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DyDo

FY2015 Financial Highlights

Challenge

Next Stage

February 26, 2016

DyDo DRINCO, Incorporated

(First Section of the Tokyo Stock Exchange: 2590)

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1. Trends in the Beverages Industry

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Trends in the Beverages Industry

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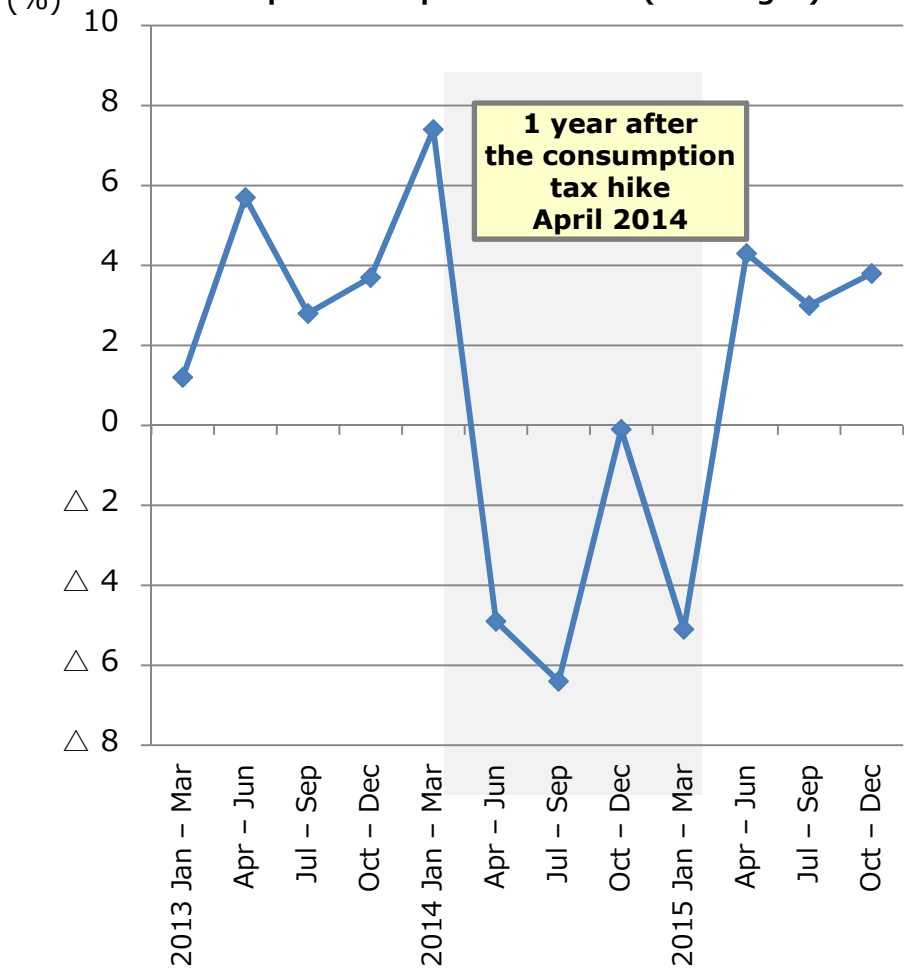
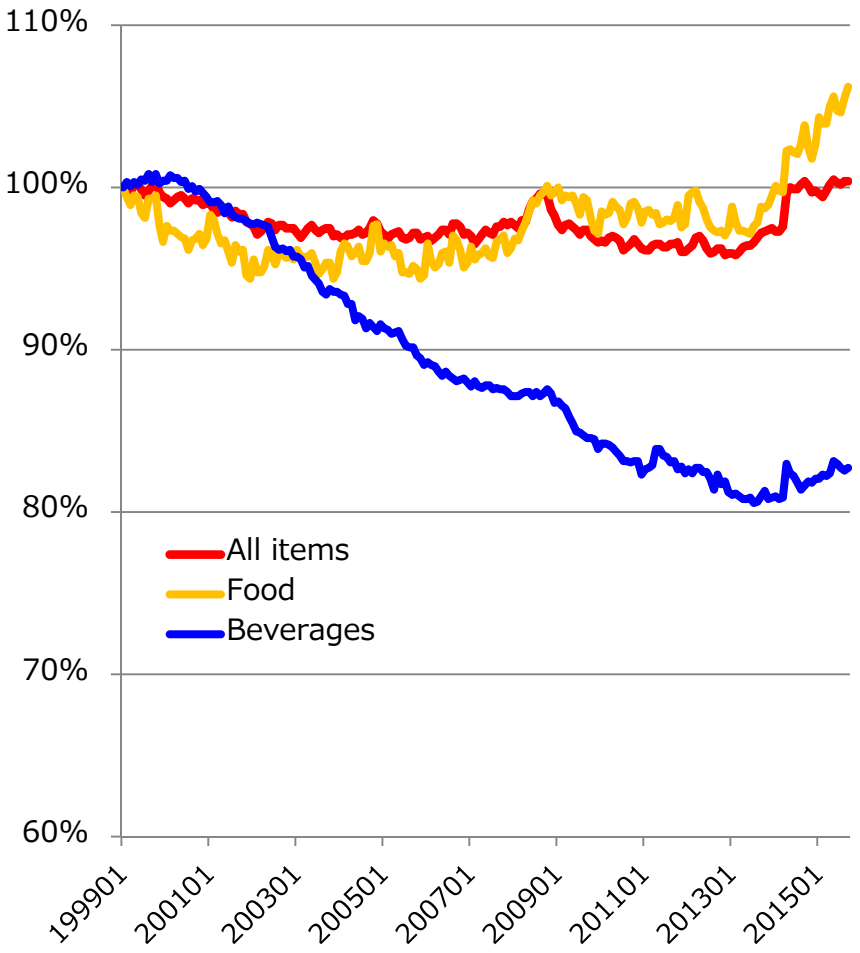
Year-on-year real increase/decrease of monthly expenditure per household (beverages)



Source: compiled by DyDo from the *Family Income and Expenditure Survey (Income and Expenditure: Two-or-more-person Households)* by the Ministry of Internal Affairs and Communications, Statistics Bureau

Changes in the consumer price index



Source: created by DyDo from Consumer Price Index from statistical data of the Statistics Bureau

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2. FY2015 Financial Highlights

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Overview of consolidated financial information for FY2015

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- Following the cycle of effects triggered by the consumption tax hike, sales rebounded and ultimately surpassed performance during the previous fiscal year
- The effects of high prices for raw materials were absorbed by means of cost controls
- Net income rose 1.1% from the previous year thanks to a reduction in the effective tax rate

(Millions of yen)

	FY2014 results		FY2015 results			
		Component ratio		Component ratio	Difference (%)	Difference
Net sales	149,526	100.0%	149,856	100.0%	0.2%	329
Operating income	5,174	3.5%	4,988	3.3%	(3.6%)	(186)
Ordinary income	4,470	3.0%	4,262	2.8%	(4.7%)	(208)
Net income	2,322	1.6%	2,347	1.6%	1.1%	25

EPS	140.16 yen	141.68 yen	1.1%	1.52 yen
Dividend per share	60 yen	60 yen	0.0%	-

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FY2015 Beverage Sales Division
Quarterly sales status by category

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- The volume of sales is holding steady since the second quarter
- Coffee beverages are selling strongly thanks to the renewal of the World's Top Barista Series and the Demitasse Coffee Series
- The solid sales of the miu Series has increased mineral water sales

Units: 1000s of cases

	1st Quarter (Jan 21 - Apr 20)		2nd Quarter (Apr 21 - Jul 20)		3rd Quarter (Jul 21 - Oct 20)		4th Quarter (Oct 21 - Jan 20)	
	Sales volume	Difference (%)	Sales volume	Difference (%)	Sales volume	Difference (%)	Sales volume	Difference (%)
Coffee beverages	7,529	(9.4%)	7,927	2.6%	7,868	1.7%	8,139	3.9%
Mineral water beverages	590	26.5%	1,156	32.3%	1,167	41.7%	602	55.6%
Other beverages	4,348	(13.1%)	6,099	(4.7%)	5,652	(5.0%)	4,363	(4.4%)
Total	12,468	(9.5%)	15,183	1.2%	14,688	1.2%	13,105	2.5%

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Consolidated financial highlights for FY2015
Causes for increased / decreased operating income
-Year-on-year basis-

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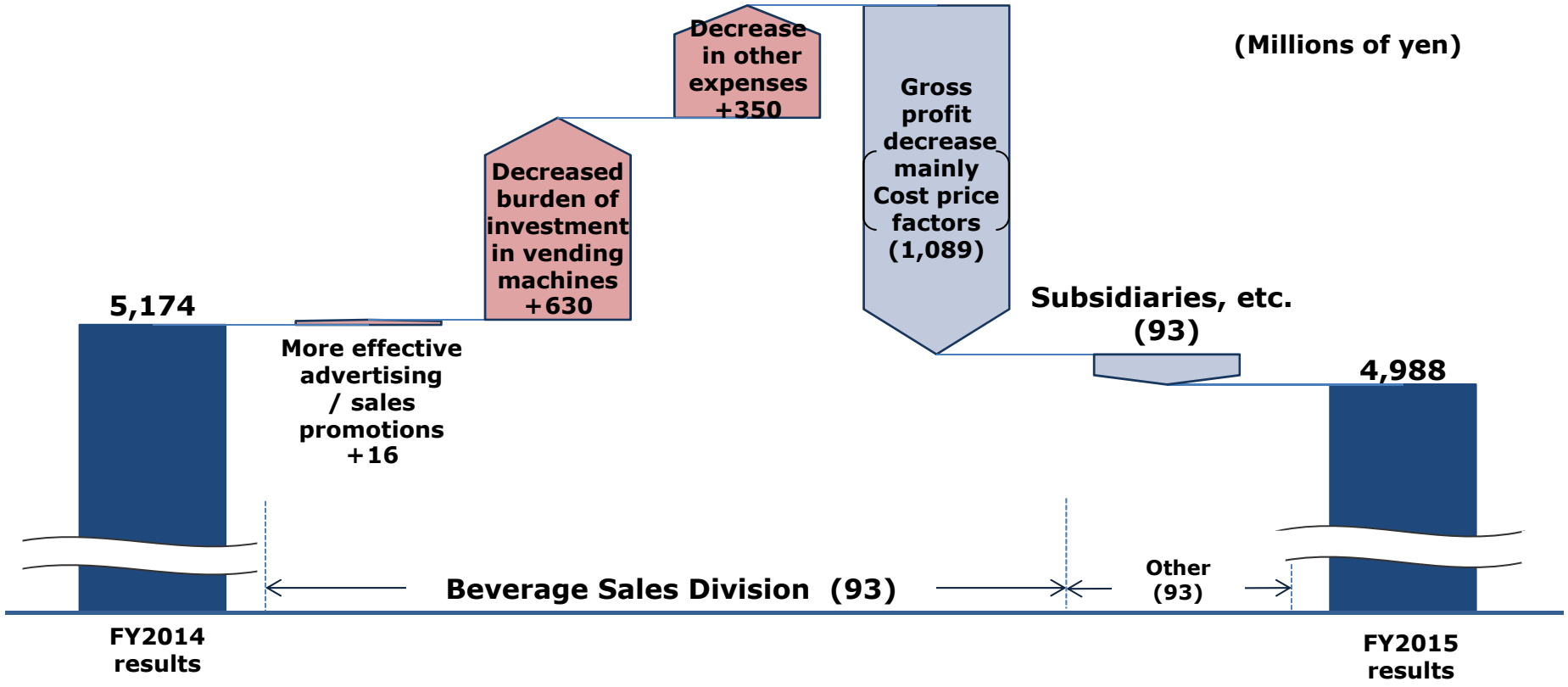
- The cost of raw materials such as coffee beans increased
- We deployed vending machines based on an awareness of return on investment and imposed aggressive cost controls
- The OEM* Beverage Production Division was affected by a slowdown in orders for existing products

* Original Equipment Manufacturer



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Consolidated financial highlights for FY2015
Causes for increased / decreased operating income
- Vs. initial plan -

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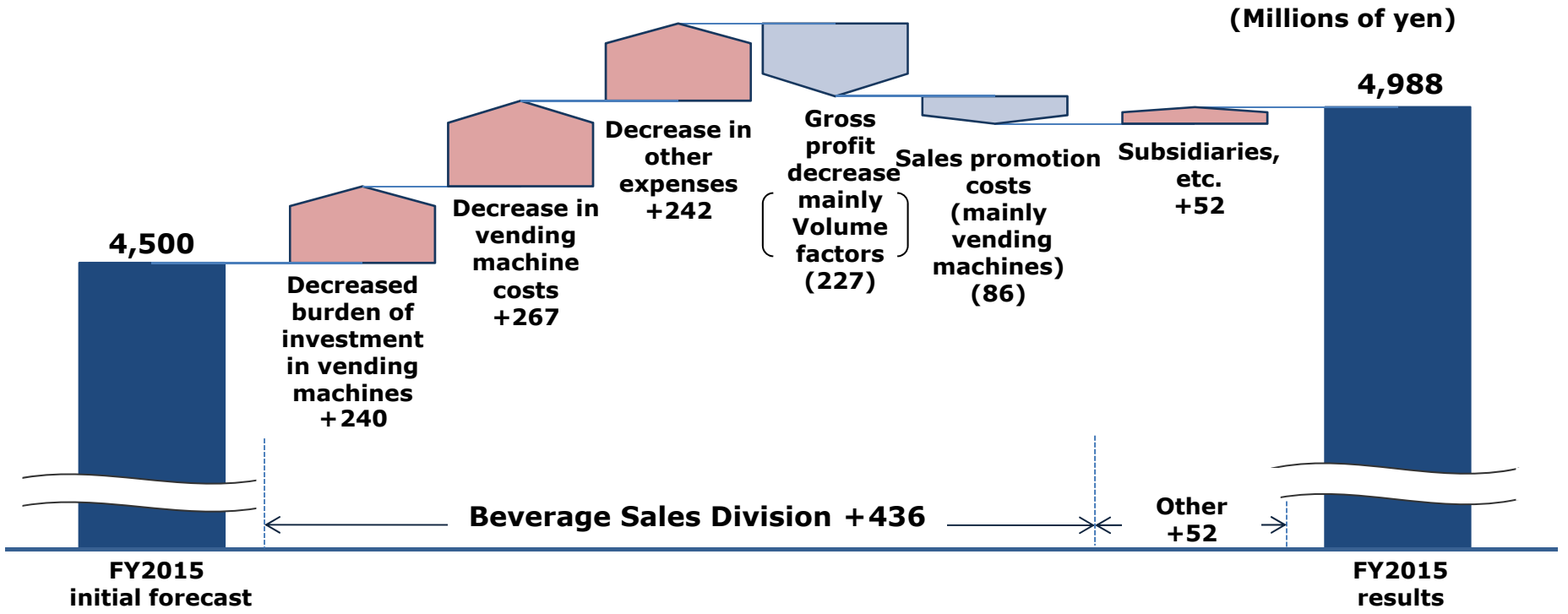
- Sales volumes in the Beverage Sales Division were slightly lower than planned
- We aggressively invested in sales promotions with the goal of securing the best possible locations for vending machines
- We controlled miscellaneous expenses such as costs associated with vending machines
- We posted operating income that exceeded the initial plan despite operating in a challenging business environment



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3. The Business Model of DyDo Group and its Mid-term Business Plan

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The Business Model of DyDo Group Next Stage

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◆ DyDo Group Three Main Divisions
—Forming an independent business model—

The DyDo Group's slogan is "Offering delicious products for the sound mind and body," under which it seeks to bring deliciousness and healthiness only DyDo can provide to customers, together with wonder and high quality.

Beverage Sales Division



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DAIDO
PHARMACEUTICAL CORPORATION

OEM* Beverage Production Division





* Original Equipment Manufacturer

Tarami



Food Production and Sales Division



Forming a strong financial footing based on steady cash flow

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Key features / strengths of DyDo DRINCO

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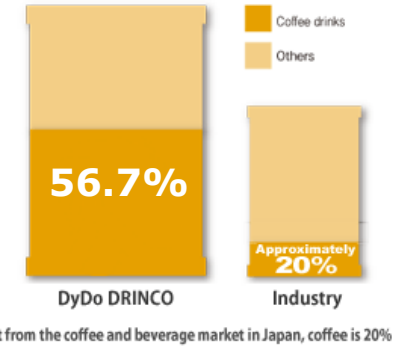
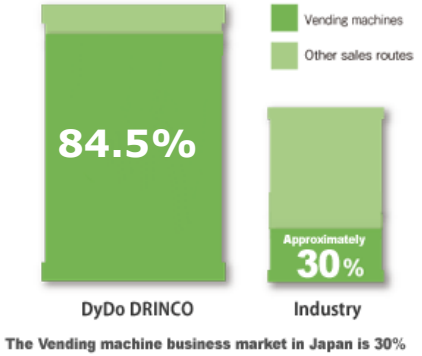
Securing steady profit with coffee × vending machines

Canned Coffee sales account for more than 50% of DyDo Drink company sales.

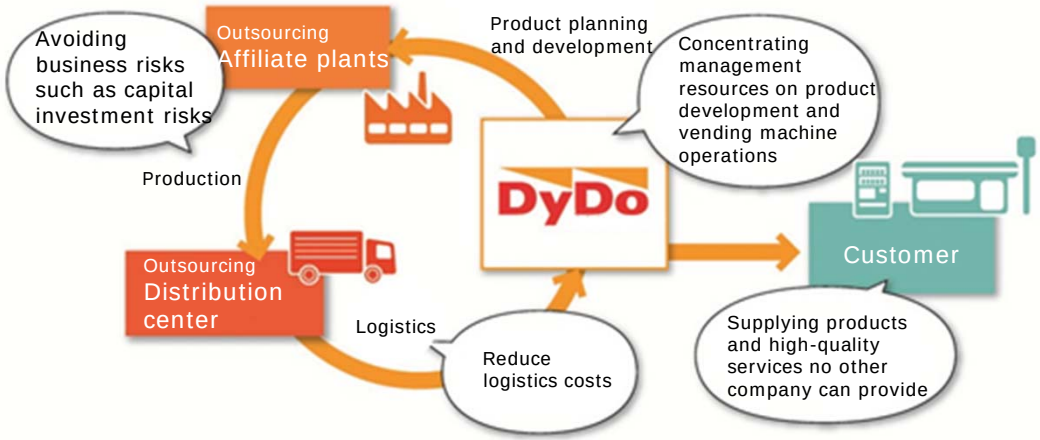


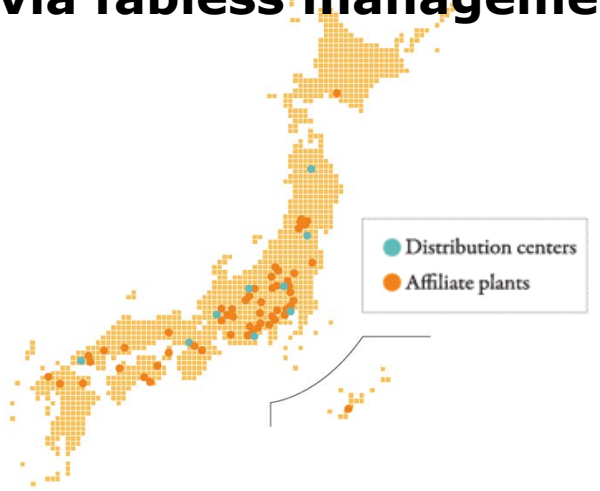
Vending Machine Sales account for 85% of Sales



*DyDo DRINCO results:
Ratios as of the end of FY2015

Effective use of management resources via fabless management





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Group Philosophy / Vision / Slogan Formulation

Next Stage

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DyDo Group corporate philosophy

DyDo Group strives to achieve happiness and prosperity together with people and society as a whole.
To realize this, we well continue our dynamic efforts to take on new challenges.

DyDo Group corporate vision

Together with customers	Offering high quality products, adding a surprise to deliver “distinctive DyDo” taste and wellness to customers.
Together with society	“All DyDo” product development and corporate activities involved in the group is committed to build rich and vibrant society.
Together with future generations	Creating “DyDo standards” for the upcoming next generations. To go beyond current framework and values.
Together with people	Endless “DyDo challenging spirit” to bring happiness to all people through our group activities.

Group Slogan

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Offering delicious products
for the sound mind and body

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Mid-term Business Plan: "Challenge the Next Stage"
- Four Challenges to the Next Stage -

Next Stage

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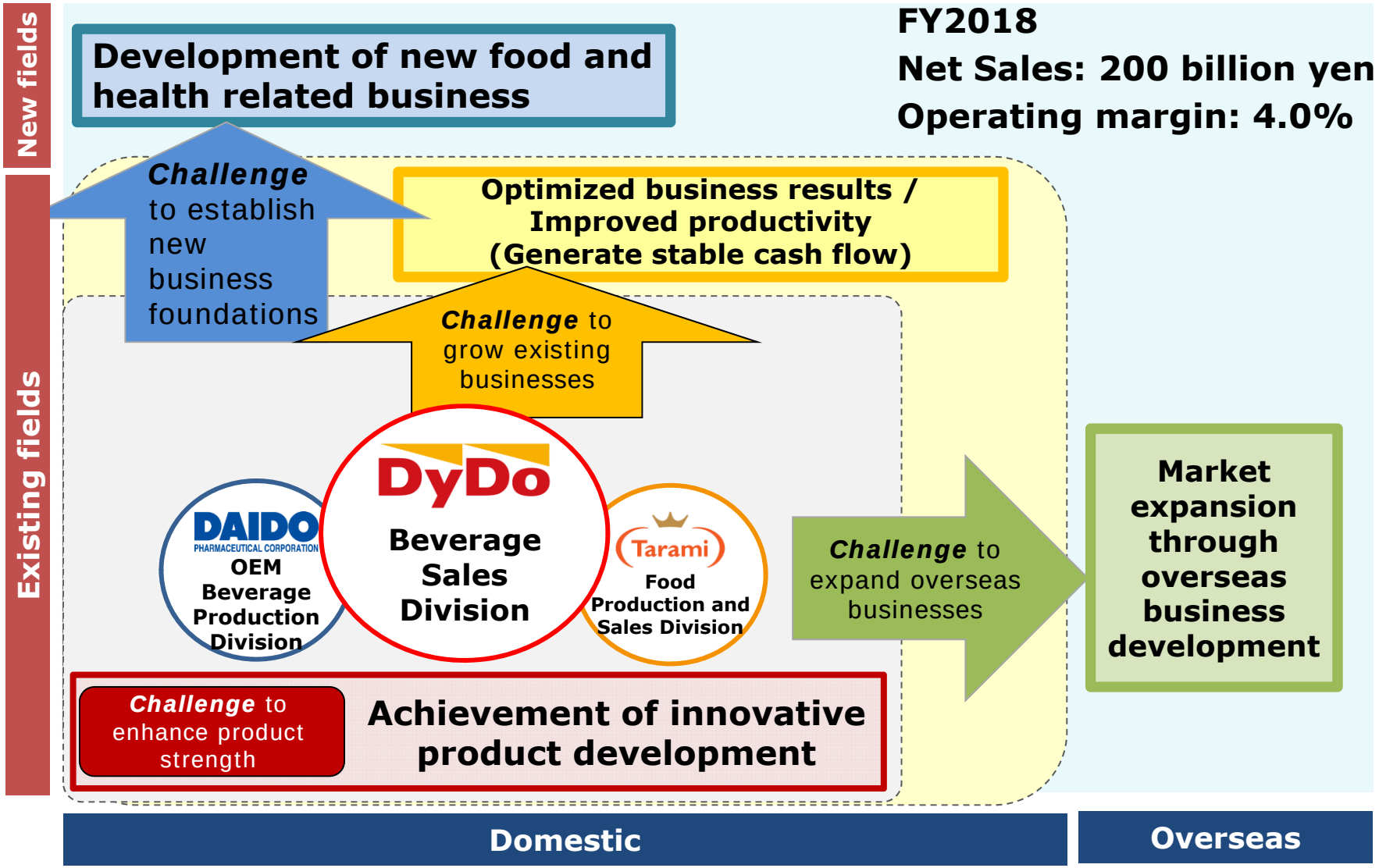

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4. Business Strategy from FY2016
－Challenge of Creating Corporate Value for the Next Generation－

Challenge

Next Stage

Business strategies

Next Stage

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Challenge to grow existing businesses

Work to increase cash flows on an ongoing basis by reforming the vending machine business model.

Challenge to enhance product strength

Enhance the DyDo Blend brand and strive to make it the leading brand in its market segment.

Challenge to expand overseas businesses

Achieve dramatic, top-line growth by accelerating the development of our overseas businesses.

Challenge to establish new business foundations

Establish new profit centers through an M&A strategy.

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Continuing to expand cash flows by reforming the vending machine business model

Challenge

Next Stage

Continuing to expand cash flows by reforming the vending machine business model

Next Stage

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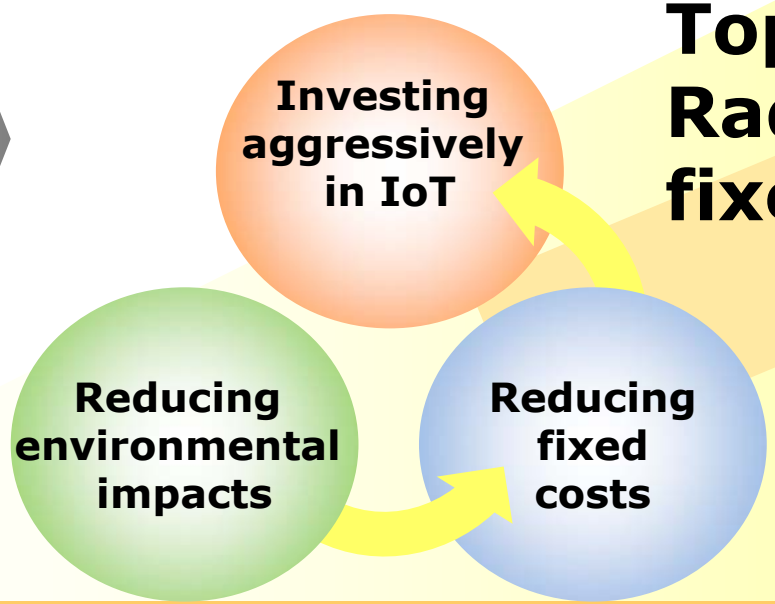
[External factors]

- Acceleration in CVS openings
- Expansion of low-cost sales
- Decline in sales per machine

Continued expansion of cash flows



Top-line growth
Radical reform of our fixed cost structure

DyDo's technological innovation as a leader in the vending machine business

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Challenge of radically reforming the vending machine channel's fixed cost structure

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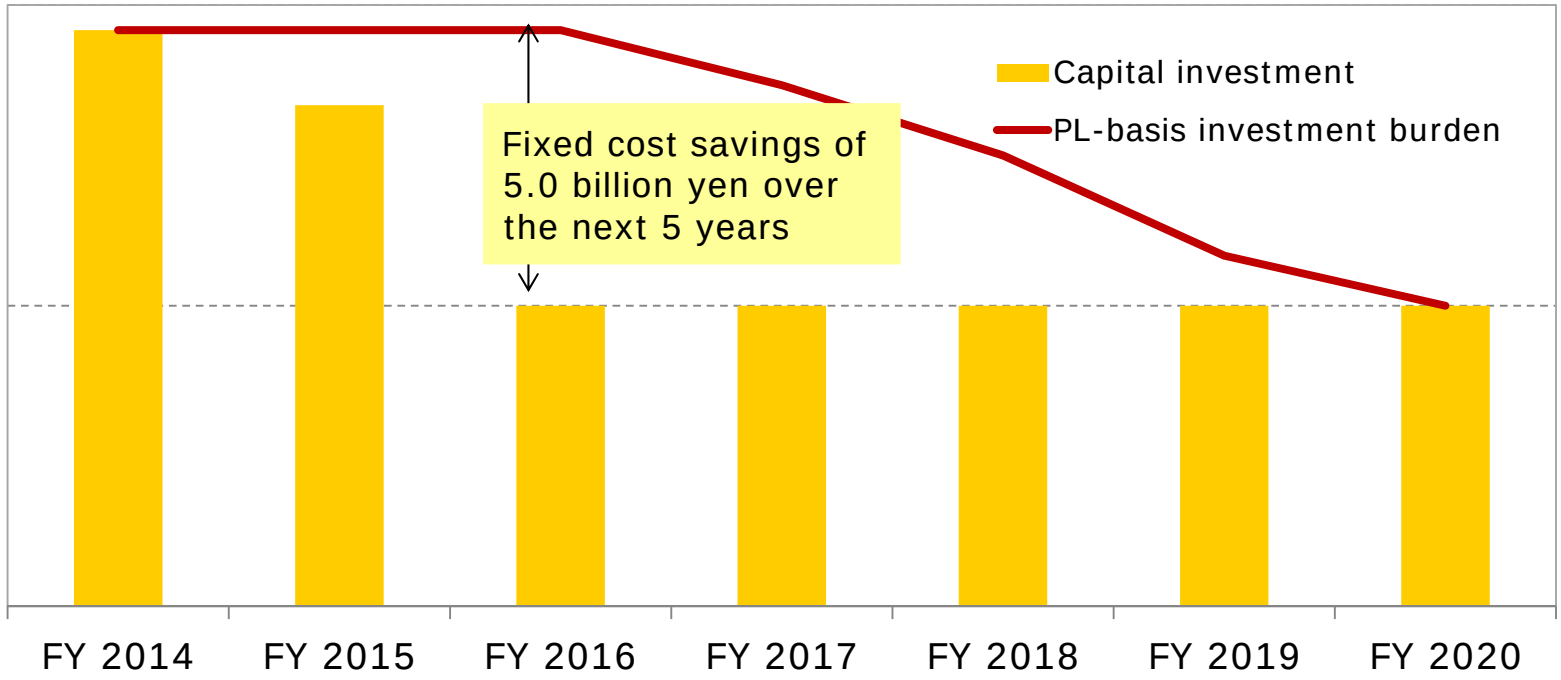
◆Reducing environmental impacts and establishing cost savings

- **Lowering purchase costs per machine by reassessing the methods by which we procure vending machines**
- **Taking into account environmental considerations, for example by extending the service life of vending machines**

Illustration of reductions in capital investment in the Beverage Sales Division and the resulting investment burden on a PL basis



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Challenge of creating a platform business using vending machines

Next Stage

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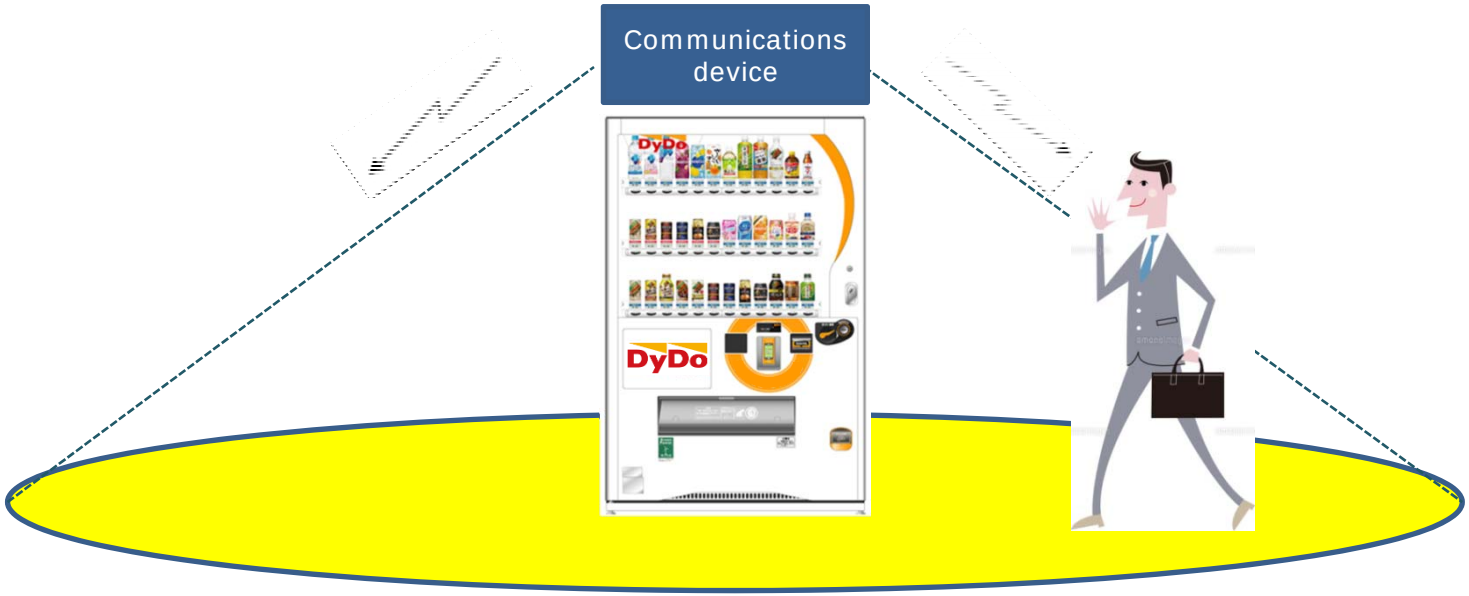
◆Investing aggressively in IoT

- Integrating 150,000 vending machines nationwide into an IoT platform by 2018
- Creating new ways for people to interact with vending machines
  - ✓ Offering an extensive array of services centered on vending machines
  - ✓ Transforming vending machines from machines that only sell beverages into information centers



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Accelerating acquisition of closed locations

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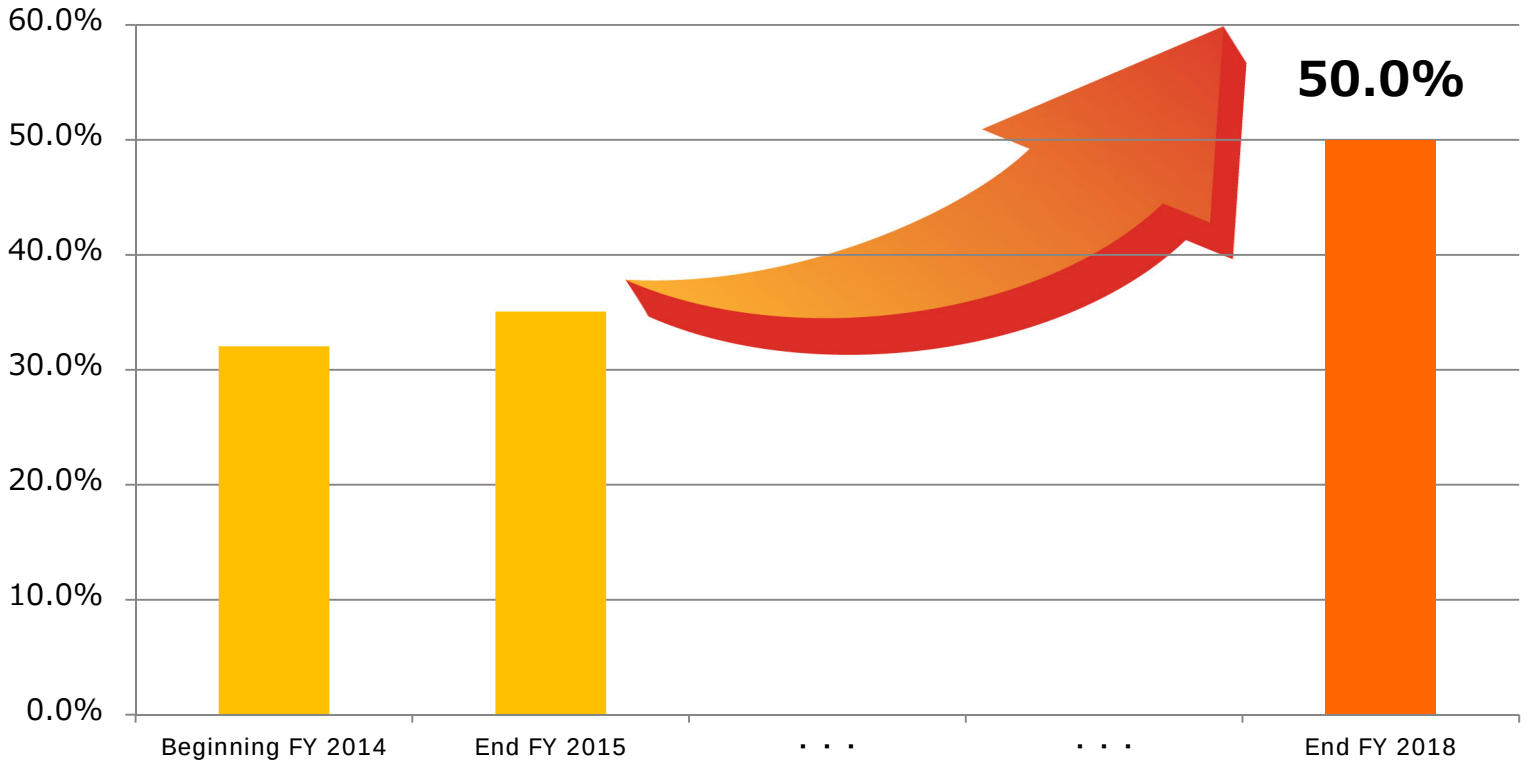
◆**Aim at a 50% closed ratio by the end of FY 2018**

Changes in the composition of closed locations



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Optimizing the vending machine column based on analytical data

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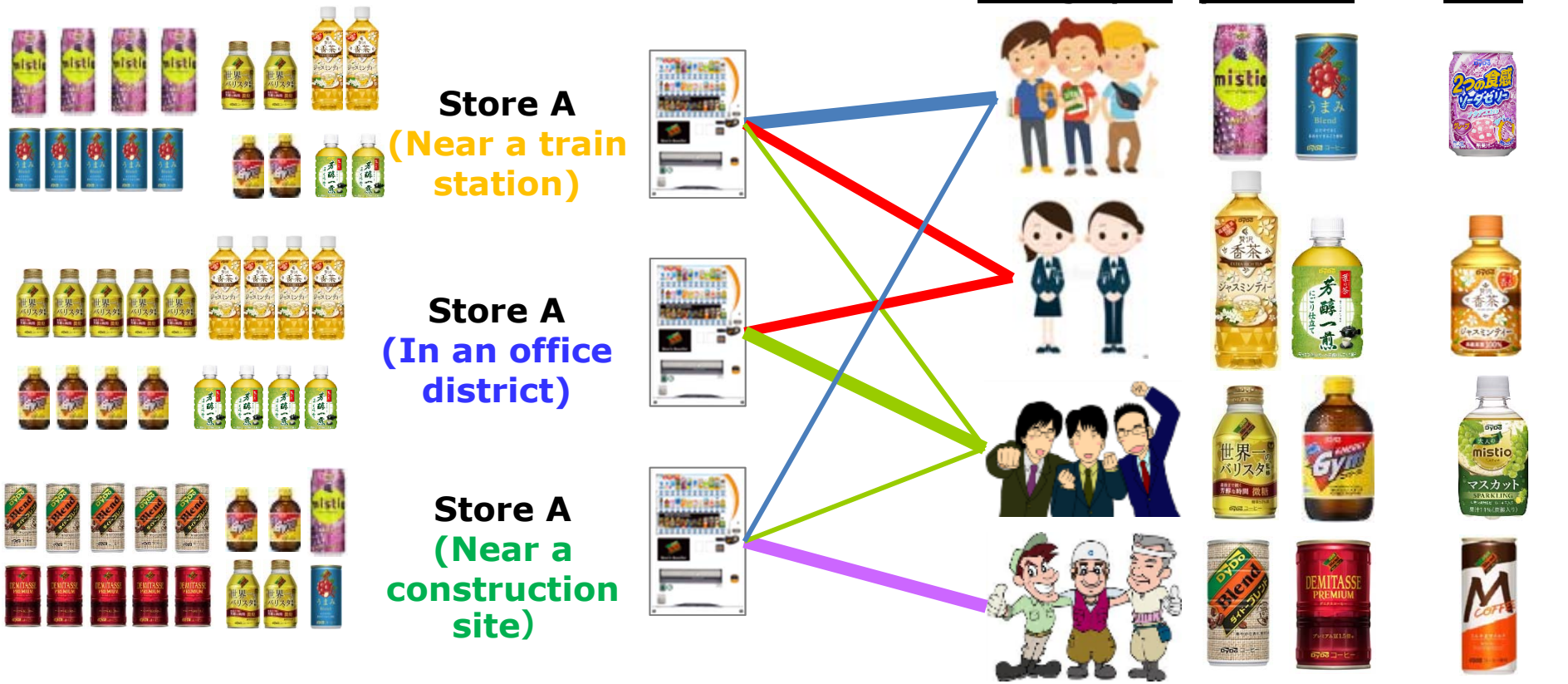
◆Identifying the demographics of consumers who purchase beverages from vending machines and optimizing column selections



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Strengthening the DyDo Blend brand

Challenge

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Coffee market trends

Next Stage

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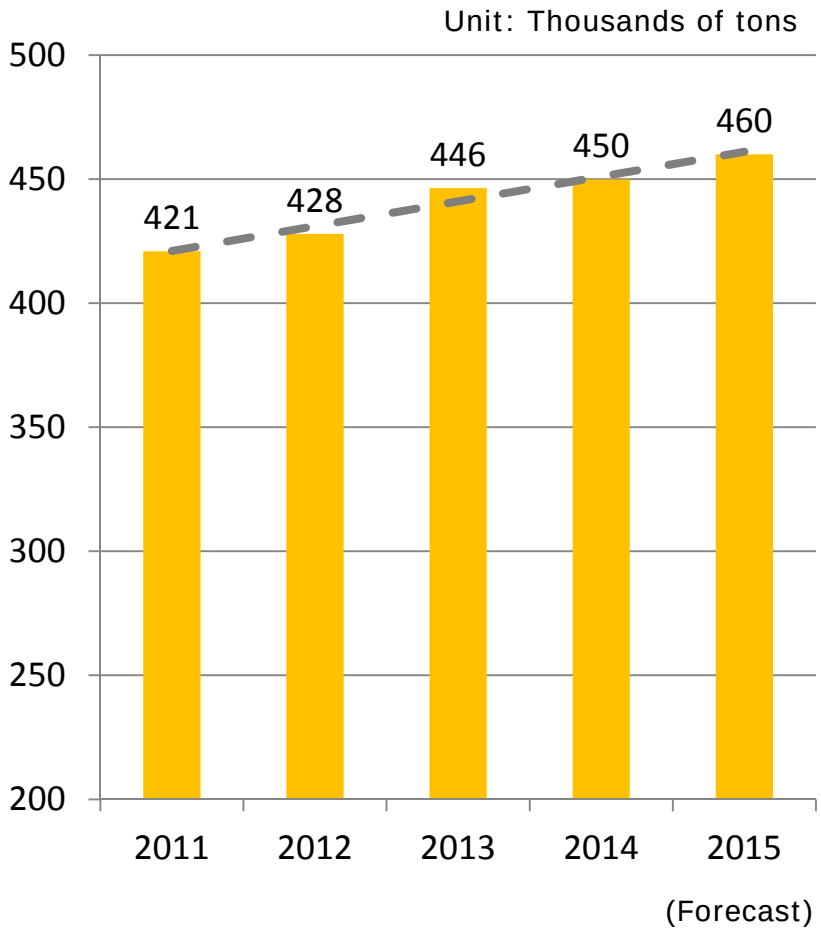
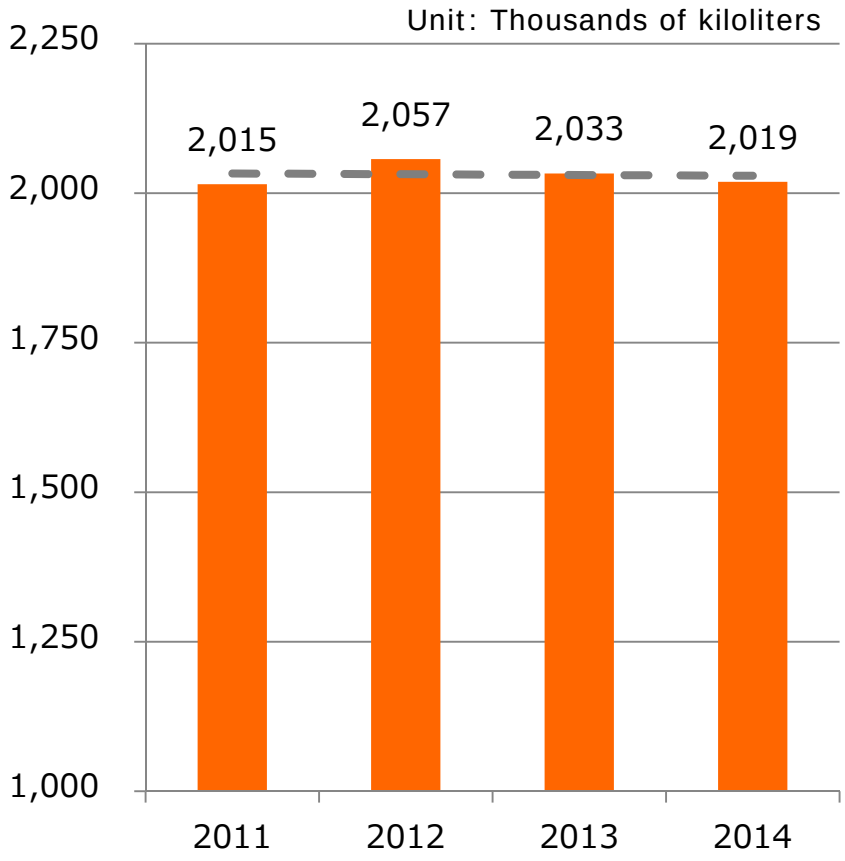
Coffee consumption in Japan



Canned coffee consumption in Japan



Source: Created by DyDo based on *Coffee Statistics* (published by the All Japan Coffee Association).

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Challenge of securing new canned coffee customers

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- **Launching new products that meet the need for an entry-level canned coffee**

A new proposal: UMAMI



DyDo Blend UMAMI Blend

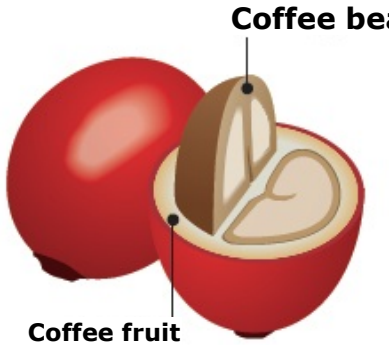
Coming February 29

Prepared using the whole cherry around the bean, which has been wasted until now.

UMAMI Blend delivers the true savory flavor of coffee by blending carefully selected beans with the fruit of the coffee cherry, which has a delicate sweetness and flowery fragrance. With this product, we were able to create a new level of delicious flavor.



Coffee cherry (fruit)



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Challenge of securing new canned coffee customers

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- **Offering the perfect flavor for every situation: DyDo Blend "Supervised by the World's Top Barista"*1 series**



*1: Pete Licata, 2013 World Barista Champion

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Challenge of expanding sales channels beyond existing frameworks

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■ Initiatives to expand the DyDo Blend sales channel

◆In April 2016, Kirin Beverage Co., Ltd., will start selling two DyDo Blend products in its vending machines.

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KIRIN





◆DyDo vending machines will carry two “Gogo no Kocha” products.

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A distinctive soft drink lineup

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- **Miu brand: The best of flavor and mineral content**









- **"Shake and drink" dessert soft drinks featuring jelly and coconut milk**





- **Rich fragrance and taste: The luxurious flavor of tea leaves**

贅沢香茶
ZEITAKU KOCHA





- **High-quality relaxation with refreshing fruit**

和果ごち





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Achieving dramatic, top-line growth by accelerating the development of our overseas businesses

Challenge

Next Stage

Entry into the Turkish market

Next Stage

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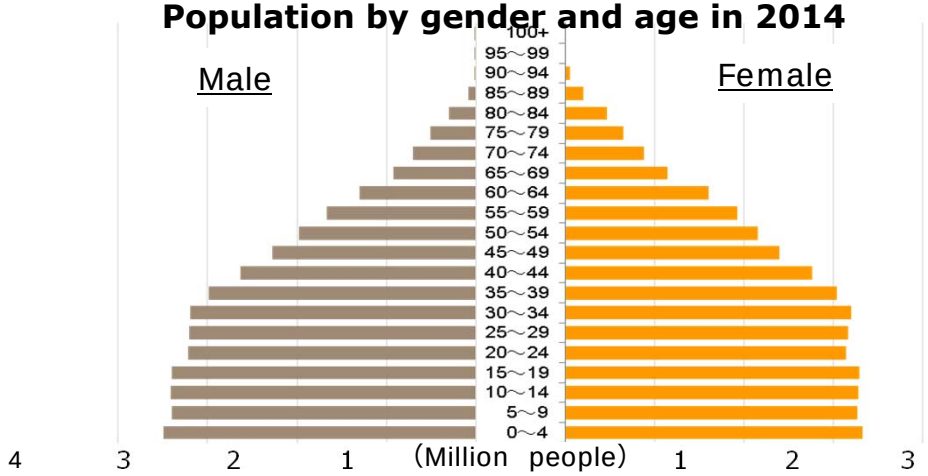
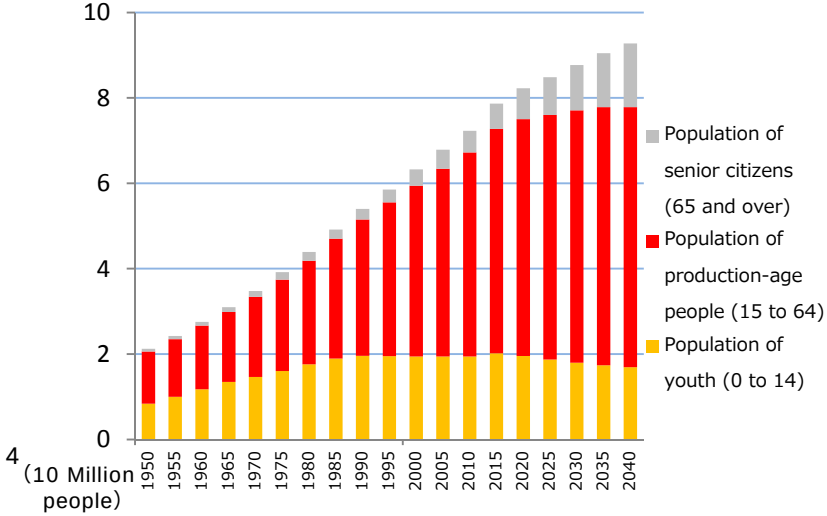
◆ Population of the Turkish market

Population by gender and age in 2014



Trend in population by age group (including outlook)



Source of data for 2 graphs: Created by DyDo based on United Nations data.

◆ Major brands in DyDo's Turkish



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Entry into the Turkish market

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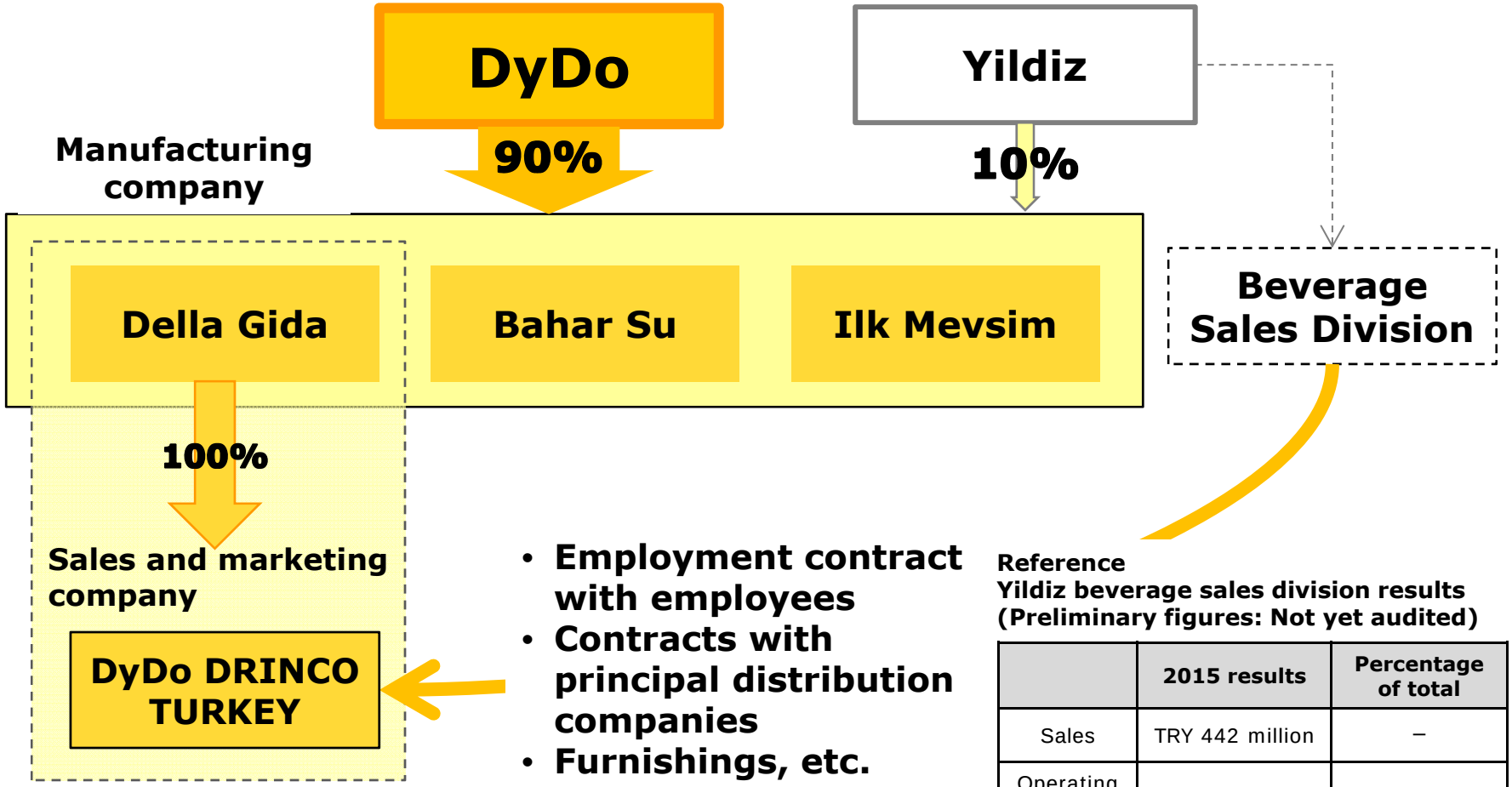
◆ Structure of the DyDo's Turkish beverage business



- Employment contract with employees
- Contracts with principal distribution companies
- Furnishings, etc.

Reference
Yildiz beverage sales division results
(Preliminary figures: Not yet audited)

	2015 results	Percentage of total
Sales	TRY 442 million	–
Operating income	TRY 14 million	3.2%

*** Preliminary figures calculated based on Turkish accounting standards**

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Entry into the Malaysian market

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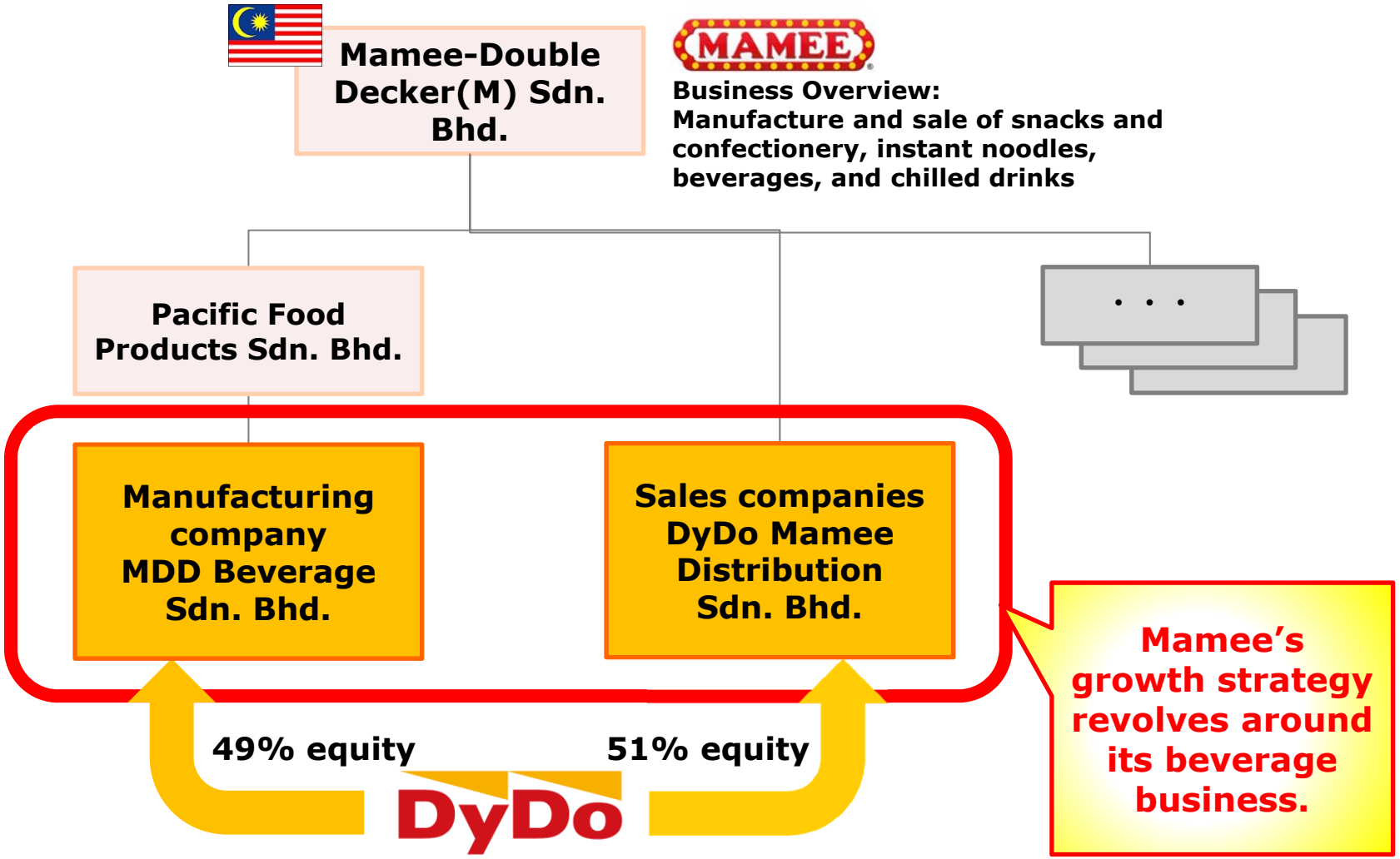
Capital participation in the beverages business division of the Malaysian food giant Mamee, making a joint venture company



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Entry into the Malaysian market

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nutrigen™
MINUMAN SUSU KULTUR



nutrigen
Lite Yo



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Entry into the Russian market

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- **Promoting the installation of vending machines in Moscow, Russia**





DyDo vending machine inside the Aero Express station from Sheremetyevo International Airport, Russia's second-largest airport, to the central city.



Subway



Bus terminal



Gas station



Train station



Cinema

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Future Image of Overseas Deployment

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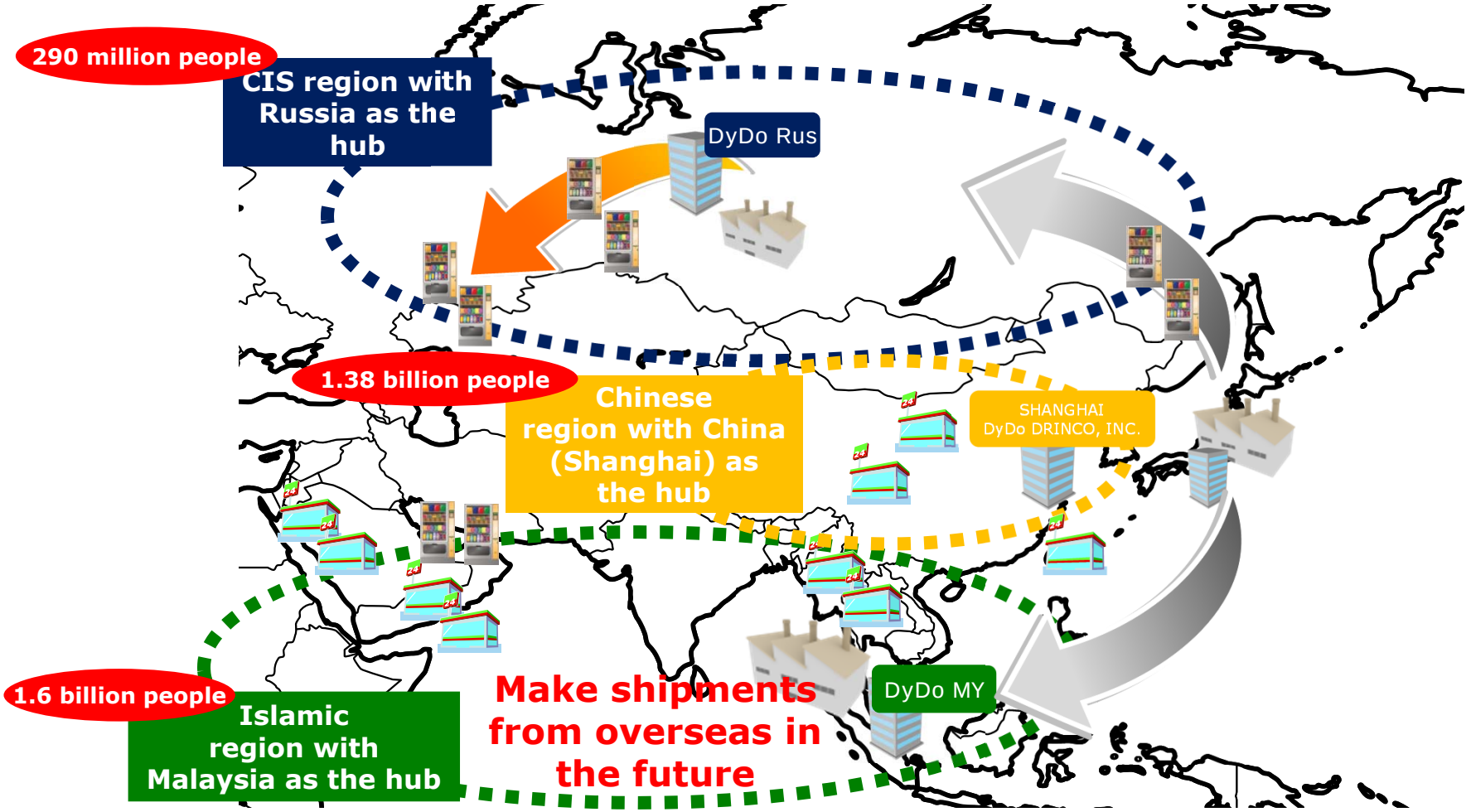
Expand into **the CIS region with Russia as the hub; the Islamic region with Malaysia as the hub; the Chinese region with Shanghai as the hub.**



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Establishing new profit centers through an M&A strategy

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End of FY2015
Outline of the Consolidated Balance Sheet

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Asset total: ¥163,697 million
(Compared to the end of the previous term: ¥15,803 million increase)

(Millions of yen)

Assets Section

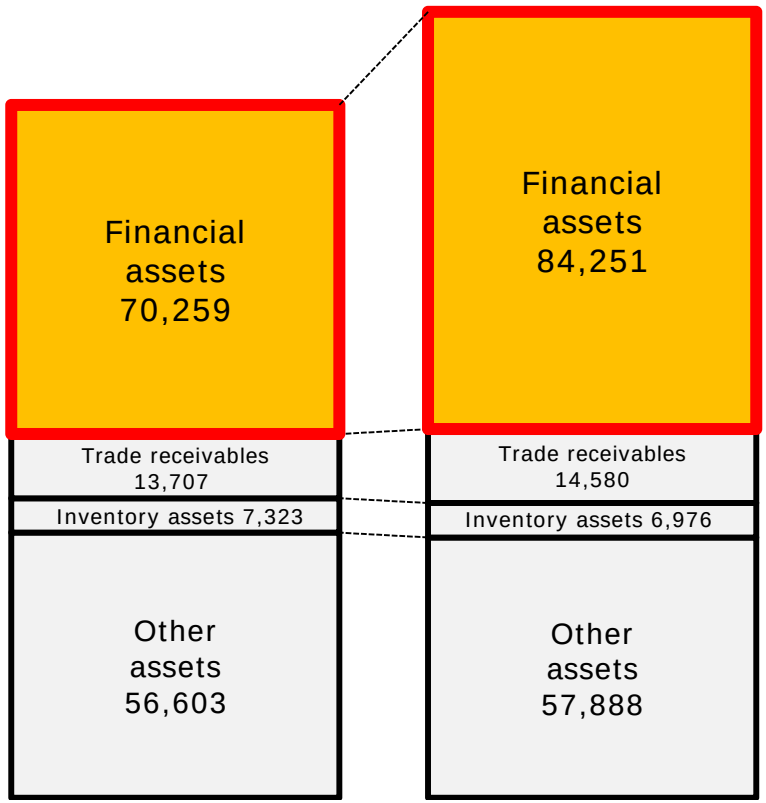

Figure for the end of FY 2014 (¥147,894 million)

Figure for the end of FY 2015 (¥163,697 million)

Liabilities Section / Net Assets Section



Figure for the end of FY 2014 (¥147,894 million)

Figure for the end of FY 2015 (¥163,697 million)

*Transfer of funds for acquisition of shares of the Turkish beverage business in the amount of about 14.7 billion yen was completed on February 3, 2016.

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Establishing new profit centers through an M&A strategy

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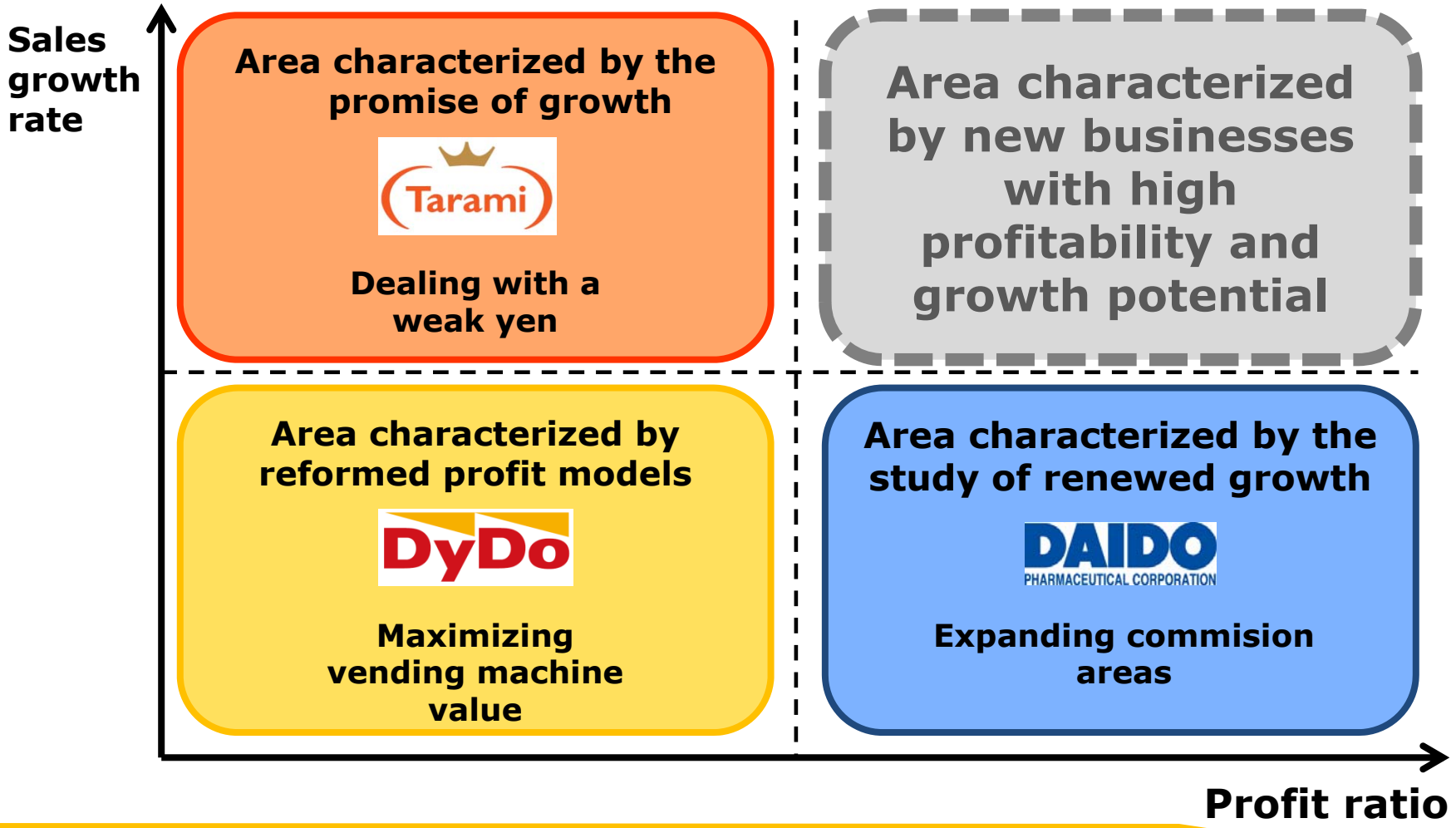
◆ **Acquiring a portfolio of new businesses with high profitability and growth potential, for example in the healthcare segment**



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5. FY2016 to FY2018 Profit Plan

Challenge

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Overview of FY2016 full-year earnings forecast

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- **Consolidated net sales are expected to increase 2% year-on-year (existing business basis)**
- **Final profit is expected to increase 23.6% due to the resolution of temporary factors that had affected results during the previous fiscal year.**
- **Miscellaneous costs associated with the Turkey and Malaysia business plans and with PMI* have not been included in the earnings forecast.**

Unit: Millions of yen

	FY2015 result		FY2016 Forecast			
		Component ratio		Component ratio	Difference (%)	Difference (amount)
Net sales	149,856	100.0%	152,800	100.0%	2.0%	2,944
Operating income	4,988	3.3%	5,000	3.3%	0.2%	12
Ordinary income	4,262	2.8%	4,800	3.1%	12.6%	538
Current net income returned to parent company shareholders	2,347	1.6%	2,900	1.9%	23.6%	553
EPS	141.68 yen		175.05 yen		23.6%	33.37 yen
Dividend per share	60 yen		60 yen		0.0%	-

*Post Merger Integration

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Trend in quarterly sales volume for the Beverage Sales Division

Next Stage

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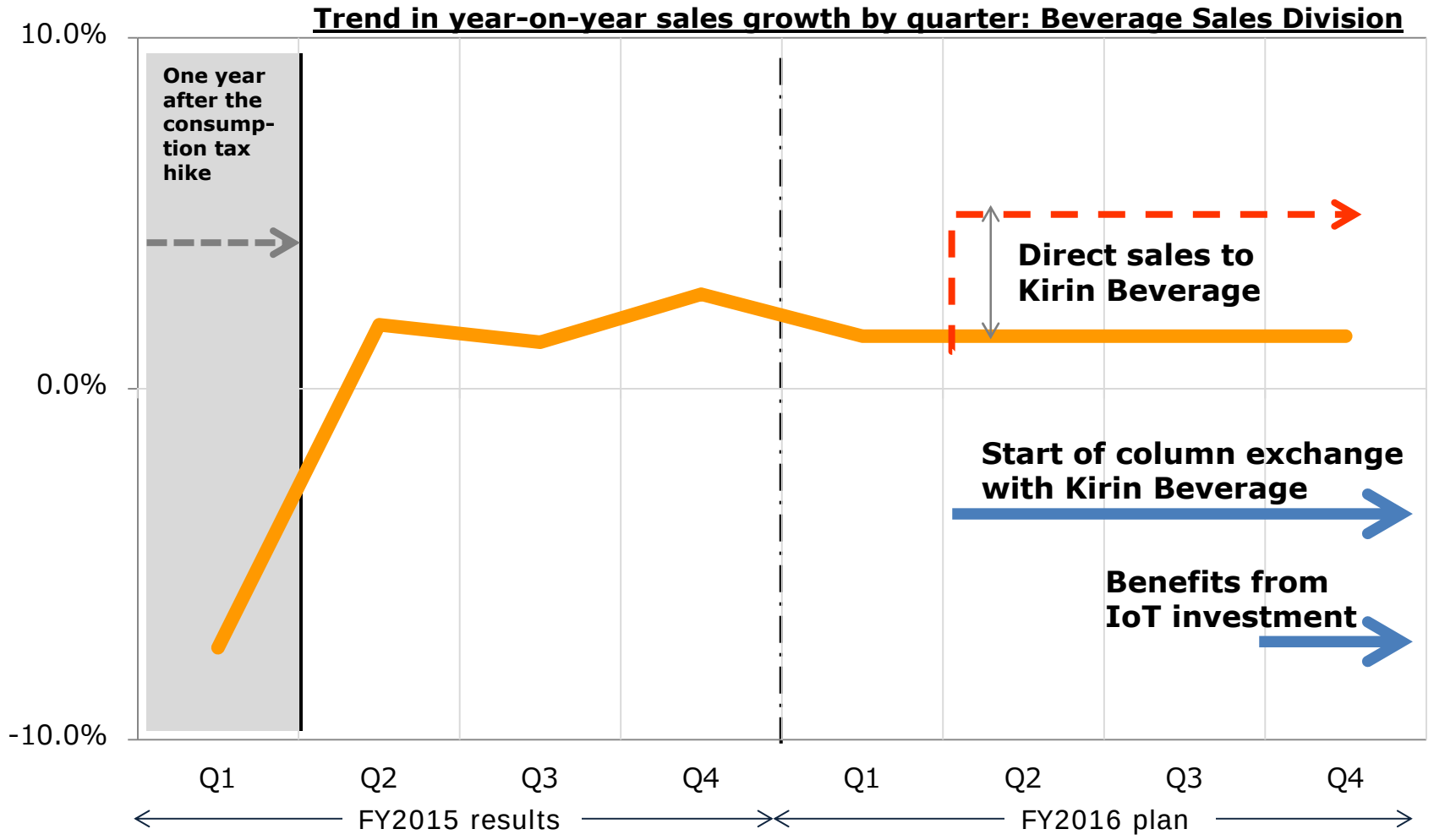
Full-year sales in the Beverage Sales Division are expected to grow 1.5% year-on-year (Excluding sales to Kirin Beverage Co., Ltd.)



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FY2016 full-year forecast Causes for increasing / decreasing operating income

Next Stage

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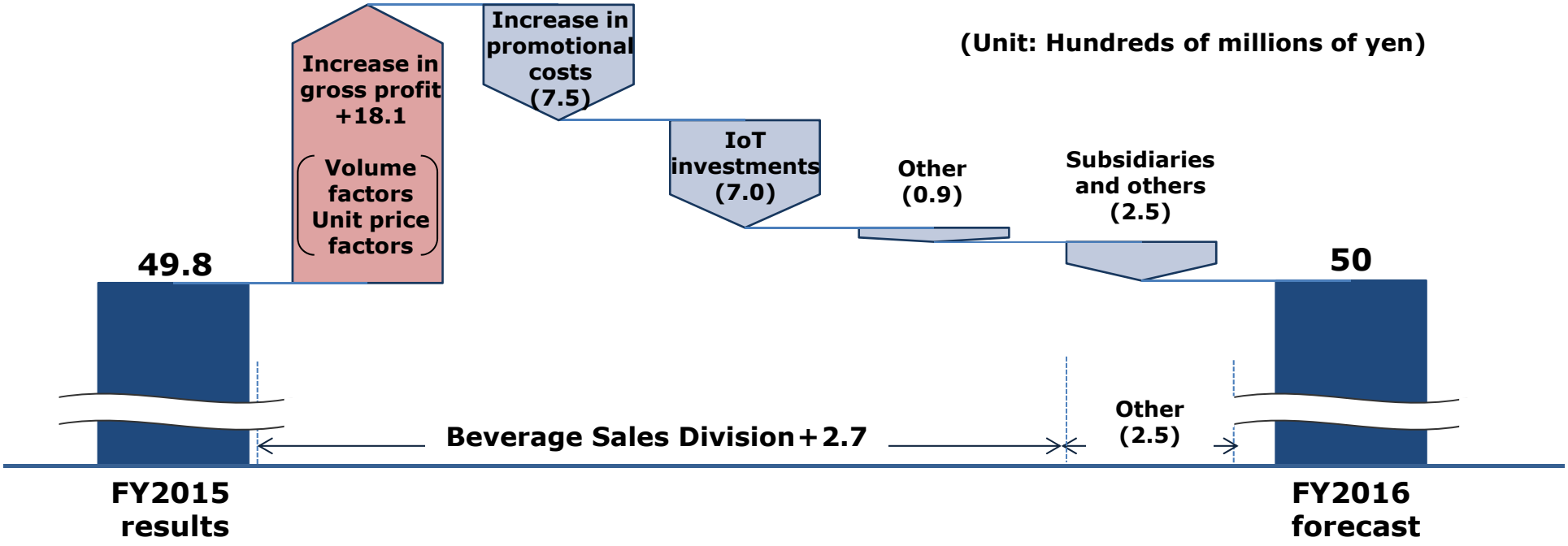
- Gross profit for the Beverage Sales Division is expected to grow by about 1.8 billion yen due to increased sales volume and reduced costs
- We will make advance investments in securing the best possible locations for vending machines and in integrating vending machines into an IoT platform in an effort to secure top-line growth
- We expect to start seeing the results of reductions in the vending machine channel's fixed costs in FY2017



*The above figures do not include DyDo's Turkish or Malaysian businesses.

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Narrative for achieving our mid-term management objectives from FY2016 to FY2018

Next Stage

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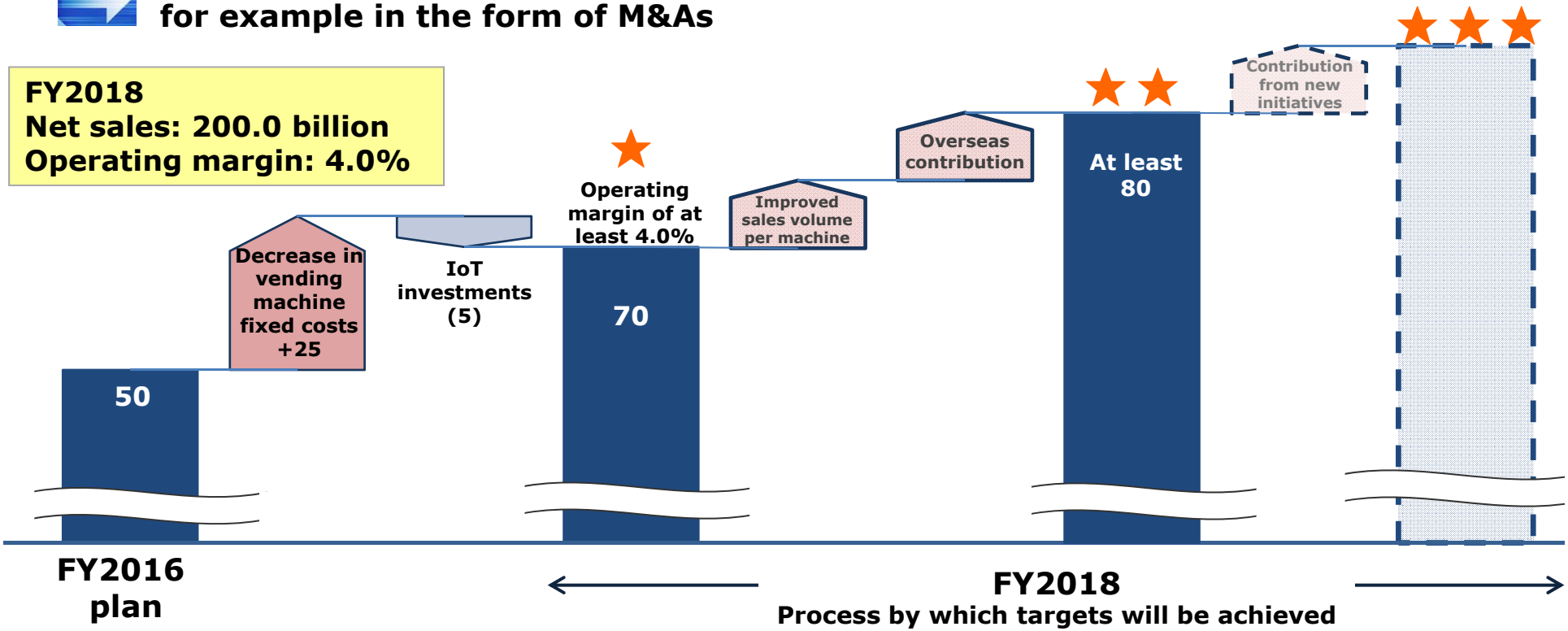
- We will secure an operating margin of at least 4.0% by means of radical reforms to the vending machine channel's fixed cost structure
- We will strive to achieve operating income of at least 8.0 billion yen by improving sales volume per machine through aggressive IoT investment and through profit contributions from overseas businesses that are included in our consolidated accounting
- We will seek to bolster those figures with strategic investments, for example in the form of M&As

(Unit: Hundreds of millions of yen)

FY2018
Net sales: 200.0 billion
Operating margin: 4.0%



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On capital policy and returns to shareholders

Next Stage

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Returns to shareholders

Realizing sustainable, profitable growth

Effective use of capital

Establishing a new business foundation via strategic investment

Maintaining fiscal soundness

Improving cash creation capacity in existing businesses

	Basic approach
Effective use of capital	・Internal reserves are given priority in appropriation for strategic business investment for sustained profits/growth and improving capital efficiency
Maintaining fiscal soundness	・Improve stable cash creation capacity via existing businesses ・Maintain financial foundation enabling ongoing strategic business investment
Returns to shareholders	・Continue to maintain stable dividends despite the severe earnings environment ・Aim to realize ongoing profit/growth for mid-term increased dividends

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6. Governance Structures for Increasing Corporate Value

Challenge

Next Stage

Illustration of portfolio management

Next Stage

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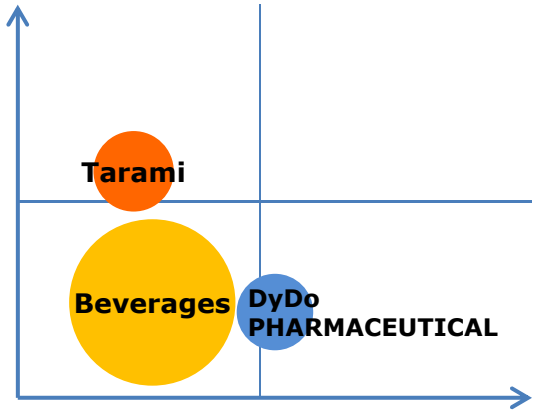
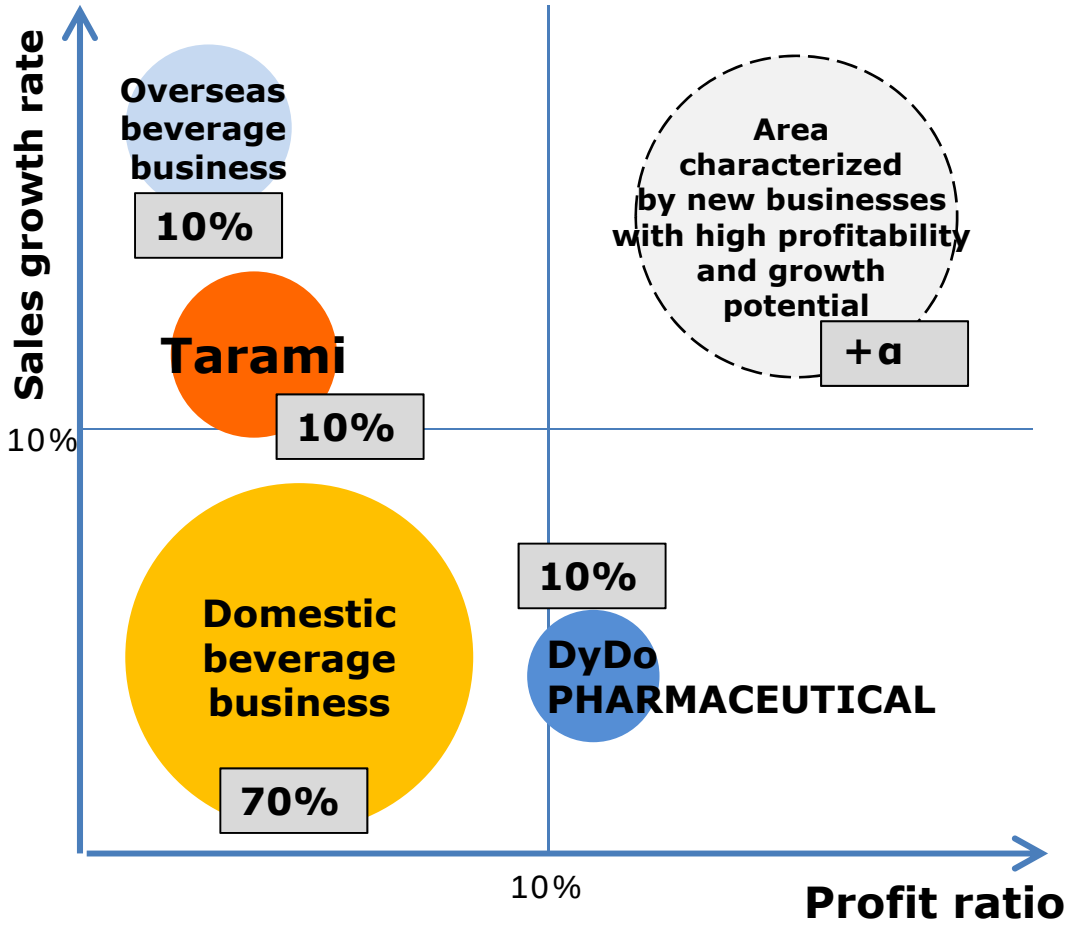
Beverage business-centric portfolio management



Management based on impact on group performance



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Transition to a holding company structure

Next Stage

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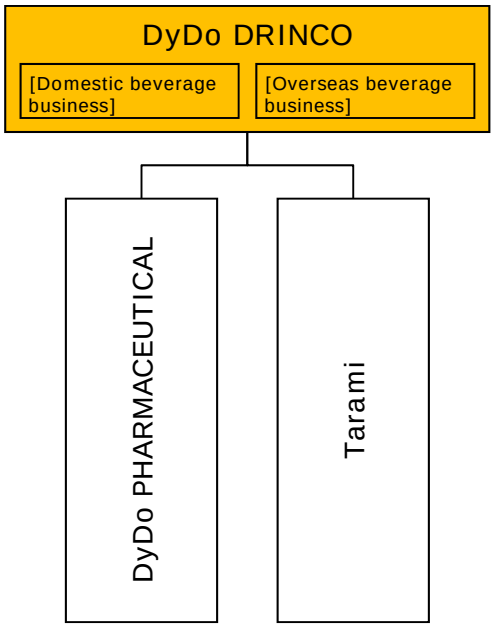
◆**Objective**

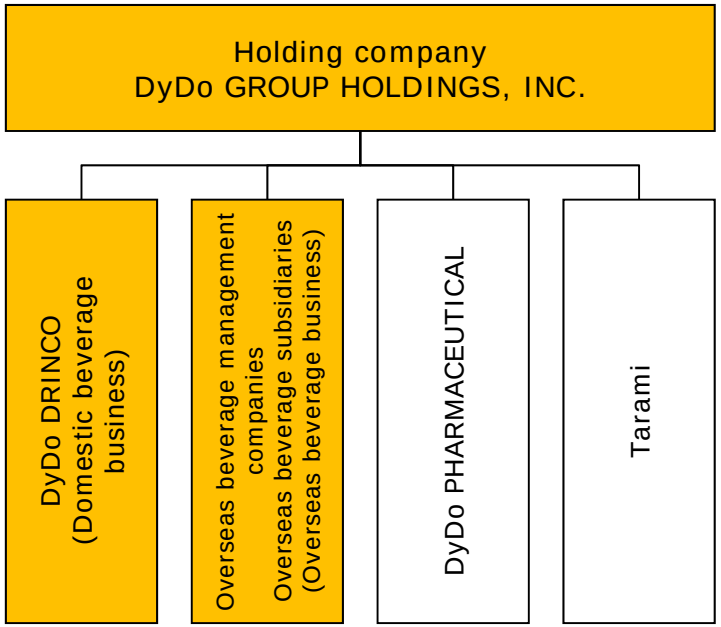
To enable us to better embrace the challenge of achieving the goals set forth in our mid-term business plan and creating corporate value for the next generation

◆**Illustration of corporate structure after the transition to holding company structure**

[Current structure]



[After the transition to a holding company structure]



◆**Schedule for the transition to a holding company structure**

- **April 15, 2016 (planned): Submission of resolution at the 41st annual meeting of shareholders**
- **January 21, 2017 (planned): Transition to the holding company structure**

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Revitalizing and strengthening the functionality of the Board of Directors Next Stage

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- **Reducing the size of the Board of Directors as set forth in the articles of incorporation 9 members → 7 members**
- **Shortening the term of members of the Board of Directors as set forth in the articles of incorporation 2 years → 1 year**
- **Increasing the proportion of independent and external directors → To one-third of the entire Board**
  - **New external director candidate**

Name	Current position
Masataka Inoue	Formerly, managing director at the head office of Mizkan Group Corporation

* See profile on page 57.

- **Reassessing the scope of management's responsibilities**
  - **Related rules, including the Board of Directors Rules, Management Meeting Rules, and Administrative Authority Rules, were revised starting on January 21, 2016.**
- **Reassessing Board of Directors operations**
  - **Improving the provision of information to external directors**
  - **Distributing materials in advance**

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Performance-based incentive system

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- **Targeted positions**
  Directors* and corporate officers of DyDo Group Holdings, DyDo DRINCO, DyDo PHARMACEUTICAL, Tarami, and overseas beverage management companies
  ***Not including external directors or the chairman of the Board of Directors**

- **Grants of DyDo shares based on extent to which KPIs are achieved**
  (1) Percentage achievement of each business year's consolidated net sales target
  (2) Percentage achievement of each business year's consolidated operating income target
  (3) Percentage achievement of the consolidated net sales target for the final year of the mid-term business plan
  (4) Percentage achievement of the operating margin for the final year of the mid-term business plan
  ***No incentives will be granted if KPIs are not achieved.**

- **Timing of grants of DyDo shares to eligible directors and officers under this system**
  In general, shares will be granted at the end of the term of the director or officer in question if the requirements for such an award have been met.

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Realizing sustainable growth

Next Stage

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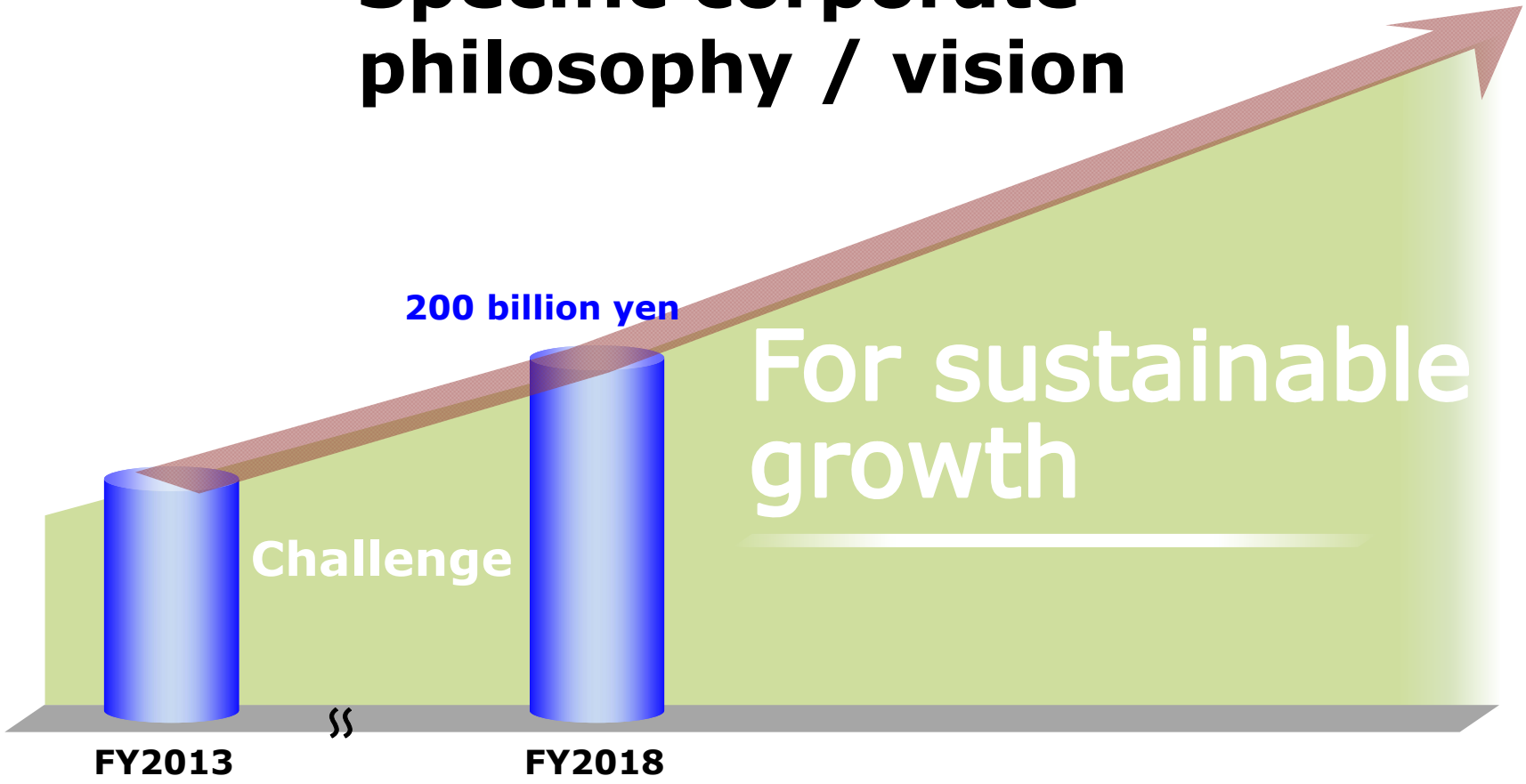
Specific corporate philosophy / vision



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Reference Materials for the 41st Annual Meeting of Shareholders

Challenge

Next Stage

- Scheduled to be held on April 15, 2016 -

(1)Allocation of retained earnings

Next Stage

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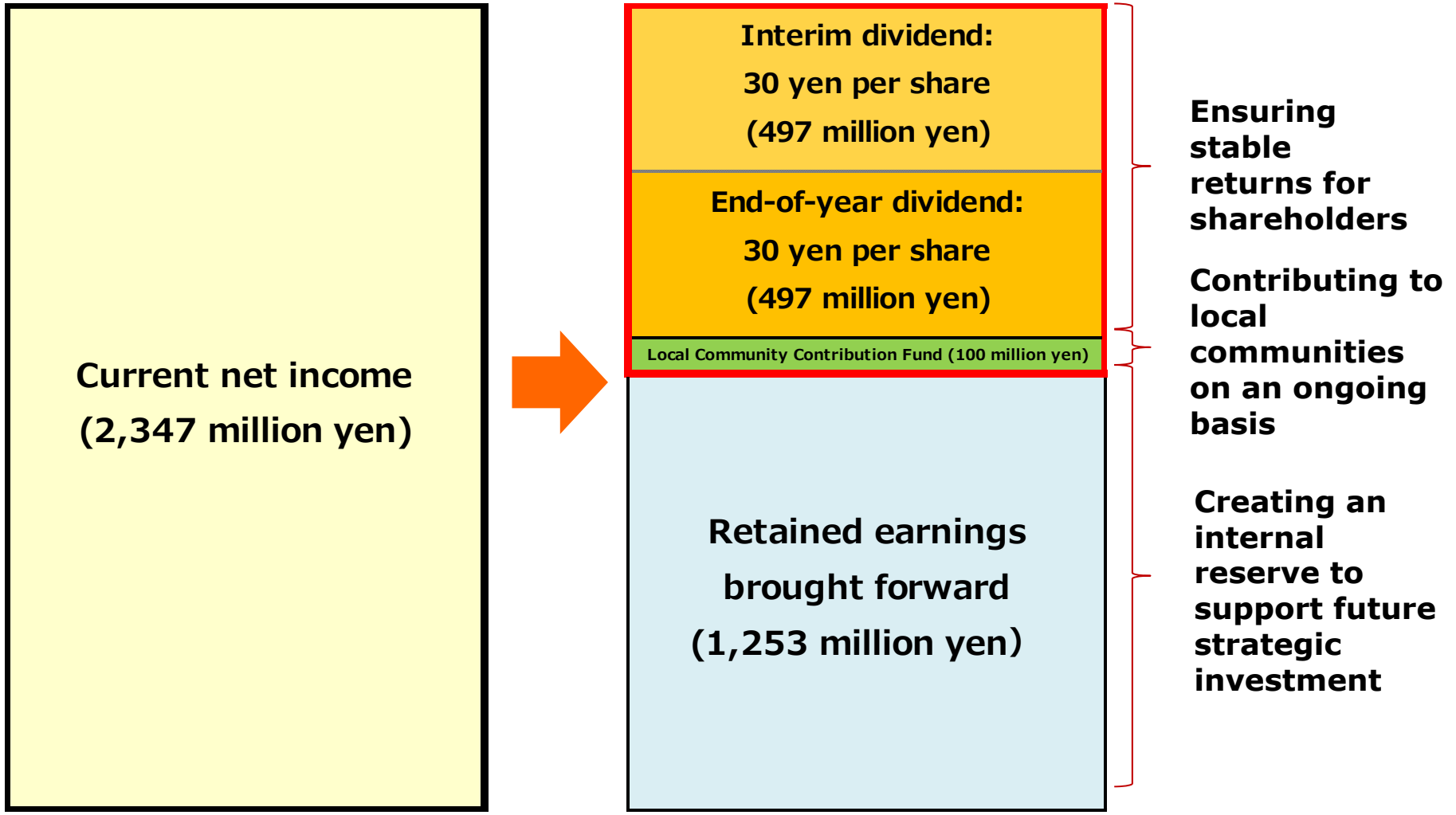
◆ Ensuring stable returns for shareholders



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(1)Allocation of retained earnings
-Local Community Contribution Fund-

Next Stage

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◆ **Contributing to society using the Local Community Contribution Fund**

➢ **Ongoing aid for the Great East Japan Earthquake**

20 million yen

10 million yen

10 million yen

「ハタチ基金」

ハタチ基金

公益財団法人
東日本大震災復興支援財団

みんなで
がんばろう
日本

公益財団法人
東日本大震災復興支援財団

➢ **Support from vending machines to the Kizuna Tohoku recovery donations**



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東北復興絆義援金自販機

東北3県(岩手・宮城・福島)は、東日本大震災により、主産業である漁業に深刻な打撃を受けました。
この自販機の収益金の一部は東北の復興・漁業再建に役立てられます。

東北の漁港を応援しよう

➢ **Cultural support in school education e.g. street dancing**



➢ **Aiding lack of exercise for children in Fukushima**



➢ **Support to Nippon Matsuri Network NPO**

DyDo DRINCO joins the Nippon Matsuri Network NPO (Non-Profit Organization)

祭

NPO(特定非営利活動法人)
日本の祭りネットワーク
Nippon Matsuri Network

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(2) Conclusion of an absorption-type split contract in advance of the transition to a holding company structure

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◆Objective of transitioning to a holding company structure by means of a corporate split

We are working to strengthen the basis of the Group's management with the ultimate objective of continuing to embrace the challenge of creating corporate value for the next generation in the awareness that achievement of the goals set forth in the mid-term business plan is one milestone on the path forward.

◆Corporate split schedule

Board of Directors meeting held to approve of the establishment of a company that will prepare for the split	February 15, 2016
Date of establishment of the company that will prepare for the split	February 24, 2016
Board of Directors meeting held to approve of an absorption-type split contract	February 26, 2016
Date of conclusion of the absorption-type split contract	February 26, 2016
Annual meeting of shareholders at which the absorption-type split contract will be approved	April 15, 2016 (planned)
Date on which split enters takes effect	January 21, 2017 (planned)

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(3) Partial changes to the articles of incorporation

◆Changes

1. Changes to business name and purpose as part of adoption of a holding company structure

2. Change to size of Board of Directors:
   9 members → 7 members

3. Reduction in length of term of directors:
   2 years → 1 year

4. Change to scope of liability limitation contract

5. Addition, deletion, and revision of other rules and language as necessary as well as changes in the number of articles to accommodate the above changes

*Date on which changes to articles of incorporation will take effect
Change 1: January 21, 2017 (planned)
Changes 2, 3, 4 and 5: April 15, 2016 (planned)

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(4) Nomination of directors

Next Stage

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◆ Director candidates who will be put before the 41st annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)
 Currently: President and representative director Tomiya Takamatsu (Date of birth: June 26, 1976)	April 2004: Joined DyDo DRINCO. April 2008: Appointed to the position of director at DyDo DRINCO. April 2009: Appointed to the position of managing director at DyDo DRINCO. March 2010: Appointed to the position of executive director at DyDo DRINCO. April 2012: Appointed to the position of vice president and director at DyDo DRINCO. April 2014: Appointed to the positon of president and representative director (his current position) at DyDo DRINCO.
	Since his appointment to the position of president in April 2014, Mr. Takamatsu has demonstrated strong leadership by managing the company with rapid, decisive decision-making in line with its medium- and long-term management posture based on the perspective of all stakeholders and in keeping with the newly formulated Group Philosophy and Group Vision. In addition to orchestrating radical reforms that go beyond the existing paradigm, identifying new challenges, and working to reform existing business, he launched an intensive drive to develop the group's businesses overseas. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.
 Currently: Chairman and director Tomihiro Takamatsu (Date of birth: January 16, 1948)	March 1971: Jointed DyDo PHARMACEUTICAL CORPORATION. January 1975: Appointed to the position of managing director following DyDo DRINCO's establishment. May 1984: Appointed to the position of executive director at DyDo DRINCO. June 1990: Appointed to the position of vice president and director at DyDo DRINCO. April 1992: Appointed to the position of vice president and representative director at DyDo DRINCO. April 1994: Appointed to the position of president and representative director at DyDo DRINCO. April 2014: Appointed to the position of chairman and director (his current position) at DyDo DRINCO.
	Having guided the company as its president for 20 years, Mr. Takamatsu brings a wealth of experience as well as a proven track record to the table. In his current position as chairman and director, he fulfills a range of roles as appropriate, including strengthening the foundation of the group's management in areas such as governance, deciding important issues, and overseeing execution of business operations. In addition, he has worked tirelessly to revitalize the local communities in which the company does business by orchestrating its community service activities over many years. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.

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(4) Nomination of directors

Next Stage

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◆ Director candidates who will be put before the 41st annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)
 Currently: Managing director Kenji Adachi Director in charge of business reforms and public relations President and representative director, DyDo BUSINESS SERVICE, Inc. (Date of birth: July 19, 1955)	March 1980: Joined DyDo DRINCO. April 2002: Appointed to the position of director at DyDo DRINCO. April 2012: Appointed to the position of managing director (his current position) at DyDo DRINCO. Mr. Adachi, who is involved in an extensive range of operations related to the company's core vending machine business, brings a wealth of experience and a proven track record to the table. Currently, as the director in charge of business reforms, he is playing a central role in orchestrating a radical reform of the vending machine business's fixed cost structure in an effort to achieve the goals set forth in the mid-term business plan. In addition, as the director in charge of public relations, he is working hard to facilitate the robust development of the entire soft drink beverage industry. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.
 Currently: Managing director Makoto Nakagawa Manager, Sales Administration Division (Date of birth: August 8, 1956)	January 1980: Joined DyDo DRINCO. April 2006: Appointed to the position of director at DyDo DRINCO. April 2012: Appointed to the position of managing director (his current position) at DyDo DRINCO. Mr. Nakagawa, who is involved in an extensive range of operations that span the entire soft drink beverage business, from product development, production procurement, and marketing to sales activities in the vending machine and distribution channels, brings a wealth of experience and a proven track record to the table. Currently, in addition to leading the company's sales teams as the manager of the Sales Administration Division and pursuing initiatives to improve profitability, he's working hard to strengthen relationships with key business partners. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.

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(4) Nomination of directors

Next Stage

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◆ Director candidates who will be put before the 41st annual shareholders meeting

Name	Profile (top) and reason for nomination (bottom)
 **External director** Currently: External director Shinji Mori (Date of birth: May 22, 1946)	April 1972: Joined the Supreme Court Legal Training and Research Institute. April 1974: Appointed to serve as a judge on the Yokohama District Court. April 1986: Became a judge on the Kyoto District Court. April 1989: Registered as a member of the Osaka Bar Association. April 2001: Appointed to the position of auditor at DyDo DRINCO. April 2014: Appointed to the position of director (his current position) at DyDo DRINCO.
	Mr. Mori has extensive experience and an advanced level of specialized knowledge as an attorney, and he has served the company for 13 years as an external auditor and for 2 years as an external director. Based on that experience, and due to his ability to further strengthen the oversight function of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective, he has been put forward as a candidate for continued service as an external director on the Board of Directors.
 **External director** New appointee: External director Masataka Inoue (Date of birth: October 12, 1954)	April 1978: Joined Nakano Sumise Co., Ltd. July 2005: Appointed to the positon of director at the head office of Mizkan Group Corporation. May 2007: Appointed to the position of managing director at Mizkan Group Corporation. October 2009: Appointed to the position of standing auditor at Mizkan Group Corporation. March 2011: Appointed to the position of divisional manager in charge of the Management Auditing Office at Mizkan Group Corporation. March 2014: Appointed to the position of divisional manager in charge of the Business Planning Division at Mizkan Holdings Co., Ltd. March 2016: Plans to retire from Mizkan Holdings.
	Mr. Inoue has a wealth of knowledge and experience in the food industry. Based on his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries, and due to his ability to strengthen the oversight function of the Board of Directors by offering advice and suggestions from an independent perspective concerning such issues as accelerating the development of the company's business overseas and expanding its business domain, he has been put forward as a candidate for service as an external director on the Board of Directors.

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(5) Performance-based incentive system

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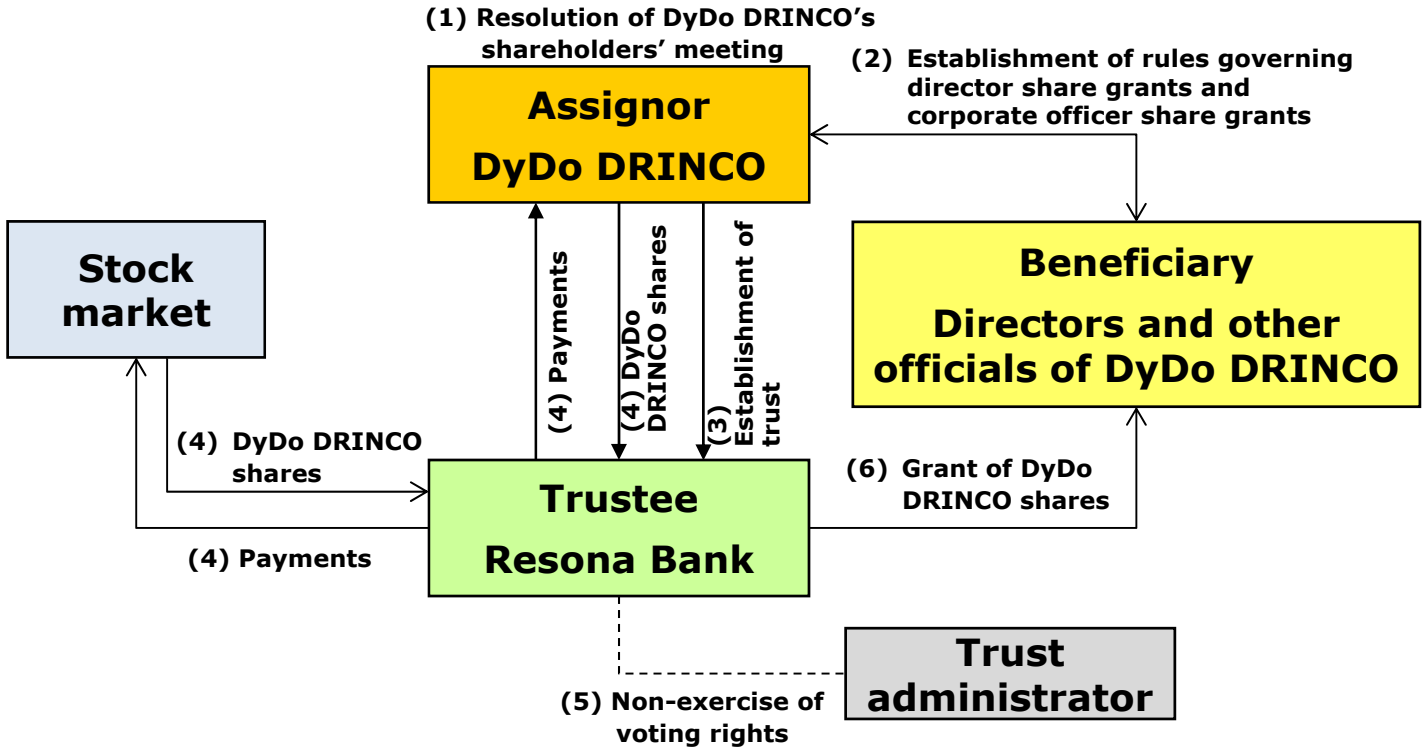
◆Objective

To increase directors' awareness of contributing to improved performance and increased corporate value from a medium- and long-term perspective

◆Overview

Under DyDo DRINCO's performance-based incentive system, the company will contribute funds to a trust that will use those funds to acquire shares in the company. Those shares will then be granted to the company's directors and other officials through the fund based on criteria such as the extent to which the company's performance goals are achieved.



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APPENDIX

Challenge

Next Stage

Beverage Sales Division
FY2015 Summary and FY2016 Policy

Next Stage

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Beverage Sales Division

*Figures prior to consolidated adjustment
(Millions of yen)

	FY2014 results	FY2015 results			FY2016 full-year earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	124,597	124,192	(0.3%)	(405)	126,000	1.5%	1,808
Operating income	3,839	3,745	(2.4%)	(93)	4,020	7.3%	275

FY2015 summary

- Sales revived starting in the second quarter after the cycle of effects triggered by consumption tax hike had run its course
- Sales of the World's Top Barista and Miu series strengthened
- Our area strategy based on regional characteristics bore fruit
- The effects of high prices for raw materials were absorbed by means of cost controls



FY2016 policy

- Secure a new customer demographic for canned coffee by launching DyDo Blend UMAMI Blend
- Create new ways for people to interact with vending machines through aggressive IoT investment
- Work to effect a radical reform of the fixed cost structure in the vending machine channel



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OEM Beverage Production Division FY2015 Summary and FY2016 Policy

Next Stage

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ドリンク剤の受託製造 DAIDO PHARMACEUTICAL CORPORATION

OEM Beverage Production Division

*Figures prior to consolidated adjustment
(Millions of yen)

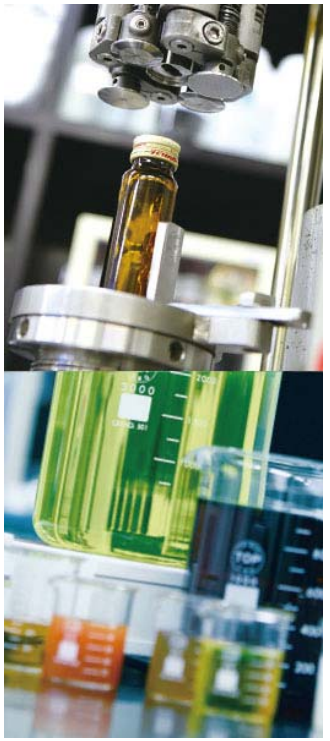
	FY2014 results	FY2015 results			FY2016 full-year earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	10,220	9,126	(10.7%)	(1,094)	9,000	(1.4%)	(126)
Operating income	1,135	979	(13.7%)	(155)	700	(28.5%)	(279)

FY2015 summary

- Special demand from overseas tourists favored certain products
- Orders for existing products faced challenging conditions
- We continued to work to reduce manufacturing costs

FY2016 policy

- Practice an organizational approach to proposal-based sales and develop unique proposal materials
- Pioneer new business domains in order to facilitate medium- and long-term business development
- Strengthen the company's profit structure by streamlining production and lowering costs



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Food Production and Sales Division FY2015 Summary and FY2016 Policy

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Food Production and Sales Division

*Figures prior to consolidated adjustment

(Millions of yen)

	FY2014 results	FY2015 results			FY2016 full-year earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	15,360	17,155	11.7%	1,795	18,270	6.5%	1,115
Operating income	614	620	1.0%	6	640	3.2%	20

FY2015 summary

- We achieved higher penetration of the convenience store and mass retail markets
- We launched high-value-added products in new segments
- We felt the impact of high prices for raw materials due to the weak yen

FY2016 policy

- Maintain and expand share in the distribution market and expand the foundation of the overseas and catalog businesses
- Accommodate high prices for raw materials by implementing procurement and production strategies
- Embrace the challenge of expanding markets by introducing high-value-added products and reassessing product concepts



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FY2016 first half consolidated earnings forecast

Next Stage

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[Consolidated]

(Millions of yen)

	FY2015 first half performance		FY2016 first half earnings forecast			
		Component ratio		Component ratio	Difference (%)	Difference (amount)
Net sales	74,375	49.6%	76,800	50.3%	3.3%	2,425
Operating income	1,715	1.1%	1,350	0.9%	(21.3%)	(365)
Ordinary income	1,545	1.0%	1,250	0.8%	(19.1%)	(295)
Quarter net income returned to parent company shareholders	779	0.5%	670	0.4%	(14.0%)	(109)
EPS	47.08 yen		40.44 yen		(14.1%)	(6.64)
Dividend per share	30 yen		30 yen		0.0%	-

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FY2016 first half earnings forecast by segments

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Beverage Sales Division

*Figures prior to consolidated adjustment

(Millions of yen)

	FY2014 first half results	FY2015 first half results			FY2016 first half earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	62,685	61,060	(2.6%)	(1,625)	62,400	2.2%	1,340
Operating income	1,423	891	(37.3%)	(531)	740	(16.9%)	(151)

OEM Beverage Production Division

*Figures prior to consolidated adjustment

(Millions of yen)

	FY2014 first half results	FY2015 first half results			FY2016 first half earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	5,531	4,548	(17.8%)	(982)	4,700	3.3%	152
Operating income	711	487	(31.4%)	(223)	380	(22.0%)	(107)

Food Production and Sales Division

*Figures prior to consolidated adjustment

(Millions of yen)

	FY2014 first half results	FY2015 first half results			FY2016 first half earnings forecast		
			Difference (%)	Difference (amount)		Difference (%)	Difference (amount)
Net sales	7,929	9,104	14.8%	1,175	9,970	9.5%	866
Operating income	556	524	(5.9%)	(32)	410	(21.8%)	(114)

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Factors affecting operating income in the first half of FY2016

Next Stage

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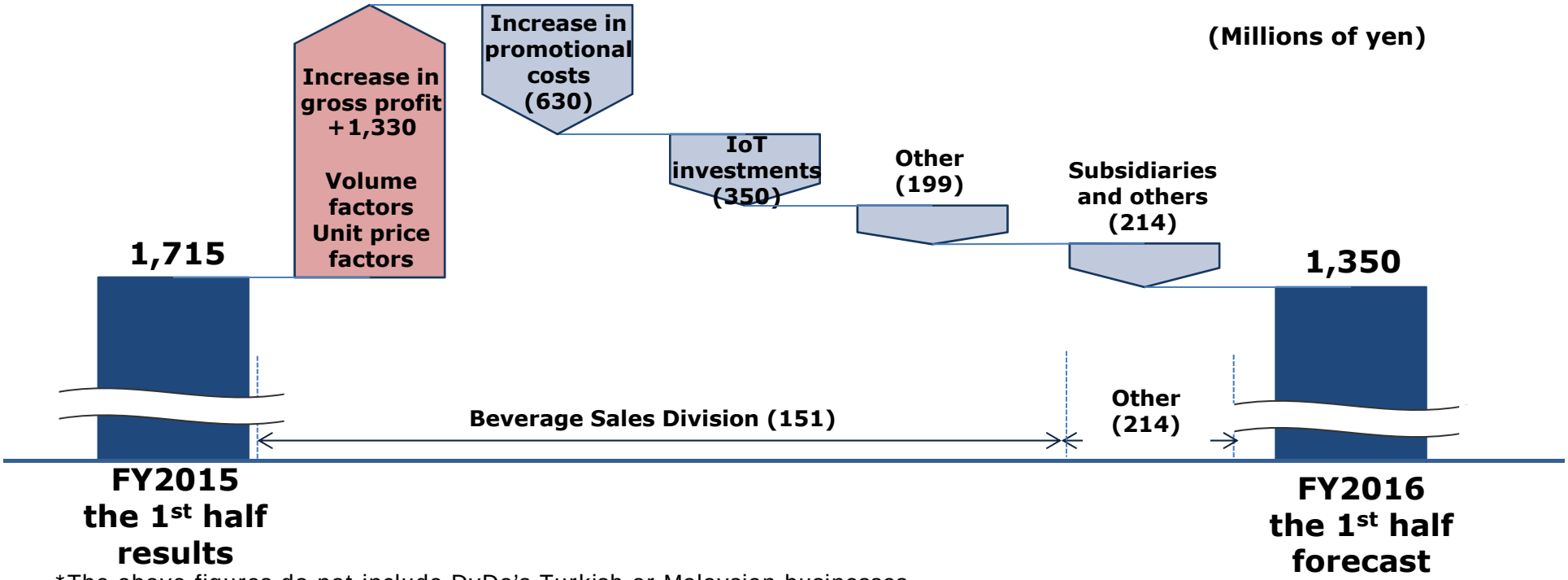
- The Beverage Sales Division expects to see increased sales volume and lower costs
- We will work aggressively to secure the best possible locations for vending machines and make advance investments to integrate vending machines into an IoT platform starting during the first half of the year
- We will lay the groundwork for dramatic profit growth starting during FY2017



*The above figures do not include DyDo's Turkish or Malaysian businesses.

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Returns to shareholders: Special shareholder benefits

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Sending gift packs of our products worth 3,000 yen to shareholders owning 100 or more of our shares

Twice a year

(Allocation base date: January 20, July 20)



Sample image of set to our current shareholder, as of July 20th, 2015

DyDo DRINCO received a top ranking in the 2016 edition of "Taking Advantage of Shareholder Benefits" in recognition of the benefits it offers shareholders.



Issued by Nomura IR, November 2015

Total ranking of shareholder preferential treatment

2nd place in total for the 6th year running

Ranking	Company name
1	**Nissin Holdings**
2	**DyDo DRINCO**
3	**McDonald's Holdings Japan**

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Attracting enthusiast shareholders

Next Stage

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おいしいものを。
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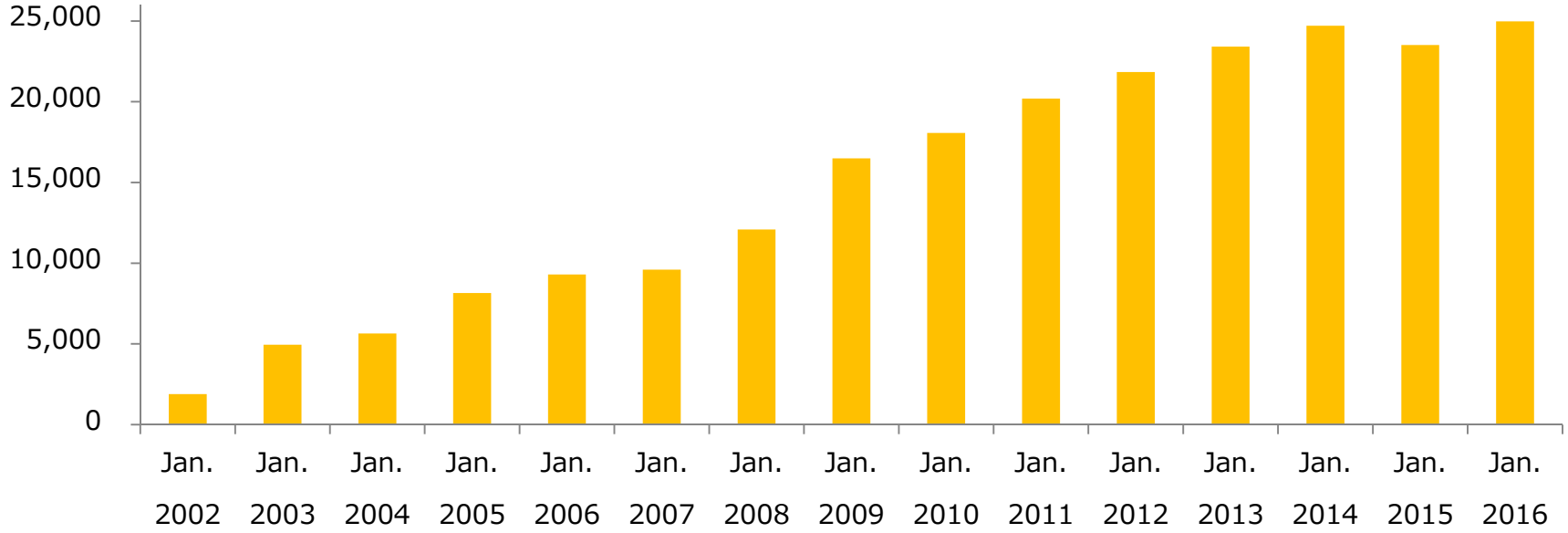
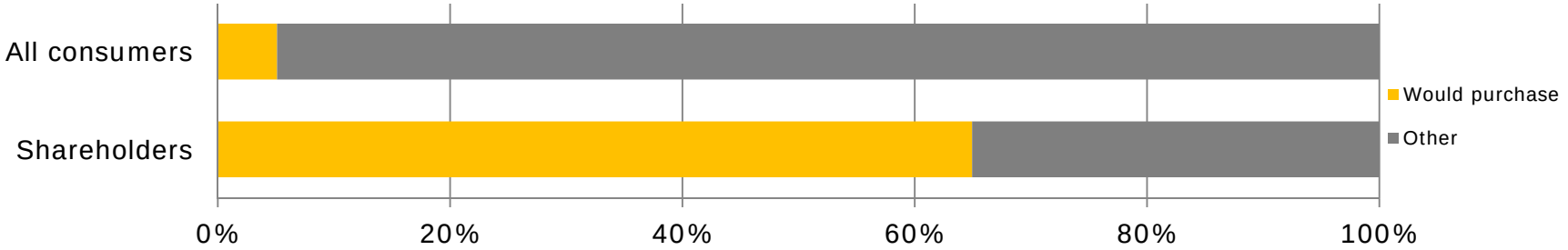
Trend in share ownership



Attitude of shareholders toward the purchase of company products (compared to consumers as a whole)

Q. Would you purchase the company's products even if they cost more than competitors' offerings?



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Challenge

Next Stage

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