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DyDo

FY2017 (Year Ending January 20, 2018) 3rd Quarter Financial Highlights

DyDo Group Holdings Inc.

(1st Section of the Tokyo Stock Exchange: 2590)

November 27, 2017

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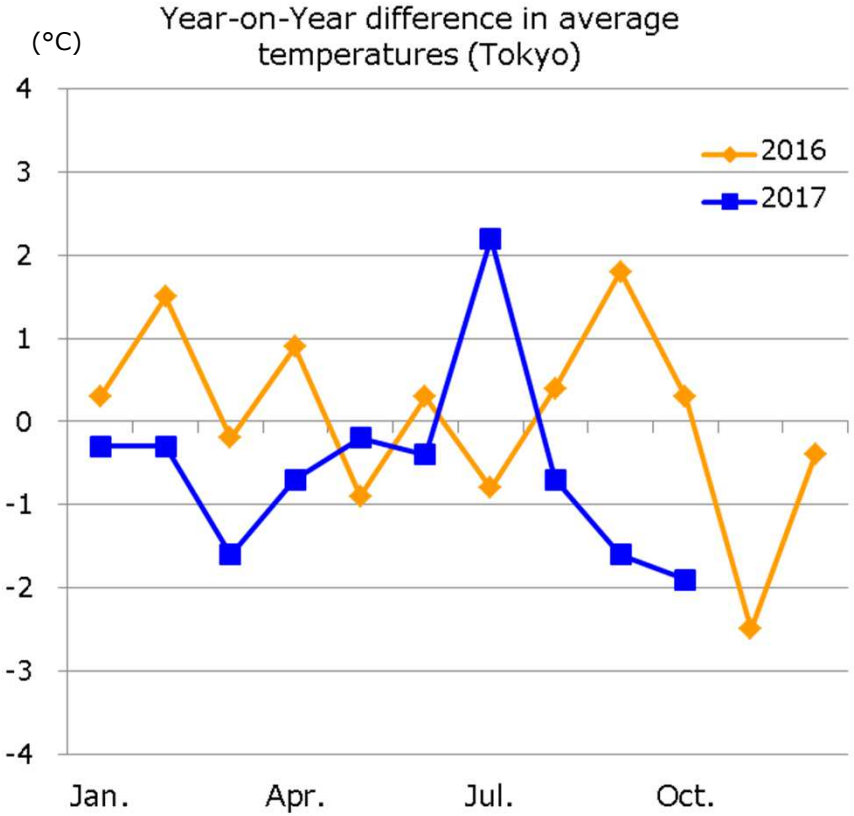
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1. Trends in the Domestic Beverages Industry

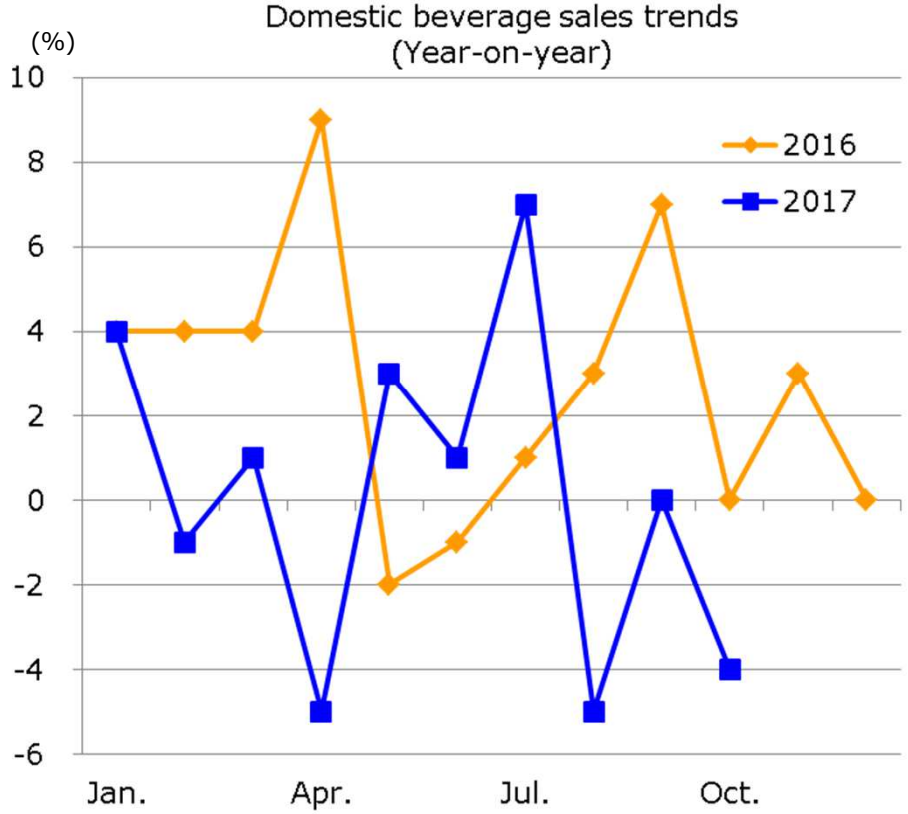
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Trends in the Beverages Industry

- Each company in the industry adopted profit-oriented policies and sought to strengthen key brands
- Sales volume was on par with that of the previous year despite the high bar posed by the previous year's robust performance and the impacts of unfavorable weather



*Left graph: Compiled by DyDo based on statistical data released by the Japan Meteorological Agency (weather observation data).



* Right graph: Compiled by DyDo

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2. FY2017 3rd Quarter Financial Highlights / Full-year Earnings Forecast

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Overview of Consolidated Financial Information for FY2017 3rd Quarter

- Strong performance in the Pharmaceutical-related Business drove consolidated earnings
- Ordinary profit rose 20.2% due in part to a one-time increase in non-operating income
- We posted negative goodwill and other gains during the 1st half of the previous year as extraordinary income

(Millions of yen)

	FY2016 3rd quarter results		FY2017 3rd quarter results			
		Component ratio		Component ratio	% (YoY)	Amount (YoY)
Net sales	132,233	100.0%	133,904	100.0%	1.3%	1,671
Operating profit	4,424	3.3%	4,812	3.6%	8.8%	387
Ordinary profit	4,388	3.3%	5,274	3.9%	20.2%	885
Profit attributable to owners of parent	3,788	2.9%	3,138	2.3%	(17.2%)	(650)
EPS	228.68 yen		189.97 yen		(16.9%)	(38.71 yen)

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FY2017 3rd Quarter Consolidated Earnings - Details -

(Millions of yen)

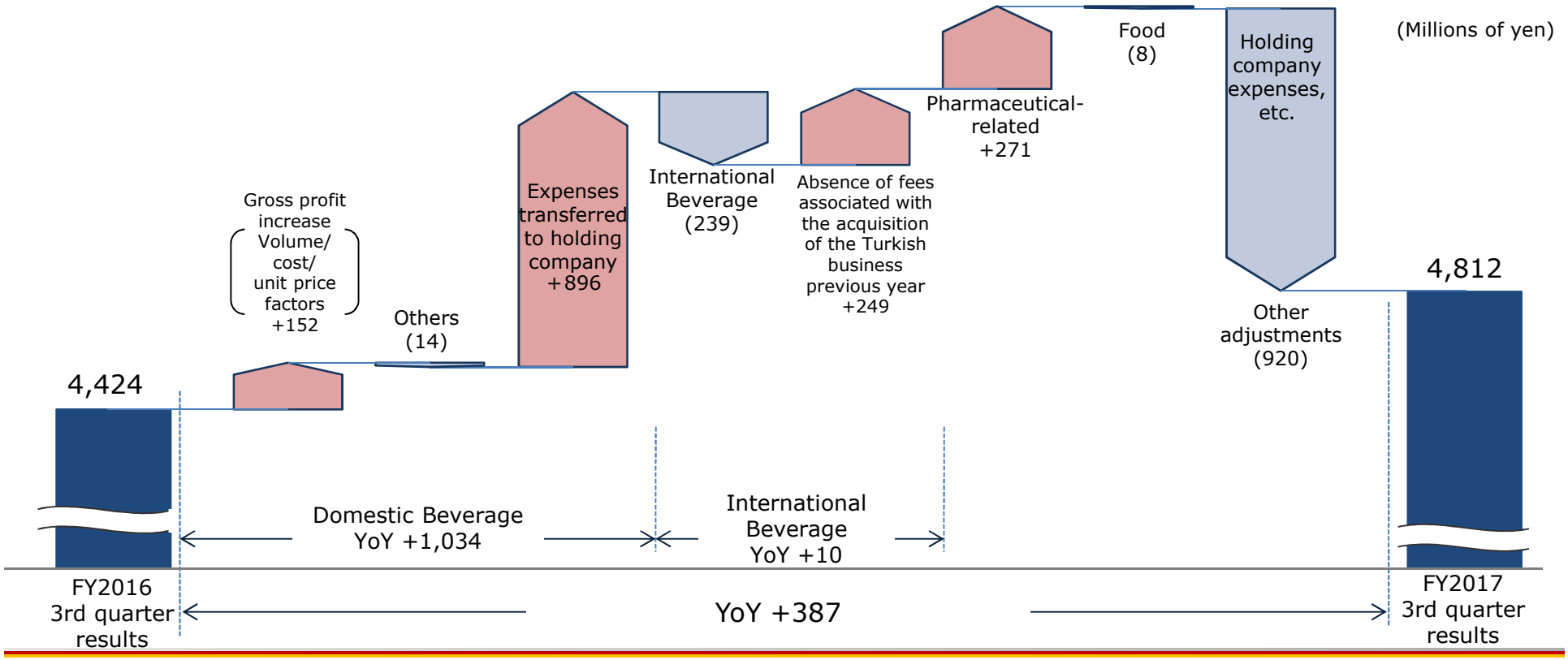
	FY2016 3rd quarter results	FY2017 3rd quarter results		
			% (YoY)	Amount (YoY)
Domestic Beverage Business	97,174	97,467	0.3%	293
International Beverage Business	13,681	14,116	3.2%	434
Pharmaceutical-related Business	6,967	8,091	16.1%	1,124
Food Business	15,005	14,793	(1.4%)	(212)
Adjustment	(595)	(563)	—	31
Total net sales	132,233	133,904	1.3%	1,671
Domestic Beverage Business	3,645	4,680	28.4%	1,034
International Beverage Business	(520)	(509)	—	10
Pharmaceutical-related Business	780	1,052	34.8%	271
Food Business	515	506	(1.6%)	(8)
Adjustment	3	(917)	—	(920)
Total operating profit	4,424	4,812	8.8%	387

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Factors Driving Increases/Decreases in Operating Profit for FY2017 3rd Quarter

- The Pharmaceutical-related Business saw steady growth in both new and existing orders.
- Rising costs due to weakness in the Turkish lira exerted pressure on profits in the International Beverage Business
- Large profits in the Domestic Beverage Business were caused primarily by the transfer of expenses our holding company



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Trends in Sales Volume for the Domestic Beverage Business for the FY2017 3rd Quarter

- Sales volume during the 3rd quarter fell 1.6% year-on-year due to factors including the effects of unfavorable weather
- Performance in the vending machine channel fell below plans
- Sales of the "Supervised by the World's Top Barista*" series and "Calolimit" Blended Tea remained strong in the convenience store/other distribution channel

YoY change in sales volume (logistic package basis)		1st quarter (Jan. 21 to Apr. 20)	2nd quarter (Apr. 21 to Jul. 20)	3rd quarter (Jul. 21 to Oct. 20)	4th quarter (Oct. 21 to Jan. 20)	Total	3rd quarter cumulative total
Vending machines	FY2016	+7.2%	+2.4%	+3.2%	+2.8%	+3.8%	+4.1%
	FY2017	(1.5%)	+0.2%	(2.7%)	–	–	(1.3%)
Other	FY2016	(1.2%)	+3.7%	+3.4%	+16.7%	+5.6%	+2.1%
	FY2017	+14.2%	+6.3%	+4.5%	–	–	+8.1%
Total	FY2016	+5.8%	+2.6%	+3.2%	+5.1%	+4.1%	+3.7%
	FY2017	+0.9%	+1.2%	(1.6%)	–	–	+0.1%
Change in days of operation compared to previous quarter		-1 day	+3 days	-1 day	-2 days	-1 day	+1 day

*Pete Licata, 14th World Barista Championship winner

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Overview by Segment -Domestic Beverage Business-

- We celebrated the 25th anniversary of the product launch as cumulative sales surpassed 6.2 billion cans
- We launched updated products in the long-running, best-selling “DyDo Blend Demitasse Premium” series
- We launched slightly sweetened variants featuring depth and a clean finish

New!!



“DyDo Blend Demitasse Premium”

“DyDo Blend Demitasse Premium” low in sugar

“DyDo Blend Demitasse Premium” Black

“DyDo Blend Demitasse Premium” Slightly Sweetened with 40% Less Sugar

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Overview by Segment
-Domestic Beverage Business-

- “Calolimit” Blended Tea, a food with a functional claim, surpassed cumulative sales of 20 million units about eight months after its launch!





New!!

Part 2, Launched September 18
“Calolimit” Premium Green Tea Plus

* This beverage has been registered with the secretary of the Consumer Affairs Agency as a product with specific health claims made by the manufacturer. Unlike food for specified health uses, it has not been reviewed by the secretary of the Consumer Affairs Agency to determine the validity of those claims.
* This product is not intended to diagnose, treat, or prevent any disease or condition.
* Eat a balanced diet based on a staple food, a main dish, and side dishes.

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Overview by Segment -Domestic Beverage Business-

Expand sales channels for “DyDo Blend” brand

- Continue selling two bottle-shaped can coffee beverages as part of the “Supervised by the World’s Top Barista*” series, which has enjoyed strong sales through vending machines owned by Kirin Beverage





Place two products (“Gogo-no-Kocha” Hot Milk Tea and “Gogo-no-Kocha” Hot Lemon Tea) for which we expect to see strong demand in hot-drink sales during the winter season in DyDo vending machines and work to generate even better results (no change in item number: 2 items).

*Pete Licata, 14th World Barista Championship winner

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Overview by Segment
International Beverage Business: Turkey

- Our Turkish beverage business posted higher earnings on a local currency basis during the first three quarters thanks to steady development of sales structures
- Sales of “Saka” mineral water have been growing significantly, driving overall earnings growth



“Saka” mineral water

	Fiscal year	1st quarter	2nd quarter	3rd quarter	4th quarter	Year
(Local currency basis)	FY2016	+4%	(6%)	(7%)	(9%)	(5%)
Sales	FY2017	+2%	+10%	+25%	–	–
YoY	(Mineral water)	(+29%)	(+17%)	(+46%)	–	–

End-of-quarter exchange rate	FY2016	2.817	2.878	2.999	3.528
USD/TRY	FY2017	3.635	3.521	3.564	–

Rapid weakening of the lira impacted costs during the 4th quarter of the previous year.

* Year-on-year sales figures from FY2016 to the FY2017 1st quarter are provided for reference purposes only. (The Turkish beverage business has been included in consolidated results since February 2016.)

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Overview by Segment
International Beverage Business: Turkey

- We acquired 80% of the shares of Merpez, which manufactures and sells mineral water, in order to deal with growing demand for mineral water
- The acquisition gives us a manufacturing plant and water source in an area that geographically complements the manufacturing plant where DyDo subsidiary Della produces “Saka” brand products
- Having northern and southern manufacturing bases will allow us to streamline distribution

Company Name	Merpez Ticaret Turizm Gıda Tarım Pazarlama Emlak İnşaat Sanayi İthalat ve İhracat Limited Şirketi
Location	Muğla Province, Republic of Turkey
Business, brand	Manufacture and sale of mineral water Brand: Mavidağ
Capital	TRY 2 million (equivalent to JPY 62 million*)
Total investment (planned)	TRY 23.4 million (equivalent to JPY 725 million*)

* Calculated at TRY 1 = JPY 31



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Revision to the FY2017 Full-year Earnings Forecast Consolidated Forecast

- We have lowered our earnings forecast to reflect recent sales trends in the Domestic Beverage Business
- We have changed our exchange rate forecast as follows:
  initial forecast: TRY 1 = JPY 33; new forecast: TRY 1 = JPY 31

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previously announced forecast (A)	175,500	5,300	5,200	3,000	181.08
Revised forecast (B)	172,000	4,100	4,300	2,600	157.50
Change (B - A)	(3,500)	(1,200)	(900)	(400)	
Percent change (%)	(2.0)	(22.6)	(17.3)	(13.3)	
Reference: Consolidated results for previous fiscal year (year ended January 2017)	171,401	3,857	3,741	3,269	197.34

*In calculating the consolidated earnings per share in the revised forecast (B), the number of DyDo Group Holdings shares owned by the stock grant trust for executives has been included in the treasury stock figure that is subtracted when calculating the average number of shares during the period.

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Revision to the FY2017 Full-year Earnings Forecast by Segment

(Millions of yen)

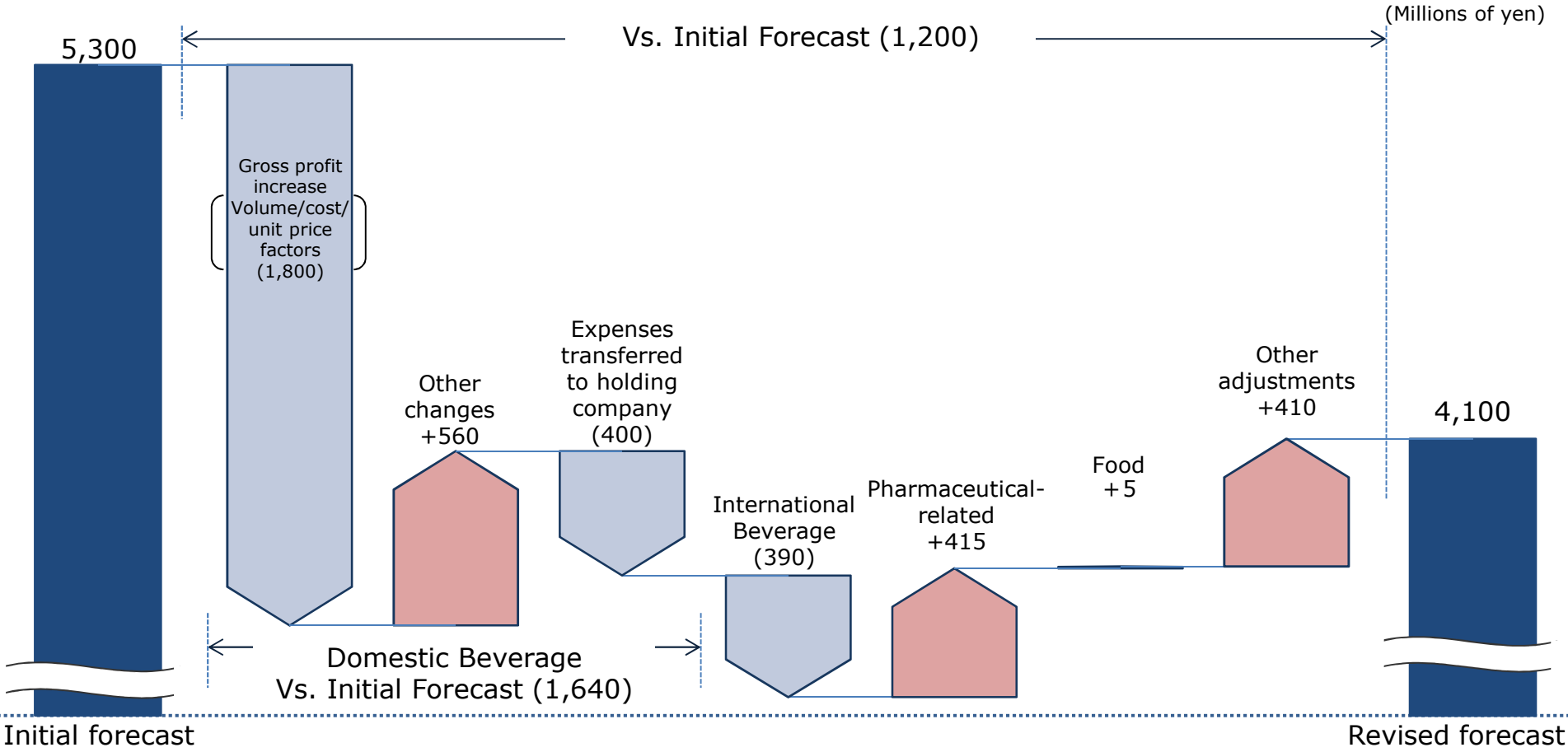
	Previously announced forecast (A)	Revised forecast (B)			FY2016 results (C)		
			Percent change	Change (B-A)		Percent change	Change (B-C)
Domestic Beverage Business	129,400	126,600	(2.2%)	(2,800)	128,278	(1.3%)	(1,678)
International Beverage Business	19,100	17,680	(7.4%)	(1,420)	16,735	5.6%	945
Pharmaceutical-related Business	9,500	10,500	10.5%	1,000	9,068	15.8%	1,432
Food Business	18,180	17,900	(1.5%)	(280)	18,013	(0.6%)	(113)
Adjustment	(680)	(680)	–	0	(695)	–	15
Total net sales	175,500	172,000	(2.0%)	(3,500)	171,401	0.3%	599
Domestic Beverage Business	6,100	4,460	(26.9%)	(1,640)	3,958	12.7%	502
International Beverage Business	(410)	(800)	–	(390)	(1,266)	–	466
Pharmaceutical-related Business	835	1,250	49.7%	415	944	32.4%	306
Food Business	345	350	1.4%	5	212	65.1%	138
Adjustment	(1,570)	(1,160)	–	410	9	–	(1,169)
Total operating profit	5,300	4,100	(22.6%)	(1,200)	3,857	6.3%	243

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Factors Driving Increases/Decreases in Operating Profit for FY2017 3rd Quarter - Vs. Initial Forecast -

- Sales trends in the Domestic Beverage Business has impacted profits
- Soaring raw material costs due to weakness in the Turkish lira will impact the International Beverage Business
  We also expect our Malaysian and Russian businesses to fall below plans

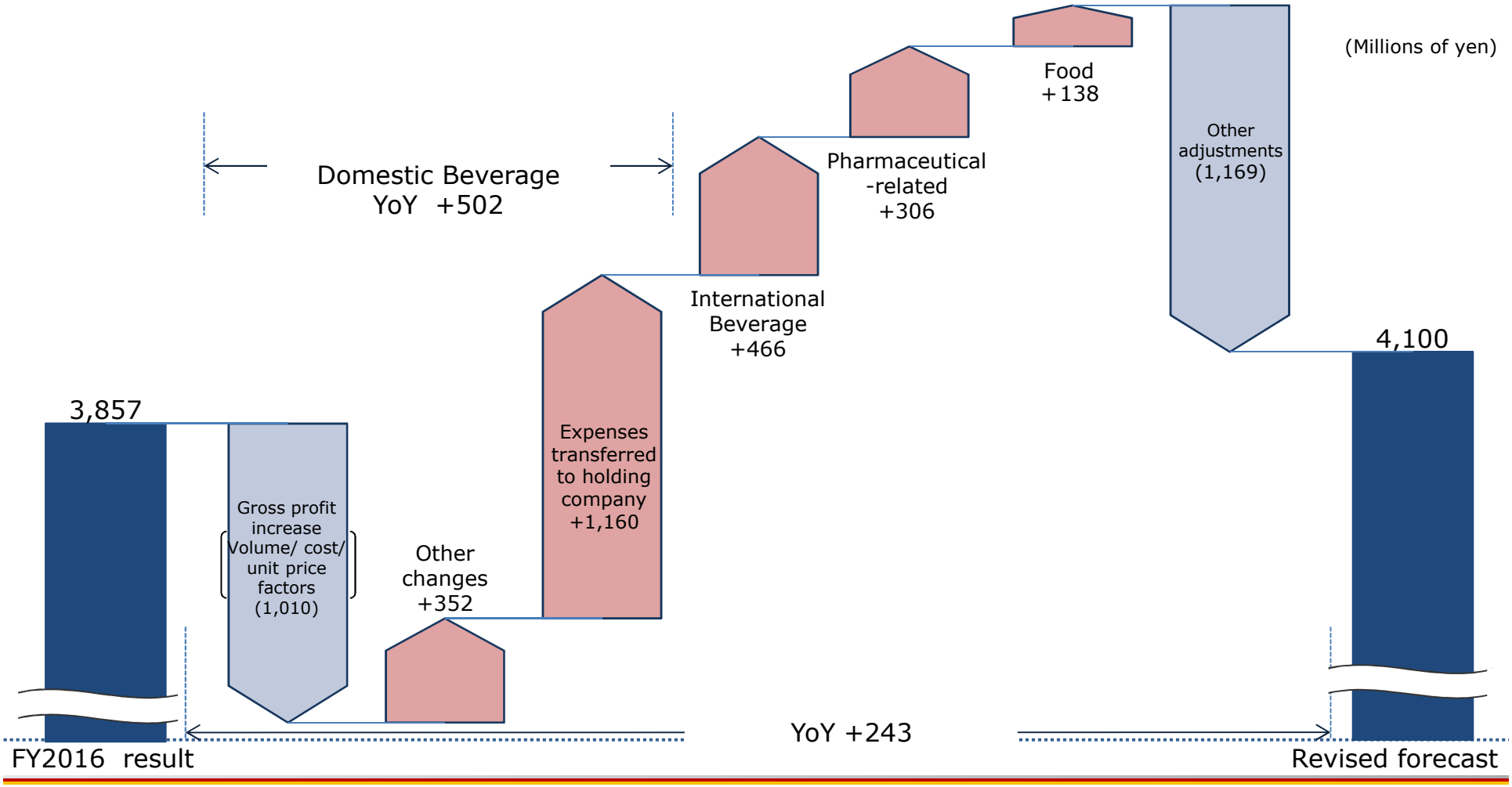


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Factors Driving Increases/Decreases in Operating Profit for FY2017 3rd Quarter - Year-on-year -

- In the Pharmaceutical-related Business, strong orders will drive increased profits
- In the International Beverage Business, we expect a recovery in sales in our Turkish business to lead to improved profits



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3. Taking Up the Challenge of Creating New Corporate Value for the Next Generation

- Striving to achieve sustained growth -

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DyDo Group History

(100 million yen)

2,000

1,000

0

◆ New business

◆ Overseas expansion

- Expansion of vending machine business within Moscow
- Entry into the Turkish and Malaysian markets

Tarami

- Acquisition of Tarami Corporation

DyDo

- Establishment of Dydo Drinco, Inc. and launch of DyDo blend coffee



- HOT & COLD vending machine



- Launch of Demitasse Coffee



- Introduction of point card



- Introduction of talking vending machines with different dialects



- Launch of MIU



- Strengthening of the DyDo Blend brand



- Launch of the "Supervised by the World's Top Barista" series



- Smile STAND



Beverage sales business spun off

DAIDO PHARMACEUTICAL CORPORATION

- Establishment as household pharmaceutical distributor and start of manufacture of drinkable preparations



- Start sales of drinkable preparations and canned coffee at gas station



- Full-scale involvement in OEM following relaxation of regulations for quasi-drugs



2001
- Listed on the Second Section of the Tokyo Stock Exchange

2003
- Designated as a blue-chip stock on the First Section of the Tokyo Stock Exchange



- Expansion of orders of beauty health drink



*Envisioned sales

1950s 1970s 1990s 2010s 2018

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Group Philosophy / Vision / Slogan Formulation

DyDo Group Philosophy

DyDo Group strives to achieve happiness and prosperity
together with people and society as a whole.
To realize this, we will continue our dynamic efforts
to take on new challenges.

DyDo Group Vision

Together with customers	We are always offering high-quality products with added surprise to deliver distinctively DyDo taste and wellness to customers.
Together with society	We are committed to building a rich and vibrant society through "All DyDo" product development and corporate activities involving the entire group.
Together with future generations	We create "DyDo standards" for future generations that go beyond current frameworks and values.
Together with people	We uphold a tireless "DyDo challenging spirit" to bring happiness to all people whose lives are touched by the DyDo Group.

Group Slogan

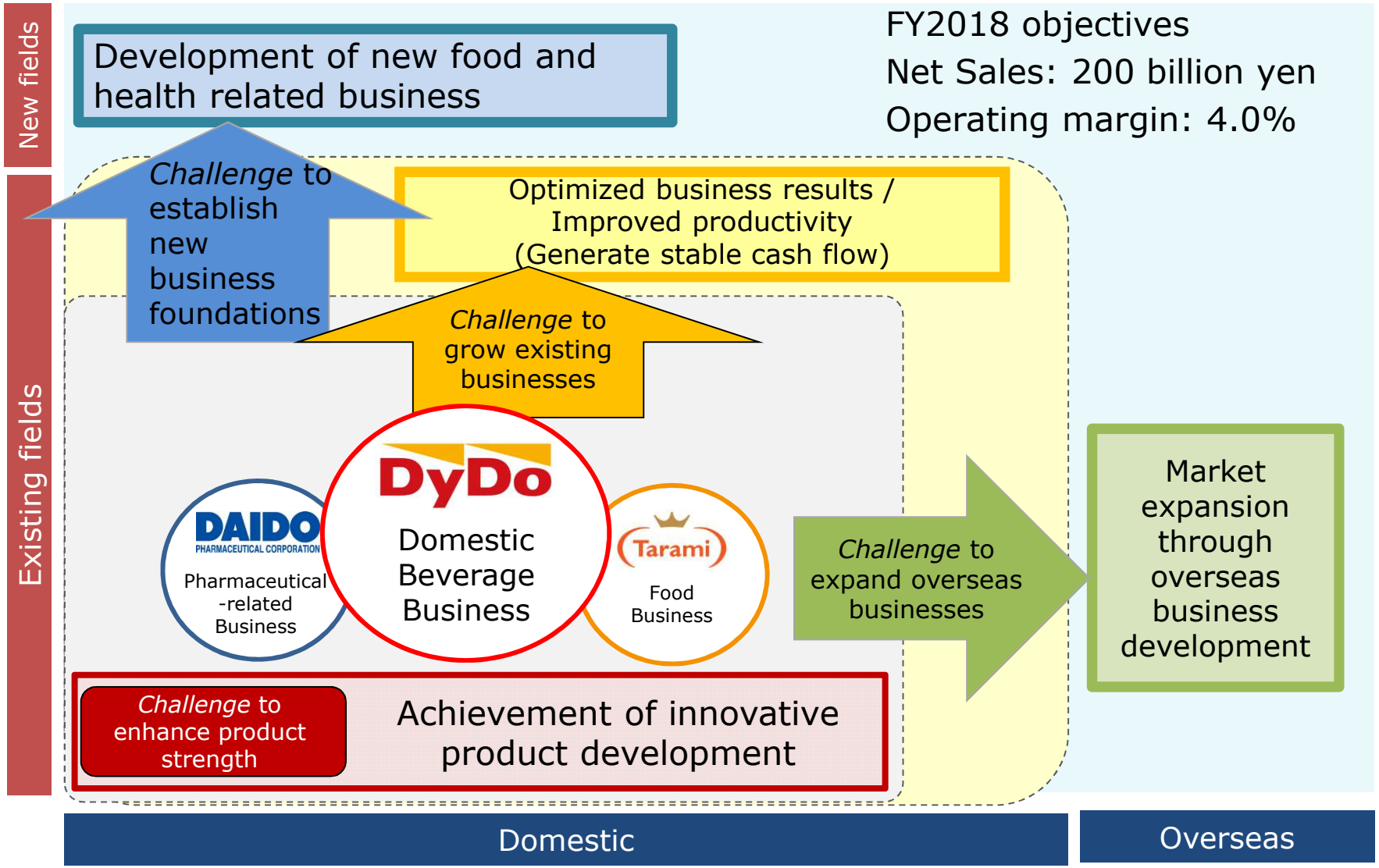
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Offering delicious products
for the sound mind and body

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Mid-term Business Plan: "Challenge the Next Stage" - Four Challenges to the Next Stage -



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Business Strategy
- Challenge to Create Future-oriented Corporate Value -

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

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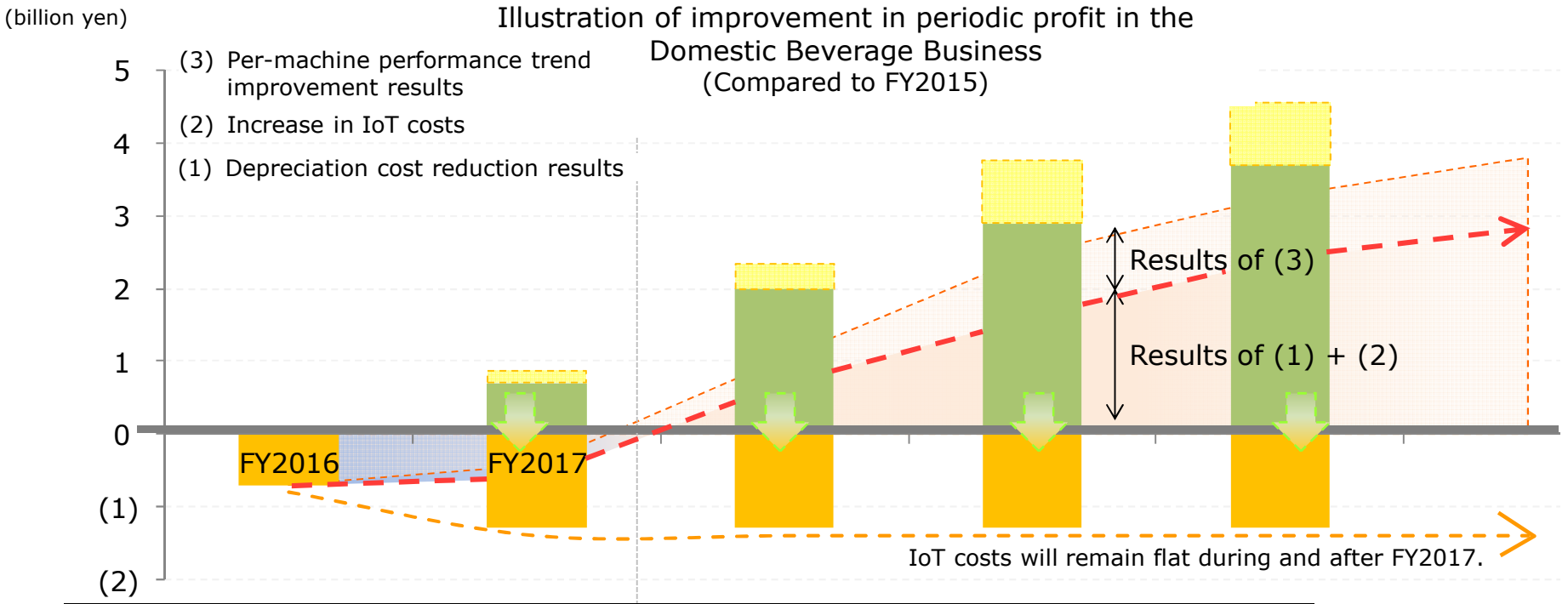
Facilitating Continued Increases in Cash Flow

Bringing innovation to our vending machine business model

(1) Lowering per-machine procurement costs while maintaining the number of installations

(2) Utilizing cost savings to boost investments in IoT-enabled vending machines

(3) Working to improve the per-machine performance trend by investing in IoT-enabled vending machines



Domestic Beverage Business	FY2015	FY2016	FY2017 (budget)
Capital expenditure	9.3 billion yen	6.8 billion yen	6.6 billion yen
Depreciation expenses	9.8 billion yen	9.8 billion yen	9.2 billion yen

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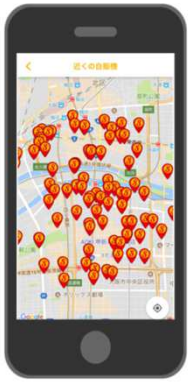
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Developing Smile STAND





Display of points earned from "DyDo Smile STAND" vending machines



"Smile STAND vending machine" search screen



Information about DyDo brands and other DyDo services

Lottery

Smile SLOT



Everyone wins

LINEギフトコード

楽天スーパーポイント



©SQEX



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Launch of the Smile Town Portal

- Vending machines will evolve into information centers that disseminate information about the areas where customers live
- Vending machines in communities will deliver exciting information to customers' smartphones



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Transformation into Information Centers

- The first step will be to work with Recruit lifestyle Co., Ltd., a company that provides lifestyle information about businesses such as restaurants and beauty salons
- Vending machines will disseminate information about such businesses located within a distance of 1 km



Purchase a beverage from a Smile STAND vending machine



Activate the exclusive app and wave phone in front of the vending machine to earn points



View information about nearby gourmet restaurants and beauty salons

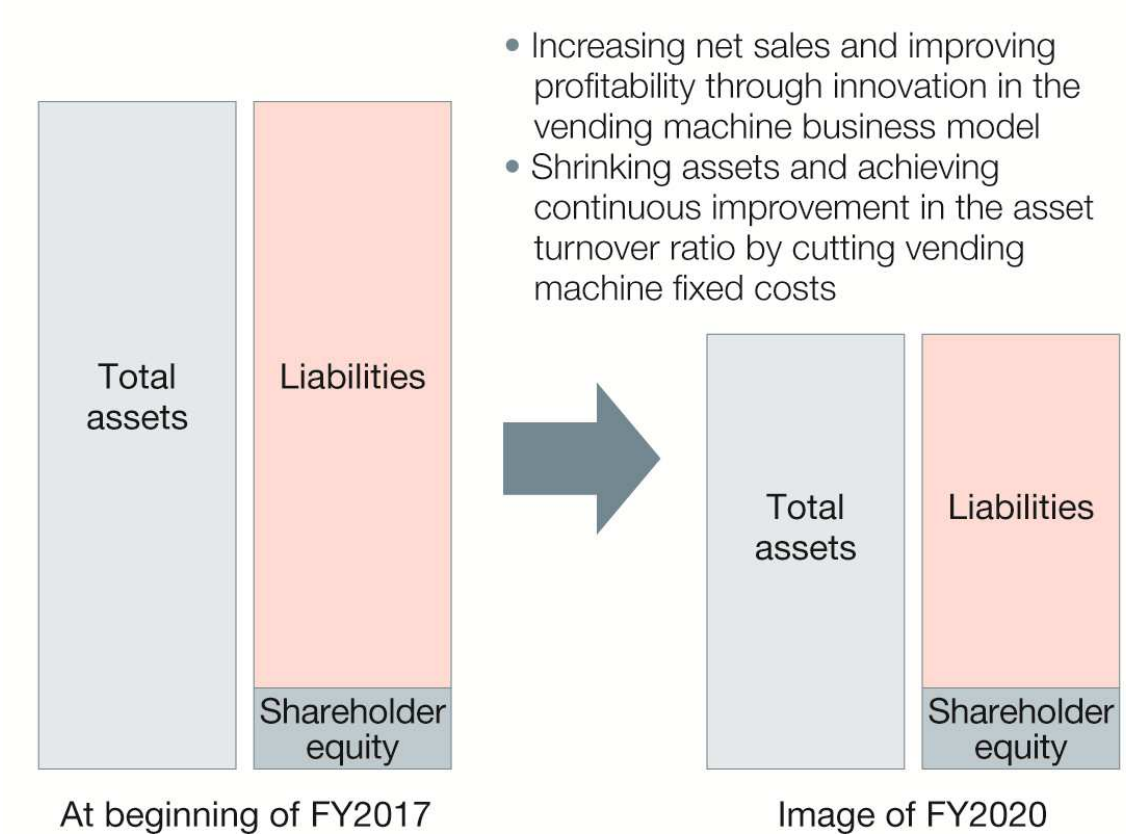
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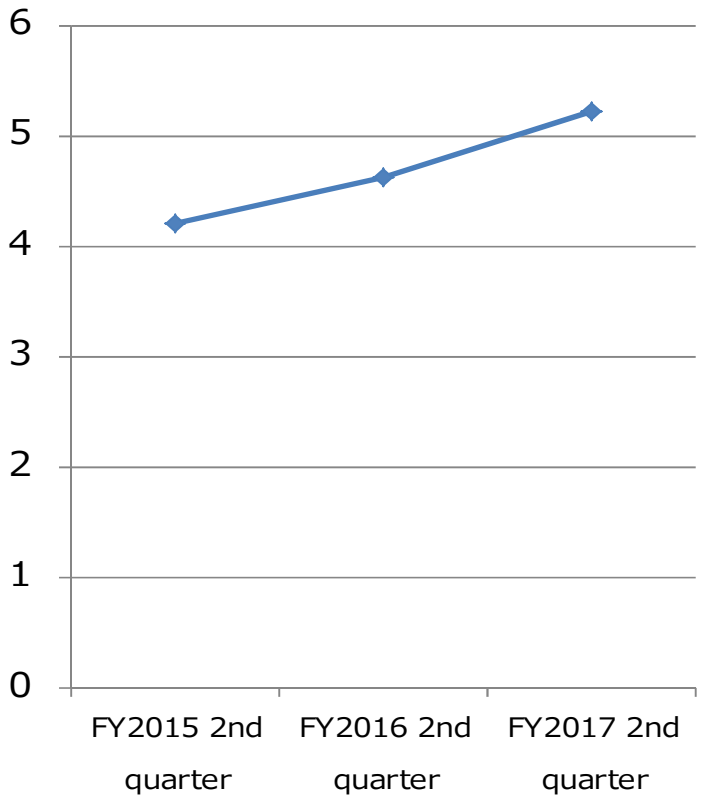
Facilitating Continued Increases in Cash Flow

- Improving profitability by increasing sales and diversifying profit sources
- Continuously improving the asset turnover ratio and steadily increasing ROIC

Image of Domestic Beverage Business Balance Sheet



Vending machine asset turnover ratio



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Making Vending Machines Essential as Infrastructure

- Developing a platform business based on networked vending machines
- Creating value through open innovation

DyDo's vision for the future of vending machines

Beverages

Health

Contribution to local communities

Information

Communication

Security





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Pharmaceutical-related Business Plans for building a new factory in the greater Tokyo area

DyDo Pharmaceutical Corporation will construct a new factory in the greater Tokyo area.

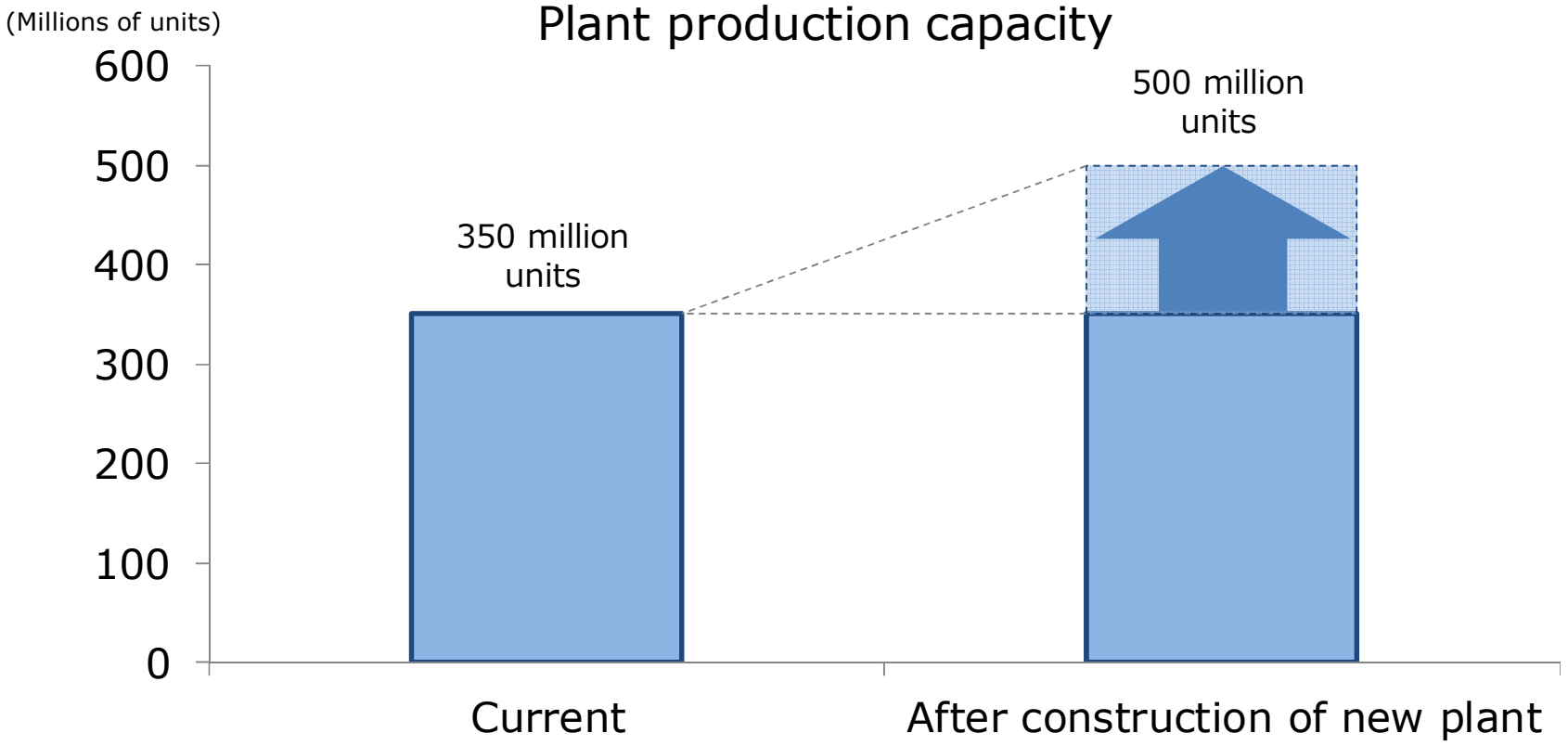
- Objectives
  - To respond quickly to customer needs
  - To put in places structures to facilitate high manufacturing quality and stable supply
  - To disperse production risk as part of the company's BCP measures
- Overview of the new factory

Name	Kanto Plant
Tentative site	No. 7, 110 Uchiya, Shimosagawada-cho, Tatebayashi-shi, Gunma Prefecture
Site area	About 27,000 m^2
Completion of construction	End of 2019
Planned start of operation	Start of 2020
Products	Drinkable preparations
Production capacity	150 million units per year
Capital investment	About 6 billion yen

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Pharmaceutical-related Business: Planning a New Plant in the greater Tokyo area

- Take advantage of the new plant's favorable location to strengthen cost competitiveness
- Increase the total production capacity of our two plants to 500 million units after construction of our new Kanto plant

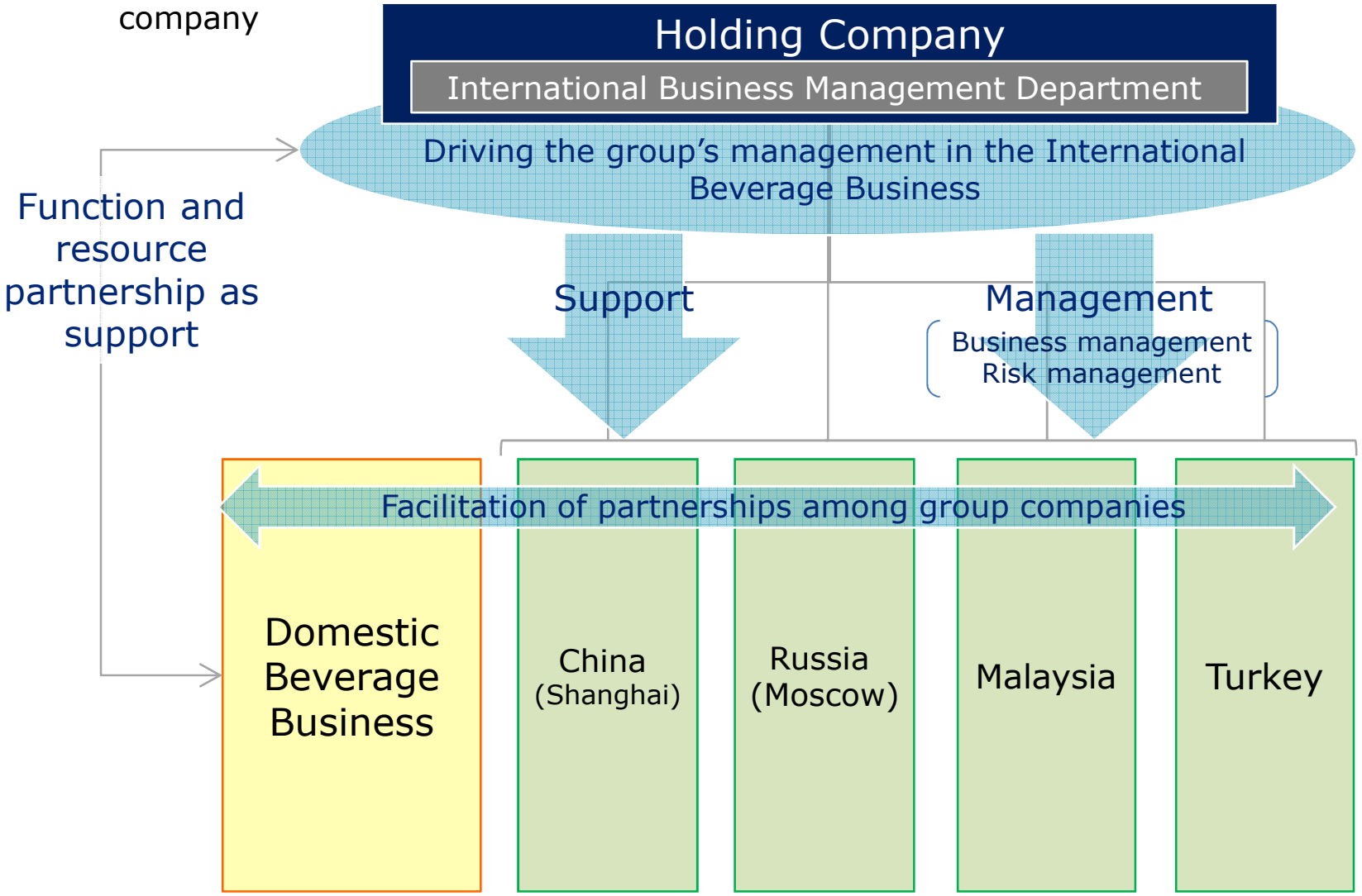


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Strengthening and Nurturing International Beverage Business

Working to strengthen and nurturing the International Beverage Business by establishing the International Business Management Department at the holding company

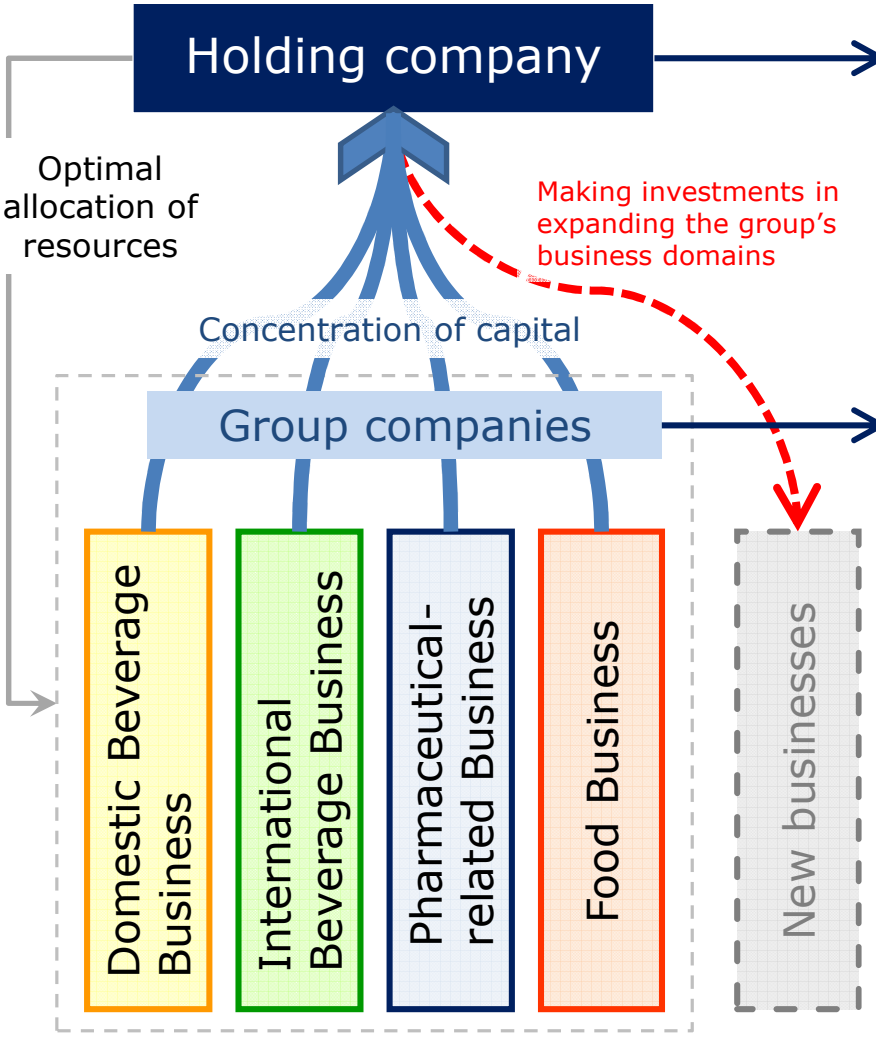


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Agile Response to Expansion of Business Domains

Improving capital efficiency



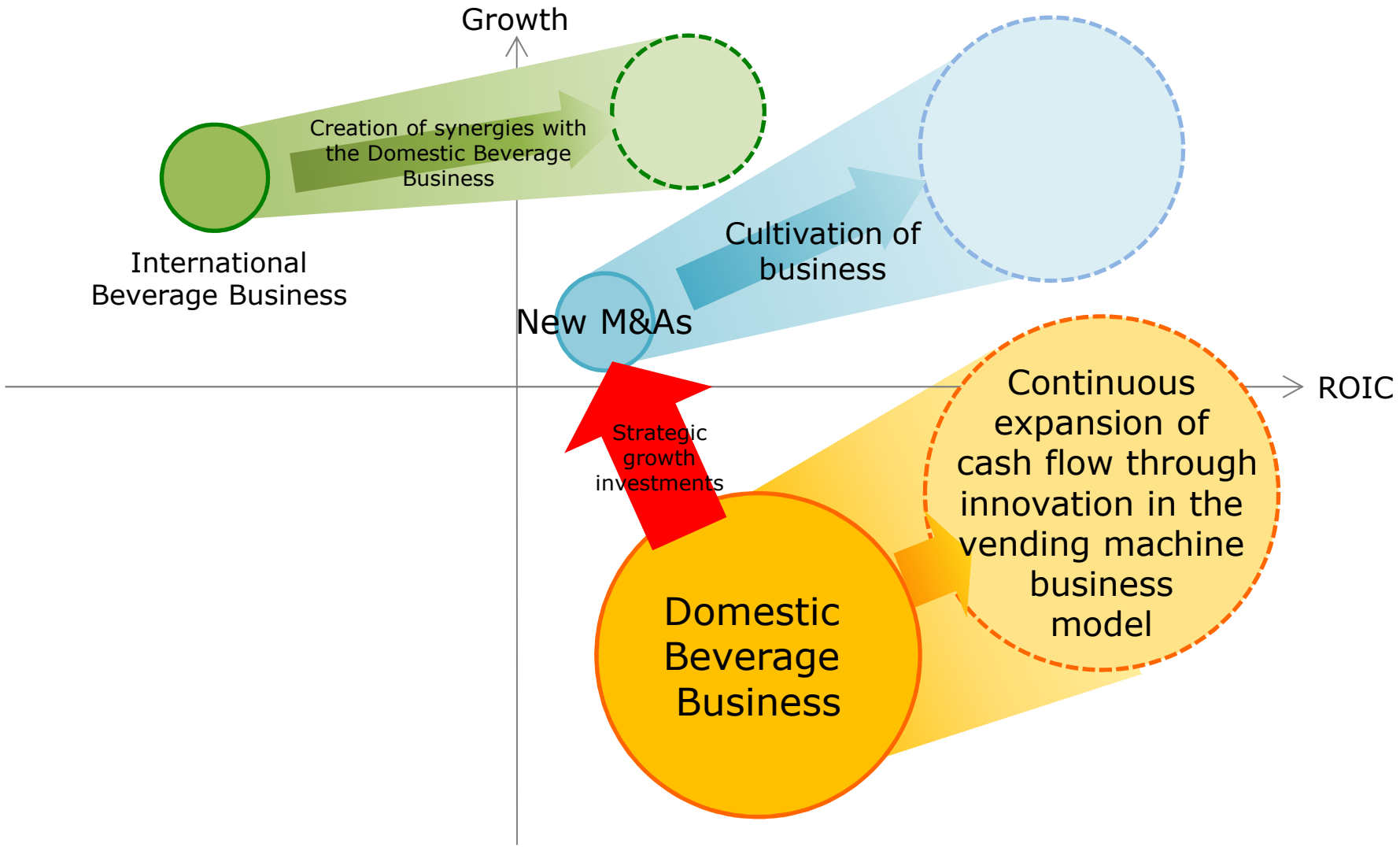
Profitability	Efficiency
[Roles of holding company]	
• Making strategic business investments • Allocating resources optimally	• Strengthening and expanding the group's portfolio of businesses • Optimizing the group's balance sheet
[Roles of group companies]	
• Strengthening the group's brands • Strengthening the group's services (sales capabilities and vending machines) • Optimizing costs	<u>Domestic Beverage Business</u> • Shrinking vending machine assets • Improving the asset turnover ratio <u>Pharmaceutical-related Business / Food Business / International Beverage Business</u> • Improving the plant operation ratio

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Direction of DyDo's Growth Strategy

Strengthening and enhancing the group's portfolio of business



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On Capital Policy and Returns to Shareholders

Returns to shareholders
Realizing sustainable, profitable growth

Effective use of capital
Establishing a new business foundation via strategic investment

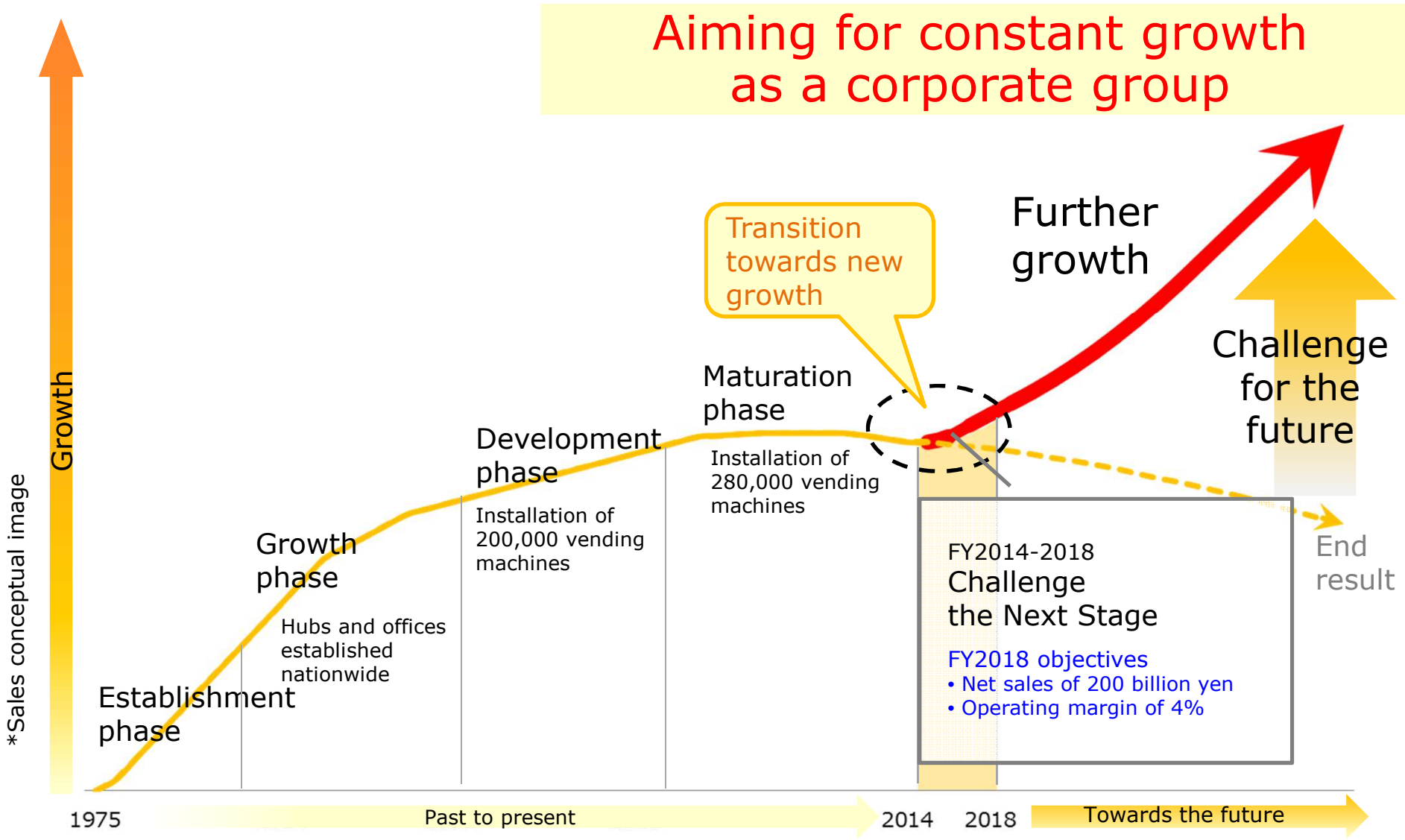
Maintaining fiscal soundness
Improving cash creation capacity in existing businesses

	Basic approach
Effective use of capital	・ Internal reserves are given priority in appropriation for strategic business investment for sustained profits/growth and improving capital efficiency
Maintaining fiscal soundness	・ Improve stable cash creation capacity via existing businesses ・ Maintain financial foundation enabling ongoing strategic business investment
Returns to shareholders	・ Continue to maintain stable dividends despite the severe earnings environment ・ Aim to realize ongoing profit/growth for mid-term increased dividends

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Aiming for Constant Growth as a Corporate Group



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■ APPENDIX

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Seasonal Fluctuations -Net sales-

(Millions of yen)

Consolidated

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	38,204	47,933	46,095	39,167	171,401
Ratio of full year (%)	22.3%	28.0%	26.9%	22.8%	100.0%
FY2017	38,940	47,862	47,101	–	–

Domestic Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	29,451	33,982	33,740	31,104	128,278
Ratio of full year (%)	23.0%	26.5%	26.3%	24.2%	100.0%
FY2017	29,698	34,331	33,437	–	–

International Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	2,939	5,729	5,012	3,053	16,735
Ratio of full year (%)	17.6%	34.2%	30.0%	18.2%	100.0%
FY2017	3,331	5,124	5,660	–	–

Pharmaceutical-related Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	2,288	2,352	2,325	2,101	9,068
Ratio of full year (%)	25.2%	25.9%	25.7%	23.2%	100.0%
FY2017	2,408	2,745	2,936	–	–

Food Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	3,717	6,091	5,196	3,008	18,013
Ratio of full year (%)	20.6%	33.8%	28.9%	16.7%	100.0%
FY2017	3,697	5,839	5,256	–	–

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Seasonal Fluctuations -Operating Profit-

(Millions of yen)

Consolidated

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	(391)	2,671	2,144	(566)	3,857
Ratio of full year (%)	–	69.3%	55.6%	–	100.0%
FY2017	(53)	2,211	2,653	–	–

Domestic Beverage Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	(103)	2,068	1,680	312	3,958
Ratio of full year (%)	–	52.3%	42.5%	7.9%	100.0%
FY2017	354	2,029	2,295	–	–

International Beverage Business

- Before amortization of goodwill
- FY2016 does not include fees associated with the acquisition of the Turkish business.

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	(87)	6	72	(649)	(657)
Ratio of full year (%)	–	–	–	–	100.0%
FY2017	(278)	(111)	151	–	–

Pharmaceutical-related Business

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	252	256	271	164	944
Ratio of full year (%)	26.7%	27.2%	28.7%	17.4%	100.0%
FY2017	354	344	353	–	–

Food Business

- Before amortization of goodwill

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
FY2016	(60)	535	304	(214)	564
Ratio of full year (%)	–	94.9%	53.9%	–	100.0%
FY2017	16	440	314	–	–

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□ The Business Model of DyDo Group

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DyDo Group Business Segments

Three businesses with unique business models and a growing international beverage business

DyDo Group Holdings Inc.

Domestic Beverage Business

- DyDo DRINCO, Inc.
- DyDo Beverage Service, Inc. etc.



International Beverage Business

Countries in which we have operations:
- Turkey
- Malaysia
- Russia
- Others



Pharmaceutical-related Business

- DAIDO Pharmaceutical Corporation



Food Business

- Tarami Corporation



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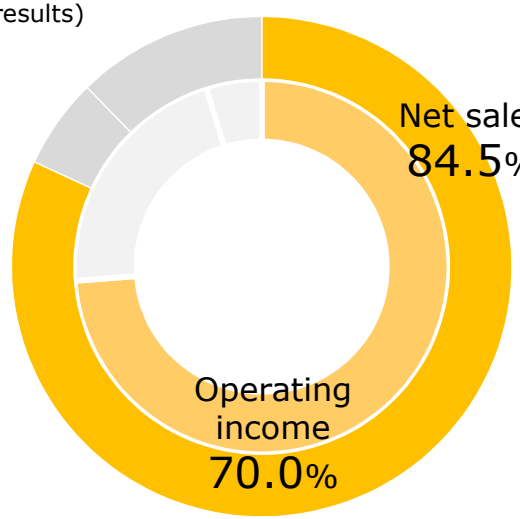
Domestic Beverage Business

At the core of the DyDo Group: Domestic Beverage Business

- DyDo DRINCO (Osaka, Osaka Prefecture)
- DyDo Beverage Service (Osaka, Osaka Prefecture)

Others

Beverage businesses as a percentage of overall performance (including International Beverage Business, FY 2016 results)







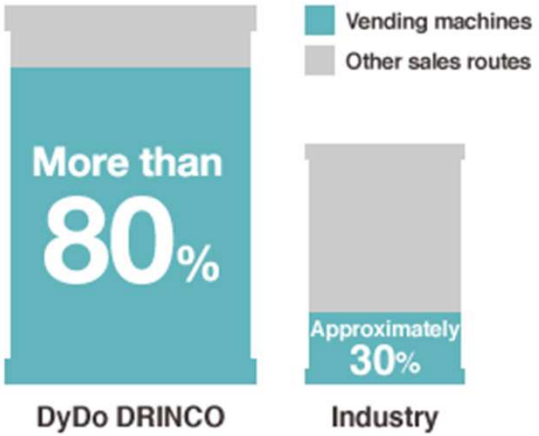
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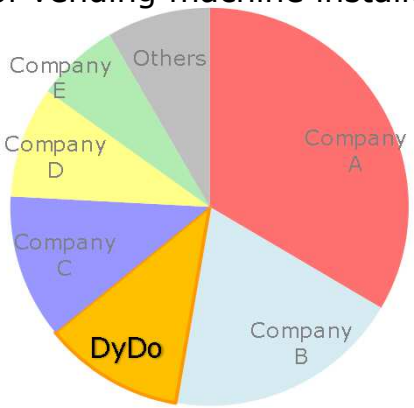
Key Features / Strengths of Domestic Beverage Business

Securing steady profit with sales of coffee from vending machines

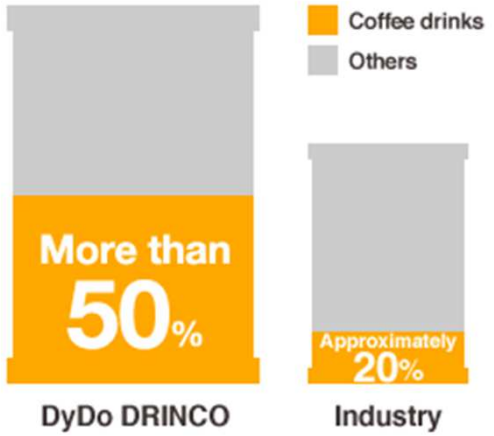
Vending Machine Sales account for more than 80%



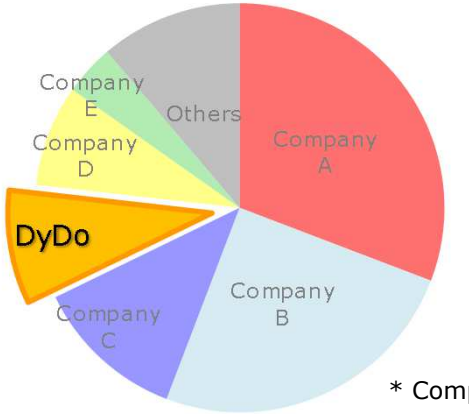
Share of vending machine installed base



Coffee sales account for more than 50%



Share of coffee drink sales



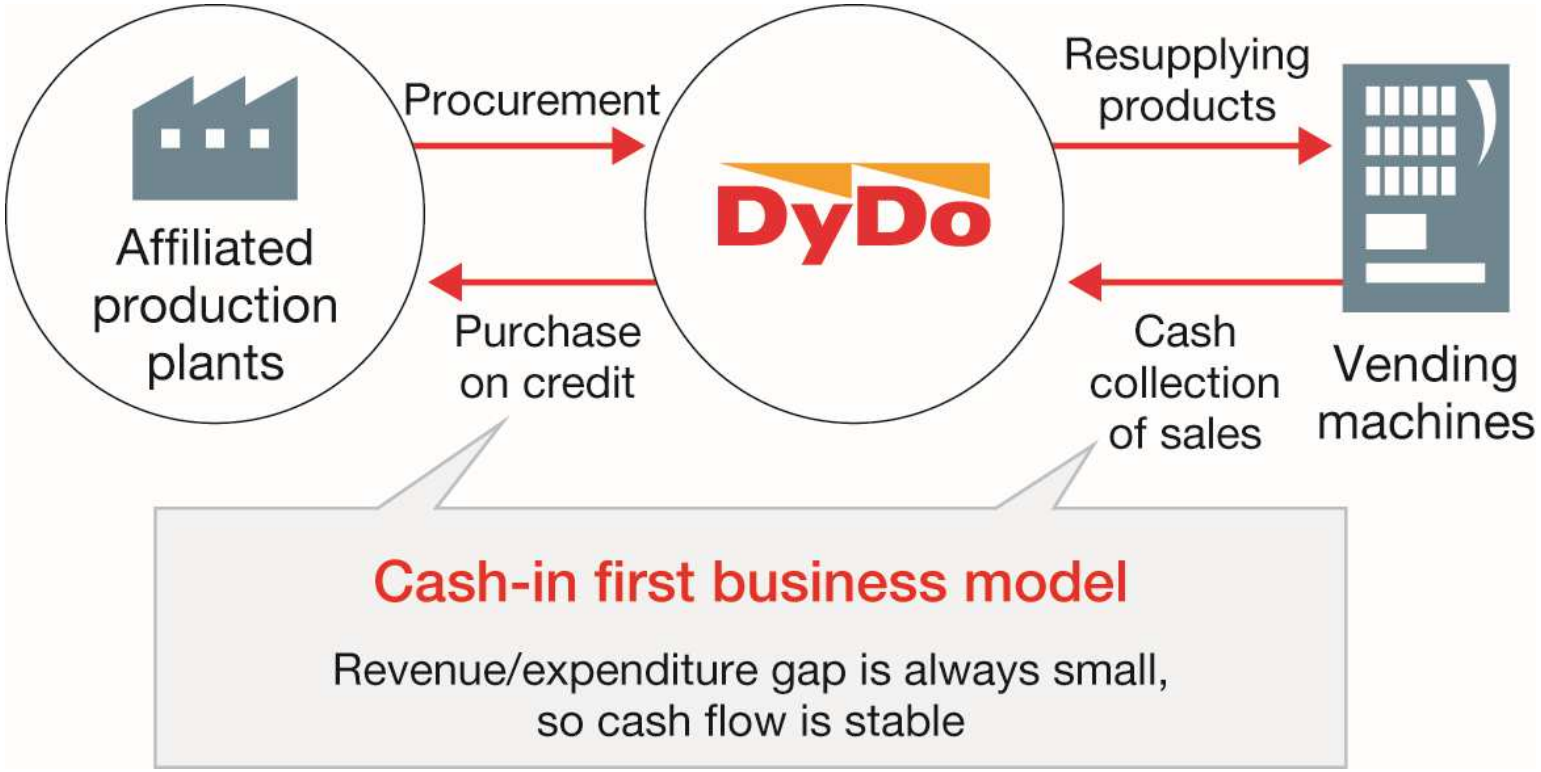
* Compiled by DyDo

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Key Features / Strengths of Domestic Beverage Business

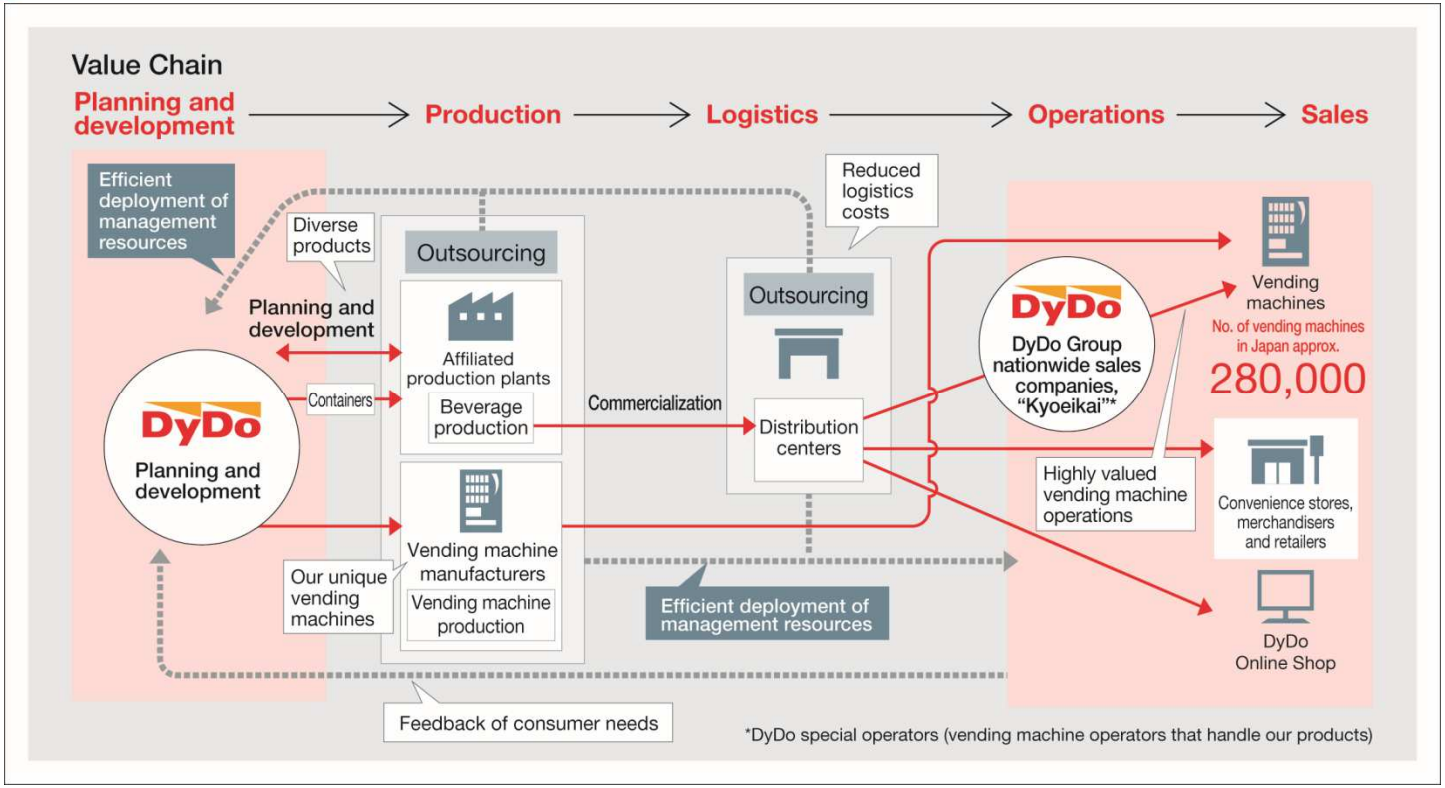
Building a solid financial base through “fabless” management



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Domestic Beverage Business: Business Model



Issues and Future Strategy

The vending machine channel that is DyDo DRINCO's foundation has the feature that sale prices are stable, and thus although the marginal profit rate is high, fixed costs are also high, and there are major differences in general distribution channels and revenue structure. Therefore, if net sales are increased while also reducing fixed costs, the result can be a dramatic improvement in profitability.

The business climate for vending machine-based business continues to be severe due to current trends such as the increasing frugality of consumers and the increasing level of competition with convenience stores. However, at DyDo DRINCO, we are raising the percentage of vending machines installed at in-office locations and other places that continue to be seen as a steady source of sales, while also working to maximize sales by further improving the attractiveness of vending machine purchases through efforts such as high-quality operations and expanded deployment of IoT-enabled vending machines. We are also working to revamp our cost structure by reducing fixed costs through efficient procurement of vending machines and lengthening their lifespans.

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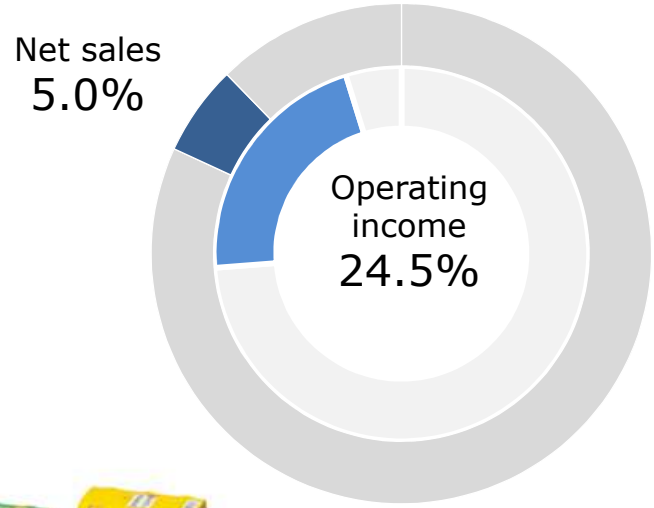
Pharmaceutical-related Business

We're developing a business that specializes in drinkable preparation OEM operations

DAIDO PHARMACEUTICAL CORPORATION

- DAIDO Pharmaceutical Corporation (Katsuragi, Nara Prefecture)

Pharmaceutical-related Business as a percentage of overall performance
(FY 2016 results)







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Key Features / Strengths of the Pharmaceutical-related Business

- We've involved in research, planning, development, and manufacturing of drinkable preparations, and we offer contract manufacturing services to major pharmaceutical, cosmetics, and health food manufacturers.



Joint development with more than 100 manufacturers

- We've maintained high profitability by leading the industry in performance through involvement with the development of about 50 products every year, from pharmaceuticals and quasi-drugs to beverages.



Operating margin of greater than 10%

- We're striving to reach new highs and create appealing plants in an effort become No. 1 in product quality by maintaining and strengthening our safe and secure production system.

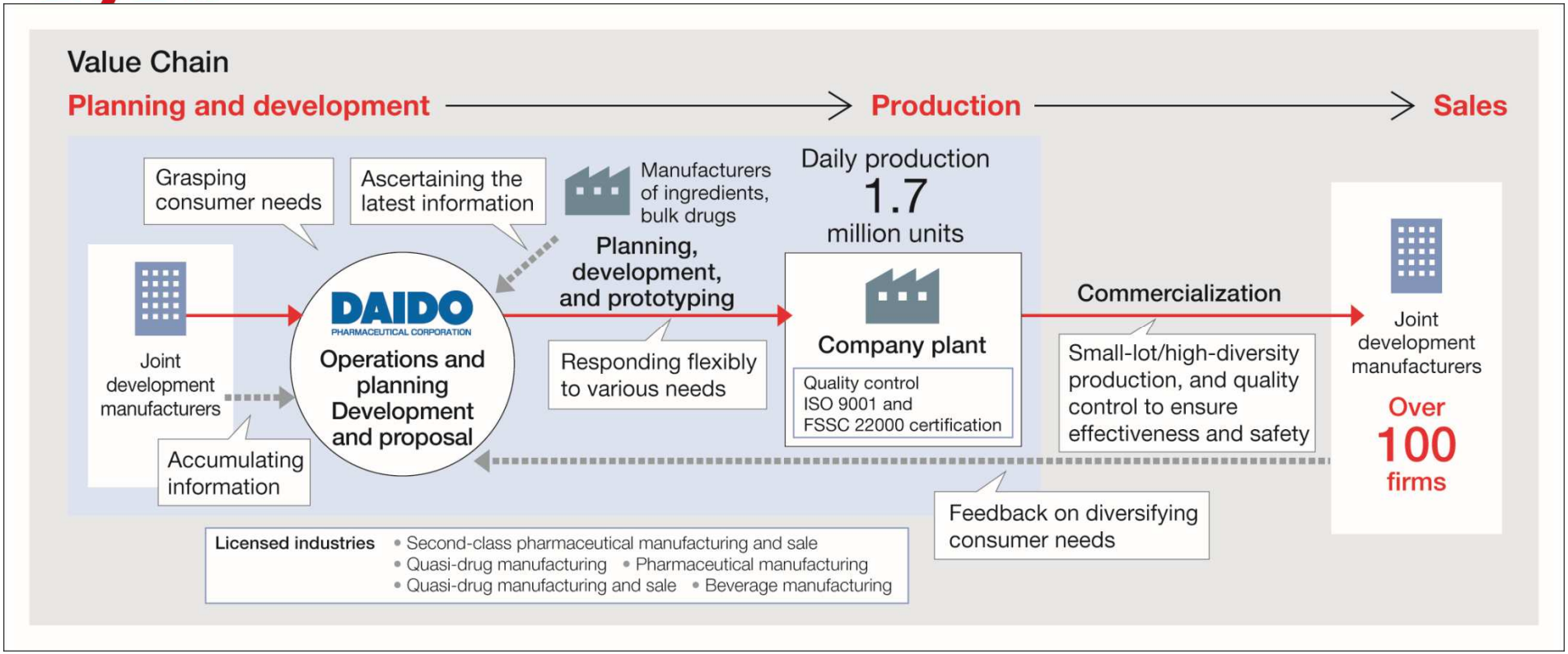


Leading performance in the industry

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Pharmaceutical-related Business: Business Model



Issues and Future Strategy

The climate in the nutritional drink market is severe due to aging of the core user segment and the emergence of new markets, such as growth of the energy drink market. In the overall pharmaceuticals/health field, on the other hand, there are prospects for new demand due, for example, to the increasing need for products for international export in the category of beauty tonics. DAIDO Pharmaceutical Corporation will pioneer these new markets, and at the same time we will aim as a group to expand our field of business, including acquisition of new business domains through M&A.

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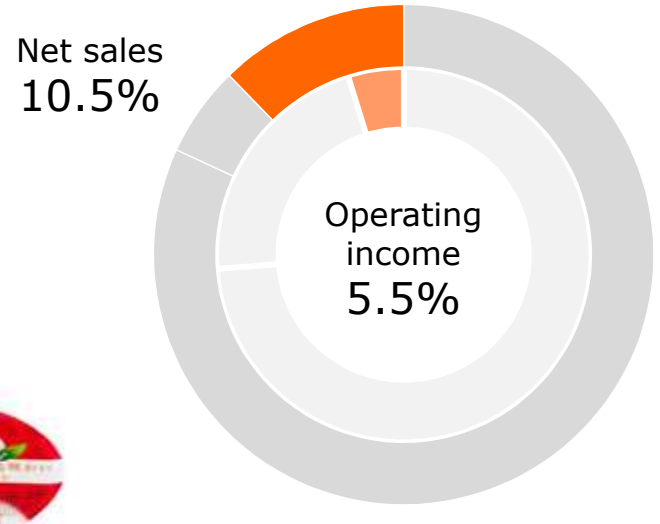
Food Business

Manufacture and sale of fruit dessert jellies

Tarami

- Tarami (Nagasaki, Nagasaki Prefecture)

Food Business as a percentage of overall performance (FY 2016 results)









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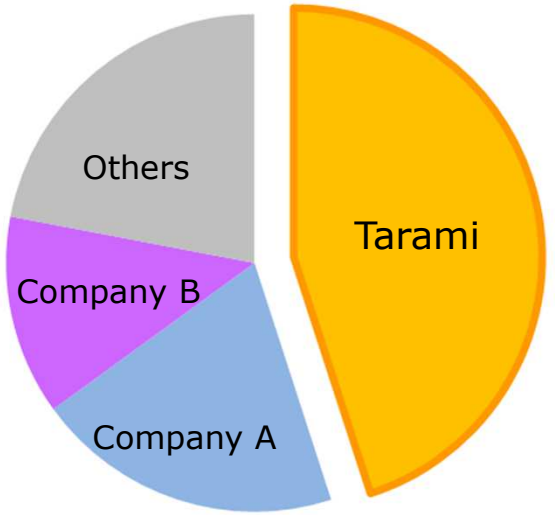
Key Features / Strengths of the Food Business

- Tarami became a wholly owned subsidiary in June 2012 and today contributes to consolidated performance as the Group's third main contributor.

- Thanks to high name recognition and brand strength, we've maintained top share in the fruit dessert jelly market.

- Going forward, we plan to develop higher-added-value products, new markets, and sales channels while building an unshakable position in the fruit dessert jelly market.

- Dry jelly market share

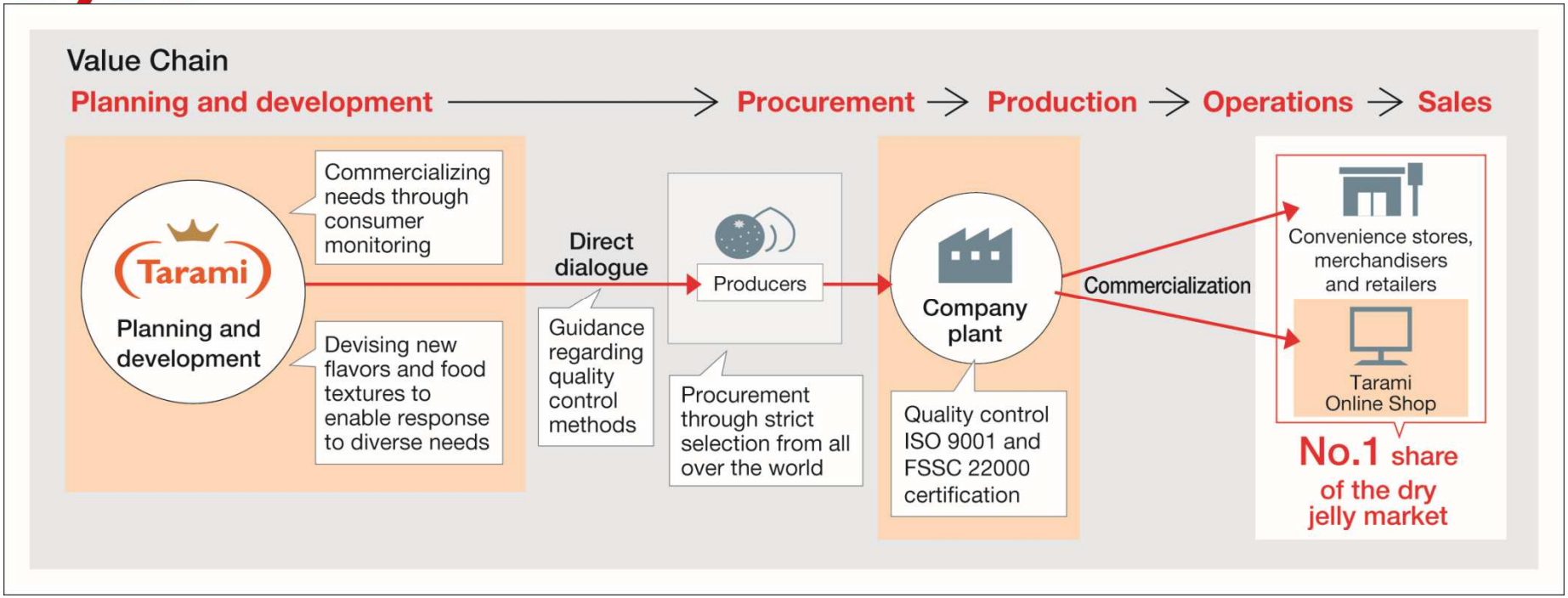




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Food Business: Business Model



Issues and Future Strategy

In the food industry, there are issues with increasing raw material unit and logistics costs as well as a reduction of market scale due to Japan's decreasing population. Also, competition is intensifying in the jelly industry. Tarami will meet these challenges from every direction, with the aim of improving added value of products and transforming to a business model which continuously generates profits under such business conditions. Tarami will strive to differentiate itself from other companies and improve its brand value through a broad range of initiatives. In specific terms, we will continue to create products which meet the multifaceted needs of customers and generate surprise and wonder, improve the efficiency of production through strenuous work to control raw material and manufacturing costs and curb loss, make new efforts to attract customers and promote products, develop international business, and ensure thoroughgoing commitment to food safety through a stringent response based on the FSSC 22000 certification the company has acquired.

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International Beverage Business: Turkish Business

Long-term vision	Looking toward the EU based on growth in the Turkish market

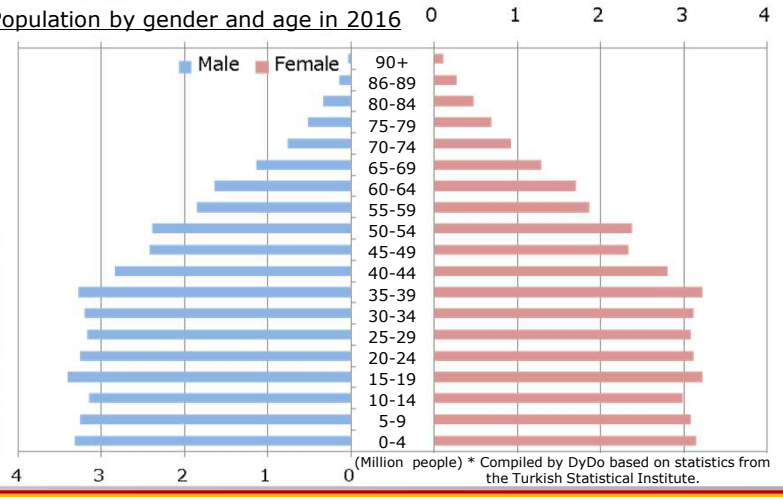
Current business conditions

S • Brands with high name recognition, for example ÇAMLICA, Saka, and İçim • Five manufacturing factories in Turkey (in northern and southern Turkey)	**W** • Relatively low market share • High degree of dependence on Yildiz
O • Potential for market growth as the result of the country's growing population • Drinking of coffee and tea as an entrenched custom • Potential of new product categories	**T** • Inflation rate • Exchange rate fluctuations • Geopolitical risk

Action plan

- Bring sales structures in-house
- Focus on core brands and streamline promotional efforts
- Streamline operations by relocating manufacturing lines
- Embrace the challenge of harnessing Japanese expertise to create new product categories





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International Beverage Business: Malaysian Business

Long-term vision	Looking toward the Middle East and ASEAN as strategic bases in the Islamic world

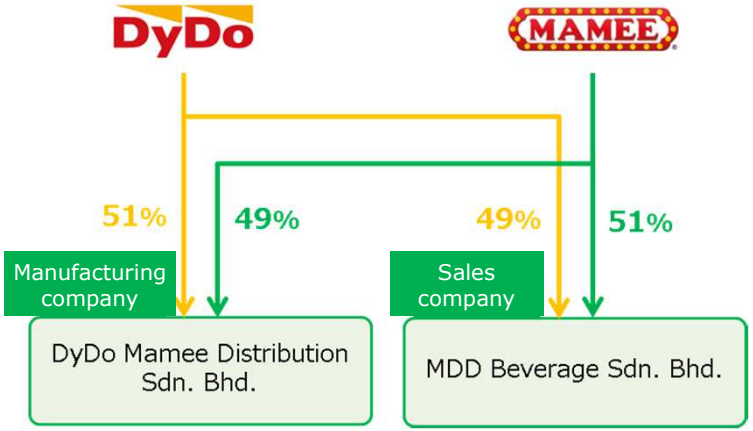
Current business conditions	
• Joint venture with Mamee, one of Malaysia's leading snack manufacturers • Mamee's sales capabilities • Dry and chilled products manufacturing factories	• Relatively low market share • Issues with growing core brands
• Perception that Japanese products have high quality • High market growth potential	• Downward pressure on prices due to intensifying competition

S W O T

Action plan

- Focus on chilled products; grow brands
- Achieve stable sales of beverages (dry); ensure promotional tools are effectively utilized
- Harness Japanese expertise to launch new products

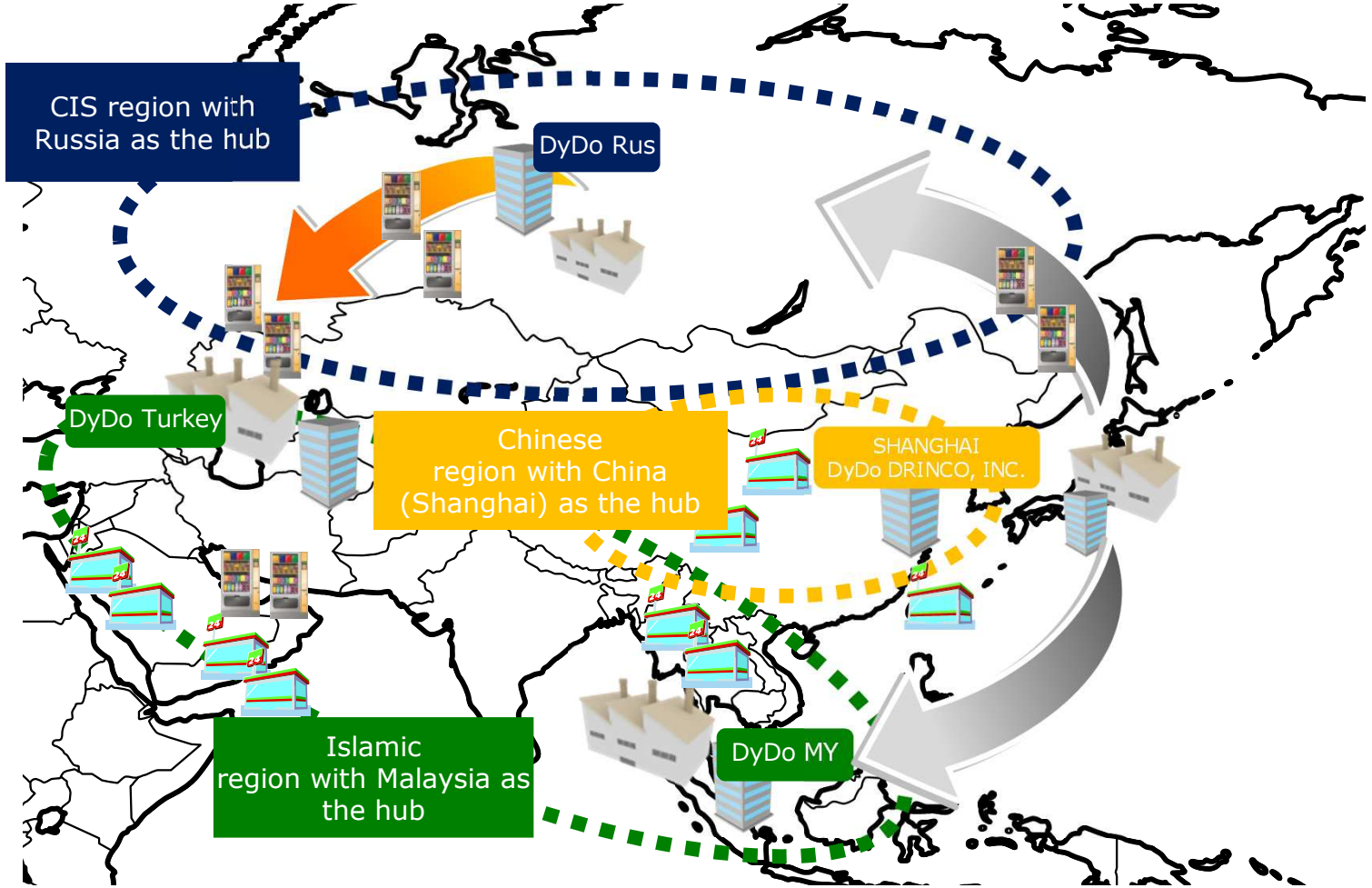




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Future vision for the International Beverage Business

- Expand into the CIS region with Russia as the hub; the Islamic region with Malaysia as the hub; the Chinese region with Shanghai as the hub.



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Achieving New Growth against the Backdrop of a Stable Financial Foundation

Consolidated balance sheet status (as of January 20, 2017)

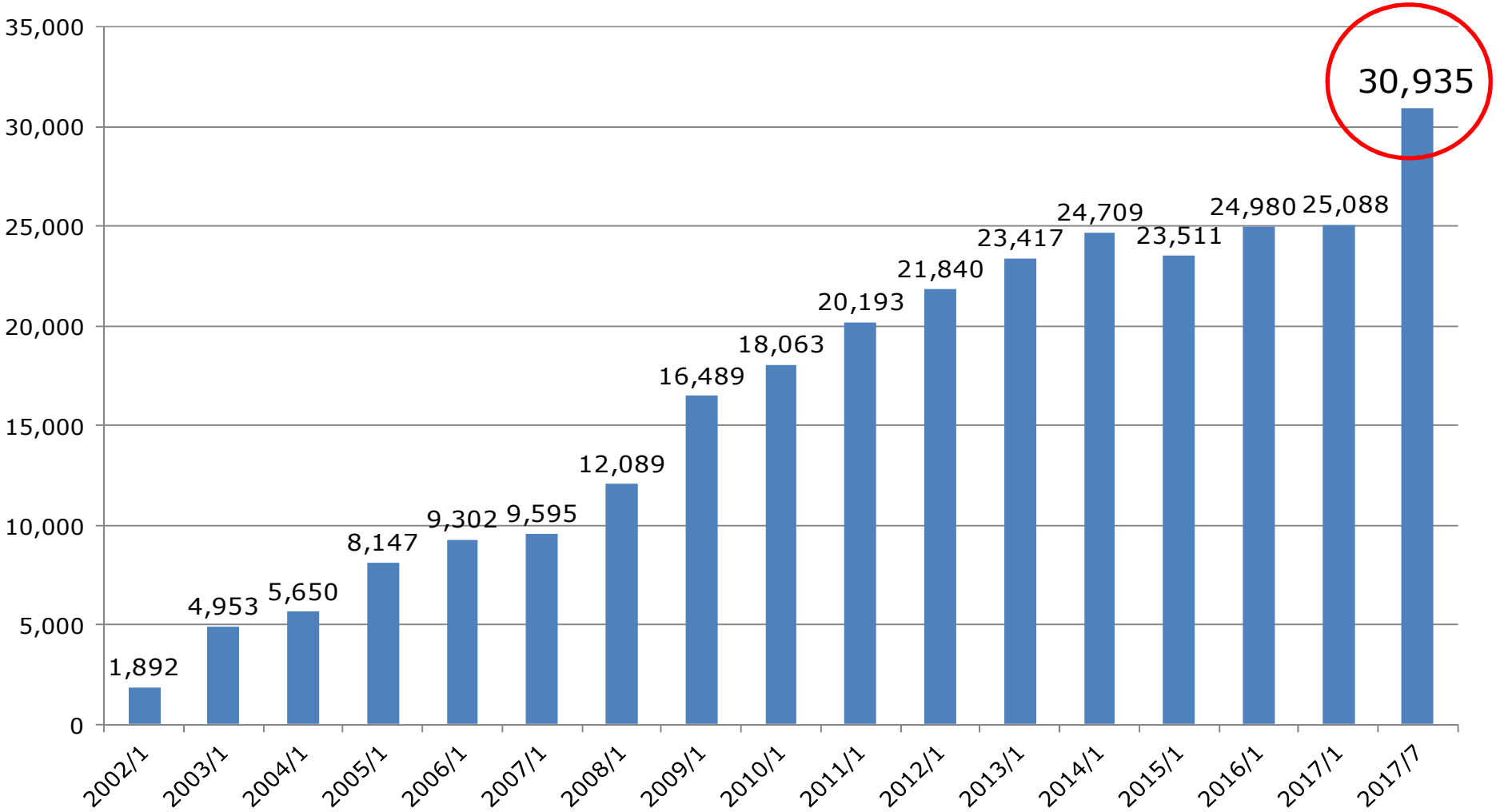
(Millions of yen)

Financial assets	73,466	Interest-bearing debt	37,738
		Accounts payable	19,908
		Accrued liabilities	11,158
		Other liabilities	9,373
Receivables	17,955		
Inventory assets	8,470		
Other assets	63,979	Net assets	85,693

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Number of Shareholders



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