Message from the President

Continuing Dynamic Efforts to Take On New Challenges in Order to Realize Sustained Growth

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Promoting Our Mid-term Business Plan “Challenge the Next Stage” and Engaging in Four Challenges

Background Behind Establishment of Our Mid-term Business Plan

Since our founding, we have built up a stable business foundation. This is supported first of all by a stable cash flow produced via our unique business model using approximately 280,000 vending machines throughout Japan as our main sales channel, and highly profitable coffee drinks as our core product. Secondly, it is supported by solid finances based on internal reserves built up using this business model.

However, in the beverage industry, the situation is such that major growth cannot be expected in the domestic beverage market due to the effects of a decreasing birthrate and aging population—trends which are expected to progress even further in the future. Under these conditions, the earnings environment will continue to be severe. To respond to changing times in the environment, and realize an improvement in corporate value over the medium to long term, I believe it is important to continue dynamic efforts to take on new challenges while valuing our founding spirit of striving to achieve happiness and prosperity together.

Based on our Group Philosophy and Group Vision, our group is promoting the five-year-long the mid-term business plan “Challenge the Next Stage,” whose last year will be FY2018, and focus efforts on the following four challenges. In that way, we are aiming to be a corporate group which perpetually develops, taking achievement of this plan as a milestone.

FY2018 Mid-term Management Objectives

Net sales **200** billion yen | Operating margin **4.0**%

Four Challenges and Business Strategies

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

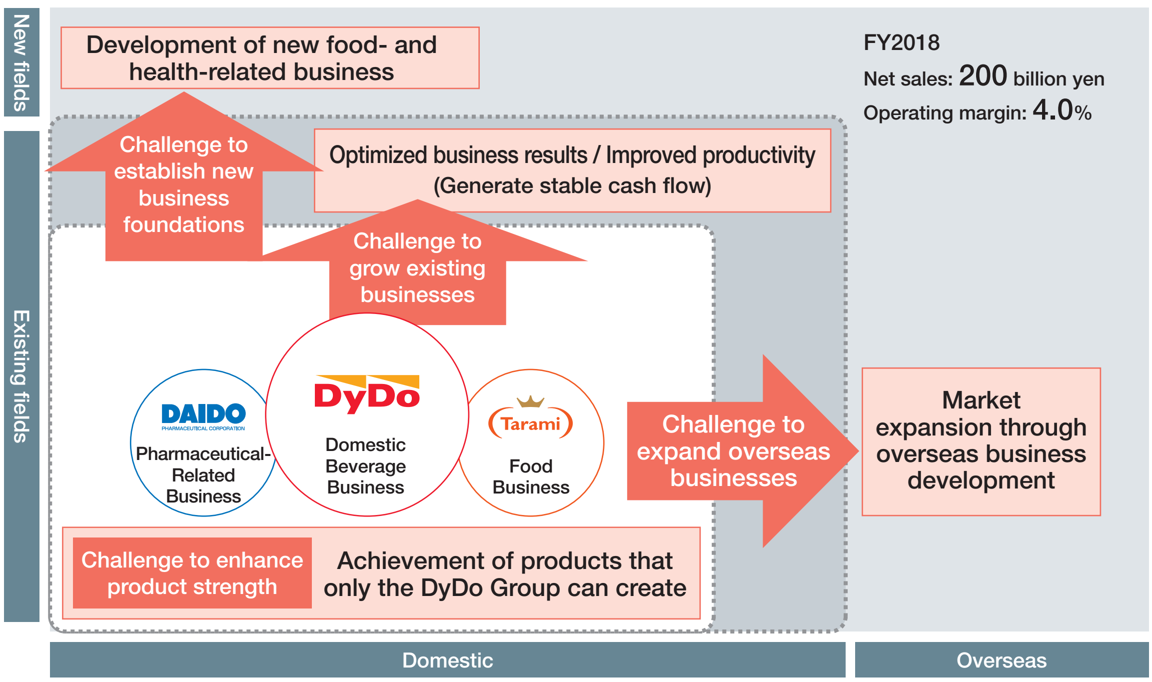
Challenge to expand overseas businesses

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

Direction of our Mid-term Business Plan “Challenge the Next Stage”



Business Model Revamping and Corporate Culture Reforms are Progressing, and We Have Laid a Foundation for Growth

Looking Back on Our Mid-term Business Plan after the First Three Years

Reflecting on the first three years of our mid-term business plan, from its start until FY2016, I believe one major result was that we were able to consolidate a foundation for future growth. In our existing businesses, we are revamping our fixed cost structure and have started deployment of IoT-enabled vending machines, with the aim of innovating with our vending machine business model. (For details, see “Special Feature 1: Taking Up the Challenge of Creating New Vending Machine Value” on p. 27-28.) Also, in our international business, we are moving into the Islamic regions of Turkey and Malaysia, and have acquired strategic bases for dramatic top line growth in the future.

More than anything else, it is important to foster a corporate culture of taking up challenges, and strengthen our governance system for supporting transparent, fair, quick, and resolute decision-making. We have worked hard in these areas and formed a solid foundation for our group’s growth, which I think is a great achievement.

Through various efforts, we have worked to deepen commitment to our Group Philosophy and Group Vision, and energize in-house communication. As a result, we have steadily nurtured a corporate climate of taking on challenges. I feel that by working to continually improve corporate governance and transitioning—starting this year—to a holding company structure, we have been able take our first step toward dramatic growth in the future. (For details, see “Ongoing Improvements to Corporate Governance” on p. 37-41.)

Summary of Results for FY2016

Consolidated net sales for FY2016 were 171,401 million yen, up 14.4% over the previous year. Results improved due to favorable sales in our Domestic Beverage Business, and international sales increased due to the effects of M&A. This was also a year where we actively promoted prior investment as groundwork for next-generation growth. Domestically, we actively invested in advertising and sales promotion to further strengthen the DyDo Blend brand, deployed IoT-enabled vending machines, and took measures to reduce fixed costs of vending machine channels in the future and control rising logistics costs. Internationally, we focused on consolidating a business foundation for dramatic growth in the future, through initiatives such as acquiring new strategic bases in the Islamic region. While our performance in the domestic beverage market was good, our International Beverage Business struggled, and as a result operating income remained at 3,857 million yen, but extraordinary gains were booked, such as a gain on negative goodwill of 494 million yen accompanying acquisition of our Turkish beverage business and a 433 million yen gain on sale of investments in capital of an affiliated company. As a result, net income attributable to parent was 3,269 million yen, 39.3% higher than the previous year.

The Situation of the Domestic Beverage Business, Our Core Business

Sales volume in the Domestic Beverage Business in FY2016 was 4.1% higher than the previous year, exceeding the industry average. Also per-machine sales were previously in a declining trend, due in part to a slump in consumption after the rise in the consumption tax, but in FY2016, the results achieved were almost on a par with the previous year, and thus conditions are moving in a favorable direction toward an improving trend. I feel that, as fostering a corporate culture of taking up challenges has become our foundation, with regard to our mainstay vending machine channels, results due to education of personnel and active use of IT—such as acquiring prime locations, working to maintain our top-class position in operations, and optimizing our product lineups to suit location characteristics, all via a more comprehensive effort to manage sales based on a problem-solving approach—are beginning to mesh well with our merchandise policy.

FY2017 Initiatives

Based on the progress thus far in our mid-term business plan, I think there are three key points where we need to make efforts in FY2017.

First is firming up the trend toward continuous growth in cash flow from our Domestic Beverage Business, which has turned in a favorable direction. To achieve that, we will work even harder to enhance the appeal of our vending machines by making improvements in three areas—locations, operations, and products.

Next, we will strive for solid improvement of earnings by establishing a business foundation for our International Beverage Business. Within Turkey, already we are working to improve efficiency, including logistics, through rebuilding in the production system, e.g., by relocation of production lines, and promoting restructuring of our sales system.

The third issue is promoting M&A strategies for acquiring one more business domain to serve as a major profit center. Taking "Food and Health" as a theme, we are thinking in particular of targeting the healthcare domain, where we can expect to see synergies with our pharmaceutical-related business, and we will link this with achievement of our mid-term business plan.

Based on the above approach, we will promote initiatives in each business field, and we expect consolidated net sales for FY2017 to increase by 2.4% over the previous year to 175.5 billion yen. Also, operating income is expected to increase by 37.4% over the previous year to 5.3 billion yen due to increased sales in our Domestic Beverage Business and increased earnings in our International Beverage Business. Ordinary income should be 5.2 billion yen, up 39.0% year-on-year. Net income attributable to owners of parent is expected to be 3.0 billion yen, or 8.2% less than the previous year, due to the resolution of extraordinary gains, such as a gain on negative goodwill accompanying acquisition of our Turkish beverage business incurred in the previous year, and a gain on the sale of investments in capital of an affiliated company.

Consolidated Business Results for FY2016

Net sales	171,401 million yen
Operating income	3,857 million yen
Net income attributable to owners of parent	3,269 million yen

Breakdown by Business

Business	Net sales	Operating income
Domestic Beverage Business	128,444 million yen	3,576 million yen
International Beverage Business	16,457 million yen	–876 million yen
Pharmaceutical-Related Business	8,526 million yen	944 million yen
Food Business	17,972 million yen	212 million yen

Note: Sales by business indicate sales to outside clients

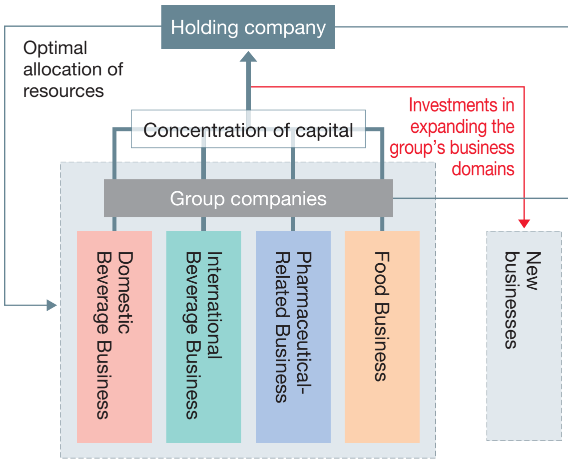
We Will Boost Our Group's Strength by Further Clarifying Responsibility and Authority through Our Transition to a Holding Company Structure

Transition to a Holding Company and Portfolio Management

At our company, we believe it is extremely important to work to improve corporate value through continuous improvement of corporate governance—our system for transparent, fair, quick, and resolute decision-making. Thus far, we have promoted improvement of corporate governance by strengthening our Board of Directors, through steps such as inviting outside directors and reducing the number of directors as defined in the Articles of Incorporation, but in order to achieve further reform, we transitioned to a holding company structure on January 21, 2017.

Purpose of Transition to a Holding Company Structure

- Strengthening group management
- Agile response to expansion of business domains
- Strengthening and nurturing the International Beverage Business



Profitability	Efficiency
Roles of holding company	
• Making strategic business investments • Optimal allocation of resources	• 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	Domestic Beverage Business • Shrinking vending machine assets • Improving asset turnover ratio Pharmaceutical-Related Business / Food Business / International Beverage Business • Improving plant operation ratio

Strengthening Group Management

As the simplest indicators of profitability and growth, we have previously used net sales and operating margin as management indicators for each operating company, but in transitioning to a holding company structure, we have newly established ROA and ROIC as indicators of investment efficiency, and we will strengthen group management by clarifying the responsibility and authority of each business.

First, in our Domestic Beverage Business, we will increase net sales and improve profitability in our vending machine business. At the same time, we will shrink assets and realize major improvement in ROIC through reduction of fixed costs relating to vending machine investment. In this way, we hope to drive improvement in efficiency of the group as a whole.

Agile Response to Expansion of Business Domains

To realize sustainable, profitable growth and improved capital efficiency in response to major changes in the business environment, I believe it is also a crucial issue to acquire new business domains with high profitability and growth such as healthcare, using as capital for growth the previous internal reserves and cash newly produced by each group company.

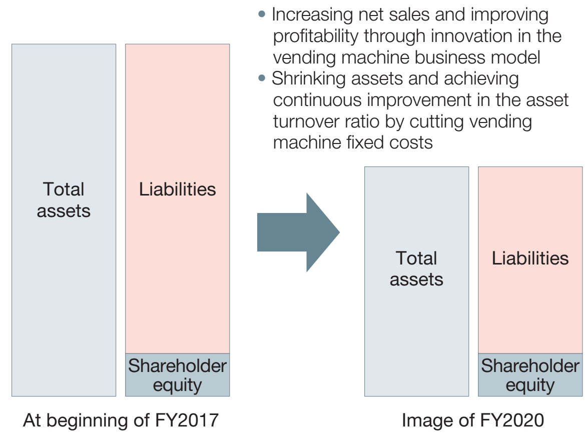
In our holding company, we have developed an organizational structure enabling agile response to M&A strategies, and actively take up the challenge of acquiring new profit centers for our group.

Strengthening and Nurturing the International Beverage Business

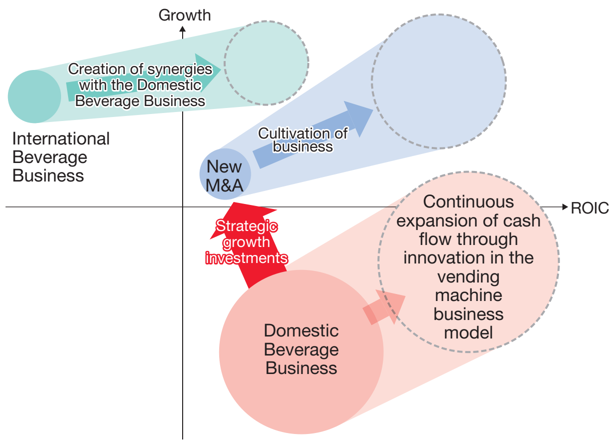
I think that strengthening and nurturing our International Beverage Business is an urgent issue for our group. To promote this effectively, we have established an International Business Management Department within the holding company to supervise our international subsidiaries. In this way, we have developed systems for business and risk management, and at the same time strive for optimization of resources to bring out synergies with our Domestic Beverage Business. In the future, by using the strategic bases we have previously acquired in Turkey, Malaysia, Russia, and China, we will work with a sense of urgency to realize dramatic top line growth in international markets, and nurture these operations into businesses which can contribute to our group in terms of profits.

Through these efforts, we will strengthen and expand the business portfolio of the group as a whole, and aim to be a corporate group with high growth, profitability and efficiency.

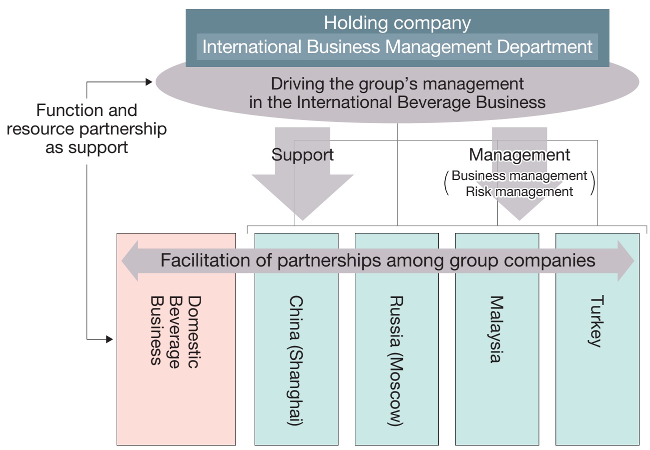
Image of Domestic Beverage Business Balance Sheet



Strengthening and Enhancing the Group's Business Portfolio



Role of the International Business Management Department in the Holding Company



Striving to be a Perpetually Developing Corporate Group, Taking Achievement of the Mid-term Business Plan as a Milestone

Approach to Personnel Training

We are a company that has always placed our primary focus on domestic business, but as we expand our business into new domains, including international business, I believe it is crucial to secure human resources. We train personnel to drive the next generation by accumulating a wide range of knowledge and experience in-house, while also utilizing various types of personnel from outside the company and personnel with high skill levels. Previously, we have promoted reform of corporate culture in our domestic business, but going forward, we will foster shared values in our international business as well, and strive for deeper commitment throughout the group to a corporate culture of taking up challenges.

Approach to Returns to Shareholders

I believe that the current stage of our company is a time requiring investment for further development as a group, and we will allocate internal reserves with high priority to strategic business investment. Regarding returns to shareholders, we will maintain stable dividends for the time being, and aim to increase dividends over the medium to long term by realizing sustainable, profitable growth while taking into account the balance with effective use of capital and maintaining fiscal soundness.

FY2016			
Dividends per share	60 yen	Dividend payout ratio	30.4%

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

To be a Perpetually Developing Corporate Group

The environment surrounding the beverage industry is undergoing major changes, and our group too is at a major turning point, but I believe it is precisely times of change like these that present the greatest opportunities. We are accelerating efforts toward reform and strive to be a perpetually developing corporate group, taking the achievement of our mid-term business plan as one milestone.