

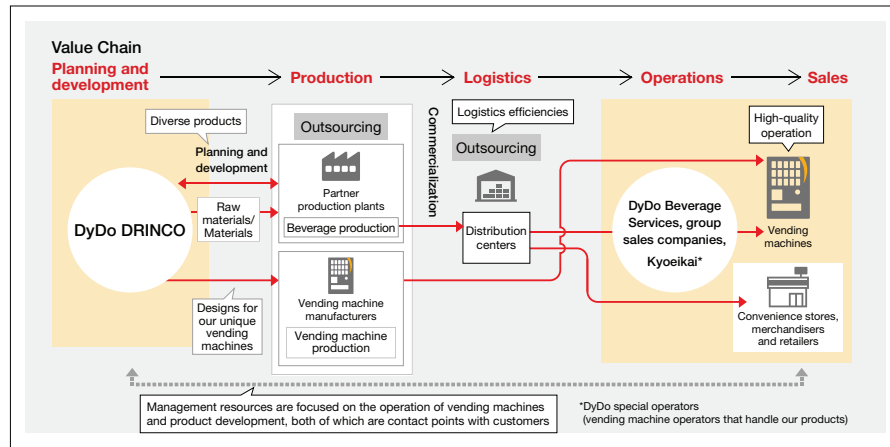
Our Business Segments: Business Models

Domestic Beverage Business

The Domestic Beverage Business comprises DyDo DRINCO and other group companies under its umbrella. We have established a unique business model, focused on vending machines as the principal sales channel, while outsourcing the production of drinks and concentrating our resources on areas of direct contact with customers. We are committed to consolidating our competitive advantage in the vending machines market to ensure that this remains a core business generating funds to support the growth of the group overall.

Related Companies

DyDo DRINCO, Inc.
DyDo Beverage Services, Inc.
Others



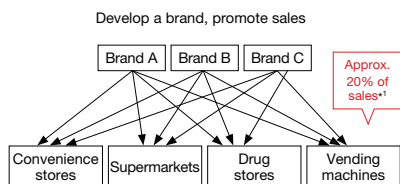
Strength and Characteristics 1 New Value Creation Based on Retail Business Ideas

Although the Domestic Beverage Business develops its own brands in-house, its business model is fundamentally that of a retailer. In contrast to typical drinks manufacturers who make their profit through mass production and sales of proprietary brands, we are focused on the vending machine channel. We install our vending machines in locations where we anticipate high sales and generate revenue growth through improving sales per unit by optimizing the product line-up for each machine. This difference means that while other manufacturers view vending machines as just another sales channel, along with convenience stores, supermarkets and drug stores, they are effectively retail

outlets for the DyDo Group.

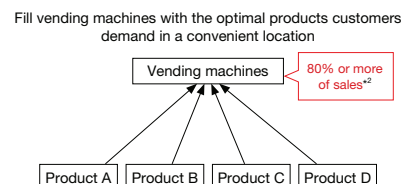
At the heart of this business model is the concept of “being there”—selling products that customers want in surroundings that are familiar to them. This concept has been passed down since the time of the company's founding when we first established the “use first, pay later” medicine business. This approach is something that we are fully committed to preserving amidst the backdrop of significant flux in the business environment. It is a strength that enables us to continue to create new value even if the lines of business we operate in change.

How typical drinks manufacturers operate



*1: According to soft drink statistics from the Japan Soft Drink Association

How we operate

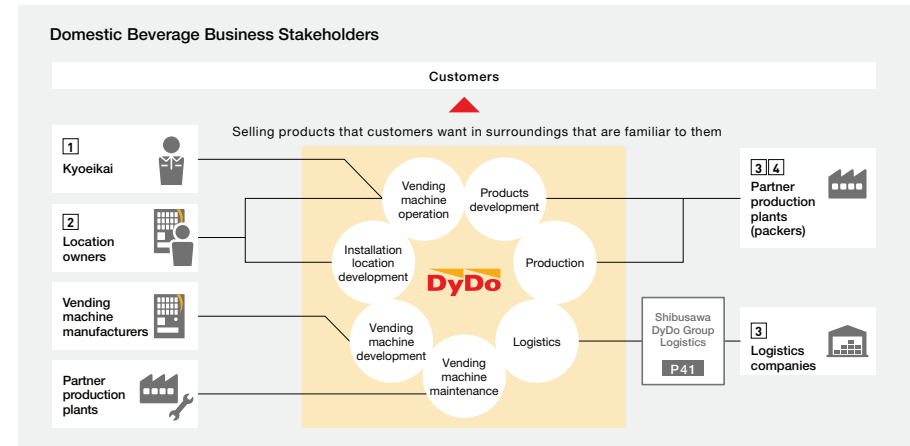


**2: Proportion of sales in the vending machine channel for the Domestic Beverage Business (in FY2019)

Strength and Characteristics 2 Working in Close Partnership with Stakeholders

In the Domestic Beverage Business, our resources are concentrated on areas of direct involvement with customers (products or locations), specifically the planning and development of products, the development of vending machine

locations, and vending machine operations. Production and distribution are outsourced to cooperating suppliers, as are some non-direct sales. Thus, the group's business is built on happiness and prosperity together with a variety of stakeholders.



Close Partnership with Stakeholders 1 Robust Sales System through Working with the Kyoekai

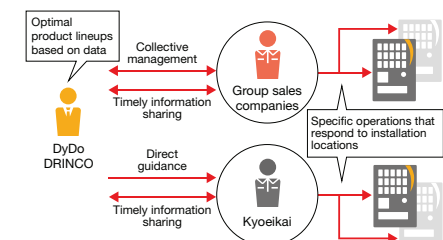
The Domestic Beverage Business' revenue is made up of the accumulated sales of each individual vending machine. We work hard to maximize the sales of each unit through measures such as optimizing the product line-up according to the installation location, visiting the vending machines when necessary to stock them up to appropriate levels to ensure no sales are lost through stock-outs, switching between hot and cold drinks sales depending on changes in the weather, and point-of-sale decorations such as those tied in with our TV commercials. Our vending machine operation also includes activities to clean and tidy our vending machines and the areas around them, and to maintain them as attractive, well-presented retail outlets. With initiatives like these, we improve the quality of our operations and gain expertise.

activities or measures to improve productivity). Through this we have built up a strong partnership, enabling us to make their operation of our vending machines uniform with ours.

This robust sales framework of group companies and the Kyoekai naturally means we have high-quality integrated operations across all our vending machines nationwide, but also means that we can rapidly disseminate and implement new strategies and initiatives. This is the key strength of the Domestic Beverages Business.

The operation of the vending machines is handled by our sales company and by special contract operators who are responsible for the maintenance and expansion of our network, referred to by us as the Kyoekai. The Kyoekai are important partners to us; their role goes beyond just supplying vending machines with our products. We share not only our overall business strategies with them, but also region-specific policies and expertise (such as examples of successful sales

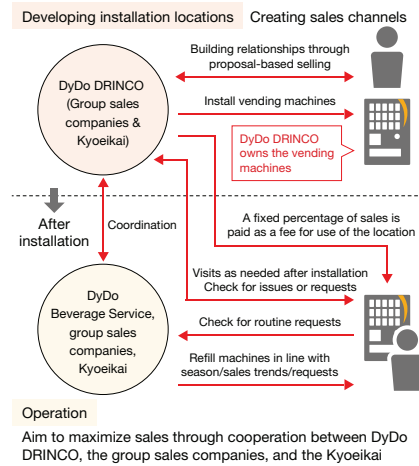
Measures to maintain high-quality operations



Close Partnership with Stakeholders **2** Vending Machine Location Owners

The DyDo Group's business begins by securing locations to install vending machines; this is our core sales channel and locations are key. The development staff in our Domestic Beverage Business are tasked with approaching owners of places predicted to yield high sales and negotiating to install our vending machines.

Having installed a vending machine, the location owners are paid a mostly pre-determined percentage of sales from that machine. In other words, maximizing sales doesn't benefit DyDo alone; it also benefits location owners. Through proactive communication with location owners, development staff and the operations staff that are responsible on a daily basis for stocking vending machines and maintaining the surrounding area, both ensure an optimized product line-up that meets the needs of each machine's users.



Close Partnership with Stakeholders **3** Fabless Management Generates Strong Cash Flows

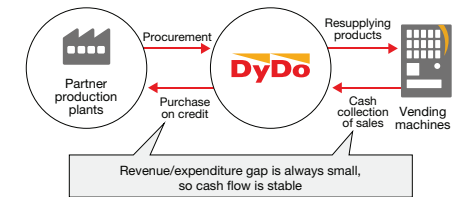
In order to expand sales in the Domestic Beverage Business, our vending machines need to be attractive to customers, and one of the key criteria for that is a generous range of products. But our machines typically hold upward of 30 different product types, and making all of them in-house would require gargantuan capital investments. To avoid those investment risks, we outsource production to partner production plants across the country.

This business model also enables us to reduce logistics costs and gives us an advantage in terms of business continuity planning (BCP). Products manufactured all over the country are delivered to regional distribution centers by local logistics companies. We can reduce our distribution costs, and minimize risks associated with potential disruption to transportation, due for example to disasters, that would impact our nationwide vending machine sales.

In terms of funding, products are purchased on credit from

partner production plants, and sales are primarily collected in cash from vending machines. Therefore, while vending machine sales remain stable, the revenue/expenditure gap is small, and we generate a stable cash flow. This solid financial base is the Domestic Beverage Business's core strength, and maintaining and growing it provides momentum for new growth groupwide.

Cash-in first business model



Development and Operations: A Tight-Knit Team



Ryo Maeyama
Sales and development staff member
West Japan Daiichi Sales Department
DyDo DRINCO, Inc.



Masaji Tsutsui
Operations staff member
Naniwa Sales Office
DyDo Beverage Services, Inc.

There are two main facets to our vending machine business: finding new locations to install machines and post-installation operations. The former is performed here at DyDo DRINCO, and the latter by DyDo Beverage Services and other sales companies. From the location owner's point of view, there are two staff members for each machine.

I work with corporate clients, and my main role is to develop new locations in which to install vending machines. One of my most important tasks, however, is to follow up with existing clients. Increasing the number of vending machines is our overriding goal, of course, but we also endeavor to maximize each machine's sales by carefully listening to clients' concerns and requests, and passing them on to operations staff.

The quality of DyDo's operations work provides a boon for our sales and development activities, and allows me to do my job with confidence. This is best illustrated by the case of a client whom we couldn't convince to increase the number of machines. One day, their employees demanded "more machines maintained by that guy from DyDo, Tsutsui-san," which was the push needed to clinch the deal. It made me proud of the quality of the group's operational work, and reinforced the importance of tight-knit teamwork between the sales and operations divisions.

I look forward to working hard to raise awareness about all that's good about our operations and about DyDo vending machines in general.

Most people think "vending machine operations" simply means restocking products, but my role is much broader than simply making sure products don't run out and keeping the vicinity clean. My mission is to maximize each machine's sales.

A standard DyDo vending machine can stock 30 types of product, but we offer more than 50 types for sale through this channel. Choosing the best combination for each particular location is important because an optimized line-up is a sure way to increase sales. In doing so, we endeavor to provide consumers a balance between the comfort of knowing their favorites are always available and the enjoyment of making new discoveries when we update a machine's offerings.

It is common, when performing vending machine operations, to encounter customers coming to buy drinks. This is especially true in offices, where they are regulars. These are golden opportunities to get direct feedback from our customers, so I try not only to finish my work as quickly as possible so they don't have to wait long, but also to use these conversations to pick up on their tastes and requirements. In this way, Maeyama-san and I work together to identify and fulfill customers' needs: he by uncovering the broader requirements of the location owners and I by paying attention to the more detailed wants of customers. And when a product I add to a machine because I thought it might be popular becomes a hit, it is such a great feeling to know I was right.

I look forward to ensuring each of my machines is stocked with just the right selection of products to please the customers.

Close Partnership with Stakeholders **4** Working in Tandem with Packers to Achieve the Best Blends

The Domestic Beverage Business could never have grown to become the group's core business without quality coffees well suited to the vending machine format. What is more, we have always insisted since the very first days of DyDo DRINCO that DyDo Blend—our flagship product—and our other coffee products must be free of additives so that customers can always enjoy the true flavor of the coffee.

In recent years, increased coffee consumption has seen a diversification in customer's preferences. Our mission is to meet those needs with a line-up of coffees suited to today's diverse coffee-drinking scenarios without compromising our devotion to quality, additive-free coffee. Thus, our traditional canned products have been joined by those in bottle cans and plastic bottles.

There are endless varieties of coffee beans, from many different locations around the world, and all taste different depending on the roast. Amidst all these many variables, the authentic flavors of our coffees are achieved by carefully blending at least five bean varieties to best represent each product's distinctive concept. But while these products are developed in-house, from initial concept to deciding on the final recipe, production is outsourced to packers. To ensure the final flavor profile is just right, it is vital to work in tandem with packers. They are involved from the development stage prototyping, testing and fine-tuning the production lines, and going through repeated trial-and-error to make sure the finished product is perfect.

Challenges to Business Model Sustainability

Innovation in the Domestic Beverage Business

The vending machine market is saturated, and the number of machines is trending downward. At the DyDo Group, we had managed to maintain a somewhat consistent level of vending machine numbers since 2010 through the natural process of new installations and removals. However, vending machine numbers have been declining since the second half of fiscal 2018, as removals outnumber new installations, particularly in the regions where labor shortages mean we have been unable to secure sufficient operations staff numbers.

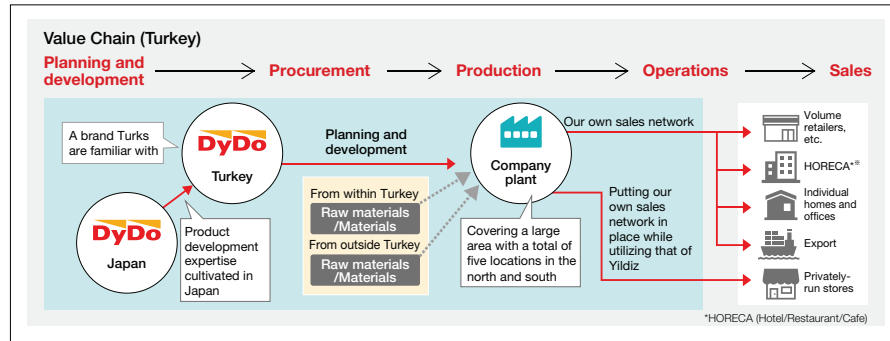
We are conscious that increasing vending machine numbers by minimizing removals and speeding up new installations is one of the group's most urgent tasks. Covid-19 seems to be a trigger of major change for the vending machine market, and such upheaval is often an ideal opportunity for innovation. We will adapt flexibly to these developments and achieve innovation in the Domestic Beverage Business. (For more details on how we are addressing challenges, see p. 62)

International Beverage Business (Turkish Beverage Business)

In the International Beverage Business in Turkey, Malaysia, Russia, and China, we are developing our operations in accordance with the market characteristics of each region. The Turkish beverage business, which was launched through acquiring a local company in 2016, manufactures and sells local brands and plays a central role in the group's International Beverage Business.

Related Companies

DyDo DRINCO TURKEY
İçecek Satış ve Pazarlama A.Ş.
Others



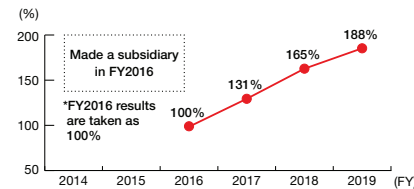
Our Turkish Business: Background and Performance

Our overseas expansion began in earnest in fiscal 2013. Inspired by the "challenge to expand overseas businesses" we set ourselves in the previous mid-term business plan (FY2014 through FY2019), we moved into Malaysia in fiscal 2015 and Turkey in fiscal 2016. Our targeting of the Muslim community was deliberate as this global population is predicted to grow. We chose Turkey because it is on the western tip of the Muslim world, has a large younger demographic, and its beverage market is forecast to grow, buoyed by an expanding population.

The International Beverage Business has grown to contribute 10% of the group's consolidated sales, and most of that comes from our Turkish beverage business. Already, our Turkish operations have achieved solid growth in sales and

operating income in local currency, and growth in excess of the market itself, following reforms in sales and production after the M&A.

Trends in sales in the Turkish beverage business (based on local currency)



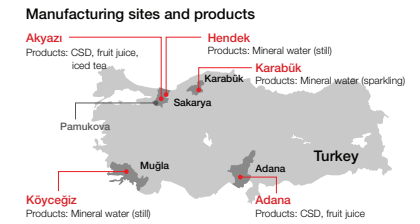
Strength and Characteristics 1
Known and Loved Locally as "a Turkish Brand"

Our Turkish beverage business inherited brands from Yildiz Holdings A.S. when we acquired a stake in that company. Sales of one of our best-selling products, "Saka" mineral water, delivered in large-bottle format to offices and other business places, are robust and have contributed to overall sales growth. In addition, we are developing new core brands such as "Çamçica," a carbonated beverage that is very popular among the Turkish people, and more recently, "Maltana," a carbonated malt-flavored drink made with hops.

Like other emerging nations, the major global drink companies have the lion's share of the Turkish market. The brands held by our Turkish beverage business have long been known and loved by the local people, and by concentrating our resources on those core brands since the M&A, we have worked to steadily increase brand recognition and grow their market share.

Strength and Characteristics 2
Five Plants to Cover a Vast Country

Unlike the Domestic Beverage Business, where vending machines are the main sales channel and we operate on a fables basis, our Turkish beverage business has a more conventional model, in which drinks are produced at our own plants for distribution via supermarkets and other such chains. Following some integrations and new builds after the M&A, we currently have plants in five locations throughout Turkey. In the meantime, we are looking into securing new water sources capable of handling voracious new demand for "Saka" mineral water and other products.



A local UK subsidiary to help expand exports

Products made in Turkey were exported for more than 15 years before DyDo Group Holdings became involved. These products are exported to some 15 countries with Europe as the focal point, and steadfast sales efforts have seen a solid rise in the brands' strength.

Growing exports helps us earn revenues in stable currencies like the euro and the UK pound, and leads toward steady growth for the Turkish beverage business. For now, Turkish exports account for only around 10% of sales, but we intend to grow this to 20-30%.

The export markets can be divided into two main groups. One is populated by Turkish, Middle Eastern, and African migrants in Europe. This group represents a substantial market, and there is demand for our Halal-certified products. The other group is not defined by any ethnicity, but is made up of people who support our brands, fans won through years of solid marketing effort. The rise of health-conscious consumers in Europe means demand for quality is high and rising, and our products are popular because they meet those needs.

Not only does exporting products from Turkey provide

manufacturing cost advantages, but the depreciation of the Turkish lira in recent years provides us with opportunities for business expansion. In the past, export sales and profits were affected by the intentions and financial strength of local agents, but the establishment of a local subsidiary in the UK in fiscal 2019 creates a platform that allows us full control as we strive for further growth in this arena.

The global spread of Covid-19 has delayed our business operations somewhat, but we are prepared to resume operations as soon as restrictions on international movement are relaxed. We remain dedicated to forging strong relations with our Turkish staff and partner companies, and providing quality products to more and more customers.

Toshiyuki Komaki
Overseas Business
Development Manager
DyDo DRINCO Turkey



Upcoming Challenges to Our Business Model

Selecting and Consolidating Strategic Overseas Facilities

As part of our effort under Group Mission 2030 to increase overseas sales to at least 20% of overall sales, we are working to reform our existing business sites in accordance with the goal of selecting and consolidating strategic overseas facilities stipulated in Mid-term Business Plan 2021. Naturally, the Turkish beverage business, which is the core of our International Beverage Business and is currently achieving solid growth, is no exception.

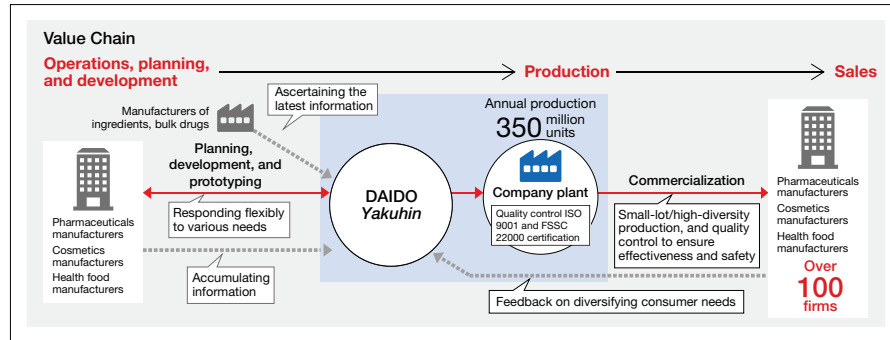
The raw material used to make plastic bottles must be imported into Turkey, but the volatile Turkish lira has a

significant effect on cost of sales. Recent political instability in Turkey and the current woes caused by Covid-19 mean an economic slowdown is inevitable, so we cannot immediately raise product prices to cover increased material costs. In addition, the instability of the Turkish lira represents a medium-to long-term challenge to our quest for stable business operations. Therefore, starting in fiscal 2019, we have been working to strengthen exports from Turkey as a means of acquiring foreign currency and hedging against exchange risks.

Pharmaceutical-Related Business

The core of our Pharmaceutical-related Business is DAIDO *Yakuhi*n, which specializes in OEM manufacturing of nutritional drinks, which are classified as pharmaceuticals or quasi-drugs, and beauty tonics. DAIDO *Yakuhi*n's industry-beating production capacity and uncompromising quality standards has earned the trust of major manufacturers throughout Japan, and the company boasts a top-in-the-industry track record of OEM production.

Related Companies
DAIDO *Yakuhi*n K.K.



Strength and Characteristics 1
Building a Solid Client Base for Specialist OEM Solutions

Today's Pharmaceutical-related Business is the modern iteration of the group's founding activity. From our "use first, pay later" medicine business grew DAIDO *Yakuhi*n's drinkable preparations business. Initially the company made products in-house, but gradually switched to providing OEM solutions for other companies as this afforded more efficient use of production lines. With the relocation in 1991 of plant facilities to group headquarters in the city of Katsuragi, Nara, DAIDO *Yakuhi*n discontinued in-house production and became a specialist OEM company, thus establishing a business model that continues to this day.

At first, products were made in accordance with pharmaceutical manufacturers' specifications, but as drinkable preparations came to be sold by health food and cosmetic companies, that expansion gradually led to more opportunities

for DAIDO *Yakuhi*n to design its own solutions to suit each client's concepts. Over that time, our efforts to make products in accordance with clients' demands helped improve our product development abilities, drove the expansion of our manufacturing equipment to include lines dedicated to production of small-lot-high-variety orders, and lines designed to handle large lots with maximum efficiency, and enabled us to strengthen our quality control and assurance framework.

Our hard-won ability to respond to clients' requirements, our broad customer base, which covers pharmaceuticals manufacturers as well as cosmetics and health food manufacturers, and our steadfast relations with clients, built on mutual trust, are our chief assets in the Pharmaceutical-related Business.

Strength and Characteristics 2
Officially Permitted to Operate in Segments with High Barriers to Entry

The size of the Japanese drinkable preparations market is estimated at around two billion units manufactured per year and, within, the DyDo Group's ability to produce around 350 million units of OEM products puts it in roughly the same class as major pharmaceutical companies who manufacture in-house.

Perhaps our largest point of difference here is DAIDO *Yakuhi*n's official permits to manufacture pharmaceuticals and quasi-drugs. Barriers to entry into this segment are high, and include the need for official permits and the niche nature of the OEM industry itself. Moreover, the time taken to bring a product in this segment to market, from development to beginning of

product sales, is considerable because of all the testing and government permits required. If our OEM clients were to switch to another producer it would involve a huge burden of cost and effort, so there is little risk of that. Still, we endeavor to maintain their trust in us by constantly improving our product planning capabilities, production quality, and quality assurance structures.

- *DAIDO *Yakuhi*n is licensed for:
- (1) Pharmaceuticals manufacturing
 - (2) Second class pharmaceutical manufacturing and sales
 - (3) Quasi-drug manufacturing
 - (4) Quasi-drug manufacturing and sales
 - (5) Beverage manufacturing

Strength and Characteristics 3
Increased Production Capacity Helps Us to Better Meet Client Needs

In recent years, the nutritional drink market is shrinking as its core users begin to get older, but the beauty drink market is growing through exports, in response to increased demand by customers who had tried the drinks on visits to Japan and wanted to be able to drink them in their own countries. Meanwhile, there is renewed potential for businesses who produce drinkable preparations under contract after a revision to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. The revision revoked the requirement for pharmaceutical distributors to have their own factories and has enabled pharmaceutical manufacturers to outsource production. Moreover, increased longevity is predicted to drive further interest in health and beauty, and, by extension, growth in the healthcare market.

DAIDO *Yakuhi*n previously made all its products at two plants at its headquarters in Nara, but we have built a new facility, the Kanto Plant, in Tatebayashi, Gunma, to ensure capacity to handle predicted growth in demand. The new plant not only boosts our production capacity, but will also reduce distribution costs

for the Tokyo metropolitan area, our core consumer market. Moreover, the plant's state-of-the-art equipment enables greater automation of the production process and thereby improves our cost-competitiveness. In addition, having a plant in another part of the country disperses risks to production and contributes to our own BCP and that of our clients, as well, thus providing competitive advantage in areas other than price.

February 2020 saw a new pouch production line at the Nara Plant commence full operations. The drink-from-the-pouch format provides a handy way to consume products, and this is a growing segment of the market. The most common drink-from-the-pouch products are "foods" such as fruit jellies and konjac-based jellies. But interest in this format is growing among pharmaceutical and cosmetic manufacturers, and as one of only a very few companies in Japan with facilities to manufacture drink-from-the-pouch products to pharmaceutical and quasi-drug specifications, we have received a lot of inquiries and hope this advantage will translate into increased sales and profits.

Clients appreciate our solid track record of integrity and hard work

Ikuo Yamashita
Member of the Board of Directors
Director of the Sales Department
DAIDO *Yakuhi*n



Many of Japan's drinkable preparation producers are not specialists but, in fact, manufacturers of other products doing drinkable preparations on the side. Conversely, I believe our current position atop the industry was achieved precisely because we became a specialist OEM producer when the drinkable preparations market was heading toward maturity in the 1990s. But being a specialist is a precarious existence. There is no guarantee that this year's hit product won't be discontinued next year, and often it is not the product itself that determines its fate, but other factors such as the client's brand strategy. In that sense, we live from year to year.

I believe, however, that the risky nature of our industry is what drives sales reps to be more proactive in their work. For instance, when we pitch a new product idea to a client, we do not simply show them a proposal; we make actual prototypes that they can try out for themselves. Indeed, it is rare for a sales pitch to be accepted as is, but our initiative in coming up with ideas and presenting them is a good way to show off our development strengths. In my view, being an OEM company does not mean we wait passively for the phone to ring. Our sales and marketing are effective only when the company's development and sales teams work in close partnership.

While the Kanto Plant began limited operations in early 2020, the Covid-19 pandemic caused delays in official procedures, which resulted in full operations finally beginning in July. Our clients have high expectations for the plant.

With the technical prowess, quality insurance structure, and top-notch response framework that we have built up over the years, and now the improvements to cost-competitiveness that the Kanto Plant will bring, I am confident that we can beat any competitor. So with confidence in our proven track record, tempered with humble recognition that we cannot rest on our laurels but need to continue to develop and improve if we are to satisfy our clients' needs, I look forward to working with our clients to deliver the solutions they require.

Proximity to clients sharpens our development abilities

Yosuke Yamashita
Assistant Section Chief
Product Development Section
Development Department
DAIDO *Yakuhi*n



One of the factors behind the solid relations we enjoy with clients is our superlative development capabilities. We in the Development Department are able to provide clients what they want swiftly and flexibly because we work in close proximity to them.

Nowadays, we operate as an independent unit but previously we were part of the Sales Department. At DAIDO *Yakuhi*n, we believe that the creation of new products is the shared responsibility of both sales and development, and that the production and quality assurance departments provide the support needed to ensure the products are viable on the production line.

I am based at company headquarters in Nara, but I visit clients nationwide together with sales representatives from our Tokyo and Osaka offices. Although we should acquire what information we can about market trends from books and the internet, I believe that actually visiting clients and seeing what they do and say helps boost our product development capabilities.

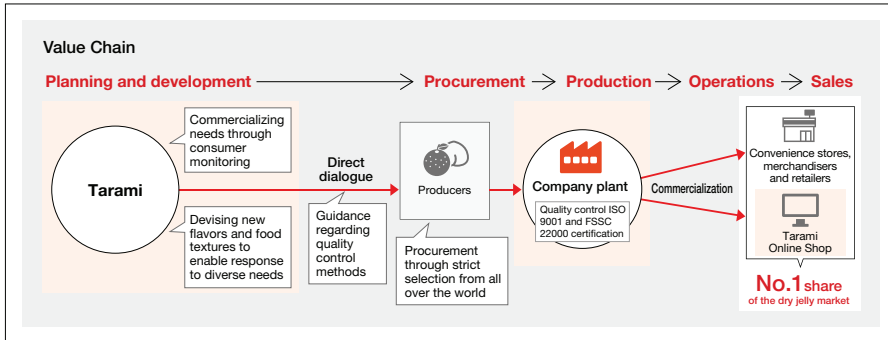
Already there is strong interest from clients regarding our new pouch production line at the Nara Plant, and the development team has become even busier than usual. Until now, we have mainly dealt in liquids—i.e., drinkable preparations sold in bottles—and jelly products are new to us. Fortunately, though, as we work to develop new products through trial and error, we are able to seek advice from our colleagues at Tarami, who are experts in jellies and other foods.

Meanwhile, our business has become increasingly global in recent years, as trade with TCI increases and our client manufacturers rush to deal with demand from overseas tourists and other sources. I look forward to working cohesively with our colleagues in sales to seek out and overcome an ever-broader range of challenges.

Food Business

The core company in our Food Business is Tarami, which has the top share of the dry jelly market. Since being consolidated into the DyDo Group in 2012, Tarami, which boasts a wealth of expertise in making delicious jellies, has made a significant contribution to the group's performance.

Related Companies
Tarami Corporation
Shunnotoki Inc.



Strength and Characteristics 1

Techniques Using the Right Ingredients to Create Jelly with Delicious Taste and Texture for Each Demographic

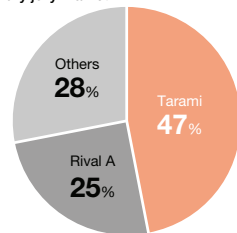
Tarami began as a greengrocer in 1969, and is named for its home town in Nagasaki. In 1988, it began selling jelly as a convenient way for people to enjoy natural fruit wherever and whenever they wanted.

Aiming to deliver consumers value beyond mere fruit, Tarami identifies target demographics and establishes concepts for each of the product brands it develops. For example, the company varies the flavor and texture of the mandarin jelly in each of its brands. In recent years, Tarami has sought to expand its customer base by developing and launching jellies for people who enjoy more of a dessert taste and jellies for health-conscious people in addition to their regular fruit jelly lines.

It is impossible to put a numeric value on the pleasure derived from delicious jellies that appeal to all five senses, but the fact that sales growth is high at a time when market growth

is stagnant is a clear indication of the level of support we have earned from our customers. (For details on Tarami's sales and market trends, see p. 67)

Share of the dry jelly market



October–December 2019
Source: Intage, Inc. SFI retail store panel survey

Strength and Characteristics 2

From the World's Farms to One of the Its Largest Fruit Jelly Plants

Tarami's production facility in Nagasaki is one of the world's largest dry jelly plants. The plant is equipped with production lines and systems able to make a diverse range of products efficiently, all under the watchful eye of our strict quality control system. Only fruit that has passed stringent quality inspections is used in Tarami products, and the company makes use of technology to achieve different textures, thus ensuring that each jelly is as safe as it is delicious.

The fruit used in Tarami's jellies is mostly sourced from wholesale importers, but not without Tarami's experts traveling regularly to the farms and primary processing plants and checking on cultivation and processing practices. Indeed, we seek to constantly raise awareness throughout the entire value chain of our dedication to making safe, delicious products. An example of this is the point top executives make of visiting those early-stage processing plants to deliver final products as a sign of gratitude.

The true significance of Tarami's fruit jellies inspired new development

Tsuyoshi Maeda
General Manager of the Marketing Division
Tarami Corporation



There are three main factors to fruit jelly—the jelly, the fruit, and the flavor—the last of which can be broken down into its component factors: aroma, taste, and texture. Combining the infinite possibilities into a three-dimensional expression of tastiness means that even a basic mandarin jelly can be tailored to provide different varieties of deliciousness to satisfy a diverse range of consumer needs and expectations. We believe that Tarami products must be as healthy as they are tasty, and that the true significance of Tarami's fruit jellies lies in their role as a vehicle for delivering new values by providing new expressions of deliciousness.

Anyone can make a good product from expensive ingredients and slap a large price tag on it. Our philosophy, however, is to squeeze the highest possible added value into a more affordable price bracket. To ensure we deliver impeccable taste and quality to our customers, each product is subjected to detailed production line testing to ensure it can be mass produced without compromising quality stability. That is, no doubt, a heavy load for the production departments to shoulder, but I am impressed by how everyone in the production and development departments works cohesively as a team, knowing that each new product is a vehicle for delivering new value to consumers.

I look forward to leveraging Tarami's wealth of technologies to develop new products, including not only fruit jellies but also a variety of other delicious, healthy options.

Individuals' constant improvements ensure each product is safe and delicious

Ayako Hirayama
General Manager of the Quality Assurance Department
Tarami Corporation



The constant diversification of consumer tastes and our devotion to providing customers with new values means that successful mass-production of the products designed by the development team becomes more challenging every year.

It is not enough to simply churn out products in large numbers; our task is to make quality products that comply with the requirements of the FSSC 22000 food safety standards. Naturally, our products are sterilized through heat treatment, but there is a significant difference between the product development lab, where we test small volumes, and a mass-production facility, and this may lead to inconsistent quality if not carefully managed. To avoid such issues, we make sure to fine-tune our processes to ensure the final products are all of a uniformly high level of quality.

The chief ingredients in our jellies are fruits sourced from different farms and harvested in different seasons, so naturally they are not identical. Our mission, then, is to harness our long years of experience and data to provide customers the reassurance of knowing that whenever and wherever they enjoy one of our jellies, it will always be the safe, delicious jelly they know and love.

Customer feedback, whether critical or complimentary, is always shared among the quality control, production, and development teams. Tarami, which has a majority market share, produces all of its cup jellies at its plant in Nagasaki for distribution nationwide. In fact, I believe that our high quality standards are now a leading force on the fruit jelly market, and I look forward to playing my part in making the constant, day-to-day improvements that allow us to ensure that every product is safe and delicious.

Growth Opportunities Uncovered by Our Business Model

Integrating Existing Businesses to Establish a Second Major Source of Revenue

The expansion of the healthcare market means business opportunities for OEM producers like DAIDO *Yakuhin*. As far as selling is concerned, entry into the market is comparatively easy for a company with product planning capabilities, marketing expertise, and a certain level of financial leeway. When it comes to production, however, the huge capital investments required constitute a high barrier to entry. That is why the main target for our M&A strategy for growth is companies that will strengthen our OEM business. For now, the drinkable preparations and drink-from-the-pouch jellies made by DAIDO *Yakuhin* are the DyDo Group's only OEM products, but we are eager to broaden the scope of these operations in future to include tablet and capsule formats,

for instance by acquiring companies with those capabilities. Through this, we seek not only to establish a platform that enables us to make products in the right format to meet existing clients' needs, but also to establish ourselves as the dominant OEM producer of pharmaceuticals and quasi-drugs, thus enhancing our ability to capture new needs.

Indeed, Tarami's strengths are a significant addition to the synergies generated within the DyDo Group. The technologies and techniques it uses to produce delicious jellies can be applied elsewhere, for instance to produce "delicious jellies with medicinal properties" in our pharmaceutical business. In this way, Tarami is sure to play a key role in our efforts to establish a second major source of revenue.