こころとからだに、
おいしいものを。

DyDo

FY2016 Financial Highlights Financial Briefing Materials

DyDo Group Holdings Inc.

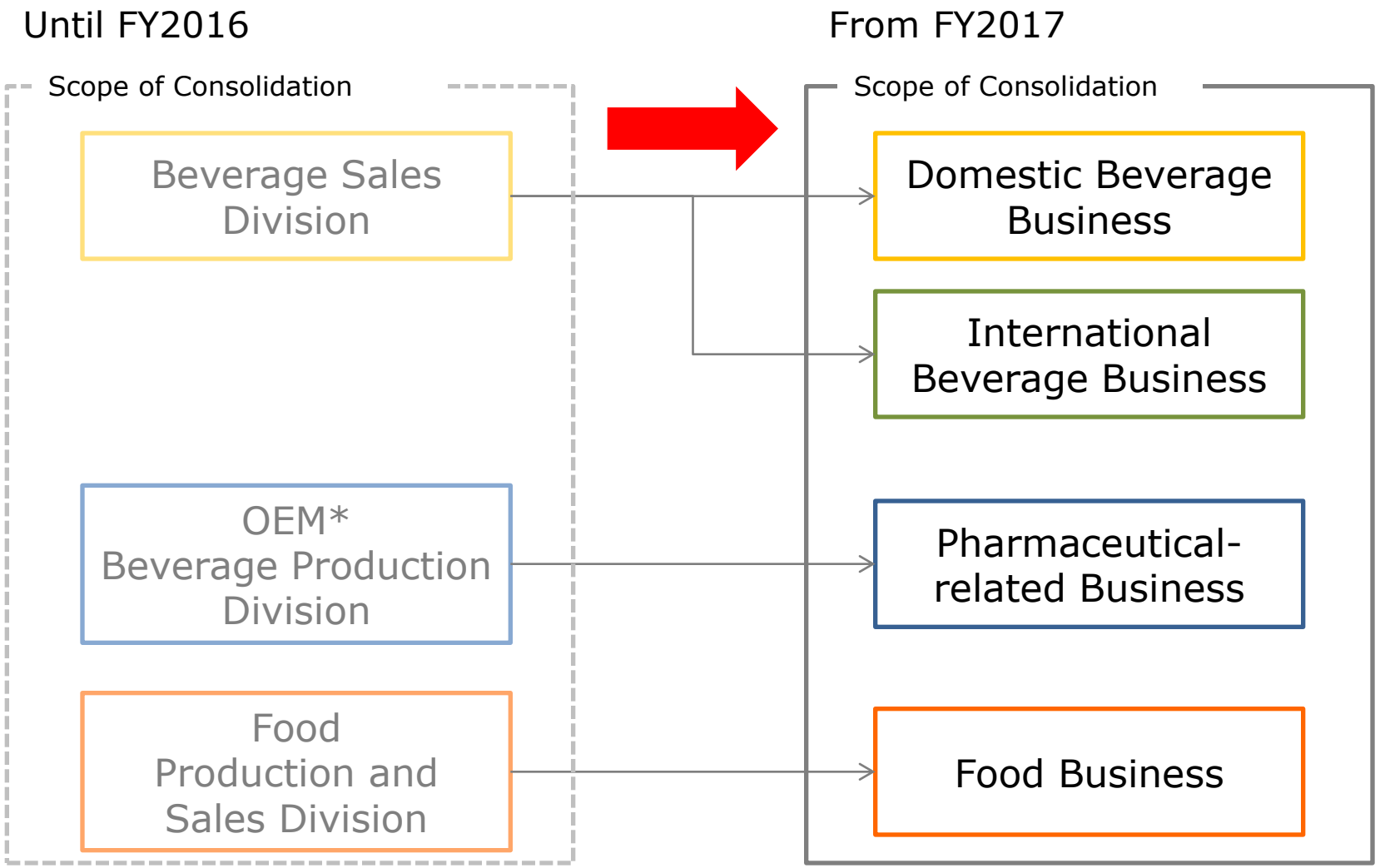
(First Section of the Tokyo Stock Exchange: 2590)

March 6, 2017

こころとからだに、
おいしいものを。

Change in Reporting Segments

The company changed its reporting segments as part of its transition to a holding company structure.



* Original Equipment Manufacturer

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Table of Contents

1. **FY2016 Financial Highlights** P.4 to 9
2. **FY2017 Initiatives** P.10 to 21
3. **Taking up the Challenge of Creating New Corporate Value for the Next Generation** P.22 to 35
4. **Striving to Achieve Sustained Growth** P.36 to 38

- **Reference Materials for the 42nd Annual General Meeting of Shareholders** P.39 to 46
- **APPENDIX** P.47 to 64

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

1. FY2016 Financial Highlights

こころとからだに、
おいしいものを。

Overview of Consolidated Financial Information for FY2016

- Net sales totaled 171,401 million yen (y/y +14.4%)
- Strong sales in the Domestic Beverage Business drove the group's performance
- We undertook an active program of future growth-oriented prior investments, including to roll out IoT-enabled vending machines and to engage in oversea M&As
- Current net income totaled 3,269 million yen on the strength of extraordinary gains (y/y +39.3%)

(Millions of yen)

	FY2015 results		FY2016 results			
		Component ratio		Component ratio	Change (%)	Change
Net sales	149,856	100.0%	171,401	100.0%	14.4%	21,544
Operating income	4,988	3.3%	3,857	2.3%	(22.7%)	(1,130)
Ordinary income	4,262	2.8%	3,741	2.2%	(12.2%)	(520)
Current net income attributable to owners of parent	2,347	1.6%	3,269	1.9%	39.3%	922

EPS	141.68 yen	197.34 yen	39.3%	55.66 yen
Dividend per share	60 yen	60 yen	–	–

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2016 Domestic Beverage Sales Division Quarterly Sales Status

- Cumulative sales volume during FY2016 rose 4.1% compared to the previous year
- Per-machine performance exhibited a trend toward improvement
- Sales to Kirin Beverage, which began in April, contributed to results
- Bottle-shaped can coffee beverages in the "Supervised by the World's Top Barista*" series (slightly sweetened and black varieties) enjoyed strong sales
- "Calolimit" Blended Tea, a food with a functional claim launched in November, permeated the distribution channel

(Thousands of cases)

	First Quarter (Jan 21 - Apr 20)		Second Quarter (Apr 21 - Jul 20)		Third Quarter (Jul 21 - Oct 20)		Fourth Quater (Oct 21 - Jan 20)		Full-year	
	Sales performance	Change (%)	Sales performance	Change (%)	Sales performance	Change (%)	Sales performance	Change (%)	Sales performance	Change (%)
Coffee beverages	8,121	7.9%	8,154	2.9%	8,107	3.0%	8,392	3.1%	32,776	4.2%
Tea beverages	1,614	0.2%	2,109	11.1%	2,047	4.4%	2,268	36.8%	8,040	12.8%
Other beverages	3,451	3.7%	5,314	(0.8%)	5,005	3.0%	3,109	(6.0%)	16,881	0.2%
Total	13,187	5.8%	15,579	2.6%	15,160	3.2%	13,770	5.1%	57,698	4.1%

Change in days of operation compared to previous quarter	+ 1 day	-2 days	+ 1 day	+ 1 day	+ 1 day

*Pete Licata, 14th World Barista Championship winner

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2016 Results for the Domestic Beverage Business

Per-machine performance exhibited a trend toward improvement

Locations

Securing favorable locations

- Enhancing solution sales (results of special internal training)
- Sharing and utilizing customer information in a timely manner with IT

Operations

Maintaining and enhancing No. 1 operations

- Sharing optimal operational expertise and using it to provide guidance

×

×

Products

Providing appealing products

- Strengthening the DyDo Blend brand
- Offering optimal products based on location characteristics by utilizing sales data
- Exchanging column space with Kirin Beverage Co., Ltd.

Reforming the group's organizational culture

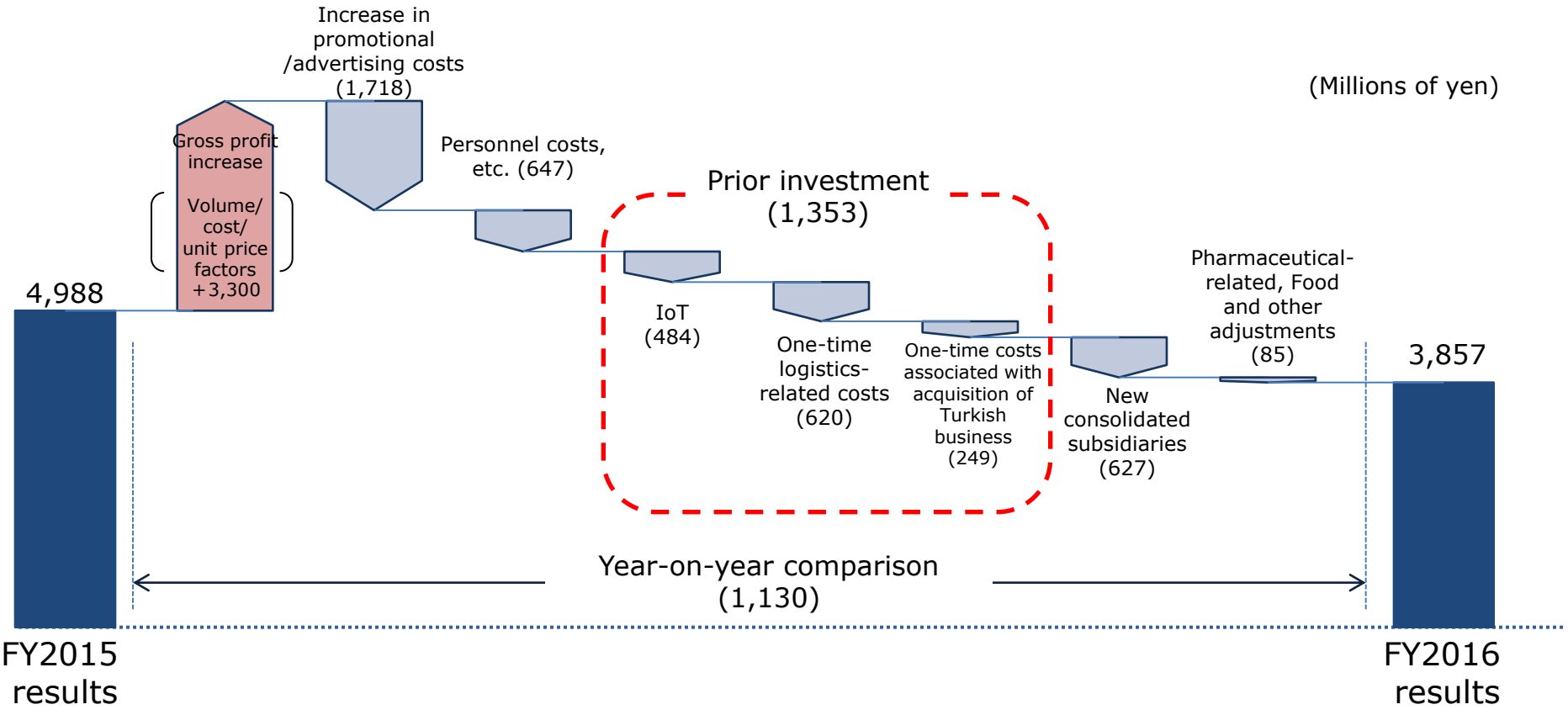
- Spreading a culture that embraces challenges -

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Consolidated Financial Highlights for FY2016
Factors Driving Increases/Decreases in Operating Income
- Year-on-Year Comparison -

- Increased sales volume and cost-cutting efforts contributed to the profitability of the Domestic Beverage Business
- Promotional costs increased due to increased sales to convenience stores, mass retailers, and others
- We undertook an active program of future growth-oriented prior investments, including to roll out IoT-enabled vending machines and to engage in overseas M&As



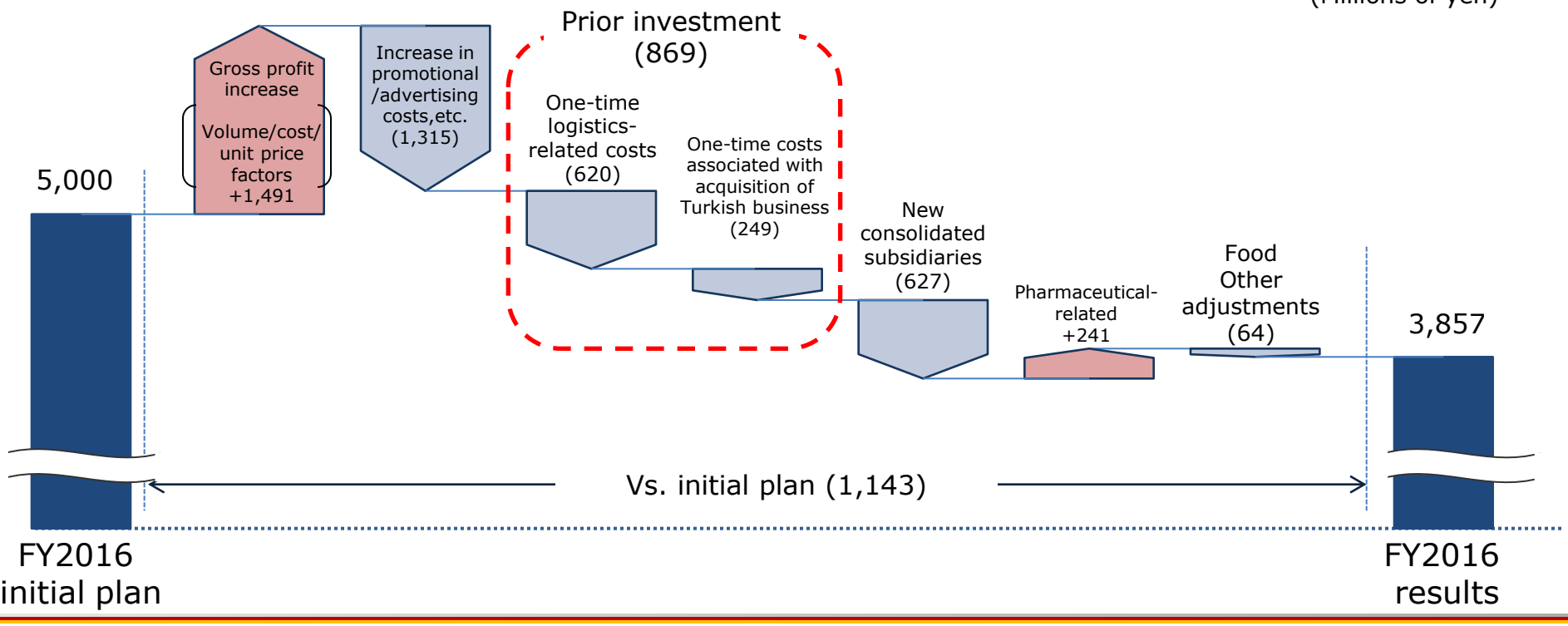
Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Consolidated Financial Highlights for FY2016
Factors Driving Increases/Decreases in Operating Income
- Vs. Initial Plan -

- Sales volume and cost reductions in the Domestic Beverage Business both exceeded plans
- We pursued additional advertising and promotion in order to further strengthen the DyDo Blend brand
- We took active steps to control logistics costs, which are expected to rise in the future
- An ongoing weakening of the Turkish lira impacted the International Beverage Business
- An increase in orders in international markets for beauty beverages contributed to results in the Pharmaceutical-related Business

(Millions of yen)



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

2. FY2017 Initiatives

こころとからだに、
おいしいものを。

FY2017 Initiatives

- Continuing to expand cash flow in the Domestic Beverage Business
- Establishing a foundation for the International Beverage Business and improving its profitability
- Embracing the challenge of expanding our business domains

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Product strategy: Collaborating with Other Companies "Supervised by the World's Top Barista*" Series

- Expand sales channels for "DyDo Blend" brand
  - Continue to sell two "DyDo Blend" products through vending machines of Kirin Beverage Co., Ltd.
  - Offer two "Supervised by the World's Top Barista*" products to increase appeal among vending machine customers



Place two products ("Gogo-no-Kocha" Milk Tea and "Mets Cola" (food for specified health uses) in DyDo vending machines and work to generate even better results (no change in item number: 2 items).

*Pete Licata, 14th World Barista Championship winner

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Product strategy: Strengthening the DyDo Blend Brand

Updating DyDo Blend Umami Blend

Gaining younger customers and revitalizing the high-volume market (small cans)





- New design that highlights coffee's savory flavor
- Encouraging customers to try the product by hinting at a new type of savory flavor
- Facilitating the product's evolution toward a highly savory flavor
- Launching a new sweetened black ice coffee with a new savory flavor

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Product strategy: Collaborating with Other Companies "Calolimit" Blended Tea

- The product was jointly developed by DyDo Drinco and FANCL Health Science Corporation.
- It goes well with meals and serves to limit the body's uptake of sugar and fat from ingested food.
- "Calolimit" Blended Tea is DyDo Drinco's first food with a functional claim.
- Place the product in vending machines starting this spring



Supplement ingredients in "Calorie Limit for the Mature Aged ®"



Gymnema sylvestre



Mulberry leaves

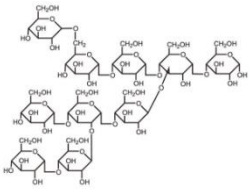


Kyuron green tea



Black ginger

Ingredient related to product functionality



5 g of indigestible dextrin (as dietary fiber)

×

Five carefully chosen tea ingredients



Suggested retail price: ¥140 (excluding tax)

Sales channels: Convenience stores, mass retailers, online stores (including the DyDo Online Shop and FANCL Online), and FANCL outlets

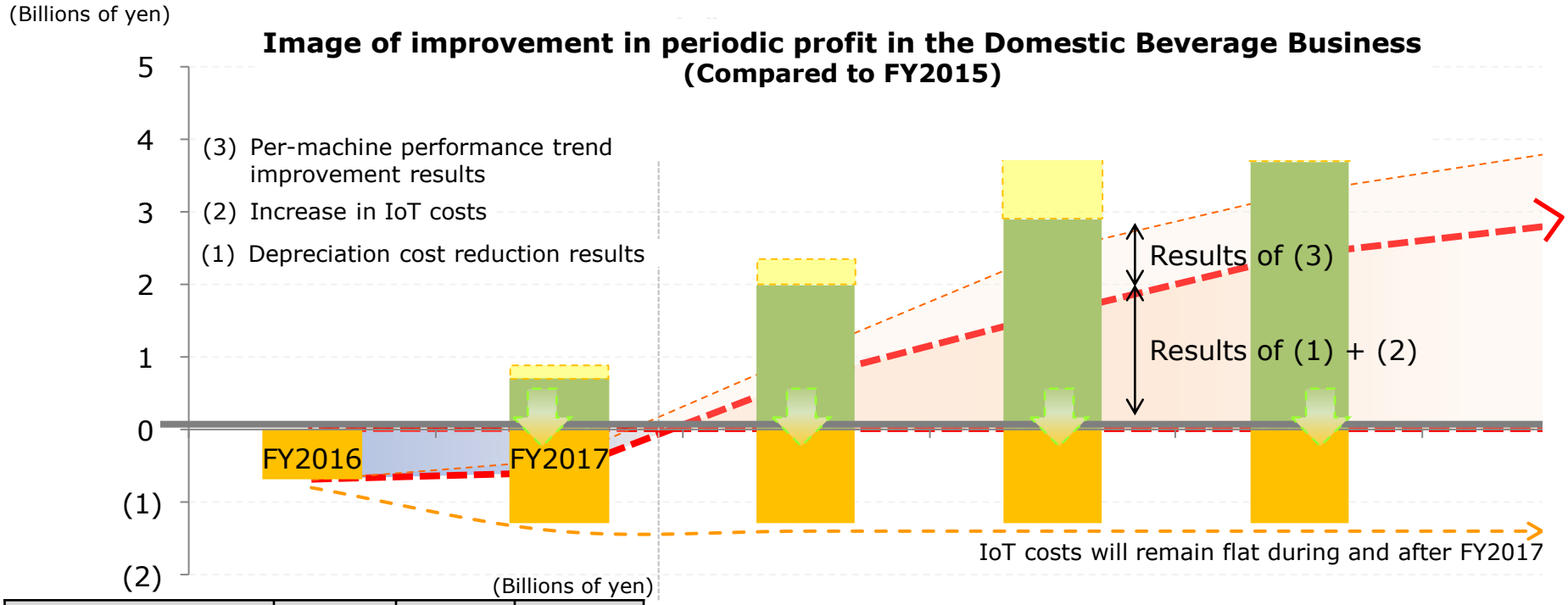
Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Facilitating Continued Increases in Cash Flow

Bringing innovation to our vending machine business model

(1) Lowering per-machine procurement costs while maintaining the number of installations
(2) Utilizing cost savings to boost investments in IoT-enabled vending machines
(3) Working to improve the per-machine performance trend by investing in IoT-enabled vending machines



Domestic Beverage	FY2015	FY2016	FY2017 (budget)
Capital expenditure	9.3	6.8	6.6
Depreciation expenses	9.8	9.8	9.2

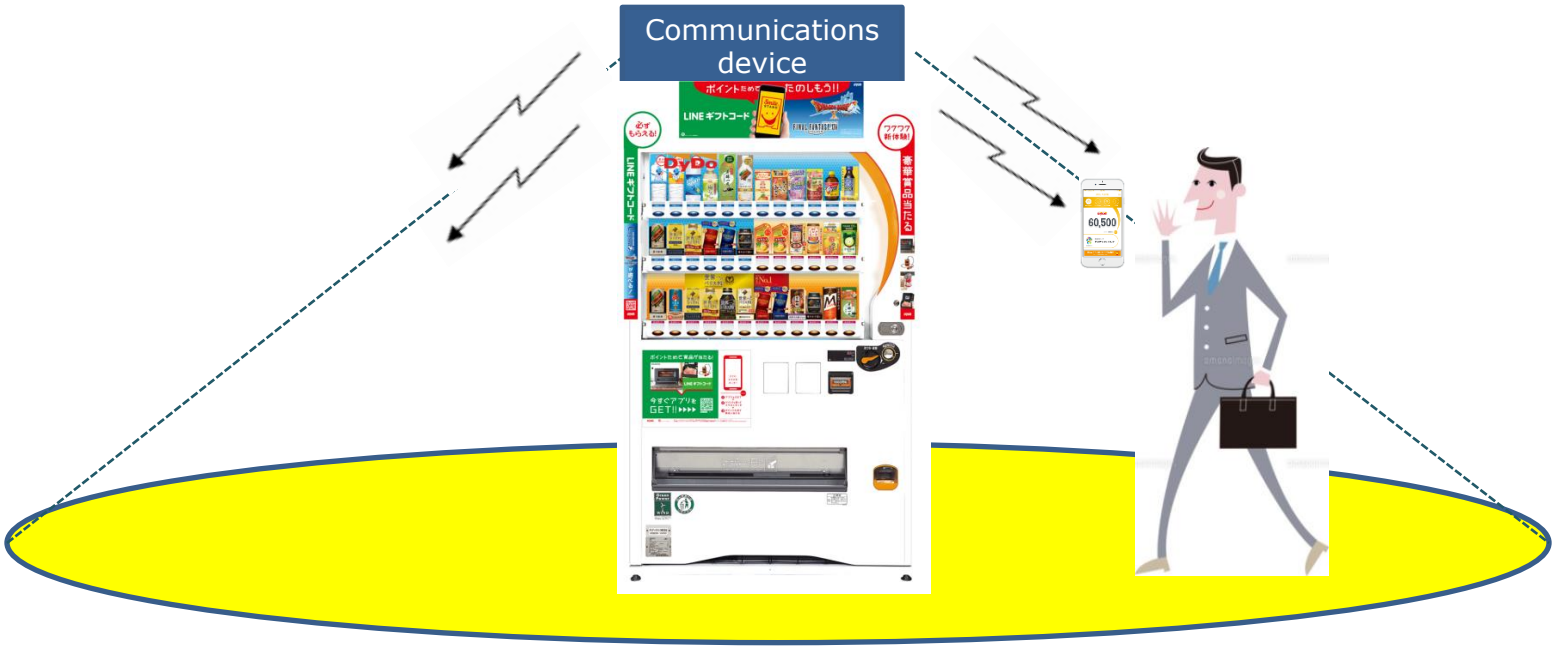
Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Accelerating the Rollout of Smile STAND*

*New smartphone-based service that connects customers and vending machines

- Boosting per-machine performance: Fast-tracking the rollout of IoT-enabled vending machines
  - Integrating 150,000 vending machines nationwide into an IoT platform in the future
  - 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



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Vending Machines as Infrastructure

Transforming vending machines into essential infrastructure

DyDo's vision for the future of vending machines

- Beverages
- Health
- Contribution to local communities
- Information
- Communication
- Security





Copyright (C) DyDo Group Holdings. All Rights Reserved.

Strengthening and Cultivating the International Beverage Business: Turkey

Long-term vision	Looking toward the EU based on growth in the Turkish market

Current business conditions

S • Brands with high name recognition, for example CAMLICA, Saka, and Icim • Five manufacturing factories in Turkey (in northern and southern Turkey)	**W** • Relatively low market share • High degree of dependence on Yildiz
O • Potential for market growth as the result of the country's growing population • Drinking of coffee and tea as an entrenched custom • Potential of new product categories	**T** • Inflation rate • Exchange rate fluctuations • Geopolitical risk

Action plan

- Bring sales structures in-house
- Focus on core brands and streamline promotional efforts
- Streamline operations by relocating manufacturing lines
- Embrace the challenge of harnessing Japanese expertise to create new product categories



FY2017 profit improvement plan

(Millions of yen)

• Increase in gross profit	+884
• Variable costs, etc.	(625)
• Elimination of one-time costs	+249
Total	+508

Exchange rate	FY2016 rate: TRY 1 = JPY 36.13 FY2017 forecast: TRY 1 = JPY 33.00

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Strengthening and cultivating the International Beverage Business: Malaysia

Long-term vision	Looking toward the Middle East and ASEAN as strategic bases in the Islamic world

Current business conditions

S • Joint venture with Mamee, one of Malaysia's leading snack manufacturers • Mamee's sales capabilities • Dry and chilled products manufacturing factories	**W** • Relatively low market share • Issues with growing core brands
O • Perception that Japanese products have high quality • High market growth potential	**T** • Downward pressure on prices due to intensifying competition

Action plan

- Focus on chilled products; grow brands
- Achieve stable sales of beverages (dry); ensure promotional tools are effectively utilized
- Harness Japanese expertise to launch new products



FY2017 profit improvement plan

(Millions of yen)

• Increase in gross profit	+186
• Streamlining of promotional efforts	+141
• Variable costs, etc.	(44)
Total	+283

Exchange rate	FY2016 rate: MYR 1 = JPY 26.44 FY2017 forecast: MYR 1 = JPY 25.00

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2017 Consolidated Full-year Earnings Forecast

- Consolidated net sales will total 175.5 billion yen (y/y +2.4%)
- Increased sales in the Domestic Beverage Business and improved profitability in the International Beverage Business will drive operating income of 5.3 billion yen (y/y +37.4%)
- Due to the one-time nature of previous fiscal year's extraordinary gains, current net income attributable to owners of parent will total 3 billion yen

(Millions of yen)

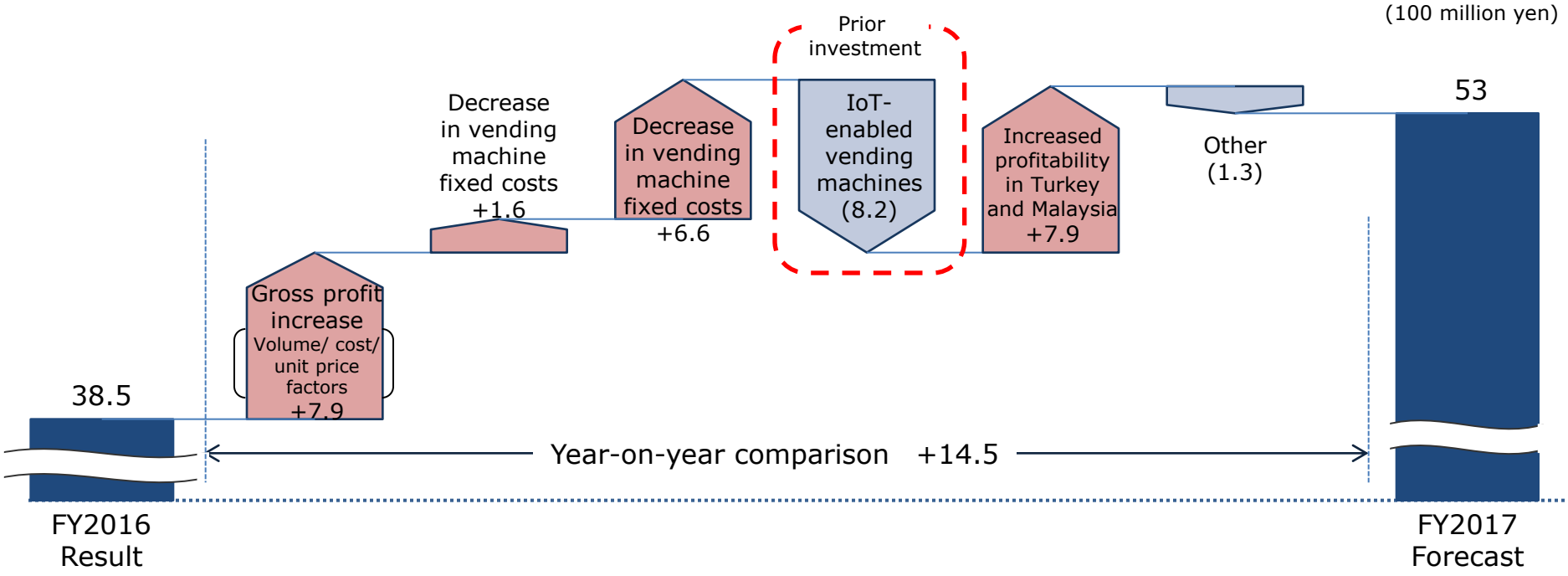
	FY2016 results		FY2017 earnings forecasts			
		Component ratio		Component ratio	Change (%)	Change
Net sales	171,401	100.0%	175,500	100.0%	2.4%	4,099
Operating income	3,857	2.3%	5,300	3.0%	37.4%	1,443
Ordinary income	3,741	2.2%	5,200	3.0%	39.0%	1,459
Current net income attributable to owners of parent	3,269	1.9%	3,000	1.7%	(8.2%)	(269)
EPS	197.34 yen		181.08 yen		(8.2%)	(16.26 yen)
Dividend per share	60 yen		60 yen		0.0%	-

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Causes for Increased / Decreased Operating Income in the FY2017 Full-year Forecast

- Sales volume in the Domestic Beverage Business will increase 0.2% compared to the previous year
- We will maintain or improve per-vending-machine performance
- Direct sales to Kirin Beverage will make an even greater contribution
- Reductions in vending machine fixed costs will be invested in IoT-enabled vending machines in order to secure future growth
- We will focus on establishing a foundation for the International Beverage Business and improving its profitability



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

3. Taking Up the Challenge of Creating New Corporate Value for the Next Generation

Group Philosophy / Vision / Slogan Formulation

DyDo Group Philosophy

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

DyDo Group Vision

Together with customers	We are always offering high-quality products with added surprise to deliver distinctively DyDo taste and wellness to customers.
Together with society	We are committed to building a rich and vibrant society through "All DyDo" product development and corporate activities involving the entire group.
Together with future generations	We create "DyDo standards" for future generations that go beyond current frameworks and values.
Together with people	We uphold a tireless "DyDo challenging spirit" to bring happiness to all people whose lives are touched by the DyDo Group.

Group Slogan

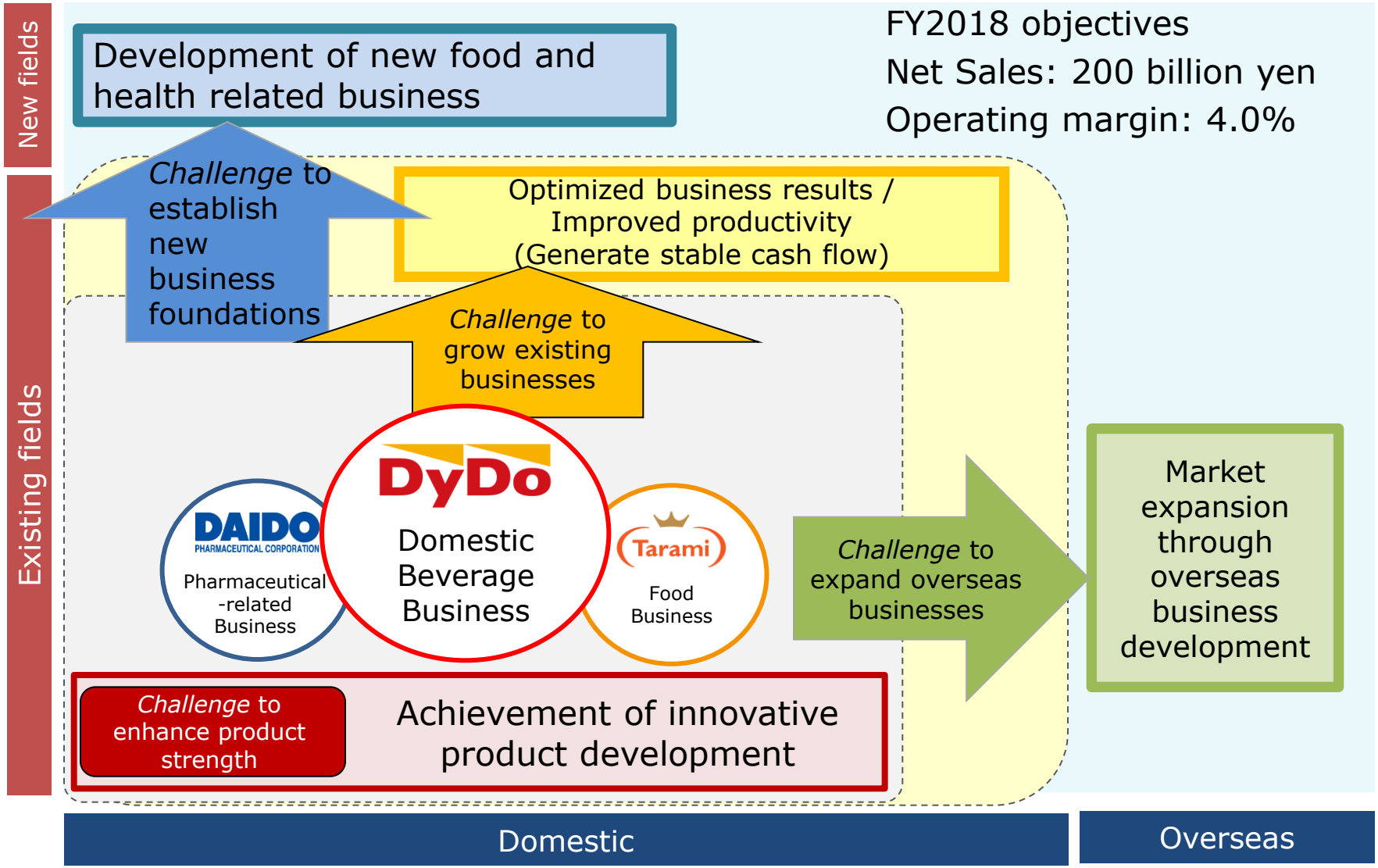
こころとからだに、
おいしいものを。

Offering delicious products
for the sound mind and body

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

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



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Business Strategy
- Challenge to Create Future-oriented Corporate Value -

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

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Accomplishments to Date and Future Initiatives

← To date | Future →

Further growth

FY2014 to FY2016

Laying a foundation for growth

- Reforming the structure of fixed costs in the vending machine channel
- Starting the rollout of IoT-enabled vending machines
- Securing strategic bases overseas
- Strengthening and improving governance
- Reforming the group's organizational culture

FY2017

The first step toward rapid growth in the future

-Transition to a holding company structure-

- Strengthening group management
- Strengthening and nurturing international beverage business
- Agile response to expansion of business domains

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Initiatives to Reform the Group's Organizational Culture

Status of initiatives to reform the group's organizational culture

- Harsh competitive environment
- Maturing domestic beverage market
- Sluggish per-machine performance

Permeation of group vision
- Fostering a culture that embraces challenges -

- Establishing a new group philosophy, vision, and slogan
- Visiting facilities nationwide to ensure their permeation
- Holding off-site meetings
- Implementing the "40 Challenges" program, holding challenge reporting sessions, etc.
- Introducing "the DyDo Challenge Award" program

Cultivating a shared sense of values overseas

2014 — From 2017

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Initiatives to Reform Governance

	to 2012	2014	2016	2017
President		2014: Appointment of Tomiya Takamatsu as president		
Group structure				2017: Transition to holding company structure
Revitalizing the Board of Directors and strengthening its functions	2012: Introduction of an executive officer system			
			2016: Review of the scope of authority	2017: Transfer of authority to group companies
	The number of members on the Board of Directors as determined in the Articles of Incorporation to 9		2016: The number of members on the Board of Directors as determined in the Articles of Incorporation to 7	
Improving the effectiveness of the Board of Directors				2017: Introduction of a performance-based incentive program
			2016: Evaluation of the effectiveness of the Board of Directors	
				2017: Disclosure of a summary of the evaluation results
Outside directors		2014: Appointment of two outside directors		
			2016: Outside directors as one-third of all directors (two of six)	
Company philosophy	1984: Enactment of DyDo DRINCO Corporate Mind (company philosophy)	2014: Enactment of a new group philosophy, vision, and slogan		
			2016: Enactment of a corporate governance basic policy	

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Purpose of Transition to Holding Company Structure

- Strengthening group management
- Agile response to expansion of business domains
- Strengthening and nurturing international beverage business

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Strengthening Group Management

Establishing ROA and ROIC as indicators of investment efficiency in addition to net sales and operating margin as methods for quantifying group companies' management

ROA

■Indicates how efficiently a company's total assets are being utilized in its management.

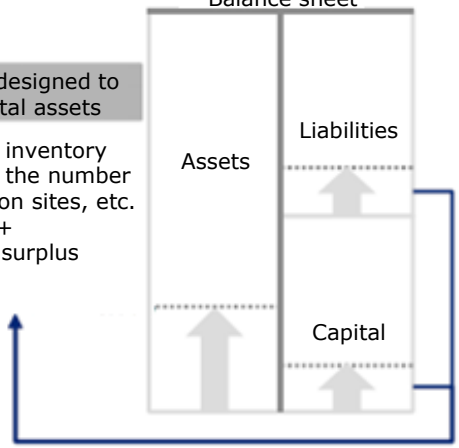
➡ Originally intended to be used as an indicator for use in evaluating managers.

Evaluation of managers

ROA = Operating income / Total assets

Methods for improving ROA
- Increasing operating profit
- Decreasing total assets

Balance sheet



Measures designed to shrink total assets
- Shrinking inventory
- Shrinking the number of collection sites, etc.

+
- Reducing surplus cash

- Repaying holding company debt
- Paying dividends to holding company

Using surplus cash to repay holding company debt and pay dividends helps improve ROA.

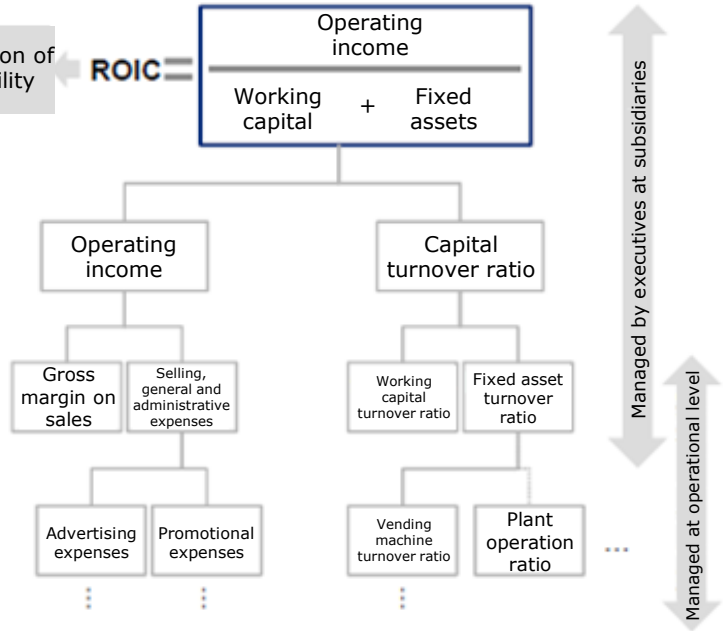
ROIC

■Indicates how efficiently assets are utilized in a company's business.

➡ Intended to be used by holding company to make investment decision.

Evaluation of feasibility

ROIC = Operating income / (Working capital + Fixed assets)



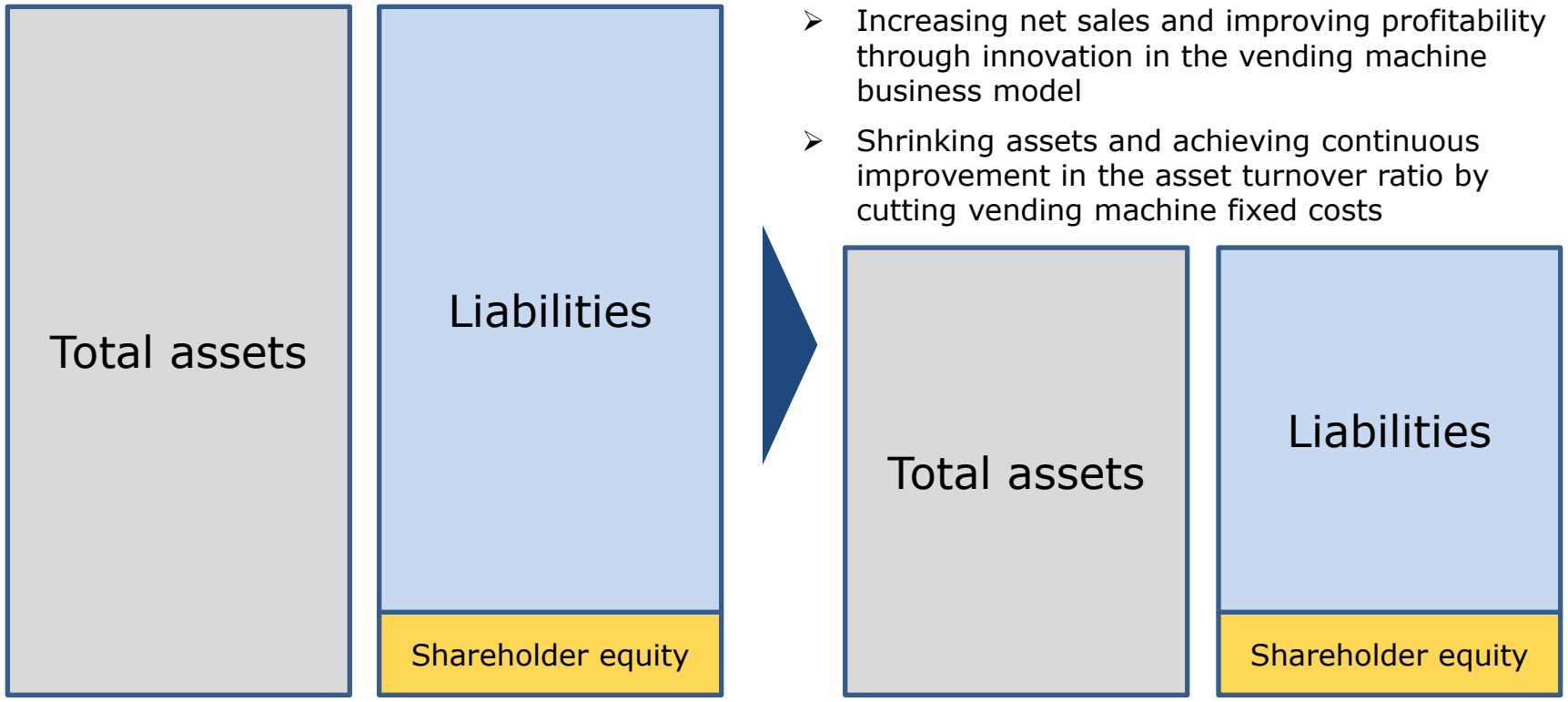
Breaking down ROIC into its constituent elements and establishing operational-level management indicators helps improve ROIC.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Strengthening Group Management

- Working to achieve continued expansion in cash flow in the Domestic Beverage Business in order to achieve dramatic improvement in ROIC

Image of Domestic Beverage Business balance sheet

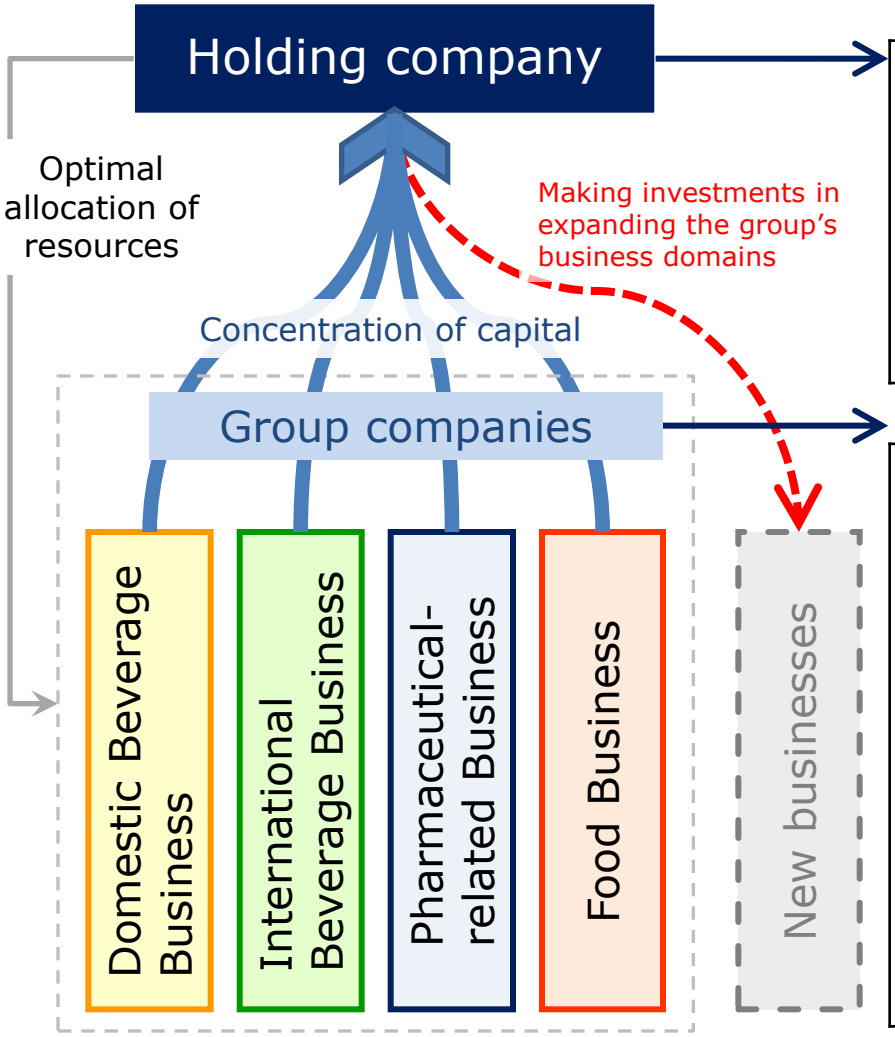


- Increasing net sales and improving profitability through innovation in the vending machine business model
- Shrinking assets and achieving continuous improvement in the asset turnover ratio by cutting vending machine fixed costs

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Agile Response to Expansion of Business Domains

Improving capital efficiency

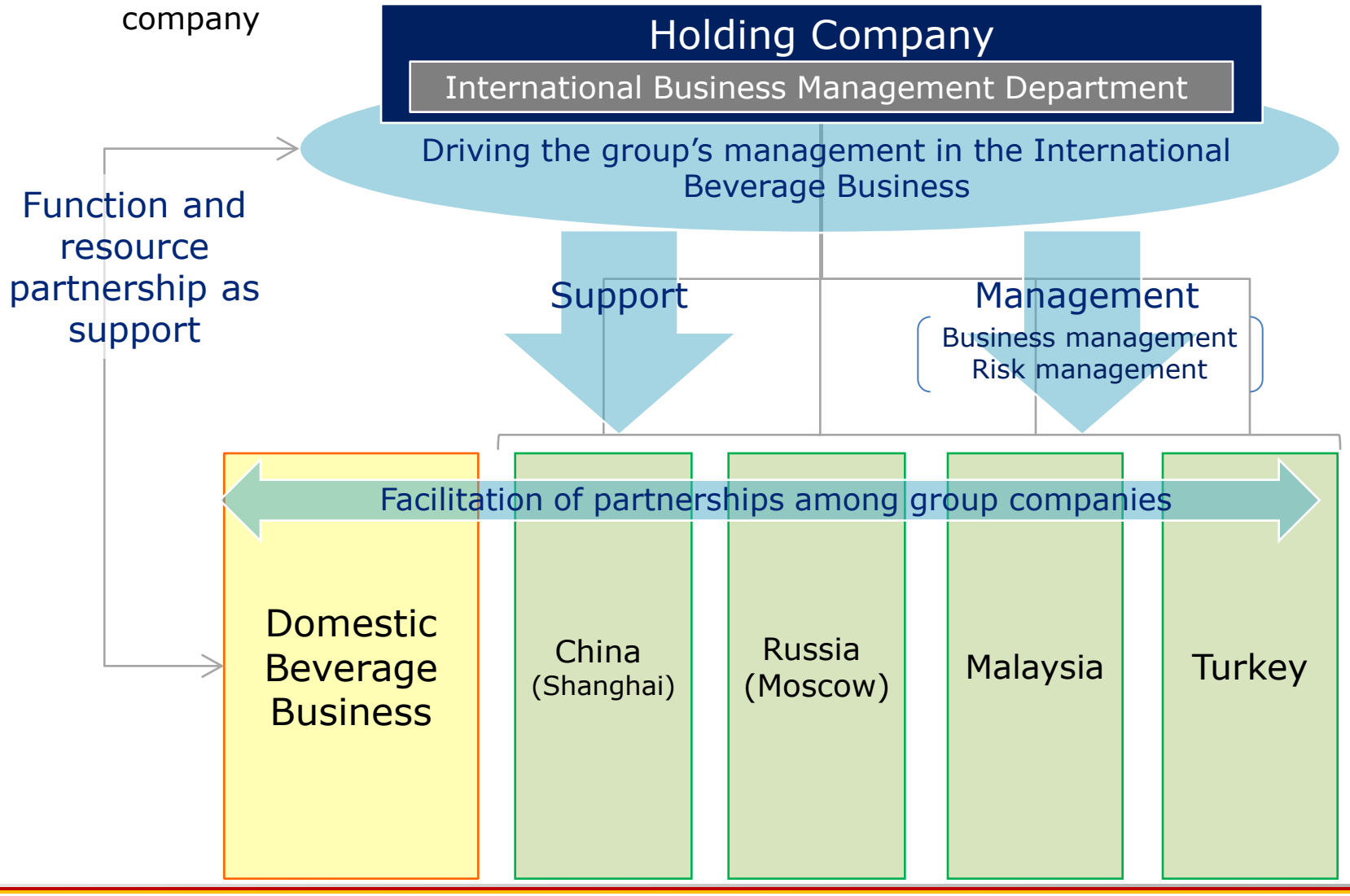


Profitability	Efficiency
[Roles of holding company]	
• Making strategic business investments • Allocating resources optimally	• Strengthening and expanding the group's portfolio of businesses • Optimizing the group's balance sheet
[Roles of group companies]	
• Strengthening the group's brands • Strengthening the group's services (sales capabilities and vending machines) • Optimizing costs	<u>Domestic Beverage Business</u> • Shrinking vending machine assets • Improving the asset turnover ratio <u>Pharmaceutical-related Business / Food Business / International Beverage Business</u> • Improving the plant operation ratio

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Strengthening and Nurturing International Beverage Business

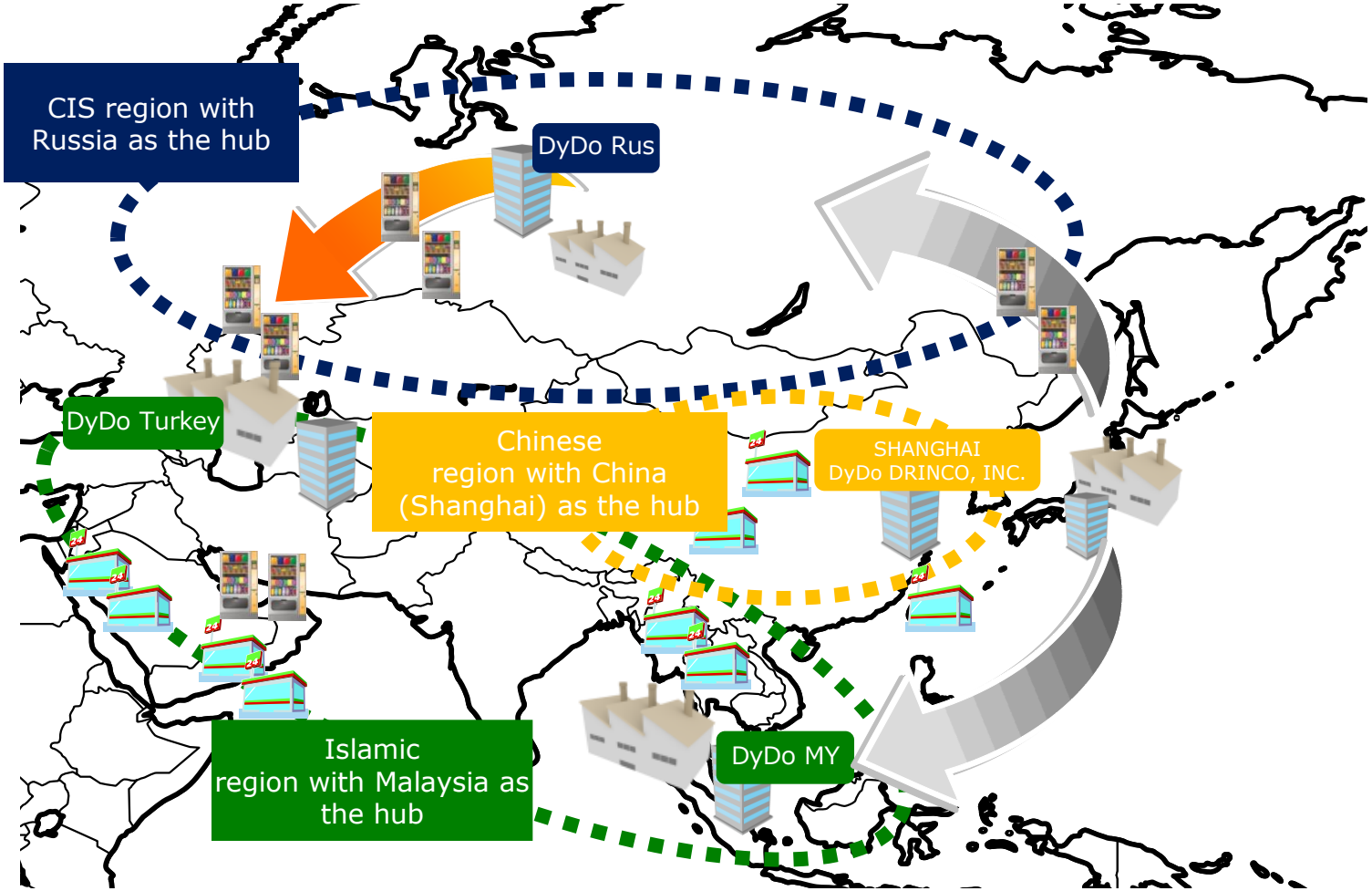
Working to strengthen and nurturing the International Beverage Business by establishing the International Business Management Department at the holding company



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Future vision for the International Beverage Business

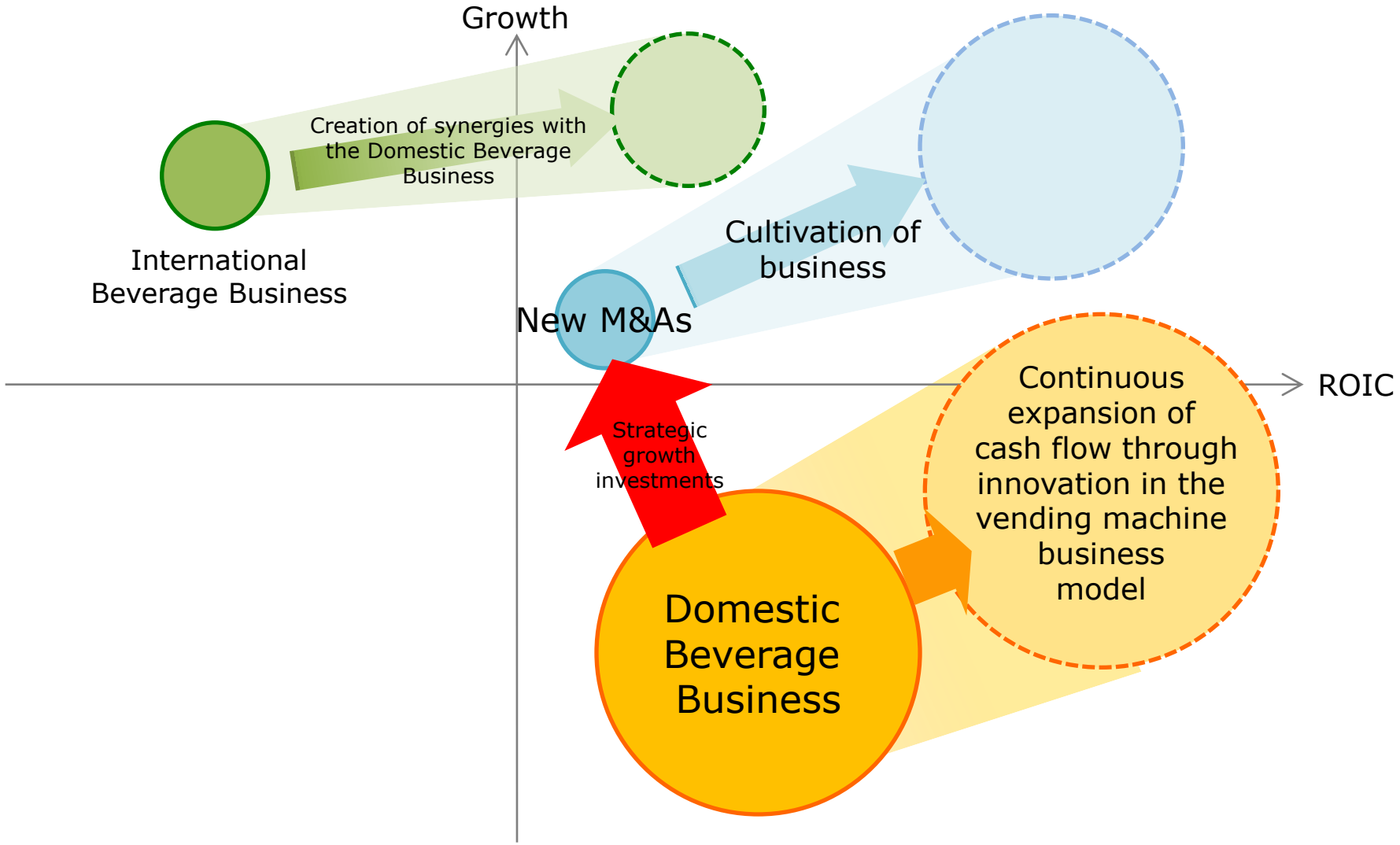
Expand into the CIS region with Russia as the hub; the Islamic region with Malaysia as the hub; the Chinese region with Shanghai as the hub.



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Direction of DyDo's Growth Strategy

Strengthening and enhancing the group's portfolio of business



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

4. Striving to Achieve Sustained Growth

On Capital Policy and Returns to Shareholders

Returns to shareholders
Realizing sustainable, profitable growth

Effective use of capital
Establishing a new business foundation via strategic investment

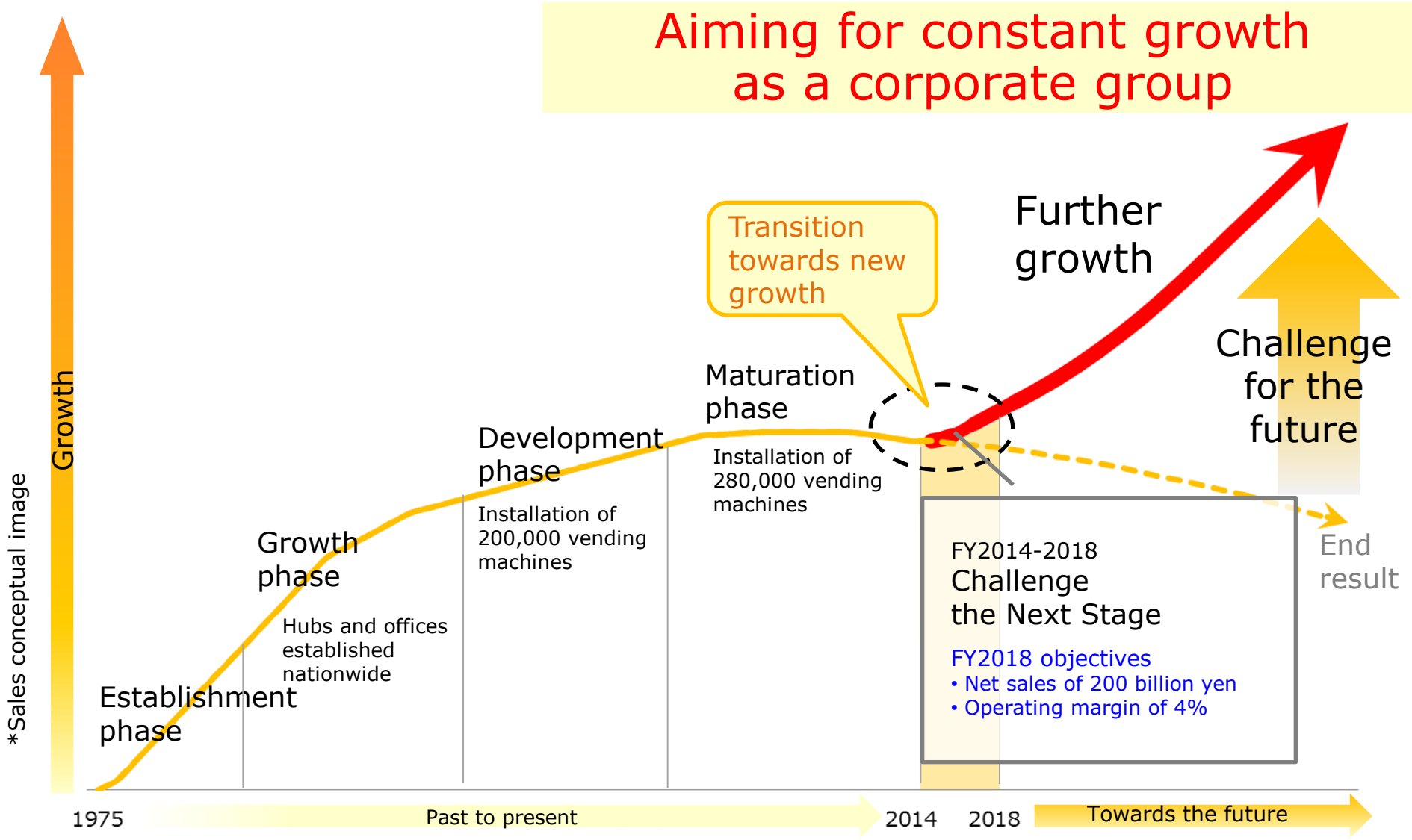
Maintaining fiscal soundness
Improving cash creation capacity in existing businesses

	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

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Aiming for Constant Growth as a Corporate Group



Copyright (C) DyDo Group Holdings. All Rights Reserved.

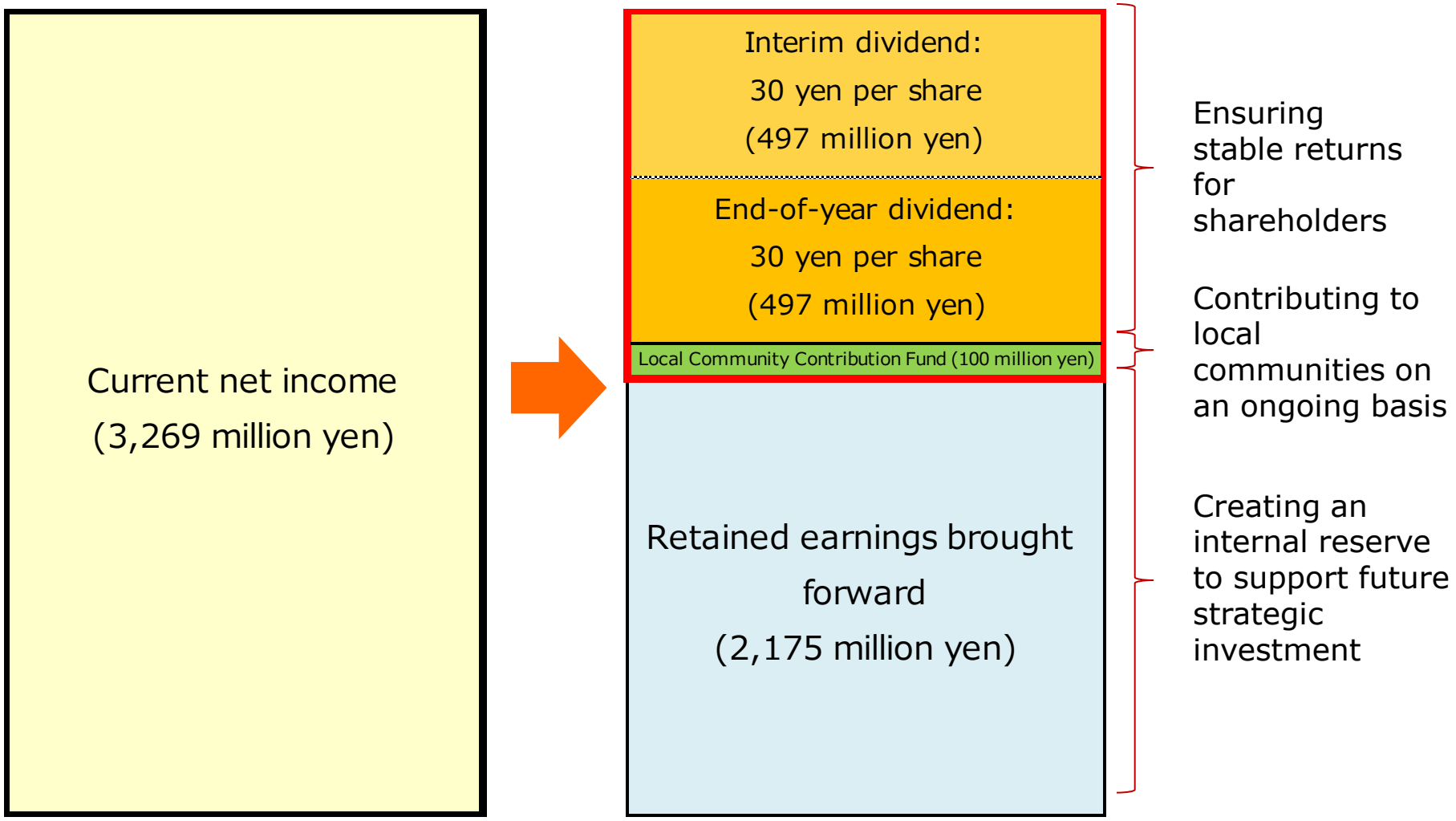
こころとからだに、
おいしいものを。

DyDo

■ Reference Materials for the 42nd Annual General Meeting of Shareholders

Allocation of Retained Earnings

Ensuring stable returns for shareholders



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Utilizing Retained Earnings: Local Community Contribution Fund

Contributing to society using the Local Community Support Fund

Economic support activities

- Support for children victims of the Great East Japan Earthquake

「ハタチ基金」
ハタチ基金

10 million yen

- Donating relief funds following the 2016 earthquake in Kumamoto

30 million yen

Creating bonds with local residents through vending machines

- Vending machine education workshops



- Papercraft vending machine kits



Cultural support in school education e.g. street dancing



Aiding lack of exercise for children in Fukushima



Support to Japan Matsuri Network NPO

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

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

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 42nd annual general shareholders

Name	Profile (top) and reason for nomination (bottom)	
 Currently: President and representative director **Tomiya Takamatsu** (Date of birth: June 26, 1976) Company shares owned: 495,000	April 2004: Joined the Company. April 2008: Appointed Director at the Company. April 2009: Appointed Managing Director at the Company. March 2010: Appointed Executive Director at the Company. April 2012: Appointed Vice President and Director at the Company. April 2014: Appointed President and Representative director (his current position) at the Company.	Board of Directors meetings attended: 17 of 17
	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 playing a key role in the transition to a holding company organization and orchestrating significant reforms in the company's business model, including by rolling out IoT-enabled vending machines, he has focused on laying the foundation for robust future growth, for example by securing new strategic bases 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) Company shares owned: 495,000	March 1971: Jointed DyDo PHARMACEUTICAL CORPORATION. January 1975: Appointed Managing Director following the Company's establishment. May 1984: Appointed Executive Director at the Company. June 1990: Appointed Vice President and Director at the Company. April 1992: Appointed Vice President and Representative Director at the Company. April 1994: Appointed President and Representative director at the Company. April 2014: Appointed Chairman and Director (his current position) at the Company.	Board of Directors meetings attended: 17 of 17
	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.	

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 42nd annual general shareholders meeting

Name	Profile (top) and reason for nomination (bottom)	
Independent director  Currently: External director Shinji Mori (Date of birth: May 22, 1946) Company shares owned: 100	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 External Auditor of the Company. April 2014: Appointed External Director of the Company (his current position).	Board of Directors meetings attended: 17 of 17
	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 3 years as an external director. He has taken advantage of that experience to play an appropriate role in further strengthening the oversight function of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective. Based on this proven track record, he has been put forward as a candidate for continued service as an external director on the Board of Directors. While Mr. Mori has not participated in corporate management except as an external director at the company and other companies, it has been determined that he can effectively fulfill the responsibilities of the position of external director for the reasons offered above.	
Independent director  Currently: External director Masataka Inoue (Date of birth: October 12, 1954) Company shares owned: None	April 1978: Joined Nakano Sumise Co., Ltd. July 2005: Appointed Director at Mizkan Holdings Co., Ltd. May 2007: Appointed Managing Director at Mizkan Holdings Co., Ltd. October 2009: Appointed Standing Auditor at Mizkan Holdings Co., Ltd. March 2011: Appointed Divisional manager in charge of the Management Auditing Office at Mizkan Holdings Co., Ltd. March 2014: Appointed Divisional Manager in charge of the Business Planning Division at Mizkan Holdings Co., Ltd. April 2016: Appointed External Director of the Company (his current position).	Board of Directors meetings attended: 13 of 13
	Mr. Inoue has a wealth of knowledge and experience in the food industry. He has taken advantage of his auditing experience in areas such as business development through overseas M&As and overseas subsidiaries to play an appropriate role in further strengthening the functions of the Board of Directors by offering advice and suggestions as to the company's management from an independent perspective concerning such issues as accelerating the development of the company's business overseas and expanding its business domain. Based on this proven track record, he has been put forward as a candidate for service as an external director on the Board of Directors.	

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Nomination of Directors

Director candidates who will be put before the 42nd annual general shareholders meeting

Name	Profile (top) and reason for nomination (bottom)
<New appointee>  Naoki Tonokatsu Executive Officer and General Manager, Finance Department (Date of birth: November 4, 1963) Company shares owned: 3,100	March 1986: Joined the Company. January 2011: Appointed General Manager of the Financial Affairs Department. March 2013: Appointed Executive Officer and Division Director of the Administrative Division. January 2014: Appointed Executive Officer and Division Director of the Finance Division. January 2017: Appointed Executive Officer and General Manager of the Finance Department (his current position). Appointed Director, Executive Officer, and Division Director of the Finance Division at the Company., (his current position). Mr. Tonokatsu has many years of experience and a proven track record in finance. He has played a central role in such aspects of the company's operations as securing funding in order to achieve the goals set forth in the Medium-term Business Plan, and he is working to ensure that the company operates in a healthy and robust manner, including by building stable structures to anchor the Group's overall finances in his current role as general manager of the Finance Department. He was identified as a director candidate based on this track record.
<New appointee>  Naoyuki Nishiyama Executive Officer and General Manager, Corporate Strategy Department (Date of birth: July 30, 1965) Company shares owned: 100	March 1988: Joined the company. January 2014: Appointed General Manager of the Corporate Strategy Department. February 2014: Appointed General Manager of the Corporate Strategy Department and General Manager of the International Business Department. March 2015: Appointed Executive Officer, General Manager of the Corporate Strategy Department, and General Manager of the International Business Department. January 2016: Appointed Executive Officer, General Manager of the Corporate Strategy Department, and General Manager of the Strategic Investment Department. January 2017: Appointed Executive Officer and General Manager of the Corporate Strategy Department (his current position). Mr. Nishiyama has broad experience and a proven track record across a wide range of operational areas encompassing the company's overall management, including corporate strategy, strategic investment, and international business. Currently, he offers key leadership to group companies as an executive officer and general manager of the Corporate Strategy Department, in which capacity he is working to develop new businesses and boost profitability. He was identified as a director candidate based on this track record.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Reapproval of Takeover Defense Measures

Efforts to improve governance

	Previous meeting (39th Annual General Meeting of Shareholders)	Present meeting (42nd Annual General Meeting of Shareholders)
No. of directors determined in Articles of Incorporation	9	7
Term for directors	2 years	1 year
Ratio of external directors	28.6% (2 of 7)	33.3% (2 of 6)
Performance-based remuneration	–	Move to a holding company system and introduce a performance-based incentive system
Notice of convocation of shareholders meeting	Sent 3 weeks before	Posted on website 4 weeks before

Major changes to Takeover Defense Measures

(1) An upper limit has been established for the time period during which additional information may be sought by the Board of Directors of the Company from prospective large-scale purchasers (60 days from the day on which the initial information was received).

(2) It has been clarified that in cases where allotment of stock acquisition rights without contribution is carried out as a countermeasure, there is no suggestion that money should be offered for the value of stock acquisition rights that are held by a large-scale purchaser

(3) Changes to words/phrases/wording, etc.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Reapproval of Takeover Defense Measures

Reasons for reapproving Takeover Defense Measures

- ✓ Setting large-scale acquisition rules is a prerequisite to providing an appropriate basis on which shareholders and investors can make appropriate decisions.
  - — Response in accordance with the Financial Instruments and Exchange Act may not be effective in some cases.
  - — Securing adequate time can be an effective means of ensuring constructive dialogue with a large-scale purchaser who can potentially increase corporate value.
- ✓ In order to realize sustained growth and an increase in mid-to-long-term corporate value, it is essential to be able to deal rapidly with changes in the industry, which are expected to accelerate in the future.
  - — In order to increase corporate value, from a mid-to-long-term perspective it is necessary to act rapidly and decisively to implement bold measures.
  - — It is feared that large-scale acquisition may have a major impact on management and hinder the execution of the measures described above.
- ✓ In light of the characteristics of our Group's proprietary vending machine business model, it is the responsibility of the Board of Directors to always be ready for any unexpected event.
  - — There is a risk of a hostile takeover that focuses only on our number of vending machines and does not aim to improve the mid-to-long-term corporate value of the company.
  - — Depending on the policy of a large-scale purchaser, there may be a reaction/resistance from employees/*Kyoeikai*, leading to a drop in the quality of the vending machine operation and cash flow creation capacity of our vending machine business.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

■ APPENDIX

こころとからだに、
おいしいものを。

FY2016 Consolidated Earnings / FY2017 Consolidated Earnings Forecast - Details -

(Millions of yen)

	FY2015 results	FY2016 results			FY2017 earnings forecast		
			Change (%)	Change		Change (%)	Change
Domestic Beverage Business *1	–	128,444	–	–	129,400	0.7%	956
International Beverage Business *2	–	16,457	–	–	19,100	16.1%	2,643
Beverage business subtotal	124,192	144,902	16.7%	20,709	148,500	2.5%	3,598
Pharmaceutical-related Business	9,126	9,068	(0.6%)	(57)	9,500	4.8%	432
Food Business	17,155	18,013	5.0%	858	18,180	0.9%	167
Adjustment	(618)	(583)	(5.6%)	34	(680)	16.6%	(97)
Total net sales	149,856	171,401	14.4%	21,544	175,500	2.4%	4,099
Domestic Beverage Business *1	–	3,576	–	–	6,100	70.6%	2,524
International Beverage Business *2	–	(876)	–	–	(410)	(53.2%)	466
Beverage business subtotal	3,745	2,700	(27.9%)	(1,045)	5,690	110.7%	2,990
Pharmaceutical-related Business	979	944	(3.6%)	(35)	835	(11.5%)	(109)
Food Business	259	212	(18.4%)	(47)	345	62.7%	133
Adjustment	2	0	(73.8%)	(2)	(1,570)	–	(1,570)
Total operating profit	4,988	3,857	(22.7%)	(1,130)	5,300	37.4%	1,443

*1 Domestic Beverage Business: FY2015 and FY2016 results include Russia and China.

*2 International Beverage Business: FY2016 results include Turkey and Malaysia. FY2017 forecasts include Turkey, Malaysia, Russia, and China.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Domestic Beverage Business FY2016 Summary and FY2017 Strategy

Domestic Beverage Business

(Millions of yen)

	FY2015 results	FY2016 results			FY2017 earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	124,192	128,444	3.4%	4,252	129,400	0.7%	956
Operating income	3,745	3,576	(4.5%)	(169)	6,100	70.6%	2,524

(Note) Figures prior to consolidated adjustment
FY2015 and FY2016 results include Russia and China.

FY2016 summary

- The "Supervised by the World's Top Barista*" series (of bottle-shaped can coffee) contributed to performance
- Sales to Kirin Beverage, which began in April, also contributed to sales growth
- Control of the container mix and other initiatives drove steady cost reductions
- We made future growth-oriented prior investments in areas such as IoT-enabled vending machines and logistics



FY2017 strategy

- Undertake initiatives to further strengthen the DyDo Blend brand
- Develop high-added-value products to accommodate consumers' interest in health
- Invest savings from reductions in vending machine fixed costs in IoT-enabled vending machines and work to bring innovation to the business model



*Pete Licata, 14th World Barista Championship winner

Copyright (C) DyDo Group Holdings. All Rights Reserved.

International Beverage Business FY2016 Summary and FY2017 Strategy

International Beverage Business

(Millions of yen)

	FY2015 results	FY2016 results			FY2017 earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	—	16,457	—	—	19,100	16.1%	2,643
Operating income	—	(516)	—	—	(30)	—	486
Amortization of goodwill, etc.	—	359	—	—	380	5.8%	21
Operating income after amortization of goodwill, etc.	—	(876)	—	—	(410)	—	466
Turkishlira (TRY)	—	36.13	—	—	33.00	—	(3.13)
Malaysian ringgit (MYR)	—	26.44	—	—	25.00	—	(1.44)

(Note) Figures prior to consolidated adjustment
FY2016 results include Turkey and Malaysia. FY2017 forecasts include Turkey, Malaysia, Russia, and China.

FY2016 summary

- We put in place structures to strive to achieve dramatic growth in the top line overseas
- The slowdown in Turkey's economy and weakness in the lira had a strong impact on our results

FY2017 strategy

- Focus on establishing the business foundation and on improving profitability
- Strengthen and cultivate core brands
- Create synergies with the Domestic Beverage Business



Copyright (C) DyDo Group Holdings. All Rights Reserved.

Pharmaceutical-related Business FY2016 Summary and FY2017 Strategy

Pharmaceutical-related Business

(Millions of yen)

	FY2015 results	FY2016 results			FY2017 earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	9,126	9,068	(0.6%)	(57)	9,500	4.8%	432
Operating income	979	944	(3.6%)	(35)	835	(11.5%)	(109)

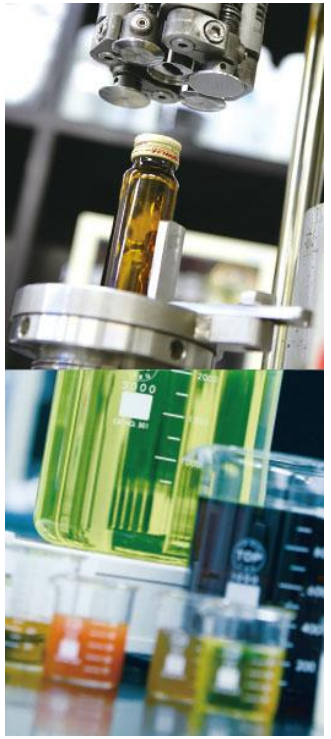
(Note) Figures prior to consolidated adjustment

FY2016 summary

- Structural issues in the nutritional drink market led to a difficult competitive environment
- An increase in orders in international markets for beauty beverages contributed to the results
- We continued to work to lower manufacturing costs

FY2017 strategy

- Pursue an organizational approach to solution-based sales and develop proprietary proposal materials
- Creating appealing factories to deliver the best quality in the industry
- Strengthen profitability by streamlining production and lowering costs



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Food Business
FY2016 Summary and FY2017 Strategy

Food Business

(Millions of yen)

	FY2015 results	FY2016 results			FY2017 earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	17,155	18,013	5.0%	858	18,180	0.9%	167
Operating income	620	564	(9.1%)	(56)	697	23.6%	133

(Note) Figures prior to consolidated adjustment

FY2016 summary

- We saw strong sales of new products in the “Torokeru Ajiwai” series and other product lines
- We achieved even greater permeation of the mass-retail market
- Rising costs exerted downward pressure on profits even as we pursued companywide profit structure reforms

FY2017 strategy

- Strive to expand the market by introducing a diverse line of products
- Continue to implement our procurement and production strategies
- Focus on reforming our business’s profit structures and building a foundation for future profitability



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2017 First Half Consolidated Earnings Forecast

[Consolidated]

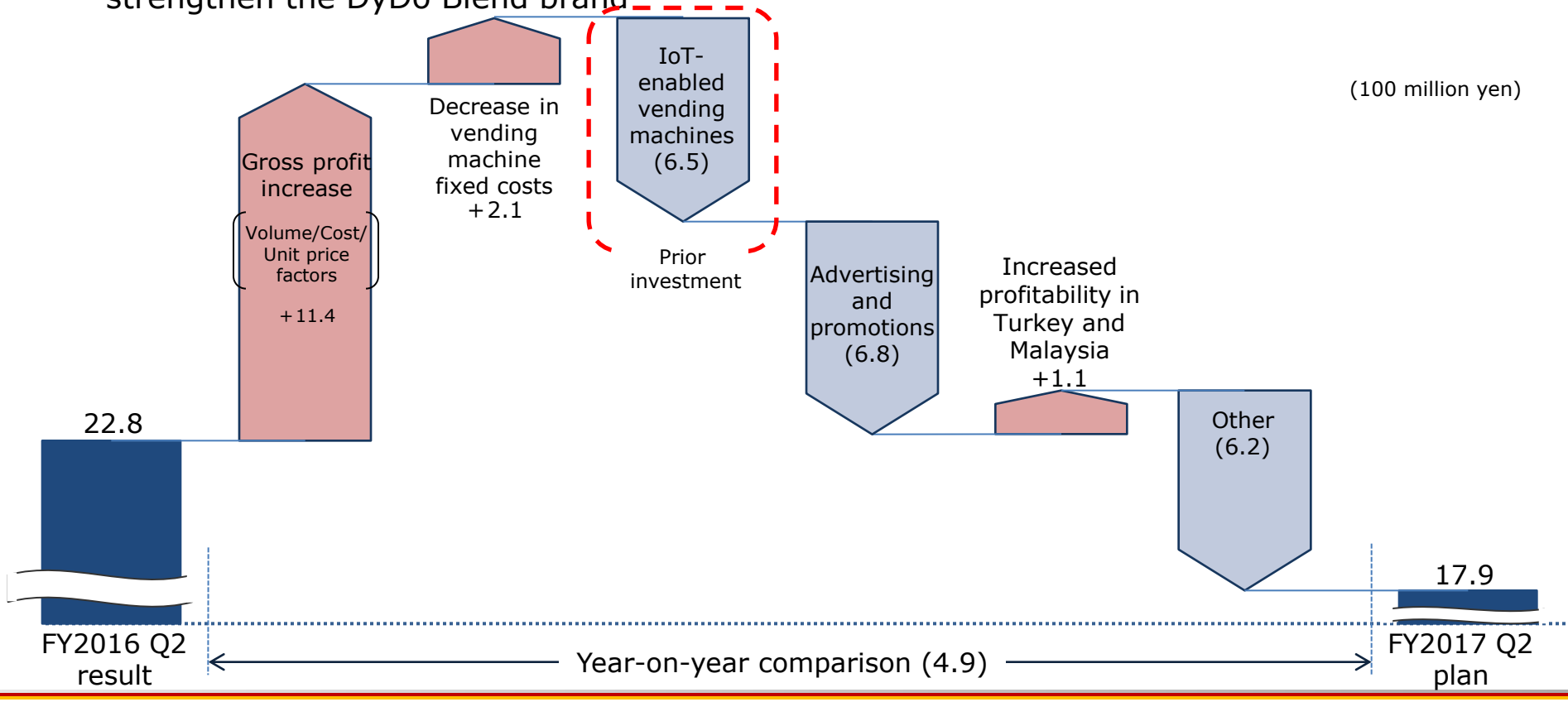
(Millions of yen)

	FY2015 first half performance		FY2016 first half earnings forecast			
		Component ratio		Component ratio	Change (%)	Change
Net sales	86,138	100.0%	89,250	100.0%	3.6%	3,112
Operating income	2,280	2.6%	1,790	2.0%	(21.5%)	(490)
Ordinary income	2,218	2.6%	1,700	1.9%	(23.4%)	(518)
Quarter net income returned to parent company shareholders	1,925	2.2%	850	1.0%	(55.8%)	(1,075)
EPS	116.23 yen		51.31 yen		(55.9%)	(64.92 yen)
Dividend per share	30 yen		30 yen		0.0%	-

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Factors Affecting Operating Income in the First Half of FY2017

- First-half sales volume in the Domestic Beverage Business will grow 2.3% year on year
- Sales of products in the "Supervised by the World's Top Barista*" series to Kirin will contribute to results from the beginning of the fiscal year (the initiative began last April)
- Savings from reductions in vending machine fixed costs will be allocated to the rollout of IoT-enabled vending machines
- We will actively pursue advertising and promotional efforts during the first half in order to strengthen the DyDo Blend brand



Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2017 First Half Earnings Forecast by Segments

Domestic Beverage Business

(Millions of yen)

	FY2015 first half results	FY2016 first half results			FY2017 first half earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	61,060	63,479	4.0%	2,419	65,450	3.1%	1,971
Operating income	891	1,792	101.0%	900	2,390	33.4%	598

(Note) Figures prior to consolidated adjustment
FY2015 and FY2016 results include Russia and China.

International Beverage Business

(Millions of yen)

	FY2015 first half results	FY2016 first half results			FY2017 first half earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	—	8,542	—	—	9,680	13.3%	1,138
Operating income	—	(316)	—	—	(160)	—	156
Amortization of goodwill, etc.	—	172	—	—	190	10.5%	18
Operating income after amortization of goodwill, etc.	—	(489)	—	—	(350)	—	139
Turkish lira	—	38.43	—	—	33.00	—	(5.43)
Malaysian ringgit	—	27.58	—	—	25.00	—	(2.58)

(Note) Figures prior to consolidated adjustment
FY2016 results include Turkey and Malaysia. FY2017 forecasts include Turkey, Malaysia, Russia, and China.

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

FY2017 First Half Earnings Forecast by Segments

Pharmaceutical-related Business

(Millions of yen)

	FY2015 first half results	FY2016 first half result			FY2017 first half earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	4,548	4,641	2.0%	92	4,710	1.5%	69
Operating income	487	508	4.3%	21	350	(31.1%)	(158)

(Note) Figures prior to consolidated adjustment

Food Business

(Millions of yen)

	FY2015 first half results	FY2016 first half results			FY2017 first half earnings forecast		
			Change (%)	Change		Change (%)	Change
Net sales	9,104	9,808	7.7%	703	9,770	(0.4%)	(38)
Operating income	524	475	(9.4%)	(49)	426	(10.3%)	(49)

(Note) Figures prior to consolidated adjustment

Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

☐ The Business Model of DyDo Group

こころとからだに、
おいしいものを。

DyDo Group History

(Billions of yen)

◆ New business

200

◆ Overseas expansion

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

Tarami

- Acquisition of Tarami Corporation

DyDo

- 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 "Supervised by the World's Top Barista" series



- Smile STAND



Beverage sales business spun off

DAIDO PHARMACEUTICAL CORPORATION

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





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



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



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



- Expansion of orders of beauty health drink



*Envisioned sales

100

0

1950s 1970s 1990s 2010s 2018

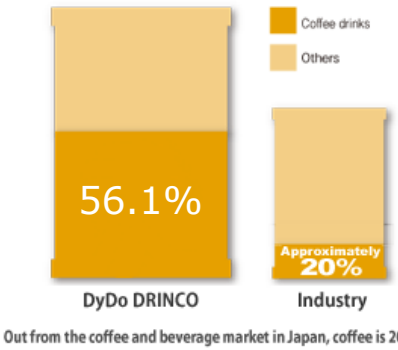
Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

Key Features / Strengths of Domestic Beverage Business

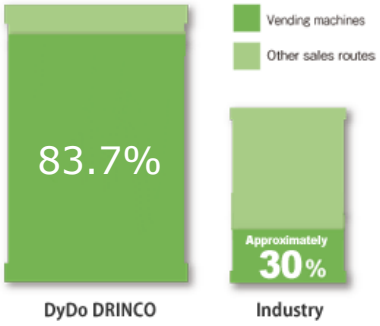
◆ Securing steady profit with coffee × vending machines

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



Out from the coffee and beverage market in Japan, coffee is 20%

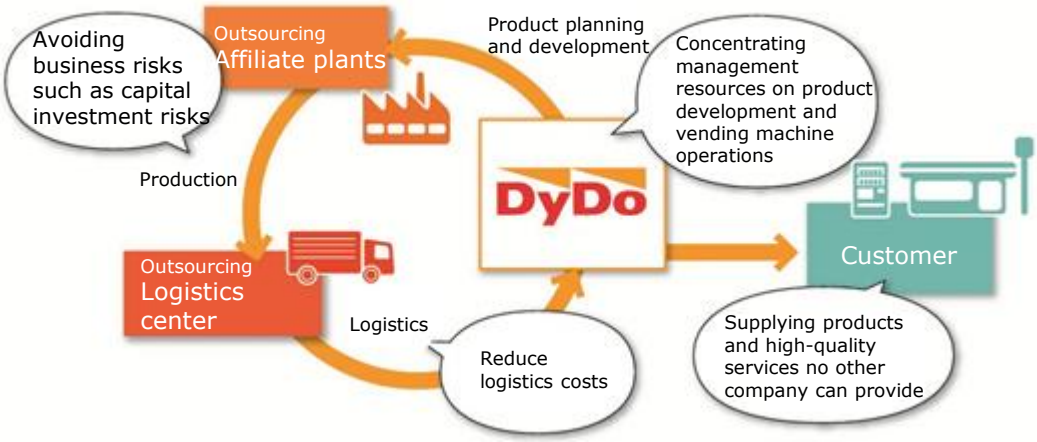
Vending Machine Sales account for 85% of Sales

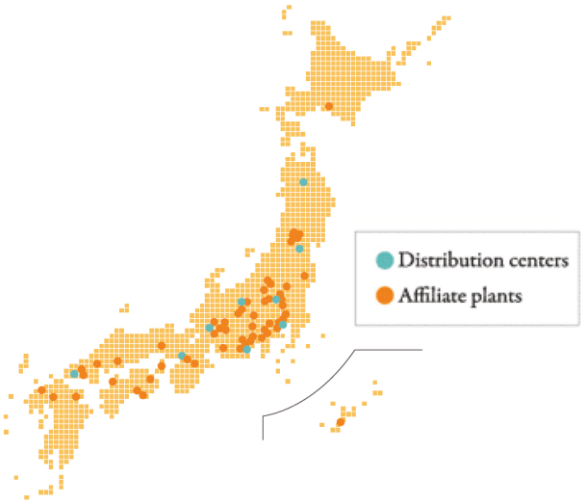


The Vending machine business market in Japan is 30%

* DyDo DRINCO results:
As of the end of FY2015

Effective use of management resources via fabless management





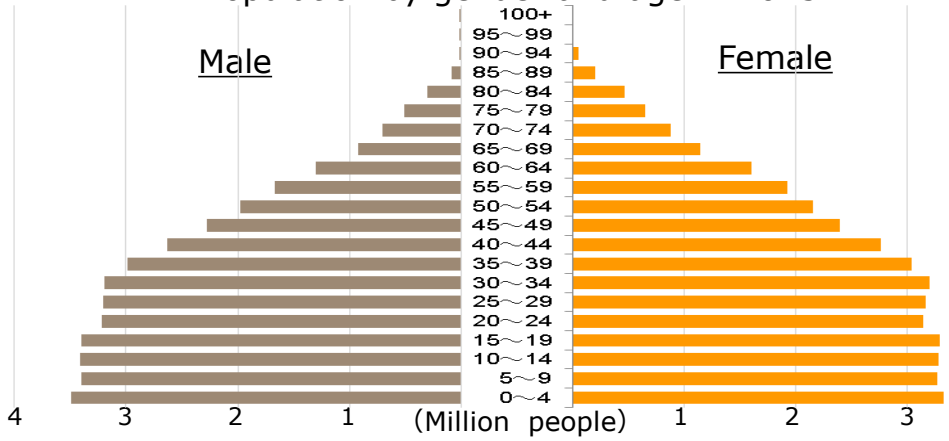
Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

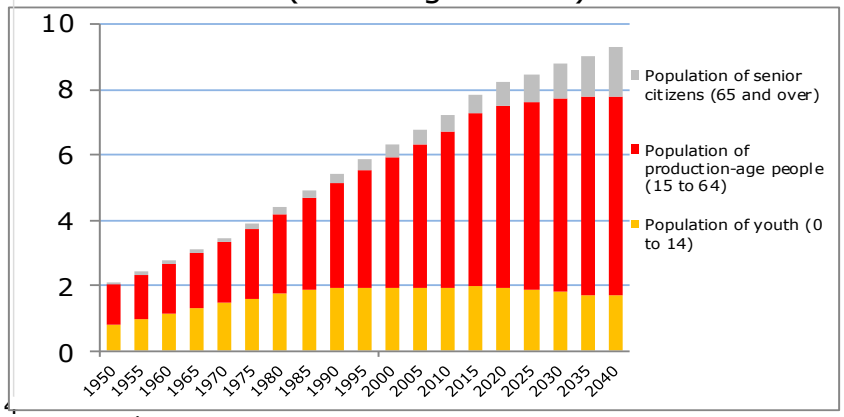
Grown Potential in the International Beverage Business: Turkey

- A market that is expected to grow thanks to the large proportion of young people in its population

Population by gender and age in 2015



Trend in population by age group (including outlook)



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

- Potential for using DyDo's product development capabilities in Japan to create new categories

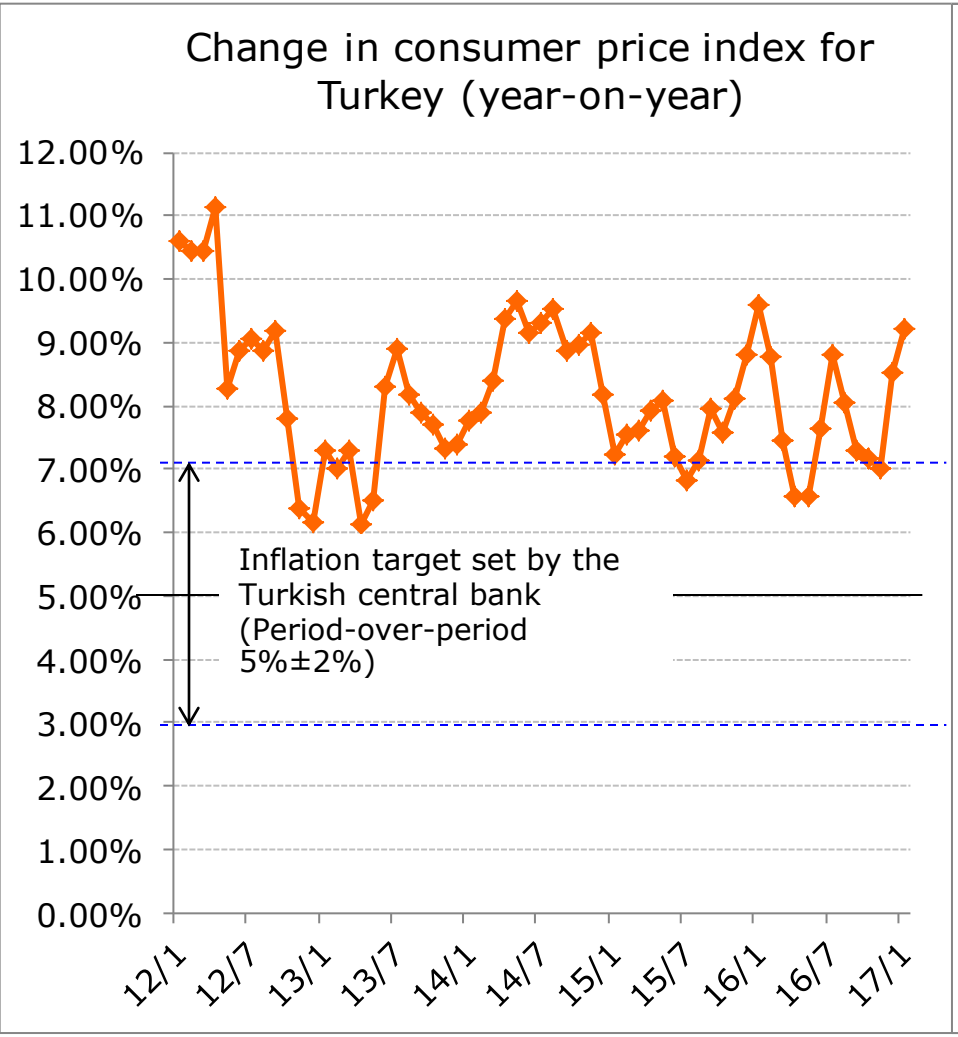
[Products from major brands in the Turkish business]

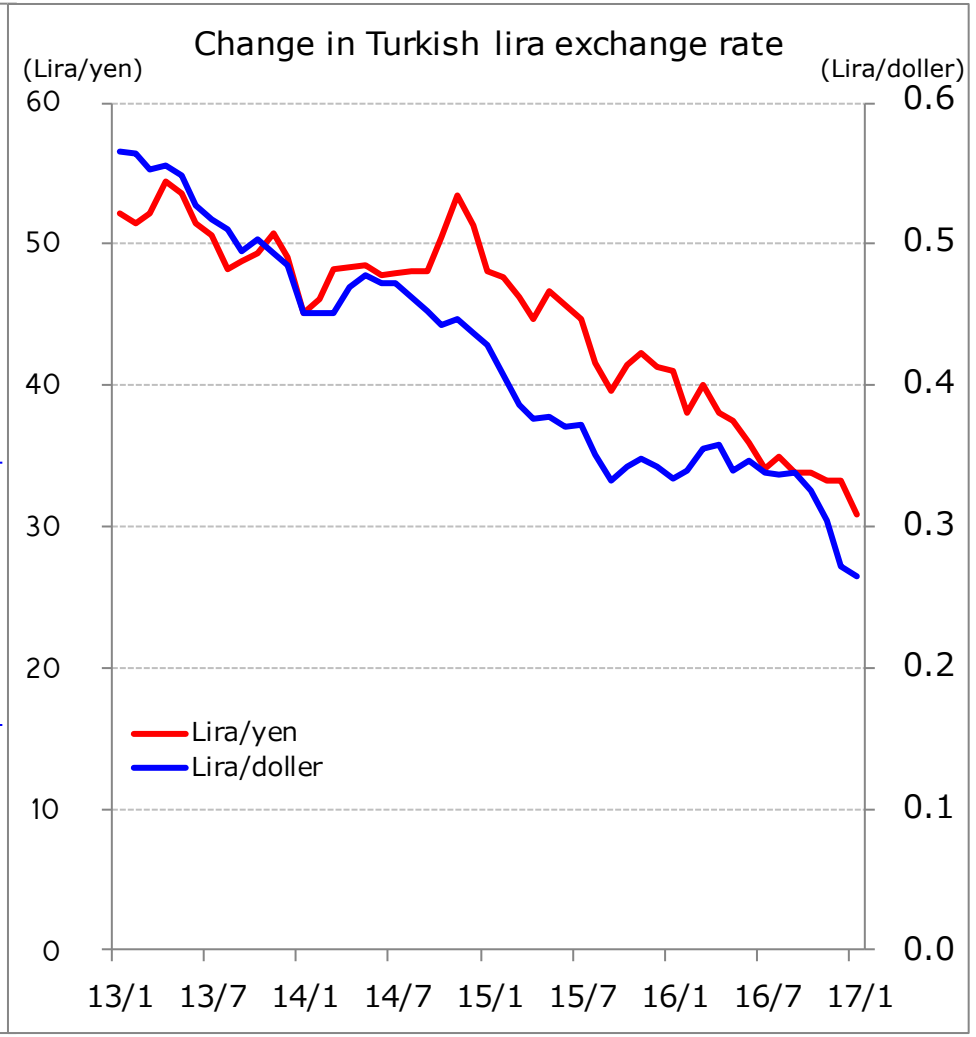


Copyright (C) DyDo Group Holdings. All Rights Reserved.

Risk in the International Beverage Business: Turkey

Risk factors are a high inflation rate and the fluctuating exchange rate of the lira





Source: Compiled by DyDo from data released by the Turkish Statistical Institute

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Grown Potential in the International Beverage Business: Other Regions

Russia: Horizontal expansion of vending machine business


Train stations


Bus terminals


Subways


Gas stations

Malaysia: Establishing strategic bases in the Islamic region

nutrigen™
MINUMAN SUSU KULTUR


Nutrigen Cultured Milk


Nutrigen Adult Cultured Milk

Cheers


Cheers Carbonated Soft Drink

Copyright (C) DyDo Group Holdings. All Rights Reserved.

Key Features / Strengths of the Pharmaceutical-related Business

- We're developing an OEM business by pursuing the research, development, and manufacture of drinkable preparation.
- We've maintained high profitability as a company that enjoys top market share in its industry and that is involved with about 50 products every year, from pharmaceuticals and quasi-drugs to beverages.
- We're striving to become the industry's No. 1 contract manufacturer while working to maintain and strengthen safe and secure production structures.









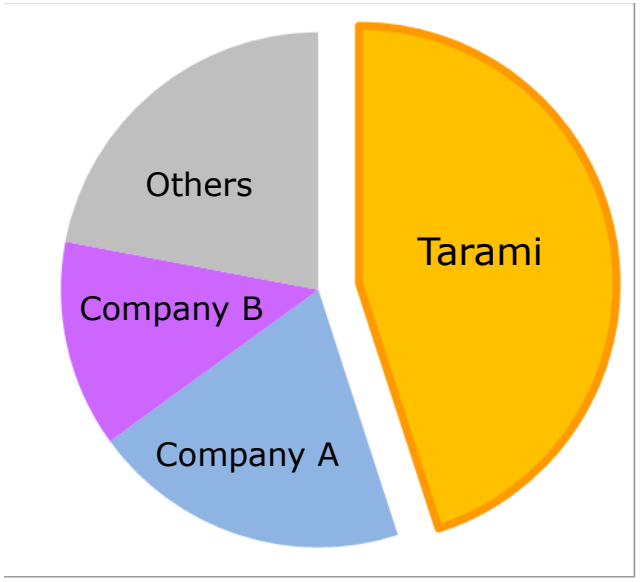
Copyright (C) DyDo Group Holdings. All Rights Reserved.

Key Features / Strengths of the Food Business

- The Food Business became a wholly owned subsidiary in June 2012 and today contributes to consolidated performance as the Group's third core business.
- Thanks to high name recognition and brand strength, we've maintained top share in the gelatin fruit dessert market.
- Going forward, we plan to develop higher-added-value products, new markets, and sales channels while building an unshakable position in the gelatinous fruit dessert market.







Copyright (C) DyDo Group Holdings. All Rights Reserved.

こころとからだに、
おいしいものを。

DyDo

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.