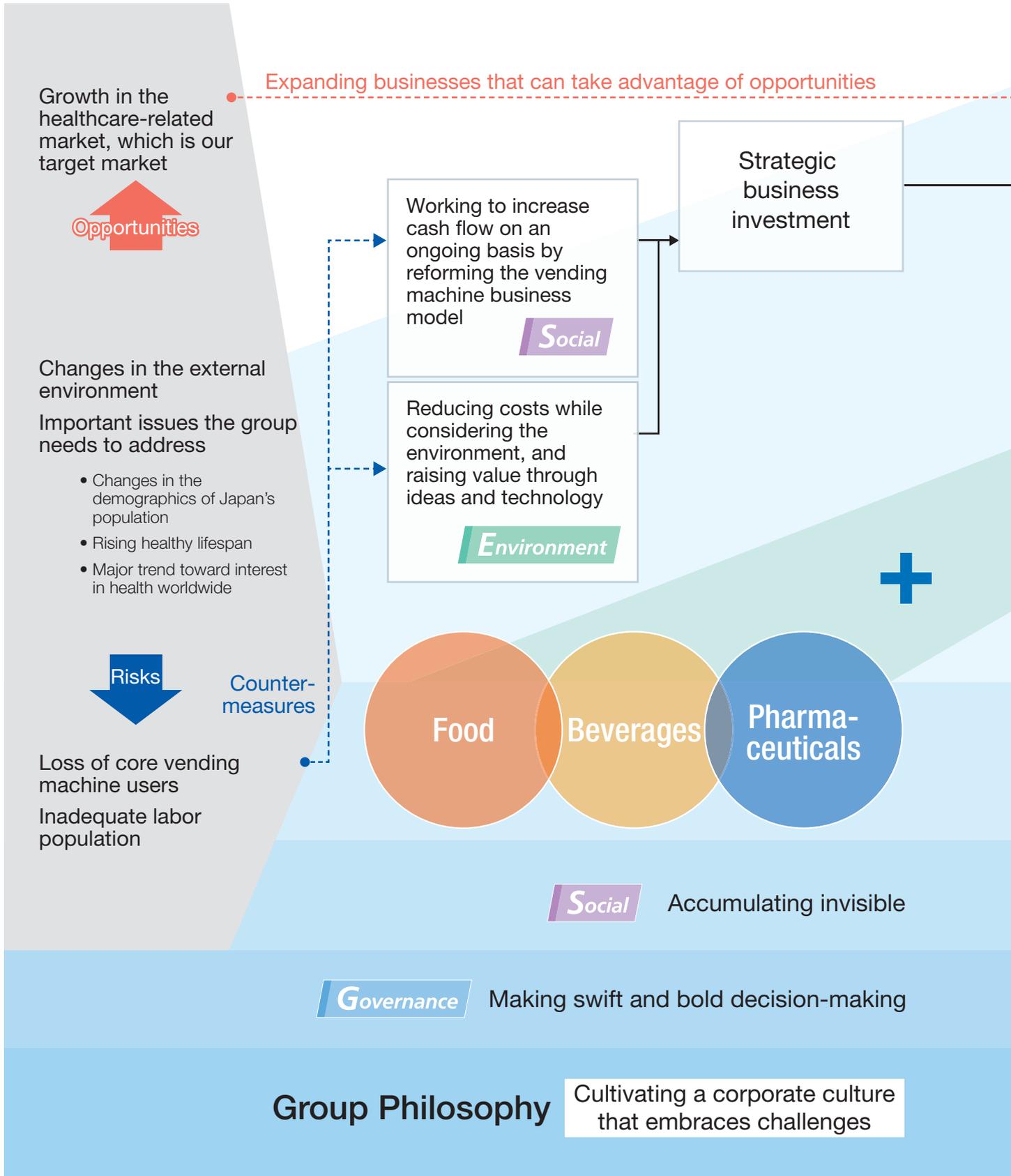


Growth Strategy

Raising Corporate Value through Responding to ESG Issues

“Offering delicious products for sound mind and body.” To be able to do that in a sustainable manner, the DyDo Group will respond to both the risks and opportunities of ESG issues resulting from changes in the external environment. By striving to solve societal problems through our business, we aim to contribute to the creation of a rich and vibrant society and to improve our corporate value.

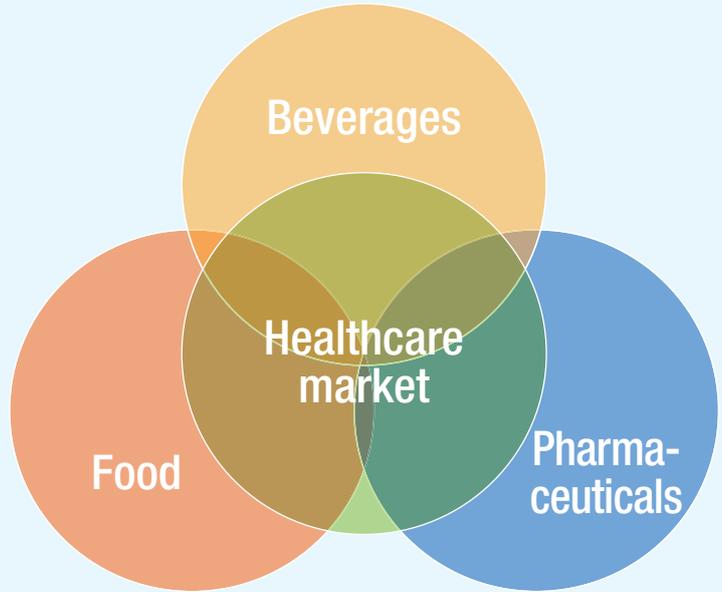


Creating new markets by establishing operations in the healthcare domain that utilize each of the businesses *Social*

Breaking out of the existing framework of beverages, food products and pharmaceuticals, and “offering delicious products for sound mind and body” as a corporate group, we will contribute to the creation of a rich and vibrant society *Social*

Life sciences field

- Entry into the orphan drug business



Group strengths

- Technologies for creating authentic flavor
- High quality rooted in pharmaceuticals
- Unique product development capabilities

assets by investing in our workforce

possible through continuous improvements to the corporate governance system

Embracing the customer’s perspective (striving to achieve happiness and prosperity together with people and society)

Message from the President —Progress in the Mid-term Business Plan and Future Growth Strategy—

Creating Businesses Based on the Strong Intentions Contained in the Group Philosophy and Vision

Formulating the Group’s Philosophy and Vision Since My Appointment

Our core vending machine business was built up over decades, in parallel with Japan’s high economic growth; it established a revenue structure that generated a steady cash flow. However, since 2000, the vending machine soft drink market has been close to saturation. Faced with low potential growth in that area of business, the group began preparing for major changes. To achieve sustainable growth, I believe we must value the company’s founding spirit of striving to achieve happiness and prosperity together; we also need to take dynamic action to meet ongoing challenges. With that in mind, when I became president in 2014, I worked to clarify and formulate our Group Philosophy and Group Vision.

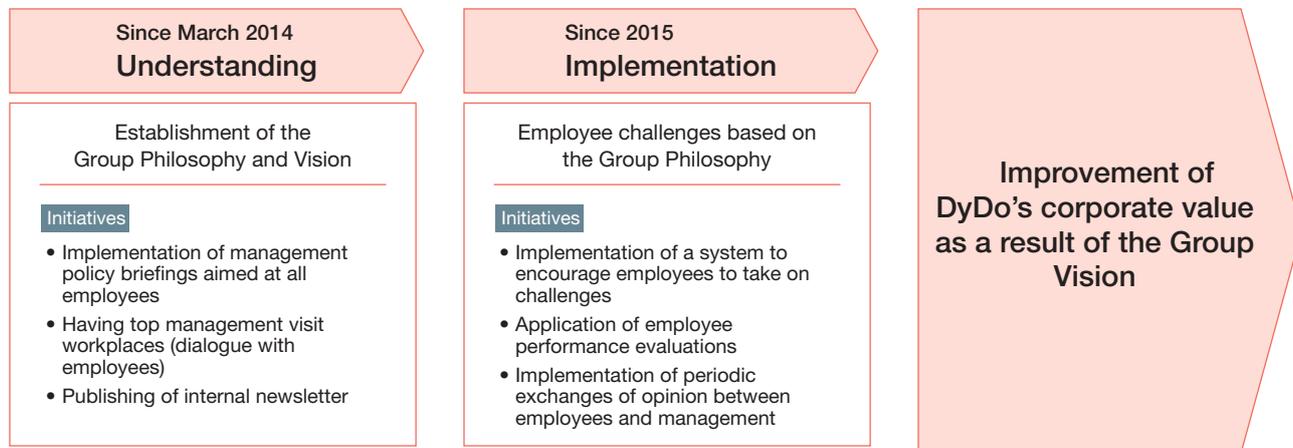
Creating a System to Spread the Group Philosophy and Vision

I say that leadership starts with intention. When you have a specific intention—“This is what I want to accomplish”—it is then vital to get everyone on the same page. To do that, to spread the intention at the heart of the Group Philosophy and Group Vision, you need to work alongside employees

to turn that intention into action. And that is what I did. In the 12 months after becoming president, I visited all 116 of our business sites in Japan and talked with employees about the Group Philosophy and Group Vision—so that they could better understand how we came to establish them and their own roles and objectives. I talked many times about how to overcome obstacles and reach the goals set forth in our philosophy and vision; I also discussed the role of each business site and its efforts going forward. My visits around Japan over the one-year period were a good start in disseminating the Group Philosophy and Group Vision, but I knew then that ongoing activities would be important in furthering this effort, in my second year and beyond.

DyDo Offsite Meetings began in my second year as president. They involve setting up meetings that I attend, outside of the business premises, at which examples like successful and unsuccessful employee workplace actions aimed at giving form to the Group Philosophy and Group Vision are shared. At the meetings we also share past lessons learned and goals for the future. By evaluating current initiatives and sharing information about the issues being faced, I feel that we have begun to use the Group Philosophy and Group Vision as the measure for making judgements and taking action in everyone’s respective spheres.

● Making a Group Philosophy and Vision that Leads to Sustainable Growth a Reality



Because of the work we've done in promoting our philosophy and vision, I am hearing more often about employees being proactive in taking on challenges. We have been developing a spirit of eager commitment, and I want to see that spirit take root even more firmly. That will require a corporate culture that values every person's effort to take on challenges and spread that enthusiasm with everyone around them. The DyDo Challenge Award system was set up to encourage people to take on challenges without fear of failure and present their results to others in the company and outside it and, by so doing, encourage others to do the same. This, I believe, will bring about sustained growth for the group. In FY2017, the first year of the Awards, there were 65 entries, proof of our success in encouraging self-motivated, proactive efforts. Using this initiative as an opportunity, we are engaging in activities to spread the Group Philosophy and Vision in order to accelerate employee take-up of challenges.



Hiring Diverse Talent to Energize Human Resources

Energizing our employees is another area I have been working on as we get people to better grasp the Group Philosophy. Because our business expansion has to date been dependent on the advancement of the vending machine business, we have tended to focus on the human resources we have built up in that area. But major changes have been taking place in the business environment, and I believe we need more diverse personnel to be able to handle such changes. We have been actively seeking to

recruit outside talent, particularly with expertise in marketing and areas of business outside Japan. Initially, differences of opinion led to confusion or sometimes discord, but gradually the fresh views from outside began to mesh with the experience that had been gained over time. Understanding of the Group Philosophy and Group Vision has also grown, and a good chemistry has developed.

● Creating a System to Support Employee Initiatives



Progress with the Mid-term Business Plan and Growth Outlook

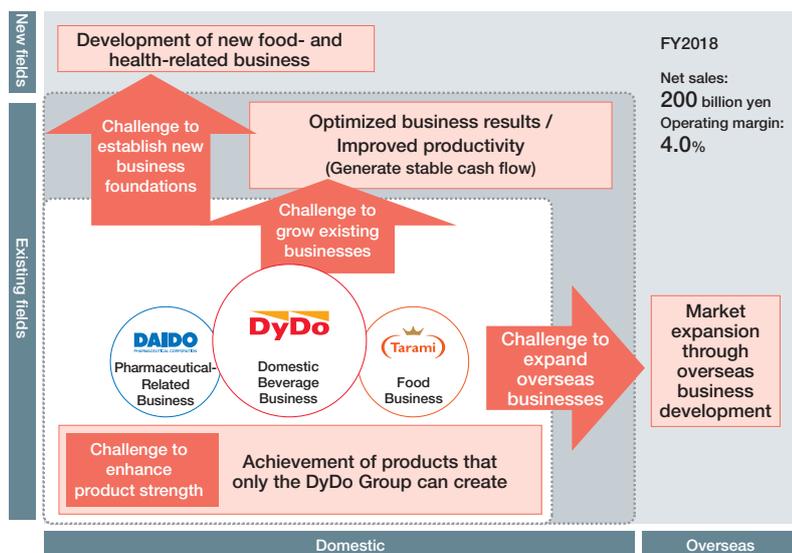
These efforts have begun to gradually show positive results over the last four years within the context of our five-year mid-term business plan, the last year of which is FY2018, “Challenge the Next Stage,” which was put in place at the

same time as the Group Philosophy and Vision. On the other hand, other issues have also come to light that may hamper growth.

The key to growth for us is to build a business model for our Domestic Beverage Business that generates cash steadily and continuously, even under difficult business conditions, and to use that cash to incubate the next mainstay of growth. Efforts being taken now to reduce fixed costs in vending machines in the Domestic Beverage Business will improve profitability by 2020, but we need to rebuild our business portfolio before then. Due to the aging of Japanese society and longer lifespans, there is concern that we will lose the core user segment while the healthcare-related market is growing steadily. Rising awareness of health is becoming a global trend. That leads me to believe that the next growth area for the DyDo Group is in the healthcare-related market.

To the knowledge regarding health and taste, and the manufacturing capabilities the group has acquired over time, we will add outside knowledge and R&D capabilities, extending beyond the existing

● Mid-term Business Plan “Challenge the Next Stage”



Four Challenges and Business Strategies

Results up to FY2017

Challenge to grow existing businesses

Work to increase cash flows on an ongoing basis by reforming the vending machine business model

- We reformed the fixed cost structure in the vending machine channel
- We lessened the environmental impact of vending machines, alongside cost reduction
- We continued our planned expansion of IoT-enabled vending machines

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Challenge to enhance product strength

Enhance the DyDo Blend brand and strive to make it the leading brand in its market segment

- We increased customer purchase intention toward the DyDo Blend brand and extended the number of points of contact with customers
- We improved the market position of the “Supervised by the World’s Top Barista*” and “Calorie Limit for the Mature Aged” tea series

*Pete Licata, 14th World Barista Championship winner

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Challenge to expand overseas businesses

Achieve dramatic, top-line growth by accelerating the development of our overseas businesses

- We acquired strategic bases in the Sharia law-observing Islamic world (Turkey and Malaysia)
- We undertook initiatives to strengthen the value chain and rebuild our business model in Turkey

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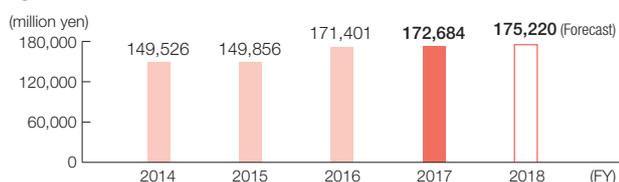
Challenge to establish new business foundations

Establish new profit centers through an M&A strategy

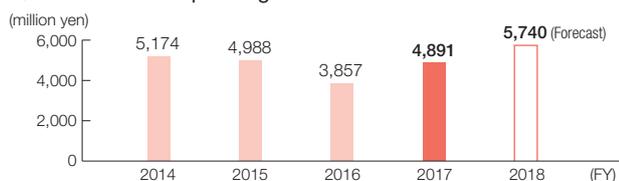
- We put in place structures capable of dealing with expanding business domains in an agile manner
- We narrowed down our focus in the healthcare domain, for example in the life sciences, and recruited specialized staff

framework of drinks, foods, and pharmaceuticals to supplying value in the areas of treatment of disease at the pre-symptomatic stage and its prevention. We have thus made the decision to fully enter the orphan drug business in July 2019, adding a new business domain to our existing life science field, which will help resolve an important issue in Japanese society. By advancing this initiative, we can construct a pillar of major growth within the expanding healthcare-related market to improve corporate value over the medium to long term.

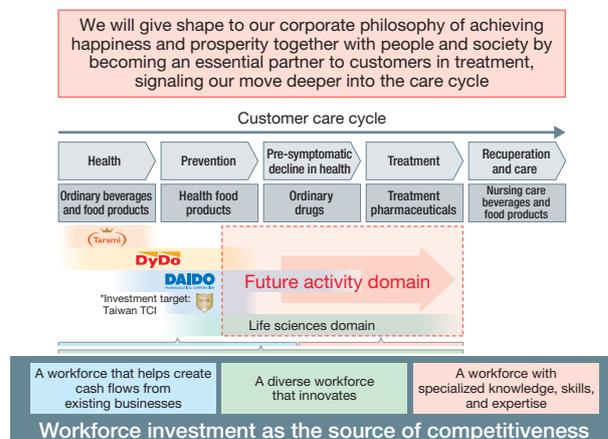
● Consolidated Net Sales



● Consolidated Operating Profit



● Image of Business Domains and Workforce Investment in the Future



Strategic Investment in Invisible Assets

An important key to carrying out this plan will be our investment in invisible assets, namely, our personnel strategy. In order to raise the overall strength of the organization by drawing out the full potential of every employee and eliciting their best performance at all times, we need to ensure that our employees lead rewarding lives. We will build a workplace environment and put in place

Obstacles to Sustainable Growth

- Dealing with declining sales per vending machine
- Promoting installation of vending machines in offices and other spaces
- Optimizing product lines for different sales channels
- Expanding the number of "DyDo Smile STAND" users

- Dealing with the diversification of customer values and consumption behavior
- Dealing with the diversification of customers' needs with regard to delicious flavor and health
- Developing products that earn customers' empathy

- Reforming our business in Malaysia, Russia, and China
- Strengthening and expanding product lines that accommodate growing interest in health worldwide

- Acquiring specialized staff, knowledge, expertise, and technology related to health and pharmaceuticals
- Pioneering new markets to accommodate the increase in healthy lifespan

Making our Vision a Reality through Tackling Issues

Together with society

- Transforming vending machines into social infrastructure
- Creating new added value for vending machines
- Pursuing sustainability with a vending machine business that takes into consideration people, society, and the environment

Together with customers

- Recruiting, retaining, and developing the careers of a diverse workforce of employees capable of innovating
- Integrating outside knowledge and R&D capability (open innovation)

Together with future generations

- Developing high-quality products that combine Japanese and local expertise
- Creating a "DyDo Standard" that transcends conventional frameworks

Together with people

- Resolving social issues by providing value through pharmaceuticals
- Offering delicious products for sound mind and body in a way that goes beyond the boundaries of beverages, foods, and pharmaceuticals

systems that will allow a range of working styles, thereby accommodating ever-diversifying career and life plans. Building an environment that brings out people's best in both their work and home lives also involves expanding the opportunities for improving individual skills and knowledge, and raising standards by providing education, training, and support for continuing study.

Individual effort is also vital for achieving personal and professional growth. In leadership training for young people and through the company's intranet, I am always talking to employees regarding the need to set a strong intention about one's own future, and to value learning and health. To adapt in times of rapid change, I try to emphasize the importance of holding firm to a vision of one's future on the personal level, and of continuing to study and improve one's knowledge and skills without becoming complacent about one's current situation. Also, because maintaining good health and one's vitality leads to good work, I want people to thoroughly reassess their lifestyles.

The ideal employee, to me, is the person who puts their best foot forward, both on the job and in their private lives. Such employees will create sustained growth for the group. I will continue to expand our systems and raise awareness toward these issues, and strive to build strong human resources at the DyDo Group, which I wish to see remain robust and continue to grow, driven by the energy of all of our employees.

Continuous Improvements in Corporate Governance

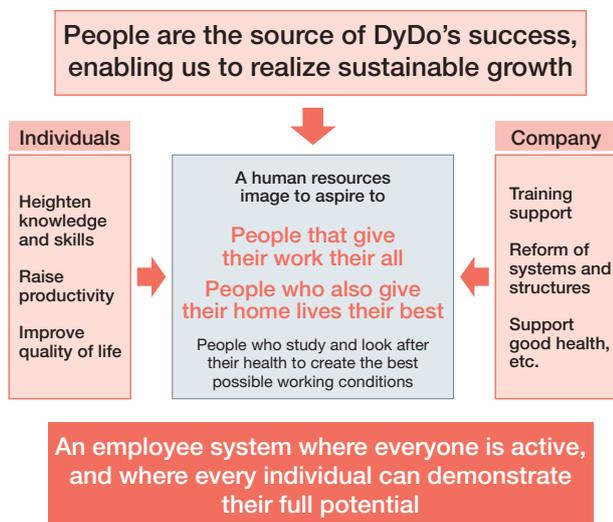
To achieve sustainable growth and improve our corporate value over the medium to long term in a rapidly changing business environment will require working with all of the stakeholders in our businesses and will involve major changes to the group's business model that go beyond the current frameworks and values. That will require daring corporate measures that allow for swift and bold decision-making from a medium- to long-term perspective. I am aware that there are also calls for further transparency and fairness in the processes of reviewing measures and making decisions. In line with that thinking, I am positioning the strengthening of our corporate governance system as our top management priority, along with the effort to make continuous improvements to the system.

When I became president in 2014, I welcomed onto the Board two independent outside directors and created a system for utilizing outside expertise in management. Because there is a need to give outside directors more rigorous explanations, we have reached a higher level of awareness than ever. Also, I feel that we have received valuable advice from the directors, who draw upon a wide range of expertise. In 2015, with the enactment of our Basic Approach to Corporate Governance, we implemented various reforms, including revising the scope of authority and duties of directors, shortening their terms, establishing a basic policy on corporate governance, and introducing a performance-based incentive system.

In 2017, we switched to a holding company structure to govern the group's expanding businesses with greater transparency. The new structure is aimed at strengthening corporate governance, clarifying the responsibilities and authorities of each business, responding to the growing importance of our International Beverage Businesses, and establishing a system to bring International Beverage Subsidiaries under the direct control of the holding company. We also set up a corporate structure that has the agility needed to carry out our M&A strategy, namely to effectively utilize the retained profits we have built up to get involved in new business domains with high profitability and growth potential, such as the healthcare-related domain.

The switch to a holding company structure has precipitated a significant shift in the discussions held by the Board of Directors. Where before the changeover, DyDo DRINCO's Board of Directors acted as the parent company of the group and was responsible for its capabilities, they

● Personnel Strategies toward Making Our Vision a Reality



can now have in-depth discussions that focus on the Domestic Beverage Business. On the other hand, the DyDo Group Holdings' Board of Directors has assigned authority to each group company, which has resulted in more targeted discussions there too. There is also depth, but now I feel there is greater perspective and speed, too. With the holding company having direct control over International Beverage Subsidiaries, the discussions are showing increased regard to monitoring and our direction moving forward. It has become possible to pursue more in-depth study on our involvement in domains that will prepare us as we aim for future growth through acquisitions in the healthcare domain. The Board of Directors has come to have a more realistic vision of the future. Another positive change is that we have been able to gain sufficient time for reports to be prepared for the Board regarding institutional investors' and the stock market's evaluations, requests and concerns, which can be used to make management reforms of our company. In addition, we have been working to speed up the process of providing outside directors with more comprehensive information. While some issues remain, the system now brings constructive views to light from many standpoints, beyond what existed before, and this has led to deeper, more fruitful discussions.

Going forward, we will be treating the sustainability of the vending machine business model as a key issue, particularly with regard to how we can adapt to a changing business climate in vending machine business. We will take an even more in-depth look at the group's overall business portfolio and how we should evolve in the long term as we strive for sustainable growth into the future. We aim to shape the key direction of our business strategy through a continued sharing of informed opinions, based on a shared awareness of improving capital efficiency.

Our Capital Policy

The DyDo Group stands at a significant juncture, but my goal is to ensure that we can set the company moving forward into the next generation and generations to come after them. Such an undertaking will require not that we maintain the status quo, but that we take on new challenges. Considering that Japanese people's average lifespan is increasing and people are concerned with staying healthy into their later years, I would like to nurture business related to healthcare into a major source of revenue in the future. By reaching beyond our existing

business framework of drinks, food, and pharmaceuticals I aim to improve our corporate value over the medium to long term.

To turn this strategy into a reality, the group needs to invest further in growth. We will prioritize the application of internal reserves in strategic business investments that lead to a sustainable growth in profits and improved capital efficiency, aiming to increase dividends in the medium term by further improving profitability and achieving sustainable growth in profit.

Obstacles to Growth in Corporate Value

The "Challenge the Next Stage" mid-term business plan, of which FY2018 is the final year, is a milestone on our way to making sustainable growth a reality. While at present, we have been paying attention to building the foundations for future growth so it hasn't resulted in profitability or efficiency that exceeds the capital costs, we will promote new management strategies and goals and investigations such as into key performance indicators (KPI) in order to increase corporate value over the medium to long term.

	FY2017 results	Issues & Counter-measures
Profitability Net profit margin	1.5%	<ul style="list-style-type: none"> Continuing expansion of the Domestic Beverage Business cash flow Improvement of operating margin in each business segment Strengthening and expansion of the group's portfolio of businesses Building a pillar of profitability in the healthcare-related market
Asset efficiency Total asset turnover	1.0x	<ul style="list-style-type: none"> Improve asset efficiency through valid, strategic business investment Improve the sustainability of our asset turnover ratio of the Domestic Beverage Business through expanding sales and reducing vending machine assets
Financial leverage Totals assets/ Owned equity	1.9x	<ul style="list-style-type: none"> Taking the balance between financial soundness, growth investment, and shareholder returns into consideration as we manage our balance sheets

● Status of Free Cash Flow

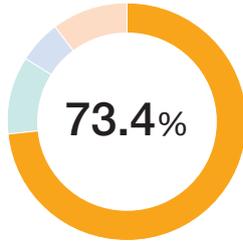
Millions of yen

	FY2014	FY2015	FY2016	FY2017
Cash flows from operating activities (a)	13,959	14,603	15,309	14,308
Purchase of property, plant and equipment and intangible assets (b)	-10,424	-9,797	-8,447	-8,913
Free cash flow (a-b)	3,535	4,806	6,862	5,395

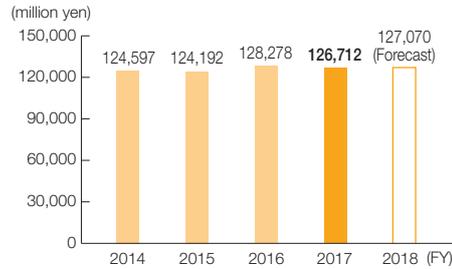
Value Creation Business Models of the DyDo Group

Domestic Beverage Business

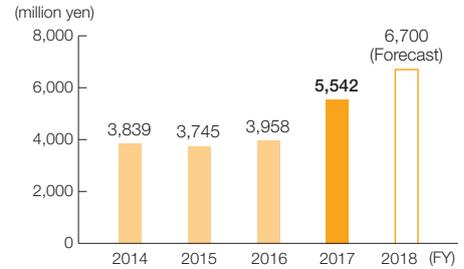
Breakdown of net sales



Net sales



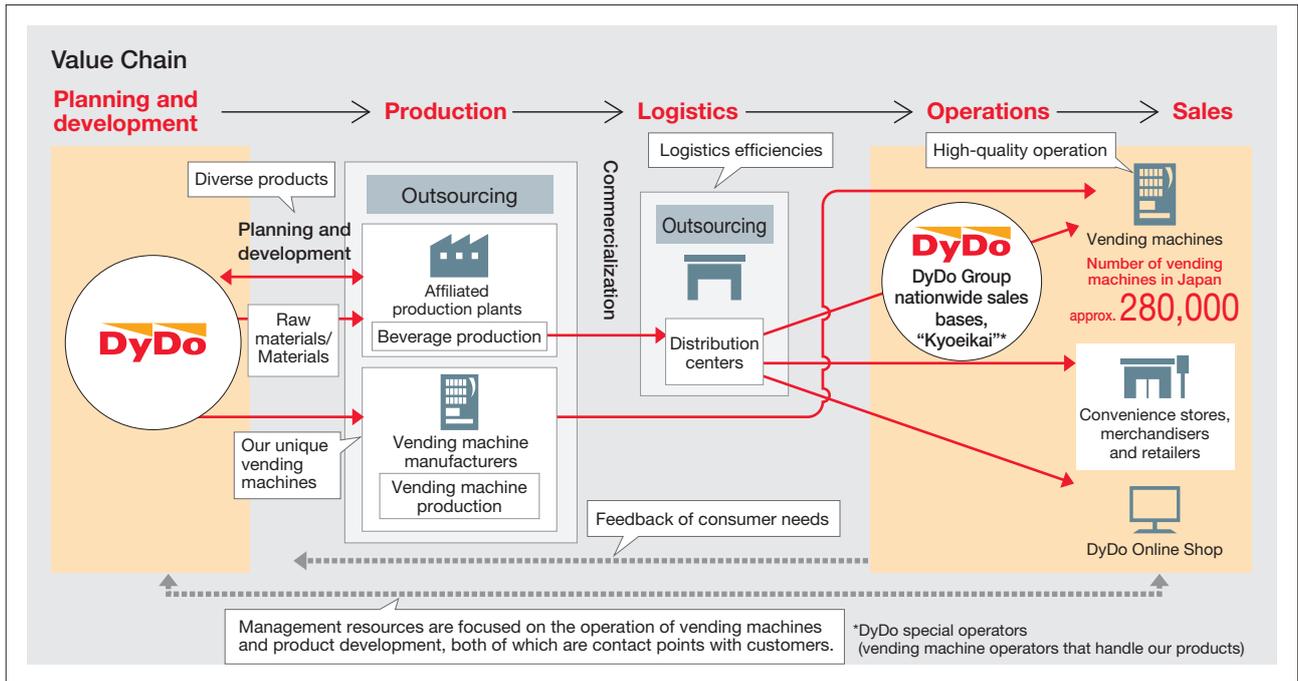
Operating profit



*Breakdown of net sales to external customers

*Both net sales and operating profit include transactions between segments

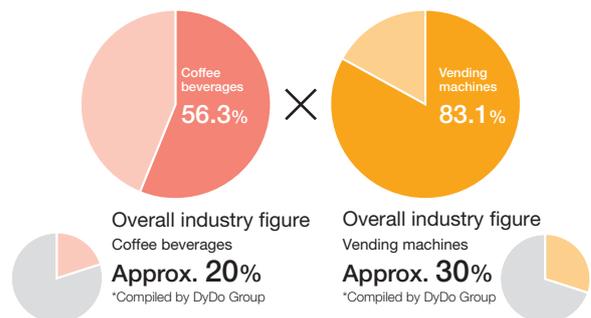
DyDo DRINCO, the core company of our group, is in charge of our Domestic Beverage Business. By outsourcing production and logistics to cooperating companies, we have established a unique business model where we focus management resources onto product development and the development and operation of the vending machines which are our core sales channel, and in this way achieve stable, efficient business management.



Stable Business Results Secured through Vending Machine Coffee Drinks Sales

Vending machines are DyDo DRINCO's leading sales channel and account for more than 80% of our domestic beverage net sales. Since they have comparatively good price stability and steady sales, we can keep sales stable. By product, coffee drinks are highly profitable within the beverage category and account for more than 50% of net sales. Our business strategy is to focus on selling highly profitable coffee drinks via vending machines with reliable price and sales stability to secure steady business results.

● Ratio of Domestic Beverage Sales (FY2017)



A Solid Financial Base Thanks to Fabless Management

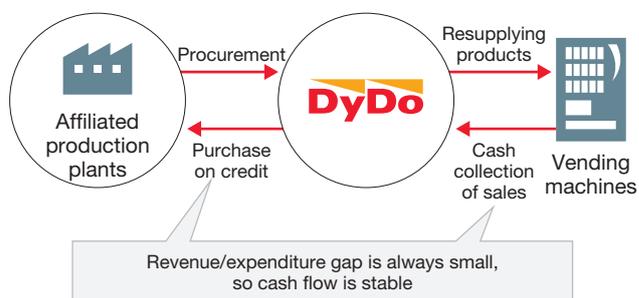
DyDo DRINCO does not have its own production sites; instead we have a strong relationship with our affiliated production plants.

Product logistics is also outsourced to cooperating companies all across Japan. This business strategy enables us to reduce large capital investment risks, or similar, and logistics costs. This approach also realizes efficient allocation of operating resources as well as concentrating our investments into product development and vending machine operations. We strive to develop products with high added value that other companies are unable to offer, and operate our vending machines more in line with customer needs.

Also, one reason why vending machines are attractive is the extensive lineup of products, but to manufacture all of those product types in-house would require major capital investment, on top of other additional costs relating to the logistics of placing products in our nationwide network of vending machines. A high percentage of our company's sales is due to vending machines, and for us, it is an extremely rational choice to adopt the fabless approach where we break up the manufacturing process into parts and outsource them to affiliated production plants throughout Japan.

In terms of funding, products are purchased on credit from affiliated production plants, and sales are primarily collected in cash from vending machines. Therefore the revenue/expenditure gap is always small, and we generate a stable cash flow. It is this solid financial base that is the strength of DyDo DRINCO, and the driving force underlying our promotion of aggressive management, and realization of new growth by our group.

● Cash-in First Business Model



Number One Operational Structure

At DyDo DRINCO, we have built a solid sales system through our group's sales companies and our "Kyoekai" (vending machine operators that handle our products). Based on the results of analysis using the vast amount of sales data accumulated by our company, we set the optimal product lineup to suit the characteristics of each vending machine installation location, and on that basis, we strive to maximize sales by having the operations staff in charge of each vending machine respond in a way closely tailored to suit the location.

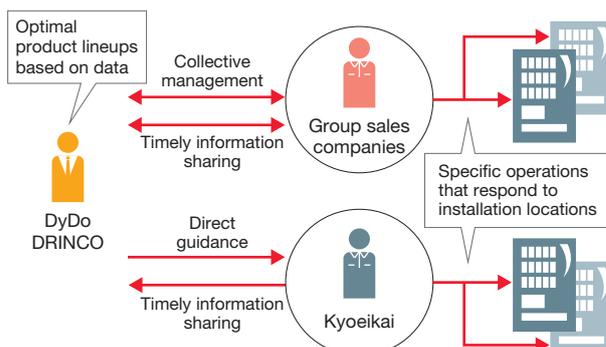
To maintain the high-quality operation of vending machines across the country, we are not only implementing measures to train those in charge of Group sales companies but we are also working with the Kyoekai, who are responsible for the operation of around half of our vending machines. Taking into account the information we receive from the Kyoekai about the special characteristics and sales trends in each area, we simultaneously provide its members with operational expertise, including occasional on-site guidance.

Synergistic effects of personnel education and IT utilization, together with careful support for the Kyoekai, maintain and improve high-quality operations.

● Ratio of Employees Engaged in Vending Machine Operations*



● Measures to Maintain High-quality Operations



Pursuit of the Perfect Blend

DyDo Blend was developed using carefully selected coffee beans and through meticulous attention to blending techniques, and we continue our pursuit to bring out the natural taste of coffee and pride ourselves on its being a canned coffee without flavoring agents. The brand value of DyDo Blend and the support of our customers over the long term are the sources of the stable cash flow of our group.

Also, in product development, and taking the same meticulous attention we pay to coffee without flavoring agents, we are expanding our lineup of coffee drinks to meet a wide range of customer tastes or situations. Above all, we are building a firm position for “DyDo Blend, Demitasse Premium”—which as of 2017 has been on sale for 25 years—which has grown to become the top-selling*1 small-size*2 canned coffee series. Amid an increase in the amount of coffee being drunk, and a diversification of the tastes of those who drink it, in 2014 we began sales of slightly sweetened coffee with added milk in a bottle-shaped can. At that time for bottle cans, sugar-free black coffee was predominant, so releasing that product led to a growth in the market for bottle cans.

*1 Intage SRI: Market for cans and bottle-cans at 180ml or less; cumulative sales revenue for Demitasse series, March 2014–December 2016

*2 Bottle-cans or cans containing 180 ml or less

● “DyDo Blend, Demitasse Premium” Series



● “DyDo Blend, Supervised by the World’s Top Barista**” Series



**Pete Licata, 14th World Barista Championship winner

Innovative Product Development

Particularly as a company whose main sales avenue is through vending machines, we rely on creating products with meticulously selected ingredients, or unique products unlike those offered by other companies, that are distinctively DyDo. Through the vending machines that we think of as our retail stores, we may sell directly to customers but we can still invest time in our products. To make vending machines a place where the diverse customers who visit can experience the thrill or surprise of a new taste discovery, DyDo DRINCO is not bound by preconceived notions and develops products distinctive to DyDo.

● “PuruSsh!! Jelly x Sparkling” Series

A new sensation carbonated drink where soft carbonated jelly and firm nata de coco are brought together in a new type of beverage where three textures can be experienced at the same time with a refreshing fizzy sensation



Issues and Future Strategy

Towards making vending machines part of everyday life

In recent years, the vending machine business environment has become increasingly difficult, and the average sales per vending machine continues to drop. In addition, customer values and buying habits continue to diversify, as do customer demands relating to health and taste. In this kind of environment, the biggest issues for a vending machine business are to create even more added-value for vending machine customers and to provide products that cater to customers’ values, in order to achieve sustainable cash flow.

In the future, through the IoT, we aim to make vending machines that are used as part of society’s infrastructure, that provide a rich, pleasant service over a wide range of fields for customers’ lifestyles. By promoting initiatives aimed at open innovation and diversity, we can respond to varied customer senses of value, and deliver the health and high-quality taste that customers desire.

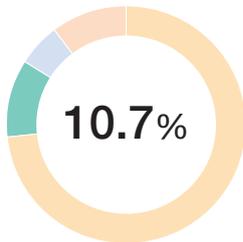


Tomiya Takamatsu
President and Representative Director
DyDo DRINCO, Inc.

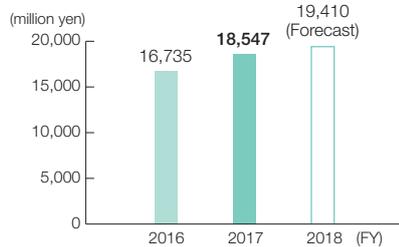
For details on our initiative, see [P 25](#) [P 26](#) [P 29](#) [P 30](#)

International Beverage Business

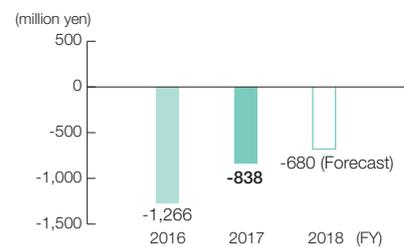
Breakdown of net sales



Net sales

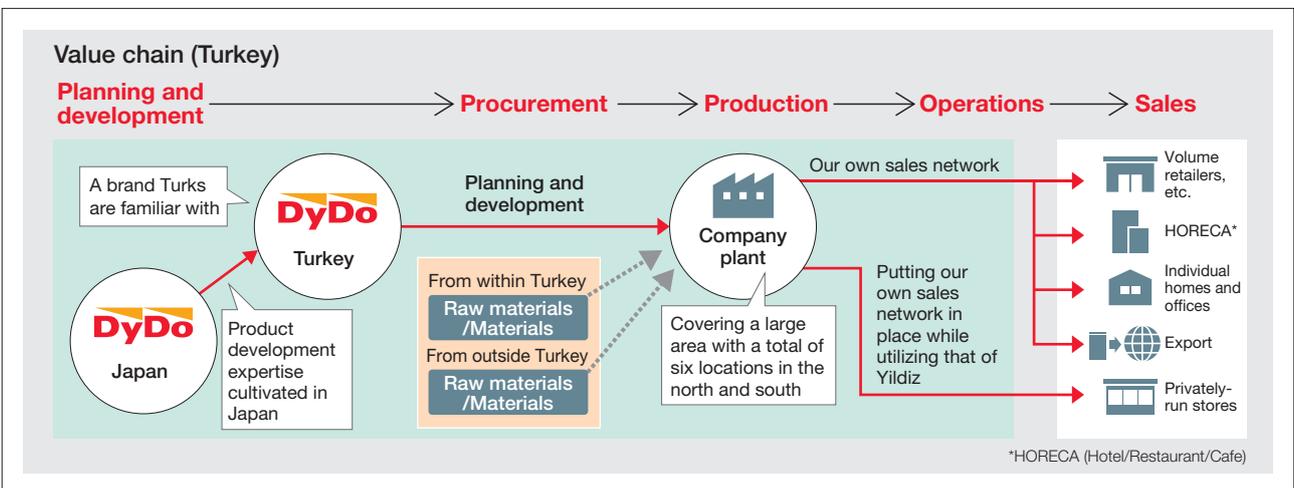


Operating profit



*Breakdown of net sales to external customers
 *Both net sales and operating profit include transactions between segments

In our International Beverage Business, we are expanding the business in response to the special regional characteristics in Turkey, Malaysia, Russia and China. In particular, our entry into the Turkish beverage market, which was formed from the local businesses we acquired in 2016, has become the core of the Group's international business. Using their pre-existing brand recognition, sales networks, and production lines, coupled with our expertise, we are promoting and strengthening moves toward rapid top line growth.



Progress in Strengthening of the Value Chain and Measures to Reorganize the Business Model

Our Turkish beverage business has four factories in the north of the country, and two in the south. There, they produce drinks, including mineral water "Saka" and carbonated soft drinks "Çamlica", that are already well-known to Turks. Also, we are selling our own products by utilizing and developing the sales networks we inherited from Yildiz, from which we acquired shares in our Turkish business.

The Turkish population has an exceptionally high proportion of young people, with an average age of around thirty years old, and since it is also expected that the population will continue to grow, so too should the soft drinks market. In addition, the Turkish soft drinks market is composed of comparatively simple drinks categories such as water, cola, carbonated drinks and fruit juices. As well as increasing sales of pre-existing brands, by expansion of our canned coffee, health or beauty drinks that have been created through the expertise we cultivated in Japan, we aim to create new drinks categories and achieve growth above market averages.

Issues and Future Strategy

Strengthening our foundation business, to make dramatic top line growth a reality

While, with instability in neighboring countries, and the depreciation of the Turkish lira, it is not possible to claim that the business environment within Turkey is an entirely favorable one in the short term, the Turkish market shows great potential for mid- to long-term economic growth.

Our initial acquisition was in Yildiz Holdings A. Ş., a company with considerable presence on both the sales and management fronts, but now we are moving toward our own management system while retaining some of the original sales avenues. With local workers a majority, we have redefined our mission and core values, putting in place what we believe to be a system with the capacity for strong growth in personnel development in future.

Going forward, and alongside making management changes to bring sales channels in line with our own DyDo management style, we will strengthen our export business in order to better resist fluctuating currency exchange rates and prepare a foundation business. Between these and through the development of unique, innovative products, we will raise our market presence further.



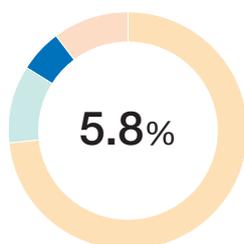
Tadashi Sakashita
 CEO

DyDo DRINCO Turkey

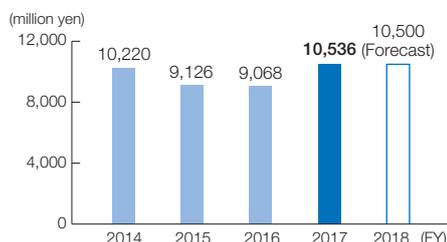
For details on our initiative, see [P 31](#) [P 32](#)

Pharmaceutical-Related Business

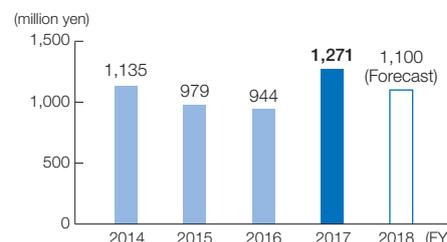
Breakdown of net sales



Net sales



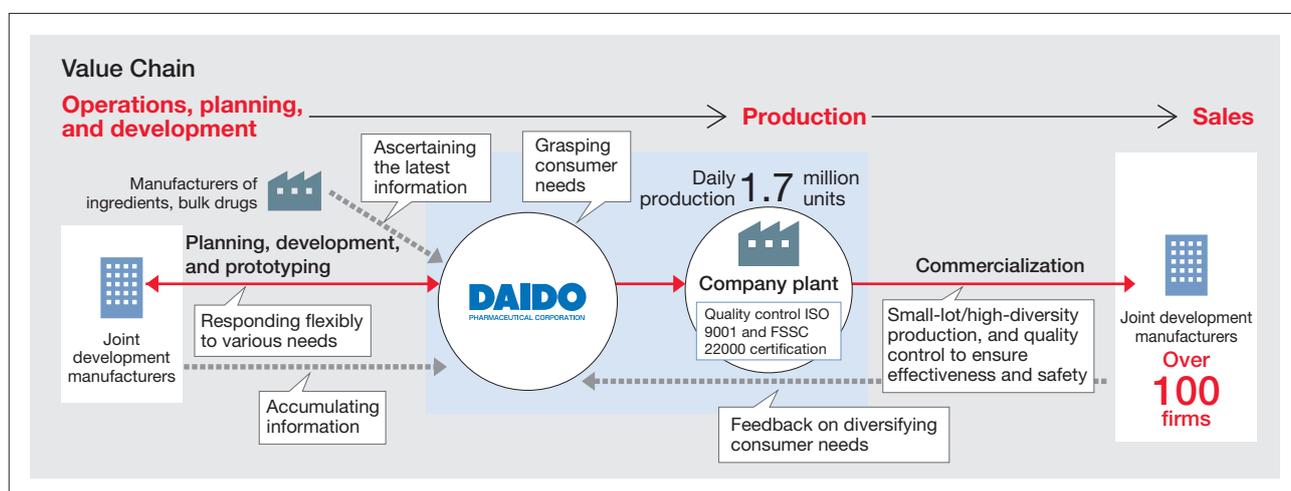
Operating profit



*Breakdown of net sales to external customers

*Both net sales and operating profit include transactions between segments

In the Pharmaceutical-Related Business, DAIDO Pharmaceutical Corporation is expanding businesses specialized for OEM (contract manufacturing) such as nutritional drinks with pharmaceuticals and quasi-drugs, and beauty tonics. Through our manufacturing capability boasting a daily production of 1.7 million units, and our high level of production quality, we have earned the trust of major manufacturers in Japan, and we maintain high profitability through a top-class track record as a drinkable preparations manufacturer.



Highly Trusted by Major Manufacturers Due to Our Top-class Track Record in the Industry

The drinkable preparations which are the specialty of DAIDO Pharmaceutical Corporation are subdivided by function and target due to the continuing diversification of the market. Therefore, there is a high need for small-lot/high-diversity manufacturing, and our flexible production lines, developed through our work as a contract manufacturer, can demonstrate our strengths. We have pharmaceutical manufacturing expertise cultivated over more than 60 years, as well as strong pipelines with ingredient and bulk drug manufacturers giving us early access to new material information. Our system for delivering high, stable quality has earned the trust of major Japanese pharmaceutical and cosmetics companies, and we maintain a top-class track record as a contract manufacturer of drinkable preparations.

In addition, the manufacturing of pharmaceuticals and quasi-drugs is an industry* that requires government approval and authorization, and the barriers to entering the industry are connected to the profit that can be made. Even within our Group, this is a segment that secures us a stable income.

*Licensed industries

1. Pharmaceutical manufacturing
2. Second-class pharmaceutical manufacturing and sale
3. Quasi-drug manufacturing
4. Quasi-drug manufacturing and sale
5. Beverage manufacturing

Issues and Future Strategy

Established as an unrivalled contract manufacturer of drinks preparations

In recent years, against a background that includes a rise in the average age of nutritional drinks consumers, there has been a shrinking of the drinks preparations market. On the other hand, an increase in consumer awareness of health and beauty can be seen, mainly in the sales of beauty drinks preparations. How to respond to sudden increases in logistics costs or how to spread manufacturing risks, that make up a part of business continuity planning, is a pending issue for manufacturers. In this sort of environment, for a company like ours, putting in place a stable system that supplies high-quality products, and responding to the needs and wishes of numerous partners is important. To further expand the expertise we have cultivated, we have to reinforce our position as one of the top contract manufacturers of drinkable preparations in the industry.

For details on our initiative, see



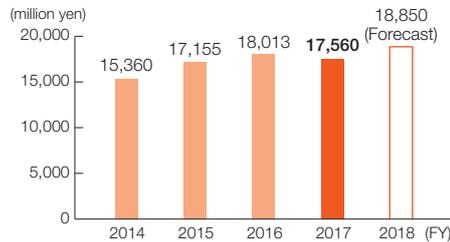
Yutaka Takahashi
President and Representative Director
DAIDO Pharmaceutical Corporation

Food Business

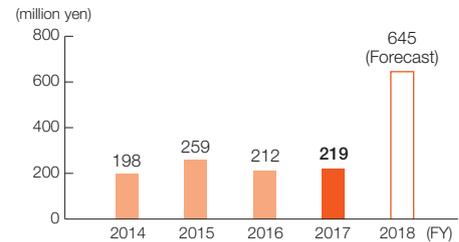
Breakdown of net sales



Net sales



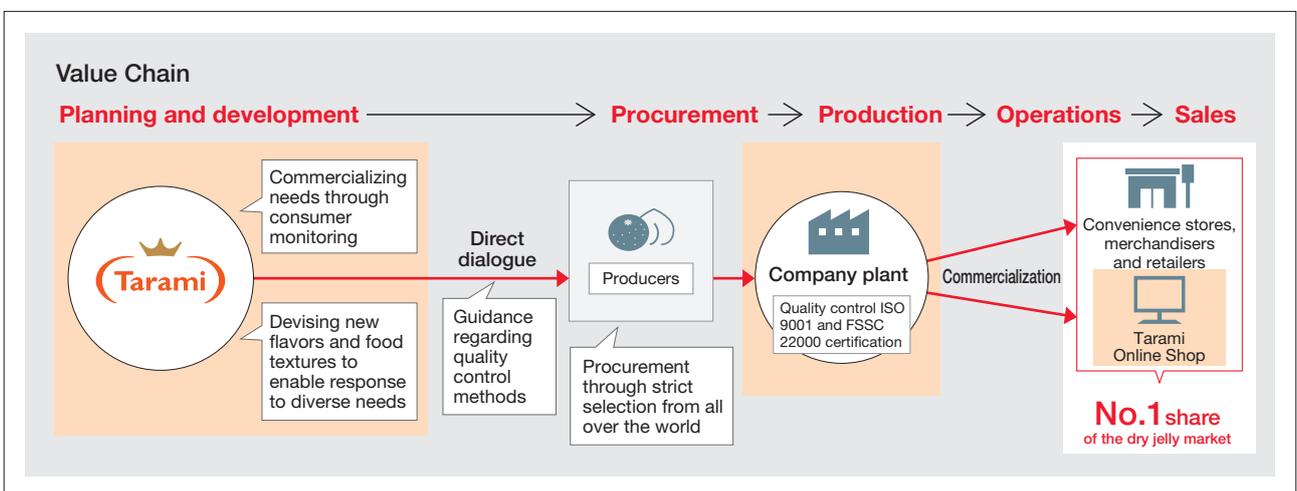
Operating profit



*Breakdown of net sales to external customers

*Both net sales and operating profit include transactions between segments

Tarami maintains the top share in the fruit dessert jelly market, and is in charge of the Food Business of our group. After becoming a consolidated subsidiary in 2012, it has contributed to our consolidated results as the third main contributor to our group, and its high name recognition is helping to improve the brand strength of the group as a whole.



Responding to Expectations as a Top Company that Delivers the Deliciousness of Fruit

As the pioneer of fruit dessert jelly, Tarami has had a firm hold on the industry's top share for many years. Tarami was originally a greengrocer, and their departure point for development is allowing consumers to enjoy fruits from all over the world with a delicious taste that is even greater than the raw ingredients. To that end, we are aiming to create products that show a clear difference between ourselves and our competitors by way of repeated tests and research into new fruits, and jellies' tastes and textures. Also, through painstaking equipment management of our production process, we will continue reforms to make products with a degree of completion and quality, all while minimizing waste.

As is our duty as a top business in the industry, we will provide delicious foods with guaranteed safety at a reasonable price. Continually reforming ourselves to add improved value to our products, namely Tarami's strength, is the driving force behind our retention of our place at the top of the industry.

Issues and Future Strategy

Aiming to be chosen as the brand that elicits a "Well, of course. It's Tarami."

In recent years, the fruit jelly market has seen a drop in sales at the lower end of the price range, but products in the mid-price range have seen sales increases, leading us to believe that a time when customers are more selective in how their use their money is approaching.

In this kind of environment, in order to have customers actively seek out products from the Tarami brand, it is important that we continue to create products that not only cater to customers' multi-faceted needs but also surprise or thrill them.

In the future, we will aim for long-term growth in terms of customers by promoting initiatives aimed at customer perspectives and innovation, and strengthening product value and our brand's appeal.



Masayuki Yao
President and Representative Director
Tarami Corporation