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DyDo

Offering delicious products
for the sound mind and body



October 15, 2020

Company: DyDo Group Holdings, Inc.
Representative: Tomiya Takamatsu, President
(Code 2590 on the First Section of the Tokyo Stock Exchange)
Inquiries: Naokazu Hasegawa, Corporate Officer
and General Manager of Corporate Communication Department

Notice of Forgiveness of Consolidated Subsidiary's Debt and Transfer of Shares

Meeting on October 15, 2020, the DyDo Group Holdings Board of Directors resolved to forgive all debt owed it by consolidated subsidiary DyDo DRINCO Malaysia Sdn. Bhd. (“DDM”) and to transfer all DDM shares in its possession to a third party. As a result of this share transfer, DDM will no longer be included in the scope of the Group’s consolidated accounting.

1. Reasons for the debt forgiveness and share transfer

The Group entered the Malaysian market by investing in the beverage business of a local snack food manufacturer in December 2015, but DDM’s performance lagged significantly relative to the initial business plan, leading to sustained negative cash flows. Impairment losses in the amount of DDM’s goodwill were posted during the fiscal years ended January 2018 and January 2019, and an impairment loss in the amount of the remaining value of DDM’s business assets, assessed at their use value, was posted during the fiscal year ended January 2020.

In an effort to restructure DDM’s business under DyDo’s leadership, we dissolved the associated joint venture in October 2019 and embraced the challenge of selling products bearing the DyDo brand under a new business plan. However, sales have slumped due to the impact of the global COVID-19 pandemic, and we are unable to forecast a sales recovery that would lead to an improvement in cash flows, even in the wake of the relaxation in June of restrictions imposed by the Malaysian government to deal with the pandemic. Moreover, DDM currently holds an excessive level of debt, and in light of the potentially long-term sales slump being caused by the pandemic, the possibility that the company will require an additional infusion of capital cannot be precluded.

Based on a comprehensive assessment of these conditions, and in keeping with the basic policy of selection and consolidation of strategic facilities in the International Beverage Business, which was set forth in the Group’s 2021 Mid-term Business Plan, we decided to transfer all DDM shares to Lingua Franca Holdings Pte. Ltd., a company with a successful track record of investment in Malaysia and Singapore. As part of this share transfer, DyDo Group Holdings will forgive all loans and uncollected interest owed it by DDM.

Since DDM plans to continue to operate a beverage business in Malaysia following the share transfer, we are discussing an agreement involving exclusive distribution rights for Yobick, a flagship DDM product, in certain parts of Southeast Asia and elsewhere in Asia.

Two DyDo Group Holdings directors also serve as directors of DDM, and those individuals plan to resign from their positions as part of the share transfer.

2. Overview of the subsidiary being transferred

(1) Name	DyDo DRINCO Malaysia Sdn. Bhd.		
(2) Address	47620 Subang Jaya, Selangor Darul Ehsan, Malaysia		
(3) Name and title of representative	Takeshi Suma, CEO		
(4) Business	Sale of chilled beverages, soft drinks, and other beverage products		
(5) Capital	MYR 67,300,000		
(6) Date of establishment	August 19, 1996 (date of acquisition of shares: December 29, 2015)		
(7) Major shareholders and their ownership stakes	DyDo Group Holdings, Inc.: 100%		
(8) Relationships with publicly traded companies	Capital relationships	DyDo Group Holdings owns 100% of DDM's shares.	
	Personal relationships	Two DyDo Group Holdings directors also serve as DDM directors.	
	Business relationships	DyDo Group Holdings is a party to various transactions with DDM, including extension of loans to DDM.	
(9) Business results and financial position of DDM over the most recent three years Unit: Millions of JPY			
Fiscal year ended	January 2018	January 2019	January 2020
Net assets	(179)	132	109
Total assets	494	689	751
Net assets per share (JPY)	(9.28)	3.20	1.63
Sales	2,237	1,578	1,232
Operating loss	(301)	(293)	(553)
Net loss	(301)	(290)	(707)
Net loss per share (JPY)	(29.68)	(11.26)	(12.96)

3. Overview of the share transfer counterparty

(1) Name	Lingua Franca Holdings Pte. Ltd.
(2) Address	80 Robinson Road, #02-00 Singapore 068898
(3) Name and title of representative	Hideaki Fujiyama
(4) Business	M&A consulting and trading businesses in Southeast Asia

(5) Capital	SGD 100,000 *As of September 30, 2019	
(6) Date of establishment	May 2013	
(7) Net assets	SGD 576,000 *As of September 30, 2019	
(8) Total assets	SGD 371,000 *As of September 30, 2019	
(9) Relationships with publicly traded companies	Capital relationships	None
	Personal relationships	None
	Business relationships	None
	Relationships with related parties	None

4. Number of shares to be transferred, transfer price, and share ownership status before and after transfer

(1) Number of shares owned prior to transfer	67,300,000 shares (percentage of voting rights: 100%)
(2) Number of shares to be transferred	67,300,000 shares
(3) Transfer price	MYR 10
(4) Number of shares to be owned after transfer	0 (percentage of voting rights: 0%)

The transfer price was determined in consultation with the counterparty while taking into due consideration the excessive level of liability currently held by DDM and the high likelihood that the company will continue to generate negative cash flows in the future.

5. Debt forgiveness

(1) Types of liabilities	Loans and uncollected interest
(2) Amount of debt to be forgiven	About JPY 370 million

6. Dates of importance

(1) Resolution of the DyDo Group Holdings Board of Directors	October 15, 2020
(2) Date on which share transfer agreement is to be signed	October 15, 2020
(3) Date on which share transfer and debt forgiveness are to take effect	October 20, 2020 (tentative)

7. Impact on DyDo Group Holdings' performance

We expect to post an extraordinary loss of about JPY 120 million in our consolidated statement of accounts for the fiscal year ending January 2021 in connection with the share transfer and debt forgiveness described in this release. We are not revising the full-year performance outlook for the fiscal year ending January 2021, which was announced on August 27, 2020, as a result of the debt forgiveness and share transfer described in this release. Going forward, we will provide timely notice of any matters requiring disclosure as a result of performance trends or other factors.