

# ***Oisix ra daichi***

## **Oisix ra daichi Inc.**

Financial Results Briefing for the Fiscal Year Ended March 2020

May 28, 2020

## Event Summary

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[Company Name]	Oisix ra daichi Inc.
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2020
[Fiscal Period]	FY2019 Annual
[Date]	May 28, 2020
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Kohey Takashima                      CEO, Representative Director

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## Presentation

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**Moderator:** Everyone watching, thank you very much for joining us today. Now, we are holding a financial results briefing for the fiscal year ended March 2020 for Oisix ra daichi Inc.

Today, we will have a question-and-answer session after Mr. Takashima, our Representative Director and CEO, finishes the results briefing. We already have some questions that have been submitted by our shareholders in advance. We will answer these questions first and, after that, take questions from those who have any to ask after hearing the briefing.

We are recording today's briefing session. We will make it available on our IR website at a later date.

Now, Mr. Takashima will give you the briefing. President Mr. Takashima, please.

**Takashima:** Hello everyone. Thank you for gathering today despite your busy schedule.

This is the first earnings announcement session for us after the Company's stock was moved from the second section to the first section of the Tokyo Stock Exchange. Therefore, we really wanted to meet with you face-to-face to brief the results in detail and hear your questions and comments directly. However, considering today's social situation, we decided to hold the session online this time.

We announced our financial results last week and already shared many documents, comprising most of the available information, with you then. So, I have selected a part of the information and will give you a briefing on our earnings results based on the information. Also, there is some new information we have added, so mainly, I would like to talk about that.

This time, possibly because the environment surrounding our Company has changed and also because having the session online makes it easier for people to participate, there seems to be some first-timers who have not been attending our earnings announcement sessions in the past. So, I would like to start today's session by going over what our Company has been up to, including the introduction of our Company and its businesses.

First, I would like to give you a briefing on the Company's financial results for about 30 minutes, and then move on to the question-and-answer session.

Let me explain the structure of today's session in the order of the topics we'll talk about. As can be seen in the overall composition of the materials, I will first describe our financial results, followed by the measures we are taking against the new coronavirus. Then, I'll move on to present the further details of the results as well as our future business strategies and forecasts. Among all these topics, I will particularly focus on the measures we have taken to prevent the spread of new coronavirus infections and the business strategies for this fiscal year. As for the other topics, the situation has been virtually unchanged from the time we shared the latest financial results with you the other day, so I would like you to refer to the materials to check on them.

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# Farm for Tomorrow, Table for Tomorrow

We provide services that enable a better food life for more people.

We evolve continuously where good farmers are rewarded and proud.

We realize a society that deliver a sustainable framework that links farm and table.

We solve social issues related to food through business approaches.

We create and expand Tomorrow's Food.

Let me begin by introducing our corporate philosophy.

Our Company was established through the merger of Oisix, Radish Boya and Daichi wo Mamoru Kai. Over the past three years, the three brands have been integrated and, in the process, we also redesigned our corporate philosophy. Because all brands value having corporate philosophies, the newly created Oisix ra Daichi also values having corporate philosophy statements that state why our Company exists.

To tell you why our Company exists, we exist to create a new food cycle under the slogan of “Farm for Tomorrow, Table for Tomorrow.” That is the raison d’être of our Company.

As written in the second statement from the bottom, we are aiming to solve social issues related to food through business approaches. Needless to say, the purpose of our business is to generate profits. However, we are also conducting business activities with the aim of addressing food-related social issues and have always kept this aim in mind when establishing various businesses and providing new services.

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Special factor in comparison with  
the same period of the previous year

## 【FY2019/3】

### ① Radish Boya irregular fiscal year-end associated with the business merger

- Due to a change in the consolidated fiscal year of Radish Boya, FY2020/3/3 includes one extra month (4-months in 1Q resulting in 13-months total)
- The section marked "Exclude special factors" excludes the March 2018 performance of the Radish boya business.  
(sales: approx. 1.600 billion, operating income: approx. 0.07 billion).

### ② Tax effects from merger of Radish Boya

- Tax effects of operating loss carryforwards and deferred tax assets resulting from the merger of Radish Boya (About 1.2bn yen)

## 【FY2020/3】

### ③ New consolidation through M&A

- Welcome (Dean & DeLuca) is accounted for by the equity method from 1Q resulting in recognition of consolidated income and goodwill.
  - Purple Carrot will recognize consolidated sales and profits(losses) and goodwill from 3Q
- \*Due to the difference in fiscal year-ends, consolidated results are delayed by 3 months (4Q is consolidated from Oct to Dec).

*Oisix ra daichi*

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I would like to briefly report on our business results.

They are stated in the text of the Executive Summary. We always include this (Executive Summary) page in the materials for every financial-results briefing session. This page is provided every time financial results are announced. Last year, the fiscal year ended March 2019 included rather irregular factors, which made it a bit difficult for us to convey the results clearly on that page, so I'm going to explain about these factors.

The factors include a change in the consolidated fiscal year of Radish Boya resulting in the recording of 13 months total of sales and profits, and the tax effects occurred from the operating loss carryforwards and deferred tax assets resulting from the merger of Radish Boya whose business had been unprofitable for a long time. Thus, at a first glance, net income of the last fiscal year seems to be greater than in the normal years due to these effects.

Then, let's look at the factors for fiscal year ended March 2020, some of which actually occurred in the last fiscal year. New developments in the fiscal year ended March 2020 include that Dean & DeLuca became our Company's affiliate accounted for by using the equity method, and that Purple Carrot in the United States was consolidated as a 100% subsidiary in the second half of the fiscal year.

Based on the above factors, I would like to explain the financial results.

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## FY2020/3 Highlights

※For the purposes of like-for-like YoY comparisons, one extra month of Radish Boya data (March 2018) was deducted from FY 3/2019 data.

Achieved sales, EBITDA, and operating income against vsTarget  
Net income was not reached due to the impact of impairment loss of DEAN & DELUCA (details will be described later)



## Oisix ra daichi

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First, sales stood at JPY71 billion as compared with our forecast of JPY70 billion. We expected that sales would be around these figures and it looked like the sales would be in line with our forecasted figure. But the impact of the spread of new coronavirus started appearing in March, which led to an increase in ARPU. This and especially a growth in the average spending per user helped push up sales by a little less than JPY10 billion or, more precisely, about JPY900 million, to about JPY71 billion.

On the other hand, in terms of profits, we had to record a substantial amount of extraordinary losses or costs if not extraordinary losses due to major typhoons that hit Japan last year. As a result, we struggled for a while to keep sales at the amount that may be barely enough to achieve our target profit. Then, the new coronavirus crisis occurred in the final part of the fiscal year, resulting in an increase in sales that subsequently pushed up profits.

As I will tell you later, there is also the promotional budget that has been left unused because we became unable to conduct promotional activities because of the new coronavirus. This has also helped to increase profits by about JPY250 million and, as a result, achieve our profit target.

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## Business segment Results

\* For the purposes of like-for-like YoY comparisons, one extra month of Radish Boya data (March 2018) was deducted from FY 2019/03 data.

	Sales	Marginal profit	Overview
Oisix	35.82bn yen (YoY +21%)	4.80bn yen (YoY +19%)	The number of subscribers has increased by about 40,000 since the end of the previous term. Expenses associated with Kit Oisix expansion expected to be reduced in stages. From Mar onward, sales and income increased owing to higher existing subscriber ARPU in the face of COVID-19 We are focused on developing products and services for the target senior market. Number of subscribers expected to have effectively bottomed out in the current fiscal year. From Mar onward, sales and income increased owing to higher existing subscriber ARPU in the face of COVID-19
Daichi	10.54bn yen (YoY -3%)	1.88bn yen (YoY -5%)	
Radish Boya*	14.98bn yen (YoY -9%)	2.66bn yen (YoY -14%)	In the 1H, we completed measures to reduce unprofitable orders thereby establishing a base for stable revenue generation. In the 2H, we implemented measures to improve subscription service operations that have led to a decline in the cancellation rate. From Mar onward, sales and income increased owing to higher existing subscriber ARPU in the face of COVID-19
Other business	9.49bn yen (YoY +66%)	0.84bn yen (YoY +16%)	Sales increased significantly due to growth in the e-commerce support business of other companies and the consolidation of Purple Carrot. Despite losses at Purple Heart, profit increased thanks to the significant return to profitability of Kindergarten Wholesale.

## Oisix ra daichi

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For other details of the results, I would like you to see the materials again. I just want to explain a little about the business results by segment.

First, the Oisix brand has been growing by about 20% YoY. Amid increasing scale of sales, the pace of growth has not been slowing. In particular, the sales of meal kits have grown substantially again in the last fiscal year.

On the other hand, in regard to the Daichi wo Mamoru Kai brand, the last fiscal year was the second year after the integration of the brand. A decline in the membership that had continued for a while stopped more or less, and net sales stood at 97% of the last fiscal year. Judging from these developments, we feel that the Daichi brand has become just about ready to make a V-shaped recovery from now.

About the Radish Boya brand, we have been operating it like on a trial basis for one year since the brand was fully integrated last year. We have been focusing more on cutting back on the number of unprofitable orders rather than the fact that sales have declined.

In addition, because there are still some uncertain elements in the operation of Radish Boya, we have been trying to make these elements more certain and reliable before moving on to establish a structure that enables us to increase sales. We merged Radish Boya one year after Daichi was integrated. In this situation, we are making the efforts that I have just mentioned for the Radish Boya brand.

That's all for the overview of business segment results.

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## Business continuity system

Established a distribution and delivery network that ensures hygiene management. On the other hand, more than 80% of head office staff perform normal operations while working at remote work

### ■ Strengthening of logistics / delivery system

#### ✓ Strengthening hygiene and safety management system



Raise the level of hygiene control at distribution centers across Japan  
Make all-out efforts to prevent coronavirus infection

#### ✓ Order / delivery system to prevent the spread of infection

..Strengthening the telephone orders for senior customers



..Reduce physical contact opportunities during shipping

### ■ Way of working

✓ From February 26th, COVID-19 meetings are held every day for quick decision  
In addition, we send a video message to our employees at least once a week from management to communicate our management policy closely.

✓ We implement immediate infrastructure measures. **As a result, more than 80% of head office staff perform normal operations while working at remote work**

✓ **Special rewards will be provided** to staff and delivery crews at distribution centers



*Oisix ra daichi*

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Next, I would like to talk about the impact of new coronavirus in three parts.

First of all, because our Company's business is a food-delivery service, we recognize that it is important to have a solid business-continuity system. We have been trying to introduce telecommuting as much as possible into the operation of the headquarters just like typical IT companies have been doing, which has resulted in the current telecommuting rate of around 15% or 16% of the all employees working at the headquarters. For distribution centers, we believe that it is critically important to ensure thorough hygiene management.

From a long time ago, food centers in Japan have always boasted a fairly high level of hygiene control and cleaning has always been done very frequently and thoroughly in those food centers. As a result, measures to prevent infections have already been taken actively on a daily basis even before the outbreak of the new coronavirus.

In addition, we are thoroughly implementing measures such as measuring the temperature of employees before they enter the worksite every day and having employees keep enough distance between them not only in work sites but also in rest areas to help them avoid the three Cs (Closed spaces, Crowded places, and Close-contact settings).

Fortunately, no employee has been infected with the new coronavirus so far, but in the event that the infection occurs, we already have a system in place that identifies the site of the infection and the people who have had close contact with the infected persons to allow the business operations of the centers to continue without interruption by cleaning and disinfecting the relevant areas.

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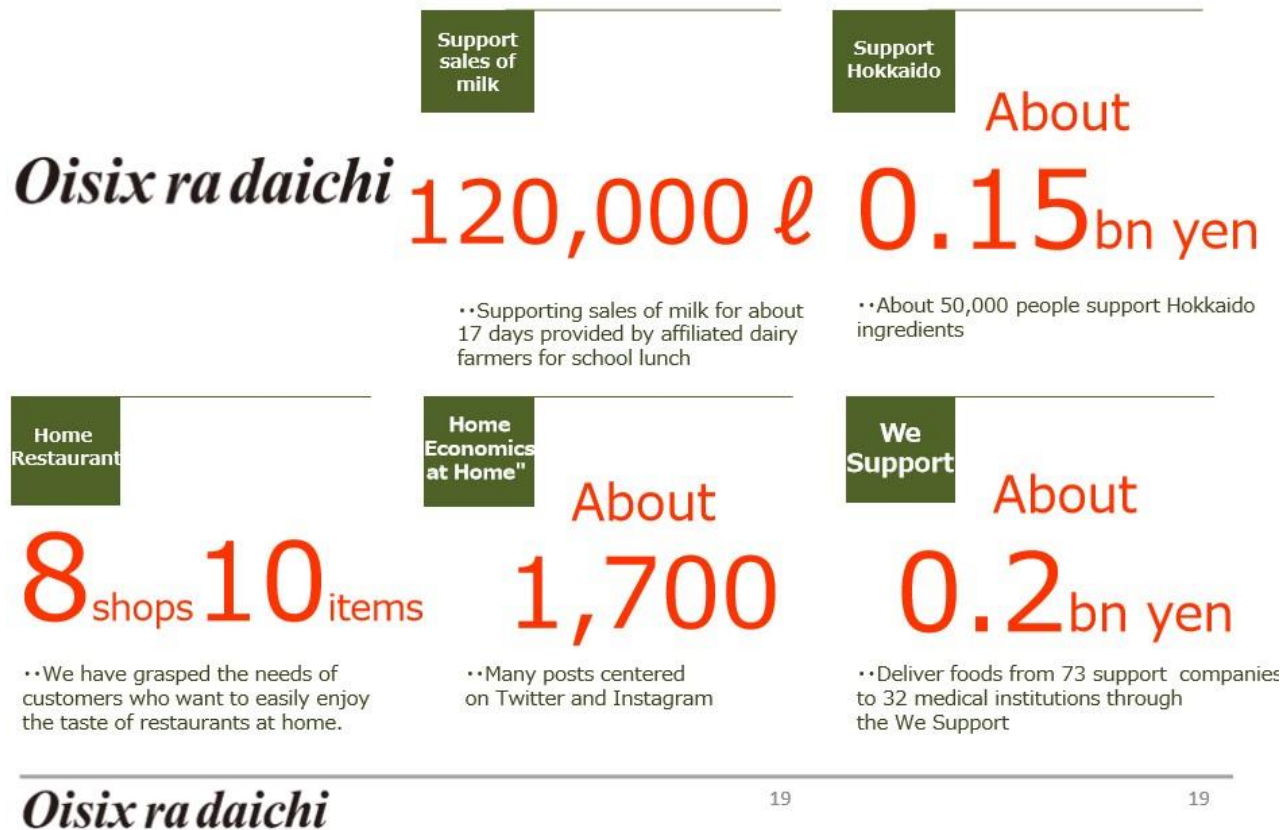
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On the delivery side, some of our customers said that they feel much more comfortable having their orders delivered through unattended delivery rather than receiving them directly from a delivery person. Thus, we have been working with Yamato Transport, our delivery service company, and other shipping companies entrusted with the delivery of our products to increase the number of unattended deliveries.

## Main support summary



Next, I would like to talk about the impact on our business and our social-support activities through business.

First of all, because I don't have time to explain our social-support activities in detail today, I'll just give you a sense of the activities we have engaged in. Basically, we are conducting many activities through our three ecommerce websites and other platforms.

For example, we helped to sell all milk that was at risk of having to be discarded because of a drastic increase in the amount of surplus milk. We also provided support to Hokkaido when the area was faced with a financial difficulty following the state of emergency declaration. We will introduce some of our social-support activities later.

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## Business impact summary —Oisix

Domestic Delivery business (Three major brands)
Domestic Delivery business (Other)
Other Business

### Oisix

- Owing to stronger home delivery demand vis-à-vis stay home initiatives, existing subscriber ARPU increased by some 20%.  
(Boost to sales of roughly ¥600mn/month)
- We have been implementing various support initiatives related to COVID-19. Examples are the "Sale of School Lunch Milk" and the "Hokkaido Product Exhibition."
- ✗ Due to shipments exceeding capacity, we stopped new customer acquisitions for a period of 1 month from Mar 26th to Apr 29th.  
We are now guiding new Oisix inquiries to Daichi and Radish Boya.
- ✗ In the short-term, profits have benefited from lower implementation of PR expenses.  
But this suggests lost sales in the future.

## *Oisix ra daichi*

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We will explain the details of impact each brand has suffered by using circles to show positive impact and crosses for negative impact.

For Oisix, positive influences shown by circles include a slight increase in ARPU and some social-support initiatives having been implemented quite promptly. However, there have been many issues that could have done much better, which made us suspend conducting promotion activities for Oisix for a month. During that time, we guided existing and prospective customers of Oisix toward Daichi or Radish Boya services.

For us, this March and April are very important promotional periods in an ordinary year. Many people start new life in March and April and change their lifestyles. We were preparing to conduct promotional activities for these months because we have been able to acquire many customers by taking advantage of this timing every year. However, we were not able to do the planned promotional activities. That's one of the major regrets we have.

We have started conducting promotional activities gradually, but the activities implemented so far have only been limited and they have been conducted only little by little.

Because the expenses for PR activities have been left unused, our business seems to have recorded an increase in profits. But the fact that we couldn't do much of the planned PR activities will bring about lost sales in the future.

If, for example, we have set the budget for PR activities to acquire 10,000 customers and the budget remains unused, we can naturally save the money allocated for the PR budget for the time being. However, considering

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that our customers normally spend about JPY200,000 per person annually, if we cannot acquire 10,000 customers in April as we planned, we will end up losing JPY2 billion worth of annual sales. This means that we will also lose profit on this JPY2 billion worth of sales. These are some of the impacts Oisix is now suffering.

## Business impact summary —Responding to the needs by COVID-19

Domestic Delivery business  
(Three major brands)

Domestic Delivery business  
(Other)

Other Business

**Support sales of surplus milk due to suspension of school lunch.**

**And we have opened a dedicated site for children to work on cooking at home.**

### Provide Support for Dairy Farmers Affected by the Suspension of School Lunch

- ✓ Provided support for dairy farmers to sell excess milk due to an across-the-board school closure and sold all the volume initially planned in two hours of time. A recipe using milk is also introduced.



乳農家さんからメッセージが届きました

心の「ほっとえふた」をありがとうございます。先月が真々暗でしたが、みなさまのご支援のおかげで、現在はタンクから溢れることなく、大切な生乳の製造が続けられています。皆様のおかげで立ち渡ることが出来ました。また、メッセージをくれた方々の誠実さやあたたかさに感動!! 本当にありがとうございます。



田中様



### Establishment of the "Home Economics at Home" Site

- ✓ Launched a website where students at home for a school closure can engage in active learning at home through cooking practice. Expanded exposure on SNS



*Oisix ra daichi*

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As I just mentioned, our social-support activities include helping to sell surplus milk and proposing ways and providing means to make their stay-home lives more enjoyable.

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## Business impact summary

—Responding to the needs by COVID-19

Domestic Delivery business (Three major brands)
Domestic Delivery business (Other)
Other Business

We sell a restaurant product whose sales have dropped significantly by COVID-19 as a "home restaurant" on the Oisix special site

### ■ Home restaurant

- ✓ We sell products of restaurants whose sales have decreased by COVID-19 on a special site.  
**There were 124 reports mainly on TV and WEB media.**

**塚田農場**

がらうまん満点

塚田農場の看板メニューが家で楽しめる!  
黒さつま鶏 食べ比べセット



**大阪伝統の味  
名物串カツ田中**

＼ 休日は家族で串カツパーティー /  
大阪伝統の味 串カツ田中  
お家で楽しむ串カツセット



**KURKKUFIELDS**

クルックフィールズ

＼ おうちでバルスタイルを楽しもう /  
大人の贅沢なひとときを演出する  
ジビエソーセージセット



*Oisix ra daichi*

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One of the new things we have started lately is an initiative called "Home Restaurant" through which we sell products of restaurants that became unable to operate because of the new coronavirus. Specifically, we advertise and offer their food products via our websites and deliver them to our customers together with our products. The partner restaurants in this initiative include Tsukada Bokujo and Kushikatsu Tanaka. The partner restaurants have been very supportive and responded to our requests very promptly. Thanks to their wonderful cooperation, we were able to launch the Home Restaurant section in all of our websites.

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## Business impact summary –Shipping capacity of Oisix

Domestic Delivery business (Three major brands)
Domestic Delivery business (Other)
Other Business

According to the initial assumption, the shipment capacity will be exceeded due to a sudden increase in demand, even though we plan to do things at the existing distribution center until the completion of the new Ebina station in September 2021.

### ■ Shipping capacity status

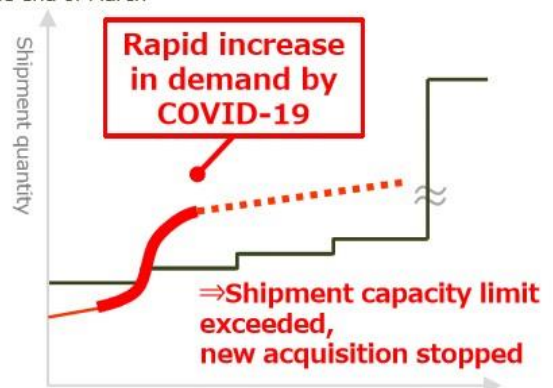
#### ✓ the Initial assumption

• Until the start of operation of the new Ebina Station, which plans to invest about 3.7 billion, we will be to gradually expand capacity between the current Ebina Station and the satellite center.



#### ✓ Change by COVID-19

In order to cope with the rapid expansion of capacity, we have set up a logistics center operation system. But we couldn't cover it though I increased it and raised the upper limit of shipping capacity. We prioritize delivery to existing customers and stop new acquisitions from the end of March



*Oisix ra daichi*

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I will now talk about the most difficult issue we have had to deal with. We are still struggling to address this issue through trial and error. We started building the Ebina Station that will be completed in September 2021, and the center will have a shipping capacity of three times more than the existing one. Construction of the center is already underway as planned and, so far, there has been no delay in the construction schedule.

Until now, if the growth in sales continued to be as mild as it has been, we thought we could handle the increase in orders by using several satellite centers. However, there has been a sudden increase in sales and average spending per customer; the demand has exceeded our capacity. This is a new issue we are now facing because of the impact of new coronavirus.

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## Business impact summary —Daichi/Radish-Boya

Domestic Delivery business (Three major brands)
Domestic Delivery business (Other)
Other Business

### Daichi

### Radish Boya

- Owing to stronger home delivery demand vis-à-vis stay home initiatives, existing subscriber ARPU increased by some 20%.  
(Boost to sales of roughly ¥100mn/month each)
- Number of new customers grew as a result of more new inquiries from natural searches and introductions via Oisix inquiries
- △ There are no issues with shipment capacity currently, but with increased demand in the future, there is the possibility capacity will be increased in the future.
- ✗ Due to the sudden increase in demand, some products became out of stock or were sold out.

## *Oisix ra daichi*

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Then, regarding Daichi wo Mamoru Kai and Radish Boya, there was an increase in the number of customers brought about by the growth in ARPU, organic search, or guiding existing and prospective customers from Oisix to Daichi and Radish Boya while Oisix stopped its operation.

With regard to capacity, all the brands are okay at this point in time. At present, Oisix, Radish Boya, and Daichi are basically using different distribution centers, but we will soon be able to handle deliveries of Radish Boya and Daichi together at the current distribution centers. However, there have been some products that are out of stock, and we are planning to address this issue by enhancing what we call “planting,” which actually means increasing the amount of contract cultivation.

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## Business impact summary —Other Business

### Domestic Delivery business (Other)

#### ■ EC support (ISETAN DOOR、dmeal kit)

- Increased sales due to increased demand for home deliver
- ✗ Similar to Oisix, shipping capacity is approaching the upper limit and new acquisition is stopped

#### ■ Tokushimaru

- Due to the refraining from going out, the number of customers and the unit price for purchase increase, and the daily sales amount increases by about 10%.

### Other Business

#### ■ HongKong

- Earlier than Japan, home delivery demand began growing in mid-Feb. Sales increased by roughly 30%. Establish a stable shipping system by securing alternative international transportation

#### ■ Purple Carrot

- The number of shipments doubled as the demand for home delivery increased sharply. Promote expansion of shipping capacity

## *Oisix ra daichi*

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Regarding other businesses, we operate businesses that support ecommerce services of other companies, such as the "d meal kit" in collaboration with Isetan and NTT Docomo. However, all of these businesses are now facing the same situation as Oisix, and they have temporarily suspended their promotional activities.

Then Tokushimaru, a service that sells products in wagon-based mobile grocery stores to what we call "shopping refugees" who live in remote places with little access to shopping facilities. As the issue of such shopping refugees has garnered increased public attention amid the new coronavirus crisis, average spending and frequency of use per customer have been increasing, resulting in an increase in what we call the daily sales amount.

Our overseas businesses have also been substantially impacted by the new coronavirus crisis in all countries. Sales in Hong Kong increased at a faster pace than in Japan, and the sales of companies we have acquired in the United States also grew significantly. Our overseas businesses are also facing the issue of limited capacity.

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## Business impact summary —Other Business

Domestic Delivery business (Three major brands)
Domestic Delivery business (Other)
Other Business

### Other Business

#### ■ SinS

- △ Owing to stay home pressures and the resultant increase in supermarket visits, some stores saw higher sales. Others have been hurt by temporary closure of fresh produce sections within department stores.

#### ■ kindergarten wholesale

- ✗ Business deteriorated with kindergarten closures that began in April.

#### ■ Other Business

- ✗ In the advertising business, business performance deteriorated due to the effect of curbing advertising expenses of business partners
- ✗ Sales at affiliate Welcome Co., Ltd. (Dean & DeLuca) fell sharply owing to temporary suspension of operations. (goodwill impairment in 4Q as noted above)

## *Oisix ra daichi*

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The service that has experienced little increase or decline due to the impact of the new coronavirus is called “Shop in Shop,” but it's a business that sells products in a shop in supermarkets. Sales have increased in the shops operating in supermarkets that have stayed open, but the shops operating in department stores and commercial facilities that were closed down entirely have been unable to record sales at all during the closure, which brought down the total sales. So, it's like the sales increase brought about by the shops that remained open were offset by the sales decline by the shops that were closed.

In addition, the wholesale service for nursery schools has suffered a negative impact. Our Company has been selling foodstuffs to some 350 nursery schools. Sales in this business have decreased sharply because many nursery schools were closed during the state of emergency period.

The advertising business, for example, having advertisers run their ads on the surface of our cardboard boxes and so on, has been suspended for the time being.

The business that has suffered the biggest impact is our affiliate, Dean & DeLuca, which stopped operating nearly all its stores during the first month of April. This business segment has brought about the biggest impact on us because the sales of this affiliate now account for some 20% of our consolidated results.

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## Other support activities

We established “We Support,” a platform linking medical/healthcare institutions to companies in food-support.

**We support healthcare professionals from the “Food” angle.**

### ■ We support

••A platform that connects medical institutions with food support companies



### Support achievement

- ◆Total amount of support : **About 0.2bn yen**
- ◆Support company : **73**
  - Ajinomoto
  - Ito-en
  - Kagome
  - Kameda Seika etc.
- ◆Support medical institution : **32**
  - Eiju General Hospital
  - Tokyo Hikihone Hospital
  - Tokyo shinagawa Hospital etc.

## *Oisix ra daichi*

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Furthermore, this is not a business of our Company, but we are operating a platform to provide support to medical/health care institutions together with Seino Transportation and a not-for-profit organization called RCF. The slide here says that the total amount of support extended is about JPY200 million, which is not the donation from my Company alone. Rather, the amount stands for the total price for foodstuffs that have been provided by over 70 food-producing companies in response to our call for donation. The amount has already exceeded JPY200 million, which will probably continue to increase in the future. These foodstuffs have been sent to hospitals to provide meals to medical professionals who are reportedly too busy to eat. Through this initiative, we have been supporting medical and health care workers.

I will not talk about the business results by segments shown in the following pages because nothing has changed from the information presented in the materials.

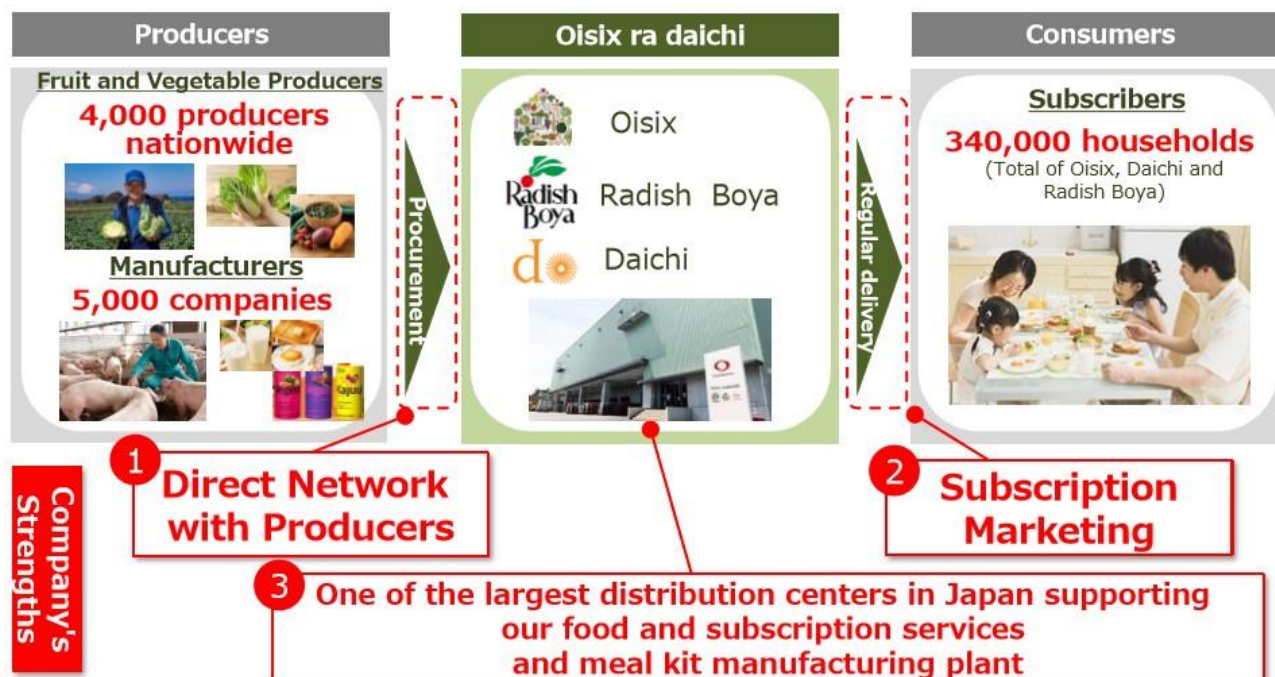
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## Strengths of Our Business Model

We have assets and know-how exclusively focused on end-to-end food delivery and subscription services.



*Oisix ra daichi*

55

I would like to briefly explain our future business strategies.

First, I want to go over the points that we perceive to be our Company's strengths. One of the key features of our Company is the fact that we offer end-to-end food delivery and subscription services that include all service providers from upstream to downstream of supply chains. One characteristic of our business model is that we procure products through a network of competent producers that we have established rather than from wholesalers or markets. We have not a wholesale or market but a direct network and a network of excellent producers. Having the three brands working together, I think we have a fairly strong purchasing power in this area.

In addition, because all brands have been operated based on a subscription model, I believe that we have accumulated a great deal of marketing know-how related to food-subscription services.

The next element is the distribution part of our service. Currently, I don't think that many food-delivery service companies are providing B2C services as attentive as ours, such as delivering meal kits by procuring necessary foodstuffs and putting them together in-house. I think that this attentiveness in service has been greatly appreciated by customers in the recent coronavirus crisis, but it has also presented us a problem of the demand exceeding our capacity. Despite this current issue, this is one of the notable characteristics of our business.

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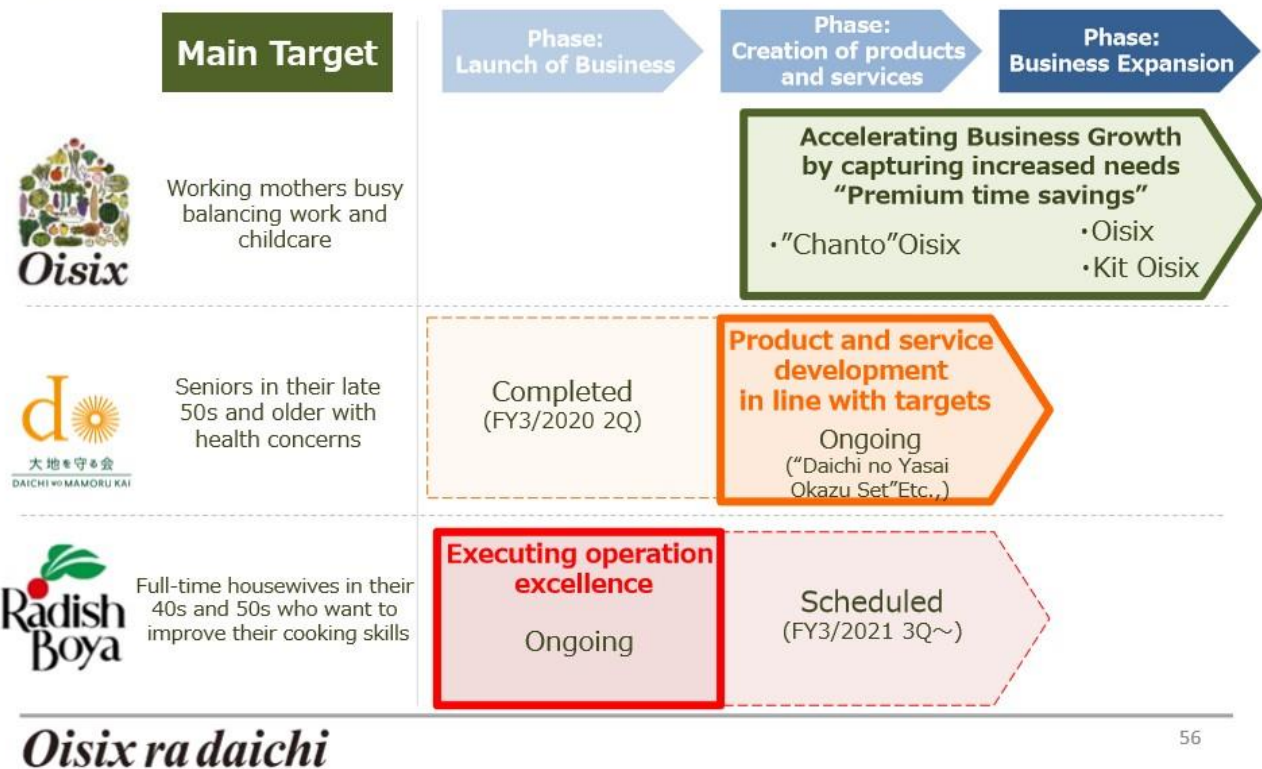
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## Business phase of the Home delivery business

Implementing brand strategies that consider each of the brands' business phases.



We have established subscription methods and what we should be doing now varies depending on which phase each business is in.

In Oisix, some services are undoubtedly in an expansion phase, and some are entering a new, service-development phase.

Daichi wo Mamoru Kai has just finished the so-called business-turnaround phase in which we make its businesses leaner, streamline operations, and withdraw from unprofitable services. We finally finished this phase of improving areas that are very unnoticeable and fully corrected them in the first half of the last year and have entered the phase of creating new services from the second half of the same year.

Radish Boya was in the same phase as Daichi was until the first half of last year. We still have some operational issues but resolved the problem of unprofitable orders during the last year. Now we are working on building abilities that will serve as the basis for services.

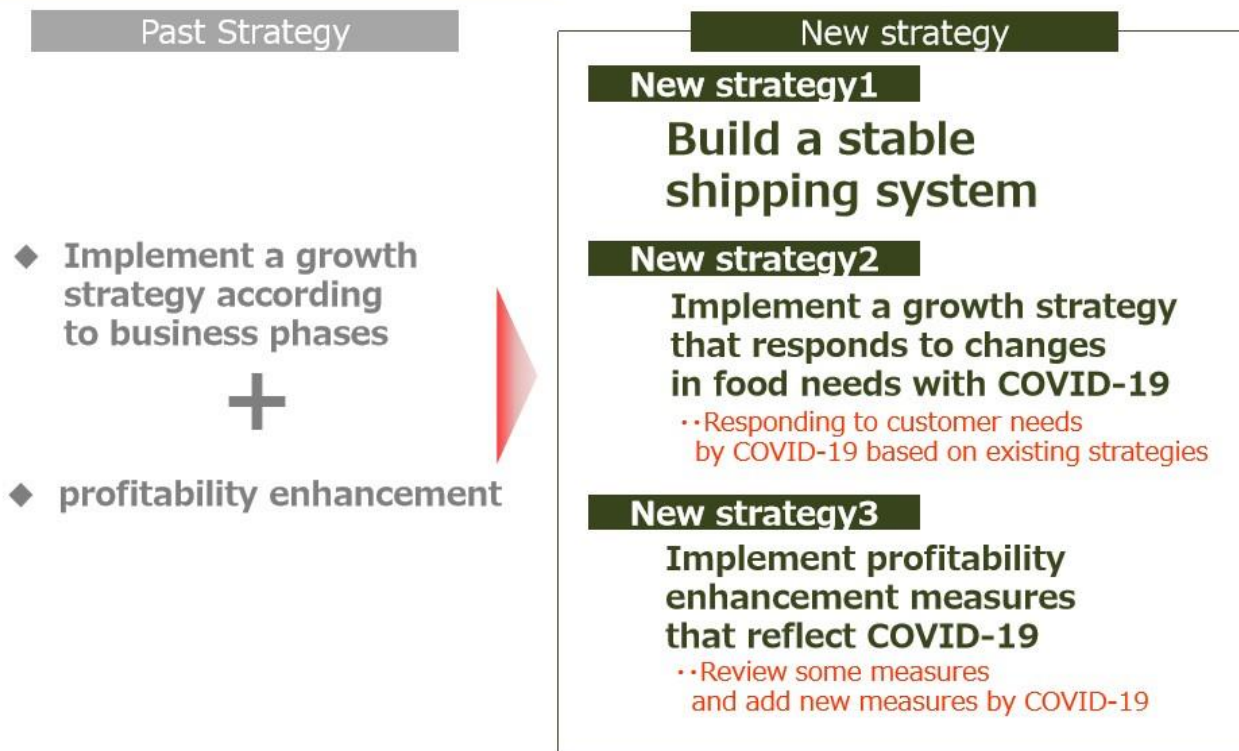
In fact, these are the things we have always been doing.

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## FY2021/3 New strategy



*Oisix ra daichi*

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In addition to implementing growth strategies in line with each business phase, I explained at the previous financial-results briefing our plans to raise profitability. In response to the current coronavirus crisis, I have raised three, new, key points.

The first strategy involves a shipping system I have repeatedly mentioned today. We need to take measures to raise our supply ability and capacity to respond to demand.

The second strategy is to implement a growth strategy that not only responds with the business phase but also with food needs being brought about by the new coronavirus. I think that we will enter the era in which we live with coronavirus and, after that, the post-coronavirus era will begin. As these changes occur, customers' needs for food will change accordingly. We will need to respond to these promptly and appropriately.

The third strategy involves the profitability enhancement measures we plan to conduct. Because some of the measures have become difficult to implement because of the impact of new coronavirus, we will review the measures and implement new ones that incorporate the needs brought about by the coronavirus.

Our policy for the current fiscal year is to implement three measures of pursuing capacity improvement, growth strategy, and profitability enhancement. I would like to explain these briefly one by one.

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## New strategy No.1

### -Build a stable shipping system

We implemented multiple measures to expand physical capacity.  
And we aim to completely resume acquisition of new members as soon as possible

### ■ Logistics Capacity Outlook of Oisix



*Oisix ra daichi*

60

For the first issue of capacity improvement, the biggest problem has been our distribution capacity. Our distribution center was originally located in Ebina City, Kanagawa Prefecture. Because shipping demand has increasingly exceeded the capacity of the center, we have taken some emergency measures from this April.

First, we started having some of the trial sets shipped from a distribution center for Radish Boya in Zama, which is located about 30 minutes by car from Ebina.

Second, we have enhanced the facility of Fujisawa Distribution Center, also located about 30 minutes from Zama and Ebina, and are now preparing to relocate some services with small SKUs. The preparations have already been completed and we have begun to receive orders for this new service since April 30 while monitoring the status of our customers.

The right hand of the slide shows the new Ebina Distribution Station that had been planned before the new coronavirus outbreak. However, it will take 15 to 16 months until the Station is completed. We need to come up with ways to manage the demand until the completion. What we are planning to do is to start using satellite centers from this autumn to manage the demands for 16 months from now.

These satellite centers will not be built with a large amount of initial investment as we did with the new Ebina Station, but rather will mainly be based on manual operations. We are planning to establish another center in the Kanto region but have not concluded a contract for it yet. However, we have almost decided on a location and are now making necessary preparations.

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## New strategy No.1

### -Build a stable shipping system

Expanded shipping capacity by starting small SKU service and utilizing Fujisawa's satellite center.

Also, in order to secure product supply, we will expand cropping and cultivate new contract producers.

#### ■ Launch new service with small SKUs



✓ Expand shipping capacity by launching services with small SKUs and utilizing satellite centers

✓ Specialized service for shortening cooking time and shopping time

#### ■ Securing a stable product supply



✓ To meet the increasing demand,  
• Increase in cropping amount with existing contract producers  
• Develop new contract producers

✓ At the same time, we support for producers who are suffering from reduced demand for restaurants

## *Oisix ra daichi*

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The service we can provide with small SKUs is this "Sakutto! Oisix." Oisix has more than 2,000 or nearly 3,000 SKUs, and this service only requires one 10th of the SKUs. This service is operated with just under 300 SKUs. By using this service, customers can shorten the time they spend for shopping. Therefore, we plan to promote this service targeting customers who have greater need for quick shopping than conventional customers.

The service has already been launched and, at present, it has been operated with no major problems, and we are gradually expanding the service while monitoring the customers' responses.

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## Oisix Strategy

### -Kit Oisix/ Chanto Oisix

Not only will “Kit Oisix” and “Chanto Oisix” be strengthened in their “Premium Jitan (time saving)” value aspect, we will also be addressing the ever more diverse needs of our customers vis-à-vis COVID-19.

Main Strategy	For With COVID-19
<p>✓ Improve product value</p>  <ul style="list-style-type: none"> <li>• Shelf life extension</li> <li>• Review price range etc.,</li> </ul>	<p>✓ Response to diversification of meal needs at home by COVID-19</p> <ul style="list-style-type: none"> <li>• Food education ⇒ <b>Shimajiro Collaboration</b></li> <li>• Health / immunity ⇒ <b>Part Time Vegan</b></li> </ul> 
 <ul style="list-style-type: none"> <li>• Expanded menu with multiple patterns to choose from etc.,</li> </ul>	<ul style="list-style-type: none"> <li>• Increased family dining opportunities ⇒ <b>Menu for 3-4 people</b></li> <li>• New needs for dine ⇒ <b>Saving / Lunch Menu</b></li> </ul>

## Oisix ra daichi

64

Second, we are implementing a growth strategy to address the changing needs of customers for food.

First of all, we are seeing the meal needs of customers becoming increasingly diverse for shortening the preparation time. For example, we have plans to offer a program in collaboration with a popular character Shimajiro in which children can help their parents cook meals. Another program we have in mind is offering Purple Carrot to customers in Japan to promote healthy meals rich in vegetables.

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## Oisix Strategy Topics

**Reservation for Kit Oisix "Harumi Lesson" with online video first supervised by cook Harumi Kurihara started from 5/21**

### ■ Kit Oisix supervised by cook Harumi Kurihara

- ✓ We provide a set of lesson videos to provide you with a fun cooking time for home dining needs increased by COVID-19



## *Oisix ra daichi*

65

What we announced last week was "Harumi Lesson," the program we inaugurated in collaboration with Ms. Harumi Kurihara, a famous home-cooking specialist. We have also started a service to provide meal kits that allows customers to cook Kurihara's dishes while learning cooking at home.

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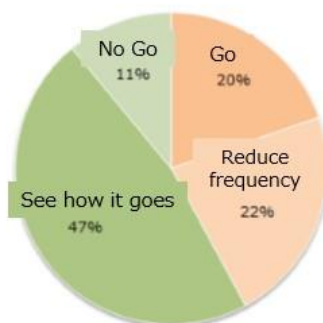
## Oisix Strategy Topics

The "home restaurant", which was started as a support for the restaurant business that was affected by corona, was well received by many customers and opened as a permanent site. We will continue to strengthen our alliance with the restaurant business

### ■ Restaurant in Home

✓ It is expected that eating out will be restrained even in With COVID-19, and a "Restaurant in Home" will be permanently installed as a new table proposal.

Q: Would you like to go out to eat in with COVID-19?



**Current**


+

**NEW**

**Collaboration with 3 top chefs(5/28~)**





**New partnership with popular restaurants (After Jun.)**





*Oisix ra daichi*

66

We launched the Home Restaurant service as an emergency measure to support restaurants in response to the new coronavirus crisis, but the service has been well received by many customers, so we have decided to keep it as one of our permanent services. In addition to Tsukada Nojo and Kushikatsu Tanaka, who were our first partners in this service, we intend to extend the number of collaborating partners to include Michelin-starred restaurants.

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## Daichi Strategy

As we implement initiatives for subscriber growth once more, we aim to enhance our appeal via content related to heightened health and immunology interests stimulated by COVID-19.

### Main Strategy

#### ✓ Re-expand subscribers

- Development of media for attracting customers to seniors



#### ✓ Improving the value of Daichi vegetable sets

- Development of new products that you want to buy together
- Review the price range of the set itself and the side dishes



### For With COVID-19

#### ✓ Response to health / immunity improvement

- Collaboration with "Dr. Croissant"



- Proposal of "immune diet" under the supervision of "NHK Publishing"



## Oisix ra daichi

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For Daichi wo Mamoru Kai, most of its customers are in their 60s and 70s, and they are much more interested in improving their health and immunity. We will continue to develop and offer health-food products as fermented foods.

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## Radish Boya Strategy

To ensure continued decline in churn, operational excellence measures will be continued. We will also be providing a variety of services to retain subscribers joining as a result of COVID-19.

### Main Strategy



#### ✓ Eliminating negative experiences that lead to cancellation

- Eliminating the experience of discarding too much vegetables
- Further improvement of product quality
- Reduction of cardboard boxes



### For With COVID-19

#### ✓ Improving subscribers loyalty due to COVID-19

- Providing services that make cooking fun

⇒ Farmer's online cooking class



⇒ Weekend meal Kit



*Oisix ra daichi*

68

For Radish Boya, most of its customers are in their 50s and are good at and fond of cooking. By taking advantage of the current change brought about by the coronavirus outbreak, which has increased the time its customers can spend at home, we started offering online cooking classes and other services in connection with Radish Boya.

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## Tokushimaru Strategy

As part of social infrastructure for shopping refugees, we look to accelerate expansion of vehicle fleets to not only realize overwhelming presence, but to fulfill needs of the elderly newly made apparent by COVID-19.

### Main Strategy

✓ Accelerate the speed of expansion of operating units to establish social infrastructure

• New partnership with Ito-Yokado



⇒ Started operation at Minami Osawa store from 4/30

• Achieved development in 47 prefectures nationwide



### For With COVID-19

✓ Responding to the needs of various elderly people revealed by COVID-19

• Prevention of 100,000 yen benefit fraud etc.,

• Strengthening the business of watching over elderly people in partnership with the community



*Oisix ra daichi*

69

With Tokushimaru, we started to collaborate with Ito-Yokado and have expanded its business bases to all prefectures with the opening of a store in Okinawa last month. We plan to offer services through Tokushimaru that will help get rid of the shopping-related anxiety of elderly customers who are said to be at higher risk from coronavirus.

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## Outlook for CRAZY KITCHEN/ DEAN&DELUCA

The impact of self-restraint measures to mitigate the spread of COVID-19 has worsened. We aim to resume business and recover business performance while exploring new possibilities amidst new lifestyles and values.

### ■ CRAZY KITCHEN(subsidiary)

#### ◆ Current

- ✓ Since March, orders for catering and events have been canceled and business is suspended

#### ◆ Outlook

- ✓ Project participation in medical support (We support)
- ✓ Focus on activities to create new businesses, such as providing food for online weddings



### ■ WELCOME(DEAN & DELUCA)(Affiliate)

#### ◆ Current

- ✓ Significant sales decrease as a result of shortening business hours and implementing temporary closures

#### ◆ Outlook

- ✓ Starting from May 11th, some stores will resume operations centered on delivery and takeout
- ✓ Although the impact of corona will continue in the first half of the year, we aim to recover earnings from the second half



## Oisix ra daichi

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There are also some negative developments. One is with a subsidiary of ours called Crazy Kitchen, specialized in catering services. Because there are events that require catering service now, they are now looking for new business formats. Then there is the issue of Dean & DeLuca that I have talked about repeatedly.

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## 4 conventional strategies



### 4 conventional strategies

#### ■ Efforts to improve product costs

- 1 Improvement of Procurement Logistics through "VegeNeco" Project
- 2 Reduce products cost by accelerating the shift to SPA

#### ■ Initiatives to improve distribution centers and distribution costs

- 3 Reduce distribution center costs by starting operation of a new distribution station in Oisix

COVID-19  
Effect

⇒Until the new logistics ST operation (September 2021), productivity is deteriorated due to expansion of satellite center

#### ■ To reduce the ratio of fixed operating costs

- 4 Improve average customer spend by strengthening product lineup

COVID-19  
Effect

⇒SKUs are difficult to increase due to tight shipping capacity

*Oisix ra daichi*

73

The third strategy is to strengthen profitability. In the past, there were four pillars for our profitability enhancement measures that include reducing product costs, cutting back on logistics/delivery costs, and increasing average purchase per customer.

We are now two issues into these pillars. First, as I mentioned earlier, we will increase the number of satellite centers, which will ineffectively reduce cost efficiency. Therefore, we are now planning to take additional measures to address the situation.

Then, we originally aimed to increase the average spending per customer by expanding our product lineups, but this has also become difficult because of the capacity limitation. So, we will need to think this over.

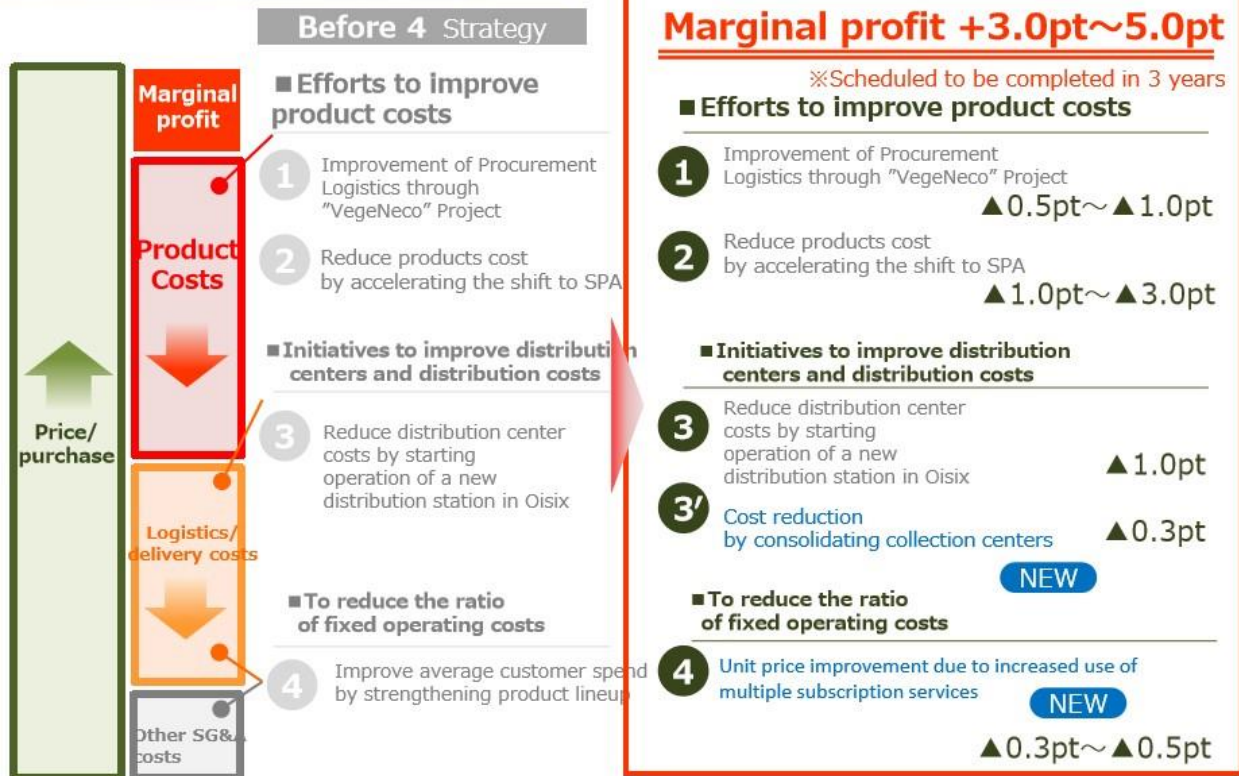
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## New profitability Enhancement strategy



*Oisix ra daichi*

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We are now planning to establish a new profitability enhancement strategy by adding one new measure to the previous four pillars.

The two measures for improving products' costs are same as what we have originally planned. Regarding logistics and delivery costs, we are considering improving the parts that will be brought from the new delivery center to our own distribution center.

In terms of the average spending per customer, we intend to achieve that not by increasing the number of items we offer, but by increasing the number of subscription services we offer.

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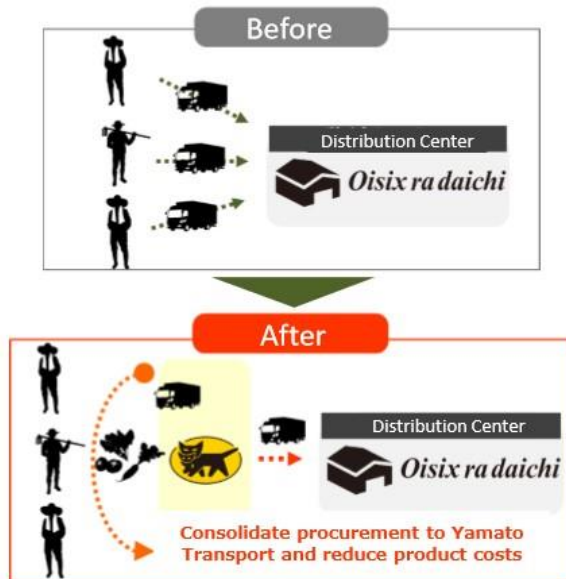
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## "VegeNeco"Project

Good progress in our joint project with Yamato Transport.  
We commenced joint transport logistics in Nagasaki Prefecture  
and aim to operate in the whole of Kyushu Area by 2Q

### ① "VegeNeco"Project : ▲0.5pt ~ ▲1.0pt



#### Progress

- ✓ Started full-scale operation of consolidated procurement in Nagasaki Prefecture from 4Q
- ✓ By the 2nd quarter of this term, operation is planned to start all over Kyushu area. Completion of service information for producers nationwide by the end of this fiscal year
- ✓ We will also promote development to processed products

*Oisix ra daichi*

75

I would like to talk about the progress of the four initiatives.

"VegeNeco" Project is a joint project with Yamato Transport, through which we plan to reduce the cost of horizontal shipments. As the project has been progressing smoothly, we plan to proceed to full-scale launch of the project from this year.

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## Accelerating the shift to SPA

Rather than merely becoming a "platforms," we will strengthen development and manufacturing.

We are focusing on pork processing, vegetable/fruit packaging and others to reduce manufacturing costs.

### ② Accelerating the shift to SPA : ▲1.0pt ~ ▲3.0pt

#### ■ In-house meat processing



✓ We are focusing on in-house meat processing where significant cost reductions can be had and where quality improvement potential is large

✓ We aim to increase in-house production from 30% currently to roughly 70% by March-end 2021.

#### ■ in-house packaging/cutting operations for vegetables and fruits



✓ We look to bring in-house packaging/cutting operations for vegetables and fruits by shifting such work to our own fruit and vegetable centers

## *Oisix ra daichi*

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We are making further efforts to shift to SPA, which means expanding in-house production efforts. Through this effort, we have also successfully reduced costs for several brands.

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## Investing in and reorganizing distribution centers

Construction of a new Ebina Station, which is scheduled to start operation in September 2021, has started.

In addition, financing is completed

### ③ Started operation of a new distribution station in Oisix : ▲1.0pt



- ✓ About 300% increase in shipping capacity. Function conversion of the current center into a manufacturing base for Kit Oisix
- ✓ Initial investment is expected to be about 3 billion, but return on investment is expected as soon as possible by reducing logistics center costs by 1.0pt.

#### Progress

✓ We completed fund raising of roughly ¥4.5 billion for capital investment in distribution centers via issuance of new shares in March.

✓ Construction work will start as scheduled from April this year. Scheduled to start operation in September 2021

*Oisix ra daichi*

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Regarding distribution, the new project we have invested in has been proceeding as planned but the results of that investment will be seen only after the fall of the next fiscal year.

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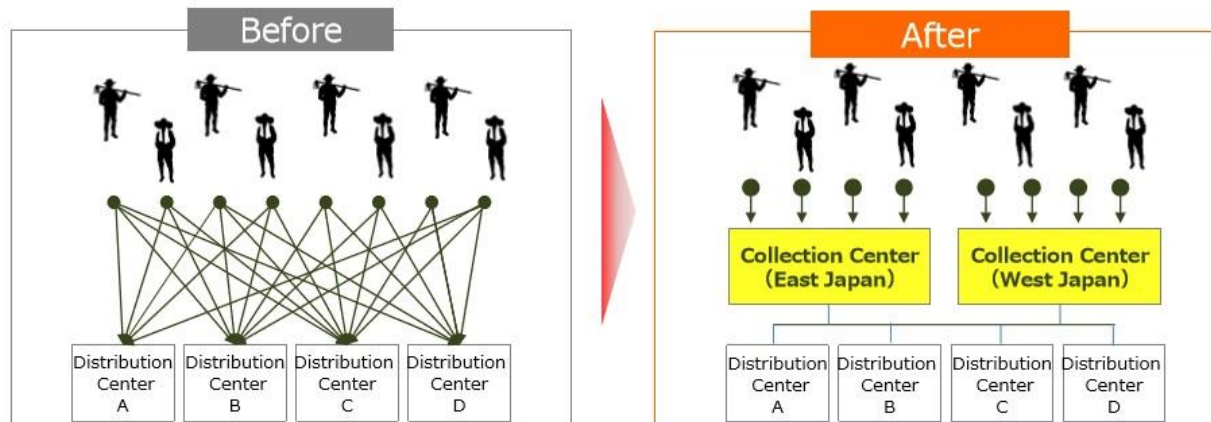
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## Establishing of collection center of Radish Boya

NEW

Where producers nationwide have been delivering individually, enhanced efficiencies and CoGS reduction are expected by establishing the collection center of Radish Boya's distribution center.

• Establishing of collection center of Radish Boya : ▲0.3pt



✓ Procurement and logistical costs are high under existing practices where producers nationwide deliver individually to varying distribution centers.

✓ Reducing procurement costs by consolidating suppliers

*Oisix ra daichi*

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We will start integrating the distribution services mainly through establishing the collection center for Radish Boya until the new distribution center become operational after the fall of the next fiscal year. We plan to reduce procurement costs by improving logistics through consolidation of suppliers and collection methods.

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## Promoting the use of several subscription courses

NEW

By promoting the use of several subscription courses, we aim to enhance average customer baskets and reduce the proportion of fixed operating expenses.

### ④ Promoting the use of several subscription courses : ▲0.3pt ~ ▲0.5pt



*Oisix ra daichi*

80

Then, as it has now become difficult to expand the average spending per customer by increasing SKUs, we have promotion initiatives in all of our brands to invite subscription-service customers to add other subscription-service options. By doing so, we plan to increase the average sales or spending per customer.

I hope to raise our profit margins by taking the initiatives I have explained.

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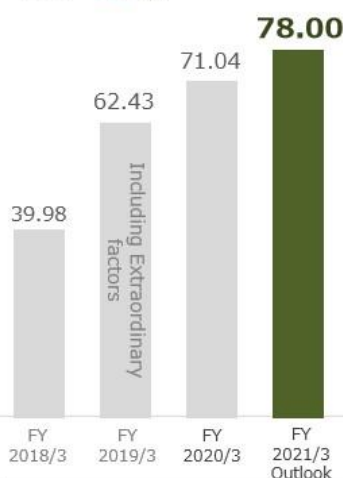
## Consolidated Outlook Overview

※For the purposes of like-for-like YoY comparisons, one extra month of Radish Boya data (March 2018) was deducted from FY 3/2019 data.

Sales and profits are expected to increase, reflecting the increased demand for home delivery due to COVID-19 and the impact of stagnation in consumer sentiment.

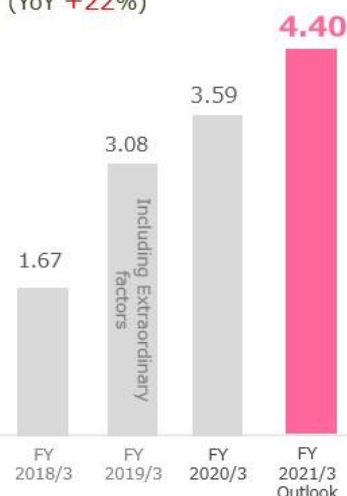
### ■ Sales

**78.00** bn yen  
(YoY +10%)



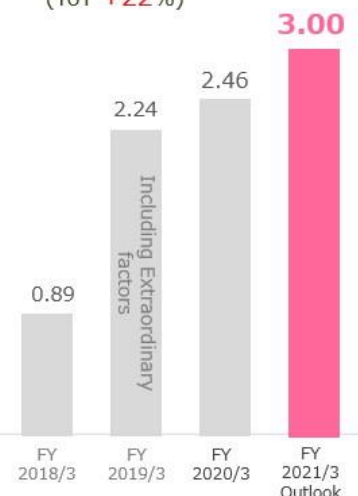
### ■ EBITDA

**4.40** bn yen  
(YoY +22%)



### ■ Operating Income

**3.00** bn yen  
(YoY +22%)



*Oisix ra daichi*

83

As a result of the recent developments, it is very difficult for us to forecast the results for the current fiscal year, but we forecasted the figures tentatively as above. According to our forecast, sales will be JPY78 billion, EBITDA will be JPY4.4 billion, and the operating income JPY3 billion, assuming that we will raise profitability by taking the measures I have explained.

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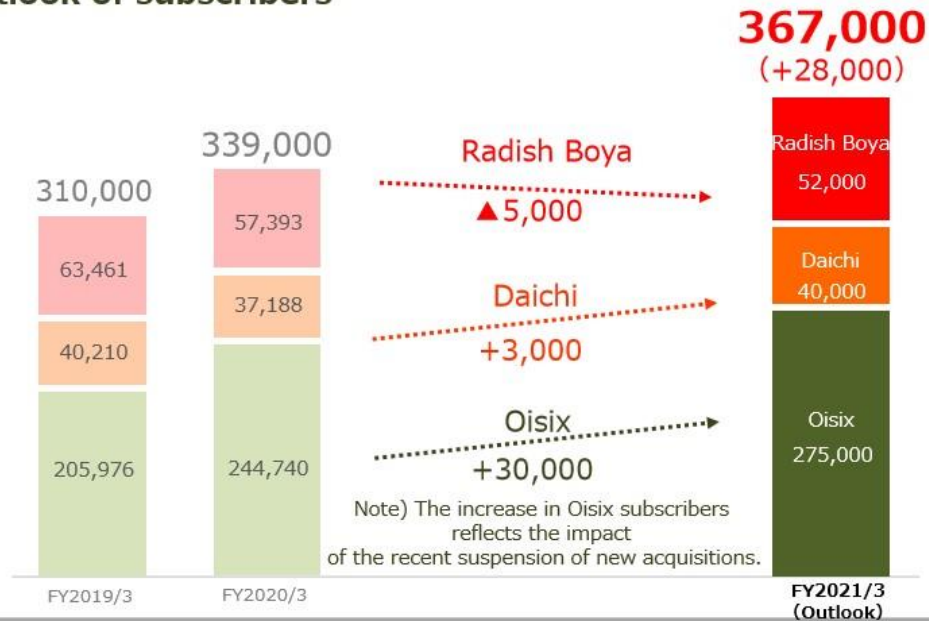
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## Outlook of subscribers/ 3 brands business growth

In accordance with management expertise in Subscription delivery, we properly implement business strategies in line with the business phases of each brand during the FY2020/3 period

### ■ Outlook of subscribers



*Oisix ra daichi*

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In terms of the membership, we set 367,000 as the target for the number of members at the end of the current fiscal year.

I may have talked too long but this is all from me.

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## Question & Answer

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**Moderator:** President Mr. Takashima, thank you for your briefing. Now, I would like to move on to the question-and-answer session. First, I will read the questions that have been submitted by our shareholders beforehand.

First question: You said that the Company has been facing increasing pressure from the limited shipping capacity. This question wants to know how much impact the Company will suffer from losing prospective customers because of the suspension of accepting new members due to the lack of shipping capacity. The questioner asks how you would deal with the shortage of shipping capacity.

**Takashima:** This question concerns what I have just said. As an example, I said that the number of prospective customers we have lost was about 10,000. We estimated the number of lost customers during the period while we stopped accepting new customers so far at about 10,000.

We are still not in a state in which we can swing our bats with full force, so we need to monitor the situation by taking a close look at how big the impact will become. Until we add another satellite center, we will increase our productivity as much as possible by raising the productivity of the existing Ebina center and the newly established satellite centers in Fujisawa and Zama as much as we can, and expand our customer base within the capacity of these centers until autumn.

In particular, Fujisawa can handle a lot more services with small SKUs, so the center will concentrate on providing these services for the time being. If a new satellite is added after the autumn, it will be possible to process a greater number of full-scale services. From fall onward, we plan to expand operations by increasing both full-scale service and the newly inaugurated “Sakutto! Oisix” service.

**Moderator:** Thank you. Now, let me move on to the second question. This question also asks about acquisition of new customers in relation to the limited shipping capacity.

The questioner would like to ask you about your policy for the quarterly allocation of PR expenses in the future and what your thoughts are about the change in pace of acquiring new customers based on the expense allocation.

**Takashima:** This question has much to do with what I have just said. In the first quarter of this fiscal year, we will look at the situation and act within the range of the current shipping capacity.

If we can see how the “Sakutto! Oisix” service will perform during this quarter, the second quarter is not usually an easy time for us to acquire new customers. In this year, however, the summer vacation will probably be short, and the situation will also change in other aspects. Thus, in the second quarter, we will focus on promoting the “Sakutto! Oisix” service, whose SKUs are small, if we can, and I hope that we will be able to promote full-service services from the second half of the fiscal year.

So, we want to somehow get the lost opportunities back. I would like to spend the unused PR expenses that were originally allocated for April and May in the first quarter by the end of this fiscal year, and achieve the membership target I have just mentioned. Looking at P&L on a quarterly basis, we believe that there may be a slight variation in our performance, but basically we plan to pursue our activities in line with this policy.

**Moderator:** Thank you. This is the third question submitted by our shareholders in advance.

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The question asks that, as we enter the era of living with the coronavirus, what kind of measures do you have in place to respond to an increase in food consumption at home and to prevent the recent increase in ARPU of current members from falling?

**Takashima:** I'm not thinking much about preventing the current ARPU of our customers from falling because the current rise in ARPU was achieved through unusual purchasing behaviors of the customers under the abnormal circumstances. So, I think that the current ARPU will inevitably fall. I think it is important to promote appropriate, non-excessive buying behaviors among our customers.

I mentioned earlier that each brand will be responsible for responding to the coronavirus-related changes. In addition to that, we see that there has been an increase in the opportunities for people to eat meals at home. We used to offer products and services mainly for dinner but, as we have more opportunities to eat lunch at home, we are considering new services to provide foodstuffs for lunch and other meals.

**Moderator:** Thank you. We are done with the questions we have received from our shareholders in advance. So, we are moving on to take questions from those of you watching this session. If you have any questions, please type them up and send them through the Q&A section.

We have received one already! I'll read it out loud now.

This question asks about the growth rates in businesses in the other business segments of your Company, such as Purple Carrot, business alliances with other companies, the Shop-in-Shop business, and the wholesale service to nursery schools.

Can you provide the estimated growth rates for these businesses in terms of the annual growth percentage? The questioner wants to know what your thoughts are for the possible growth rates of the businesses.

**Takashima:** It's very difficult to predict those now that it is extremely difficult to forecast growth of our three major brands under the current circumstances.

Purple Carrot is having a really difficult time in the US. Purple Carrot has achieved substantial growth in the short term with some of its centers reaching their capacity limits. However, this surge in demand is not the result of sudden improvement in the abilities of Purple Carrot after all, so I believe that it will gradually calm down. I don't think its business will grow two-fold, but it will grow to some extent.

The EC collaboration service businesses we have are the ones operated with Isetan Door and "d meal kit." We will resolve the issue of capacity limitation of our centers through the means I mentioned earlier. However, because the EC collaboration businesses are not the ones solely operated by us, it makes it difficult for me to give you specific forecasts. I am not saying that they won't grow at all—they will probably grow—but it all depends on how much promotional activities NTT Docomo and Isetan will be willing to conduct.

Shop in Shop and nursery school businesses are unlikely to grow so much this year. The wholesale service for nursery schools has been suspended or decreased substantially for the time being. And we are considering ways to recover the business in phases.

In both the Shop-in-Shop and nursery-school businesses, it is more important for us to realize marketing synergies than pursuing sales and profits. For example, we are hoping that people who bought Kit Oisix products in supermarkets will move on to become Oisix subscription customers. Or mothers who found their children eating a lot more in their nursery schools than at home because the foodstuffs used for school lunch are from Oisix grow interested in the Oisix service.

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Creating marketing synergies like these are more important for us. Currently, I think that we are in a phase in which we are building the base to create these marketing synergies rather than merely striving to increase sales.

I'm sorry that I can't give you specific figures at the moment for these businesses. As a whole, we will go for the sales of JPY78 billion that I mentioned earlier. As we strive to achieve this goal, we will include efforts for the Shop-in-Shop and nursery-school businesses. However, honestly, we have not been able to look into them in detail.

**Moderator:** Thank you. Now, let me move on to the next question.

You have explained about acquiring new customers earlier. The questioner wants to know if you have any measures in mind to upsell Daichi and Radish Boya brands that have experienced a decline in membership.

**Takashima:** With regard to Daichi, the decline in the number of people that had continued for some time basically stopped last year, and this year we planned to take on the challenge of realizing a V-shaped recovery for the brand. The number of customers has increased a little in the short term, which probably makes it difficult to see the real situation.

As the social environment settles down, I want to start measures to acquire new customers by offering new services that I originally planned to offer.

Regarding ARPU, I think that it has gone up to the highest possible level now. ARPU has always been very high for Daichi but it now become even higher. I think we have enjoyed the results of the increased ARPU enough.

For Radish Boya, we really need to reduce the number of subscribers a bit more for the time being to resolve the operational issues. We have been in a situation where new customers keep coming but become dissatisfied with the operations and leave the service, just like pouring water into a cup with a hole in the bottom. I was thinking of taking measures to block the hole completely and moving on to conduct promotional activities. But, before doing that, the number of customers has surged.

So, for now, we are working to improve the existing services and operations so that some of the newly joined customers will like Radish Boya and decide to stay on. It will probably take six months to one year before we can start making specific efforts to increase the number of Radish Boya customers by adding new services.

**Moderator:** Thank you. We have received some questions concerning the impact of the new coronavirus. I would like to move on to those questions.

This question is about the impact of the coronavirus. The questioner wants to know what your thoughts are on how the virus has impacted society and changed the minds of consumers.

**Takashima:** About the new coronavirus, I think we are still at the beginning of ensuing effects of the virus. I think that the impact of the virus we will see in the future will be a lot different from what we have seen in the past.

So far, the impact we have seen has a lot to do with the fact that people had to stay at home and eat a lot more meals at home than before, so there was a temporary surge in demand for food-delivery services because people wanted to stay home as much as possible. In that process, I thought that many people had to eat meals at home.

As a result, the change we have seen is that those who cook meals at home have become increasingly diverse. For example, at households in which moms used to cook meals all the time, dads started cooking at times or

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eating takeaway meals from restaurants. We have been discussing the possibility of the future in which homemakers collaborate with professional chefs. I think that the recent development we have seen is that those who cook at-home meals are becoming increasingly diverse.

Going forward, of course, there will be various changes, and if the economy slows down even more, people will tighten their purse strings, which will bring both positive and negative consequences to our Company.

Because each of our brands sells products that are fancier and thus more expensive than the products sold in the market, people might start having second thoughts about keeping on buying our products. That will be one negative consequence. On a more positive note, people may find using our products and eating home-cooked meals much cheaper than eating out in restaurants or spending money on other expensive leisure pursuits. I think we need to come up with ways to deal with both consequences. If there is a second and third wave of coronavirus infections, I think there will be a temporary, functional increase in demand.

So, about how things have changed by the coronavirus, there are things that have changed and there will be other things that will continue to change in the future. That's all. We just have to respond to any change as it occurs without sticking with the fixed services and keep changing our services as flexibly as possible in order to better deal with the challenges faced by our customers at the time.

The most important of these processes is ensuring the safe environment to ensure continuity of service. If you can't do that, no matter how much marketing activities you do or how excellent they are, whatever we do will become meaningless. I think it is best for us to continue responding to changes while ensuring the safety of the environment in which we conduct our businesses.

**Moderator:** Thank you. There's another question concerning the new coronavirus. People have been saying that the economy will continue to stagnate due to the effects of the coronavirus, which will make consumers prefer lower-priced products. The questioner wants to know how much you think your Company will suffer the effects of not only the coronavirus but also of the ensuing economic slowdown.

**Takashima:** This question also overlaps with what I mentioned earlier, but I think there will be both positive and negative consequences.

All our brands survived the global financial crisis that followed the collapse of Lehman Brothers and we have data on what kind of issues or opportunities they had during that time. In addition, we actually had the data showing that virtually all cities that hosted summer Olympic games experienced an economic downturn after the games. We have actually forecasted that Japan will face an economic downturn in 2020 and 2021 based on those data.

In fact, we are trying to decide on what measures we should take from now on by drawing on these forecasts and also some patterns we identified from our experiences following the collapse of Lehman Brothers.

So, of course, it would be better for the economy to be strong, but there will inevitably be some negative consequences. Despite that, we plan to operate our businesses by focusing on our unique strengths as a Company offering subscription services and home-delivery services in today's social situation.

In times of economic downturn, people often start to focus on not only prices but also the quality of foodstuffs to maintain their health. They often find that it comes out cheaper to spend money on high-quality foodstuffs than becoming sick. We intend to provide our customers with the kind of services that make them think that spending money in our products is the right way to spend their money.

**Moderator:** Thank you. Then, I have another question for you.

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Last year, you were willing to pursue M&A and alliance opportunities. The questioner wants to know what kind of policy you now have about M&A activities going forward.

**Takashima:** Of course, M&A remains a possibility for us, but I will not pursue M&A as part of our growth strategy. I believe that organic growth of more than JPY100 billion would be possible by expanding the current services. We believe that doing so will be the basis of our growth strategy.

However, I would like to aggressively pursue M&A opportunities if possible. In my opinion, there are about three major approaches to M&A. There are M&As that will help improve our strengths further, the ones that will help us acquire businesses that we do not own, and the ones that will enable us to acquire functions that we do not have.

Speaking of the strengths of our business, our strengths lie in being a food-delivery business Company. So, I would like to actively undertake such projects if there are any such projects that allow us to harness these strengths. Through Oisix, Radish Boya, Daichi, and Purple Carrot, we believe that we have acquired the business methods that we can use universally with all brands of any kind. I would like to pursue this kind of M&As if such opportunities arise.

Then, about M&As to enable us to acquire a business that we did not have, one such case is what we have done with Dean & DeLuca, by taking an equity stake in the Company. As it happens, the Company is facing a really tough situation at the moment. But we hope to learn from this experience so that we can successfully undertake M&As that will allow us to make up for weaknesses of our Company.

M&As to add functions that we do not have can include acquiring an IT company instead of hiring engineers or acquiring a design company instead of hiring designers. We always seek these M&As as possible options and, even though the scale of these M&As tends to be small, I would like to take it up if I have the chance.

These are my thoughts for M&As at the moment.

**Moderator:** Thank you. Now, let me move on to the next question.

You have explained about logistics and distribution earlier. In considering bottlenecks to growth, for example, do you have any concerns about procurement?

**Takashima:** On the procurement side, as we are not purchasing from the marketplace in the short term, there will be always a possibility for us to become unable to procure some products because, for example, demands for and the sales of those products have increased 10-fold this week from the last week. We will have to address situations like this by increasing the amount of planting or contract cultivation.

If I were to select one issue that has been significant for us, it would be that we have often been faced with situations in which we made a purchase contract based on bullish expectations but find ourselves with a lot of unsold products. However, today, with the three brands merging, I think we will be able to resolve this issue.

If any of our brands placed a bullish order and ended up with having too much spinach, for example, we can always sell the surplus spinach through other brands. We now have a lot more flexibility in moving products like these among our brands.

As each brand has its own cultivation standards that vary slightly from brand to brand, we will move products among our brands only within these standards. We have now become increasingly able to move surplus products among our brands by strictly observing their standards. Each brand procures its products separately, but the current structure has made it possible for them to place more bullish contracts.

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The important issue to address on the supply side is to procure products in an amount that is not too much, but even if it were too much, we would be able to sell all of them. If we can keep doing that, producers will find it more profitable to do business with us by growing products organically or with reduced amounts of pesticide. If producers find it more favorable to grow products for us, we will probably resolve the issue of our capacity and supply ability.

**Moderator:** Thank you. I would like to move on to the next question. This question is regarding a specific product category, which is marine products.

The questioner wants to know how sales in marine-product sales have changed over the last year. The questioner also wants to know whether your Company has successfully continued supplying marine products in a stable manner amid the new coronavirus outbreak.

**Takashima:** I don't think there has been any notable decline or increase in sales in the marine-product category during the last year. Some signs of demand are being felt in a service offered by Daichi to provide customers with easy-to-eat fish by developing products and increasing the fish species continuously to fulfill the needs of this service.

Among our customers in their 60s, there is a sense that eating more fish is better for their health, but in their daily lives they feel that fish is lacking. Therefore, I think that they have wanted to find products that allow them to consume more fish with little effort.

In terms of capacity or supply ability, there has not been any problem that I know of because, unfortunately, none of our marine products have sold so much that they are in short supply. In our case, the big products are mainly vegetables. Vegetables and fruits make up about 30% of our sales. Some of them are very expensive, but many customers find them more attractive than other products because they are fancy and expensive. Compared with its internal counterparts, the marine-product category has not faced any problems so far.

**Moderator:** Thank you. Well, as we have little time left, let me ask you the last question.

You mentioned earlier that your Company would respond flexibly depending on the situation. You are probably in a situation now that has brought about a sudden surge in the growth rate partly due to the spread of new coronavirus infections. In order for your Company to continue this trend for five years and 10 years from now, do you think that it will be important for your Company to continue to respond to the situation flexibly?

**Takashima:** Yes, that's exactly what I mean. Sorry, but I didn't quite understand the intention of the question.

Anyhow, I think it is important to respond to changes, so I will make sure that our Company will do that. The services that I think are easy to respond to changes are subscription services, because with subscription services, we can keep track of changes in customers' behaviors much more easily because we deal with the same customers every week. It is not necessary to see and analyze the whole picture of changes and we can focus on chasing each customer, which makes it much easier to grasp their behaviors.

There are changes in the customers' surroundings, like their children entered or graduated from elementary school or they moved to a different town because of a job transfer or they bought a house. Or they may suffer some sort of illness and are hospitalized. These changes in customers are extremely important factors for our services.

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Rather, these changes in personal lives are sometimes bigger changes for customers than social changes. We will keep track of these changes in each customer and respond flexibly to them and changes in the society at the same time. I think that this will be a fitting way for us to respond to changes.

**Moderator:** Thank you. We have almost reached the time to finish today's session, so we are finishing the meeting now.

Thank you very much for your attendance today. As for the questions that have been submitted but we were unable to answer today, we will upload the answers separately on our website.

Well then, thank you very much for watching today. That's all for today.

**Takashima:** Thank you very much.

[END]

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1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
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