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DyDo

Offering delicious products
for the sound mind and body

January 15, 2019

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	(Code 2590 on the First Section of the Tokyo Stock Exchange)
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Notice Concerning the Formulation of the Group Mission 2030 and the Mid-term Business Plan 2021

DyDo Group Holdings Inc., (head office: Osaka; president: Tomiya Takamatsu) has formulated the Group Mission 2030, which sets forth its vision for the Group in 2030, as well as the Mid-term Business Plan 2021, a three-year action plan to implement the vision starting in FY2019.

I. Background

1. Summary of "Challenge the Next Stage," the mid-term business plan in effect from FY2014 to FY2018

The Group formulated a new Group Philosophy, Group Vision, and Group Slogan in 2014 in an effort to bring all Group employees together to achieve sustained growth in the future amidst changes in the environment in which its core domestic beverage business operates, and it has worked to cultivate a corporate culture that embraces challenges and to implement ongoing improvements in its corporate governance.

In addition to launching a five-year mid-term business plan entitled "Challenge the Next Stage" ending in FY2018 that coordinates initiatives in the four challenge areas of existing business growth, product enhancement, overseas business development, and the establishment of new business platforms, the Group has pursued a series of reforms, including the transition to a holding company structure in January 2017.

Thanks to initiatives carried out over the last five years, the Group has achieved success in laying a foundation for future growth, for example in terms of reforming the fixed-cost structure of the vending machine channel and acquiring strategic facilities in the Sharia law-observing Islamic world such as Turkey and Malaysia.

At the same time, changes in the external environment have continued at faster-than-expected speeds, leaving issues that need to be addressed in terms of improving growth, profitability, and efficiency.

2. Addressing medium- and long-term changes in the business environment as well as social issues

Currently, health care markets that contribute to a society characterized by healthy living and long life expectancy are driving expectations of high growth against the backdrop of Japan's falling birthrate and its growing life expectancy, both of which trends are fueling concern about labor shortages triggered by declines in the population of productive workers. This trend toward increased health awareness is likely to become a major global phenomenon.

In addition, the development of innovative technologies such as artificial intelligence (AI) is prompting major changes in how people live and work. As many companies come under pressure to reform their operations, connections between people and creative jobs that take advantage of people's diverse values and abilities are likely to become only more important in the creation of new value for the next generation.

At the same time, the growing seriousness of the economic impact of climate change and resource shortages means that companies are being called upon to prepare to address latent risk caused by environmental and social changes and to contribute to the achievement of a rich, sustainable society by working to resolve social issues through their businesses.

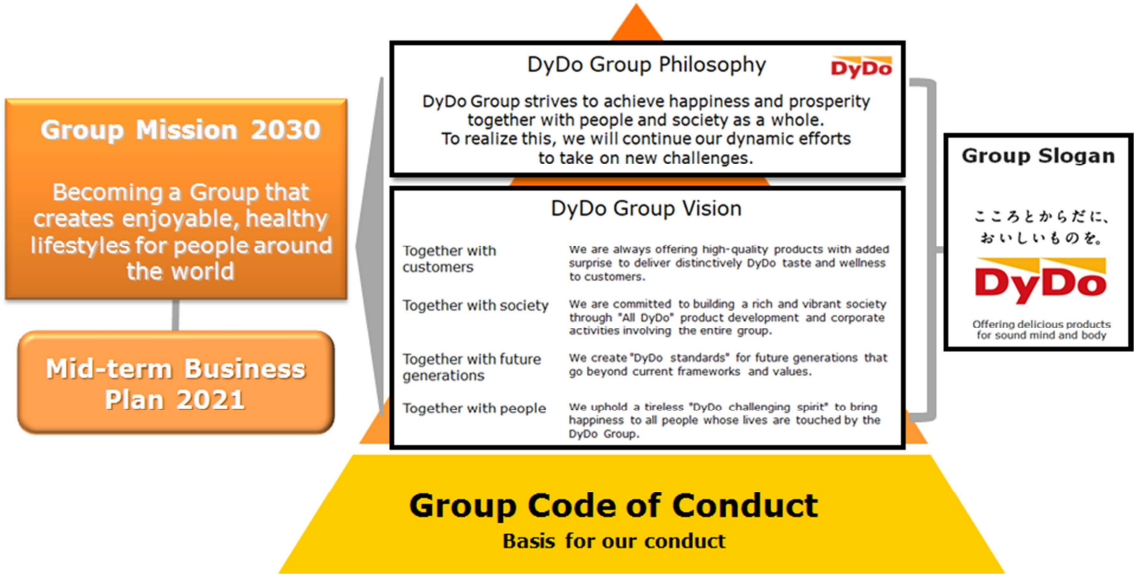
In order to continue to create value for customers and society by tapping the potential of these medium- and long-term changes in the business environment and transforming risks into business opportunities, the Group believes that it will be necessary to adopt highly competitive business models in an age of uncertainty by embracing discontinuous innovation while taking advantage of its traditional strengths.

II. Overview of the Group Mission 2030

The Group formulated the Group Mission 2030 by incorporating issues addressed by the current “Challenge the Next Stage” mid-term business plan and analyzing these and other medium- and long-term changes in the business environment as either risks or business opportunities that will exert a serious impact on its business model.

The mission, which has been formulated to facilitate the implementation of the Group Philosophy and Group Vision as the Company moves toward and beyond 2030, identifies the Group’s mission and direction in each of four areas, providing a roadmap for the achievement of each.

Specifically, it divides the run-up to 2030 into three phases—a platform-strengthening and investment stage, a growth stage, and an achievement stage. By developing highly competitive business models through the implementation of business strategies in each stage, the Group will build a robust business portfolio characterized by high growth, profitability, and efficiency.



Group Mission 2030

Becoming a Group that creates enjoyable, healthy lifestyles for people around the world

Together with customers



Creating customer health

Providing products and services that help improve health and quality of life for customers around the world based on a tireless commitment to discovering delicious flavor

Together with society



Playing a leading role in social reform

Taking the lead in social reform by adopting a new perspective that goes beyond conventional wisdom to achieve a sustainable society

Together with future generations



Creating new value for the next generation

Taking advantage of innovative technologies to offer the experience of excitement and surprise to all stakeholders

Together with people



Creating connections between people

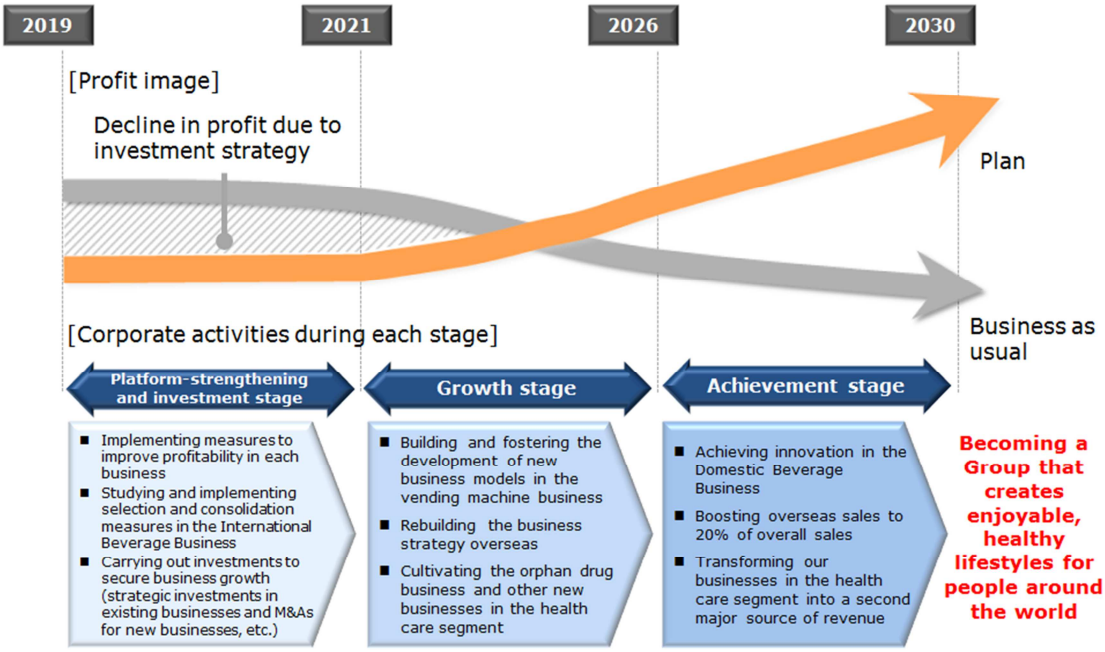
Working flexibly with stakeholders inside and outside the Group to facilitate a new approach to coexistence and coprosperity while respecting diverse values and abilities

1. Basic policy

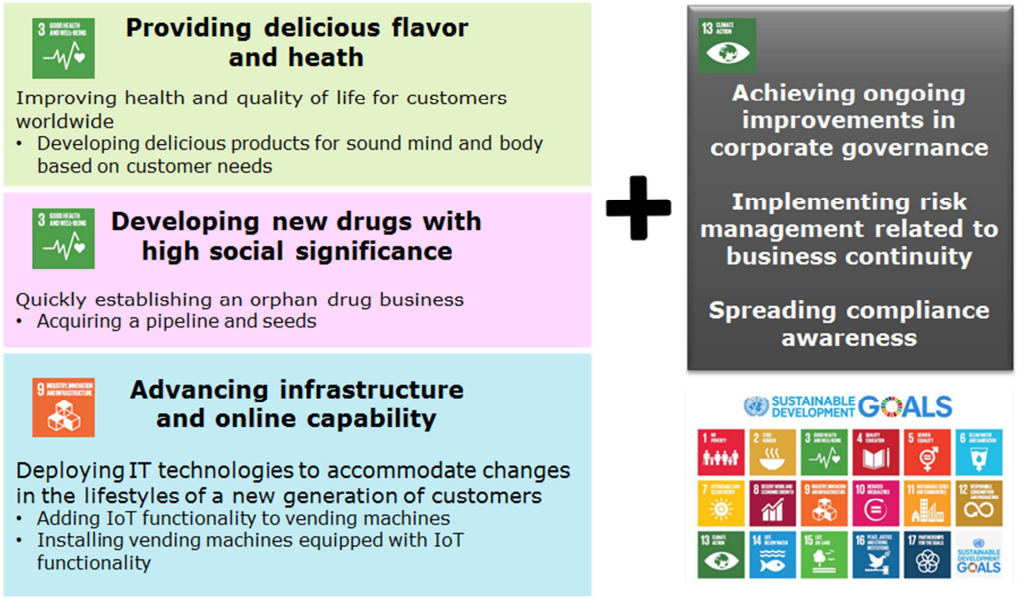
Building a robust business portfolio characterized by high growth, profitability, and efficiency



2. Roadmap



3. Resolving social issues through our businesses: Initiatives to address ESG issues



Ⅲ. Mid-term Business Plan 2021 (FY2019 to FY2021)

1. Significance of the Mid-term Business Plan 2021

The Mid-term Business Plan 2021 outlines the Group's actions during the platform-strengthening and investment stage as it works to implement the vision set forth in the Group Mission 2030. Specifically, the Group will work to maximize cash flows and advance its growth strategies in line with the basic policies described below.

Instead of setting forth fixed, quantitative targets for the three-year period it covers, the Mid-term Business Plan 2021 offers guidelines for principal performance indicators. It also provides policies for setting targets for single fiscal years based on changes in the business environment and progress in implementing priority strategies and the Company's investment strategy.

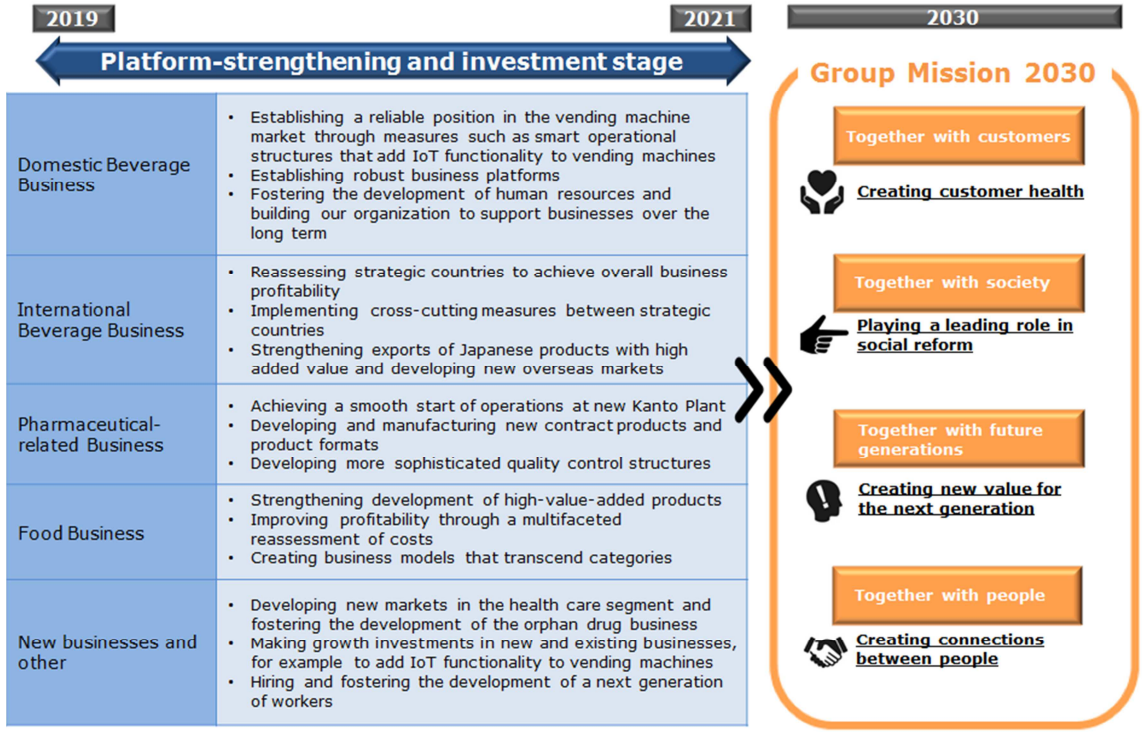
2. Basic policies in the Mid-term Business Plan 2021

- **Focusing on improving profits and implementing robust management**
  - Working to maximize cash flows by undertaking measures focusing on improving profits in each business
  - Expanding products, services, and other operations designed to pursue delicious flavor and health
- **Making judgments about business continuity to facilitate strategic management**
  - Selecting and consolidating strategic facilities in the International Beverage Business
- **Implementing a growth strategy to achieve the Group Mission 2030**
  - Implementing an investment strategy to facilitate the growth of businesses and the creation of new businesses in the health care segment
  - Implementing a human resources strategy to spur the ongoing growth of the DyDo Group

3. Guidelines for key indicators in the Mid-term Business Plan 2021

	Guidelines
Sales	• Organic growth in existing businesses along with new M&As
Operating margin	• Operating margin in existing businesses (3%) minus investment strategy costs plus profit/loss from new M&As • Transition of the International Beverage Business to profitability
Cash flows (CFs)	• Operating cash flows created by existing businesses: ¥40 billion yen or greater • Capital investment necessary in existing businesses: About ¥28 billion
Investment strategy	• Growth investments in existing businesses: About ¥12 billion • Investment in the health care segment to execute new M&As: About ¥30 billion • Launch of the orphan drug business: About ¥3 billion
Return to shareholders	• Return of profits to shareholders through stable dividends

4. Key strategies and investment strategy



[Investment resources]

About ¥36 billion

Surplus funds on balance sheet

About ¥12 billion

Cumulative cash flows over three years created by each business

[Investment policies]

[Growth investment in each business] ¥12 billion

- Investments to equip vending machines with IoT functionality and to create businesses that are peripherally related to food and beverages in the Domestic Beverage Business ¥6 billion
- Construction of a new plant and installation of a new pouch line for the pharmaceuticals-related business ¥6 billion

[Investments in new businesses] ¥33 billion

- M&A investments in the health care segment ¥30 billion
- Investments in launching the orphan drug business ¥3 billion

[Other] ¥3 billion

- Return of profits to shareholders through stable dividends ¥3 billion

5. Human resources strategy



IV. Formulating a shared Code of Conduct for the Group

We formulated a new Code of Conduct for the entire Group in order to facilitate the implementation of the Group Mission 2030.

Going forward, we will embrace the challenge of achieving ongoing growth and increasing corporate value over the medium and long term through a concerted effort by all Group employees based on the Group's shared values and high ethical standards.

Group Code of Conduct

Together with customers
- Provide safe products and services that inspire peace of mind through a thoroughgoing commitment to flavor and quality.
- Make the customer No. 1, and take customer feedback seriously.
- Innovate in order to offer customers surprise and joy.

Together with society
- Actively communicate with colleagues and stakeholders.
- Deal flexibly with changes in the times and environment in order to realize ongoing growth.
- Actively participate in community service and cultivate gratitude toward the local community.
- Work to reduce environmental impacts and to use limited resources effectively.
- Disclose information to stakeholders in an appropriate manner in order to ensure fairness and transparency.
- Treat confidential information, including personal information, and corporate assets with care.
- Adhere to applicable laws and socially acceptable practices and work to maintain ethical standards.
- Work to prevent corruption and avoid relationships with organized crime.

Together with future generations
- Treat others with respect at all times and respect individuals and their diverse values, without adhering to rigid stereotypes.
- Avoid being satisfied with the status quo and think what you can do to improve yourself, starting with actions that you can take immediately.
- Generate new value from flexible ideas by adopting a playful attitude toward work.
- Remain sensitive to signs of change in the world and take the lead in implementing reforms.

Together with people
- Strive to keep yourself mentally and physically healthy so that you can do good work.
- Cooperate as a team and take advantage of each member's skills and abilities.
- Derive a sense of joy from the successes of your colleagues and praise others who embrace challenges, even when the result is a failure.
- Take pride and responsibility and behave in a manner in which all can experience worth.