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FY2018 (Year Ended January 20, 2019) Financial Briefing Materials

DyDo Group Holdings Inc.
(1st Section of the Tokyo Stock Exchange: 2590)

March 4, 2019

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1. Overview of Results

Overview of Consolidated Financial Information for FY2018

- ➡ Net sales fell 0.7% year on year, and operating profit rose 1,180 million yen from the previous year
- ➡ Reductions in fixed costs and related charges in the vending machine channel contributed to profit growth
- ➡ We posted 2,231 million yen in gain on the sale of investment securities as an extraordinary income, and 1,431 million yen in loss on the sale of shares of subsidiaries and associates as an extraordinary loss

(Millions of yen)

	Full-year					
	FY2017 results		FY2018 results			
		Component ratio			% (YoY)	Amount (YoY)
Net sales	172,684	100.0%	171,553	100.0%	(0.7%)	(1,130)
Operating profit	4,891	2.8%	6,071	3.5%	24.1%	1,180
Ordinary profit	5,382	3.1%	5,998	3.5%	11.5%	616
Profit attributable to owners of parent	2,504	1.5%	3,856	2.2%	54.0%	1,352
EPS	¥151.73		¥234.15		54.3%	¥82.42
Dividend per share	¥60		¥60		-	-

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FY2018 Consolidated Earnings

- Net sales/Operating profit -

(Millions of yen)

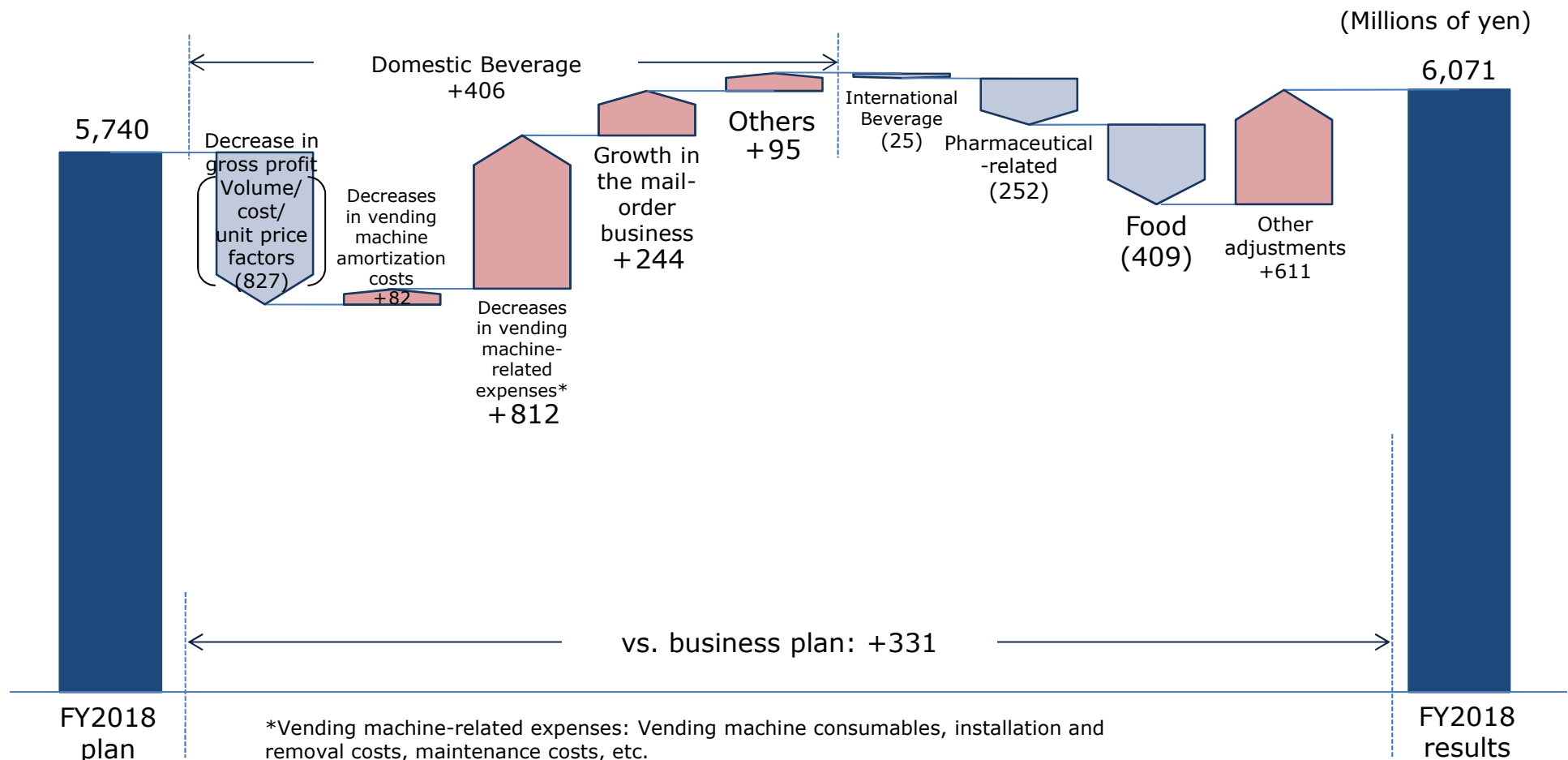
	FY2017 Results	FY2018 Results		
			% (YoY)	Amount (YoY)
Domestic Beverage Business	126,712	124,879	(1.4%)	(1,833)
International Beverage Business	18,547	17,154	(7.5%)	(1,392)
Pharmaceutical-related Business	10,536	10,964	4.1%	427
Food Business	17,560	19,114	8.8%	1,554
Adjustment	(673)	(559)	—	114
Total net sales	172,684	171,553	(0.7%)	(1,130)
Domestic Beverage Business	5,542	7,106	28.2%	1,564
International Beverage Business	(838)	(704)	—	133
Pharmaceutical-related Business	1,271	847	(33.3%)	(423)
Food Business	219	235	7.6%	16
Adjustment	(1,303)	(1,413)	—	(110)
Total operating profit	4,891	6,071	24.1%	1,180

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Causes Driving Increases/Decreases in Operating Profit for FY2018 - Results vs. the Business Plan -

- ➡ The decline in gross profit caused by lower sales volume in the Domestic Beverage Business exceeded expectations at the beginning of the fiscal year
- ➡ Declines in vending machine costs and growth in the mail-order business helped us meet the plan's targets

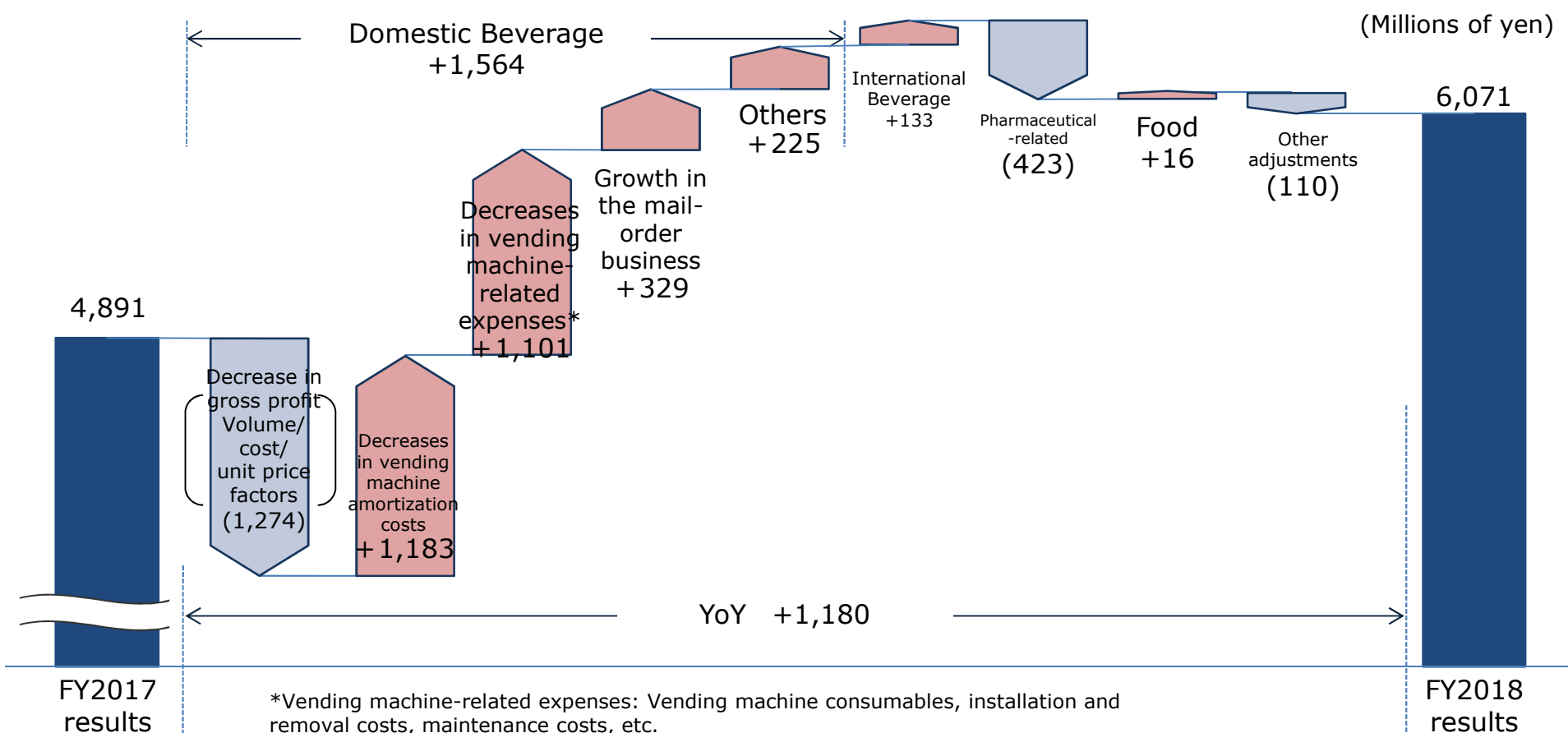


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Causes Driving Increases/Decreases in Operating Profit for FY2018 - Year-on-Year Comparison -



- ➡ Lower sales volume in the Domestic Beverage Business caused gross profit to fall 1,274 million yen
- ➡ Reductions in SG&A expenses associated with vending machines contributed to profit growth
- ➡ Labor expenses and depreciation expenses in the Pharmaceutical-related Business rose as we sought to increase order volume



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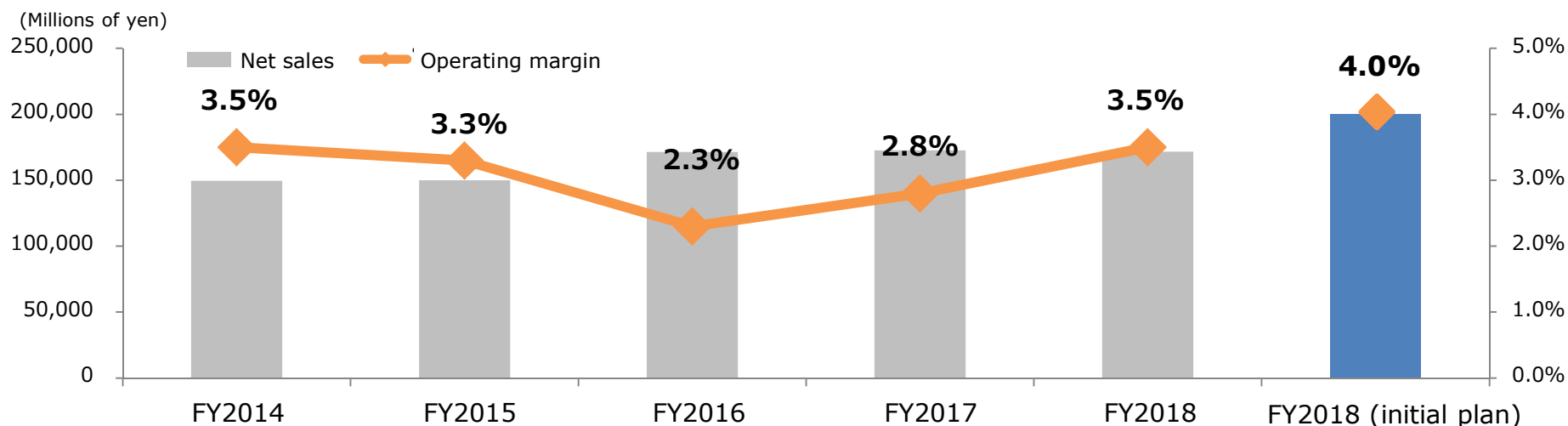
Consolidated Net Sales and Operating Margin

➡ Improving profitability through sustained growth in net sales is a priority

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Net sales	149,526	149,856	171,401	172,684	171,553
Operating profit	5,174	4,988	3,857	4,891	6,071
Operating margin	3.5%	3.3%	2.3%	2.8%	3.5%
ROA (Return on Assets)	3.0%	2.7%	2.3%	3.2%	3.5%
ROE (Return on Equity)	2.8%	2.8%	3.9%	2.9%	4.2%
FCF*	3,535	4,805	6,862	5,395	(1,295)

*FCF = Cash flows from operating activities – Purchase of property, plant and equipment and intangible assets

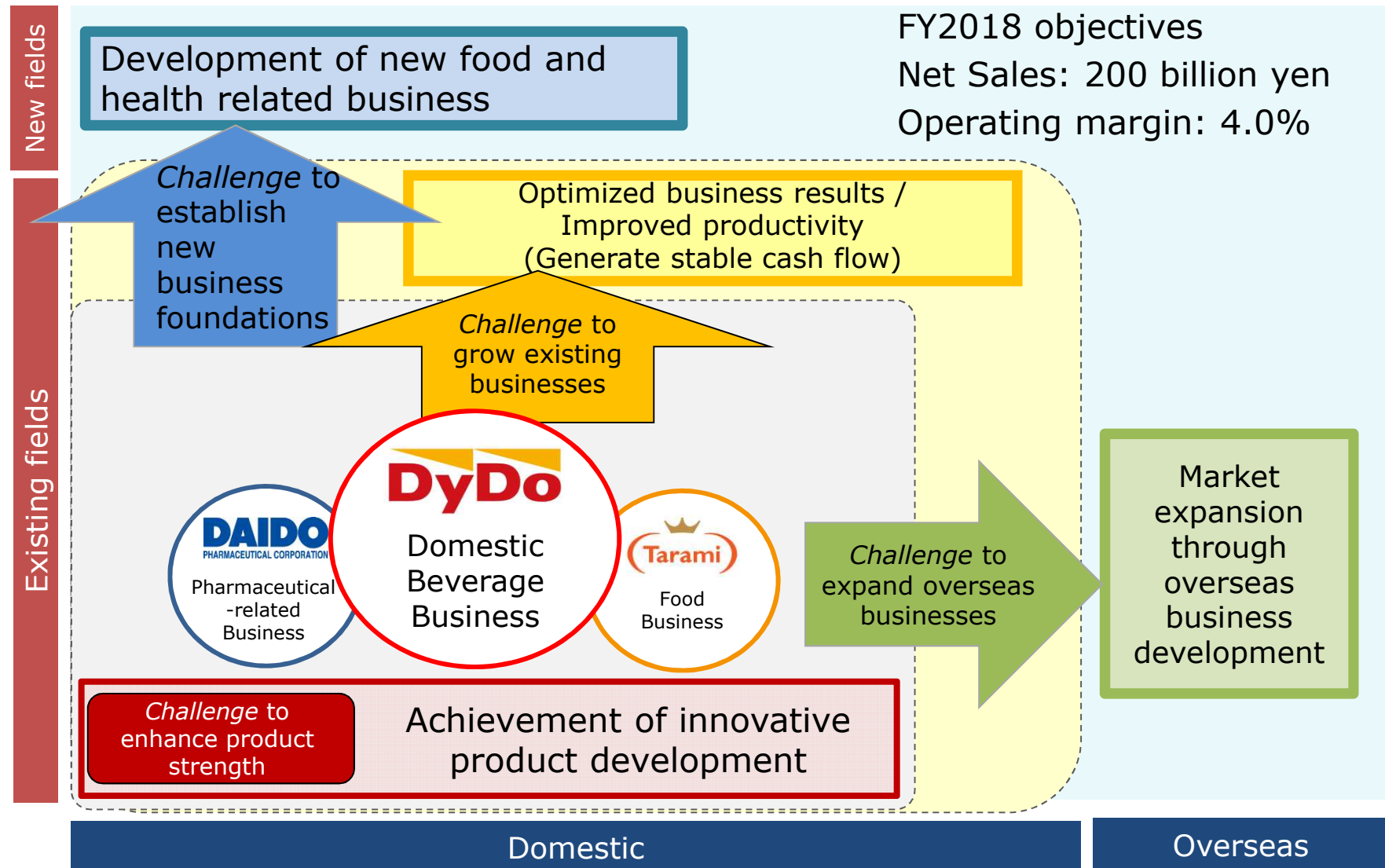


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2. Overview of the “Challenge the Next Stage” Mid-term Business Plan

Mid-term Business Plan: “Challenge the Next Stage”

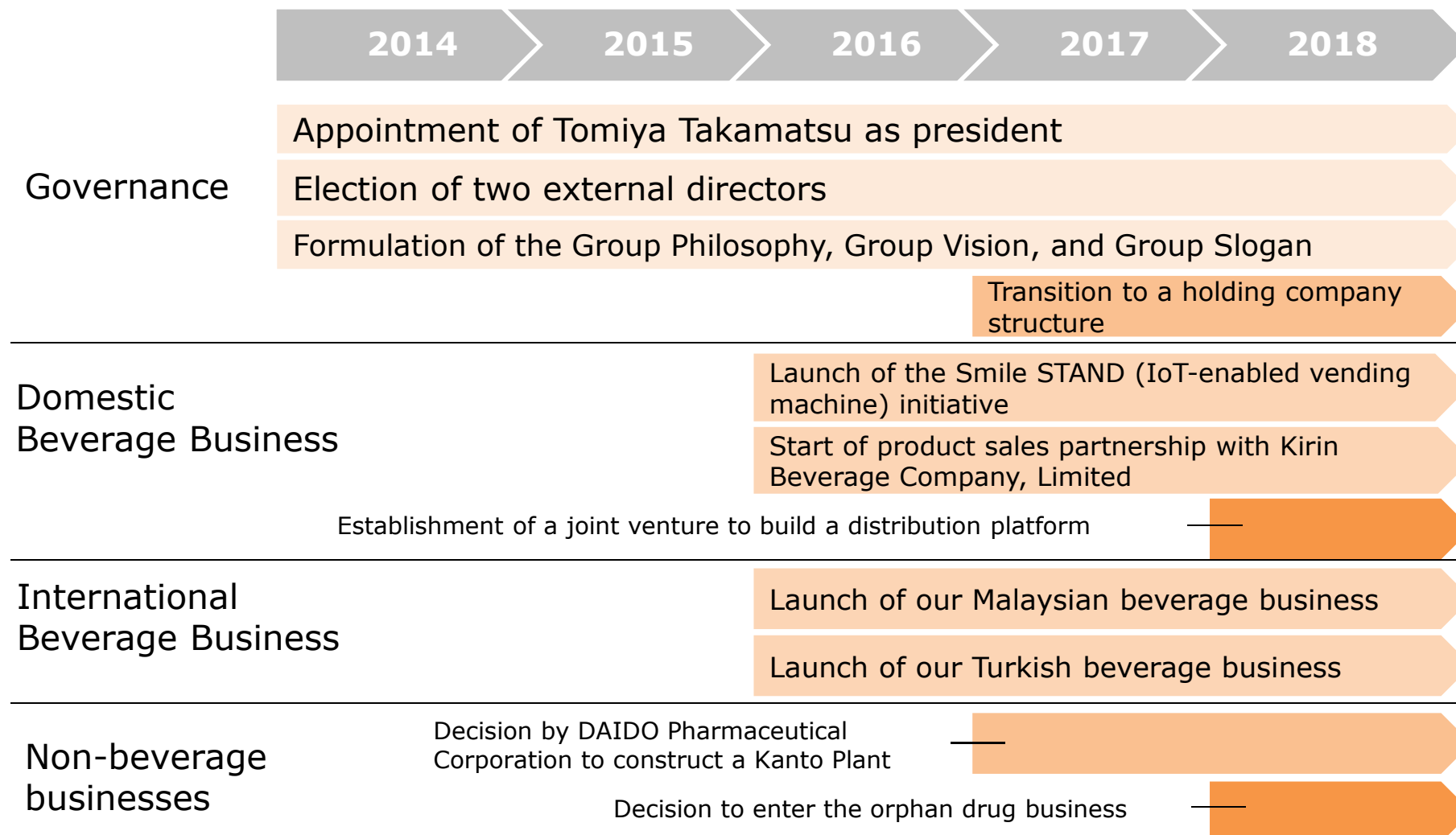


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Transition in Mid-term Business Plan Reform Initiatives over Time

- ➡ We are implementing reforms focused on the coming era based on the “Challenge the Next Stage” Mid-term Business Plan



Mid-term Business Plan Results and Issues (1)

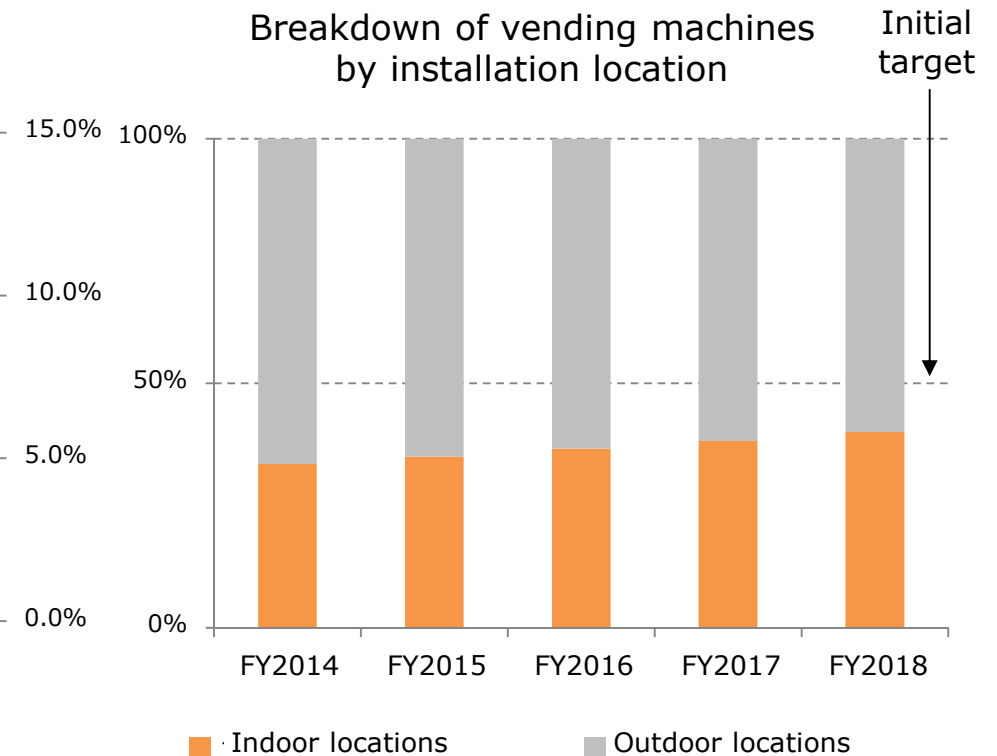
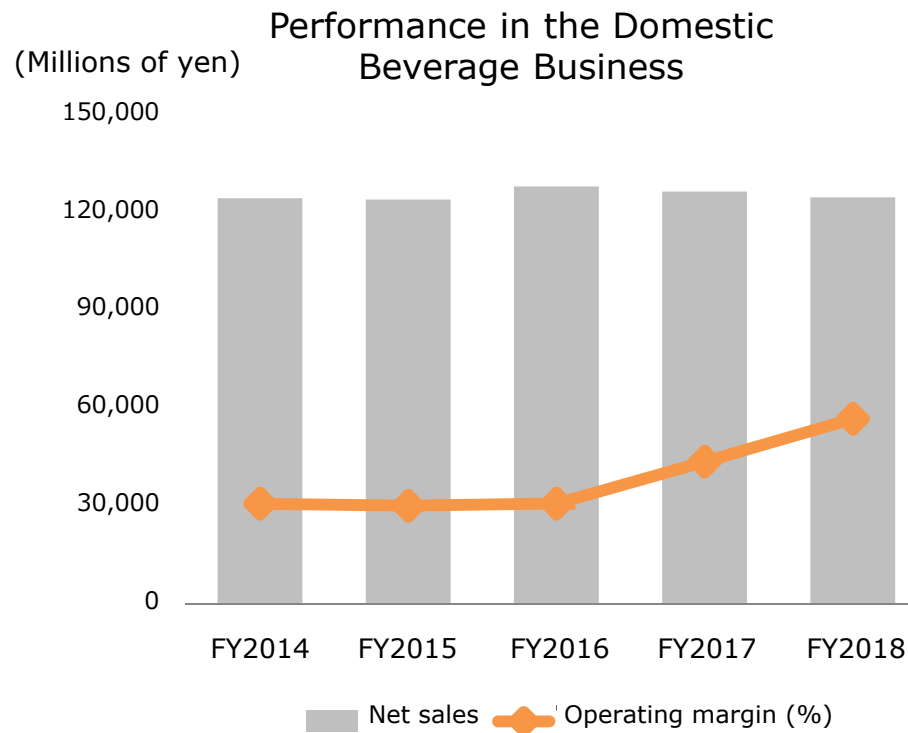
Challenge to grow existing businesses (Domestic Beverage Business)

Results

- Reforming the structure of fixed costs in the vending machine channel
- Implementing our IoT vending machine strategy

Issues

- Improving profitability through sustained growth in net sales
- Addressing declining sales per vending machine
- Promoting installation of vending machines in offices



Mid-term Business Plan Results and Issues (2)

Challenge to grow existing businesses (Pharmaceutical-related Business and Food Business)

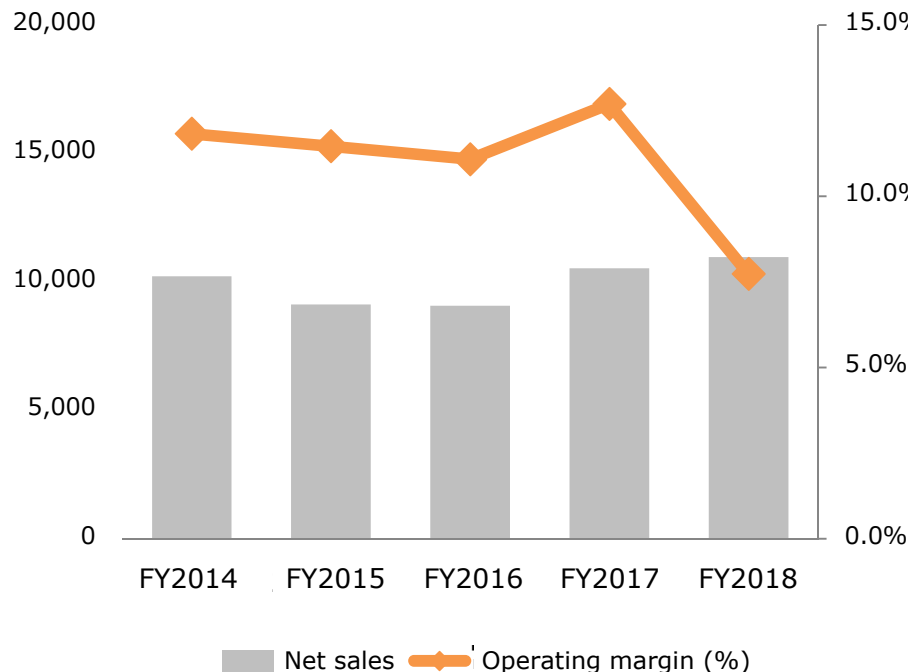
Results

- [Pharmaceutical-related Business] Order volume rose for both new and existing products as revenue recovered
- [Food Business] The Tarami brand's presence improved as we achieved a rate of growth that exceeded the market as a whole

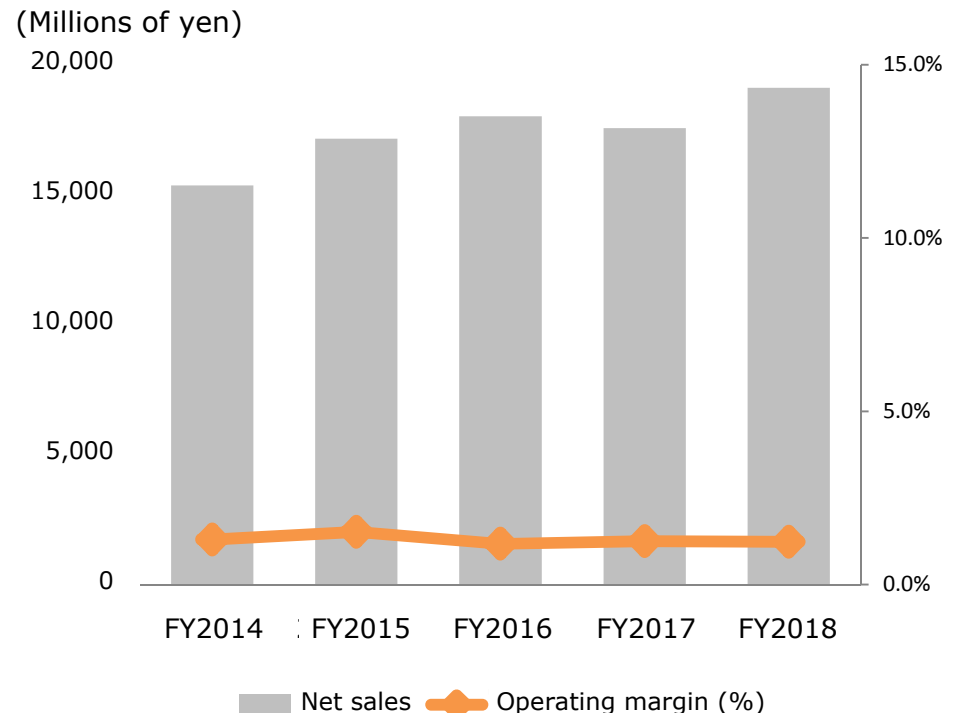
Issues

- [Pharmaceutical-related Business] Securing new orders to take advantage of advance investments related to the construction of the Kanto Plant and a new pouch line at an existing plant
- [Food Business] Securing sustained growth in net sales and improving profitability

Performance in the Pharmaceutical-related Business
(Millions of yen)



Performance in the Food Business



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Mid-term Business Plan Results and Issues (3) Challenge to enhance product strength



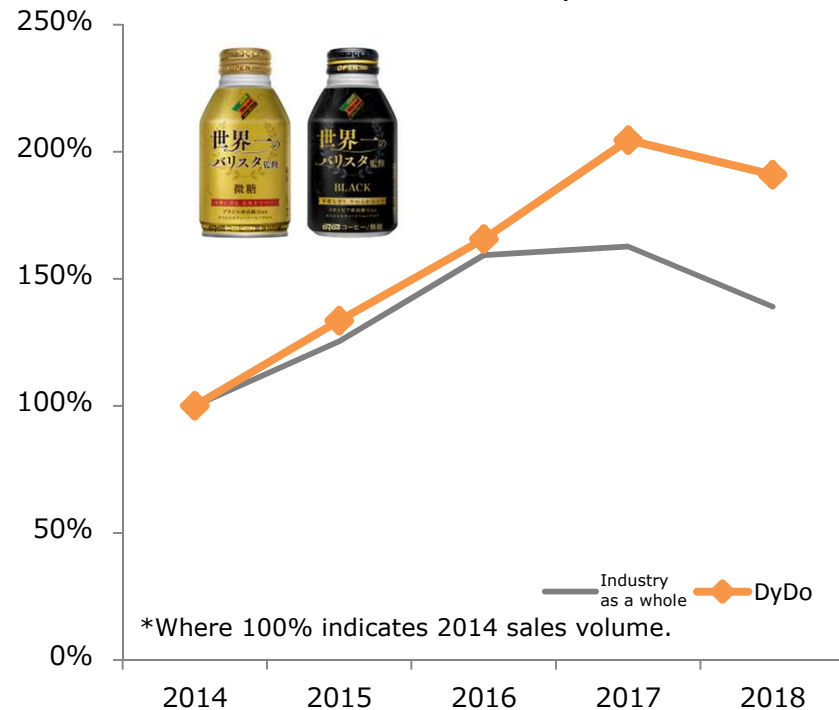
Results

- We established a certain brand position for products such as the “DyDo Blend Supervised by the World’s Top Barista*” series and the “Calorie Limit For the Mature Aged” tea series

Issues

- Dealing with product trends as change accelerates further against the backdrop of increasingly diverse lifestyles and values

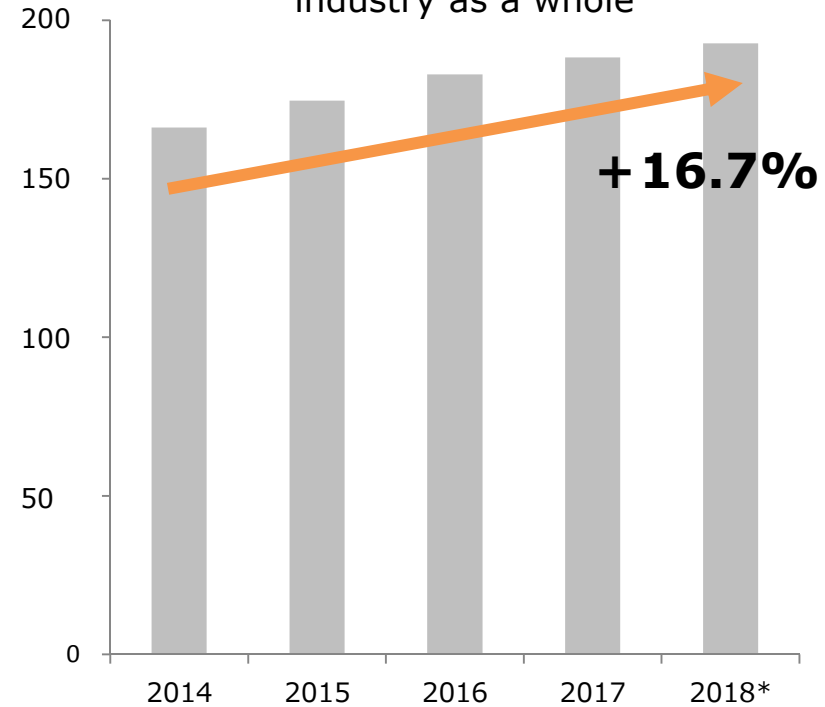
Manufacturing and sales volume of
coffee in bottle-shaped cans



*According to research by DyDo DRINCO.

(Billions of yen)

Sales of functional drinks in the
industry as a whole



*Forecast
*According to research by TPC Marketing Research Corp.

Mid-term Business Plan Results and Issues (4)

Challenge to expand overseas businesses

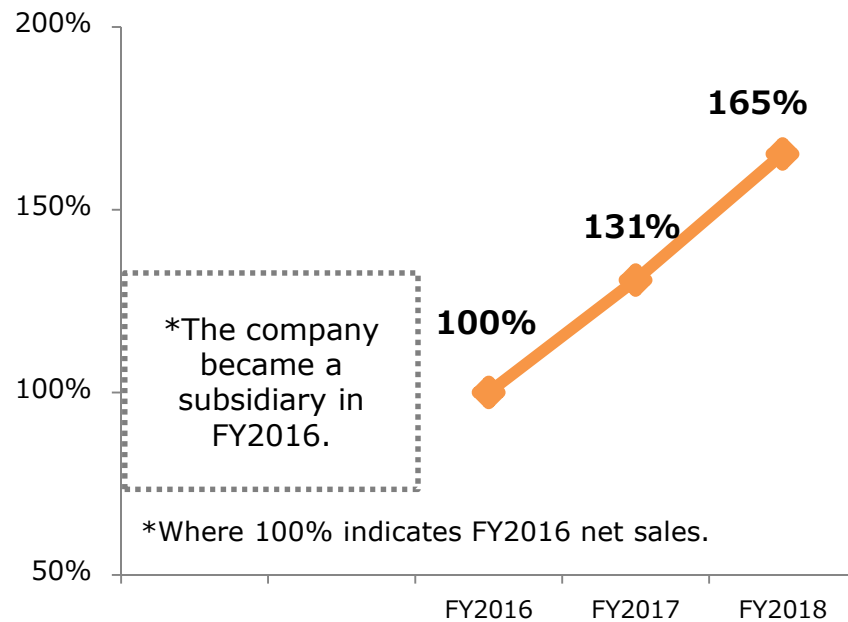
Results

- We secured strategic bases in the Islamic world (Turkey and Malaysia)
- Revenue grew dramatically on a local currency basis in the Turkish beverage business

Issues

- Carrying out reforms in Malaysia, Russia, and China, which are characterized by small market share and low revenue

Net sales in the Turkish beverage business (local currency basis)



Reforms in our product portfolio in Malaysia



Challenge to establish new business foundations

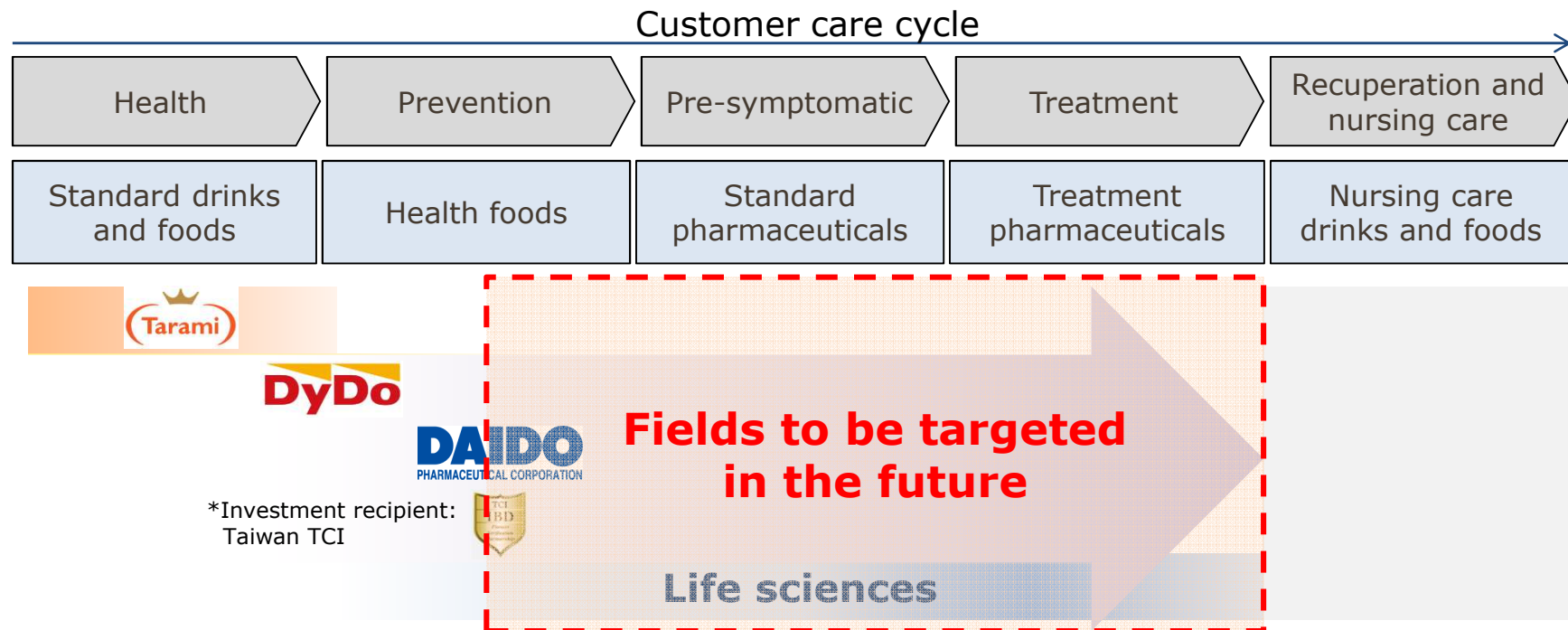


Results

- We narrowed our list of potential M&A targets from food and health to the healthcare domain
- We decided to enter the orphan drug business

Issues

- Identifying and capitalizing on promising investment opportunities



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3. Overview of the Group Mission 2030

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Significance of the DyDo Group

➡ Offering delicious products for sound mind and body

DyDo Group Corporate Philosophy

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.

DyDo Group Corporate Vision

Together with our customers.

With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only Dydo can.

Together with society.

Bringing together all DyDo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.

Together with the next generation.

We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.

Together with our people.

We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

Group Slogan

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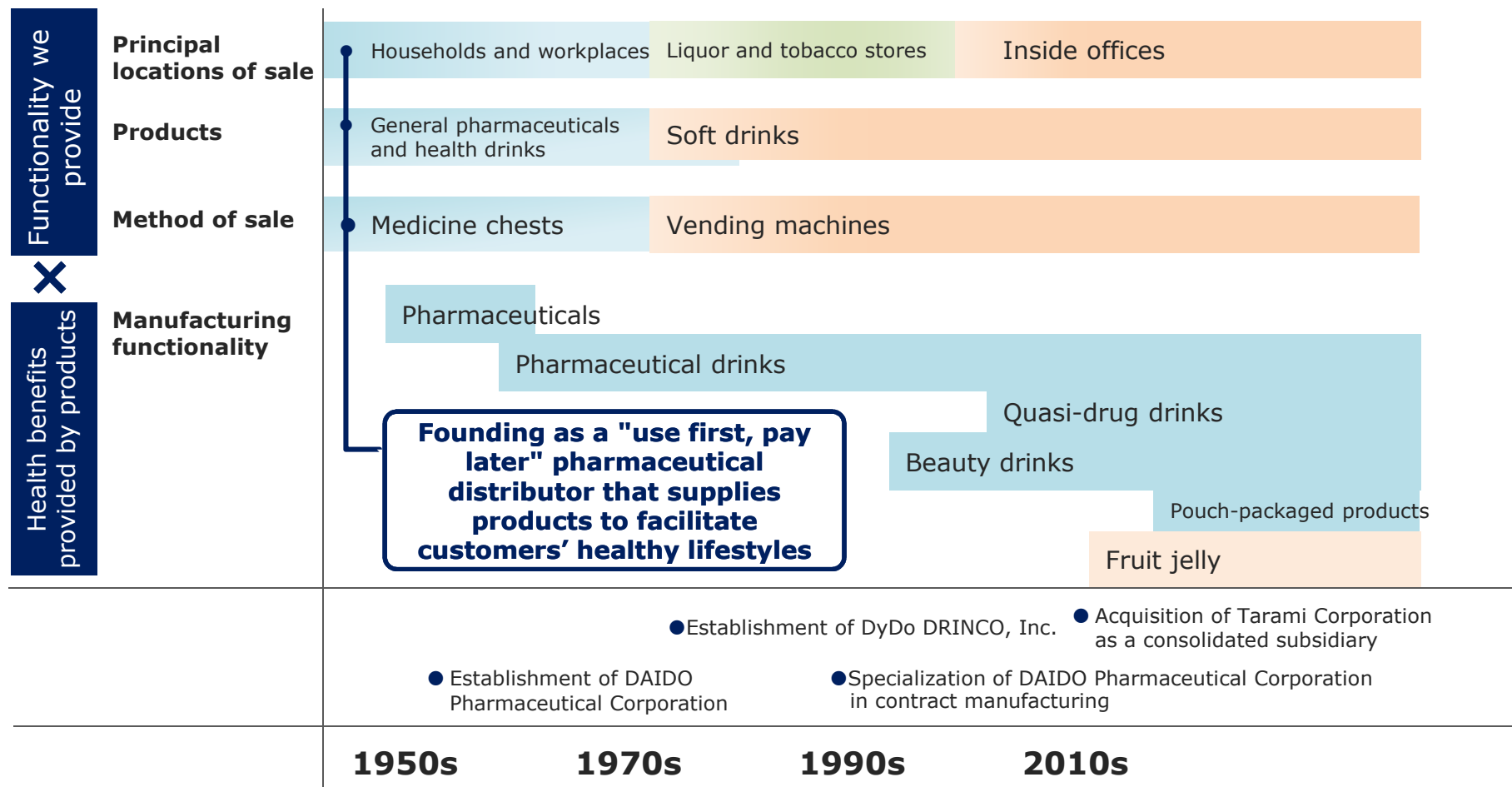
Offering delicious products
for sound mind and body

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DyDo Group Background

- ➡ Building mechanisms that let customers purchase the products they need whenever they need them at the closest possible locations in order to offer delicious products for sound mind and body



DyDo Group Strengths

- 1 Unique business models founded on supplying the delicious flavor customers want in locations that are familiar and convenient
- 2 Stable cash flows created by invisible assets (i.e., the vending machine business model)
- 3 Ability to develop and manufacture pharmaceuticals and quasi-drugs; broad customer base as a manufacturer of products ranging from pharmaceuticals to cosmetics
- 4 Technology for creating delicious jelly products

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DyDo Group Strengths (1) Unique Business Models

- ➔ We build unique business models by combining capital in the form of customers, organizational strengths, and human resources.

Customers as capital

One of the industry's premier vending machine networks

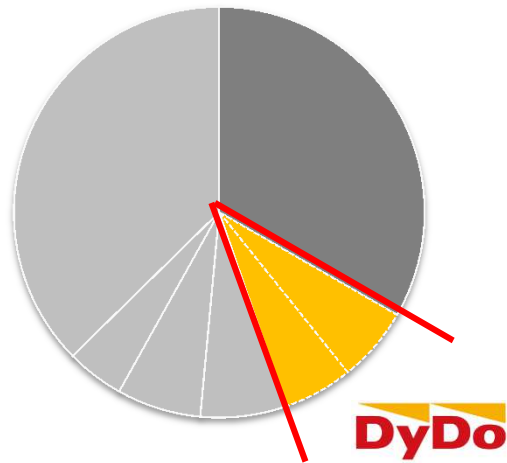
Organizational strengths as capital

Direct-sale and *Kyoeikai* structures

Human resources as capital

2,000 operations coordinators and the expertise they've helped accumulate

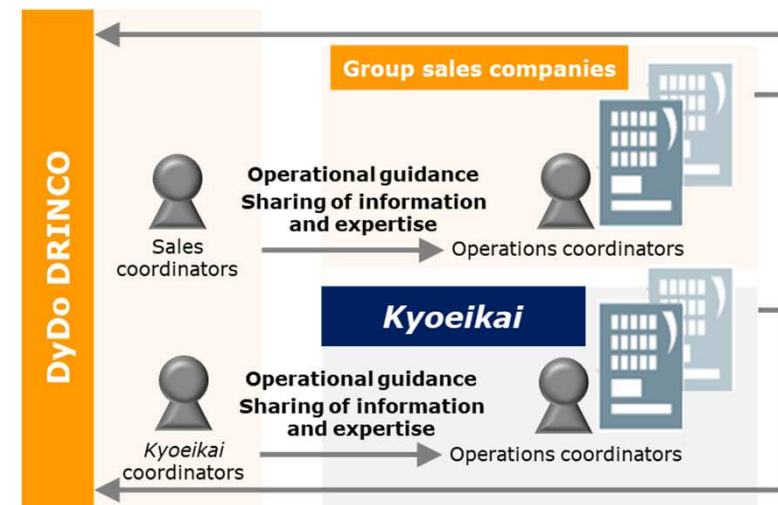
- Vending machines managed by DyDo



■ Company A ■ DyDo ■ DyDo (*Kyoeikai*)

- About *Kyoeikai*

Kyoeikai is a group of operator partners. By sharing sales data and offering operational guidance, we've implemented an integrated approach to operations regardless of whether we have a capital relationship with member companies.



DyDo Group Strengths (2)

Stable Cash Flows Created by Invisible Assets

- ➡ Ability to create cash-rich businesses using invisible assets (i.e., the vending machine business model)
- ➡ Increasing shareholder value by refining operations into mechanisms that meet the needs of the times

Invisible capital from the vending machine business

- Customers as capital (one of the industry's premier vending machine networks)
- Organizational strengths as capital (direct-sales and *Kyoeikai* structures)
- Human resources as capital (expertise accumulated by 2,000 operations personnel)

[Current assets]
¥90.5 billion

[Liabilities]
¥78.3 billion

[Non-current assets]
¥81.7 billion

[Net assets]
¥93.9 billion

Working to increase
shareholder value by
boosting excess earning
power

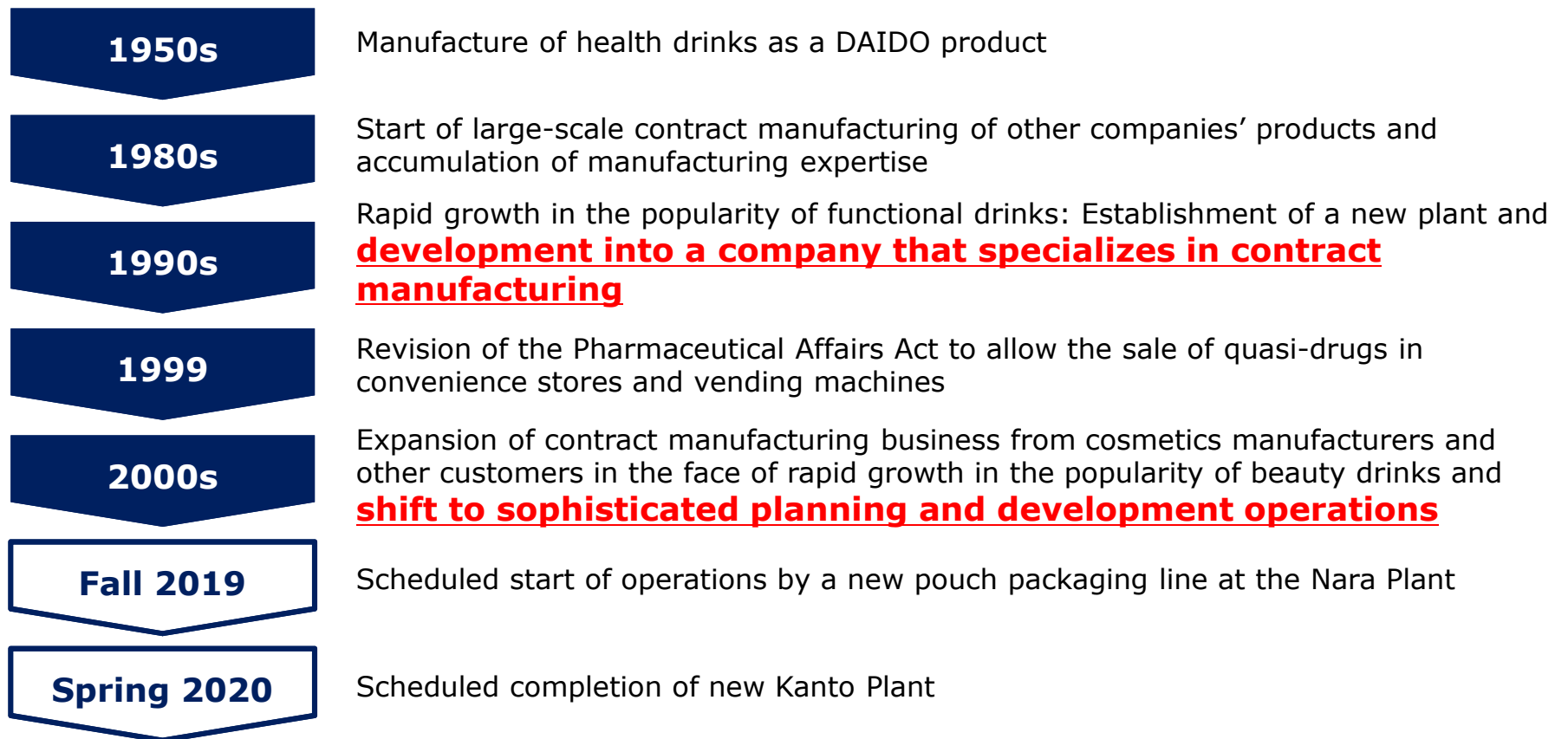
Expanding core value by
developing specialized
businesses that provide
useful value in customers'
daily lives in locations that
are familiar and convenient

DyDo Group Strengths (3)

Ability to develop and manufacture pharmaceuticals and quasi-drugs

- ➡ Refined development capabilities and quality control structures as a contract manufacturer
- ➡ Establishment of market position as a contract manufacturer of health drinks

● History of DAIDO Pharmaceutical

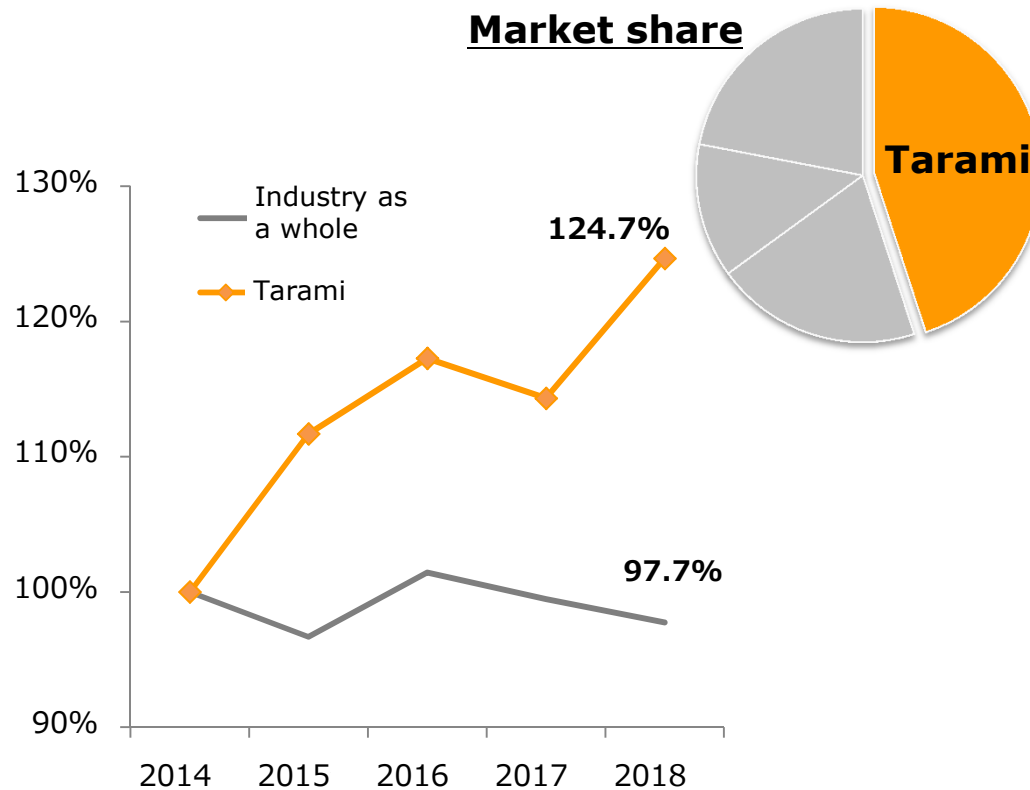


DyDo Group Strengths (4)

Technology for creating delicious jelly products

- ➡ Technology for creating jelly products with delicious texture based on ingredients such as fruit and the preferences of the target market
- ➡ Establishment of position as the industry's leader based on a high growth rate

- Year-on-year sales growth rate



- Pursuing jelly texture on a product-by-product basis



Smooth texture that highlights the juiciness of bits of fruit



Melt-in-your mouth texture that highlights the aroma of the fruit and the product's fruit juice-like consistency



Jelly designed for maximum juiciness to highlight the springy texture of *konnyaku*

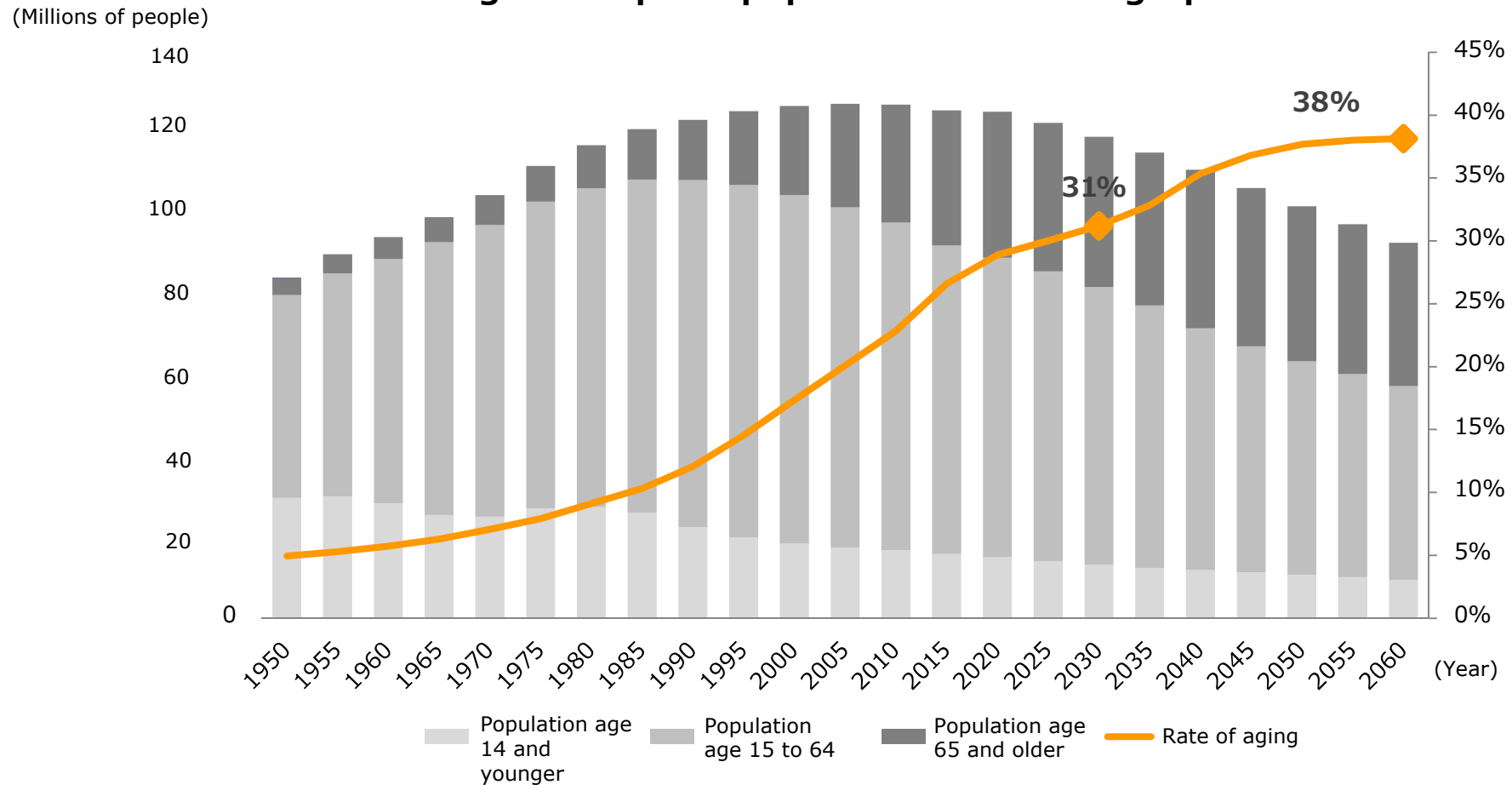
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Changes in the Business Environment

- ➡ The rate at which Japan's population is aging is expected to rise further in the coming years

Changes in Japan's population and demographics



Source: Compiled based on the FY2018 White Paper on Telecommunications (Ministry of Internal Affairs and Communications)

DyDo Group SWOT

Strengths

- Unique business models based on supplying the delicious flavor customers want in locations that are familiar and convenient
- Stable cash flows created by invisible assets (i.e., the vending machine business model)
- Ability to develop and manufacture pharmaceuticals and quasi-drugs on a contract basis; broad customer base as a manufacturer of products ranging from pharmaceuticals to cosmetics
- Technology for creating delicious jelly products

Weaknesses

- Position in the bottom half of the market as a drink manufacturer
- Inadequate human resources with expertise in the health care and IT fields
- Dependence on outside resources in areas such as ingredient procurement and R&D functionality

Opportunities

- Ensuring competitive advantages as the vending machine market shrinks
- Expanding contract manufacturing opportunities by establishing a new pouch line
- Growth in the health care market
- Advances in technology

Threats

- Inadequate personnel to oversee vending machine operations
- Changes in the purchasing habits of consumers

Group Mission 2030

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 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 society



Taking the lead in social reform

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

Together with our people.

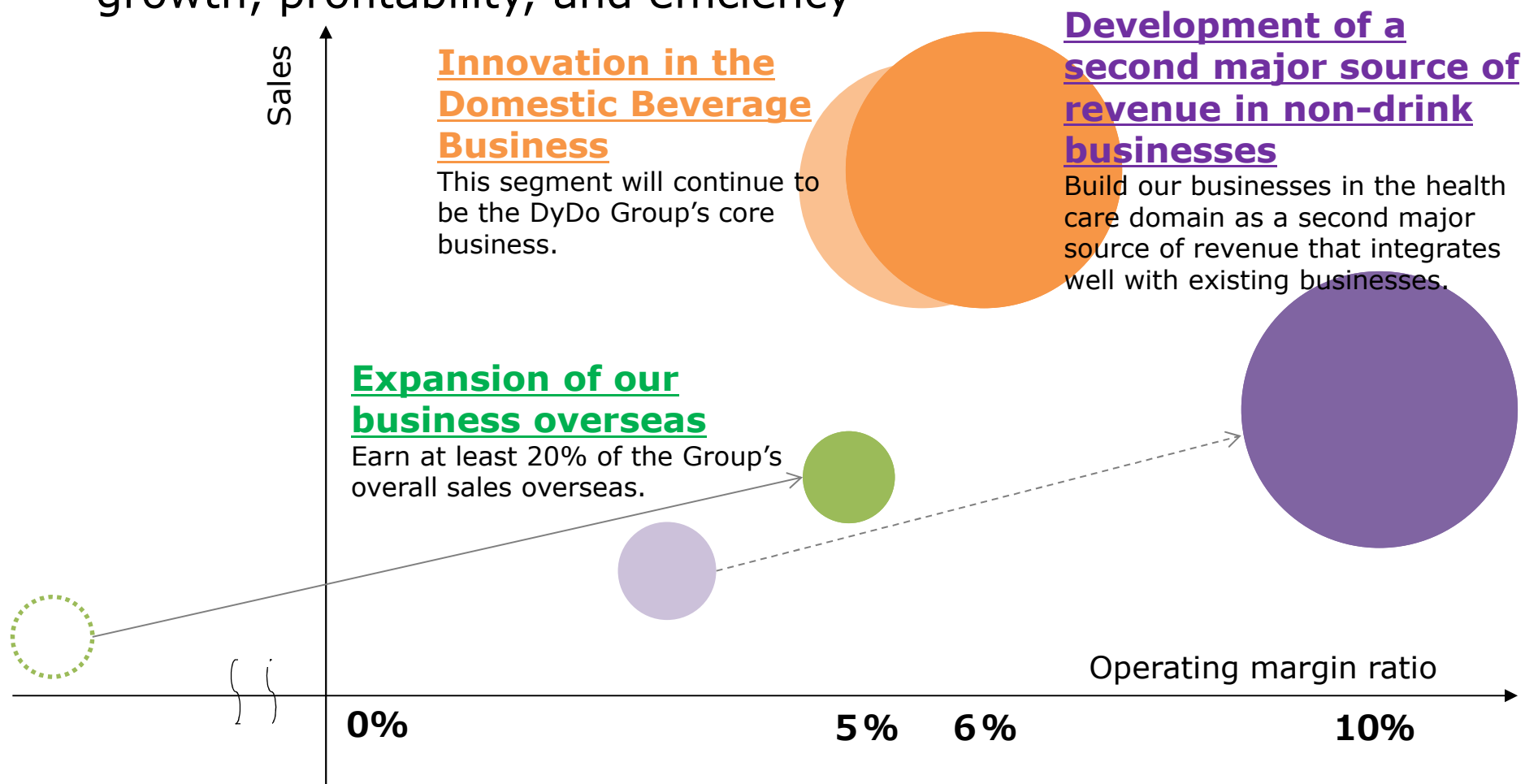


Connecting people to people

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.

Group Mission 2030 Basic Policies

- ➔ Strive to develop a business portfolio characterized by high growth, profitability, and efficiency



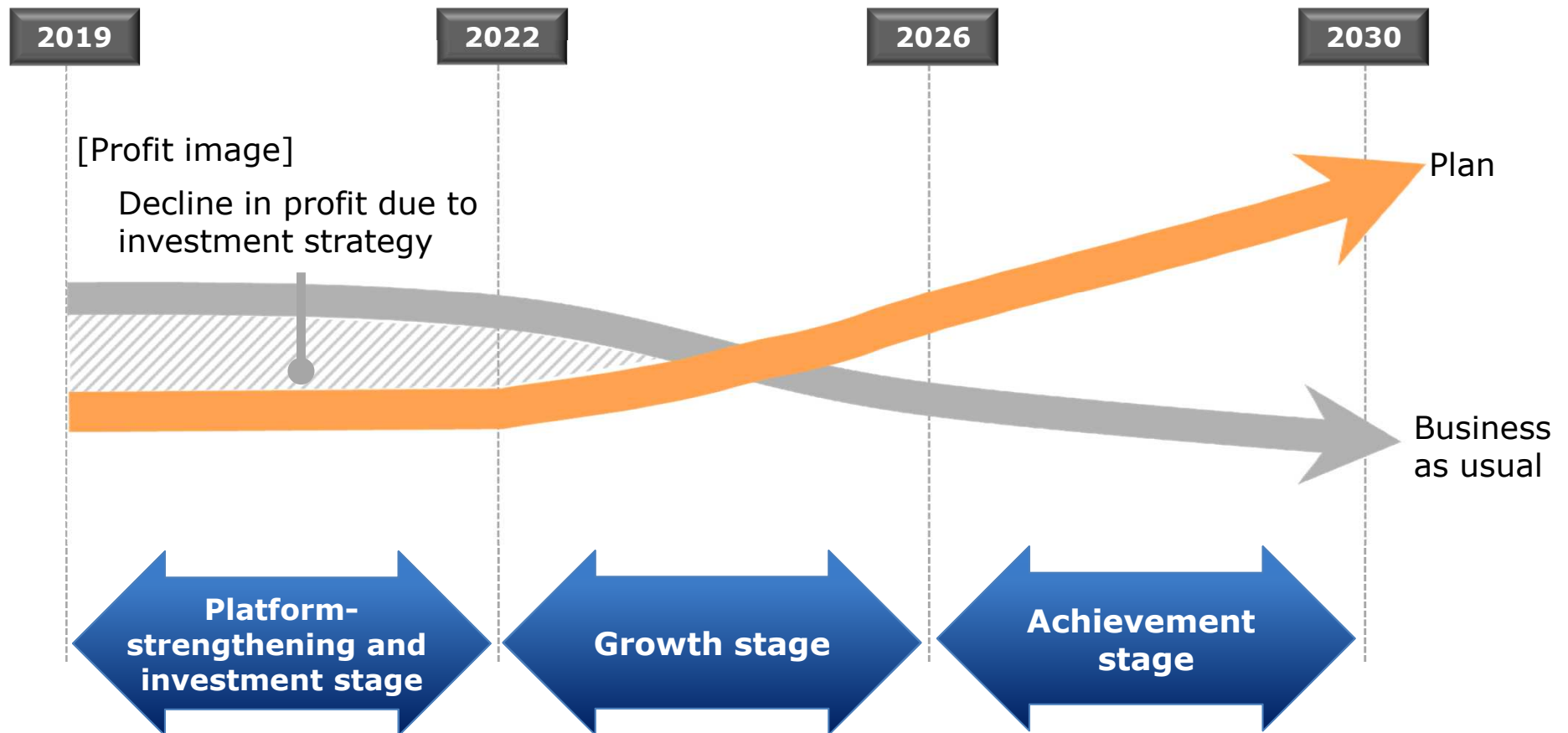
*Figure intended as a general illustration. The size of each circle represents operating income, with FY2018 and FY2030 indicated by light and dark colors, respectively.

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Roadmap

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

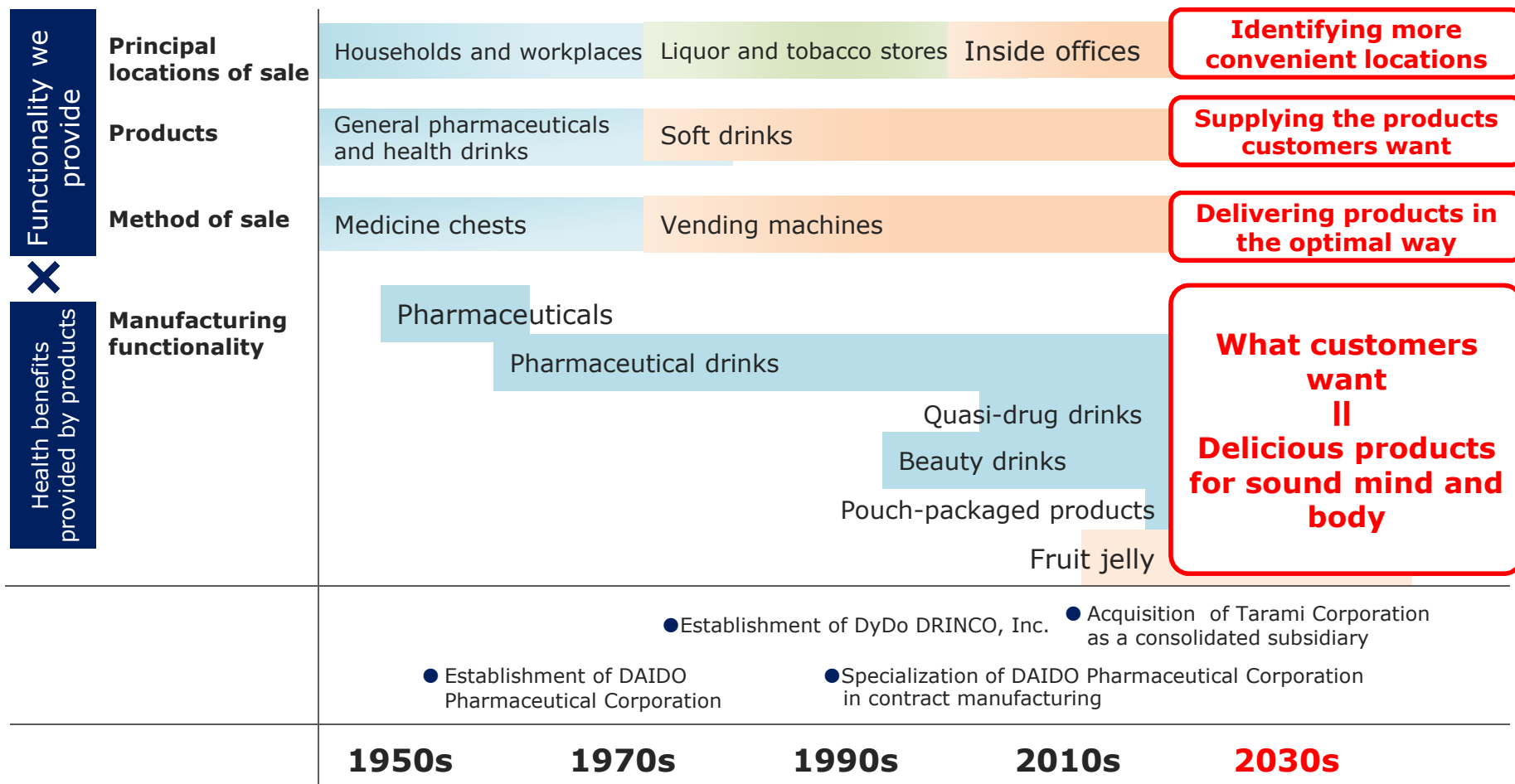


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Direction of the DyDo Group

- ➡ Refine our strengths and continue to offer delicious products for sound mind and body



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4. Overview of the Mid-term Business Plan 2021

Basic Policies in the Mid-term Business Plan 2021

- ➡ Strengthening our platform and carrying out strategic investments in a way that ensures balance
- **Focusing on improving revenue to develop more robust management**
 - Working to maximize cash flows through measures that focus on improving revenue in each business
 - Expanding products and services through a focus on delicious flavor and health
- **Determining whether to continue businesses in order to facilitate strategic management**
 - Embarking on a process of selection and consolidation of strategic bases in the International Beverage Business
- **Implementing a growth strategy to achieve the Group Mission 2030**
 - Carrying out an investment strategy to ensure growth in each business and to create new businesses in the health care domain
 - Implementing a human resources strategy to lead to sustained growth of the DyDo Group

Investment Strategy

- ➔ We anticipate spending a maximum of ¥45 billion in an investment strategy that includes growth investments, M&As, and other components

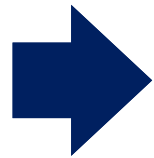
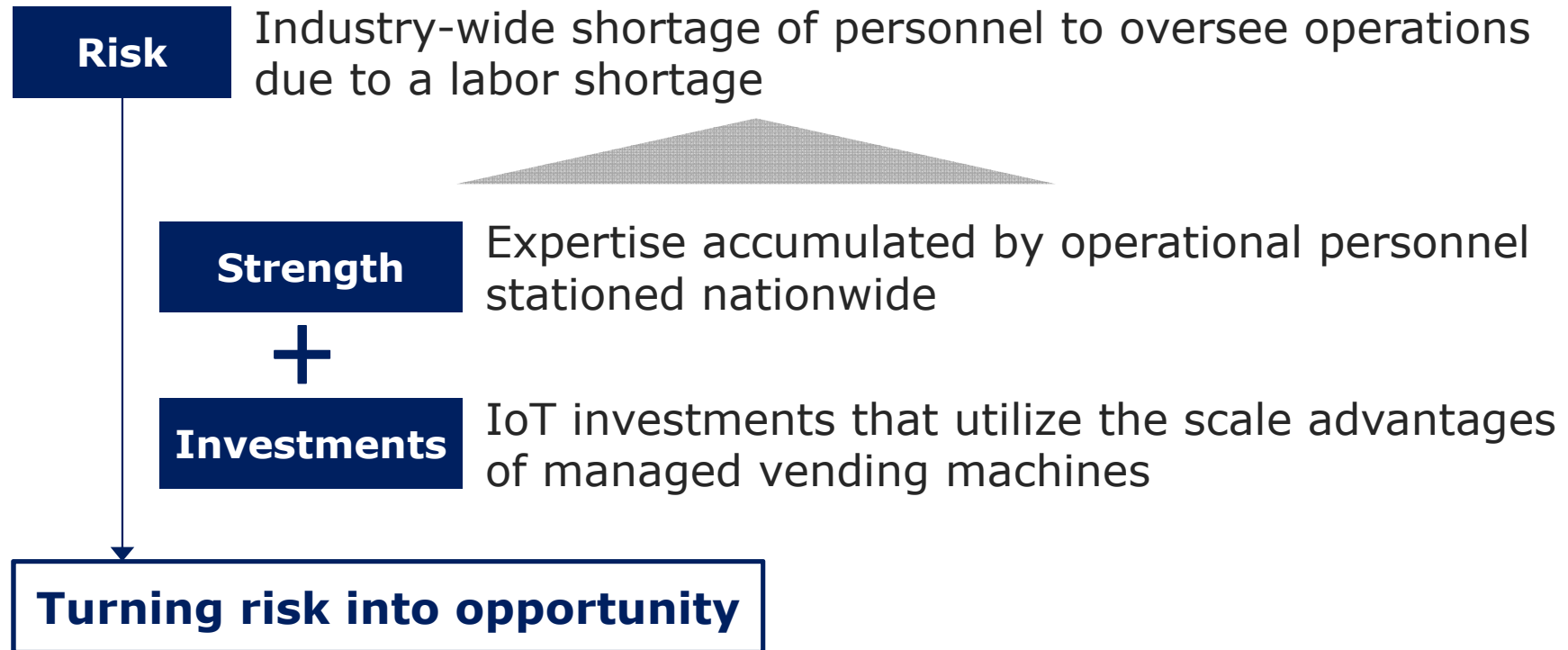
[Investment resources]



Mid-term Business Plan 2021 Guidelines

	Guidelines
Sales	<ul style="list-style-type: none"> Organic growth in existing businesses along with new M&As
Operating margin	<ul style="list-style-type: none"> 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
Cash flows (CFs)	<ul style="list-style-type: none"> Operating cash flows created by existing businesses: ¥40 billion yen or greater Capital investment necessary in existing businesses: About ¥28 billion
Investment strategy	<ul style="list-style-type: none"> Growth investments in existing businesses: About ¥12 billion Investment in the health care segment to execute new M&As: About ¥30 billion Launch of the orphan drug business: About ¥3 billion
Return to shareholders	<ul style="list-style-type: none"> Return of profits to shareholders through stable dividends

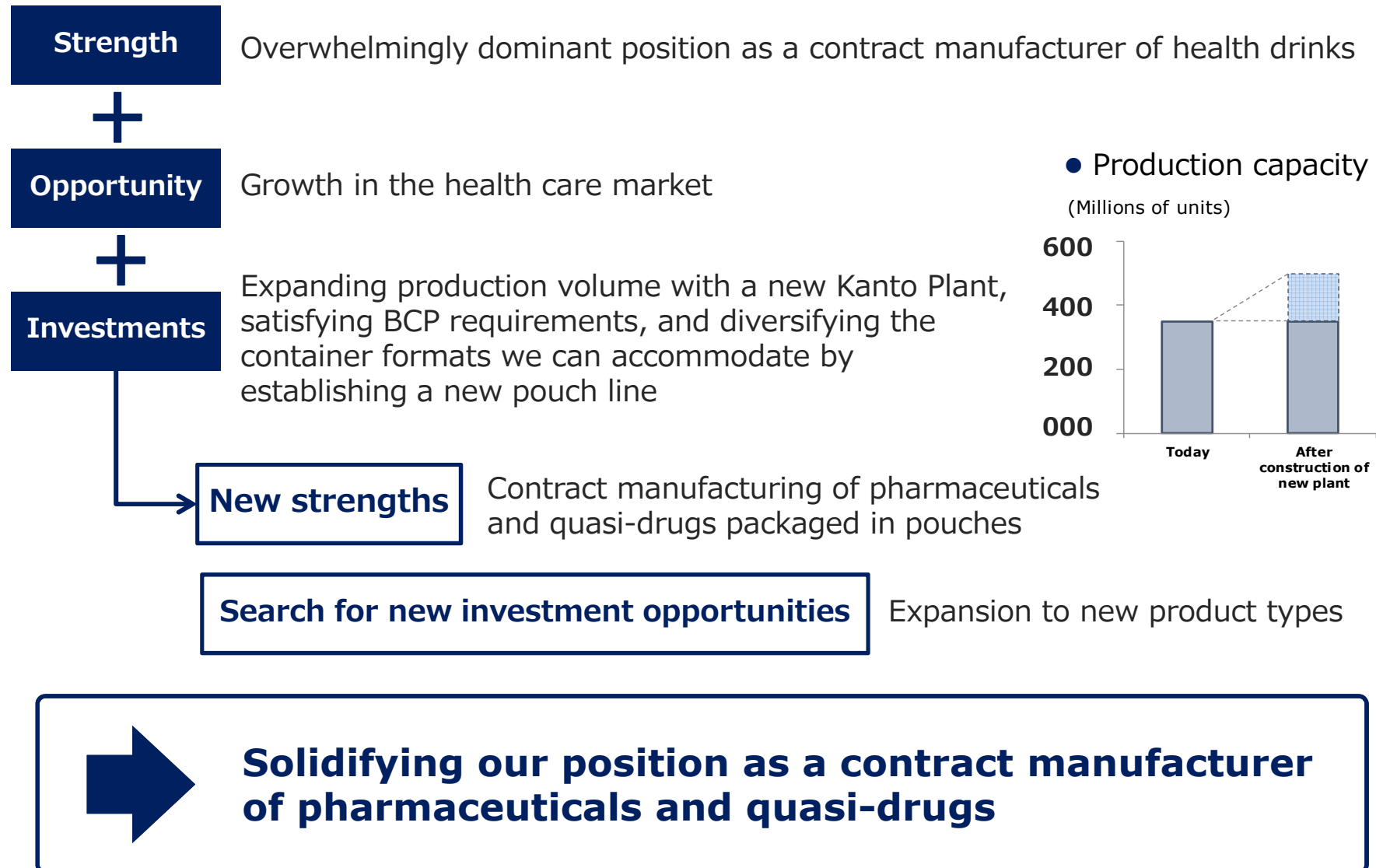
Investment Strategy (1) Establishing Smart Operating Structures in the Domestic Beverage Business



- **Increasing the number of vending machines per coordinator by streamlining operations**
- **Ensuring competitive advantages in the vending machine industry by building smart operational structures**

Investment Strategy (2)

Expanding the Types of Products Our Pharmaceuticals Business Can Manufacture

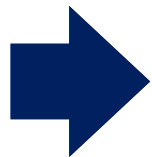
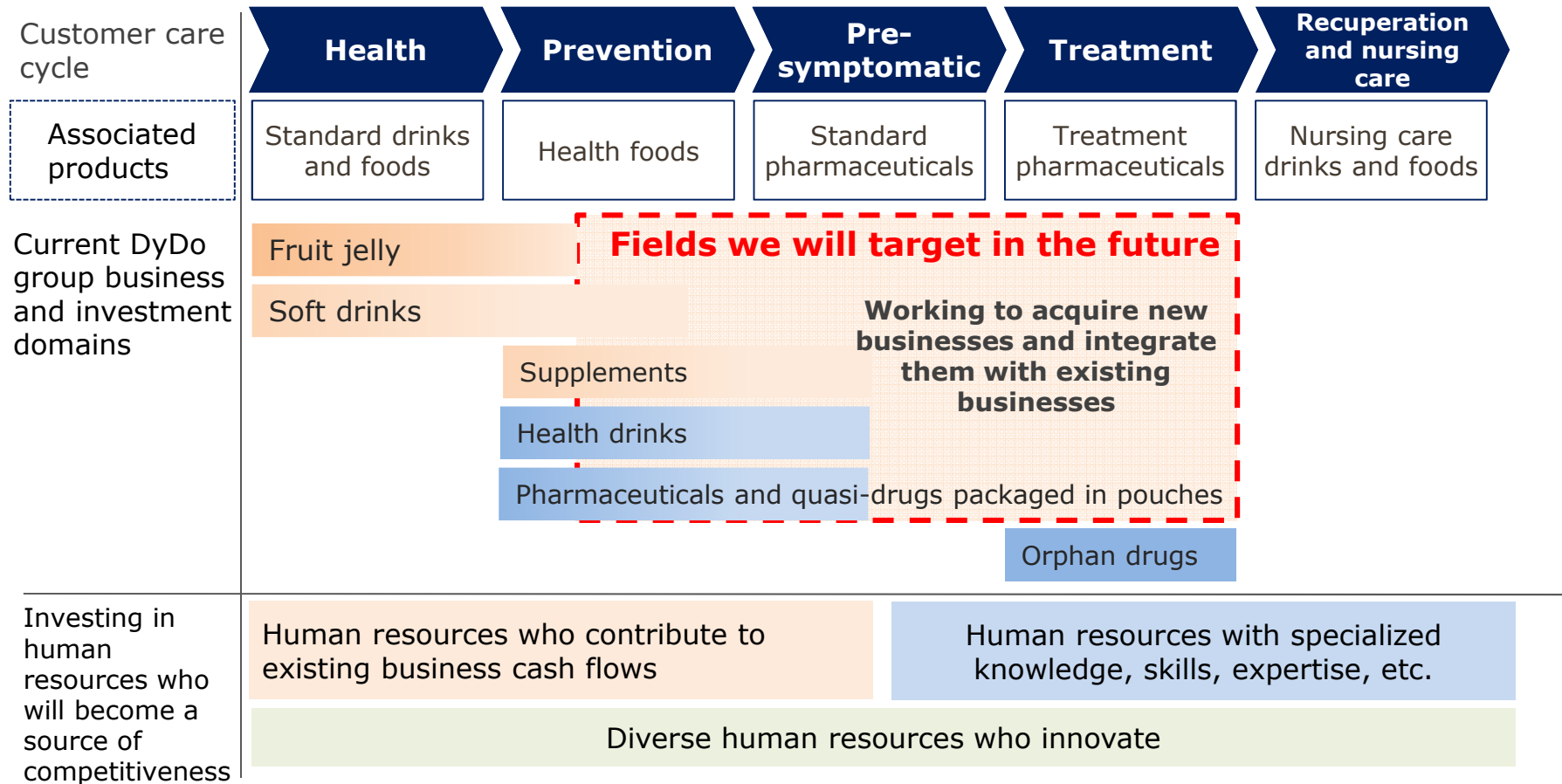


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Investment Strategy (3)

M&A Investments in the Health Care Domain

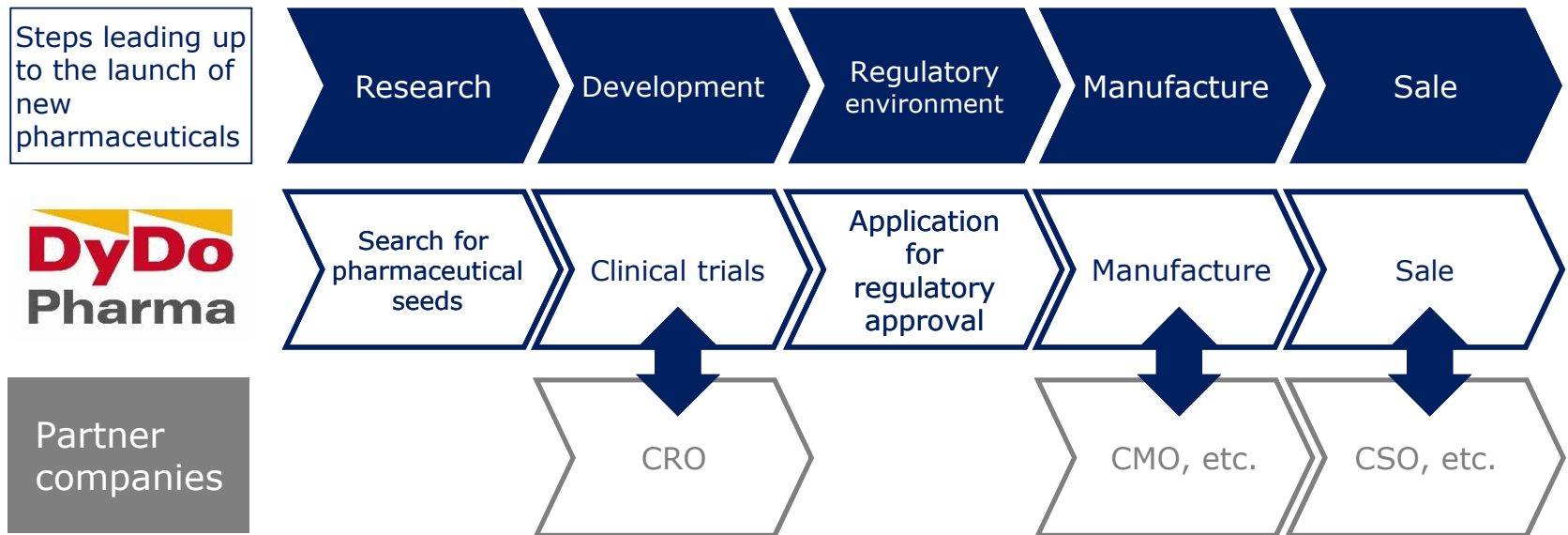


Building major new sources of revenue in non-drink businesses in the health care domain by pioneering markets that transcend the boundaries of the medical and food markets

Investment Strategy (4)

Investments in Launching the Orphan Drug Business

- ➡ We established DyDo Pharma, Inc. , as a new company operating a treatment pharmaceuticals business on January 21, 2019



CRO: Contract Research Organization
CMO: Contract Manufacturing Organization
CSO: Contract Sales Organization







Working to deliver profitability in the long term by outsourcing operations and developing a promising new product pipeline of high-quality products

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Increasing Corporate Value by Creating Social Value



		Social issues (SDG targets)	Creation of social value (strategies)	Contribution to increased corporate value	KPI
Changes in population demographics	Opportunity	Increasing healthy lifespan  3.4 by 2030 reduce by one-third pre-mature mortality from non-communicable diseases (NCDs) through prevention and treatment, and promote mental health and wellbeing	Improving health and quality of life for customers around the world (developing products and services that help improve lifestyles)	Increasing CF	Increasing consolidated sales on an ongoing basis
		Providing safe, high-quality health care  3.8 achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all	Developing new drugs with a high level of social significance (fostering the development of the orphan drug business)	Increasing growth rate (g)	Establishment of seeds and a product pipeline
	Risk	Improvements in infrastructure and labor shortages  9.4 by 2030 upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities	Transforming vending machines into infrastructure (building a new business that combines one of Japan's largest vending machine networks with IT) Increasing labor productivity (using IT to reform vending machine operational structures)	Increasing CF Increasing growth rate (g)	Number of vending machines with IoT functionality installed
Climate change	Risk	Increasing seriousness of abnormal weather and declining crop productivity  13.3 improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning	Ameliorating climate change (putting in place governance and risk management structures to address climate change)	Reducing the discount rate (r)	-

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5. FY2019 Consolidated Full-year Earnings Forecast

FY2019 Consolidated Full-year Earnings Forecast

- ➡ Consolidated net sales will total 170 billion yen (down 0.9% year on year)
- ➡ Operating profit will total 3.4 billion yen (down 44.0% year on year)
- ➡ Advance investment expense will rise as we pursue a growth strategy

(Millions of yen)

	FY2018 results		FY2019 full-year forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	171,553	100.0%	170,000	100.0%	(0.9%)	(1,553)
Operating profit	6,071	3.5%	3,400	2.0%	(44.0%)	(2,671)
Ordinary profit	5,998	3.5%	3,700	2.2%	(38.3%)	(2,298)
Profit attributable to owners of parent	3,856	2.2%	2,400	1.4%	(37.8%)	(1,456)
EPS	¥234.15		¥145.71		(37.8%)	(¥88.44)
Dividend per share	¥60		¥60		-	-

FY2019 Full-year Earnings Forecast: By Segment

(Millions of yen)

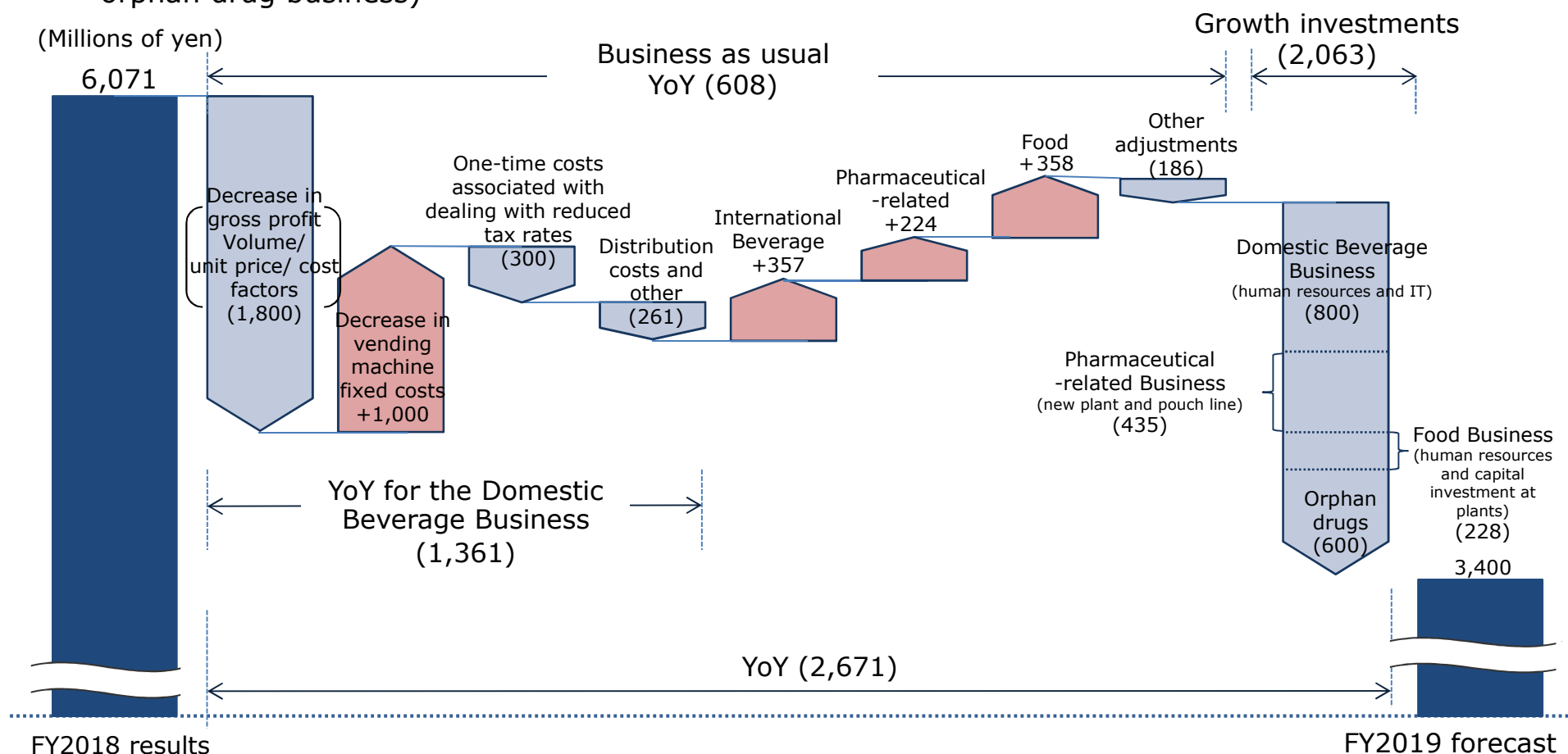
	FY2018 Results	FY2019		
		Full-year forecast	% (YoY)	Amount (YoY)
Domestic Beverage Business	124,879	122,350	(2.0%)	(2,529)
International Beverage Business	17,154	16,800	(2.1%)	(354)
Pharmaceutical-related Business	10,964	11,550	5.3%	585
Food Business	19,114	19,850	3.8%	735
Other and adjustments	(559)	(550)	—	9
Total net sales	171,553	170,000	(0.9%)	(1,553)
Domestic Beverage Business	7,106	4,945	(30.4%)	(2,161)
International Beverage Business	(704)	(347)	—	357
Pharmaceutical-related Business	847	636	(25.0%)	(211)
Food Business	235	366	55.3%	130
Other and adjustments	(1,413)	(2,200)	—	(786)
Total operating profit	6,071	3,400	(44.0%)	(2,671)
Capital investment	12,635	16,200	28.2%	3,654
Depreciation allowance	10,396	10,150	(2.4%)	(246)

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Factors Driving Increases/Decreases in Operating Profit for FY2019 - vs. Previous Fiscal Year -



- ➡ The effect of soaring distribution costs and rising cost rates will total about 1,100 million yen (Domestic Beverage Business)
- ➡ The effect of growth investments will total about 2,000 million yen (800 million yen in the Domestic Beverage Business, about 400 million yen in the Pharmaceutical-related Business for construction of a new plant and other costs, about 200 million yen in the Food Business, and 600 million yen in the orphan drug business)



Overview by Segment - Domestic Beverage Business -

(Millions of yen)

	FY2017 results		FY2018 results				FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	126,712	100.0%	124,879	100.0%	(1.4%)	(1,833)	122,350	100.0%	(2.0%)	(2,529)
Operating profit	5,542	4.4%	7,106	5.7%	28.2%	1,564	4,945	4.0%	(30.4%)	(2,161)

(Note) Figures prior to consolidated adjustment.

FY2018 summary

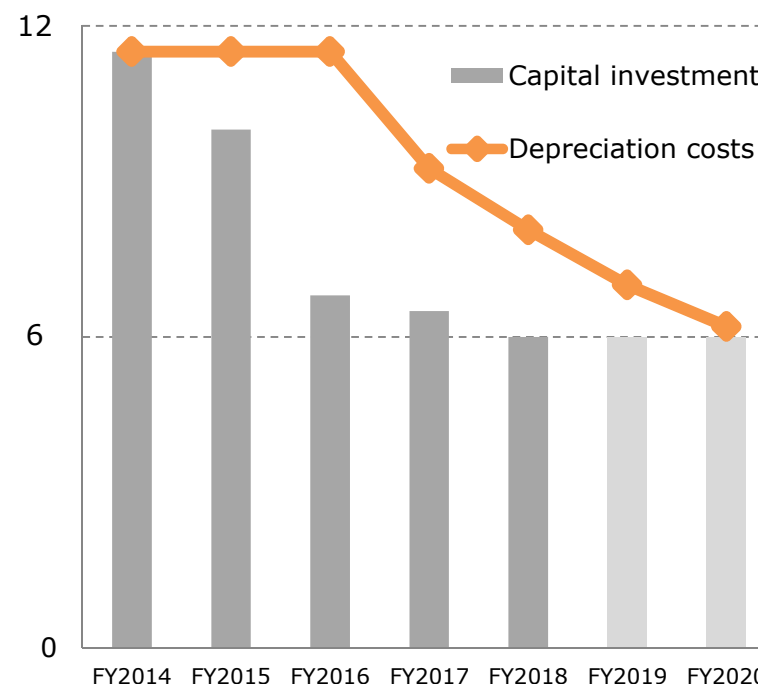
- ➡ Sales volume fell 2.6% from the previous year
- ➡ We made steady progress on initiatives to reduce fixed costs associated with vending machine hardware and related costs
- ➡ The mail-order business exhibited smooth net sales growth

Priority strategies and investment strategies

- ➡ Establishing a solid position in the vending machine market through measures such as building smart operational structures
- ➡ Establishing a robust business platform
- ➡ Fostering the development of human resources who will support the business over the long-term and building an associated organization

Capital investment and depreciation costs (Domestic Beverage Business)

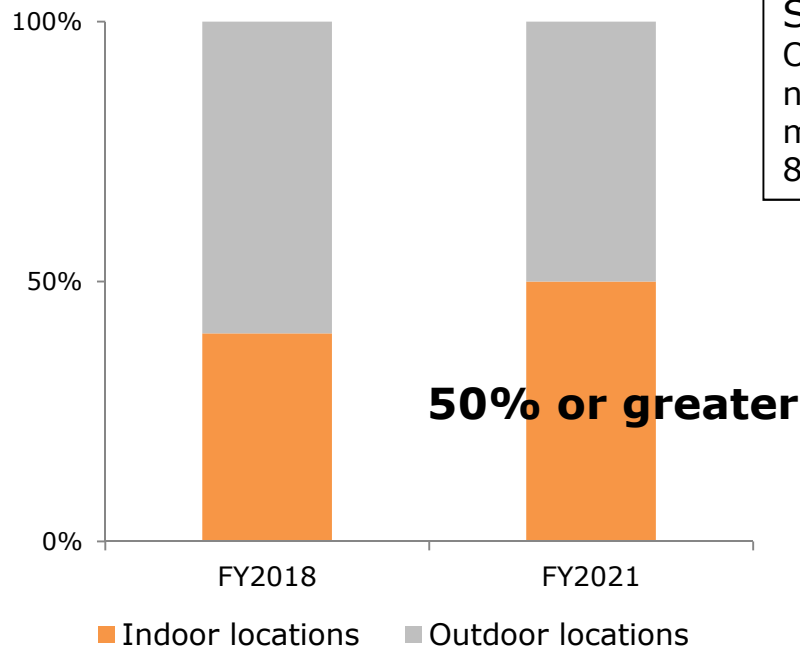
(Billions of yen)



Vending Machine Channel - Domestic Beverage Business -

- ➡ We're striving to increase indoor locations as a percentage of all locations to 50% or greater by FY2021 as a way to strengthen our platform so that we can deliver the products customers want in more convenient locations
- ➡ We're working to enhance our line of vending machine products

Breakdown of vending machines
by installation location



Enhancing our line of vending machine products

Sales data
One of the industry's leading networks of vending machines (online: about 80,000 vending machines*)

*As of the end of FY2018

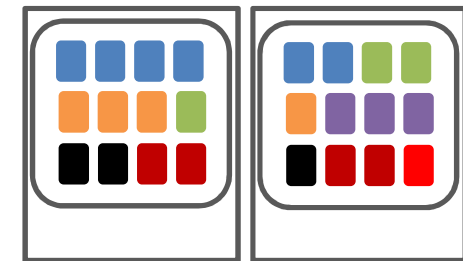
Purchase data
DyDo Smile STAND app (about 400,000 downloads*)

*As of the end of FY2018

Product development
Developing products needed to fill out columns



Column optimization
Identifying the optimal column for each vending machine



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Product Development - Domestic Beverage Business -

- ➡ We're strengthening our brand by enhancing the line of products in the "DyDo Blend" brand and expanding sales channels

Redesign of the "DyDo Blend
Supervised by the World's Top
Barista*" series



*Pete Licata, 14th World Barista Championship winner

Placing "DyDo Blend" brand products
in other companies' vending machines



Kirin Beverage Company, Limited	●	●
Asahi Soft Drinks Co., Ltd.	—	●*

*Asahi Soft Drinks will start carrying DyDo DRINCO products in March 2019.

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Product Development - Domestic Beverage Business -

- ➡ We expanded the “miu” brand and the “Calorie Limit For the Mature Aged” tea series as part of an effort to strengthen our ability to meet growing demand from health-conscious consumers
- ➡ We’re working to establish new core products to follow in the wake of “Locomo Pro”

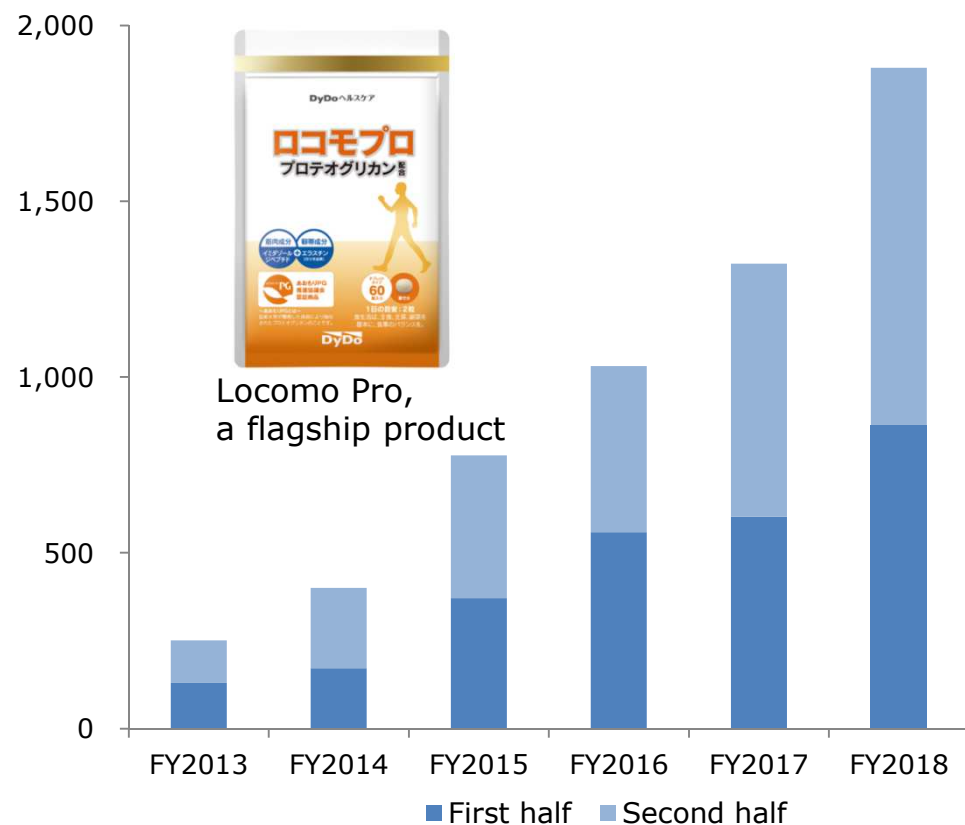
Enhancing the line of products in the “miu” brand



Enhancing the line of products in the “Calorie Limit For the Mature Aged” tea series



(Millions of yen) Net sales in the mail-order business



Overview by Segment - International Beverage Business -

(Millions of yen)

	FY2017 results		FY2018 results				FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	18,547	100.0%	17,154	100.0%	(7.5%)	(1,392)	16,800	100.0%	(2.1%)	(354)
Operating profit	(482)	—	(449)	—	—	32	(150)	—	—	299
Amortization of goodwill, etc.	356	1.9%	255	1.5%	(28.4%)	(101)	196	1.2%	(23.1%)	(59)
Operating profit after subtracting amortization of goodwill	(838)	—	(704)	—	—	133	(347)	—	—	357
JPY per TRY	¥30.78		¥23.41		(¥7.37)		¥18.00		(¥5.41)	
JPY per MYR	¥26.21		¥27.34		¥1.13		¥27.00		(¥0.34)	

(Note) Figures prior to consolidated adjustment.

FY2018 summary

- ➡ The Turkish beverage business grew at a high rate on a local currency basis
- ➡ We reviewed the portfolio of products for health-conscious consumers in the Malaysian beverage business

Priority strategies and investment strategies

- ➡ Reviewing our strategic basis with a view toward transitioning to overall profitability in the business
- ➡ Implementing cross-cutting measures between strategic bases
- ➡ Strengthening exports of unique Japanese value-added products and pioneering new overseas markets

Overview by Segment - Pharmaceutical-related Business -

(Millions of yen)

	FY2017 results		FY2018 results				FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	10,536	100.0%	10,964	100.0%	4.1%	427	11,550	100.0%	5.3%	585
Operating profit	1,271	12.1%	847	7.7%	(33.3%)	(423)	636	5.5%	(25.0%)	(211)

(Note) Figures prior to consolidated adjustment.

FY2018 summary

- ➔ Revenue grew thanks to new orders and robust orders for beauty drinks
- ➔ Labor costs and depreciation costs are rising as we move to establish a business platform, for example by strengthening human resources structures and carrying out equipment maintenance

Priority strategies and investment strategies

- ➔ Smoothly starting operations at the new Kanto Plant
- ➔ Pioneering and manufacturing new contract products and new product types
- ➔ Increasing the sophistication of our quality control structures



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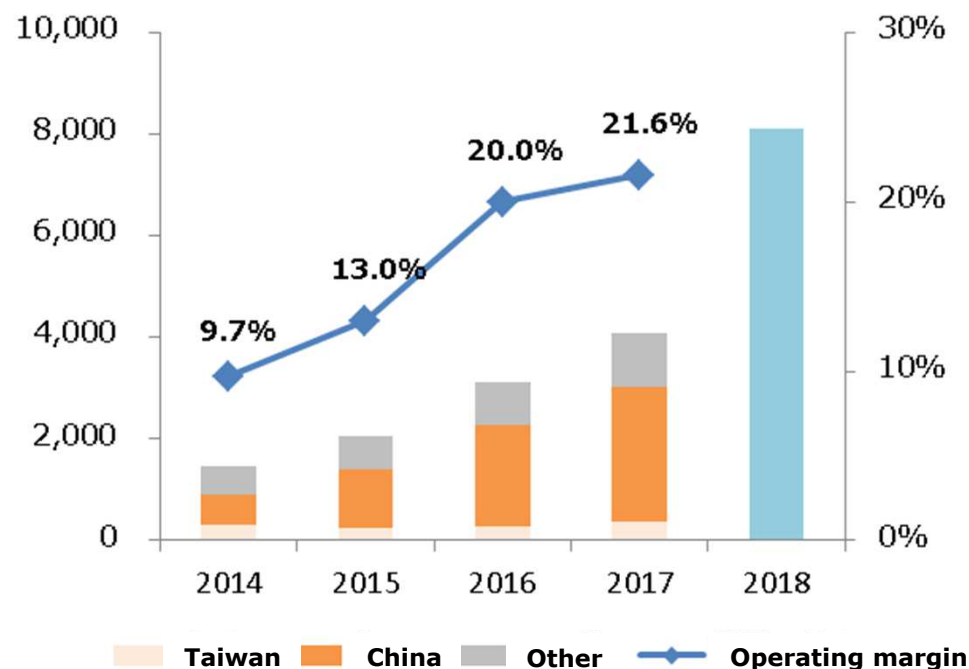
Increasing Order Volume by Working with TCI



Company name	TCI Co., Ltd
Businesses	Manufacture, sale, and research and development of functional drinks, health foods, and skin care products
Relationship with DyDo	2014 <ul style="list-style-type: none"> • TCI signed a capital and operational partnership agreement with the DyDo Group • TCI signed a technological support agreement with DAIDO Pharmaceutical

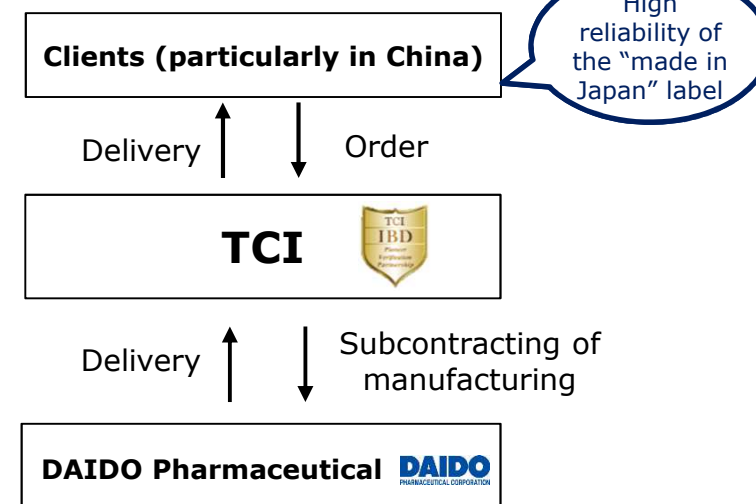
➡ Net sales by region and operating margin for TCI

(Millions of NTD)



➡ Increase in contract manufacturing volume thanks to orders via TCI

By maintaining and developing our capital and operational alliance with TCI, in which we made an investment to acquire an 11.8% stake, we will increase order volume from clients, particularly those in China.



Overview by Segment - Food Business -

(Millions of yen)

	FY2017 results		FY2018 results				FY2019 full-year earnings forecast			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio	% (YoY)	Amount (YoY)
Net sales	17,560	100.0%	19,114	100.0%	8.8%	1,554	19,850	100.0%	3.8%	735
Operating profit	571	3.3%	587	3.1%	2.9%	16	716	3.6%	21.8%	128
Goodwill and other amortization costs	352	2.0%	352	1.8%	(0.0%)	0	350	1.8%	(0.6%)	(2)
Operating profit after subtracting amortization of goodwill	219	1.2%	235	1.2%	7.6%	16	366	1.8%	55.3%	130

(Note) Figures prior to consolidated adjustment.

FY2018 summary

- ➔ Proposals of novel products led to significant growth in revenue
- ➔ We made marketing investments to increase the value of the Tarami brand
- ➔ Labor costs associated with efforts to secure human resources rose as strong sales drove up the plant operating ratio

Priority strategies and investment strategies

- ➔ Strengthening development of products with high added value
- ➔ Improving profitability by undertaking a multifaceted review of costs
- ➔ Creating business models that transcend conventional product categories



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6. Human Resources Management and Code of Conduct

Human Resources Strategy

Strengthening Management Structures to Achieve the Group Mission 2030

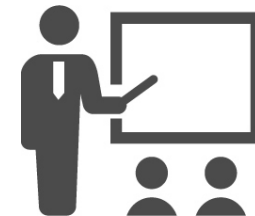
Securing human capital

- Strengthening holding company functions and hiring career employees who can make an immediate contribution to new businesses
- Hiring new graduates based on future needs



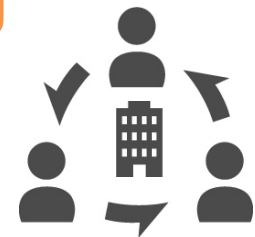
Fostering the development of human resources

- Training a new generation of management candidates
- Training workers to perform global jobs
- Training specialist



Assigning and transferring human resources

- Reallocating management resources in an optimal manner through transfers between Group companies
- Accumulating new expertise by seconding employees to outside companies



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Formulating the DyDo Group Code of Conduct

- ➡ We formulated a DyDo Group Code of Conduct to serve as the basic set of principles in sharing ethical values throughout the Group and ensuring that actual conduct furthers those values.

We formulated the DyDo Code of Conduct in a way that cuts across the Group companies through workshops and other means.



DyDo Group Corporate Philosophy

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.

DyDo Group Corporate Vision

Together with our customers.

With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only DyDo can.

Together with society.

Bringing together all DyDo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.

Together with the next generation.

We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.

Together with our people.

We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

Group Slogan

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Offering delicious products
for sound mind and body

DyDo Group Code of Conduct
Basis for our conduct

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■ APPENDIX

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■ Seasonal Fluctuations

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Seasonal Fluctuations – Net sales –



Consolidated

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	38,940	47,862	47,101	38,779	172,684
Ratio of full year (%)	22.5%	27.7%	27.3%	22.5%	100.0%
FY2018	39,966	47,023	46,239	38,323	171,553
Ratio of full year (%)	23.3%	27.4%	27.0%	22.3%	100.0%

(Millions of yen)

Domestic Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	29,698	34,331	33,437	29,245	126,712
Ratio of full year (%)	23.4%	27.1%	26.4%	23.1%	100.0%
FY2018	29,510	32,862	33,162	29,343	124,879
Ratio of full year (%)	23.6%	26.3%	26.6%	23.5%	100.0%

International Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	3,331	5,124	5,660	4,430	18,547
Ratio of full year (%)	18.0%	27.6%	30.5%	23.9%	100.0%
FY2018	3,788	5,199	5,013	3,153	17,154
Ratio of full year (%)	22.1%	30.3%	29.2%	18.4%	100.0%

Pharmaceutical -related Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	2,408	2,745	2,936	2,445	10,536
Ratio of full year (%)	22.9%	26.0%	27.9%	23.2%	100.0%
FY2018	2,694	2,866	2,637	2,764	10,964
Ratio of full year (%)	24.6%	26.1%	24.1%	25.2%	100.0%

Food Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	3,697	5,839	5,256	2,767	17,560
Ratio of full year (%)	21.1%	33.2%	29.9%	15.8%	100.0%
FY2018	4,112	6,275	5,546	3,180	19,114
Ratio of full year (%)	21.5%	32.8%	29.0%	16.7%	100.0%

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Seasonal Fluctuations – Operating profit –

Consolidated

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	(53)	2,211	2,653	78	4,891
Ratio of full year (%)	—	45.2%	54.3%	1.6%	100.0%
FY2018	724	2,555	2,718	73	6,071
Ratio of full year (%)	11.9%	42.1%	44.8%	1.2%	100.0%

(Millions of yen)

Domestic Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	354	2,029	2,295	862	5,542
Ratio of full year (%)	6.4%	36.6%	41.4%	15.6%	100.0%
FY2018	970	2,446	2,679	1,009	7,106
Ratio of full year (%)	13.7%	34.4%	37.7%	14.2%	100.0%

International Beverage Business

(Before amortization
of goodwill)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	(278)	(111)	151	(243)	(482)
Ratio of full year (%)	—	—	—	—	100.0%
FY2018	(158)	(89)	84	(285)	(449)
Ratio of full year (%)	—	—	—	—	100.0%

Pharmaceutical -related Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	354	344	353	219	1,271
Ratio of full year (%)	27.9%	27.1%	27.8%	17.2%	100.0%
FY2018	356	306	132	52	847
Ratio of full year (%)	42.0%	36.2%	15.6%	6.2%	100.0%

Food Business

(Before amortization
of goodwill)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2017	16	440	314	(199)	571
Ratio of full year (%)	2.9%	77.1%	55.0%	—	100.0%
FY2018	12	443	263	(130)	587
Ratio of full year (%)	2.1%	75.4%	44.8%	—	100.0%

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□ The Business Model of DyDo Group

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DyDo Group History



(100 million yen) 2,000

Overseas expansion



Acquisition of Tarami Corporation

- Expansion of vending machine business within Moscow
- Entry into the Turkish and Malaysian markets

1,000



- Establishment of DyDo DRINCO, Inc. and launch of DyDo blend coffee

- HOT& COLD vending machine

- Launch of Demitasse Coffee

- Introduction of point card

- Introduction of talking vending machines with different dialects

- Launch of MIU

- Strengthening of the DyDo Blend brand

- Launch of the "DyDo Blend Supervised by the World's Top Barista" series

- Smile STAND



Beverage sales business spun off

- 2001 Listed on the Second Section of the Tokyo Stock Exchange
- 2003 Designated as a blue-chip stock on the First Section of the Tokyo Stock Exchange



- Establishment as household pharmaceutical distributor and start of manufacture of drinkable preparations

- Start sales of drinkable preparations and canned coffee at gas station

- Relocation of the plant to a new facility in Katsuragi, Nara Prefecture

- Full-scale involvement in OEM following relaxation of regulations for quasi-drugs

- Expansion of orders of beauty health drink



*Envisioned sales

1950s

1970s

1990s

2010s

2014 2018

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DyDo Group Business Segments

- ➡ Three businesses with unique business models and a growing international beverage business

DyDo Group Holdings Inc.

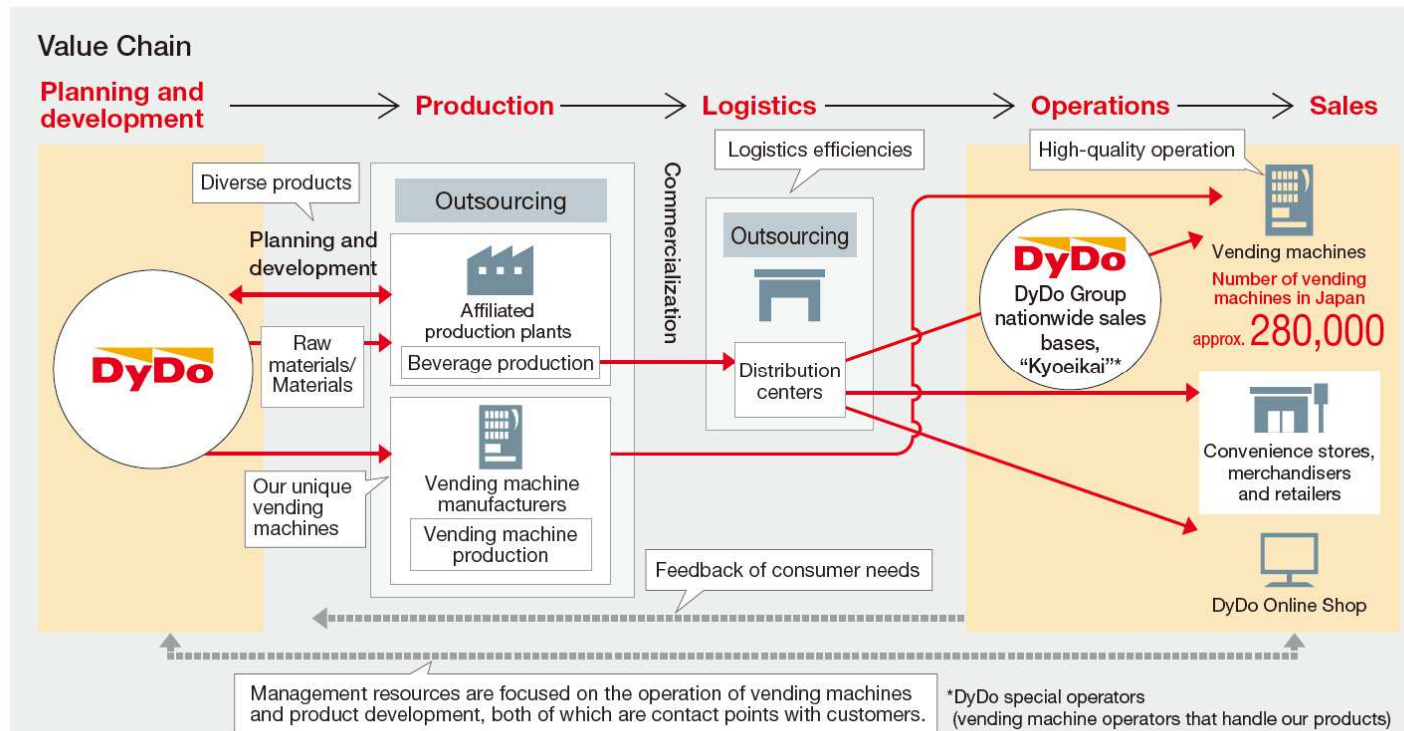


***Sales to external customers as a percentage of total net sales (FY2018 results)**

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Domestic Beverage Business: Business Model



Issues and Future Strategy

Towards making vending machines part of everyday life

In recent years, the vending machine business environment has become increasingly difficult, and the average sales per vending machine continues to drop. In addition, customer values and buying habits continue to diversify, as do customer demands relating to health and taste. In this kind of environment, the biggest issues for a vending machine business are to create even more added-value for vending machine customers

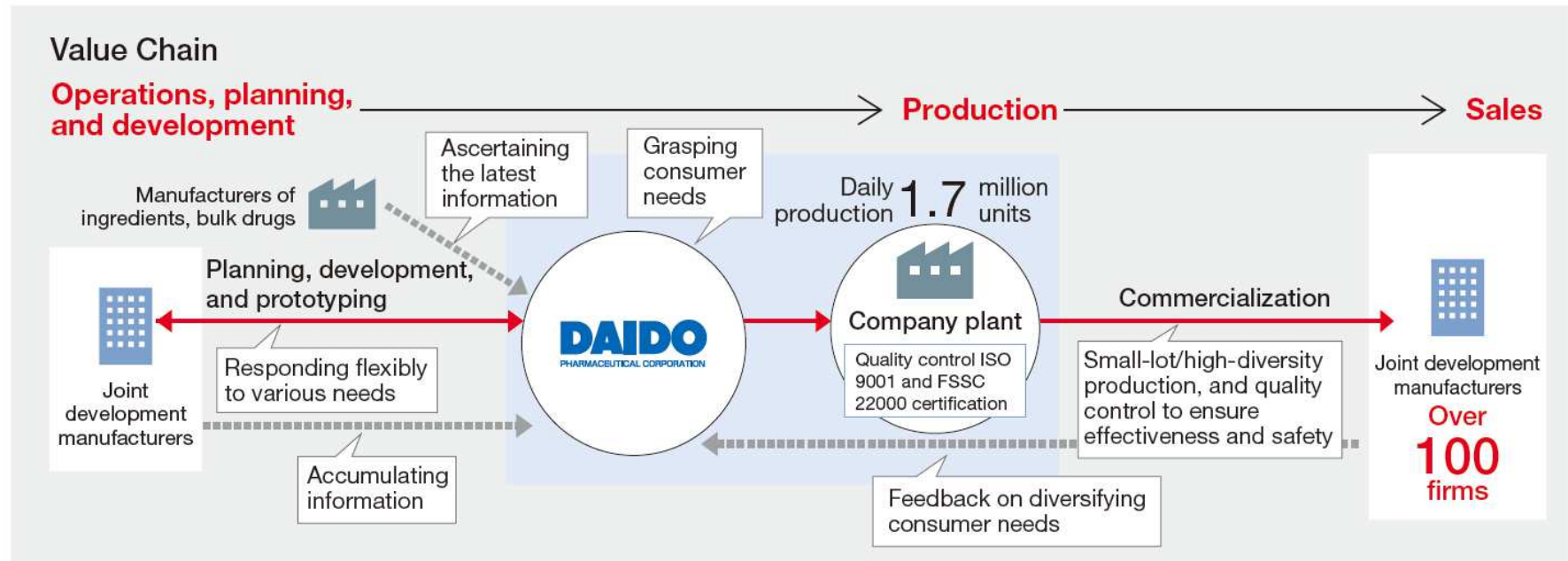
and to provide products that cater to customers' values, in order to achieve sustainable cash flow.

In the future, through the IoT, we aim to make vending machines that are used as part of society's infrastructure, that provide a rich, pleasant service over a wide range of fields for customers' lifestyles. By promoting initiatives aimed at open innovation and diversity, we can respond to varied customer senses of value, and deliver the health and high-quality taste that customers desire.

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Pharmaceutical-related Business: Business Model



Issues and Future Strategy

Established as an unrivalled contract manufacturer of drinks preparations

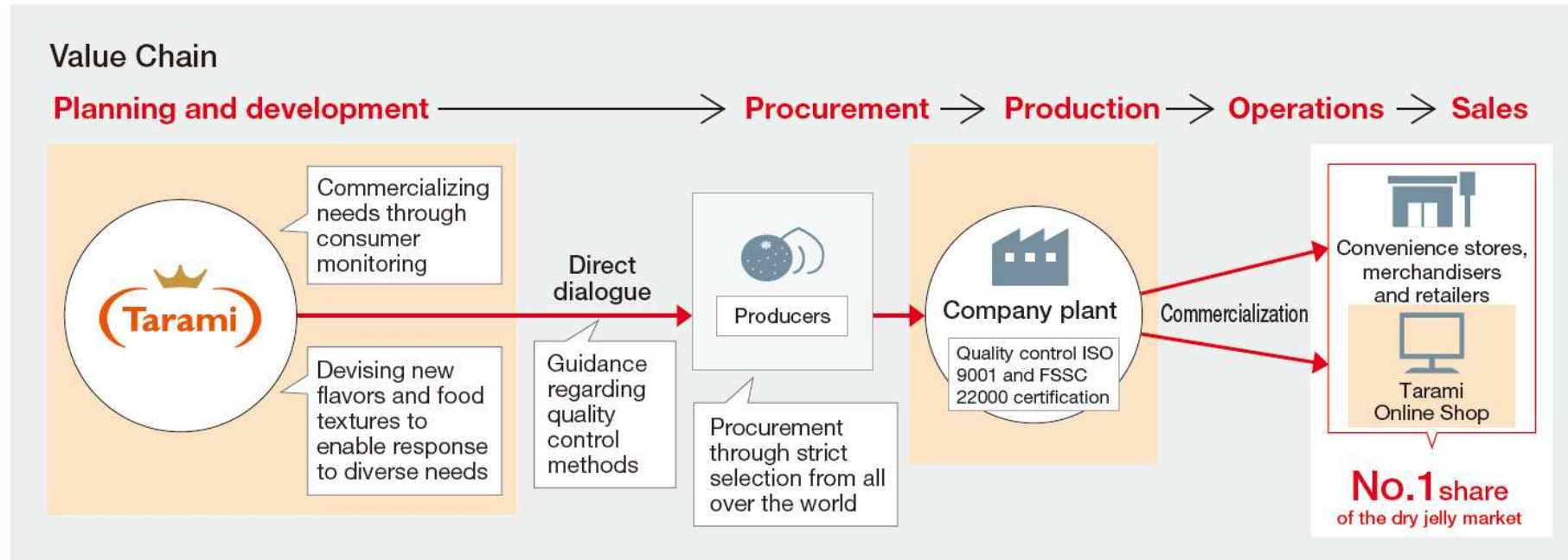
In recent years, against a background that includes a rise in the average age of nutritional drinks consumers, there has been a shrinking of the drinks preparations market. On the other hand, an increase in consumer awareness of health and beauty can be seen, mainly in the sales of beauty drinks preparations. How to respond to sudden increases in logistics

costs or how to spread manufacturing risks, that make up a part of business continuity planning, is a pending issue for manufacturers. In this sort of environment, for a company like ours, putting in place a stable system that supplies high-quality products, and responding to the needs and wishes of numerous partners is important. To further expand the expertise we have cultivated, we have to reinforce our position as one of the top contract manufacturers of drinkable preparations in the industry.

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Food Business: Business Model



Issues and Future Strategy

Aiming to be chosen as the brand that elicits a "Well, of course. It's Tarami."

In recent years, the fruit jelly market has seen a drop in sales at the lower end of the price range, but products in the mid-price range have seen sales increases, leading us to believe that a time when customers are more selective in how they use their money is approaching.

In this kind of environment, in order to have customers actively seek out products from the Tarami brand, it is important that we continue to create products that not only cater to customers' multi-faceted needs but also surprise or thrill them.

In the future, we will aim for long-term growth in terms of customers by promoting initiatives aimed at customer perspectives and innovation, and strengthening product value and our brand's appeal.

Entering the Orphan Drug Market

- ➡ Entering the orphan drug market (with a planned start of business in July 2019)

(1) Helping solve a social problem

Due to the comparatively small number of patients suffering from rare diseases, there has been inadequate development of orphan drug to date, leaving many patients without access to effective drugs to treat their conditions.

(2) Putting the Group Philosophy into practice

We will work to resolve a social problem through our business by providing value in the form of pharmaceuticals to patients suffering from rare diseases.

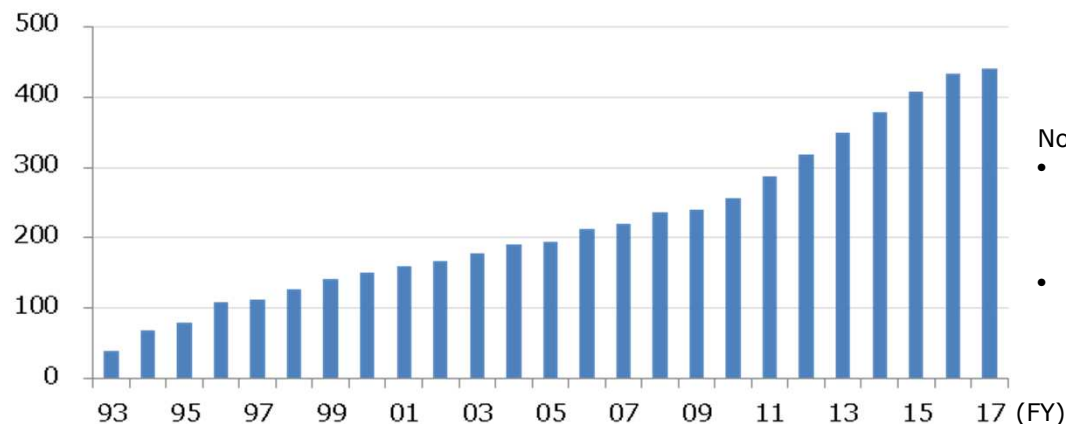
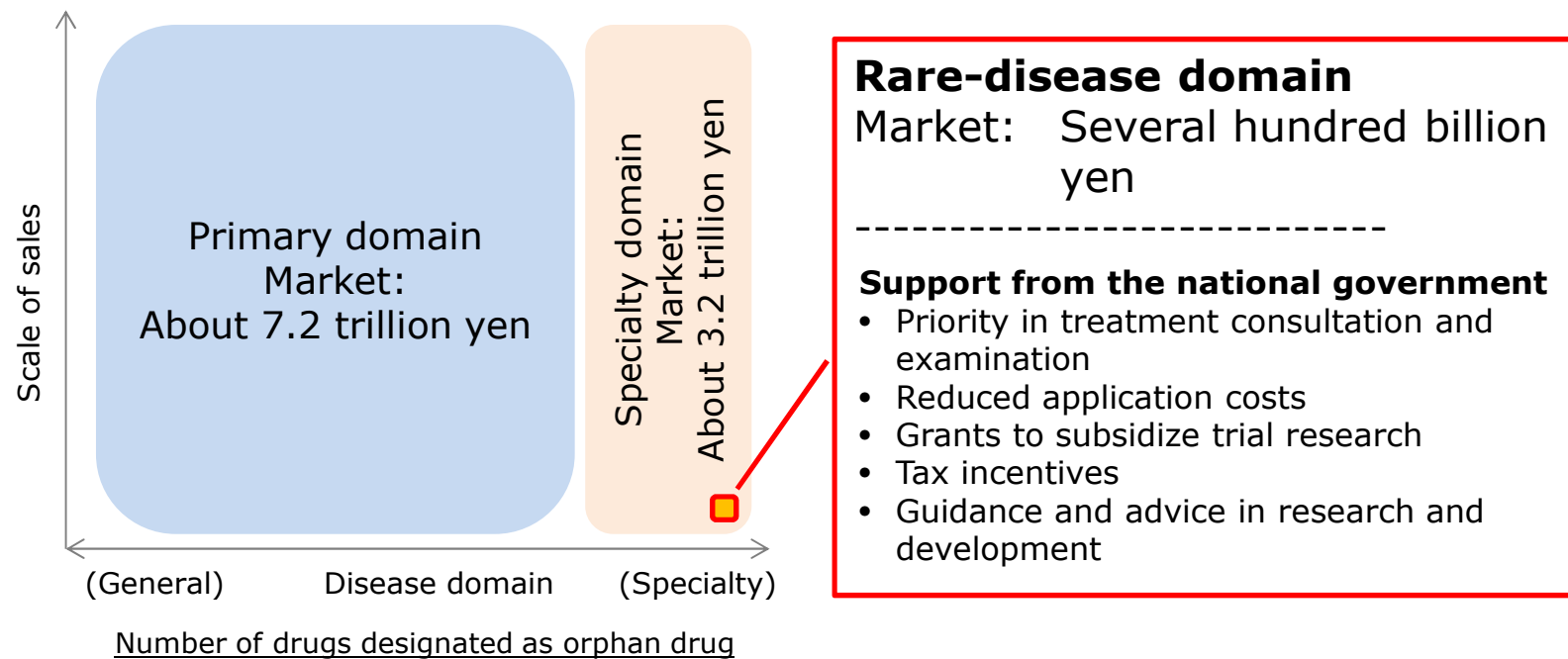
Conditions for designation as an orphan drug

Target patient population	Less than 50,000 in Japan Alternatively, a disease may be designated as a difficult-to-treat disease by regulatory authorities.
Need for treatment	No appropriate alternative pharmaceuticals or treatment methods Alternatively, the pharmaceutical must offer potential in the form of significantly superior efficacy or safety compared to existing pharmaceuticals.
Development viability	There must be evidence supporting use of the pharmaceutical in question to treat the target disease, and the manufacturer's development plan must be reasonable.

Article 77 Paragraph 2 of the Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical devices

Size of the Orphan Drug Market

➡ Positioning of orphan drug in the context of the larger pharmaceutical market



Notes

- Graph depicts the number of drugs that have been designated as orphan drug as of December 21, 2017, including those that subsequently lost that designation.
- Compiled by DyDo based on the "List of Designated Orphan Drugs" (published by the National Institute of Biomedical Innovation, Health and Nutrition).

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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 present 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.