatever we can to ensure this happens quickly.

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



Establishing a Smart Operation Structure

I believe that one of the main factors behind the decline in vending machine numbers in recent years is the shortage of people to fill post-installation operational positions. These are the people who keep vending machines stocked, fine-tune each machine's selection of products to suit the season and local characteristics, and generally maintain the machines' locations. Arresting this decline means boosting operation staff numbers, but in an era of medium- to long-term decrease in the working-age population overall, this alone will not solve the underlying issues.

We need a smart operation structure, in which new digital technologies are harnessed to enable each staff member to handle a larger number of machines, thus ensuring that we can maintain vending machine numbers with fewer people.

Establishing a smart operation structure begins with installing communication devices on vending machines and hooking them up to the Internet of Things (IoT). This will provide real-time stock levels and other information that would normally remain unknown until a staff member visited each machine. As a result, we can prepare the appropriate varieties and volumes of products for restocking and optimize the frequency of visits to machines. Moreover, receiving data from machines in this way allows for effective division of labor; whereas each operations staff member has traditionally been responsible for both product preparation and restocking, this can now be split for more efficient operations.

This system was subjected to tests in fiscal 2019 across multiple sales bases in locations and areas with different characteristics. Each test allowed us to identify issues, devise improvements, and test again, and as a result, substantial productivity gains are now well within reach.

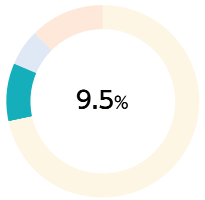
In order to get maximum benefits from our investment in the IoT, it is certain that the frontline practices we have built up over the decades will need to evolve, but our wealth of hard-won operational expertise will remain as valuable as ever. For the time being, we will incorporate more sales bases into testing and concentrate on ensuring each employee is fully aware and up to speed. The sooner we establish a smart operation structure, the sooner we can adapt to today's declining workforce and solidify our competitive advantages in the industry.

(For details about our smart operating structures, see p. 39)

International Beverage Business

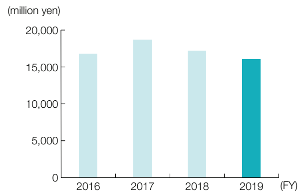
P.25-26

Breakdown of net sales

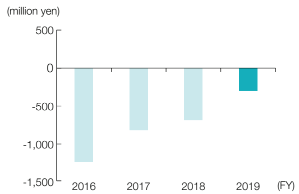


(Breakdown of sales to external customers)

Net Sales



Segment Profit



(Millions of yen)

Business year	2013	2014	2015	2016	2017	2018	2019
Net sales	—	—	—	16,735	18,547	17,154	16,004
Segment profit	—	—	—	(1,266)	(838)	(704)	(306)
Segment profit margin (%)	—	—	—	—	—	—	—
Segment assets	—	—	—	21,744	20,717	15,129	14,266
Capital expenditure	—	—	—	1,882	842	539	434
Depreciation	—	—	—	907	918	675	628
Goodwill amortization costs	—	—	—	182	171	114	94
ROA (%)	—	—	—	—	—	—	—

The fiscal year for each business runs from January 1 to December 31 of the following year

Overview of DyDo's Turkish and Malaysian Beverage Operations

		Turkey	Malaysia
Acquired stake in		February 2016	December 2015
Method		Acquired shares in the soft drinks department of Yildiz Holdings A.S., which has Turkey's biggest confectionery manufacturers under its umbrella	Invested in the beverage division of Mamee-Double Decker, which has the top share of the Malaysian snacks and instant noodle market. Joint venture dissolved in FY2019
Initial share in main target company		90%	51%
Current share in main target company		90%	100%
Line of business		Production and sale of beverages	Sale of beverages
Main products		Mineral water, carbonated beverages, etc.	Milk whey beverages, carbonated beverages, etc.
Sales channels		Mineral water: Delivery to offices, etc. Mineral water, carbonated beverages: Distributed via mass retailers, etc.	Distributed via mass retailers, convenience stores, etc.
Post-merger integration	Brands	Inherited the brands of Yildiz, which have a high degree of recognition in Turkey; investing marketing resources in selected brands to develop them	Inherited brands gradually phased out, from fiscal 2019 onward DyDo brands launched and sales strengthened
	Sales network	Yildiz's sales network gradually being brought under DyDo's operational control. Changeover basically completed with some exceptions.	Mamee-Double Decker sales network gradually switched to DyDo channels
	Production	Operating five plants in Turkey	Fabless
		Optimizing plants acquired through M&A; new plants acquired	Mamee-Double Decker plants used to produce some products

Mid-term Business Plan 2021 Progress

FY2019 Achievements and Next Steps

Achievements	Huge improvement in profitability of the Turkish beverage business
Next steps	Pursuing reforms in the Malaysian beverage business

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

Turkish Beverage Business: Strengthening Our Business Foundation to Seek Further Growth

Our goal under Mid-term Business Plan 2021 is to bring the International Beverage Business to profitability overall, and the steady growth of the Turkish beverage business, which accounts for a large part of sales in this segment, is contributing to progress toward that end. Efforts to bolster our value chain in fiscal 2019, such as through work on our production and sales structures, as well as robust sales of "Saka" mineral water, our core brand in Turkey, have resulted in increased sales in Turkish lira and a sharp jump in profits. The concentration of resources in core brands—"Saka," "Çamlıca" carbonated beverages, and "Maltana" among others—has boosted brand recognition in the market and sparked a level of growth in excess of that of the beverage industry overall.

Turkey's large youth demographic means this market has high growth potential. This, combined with increasing health consciousness among consumers, gives us cause to consider this a promising market forecast to grow significantly over the medium to long term. However, the Turkish economy is in a period of slowdown, making it difficult for us to sustain the high growth rates we have seen so far. Therefore, while we continue to seek solid growth within Turkey, we are also looking to expand exports from that country. To this end, we have been working to pave the way for expanded sales of Turkish products in Russia (specifically Moscow), and in September 2019 established a new local subsidiary in the UK, where Yildiz Holdings has been exporting products through local agents for at least 15 years and built up product recognition on the local market.

Moving forward, our key focus will be on continuing to expand sales of our core brands such as "Saka." We will also endeavor to establish a stronger distribution channel among small owner-operated stores—the last of the existing issues to be addressed in the post-M&A period—so as to create a steadfast business foundation on which to build our efforts to reach the next stage of success.

A New Set-Up for the Malaysian Beverage Business

The Malaysian beverage business is key to our quest to bring the International Beverage Business to overall profitability. As of fiscal 2019, our operations in Malaysia had not turned a profit since the M&A, and we must now make a judgment on whether or not to continue with this business.

Our Malaysian beverage business began in 2015 when we invested in the soft drinks department of a major local confectionery manufacturer, and subsequently entered into a joint venture deal. That joint venture was dissolved in 2019, however, and we made a fresh start with a beverage sales company wholly owned by the DyDo Group. We have gradually cut back on sales of the brands inherited from our former joint venture partner, and have sought to rebuild our brand portfolio by launching our own brands such as "BeFine" and "vida," which were developed using a fine blend of our own wealth of expertise and the invaluable views of local staff.

As things stand, we have shifted to a 100% DyDo-led management structure, and are working hard to improve profitability by expanding sales of our new products.

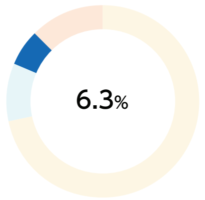
New, certified-Halal products for the Malaysian market

"BeFine" yogurt drinks "vida" carbonated drinks

Pharmaceutical-Related Business

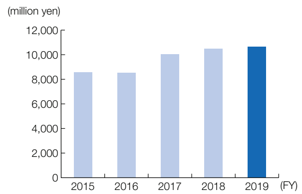
P.27-28

Breakdown of net sales

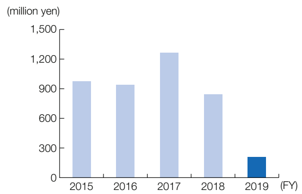


(Breakdown of sales to external customers)

Net Sales



Segment Profit



(Millions of yen)

Business year	2013	2014	2015	2016	2017	2018	2019
Net sales	10,857	10,220	9,126	9,068	10,536	10,964	11,097
Segment profit	1,227	1,135	979	944	1,271	847	210
Segment profit margin (%)	11.3%	11.1%	10.7%	10.4%	12.1%	7.7%	1.9%
Segment assets	13,807	13,684	13,568	14,962	17,001	17,764	22,587
Capital expenditure	337	291	298	423	1,248	3,953	7,466
Depreciation	530	483	459	430	517	624	696
ROA (%)	8.8%	8.3%	7.2%	6.6%	8.0%	4.9%	1.0%

The fiscal year for each business runs from January 21 to January 20 of the following year

DAIDO *Yakuhin's* Plants

	Nara			Kanto
Location	Katsuragi, Nara Prefecture			Tatebayashi, Gunma Prefecture
Site area	Approx. 43,000 m²			Approx. 27,000 m²
Yearly production capacity	Approx. 350 million units		30 million units	Approx. 150 million units
	Plant 1	Plant 2	Plant 3	—
Construction completed	1991	1999	2019	2019
Fully operational	—	—	February 2020	July 2020
Product format capabilities	Bottles	Bottles	Pouches	Bottles
Number of assembly lines	3	1	1	1
Product size capabilities	20ml/30ml/50ml/75ml/100ml/120ml	80ml/100ml/150ml/260ml	—	100ml
Capital investment	—	—	Approx. 2 billion yen	Approx. 6 billion yen

*All plants are able of producing pharmaceutical and quasi-drug products
*DAIDO *Yakuhin* is licensed for: Pharmaceutical manufacturing, Second-class pharmaceutical manufacturing and sales, Quasi-drug manufacturing, Quasi-drug manufacturing and sales, Beverage manufacturing

Mid-term Business Plan 2021 Progress

FY2019 Achievements and Next Steps

Achievements	Completing construction of a new pouch packaging line at DAIDO *Yakuhin* and the new Kanto Plant
Next steps	Securing a stable supply of orders

Makoto Miyaji
President and Representative Director
DAIDO *Yakuhin*

With the Kanto Plant, We're Better Positioned to Capture Demand

At DAIDO *Yakuhin*, which is responsible for the Pharmaceutical-related Business, we are steadily investing to spark future growth in line with the investment strategy set forth in Mid-term Business Plan 2021.

Construction of the new Kanto Plant in Tatebayashi, Gunma Prefecture, was completed on schedule in October 2019, and went fully operational in July 2020. Not only does the new plant enable us to expand our production capacity, which was nearing its limits as orders increased in recent years, but its proximity to the Tokyo metropolitan area, a major consumer hub, will enable us to reduce distribution costs. In addition, savings in labor costs achieved through plant automation will make it more cost-competitive, while dispersion of production locations helps solidify our business continuity plan, all of which contribute to efforts to boost our competitive advantage. Moreover, we will optimize production efficiency, for instance by catering to large-lot orders at the Kanto Plant while our existing production facilities in our home base of Nara can handle small-lot, high-variety orders.

New DAIDO *Yakuhin* Kanto Plant

Attracting a Broader Variety of OEM Orders

At the Nara Plant, construction of a third plant, this one able to produce pouch-packaged jellies, has been completed and went fully operational in February 2020. Demand for the products has grown in recent years, driven by their practicality, but only a few companies are able to produce pharmaceuticals and quasi-drug products in this format—and we are one of them. We will leverage our advanced product development capabilities and quality, forged through long years of experience, to come up with new products and categories as a means of attracting a broader variety of orders from existing clients and acquiring new clients.

We have already received considerable interest from many pharmaceutical and cosmetic manufacturers, but everyone knows that applying and receiving permits, testing, and other requirements mean it takes a long time to bring a pharmaceutical or quasi-drug product to market. Operations will begin with food products, but we intend to ramp up production of pharmaceuticals and quasi-drug products starting in the second half of fiscal 2021.

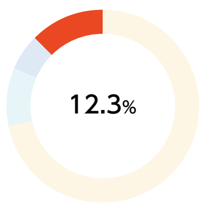
Moving forward, we aim to swiftly optimize production across our four plants in two locations, and bolster our ability to attract and process orders with maximum efficiency.

DAIDO *Yakuhin's* headquarters and Nara Plant, with the new Plant 3 to the right in the rear.

Food Business

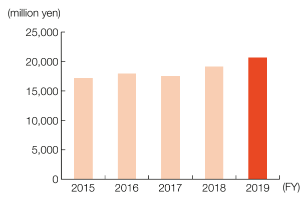
P.29-30

Breakdown of net sales

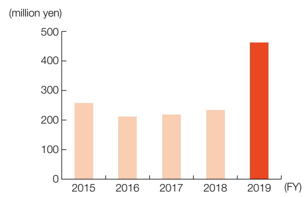


(Breakdown of sales to external customers)

Net Sales



Segment Profit



(Millions of yen)

Business year	2013	2014	2015	2016	2017	2018	2019
Net sales	14,299	15,360	17,155	18,013	17,560	19,114	20,643
Segment profit	205	198	259	212	219	235	464
Segment profit margin (%)	1.4%	1.3%	1.5%	1.2%	1.2%	1.2%	2.3%
Segment assets	17,105	17,166	17,537	17,395	17,791	17,459	18,595
Capital expenditure	297	470	595	742	465	941	1,252
Depreciation	588	572	587	632	656	683	765
Goodwill amortization costs	306	306	306	298	298	298	298
ROA (%)	1.2%	1.2%	1.5%	1.2%	1.2%	1.3%	2.6%

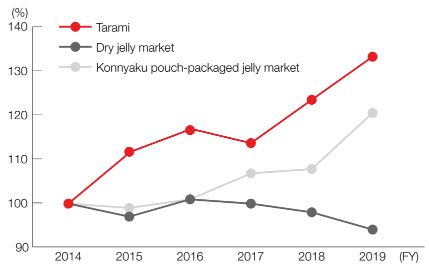
The fiscal year for each business runs from January 1 to December 31 of the following year

Leveraging Our Top Market Share to Improve Profitability

Tarami, the core company of our Food Business, has in recent years successfully parlayed its industry-leading brand strength into a larger share of the market, even at a time when sales in the dry jelly market have flattened out overall. Moreover, delivering its distinctive values to consumers in existing categories within the expanding pouch-packaged jelly market has enabled Tarami to drive sales growth. Profitability, too, has improved dramatically in fiscal 2019 as the company has worked strategically to expand sales of higher profit products and undergone a companywide revision of the cost structure across its development, production, distribution, and sales operations, founded on a concerted effort to raise awareness among employees.

Trends in sales

(FY2014 results are taken as 100%)



Source: Intage, Inc.

Mid-term Business Plan 2021 Progress

FY2019 Achievements and Next Steps

Achievements	Profitability improved through effective cost reductions and increases in the unit price of products
Next steps	Ongoing improvement of profitability

Yutaka Wada
Representative Director
Tarami Corporation

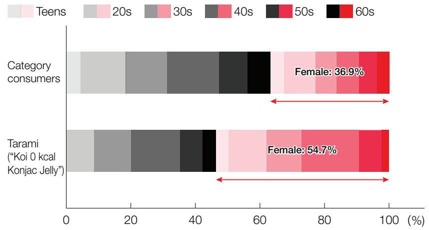
Crossing Product Category Boundaries

Sales in the dry jelly market as a whole have been flat over the past few years, but a closer look at discrete price ranges reveals some movement. For instance, the share of "popularly priced" items at around 100 yen is shrinking, while that of mid-to-high-priced value-added items is growing. Meanwhile, pouch-packaged jellies, which allow people to consume the product quickly and without fuss or mess, offers a convenience that matches recent consumer demand, leading to continued growth in that market.

At Tarami, we have successfully anticipated changing consumer needs and worked hard to expand sales of value-added products in the generally stagnant dry jelly market, resulting in a larger market share and improved profit margins in fiscal 2019. We have also launched a range of products into the growing pouch-packaged jelly market that enable consumers to enjoy the fruity goodness of Tarami jelly in a new format.

The pouch-packaged jelly segment developed on the back of demand from men, the main consumers of pouch-packaged nutritional support jellies. Providing our products in this format has broadened the target demographic—particularly at convenience stores—to include women, and driven sales growth. I believe that this development is the result of our pride in the sheer deliciousness that represents Tarami's brand value showing through in our sales and marketing activities.

Consumers of pouch-packaged products via convenience stores



Source: Intage, Inc., SRI retail store panel survey
Distribution channel: Convenience stores
Survey period: March–April 2019

"Koi 0 kcal Konjac Jelly" series

Multifaceted Review of Costs Improves Earning Ability

Our investors have repeatedly pointed out that our rate of profitability is rather low for a food producer with a top market share. Tarami's solid performance in fiscal 2019 was the result not only of robust sales, but also by a major increase in profits achieved through ongoing efforts to improve productivity, including capital investments and a restructuring of our supply framework. We will continue to seek improvements in earning ability, to which end we will further enhance the value of the Tarami brand and pursue improvements in all our development, procurement, production, distribution, and administrative processes.

Segment profit margin