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Offering delicious products
for the sound mind and body

January 15, 2019

Company: DyDo Group Holdings, Inc.
Representative: Tomiya Takamatsu, President
(Code 2590 on the First Section of the Tokyo Stock Exchange)
Inquiries: Naokazu Hasegawa, Corporate Officer
and General Manager of Corporate Communication Department

Notice on Extraordinary Income and Extraordinary Loss

DyDo Group Holdings expects to post an extraordinary income and an extraordinary loss as part of its consolidated financial results for the fiscal year ending January 2019.

1. Partial sale of shares of TCI Co., Ltd., (to be posted as an extraordinary income)

The Group entered into a capital alliance with TCI Co., Ltd., (HQ: Taiwan) in December 2014, and Group subsidiary Daido Pharmaceutical Corporation, has offered technical support to TCI since that time. Currently, cooperation between to the two companies with regard to contract manufacturing of beauty drinks for the Chinese market has intensified, and the volume of contract manufacturing orders received by Daido Pharmaceutical through TCI has been growing.

Based on an assessment that the collaboration with TCI can be expected to continue in the future, the Company has opted (via an agreement executed on January 14, 2019) to sell some of its shares in TCI (1.5 million shares, or about 1.5% of TCI's outstanding shares) in order to recoup its initial investment.

Following the partial share sale, the Group will continue to maintain and develop its capital and operational alliance with TCI as approximately 11.8% shareholder of the company.

As the result of this transaction, the Company expects to post a gain on sales of investment securities in the amount of about ¥2.2 billion as an extraordinary income as part of the consolidated financial results for the fiscal year ending January 2019.

2. Partial sale of shares of MDD Beverage Sdn. Bhd. (to be posted as an extraordinary loss)

The Group embarked on a capital participation in the beverage business of major Malaysia food manufacturer Mamee Double Decker (M) Sdn. Bhd. in December 2015, when it acquired a 49% stake in MDD Beverage Sdn. Bhd. ("MDDB"), the manufacturing company for Mamee's beverage unit, and a 51% stake in Milk Specialities Distribution Sdn. Bhd. (currently DyDo Mamee Distribution Sdn. Bhd.; "DMD"), the unit's sales company. These acquisitions marked the start of the Company's effort to develop its business in the Malaysian market.

However, a series of major changes in the market environment has caused the performance of the Malaysian beverage business to fall significantly below the levels

envisioned in the initial plan, and DMD, a consolidated subsidiary of the Company, has been focusing on chilled beverages, a comparatively high-profit product, while working to reform its profit structure by rebuilding its product portfolio, for example by discontinuing uncompetitive carbonated beverages.

Having determined that the strategic significance of the Group's involvement in the management of manufacturing company MDDB has diminished due to the fact that DMD has adopted a policy of choosing contract manufacturers based on the new products it develops, the Company's Board of Directors resolved today to sell a portion of its MDDB shares.

As a result of this transaction, the Company's stake in MDDB will fall to 10%, and the company will be removed from the scope of equity-method accounting. In addition, the Company expects to post a loss on sales of shares of subsidiaries and associates in the amount of about ¥1.7 billion as an extraordinary loss as part of the consolidated financial results for the fiscal year ending January 2019.

3. Future outlook

The Company plans to use funds gained from the sales of shares described above to fund growth investments under its Mid-term Business Plan 2021, which begins in FY2019.

These transactions will not necessitate any revision to the full-year performance outlook for the fiscal year ending January 2019. The Company will disclose information about future performance trends as necessary in a timely manner.