

Oisix ra daichi

Oisix ra daichi Inc.

Q4 Financial Results Briefing for the Fiscal Year Ending March 2023

May 11, 2023

Event Summary

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[Participants]		
[Number of Speakers]	1	
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Takashima: Hello, everyone. I am Takashima from Oisix ra daichi. Thank you very much for joining us today. My throat is a little irritated from pollen and yellow sand, so I apologize if some parts are difficult to hear. I will explain the financial results briefly and then move on to the Q&A session.

Regarding the explanation, I would like to talk about three main things. I would like to talk about the last fiscal year that ended, our strategy for the future, three things about the next fiscal year, and a little bit of something else.

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2023.3 Achievements - Review : 2023.3 Initiatives

1Q

- ✓ Oisix Ebina Station **recovered from logistics problems**
- ✓ Deterioration in earnings due to inflation

2Q

- ✓ **Completion of recovery** from logistics problems
- ✓ Start of **profit structure reform**
- ✓ **Commencement of TOB** for SHiDAX shares

3Q

- ✓ **Progress in Profit Structure Reform**
- ✓ **TOB** for SHiDAX shares established

4Q

- ✓ **Steady profit structure reforms**
- ✓ **Began considering collaboration** with SHiDAX
- ✓ Invested PR expenses and Oisix branded
Subscribers significantly expanded

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First, I would like to reflect on last year. The fiscal year ending March 31, 2023, or FY2022, I feel that it has been a very difficult and notably challenging year in our 20-plus years of management.

First of all, in Q1, we had trouble at the Ebina station location at the beginning of last year, and we spent quite a lot of time recovering from that, so we were not able to do many marketing activities, and we were working very hard to recover from the logistics trouble somehow. On the other hand, various prices rose sharply in the background, and we could not take action to address this in Q1, which led to a deterioration in profitability in Q1.

In Q2, we have largely completed recovery from the logistics problems and have started structural reforms to take firm measures against this inflation. At the same time, we started the TOB against SHiDAX CORPORATION, which led to an increase in newspaper coverage, etc., unexpectedly.

As for Q3, we have made much progress in the profit structure reform, and the TOB for SHiDAX was successfully completed.

Q4 progressed as planned while the profit structure reform continued. We were also in a position to begin discussions constructively with SHiDAX. Finally, for almost the first time in the last fiscal year, we have invested about JPY1.1 billion in the full-scale promotion and special additional promotion expenses to grow the Oisix brand.

It was a very difficult year, but things got better and better. Comparing this time last year with this year, I feel we have improved greatly.

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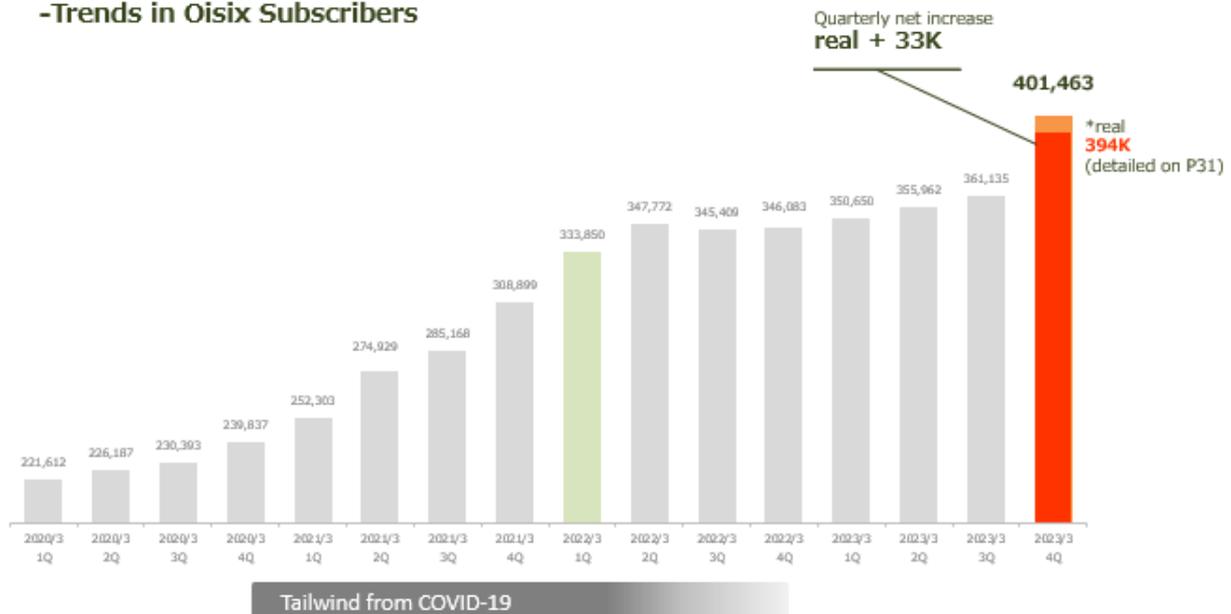
2023.3 Business Results

- Review : Oisix 4Q New subscribers Acquisition

* Special additional PR implemented in 4Q brought the number of members to 401,000 at the end of the period, though, however, due to early cancellations of subscriptions, the number of "real" members was calculated at 394,000, excluding those who cancelled their subscriptions within 5 weeks of becoming members. The "actual" number of members was calculated to be 394,000 (see page 31 for details).

① Profitability improved due to the completion of recovery from logistics troubles and the profit structure reforms initiated in 2Q, ② Established a PR method for after-sales corona. This led to a special additional PR expense of 1.1 billion yen in the 4Q. As a result, the number of members increased by 33,000 from the end of the 3Q, to 394,000 in real terms* (401,000 in actual terms).

-Trends in Oisix Subscribers



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I would like to look at some of the numbers.

First, as will come up several times today, we ran a promotion campaign in Q4. As I mentioned earlier, the profit structure has been reformed considerably, and logistics are now in place to allow for large-scale shipments. Then, when the COVID-19 pandemic situation was very bad, we had a huge increase in customers, but we were experimenting with ways to promote it after the pandemic had subsided considerably.

Since we had already established this method, we made a management decision to prove that there was room for solid marketing, and we invested an additional JPY1.1 billion for special promotions in addition to the existing budget.

As a result, this is the largest number ever for a quarter. Over the period of the pandemic, there was an increase of 33,000 customers, the largest number ever, to 394,000.

There are two figures: in real terms and in actual terms, but basically, I would like to talk about the figure in real terms. In spending this JPY1.1 billion, there were several promotional methods that we tried for the first time, and as a result, we had a good number of customers who temporarily joined the program but immediately canceled their membership.

This is a promotional method that needs to be improved, but the number is real after excluding such customers, so we are excluding those who declined immediately after the start of April, but even excluding them, this was the largest quarterly increase ever.

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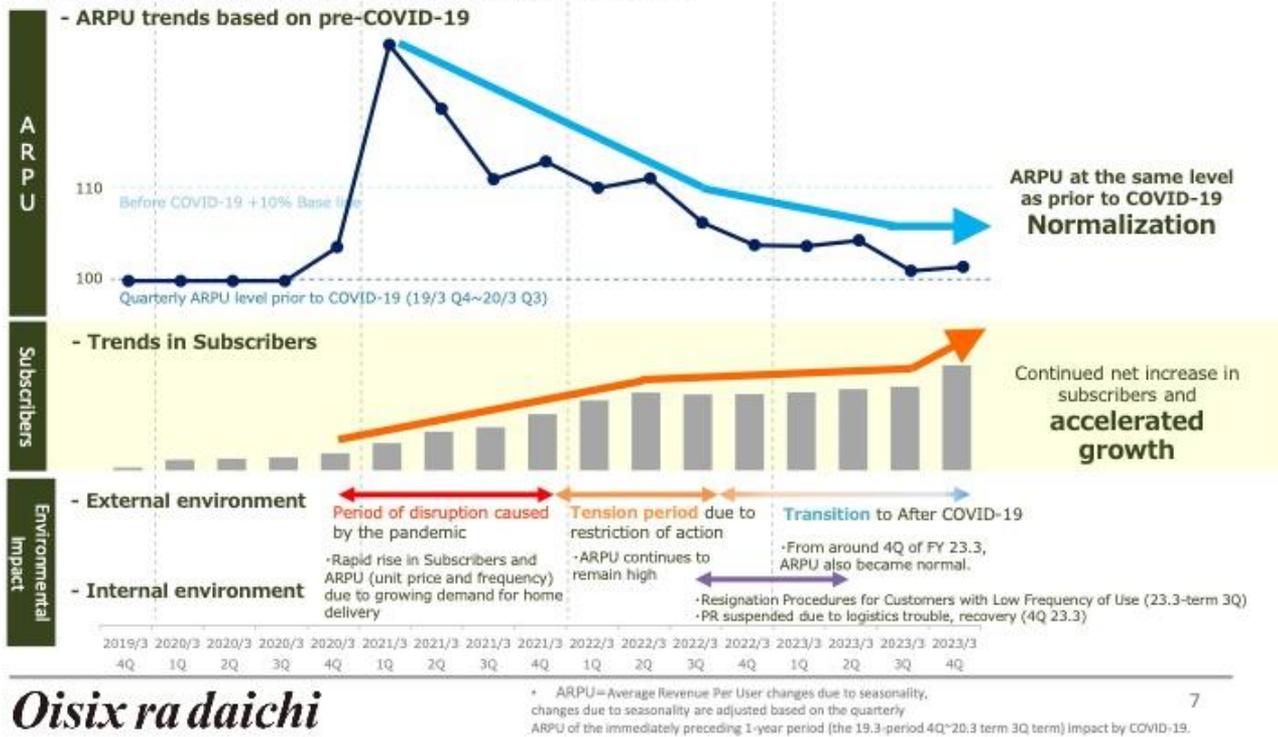
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Review of KPI Trends

From about March 2020, both subscriptions and ARPU saw sharp increases reflecting a rapid rise in home delivery demand vis-à-vis COVID-19. The COVID tailwind, however, has weakened with subsequent relaxation of activity restrictions and the correlation between COVID-19 and business performance has largely disappeared. As such, from FY3/24 we aim for growth reversion under normalized conditions.



Looking back a little longer, ARPU increased significantly during the pandemic, especially in the beginning, and then gradually declined, but it stopped declining in H2 last year, or rather, it stopped declining at a similar level but slightly higher than before the pandemic.

On the other hand, the number of people increased dramatically during the pandemic, and then growth slowed down. After that, as I mentioned, we resumed a promotion campaign from the end of Q3 to Q4, and in Q4, the growth started to accelerate again. This is a recap of what happened last year, or in the longer term, during the pandemic.

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2023.3 Achievements

✓ Despite the ARPU decline that has accompanied economic resumption, a **continued rise in net subscriptions and recovery of other businesses has allowed growth of 2% YoY.**

✓ With steady progress in reforming our profit structure **4Q invested an additional PR outlay of ¥1.1 billion.** Meanwhile, **with subscribers having increased in real terms to 394K (401K nominally),** preparations are well underway for reversion to growth.



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As a result, last year's performance, as far as sales are concerned, was JPY115 billion, a slight increase. EBITDA is JPY5.6 billion. If we had not invested in this last promotion, we would have reached our initial forecast, but as a management decision, we decided to invest in this expense for the next fiscal year, resulting in a total of JPY5.6 billion.

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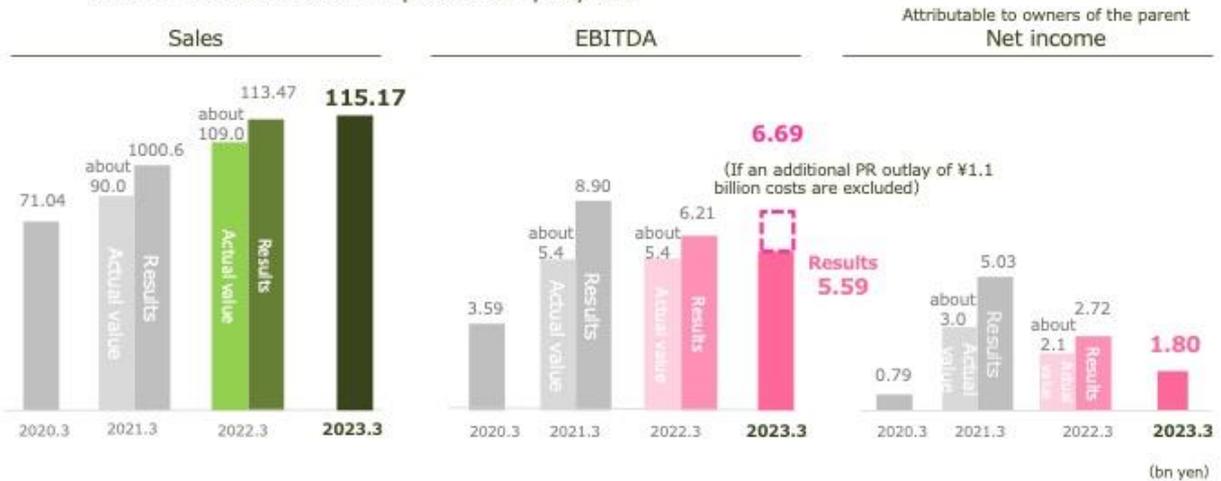
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2023.3 Consolidated Results Overview

- Sales** : Relative to the one-off inflated levels seen in FY3/21, ARPU has gradually been returning to levels prior to COVID-19. It appears to have bottomed out in the 4Q. Meanwhile, **led by Oisix, subscriptions have seen continued growth and sales have continued to increase even in the post COVID-19 environment.**
- EBITDA** : Whilst profits fell relative to the inflated COVID-19 driven margin level of the past two years, solid progress in profit structure reforms has meant that actual **EBITDA has seen steady growth.**
- Net income** : **Whilst equity earnings from SHiDAX was generated** (accounted for from the 4Q, see page 39 for details), the effect of losses from other affiliated companies and/or investments meant that net income attributable to the parent company fell.



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This is the picture based on past trends.

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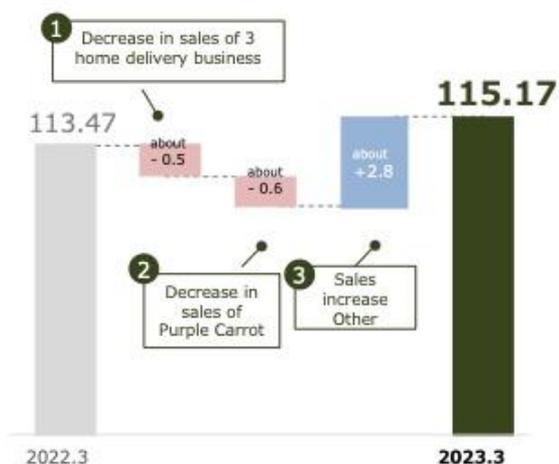
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YoY : Sales

As a result of net subscription growth led by Oisix, even as full-year ARPU fell 4~5% YoY, sales at the three domestic home delivery businesses came in essentially flat. Additionally, reflecting recovery of businesses that were negatively impacted by pandemic activity restrictions, **overall sales grew 2% YoY.**

- Sales (bn yen)



Breakdown

① Decrease in sales of 3 home delivery business : about - 0.5 bn yen

- Increase in sales due to increase in subscribers : about +3.0 bn yen
- Decrease in sales due to decrease in ARPU : about -3.5 bn yen

② Decrease in sales of Purple Carrot : about - 0.6 bn yen

- Downward trend in Subscriber after peaking in the previous Q1

③ Sales increase of Other : about + 2.8 bn yen

- With an increase in offline events and an increase in sales of businesses such as Nursery School and wholesaling to restaurants.
- EC support +0.6 bn yen
- Nursery School +0.2 bn yen
- Consolidated subsidiaries +1.0 bn yen

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Now, I will explain sales.

Although there was a slight increase compared to last year, the breakdown shows a slight decrease in the main delivery service. The increase in membership was JPY3 billion, but since the increase in membership was inevitably skewed toward Q4, the contribution from this was small compared to last year. In contrast, the impact of the decrease in ARPU slightly exceeded it in the last year's sales.

Other than that, the US business was much better than expected, but as it is a business that had somewhat tripled in size compared to pre-pandemic, it decreased by about JPY600 million.

In addition, during and after the pandemic, the support for Tokushimaru Inc and other e-commerce services continued to grow, and wholesaling to nursery schools, which was difficult during the pandemic, also recovered.

I would like to skip ahead a bit on the overall numbers. Let's skip information about individual events and individual segments, too.

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Growth strategy

growth strategy

“Leveraging the power of the business model and technology to provide food that is good for both people and the earth.”

Sustainable Retail

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Now, I would like to talk about our medium-term strategy.

As I originally said, the food and distribution, or the food industry now emit a quarter to a third of the world's greenhouse gases, which is the largest amount among any industry, and we have a sense of crisis that the earth and the food business cannot be compatible if this situation continues. Our basic strategy is to advocate sustainable retail by using our business model and technology to provide food that is good for the earth and good for people together with the earth.

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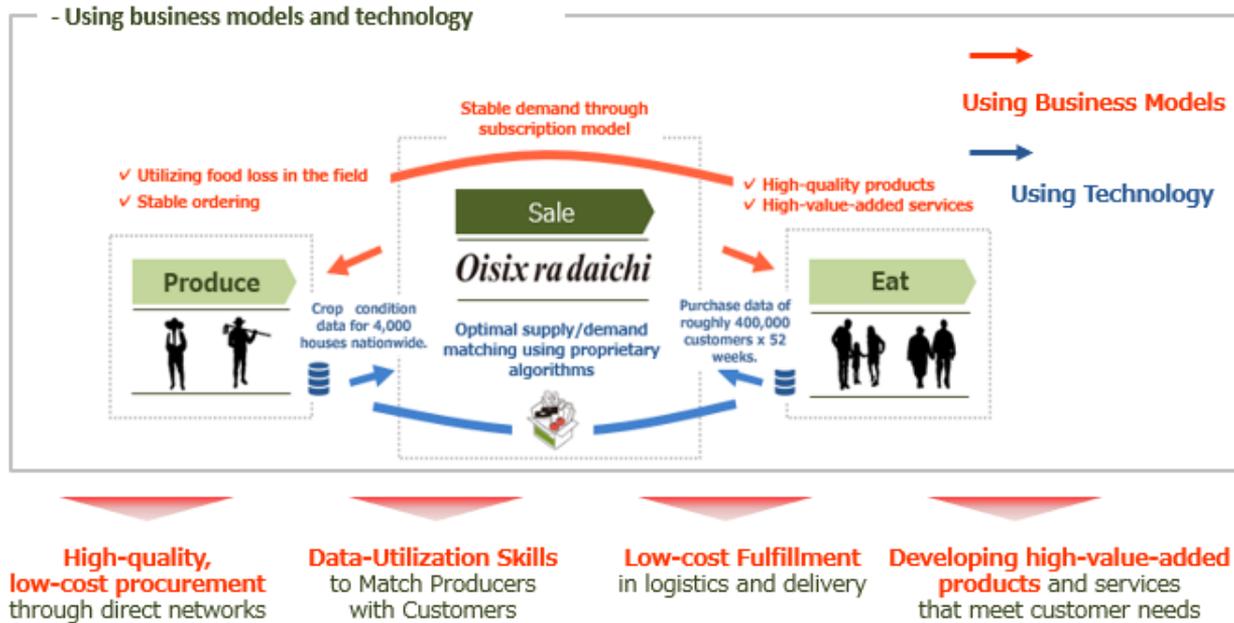
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Business features and strengths

We have a distinctive business model and technology, and **we are building high barriers to entry through our unique procurement network**, efficient sales through the use of data, low-cost Fulfillment, and ability to develop high-value-added products and services.



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To elaborate, we have a direct relationship with our producers and customers, and by using direct relationships and databases and matching them with our own algorithms, we can create a situation in which the food produced and harvested can be consumed without waste, and customers can consume them fully without difficulty. This allows us to provide a service that minimizes food loss.

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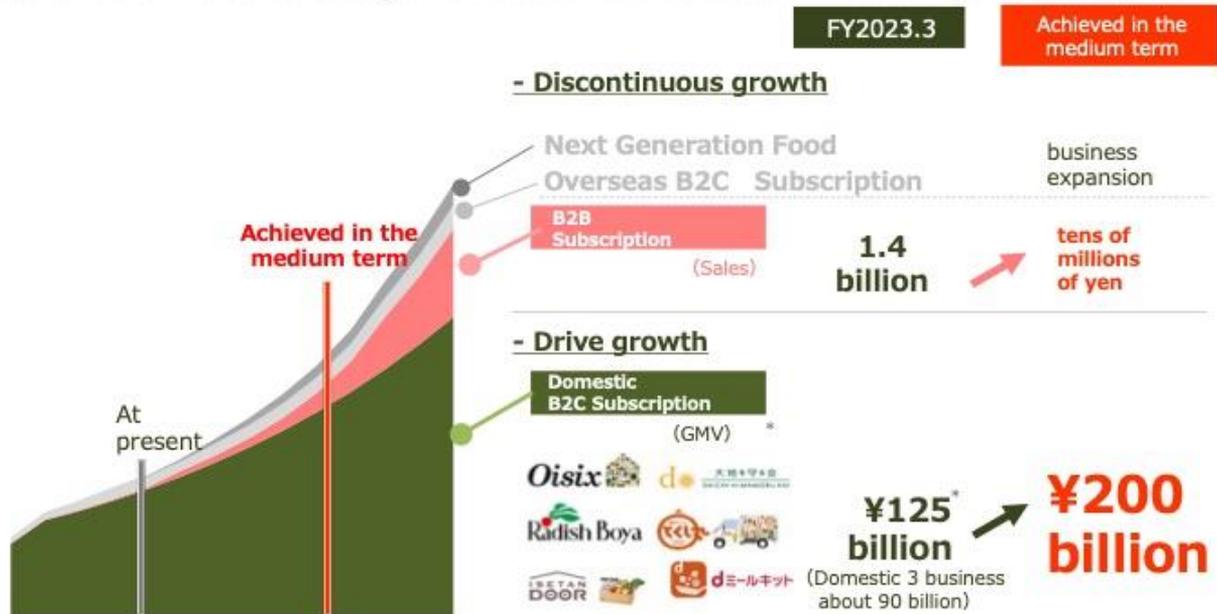
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Medium-term growth targets

In the mainstay domestic B2C subscription business, we aim for continued GMV growth in excess of CAGR 10% and look to achieve ¥200 billion from the current ¥125 billion.

In addition, centered on the tens of billions of yen in sales in the B2B subscription business, we aim to expand into new nonconsolidated growth areas such as the overseas B2C and next generation food.



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* This represents the total sales of the 6 domestic B2C Subscription brands (the total amount of goods purchased by customers), which differs from our consolidated sales. 26

Based on that, what kind of things should we think about in the future?

First of all, the green area at the bottom of the page is the sustainable retail business that I mentioned earlier, which has been conducted in the B2C domestic market. In terms of total distribution, it is now JPY125 billion. What is different from sales is that the total amount of distribution for Tokushimaru, for example, has increased considerably, but the portion recorded as sales is only a portion of that amount, so there is a difference between our sales and the total amount of distribution.

The total of six brands we are working on now has a total business scale and distribution value of about JPY125 billion. This should be brought to JPY200 billion as soon as possible.

On to B2B. The food service business and B2B subs are still a little over JPY1 billion at present, but we are determined to bring this to a three-digit billion as soon as possible.

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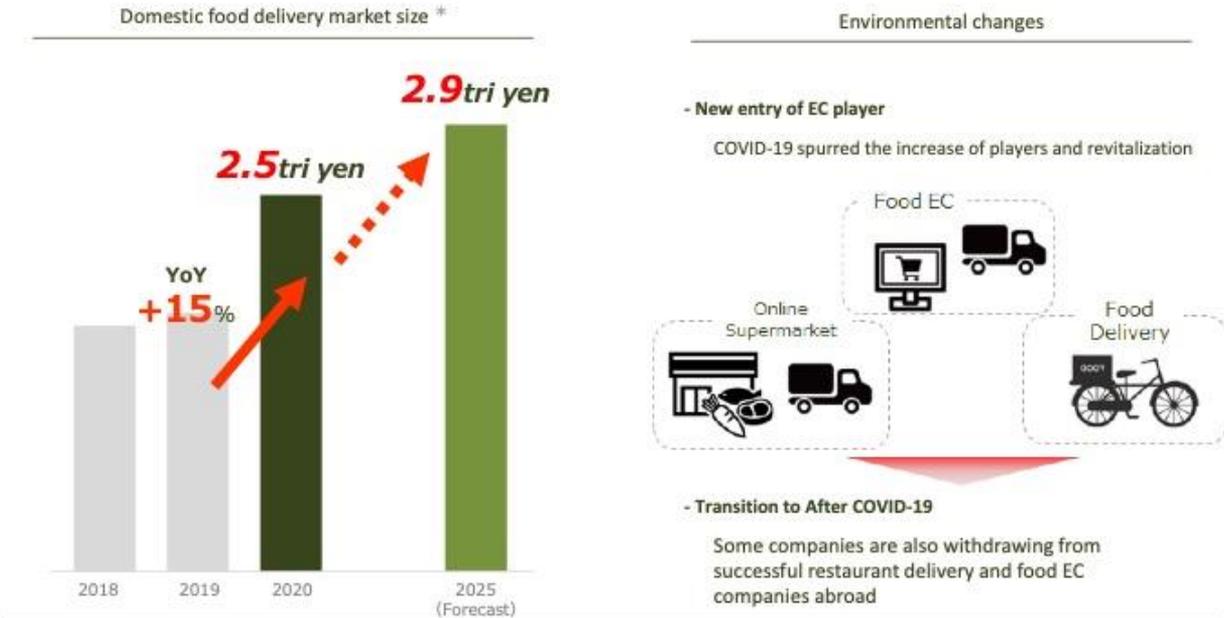
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Domestic food delivery market -Market Size and Environmental Changes

In FY3/21, the domestic food delivery market expanded 15% YoY. We think the market will continue to expand in the future. However, with entry of various domestic and overseas players, we are beginning to see selectivity in terms of which services will continue to be used with elimination of pandemic activity restrictions.



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*Reference : Yano Research Institute Ltd

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I would like to talk about B2C and B2B.

As for B2C, the market itself is very large and growing. It has now grown to nearly JPY3 trillion, and a great many players have entered the market, including during the pandemic. Since then, the state of the home delivery market has entered an era of selection, or rather an era of choice, due in part to the lifting of action restrictions.

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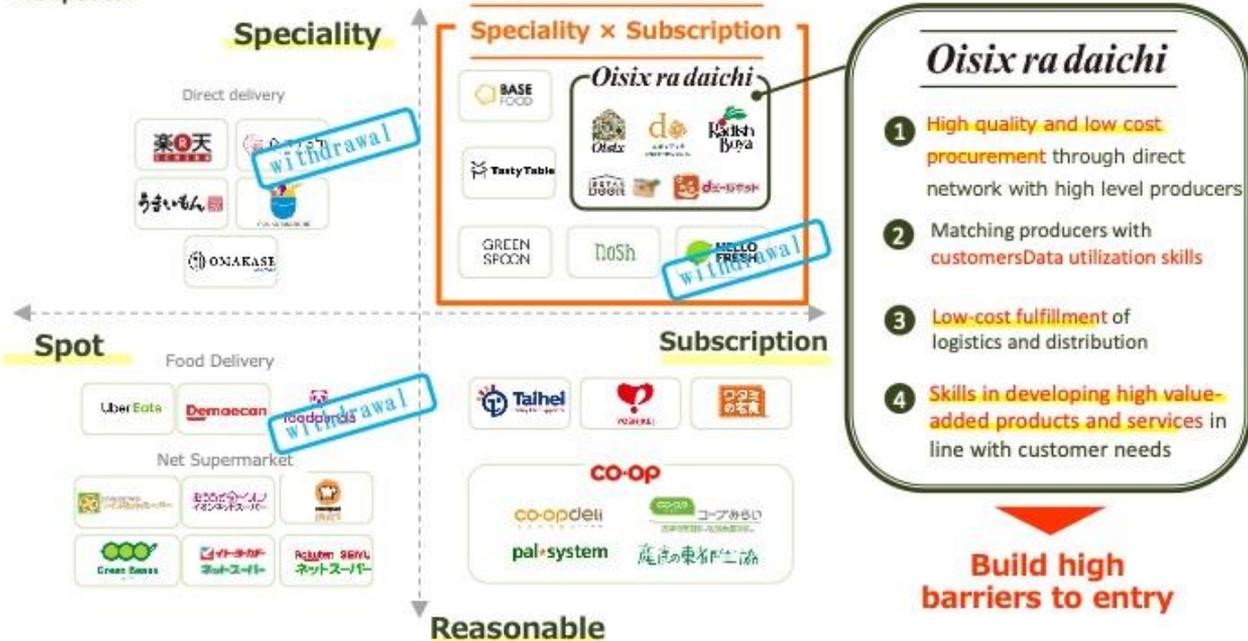
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Domestic food delivery market -Positioning

We specialize in the area of **Specialty × Subscription**, which is 1 of the areas where there are many players entering the market and where the market is being energized. ① High-quality, low-cost procurement capabilities, ② low-cost Fulfillment capabilities, and ③ high-value-added services create high barriers to entry

- Competitor



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The table below summarizes the positioning.

The vertical axis indicates whether the product is a specialty food or a general food, and the horizontal axis indicates whether the product is sold on a case-by-case basis or on a subscription basis. We are positioned on the top right as we deliver specialty food regularly.

In the upper right quadrant, you can see some of our strengths, such as our direct producer network and the data we have collected on our customers and producers. We also have a supply chain, and although we failed last year, we have logistics in three temperature zones, which I believe is one of our strengths in this area.

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Expansion of domestic B2C subscription-business

We develop several brands in the domestic B2C Subscription home delivery business, including EC support business branded by other companies. **Specialized in Subscription × Specialty Services. Sales on a gross transaction value basis: about 1250 bn yen, and the number of subscribers expanded to reach roughly 670,000.**



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As I mentioned earlier, the total for all brands is JPY125 billion, and the number of customers who regularly shop from us is just under 700,000.

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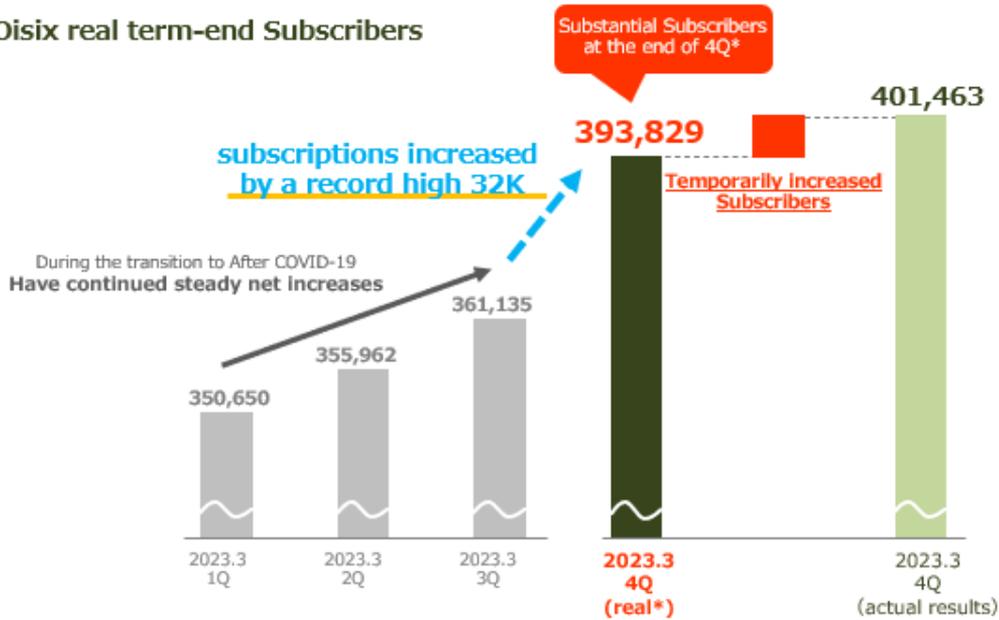
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Domestic B2C Subscription Growth Strategy
 - ① Accelerate the pace of Subscribers acquisition

We invested an additional 1.1 billion in 4Q for new PR expenses, achieving a record-high net increase of 33000 employees (actual result +40000 net increase). On the other hand, early solution about rates are particularly high for some of the experimentally challenged PR methods, and the real ending Subscribers excluding this temporary Subscribers is 394000

-Oisix real term-end Subscribers



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I would like to focus on the Oisix brand. As I mentioned earlier, we ran a promotion campaign in Q4 of last year, albeit belatedly, and we saw a sudden increase in customers.

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Domestic B2C Subscription Growth Strategy

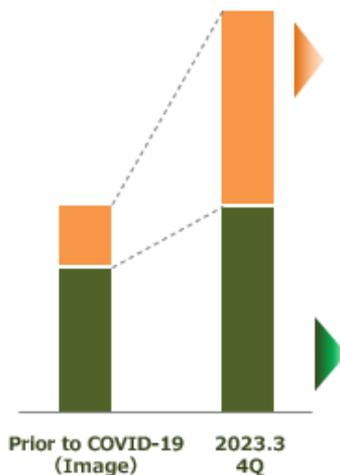
- ① Acquisition PR : Discovery of potential markets

Reflecting additional PR investments and a strategic hike in CPA, the weight of DINKs in their 20s and households in their 50s increased. **Not only has the customer base expanded, we were able to confirm the existence of latent needs among a customer base that we have not yet been able to reach.**

-New subscriber breakdown

Other than Young Family

Young Family



Increased share of **Other than Young Family**

- ✓ Strategically relaxed acquisition conditions in some acquisition channels
- ✓ DINKs in their 20s and households in their 50s account for a 10% about increase in new subscribers

With diversification of the market for "Premium-time Savings," **those markets with growth potential are expanding.**



In households with small children in dual-income Households' Steady growth in acquisition volume

- ✓ Stable growth in the number of young families in 4Q as well, the main target



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There were a lot of issues and a lot of waste, and I think we need to reflect on this, but what this has shown me is that our main target has been families, especially mothers, and fathers of small children.

This time, too, we promoted the product mainly to such a target audience, but because of the large investment cost, we ended up promoting the product in a way that would reach people other than our target. As a result, we have been able to gain a good number of customers outside of our target group.

We mainly gained customers in their 60s or so, but we did not customize our products for these people at all, and as a result of simply expanding our promotion target, we saw a considerable increase in this type of people, which made us think there is much more room for promotion than we thought. This is the finding from Q4.

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Domestic B2C Subscription Growth Strategy
 - ① Acquisition PR: Improved Acquisition Efficiency

In FY2023.3, cost improvement accelerated after the opening of the Food Rescue Center, despite the impact of inflation, 1% reduction in March 2023. In addition, we plan to further improve the company-wide impact by 2% from FY2024.3 onward .

-Efficiency of acquisition methods

Horizontal development of brand collaborations that have had a significant impact on 4Q



Improve acquisition attribution through posting, newspapers and other offline media and Youtube



Improve the acquisition CPA, Efficiently Increase New Subscribers

-Improvement of encounters with products after membership

Increase points of contact with premium-time savings products after joining to improve experience



Increase the rate of continued use

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That was a good thing, but on the other hand, there was also quite a lot of waste that we need to improve, so now, in Q1, we are working on getting rid of such waste.

The good news is that we were able to gain a very high number of orders through good use of collaboration, video, and so on. However, the cost was not good, and I believe this is where we need to improve.

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Domestic B2C Subscription Growth Strategy
 - ② Strengthen specialty of products and services

We look to further expand and develop the range of products that makes possible the realization of Oisix primary value offering - "premium-time savings." We aim for product advances that provide for further time savings and that are more delicious and healthier.

- More premium-time savings

- ✓ Double growth in both Patto Oisix product numbers and sales
- ✓ Added 3servings to Super Easy Kit Series that can be made in 10 minutes



▲Patto Oisix ・ Super Easy Kit

- More delicious

- ✓ The evolution of popular collaborative planning makes it easy to enjoy the flavors of shops and professionals at home



▲Develop products in collaboration with popular stores and chefs

-More sustainable

- ✓ Aiming for 0.5 bn yen in sales of Zero Food Waste products, such as Kit made from discarded foodstuffs



▲Kit Oisix

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In addition, since our products are now accepted by a wider range of people of all ages, we need to make them more advanced, so that our customers can cook them more quickly and more easily.

Also, we had good collaborations with Mos Burger and DEAN & DELUCA, which performed very well in Q4, so we will strengthen the collaborations. And, after all, we are thinking about doing it in a more sustainable way.

This is my overall impression of B2C subs, and then I focused on Oisix in particular.

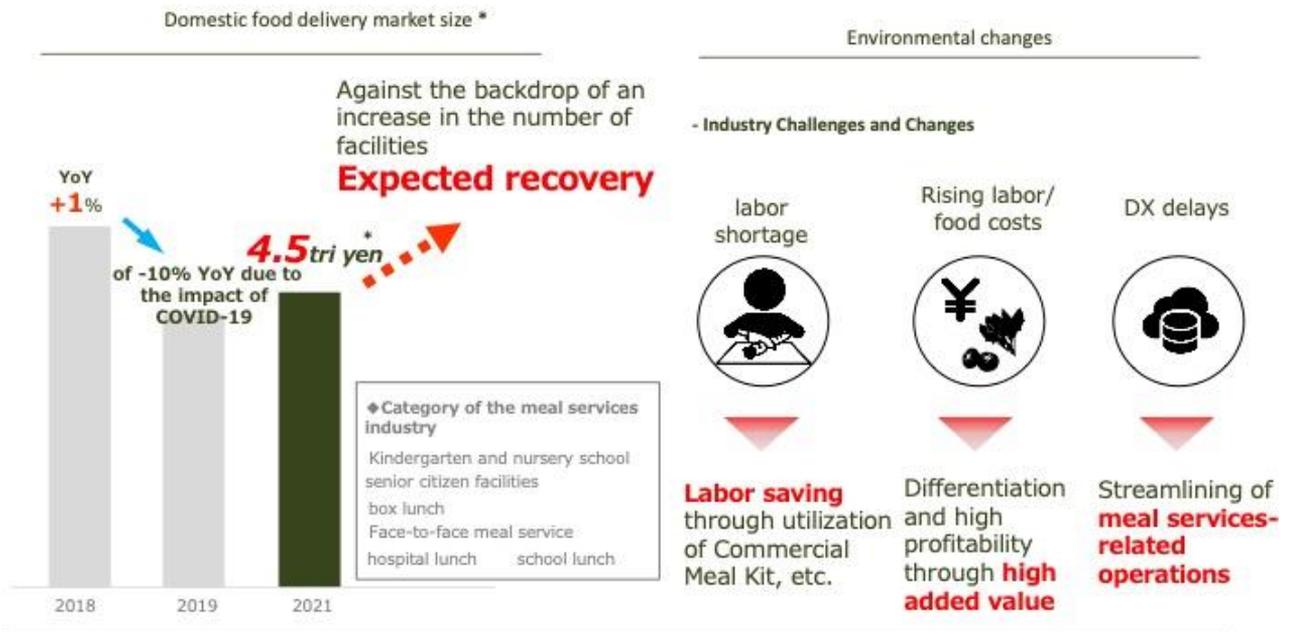
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B2B subscription market (meal services)

The overall meal catering market is large at about ¥4.5 trillion. It is in need of transitioning to a business model with higher productivity. Via both in-house and outsourced meal preparation models, we aim to leverage 1) our strengths cultivated in B2C, and 2) collaborative work with SHiDAX, to grow the B2B subscription business to several tens-of-billions of Yen.



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*Reference : Yano Research Institute Ltd.

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Next is this B2B subscriptions, which we are planning to do in earnest starting this fiscal year.

The market size is extremely large: JPY4.5 trillion. It became smaller because of the pandemic, but it is still about JPY4.5 trillion, and it is expected to recover further after this.

A closer look at the food service industry and market reveal that there are a variety of markets, including nursery schools, senior citizens, hospitals, boxed lunches, offices, and schools, with some markets growing and others shrinking. The largest growth is among the elderly.

There are several common challenges, and by far, the biggest challenge is the lack of labor. This is an issue that the restaurant and catering industry is facing now, too, because there is a market but not enough people to fill it, so we need something that can be managed by a small number of people.

On the other hand, the cost of labor, ingredients, and materials has skyrocketed, and on the other hand, flexibility in pricing is more limited than in restaurants. Under these restrictions, there are not many major players in the industry, and even those who are considered major players only control a quarter of the total market - It is a large market with so many players.

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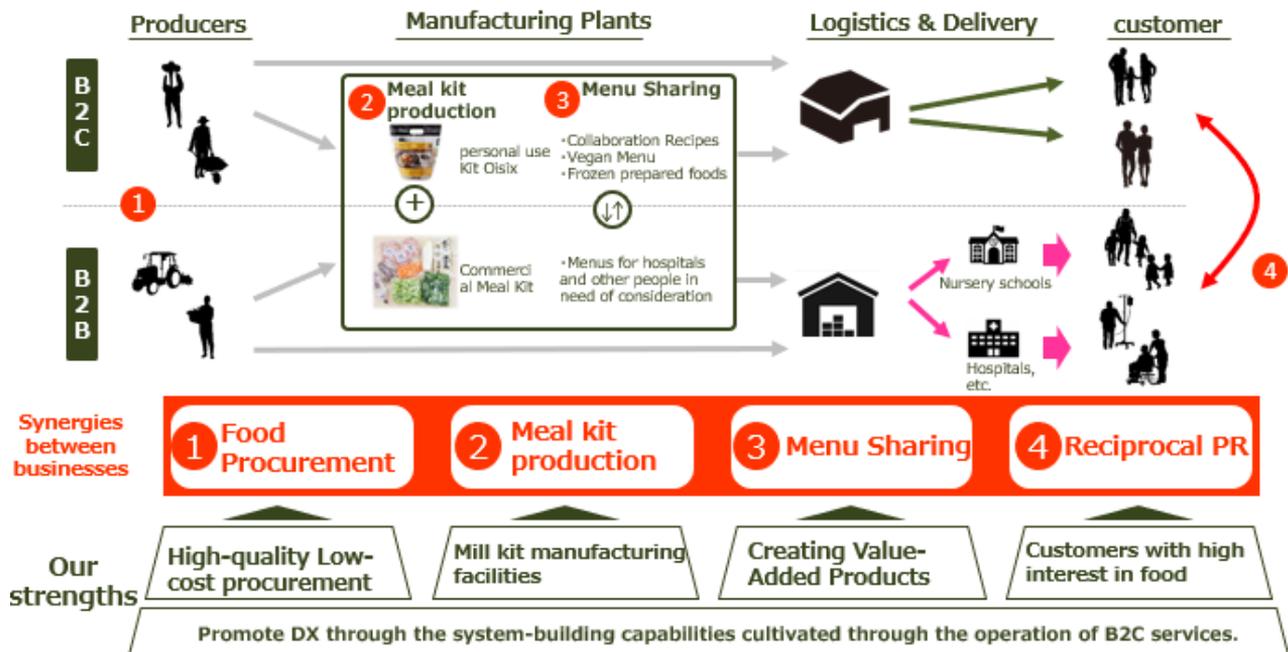
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Synergies between B2C and B2B (lunch business)

By developing the Strengths we have built in B2C subscription area in B2B subscription area, Create synergies in 4 areas: ① Food Procurement ② Commercial Meal Kit manufacturing, ③ menu sharing, and ④ reciprocal PR



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We have begun to take on the challenge of expanding our business in such a market by taking advantage of our know-how cultivated in the B2C business. We are doing several things, but as a strategy, we are thinking about what synergies we can expect, and we can see four major ones right now.

The first is in the area of food procurement, taking advantage of our direct relationships with producers. We are often told that we sell very expensive products, but we sell quality products at quality prices. On the other hand, we have a relationship where we are allowed to buy large quantities of good products from certain producers, and some of them have quite high procurement capabilities, so we can work together to procure foodstuffs.

I think the second and third points have the main, and we are taking on the challenge of converting our meal kits, which have always been B2C, to commercial use.

As it says menu in point three, for example, we have a good idea of what kind of dishes children will eat, so of course, this is something we can use elsewhere, and we are wondering if we can solve the labor shortage situation by using meal kits for commercial use.

The fourth is mutual promotion. For example, nursery schools have a very high affinity with our customers, so we are thinking of promoting our products to them.

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B2B Subscription Growth Strategy - ①suku-suku Oisix

With nursery school services “suku-suku Oisix,” Utilize Commercial Meal Kit to **reduce 18%* of the total cost of foodstuffs and personnel at in-house cooked childcare facilities.** Via cost-cutting and such support services as dietary education/facility audits, we aim to realize labor savings and achieve **sales on the scale of ¥10 billion by FY3/27.**

Full-scale launch of commercial meal kits.

- ✓ Leveraging commercial meal kits to cultivate business with new nursery school customers.
- ✓ **The introduction reduced the total cost of foodstuffs and personnel by 18%.** Raise the ratio of pre-cut foodstuffs to achieve further labor saving

Business support related to school lunch

- ✓ Nutrition education and labor saving in food service by DX Aiming to solve problems in childcare facilities.

- Cost-cutting through Commercial Meal Kit



Oisix ra daichi

*Outputs at 1 facility (90 staff) that underwent detailed verification under facility cooperation 38

For example, in the case of school lunches at day-care centers, conventionally, the labor cost of cooking the ingredients after the purchase is added comes on top of the cost of ingredients, but using our meal kits, they can reduce the costs by up to 20%.

We are finding that we can lower labor costs, which will likely lower the total cost while the cost of food goes up. We hope that by leveraging this approach, we can grow this business quickly.

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B2B Subscription Growth Strategy - ② Collaboration with SHiDAX

Regarding collaborative work with SHiDAX – a company engaged in food catering services, we look firstly to implement test marketing of medical services at such facilities as childcare and elderly care. Utilizing commercial-use meal kits, we aim firstly to build a consignment model at childcare facilities. From FY3/25, we aim to expand into new areas such as elderly care facilities.

Start of test marketing

- ✓ Started test marketing in Apr. at a new childcare facility commissioned by SHiDAX for cooking
- ✓ We aim to quickly build a model for childcare facilities using commercial meal kits and expand the number of childcare facility customers.

- Utilization of Commercial Meal Kit at consigned cooking facilities



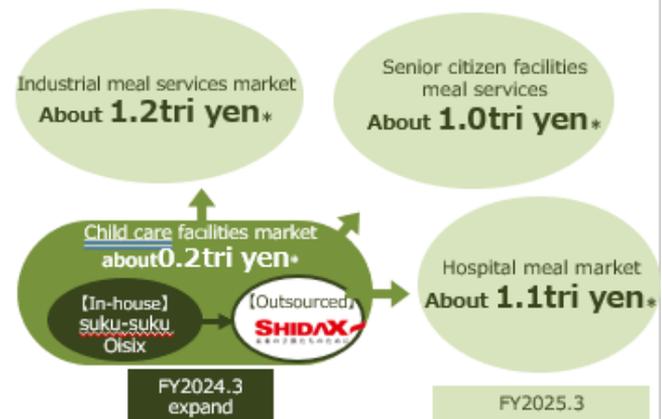
Childcare facilities that SHiDAX has contracted to provide meal preparation services

Oisix ra daichi



Preparation for expansion of the offering market

- ✓ Owing to collaborative efforts, we have been able to accelerate our understanding of the peculiarities of such facilities as hospitals and elderly care centers. Discussions are underway with a view to business launch in FY3/25



▲Market Size and Image of Expansion of Facilities Provided

*Reference : Yano Research Institute Ltd.]

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Oisix ra daichi

In addition, we are collaborating with SHiDAX, and it will be in full swing in various aspects from now on.

The case I mentioned earlier is a nursery school making its own meals, but we are planning to conduct various experiments based on the hypothesis that this commercial meal kit will be effective not only for nursery schools but also for those who make meals on consignment, such as SHiDAX.

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Impact of acquisition of shares of SHiDAX

With regard to near-term business performance, the acquisition of SHiDAX shares is expected to affect non-operating income (ordinary profit).

- ① Equity in earnings of affiliates : Incorporated from 2023.3 Q4, However, owing to goodwill amortization, the impact on equity method investment gains/losses (non-operating income) is expected to be minor.
- ② Dividend income : No impact on net income. Operating cash flow is expected to increase from 1Q FY2024.3.

① Equity in earnings of affiliates

A) Profit contribution to our consolidated results

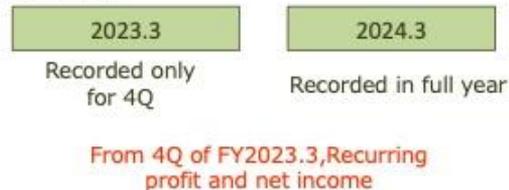
Of the net income of SHiDAX for the quarter, the Company's share (28.47%) is included in the net income of SHiDAX's. Our share (28.47%)

B) Intangible assets and goodwill equivalent (annual amount) 250 million yen

- Total amount of goodwill: 5.3 billion yen
- Payback period (weighted average): 21 years

C) Equity in earnings (A-B) is expected to be positive

▼ Regarding the recognition of equity investment income in the future



② Dividend income

The dividend for FY3/23 is expected to be resolved at SHiDAX's general meeting of shareholders to be held in June.

stock holdings **15,582,759 Stocks** × Dividend per share (forecast) **10~17yen/share**
 ※ SHiDAX's medium-term management plan

▼ Recognition of dividend income

- **No impact on consolidated net income**
 - Non-consolidated net income was positive due to the recognition of dividends received
 - On a consolidated basis, there was no impact on net income due to the offsetting of dividends received
- **Operating cash flow is expected to increase from 1Q FY2024.3**

Oisix ra daichi

* Estimate based on a dividend per share of ¥10 from SHiDAX's medium-term management plan P4. https://www.shidax.co.jp/dcms_media/other/plan2025.pdf 40

As you can see here, I will talk about the performance impact that SHiDAX will have on us.

First, there are two major effects of the equity method: the profit of SHiDAX will be consolidated for its share, and on the other hand, the amortization of goodwill will be recorded. When comparing A and B, the equity in earnings is expected to be slightly positive in the last quarter, Q4. Another impact is the dividend income.

This is the explanation of the current performance impact, but I believe that we will be doing various collaborations in the future. What synergies will result from this will be calculated in the future.

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Sustainable
- green shift : ②Zero Food Waste

Our distribution food loss ratio is roughly 0.2% - by far the lowest within the food retailing industry. Via further efforts, we aim to contribute to the further reduction of food loss not only at ORD , but within the entire supply chain.



Oisix ra daichi

*Food loss reduction refers to the weight of food sold/ reduction in food ingredients disposed of for items that were edible but were not consumed. Sales weight of food loss from partner plants during production/processing (includes those from third-parties) and/or undistributed items owing to not meeting shipping standards. Amount of food loss reduced by using the Kit Oisix meal kit. Derived by using 77g/meal of food loss reduction (based on internal research, June 2019) and the cumulative number of kits sold. 42

I would like to briefly discuss two remaining medium-term matters: sustainability and profitability.

In terms of sustainability, our company is very focused on food loss. Originally, food loss as a distributor was very low; even in the past year, it was very low, about 0.2%.

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Sustainable

- green shift : ②Zero Food Waste

Upcycle by Oisix has developed 66 products over about 2 years, expanding collaborative and other initiatives, and **growing to a cumulative about 4 bn yen in sales.**

In addition, the entire company will reduce Food Waste in about **300t production areas in 1 year by responding quickly to "Motainai" through close cooperation with production areas, etc.**

Upcycle by Oisix

- ✓ Utilizing materials formerly discarded in production areas and manufacturers
- ✓ Expand efforts such as commercializing coffee meal generated in the restaurant chain PRONTO



▲Snacks made with coffee beans after extraction

Domestic home delivery business Initiatives

- ✓ Promote non-standard products and "Motainai" products affected by poor weather, focusing on domestic home delivery brands



Reduce Food Waste in about 300t production areas in 1 year*

Oisix ra daichi

*Food loss reduction refers to the weight of food sold/ reduction in food ingredients disposed of for items that were edible but were not consumed. Sales weight of food loss from partner plants during production/processing (includes those from third-parties) and/or undistributed items owing to not meeting shipping standards. Amount of food loss reduced by using the Kit Oisix meal kit. Derived by using 77g/meal of food loss reduction (based on internal research, June 2019) and the cumulative number of kits sold.

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Last year, we also tried to reduce food loss in the area of producing and eating food, especially upcycling in the area of producing. It is an initiative of upcycling, in which ingredients that are produced during food processing and normally thrown away are converted into food products and sold, which are generated in the process of producing food.

Also, there has been quite a lot of progress and more collaborations, etc. In the last year, we have reduced the amount of food loss by about 300 tons.

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Sustainable -Utilization of food tech

To realize sustainable retail, we promote food-tech use and the activation of the start-up ecosystem. Besides initiating sales of meal kits using "P Meat," we aim to wholesale original products to the likes of supermarkets, restaurants, and hospitals.

-Production and sales of next-generation food

- ✓ Using plant-based meat "P Meat" 7 original products including meal kits .
- ✓ Start wholesale sales as soon as possible, and aim to establish a unique position in the industry by taking charge of everything from manufacturing to sales.



▲(left) prepared dish using plant-based meat "P Meat",
(right) Kit Oisix "P Meat and 8 kinds of vegetables with sweet and sour sauce

-Food Tech Investments by Future Food Fund

Future Food Fund, an investment subsidiary, contributed to sustainable retail by revitalizing domestic and overseas food-tech companies through food-tech specific CVCs.

- ✓ **Base Food Co., Ltd.**, one of the companies in which an investment was made, **achieved its IPO in the TSE Growth Market** in only about 1.5 years following investment.



- ✓ **We have initiated launch of a second fund.** We aim for faster growth of newer technologies within the food-tech space.

Future Food Fund

Oisix ra daichi

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We are also using food tech to sell plant-based protein to reduce greenhouse gas emissions from animal protein, as well as food loss, and are supporting such players by investing in them through our fund.

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Sustainable - green shift : ①Carbon Neutral

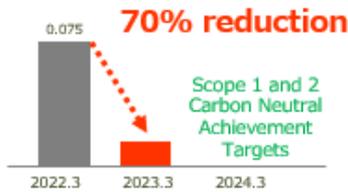
From around March 2020, both membership and ARPU rose due to a sharp increase in home delivery needs by Corona. Subsequently, the tailwind on membership and ARPU weakened with the easing of behavioral restrictions, and the impact on KPIs normalized in FY2023.3 second half of the fiscal year

Reduce in-house emissions of CO2 (Scope 1 and 2)

- ✓ Completed the switch to effectively renewed energy of 100% at all distribution sites and offices.
- ✓ CO2 emissions (scope 1, 2) to have been reduced by roughly 70%.

- CO2 emissions (scope 1, 2) change

単位：t-CO₂e/百万円（売上高あたりの温室効果ガス排出量）



Reducing Plastic in Kit Oisix Packets

✓ Plastic consumption of Kit packaging materials and other products manufactured in-house was reduced by 48% compared to the previous fiscal year, far exceeding the target of a 22% reduction.

- Review of the thickness of the Kit Oisix outer bag
- Elimination of vegetable clips

✓ Plans for further evolution of packaging for environmental impact in FY2024.3



Oisix ra daichi

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In addition, we are also working on carbon neutrality in our materials.

In the last year, we were able to reduce our own emissions by about 70%, and this is something our customers have often pointed out, but we have reduced the amount of plastic we use by about half, and we would like to continue to reduce it further.

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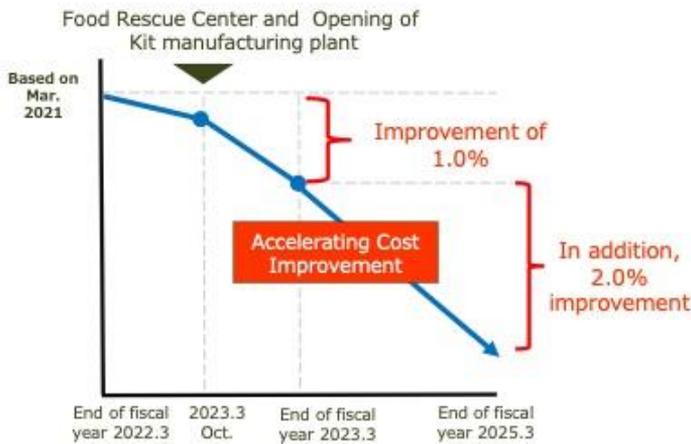
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Enhance profitability -1. CoGs

Enhancing efficiency of in-house manufactured products and accelerating shift to in-house processing. Additionally, by advancing development of food rescue products, **we aim to achieve a company-wide impact reduction of 3% by FY3/25 (vs. FY3/22).**

–Reduce Oisix product cost ratio



–Food Rescue Center operational benefits

Number of manufacturing points per week
2.3 times YoY



In-house production of food cutting processes
70% increase before operation



–Room for improvement

- ✓ Improve productivity by improving staff proficiency
- ✓ Improve the manufacturing cost ratio by promoting the conversion of processed foodstuffs to processed foodstuffs.

Oisix ra daichi

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I would also like to briefly talk about profitability.

As for the cost of sales, it improved by about 1% in last year's profit improvement. It is also the case that the Food Rescue Center has been successfully launched, and it is making a bit of an impact.

I think we can improve by about 2 points in the future through further improvements in Food Rescue Center and in-house manufacturing. We are treading on the idea that we can improve it by about 2 points over the next two years.

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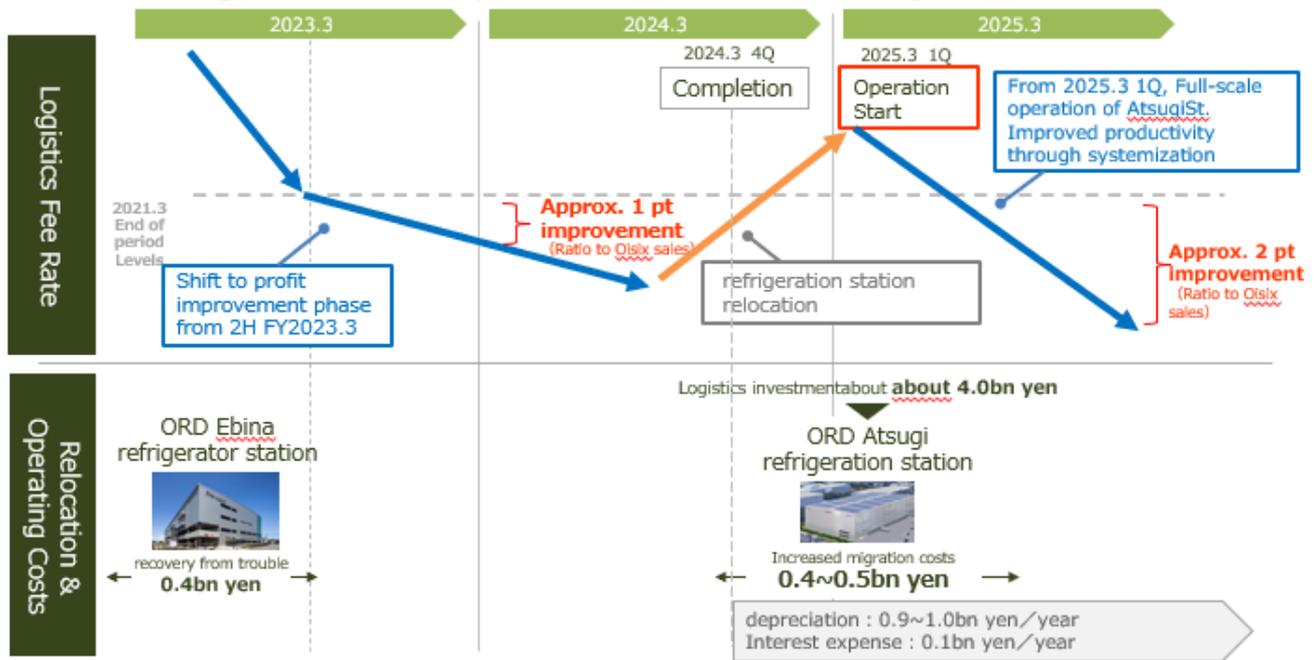
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Enhance profitability -2. Reduce logistics costs

The refrigeration center has recovered from the relocation troubles and is now in the profit improvement phase. Aim to reduce logistics costs by 2% in FY2025.3 (compared to the end of FY2022.3) by accelerating logistics efficiency through the full-scale operation of the new refrigeration station to be relocated in 4Q2024.4.
With relocation of the refrigeration station in the 4Q 2024 and subsequent full-scale operation, we aim to achieve a 2% reduction to logistical costs in FY3/25 (vs. FY3/22) via acceleration of overall logistical efficiency.



Oisix ra daichi

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Then there is logistics. H1 last year was to normalize what had gone up very much due to the failure in Ebina, and H2 of last year was to solemnly improve and lower costs after normalization, and we did well until H2 last year.

After this, while Ebina is a refrigerated station, there is a frozen station in Atsugi, and this will be completed next year. Based on last year's failure in Ebina, we want to be cautious. Temporarily, speaking in that sense, the cost of refrigeration will continue to decline a bit from here on out. As for the frozen stations, we are planning to relocate them, so they will go up temporarily, and then we will make improvements again; so, in total, we think we can lower costs by about 1 point from now and even more in the logistics area.

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Enhance profitability -2. Reduce logistics costs

To reinforce refrigeration capacity, capital expenditures were made at ORD Atsugi Frozen Station. Shipping capacity has been expanded roughly 3-fold (vs. Mar/23). With completion in Jan/24, test operations will be initiated, and relocation is scheduled to be completed in spring.

■ Expansion of facilities at refrigeration bases (ORD Atsugi Frozen Station)



▲ORD Atsugi Frozen Station image

Expected Effects

- Secured frozen shipment capacity 3-times larger versus Mar/23. Via progress in automation
- Reduced logistics costs by promoting automation

Investment Amount

About 4 billion

Relocation Plan

Formation of plans that include a phased roll-out of operations between **Jan and spring 2024**

Reinforcement of the relocation plan itself (in the wake of troubles related to the relocation of the distribution center)

Oisix ra daichi

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This is Atsugi.

We plan to start the work around the end of this year and finish it by this time next year. We don't have the option of not doing it because we are running out of capacity, although cost is important, too, but at the same time, we want to increase productivity.

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EBITDA Margin Forecast

On the backs of ongoing efforts to reduce logistical costs and CoGS, **we maintain our FY3/25 EBITDA margin target of 10%**. For FY2024.3, we expect profit margin growth to be slow in the first half of the year, in line with normal seasonality.

-EBITDA Margin Forecast



Oisix ra daichi

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As I explained, EBITDA for the last full year, excluding the special additional promotion expenses for the last fiscal year, was about a little less than 6% for the full year, but we would like to bring it to a little more than 6% for this fiscal year and eventually challenge the 10% target without changing.

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2024.3 Outlook

Sales · Led by Oisix, all three home delivery businesses are expected to see increasing subscriptions and help propel overall sales.

EBITDA · Whilst we anticipate sharp cost increases such as raw material/labor costs, we look to the beneficial effects of improved profitability (led by the three home delivery businesses) since 2H FY3/22.

Net income · In addition to higher operating income, we anticipate increased non-operating income from equity earnings of affiliated companies such as SHIDAX, Inc.



Oisix ra daichi

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Finally, I would like to share our plans for this fiscal year.

As for sales, we will continue to grow by double digits at JPY126.5 billion. As for EBITDA, we plan to achieve JPY8 billion. We made a lot of progress in reforming our profit structure last year, but H1 was pretty bad, so that didn't make good numbers for the full year. As for the current fiscal year, we are firmly committed to doing so throughout H1 and the full year. We would like to challenge ourselves to achieve an EBITDA of JPY8 billion as a result. As for net income, it will be JPY3.8 billion.

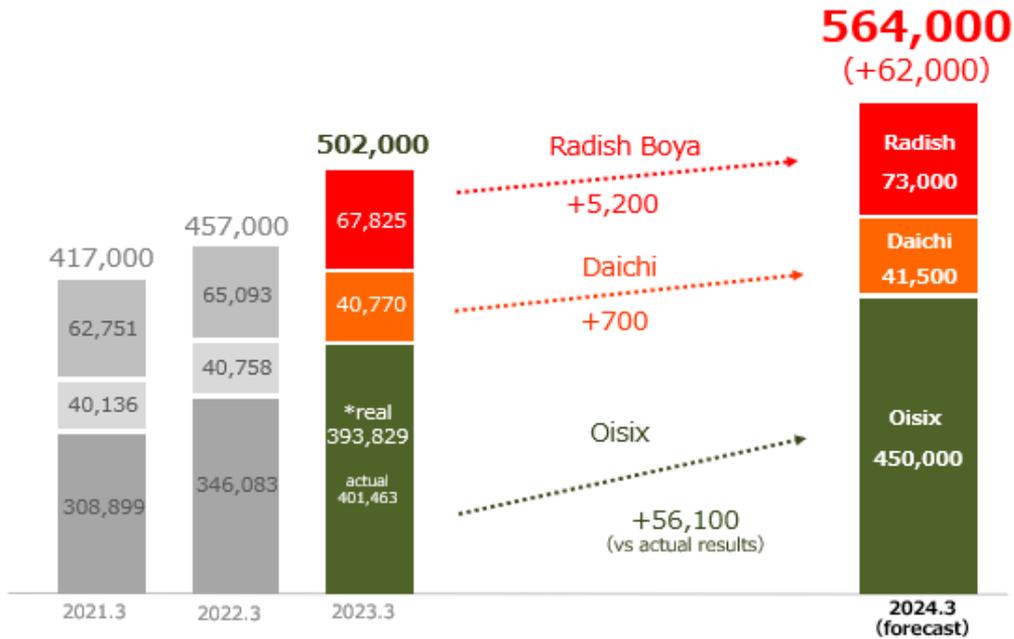
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Number of Subscribers

- Outlook of Number of Subscribers



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And in terms of headcount, we are targeting 564,000 subscribers.

As for Oisix, we had a sharp increase in Q4, but after that, there was a sharp decline in the number of customers, and there were some customers for whom the cost of Oisix was not worth it. We are working on tuning up and will then try to increase the number once again.

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**Invested in Aggregate Corporation
(Shunpachi Fruit and Vegetable Store)**

To Aggregate Inc. which operates "Shunpachi Fruit and Vegetable Store", **Decided to acquire 20% of the company's shares as of 4/28, assuming it becomes a subsidiary.**

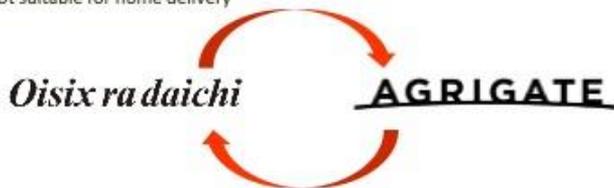
Aiming to create synergies by strengthening procurement of fruits and vegetables, especially fruits, and utilizing the Group's food ingredients at community-based stores

✓ Accepted a third-party allocation of new shares, Became an affiliate company with the assumption that it will become a subsidiary (shareholding ratio: 20%)

✓ Creation of synergies based on the sales channels and production area networks of both companies

Strengthening sales channels for food products that are good to eat now and not suitable for home delivery

Wholesale of foodstuffs from the Toyosu Fishermen's Market*.



Storytelling with a focus on fruit Purchasing fruit and vegetable products and developing production areas

In cooperation with the Toyosu Fishermen's Market*, we will Wholesale sales to restaurants and Sales of side dishes using marine products

AGRIGATE 

✓ Focusing on Seasonal Fruits and Vegetables, Also Selling Processed Foods and Fisheries Products Operates an urban grocery store, "Shunpachi Grocery Store"

✓ We have relationships with production areas and markets, and are able to find and sell products with a story to tell, Strengths in discovering and selling products with a story to tell



▲ Shunpachi Fruit and Vegetable Store, which operates six stores in Tokyo.

Oisix ra daichi

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Finally, I would like to introduce some topics.

First of all, and today is probably the first announcement, we have reached an agreement with Agrigate Co., Ltd., which operates Shunpachi Fruits and Vegetables, a venture company that operates real fruit and vegetable stores, to first acquire about 20% of its shares, with the assumption that it will become a subsidiary in the future.

We already know that there are several synergies, and the members are very close to each other, but I believe that we will become stronger by acquiring the strengths of this team, especially in terms of strengthening our procurement.

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field entrance ceremony

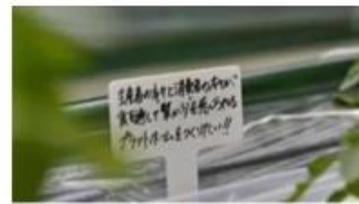
To enable business acceleration, organizational invigoration, employee development and/or proffering of dynamic new opportunities, a record high 29 new employees were hired and for the first time in 8 years, the welcoming ceremony was held in the fields of a farm.



▲ Group photo of 29 new graduates joining the company in 2023



▲ Awarded in the form of a "harvest" as is typical of Oisix La Daichi.



▲ In front of the tomato seedlings they worked on, they expressed their determination to take on the challenge.

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This one here is to share with you that the induction ceremony in the field has received a great deal of television coverage.

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Support Related

We Support Family, a food support platform for needy families with children, has supported a cumulative total of more than 1 million donated goods. Relief funds and other aid are also provided to support relief and recovery efforts in the areas affected by the Turkey-Syria earthquake that occurred on February 6, 2023

子どもたちの笑顔を考えて食支援

WeSupport Family

Food support platform for poor households with children, mainly single parents.

Cumulative number of donated goods	Number of Supported Meals
1,160,000	3,000,000
pieces	meals

The number of food donations increased approximately 3.9 times compared to last year.
 *We also offer tours of our food pantry to companies that we support, We have also received comments such as, "We would like to further support activities."

WeSupport

Food support for Ukrainian evacuees coming to Japan through the We Support platform.

✓ Provided food for approximately 3,000 evacuees from Ukraine

Providing Earthquake Relief for Turkey and Syria

To help in the recovery and reconstruction of the affected areas, We are also soliciting donations and selling donated products to help with the recovery and restoration of the affected areas.

✓ Call for support funds from February 16 to March 31

✓ At the "Daichi wo Mamoru Kai Organic Festa" held on February 25, Sales of donated products from Turkey and fundraising activities



▲ Products with donation



▲ After delivery of relief supplies (Courtesy of Peace Winds Japan)

All donations will be donated to Peace Winds Japan, a non-profit organization Peace Winds Japan, a non-profit organization that is engaged in relief activities in the affected areas.

Oisix ra daichi

The rest is what we have been supporting all along.

We have also provided support in Ukraine. Also, WeSupport Family, which supports single-parent households, is expanding, and we have served a cumulative total of 3.3 million meals.

In fact, we have a lot of food companies that are willing to cooperate with us in providing support, but there is a problem the target of support is not well visualized, but even so, the number is increasing greatly, and we would like to continue this in order to be of service to the society.

I apologize for being very difficult to hear. That's all from me. Thank you very much.

Question & Answer

Shibamoto [M]: Now, let's move on to the question & answer session.

When you ask a question, please start by stating your company name and your name. Each person can ask up to two questions.

Mr. Sumi, please go ahead.

Sumi [Q]: Hello. This is Sumi from the Tokai Tokyo Research Institute. Thank you. I would like to ask two questions from me.

First of all, I would like to ask you about your perception of the external environment going forward. I believe that even at this stage, various companies are raising wages, but I would like to know what you expect the usage rate and churn rate of the working households that are the main target of your Oisix business to be.

If you see such wage increases, I would like to ask you first about the current and future impact on the buying power of your products, such as whether you are worried about a decline in the premiums on your products.

Regarding the second point, I would like to ask you about your B2B business forecast for the current year and the outlook for the future. I believe that the sales forecast for this year is JPY19 billion, which is an increase of about 6% in YoY terms. I would first like to ask for your view on the impact of this area this year.

One more point, you mentioned that you would conduct test marketing in cooperation with SHiDAX, but what exactly will you be doing in the future, and what kind of development are you planning?

If you expand in the future, how do you envision the risk of insufficient capacity in production when you expand explosively in terms of procurement and the capacity of producers? It's been a long question, but I would like to ask about those two points.

Takashima [A]: Thank you very much. I got the impression that you had a lot of questions within the two questions, but I would like to talk about them one at a time.

The first is about the external environment. As for the current churn rate, changes in the external environment have not had much of an impact on it. The impact of this was felt in the first quarter. I mentioned earlier that we launched a large number of promotions in Q4, but when you launch a large number of promotions, you inevitably capture customers who are less inclined to buy, too, and this is affecting Q1 now.

In that sense, the impact of the promotion has been significant, and we have learned that there are needs not only among households with children, so at this stage, I think it is important to target a wide range of households with a high purchasing motivation.

On the other hand, although there have been considerable wage hikes when the market environment in the US worsens, a savings mentality somehow emerges, even though there is nothing to prevent it, and I think we need to be prepared for this.

In this sense, I believe that our current sustainability efforts are very effective. By delivering to customers products that would otherwise have been disposed of, but are still edible, we can create products that make producers happy and customers happy with the price.

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We are not talking about food loss to save money now, but by working on such things, when the environment has changed, we would like to create products that our customers would think are a wise choice for their budget.

The second is about B2B. This is still very small, about JPY100 million per month at the beginning of the month. In terms of business for nursery schools, the initial monthly amount would be about JPY100 million. We would like to bring this to about JPY200 million. Since that is the scale of the business in 2024, I think that its ratio in the whole business in the fiscal year ending March 31, 2024, will be very slight. But if we can prove that this commercial meal kit will work in that daycare center, I think we will be able to accelerate beyond that.

As I mentioned earlier, what we are trying to do now with SHiDAX is to provide meal kits to nursery schools that prepare the meals at school, and SHiDAX is the company that's commissioned to do it.

We want to try and find out whether that would work for SHiDAX, which has been entrusted with the project. We will experiment to see if SHiDAX's operations can be made more cost-effective by using these commercial meal kits or if we can make it possible to avoid having to hire so many people because we are always facing human resource shortages and are working very hard to recruit them.

We are starting with nursery schools, and since SHiDAX also has a nursery school business, I think it would be easiest for us to start with that, and we can also expand into other areas, such as facilities for the elderly.

However, as SHiDAX plans to hold financial results meeting this month, we cannot say anything about this ahead of time, so we will proceed with various discussions.

In the short term, you are right about the capacity of producers, and it will be important to explore new producers with the help of Agrigate, which runs Shunpachi, which I mentioned earlier.

In the medium term, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) is also working on a national policy to reduce the use of pesticides and chemical fertilizers in order to minimize greenhouse gas emissions. We expect that the number of producers who produce products that meet our standards will increase considerably in the future, and we believe that we need to create a market that can serve as a receptacle for this growing number of producers. That is all from me. Thank you for your questions.

Sumi [M]: Thank you. That's all from me.

Shibamoto [M]: Thank you very much, Mr. Sumi. We're moving on to the next question.

Sato [Q]: I am Sato from NIKKEI. Let me ask you two questions.

The first is about the measure taken for inflation, as you mentioned in your explanation. There have been price hikes, mainly for foodstuffs, and I believe your company has been directly affected by these price hikes. I would like to know how you are passing on prices and what measures you are considering for the future.

Second, I would like to ask you about the investment in Agrigate that was announced today. I understand that you are also aiming to make it a subsidiary in the future, perhaps in the fall. Specifically, you mentioned earlier the strengthening of procurement, but I would like to know more about how this will benefit the Oisix business that you are currently engaged in. Thank you.

Takashima [A]: Thank you, Mr. Sato. Answer.

In terms of inflation, the prices of various raw materials have increased, but we originally, and not by chance, use relatively more domestically produced raw materials than other companies in the food industry in general.

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In this sense, we are glad that the impact on our business is relatively small compared to those on other companies and the food industry in general. Even so, it is not a situation that can be taken lightly, of course, but that is the relative background of the situation.

In this context, we will raise prices, but in our case, we are in the business of buying products directly in-house and delivering them to customers. We have been in the business of buying food, vegetables, and ingredients and selling them as they were when we were originally the founder, but we are now in the business of making various processed products in-house, such as meal kits, frozen foods, and so on.

For example, when there is an overabundance of produce, the amount that can be sold immediately as ingredients is about this much, but we have begun having all the rest once put into our Food Rescue Center and using them as frozen foods or as ingredients in meal kits.

Of course, this will not have the impact that we had originally expected due to inflation, but having started this just last year, we are getting much better about the cost structure of raw materials, and we think we can make it even better.

In terms of price, we have not only the price for the product but also the shipping fee structure and various other additional services, such as the unlimited milk service, so we are reviewing the prices of these additional services. Also, we will review the conditions and raise the bar a bit on shipping. For example, and we did such things last year and will do it again this year. We would like to make improvements in a way that does not affect customers negatively as much as possible.

We feel that so far, we have been able to do this very well and that the side effects of this change in price and service structure have been kept under control and better than our expectations.

Agrigate, I don't know how to put it, has a lot of contacts with active producers, especially in the short term. They have a strong network with fruit-growing regions, while Oisix, in the recent past, has been focusing on developing vegetable-growing regions for the ingredients of kits and frozen foods rather than fruit, as I mentioned.

We are in a situation where we have had a bit of an issue with fruit, so in the very short term, we are hoping to work with Agrigate to strengthen fruit first, and Aggregate members will work using our business cards as well. That's all from me.

Sato [M]: Thank you.

Shibamoto [M]: Thank you very much, Mr. Sato. We're moving on to the next question.

Igarashi [Q]: Thank you. My name is Igarashi of Daiwa Securities Co. I have two questions too.

First, I would like to ask you to be a little more specific about how you are going to change the way you do promotions this term. I understand that you have been aware of some of the issues that have arisen since January and that there are some areas that are still under consideration, but I would like to know more about the specifics, along with how promotional expenses will be used.

My second question is about your thoughts on what kind of balance between membership acquisition and ARPU growth you would like to achieve in the future.

In particular, while ARPU has declined from its peak in the pandemic, I believe it is still high compared to pre-pandemic levels. I would also like to know if there is any possibility of ARPU declining accordingly, based on the temporary increase in membership, etc., from the promotions mentioned earlier. Thanks.

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Takashima [A]: Yes, thank you. The first big thing about PR is that last year we didn't do much PR in Q1 and Q2 last year. There was also the problem with the center and the fact that we were not profitable, so we were not able to do much promotion because we could not make a profit even if we did. We started experimenting in around Q3 and spent a lot of money in Q4, and that was how last year went.

It is not a good idea to promote only in Q4, of course, considering the full-year results, so our major policy for this year is to obtain more leveled sales throughout the year.

In the midst of all this, there were a few things that we found out last year during Q4 when we did some pretty wild promotions. In particular, we found that collaboration was very effective, and we will probably do a lot of collaborations with various brands in the future this year.

We had not been keen on collaboration for promotion but had been doing various collaborations as new products for existing customers. Not all collaborations are effective in promotion, but now that we know that there are some effective patterns, we will increase the number of such collaborations.

On the other hand, we have done a lot of very wasteful promotions, and although the number of customers has increased, it has cost us a lot of money, and the major policy here is to narrow down the promotions considerably.

Regarding ARPU, our overall policy is to prioritize the number of customers over ARPU, and even if ARPU does not increase much, we would like to improve profitability to such an extent that profitability improvement will increase profit margins.

Our target is to maintain ARPU, and in terms of comparison between before the pandemic and now, I think the price increase is still quite significant. In effect, the situation has not changed that much in terms of the number of purchases.

However, the way customers buy will change considerably in the future. For example, they will go from buying vegetables, meat, and fish separately, as they have done in the past, to buying two or three meal kits and from buying five or six JPY300 or JPY400 items to buying two or three JPY1,000 or JPY1,200 items.

In the current fiscal year, we will continue to strengthen meal kits and frozen foods, so although the number of items purchased by customers will decrease, the unit price per item purchased will be higher, so we hope to maintain the ARPU as a whole.

Considering the maintenance of ARPU as the number of customers increases in the future, our strategy is based on the hypothesis that increasing the number of products that can be prepared in less time and taste better, and achieving the same ARPU with fewer items, will be effective for the growing number of customers in the future. That's all from me.

Igarashi [M]: Thank you.

Shibamoto [M]: Thank you very much, Mr. Igarashi. We're moving on to the next question.

Saito [Q]: I'm Saito from [inaudible]. I would like to ask two questions.

This is a follow-up to an earlier question regarding the promotion in Q4. I think you mentioned earlier that collaborations had worked quite well, but other than that, has the use of YouTube and offline media that have not been used in the past, including newspapers, expanded the customer base and made it work?

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Or did you use the media you had used before and expanded the target audience rather than narrowing it down, and you caught people outside the target audience unexpectedly? If you could comment a little more on that, please?

Also, CAC went up quite a bit in Q4, but could you tell me your estimation for this fiscal year?

My second question is regarding guidance. I think there was a bridge for net income in the presentation, but the assumption is that in the period that ended in non-operating income, there was a loss on that investment partnership of JPY360 million, and those negatives are basically going to continue. The non-operating loss was more than JPY600 million last year, and the equity method is expected to increase by JPY200 million, probably due to SHiDAX, and other things are not supposed to change much. I wonder if you could explain more about it.

Takashima [A]: Yes, thank you. Regarding your first question, I would say that you are right. There are two things, and one is that I think it was significant that we used offline media. This led to both sides, and there were good and bad sides: the side where many segments of customers joined and the type of offline media that was very expensive in terms of cost.

Another thing was that we gave a lot of incentives to join. We provided a very strong incentive to join the program, like "we'll give you thousands of points now," and it resulted in a broadening of the segment, so we didn't really use a lot of new online channels.

The online side of the channel is not that new, but when we made the incentives stronger than before, we found that there were many different people there, which is both good and bad. We are currently working on a tune-up that will make this area more efficient.

In that sense, the CAC rose considerably in Q4 to about double the normal level, and we are now trying to see how much we can get when we return it to the previous level for Q1 this year. We do not think it is too likely that the poor CAC will remain for a long time.

And then the non-operating side, it's not like there is something that happens every year. It's not the same thing all the time, but in the last year, we have invested in a few startups, especially a company called Nihon Agri, Inc., which is consolidated, and we are exporting agricultural products. The company had been wholesaling to overseas department stores, but due to the impact of the pandemic, the overseas department stores had lockdowns, and as a result, we recorded the loss. The company has been growing since the end of the pandemic, but we sometimes experience such an event.

There are some such companies, such as Nihon Agri, and I think we need to always expect the same amount of loss. It does not mean that there is anything specific that we are already anticipating, but we expect that something of that magnitude will happen somewhere every year. I hope this answers your question. Thank you.

Saito [Q]: When I hear it, it sounds like it acts like a buffer.

Takashima [A]: Yes. It's a buffer, but it's like hitting that buffer.

Saito [Q]: I understand.

Takashima [A]: That is how it turned out last year.

Saito [M]: Thank you very much.

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Takashima [M]: Thank you.

Shibamoto [M]: Thank you very much, Mr. [Mori]. As there is no question left, we will now conclude the briefing. Thank you very much for taking time out of your busy schedule to join us today. Goodbye.

Takashima [M]: Thank you very much.

[END]

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