



FY2014 1H Result Report

(April 1, 2014 – September 30, 2014)

August, 2014

Oisix Inc.

We stepped up public relations activities to increase the number of subscribers, which resulted in a sales boost of 13% year on year. Operating profit increased by 24% more than forecasted after fixed cost reductions.

Results

Cultivating seeds for growth [upfront investment period]

- Sales: 8,300 million yen, up 13% year on year, hitting a record high for the 14th consecutive year
- Operating Profit: 89 million yen, down 76% year on year

E-commerce (Oisix.com)

We improved the level of services and stepped up promotional activities

- Improved the level of KitOisix, Oichika and other services, which helped increase subscribers
- Stepped up PR activities to increase subscribers to 91,000, an increase of 9,000 from the beginning of the fiscal year
- Developed skills to capture subscribers
- Increased recognition of the Oisix brand by increasing brand exposure opportunities

Others (not Oisix.com)

Improvement of the level of other services

- Brick & Mortar shop Revamp of delicatessens at Kichijoji
- Oisix HongKong Upgrade of subscription service
- Fulfillment Outsourcing Start Subscription service of MI Deli



1. FY2014 1H Result



2. Present Situation



3. FY2014 2H Strategy



4. Appendix

Transition of sales/operating margin & Theme of Key activities

■ Sales

— operating margin

FY2013 "Focus on balance"

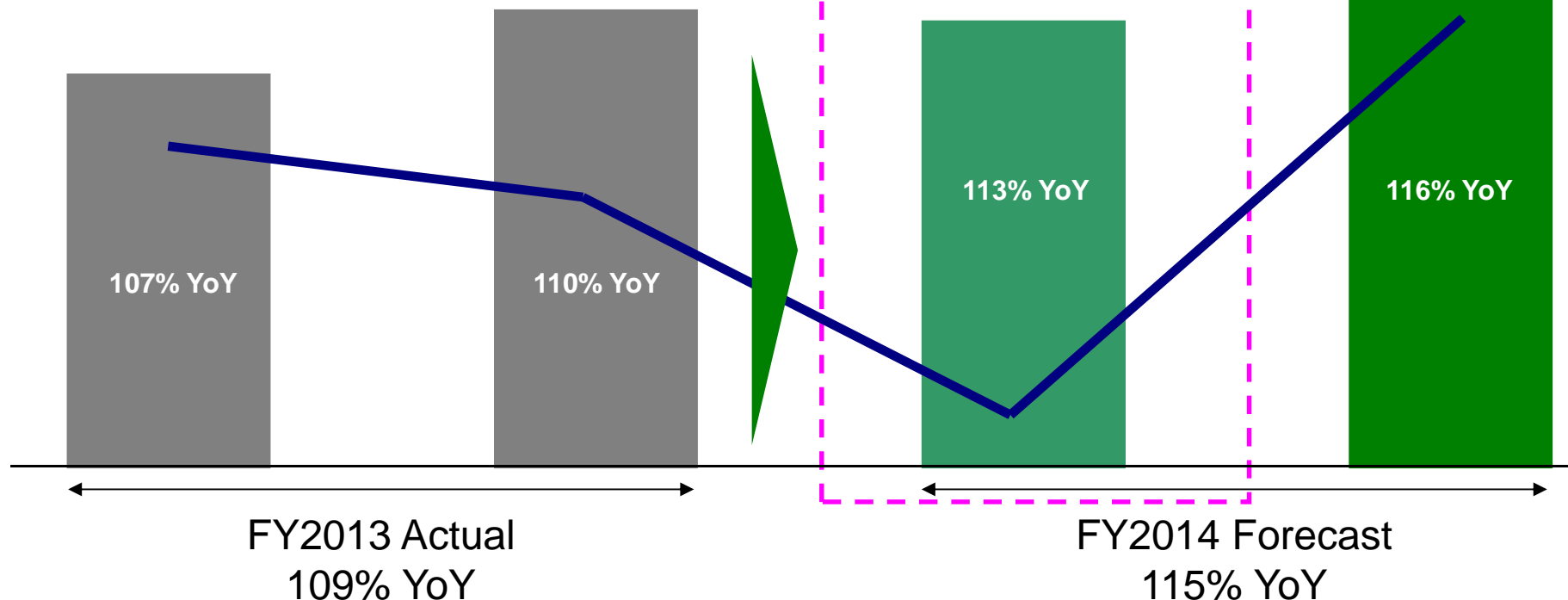
FY2014 "Focus on distinction"

Maximize sales and profit

- Control promotional activities
- Achieve profitability in the year-end selling season
- Prepare for continued growth

Increasing subscribers

- Upgrading services
- Active promotion of EC business



Oisix Overview of 1H FY2014

As the growth rate went up, sales stood at 8,300 million yen, up 13% year on year (with a 9% rise in the first quarter and a 17% rise in the second) to achieve a half-year sales growth for the 14th fiscal year.

Operating profit was 89 million yen, down 76% year on year. It increased by 24% more than initially forecast.

(¥m)	FY2013 1H	FY2014 1H	YoY	Forecast 1H	Achieve- ment rate	Forecast year	Progress year
Sales	7,375	8,366	113.4%	8,274	101.1%	18,300	45.7%
Operating Profit	368	89	24.3%	72	124.6%	750	12.0%
Recurring Profit	386	100	26.0%	83	121.0%	775	13.0%
Net Profit	230	55	24.2%	50	111.8%	465	12.0%

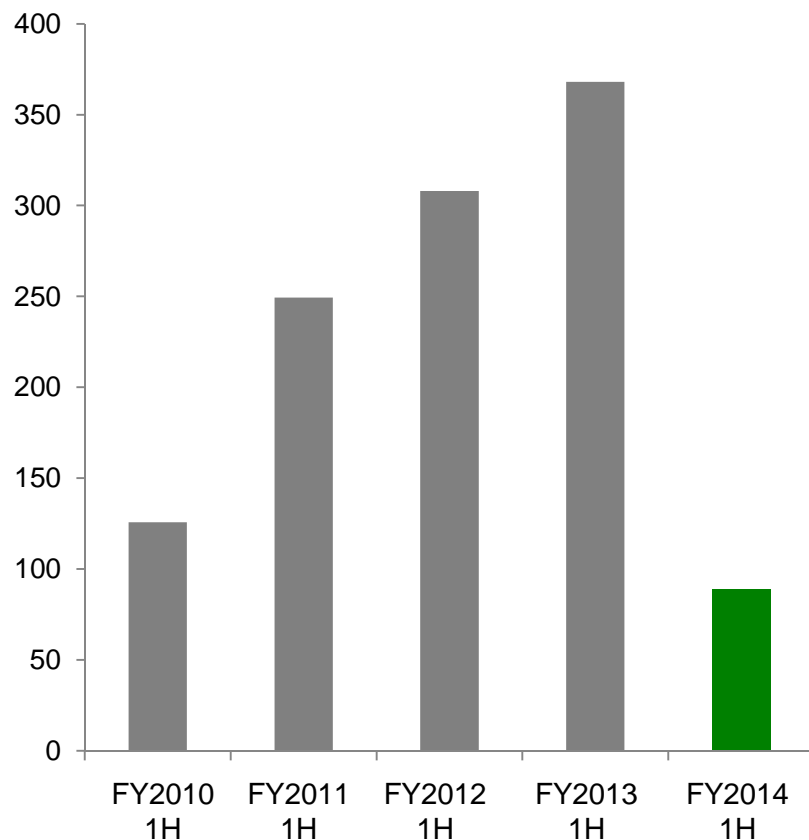
*The growth rate of FY2013: **107%(1H YoY), 109%(year YoY)**

First-half sales rose for the 14th consecutive year and increased 13% year on year to 8,360 million yen.

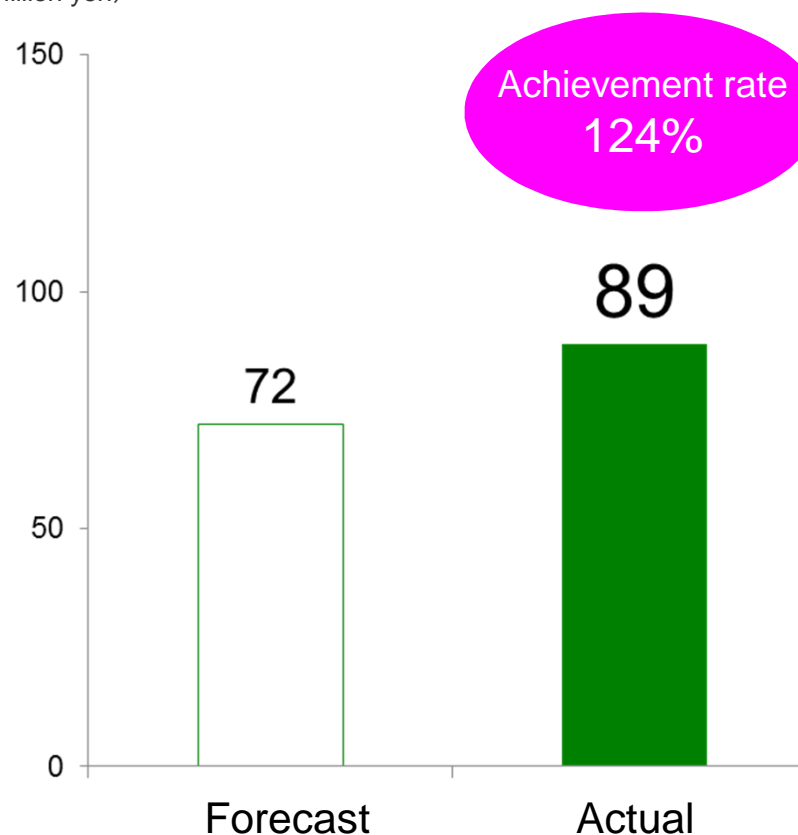


For the first half, operating profit fell 76% year on year due to increased promotional activities but increased by 24% more than initially forecasted after fixed cost reductions.

(million yen)

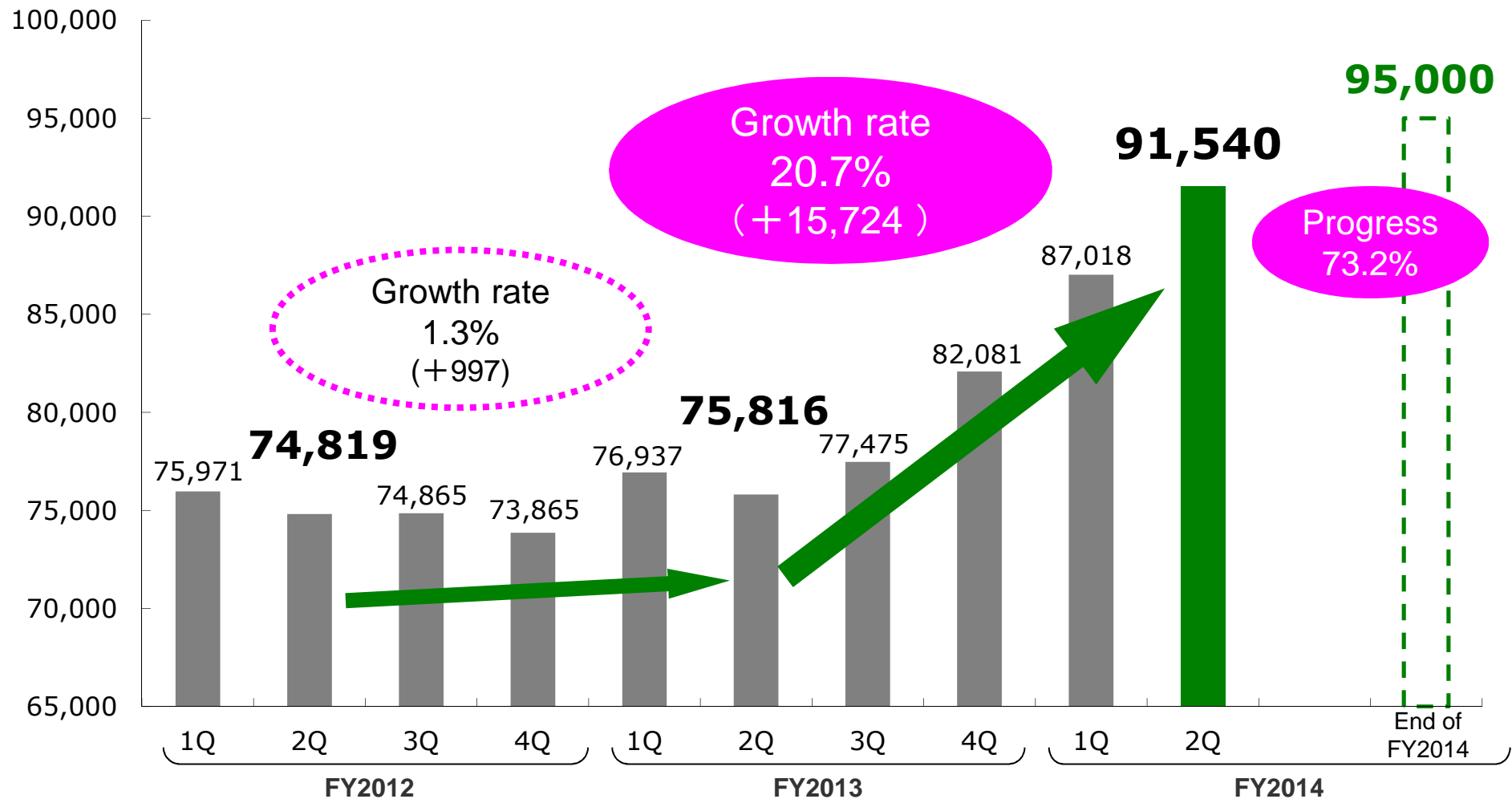


(million yen)

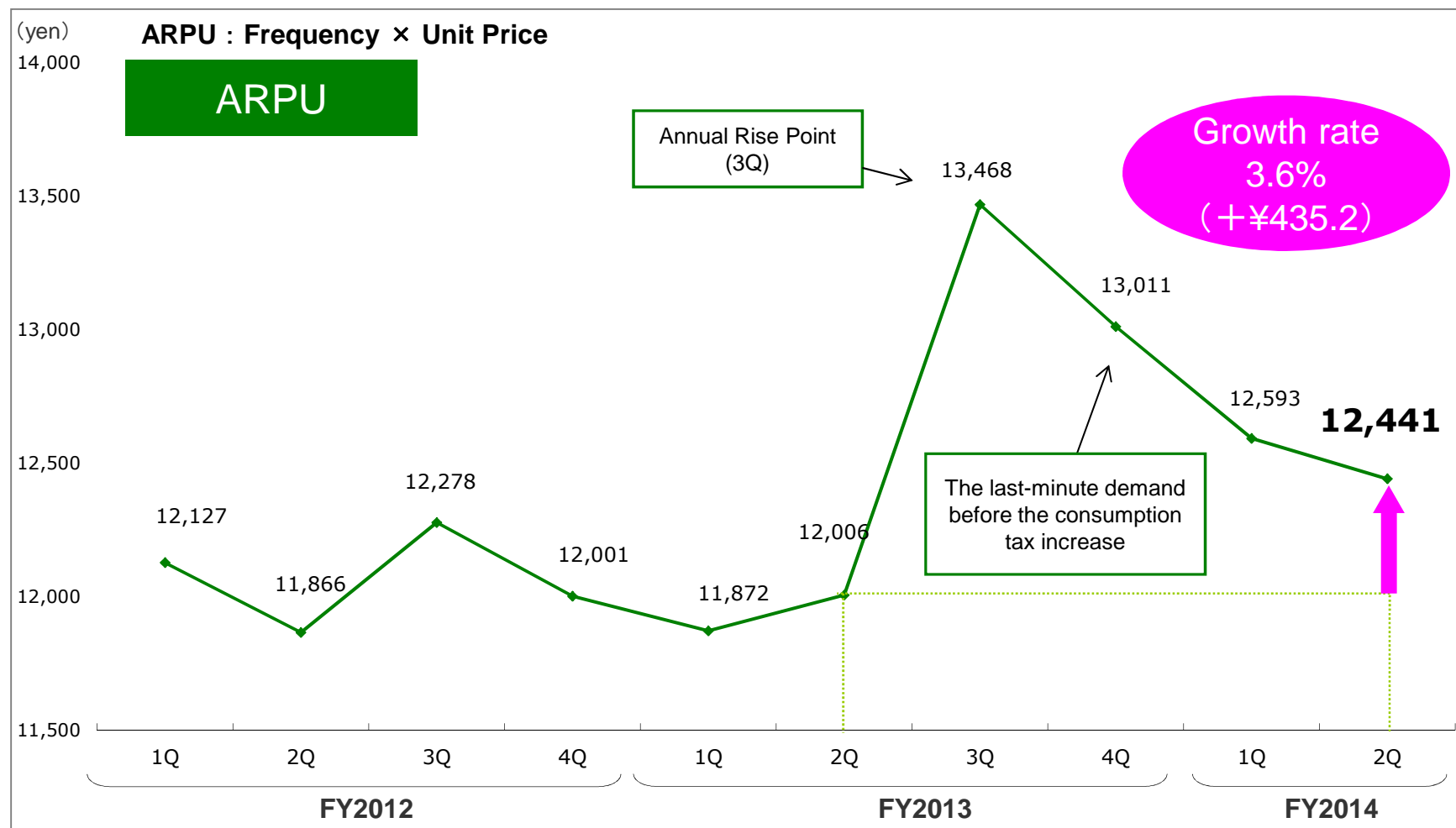


Number of Subscribers

The number of subscribers steadily increased by around 9,000 to 91,500.
We will aim to attain 95,000 by the end of this fiscal year.

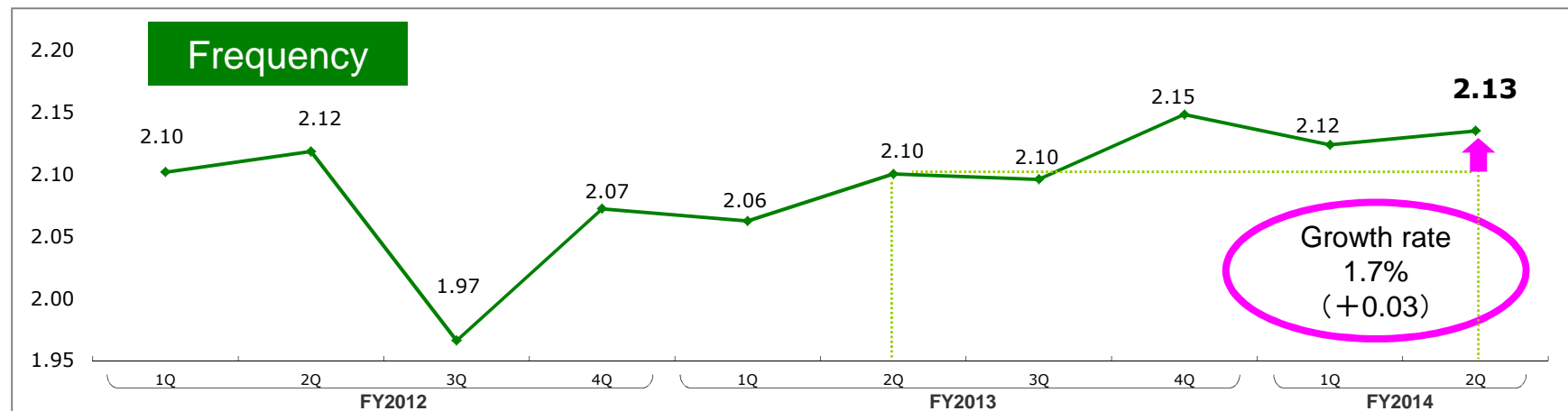


As a result of service enhancement, the frequency of purchases and the value per purchase grew from the same period a year earlier.

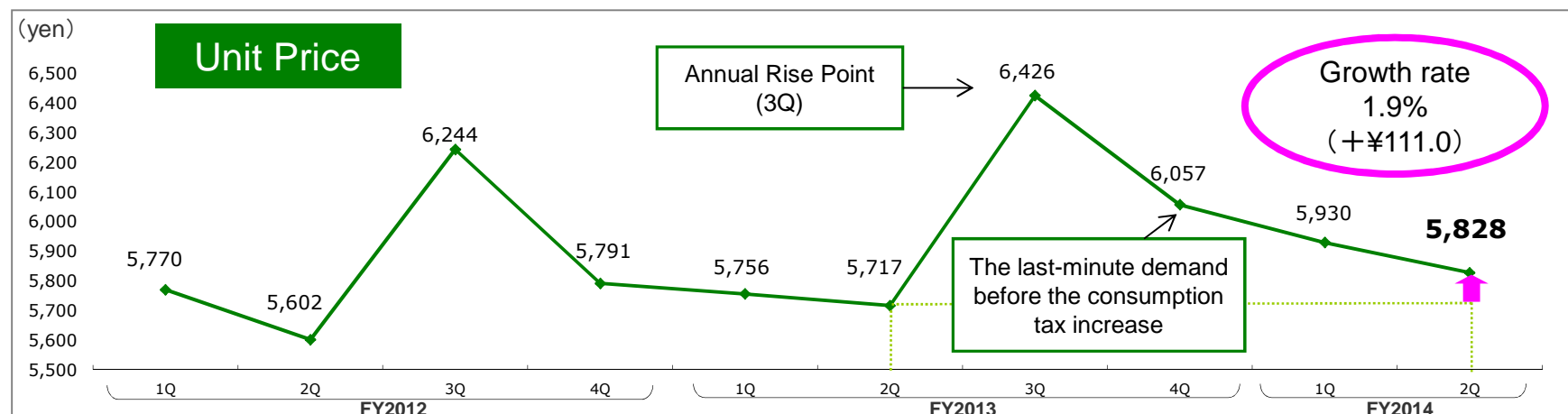


Oisix Frequency & Unit price

The frequency of purchases soared after the improvement of services such as the monthly fixed-rate service for three dairy products.
Due to improvements in KitOisix, Oichika, and other services, the unit price rose.



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1. FY2014 1H Result



2. Present Situation



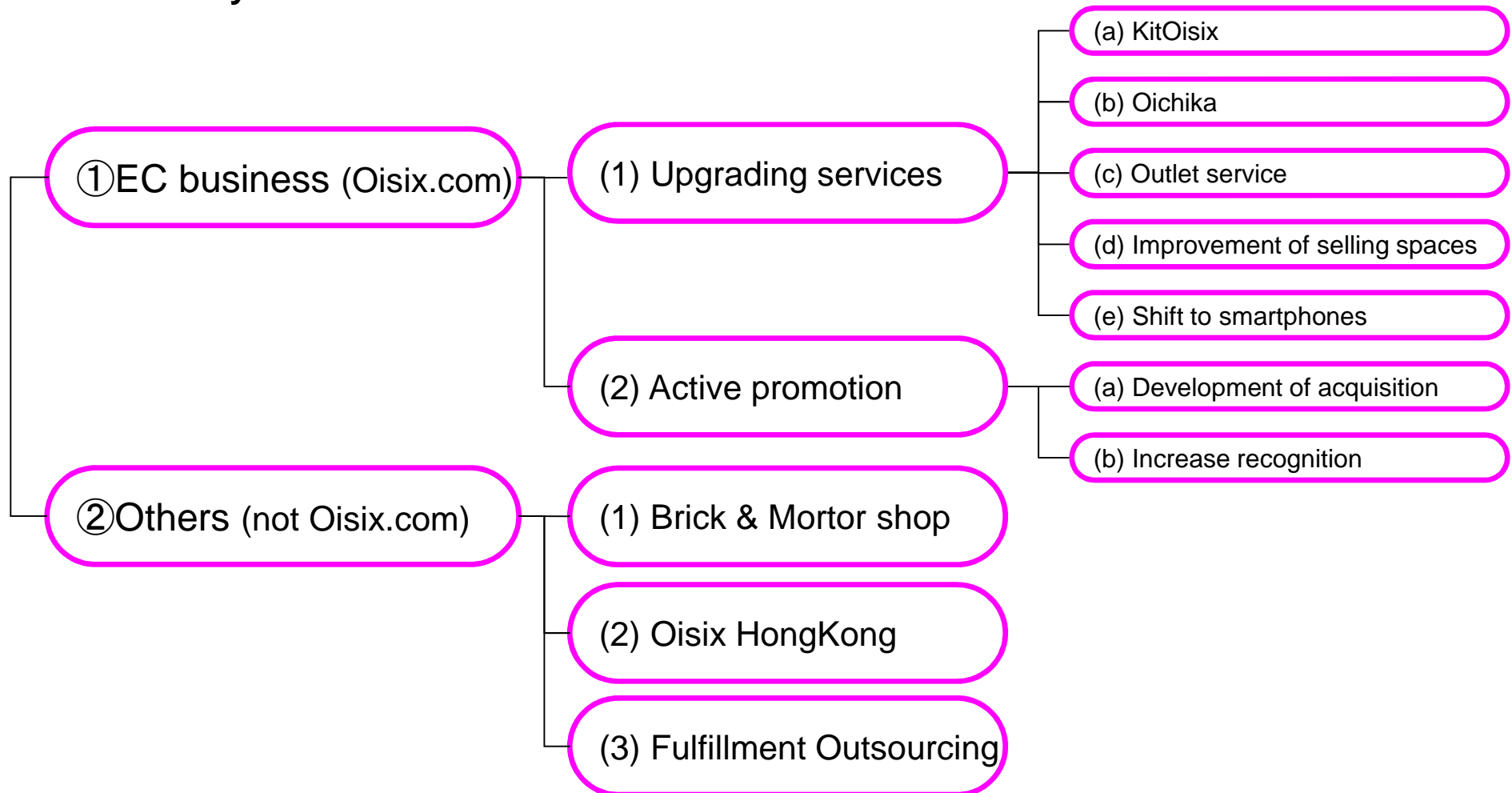
3. FY2014 2H Strategy



4. Appendix

Present situation of services

For the first half, we stepped up promotional activities with an emphasis on increasing subscribers for harvest in the second half while upgrading services mainly in the EC business.



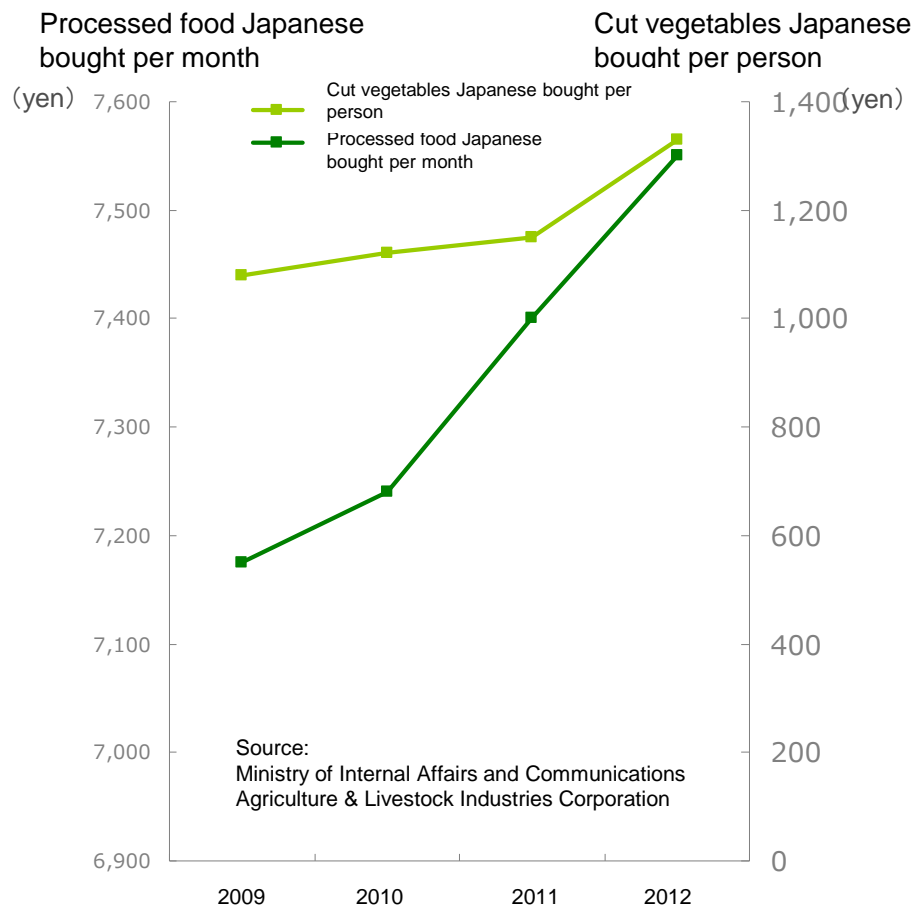
① EC business

(1) Upgrading services

(a) KitOisix [Responding to needs for shortening meal preparation times]

In response to market needs for easy-to-prepare food materials, we launched KitOisix in July 2013. It allows users to prepare main and side dishes in twenty minutes. It is popular mainly among customers wishing to shorten the time spent on meal preparation.

Higher demand of half processed food



Renewal

More Delicious & More Convenience
(31st July)



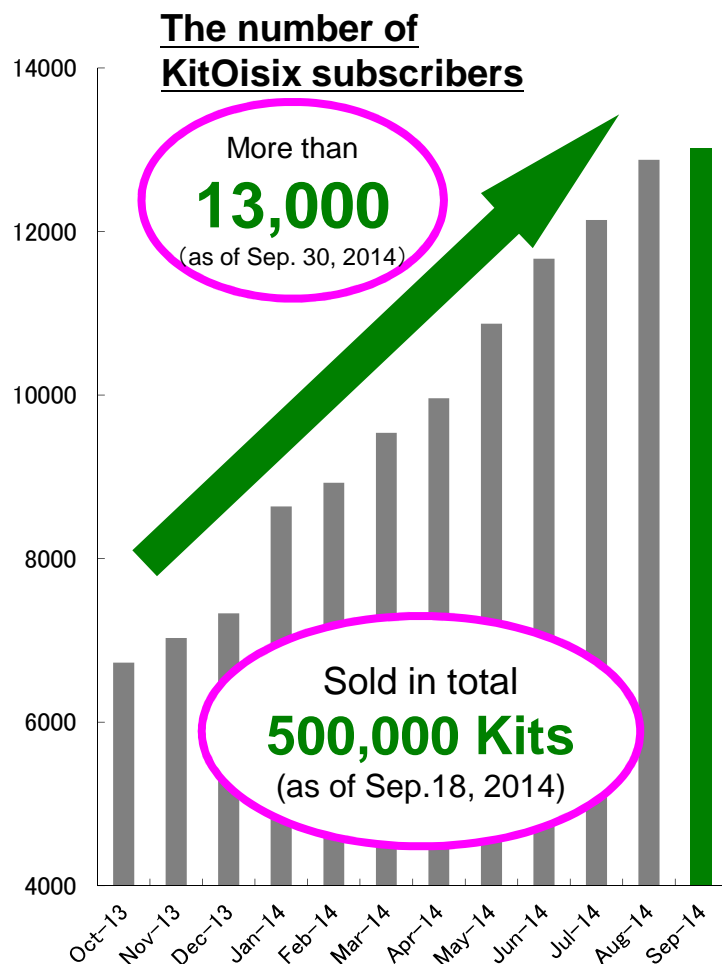
- Limited to food materials that meet Oisix standards
- Enabling preparation of main and side dishes in just 20 minutes
- Containing large quantities of seasonal vegetables

① EC business

(1) Upgrading services

(a) KitOisix [Responding to needs for shortening meal preparation times]

The cumulative total number of sets sold exceeded 500,000. It was covered by a number of media outlets. We will enhance services with a focus on premium time curtailment in addition to regular time curtailment.



Theme



Overview

- Mainly offering staple dishes that children love
- The taste can be changed to satisfy adults.

- Weekly delivery of culinary delights produced by nine professionals including a chef who has been awarded a Michelin star

- Working with other companies to develop sets embodying various concepts

- Currently collaborating with Cookpad Inc.

- Developing a frozen version of KitOisix to prolong the use-by date for offering greater convenience

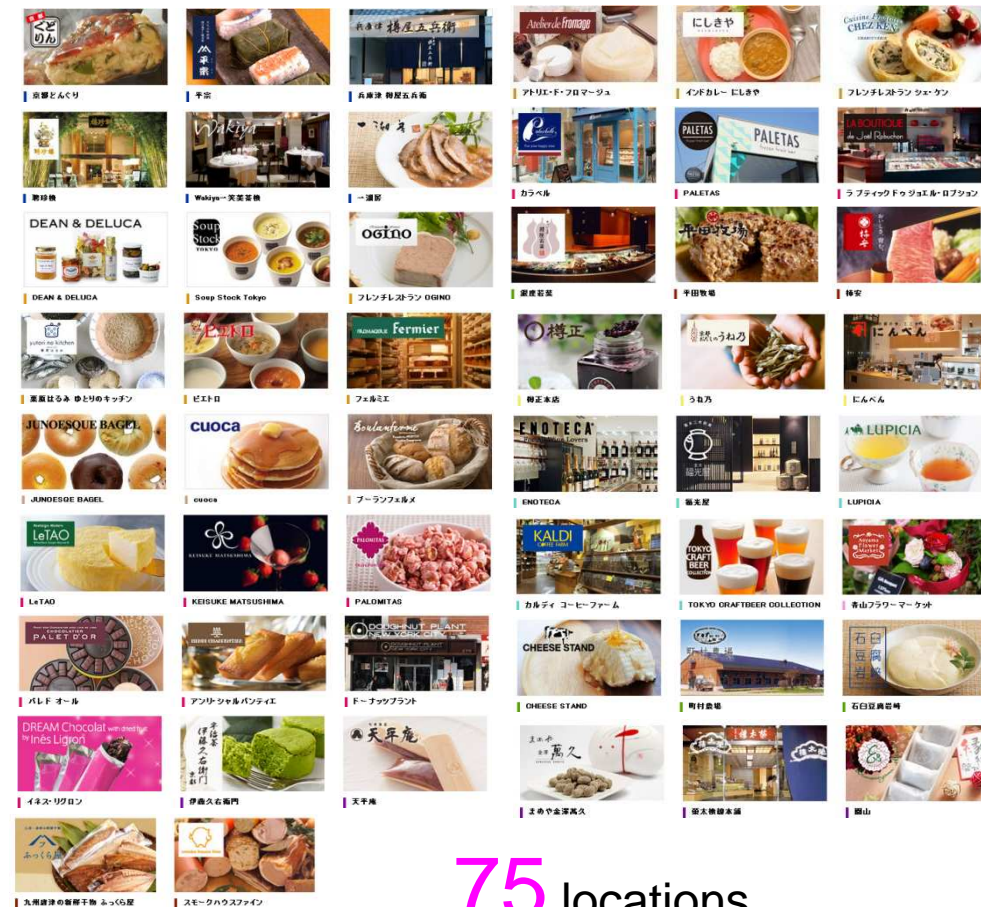
- Providing extra value unique to frozen food

① EC business

(1) Upgrading services

(b) Oichika [Responding to premium food needs]

We launched the Oichika mall-type service at 10 locations in May 2013, offering Oisix products as well as other companies' premium products. We have expanded to 75 locations.



75 locations

① EC business

(1) Upgrading services

(b) Oichika [Responding to premium food needs]

The user base is expanding as the number of stores increases and its website improves.
They deal in original products developed in alliance with Joel Robuchon and other premium brands.

Premium Brands

Soup
Stock
TOKYO

LA BOUTIQUE
de Joël Robuchon

LA BOUTIQUE de
Joël Robuchon

にんべん
NINBEN

Collaboration products



White potage
with large onions



Burnt potage
with "Creamy caramel"
sweet potatoes



Cake au chocolat citron



Cake au ananas coco



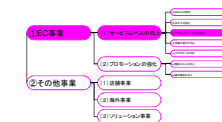
Soy sauce takikomi-gohan mix
of "Aromatic grifola" &
salmon



Tomato takikomi-gohan
mix of "Mushrun" &
Akadori

① EC business

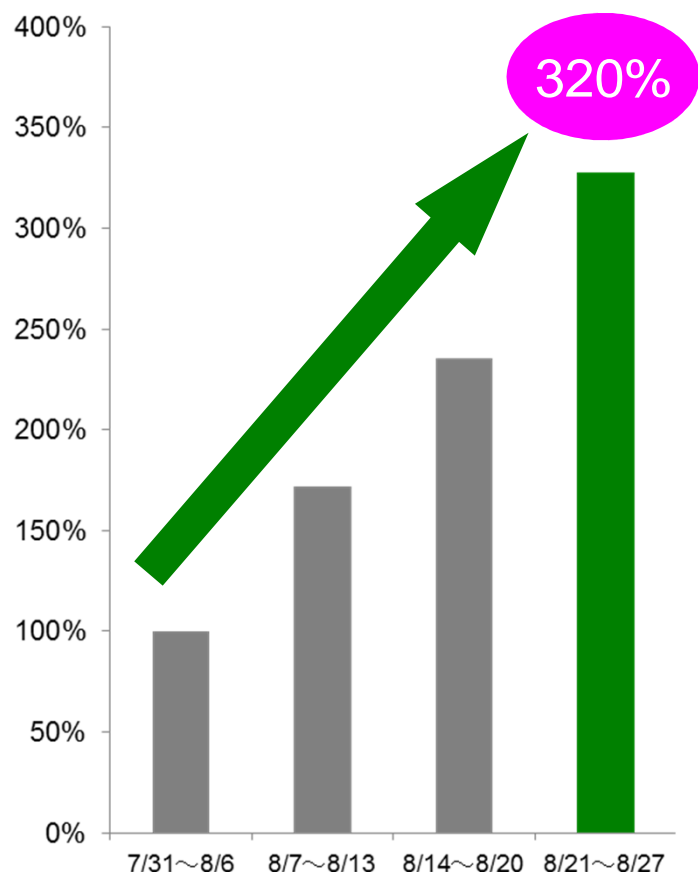
(1) Upgrading services



(c) Outlet service

Supporting the eating life amid the tax hike and soaring vegetable prices, our Outlet Service is strong. Turning poor weather into business opportunities, it has made contributions to agricultural producers as well.

□ Transition of outlet vegetable's sales



□ "Fuzoroi" (non-standard items)

Selling non-standard items and equivalents at around 30% lower prices than normal



Apples with black spots



Overgrown lettuce

□ Good buys after a good harvest

Fast growing vegetables and those harvested in larger quantities than expected

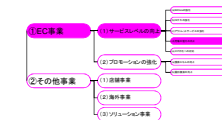


Chamame brownish soybeans that grew quickly due to high temperatures



① EC business

(1) Upgrading services



(d) Improvement in attraction of selling spaces

VIP

- Products offered exclusively to VIP customers
- Loyalty point services and sale exclusively for VIP customers
- Proposing recipes using seasonal vegetables

Oisix VIP SERVICE



彩り鮮やか！秋色ベジタブル

Services for mothers

- Subscription plans exclusively for expecting and child-rearing mothers
- Offering baby food and infant food matched with children's ages in months



Reservation

- Exclusive offers to subscribers
- Swift delivery of seasonal food materials



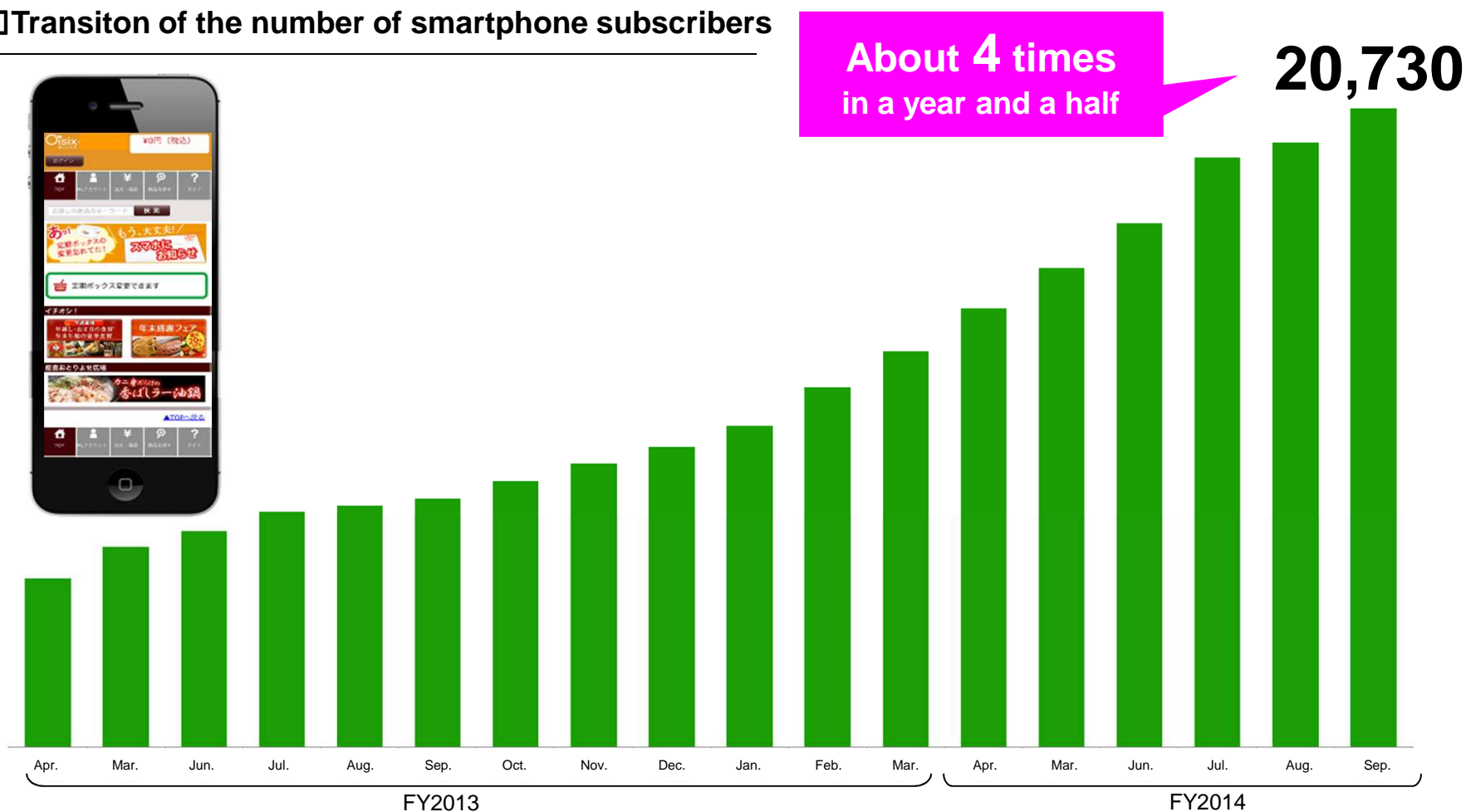
Monthly fixed-rate service for three dairy products

- Exclusive offers to subscribers
- Offering dairy products at lower prices in the monthly fixed-rate service
- Widening the items covered by the service

(e) Responding to the shift to smartphones

With the increase in smartphone users, we've enhanced usability of our smartphone site and conducted sales promotions through the site to boost smartphone subscribers to around 20,000.

□ Transition of the number of smartphone subscribers



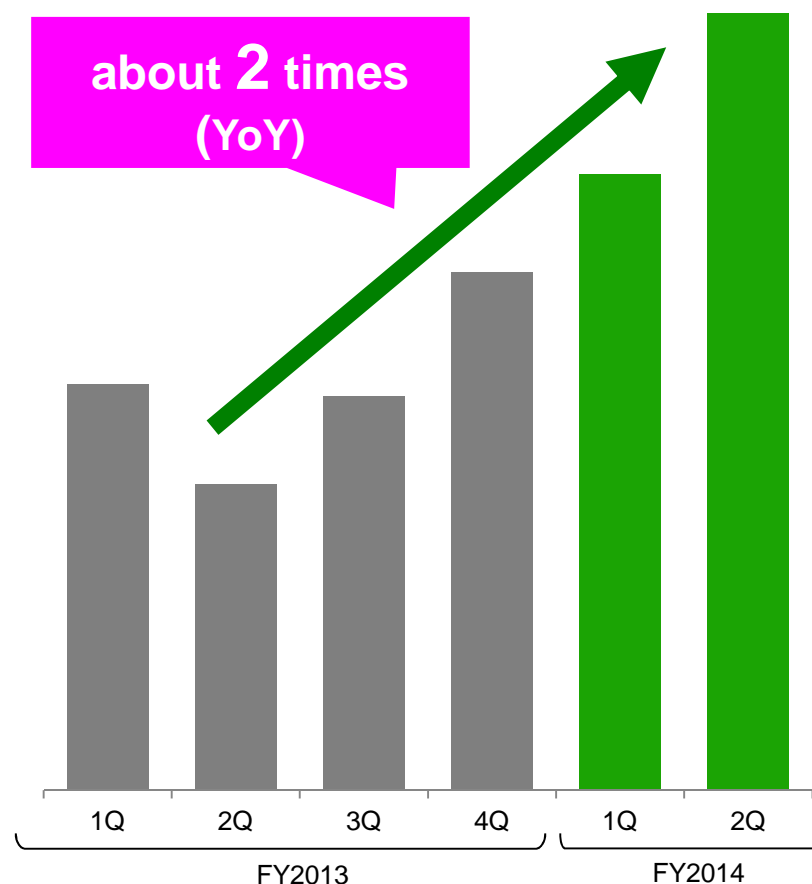
① EC business (2) Active promotion



(a) Development of skills to capture subscribers and increase in new subscribers

In addition to service enhancement with KitOisix and Oichika, we invested in sales promotions and built up skills to capture subscribers to gain a number of new customers that was nearly double the level attained in the same period a year earlier.

□ Increase in new subscribers



□ Development of skills to capture subscribers

Evolutions of 1H

- Success in actions in response to the shift to smartphones
- Development of a model for gaining customers at real stores through events
- Development of a model for gaining customers through social networking sites
- Increase in the rate of customers shifting to subscribers

Challenges of 2H

- Collaboration with Rakuten Checkout, which allows users to log in and to pay with the use of their Rakuten IDs
- Enhanced public relations activities for KitOisix
- Launch of a smartphone app and other attempts will be made.

① EC business

(2) Active promotion



(b) Increase recognition of the Oisix brand by increasing brand exposure opportunities

Oisix brand name recognition is being increased by expanding *Shop in Shop* at Queens Isetan supermarkets, selling the Vegeel private label, vegetable-based beverages at JR railway stations and convenience stores and launching a service delivering salads to offices.

Shop in Shop



Queen's Isetan



Tokyu Store

Salad Oisix for Office



Wholesale of Vegeel



-Convenience stores
▪ "Three F"

-Others
(already introduced)
▪ Tokyu Store
▪ SHIDAX
▪ Kitano Ace
▪ DEAN & DELUCA
▪ toks

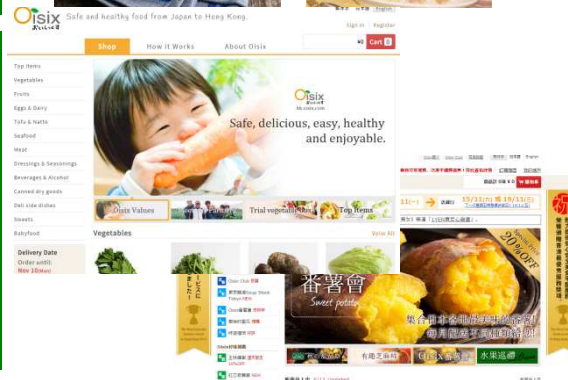
-Vending machines at JR railway stations

Images

(1) Brick & Mortar shop



(2) Oisix HongKong



(3) Fulfillment Outsourcing



Overview

- Delicatessens have been revamped by adding the Half Meat Off series, featuring the amount of meat reduced to half the ordinary amount or less
- A number of opportunities for media exposure, such as...
 - Selected in the *Adomatic Tengoku* TV show episode focusing on Kichijoji
 - An event with TV personality *Taiyo Sugiura*
- The regular delivery service model has been upgraded
- Customer satisfaction has been increased by localizing customer support
- Regular delivery service was started by Isetan Mitsukoshi Food Service Ltd.
- A new client project was put into action



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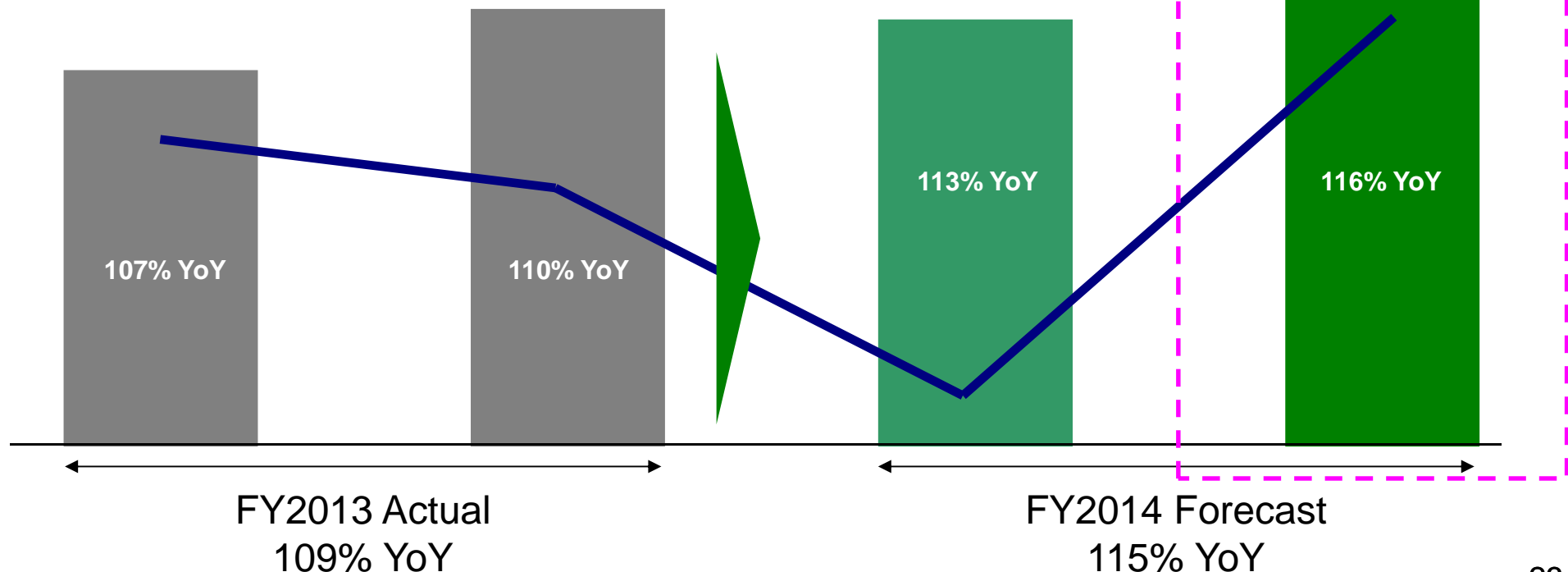
FY2014 "Focus on distinction"

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- Prepare for continued growth

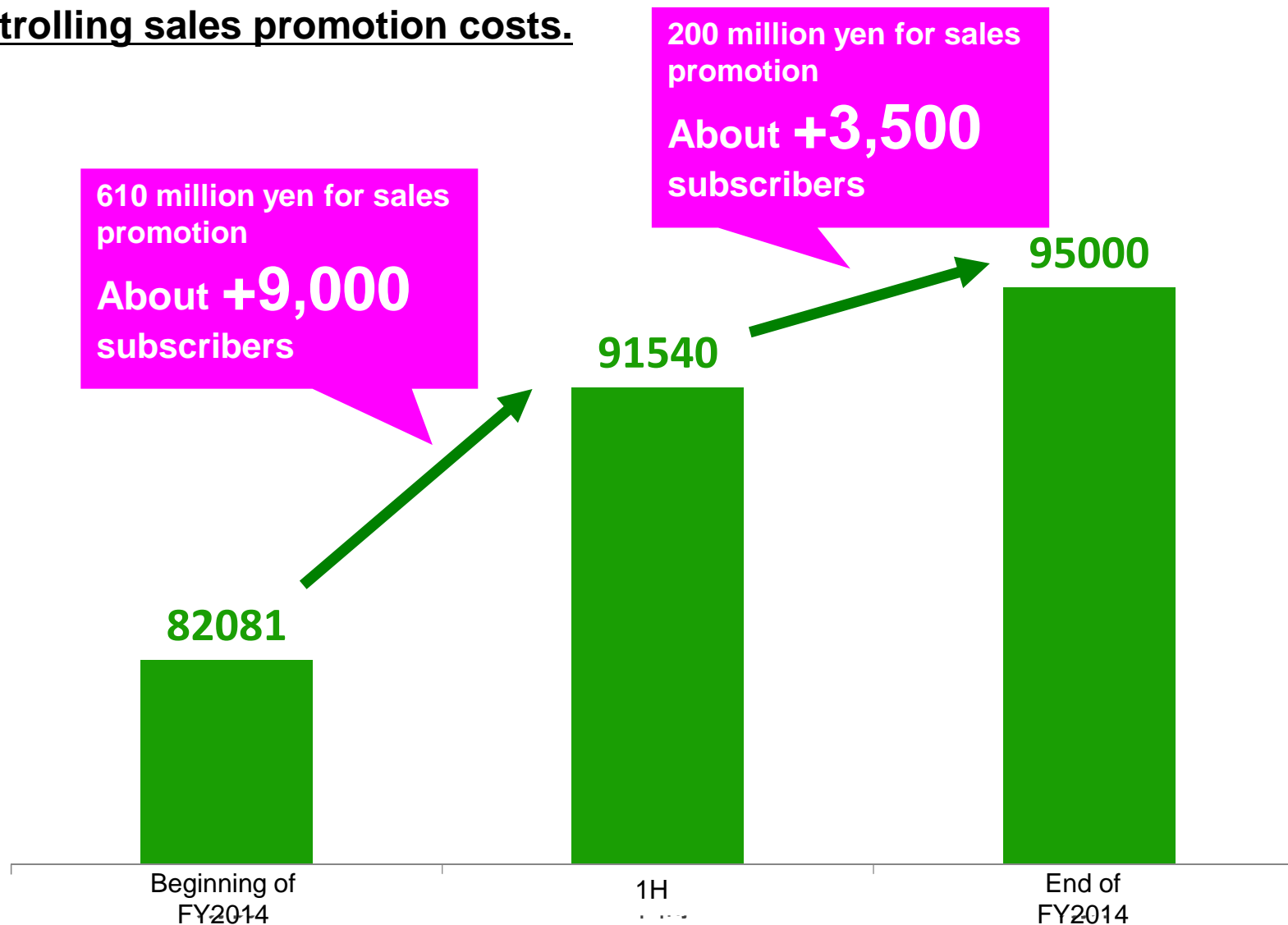
Increasing subscribers

- Upgrading services
- Active promotion of EC business



①Controlling sales promotion costs

For the second half, we will aim to increase subscribers by around 3,500 while controlling sales promotion costs.



②Maximize revenue year-end sales

Maximize revenue by delivering Osechi (traditional Japanese New Year meal) and other high value-added year-end items to customers captured in the first half.



Total number of sales

170,000

③Prepare for continued growth

(1) Functional upgrades of Oisix Stations

Invest in further growth for the following fiscal years and in functional upgrades of Oisix Stations to boost profitability

□Oisix station @Ebina



□Investment on further growth

Productivity improvement

- Introduce frozen food picking systems
- Push ahead with automation (by introducing box packing systems)

Enhancement the backup system

- Add box making systems to enhance the backup system

③Prepare for continued growth

(2) Functional upgrades of central kitchen

Planning to invest in functional upgrades of production bases in order to increase sales volumes of KitOisix and independently processed products

□Central Kitchen @Oisix station



□Purpose of investment

Capability improvement

- Respond to growth in shipments of KitOisix and other products involving complicated processes
- Respond to growth in shipments of fresh meat and processed food, among others

Productivity improvement

- Introduce new production machinery to increase productivity and to cut production costs
- Boost the operation ratio of production bases

Product line expansion

- Embark on internal manufacturing of products that have been produced by outsiders to increase the number of items produced and to cut the cost rate.



KitOisix



Daily Dish



Dressed meat

Oct.

- Start collaboration with Rakuten Checkout, which enables login and payment using Rakuten IDs

Nov.

- Organize *Tokyo Harvest* as one of Japan's largest harvest festivals expressing gratitude to farmers across the country

Dec.

- Year-end selling season for promoting items for one-pot meals, crabs, Christmas cakes as well as *Osechi* New Year meals

Jan.

- Launch of smartphone app expected

Feb.

- Chinese New Year selling season in Hong Kong

Mar.

- Organization of the *N-1 Summit* as Japan's largest event where leading farmers gather



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4. Appendix



Our mission

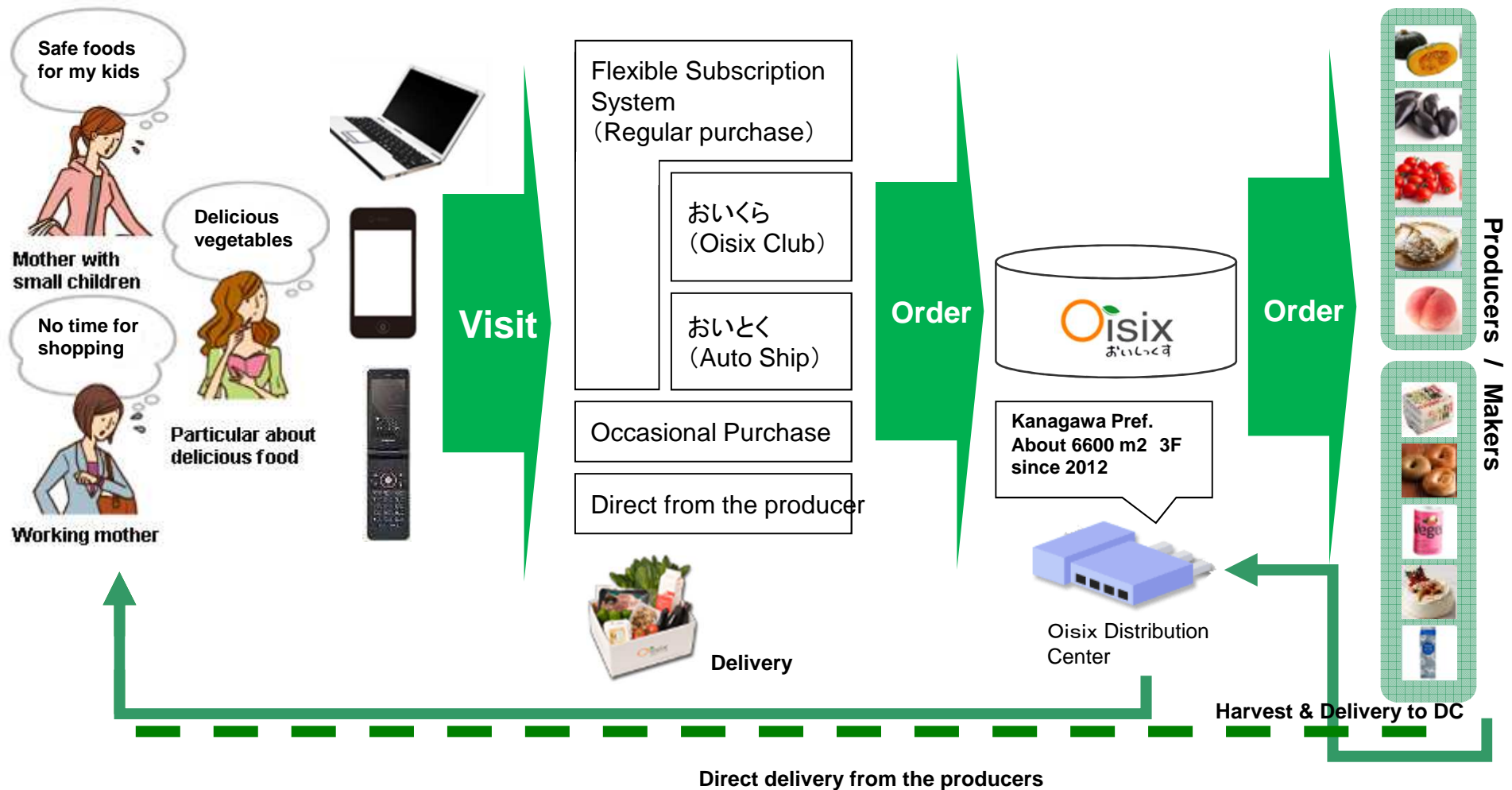
Richer foods for more people

Not only a supplier of foods
but also organizer of happy table.

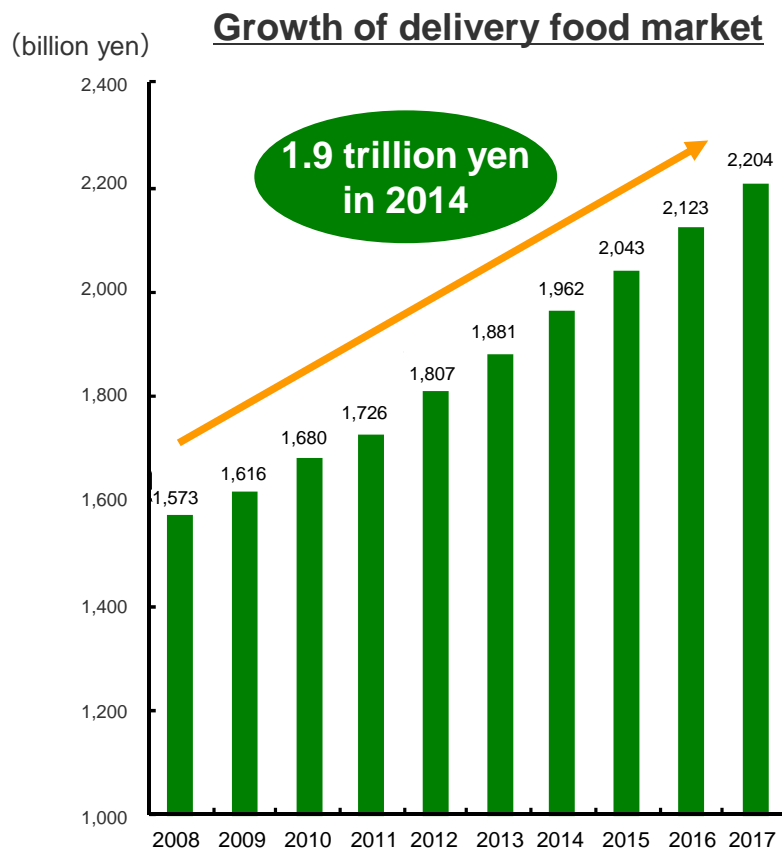


E-commerce system

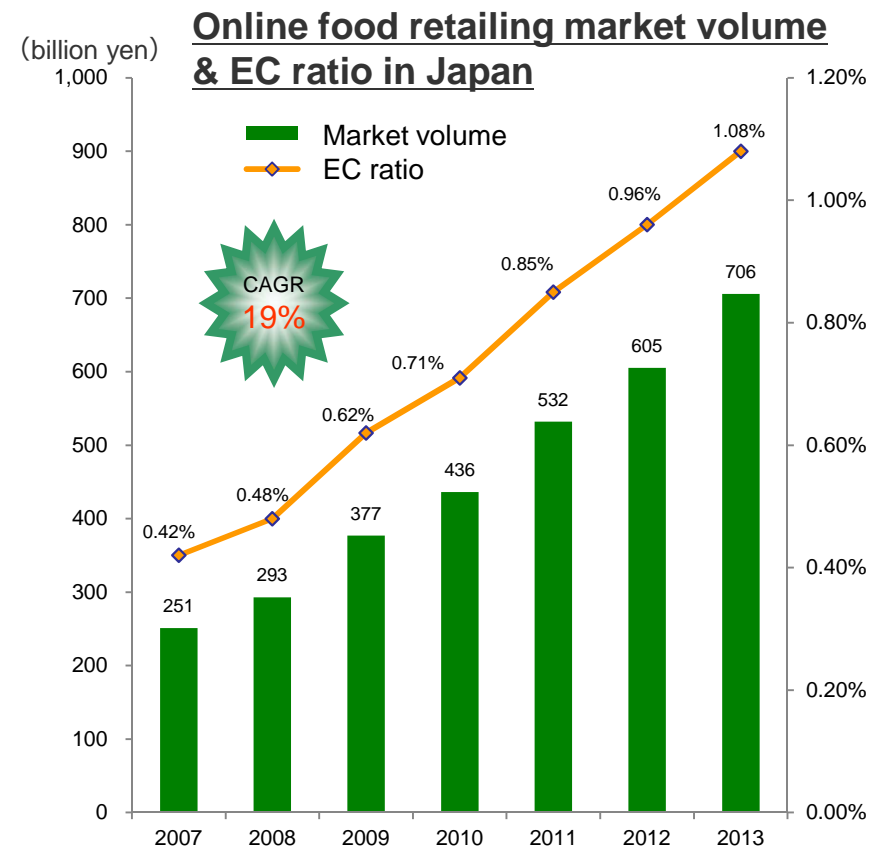
Our web site, supporting PC & Smart phone, gives orders from customers to suppliers.
Products, once gathered to our DC are delivered to customers. Some are direct from suppliers



As more and more women are working, the food delivery market is on the increase. In addition, the food e-commerce market is expanding year by year. The market share of e-commerce in food retailing exceeded 1% in 2013.



Source: Yano Economy Research Center



Source: Ministry of Economy, Trade and Industry

August 2014

First prize in Japanese food retailing company

We won “STEVIE WINNER INTERNATIONAL BUSINESS AWARDS”



□Evaluation points

High performance of profit margin on sales in online supermarket

Operating profit margin 4.76% (three years' average)

**the global average of food retailing 2-3%, almost online food retailers under 0.5%*

□Japanese prize in the past

- FAST RETAILING
- TOYOTA
- KAO