

# *Oisix ra daichi*

## **Oisix ra daichi Inc.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 12, 2020

## Event Summary

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|                      |   |   |
|----------------------|---|---|
| [Company Name]       | Oisix ra daichi Inc.  |   |
| [Company ID]         | 3182-QCODE  |   |
| [Event Language]     | JPN   |   |
| [Event Type]         | Earnings Announcement   |   |
| [Event Name]         | Q2 Financial Results Briefing for the Fiscal Year Ending March 2021             |   |
| [Fiscal Period]      | FY2020 2Q   |   |
| [Date]               | November 12, 2020   |   |
| [Number of Pages]    | 47  |   |
| [Time]               | 16:00 – 17:04<br>(Total: 64 minutes, Presentation: 32 minutes, Q&A: 32 minutes) |   |
| [Venue]              | Webcast   |   |
| [Participants]       | 130   |   |
| [Number of Speakers] | 1<br>Kohey Takashima                      Representative Director, CEO          |   |
| [Analyst Names]*     | Hideki Sumi<br>Yusuke Saito   | Tokai Tokyo Research Institute Co., Ltd.<br>Snow Lake Capital Limited |

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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## Presentation

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**Umemura:** Now it is time to commence the financial results briefing.

Thank you very much for your participation in the financial results briefing for the first half of the fiscal year ending March 2021 of Oisix ra daichi Inc., despite your busy schedule today. I am Umemura of the Investor Relations section of the Corporate Planning Department, and I am a facilitator of today's briefing. Nice to meet you.

Today's financial results briefing consists of mainly two parts. In the first half of the briefing, our Representative Director, CEO, Mr. Takashima, will report the financial results for the first half of the fiscal year under review for about 30 minutes, focusing on the results for the first half of the year. After that, we will continue to a Question & Answer with the participants.

In the Question & Answer, we will use the raise hand feature of Zoom Video Communications, Inc., and conduct it in an oral form to answer questions. We will also accept questions via chat for participants who are in a situation unable to speak. The details of the Question & Answer will be explained again.

Now, we will move to the financial results briefing for the first half of the fiscal year under review.

Representative Director, CEO, Mr. Takashima, please start.

**Takashima:** Good afternoon everyone. Nice to meet you. Thank you very much for your participation in our financial results briefing, despite your busy schedule today.

We were listed on the first section of the Tokyo Stock Exchange in April, and we conducted a financial results briefing in May on the internet. We are conducting today's financial results briefing on the internet as well. It is difficult to do it in that way because I cannot see everyone's reaction. Nevertheless, I am pleased with the fact that many people will be able to watch it. Thank you for your time today, despite your busy schedule.

First, I would like to explain the results of our activities, including the entire first half with the second quarter, as well as our outlook for the future.

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We have a lot of items to explain, as described in the table of contents. I will explain about this period, our outlook for the future, and some topics.

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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.

Before explaining, I think that many people are participating today, including those participating for the first time. Since we shifted to the First Section, I would like to, once again, explain our corporate philosophy as an introduction of ourselves. We have positioned ourselves with the philosophy of Farm for Tomorrow, Table for Tomorrow.

In 2000, I founded a Company, Oisix. In 2017, my Company merged with Daichi wo Marmoru Kai, which had had a longer business operation of 40 years. In 2018, we merged with Radish Boya, which had run the business for more than 30 years, and Oisix ra daichi Inc. was established. When we established the new Company, we created this corporate philosophy over time with everyone.

The reason I mention this corporate philosophy in the introduction of our Company is that we have a strong commitment to this philosophy, and we cherish it. Our corporate philosophy is to improve both dining and farm, not dining alone, or farm alone. As described in the second row from the bottom, we are trying to solve social issues related to food through business methods.

Our main business now is to solve the social issues related to food in the area of food subscription, where we have the greatest strength. Going forward, we will continue to develop our business in line with this business philosophy. That was an introduction of ourselves.

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

## 【Consolidation of Purple Carrot】

- ✓ Purple Carrot, a U.S. meal-kit home delivery service specialized in vegan, became a subsidiary in Apr.2019. Recognition of sales, profits/losses and goodwill began in FY2020/3 3Q.
- ✓ Full-year recognition in consolidated reports this fiscal year versus half-year (3Q/4Q) last year.
- ✓ Compared to the previous term, the Purple Carrot result will be added in 1H.

| Fiscal Year                     | Consolidated period | 1Q | 2Q | 3Q   | 4Q |
|---------------------------------|---------------------|----|----|--|----|
| Previous fiscal year (FY2020/3) | half-year (3Q/4Q)   |    |    | From FY2020/3 3Q<br>Start of consolidation |    |
| This fiscal year (FY2021/3)     | Full-year           |    |    |  |    |

\*Due to the difference in fiscal year-ends, consolidated results are delayed by 3 months (2Q is consolidated from Apr to June).

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Now, I would like to explain the contents. I would like to report on our business performance. First, I would like to mention a cautionary note when you look at it, YoY.

In April of last year, we acquired Purple Carrot, a vegan food company in Boston, in the US. But we did not consolidate it in the first half of last fiscal year, which was from April 1 to September 30. We consolidated it in the latter half of the previous fiscal year, so the report shows in that way.

This year is the first consolidated year for the full 12 months, so when you look at the report YoY, the portion of Purple Carrot is simply added in sales and profit for the first half performance.

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## FY2021/3 1H Highlights

**Sales** : Continuing from 1Q, **subscriptions and ARPU saw healthy growth** on increased Covid-19 driven home delivery demand.

**Profits** : **Profits are ahead of plans** on higher sales/ARPU as well as customer promotional expenses that were unspent at Oisix.

Sales

47.56<sup>bn yen</sup>  
(YoY **+46%**)

EBITDA

4.67<sup>bn yen</sup>  
(YoY **+247%**)

Operating  
Income

3.97<sup>bn yen</sup>  
(YoY **+341%**)

**Net  
income**

Attributable to  
owners of the  
parent

2.45<sup>bn yen</sup>  
(YoY **+528%**)

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Next is a summary of results. A lot of items are written, but I will explain while looking at the graphs and numbers. Net sales increased by approximately 1.5 times YoY to JPY47.5 billion. EBITDA increased by approximately 3.5 times to JPY4.67 billion.

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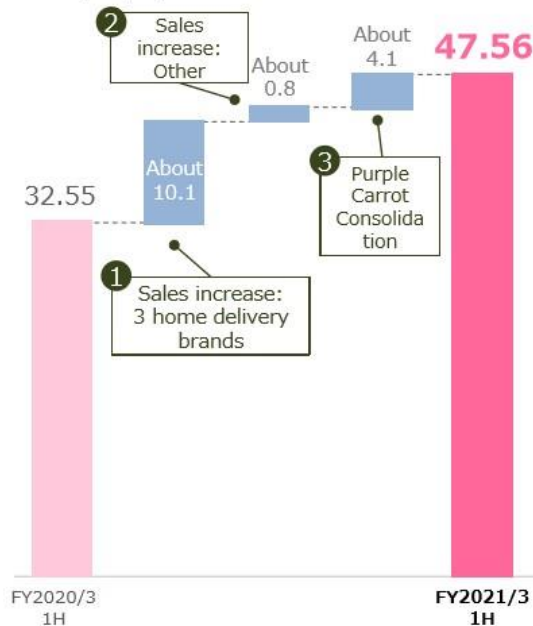
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## YoY : Sales

### ■ Sales (bn yen)



#### 1 Sales increase (3 home delivery brands) : about 10.1bn yen

- Increase in ARPU : about 6.6bn yen
- Increase in subscribers : about 3.5bn yen

#### 2 Sales increase: Other : about 0.8bn yen

- EC support/Hong Kong : about 1.0bn yen
- Kindergarten wholesale : about ▲0.2bn yen
- Etc.,

#### 3 Purple Carrot Consolidation : about 4.1bn yen

Compared to the previous term, the Purple Carrot result will be added in 1H. (See page 3 for details)

## Oisix ra daichi

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Regarding the background why sales increased, as these are also graphs of sales, I will explain it on the next page.

Sales grew by approximately JPY15 billion. Its breakdown is three domestic home delivery divisions, Oisix, Daichi wo Marmoru Kai, and Radish Boya. This business grew by approximately JPY10 billion. Despite the COVID-19 circumstance, sales per capita, ARPU, grew very much. Each of the brands grew approximately by 1.2 times, which is significant.

In addition, the number of subscribers grew. In particular, in the first quarter, the capacity of Oisix's distribution centers became full, so we were unable to conduct promotions for Oisix sufficiently. In the second quarter, the capacity problem was largely resolved, so we made some promotions, and there was an increase of about 20,000 customers in the Oisix brand, increasing sales.

In terms of Other Individual Businesses, we supported the Hong Kong Business and Ecommerce Business of other companies through the collaboration with ISETAN DOOR and with NTT DOCOMO for d meal. We are also seeing an increase in the number of customers.

On the other hand, sales in the Nursery School Wholesale Business declined because nursery schools were closed, particularly in the first quarter, or the first half of the fiscal year. Although it is returning to a certain extent, we were able to carry out the sales activities that we had previously anticipated, so we have not yet reached our initial anticipation level for this B2B Business.

The third is on Purple Carrot I mentioned at the beginning. We acquired it last year and have been carrying out management improvements, among others. I think there are some effects, probably a little, but rather,

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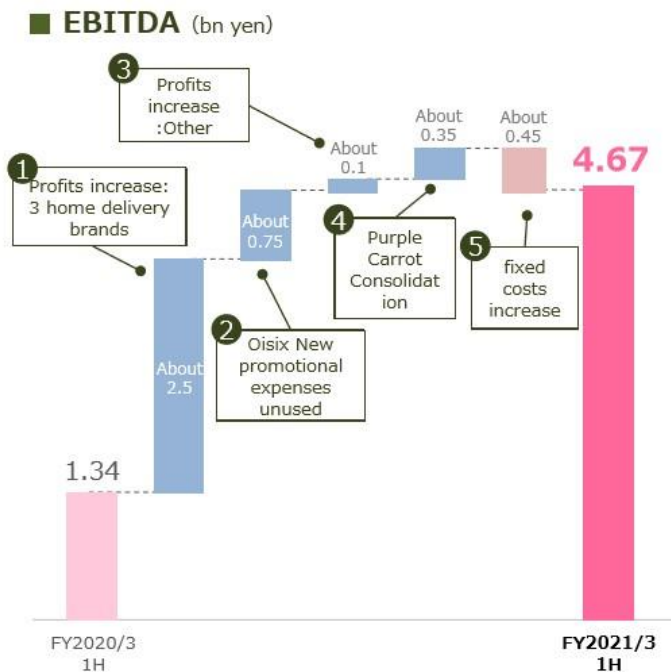
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US has been affected by COVID-19 very much, resulting in an increase in shipment. Sales also increased because of the growing need for vegan food due to a growing awareness of health.

## YoY : EBITDA



### 1 Profits increase: (3 home delivery brands) : about 2.5bn yen

- Increase in ARPU : about 1.6bn yen
- Increase in subscribers : about 0.9bn yen

### 2 Oisix New promotional expenses unused : about 0.75bn yen

### 3 Profits increase (Other) : about 0.1bn yen

- EC support/Hong Kong : about 0.1bn yen

### 4 Purple Carrot Consolidation : about 0.35bn yen

- Return to profitability for the first time
- Compared to the previous term, the Purple Carrot result will be added in 1H. (See page 3 for details)

### 5 Companywide fixed costs increase : about 0.45bn yen

- Costs for COVID-19
- Costs for Listing to First Section of the TSE Etc.,

## Oisix ra daichi

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Now, on profit. As a whole, it increased by a little over three times. The biggest was that the sales in the three home delivery divisions increased, which led to an increase in profit. Profit increased approximately JPY2.5 billion.

On the other hand, this isn't a very good story because we were unable to conduct promotions for Oisix due to the overcapacity of the delivery centers I mentioned earlier. An expense of approximately JPY0.75 could not be used.

Regarding Other Business, Purple Carrot was in the red at the time we acquired it, but it became profitable for the first time this fiscal year. We did not anticipate it very much. Instead, we anticipated that it would continue to be in the red for a little longer period. Over this period, the fact that we achieved profitability meant that sales and profit increased from it.

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## Business segment Results

|                | Sales                     | Segment profit            | Overview  |
|----------------|---------------------------|---------------------------|---|
| Oisix          | 23.04bn yen<br>(YoY +40%) | 4.33bn yen<br>(YoY +132%) | <ul style="list-style-type: none"> <li>•We resumed new acquisition by resolving tight shipping capacity. Approximately 20,000 subscribers increased in 2Q</li> <li>•ARPU increased by about 20%YoY</li> </ul>   |
| Daichi         | 7.09bn yen<br>(YoY +38%)  | 1.36bn yen<br>(YoY +55%)  | <ul style="list-style-type: none"> <li>•From this term, we will move to the expansion phase. Approximately 1,000 members increased in 2Q.</li> <li>•ARPU increased by about 15%YoY</li> </ul>   |
| Radish Boya    | 9.08bn yen<br>(YoY +22%)  | 1.62bn yen<br>(YoY +28%)  | <ul style="list-style-type: none"> <li>•We focused on reform of procurement logistics in 2Q, and the number of members decreased slightly</li> <li>•ARPU increased by about 15%YoY</li> </ul>   |
| Other business | 8.52bn yen<br>(YoY +142%) | 1.03bn yen<br>(YoY +86%)  | <ul style="list-style-type: none"> <li>•EC support business and overseas business are growing steadily.</li> <li>•Sales in the real media business, such as the nursery wholesale business, are gradually recovering to the previous year's sales, but sales continue to decline in 2Q.</li> <li>•In the first half, sales and profits of Purple Carrot will increase due to new consolidation</li> </ul> |

## *Oisix ra daichi*

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Next is results by segment. As I already mentioned, as a whole, net sales amounted to JPY47.5 billion, and operating income amounted to approximately JPY4 billion. I would like to explain more details by segment.

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## Oisix KPI

**Subscribers** : Grew roughly 20,000 as logistical capacity issues were resolved and new customer acquisitions resumed in full.  
**ARPU** : Demand for home-cooked meals has risen 20% YoY as families refrained from summer travel and hometown visits.

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

### ■ No. of subscribers

# 274,929

(YoY +21%)



### ■ ARPU※

# 12,986

 yen

(YoY +22%)



*Oisix ra daichi*

\*ARPU = Average Monthly Revenue Per User 15

First, I would like to explain it from the three major domestic brands.

Regarding Oisix, as a result of the resumption of promotions in the second quarter, we were able to increase the number of customers by about 20,000. Summer is the toughest period in the year with sales per capita falling. However, this year's summer holiday was considerably shortened, and customer behavior changed. As a result, ARPU declined, but not substantially, to about 120% YoY.

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## Oisix Topics -Kit Oisix Collaboration

Released multiple collaboration kits that utilize our meal kit development know-how and our partner's recipes/ingredients. Going forward, besides product collaboration, we consider new solutions such as collaboration in the EC business realm.

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

### ■ Collaboration with Mos Burger

#### ◆ Enchanted Bolognese



- ✓ 12,000 Bolognese sets utilizing the renewed "Mos Burger" meat sauce sold out immediately on day of sale.



In addition to investing in the Future Food Fund, we are considering other collaborative initiatives in the food space.

### ■ Collaboration with OOTOYA

#### ◆ Chicken and vegetable black vinegar *ankake*



- ✓ A Kit Oisix reproduction of the most popular menu at OOTOYA for 18 consecutive years sold out immediately on day of sale.



Promoting joint development of collaborative menus for Ootoya's EC business and Ootoya restaurants.

## Oisix ra daichi

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Among them, our mainstay, Kit Oisix's course, is growing very much.

We also conducted some collaboration. One of two typical ones was the collaboration with MOS FOOD SERVICES, INC. With regard to Future Food Fund, a fund for food technology, they joined JP just like us. The collaboration with MOS FOOD SERVICES, INC. was very well received, so items sold out quickly, which was a reflection on us.

Another thing was our collaboration with OOTOYA Holdings Co., Ltd. at the beginning of fall, and items were soon sold out. We began collaborating with such well-known restaurants in this quarter.

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## Oisix Topics -Restaurant support

Domestic Delivery business  
(Three major brands)

Domestic Delivery business  
(Other)

Other Business

The “Home Restaurant” which address new customer behavior has been very well received by both restaurants and customer. We plan to continue expanding our handling.



✓ expanded to **23 shops and 43 items**

### 【Sales performance】

大福佐饅頭の味  
名物串カツ田中 Number of “Kushikatsu” sold  
**exceeded 170,000**



おいしさを、心を伝える。  
大福佐饅頭の味  
名物串カツ田中 casserole kits sold  
**4,000**



### 【customer's voice】

- ✓ I wanted to go to the restaurant and eat lamb sukiyaki once, but I ordered it immediately because it was difficult to eat out due to the state of emergency. It was delicious.
- ✓ We ate it on Father's Day so that my father, a medical professional, could feel like a restaurant for the first time in a while. Side dishes and drinks were also reproduced and it was exciting. I still want to use it.



大福佐饅頭の味  
名物串カツ田中

## Oisix ra daichi

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Also, we started the Home Restaurant Business in April immediately after COVID-19. We deliver restaurant food to general households because such restaurants did not have customers and could not use ingredients anymore.

Sales has been continuously growing even after a State of Emergency was declared. We initially started it to provide support, but it could become a business that supports a new lifestyle, more than a support. Therefore, we have continued to do the business, and now 23 stores are participating.

They are participating, but our model is not like we receive a fee from them. Rather, we purchase and sell restaurant ingredients or menus. In some cases, we work with them to develop products and sell them.

We have received many customer comments, but from now on, regardless of COVID-19, people will eat restaurant food at home, or it becomes a matter of course to spend at a dining table with a mixture of food cooked by chefs, and food cooked by housewives. I feel that there will be such changes, so we will continue to handle them.

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## Oisix Topics —Sayama Station

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Completion in October 2020 as originally planned.

In 3Q, we will see operational testing of the Sayama Station ahead of next fiscal year's new center opening.

The new capacity will allow us to meet increased shipping demand in the future.

### Status of shipping capacity

- ✓ Initially planned to operate in 3Q, but the productivity improvement of the existing center went well, and it was changed to 4Q operation.
- ✓ Sayama Station will be undergoing priority operational tests in 3Q in preparation for the optimal start of operations at the new Ebina Station next fiscal year.
- ✓ On the other hand, shipping capacity increased 50% and systems have been put in place to handle sudden surges in demand should COVID-19 reaccelerate.



### initial investment and increase in logistics costs

① Initial investment : About 50 million

② increase in logistics costs : About 15 million/month (during 4Q of this term to 3Q of next term)

## *Oisix ra daichi*

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Now is on the last topic of Oisix. The capacity of our distribution center reached its limit in the first quarter. So, we quickly added two satellites, and then we improved the productivity of the satellites. Even so, we could not catch up, so we planned to operate the Sayama Station.

The preparation to operate the Sayama Station has been going on well. In fact, the productivity of the original satellite improved more than we expected. We will conduct test operation for the Sayama Station until the end of this year and will begin its operation at the beginning of the next year.

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## (Re-posting) Future shipping system

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Oisix's most important management issue, the increase in shipping capacity, is expected to be resolved by the operation of the Sayama station from October.

|   |                                     |  |  |   |
|---|-------------------------------------|--|--|---|
| Apr.2020 → <b>Oct.2020</b> → Oct.2021 → |                                     |  |  |   |
| <b>Status / Measures</b>                | <b>Exceeding logistics capacity</b> | <ul style="list-style-type: none"> <li>• Launch of <i>Sakutto Oisix</i>, a small SKU service</li> <li>• Expansion of satellite center<br/>⇒ Resuming new acquisitions gradually from the end of April</li> </ul> | <b>NEW</b> <ul style="list-style-type: none"> <li>• With the start of operation of the Sayama station, there was a goal to solve the capacity problem</li> <li>• Actively resume new acquisitions</li> </ul> | <ul style="list-style-type: none"> <li>• Large increase in capacity due to operation of Shin-Ebina Station</li> </ul> |
| <b>Logistics Base</b>                   |                                     | <ul style="list-style-type: none"> <li>• Current Ebina Station</li> <li>+</li> <li>• Fujisawa</li> <li>• Zama</li> </ul>   | <ul style="list-style-type: none"> <li>• Current Ebina Station</li> <li>• Fujisawa</li> <li>• Zama</li> <li>+</li> <li>• <b>Sayama</b></li> </ul>  | Shin-Ebina Station<br>(※Fujisawa and Sayama will be closed after Oct. 2021. Zama is dedicated to shipping radish)     |
| <b>Shipping Capacity</b>                |                                     | +10% increase in shipping capacity   | Up to +50% increase in shipping capacity<br><b>*Covers capacity up to the start of operation of the Shin-Ebina Station</b>   | Maximum shipping capacity +200% increase  |

## *Oisix ra daichi*

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In the future, we started the business in Ebina, and we immediately created satellites in Fujisawa and Zama. In addition, we created a satellite in Sayama that is large in scale. We are developing our business in multiple locations.

In October next year, we are making a large investment, and a new Ebina Station will be built, which we originally planned. Thereafter, we will consolidate into the new Ebina Station, and logistics costs will temporarily deteriorate slightly from now on. However, from October next year, we plan to raise productivity and increase profitability.

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## Daichi KPI

**Sunscribers:** Increasing trend continued partly on sustained repeat demand by new subscribers who joined during the Covid-19 self-restraint period.  
**ARPU :** Increased by roughly 15% YoY as families refrained from summer travel/hometown visits and home delivery demand expanded.

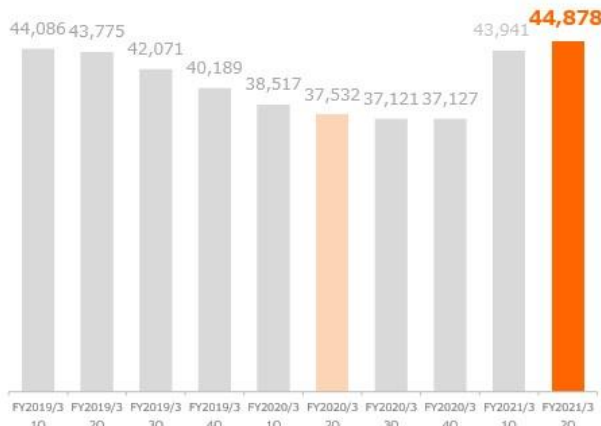
|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

### ■ No. of subscribers

**44,878**  
 (YoY +20%)

### ■ ARPU※

**24,128** yen  
 (YoY +14%)



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\*ARPU = Average Monthly Revenue Per User 21

Next, is on Daichi-wo-mamorukai. The number of customers has been continuously increasing in the Daichi-wo-mamorukai as well. It fell during the summer vacation, but it was better than the previous year, which is the same trend.

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## Daichi Topics

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

**Develop a method of attracting customers to re-expand members and carry out sales planning to improve LTV of the target group while responding to COVID-19.**

### Improvement of attracting customers

- ✓ Trial set to match 「Vegetable day」 was doing well
- ✓ Strengthening the system by increasing the number of outbound personnel  
⇒Minimize opportunity loss and **maintain subscribers growth in 2Q**



### Improvement of LTV

- ◆For seniors living with two people,
  - ✓ Sales of additional subscription courses for fruits and vegetables were strong, recording **+20% YoY sales.**
  - ✓ The new brand "connoisseur's seasonal fish" is sales that **exceed initial expectations.**
- ◆For Self-restraint Customer change,
  - ✓ "World dining table" special feature **greatly increased sales.**



## Oisix ra daichi

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In the case of the Daichi-wo-mamorukai, an energetic senior group is a main target, and items of a business model, Ryofu-kai, fish and such, are hit items for them. People of the Daichi-wo-mamorukai have the strongest trend of staying at home, among other our brands. Sales per capita is nearly double than that of the Oisix brand, so these people are using various types of items.

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## Radish Boya KPI

**Subscribers** : Fell slightly in 2Q as priorities were placed on operational improvement and new customer acquisitions were restrained as per prior stated strategy.  
**ARPU** : increased by roughly 15% YoY as families refrained from summer travel/hometown visits and home delivery demand expanded.

■ No. of subscribers

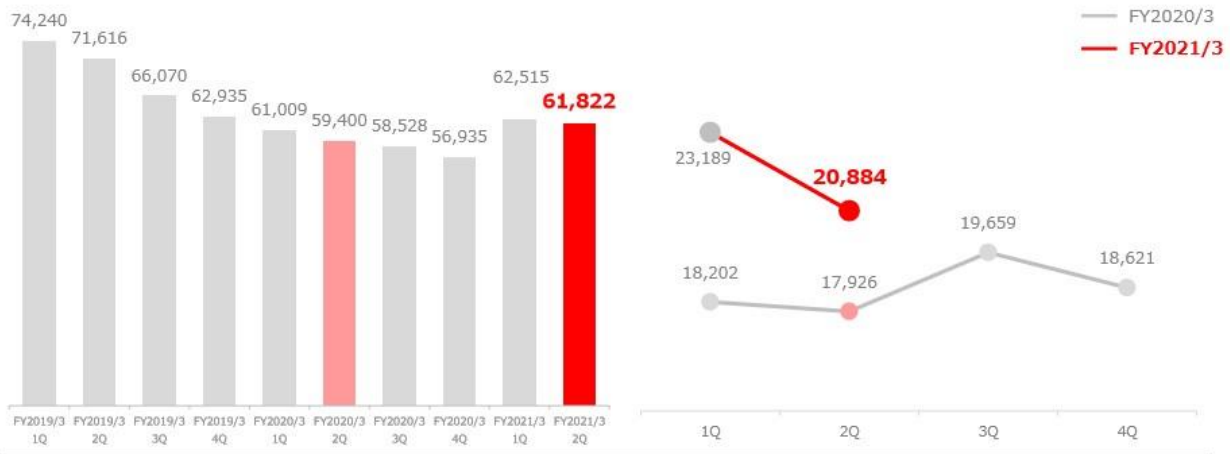
**61,822**

(YoY +4%)

■ ARPU※

**20,884** yen

(YoY +17%)



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\*ARPU = Average Monthly Revenue Per User 23

Now is on the Radish Boya. The number of its subscribers declined slightly. As we had planned before the COVID-19, we were conducting activities in this second quarter to change the delivery method or the procurement method, so it declined slightly in that period because we were unable to promote it.

Regarding ARPU of the case of the Radish Boya, as in the case of the Oisix, it increased more than 15% during the summer YoY.

### Support

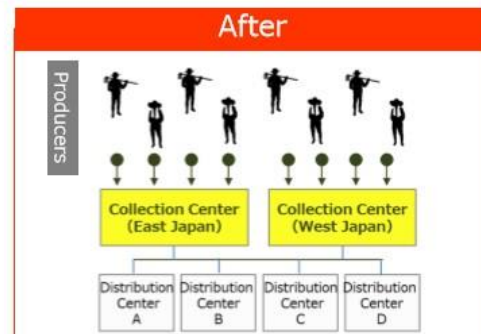
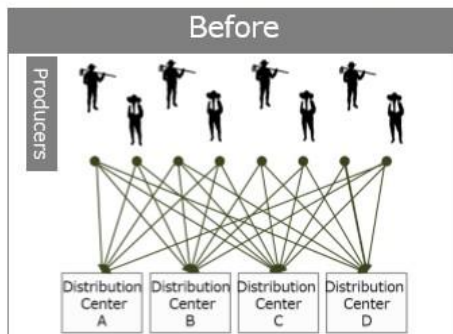
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# Radish Boya Topics

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

A measure to enhance profitability this fiscal year - "Consolidation of Radish Boya Collection Centers" - has been implemented in stages since June. **Purchasing cost was reduced by roughly 0.4ppts** owing to center consolidation for fresh produce.



## CoGs

Since producers nationwide deliver individually to each distribution center, unnecessary procurement and distribution costs and disposal loss increase.

Cost of fresh produce was **reduced by roughly 0.4ppts** owing to center consolidation.

## Fruit and vegetable claims

There were variations in quality checks at each center

By consolidating the centers, "uniform quality standards" and "quick quality feedback to production areas" will be possible, and we will focus on 3Q and beyond.

## Oisix ra daichi

24

In terms of improving profitability, the delivery frequency of the Radish Boya is the highest among the other our brands, and that led poor efficiency and differences in product quality. Therefore, we are working to improve quality and improve costs by creating two intermediate collection centers between producers and stations, one in eastern Japan and the other in western Japan.

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## Domestic Delivery business Topics - "Osechi"

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Facing difficulty in planning for year-end holidays, an increasing number of families appear to be looking to simply stay home. New "paired" products connecting separated families, such as between homes and hometown (parent) homes, have proven to be popular and all three brands experiencing YoY growth.

### Oisix

- ✓ Propose small number of people and multiple purchases such as pair sales of home + parents' home



### Daichi

- ✓ In addition to New Year dishes, strengthen sales of hot pot and crab ingredients



### Radish Boya

- ✓ Implemented "forwarding service" as a year-end gift for family members



The total of the three brands is aim to increase by **over +20% YoY growth**.

## Oisix ra daichi

25

Also, as a topic for the end of the year, there are many people who haven't made plans for it, but many people will stay at home or spend their time at their parents' homes without going abroad. The reservations for the food served during the New Year's holidays are also doing well at the moment.

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## EC support

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

With resolution of the shipping capacity issue at Oisix, new customer acquisitions have resumed and new regular subscriptions have seen a healthy increase. In similar fashion to the domestic home delivery business, ARPU also increased.

### ■ ISETAN DOOR

••Support for Isetan Mitsukoshi's EC business Commissioned from operation and management of EC sites to distribution and delivery.



- ✓ Resuming new acquisition due to the elimination of tight capacity
- ✓ Subscribers grew steadily due to increased demand for home delivery, and **doubled from the end of the previous fiscal year**

### ■ d-meal kit

••Started in July 2019 in collaboration with NTT Docomo. Offer regular delivery services, mainly meal kit for NTT Docomo's customers.



- ✓ The number of regular members increased **about 2times from the end of the previous fiscal year** in response to the increase in demand for home delivery.
- ✓ The trial set commemorating the first anniversary of the service is also performing well. Cumulative number of meal kits exceeds 400,000

## Oisix ra daichi

27

Next is on other Domestic Business. The first is on the Ecommerce Support Business for other companies.

The trend is similar to others. The Ecommerce Business, ISETAN DOOR, that we are working with Isetan Mitsukoshi Group, as well as the d meal kit that we are collaborating with NTT DOCOMO, has just begun. But the number of customers has doubled since the end of the previous fiscal year, and they are continually growing.

For our part, we do websites, systems, logistics, service design, and so on.

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## Tokushimaru(subsidiary)

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Significant growth in both transaction value and number of units in operation.  
Demand for mobile sales at retail stores is expanding by Covid-19.  
Steady progress against the annual increase of 300 units in operation under the initial plan.

The 1H value of circulation

**7.72**bn yen  
(YoY +55.0%)

Number of vehicles  
in operation

**614**



### Background of expansion

- ✓ Seen as a sales method to avoid crowding, demand/inquiries regarding mobile sales at retail stores grew.
- ✓ Improvements to the vehicle fleet expansion scheme has led to accelerated growth.
- ✓ Seen as a source of employment, sales partner applications have increased.



Since September,  
the number of vehicles was increased  
by one per week  
**resulting in a rapid jump  
to 11 operating vehicles.**

## Oisix ra daichi

28

Another is on Tokushimaru Inc. This is a service mainly for people in their 80s and 90s who are unable to fulfil their shopping needs. There is also a growing need for this service. The total value of transactions handled is increasing, and the number of units is increasing.

We started collaboration with Ito-Yokado Co., Ltd. this Spring, and its experimental development has been almost completed. Now, it is shifting to an increase phase. Since September, they have been providing their service weekly.

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## Purple Carrot(U.S.)

※Purple Carrot shows the business situation from Apr. to Jun.

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Continuing from 1Q trends, the rapid increase in home delivery demand allowed for a quarterly profit. Growth in sales/subscriptions, however, have begun to stabilize. Aiming for intrinsic profit generation capability via a focus on service improvement.

### Business status

- ✓ Similar to 1Q, **quarterly profit was achieved in 2Q** (April~June).
- ✓ Whilst subscribers have continued to see substantial increase by Covid-19, they are beginning to stabilize.
- ✓ A new unit has been created to specialize on customer satisfaction as the Co. aims for intrinsic profit generation capability via a focus on service improvement.

#### ◆ No. of subscribers



### Progress of wholesale business

- ✓ Meal kit wholesale to Whole Foods Markets, the largest organic retailer in the U.S., started in July and is steadily expanding.



*Oisix ra daichi*

30

Finally, it is on Other Business.

As I mentioned earlier, Purple Carrot is growing because demand for Purple Carrot is rising in the US, and there is also growing demand in health consciousness. During the first half of the fiscal year, net sales totaled approximately JPY4 billion. As a result, it became profitable.

Regarding another topic, we started to sell frozen food and vegan food of the Purple Carrot brand at a very large supermarket in the US called Whole Foods Market.

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## Hong Kong/Shanghai

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

**Hong Kong:** The COVID-19 driven increase in demand has resulted a quarterly profit for the first time ever. Given the one-off nature of the increase in sales, the Co continues to focus on stable sales and profit generation.  
**Shanghai:** Completed fine-tuning of meal kits to match local customer needs.

### ■ Hong Kong

- Launched the service in 2009. Cross-border delivery of Japanese products



- ✓ Demand continues to increase due to the impact of COVID-19 and **achieved and quarterly surplus**
- ✓ Increased air transportation and local last one-mile to meet the rapid increase in home delivery demand

### ■ Shanghai

- Launched the service in 2017. Deliver products that meet Oisix product standards by local procurement



- ✓ The meal kit service, which started in June this year, has completed the refinement of products that meet local needs.
- ✓ Toward the next phase of "establishing continuous services," we will implement loyalty improvement measures that utilize communities.

## Oisix ra daichi

31

Next, the other overseas is on Hong Kong. Hong Kong experienced a problem with COVID-19 earlier than Japan, and it experienced an earlier converge than Japan. Due in part to this, we made efforts to continue our business, and it saw the first quarterly profit. As a result, sales are growing steadily.

On the other hand, we are having difficulties in launching business in Shanghai. We are launching it with our staff currently unable to go to China. I think the market environment has been fully recovering, but our preparation is not as smoothly done. But we are proceeding a little bit at a time.

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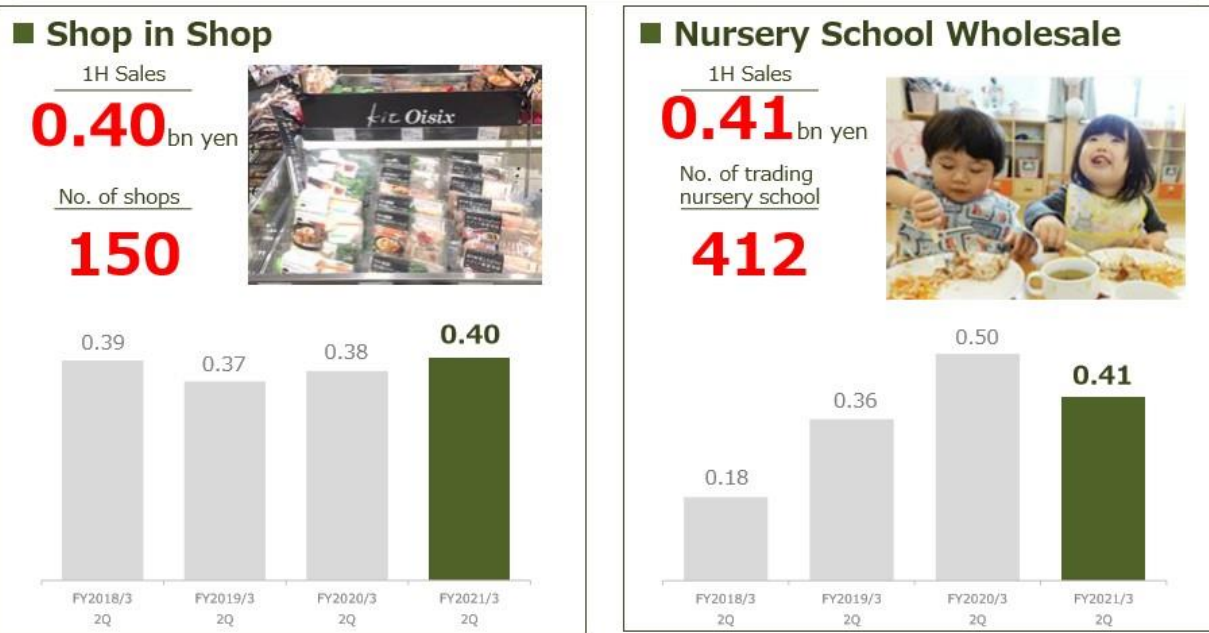
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## Real Retail Business

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

SinS: Steady progress in building Kit Oisix's Shop sales model

Nursery School Wholesale: Recovering from the impact of school closures in 1Q, sales in 2Q were roughly in-line with year earlier levels.



*Oisix ra daichi*

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The rest are on stores. Some stores were closed, but sales are growing, somewhat.

As I mentioned earlier, sales at nursery schools fell slightly.

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# Future Food Fund

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

Fuso Chemical Industry and JALUX participate in the new LP.  
Relationship to LP is not only about investing, but also about diverse discussions in the food space relating to potential business alliances.  
In addition, a new investment has been decided for **snaq. Me**, which sells snack subscriptions.

Future Food Fund

The corporate venture capital that specializes in the area of food innovation. As a business in the food sector, we aim to build an entire ecosystem by actively investing in advanced processes in "food, agriculture, and healthcare" both in Japan and overseas.

## Limited Partner

**Oisix ra daichi** **K4 Ventures** **MOS BURGER**  
SMBCベンチャーキャピタル 大和フード&アグリ  
豊田通商株式会社 TV TOKYO | テレビ東京ダイレクト



Relationship to LP is not only about investing, but also about diverse discussions in the food space relating to potential business alliances.

## Food Start-ups



**MiL**  
**Farmnote**  
Fifty Food Inc.  
HiOLI Inc.  
**BASE FOOD**  
**WHOSE CACAO**

## Oisix ra daichi

33

As for the fund, Fuso Chemical Co., Ltd. and Jalux Inc. newly funded the LP. For this period, that will be a funding to snaq.me Inc., which is providing a snack subscription service.

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## Affiliated company topic

|  |
|--|
| Domestic Delivery business<br>(Three major brands) |
| Domestic Delivery business<br>(Other)              |
| Other Business                                     |

### 2Q Sales at affiliate Welcome (Dean & DeLuca) recovered to roughly year-earlier levels.

#### 1Q

- ✓ In April and May, sales fell sharply owing to temporary closure of all stores by COVID-19.
- ✓ At twice year-earlier levels, online store sales are strong.



#### 2Q

- ✓ With good recovery in store visitors, sales have bounced back to near year-earlier levels.
- ✓ Partly owing to new charges for plastic shopping bags, sales of eco-bags and seasonal tote bags are strong.



## Oisix ra daichi

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In terms of our affiliates, DEAN & DELUCA had a very hard time in the first quarter. Although sales were still down in the second quarter, it is recovering little by little. The stores were not even open in the first quarter, so sales were tight, but they opened the stores from the second quarter. There is a tailwind that could be good or not, I am not sure, but the sales of eco-bags and tote bags were very strong in July, partly due to the impact of charging for plastic bags.

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## Social activities

### -Healthcare worker support

"We Support," which is a food support platform for medical professionals, has supplied a total of 360,000 foods. Provided to medical institutions, the total amount of support exceeded 300 mn yen. Expanding support to medical institutions in western Japan.



#### Support achievement

- ◆ **Total amount of support :** About **0.33** bn yen
- ◆ **Total amount of support meals :** About **360,000** meals
- ◆ **Support company :** **94**
  - ・Ajinomoto
  - ・Ito-en
  - ・KAGOME
  - ・Kameda Seika etc.
- ◆ **Support medical institution :** **76**
  - ・Eiju General Hospital
  - ・Tokyo shinagawa Hospital etc.

## Oisix ra daichi

\*As of 31 Oct. 2020 36

Next is our social activities. This is not a profit-making business, but I would like to report on these activities, as they are also conducted using the Company's resources.

This is called WeSupport Business. We deliver a variety of food of food companies to healthcare professionals who don't even have the time to eat.

We asked about it in April, started immediately, and then gradually expanded. Currently, we have been donated a variety of food from nearly 100 food companies, which we deliver with SEINO TRANSPORTATION CO., LTD. to 76 medical institutions.

At the moment, we've finished offering food to those with better situations, but still a little over 20 medical institutions are in a tight situation. We are continually providing these types of support with some, saying that they are becoming tighter due to an overlap with the flu. We have offered a cumulative total of just over JPY300 million of food.

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## Social activities

### -Producer / local support

We implementing sales support and product development for foodstuffs whose sales have been decimated by the decline in dining-out/ tourism.

#### ■ Local brand chicken "Awao Dori"

- ✓ We developed and supporting sales of a meal kit utilizing "Awao Dori," a chicken brand on Tokushima Pref. that saw its sales channels evaporate with declining tourism.



\*Sales start from Nov. 19

#### ■ Sake rice for Japanese sake

- ✓ Demand for sake rice used in Japanese Sake has taken a hit with falling restaurant demand. As a new idea to generated demand, we are selling sake rice as a risotto set.
- ✓ We distributing as shareholder gifts for fiscal year 2020.



\*Sales start from Dec. 20

## *Oisix ra daichi*

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Next, is something we [do internally]. We receive requests from producers for [their] ingredients in excess due to the disappearance of tourism and cancellation of events.

For example, with the chicken called Awao Dori, we will start to sell it from next week as a meal kit because Awao Dori was cancelled, so the sales of chicken decreased very much.

Also, there was a problem that brewers' rice would be left over in excess because restaurants will close. As a result of studying considerably with producers how to eat brewers' rice deliciously in ways other than in alcoholic beverages, we discovered that it would be extremely delicious as risotto. So, we will start selling it as a risotto set next month.

These are only a couple of example cases, but we intend to continue to do what we can to help through various food issues.

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## Highlights of Results Forecast Revisions

The full-year earnings outlook has been revised reflecting better than expected subscription and ARPU numbers in the 1H versus initial May forecasts.

|  | Initial forecast        |   | Revised forecast        | Change                   | %       |
|--|-------------------------|---|-------------------------|--------------------------|---------|
| <b>Sales</b>   | 78.00 <sub>bn yen</sub> | ➤ | 90.00 <sub>bn yen</sub> | +12.00 <sub>bn yen</sub> | +15.4%  |
| <b>EBITDA</b>  | 4.40 <sub>bn yen</sub>  | ➤ | 6.40 <sub>bn yen</sub>  | +2.00 <sub>bn yen</sub>  | +45.5%  |
| <b>Operating Income</b>  | 3.00 <sub>bn yen</sub>  | ➤ | 5.00 <sub>bn yen</sub>  | +2.00 <sub>bn yen</sub>  | +66.7%  |
| <b>Net income</b><br><small>Attributable to owners of the parent</small> | 1.20 <sub>bn yen</sub>  | ➤ | 2.50 <sub>bn yen</sub>  | +1.30 <sub>bn yen</sub>  | +108.3% |

*Oisix ra daichi*

39

Next is a revision and forecast of our business performance.

About two weeks ago, we revised the forecast. For net sales, we revised it to be JPY90 billion against the initial forecast of JPY78 billion. For EBITDA, we revised it to be JPY6.4 billion against the initial forecast of JPY4.4 billion. For operating income, we revised it to be JPY5 billion against the initial forecast of JPY3 billion.

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## About the outlook for the 2H

2H sales and profits are likely to continue to benefit from the 1H increase in subscriptions. On the other hand, we conservatively assume a decline in ARPU as the tailwind provided by Covid-19 diminishes. Additionally, we anticipate rising costs as unspent 1H promotional expenses and new spring promotions are implemented. There are also increased logistics costs relating to start-up of operations at Sayama Station.

|  | Revised forecast | 1H Results<br>(Achievement Rate) | 2H Outlook   |
|--|------------------|----------------------------------|--|
| <b>Sales</b>   | 90.00 bn yen     | 47.56 bn yen<br>( 53%)           | <b>Sales</b> <ul style="list-style-type: none"> <li>⊕ Sales increase due to the number of subscribers increases</li> <li>⊕ Sales increase due to year-end and New Year sales promotion</li> <li>⊖ Possibility that ARPU will gradually decrease</li> </ul>   |
| <b>EBITDA</b>  | 6.40 bn yen      | 4.67 bn yen<br>( 73%)            | <b>Costs</b> <ul style="list-style-type: none"> <li>✓ Additional earn out costs incurred due to strong Purple Carrot performance (3Q)</li> <li>✓ Investing PR costs for undigested portion in 1H (3Q/4Q)</li> <li>✓ Oisix : Spring large-scale PR costs (4Q) (Planned large-scale upfront investment for the next term, apart from unused portion of this term)</li> <li>✓ Increase in logistics costs due to the operation of Sayama station. (4Q)</li> </ul> |
| <b>Operating Income</b>  | 5.00 bn yen      | 3.97 bn yen<br>( 80%)            |  |
| <b>Net income</b><br><small>Attributable to owners of the parent</small> | 2.50 bn yen      | 2.45 bn yen<br>( 98%)            |  |

*Oisix ra daichi*

40

In terms of progress, net sales also exceeded 50%.

Regarding EBITDA and operating income, as well, at present, due to COVID-19 circumstances, we added to be higher than usual, but we expect these to be relatively conservative.

In particular, in terms of ARPU sales per capita, I think that we added considerably more than its normal performance, so we will look at it a little conservatively. On the other hand, since our customers are on a subscription basis, I don't think the number suddenly declines, so we have taken that into account and have made this revision forecast for now.

In terms of profit, there are some areas that have been relatively strong in the current fiscal year, so we would like to do as much as possible to use the money that will lead to the future in the remaining second half of the fiscal year. Regarding the amount for various items that we could not use in the first half, we intend to make use of it by the end of this fiscal year. In light of this, we have made such a revision. The breakdown is as described here.

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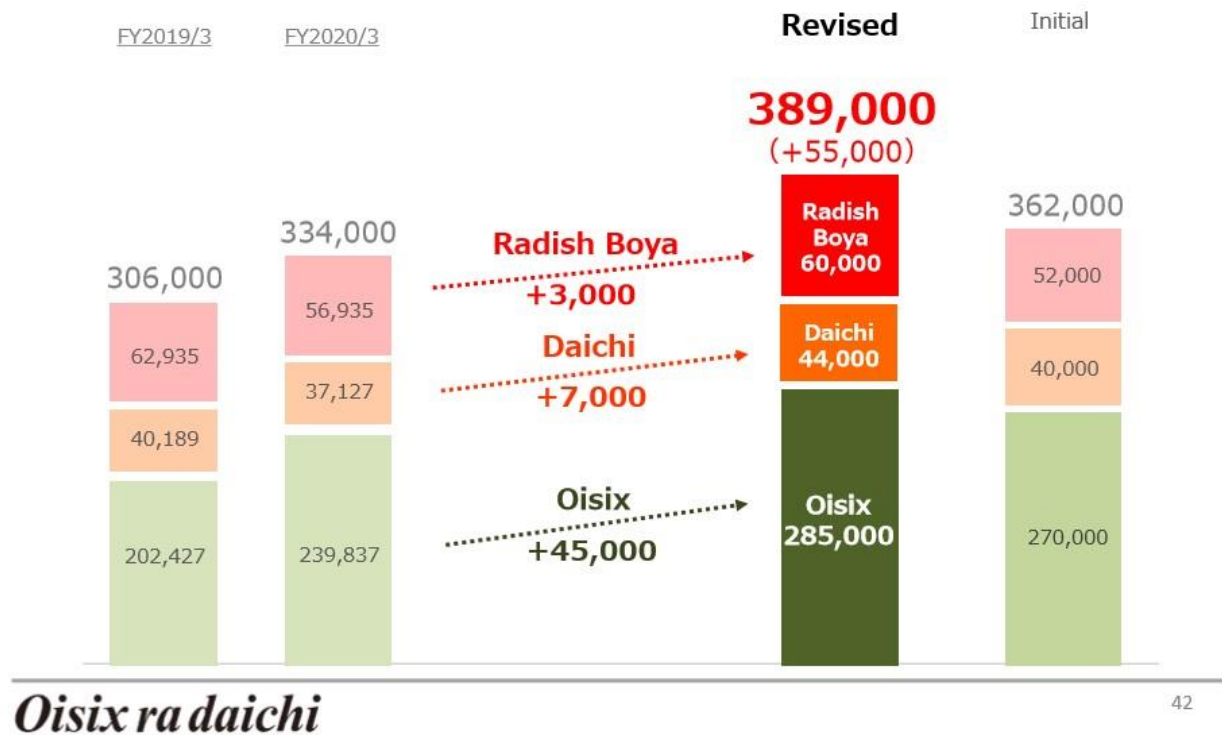
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## Forecast revision by subscribers

\* From this term, the definition of the number of members and ARPU has been changed to reflect more appropriate business conditions. Please refer to page 76 for figures for the past two periods

### ■ Outlook of subscribers

**FY2021/3**



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Also, the number of subscribers is just under 400,000. We would like to achieve just under 390,000 by combining the three brands.

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## License agreement with Disney -Table for Tomorrow

We started the "Table for Tomorrow" project to create the future of children's food with Disney. We plans to develop joint products such as meal kits and food education support services for children.

### ◆"Table for Tomorrow"

..Plans for "overwhelmingly enjoyable eating experience" and "problem-solving service / product development" through Disney's world view, such as joint product and event



## Oisix ra daichi

44

I would like to explain about some topical things.

First, as we announced in today's morning, we will start collaborating with Walt Disney Japan.

As many of our customers, particularly in the Oisix brands, have small children, and there are a variety of issues such as dietary education and taste problems. For example, about one third of elementary school students have a taste impairment problem. This is said to have been affected by the unbalanced diet before entering elementary school. To solve such problems, we will begin our efforts to improve the food environment for Japanese children by combining Disney's overwhelming fans, a sense of fun, with our safe ingredients.

As the first step, as it started today, we began to sell hamburger patties with the shape of Minnie Mouse on the right side and Mickey Mouse on the left side.

In addition to meal kits, we are planning to collaborate in a variety of other areas in the future. As I have said, we are working with Disney Japan to resolve the problems of various Japanese households, particularly those with children.

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## Progress of the alliance with OOTOYA HD

Regarding the alliance with OOTOYA HD announced in August, We plan to proceed with discussions with the new board following the establishment of the TOB of COLOWIDE.  
In addition, we started a new discussion about collaboration with COLOWIDE.

### The story so far

- Jul. 10th :  
TOB started by Colowide for Ootoya HD
- Aug. 14th :  
Announced business alliance with OOTOYA HD
- Sep. 8th :  
TOB established by Colowide
- Nov. 4th :  
Approved proposal for appointment of officers at OOTOYA HD Extraordinary General Meeting of Shareholders
- Nov. 10th :  
OOTOYA HD's parent company changed to COLOWIDE

### Discussion status

- ✓ Regarding the business alliance with OOTOYA HD, we plan to proceed with discussions with new board members



- ✓ In addition, we started a new discussion about collaboration with COLOWIDE.



## Oisix ra daichi

45

This is a report on the collaboration with OOTOYA Holdings Co., Ltd., which was announced in August. After that, there was a TOB with COLOWIDE CO., LTD., and we have begun to discuss with the management of COLOWIDE CO., LTD., and the new management of OOTOYA Holdings Co., Ltd. regarding the collaboration.

Originally, we were planning to collaborate with OOTOYA Holdings Co., Ltd., but in conjunction with this, I understand that we may be able to do various things with COLOWIDE CO., LTD. I believe that we can deliver various brands that COLOWIDE CO., LTD. has, for example, in the form of home restaurants or meal kits. We have begun discussions on the possibility of collaborating in such areas as manufacturing, product procurement, and so on.

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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.

The final topic of this report is our approach to the Green Shift. I would like to introduce it as I close the briefing, but I would like to announce again our corporate philosophy.

Our corporate philosophy is, we realize a society that deliver a sustainable framework that links farm and table, as shown in the middle. In this sense, we believe that our corporate philosophy, itself, is to create products in a sustainable manner, deliver them in a sustainable manner, and eat them in a sustainable manner.

---

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## New ORD Green Shift 5 Measures

Greenhouse gas  
reduction  
in agricultural production



Greenhouse gas  
reduction  
in last-one-miles



Promotion of  
deplasticization of  
packaging



Food loss reduction



### New ORD Green Shift 5 Measures

1

**Introduction of  
our original green standard**

2

**Start of green energy  
demonstration experiment  
for delivery vehicles**

3

**Further greening  
of product packaging**

4

**Strengthening conventional  
efforts to reduce food loss**

5

**Promotion of sales  
of up-cycle foods**

*Oisix ra daichi*

48

In conjunction with this, we have already begun a new Green Shift, but I would like to introduce today five measures in four areas.

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## ① Introduction of our original green standard

We started considering the introduction of our original green standard to reduce greenhouse gases in agricultural production.

We aim to halve greenhouse gas emissions from our production within 5 years.

### ① Introduction of our original green standard



- ✓ We started considering the introduction Of our original green standard to minimize greenhouse gas emissions.
- ✓ We aiming to halve greenhouse gas emissions in agricultural production related to our company in the next 5 years in collaboration with producers.
- ✓ We plan to index the greenhouse gas reduction effect in cultivation from the following perspectives.

- ① Materials
- ② Cultivation method
- ③ Equipment
- ④ Treatment method for non-edible parts
- ⑤ Disposal rate of edible parts



## *Oisix ra daichi*

49

First is the production method. With regard to production, as the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of the Environment have announced about decarbonization, we will also reduce the amount of greenhouse gases emitted in the production process. By introducing Green standards, and working together with producers to achieve it, we intend to reduce the amount of greenhouse gases generated in the production process from five perspectives.

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## ② Start of green energy demonstration experiment for delivery vehicles

To reduce greenhouse gas emissions in the last mile, we will start a demonstration experiment for a green energy shift for our last mile vehicle.

### 2 Start of green energy demonstration experiment for delivery vehicles

- ✓ Started efforts to reduce greenhouse gas emissions of our last mile vehicles such as Daichi, Radishbo-ya, and Tokushimaru



During this term, we plan to introduce a green energy fuel vehicle from the Tokushimaru sales truck and start a demonstration experiment.



*Oisix ra daichi*

50

Then, the second is about delivery. We believe that we must also begin experiments, so we will begin demonstration tests of delivery in electric vehicles.

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### ③ Further greening of product packaging

We aim to change the packaging of our products such as Kit Oisix, fruits and vegetables, processed products, etc.  
to more than 50% environmentally friendly materials within the next 5 years

### ③ Further greening of product packaging

- ✓ We aim to change more than 50% of our products to environmentally friendly packaging within the next 5 years

◆ From Feb. 2020

We switched the outer bag of all "Kit Oisix" products to biomass plastic material.  
It reduce CO2 emissions by 13 tons annually



- ✓ We changed to biodegradable materials, including Kit Oisix ingredients and seasoning bags
- ✓ For fruits and vegetables and processed products, we will promote the removal of plastics by simplifying packaging and changing materials.



*Oisix ra daichi*

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Third, we are already working on this, and we would like to further evolve it. In Kit Oisix, our meal kit, we began using bioplastics in February this year to reduce emissions by about 13 tons per year. In addition, we intend to continue to replace other materials with more environmentally friendly packaging in the future.

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- ④ Strengthening conventional efforts to reduce food loss
- ⑤ Promotion of sales of up-cycle foods

To reduce food loss, we strengthen conventional food loss reduction efforts and promote sales of up-cycle foods.

#### ④ Strengthening conventional efforts to reduce food loss

- ✓ We strengthening efforts to reduce food loss throughout the supply chain centered on Kit Oisix

##### ◆ Kit Oisix food loss reduction

Producers

- ✓ Significantly reduce field loss by relaxing standards such as size



Distribution

- ✓ Only 0.2% waste in the distribution process (Retail supermarket average: 5-10%)
- ✓ We donate food loss from the shipping center to the children's cafeteria



Home

- ✓ Loss at home is reduced to 1/3 due to the exhaustion of ingredients



#### ⑤ Promotion of sales of up-cycle foods

- ✓ Food that has been reborn as a new food by adding some ingenuity to the ingredients that should be discarded. It is attracting attention as an effort to reduce food waste.
- ✓ We plan to open original upcycling sale site on the Oisix.



▲ Upcycling Granola from Snaq. Me (FFF's investee)

*Oisix ra daichi*

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The fourth and fifth are our approach to food loss.

For example, in the case of Kit Oisix, we are using our field loss very well and proposing it to our menus. Also, our loss of distribution process is very small. Compared to supermarkets, we dispose of very small amounts through distribution.

Customers using kits only receive the ingredients they need, so there is very little waste at home. This means that Kit Oisix is very food-loss-oriented, and we will further strengthen our efforts in this area.

Then, it's about the upcycling. The upcycling is a term for food that might be eaten by processing food waste, which is created in the process of making food, and is originally thrown away. We would like to increase these products in the future.

I would like to reinforce the products that are our original products or those in which Future Food Fund is funding for.

That's all for my explanation. Thank you very much.

**Umemura:** Representative Director, CEO, Mr. Takashima, thank you very much.

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## Question & Answer

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**Umemura:** Now we will move to a Question & Answer.

When asking questions, please tell us your company name and name at the beginning. The number of questions should be up to two per person. If we are unable to reply due to time limitations, we will disclose our answers on our website at a later date.

If you have a question, please inform us with the raise hand button on top of the screen.

**Sumi:** I am Sumi of Tokai Tokyo Research Institute Co., Ltd. Thank you very much for your explanation today. I would like to ask you two questions.

First of all, I think that the purchasing frequency was increasing even during the second quarter in each brand. Did it increase because of the effect of refraining from going out after the declaration of a state of emergency? Or was it because there were some changes in consumer's purchasing actions? Could you please tell us how you think?

The other point is that the operation of the Sayama Station would increase costs. On the other hand, are there some areas that you are seeing, such as costs due to detouring delivery between stations that you rent externally, or cost improvements due to a decrease in warehouses, and cost improvements?

**Takashima:** Thank you very much. I will answer the two questions. Regarding the frequency of purchases, as you have pointed out, the number of hours spend at home has increased continuously from the first quarter. In addition, in every second quarter they travel during a summer vacation. It's a usual tendency for the second quarter that the frequency goes down because they are away from home. Rather than it is low as a whole in the second quarter, especially around the middle of August, it goes down sharply.

It was not the case this year. They rather went on a trip after the beginning of October due to the effect of the go to campaign, as everyone would feel that they went on a trip in October, rather than in August. I think that this year was not impacted by a sharp decline that happens every year.

Also, regarding the operation of the Sayama Station, although my explanation may have been a bit bad, we will use the Sayama Station in parallel with the satellite centers in Fujisawa and Zama that are currently in operation. That is why add-ons are purely costly.

We will close several centers, one by one, after the big one is built in Ebina in September, or October next year. We will move gradually, and from the beginning of 2022, we will be able to reduce the detouring cost after we can integrate all at the new center in Ebina. This is all.

**Umemura:** Representative Director, CEO, Mr. Takashima, thank you.

Now let me move on to the next question. Ms. Shoji, please ask your questions.

**Shoji:** I am [Shoji] of Nikkei Business. Thank you very much. I would like to ask again that the use of other internet supermarkets is increasing due to the COVID-19 crisis. I would like to ask about the strengths of Oisix ra daichi Inc. compared to net supermarkets, and how do you think about net supermarkets as competitors?

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**Takashima:** Thank you very much. I'm not very good at answering this kind of question, and I haven't analyzed anything about other companies. No matter what the COVID-19's circumstance is, we are trying hard to meet our customers' needs.

I really don't know what's different compared to other companies, but in our case, this is a subscription service, so it will take some time before it's delivered after ordering. I feel that people choose from a living with the Oisix, a living with the Daichi-wo-mamorukai, and a living with the Radish Boya. Then they will buy what they need for the day and what they want tomorrow, and that they will use the service differently by customer.

In that sense, we have been visiting customers' homes every month and interviewing them, but since that time there has been little sense that internet supermarkets will be competitors, and there are a great number of people who use them in combination.

So far, people used both Oisix and Consumers' co-operative, then they think they have vegetables that are very concerned about safety, or meal kits that are only available at Oisix, and they buy them because they are available only on Oisix, but they buy canned food or beer from Consumers' co-operative. Then, they are becoming more and more likely to use Oisix and net supermarkets. I can't say for sure that I don't really analyze that we are competing with online supermarkets for customers.

As a customer, meal kits, the value we provide, if they are Oisix, it is time saving that they don't feel bad, but rather a time saving they can be proud of. Regarding the Daichi-wo-mamorukai, it means a healthy life for a husband and a wife. Regarding the Radish Boya, it means self-realization through cooking. I feel that they are buying some kind of value and making it a habit, so I'm afraid I'm having trouble every time to say we won in this area.

**Shoji:** I understand. Thank you very much.

**Takashima:** I think it's a bit hard to make an article. I apologize.

**Shoji:** Thank you very much.

**Umemura:** Thank you, Ms. Shoji. Now let me move on to the next question.

Mr. Saito, please ask your questions.

**Saito:** I am Saito of Snow Lake Capital Limited. Regarding the cost could not be used in the first half of the fiscal year, is that only new sales promotion expenses? It was JPY650 million in the first quarter and JPY750 million in the first half of the fiscal year. Was it about JPY100 million yen that could not be used in the second quarter? Is there any other portion that could not be used for costs, and whether it is the case that it is moving to the second half of the fiscal year?

**Takashima:** A large portion is for promotions, but things we could not do. But we want to do in the second half is hiring, for example. In the first half of the fiscal year, it was difficult to do a job interview, so we were unable to do it. However, we would like to actively recruit in the second half of the fiscal year.

**Saito:** I understand. The next question is related to the question just answered. I think you are assuming a JPY5 billion as a full-year operating income. In this case, it will be JPY1 billion in the second half. If I look at the seasonality of figures of your Company in the past, I think that the third quarter will have a tendency for sales and profits to increase. Considering this, if you don't use substantial costs in the second half, I think you will not be able to reach this level considering the current momentum.

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Could you please comment on whether you are thinking of spending a considerable amount of money on such things as hiring that you just mentioned, or you don't know in the COVID-19 circumstance?

**Takashima:** I am thinking both. As you have said, I don't know well. In the first half of the fiscal year, there was money could not be used. In particular, the situations in April and May were very special, so the profit was more than our performance. I don't think the double of this is our performance.

Even if the current situation continues, I don't think it will be doubled, and taking that into account, I surely want to use the money, but I also feel I really don't know. Particularly with regard to ARPU, it is directly linked to earnings, but it is not easy to read, so we are looking at it conservatively as you said.

**Saito:** I understand. Thank you very much.

**Umemura:** Thank you, Mr. Saito. Then, I would like to move to questions in text.

This is from Mr. or Ms. Akiba from Nihon Ryutsu Keizai Shimbun: Regarding the home restaurant of the Oisix and a joint meal kit with restaurants, do you expect trends among consumers purchasing restaurant products to eat at home to continue from next year onward? Please tell us about the outlook.

**Takashima:** Thank you very much. Basically, looking ahead to the future does not make much sense in itself, and I think it is important to quickly respond to what has happened. However, looking at the current situation, as I said a little earlier, sales of our home restaurant corner is continuing to grow.

I think the time our customers spend at home is decreasing compared to that in April or May, but still this business itself continues to grow.

When we look at the customer's comments and usage, they have small children, so they couldn't go to restaurants they wanted to go for a long time, but thanks to this home restaurant corner, they can enjoy it with their family. Or they eat salads of the Oisix with a pot dish of a different company and it was delicious. I feel that this is becoming a new lifestyle for our customers. At this point in time I would like to focus on expanding this service.

The same applies to the meal kit we did with OOTOYA Holdings Co., Ltd. and MOS FOOD SERVICES, INC. I felt that we were able to provide customers with quite a good surprise that the taste they couldn't enjoy unless going to the restaurant can be reproduced by themselves at home. I think it will probably expand for the time being, so I intend to continue doing so. Thank you very much.

**Umemura:** Thank you. This will be the next question: Regarding Purple Carrot, the growth rate has been rising partly due to the impact of COVID-19, and do you think that it will continue to grow at the current pace?

**Takashima:** It's about in US, and it's hard to answer because none of us including me has been able to go to the US. To be honest, I think that the current Purple Carrot's growth is more temporary, so rather than growing, I think that sales will settle down a little once.

Currently, the number of infected persons with the COVID-19 is increasing in US, so it may change, but even when we look at the order status once calmed down, we felt that the number of customers would be flat or slightly lower, so I think it would be calm. We really don't know what will happen because we really don't know in what period their living environment change in US. However, I think Purple Carrot is more reliant on growth due to the COVID-19 than the Oisix and services in Japan.

That's why we have once achieved profitability without negligence, but in reality, we must once create a model in which even if sales actually decline, we can generate stable surpluses. Regarding this, we are still in

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the middle of the process as to whether we will proceed firmly in the future. Therefore, we will do our utmost to improve profitability and reform our business model about Purple Carrot.

**Umemura:** Thank you very much. Next question: I would like to ask you about your collaboration with Walt Disney Japan. Could you please explain in more detail the circumstances that led to this talk and the aims of your Company?

**Takashima:** Thank you very much. I don't know much how that led, but Disney Japan is developing various business in US under the concept of healthy living, and I have heard that it chose us as a partner for the full-scale development of this business in Japan as well.

What we expect from Disney Japan is that, it may overlap with what I have just said, it is very difficult to force children to do something regarding the problem of children's diet, so we need to nudge them things that are good for the body, good for health, and good for nutrition. I think that Disney Japan has the power to lead children that they do so because it's fun. I hope that by working with Disney Japan, we can solve the food discipline area a little bit more smartly.

**Umemura:** Thank you. Then I will move on to the next question: Do you ever feel a shortage of contract producers? In addition, is there any change in the relationship with existing producers regarding your business and expansion of procurement routes?

**Takashima:** Originally, the Oisix brand was faced with a shortage of producers about five years ago, and the problem of securing producers has been resolved considerably by joining forces with the Daichi-wo-mamorukai and the Radish Boya.

In that sense, the shortage of contract producers is no longer a bottleneck to business growth at this stage, but, of course, it's not like we will not have the problem forever. In the process of growing a little more in the future, we must increase the number of producers. I think we need to increase the number of producers who can make products based on our standards.

In the short term, however, the lack of needs for souvenir shops, restaurants, and other restaurants is causing a great deal of trouble for producers, who were selling wholesale to them. At the moment, we would rather sell the products from such producers who were selling wholesale to such places, but we are not able to meet their needs. Producers have a rather tight need to sell more, so I think we need to build up our sales ability to meet that need.

There is not so much change in relationship. However, as the scale of business increases, the scale of production also needs to increase. In this sense, producers should actively invest in business and grow together. We feel that we will continue to conduct business with such producers. This is all.

**Umemura:** Thank you. Then I will move on to the next question: In the previous answer, there was an explanation about recruitment for the second half of the fiscal year. For what role do you need to hire? Is that product development, new businesses, or producer management? This question is about a department that needs personnel.

**Takashima:** I need a lot, but one is for a new business relating to the home restaurant, and the business with Walt Disney Japan. Our situation is that we have a variety of opportunities, such with COLOWIDE CO., LTD. and OOTOYA Holdings Co., Ltd. in the future.

In that sense, it could be both that new employees will do new businesses, or the existing employees do it while new employees do the existing business. I think the point is to seize such new opportunities firmly.

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Some departments have simply increased the number of employees, so we have to increase the number of managers. Therefore, we will increase the number of management personnel.

Also, we need engineers and designers. If our distribution centers change due to larger scale and large-scale investment, we will need to upgrade our inventory system, hatch system, and others more and more. Therefore, we intend to recruit engineers and designers in a super-aggressive manner.

**Umemura:** Thank you. Then I will move on to the next question: Please tell us about your future plans for the business with TOKUSHIMARU inc. Regarding the number of 1000 units for operation. By when do you think you can achieve that?

**Takashima:** Maybe I haven't decided when it will be, but we are working hard to increase the number to 200 a year, so if we can increase at this pace, I think we will be able to do it in about two to three years.

Although we are making a profit from TOKUSHIMARU inc., but it is not a situation in which we are generating tremendous profits. But I am thinking that would be fine now. The number of those who are unable to fulfil their shopping needs continues to increase, particularly in the current situation, but more and more people are afraid of entering a nursing care facility, so I think there are many people who want to continue living a healthy life at home even though they cannot go shopping.

Considering these people, it is important to increase the number of units for the time being, rather than to increase the profit of TOKUSHIMARU inc. The important thing to do this is to increase the number of supermarkets that will work with us, and at the same time, the main driver is sole proprietorships, but I think that we will increasingly hire or contract with such drivers.

In that sense, we are in an environment that is easy to do, so we are currently aiming for 200 units per year, but we intend to further accelerate this pace in the future.

**Umemura:** Thank you. Then I will move to this question: First, what is your business's TAM, the largest market scale envisaged?

Second, what points are you focusing on regarding the retention of members in the three divisions?

**Takashima:** I would like to answer this question, but I have not assumed the first one at all. In other words, I think that it will not be finished at 10 times in Japan, but I feel that I will be troubled if I am asked why.

The meal kit is really not known yet at all, and we are not at all known. We were on a TV last week, but the impact was I really think it just started. It is too soon to see the maximum value. Sorry, I can't answer this.

Regarding retention, rather than thinking for each of the three divisions, we are now working to put the retention marketing that we have been doing at Oisix into Radish Boya, Daichi wo mamorukai or Purple Carrot, and it is also effective.

Largely speaking, to reduce negative experiences and to increase positive ones. There are many negative experiences, such as food going bad that, easy to understand, but other than that, there are various negative experiences such as difficulty in making payment or customers could not receive due to absence. This means that we will make it quantitatively visible and improve it.

Regarding positive experiences, it is clear that there is a difference in shopping behavior when comparing customers with high lifetime values and customers without them. Therefore, we will analyze this and provide services that facilitate shopping behavior that leads to high lifetime values for many customers.

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For example, regarding Oisix or other websites, in the first few weeks of joining the site, pages specializing in those who have begun joining the site are shown, making it easier for them to make purchasing decisions with high renewal rates.

By doing so, we increase the number of positive experiences and reduce the number of negative experiences precisely and quantitatively across all brands.

**Umemura:** Thank you very much. Let me introduce the last question: The number of subscribers is rapidly advancing, and it is expected to grow to more than 50,000 in the current fiscal year in the three divisions. Regarding new members, are there any changes in the characteristics of users to date?

**Takashima:** There have been some sudden increases in this, so we thought there was a lot of change, but so far there has been little change. This means that people who are similar to the customers of each brand ultimately buy it. I feel that people who were originally interested were given an opportunity from the COVID-19, rather than the need for something different. So far, we have imagined a big difference from our customers, but unlike we imagined, we believe there is no change. This is all.

**Umemura:** Thank you. Now the time has come to conclude the financial results briefing for the first half of the fiscal year. We will disclose answers to questions that we were unable to answer on our website at a later date.

Thank you very much for your participation despite your busy schedule.

**Takashima:** Thank you very much.

[END]

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### **Document Notes**

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