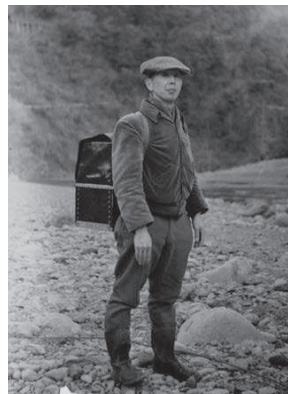


# Pioneering the Next Generation by Always Taking Up New Challenges

The DyDo Group started out in the Japanese “use first, pay later” medicine business, which values relationships with individual customers. From there, the group has expanded its business by constantly taking up all sorts of challenges, with the top priority of “striving to achieve happiness and prosperity together.” We shifted to a holding company structure in January 2017, and we are accelerating steps to meet the challenge of creating sustainable growth and corporate value in the medium to long term.

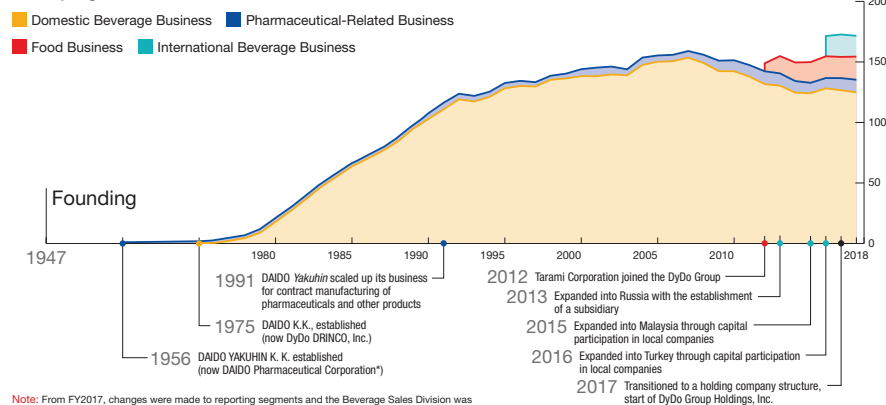


Founder Tomio Takamatsu



Medicine box

## Sales progress



Note: From FY2017, changes were made to reporting segments and the Beverage Sales Division was split between the Domestic Beverage Business and International Beverage Business

## 1940s Adhering to a mindset of always considering the customer

The history of the DyDo Group began when our founder took up the “use first, pay later” medicine business as a personal business after World War II. This business is called *okigusuri*, and was a medicine sales system unique to Japan, in use for more than 300 years. With this system, medicine boxes were placed in each home. Customers used remedies such as cold medicine and stomach medicine when needed, and payment was collected later. This system can be regarded as the forerunner of today’s vending machine business, where a vending machine is first installed at a location where it is needed, and a variety of products are provided, so that customers can buy them any time, when needed.

With the growth of this “use first, pay later” medicine business, the company was incorporated. DAIDO YAKUHIN K.K. (today’s DAIDO Pharmaceutical Corporation\*) was established, and after obtaining licensing for manufacturing and sales of pharmaceuticals two years later, we built a new plant. We first manufactured ampules (liquid medication sealed in a small glass container), and then moved on to manufacturing today’s drinkable preparations with caps. On the other hand, sales channels for the “use first, pay later” medicine business broadened from homes to company offices, and as sales grew with demand for drinkable preparations, Japan entered a period of high economic growth.

\*hereafter, and elsewhere, referred to as DAIDO Yakuhin

# Growing Dramatically by Grasping the Needs of the Times

## 1970s Vending machines became our core business

During Japan’s period of high economic growth, our group also achieved major growth. Driving this were sales of drinkable preparations and beverages, primarily canned coffee, which is currently the mainstay product of our group.

With the sudden increase in automobile traffic, we expanded our focus at first to truck drivers as a new customer segment, due to their pressing need to stay awake while driving, and began sales of drinkable preparations by installing showcases at parking facilities along national highways.

After that, we turned to canned coffee, a new product on the scene expected to have the same effects, launching a beverage sales business selling coffee as a new business of DAIDO Yakuhin.

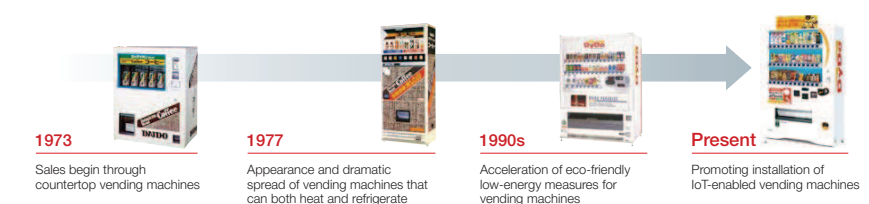
At the time, we had almost no ready know-how regarding manufacturing of canned coffee or soft drinks, and this led us to opt for joint development with affiliated manufacturers, such as outside manufacturing plants and producers of ingredients and materials. The taste of canned coffee changes if the water or manufacturing environment is different, even if the blend of beans is the same. We repeated a process of trial and error together with affiliated manufacturers by, for example, changing the degree of roasting and extraction temperature at each plant, and as a result, we finally achieved a product we could be proud of, one that would meet customer needs. This was the birth of DyDo Jamaican Blend Coffee in 1973. At the time, 250g cans were the mainstream, but we were convinced that our product, which pursued “genuine delicious taste” could deliver fully satisfying quality and taste in a smaller volume, and it was decided to sell coffee in 190g short cans.

After the launch, sales steadily grew, and canned coffee sales became our second mainstay. Seizing that opportunity, a new beverage sales business company, DAIDO K.K. (now DyDo DRINCO, Inc.), was established in 1975. Alongside this change, DyDo Jamaican Blend Coffee evolved into DyDo Blend Coffee, and even today its legacy continues as the flagship product of our group.

At the same time, vending machines enabling simultaneous sales of both hot and cold canned drinks appeared. We foresaw that vending machines would be an effective sales tool for canned coffee, which customers want to drink hot or cold, depending on their taste, and we replaced our previous showcases with vending machines, and entered in earnest into the vending machine business.

Amidst the explosive dissemination of vending machines in Japan and dramatically growing demand, our group not only opened up sales channels but also promoted the expansion of its vending machines with a network of companies in regions throughout Japan. We then organized the special operators throughout Japan, who are contractors who handle our products, as the DyDo Vending Partner Association (“Kyo-eikai”), promoting the sharing of vending machine deployment methods and operational know-how, and establishing an organized sales structure.

By taking up challenges which respond to current trends and cooperating with companies in each region, we can provide an operation system boasting the highest quality in the industry and an extensive nationwide network of vending machines.



## Turning Points That Led to Greater Growth

### 1990s DAIDO Yakuhin becomes a specialist contract manufacturer of drinkable preparations

Alongside the large growth achieved by DyDo DRINCO, the founding business DAIDO Yakuhin also greatly changed the business model with which it operates. To make use of the efficiency increases of our production lines, in addition to producing our own drinkable preparations we also gradually started accepting contract manufacturing of other companies' products. In the midst of the functional drink boom, and the resulting increase in production, in 1991 we moved to our newly constructed factory in the city of Katsuragi, Nara Prefecture. With this change, we both transitioned from manufacturing our own brand of drinkable preparations, to a specialist contract manufacturer of other, primarily pharmaceutical, companies' drinkable preparations.

Using the expertise we had accrued in the development and manufacturing of our own products, we were able to skillfully respond to changes in the industry while steadily building a record of results as a contract manufacturer. An even greater leap forward came courtesy of reforms to the Pharmaceutical Affairs Law in 1999. The softening of regulations meant that some drinkable preparations that were deemed quasi-drugs, with only a mild medicinal effect, that could previously only be sold at pharmacies, were permitted to be sold at convenience stores or through vending machines. In the same year, we started operations at our Plant 2 with an assembly predominantly geared toward the manufacture of 100 ml drinks preparations, and put in place a system to accept orders from a major company whose products were

popular at retailers such as convenience stores and pharmacy chains.

In the following year, we started sales of our nutritional drinks through DyDo DRINCO vending machines, and expanded our sales avenues.

In the 2000s, beauty drinks (collagen drinks) aimed at women appeared, and started a boom for the drinks, during which DAIDO Yakuhin's dealings with cosmetics companies increased. Thanks to participation in various different industries' drinkable preparations markets, and as a partner company with innovative suggestions and product development, and an excellent quality assurance system cultivated by contract manufacturing for numerous pharmaceutical companies, we established ourselves as a leading Japanese contract manufacturer in the current industry.



Products DAIDO Yakuhin manufactures under contract (a selection of some of the products for which we have permission to print)

### 2000s Enhancing our strengths as a listed company

DyDo DRINCO draws a clear distinction between itself and ordinary beverage manufacturers. We regard vending machines as our retail outlets, and have focused our efforts on improving their appeal. While augmenting vending machine features and pursuing fine-tuned operation, we are also refining the attractiveness of our products. To make choosing at a vending machine enjoyable for our customers, we always offer over 30 products, and constantly expand our lineup of coffees. In the area of soft drinks, we are developing flagship products like "miu" using deep-sea water, and working to develop unique products with meticulously selected ingredients.

Also, in August 2001 our shares were listed on the second section of the Tokyo Stock Exchange, and in January 2003 we were selected for inclusion in the first section. As a result, we took new steps to improve our management as a firm growing together with our shareholders.

In pursuit of more authentic canned coffee, we used sumptuous amounts of high-grade beans, and offered the market's first<sup>1</sup> small-size 160g can



By adding slightly sweetened and sugar-free black types, it has grown to become the top-selling<sup>2</sup> small-size canned coffee series

Noticing that deep-seawater is rich in minerals, we began sales of a "bodysonic" isotonic drink using this as a core ingredient



This has evolved into the "miu" brand, with a lineup including water, flavored water, sparkling water, and sports drinks

<sup>1</sup> Survey by our company at the time of product launch

<sup>2</sup> Intage SRI: Market for cans and bottle-cans at 180 ml or less; cumulative sales revenue for Demitass series, March 2014–December 2016

## Strengthening Our Group's Capabilities, and Making Even Greater Strides

### 2010s Expanding our business categories and business fields

Our group has continued to grow together with the dissemination of vending machines, but we began to see growth tapering off as we entered the 2000s. To achieve the next level of growth in such an environment, we have been working since the 2010s to diversify our business, and expand our business fields.

In 2012, we acquired all of the shares of Tarami Corporation, a company with outstanding name recognition and overwhelming brand strength in the fruit jelly market, and the company was made into a consolidated subsidiary. Tarami is steadily growing in sales, by offering products in response to the multifaceted needs of customers, and thereby ensuring that its position at the top of the industry is solid.

We also began efforts in earnest to expand internationally. Using methods tailored to the characteristics of each country and region, we are expanding our field of business to the world. In 2013, we established a subsidiary in Moscow, Russia. We are striving to expand the vending machine business that is our specialty. In December 2015, we entered the soft drinks market in Malaysia. By utilizing DyDo in Japan's product development expertise, we are working to develop new, high-quality products that cater to health trends. Furthermore, in February 2016 we entered the beverage market in Turkey by acquiring shares in the soft drinks department of the country's biggest confectionery manufacturer. Since that acquisition, alongside steadily establishing a business foundation, we have been promoting acquisition as a central pillar of our international business such as through acquiring manufacturing companies that produce mineral water, for which demand has increased dramatically, in December 2017.



Tarami products have a diverse lineup and boast the top market share in the industry



"Yobick" is sold in Malaysia in a popular package that evokes Japan



"Saka" mineral water sold in Turkey is steadily growing in sales

### 2014 Revision of our Group Philosophy and Group Vision

In 2014, Tomiya Takamatsu took over as our current president, and formulated a Group Philosophy and Group Vision. In addition to the spirit of striving to achieve happiness and prosperity together—a spirit we have always valued—we took up the new challenge of achieving sustained growth as a company, even under conditions where there is no major growth in the domestic market. At the same time, we announced our mid-term business plan "Challenge the Next Stage," and started business and governance reforms.

In January 2017, we changed our previous system, where DyDo DRINCO was the parent company of the group, and shifted to a holding company structure, marking the inception of DyDo Group Holdings. Going forward, the DyDo Group will continue to meet the challenge of sustained growth and improving corporate value for the medium to long term.

