



# **FY2022 (Year Ending January 20, 2023) 3rd Quarter Financial Highlights**

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**DyDo Group Holdings, Inc.**

**(Prime Market of the Tokyo Stock Exchange: 2590)**

**November 28, 2022**

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In this document, figures less than one million yen have been rounded down therefore the total amount may differ from the breakdown, and the figures including component ratio have been rounded to the first decimal point. The plans, future projections and strategies for the DyDo Group stated in this document, with the exception of past or current facts, are projections of our future performance, and are based on the judgment and postulations of our management team based on the information available at the time. Accordingly, the actual performance may differ greatly from these due to unforeseen factors, the economic situation and other risks. This document is not intended to solicit any investment. Please use your own judgment when making investment decisions.

From fiscal 2022, we apply the Accounting Standard for Revenue Recognition as detailed in the Accounting Standards Board of Japan's Statement No. 29 and other regulations.

As a result, performance and other contents included in this report are in accordance with the following financial data notes.

Relevant segment  
 Domestic Beverage Business  
 Food Business  
 Pharmaceutical-related Business

## Financial data notes

- Performance for fiscal 2021 follows the conventional standards, while performance for fiscal 2022 reflects the application of the new standards.
- The degree of increase or decrease on items particularly affected by the application of the new standards is not listed.
- Where necessary, reference figures that use the conventional standards for fiscal 2022 performance have been provided. Operation profit, ordinary profit and profit attributable to owners of parent are not shown because the impact is very little.

## Main impacts on performance figures of applying the new standards

### Conventional standards

Net sales
Gross profit
Selling, general and administrative expenses
Sales commission
<b>Distribution rebate</b>
Operating profit
Ordinary profit
Profit attributable to owners of parent

### New standards

Net sales (minus Distribution rebate)
Gross profit
Selling, general and administrative expenses
Sales commission
Operating profit
Ordinary profit
Profit attributable to owners of parent

Deducted from sales

# Application of revised restatements regulated in *Financial Reporting in Hyperinflationary Economies*

For financial statements for our subsidiary in Turkey, a major country for our International Beverage Business, since the second consolidated quarter we have been adding adjustments to our accounting in line with criteria set in IAS 29, *Financial Reporting in Hyperinflationary Economies*. In these materials, we refer to this as “**hyperinflation accounting.**”

Relevant segment  
International Beverage  
Business

## Overview of IAS 29 *Financial Reporting in Hyperinflationary Economies*

- (1) An economy is deemed to be hyperinflationary if its cumulative inflation rate for a period of three years approaches to, or exceeds, 100% (in Turkey’s case, the rate for March 2022 exceeded 100%)
- (2) When converting Turkish lira amounts to Japanese yen, assets/liabilities and revenue/expenses must be converted using the rate on the day of settlement

	Conventional standards	After application of IAS 29 criteria
Balance sheet items	Rate on day of settlement	Rate on day of settlement
Profit/loss statement items	Average rate during period	

- (3) Fluctuations in price indices must be reflected in financial statements
  - Impact on balance sheets
    - Revised restatements for inventories; property, plant and equipment; intangible assets; and other non-monetary investment assets; take into account fluctuations in price indices from the day of acquisition to the end of the fiscal year. For capital, this period is from the time of investment to the end of the fiscal year
    - Retained earnings reflect cumulative effects to the end of the period
  - Impact on profit/loss statements
    - All items are, in principle, revised based on fluctuations in price indices from the time of the individual transaction to the end of the fiscal year

# Major impacts of the application of hyperinflation accounting

This page offers a simplified representation of parts of the hyperinflation accounting process.



## Major impacts on balance sheets

Financial assets	Interest-bearing debt
Accounts receivable	Accounts payable
Inventories (1)	Other
• Property, plant and equipment	Net assets
Intangible assets	Capital (2) (3)
Other	Retained earnings

- (1) Revised restatements in line with fluctuations in price indices between the day of acquisition/transaction and the end of the fiscal year
- (2) Revised restatements in line with fluctuations in price indices between the time of investment and the end of the fiscal year
- (3) Reflects cumulative effects to the end of the period

## Major impacts on profit/loss statements

(Millions of yen)	Impact amount on consolidated profit/loss statements (difference from conventional standards)
Net sales	1,103
Cost of sales	
Gross profit	
SG&A	
Depreciation	
Operating profit	(915)
Non-operating expenses	353
Ordinary profit	(1,288)
Corporation tax, etc.	
Net profit	(1,578)

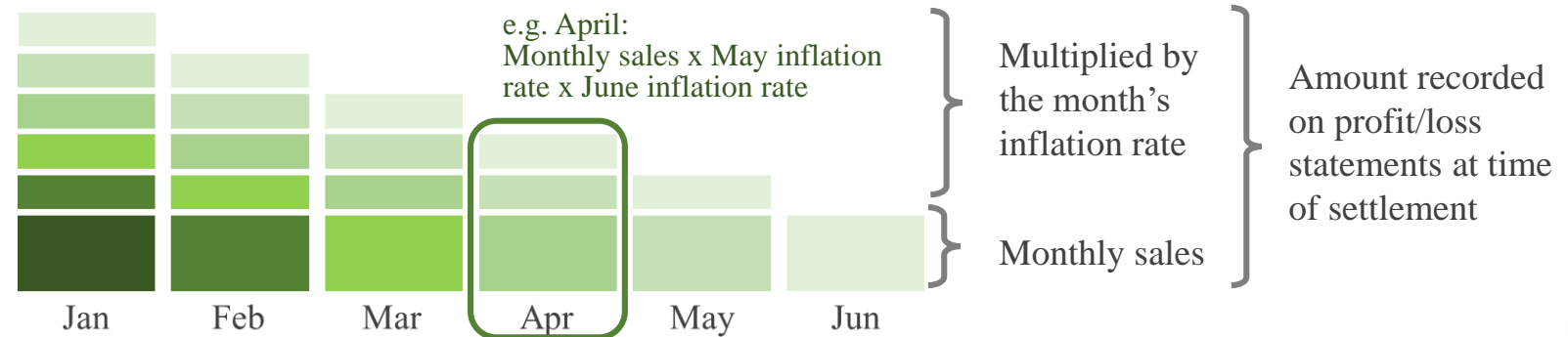
Multiplied by monthly inflation rates to create local financial statements

Based on post-revision assets, depreciation (manufacturing cost prices/SG&A), etc., are recalculated

The impact of inflation on net monetary position is recorded as a loss

Increase in adjustment amounts for corporation tax, etc.

## Sales and cost accounting (prior to conversion into yen)





# 01 Group Mission 2030 / Mid-term Business Plan 2026

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## Offering delicious products for sound mind and body

### DyDo Group Corporate Philosophy

Creating happiness and prosperity, together with people and with society. To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way.

### DyDo Group Corporate Vision

#### Together with our customers.

With our high-quality products, we will offer our customers excitement and enhanced wellness, with distinctive delicious flavors that only DyDo can.

#### Together with the next generation.

We will create a "DyDo Standard" for the next generation that transcends national borders and conventional frameworks.

#### Together with society.

Bringing together all DyDo's resources in the entire Group's product development and corporate activities, we will help build a rich and vibrant society.

#### Together with our people.

We will tirelessly embrace the "DyDo Challenge" of bringing happiness to all whose lives are touched by the DyDo Group.

### DyDo Group Slogan

こころとからだに、  
おいしいものを。



Offering delicious products  
for sound mind and body

Formulated in January 2019 as an ideal of where, and what, we want to be in 2030

## For DyDo Group to create enjoyable, healthy lifestyles for people around the world

### Together with our customers.



#### Nurturing our customers' health

We will deliver products and services that help improve health and quality of life for our customers around the world, in a tireless quest for delicious taste.

### Together with society.



#### Taking the lead in social reform

We will take the lead in social reform, going beyond conventional wisdom to adopt new perspectives for achieving a sustainable society.

### Together with the next generation.



#### Creating new value for future generations

We will take advantage of innovative technologies, bringing surprise and delight to all of our stakeholders.

### Together with our people.



#### Connecting people to people

We will seek out new ways to form mutually beneficial relationships with stakeholders, both old and new, within and outside the company, working flexibly with them and respecting the diversity of their values and abilities.



# Designating Material Issues to Get to Where, and What, We Want to Be in 2030

## DyDo Group Corporate Philosophy

Creating happiness and prosperity, together with people and with society.

To achieve this goal, the DyDo Group will continue to embrace new challenges in a dynamic way.

### Strengths and values we have held since our founding

Closeness to customers and considering their perspectives

Delivering products customers want in the closest and most convenient locations

Business growth through partnerships

### Eight material issues aimed at sustainable growth



### Where, and what, we want to be in 2030

For DyDo Group to create enjoyable, healthy lifestyles for people around the world

Together with our customers.



**Nurturing our customers' health**

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**Connecting people to people**

We will seek out new ways to form mutually beneficial relationships with stakeholders, both old and new, within and outside the company, working flexibly with them and respecting the diversity of their values and abilities.

Our spirit is applicable to the SDGs principle of “leaving no one behind.”

### SUSTAINABLE DEVELOPMENT GOALS



We will raise social value, environmental value, and economic value to achieve sustainable growth

## Social value

We will contribute to the achievement of a sustainable society where people around the world can have enjoyable, healthy lifestyles

**For DyDo Group to create enjoyable,  
healthy lifestyles for people around the world**

## Environmental value

We will aim to make our vending machine business carbon neutral by 2050 (for both direct emissions and through generating the electricity the machines use\*<sup>1</sup>)

We will aim to make emissions (Scope 1 and 2) by the Domestic Beverage Business\*<sup>2</sup>

**carbon neutral by 2030**

We will aim to cut CO<sub>2</sub> emissions (Scope 1 and 2) for major Japanese group subsidiaries\*<sup>3</sup> by **half**\*<sup>4</sup> compared to 2020 levels by 2030

## Economic value

We will aim to improve our corporate value in the medium to long term

Consolidated ROIC in FY2029

**8% or higher**

\*Invested capital is the amount put into in the business segments

\* 1 CO<sub>2</sub> emissions produced by vending machines operated by DyDo Beverage Service (Scope 3)

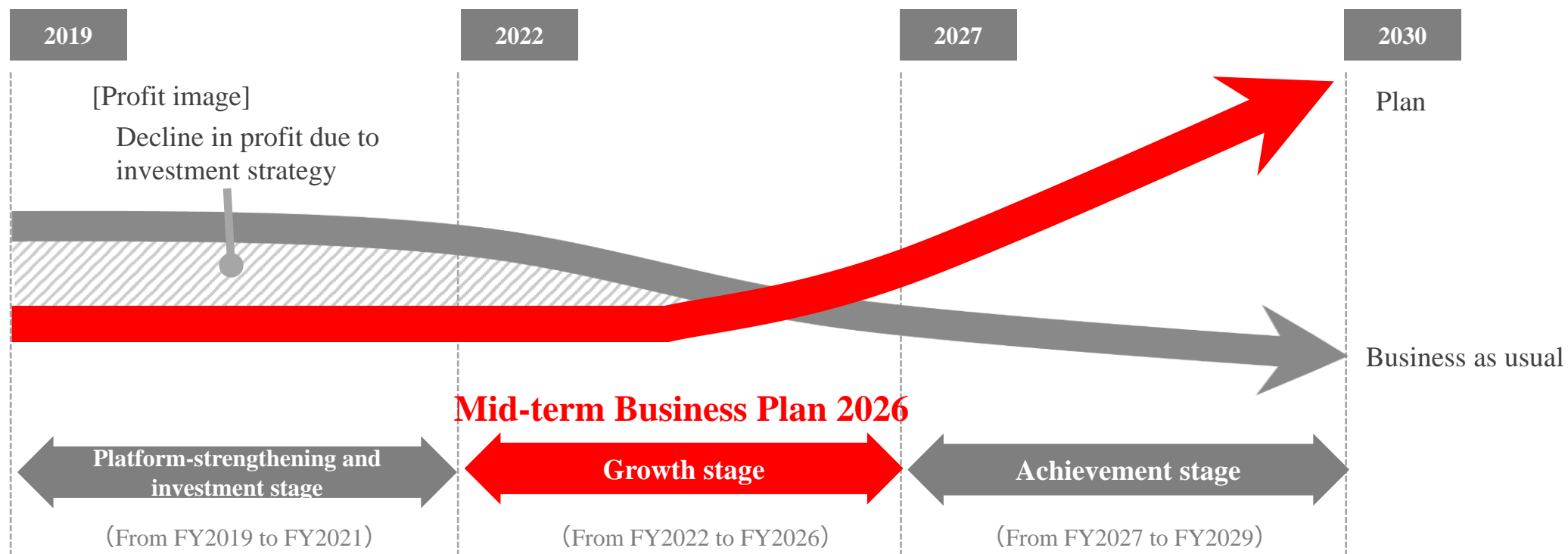
\* 2 DyDo DRINCO, DyDo Beverage Service, and DyDo Business Service

\* 3 DyDo DRINCO, DyDo Beverage Service, and DyDo Business Service, DAIDOYakuhin, TARAMI corporation

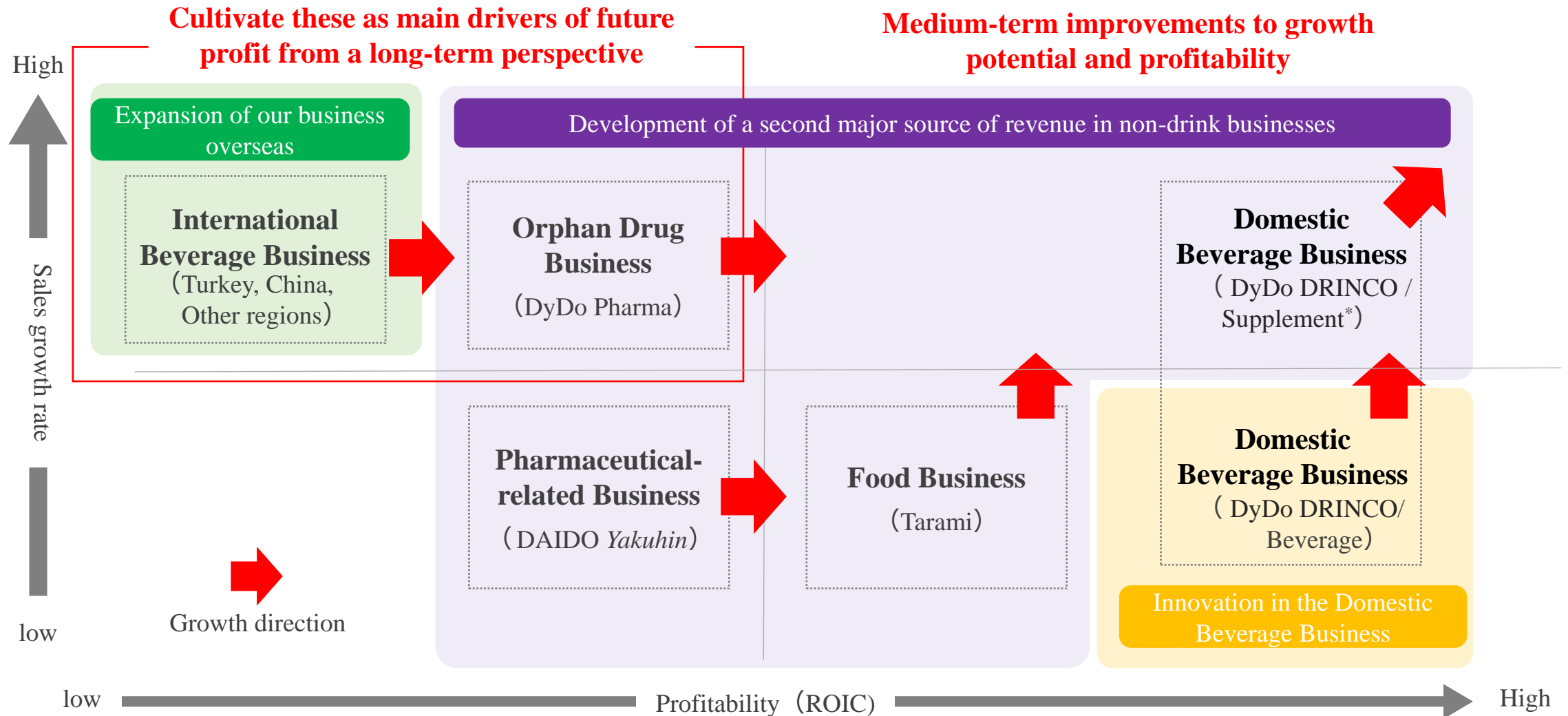
\* 4 Calculated by dividing the total emissions for relevant group companies by total sales

## Promoting three basic policies as we move toward the Achievement Stage

- Renewing growth in the Domestic Beverage Business
- Reformulating our international business strategies
- Strengthening and developing non-beverage segments



We are promoting a business portfolio strategy that will help us to get to where, and what, we want to be in 2030



\* As home shopping sales of supplements are currently being developed by DyDo DRINCO, they belong to the Domestic Beverage Business segment for accounting purposes.

# Business Portfolio: Basic Policy and Material Issues

To strengthen the earning capacity of each business, we have switched the key performance indicator (KPI) from operating margin to return on invested capital (ROIC)

ROIC*1 performance and targets	Consolidated	Domestic Beverage Business*2	International Beverage Business	Non-beverage segments
Platform-strengthening and investment stage (From FY2019 to FY2021)	4.4%	16.3%	(6.7%)	2.7%
Growth stage (From FY2022 to FY2026)	6%	13%	3%	8%
Achievement stage (From FY2027 to FY2029)	8% or higher	17%	5%	17%

Initiatives to raise ROIC		Domestic Beverage Business	International Beverage Business	Non-beverage segments
Growth stage (From FY2022 to FY2026)	Initiatives to Improve profitability	<ul style="list-style-type: none"> <li>Growth of the vending machine channel</li> <li>Continuous evolution of smart operations</li> </ul>	<ul style="list-style-type: none"> <li>Stable growth of the Turkish business</li> <li>Response to dramatic price rises for raw materials and expansion of the export business</li> </ul>	<ul style="list-style-type: none"> <li>Profitable growth of home shopping sales of supplements</li> <li>Improvement in profitability for DAIDO Yakuhi</li> <li>Continuous improvements to Tarami's manufacturing costs</li> </ul>
	Initiatives to improve asset turnover	<ul style="list-style-type: none"> <li>Improvement of per vending machine sales</li> <li>Service life extension of vending machines</li> </ul>	<ul style="list-style-type: none"> <li>Improvements to plant utilization rates</li> </ul>	<ul style="list-style-type: none"> <li>Continuous growth in home shopping supplements sales</li> <li>Improvements to plant utilization rates</li> </ul>
Achievement stage (From FY2027 to FY2029)	Initiatives for future achievements	<ul style="list-style-type: none"> <li>Ensuring of a competitive advantage in the vending machine market</li> </ul>	<ul style="list-style-type: none"> <li>Construction of health-related portfolios with consideration of M&amp;As</li> </ul>	<ul style="list-style-type: none"> <li>Business development of DyDo Pharma into steady profitability</li> </ul>

\*1. Invested capital ; Consolidated : Total invested capital in each segment ; Segment : Current assets – current liabilities + non-current assets

We aim to recover our ability to generate cash flows in the vending machine business and invest in, and develop, the healthcare sector

Sales growth rate(CAGR)

\*Currency Neutral

**+3%**

Consolidated operating profit ratio

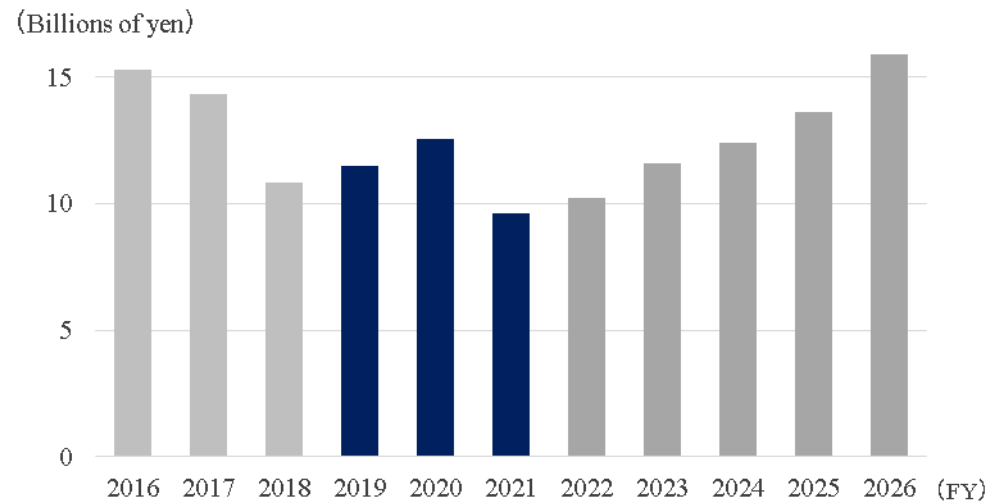
**4%**

Consolidated ROIC

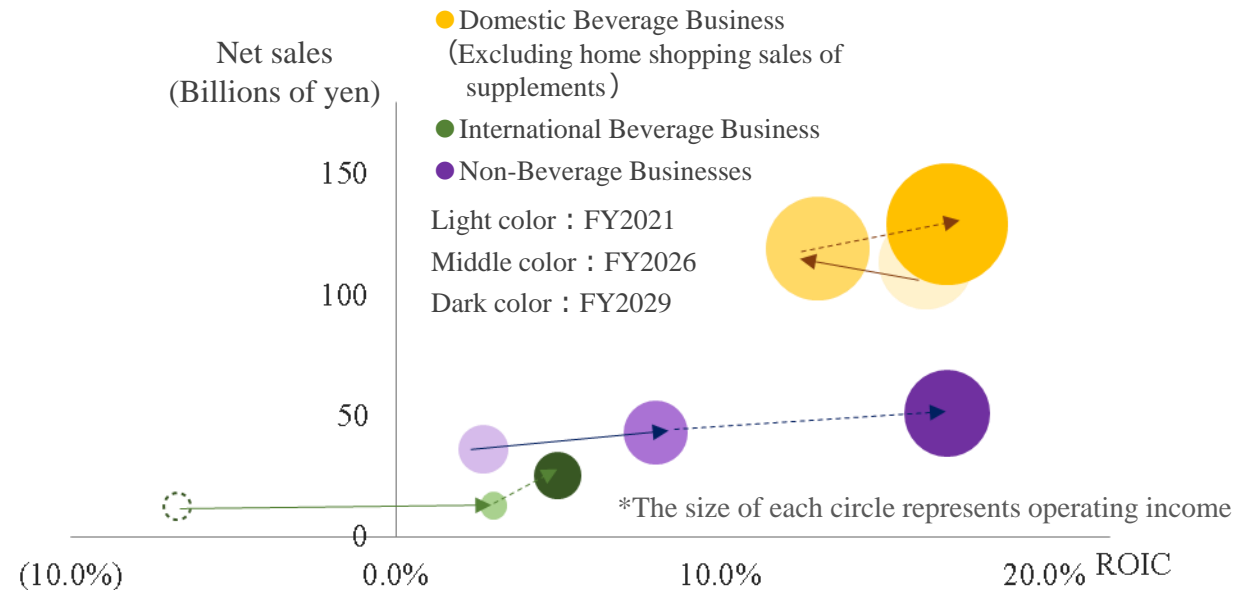
\* Invested capital is the amount put into in the business segments

**6%**

## Trends in cash flows from operating activities



## Growth image



We have announced a comprehensive business alliance agreement concerning the vending machine business with Asahi Soft Drinks Co., Ltd., and will be making further progress with efforts in the business to achieve renewed growth

Plant utilization rates for the Pharmaceutical-related Business and Food Business are improving

## Domestic Beverage Business

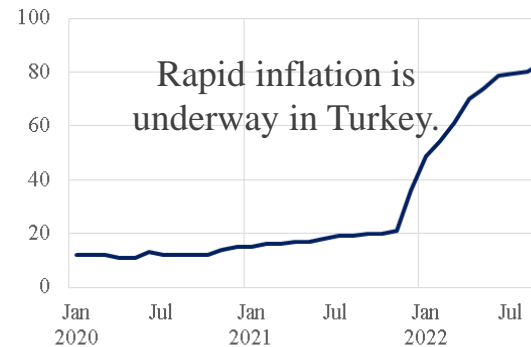
- Signed a comprehensive business alliance agreement with Asahi Soft Drinks (p. 29)
- We are implementing initiatives to achieve renewed growth for the vending machine business
- We are continuing to increase the number of vending machines
- We have completed the nationwide rollout of smart operations and now we are aiming for them to take root at worksites



**Efforts toward renewed growth in the vending machine business are making progress**

## International Beverage Business

- Turkish business has made a strong sales growth in local currency basis due to price hike
- In the Chinese business, sales of locally produced items are selling well, and we have introduced new region-specific products



**The Turkish business is focusing its energies on stabilizing performance**

## Non-Beverage Businesses

- We are continuing efforts to maximize the effectiveness of advertising in the home shopping supplement business (which belongs to the Domestic Beverage Business segment for accounting purposes)
- We are receiving strong orders for the DAIDO Yakuhin (Pharmaceutical-related Business) pouch packaging line
- Full plant operations continue at Tarami (Food Business)
- DyDo Pharma (Orphan drug business) has received marketing licenses for pharmaceuticals



**Initiatives are being steadily promoted with each of the business segments**

# Responding to Changes in the Management Environment



**As well as implementing appropriate countermeasures, such as adjusting prices, we are working to construct a business model that allows us to respond flexibly to changes in the market environment**

## Overview and Major Future Factors

## Future Measures

### Domestic Beverage Business

- In the vending machine market the existing trend toward a limited number of companies dominating the market is continuing, but we are hearing more expectations being voiced that our initiative with Asahi Soft Drinks will shake up the market.
- We are maintaining an upward trend for the number of our vending machines we are installing and we are making steady efforts toward renewed growth, foremost of which is our companywide rollout of the smart operation structure.
- As various costs—including for raw materials—are expected to continue rising, companies throughout the industry have been systematically making price changes on some products since October 1.
- From October 1, we have been pushing forward with raising the selling price at all of our vending machines.
- Raw material prices are expected to remain high for the time being. If the present weakness of the yen continues, there is a chance the effect could grow.

- How to “create societal value through the vending machine business” has been selected as a material issue, and we aim to establish a sustainable vending machine business model that allows us to respond flexibly to market changes.
- In January 2023, we will establish a new company, Dynamic Vending Network, Inc., and press forward steadily with this and other plans for future business development based on our comprehensive business alliance agreement with Asahi Soft Drinks.

### International Beverage Business

- In the Turkish beverage business, the lira continues to weaken in relation to the US dollar. Moreover, Turkey is facing hyperinflation, and costs involved with importing raw materials and with energy have rocketed. These and other factors mean that the business environment surrounding the Turkish beverage business has become severe. We actively raised the price of each of our products continually to secure greatly improved revenue.
- The profitability of the Turkish beverage business has been improving on a conventional standard, but by adjusting accounting in line with criteria set in IAS 29 Financial Reporting in Hyperinflationary Economies, the segment loss increased. If inflation worsens, there is the possibility that accounting adjustments could reach large amounts.
- The Chinese business, despite the temporary impact of lockdowns in Shanghai, meanwhile, saw positive sales growth of Barley Tea and other locally produced products, for strong revenue and profits.

- In the Turkish beverage business, dramatic increases in raw material costs, and the continuation of a punishing exchange rate, look likely. With appropriate price countermeasures and controls on cost increases, we will promote efforts to stabilize performance.
- Utilizing the foundations presented by the existing Turkish and Chinese businesses, we will reconstruct our international business strategy and take on the challenge of developing global brands that can cater to the rise in health and sugar-free needs.



**As well as implementing appropriate countermeasures, such as adjusting prices, we are working to construct a business model that allows us to respond flexibly to changes in the market environment**

Overview and Major Future Factors		Future Measures
Non-Beverage Businesses	<p>Pharmaceutical-related Business</p> <ul style="list-style-type: none"> <li>As well as an increase in orders for pouch products, orders for drinkable preparations were also strong.</li> <li>Negotiations are underway regarding price changes to offset growing raw material prices and energy bills related to factory operations.</li> </ul>	<ul style="list-style-type: none"> <li>We will strengthen sales activities to secure new large-lot orders, and raise utilization rates at our Kanto Plant.</li> <li>We constructed an optimal production system with four plants at two bases and now we aim to become the top OEM manufacturer in the health and beauty field.</li> <li>As well as pushing forward with changes to recommended retail prices, we will execute product strategies that respond to dramatic increases in raw material prices and changing consumer preferences.</li> </ul>
	<p>Food Business</p> <ul style="list-style-type: none"> <li>Rising household demand and increased sales space at mass retailers meant the market for both dry cup jellies and pouch jellies expanded.</li> <li>For Tarami, sales exceeded expectations made for the first half of the fiscal year, and as a result we had to suddenly cease sales of six flagship products between July 19 and September 26, 2022. Even after shipping resumed, there is a risk that the effects of the partial halt to sales may linger.</li> <li>In response to increases in raw material prices and manufacturing expenses, we carried out changes to recommended retail prices from October 1.</li> <li>The ongoing weakness of the yen has had an effect on the prices paid to buy our main ingredient.</li> </ul>	

We should deliver food and drink that is delicious for body and mind to create enjoyable, healthy lifestyles for people around the world

## For DyDo Group to create enjoyable, healthy lifestyles for people around the world

In the vending machine market,  
we will provide new value through  
constantly taking on challenges  
and co-creating and so continue  
to lead the industry

こころとからだに、  
おいしいものを。



Offering delicious products  
for sound mind and body

We will produce medicines  
for patients suffering from orphan  
diseases for which there are currently  
no treatment options

We will create global brands  
that support the health of people  
all over the world

We will be  
the no. 1 contact manufacturer  
in the health and beauty field

We will utilize our fruits and jellies  
to pursue great taste and health,  
to make people happy



## **02** **FY2022 (Year Ending January 20, 2023)** **3rd Quarter Financial Highlights**

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# Overview of Consolidated Financial Results for FY2022 3rd Quarter



Consolidated sales totaled 124,640 million yen, and all segments achieved increased revenue on a conventional standard basis

We recorded 450 million yen in gains on the sale of investment securities as extraordinary profit

Dramatic increases in raw material prices, as well as hyperinflationary accounting adjustments have had a major impact on profits

Millions of yen

	3rd quarter (Jan.21-Oct.20)								Full year							
	FY2021		FY2022					FY2021		FY2022						
	Performance		Ref : The conventional standard			Performance		Performance		Ref : The conventional standard			Forecast			
		Component ratio	Impact on performance			Component ratio	% (YoY)		Component ratio	Impact on performance			Component ratio	% (YoY)		
		Revenue Recognition	Hyperinflation						Revenue Recognition	Hyperinflation						
Net sales	124,658	100.0%	131,687	(8,150)	1,103	<b>124,640</b>	100.0%	5.6%	162,602	100.0%	172,600	(10,600)	3,500	<b>165,500</b>	100.0%	6.1%
Operating profit	5,257	4.2%	3,242	—	(915)	<b>2,326</b>	1.9%	(55.7%)	4,581	2.8%	1,500	—	(800)	<b>700</b>	0.4%	(84.7%)
Ordinary profit	5,980	4.8%	3,892	—	(1,288)	<b>2,603</b>	2.1%	(56.5%)	5,651	3.5%	2,050	—	(1,100)	<b>950</b>	0.6%	(83.2%)
Profit (loss) attributable to owners of parent	3,909	3.1%	2,314	—	(1,578)	<b>736</b>	0.6%	(81.2%)	3,974	2.4%	750	—	(1,350)	<b>(600)</b>	(0.4%)	—
EPS	250.15yen		<b>46.99yen</b>					254.20yen		<b>(38.31yen)</b>						

\*Sales comparison is based on conventional standards

※ The impact of the adoption of the revenue recognition standard on operating profit, ordinary profit, and profit attributable to owners of parent is immaterial.

# FY2022 3rd Quarter Consolidated Earnings (by Segment)



The Domestic Beverage Business secured increased revenue through improvements to sales prices and growth in the home shopping supplement business

The International Beverage Business achieved greatly improved revenue due to revising recommended retail prices, and profitability was improved on an operational basis

In the Pharmaceutical-related Business and Food Business, positive sales have absorbed the rising costs of raw materials, etc.

Millions of yen

	3rd quarter (Jan.21-Oct.20)						Full year							
	FY2021 Performance	FY2022			Performance			FY2021 Performance	FY2022			Forecast		
		Ref : The conventional standard	% (YoY)	Impact on performance*		% (YoY)	Amount (YoY)		Ref : The conventional standard	% (YoY)	Impact on performance*		% (YoY)	Amount (YoY)
Domestic Beverage Business	89,516	89,935	0.5%	(6,381)	<b>83,554</b>	—	—	118,080	122,800	4.0%	(8,300)	<b>114,500</b>	—	—
International Beverage Business	9,723	14,403	48.1%	1,103	<b>15,507</b>	—	—	12,777	17,600	37.7%	3,500	<b>21,100</b>	—	—
Pharmaceutical-related Business	8,532	9,780	14.6%	(125)	<b>9,654</b>	—	—	11,133	11,700	5.1%	(200)	<b>11,500</b>	—	—
Food Business	17,350	18,088	4.3%	(1,643)	<b>16,445</b>	—	—	21,165	21,100	(0.3%)	(2,100)	<b>19,000</b>	—	—
Orphan Drug Business	—	—	—	—	<b>—</b>	—	—	—	—	—	—	<b>—</b>	—	—
Adjustment	(463)	(521)	—	0	<b>(521)</b>	—	—	(553)	(600)	—	0	<b>(600)</b>	—	—
Total net sales	124,658	131,687	5.6%	(7,047)	<b>124,640</b>	—	—	162,602	172,600	6.1%	(7,100)	<b>165,500</b>	—	—
Domestic Beverage Business	5,876				<b>2,767</b>	(52.9%)	(3,108)	6,267				<b>3,450</b>	(45.0%)	(2,817)
International Beverage Business	(384)	163	—	(915)	<b>(752)</b>	—	(368)	(528)	(100)	—	(800)	<b>(900)</b>	—	(371)
Pharmaceutical-related Business	71				<b>377</b>	432.3%	306	(19)				<b>50</b>	—	69
Food Business	1,301				<b>1,316</b>	1.1%	14	959				<b>700</b>	(27.0%)	(259)
Orphan Drug Business	(463)				<b>(380)</b>	—	82	(573)				<b>(700)</b>	—	(126)
Adjustment	(1,144)				<b>(1,002)</b>	—	141	(1,524)				<b>(1,900)</b>	—	(375)
Total operating profit	5,257	3,242	(38.3%)	(915)	<b>2,326</b>	(55.7%)	(2,930)	4,581	1,500	(98.9%)	(800)	<b>700</b>	(84.7%)	(3,881)

Conventional standard basis

(1) With the exception of the International Beverage Business (where local accounting uses IFRS), the impact amount of the application of revenue recognition standards is deducted

(2) The impact of the application of hyperinflation accounting on the International Beverage Business is deducted

# Factors Contributing to Changes in Operating Profit in FY2022 3rd Quarter: Compared to the Previous Year

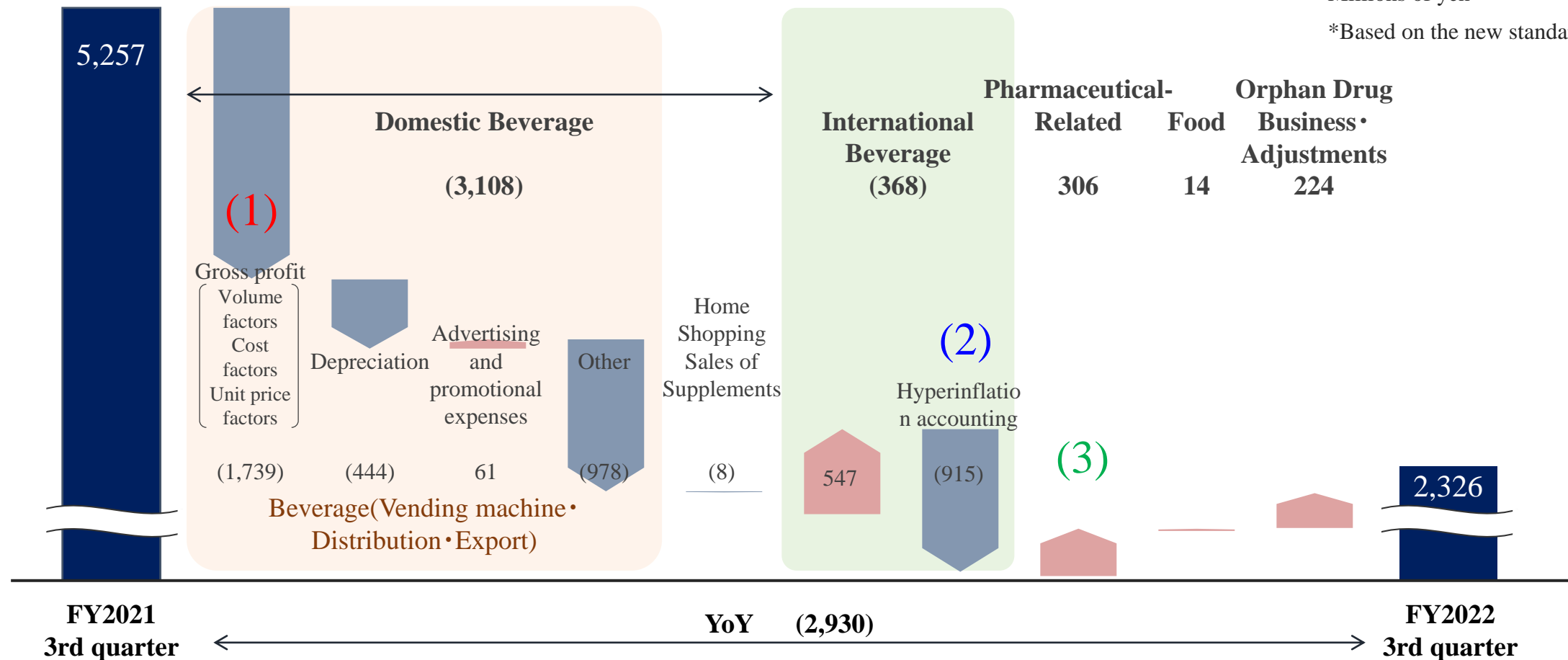
In the Domestic Beverage Business, dramatic increases in cost prices had a major impact on our profit/loss balance, and we focused our energies on enhancing profitability through price revisions (1)

In the International Beverage Business, despite increased revenue on an operational basis due to price revisions and controls on cost rises, it was affected by the application of hyperinflation accounting (2)

The Pharmaceutical-related Business' positive orders allowed it to absorb rising costs. (3)

Millions of yen

\*Based on the new standards



# FY2022 Consolidated Full-year Performance Outlook Factors Contributing to Changes in Operating Profit: Compared to the Previous Year

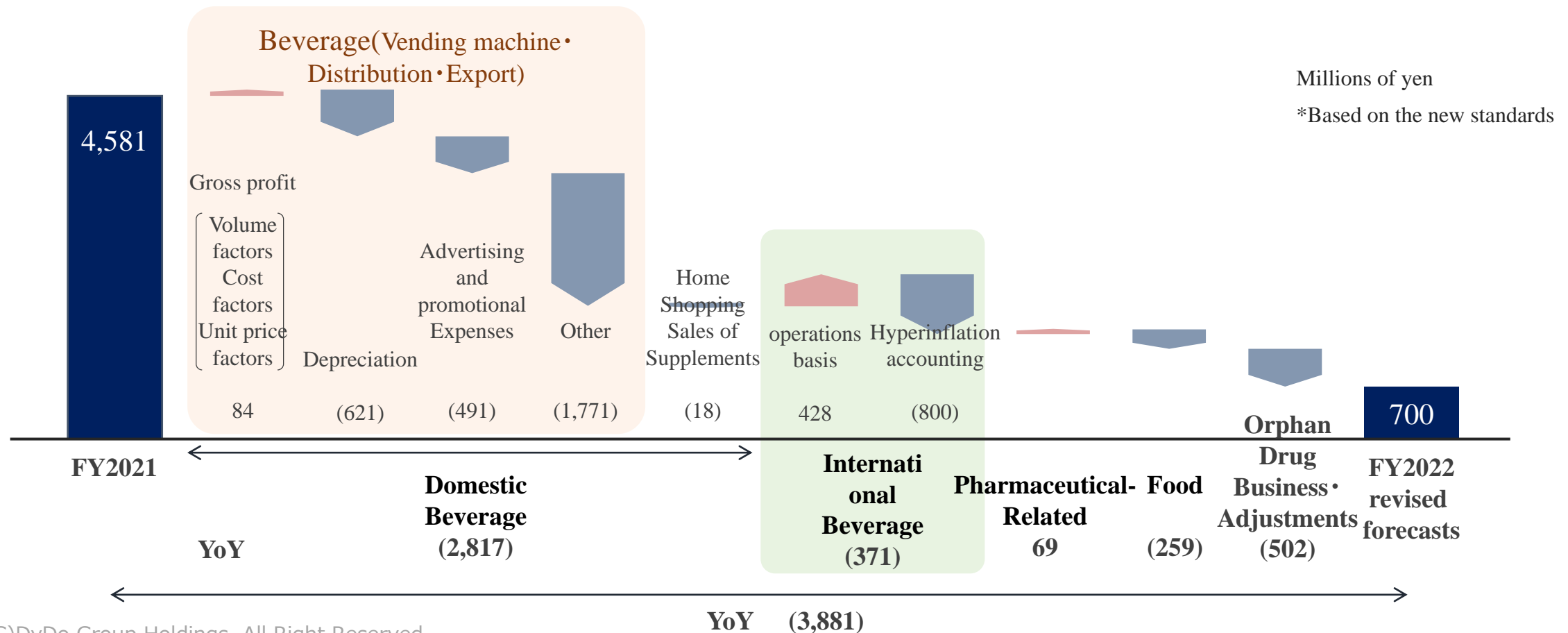
Announced August 26, 2022



In the Domestic Beverage Business, rising prices of coffee beans and other raw materials negatively impact operating profit.

In the Pharmaceutical-related Business and Food Business, the impact of soaring raw material prices is absorbed by increased orders and sales

In the International Beverage Business, there is improved profitability on an operations basis. Assumes an inflation rate forecast of approximately 60% in Turkey at the end of 2022



# Financial Position: Principal Changes in the Consolidated Balance Sheet

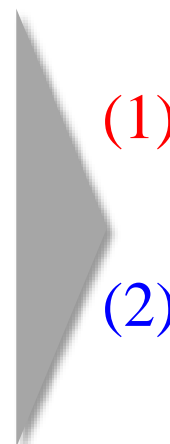
Working capital increased as a result of seasonal fluctuations in the businesses and the expansion of sales in (1) the Turkish beverage business

Revised as a result of the increased undepreciated balance for vending machines in the Domestic Beverage Business and the application of hyperinflation accounting (2)

Millions of yen

Financial assets <sup>*1</sup>	67,120	Interest-bearing debt <sup>*2</sup>	35,482
Trade receivable	17,691	Trade payable	17,148
Inventories	8,763	Other	23,091
Property, plant and equipment	52,367	Net assets	83,261
Intangible assets			
Other	13,040		
<b>Total assets</b>	<b>158,984</b>	<b>Total liabilities and net assets</b>	<b>158,984</b>

January 20,2022



Millions of yen  
Change from previous year shown underneath each figure

Financial assets <sup>*1</sup>	61,658 (5,462)	Interest-bearing debt <sup>*2</sup>	36,645 1,163
Trade receivable	23,080 5,388	Trade payable	24,467 7,318
Inventories	11,614 2,851	Other	22,569 (522)
Property, plant and equipment	56,038 3,670	Net assets	84,112 850
Intangible assets			
Other	15,402 2,361		
<b>Total assets</b>	<b>167,794</b> 8,809	<b>Total liabilities and net assets</b>	<b>167,794</b> 8,809

October 20,2022

\*1: Cash and deposits, securities, investment securities (excluding shares of subsidiaries), and long-term deposits

\*2: Short- and long-term loans payable, short- and long-term lease liabilities and obligations, bonds payable, and long-term guaranty deposits





## 03 Segment Overview

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We continue with aggressive sales activities and investment toward renewed growth for the vending machine channel



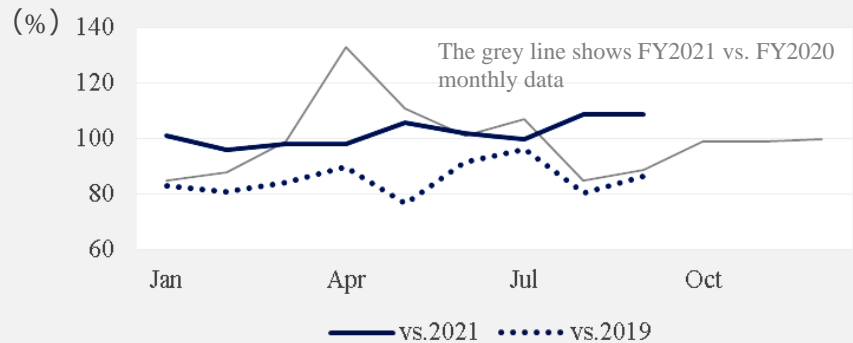
Increase in new locations

Improve sales potential of each location

Curb removals from good sites

## Monthly vending machine sales trends

Soft drink industry (by cases)

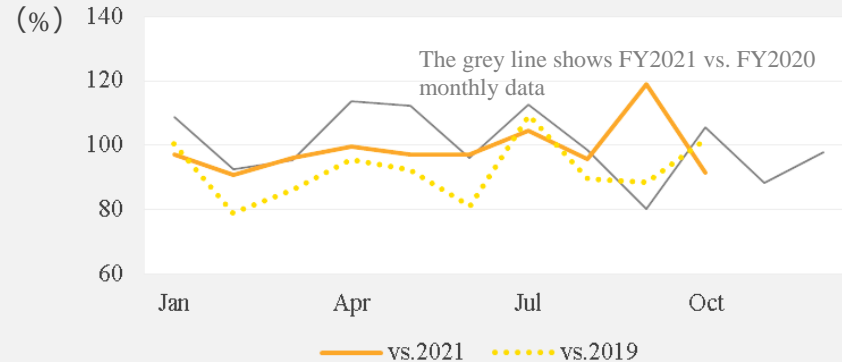


Cumulative volume

**102 %**  
(compared to FY2021)

**86 %**  
(compared to FY2019)

DyDo (by units)



Cumulative volume

**98.9 %**  
(compared to FY2021)

**91.4 %**  
(compared to FY2019)

**We have made changes to recommended retail prices since October, and we are optimizing our revenue structure to meet the challenge of high costs.**

Millions of yen

	3rd quarter					Full year					
	FY2021		FY2022			FY2021		FY2022(Forecast)			
	Amount (YoY)	Component ratio	Amount (YoY)	Component ratio	% (YoY)	Amount (YoY)	Component ratio	Amount (YoY)	Component ratio	% (YoY)	
Net sales	89,516	—	<b>83,554</b>	—	—	—	—	118,080	—	<b>114,500</b>	—
Ref : The conventional standard			89,935	—	0.5%	419		122,800	—	4.0%	4,719
			(6,381)					(8,300)			
Segment profit	5,876	6.6%	<b>2,767</b>	3.3%	(52.9%)	(3,108)	6,267	5.3%	<b>3,450</b>	3.0%	(45.0%)
Depreciation	2,963		<b>3,407</b>		15.0%	444	4,028		<b>4,650</b>		15.4%

(From January 21st to October 20th)

- ✓ Our customer-oriented sales format has borne fruit as we continued to increase the number of locations
- ✓ The roll-out of smart operations to all direct sales (DyDo Beverage Service, Inc.) sites completed in May
- ✓ From October 1, we have been pushing forward with raising the selling price at all of our vending machines.
- ✓ Soaring coffee bean procurement prices impacted profit resulting from the weakness of the yen.
- ✓ Cost prices are forecast to remain high going forward, and we maintain revised prices, and we will review various costs and work to optimize our revenue structure.
- ✓ On September 15, we signed a comprehensive business alliance agreement concerning the vending machine business with Asahi Soft Drinks. We will work to steadily develop the business going forward, including with the establishment of a new company in January 2023.

## Sales by channel

Millions of yen / Cases

	FY2021		FY2022	
	Amount (YoY)	% (YoY)	Amount (YoY)	% (YoY)
Net sales*	Vending machine	70,772	<b>71,416</b>	0.9%
	Distribution • Export	15,521	<b>15,140</b>	(2.4%)
	Home Shopping Sales of Supplements	3,222	<b>3,378</b>	4.9%
	Total	89,516	<b>89,935</b>	0.5%
Cases	Vending machine	31,393	<b>31,151</b>	(0.8%)
	Distribution • Export	6,833	<b>6,507</b>	(4.8%)
	Total	38,227	<b>37,658</b>	(1.5%)

\* The conventional standard



We will push customer-oriented sales and maximize quality (per machine sales) and quantity (No. of machines)

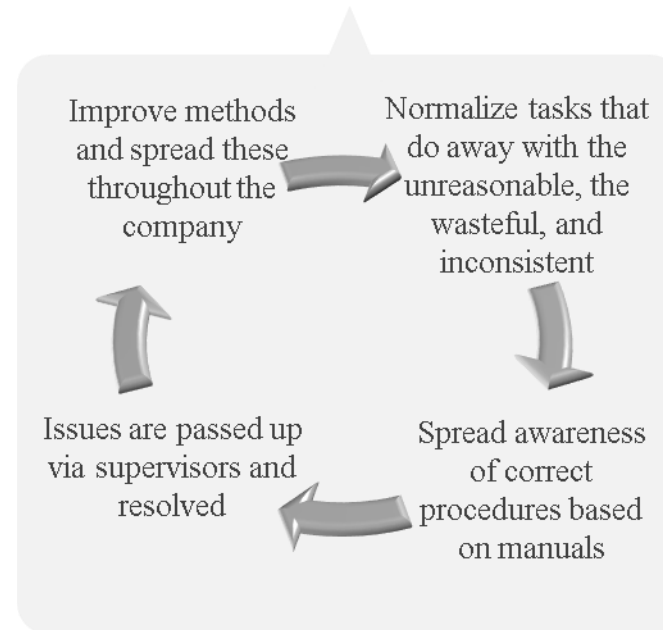
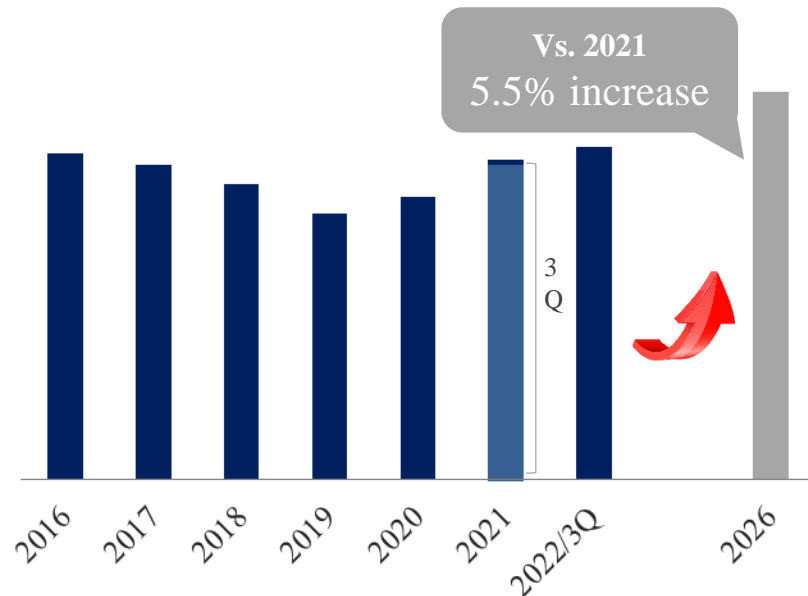
**Increased no. and quality of new locations**

- Maintained an increase in the number of new vending machine locations
- Increased the number of employees in remote sales teams

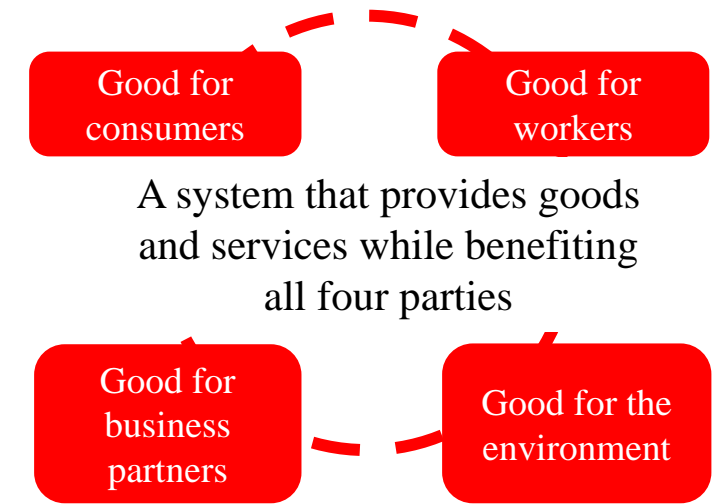
**Completed the roll-out of smart operations**

- Roll-out to all direct sales (DyDo Beverage Service, Inc.) sites completed in May
- We are advancing process optimization and aim to establish these processes at all sales locations as soon as possible

**Trends in no. of DyDo machines in operation at the end of the fiscal year**



**Smart operations concept**



We have decided to enter into a comprehensive business alliance agreement for vending machine business with the aim of growing and developing each vending machine business to improve the corporate values of both.

## Details of the Comprehensive Business Alliance

- Pursue operational synergies from the integration of direct sales channels
- Expansion of customer contact points through cross-selling of products
- Reduce costs by OEM strategy
- Reduce environmental impact through efficient resource recovery

### Mutual sales

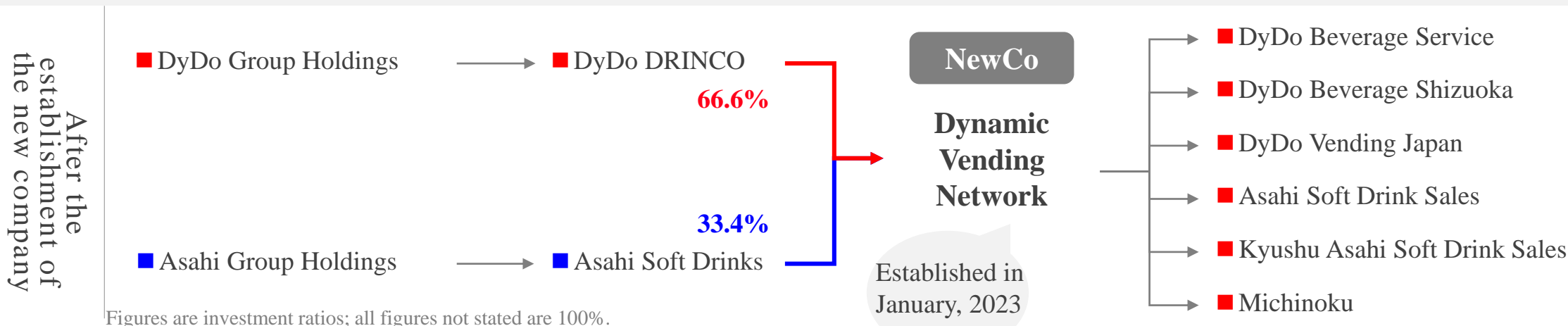


From DyDo



From Asahi Soft Drinks

## Pursue operational synergies from the integration of direct sales channels



## We will ensure a firm competitive advantage in the vending machine market through further evolution of vending machine operations

### Where, and what, we want to be

In the vending machine market, we will provide new value through constantly taking on challenges and co-creating and so continue to lead the industry

### Initiatives aimed at achieving the goal of Mid-term Business Plan 2026

Enhance and expand vending machine network by promoting its customer-oriented sales



Further advancement of its smart operations by using cutting-edge technologies



**Offering values to its customers through its vending machines, which are our “store”**



**Pursuing efficient and high-quality operations**



**Expand the value we offer**

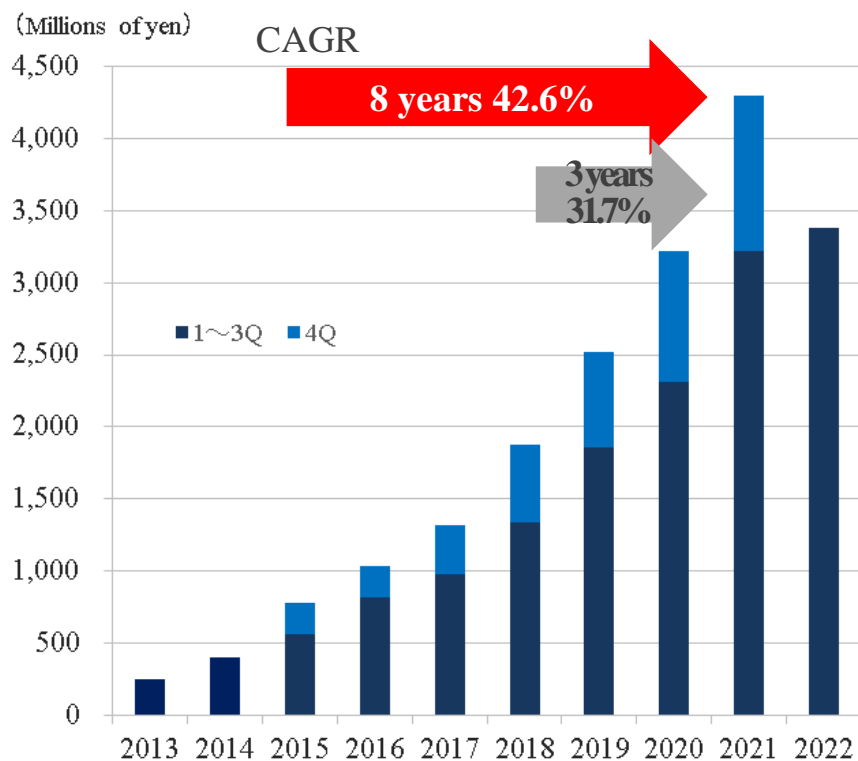


**Leveraging economies of scale through partnership with Asahi Soft Drinks**

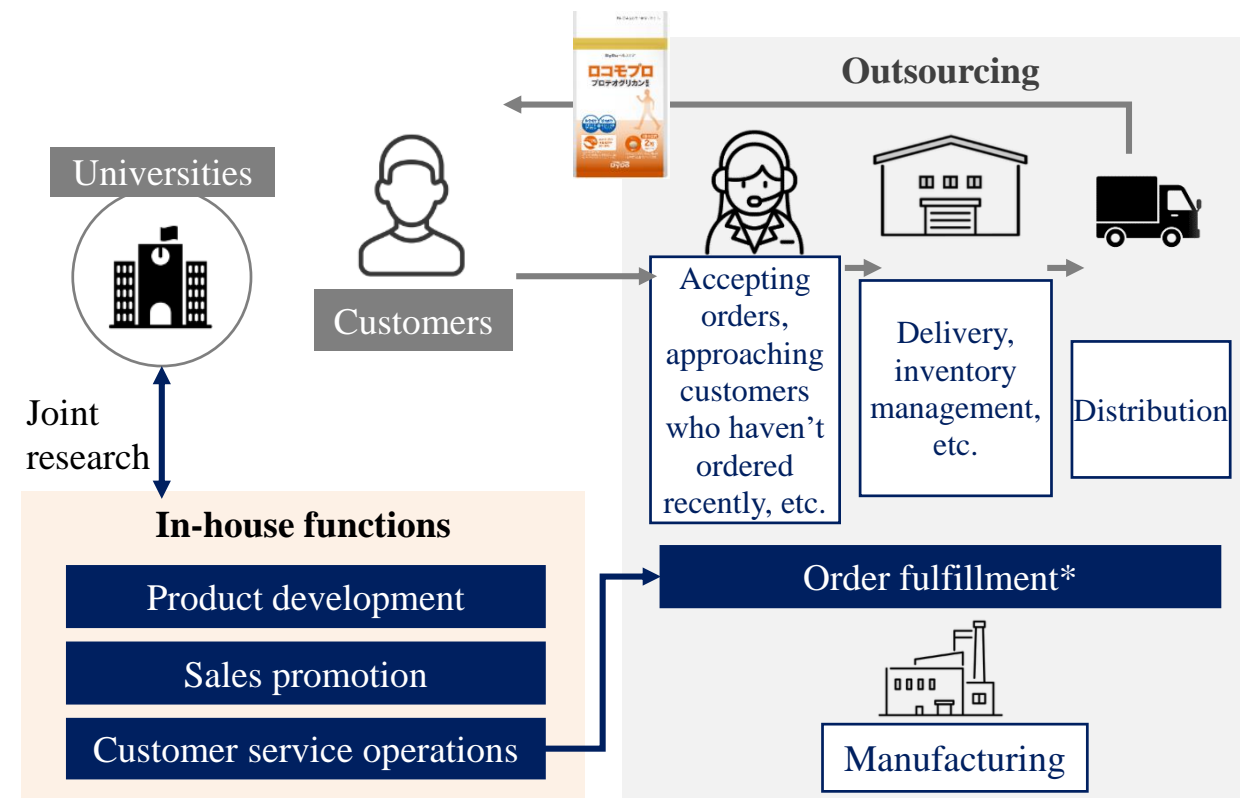
Through appropriate investment in advertising, particularly for “Locomo Pro,” we can increase the number of regular customers we attract

## Trends in sales in the home shopping channel

- Continue expanding sales of our main driver, “Locomo Pro”
  - Create new content to improve the effectiveness of TV commercials



## Asset-light operations



\*Integrated home shopping sales process: accepting orders and answering inquiries, to taking payment, managing stock, logistics, and after-sales services

We decided to adjust prices and achieved a major increase in sales. However, despite improvements to profitability, the application of hyperinflationary accounting meant decreased revenue

Millions of yen

	3rd quarter					Full year						
	FY2021	Component ratio	FY2022	Component ratio	% (YoY)	Amount (YoY)	FY2021	Component ratio	FY2022(Forecast)	Component ratio	% (YoY)	Amount (YoY)
Net sales	9,723	—	15,507	—	—	—	12,777	—	21,100	—	—	—
Ref : The conventional standard			14,403							17,600		
			Differences arising from the application of hyperinflation accounting	—	48.1%	4,680			3,500	—	37.7%	4,822
Operating profit before subtracting amortization of goodwill, etc.	(275)	(2.8%)	—	—	—	—	(393)	(3.1%)	—	—	—	—
Amortization of goodwill, etc.	108	1.1%	—	—	—	—	135	1.1%	—	—	—	—
Segment profit	(384)	(4.0%)	(752)	(4.9%)	—	(368)	(528)	(4.1%)	(900)	(4.3%)	—	(371)
Ref : The conventional standard			163							(100)		
			Differences arising from the application of hyperinflation accounting	—	—	547			(800)	—	—	428
Depreciation	395		549		39.2%	154	496		750		51.2%	253
JPY per TRY	13.25yen		7.86yen		(5.39yen)		12.44yen		7.50yen		(4.94yen)	
JPY per CNY	16.86yen		19.47yen		2.61yen		17.13yen		19.50yen		2.37yen	

(From January 1st to September 30th)

\*For Turkish lira figures, FY2021 results use the average rate for the period, while FY2022 forecasts use the predicted rate for the end of that period

#### Turkey

- ✓ By deciding to revise prices, sales (on a local currency basis) grew approx. 2.4 times higher than in the previous fiscal year (prior to application of the hyperinflation accounting)
- ✓ Even as inflation continued, we pressed ahead with price revisions that look to the future, and since April we have maintained a profit for each individual month on a local currency basis

#### Other areas

- ✓ In China, sales grew, including for locally manufactured products
- ✓ For Russia, we decided on a complete withdrawal, including from our investigation into the feasibility of using the country as a sales base for exports from Turkey (scheduled to be completed by the end of the fiscal year)



We will flexibly adapt to changes in socioeconomic circumstances, including reacting to inflation, through appropriate business management

## Performance on a by a local currency basis

- Strong sales growth accompanied by improved profit margins.
- Inflation has changed consumption behaviour, and the pace is slowing down on a volume basis. Respond by expanding product lineups through effective sales promotions and needs-oriented product enhancements, without easy discounting.

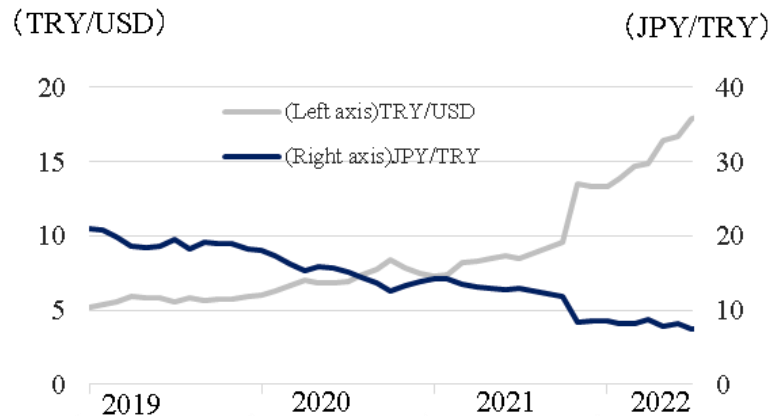
		1 Q	2Q	3Q	4Q	cumulative
FY2022	vs.2021	208%	314%	272%		<b>271%</b>
	vs.2019	229%	347%	358%		<b>321%</b>
	exchange rate	8.37yen	8.21yen	7.86yen		<b>7.86yen</b>

\*YoY change in 3Q before application of hyperinflation accounting;239% (cumulative total;244%)

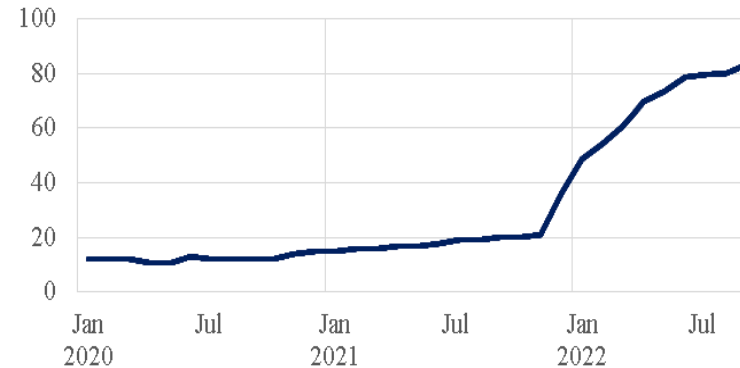


Selling local own brands in Turkey

## Trends in value of the Turkish lira



## Inflation rate



**Manufacturing cost prices rose, but orders for pouch quasi-drugs increased and orders for drinkable preparations also grew steadily**

Millions of yen

	3rd quarter					Full year						
	FY2021		FY2022			FY2021		FY2022(Forecast)				
		Component ratio		Component ratio	% (YoY)	Amount (YoY)		Component ratio		% (YoY)	Amount (YoY)	
Net sales	8,532	—	<b>9,654</b>	—	—	—	11,133	—	<b>11,500</b>	—	—	
Ref : The conventional standard			9,780	—	14.6%	1,248			11,700	—	5.1%	566
	Difference		(125)				(200)					
Segment profit	71	0.8%	<b>377</b>	3.9%	432.3%	306	(19)	(0.2%)	<b>50</b>	0.4%	69	
Depreciation	892		<b>878</b>		(1.6%)	(13)	1,190		<b>1,200</b>	0.8%	9	

(From January 21st to October 20th)

- ✓ Sales of drinkable preparations recovered
- ✓ Utilization rates improved for both our pouch packaging line and Kanto Plant
- ✓ Orders for pouch products have improved dramatically due to positive sales of new quasi-drug products and we will continue full operations
- ✓ Taking on board dramatic raw material price increases, we amended prices. Manufacturing expenses, such as energy bills related to factory operations, are growing, so we will continue to work to revise prices to offset costs.

**DAIDO Yakuhin's Plants**

	Product format	Yearly production capacity	
Nara plant	Bottles	4 lines	350 million units
	Pouches	1 line	30 million units
Kanto plant	Bottles	1 line	150 million units



Types of container DAIDO Yakuhin is able to contract manufacture

**3Q was affected by a halt to sales, but full-year sales will continue to be positive.**

Millions of yen

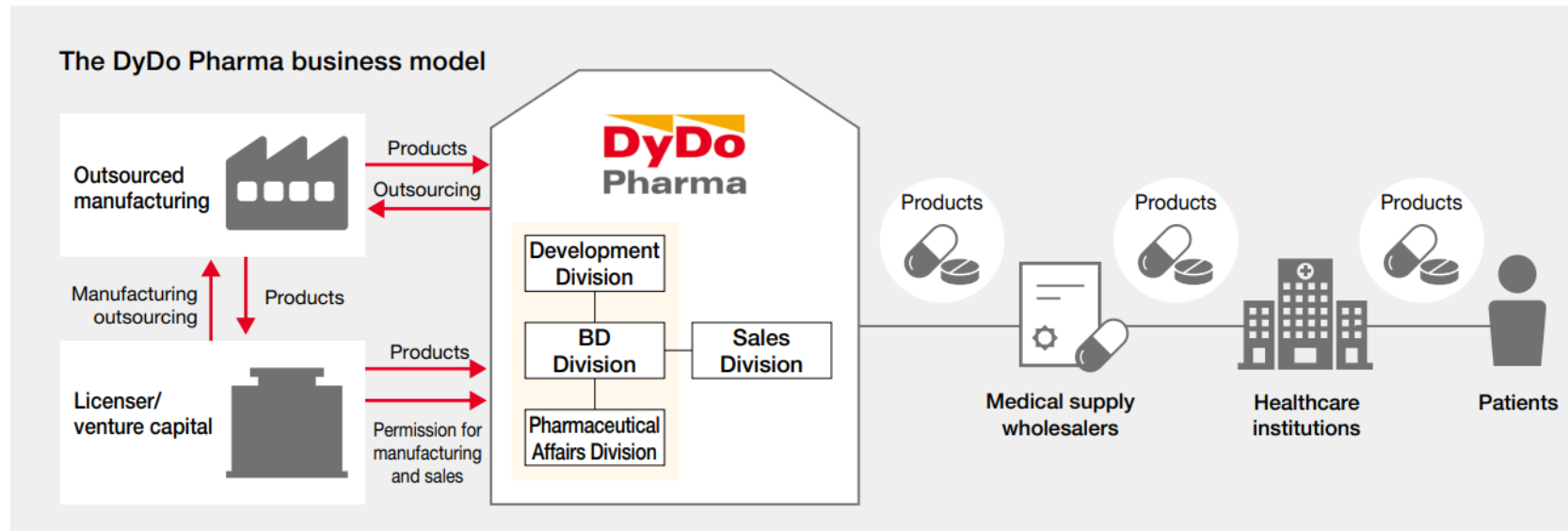
	3rd quarter					Full year						
	FY2021	Component ratio	FY2022	Component ratio	% (YoY)	Amount (YoY)	FY2021	Component ratio	FY2022(Forecast)	Component ratio	% (YoY)	Amount (YoY)
Net sales	17,350	—	<b>16,445</b>	—	—	—	21,165	—	<b>19,000</b>	—	—	—
Ref : The conventional standard			18,088	—	4.3%	738			21,100	—	(0.3%)	(65)
Difference			(1,643)						(2,100)			
Operating profit before subtracting amortization of goodwill, etc.	1,565	9.0%	<b>1,580</b>	9.6%	0.9%	14	1,311	6.2%	<b>1,052</b>	5.5%	(19.8%)	(259)
Amortization of goodwill, etc.	263	1.5%	<b>263</b>	1.6%	0.0%	0	351	1.7%	<b>352</b>	1.9%	0.1%	0
Segment profit	1,301	7.5%	<b>1,316</b>	8.0%	1.1%	14	959	4.5%	<b>700</b>	3.7%	(27.0%)	(259)
Depreciation	610		<b>632</b>		3.6%	21	815		<b>1,000</b>		22.6%	184

(From January 1st to September 30th)

- ✓ As a result of demand among those recuperating at home due to the pandemic and the early end to the rainy season, the dry jelly market as a whole grew by 3% compared to fiscal 2021 (down 9% from FY2019). Tarami outperformed the market average, continuing to expand its share, including for private brands.
- ✓ Demand continues to greatly exceed supply, which meant that we had to halt sales of some flagship products in 3Q. However, in full-year results, sales at mass retailers and our expansion of international sales channels resulted in increased sales.
- ✓ Rise in raw material and personnel expenses offset by sales increase and cost controls.
- ✓ As raw material prices, including those used for containers and packaging, as well as logistics costs, are predicted to continue to rise, from October 1, 2022, we will raise the recommended retail price of products by between 8 and 20%

Acquired a first-class marketing license for pharmaceuticals, second-class marketing license for pharmaceuticals, and a marketing license for Gene, Cellular, and Tissue-based Product

## Business model



## Development pipeline (as of November 2022)

### ● DYD-701

Expected indication : Familial LCAT deficiency

A physician-led test is now being conducted at Chiba University targeting patients with familial LCAT deficiency

### ● DYD-301 (amifampridine)

Expected indication : Lambert-Eaton myasthenic syndrome (LEMS)

Amifampridine has been designated an orphan drug by the MHLW, and currently in Japan it has been placed on a list of drugs in development or clinical development that seek pharmaceutical approval



## Appendix **Mid-term Business Plan 2026**

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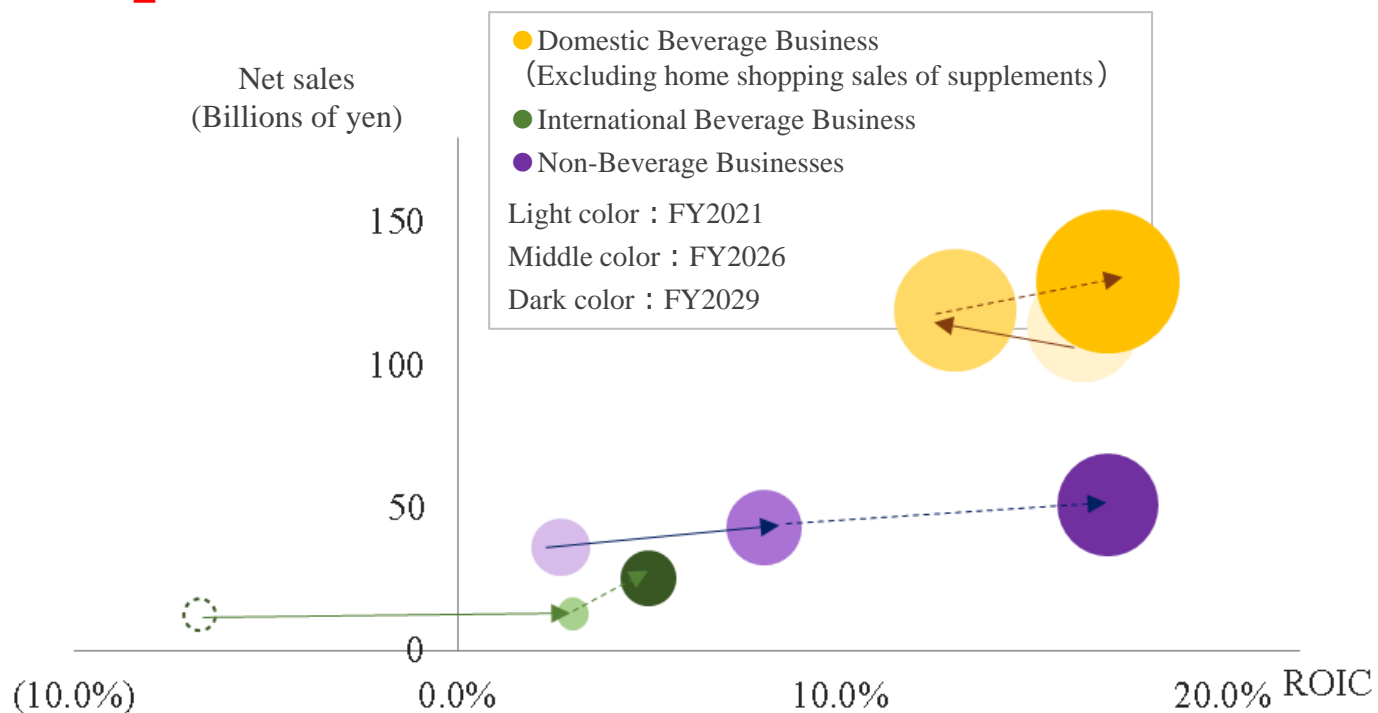
Partial excerpt from Mid-term Business Plan 2026, disclosed at January 14,2022

\*FY2021 results have been updated from forecasts to actual performance

## We are laying a path back to a trajectory of renewed growth so as to progress to the Achievement Stage

- (1) By renewing growth in the Domestic Beverage Business, we are improving our ability to generate cash flows
- (2) We are rebuilding the strategies that guide our business activities overseas as we move toward the Achievement Stage
- (3) In non-beverage sectors, we are developing new businesses (like DyDo Pharma) from a long-term perspective alongside strengthening our existing businesses

### Growth image



### KPI

Sales growth rate(CAGR)

\*Currency Neutral

**+3%**

Consolidated operating profit ratio

**4%**

Consolidated ROIC

\*Invested capital is the amount put into in the business segments

**6%**

Based on the three basic policies, we aim to expand the value we offer to achieve the goals of Group Mission 2030

## Renewing growth in the Domestic Beverage Business

- Achieving sustainable growth by evolving our business model
  - (Vending machine channel) Expand the number of vending machines and create stronger brand power for the DyDo shop concept to increase vending machine profitability
  - (Vending machine channel) Develop smart operations to reform our revenue structure and expand these to all our vending machines
  - (Distribution channel) Creating added value to establish a unique position

## Reformulating our international business strategies

- Expanding existing businesses
  - (Turkish business) Secure new water sources and increase plant facilities to expand our mineral water and export businesses
  - (Chinese business) Expand locally made products to grow sales and profits
- Reformulating our business strategies
  - Investigate business structure that enable flexible business expansion
  - Start investigating new business areas
- Cultivating global brands
  - In addition to expanding exports of products made in Japan specifically for overseas markets, develop products in cooperation with DyDo DRINCO (Domestic Beverage Business) to cultivate global brands

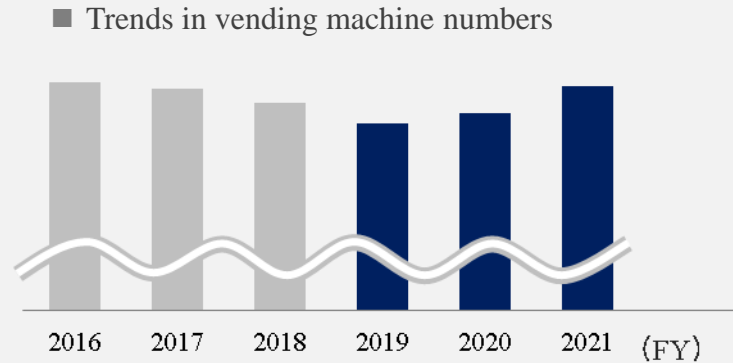
## Strengthening and developing non-beverage segments

- Domestic Beverage (home shopping sales of supplements): Maximize sales of our core product “Locomo Pro” and develop another follow-on product
- Pharmaceutical-related: Raise plant utilization rates and further strengthen our quality control system
- Food: Create business opportunities in new sales channels and product categories
- Other: Develop our orphan drug business

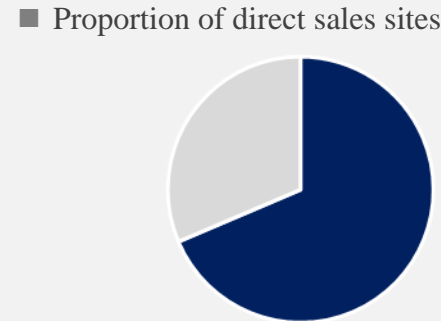
# (1) Renewing growth in the Domestic Beverage Business/ Domestic Beverage Business

Result of the 2021 plan

## Increased no. of vending machines (our sales base)



## Developed smart operations to increase productivity



## Improved ease of working by introducing new workstyles

- Introduction of remote working and flextime systems
- Introduction of second job system for employees/welcoming of second job applicants

### Next step

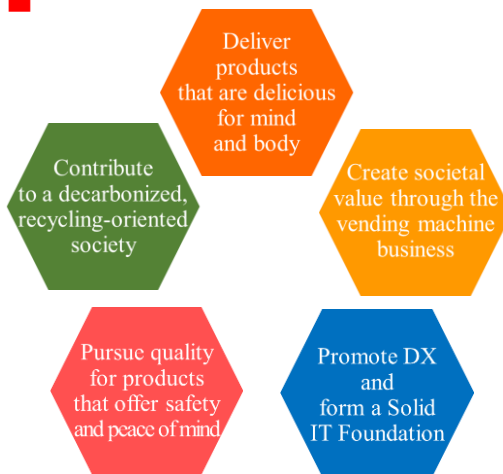
Maximizing per machine sales and the effectiveness (in terms of speed and scale) of our smart operations

the 2026 plan

## Where, and what, we want to be

In the vending machine market, we will provide new value through constantly taking on challenges and co-creating and so continue to lead the industry

## Material issues



## Strategy

- Ensure a firm competitive advantage in the vending machine market
  - Expand the number of vending machines
  - Lengthen the average service life of vending machines
  - Quickly roll out smart operations to all direct sales and to the Kyoekai\*
- Develop and provide delicious products for mind and body
- Investigate new business opportunities
- Develop personnel and our organization to promote business growth
- Help bring about a recycling-oriented society and reduce greenhouse gas emissions alongside growing our business

KPI	FY2026	
The number of vending machines	Compared to FY2021:	+5.5%
Sales per vending machine	Compared to FY2021:	+8%
Sales per person*	Compared to FY2021:	+20%

\*A vending machine operations staff

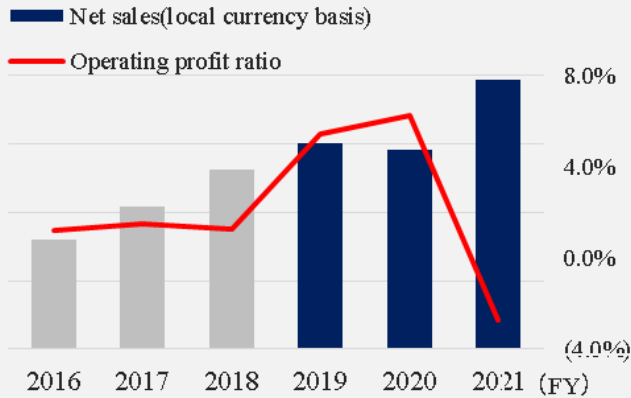
\*Vending machine operators in whom we have no capital investment relationship (in principle) and who are responsible for some DyDo vending machine operations, particularly in more rural areas



# (2) Reformulating our international business strategies/ International Beverage Business

Result of the 2021 plan

### Grew the Turkish business



### Put in place an organizational structure for the Turkish business

- Construction of an original sales network with an eye on making the Turkish business a wholly owned subsidiary, which was completed in March 2021
- Integration and new construction of manufacturing plants (3 in northern Turkey, 2 in the south)
- Establishment of export bases (UK and Russia)

### Began local production in the Chinese business

### Withdrew from the Malaysian business

#### Next step

Reformulating our business model to allow us to respond to foreign exchange rate fluctuation risks and to rapid changes in consumer needs

**Where, and what, we want to be**

We will create global brands that support the health of people all over the world

### Material issues



### Strategy

- Expand and stabilize the Turkish business
  - Grow sales in Turkey and abroad, particularly by expanding the mineral water business (securing new water sources and establishing new plants)
  - Strengthen our resilience against foreign exchange rate fluctuations by increasing the role of exports in our business
- Steadily grow the Chinese business
  - Expand local manufacturing to grow sales and profits
  - Raise awareness of DyDo DRINCO's health brands in the Chinese-speaking region (including Hong Kong and Taiwan)
- Develop global health brands
  - Turkey: Develop new products within Europe that meet growing demand for mineral water and health products
  - Asia: Expand sales of sugar-free tea and the "DyDo Blend Series"

KPI		FY2021	FY2026
CAGR	Turkey		11%
	China		23%
Proportion of foreign sales in the Turkish business		9%	28%

the 2026 plan

# (3) Strengthening and developing non-beverage segments / Home shopping sales of supplements (Domestic Beverage Business)

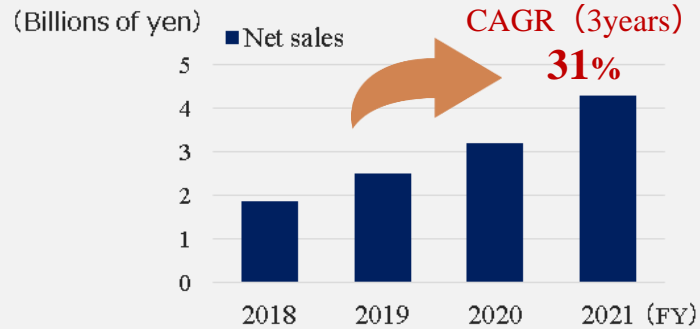


Result of the 2021 plan

Established a fixed position for our main driver, “Locomo Pro”



Maintained high growth since becoming profitable on a yearly basis in FY2018



\*As home shopping sales of supplements are currently being developed by DyDo DRINCO, they belong to the Domestic Beverage Business segment for accounting purposes.

### Next step

Maintain and expand the number of repeat customers and improve the effectiveness of our advertising in acquiring those customers

### Where, and what, we want to be

We will continue to provide products and services that always exceed expectations as a close partner to health-conscious customer so they can treasure fulfilling lives after retirement

### Material issues



### Strategy

- Continuously improve the acquisition rate for repeat customers and satisfaction levels
  - Improve the Group’s understanding of our customers to enhance the effectiveness of our online and offline advertising, and continue to invest appropriately in advertising
  - Strengthen our CRM measures and improve our online store to increase satisfaction levels among repeat customers
- Develop products that give consideration to materials used and overall balance
  - Develop a follow-on product after “Locomo Pro”
- Evolve our fulfillment\* capabilities based on our business strategies

\*Receiving orders, processing payments, inventory management, logistics, and other processes up to after-sales follow-up. At DyDo DRINCO these are each outsourced

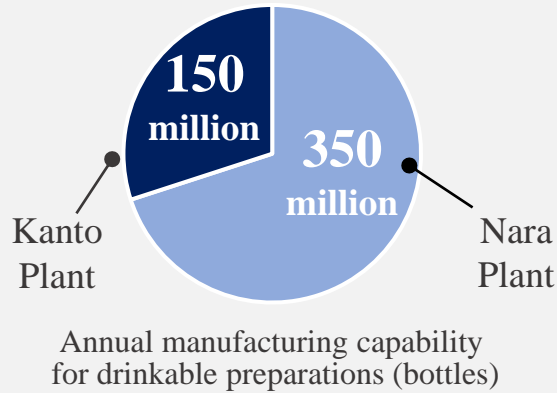
KPI	FY2026
No. of active repeat customers	Compared to FY2021: + 110%

the 2026 plan

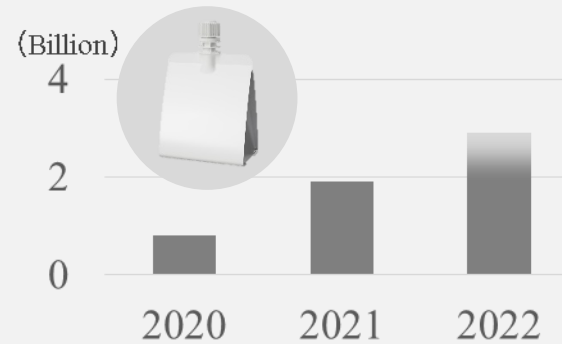
# (3) Strengthening and developing non-beverage segments / Pharmaceutical-related Business

Result of the 2021 plan

## Expanded production capabilities with the new Kanto Plant



## Constructed new assembly lines for pouch containers at Nara Plant and received steady orders



### Next step

Improve utilization rates and further strengthen the quality control system

## Where, and what, we want to be

We will be the no. 1 contract manufacturer in the health and beauty field

## Material issues



## Strategy

- Raise utilization rates at Kanto Plant and strengthen our quality control system to establish a system with which we can achieve the industry's best high-quality, but mass-produced, products
  - Strengthen sales activities to secure large-lot orders and improve utilization rates at Kanto Plant
  - Begin full-scale operations at Kanto Plant and establish an optimized production system that includes Nara Plant
- Reformulate our revenue structure
  - Review sales and development methods to raise the number and percentage of products being launched
  - Reduce costs for materials bought in, and improve cost structure for manufacturing, sales, administrative, and other expenses
- Develop personnel
  - Hire and develop personnel to strengthen the management system
  - Develop the middle management that will be responsible for opening up new specialist fields
  - Establish an evaluation system that supports taking on the challenges of creating new products and dosage forms

KPI	FY2021	FY2026
Approximate number of contracts	320 million	400 million
Utilization rates	Compared to FY2021: Improvement *	

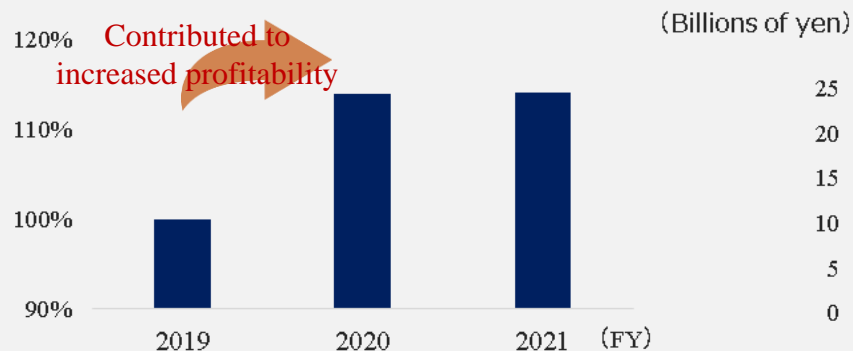
\*The actual number isn't disclosed

the 2026 plan

Result of the 2021 plan

## Raised productivity at our plants

■ Trends in productivity (no. of products/work hours)



## Improved profitability by conducting a multi-faceted review of tasks and costs



## Developed new high-added-value products



### Next step

Create business opportunities in new sales channels and product categories

the 2026 plan

## Where, and what, we want to be

We will utilize our fruits and jellies to pursue great taste and health, to make people happy

## Material issues



## Strategy

- Ensure our business foundations are solid by continuously reviewing our production and supply systems
  - Raise manufacturing precision and reduce labor demands by updating equipment
  - Improve distribution efficiency to achieve stable supplies
  - Make our management of supply and demand more accurate
- Fiercely defend our top share and challenge ourselves to expand to new business sectors
  - Protect our top share of the dry jelly market by strengthening our ability to develop products
  - Acquire new sales channels by expanding into new product categories and strengthening our export business
  - Create demand in sectors related to fruits and jellies
- Develop personnel
  - Promote diverse working styles and tie that in to increased work efficiency
  - Utilize diverse personnel and support individual training

KPI	FY2021	FY2026
Units manufactured per hour	Compared to FY2021:	+15%
Product loss rate*	Compared to FY2021:	About half
Overseas sales ratio	5.8%	9.5%

\*The actual number isn't disclosed

# (3) Strengthening and developing non-beverage segments/ Orphan drug Business (Other)

Result of the 2021 plan

Acquired the rights to commercialize new drug discovery seeds in Japan



We have signed two license agreements

- DYD-701 : [LCAT-GMAC \(genetically modified human adipocyte of LCAT\)](#)
- DYD-301 : [Pharmaceutical for Treating Lambert-Eaton Myasthenic Syndrome](#)

Hired specialist personnel  
Established an organizational structure



### Next step

Acquire license agreements for new drug discovery seeds and receive approval to manufacture and sell DYD-701 and DYD-301

the 2026 plan

### Where, and what, we want to be

We will produce medicines for patients suffering from orphan diseases for which there are currently no treatment options

### Material issues



### Strategy

- Make steady progress with developing the seeds of two new drugs (DYD-301 and DYD-701) in Japan and aim to receive approval to manufacture and sell them
- Aim to acquire license agreements in Japan for new orphan drug candidates seeds
- Establish an information-sharing systems that ensures the following for new drugs for which we have acquired manufacturing and sales approval: quality guarantees, stable supply, safety information gathering, and appropriate usage. Then we can offer them to medical institutions and patients

We aim to raise capital productivity and maintain a stable financial base

## Financial discipline

ROIC  
**> WACC**

Net cash position:  
Maintain equity ratio  
**of around 50%**

## Investment capital

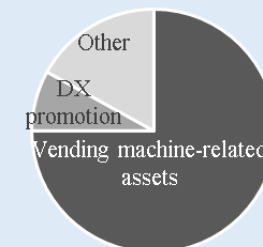
5-year accumulated  
cash flows:  
**60** billion yen or more

Strategic investment for  
M&A, etc.  
Up to **2 years'** worth  
of operating cash flow

## Capital allocation

Focused reinvestment to ensure a competitive advantage in the vending machine business:

- Vending machine-related assets  
About 42 billion yen
- DX promotion (updates to core systems)  
About 4.5 billion yen
- Other equipment investment, etc.  
About 9 billion yen



For shareholders, we aim to maintain stable dividend payouts and as performance improves, become able to raise dividends

Our strategic investment aimed at dramatic growth involves making appropriate investment decisions on a case-by-case basis