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FY2020 (Year Ending January 20, 2021) 3rd Quarter Financial Highlights

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

November 26, 2020

Note: This report includes financial results for the period of January 21 to October 20, 2020.

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Note: This report includes financial results for the period of January 21 to October 20, 2020.

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1. Overview of Consolidated Results for FY2020 3rd Quarter

- (1) Impacts of the COVID-19 Pandemic and Future Response
- (2) FY2020 3rd Quarter Financial Highlights

(1) Impacts of the COVID-19 Pandemic and Future Response

Social Changes Resulting from the Covid-19 Pandemic

- ▶ The outbreak of Covid-19 has spurred changes in consumer awareness and behavior, as well as in the prerequisites for businesses



Health

Changes in awareness of health, disease prevention, and hygiene are occurring

As a result of Covid-19, awareness has soared



Environment

People are more aware of issues facing environmental conservation



Innovation

Major social changes are taking place due to the rapid pace of digital transformation (DX)



People

Diverse values in regards to working styles are emerging

With the advent of working from home, the locations in which our core vending machine business can sell drinks are changing



Major shifts in society can fuel significant reforms in the DyDo Group

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 wisdom to adopt new perspectives for achieving a sustainable society.

Together with our people.



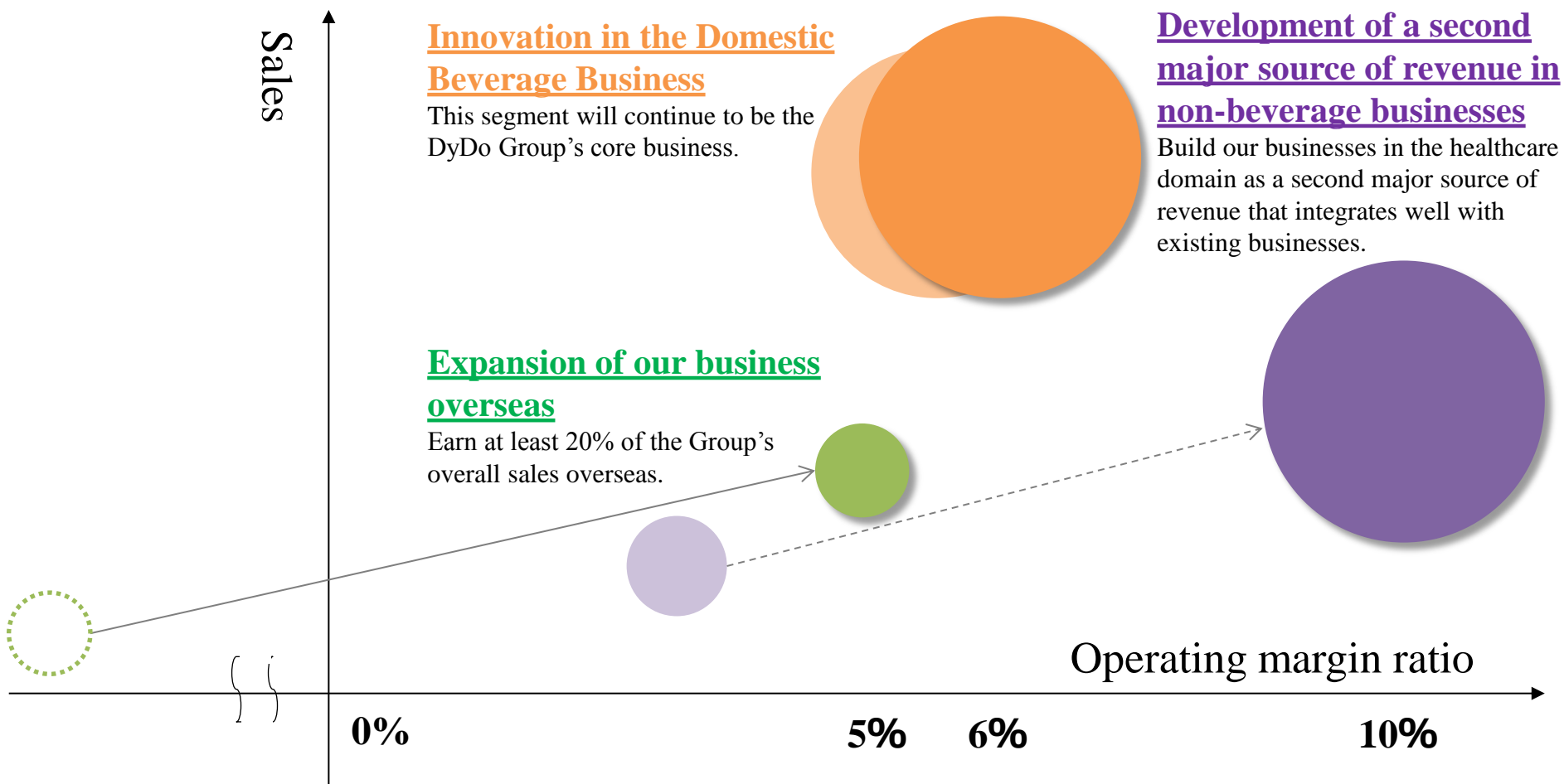
Connecting people to people

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.

(1) Impacts of the COVID-19 Pandemic and Future Response

Group Mission 2030 Basic Policies

▶ We will constantly follow the basic policies of Group Mission 2030



*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.

Announced January 2019

Principal Future Anticipated Impacts on Performance and Associated Countermeasures

- ▶ We will work to strengthen the foundation on which our existing businesses rest in order to facilitate a recovery in our ability to create cash flows, and we will move steadily forward with an investment strategy to secure future growth

	Anticipated future impacts	Future measures
Domestic Beverage Business	<ul style="list-style-type: none"> Although sales are exhibiting a gradual recovery after bottoming out in April and May, we anticipate major changes in the vending machine market as telework takes hold and consumer behavior changes 	<ul style="list-style-type: none"> In addition to working to strengthen development of our vending machine, 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"> Although sales in our Turkish beverage business have been exhibiting a gradual recovery since June thanks to the relaxation of lockdown orders, we are concerned about the impact on profits since the economic situation makes it difficult to shift soaring prices for raw materials (caused by exchange rate fluctuations) onto prices It will take time to ramp up exports to the UK and Russia We determined that there is no clear outlook as to when sales will recover in our Malaysian beverage business 	<ul style="list-style-type: none"> We made the decision to exit the Malaysian beverage business in keeping with our policy of selection and consolidation of strategic overseas bases. 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"> The outlook for beauty drink manufacturing orders from customers in China remains opaque, and a recovery in orders from domestic customers may also take time 	<ul style="list-style-type: none"> The new pouch line at our Nara Plant began operating in February 2020, and our new Kanto Plant began operating in July 2020. We will put in place internal structures and review operations to improve profits as we prepare to realize efficient production structures with a two-plant, four-line system.
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

Market Environment and 3rd Quarter Overview

Domestic Beverage Business

Market

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

DyDo

A canned coffee product launched in collaboration with the TV anime *Demon Slayer (Kimetsu no Yaiba)* in October generated strong sales

The number of vending machines as of the end of 3Q switched to positive growth

International Beverage Business

Market

(Turkey)

Although the economy has been improving since bottoming out in May, a full recovery is anticipated to take until at least next spring

The upward trend in raw material costs and distribution costs due to weakness in the Turkish lira continued

DyDo

(Turkey) We secured profits on par with the previous year by tapping demand for mineral water

(Malaysia) We sold our local subsidiary because there was no outlook for a recovery in sales

Pharmaceutical-Related Business

Market

Retail sales of quasi-drug drinks lagged

Retail sales of beauty drinks struggled despite trans-border e-commerce initiatives

DyDo

Orders remained soft due to the effects of customers' stock adjustments

The outlook for orders for beauty drinks from Chinese customers via TCI remained opaque

Food Business

Market

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

DyDo

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

FY2020 3rd Quarter Financial Highlights

- ▶ Consolidated sales during the third quarter totaled ¥122,351 million (down 6.5% from the previous year)
- ▶ The most recent sales trend is one of gradual recovery, and profits are on track to beat expectations
- ▶ We are revising our year-round performance outlook based on the most recent performance trends

(Millions of yen)

	Q3 (January 21 to October 20)						Full-year					
	FY2019 results		FY2020 results				FY2019 results		FY2020 outlook			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	130,925	100.0%	122,351	100.0%	(6.5%)	(8,573)	168,256	100.0%	156,000	100.0%	(7.3%)	(12,256)
Operating profit	3,969	3.0%	6,377	5.2%	60.7%	2,407	2,893	1.7%	4,300	2.8%	48.6%	1,406
Ordinary profit	4,059	3.1%	6,394	5.2%	57.5%	2,334	2,857	1.7%	4,200	2.7%	47.0%	1,342
Profit attributable to owners of parent	2,879	2.2%	4,646	3.8%	61.4%	1,767	1,778	1.1%	2,500	1.6%	40.5%	721
EPS	174.79		290.24		115.45 yen		108.00 yen		157.07 yen		49.07 yen	

(2) FY2020 3rd Quarter Financial Highlights and Full-year Outlook

FY2020 3rd Quarter Consolidated Earnings (by Segment)

- ▶ Revenue fell in all segments except food due to lower performance during the first half, which was affected significantly by the COVID-19 pandemic
- ▶ Segment profits rose significantly in the Domestic Beverage Business and Food Business

(Millions of yen)

	FY2019 3rd quarter	FY2020 2nd quarter			FY2019 results	FY2020 full-year outlook		
			% (YoY)	Amount (YoY)			% (YoY)	Amount (YoY)
Domestic Beverage Business	93,146	86,934	(6.7%)	(6,212)	121,203	113,800	(6.1%)	(7,403)
International Beverage Business	12,709	10,388	(18.3%)	(2,321)	16,004	11,700	(26.9%)	(4,304)
Pharmaceutical-Related Business	8,606	8,173	(5.0%)	(432)	11,097	10,300	(7.2%)	(797)
Food Business	17,022	17,434	2.4%	411	20,643	20,900	1.2%	256
Other	—	—	—	—	—	—	—	—
Adjustment	(560)	(578)	—	(18)	(693)	(700)	—	(6)
Total net sales	130,925	122,351	(6.5%)	(8,573)	168,256	156,000	(7.3%)	(12,256)
Domestic Beverage Business	3,421	6,152	79.8%	2,731	3,948	6,300	59.6%	2,351
International Beverage Business	254	59	(76.6%)	(194)	(306)	(110)	—	196
Pharmaceutical-Related Business	427	(203)	—	(630)	210	(600)	—	(810)
Food Business	848	1,465	72.8%	617	464	840	80.8%	375
Other	(103)	(114)	—	(10)	(148)	(500)	—	(351)
Adjustment	(877)	(982)	—	(104)	(1,275)	(1,630)	—	(354)
Total operating profit	3,969	6,377	60.7%	2,407	2,893	4,300	48.6%	1,406

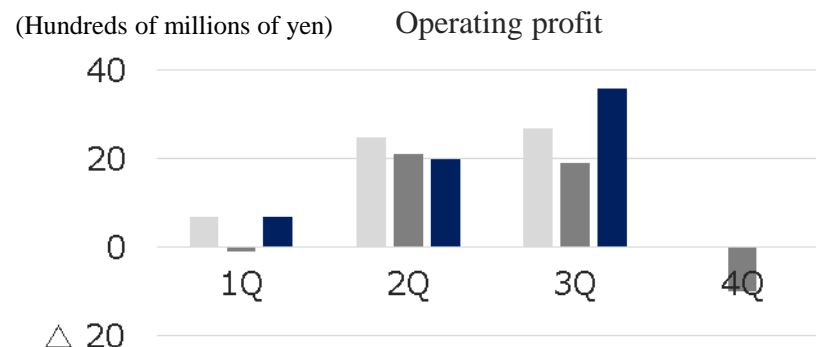
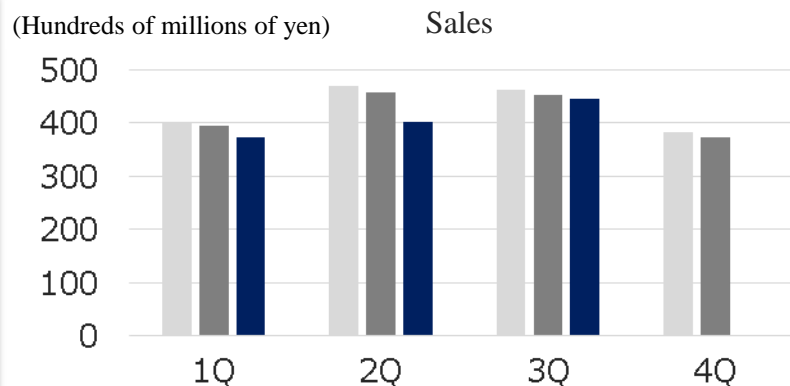
* "Other" represents the orphan drug business, which is not included in the reported segments.



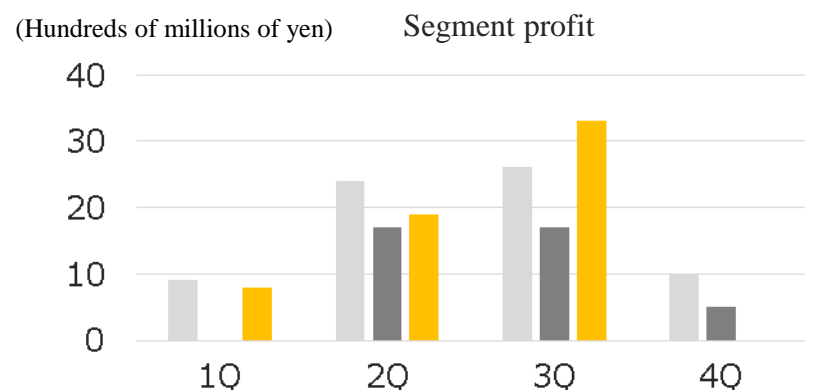
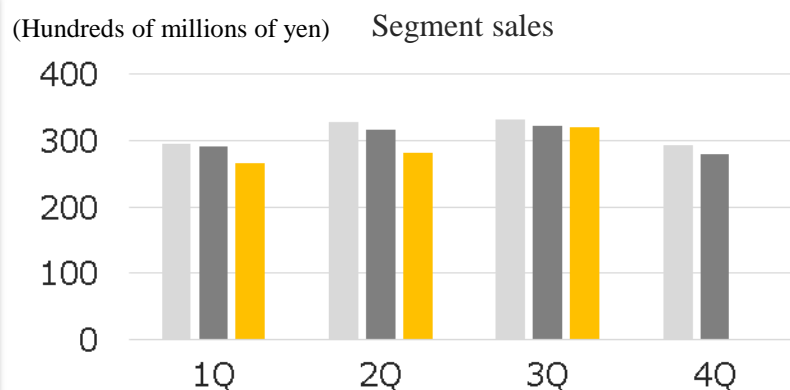
Fourth Quarter Results

- ▶ During the third quarter (July 21 to October 20), segment profit rose significantly in the Domestic Beverage Business
- ▶ A collaboration with the TV anime *Demon Slayer (Kimetsu no Yaiba)* contributed to profits along with cost controls

Consolidated results



Domestic Beverage Business



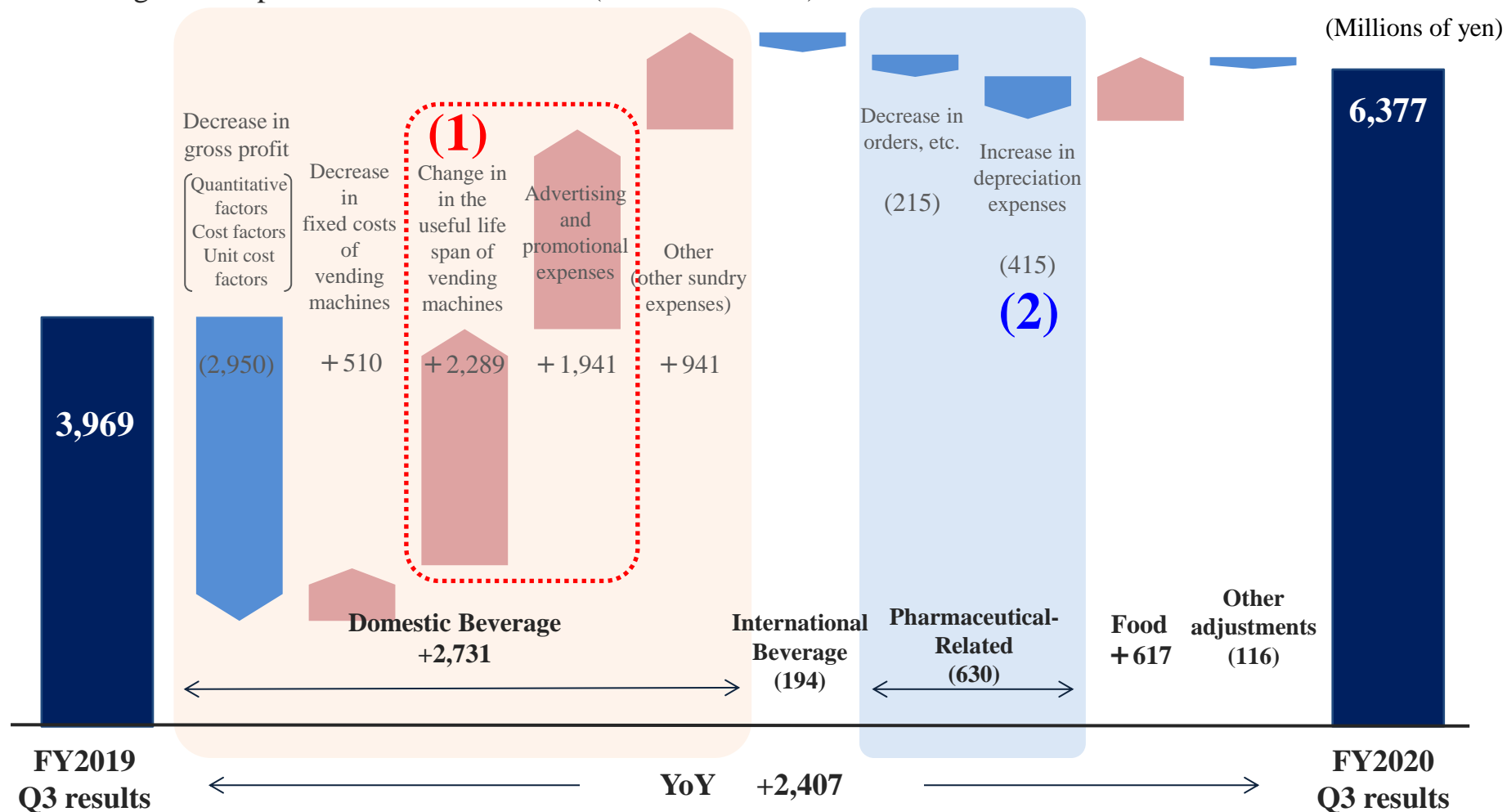
■ FY2018

■ FY2019

■ FY2020

Factors Contributing to Changes in Operating Profit in FY2020 3rd Quarter

- ▶ In the Domestic Beverage Business, changes in the service life of vending machines and reductions in promotional, advertising, and other expenses pushed up profits (1)
- ▶ In the Pharmaceutical-related Business, the depreciation burden and other expenses rose due to factors including the completion of the Kanto Plant (in October 2019) (2)



Full-year Performance Outlook

- ▶ With regard to full-year performance, we expect profits to exceed the previously announced outlook
- ▶ We expect consolidated operating income of ¥430 million (up 48.6% from the previous year) due to increased profit growth in the Domestic Beverage Business
- ▶ We expect net income attributable to owners of the parent of ¥250 million (up 40.5% from the previous year) (we also anticipate posting an extraordinary profit in a similar amount as during the third quarter)

(Millions of yen)

	FY2019 results		FY2020 full-year outlook (Announced November 26)						Ref: previous announcement (August 27)	
		Component ratio		Component ratio	YoY		Vs previous announcement		Amount (YoY)	
					%	Amount	%	Amount		
Net sales	168,256	100.0%	156,000	100.0%	(7.3%)	(12,256)	(1.3%)	(2,000)	158,000	(10,256)
Operating profit	2,893	1.7%	4,300	2.8%	48.6%	1,406	138.9%	2,500	1,800	(1,093)
Ordinary profit	2,857	1.7%	4,200	2.7%	47.0%	1,342	147.1%	2,500	1,700	(1,157)
Profit attributable to owners of parent	1,778	1.1%	2,500	1.6%	40.5%	721	400.0%	2,000	500	(1,278)
EPS	108.00 yen		157.07 yen			49.07 yen			30.91 yen	(77.09 yen)
Dividend per share	60 yen		60 yen			-			60 yen	-

Full-year Outlook by Segment

- ▶ We expect the deficit in the Overseas Beverage Business to decline due to steady sales in Turkey and our withdrawal from the Malaysian business (estimated exchange rates: ¥14.5/Turkish lira vs. ¥15 in previous forecast)
- ▶ We expect both sales and operating profit to decline in Pharmaceutical-Related Business

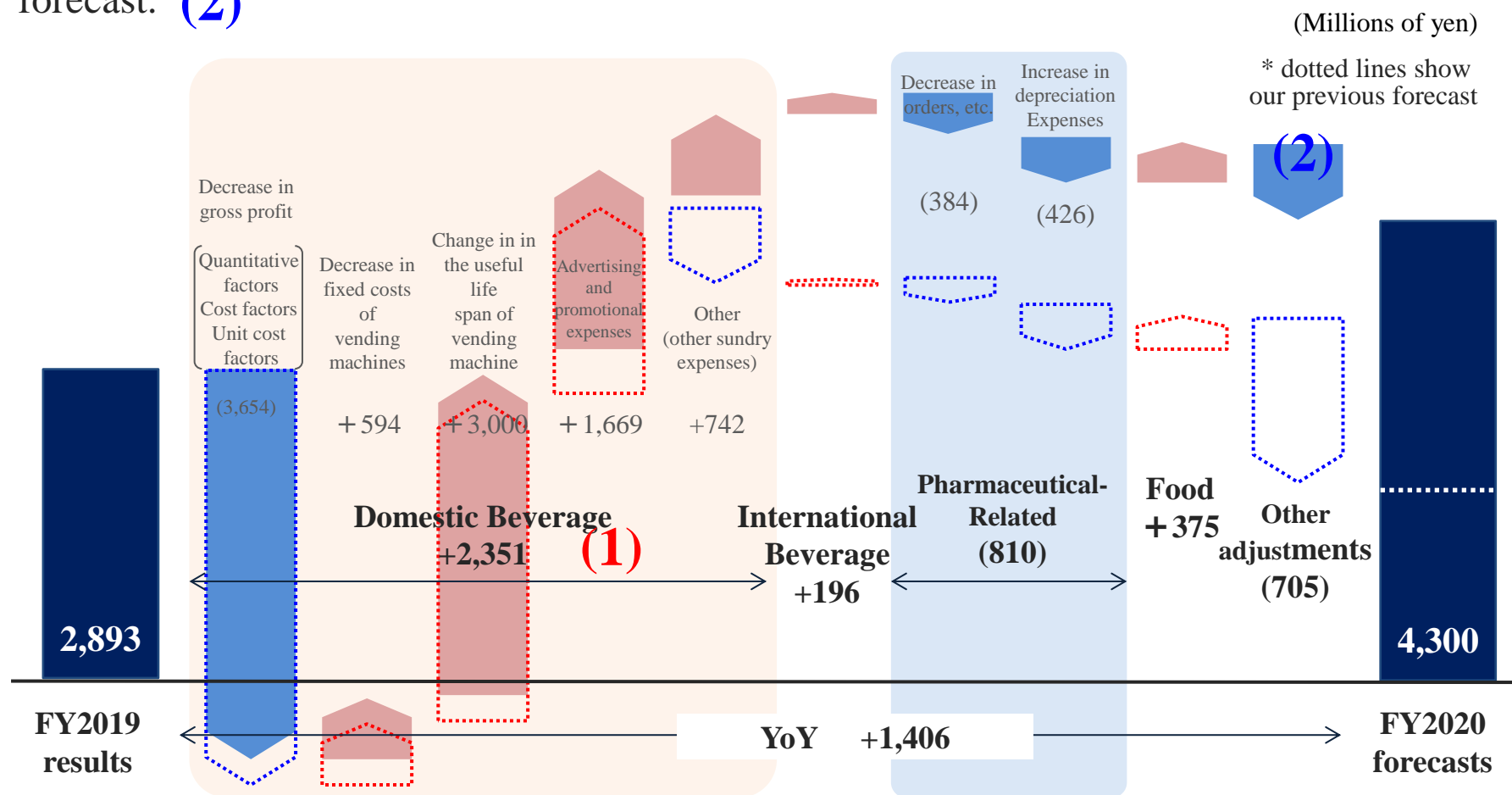
(Millions of yen)

	FY2019 full-year results	FY2020 full-year earnings outlook (Announced November 26)				Ref: previous announcement (August 27)	
			YoY		Vs previous announcement	Amount (YoY)	Amount (YoY)
			%	Amount			
Domestic Beverage Business	121,203	113,800	(6.1%)	(7,403)	(0.4%)	(400)	114,200 (7,003)
International Beverage Business	16,004	11,700	(26.9%)	(4,304)	(11.4%)	(1,500)	13,200 (2,804)
Pharmaceutical-Related Business	11,097	10,300	(7.2%)	(797)	(2.8%)	(300)	10,600 (497)
Food Business	20,643	20,900	1.2%	256	1.0%	200	20,700 56
Other	—	—	—	—	—	—	— —
Adjustment	(693)	(700)	—	(6)	—	—	(700) (6)
Total net sales	168,256	156,000	(7.3%)	(12,256)	(1.3%)	(2,000)	158,000 (10,256)
Domestic Beverage Business	3,948	6,300	59.6%	2,351	34.6%	1,620	4,680 731
International Beverage Business	(306)	(110)	—	196	—	140	(250) 56
Pharmaceutical-Related Business	210	(600)	—	(810)	—	(160)	(440) (650)
Food Business	464	840	80.8%	375	9.1%	70	770 305
Other	(148)	(500)	—	(351)	—	340	(840) (691)
Adjustment	(1,275)	(1,630)	—	(354)	—	490	(2,120) (844)
Total operating profit	2,893	4,300	48.6%	1,406	138.9%	2,500	1,800 (1,093)

* "Other" represents the orphan drug business, which is not included in the reported segments.

Factors Contributing to Changes in Operating Profit in the FY2020 Full-year Outlook (YoY)

- ▶ We expect the profit growth in Domestic Beverage Business due to the increase in gross profit and cost control. **(1)**
- ▶ We estimate the cost for growth strategy in our healthcare area on the basis of the current forecast. **(2)**



(2) FY2020 3rd Quarter Financial Highlights and Full-year Outlook

Financial Position: Principal Changes in the Consolidated Balance Sheet

- ▶ The principal factor behind the increase in financial assets and interest-bearing debt was our issuance of a total of ¥20 billion of bonds payable (bond redemption of ¥15 billion in October 2020)
- ▶ Decrease in net assets due to share repurchases, etc.

(Millions of yen)

Financial assets ^{*1}	73,240	Interest-bearing debt ^{*2}	33,713
		Accounts payable	18,623
		Other	21,835
Accounts receivable	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, 2020

(Millions of yen)

Figures in the lower level show increase/decrease year on year

Financial assets ^{*1}	72,862 (377)	Interest-bearing debt ^{*2}	38,001 4,287
		Accounts payable	21,107 2,483
		Other	21,137 (697)
Accounts receivable	21,187 2,689	Net assets	85,468 (3,742)
Inventories	9,695 1,250		
Property, plant and equipment Intangible assets	50,256 (574)		
Other	11,712 (657)		
Total assets	165,714 2,330	Total liabilities and net assets	165,714 2,330

October 20, 2020

*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

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2. Overview by Segment for FY2020 3rd Quarter

- (1) Domestic Beverage Business
- (2) International Beverage Business
- (3) Pharmaceutical-Related Business
- (4) Food Business
- (5) Other (DyDo Pharma)

Overview by Segment

- ▶ Sales have been recovering in the vending machine channel after bottoming out in April and May
- ▶ A collaboration with the TV anime *Demon Slayer (Kimetsu no Yaiba)* contributed to sales and profits during the third quarter

(Millions of yen)

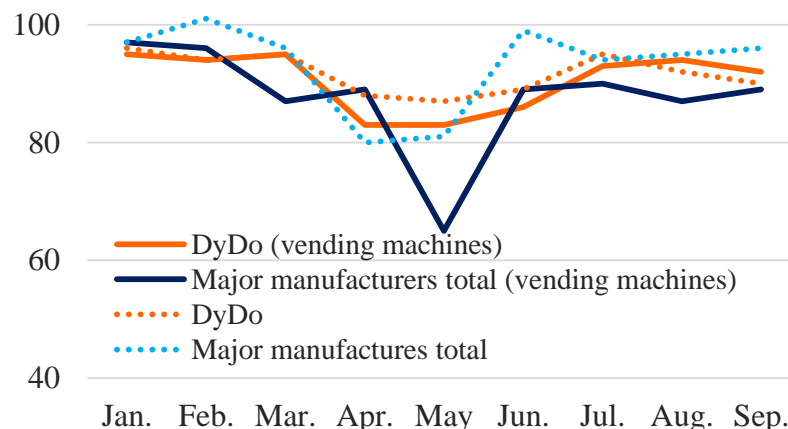
	FY2019 3Q results		FY2020 3Q results				FY2019 results		FY2020 outlook			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	93,146	—	86,934	—	(6.7%)	(6,212)	121,203	—	113,800	—	(6.1%)	(7,403)
Operating profit	3,421	3.7%	6,152	7.1%	79.8%	2,731	3,948	3.3%	6,300	5.5%	59.6%	2,351
Depreciating expenses	5,416		2,616		(51.7%)	(2,800)	7,148		3,554		(50.3%)	(3,594)

(Accounting period under review: January 21 to October 20)

● Year-on-year sales volume by channel

	1Q	2Q	3Q	Cumulative total	November
Vending machine channel	90.6%	88.2%	97.3%	92.0%	106.4%
Distribution channel	92.5%	92.6%	112.9%	99.6%	102.5%
Total	91.0%	89.0%	100.2%	93.5%	105.7%

● Year on year comparison on the soft drink market (based on units shipped)



Source: Food Marketing Research Center

Sales by Product

▶ During the third quarter, three DyDo Blend SKUs developed as part of a collaboration with the TV anime *Demon Slayer (Kimetsu no Yaiba)* contributed to growth in the coffee category

✓ We posted record monthly sales in the distribution channel

● Year-on-year sales volume by channel (coffee beverages)

	1Q	2Q	Aug.	Sep.	Oct.	3Q	Nov.
Vending machine channel	87.3%	89.3%	104.5%	80.6%	119.4%	101.3%	111.2%
Distribution channel	96.9%	103.0%	88.0%	59.7%	234.9%	122.9%	106.8%
Total	89.3%	92.4%	99.9%	74.3%	149.5%	107.4%	110.3%



DyDo Blend DyDo Blend Coffee Original

All 12 varieties

October 5:
Launch of
seasonal limited
edition



DyDo Blend Zeppin Low Sugar

All 8 varieties

DyDo Blend Zeppin Café au Lait

All 8 varieties

©Koyoharu Gotoge/SHUEISHA, Aniplex, ufotable

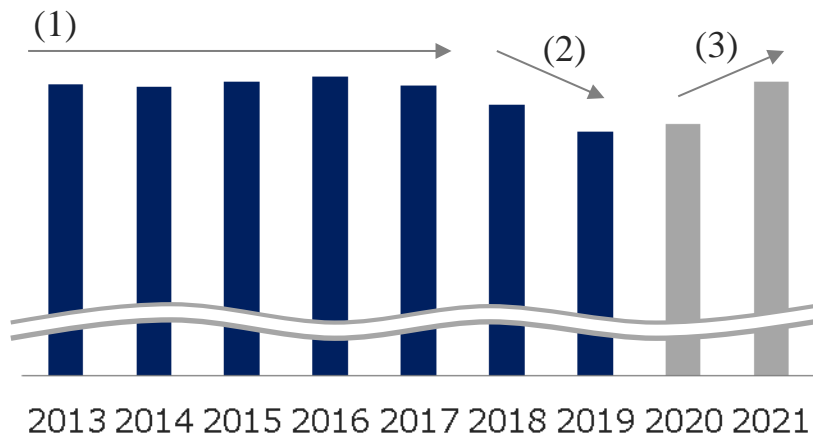
Initiatives to Strengthen the Vending Machine Network

► Strengthening new installation location development

- ✓ Our ongoing effort to strengthen sales structures is impacting performance, and the vending machine installed base grew compared to the same period of the previous year
- ✓ We will continue to give top priority to strengthening our vending machine network

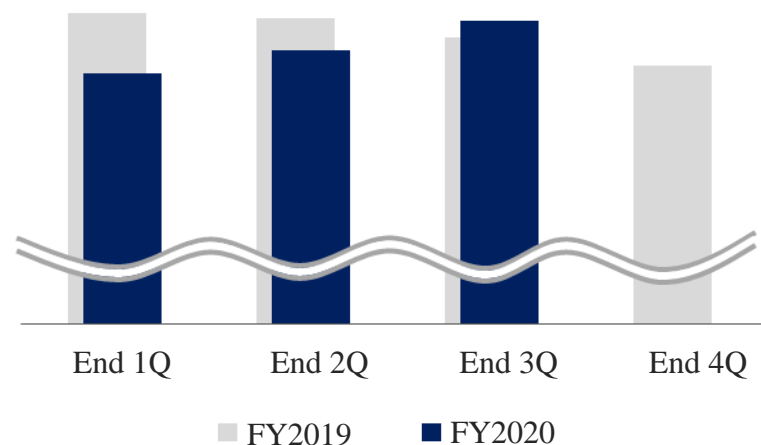
● Change in number of vending machine for the end of each fiscal year

- (1) Vending machine numbers are roughly the same as they were ten years previously
- (2) In line with labor shortages, our vending machines are decreasing in rural areas
- (3) Recover/maintain conventional standards



● Change in no. of vending machine for the end of each quarter

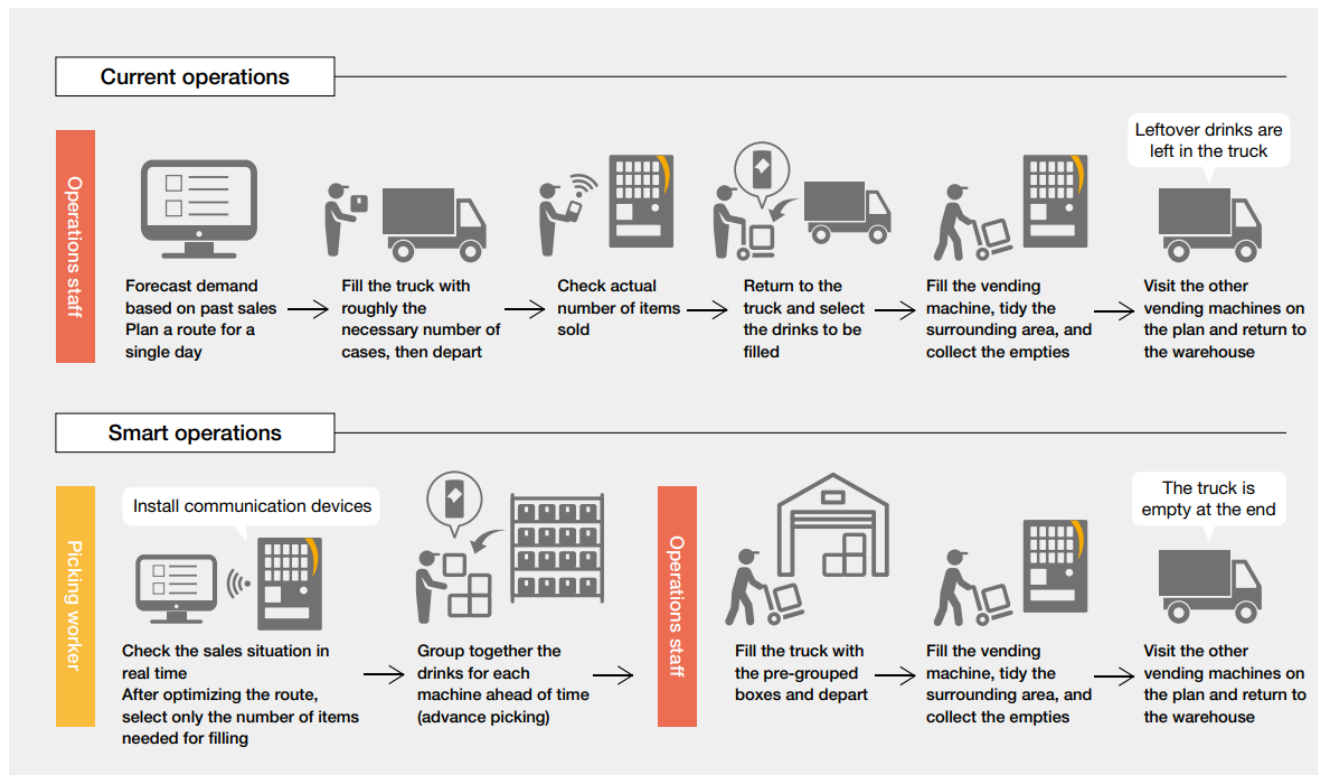
- ✓ The size of the vending machine installed base began a gradual recovery starting at the end of FY2019
- ✓ During the third quarter, the base transitioned to positive growth on an end-of-period basis



Initiatives to Build a Smart Operation Structure

► We started moving toward smart operations by reordering operations

- ✓ The smart operational structure is being rolled out firstly through DyDo Beverage Services, the main group company involved in direct sales, including all vending machines being connected to the internet from fiscal 2021
- ✓ We're working to establish leadership in the industry, including in terms of working styles at operations sites, through greater efficiencies in operational tasks that will result in improved working environments, better use of personnel, and greater competitiveness in hiring



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



- ▶ Anti-viral measures for vending machines

- ✓ Parts of vending machines that customers touch (indicated by red boxes) are receiving an anti-viral coating
- ✓ Vending machines that have been treated with the anti-viral coating will display this sticker



- ▶ We began selling public health products
 - ✓ We began selling products such as masks and antibacterial wet wipes in vending machines



- ▶ We launched a trial of foot-operated vending machines

- ✓ On these machines, customers can use a foot to operate product selection buttons and the flap that must be lifted in order to retrieve purchased products





Recent Environmental Initiatives

- ▶ We formulated a Basic Policy on Containers and Packaging and set KPIs to achieve by 2030

Policy on Containers and Packaging

We are working to collect empty containers efficiently and use sustainable materials to establish recycling-oriented society.

Recycle

- ✓ We will collect the amount of empty containers equivalent to our domestic sales volume (100% collection) by 2030.
- ✓ We will make more than 60% of our plastic containers sustainable (by using plant-based or recycling-oriented materials) by 2030.

Reduce

- ✓ We will continuously reduce our use of all containers.
- ✓ We will develop plastic containers with minimal labeling.

Partner

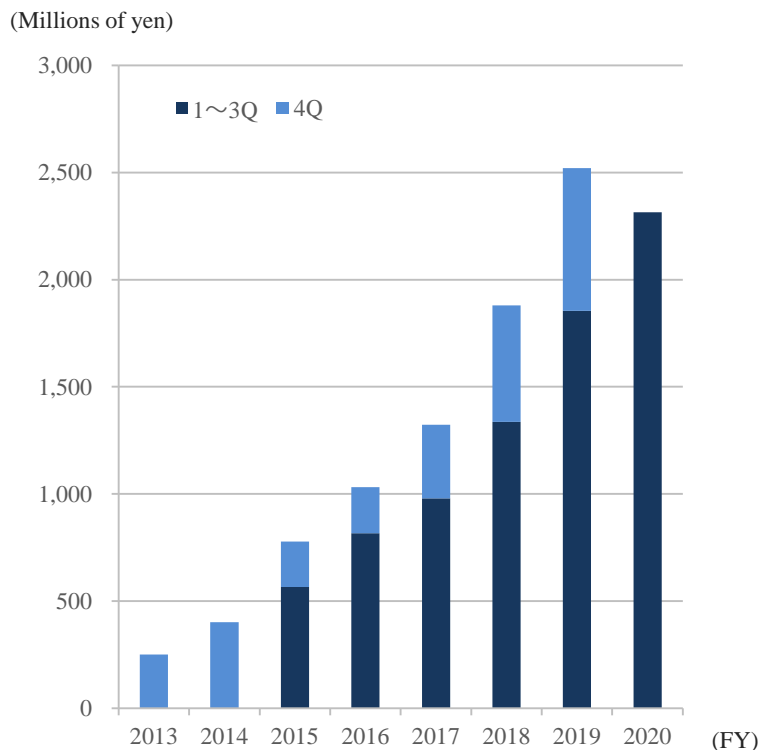
- ✓ We will educate employees about containers and packaging and promote related activities.
- ✓ We will develop the company spirit of “creating happiness and prosperity together” by collaborating with government, local communities, the beverage industry, and regional society.
- ✓ We will help realize a resource recycling-oriented society through our vending machine business by collaborating with customers.

Progress in the Home Shopping 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

● Changes in sales in the home shopping sales channel



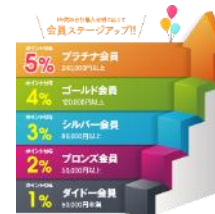
● The flagship channel product, “Locomo Pro,” is driving the growth of the customer base



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**



Overview by Segment

- ▶ In our Turkish beverage business, profit on a Japanese yen basis fell due to an abrupt depreciation of the lira despite increased profit on a local currency basis
- ▶ We sold our Malaysian subsidiary due to a continued slump in sales caused by the COVID-19 pandemic

(Millions of yen)

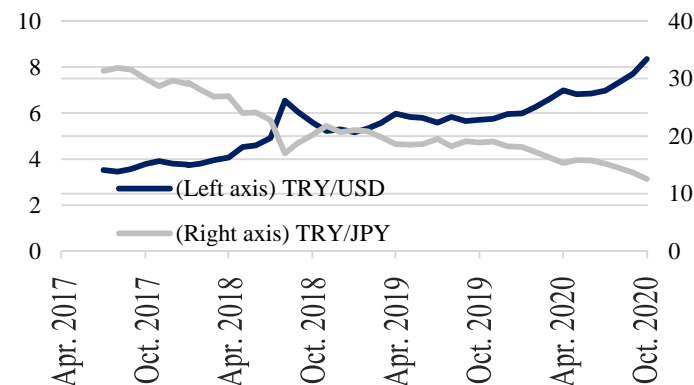
	FY2019 3Q results		FY2020 3Q results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	12,709	—	10,388	—	(18.3%)	(2,321)
Operating profit	413	3.3%	188	1.8%	(54.3%)	(224)
Amortization of goodwill, etc.	158	1.2%	129	1.2%	(18.5%)	(29)
Operating profit after subtracting amortization of goodwill, etc.	254	2.0%	59	0.6%	(76.6%)	(194)
Turkish lira	19.40 yen		15.81 yen		(3.59 yen)	
Malaysian ringgit	26.41 yen		25.33 yen		(1.08 yen)	

	FY2019 results		FY2020 outlook			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	16,004	—	11,700	—	(26.9%)	(4,304)
Operating profit	(95)	(0.6%)	86	0.7%	—	182
Amortization of goodwill, etc.	210	1.3%	196	1.7%	(6.5%)	(13)
Operating profit after subtracting amortization of goodwill, etc.	(306)	(1.9%)	(110)	(0.9%)	—	196
Turkish lira	19.26 yen		14.50 yen		(4.76 yen)	
Malaysian ringgit	26.39 yen		25.33 yen		(1.06 yen)	

(Accounting period under review: January 1 to September 30)

- ✓ Sales in the Turkish beverage business began a gradual recovery in June, and the business secured sales on par with the previous year on a local currency basis
- ✓ We continue to put in place structures to strengthen export transactions from Turkey to the UK and Russia, but it will take time to ramp up those efforts since it remains unclear when the COVID-19 pandemic will subside
- ✓ In Malaysia, the lack of a realistic timeline for realizing cash flow improvements from a recovery in sales due to the impact of the pandemic prompted a decision to sell all shares in our local subsidiary in line with the basic policy outlined in the Mid-term Business Plan

● Changes in exchange rates

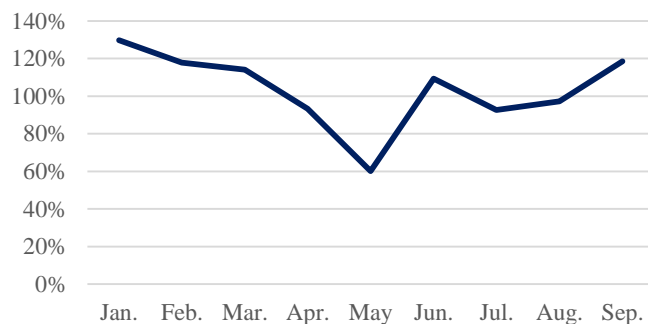


Overview of the Turkish Business

- ▶ Although the COVID-19 pandemic is having a major impact on the second quarter, the most recent trend is toward a recovery
- ✓ Sales on a local currency basis for the third quarter rose slightly compared to the previous fiscal year (while the year-to-date figure recovered to a level on par with the previous year), and operating income rose from the previous year
- ✓ Robust demand for mineral water is driving performance
- ✓ Efforts to shift rising costs for imported raw materials onto sales prices as the lira weakens combined with cost controls to boost profits
- ✓ With regard to our export business targeting the UK and Russia, delays continue due to the lack of a clear outlook for when the COVID-19 pandemic will be brought under control

Local-currency-basis results			1st quarter	2nd quarter	3rd quarter	4th quarter	Year
FY2020	Sales, YoY	Quarter	+19%	(15%)	+1%		(0%)
	Exchange rate (JPY per TRY)	Cumulative results	17.48 yen	16.55 yen	15.81 yen	Assumption ⇒	14.50円
FY2019	Sales, YoY	Quarter	+30%	+17%	+2%	+15%	+14%
	Exchange rate (JPY per TRY)	Cumulative results	20.57 yen	19.63 yen	19.40 yen	19.26 yen	19.26 yen

- Changes on a local currency basis compared to the same month last year



Mineral water brand, “Saka”

Overview of the Malaysian Business

▶ We transferred all shares we held and exited the Malaysian business

2015

Invested in the soft drinks department of a major local confectionery manufacturer and launched the Malaysian business (51% ownership of the sales company, 49% of the manufacturing company)

Utilized our joint venture partner's sales network, and predominantly sold existing brands

2018

Increased ownership of the sales company (to 90%), and strengthened development of in-house brands

2019

Dissolved the joint venture, and gradually shifted to handling our own brands

We aim to increase revenue and improve profitability by expanding sales of our own brands

2020

Despite initial strength in sales of DyDo brand products, the COVID-19 pandemic caused sales to decline, even after lockdown restrictions were relaxed

October

We decided to sell our Malaysian subsidiary

● Most recent results

(Millions of yen)

	FY2019	FY2020 3Q
Net sales	1,232	720
Operating profit	(553)	(447)
Exchange rate	26.39	25.33

- ✓ A decision was made to exit the business in accordance with the basic policy of “selection and consolidation at strategic facilities in the International Beverage Business” as outlined in the Mid-term Business Plan
- ✓ We transferred all shares of the company for MYR 10 (about ¥225) and forgave all outstanding loans to the company (about ¥370 million)
- ✓ We posted an extraordinary loss (affiliate adjusted loss) in our 3Q accounts

Overview by Segment

- ▶ Commercial operation of the new plant caused the depreciation expense burden to rise, and we expect that FY2020 will represent the bottom

(Millions of yen)

	FY2019 3Q results		FY2020 3Q results				FY2019 results		FY2020 outlook			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	8,606	—	8,173	—	(5.0%)	(432)	11,097	—	10,300	—	(7.2%)	(797)
Operating profit	427	5.0%	(203)	(2.5%)	—	(630)	210	1.9%	(600)	(5.8%)	—	(810)
Depreciating expenses	404		820		102.7%	415	696		1,122		61.2%	426

(Accounting period under review: January 21 to October 20)

- ✓ Orders for beauty drink products exported to China via TCI fell due to the impact of the COVID-19 pandemic, and orders for domestic products remained low due to customers' ongoing inventory adjustments
- ✓ With the new pouch line at the Nara Plant (installed in September 2019, began operations in February 2020) and completion of the Kanto Plant (installed October 2019, began operations in July 2020), depreciation expenses rose
- ✓ We put in place internal structures and continued to review operations with a view toward improving profits to facilitate efficient two-plant, four-line operation at the Nara Plant and Kanto Plant



Purpose of New Pouch Line and New Plant Construction

- ▶ Strengthening up our position as a contract manufacturer of pharmaceuticals and quasi-drugs

Investment strategy in the Mid-term Business Plan 2021

Already implemented

Location	Katsuragi, Nara Prefecture		Tatebayashi, Gunma Prefecture	
Plant	Nara Plant		Kanto Plant	
	No. 1 Pant	No. 2 Plant	No. 3 Plant	
Completion	1991	1999	2019	2019
Commercial operation	-	-	Feb. 2020	Jul. 2020
Manufactured container types	Bottles	Bottles	Pouches	Bottles
No. of lines	3	1	1	1
Annual production capacity	350 million units		30 million units	150 million units



Container types
manufactured by
DAIDO Yakuhin

Purpose of the new pouch line (No. 3 Plant)

- To accommodate expectations for standard pharmaceutical and quasi-drug products in the growing pouch packaging market
- To expand the range of customer needs we can meet by increasing the formulations we can manufacture

Purpose of the new Kanto Plant

- To increase cost competitiveness by locating manufacturing close to a key consumption region
- To accommodate the BCP needs of both customers and DAIDO Yakuhin

Overview by Segment

- ▶ Profits rose significantly thanks to robust sales and multifaceted cost improvement initiatives

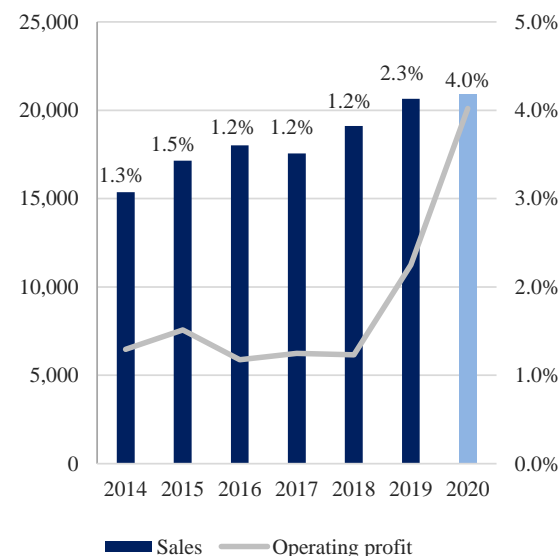
(Millions of yen)

	FY2019 3Q results		FY2020 3Q results				FY2019 results		FY2020 outlook			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	17,022	—	17,434	—	2.4%	411	20,643	—	20,900	—	1.2%	256
Operating profit	1,112	6.5%	1,729	9.9%	55.5%	617	816	4.0%	1,192	5.7%	46.0%	375
Amortization of goodwill, etc.	264	1.6%	264	1.5%	—	—	352	1.7%	352	1.7%	0.1%	0
Operating profit after subtracting amortization of goodwill, etc.	848	5.0%	1,465	8.4%	72.8%	617	464	2.3%	840	4.0%	80.8%	375

- ✓ During the third quarter (July 1 to September 30), sales to supermarkets and other volume retailers remained strong due in part to the generally hot weather that followed the end of the rainy season
- ✓ Home shopping sales rose significantly thanks to an increase in e-commerce purchase rates brought on by the COVID-19 pandemic
- ✓ We expect the decline in sales to convenience stores to continue due to changes in consumers' purchasing behavior
- ✓ Profits rose significantly thanks to robust sales and cost improvement initiatives in distribution, manufacturing, and sales.

(Accounting period under review: January 1 to September 30)

- Changes in operating profit (after goodwill and other amortization)





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

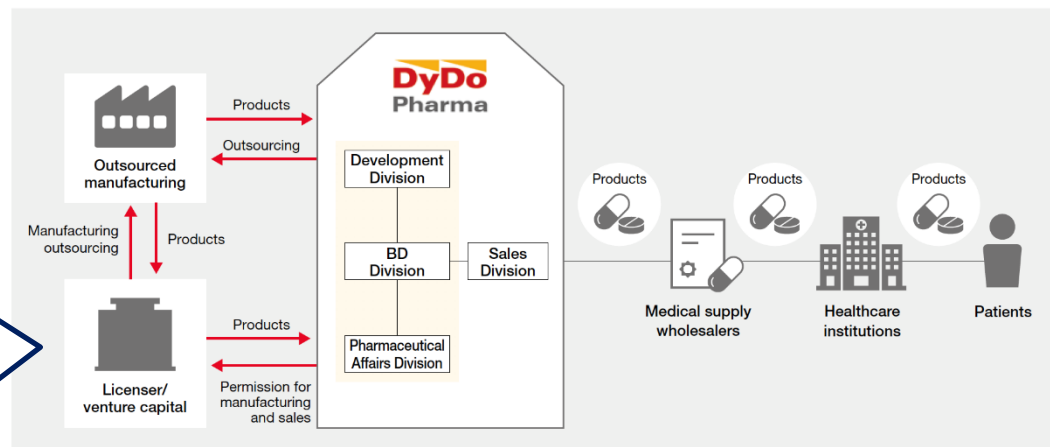
Established DyDo Pharma, Inc.

August 2019

Began business activities

● DyDo Pharma business model

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



Seasonal Fluctuations by Segment

Net sales/net sales by segment

(Millions of yen)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Consolidated	FY2019	39,633	45,805	45,486	37,331	168,256
		23.6%	27.2%	27.0%	22.2%	100.0%
	FY2020	37,413	40,359	44,577	—	—

Operating profit (loss)/segment profit (loss)*

(Millions of yen)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	(113)	2,146	1,936	(1,076)	2,893
	—	74.2%	66.9%	—	100.0%
	741	2,034	3,601	—	—

Domestic Beverage	FY2019	29,143	31,666	32,336	28,056	121,203	(74)	1,750	1,745	527	3,948
		24.0%	26.1%	26.7%	23.1%	100.0%	—	44.3%	44.2%	13.4%	100.0%
	FY2020	26,662	28,160	32,111	—	—	870	1,922	3,358	—	—
International Beverage	FY2019	3,402	4,606	4,700	3,295	16,004	57	182	173	(509)	(95)
		21.3%	28.8%	29.4%	20.6%	100.0%	—	—	—	—	100.0%
	FY2020	3,551	3,218	3,618	—	—	110	△ 61	140	—	—
Pharmaceutical-Related	FY2019	2,887	2,866	2,852	2,491	11,097	230	127	69	(216)	210
		26.0%	25.8%	25.7%	22.4%	100.0%	109.2%	60.6%	32.9%	—	100.0%
	FY2020	2,900	2,509	2,763	—	—	(8)	△ 55	△ 139	—	—
Food	FY2019	4,398	6,869	5,754	3,621	20,643	154	595	361	(295)	816
		21.3%	33.3%	27.9%	17.6%	100.0%	18.9%	72.9%	44.3%	—	100.0%
	FY2020	4,497	6,687	6,249	—	—	287	746	695	—	—
Other	FY2019	—	—	—	—	—	—	0	(103)	(45)	(148)
		—	—	—	—	—	—	—	—	—	100.0%
	FY2020	—	—	—	—	—	(39)	(35)	(38)	—	—

*Figures for the International Beverage Business and Food Business indicate segment profit before goodwill and other amortization.

Reference Materials

- ▶ The following webpages have been provided to help deepen understanding of the DyDo Group. To learn more, please click on the links below.



- DyDo Group Holdings Integrated Report 2020

https://www.dydo-ghd.co.jp/en/ir/data/integrated_report

*Please contact the Corporate Communications Department if you wish to receive a paper copy of the report.



- FY2020 3rd Quarter Supplementary Material for Financial Results

<https://www.dydo-ghd.co.jp/en/ir/data/earnings>



- Explanatory materials for the ESG roundtable "Building a Sustainable Vending Machine Business Model in Light of Post-COVID-19 Changes in Society"

https://www.dydo-ghd.co.jp/ir/event/investor_meetings.html (Japanese only)



- DyDo Group Holdings website

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

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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 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.