Consolidated Summary

DyDo Group Policies

Appointment of Tomiya Takamatsu as vice president

Appointment of Tomiya Takamatsu as president

	2009–2011	2012–2013	2014–2018	2019–2020 onward
DyDo Group 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

2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 onward

Further deflation, declining personal consumption

Rapid yen appreciation, stock price slump

Great East Japan Earthquake

Issue of insufficient power supply, persistent strong yen

Signs of economic recovery due to economic policies

Impact of consumption tax hike on personal consumption, accelerating downward price trend

Improved employment environment against background of economic policies

Economic slowdown in developing nations, heightened geopolitical risk

Continued favorable employment environment

Rising sense of labor market shortage

Successive natural disasters: earthquakes, typhoons, heavy rains, etc.
Further workstyle diversification

Global spread of the COVID-19 virus

Domestic Beverage Business environment

Impact on supply chain

Convenience stores begin selling freshly brewed coffee from in-store machines

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

Vending machine and convenience store sales slump due to changes in consumer behavior

Peak season (summer) situation

2009	2010	2017	2018	2019
Unseasonable weather	Extremely high temperatures	Unseasonable weather	Extremely high temperatures	Unseasonable weather

Management Strategy

Transition to new workstyles P19

Domestic Beverage Business (excluding home shopping supplement business)

Cost reduction through total review of operations
➡Business structure reform cost of 2.374 billion yen recorded as extraordinary loss

Organizational reform of Domestic Beverage Business
➡Transition to function-specific organization, with separate development and operation functions

Transition to channel-specific (vending machines, distribution) marketing division structure
Secured operating profit through cost control
Extraordinary loss of 758 million yen from disaster

Launch of reformulated DyDo Blend

Coffee-centric marketing deployed
Sustaining of vending machine business, strengthening/expansion of retail channel

Revision of vending machine prices upon consumption tax increase
➡Sales volume decreased

Launch of bottle-can coffee from the "Supervised by the World's Top Barista" series, expanded lineup
Review of vending machine procurement method

Deployment of "frontier vendors" to lessen vending machine burden on the environment and reduce costs P28

Deployment of Smile STAND
Launch of "Calorie Limit for the Mature Aged" tea series P23

Beginning of smart operation system structuring P22

Collaboration with the TV anime *Demon Slayer* (*Kimetsu no Yaiba*), commemorating 45 years of DyDo Blend, is a hit

Other businesses

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

Launch of home shopping supplement business P52

Tarami becomes consolidated subsidiary

Establishment and beginning of operation of Russian local subsidiary

Acquisition of shares for Malaysia business

Acquisition of shares for Turkey business

Transition to holding company system

Home shopping supplement business becomes profitable

Other Decision to enter orphan drug business P66

Withdrawal from Malaysia

DAIDO *Yakuhin* completes Kanto Plant

Consolidated Financial Summary[1]

(Millions of yen)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 onward
Sales[2]	151,048	151,369	147,404	148,902	154,828	149,526	149,856 [6]	171,401	172,684	171,553	168,256	158,227 [6]
Domestic Beverage	–	–	137,897	131,671	130,400	124,597	124,192 [7]	128,278 [8]	126,712	124,879	121,203	115,536
International Beverage	–	–	–	–	–	–	–	16,735	18,547	17,154	16,004	12,191
Pharmaceutical-Related	–	–	10,838	11,416	10,857	10,220	9,126	9,068	10,536	10,964	11,097	10,324
Food	–	–	– [3]	6,648	14,299	15,360	17,155	18,013	17,560	19,114	20,643	20,900
Operating profit	6,060	6,539	7,295	7,934	6,004	5,174	4,988	3,857	4,891	6,071	2,893	5,602
Ordinary profit	5,518	5,809	6,687	7,725	5,962	4,470	4,262	3,741	5,382	5,998	2,857	5,727
Profit attributable to owners of parent	705	2,691	2,351	4,410	3,712	2,322	2,347	3,269	2,504	3,856	1,778	3,204
Number of employees	3,281	3,149	2,936	2,916	2,770	2,767	2,887	3,602	3,771	3,912	4,160	3,922
Domestic Beverage	3,102	2,972	2,762	2,548	2,424	2,418	2,511	3,221	2,575	2,597	2,658	2,702
International Beverage	–	–	–	–	–	–	–	–	729	827	951	684
Pharmaceutical-Related	179	177	174	207	172	179	183	190	198	245	299	293
Food	–	–	–	161	174	170	193	191	249	217	225	217
Other	–	–	–	–	–	–	–	–	–	–	6	7
Whole Company	–	–	–	–	–	–	–	–	20	26	21	19
ROE (%)	1.0	3.8	3.2	5.9	4.7	2.8	2.8	3.9	2.9	4.2	2.0	3.8
Profit margin (%)	0.5	1.8	1.6	3.0	2.4	1.6	1.6	1.9	1.5	2.2	1.1	2.0
Total asset turnover (times)	1.2	1.2	1.1	1.1	1.1	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Financial leverage (multiplier)	1.8	1.8	1.8	1.8	1.8	1.8	2.0	1.9	1.9	1.9	1.9	1.9
FCF	18,192	13,011	15,257	6,838	3,734	3,535	4,805	6,862	5,395	(1,295)	(3,022)	4,410
Operating cash flow	19,650	14,911	17,540	16,491	14,764	13,959	14,603	15,309	14,308	10,851	11,495	12,540
Expenditures related to tangible and intangible fixed asset acquisition	(1,458)	(1,900)	(2,283)	(9,653)	(11,030)	(10,424)	(9,797)	(8,447)	(8,913)	(12,147)	(14,517)	(8,130)
Capital expenditure	1,184	[4] 1,481	6,839	16,833	[5] 14,376	12,261	10,681	10,037	9,454	12,635	16,543	8,520
Depreciation	12,487	12,747	12,350	11,202	12,080	12,343	11,704	12,611	11,860	10,396	9,647	6,464

[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 mid-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, and for nine months of FY2020 in accordance with the transfer of shares. Acquisition of Turkish beverage business was completed in February 2016 and included in consolidated accounts for eleven months of 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

Mid-term Business Plan 2021 and Progress as of FY2020

The Mid-term Business Plan 2021, which covers the three years from fiscal 2019, is positioned as the "Platform-strengthening and Investment Stage" of Group Mission 2030. It is intended to make our existing businesses more robust and engage in investments that will lead to the next "Growth Stage." The following both outlines the progress made by the Mid-term Business Plan 2021 in each of the three basic policies of Group Mission 2030 and also reports on the business results for fiscal 2021.

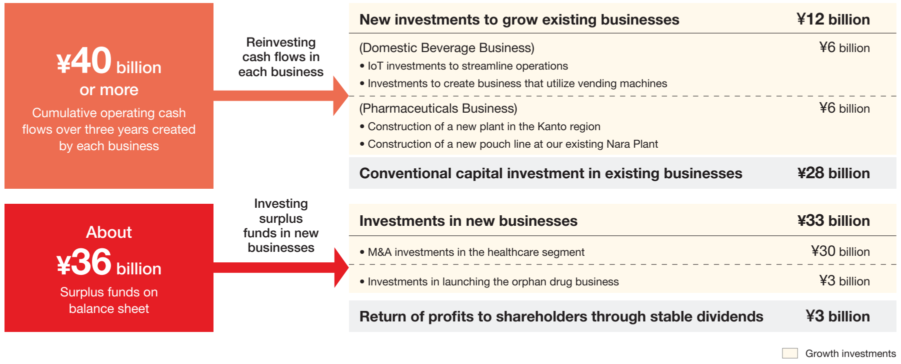
Basic Policies of Group Mission 2030

Innovation in the Domestic Beverage Business	By identifying changes in the times and diversifying customer needs, our Domestic Beverage Business is evolving into a business that is more accessible and of greater use to the daily lives of our customers. This segment will continue to be the DyDo Group's core business.
Expansion of Our Business Overseas	By delivering to the world food that is delicious for the body and mind, our business overseas will be grown so that it earns at least 20% of the group's sales.
Development of a Second Major Source of Revenue in Non-Beverage Businesses	Defining the healthcare market as a growth area, we will develop new markets that transcend the boundaries between healthcare and food products to build businesses in the healthcare domain as a second major source of revenue that integrates well with existing businesses.

(See **P10** for a roadmap of how we will realize Group Mission 2030 and a graphic of our business portfolio.)

Investment strategy of Mid-term Business Plan 2021 "Platform-strengthening and Investment Stage"

[Investment capital]



New investments to grow existing businesses	**¥12 billion**
(Domestic Beverage Business) • IoT investments to streamline operations • Investments to create business that utilize vending machines	¥6 billion
(Pharmaceuticals Business) • Construction of a new plant in the Kanto region • Construction of a new pouch line at our existing Nara Plant	¥6 billion
Conventional capital investment in existing businesses	**¥28 billion**
Investments in new businesses	**¥33 billion**
• M&A investments in the healthcare segment	¥30 billion
• Investments in launching the orphan drug business	¥3 billion
Return of profits to shareholders through stable dividends	**¥3 billion**

Mid-term Business Plan 2021 Progress

1. Innovation in the Domestic Beverage Business

The Domestic Beverage Business, which is the core business of the DyDo Group and embodies our strengths, is based on the business model of offering the products customers want in the closest and most convenient location. We will continue refine this business model, which involves not merely offering beverages through vending machines but delivering convenience to our customers. That is the role we should aspire to and the way we can evolve our business. Our Domestic Beverage Business has one of the largest networks of vending machines, and, along with the operation of the vending machine channel of our group companies in tandem with Kyoeikai (our vending partner association), this is a major asset of the DyDo Group. At the same time, the business environment in which the Group operates is becoming increasingly demanding, as demand sags due to the decline in the population in Japan and the supply side faces issues due to the emergence of a labor shortage for the maintaining of operations. In order for the Domestic Beverage Business to remain the group's core business, we believe it is important to shift the vending machine business to a more sustainable model. This is why the Mid-term Business Plan 2021 has as its main theme key questions about how to maintain our vending machine network amid a labor shortage and, working on the proviso that our competitors' strategies will change in response to that shortage, how we can establish our superiority in the vending machine market. Though these had been considered changes we had expected over the medium term, the change in consumer behavior caused by the COVID-19 pandemic has led to a certain loss in demand in the vending machine market, which has in turn completely changed the competitive environment and prompted companies in the industry to change their approach toward the vending machine channel as well. The changes that we thought were likely to occur over the medium to long term are now rapidly emerging.

The initiatives pursued as we work toward establishing a position of superiority in the vending machine market are the strengthening and expansion of our vending machine network and the implementation of fundamental changes to our operational structure to maintain that network. We believe that we are on the right track, as we were able to respond to the current changes ahead of time precisely because of the changes that had been initiated as part of the Mid-term Business Plan 2021. By staying the course, we will further accelerate our initiatives to improve efficiency and productivity by reforming our sales framework to maintain and expand our vending machine numbers in a shrinking market, thereby increasing our market share and establishing a position close behind the two major companies in the industry. We will respond to the pressing problem of the labor shortage by reforming our operations to create a system that will allow us to maintain and expand our vending machine network while also keeping the current number of personnel.

Through these initiatives, we will continuously increase the cash flow generated from the Domestic Beverage Business, which will allow us to allocate funds for investments to build our second major source of revenue.

2. Expansion of Our Business Overseas

Based on the Mid-term Business Plan 2021 policy of the selection and consolidation of strategic facilities overseas, we are reviewing our overseas business in each country, without expanding or even considering new business expansion. In the Turkish beverage business, which accounts for a large portion of our International Beverage Business, there are risks posed by the decline in economic activity due to the pandemic and the weakening of the lira, among other factors. Nevertheless, since entering the market in 2016 through an M&A with a local company, DyDo has made steady progress in PMI and has seen robust performance in the local currency. This is due to the fact that we have been able to focus our management resources on specific Turkish brands that existed prior to the M&A, which has increased the loyalty of our employees to their individual brands. The result has been an increase in selling power and, most notably, a contribution from the steadily increasing sales of our main brand, "Saka" mineral water. As for the export business, an area in which we plan to take further steps, we established a new local subsidiary in the UK and are making use of Russia, where we initially planned to develop our vending machine business, as an export base for Turkey. In these and other ways, we are strengthening strategies that tap into our easy access to Europe and the Middle East, as well as the advantage of having manufacturing bases.

In contrast, in Malaysia, where we entered the market at about the same time, after transitioning our presence there to a wholly owned subsidiary in 2019, we focused on reorienting our product portfolio toward self-developed brands. However, as we were unable to foresee a recovery in sales in the wake of the pandemic, we sold all of our shares.

Since we are now on track to see the overall International Beverage Business reach profitability by furthering our efforts toward selection and consolidation, we will once again examine our international business strategy as we move toward the next mid-term business plan.

3. Development of a Second Major Source of Revenue in Non-Beverage Businesses

In fiscal 2019, we invested in the Pharmaceutical-related Business (DAIDO *Yakuhin*). We spent around two billion yen on establishing a production line for pouch-packaged products at the company's factory in its home base of Nara, thus enabling it to commence OEM of pouched jelly, which is classified as a quasi-drug. The facility was completed in September 2019 and began full operations in February 2020. In addition, we invested approximately six billion yen to build a new production facility, the Kanto Plant, at DAIDO *Yakuhin*'s second base in Gunma. Construction finished in October 2019 and, in July 2020, it began full operations. These investments are intended not only to boost production capacity, but also to strengthen our competitive abilities for the future, such as by further guaranteeing our own BCP and that of our clients, reducing transportation costs, and expanding our foothold in the quasi-drug jelly market.

While the impact of the pandemic has been significant and we are in a difficult situation in the short term, we believe that we can expect to see steady benefits from our investments over the medium to long term. As the demand related to health concerns increases, there is little doubt that the number of companies entering the healthcare market will increase in the future. However, setting up manufacturing facilities requires massive investments, so it is reasonable to predict that many in the industry will look to outsource production to OEM operators like DAIDO *Yakuhin*. Similarly, because OEM companies are also required to obtain official licenses to become pharmaceutical manufacturers, and this presents a sizable barrier to entry into the market, we believe that DAIDO *Yakuhin*, which already has the required licenses, will be able to maintain an appropriate profit margin.

Based on this thinking, one of the investment policies set forth in our mid-term business plan is to diversify the types of products that can be licensed through M&A in companies possessing plants that manufacture capsules and tablets, for example. Although we have considered several projects to date, we do not have any results to report at this time, but we will continue to explore various possibilities while assessing the return on investment.

Another area of investment for us is the orphan drug business, which we announced our entry into in 2018. In January 2019, we established DyDo Pharma, Inc. and signed our first licensing agreement in Dec. 2020.

When we first announced our intention to enter this field in 2018 a number of investors asked us, "Why is DyDo Group, which is primarily a seller of canned coffee via vending machines, entering a non-related sector like this?" Certainly, from the perspective of the current business portfolio, this looks like a non-related sector. However, the medicine sector was our original business and in this sector, as in that one, our aim is to be of use to those who need us. This business model of providing convenience to customers is at the heart of what we do.

We are not expecting to achieve results in just five, or ten, years' time, but are adopting a long-term perspective in our management approach. This involves substantial investments, so naturally it is incumbent on us to pursue this business in a way that satisfies our stakeholders in the share market. To this end we are working on the reform of corporate governance as our key management priority. To compensate for the lack of expertise in highly specialized fields, we established an Advisory Board and, in April 2021, invited to the board a new member who could offer profound insights into the pharmaceutical industry. Cost will continue to be the dominant concern for the foreseeable future, but we will apply the cash accumulated in the vending machine business, our "cash cow," to further engage in this business of such high social significance.

(For details of the orphan drug business, see P66)

Basic Policies of the Mid-term Business Plan 2021: Achievements and Next Steps

	Achievements	Next steps
Focusing on improving profits and implementing robust management	■ Improvement in the profitability of the Food Business ■ High growth in home shopping sales of products such as supplements ■ Articulation of a path toward improved cash flows in the Domestic Beverage Business	■ Strengthening development of vending machines in order to establish solid advantages in the vending machine market ■ Executing our company-wide rollout of smart operations (DyDo Beverage Service)
Making judgments about business continuity to facilitate strategic management	■ International Beverage Business segment is on track for overall profitability	■ Turnaround of the beverage business in China ■ Rebuilding our international business strategy to facilitate the next phase of growth
Implementing a growth strategy to achieve Group Mission 2030	■ Starting operation of the Daido *Yakuhin* pouch packaging line and the Kanto Plant ■ Concluding our first licensing agreement for the orphan drug business	■ Research and study of new investment opportunities

Mid-term Business Plan 2021 Guidelines and Achievements

As this mid-term business plan is still in the "Investment Stage," we have indicated guidelines but have not yet set any quantitative targets.

Although we are gradually seeing the results of our efforts, the objective of improving operating cash flow is still in the offing.

We will continue to consolidate the foundation of the vending machine business, our core business concern, to ensure the recovery of our cash flow generating capability.

	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 costs 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 or greater About ¥28 billion	Sales cash flow: **¥11.4 billion** Capital investment: **¥16.5 billion***	Cumulative sales 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	–	Concluded first ever license agreement
Return to shareholders	■ Return of profits to shareholders through stable dividends		**¥60** per share	**¥60** per share

*Amount of which is comprised by investment for growth in the Pharmaceutical-related Business (construction of the new Kanto Plant and a new pouch packaging line at the Nara Plant): ¥7.8 billion

Overview of Financial Situation and Business Results for FY2020

Overview of the Market Environment and DyDo Group Holdings amid the Pandemic in FY2020

	Market	DyDo
Domestic Beverage Business	■ 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 previous year	■ A canned coffee product with packaging featuring the TV anime *Demon Slayer* (*Kimetsu no Yaiba*) in October generated strong sales ■ The number of vending machines increased at the end of the fiscal year due to the results of initiatives launched in FY2019
Pharmaceutical-Related Business	■ 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	■ Orders were sluggish Orders were sluggish due to the effects of customers' inventory adjustments ■ Orders received via our investment partner TCI for beauty drinks for the Chinese market fell
International Beverage Business	(Turkey) ■ 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 logistics costs are soaring and, in addition to soaring export-business logistics costs, delays have been occurring as well	(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
Food Business	■ 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	■ Sales to volume retailers rose despite a contraction in sales to convenience stores, and we retained our top position in the dry jelly segment ■ Our market share rose in the pouch market as well

Status of Business Results

As mentioned above, in fiscal 2020 we responded flexibly to changes in the business environment and made steady progress in building a foundation for the future. Although sales were greatly affected by the pandemic, we were able to secure a certain level of profit due to the recovery of sales in the Domestic Beverage Business in the second half of the year.

In the second half of the year, sales in the Domestic Beverage Business exceeded the previous year's results, mainly because of developments such as being able to once again start increasing the number of vending machines and the sizable increase we saw in coffee beverage sales as a result of the collaboration with *Demon Slayer* (*Kimetsu no Yaiba*) ❶. Many of those who purchased the collaborative product were younger people and women, which enabled us to gain recognition from new user segments that had no previous contact with our canned coffee, a major achievement that we feel will lead to future growth. At the same time, sales in the International Beverage Business decreased in the second half of the fiscal year due to the impact of the depreciation of the Turkish lira, resulting in decreased sales in terms of Japanese yen, as well as the withdrawal of our Malaysian business concerns, which were excluded from consolidated accounts as of the fourth quarter ❷. In the Pharmaceutical-related Business, orders for existing products remained low due to the pandemic, but in the Food Business, we were able to identify changes in consumer behavior and managed to expand sales at mass retailers, which greatly improved our profitability ❸.

As for operating profit, in the Domestic Beverages Business, depreciation expenses decreased due to the change in the statutory useful life of vending machines from five years to ten years, which is in line with the actual number of years of use Ⓐ. However, this will return to the previous level over the next five years if capital investment remains constant. The Domestic Beverage Business has arrived at a significant increase in profit due to lower spending on advertising sales promotions and through cost controls ❹. The significant decrease in profit in the Pharmaceutical-related Business was due to an increase in the Kanto Plant's depreciation burden relative to the previous fiscal year. The plant was completed in October 2019 (❺ⒷⒷ′).

Status of business results by segment

(Millions of yen)

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

*The "Other" category is for the business segment that is not included in the reported segment. It currently refers to the orphan drug business.

Status of capital investments

(Millions of yen)

	Capital investment			Depreciation expenses		
	FY2019	FY2020	Amount (YoY)	FY2019	FY2020	Amount (YoY)
Domestic Beverage Business	6,853	5,949	(903)	7,148	3,548	Ⓐ (3,599)
International Beverage Business	434	1,009	574	628	517	(111)
Pharmaceutical-Related Business	Ⓑ 7,466	439	(7,026)	696	1,122	Ⓑ′ 426
Food Business	1,252	864	(387)	765	810	45
Group-wide (including "Other")	537	257	(279)	408	383	(24)
Total	16,543	8,520	(8,022)	9,647	6,383	(3,263)

Financial Situation, Cash Flow

In fiscal 2020, interest-bearing debt increased due to the issuance of a total of 20 billion yen in corporate bonds. In addition, net assets decreased due to an increase in treasury stock. We do not plan to retire treasury stock in the foreseeable future, as we are mulling the possible use of it for M&A. The equity ratio at the end of fiscal 2020 was 51.8%, down 2.1% from the end of the previous fiscal year. However, we continue to be financially sound, with a current ratio of 210.5% and a fixed ratio of 94.7%.

Due to a reactionary decline resulting from our large-scale capital investment in the Pharmaceutical-related Business in fiscal 2019, in fiscal 2020 the free cash flow improved but EBITDA fell below the previous year's level. We will continue our efforts to improve our operating cash flow through the platform strengthening of our vending machine business.

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, however with regard to fiscal 2021 itself, we plan to focus on IoT investments in the Domestic Beverage Business.

Status of cash flows

(Millions of yen)

	FY2019	FY2020	Amount (YoY)
Cash flow from operating activities	11,495	12,540	1,045
Cash flow from investing activities	(15,472)	(7,635)	7,837
Cash flow from financing activities	(4,099)	(2,329)	1,770
Effect of exchange rate change on cash and cash equivalents	(86)	(141)	(54)
Net increase (decrease) in cash and cash equivalents	(8,163)	2,433	10,597
Cash and cash equivalents at beginning of period	38,413	30,253	(8,159)
Increase in cash and cash equivalents due to new consolidation	3	–	(3)
Cash and cash equivalent at end of period	30,253	32,687	2,433

Major factors affecting increases/decreases in free cash flow

(Millions of yen)

	FY2019	FY2020	Amount (YoY)
EBITDA*	12,932	12,357	(575)
Working capital cash flow increase (decrease)	182	(312)	(495)
Other	(1,620)	495	2,115
Cash flow from operating activities (a)	11,495	12,540	1,045
Purchase of property, plant and equipment and intangible assets (b)	(14,517)	(8,130)	6,387
Free cash flow (a-b)	(3,022)	4,410	7,432

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

The changes in accounts receivable and inventories reflect seasonal fluctuations

January 20, 2020

(Millions of yen)

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

January 20, 2021

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

Financial assets*1	70,415 (2,824)	Interest-bearing debt*2	↑ 36,949 3,236
		Accounts payable	16,174 (2,449)
		Other	21,860 24
Accounts receivables	16,010 (2,487)	Net assets	↓ 82,609 (6,600)
Inventories	8,103 (340)		
Property, plant and equipment Intangible assets	51,093 262		
Other	11,970 (399)		
Total assets	157,594 (5,789)	Total liabilities and net assets	157,594 (5,789)

*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