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In this document, figures less than one million yen have been rounded down therefore the total amount may differ from the breakdown, and the figures including component ratio have been rounded to the first decimal point.
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 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.

Takamatsu: Hello, everyone. This is Takamatsu, President of DyDo. Thank you for your continued support.

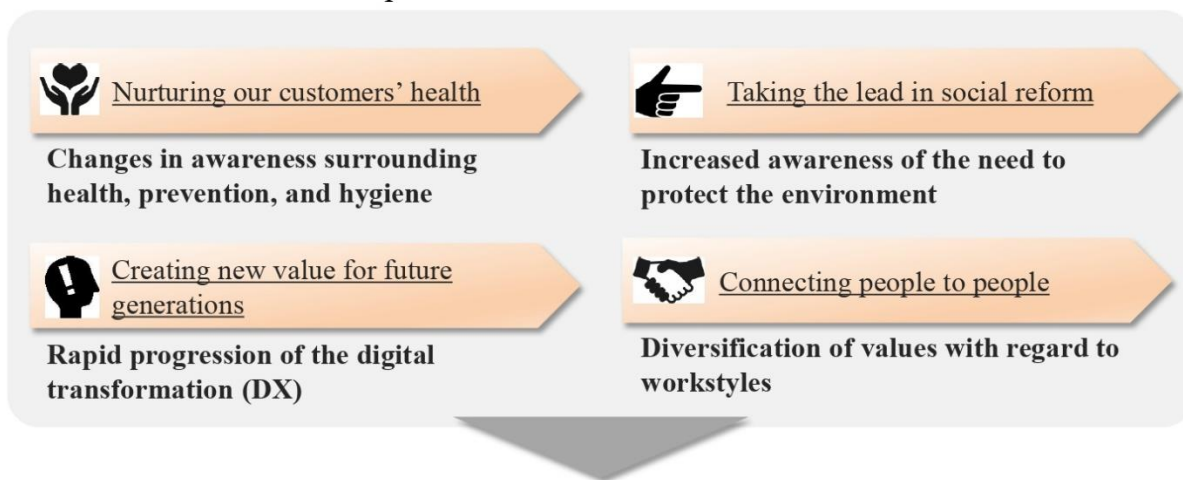
It has been over a year since the outbreak of COVID-19, but the virus has continued to spread, afflicting the entire world with tremendous damages. We pray for the souls of those who have died and sincerely hope that those who have been affected will recover as soon as possible and the pandemic will be contained. We would also like to express our deepest respect to all those who are making efforts to prevent the spread of the virus.

Today, before I go over the financial results, I would like to once again share the Group's growth strategy and approach to sustainable growth, taking into account the changes in the environment caused by the COVID-19 pandemic. After that, I will report the FY2020 financial highlights, FY2021 full-year financial results forecast, and segment overview, in addition to the progress and issues of the mid-term business plan 2021 that we have been tackling since FY2019.

Finally, I will talk about our efforts to achieve sustainable growth.

Environmental Changes Caused by the COVID-19 Pandemic and the Group's Status

- ▶ We continue to treat major changes in society as opportunities for growth and to embrace associated challenges
- Changes in the social environment caused by the pandemic as they relate to the four areas set forth in the Group Mission 2030



**Treating change as an opportunity and acting rapidly based on
flexible thinking**

Please see page 4. The COVID-19 pandemic, which raged around the world in 2020, had a major impact on the Group's business. Bright signs such as vaccine development have emerged, but it seems difficult to predict how the pandemic will be contained and how the world will change going forward.

However, one thing that is certain is that these changes can turn into a major opportunity for the Group, which is in a transitional phase of its business model. We will move swiftly with flexible ideas, without missing these opportunities for business growth.

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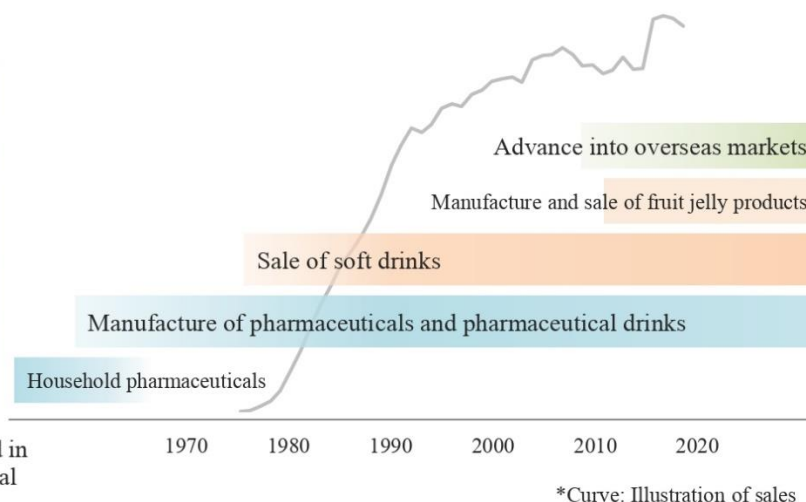
The DyDo Group's Philosophy

- ▶ Our spirit of striving for happiness and prosperity together is a key value that has developed throughout our history of growth

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.



The DyDo Group originated in the household pharmaceutical business launched by our founder after World War II.



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Please see page 5. As we respond to these changes, the foundation on which we will make efforts is the Group's philosophy. The Group's philosophy is "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." This is an important value based on the spirit of coexistence and co-prosperity that we have cultivated while growing our business in collaboration with many stakeholders.

Recently, the SDGs have become a big keyword in business. Our philosophy of co-existing and co-prosperity is aligned with the principle of the SDGs to leave no one behind. Our mission is to contribute to the realization of a sustainable society through our business.

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 society.



Taking the lead in social reform

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

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 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.

Please see page 6. We formulated our vision for the near future toward realizing this Group philosophy in January 2019 along with the start of the current mid-term business plan and entitled it as follows: Group Mission 2030 "For DyDo Group to create enjoyable, healthy lifestyles for people around the world."

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The DyDo Group SDGs Declaration

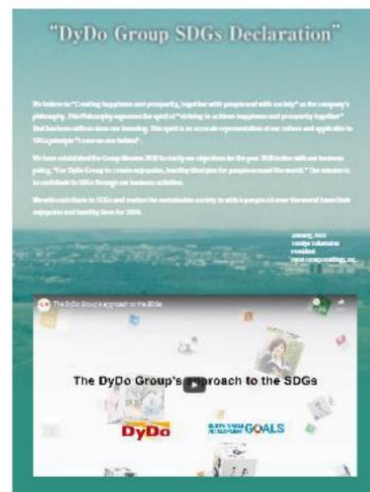
- ▶ In January 2021, we announced the DyDo Group SDGs Declaration and redoubled our sustainability initiatives.

DyDo Group SDGs Declaration

We believe in “Creating happiness and prosperity, together with people and with society” as the company’s philosophy. This Philosophy expresses the spirit of “striving to achieve happiness and prosperity together” that has been with us since our founding. This spirit is an accurate representation of our culture and applicable to SDGs principle “Leave no one behind”.

We have established the Group Mission 2030 to clarify our objectives for the year 2030 in line with our business policy, “For DyDo Group to create enjoyable, healthy lifestyles for people around the world.” Our mission is to contribute to SDGs through our business activities.

We will contribute to SDGs and realize the sustainable society in which people all over the world have their enjoyable and healthy lives for 2030.



Our website features a video
on this subject.

<https://www.dydo-ghd.co.jp/en/sustainability/sdgs/movie/>



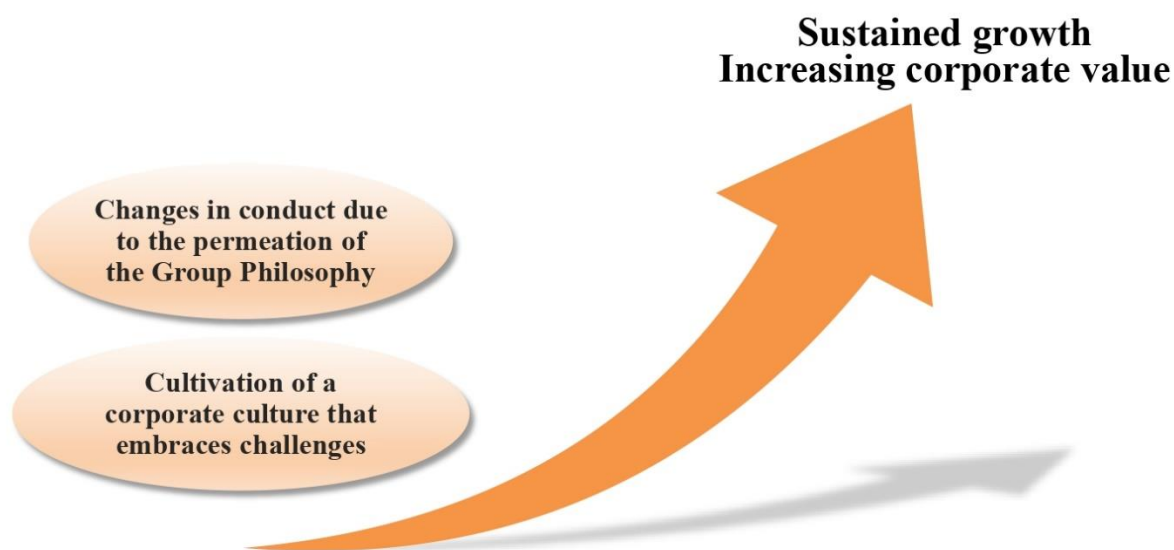
Please see page 7. We formulated Group Mission 2030 based on the thought that we will be able to achieve sustainable growth through the realization of the future aimed at by the SDGs or, in other words, the realization of a society that strikes a balance between the economy, society, and the environment. The focus on a sustainable society has increased even further in light of the COVID-19 pandemic.

At the beginning of the year, we made the DyDo Group SDGs Declaration to internally and externally reiterate our intention to contribute to the goal aimed at by the international society.

We seek to contribute to realizing the society aimed at by the SDGs through business activities in which employees are conscious of the SDGs and partnerships with our stakeholders.

Key Priorities in Realizing Sustained Growth and Increased Corporate Value

- ▶ Key priorities as we strive to accommodate social change and realize sustained growth



Please see page 8. As touched on earlier, we believe we must do the following to respond to the major social transformation that is currently unfolding and realize our sustainable growth and the enhancement of our corporate value: return once again to our philosophy and internally share the values that we must cherish.

We must create a corporate culture that prompts each employee to transform their actions and leads to creating innovation based on our philosophy. We will further strengthen our personnel strategy toward that goal.

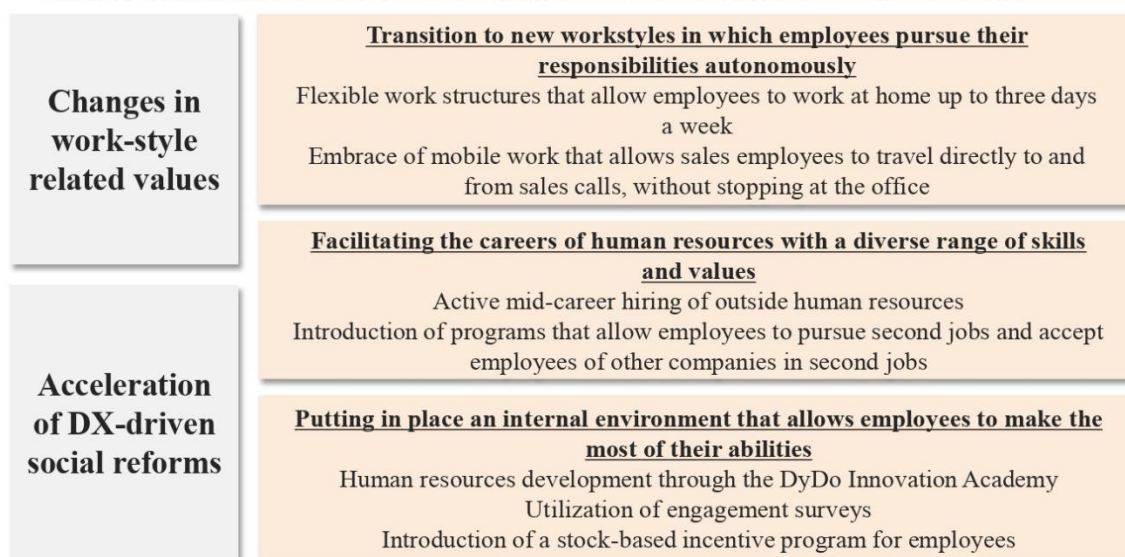
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Strengthening human resources



- ▶ We're putting in place an environment that's conducive to hiring, retaining, and training autonomous professionals
- ▶ This approach will improve employee experience*, leading to increased productivity and innovation

* Employee experience (EX) refers to the full range of experiential value that is available to employees through their work. This concept encompasses not only employee satisfaction, compensation, and skill-building, but also all factors that affect employees, including health and workstyle.



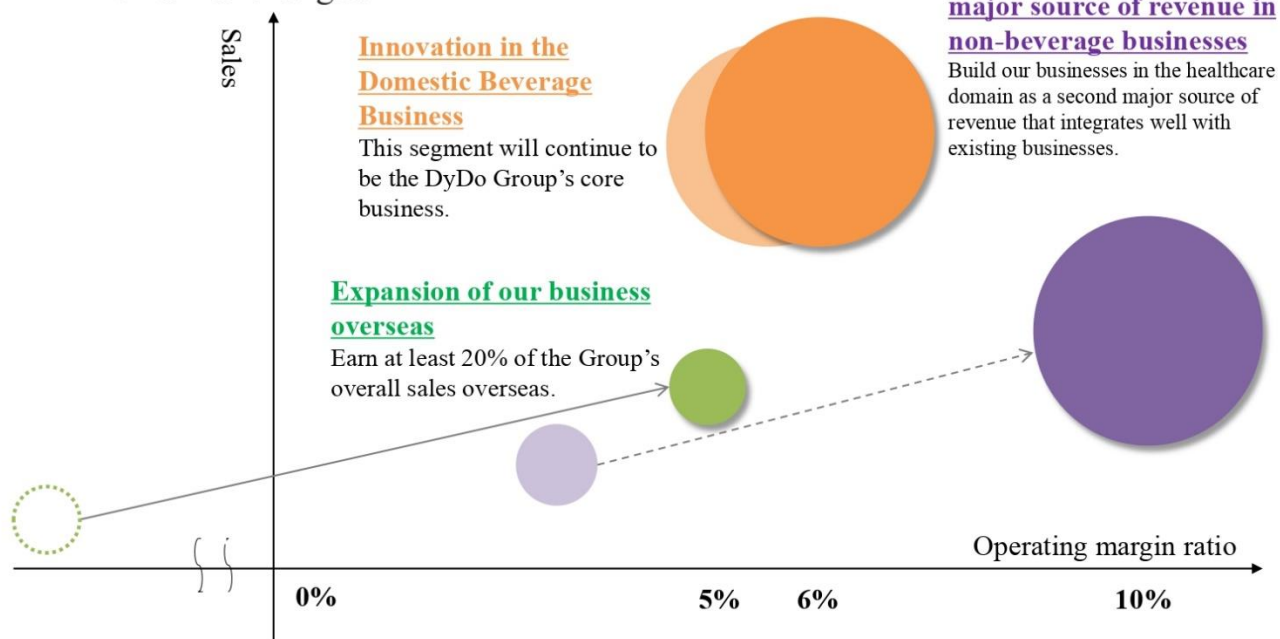
Please see page 9. To respond to the accelerated changes in the times, we must be a robust group of personnel and organization that can flexibly continue to change.

In FY2020, we increased the degree of freedom in working style and working hours, shifted to new ways of working where employees autonomously advance their own work, and introduced a side business acceptance system. By doing so, we have put in place a system where personnel, with advanced expertise, diverse values, knowledge, and skills, who drive the creation of innovation, can play active roles. I feel firsthand that the corporate culture is changing more positively, albeit gradually.

However, that does not mean we are satisfied with the status quo. We think there need to be further improvements to create a mechanism that not only facilitates smoother work but also allows employees to produce results. At DyDo, we will pursue DX and enhance employee experience to raise even stronger personnel, who are capable of raising productivity and creating innovative ideas toward our next growth.

Group Mission 2030 Basic Policies

- ▶ The basic policies outlined in the Group Mission 2030 remain unchanged



* 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.

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Please see page 10. At DyDo, we are promoting business growth through the coexistence and co-prosperity with our partners. As such, we think that the strength of our human resources is the foundation of all our businesses.

The COVID-19 pandemic has had a major impact on social transformation. But there has been no change whatsoever in the direction of Group Mission 2030, which we aim for.

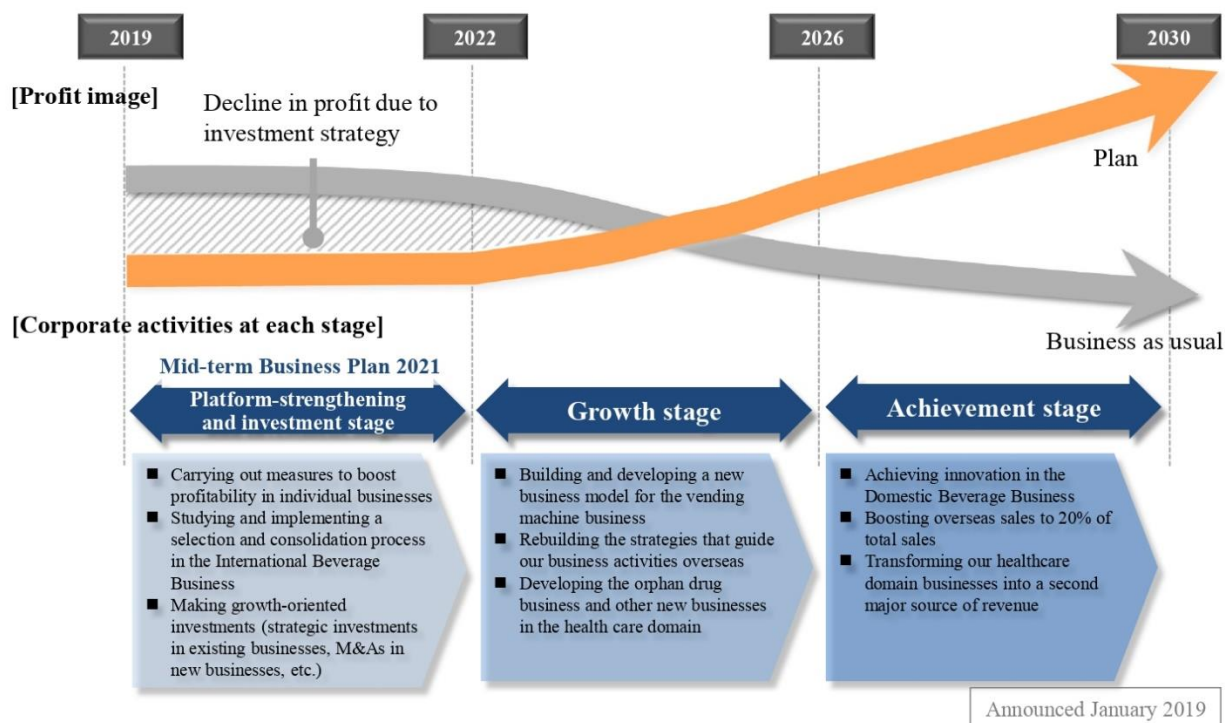
We will conduct management based on our Group philosophy and promote business leveraging the strength of our human resources. By doing so, we will continue to tackle the following three themes: innovation in the Domestic Beverage business, expansion of our business overseas, and development of a second major source of revenue in non-beverage businesses. We aim to construct a sustainable business model that continues to contribute to people and society in the future.

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Group Mission 2030 Roadmap

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



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Next, I will explain the progress and issues of our mid-term business plan, which we are currently tackling to build the foundation toward the achievement of that goal, as well as the business performance in FY2020.

Overview of Consolidated Results for FY2020

- ▶ Consolidated sales totaled 158,227 million yen (down 6.0% year on year)
- ▶ Consolidated operating profit was 5,602 million yen (up 93.6% year on year)
- ▶ A second-half recovery in sales in the Domestic Beverage Business contributed significantly to profit.

(Millions of yen)

	FY2019 results		FY2020 results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	168,256	100.0%	158,227	100.0%	(6.0%)	(10,029)
Operating profit	2,893	1.7%	5,602	3.5%	93.6%	2,708
Ordinary profit	2,857	1.7%	5,727	3.6%	100.5%	2,870
Profit attributable to owners of parent	1,778	1.1%	3,204	2.0%	80.1%	1,425
EPS	108.00 yen		201.31 yen			93.31 yen
Dividend per share	60 yen		60 yen			—

Please see page 13. First, I will give an overview of the consolidated results for FY2020.

In FY2020, consolidated sales were JPY158.2 billion, down 6% year on year, and operating profit was JPY5.6 billion, up 93.6% year on year. In the first half, we were heavily affected by the state-of-emergency declaration. However, a second-half recovery in sales in the Domestic Beverage business contributed significantly to profit.

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FY2020 Performance by Segment

- ▶ Second-half sales in the Domestic Beverage Business exceeded last year's performance
- ▶ Factors including write-downs in Japanese yen accounts due to lira weakness and our exit from the Malaysian business impacted second-half performance in the International Beverage Business
- ▶ Order volume in the Pharmaceutical-related Business trended downward
- ▶ Revenue rose and profitability improved significantly in the Food Business

(Millions of yen)

	First-half results			Second-half results			Full-year results		
	FY2019	FY2020		FY2019	FY2020		FY2019	FY2020	
		Amount	(YoY)		Amount	(YoY)		Amount	(YoY)
Domestic Beverage	60,809	54,822	(9.8%)	60,393	60,713	0.5%	121,203	115,536	(4.7%)
International Beverage	8,009	6,769	(15.5%)	7,995	5,421	(32.2%)	16,004	12,191	(23.8%)
Pharmaceutical-related	5,753	5,409	(6.0%)	5,343	4,914	(8.0%)	11,097	10,324	(7.0%)
Food	11,268	11,184	(0.7%)	9,375	9,715	3.6%	20,643	20,900	1.2%
Adjustment amount	(402)	(413)	—	(291)	(312)	—	(693)	(725)	—
Total sales	85,438	77,773	(9.0%)	82,817	80,453	(2.9%)	168,256	158,227	(6.0%)
Domestic Beverage	1,675	2,793	66.7%	2,272	4,316	89.9%	3,948	7,110	80.1%
International Beverage	133	(41)	—	(439)	(133)	—	(306)	(175)	—
Pharmaceutical-related	358	(63)	—	(147)	(361)	—	210	(425)	—
Food	574	857	49.4%	(109)	88	—	464	946	103.6%
Other	0	(75)	—	(148)	(241)	—	(148)	(317)	—
Adjustment amount	(707)	(694)	—	(567)	(842)	—	(1,275)	(1,536)	—
Total operating profit	2,033	2,776	36.6%	860	2,825	228.4%	2,893	5,602	93.6%

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

On page 14, we show the performance by segment divided into the first and second half.

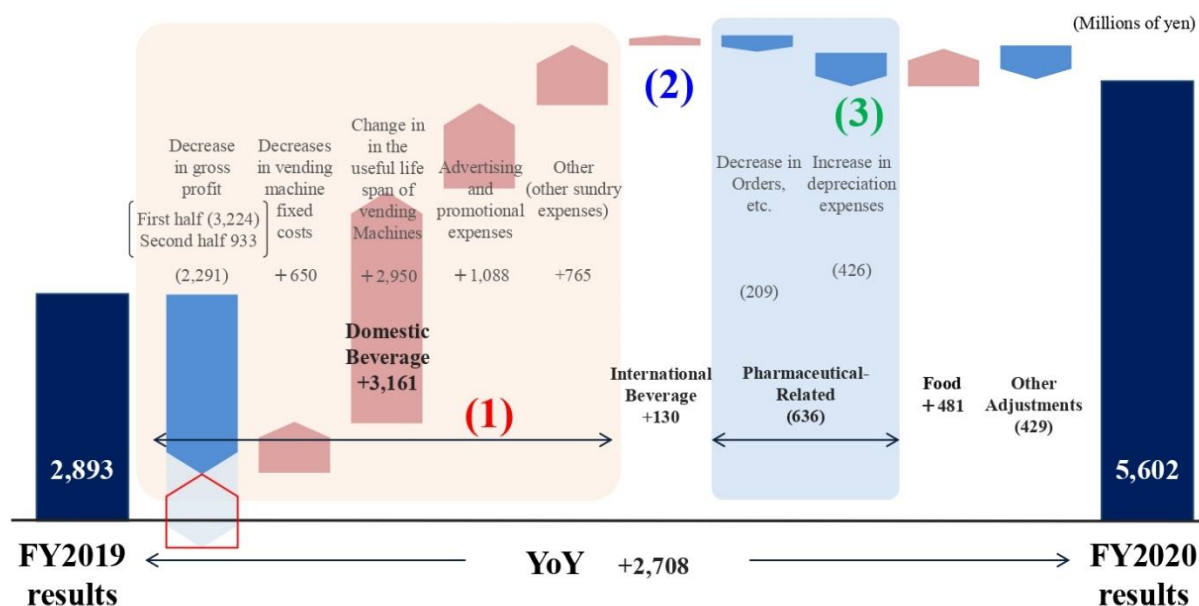
Second-half sales in the Domestic Beverage business exceeded last year's performance, mainly attributable to the number of vending machines turning up and significant growth in coffee beverage sales due to the collaboration with Demon Slayer. Many young people and women purchased our collaboration products. As such, we were able to build brand awareness among a new group of users, who didn't have a connection with our canned coffee up to now. We think this penetration of new user segments was a major achievement that will have a positive impact on our future.

On the other hand, in the International Beverage business, we were impacted by a weaker TRY, resulting in reduced sales when translated to JPY. Furthermore, we withdrew from the Malaysia business, which was excluded from consolidation from the fourth quarter. As a result, sales in the International Beverage business declined.

In the Pharmaceutical-related business, orders for existing products were sluggish due to the impact of COVID-19. In the Food business, profitability improved substantially as we grasped changes in consumer behavior and expanded transactions in mass sales.

FY2020 Factors Contributing to Changes in Operating Profit (versus Previous Year)

- ▶ In the Domestic Beverage Business, a change in vending machine service life and cost savings in areas such as advertising and promotion resulted in increased profits (1)
- ▶ In the International Beverage Business, factors including our exit from Malaysia led to a smaller loss (2)
- ▶ In the Pharmaceutical-related Business, the effects of lower order volume were compounded by factors including increased depreciation expenses due to capital investment (3)



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On page 15, I will explain the major factors behind the change in operating profit. In the Domestic Beverage business, gross profit declined. But, as shown with the red line, profit increased in the second half.

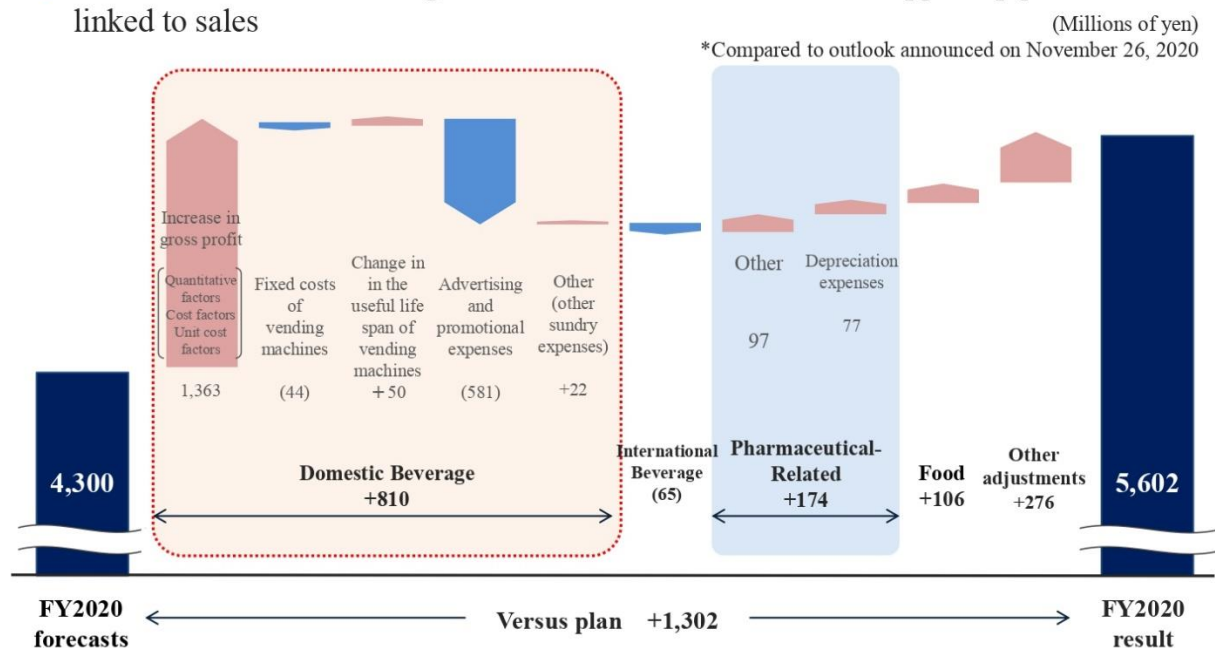
We changed the useful life of vending machines from the legal useful life of five years to the actual useful life of 10 years. As a result, depreciation costs fell by JPY2.9 billion over the full year. On the other hand, the reduction in vending machine fixed costs on the left side reflects the effect of reviewing vending machine procurement costs in FY2014, which has continued until FY2020.

Furthermore, we controlled advertising promotion and other costs. As a result, operating profit increased by JPY3.1 billion in the Domestic Beverage business.

In the Pharmaceutical-related business, the depreciation burden of the Kanto Plant, which was completed in October 2019, was a factor that reduced operating profit compared to the previous fiscal year.

FY2020 Factors Contributing to Changes in Operating Profit (versus Outlook)

- ▶ An increase in gross margin in the Domestic Beverage Business was the principal reason for the divergence from the full-year outlook announced in November 2020
- ▶ Promotional and advertising costs rose due to factors such as stepped-up promotion linked to sales



Please see page 16. We announced a revision to our financial results forecast, ahead of the earnings announcement, on February 15.

The difference with the forecast announced in November, as of the end of the third quarter, was attributable to solid sales in the Domestic Beverage business and a corresponding increase in sales-linked promotion expenses.

FY2020 Principal Changes in Free Cash Flow

- ▶ Free cash flows improved as a result of a decrease in large-scale capital investment
- ▶ EBITDA fell below last year's level

(Millions of yen)

	FY2019	FY2020	Amount (YoY)
EBITDA (Operating profit + depreciation costs + amortization of goodwill)	12,932	12,357	(575)
Amount of change in working capital cash flow	182	(312)	(495)
Other	(1,620)	495	2,115
Operating cash flow (a)	11,495	12,540	1,045
Expenditures related to the acquisition of tangible and intangible fixed assets (b)	(14,517)	(8,130)	6,387
Free cash flow (a-b)	(3,022)	4,410	7,432

■ Capital investment

(Millions of yen)

	FY2019	FY2020	Amount (YoY)
Domestic Beverage	6,853	5,949	(903)
International Beverage	434	1,009	574
Pharmaceutical-related	7,466	439	(7,026)
Food	1,252	864	(387)
Companywide (including others)	537	257	(279)
Total	16,543	8,520	(8,022)

■ Depreciation costs

(Millions of yen)

	FY2019	FY2020	Amount (YoY)
	7,148	3,548	(3,599)
	628	517	(111)
	696	1,122	426
	765	810	45
	408	383	(24)
	9,647	6,383	(3,263)

On page 17, we show the principal changes in free cash flow. In FY2019, we made a large-scale capital investment in the Pharmaceutical-related business. As a result of the dropout of this impact, in FY2020, free cash flow improved, but EBITDA fell below the year-earlier level.

We will continue to strengthen the foundation of the vending machine business. By doing so, we will strive to improve our operating cash flow.

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Financial Position at the End of FY2020

Principal Changes in the Consolidated Balance Sheet

- ▶ The principal cause of growth in interest-bearing debt was the issuance of a total of ¥20 billion in corporate bonds (including ¥15 billion redeemed in October 2020)
- ▶ Net assets fell due to factors including share buybacks

(Millions of yen)		(Millions of yen)	
		Change from previous year shown underneath each figure	
Financial assets ^{*1}	73,240	Interest-bearing debt ^{*2}	36,949 3,236
		Accounts payable	16,174 (2,449)
		Other	21,860 24
		Net assets	82,609 (6,600)
Accounts receivables	18,497	Accounts receivables	16,010 (2,487)
Inventories	8,444	Inventories	8,103 (340)
Property, plant and equipment	50,831	Property, plant and equipment	51,093 262
Intangible assets		Intangible assets	
Other	12,369	Other	11,970 (399)
Total assets	163,383	Total assets	157,594 (5,789)
January 20, 2020		January 20, 2021	

*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

Next, please see page 18 for the status of the balance sheet. In July, we issued a total of JPY20.0 billion in corporate bonds, resulting in an increase in interest-bearing debt. On the other hand, we repurchased our treasury stock roughly amounting to JPY3.0 billion between April and the beginning of June. As a result, net assets decreased.

Progress in Implementing Mid-term Business Plan 2021 and Associated Issues

- ▶ We dealt with changes in the business environment during FY2020 in a flexible manner and made steady progress in our effort to lay a foundation for the future

● Working to maximize cash flows through measures that focus on improving profit	
Results	<ul style="list-style-type: none"> Improved profitability in the Food Business High growth in mail-order sales of products such as supplements Articulation of a path toward improved cash flows in the Domestic Beverage Business
Issues	<ul style="list-style-type: none"> Strengthening development of vending machines in order to establish solid advantages in the vending machine market Executing our companywide rollout of smart operations (DyDo Beverage Service)
● Pursuing a policy of selection and consolidation at strategic facilities in our international businesses	
Results	<ul style="list-style-type: none"> Identifying prospects for achieving profitability in all international beverage business segments
Issues	<ul style="list-style-type: none"> Achieving profitability in our Chinese beverage business Rebuilding our international business strategy to facilitate the next phase of growth
● Making growth investments to realize the Group Mission 2030	
Results	<ul style="list-style-type: none"> Starting operation of the Daido <i>yakuhin</i> pouch packaging line and the Kanto Plant Concluding our first licensing agreement for the orphan drug business
Issues	<ul style="list-style-type: none"> Studying new investment opportunities

Please see page 19. On this slide, we summarized the progress status of the three themes under the mid-term business plan, as of the end of the second year of the plan, and the associated issues going forward.

In FY2020, we responded flexibly to changes in the business environment. We think that we have been able to steadily promote the creation of a foundation for the future.

We achieved many results, such as the following: improved profitability in the Food business, high growth in mail-order sales of supplement products, and articulation of a path toward turning the overall Domestic Beverage segment profitable. Above all, we made solid progress in our efforts toward improving cash flows in the mainstay vending machine business of the Domestic Beverage segment. We believe a major achievement has been that we clearly mapped out the path toward improving cash flows in this business.

As indicated as an issue for FY2021, we will strengthen the development of vending machines and execute our companywide rollout of smart operations to fortify this trend even further. I will explain the details later.

Mid-term Business Plan 2021 Guidelines and Results



- ▶ Working to restore our ability to generate cash flows by strengthening the foundation of our vending machine business

Guidelines			FY2019 results	FY2020 results
Sales	• Organic growth in existing businesses along with new M&As		¥168.2 billion	¥158.2 billion
Operating margin	• Operating margin in existing businesses (3%) minus investment strategy cost plus profit/loss from new M&As • Transition of the International Beverage Business to profitability		1.7%	3.5%
Cash flows (CFs)	• Operating cash flows created by existing businesses • Capital investment necessary in existing businesses	¥40 billion yen or greater About ¥28 billion	Operating cash flow flow ¥11.4 billion Capital investment ¥16.5 billion*	Cumulative operating cash flow ¥24.0 billion Cumulative capital investment ¥25.0 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	—	Entry into first licensing agreement
Return to shareholders	• Return of profits to shareholders through stable dividends		¥60 per share	¥60 per share

*Of which, growth investments in the Pharmaceutical-related Business (construction of the Kanto Plant and a new pouch packaging line at the Nara Plant): ¥5.8 billion

Please see page 20. In the current mid-term business plan, we did not set quantitative three-year targets, because we are in the investment stage. Instead, we have set forth guidelines. We gradually see these efforts translate into results, but we are still in the middle of improving operating cash flow.

We will continue to solidify the foundation of the vending machine business, which is our core business, to ensure that we recover our ability to generate cash flow.

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Dealing with Changes in the Vending Machine Market

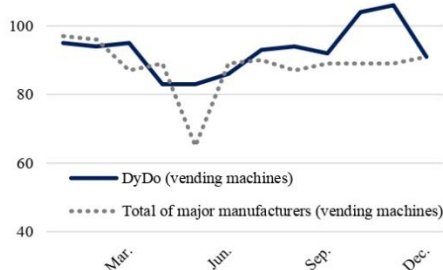


- ▶ We're making use of changes in society to drive business model reforms and create a more sustainable business model

Social reforms resulting from COVID-19	Risks and opportunities in the vending machine business
Changing consumer lifestyles and behavior	Advent of working from home requires changes in where we sell Competitors' approaches to the vending machine business are changing
Rapid digital transformation	Values regarding workstyles are changing Society is moving away from work structures that are predicated on long working hours
Changing consumer values	As awareness of health, disease prevention, and hygiene grow, what consumers want from products and services is changing Awareness toward environmental issues, such as plastic waste, is also rising

- Monthly sales in the beverage industry (vending machine channel)

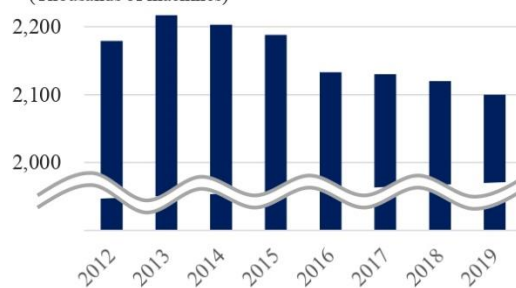
Year-on-year comparison



Source: Food Marketing Research Center

- Size of soft drink vending machine installed base

(Thousands of machines)



Source: Japan Vending System Manufacturers Association

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From page 21, I would like to give a detail explanation of our efforts toward transforming the vending machine business, which will be a cash cow for the Group's growth, into a sustainable business.

In the mid-term business plan, we set forth the issue of maintaining our vending machine network amidst a shortage of workforce. Correspondingly, based on the hypothesis that there is a possibility that competitor strategies will change under such an environment, we considered our greatest theme as devising a way to establish a competitive edge in the shrinking vending machine market.

We thought this would be a medium-term change. But the COVID-19 pandemic has brought about shifts in consumer behavior, leading to some loss of demand in the vending machine market. As a result, the competitive environment has changed dramatically.

However, we have been making preparations over the last two years to respond to future changes. Because we had already made those preparations and we were mentally ready for such changes, we were able to respond nimbly to changes even amid restrictions on sales activities caused by the pandemic. We think we are setting a good trend.

FY2021 Priority Issues

- ▶ FY2021 will be a year of execution as we draw on past preparations and the clarity provided by initiatives conducted to date
- ▶ We recognize that FY2021 will be a particularly important year as we work to realize the Group Mission 2030

FY2021 priority issues

1

Strengthening and expanding our vending machine network

2

Rolling out smart operations companywide



Increasing corporate value by pursuing DX

— Improving profitability

— Improving employee experience (EX)

Please see page 22. The actions we must take to improve our ability to generate cash flow in the Domestic Beverage business and establish a competitive advantage are clear.

First, we need to strengthen and expand our vending machine network by reinforcing our sales activities. Second, we need to reform our operations after vending machine installment and roll out smart operations companywide in direct sales. The future that we envisioned as being slightly distant has been transformed into a vivid image through our ongoing efforts and changes in the business environment. The path toward realizing this image has become clear.

We think FY2021 will be an important year toward realizing our Group Mission 2030. We will make this a fulfilling year that we will be able to call a turning point in the future when we look back in reflection.

There are two major processes in the vending machine business: cultivating and maintaining the sales floor. In these processes, we will strive not merely to utilize digital technology but to pursue DX, raise profitability, and enhance employee experience (EX) aimed at improving our corporate value.

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FY2021 Priority Issues:

(1) Strengthening and Expanding Our Vending Machine Network

- ▶ We will pursue sales activities based on changes in consumer behavior in order to strengthen and expand our vending machine network
- ▶ We will move aggressively to keep vending machines that generate strong sales from being removed

Up to FY2020

Response to the
pandemic

- ✓ We bolstered our sales force through reassignments and transfers of operations personnel and through mid-career hires
- ✓ We systematized mechanisms for sharing sales expertise
- ✓ Adoption of online meetings stimulated sharing of sales expertise
- ✓ We launched a team specializing in inside sales in an effort that's gradually yielding results

● Sales promotion utilizing online sales



- ✓ Utilizing online meeting tools
- ✓ Pursuing business discussions via online meetings
- ✓ Using in-person meetings to finalize installation agreements

Inside sales

Field sales

Agreement

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Please see page 23. The first priority issue is strengthening and expanding our vending machine network. We think it is difficult for the market to expand for the industry as a whole going forward. To survive and win against this backdrop, it is essential that we increase the number of vending machines to a certain degree and secure our market share.

We have been striving to communicate carefully with parties involved in the installed location of vending machines, aimed at thoroughly preventing the withdrawal of vending machines that maintain a steady amount of sales. At the same time, we have increased the number of sales personnel since FY2019 to secure newly installed locations.

In FY2020, we launched a team specializing in inside sales, and we are gradually starting to see results.

Even before the corona outbreak, we were working on a scheme to share sales know-how. These activities have been further activated during the pandemic, so that each representative can polish their skills in making high-level proposals.

FY2021 Priority Issues:

(1) Strengthening and Expanding Our Vending Machine Network

Effects to be achieved

Increased efficiency in securing installation locations



Growth in the number of installed vending machines

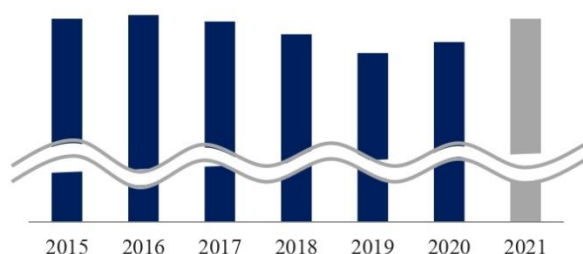
Improved profitability

Improving productivity

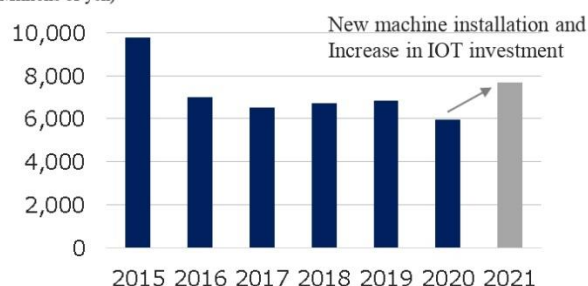
Improved EX

Improving sales activities both quantitatively and qualitatively
Streamlining operations

● Size of the DyDo Group's vending machine fleet (illustration)



● Capital investment in the Domestic Beverage Business (Millions of yen)



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The results of these efforts are shown at the bottom of page 24, as evident in the year-on-year growth in the number of installed units of vending machines.

In FY2020, there were restrictions on sales activities. The fact that we were able to produce these results is proof that our sales representatives have steadily strengthened their abilities. Each person grappled with new ways of promoting work without complaining about being unable to conduct face-to-face sales activities. I am very proud of our employees who have tackled these challenges.

Going forward, we look to further enhance the performance of each personnel. At the same time, gaining experience in online business negotiations that don't require travel would lead to efficiency gains associated with the acquisition of newly installed locations. Higher productivity will also lead to an improvement in profitability.

Employees will be able to improve their sales skills while also enjoying some spare time, which can be spent on further upskilling themselves, resulting in a virtuous cycle.

We will strengthen the cultivation of new locations that sell well while thoroughly preventing the withdrawal of vending machines from well-selling locations to ensure that we expand our market share.

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FY2021 Priority Issue:

(2) Rolling Out Smart Operations Companywide

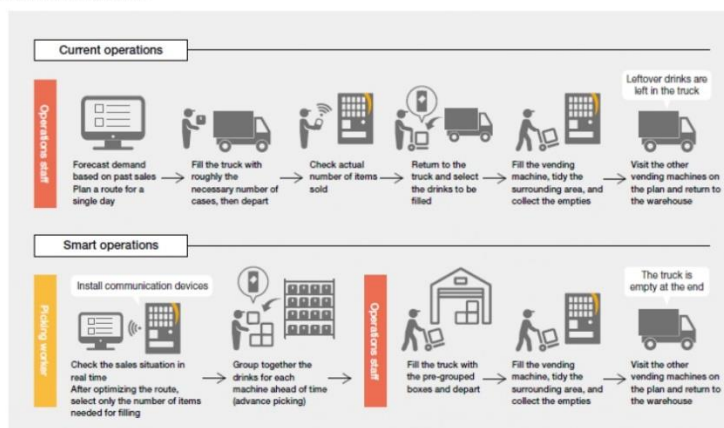
- ▶ We will roll out smart operations companywide in the area of direct sales (operated by DyDo Beverage Service) in order to gain competitive advantages

Up to FY2020

Response to the
pandemic

- ✓ We brought all vending machines at test locations online and conducted verification tests, including of staff's movements
- ✓ We established workflows to facilitate a companywide rollout through repeated verifications
- ✓ The decision was made to update core systems
- ✓ The decision was made to roll out the technology companywide in direct sales

● Smart operations workflow



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Next, I will explain operational reforms after the installation of vending machines.

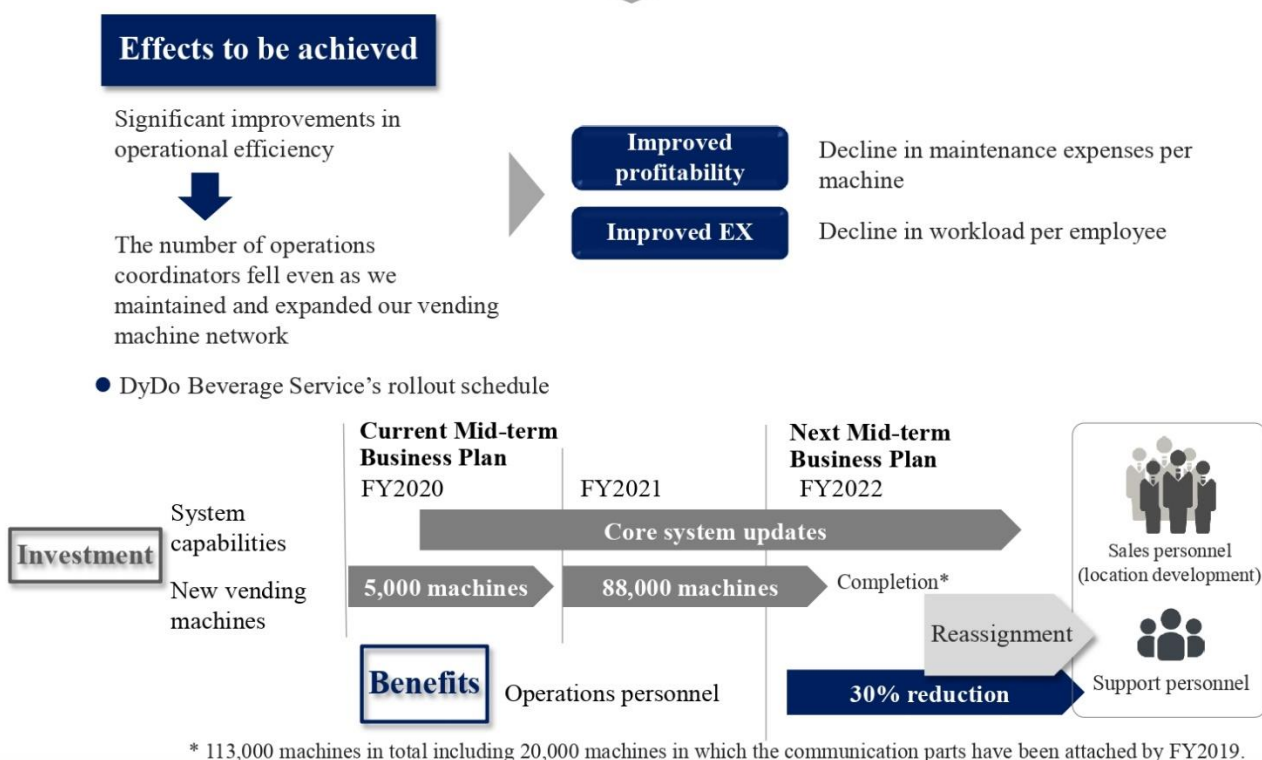
Please see page 25. We are working on initiatives to establish smart operations as part of our investment in the Domestic Beverage business under the mid-term business plan.

Under these initiatives, we aim to connect all vending machines to the Internet, set the operation routes of vending machines, and advance the optimization of products that are sold. Simultaneously, we are working to prepare the beverages to be replenished in each vending machine in advance aimed at streamlining operations.

Initially, we worked to verify the effectiveness of these initiatives by running test operations at three sales offices. Many issues arose but each of them was carefully verified and improvements have been made continuously. We identified whether our measures were translating into results and implemented changes immediately when necessary. Our intention wasn't to force the headquarters' theory on how things are done on the grounds. Rather, we have been working to maximize productivity by combining digital technology with the actual on-the-ground operations of employees.

In FY2020, we added another test operation office, and our sales offices were able to smoothly transition to new operational schemes. As a result, we have been able to make rapid progress in laying the groundwork for a companywide rollout.

FY2021 Priority Issue: (2) Rolling Out Smart Operations Companywide



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As shown in the figure on the bottom of page 26, we plan to complete the companywide rollout by the beginning of the next fiscal year, in FY2022. The quantitative benefits will only emerge from FY2023 and beyond because the reassignment of personnel will be done gradually.

We would be able to fulfill the personnel needs of our current vending machine network with about 30% less personnel if the smart operation starts to function in earnest. It would mean that we would be able to handle an increased number of vending machines even with the same number of personnel as we have now. If we can lower the maintenance cost per machine, it would also lead to an improvement in profitability.

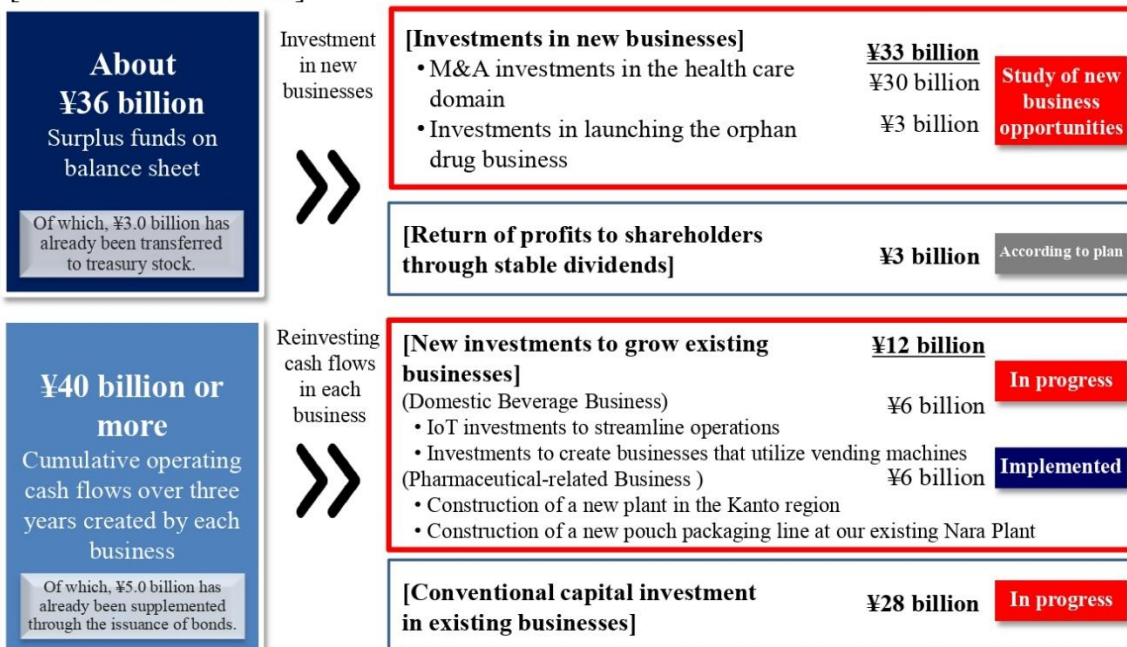
Further, by reducing the burden per person in labor-intensive operations, we would create a friendlier work environment, which we believe would give us a greater advantage in the industry.

Mid-term Business Plan 2021 Investment Strategy and Progress

▶ In FY2021, our emphasis will be on IoT investment in the Domestic Beverage Business

[Investment resources]

Red borders: Growth investments



Please see page 27. Here, we have the specific details of our investment strategy set forth at the time of announcing our mid-term business plan. Given the current situation, we are focusing on IoT investments in the Domestic Beverage business in FY2021.

FY2021 Consolidated Full-year Performance Outlook

- ▶ We expect consolidated sales of 164.5 billion yen (up 4.0% year on year) and operating profit of 4.2 billion yen (down 25% year on year)
- ▶ We will work to increase revenue against the backdrop of growth in the Domestic Beverage Business's vending machine fleet
- ▶ Costs will rise due to the establishment of budget items for advance investment associated with the expansion of our vending machine fleet and the development of smart operations structures and investment in growth strategies in the health care domain

(Millions of yen)

	FY2020 results		FY2021 earnings forecasts			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	158,227	100.0%	164,500	100.0%	4.0%	6,272
Operating profit	5,602	3.5%	4,200	2.6%	(25.0%)	(1,402)
Ordinary profit	5,727	3.6%	4,300	2.6%	(24.9%)	(1,427)
Profit attributable to owners of parent	3,204	2.0%	2,600	1.6%	(18.9%)	(604)
EPS	201.31 yen		166.46 yen			(34.86 yen)
Dividend per share	60 yen		60 yen			—

Please see page 28. We intend to make steady progress in reforming the Domestic Beverage business, as I just explained. By doing so, our net sales forecast for FY2021 is JPY164.5 billion, up 4.0% from FY2020.

On the other hand, we expect increased expenses attributable to investment in the Domestic Beverage business and a budget earmarked for strategic growth investment in the Healthcare domain. As a result, we forecast operating profit of JPY4.2 billion, down 25.0% from FY2020.

FY2021 Full-year Performance Outlook by Segment

- ▶ The International Beverage Business will achieve profitability despite lower revenue on a Japanese yen basis due to use of conservative exchange rates
- ▶ The Pharmaceutical-related Business expects to realize higher revenue due to factors including growth in orders of pouch-packaged products

(Millions of yen)

	FY2020 full-year results	FY2020 full-year earnings forecast		
			Percent change	Amount (YoY)
Domestic Beverage	115,536	122,400	5.9%	6,863
International Beverage	12,191	10,400	(14.7%)	(1,791)
Pharmaceutical-related	10,324	11,400	10.4%	1,075
Food	20,900	20,900	(0.0%)	(0)
Adjustment	(725)	(600)	—	125
Total sales	158,227	164,500	4.0%	6,272
Domestic Beverage	7,110	7,150	0.6%	39
International Beverage	(175)	350	—	525
Pharmaceutical-related	(425)	(450)	—	(24)
Food	946	550	(41.9%)	(396)
Other	(317)	(1,050)	—	(732)
Adjustment	(1,536)	(2,350)	—	(813)
Total operating profit	5,602	4,200	(25.0%)	(1,402)
Capital investment	8,520	10,600	24.4%	2,079
Depreciation expenses	6,383	7,230	13.3%	846

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

On page 29, we describe our performance outlook by segment.

In the International Beverage business, we expect a sales decline in the mainstay Turkish beverage business on a JPY basis, assuming a conservative exchange rate given the instability in the TRY. On the profit front, we expect to achieve the guideline set forth in our mid-term plan of achieving profitability for the segment as a whole.

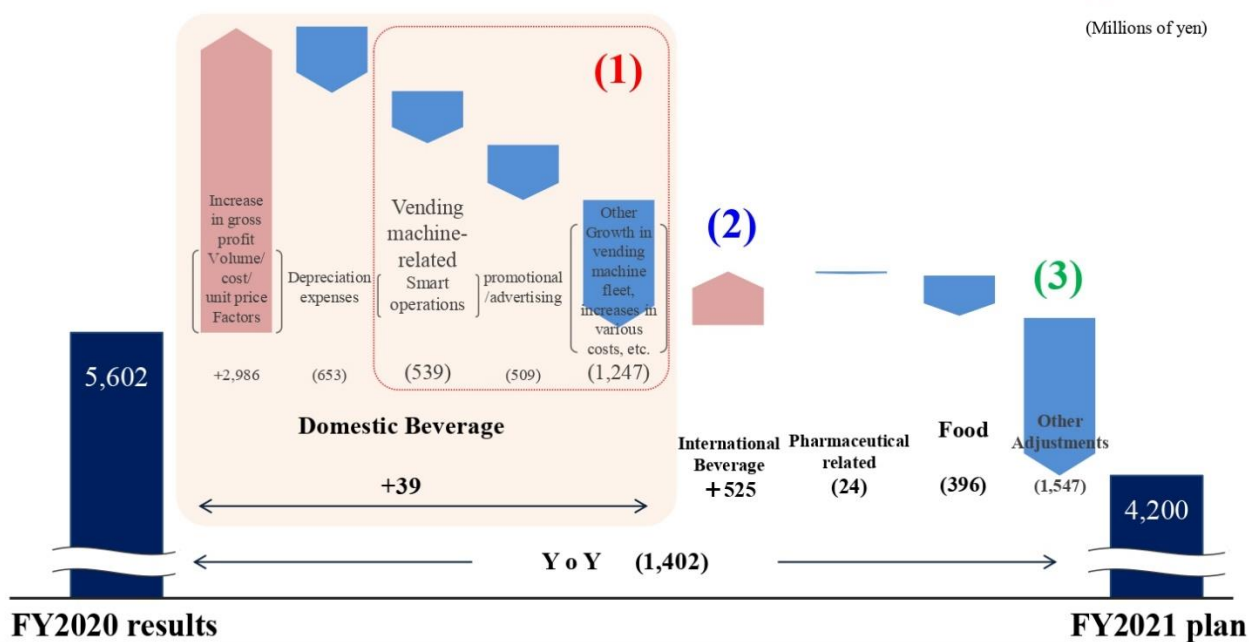
In the Pharmaceutical-related business, we expect the impact of COVID-19 to persist with regard to orders of existing products. However, we expect sales to increase, driven in part by the expansion of orders for pouch-packaged products.

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FY2021 Consolidated Full-year Performance Outlook Factors Contributing to Changes in Operating Profit: Compared to the Previous Year

- ▶ In the Domestic Beverage Business, the expansion of our vending machine network and development of smart operations will push up expenses **(1)**
- ▶ The International Beverage Business will transition to profitability thanks to our exit from the Malaysian business and improved profitability in our Chinese business **(2)**
- ▶ We will establish a budget item for executing our growth strategy in the healthcare domain **(3)**



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On page 30, we show the factors behind the change in operating profit compared to FY2020.

In the Domestic Beverage business, the gradual uptick in depreciation costs back to the typical level will be a factor pushing down profit, in contrast to being a factor pushing up profit in FY2020. In addition, we plan to enhance our vending machine network and build smart operations, which we think will lead to increased costs. However, we think the increased costs will be offset by higher gross profit off the back of an increase in the number of installed units of vending machines.

In the International Beverage business, we aim to turn the business profitable through the withdrawal from the Malaysia business, which had been running large losses, and improved profits in the China business, which I will explain again later.

We continued to earmark a budget associated with our growth strategy in the Healthcare domain. As a result, we expect a decline in profit for the consolidated total.

FY2020 Market Environment and DyDo Overview

Domestic Beverage Business	International Beverage Business
<p>Market</p> <p>Convenience store and vending machine sales remained soft even as overall sales exhibited a gradual recovery Overall sales volume in the industry fell about 7% from the same period of the previous year</p> <p>DyDo</p> <p>A canned coffee product launched in collaboration with the TV anime <i>Demon Slayer (Kimetsu no Yaiba)</i> in October generated strong sales Initiatives launched during the previous fiscal year bore results, leading to an increase in the size of our vending machine fleet at the end of the period</p>	<p>Market</p> <p>The COVID-19 pandemic surged again, prompting an economic slowdown due to the imposition in late November of even stricter restrictions than were implemented last spring Domestic distribution costs soared, and the shipping business experienced surging distribution costs and delays</p> <p>DyDo</p> <p>(Turkey) Profits rose on a local currency basis thanks to robust demand for mineral water and cost controls (Malaysia) We sold our local subsidiary because there was no outlook for a recovery in sales</p>
Pharmaceutical-related Business	Food Business
<p>Market</p> <p>Retail sales of quasi-drug drinks fell due to factors including slow office demand We also faced challenges in terms of retail sales of beauty drinks</p> <p>DyDo</p> <p>Orders remained soft due to the effects of customers' inventory adjustments Orders received via TCI for beauty drinks for the Chinese market fell</p>	<p>Market</p> <p>The dry jelly market contracted slightly as sales of low-priced products rose due to consumer price consciousness Sales in the pouch jelly market fell from the previous year due to changes in consumer lifestyles</p> <p>DyDo</p> <p>Sales to volume retailers rose despite a contraction in sales to convenience stores, and we retained our No. 1 position in the dry jelly segment Our market share rose in the pouch market as well</p>

Next, I will move on to an explanation of each segment. I have already covered most of the important issues and strategies, so I will briefly touch on the points where my explanation has been insufficient.

Please see page 32. The COVID-19 pandemic has had a large impact on our business in Japan and overseas.

Especially in Turkey, we saw the resurgence of COVID-19 cases from around the second half of November that led to powerful restrictions on activities. The stagnation in economic activities combined with surging logistics costs created a harsh business environment.

Principal Future Anticipated Impacts on Performance and Associated Countermeasures

- ▶ We will work steadily to strengthen the basis of existing businesses and make growth investments in order to restore our ability to generate cash flows

	Anticipated future impacts	Future measures
Domestic Beverage Business	<ul style="list-style-type: none"> Despite a gradual recovery in sales after bottoming out in April and May 2020, there is concern about the impact of the Japanese government's declaration of a state of emergency in January 2021 The advent of telework and a transformation in consumer behavior are likely to bring significant changes to the vending machine market 	<ul style="list-style-type: none"> In addition to working to strengthen development of our vending machine fleet, we will strive to establish a sustainable vending machine business model that can accommodate market changes in a flexible manner by building a smart operation structure
International Beverage Business	<ul style="list-style-type: none"> There is concern about the impact of restrictions in the wake of growing infections on sales in the Turkish beverage business. With regard to profits, it may prove difficult to shift a surge in raw material costs caused by exchange rate fluctuations onto prices The resurgence in the pandemic means it will take time to ramp up exports to the UK and Russia 	<ul style="list-style-type: none"> We exited the Malaysian beverage business in October 2020 in line with our policy of selection and consolidation of overseas strategic facilities. We will work to rebuild our overseas business strategy with the goal of transitioning the entire International Beverage Business segment to a profitable footing in the short term
Pharmaceutical-related Business	<ul style="list-style-type: none"> Customer companies' sales are trending down. There are concerns about the impact of the Japanese government's declaration of a state of emergency in January 2021, and it will take time for orders to recover 	<ul style="list-style-type: none"> The new pouch packaging line at our Nara Plant began operating in February 2020, and our new Kanto Plant began operating in July 2020. We will work to put in place internal structures to facilitate efficient production with two sites and four plants and to review operations in order to improve profitability
Food Business	<ul style="list-style-type: none"> Sales to convenience stores may continue to decline even as sales to volume retailers remain robust. 	<ul style="list-style-type: none"> We will work to further strengthen profitability by continuing to develop products that accommodate lifestyle changes and to pursue initiatives to improve productivity

On page 33, we indicate the anticipated impact on earnings and associated countermeasures by each business.

In the Pharmaceutical-related business, which conducts contract-based business, sales trends at business partners have been sluggish. As such, recovery in orders of existing products will take time.

However, the establishment of a new plant eased the constraints caused by the ongoing full-capacity operations up to now. We consider this to be an opportunity to thoroughly tackle initiatives toward internal reinforcement such as follows: reviewing the internal structure toward realizing efficient production with four plants in two locations, raising the level of our quality control structure, and strengthening our production technology.

- ▶ We focused on strengthening the basis of our vending machine business in order to establish competitive advantages

(Millions of yen)

	FY2019 results		FY2020 results				FY2021 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	121,203	—	115,536	—	(4.7%)	(5,667)	122,400	—	5.9%	6,863
Operating profit	3,948	3.3%	7,110	6.2%	80.1%	3,161	7,150	5.8%	0.6%	39
Capital investment	6,853		5,949		(13.2%)	(903)	7,700		29.4%	1,750
Depreciation expenses	7,148		3,548		(50.4%)	(3,599)	4,200		18.4%	651

FY2020 summary

(Target period: January 21 to January 20 of the following year)

- ✓ Our end-of-period vending machine fleet turned the corner to positive growth thanks to the success of measures designed to develop new locations and keep vending machines from being removed from existing locations as part of an effort including increases in staffing that we've pursued since FY2019 in the vending machine channel ➡ **P.23**
- ✓ We posted strong sales of products developed collaboratively with the hugely popular TV anime *Demon Slayer* (*Kimetsu no Yaiba*), which were launched in October, in both the vending machine and distribution channels, and we expect to see growth in the customer base for canned coffee products
- ✓ We made progress in trials and tests in our effort to develop smart operations structures
- ✓ Supplement mail-order sales continued to grow at a high rate ➡ **P.36**

FY2021 priority and investment strategies

- ✓ Maintaining the pace of growth in the size of our vending machine fleet and strengthening our vending machine network in terms of both quality and quantity by means of measures designed to capture new locations and prevent the removal of machines from existing locations, while carefully monitoring locations that generate strong sales
- ✓ Rolling out smart operations structures nationwide to prepare for a full transition in FY2022 and gauging productivity improvements at individual facilities

Page 34 covers the results and future initiatives in the Domestic Beverage business, which I have already explained up to now. So, next, I will give a brief explanation of our latest activities related to the functions and products of vending machines.

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DyDo

Domestic Beverage Business

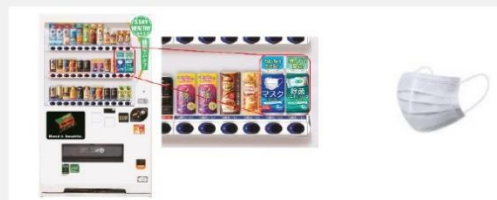
Recent Initiatives to Increase the Number of Vending Machines

- ▶ We have begun verification tests of a facial recognition payment service that utilizes NEC facial recognition technology



- ▶ Developing “public health venders”

- ✓ Applying an antibacterial coating to all included vending machines (already complete)
- ✓ Selling masks and other hygienic products



- ▶ Completing a full redesign of our “Calorie Limit For the Mature Aged (R)” line of products
- ✓ Established itself in the distribution channel
- ✓ Launched sales of “Hatomugi Blended Tea” by vending machines



Distribution
channel only



- ▶ Launching half-label products

- ✓ Updated tea products sold in plastic bottles and cut the size of labels on packaging in half



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Please see page 35. First, these are our initiatives regarding the functions of vending machines. We started a demonstration experiment on vending machines with facial recognition technology in collaboration with NEC.

Back when we first announced this in July 2020, we got a lot of media coverage about the technology as a contactless payment method. However, it also proves highly convenient for use in places like factories and data centers, where people cannot bring in personal belongings. We think this is a penultimate system amidst the trend of going cashless. Under the COVID-19 circumstances, we made improvements to the facial authentication so that it works even when people are wearing masks. The realization of this technology is right around the corner.

On the product front, we jointly developed "Calorie Limit For the Mature Aged" tea series with FANCL in 2016, and they have been driving results in our distribution channel. For the first time since their release, we will be completing a full redesign of the series, and we will also launch sales in vending machines.

We are also promoting activities in consideration of environmental impact, such as reducing package labels on tea beverages by a half. We aim to continue to provide delight to the heart and to the body by further pursuing the convenience inherent in vending machines.

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Domestic Beverage Business

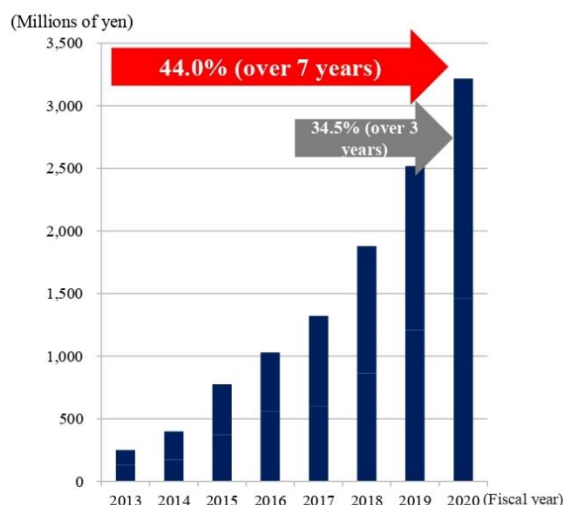
Progress in the Mail-order Sales Channel

- ▶ There has been steady growth in the supplement home shopping sales channel
 - ✓ The number of regular customers has steadily increased, and growth continues in both sales and profit
 - ✓ We have enhanced measures that target new customers and ensure that they become regulars



Launched
12/21/2020

- Mail-order sales channel sales and CAGR



- The flagship channel product, "Locomo Pro," is driving the growth of the customer base



The flagship product is advertised online, and via TV and newspapers, and has helped us acquire new customers



We've created stronger relationships with our customers through communication, such as through our members club magazine or the points system



**Established customer base,
growth in sales and profit**

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On page 36, we describe the progress in mail-order sale channel of supplements. We are continuing to maintain a robust growth rate in terms of both sales and profits.

Due to the COVID-19 pandemic, we temporarily saw an intensification in the competitive environment. Even under such circumstances, we steadfastly engaged in communication with customers, resulting in a steady increase in the number of regular customers.

We will continue to strive to expand sales of our mainstay product, "Locomo Pro," while also working to develop and foster a product that could potentially turn into our second key product.

International Beverage Business Segment Overview

- We're working to transition all segments to profitable operations by strengthening profitability in our businesses in all countries

(Millions of yen)

	FY2019 results		FY2020 results				FY2021 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	16,004	—	12,191	—	(23.8%)	(3,813)	10,400	—	(14.7%)	(1,791)
Operating profit	(95)	(0.6%)	(9)	(0.1%)	—	86	470	4.5%	—	479
Amortization of goodwill, etc.	210	1.3%	165	1.4%	(21.2%)	(44)	120	1.2%	(27.5%)	(45)
Operating profit (loss) after subtracting amortization of goodwill, etc.	(306)	(1.9%)	(175)	(1.4%)	—	130	350	3.4%	—	525
JPY per TRY	19.26 yen		15.18 yen		(4.08 yen)		11.00 yen		(4.18 yen)	
JPY per CNY	15.84 yen		15.45 yen		(0.39 yen)		15.38 yen		(0.07 yen)	

(Target period : January 1 to December 31)

FY2020 summary

- ✓ We secured profits on par with last year on a local currency basis against the backdrop of growth in sales of our flagship Saka brand despite the pandemic
- ✓ We transferred all shares of our Malaysian subsidiary and exited the Malaysian beverage business due to bleak prospects for a recovery in sales during the pandemic



FY2021 priority and investment strategies

* Home Office Delivery

- ✓ Focusing on increasing sales of Saka with an emphasis on HOD* in the Turkish beverage business
- ✓ Striving to improve the profit structure of the Chinese business by starting local production

Saka, a mineral water brand driving growth in Turkey

Next, I will go over the International Beverage business. On the next slide, I will explain the core Turkey business and the China business, where we are working on improving the earnings structure.

► Cost controls led to an increase in profits on a local currency basis despite the pandemic

- ✓ Despite a temporary recovery in domestic sales trends in Turkey, the COVID-19 pandemic surged again, prompting an economic slowdown due to the imposition in late November of strict restrictions
- ✓ During FY2021, we will strive to secure profits through increased Saka sales and cost controls despite the impact of the pandemic on sales until summer and the depreciation burden of the new plant being built in Adana
- ✓ Although the effects of the pandemic mean that it will take time to fully develop our shipping business using facilities in the UK and Russia, we made steady progress in our efforts to lay a foundation for the business, particularly in the UK

● Turkish manufacturing base



● Local-currency-basis results

(year-on-year change in sales)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Year
FY2020	+19%	(15%)	+2%	(12%)	(3%)
	17.48 yen	16.55 yen	15.81 yen	15.18 yen	15.18 yen
FY2019	+30%	+17%	+2%	+16%	+14%
	20.57 yen	19.63 yen	19.40 yen	19.26 yen	19.26 yen

Figures in lower rows cumulative exchange rate (yen value of 1 Turkish lira).

● Value of Turkish lira in yen



First, I will explain the beverage business in Turkey on page 38. Partly due to the resurgence of COVID-19 cases since the end of November, we expect the impact to continue until around the summer.

On the profit front, we are newly building a plant capable of manufacturing tetra pack (beverages packed in paper material) in a site adjacent to an existing plant in Adana. As a result, we expect the recording of depreciation. However, we aim to secure profits through cost control and the sales expansion of Saka, a mineral water brand that achieved a solid increase in sales even during the pandemic.

Above all, the strength of the Turkey business is that there are high-quality water sources and manufacturing plants in Turkey. We intend to expand sales of the mainstay Saka brand to other countries leveraging our cost advantage stemming from a weaker lira, and we aim to foster it into a global brand.

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International Beverage Business

Overview of the Chinese Beverage business



- ▶ We began producing products locally in order to improve profitability
- ✓ We developed roasted barley tea products for China* and started to export them after selling existing Japanese products
- ✓ We earned market recognition and expanded its sales volume
- ✓ We carried out trials and tests to prepare for local production and satisfied flavor, quality, and other requirements

* existing Japanese products designed specifically for China in terms of content and packaging



Shipments to shops are progressing steadily

▶ Striving to establish a business model for the Chinese beverage business

Overview of the Chinese beverage business and issues to date

- After entering the vending machine operator business in 2008, we sold the business in 2012
- We then ramped up imports of Japanese products and shipments to distribution chains and retailers and increased brand recognition using “uniquely delicious Japanese flavor” as a strength
- One issue is improving profit structure by implementing local production



We began producing our products in a local Japanese plant

Next, I will go over the China beverage business. Our current business model is one where we import Japanese products and some products produced in Japan that have been designed for China, which are then distributed through the distribution chain. However, we think that local production is indispensable toward improving profitability, and we have been continuing considerations.

For a start, we began the local manufacturing of barley tea, which has the highest sales volume, in February this year in light of the following factors: we have built our brand awareness and acquired the capability to secure sufficient sales volume by leveraging Japanese-quality taste; and we have prepared a structure to guarantee sufficient taste and quality by repeatedly conducting tests at local Japanese manufacturing sites. We aim to turn the China business profitable by advancing the same strategy for other products.

▶ We're focusing on putting in place structures to prepare for growth in orders and production

(Millions of yen)

	FY2019 results		FY2020 results				FY2021 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (Y oY)		Component ratio	% (YoY)	Amount (Y oY)
Net sales	11,097	—	10,324	—	(7.0%)	(773)	11,400	—	10.4%	1,075
Operating profit	210	1.9%	(425)	(4.1%)	—	(636)	(450)	(3.9%)	—	(24)
Depreciation expenses	696		1,122	61.3%	426		1,200	6.9%	77	

(Target period : January 21 to January 20 of the following year)

FY2020 summary

- ✓ Orders received via TCI for beauty drinks for the Chinese market fell due to the effects of the growing COVID-19 pandemic, and orders for domestic customers fell as a result of ongoing inventory adjustments by customers
- ✓ Depreciation expenses rose due to the construction of a pouch packaging line at the Nara Plant (completed in September 2019; fully operational in February 2020) and the completion of the Kanto Plant (completed in October 2019; fully operational in July 2020)

FY2021 priority and investment strategies

- ✓ Putting in place internal structures to prepare for efficient operations of the two-site, four-plant system consisting of the Nara and Kanto Plants and reviewing operations in order to improve profitability
- ✓ Carrying out initiatives to expand business opportunities by strengthening sales of the pouch packaging line

Next, on page 40, I will go over the Pharmaceutical-related business. The Pharmaceutical-related business posted a decline in sales due to sluggish orders for existing products caused by the impact of COVID-19. On the profit front, depreciation expenses increased due to the operation of a new plant and a pouch packaging line, resulting in the recording of segment losses.

On the other hand, pharmaceutical and quasi-drug manufacturers place high expectations for the newly-launched pouch packaging line, thereby expanding our business opportunities.

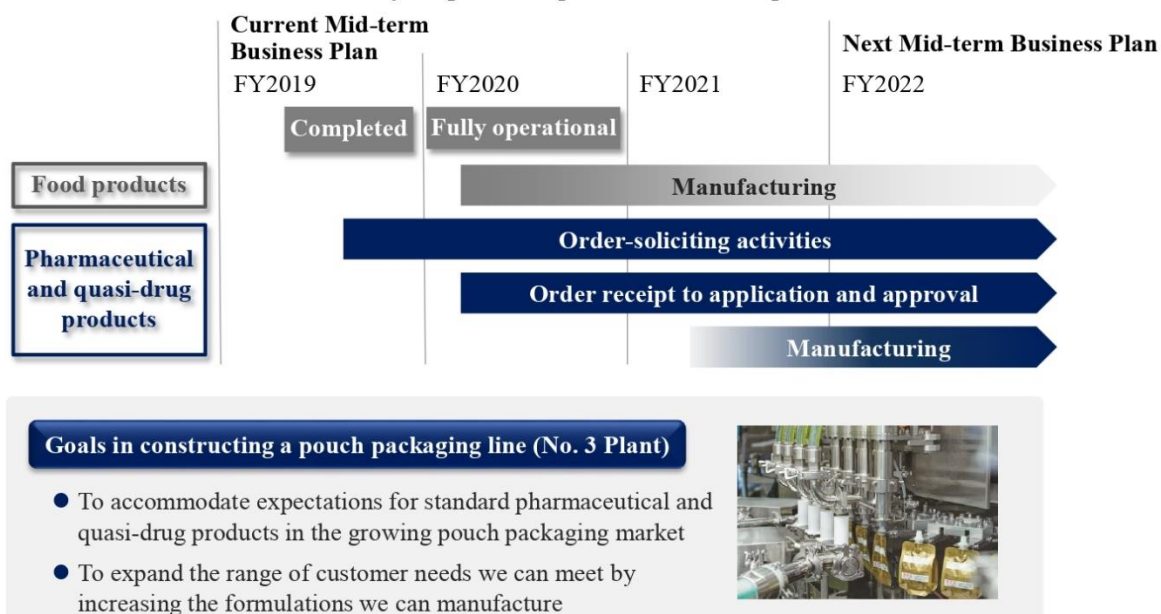
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Pharmaceutical-related Business New pouch packaging line

▶ Expanding pouch product order volume

- ✓ Receiving inquiries from pharmaceutical manufacturers and aggressively pursuing discussions
- ✓ We expect pharmaceutical and quasi-drug products to start contributing to our performance in FY2022 due to the one- to two-year period required from development to launch



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Please see page 41. The pouch packaging line entered full-scale operation in February 2020, and it is currently manufacturing food-standard products. This is because it takes about two years from the ordering to actual sales, given that regulatory approval is required for the manufacture and sale of pharmaceuticals and quasi-drugs.

Steady progress is being made in negotiations to win orders. We expect the full-scale contribution to sales and profits of products demonstrating the strengths of Daido Pharmaceutical to take shape from FY2022.

- ▶ We're working to develop products that accommodate changes in lifestyles in order to strengthen profitability

	FY2019 results		FY2020 results				FY2021 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	20,643	—	20,900	—	1.2%	256	20,900	—	(0.0%)	(0)
Operating profit	816	4.0%	1,298	6.2%	59.0%	481	902	4.3%	(30.5%)	(396)
Amortization of goodwill, etc.	352	1.7%	352	1.7%	(0.0%)	(0)	352	1.7%	0.1%	0
Operating profit after subtracting amortization of goodwill, etc.	464	2.3%	946	4.5%	103.6%	481	550	2.6%	(41.9%)	(396)

(Millions of yen)

FY2020 summary

- ✓ Purchasing behavior shifted from convenience stores to mass retailers, and from mid-priced products to low-priced products
- ✓ Profitability improved significantly thanks to a reassessment of manufacturing costs and improvements in shipping capability

FY2021 priority and investment strategies

- ✓ Developing added-value products for the “new normal” that take advantage of fruits and jellies
- ✓ Creating off-season demand and expanding new sales channels
- ✓ Continuing to pursue operational efficiencies and working to achieve additional improvements in productivity

(Thousands of yen)



(Target period : January 1 to December 31)

On page 42, I will go over the Food business. As with other food and beverage manufacturers, convenience store sales were sluggish. However, we were able to deliver results even under the pandemic by firmly capturing the shift in consumers to mass retailers.

Over the last few years, all of our employees have been striving toward productivity improvements with a strong sense of awareness. These efforts have translated into substantial results, leading to an improvement in our profitability.

In FY2021, we expect an increase in fixed costs due to advertising expenses and capital investment. As a result, we forecast a decrease in profits. However, we will take initiatives toward creating new markets that can be realized precisely because we are a top brand, such as follows: development of products that meet the health-oriented needs that have strengthened even more due to the pandemic; and development of products that spur demand during the off-season such as in the winter.

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Progress by DyDo Pharma



- ▶ A return to the original medicine business to resolve societal issues

March 2018

Announced our entry into the orphan drug business

- ➡ Employed specialists with proven results in the healthcare industry

January 2019

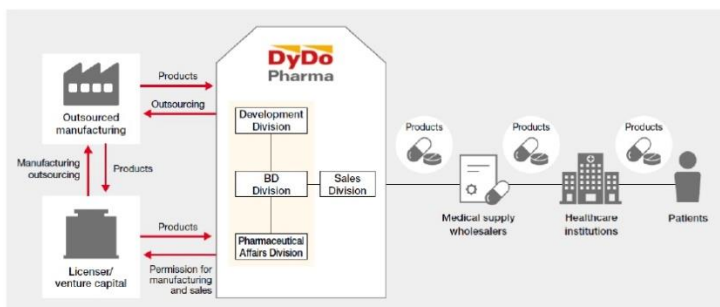
Established DyDo Pharma, Inc., and started operations in August

January 2021

Entered into first licensing agreement

● DyDo Pharma business model

- ✓ Aiming to develop and receive approval in Japan for primarily new drug candidates that have been developed abroad
- ✓ Contract manufacture of pharmaceuticals to outside organizations for a lean business model



Finally, I will talk about Daido Pharmaceutical, which handles the prescription drugs business for rare diseases.

Ever since the start of operations in August 2019, we have been working on the exploration of seeds. In January this year, we have made a new step forward by signing the first license contract. This is a business in which costs will be incurred in advance during the runup period until the business foundation stabilizes. We will be making steady efforts with an eye toward the future.

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Strengthening the Oversight Function of the Board of Directors

- ▶ We've increased the number of independent outside directors* and strengthened the Board of Directors' oversight function to accommodate our expanding business domain

*Assuming approval at the 46th Annual Shareholders' Meeting (scheduled to be held April 16, 2021).

- Director candidate skill matrix

	Expertise, experience, and areas of specialization that we expect of director candidates									
	Chief executive experience	Beverage industry vending machines	Food industry	Pharmaceutical industry	International business	Finance and accounting	Law	DX	M&A	Internal controls and auditing
Tomiya Takamatsu	○	○								
Tomihiro Takamatsu	○	○								
Naoki Tonokatsu		○				○				
Naoyuki Nishiyama		○			○			○	○	
Shinji Mori Independent Outside							○			○
Masataka Inoue Independent Outside			○		○				○	○
Michiaki Kurihara New Independent Outside	○*			○	○					

*Overseas subsidiary



See pages 53 to 57 for more information about why director candidates were chosen.

Please see page 44. To expand the business domain in these ways and strengthen the supervisory function of the board of directors, we have invited an outside director, who possesses a wealth of experience and expertise in the pharmaceutical industry, as a new board member. The resolution will be submitted at the annual general meeting in April. Please see page 57 of the material regarding the career and other details about the newly appointed director.

Significance of Promoting Sustainability

- ▶ In order to promote sustainability, both top-town and bottom-up activities are essential



- Significance of incorporating sustainability into management strategy
 - ✓ Corporate value improves as social issues are resolved through businesses
 - ✓ Business continuity improves as the company is able to deal with social problems that pose business risks
- Significance of encouraging action on the part of individual employees
 - ✓ Employees help improve the corporate brand as the points of contact with customers and society
 - ✓ The pursuit of business is accelerated when employees leverage their autonomy
 - ✓ Employee engagement with the company increases

Lastly, I would like to summarize our efforts toward achieving the company's sustainable growth.

Please see page 46. As I said at the outset, the spirit of coexisting and co-prosperity is identical to our corporate culture, and sustainable business operations are being passed on as our corporate DNA.

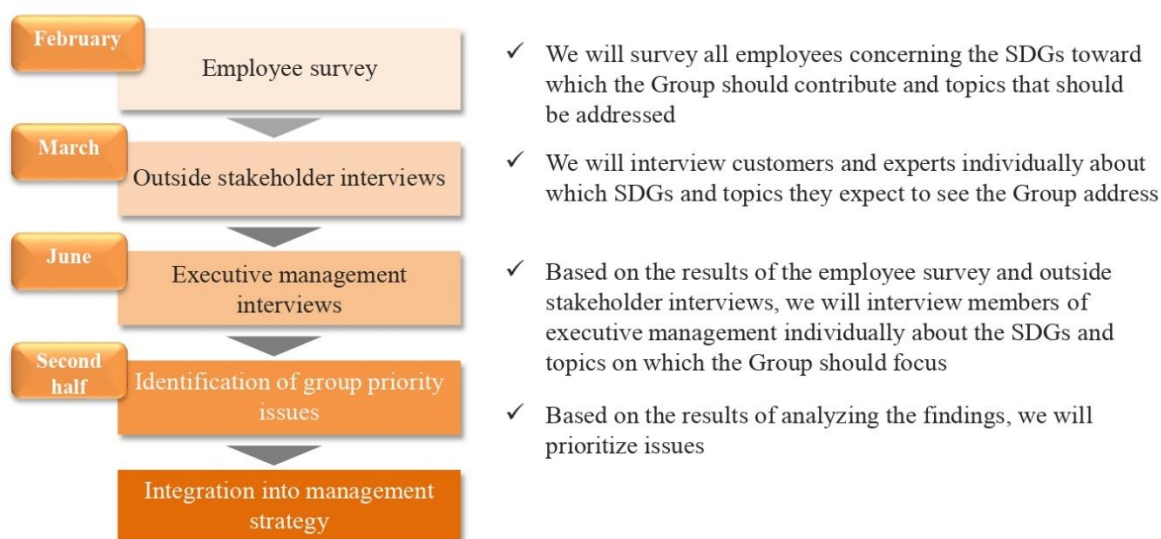
However, due to rapid changes in the times, we believe it is also necessary to visualize this awareness. One such initiative was to verbalize our SDGs declaration.

As for specific activities, we are taking top-down measures to incorporate the SDGs into our management strategy. In addition, we are working toward each employee translating a strong sense of awareness into concrete action. We believe striking a sound balance between these two approaches is important.

Incorporating Sustainability into Management

- ▶ We will identify sustainability as a priority issue (=materiality) for the DyDo Group during FY2021 and leverage it to address social issues through the Group Mission 2030

● Materiality identification process



Please see page 47. Our Group Mission 2030 represents our vision. In other words, it is a signpost for the sustainable society we are aiming for. As for the specific measures toward this realization, we aim to make solid efforts to once again come face-to-face with all of our stakeholders, starting with employees, to define those measures and thoroughly incorporate them into our management strategy. Toward this end, we are currently advancing efforts to identify our materiality.

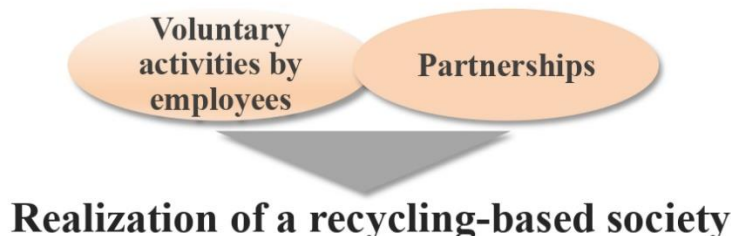
In the next mid-term business plan, we will turn this materiality into specific goals and incorporate them into our management strategy aimed at realizing solutions to social issues.

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Employee Involvement



- We're pursuing the "Everyone Love the Earth Project," an environmental initiative in the Domestic Beverage Business that serves as a framework for individual employee involvement



Priority goals about environment have been announced in November 2020.

Please see page 48. We have also been working on creating systems that would spur concrete activities by employees, which is the other side of the equation. As part of our environmentally-conscious activities in the Domestic Beverage business, we started the "Everyone Love and Earth Project" starting in this fiscal year.

We will work toward realizing a recycling-oriented society that is indispensable for a sustainable society through the voluntary actions of each employee and collaboration with customers and partners who sympathize with our efforts.

Increasing Corporate Value by Contributing to the Sustainability of Society

- ▶ The DyDo Group is striving to realize a sustainable society that allows offers people around the world enjoyable, healthy lifestyles as its vision for 2030
- ▶ To realize this vision, we will continue to embrace the challenge of accommodating environmental changes through mutually beneficial relationships with stakeholders in line with our Group Philosophy



Please see page 49. To repeat, our mission is to contribute to the realization of a sustainable society through our business. Contributing to the sustainability of society is identical to our Group philosophy, which is the spirit of coexistence and co-prosperity.

By promoting partnerships with all of our stakeholders and contributing to the creation of a sustainable society where people around the world can live happily and healthily, we will raise our corporate value and realize our corporate sustainability.

Changes in the environment are opportunities to advance our transformation. As I also stated in August, we consider the major changes that took place this time to be huge opportunities. Obviously, the bar is set high for our challenges. Nevertheless, we will work flexibly and agilely so that, when looking back on FY2021 in the future, we would be able to say that this year was a turning point for us. Please look forward to the future of DyDo Group.