

Results for the Fiscal Year Ended March 2023

May 19, 2023

SHiDAX CORPORATION

(TSE Code:4837)



Consolidated Financial Results for FY03/23

Financial Highlights

Significant profit growth for the second consecutive year

The results of the management reforms implemented to date were apparent. Net sales increased steadily, and operating profit achieved a significant increase for the second consecutive fiscal year, despite the impact of the 7th and 8th waves of COVID-19, which were the largest epidemic ever, and the steep rise in raw material prices.

First year of the medium-term management plan

The results of the first year of the 3-year mid-term management plan (Re-Growth 2025), which began in the fiscal year under review, were better than planned, such as achieving the target for new contract orders, although some business divisions showed good and bad performance.

Growth of 3 core businesses

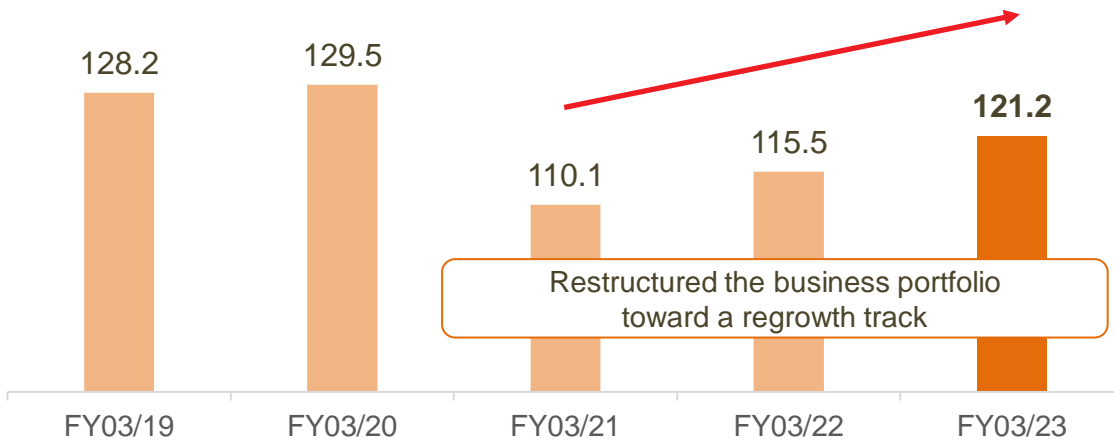
In the 3 core businesses, our established business portfolio is continuing to grow toward business expansion, such as strengthening our system and accelerating collaboration between businesses. In particular, in terms of performance, our social services business has made significant progress.

Overview of Consolidated Financial Results (April-March)

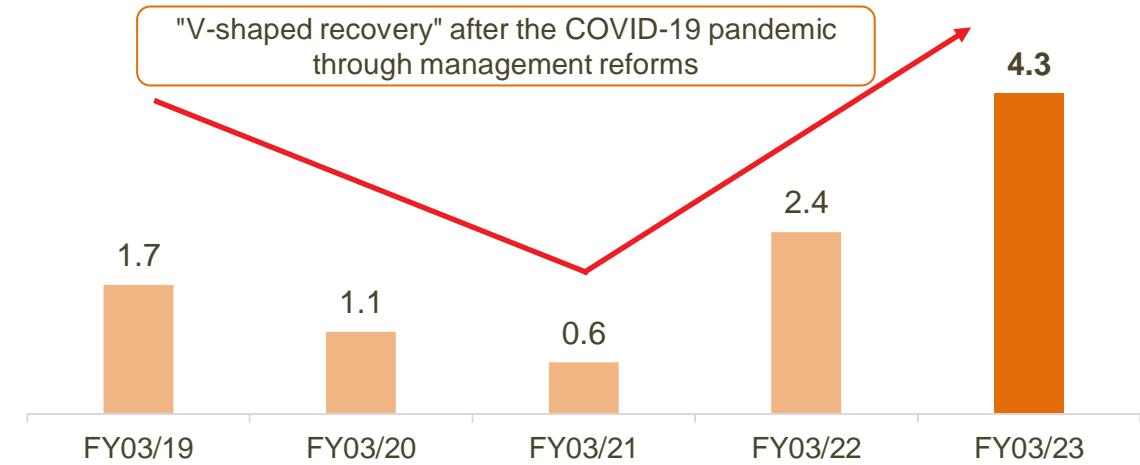
(¥Million)	FY 03/22 (Results)	FY 03/23 (Feb 10 forecast)	FY 03/23 (Results)	YoY	Difference	Factors behind the change
Net sales	115,525	120,000	121,220	104.9%	+5,694	Social services +5,887, Vehicle operation services +1,621, Other* (1,686)
Gross profit	14,752		16,644	112.8%	+1,892	[Sales cost ratio] Previous term: 87.2% Current term: 86.3% → 0.96pt improved
SGA	12,310		12,343	100.3%	+33	
Operating profit	2,442	3,900	4,301	176.1%	+1,858	Social services +854, Other* +723 Vehicle operation services +329, Food service (366)
Non-operating income	235		312	132.6%	+76	
Non-operating expenses	386		426	110.4%	+40	Miscellaneous losses such as fee for syndicated loans +133
Ordinary profit	2,292	3,700	4,188	182.7%	+1,895	
Extraordinary income	3,657		320	8.8%	(3,337)	Previous term: Gain on sales of non-current assets 3,408
Extraordinary losses	1,478		407	27.6%	(1,071)	Previous term: Impairment loss 1331
Profit before income tax	4,471		4,101	91.7%	(370)	
Taxes/ Others	381		283	74.3%	(98)	Tax loss carry-forward
Profit attributable to owners of parent	4,089	3,100	3,817	93.3%	(272)	

Consolidated Results Trend

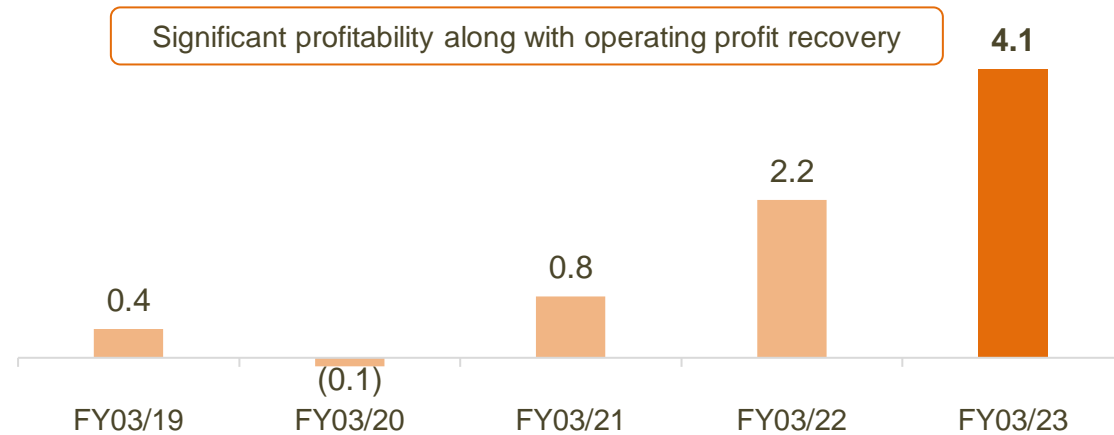
Net sales (¥Billion)



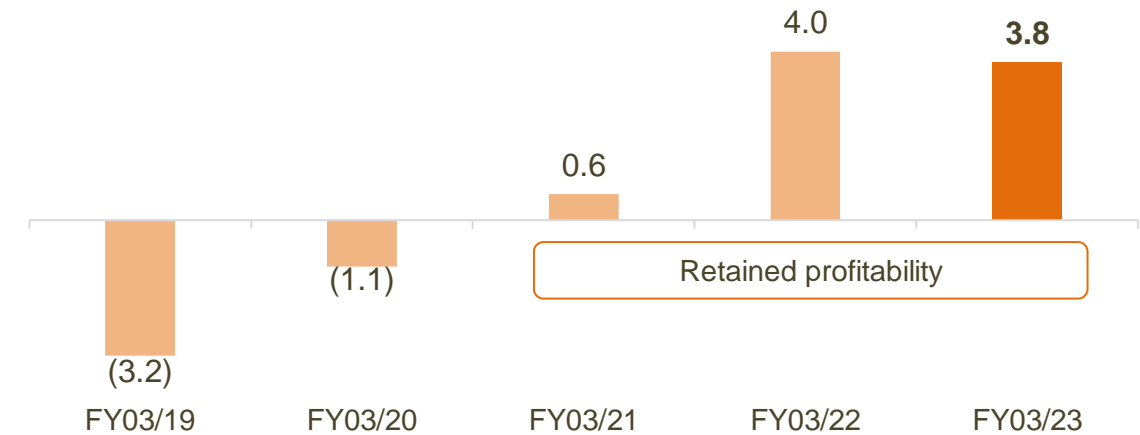
Operating profit (¥Billion)



Ordinary profit (¥Billion)



Profit attributable to owners of parent (¥Billion)



Net Sales and Operating Profit: YoY Comparison

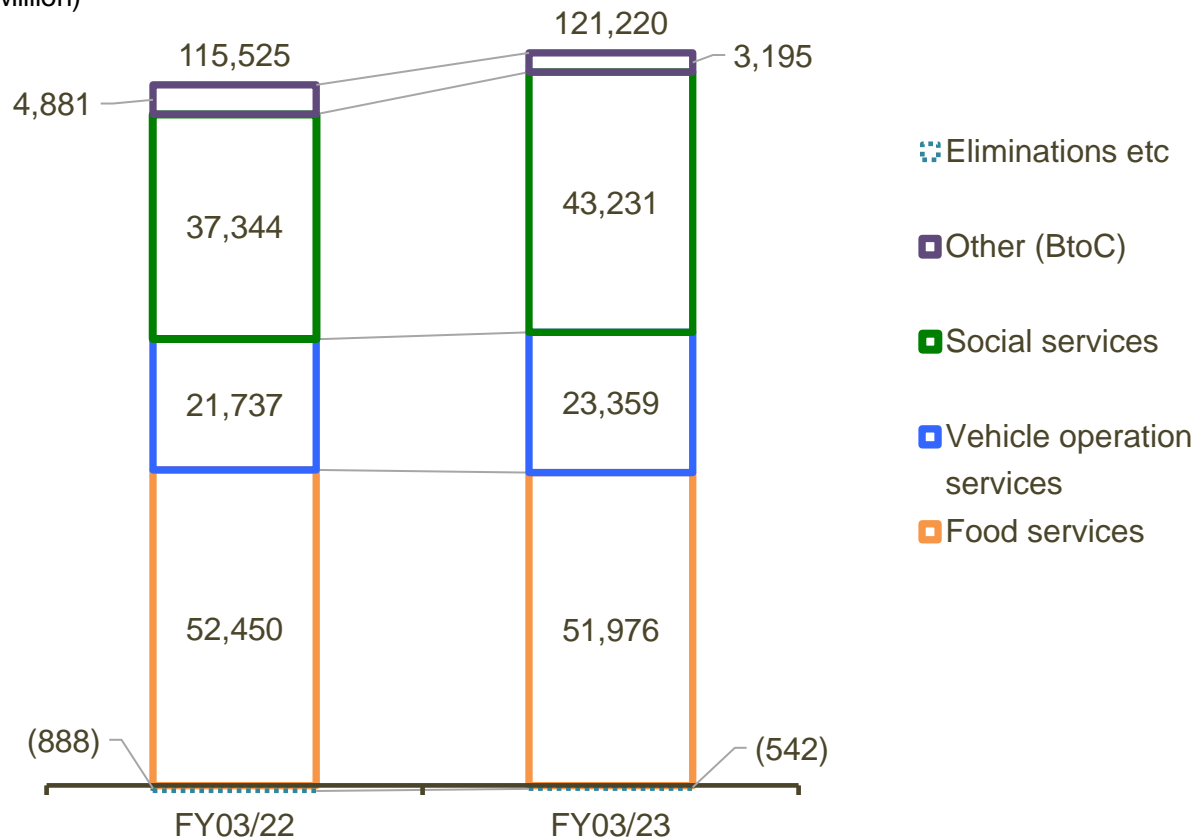
Net sales

- Social services made a big leap, **increasing sales by 5,694 million yen**
- Decrease in "Other" due to withdrawal from B2C business

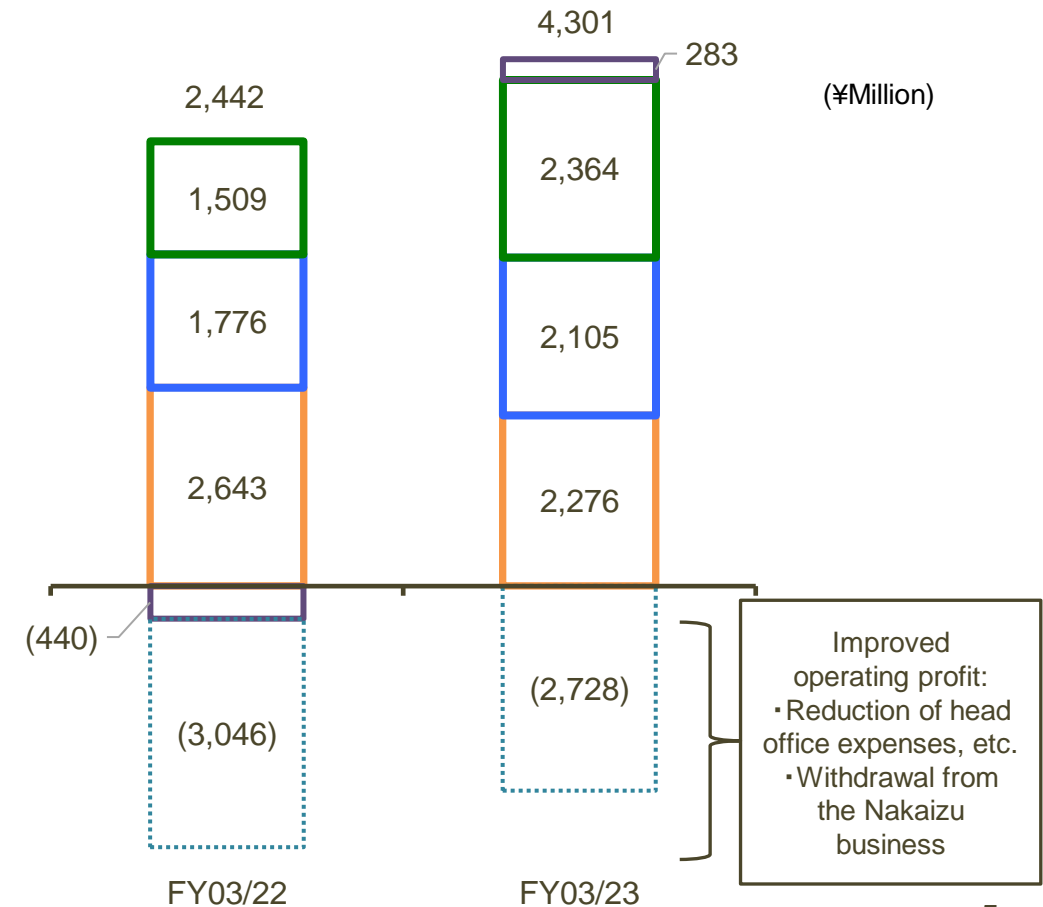
Operating profit

- **Profit increased by ¥1,858ml** as Vehicle operation & Social covered Food impacted by the 7th and 8th waves of COVID-19 infections.
- Improved operating profit rate due to management reforms 2.1% → **3.5%**

(¥Million)



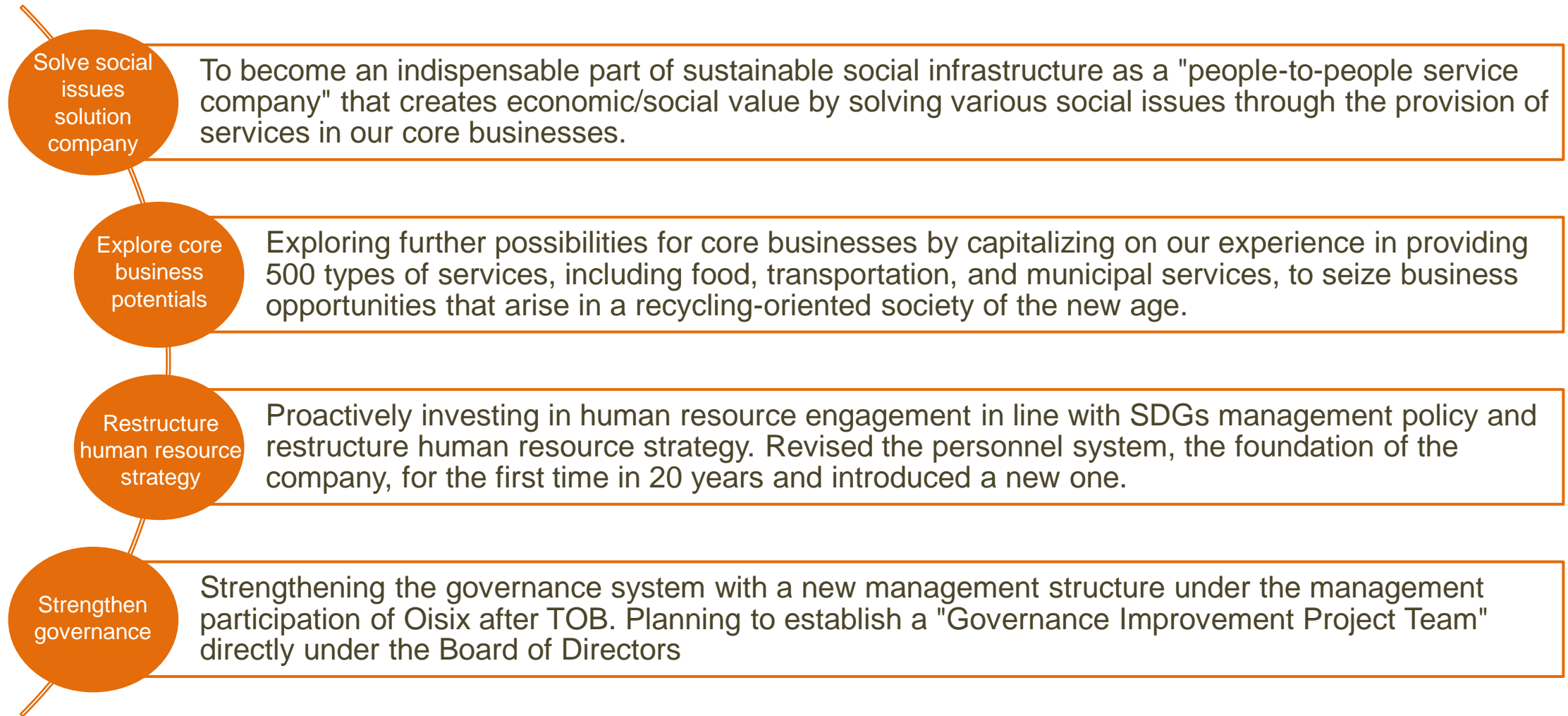
(¥Million)





Outlook for the SHiDAX Group

Future Management Policy



Collaboration in Food Service-Related Business

- “Special Committee” to consider collaboration in food-related businesses was put on hold until the preconditions for consideration are in place. **Business strategy (details of collaboration) for collaboration with Oisix without capital transfer to be announced by the end of this year.**

Progress of collaboration with Oisix

Oisix ra daichi ✕ **SHIDAX**

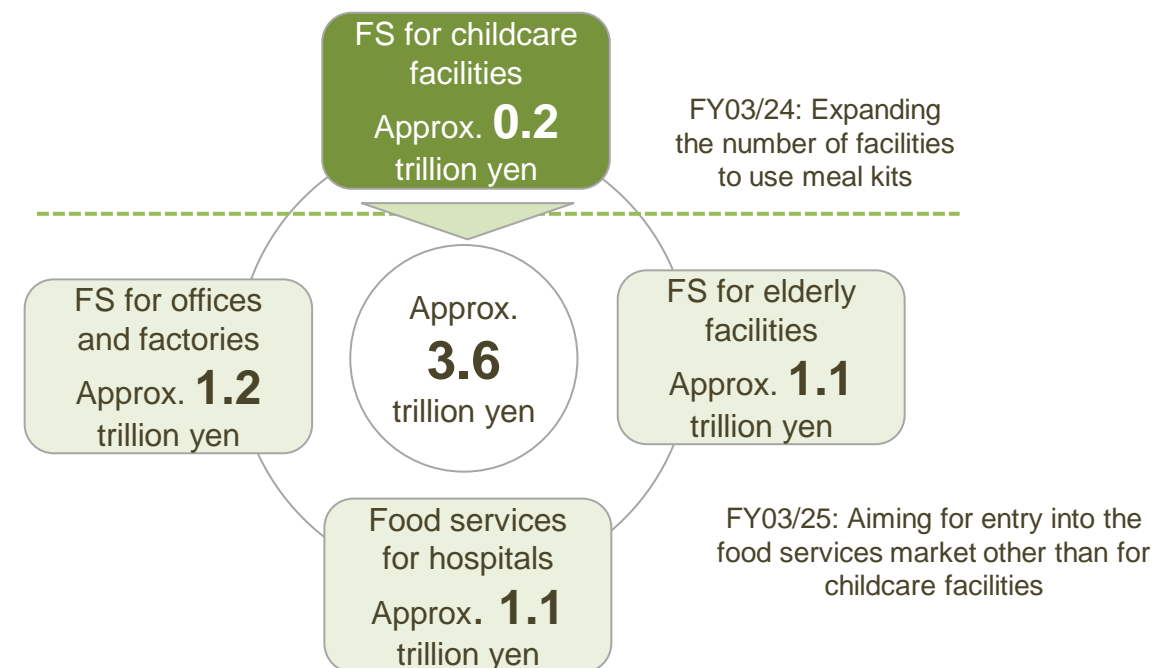
Launched test marketing

- Launched test marketing at childcare facilities operated under contract.
- Aiming to expand the number of facilities to use meal kits by establishing a model for utilizing them for business use at childcare facilities.

Preparation for expansion of markets served

- Accelerate understanding of the characteristics of facilities such as hospitals and elderly care facilities.
- Aiming for early entry into the food services market other than for childcare facilities

Market size



*Source: Yano Research Institute



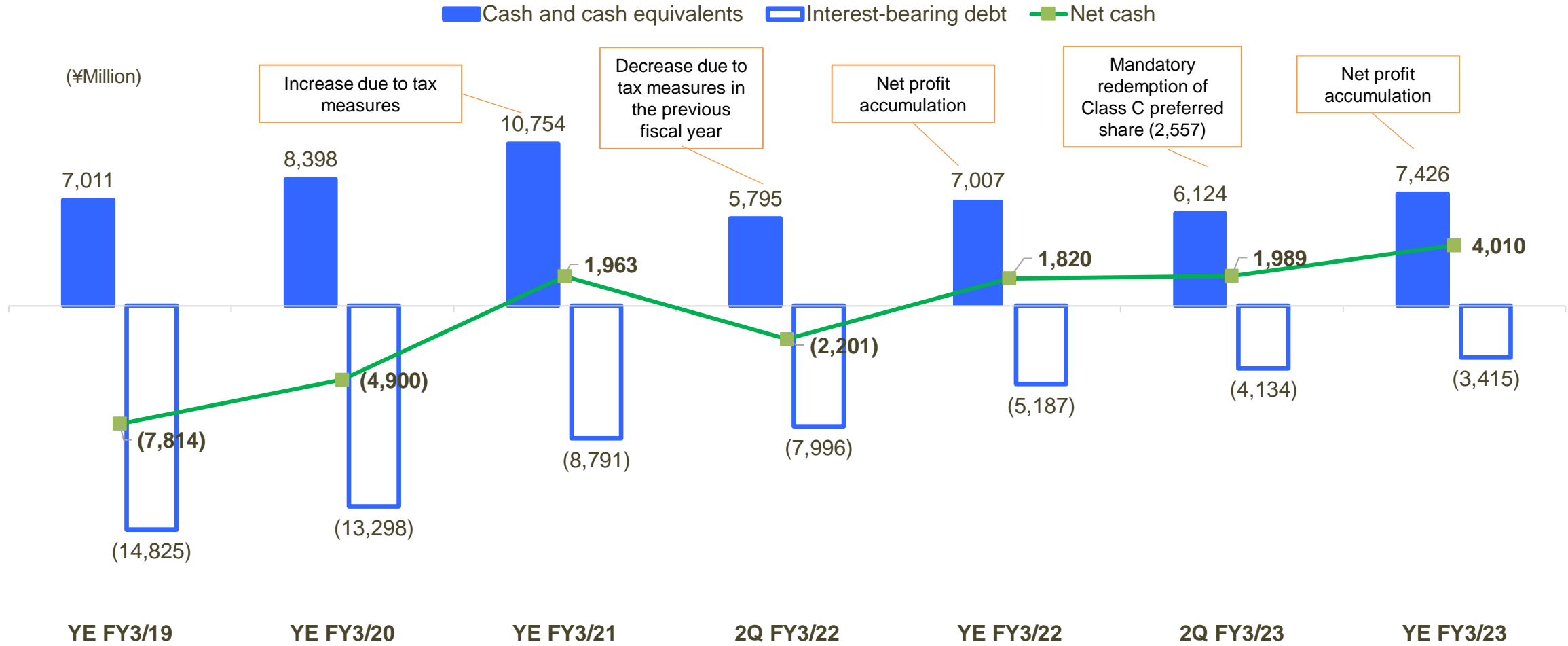
Financial Conditions

B/S Summary

(¥Million)	As of March 31, 2022	As of March 31, 2023	Difference
Total assets	33,159	33,195	+35
Total liabilities	21,787	20,969	+817
Total net assets	11,371	12,225	+853
Interest-bearing debt	5,187	3,415	(1,772)
Net interest-bearing debt	(1,820)	(4,010)	(2,190)
D/E ratio (times)	0.46	0.28	(0.18)
Net D/E ratio (times)	(0.16)	(0.33)	(0.17)
Cash and cash equivalents	7,007	7,426	+418
Shareholders' equity ratio (%)	34.3	36.8	+2.5pt

Interest-bearing debt steadily decreased, resulting in net cash of ¥4,010 million

Cash Position



Refinancing, more stable cash position



Summary by Business Segment

Summary of Financial Results by Business Segment

Segment	(¥Million)	FY03/22	FY03/23	YoY	Difference
Food services	Net Sales	52,450	51,976	99.1%	(473)
	Operating Profit	2,643	2,276	86.1%	(366)
Vehicle operation services	Net Sales	21,737	23,359	107.5%	+1,621
	Operating Profit	1,776	2,105	118.5%	+329
Social services	Net Sales	37,344	43,231	115.8%	+5,887
	Operating Profit	1,509	2,364	156.6%	+854
Other	Net Sales	4,881	3,195	65.5%	(1,686)
	Operating Profit	(440)	283	-	+723
Eliminations, corporate-wide expenses, etc.	Net Sales	(888)	(542)	-	+345
	Operating Profit	(3,046)	(2,728)	-	+317
Total	Net Sales	115,525	121,220	104.9%	+5,694
	Operating Profit	2,442	4,301	176.1%	+1,858

Food Services Business

- Net sales recovered slightly in 4Q and reached the previous fiscal year 's level. However, operating **profit declined by ¥360 million** due to a decline in profit margin caused by an increase in labor costs due to the impact of the 7th and 8th waves of COVID-19 infections.

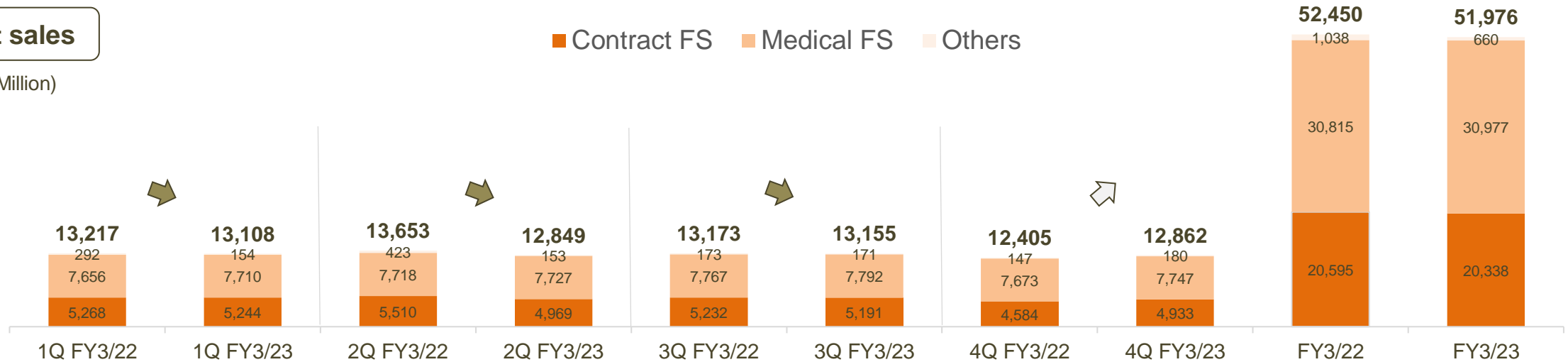
(¥Million)	FY 03/22	FY 03/23	YoY	Difference
Net sales	52,450	51,976	99.1%	(473)
(Contract FS)	20,595	20,338	98.8%	(257)
(Medical FS)	30,815	30,977	100.5%	+161
(Other)	1,038	660	63.6%	(378)
Operating profit	2,643	2,276	86.1%	(366)
Operating profit margin (%)	5.0%	4.4%	-	(0.6)pt

Major Positive/ Negative Factors
(+) Successful cost control by acquiring management know-how under the COVID-19 pandemic
(+) Effect of withdrawal from unprofitable locations
(-) Impact of the 7th and 8th waves of COVID-19 infections (decrease in sales due to a decrease in hospital beds and deterioration in labor costs related to facility operations)
(-) Soaring raw material prices
(-) Drop in demand for spot events in 2Q of the previous fiscal year

Quarterly Trends: Food Services Business

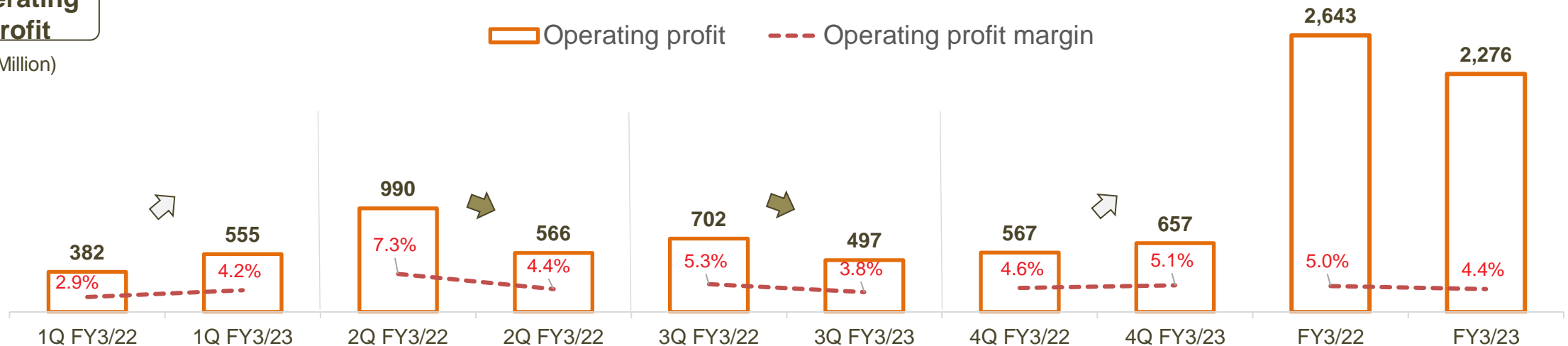
Net sales

(¥Million)



Operating profit

(¥Million)



Vehicle Operation Services Business

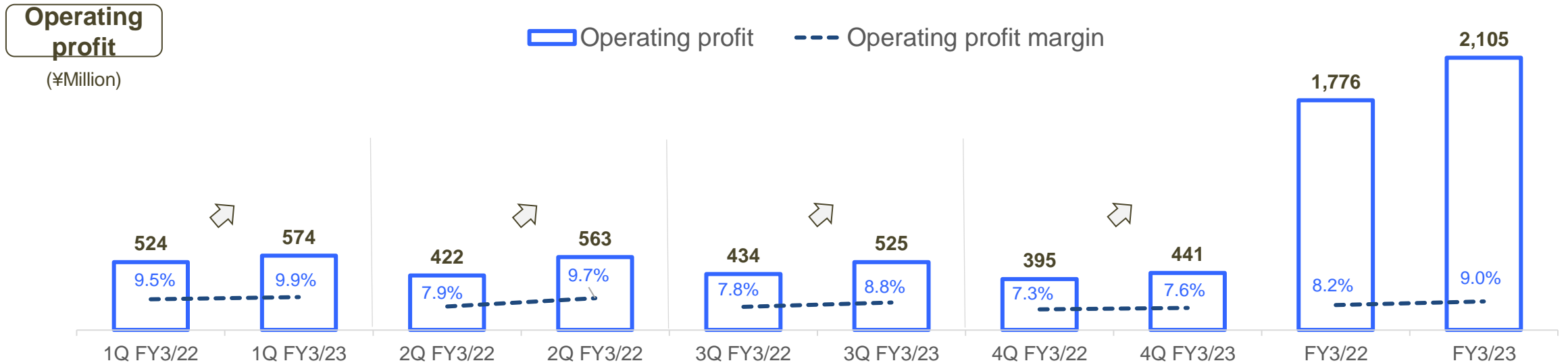
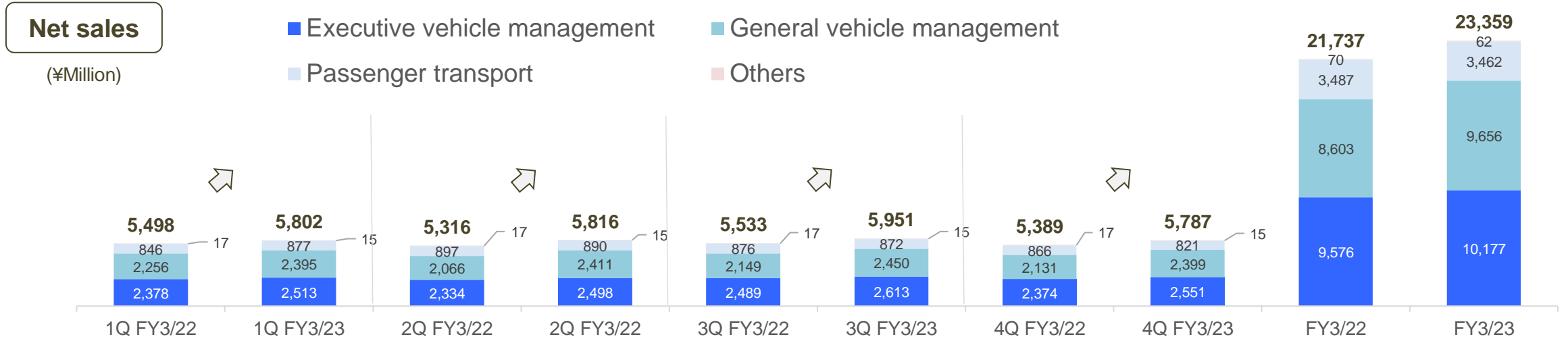
- **Both net sales and operating profit increased** as demand significantly recovered after the resumption of economic activities, which offset negative factors, including the rise in the unit price of fuel, as well as the number of new vehicles steadily increased.

(¥Million)	FY 03/22	FY 03/23	YoY	Difference
Net sales	21,737	23,359	107.5%	+1,621
(Executive vehicle management)	9,576	10,177	106.3%	+601
(General vehicle management)	8,603	9,656	111.2%	+1,052
(Passenger transport)	3,487	3,462	99.3%	(24)
(Other)	70	62	89.6%	(7)
Operating profit	1,776	2,105	118.5%	+329
Operating profit margin (%)	8.2%	9.0%	-	+0.8pt

Major Positive/ Negative Factors

- (+) Increase in the number of new vehicles contracted from the beginning of the period
- (+) Recovery in overtime and holiday operations of executive transportation vehicles
- (+) Improving profitability through recovery in other sales (overtime, holiday operations)
- (-) Sluggish demand for chartered buses
- (-) Impact of soaring fuel prices

Quarterly Trends: Vehicle Operation Services Business



Social Services Business

- Continued strong performance with **double-digit growth in net sales and operating profit** due to an increase in contracts for facility management, expanded growth in after-school childcare services, and new contracts for COVID-19-related operations.

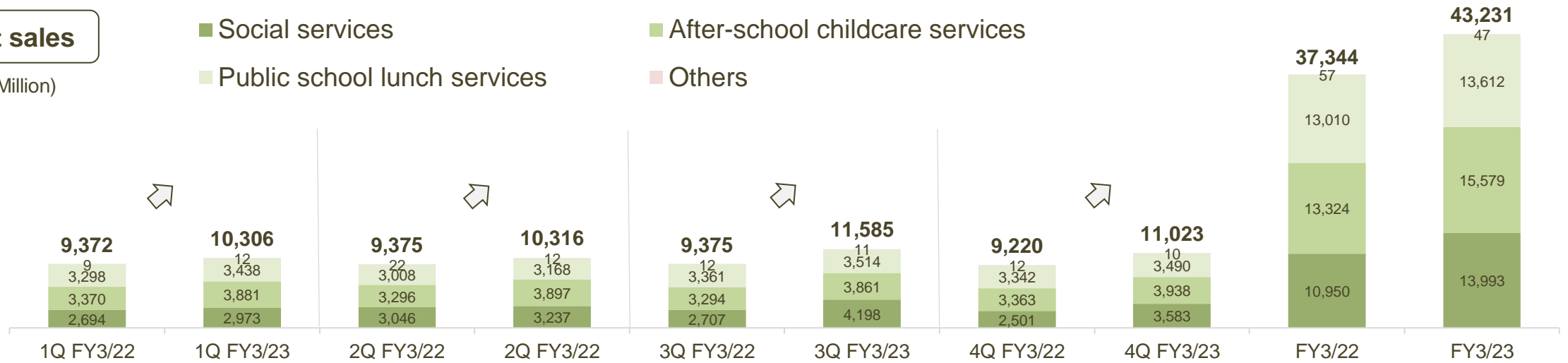
(¥Million)	FY 03/22	FY 03/23	YoY	Difference
Net sales	37,344	43,231	115.8%	+5,887
(Social services)	10,950	13,993	127.8%	+3,042
(After-school childcare services)	13,324	15,579	116.9%	+2,254
(Public school lunch services)	13,010	13,612	104.6%	+601
(Other)	57	47	82.0%	(10)
Operating profit	1,509	2,364	156.6%	+854
Operating profit margin (%)	4.0%	5.5%	-	+1.4pt

Major Positive/ Negative Factors

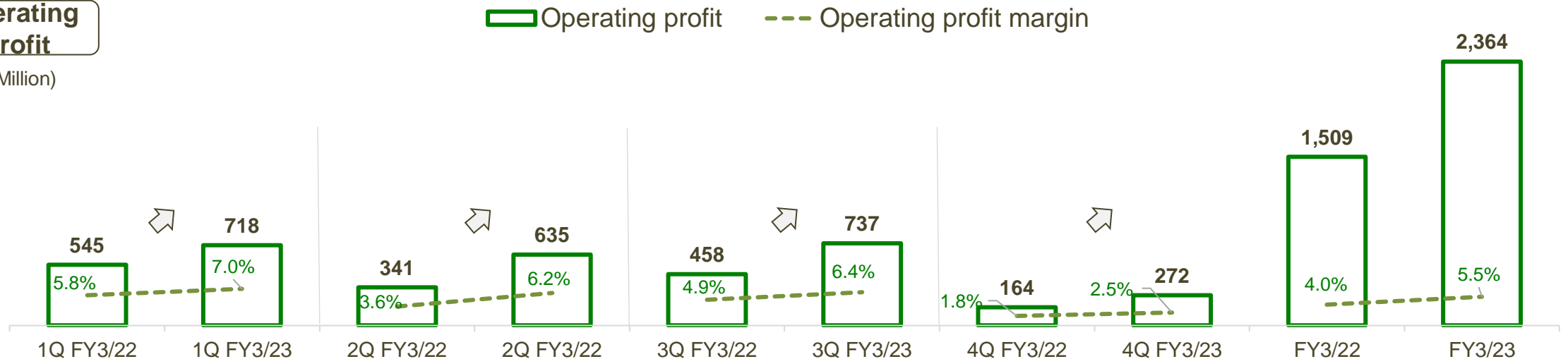
- (+) Increase in the number of libraries and other facilities contracted
- (+) Expanded to 1,570 after-school childcare centers
- (+) Increase of new orders for COVID-19-related operations
- (+) Recovery in tourism and leisure demand
- (+) Increase in profit due to increase in the number of contracted facilities
- (-) Revision of minimum wages, impact of inflation

Quarterly Trends: Social Services Business

Net sales
(¥Million)



Operating profit
(¥Million)



Reference Data

FY3/2022		Beginning	April	May	June	July	August	September	1H	October	November	December	January	February	March	End
No. of locations Contract FS	+		12	2	3	2	0	2	21	2	2	3	4	0	0	32
	-		2	3	5	6	4	7	27	2	5	5	3	12	26	80
	Total	1,104	1,114	1,113	1,111	1,107	1,103	1,098	1,098	1,098	1,095	1,093	1,094	1,082	1,056	1,056
No. of locations Medical FS	+		33	2	0	7	0	1	43	3	2	0	3	2	4	57
	-		0	0	2	1	1	2	6	0	2	1	4	5	21	39
	Total	720	753	755	753	759	758	757	757	760	760	759	758	755	738	738
No. of vehicles Vehicle operation services	+		158	19	13	21	11	24	246	13	17	12	0	3	7	298
	-		136	39	9	16	15	11	226	13	5	7	7	7	0	265
	Total	3,590	3,612	3,592	3,596	3,601	3,597	3,610	3,610	3,610	3,622	3,627	3,620	3,616	3,623	3,623
No. of staff Social services	+		895	665	740	399	494	458	3,651	148	153	50	393	174	1,327	5,896
	-		248	209	225	203	274	385	1,544	270	254	186	303	183	1,223	3,963
	Total	15,731	16,378	16,834	17,349	17,545	17,765	17,838	17,838	17,716	17,615	17,479	17,569	17,560	17,664	17,664

FY3/2023		Beginning	April	May	June	July	August	September	1H	October	November	December	January	February	March	End
No. of locations Contract FS	+		13	1	3	4	2	4	27	2	0	1	4	6	5	45
	-		8	2	1	5	7	1	24	2	3	0	3	6	31	69
	Total	1,056	1,061	1,060	1,062	1,061	1,056	1,059	1,059	1,059	1,056	1,057	1,058	1,058	1,032	1,032
No. of locations Medical FS	+		31	1	0	1	2	2	37	6	2	4	2	3	3	57
	-		0	2	1	0	0	1	4	2	8	1	1	7	19	42
	Total	738	769	768	767	768	770	771	771	775	769	772	773	769	753	753
No. of vehicles Vehicle operation services	+		309	17	23	17	23	13	402	19	19	18	23	17	6	504
	-		237	9	8	8	8	2	272	18	20	9	8	7	8	342
	Total	3,623	3,695	3,703	3,718	3,727	3,742	3,753	3,753	3,754	3,753	3,762	3,777	3,787	3,785	3,785
No. of staff Social services	+		939	351	333	983	743	337	3,686	136	149	433	63	254	1,907	6,628
	-		222	275	234	262	336	338	1,667	196	190	317	186	174	1,669	4,399
	Total	17,664	18,381	18,457	18,556	19,277	19,684	19,683	19,683	19,623	19,582	19,698	19,575	19,655	19,893	19,893



Forecasts
for Fiscal Year Ending March 31, 2024

Assumptions for earnings forecasts

- ✓ Downside risks in the world economy owing to global instability due in part to the Ukrainian situation and to inflation.
- ✓ Rising raw material prices at the beginning of the fiscal year and the possibility of further increases during the period
- ✓ Possibility of rising fuel prices that remain high
- ✓ Increase in labor costs due to labor shortages and rising wages
- ✓ Degree of impact on our group of the reclassification of COVID-19 as a Category 5 infectious disease under the law

Convergence of COVID-19 ⇔ Re-expansion of COVID-19

Recovery in various types of demand post COVID ⇔ Absence of spot demand during the pandemic.

- ✓ Direction of unconventional measures against the declining birthrate in the "Basic Policy 2023" scheduled to be announced in June, and the effects and immediacy on our business
- ✓ Future price trends and other business risks

Going forward, while Japan's economy is expected to recover, the outlook remains uncertain.

Forecasts for Consolidated Earnings

- The uncertain business environment is taken into account in the forecast. Profitability (profit margin) is expected to remain flat, but **the trend of increased sales and profits will continue, and the policy of the medium-term management plan will be firmly maintained.**

(¥Million)	FY 03/23 Results	FY 03/24 Forecast	YoY	Difference
Net sales	121,220	124,000	102.3%	+2,779
Operating profit *1	4,301	4,400	102.3%	+98
Operating profit margin (%)	3.5%	3.5%		
Ordinary profit	4,188	4,400	105.1%	+211
Profit attributable to owners of parent *2	3,817	2,700	70.7%	(1,117)

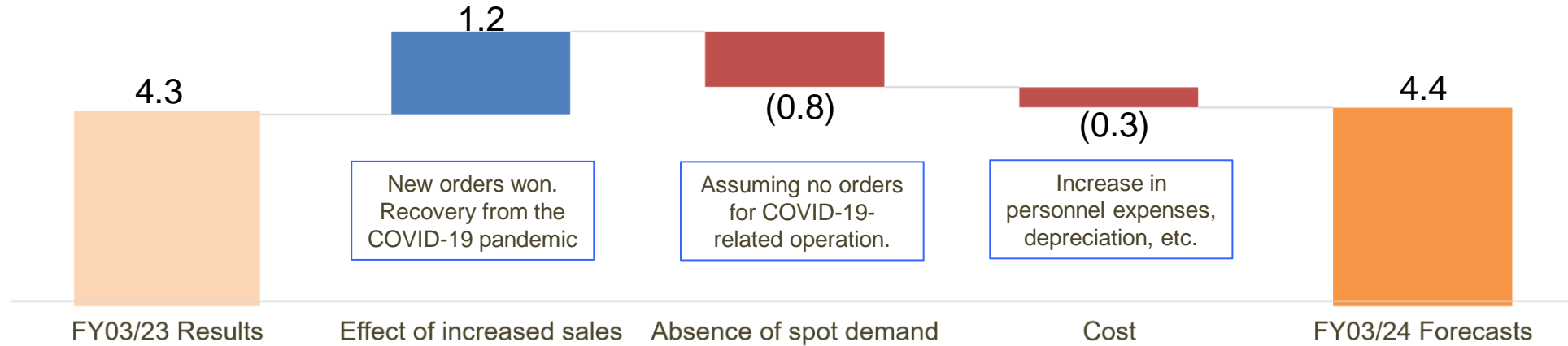
*1 Operating profit forecast is supplemented with additional factors for increase/decrease on the next slide.

*2 Net profit attributable to owners of parent is expected to decrease mainly due to the recording of expenses for income taxes-deferred resulting from an increase in taxable income.

Consolidated Earnings Forecasts: Operating profit

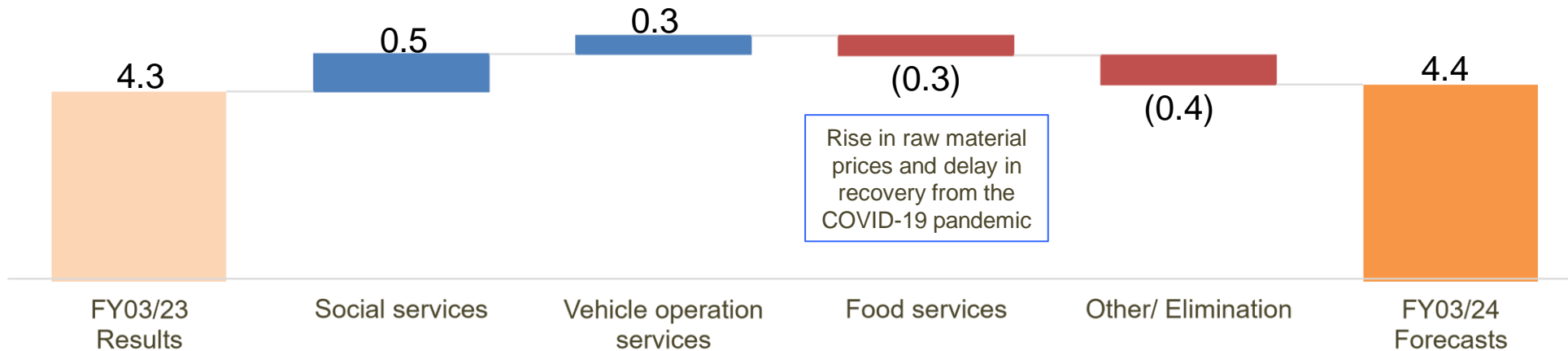
■ By factor

(¥Billion)



■ By segment

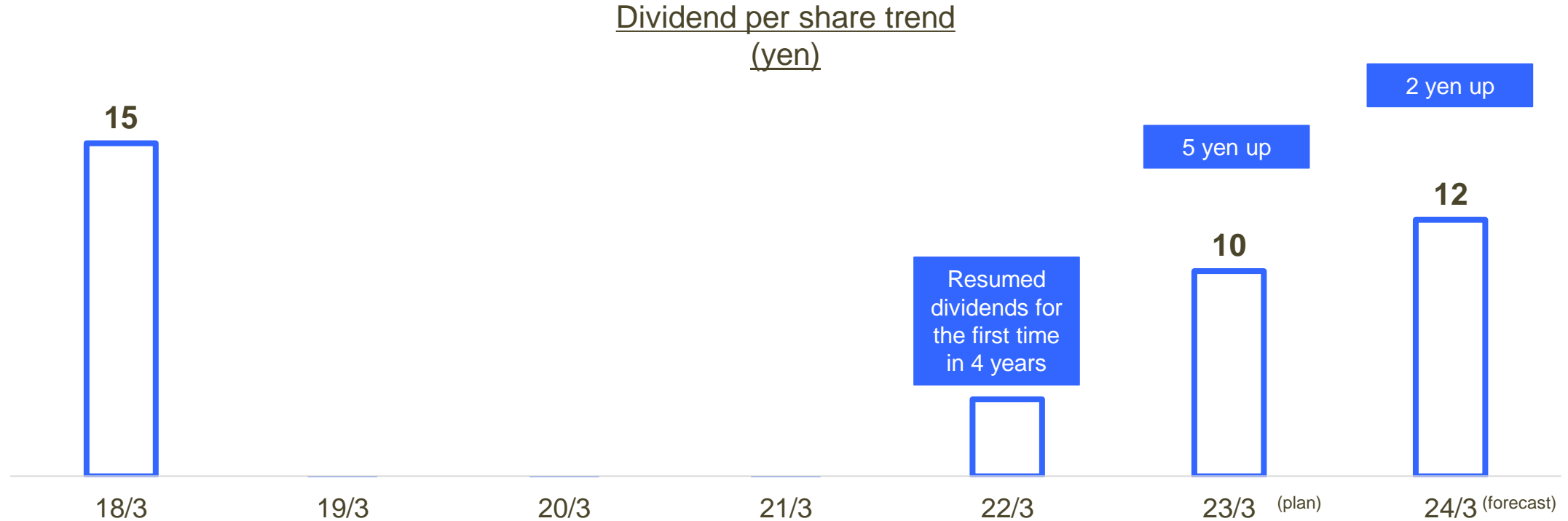
(¥Billion)



*Increase/decrease figures in the above graphs are approximate values based on management accounting.

Shareholder Returns

■ Dividend for FY03/24 is expected to be **12 yen** per share, up 2 yen from the previous fiscal year.



Policy on Distributing Profits to Shareholders

Our policy is to continue to pay stable dividends in line with profit growth, based on returns through dividends.
→ Until the fiscal year ending March 2025, we will raise the dividend payout ratio step by step by setting our own standards, taking into consideration the appropriated portion of the improvement in net assets.



Business Segment: Major Initiatives

Food Services Business

Response to rising raw material and labor costs

- Cost control leveraging our strength of front-line capabilities
- Absorption by passing on price increases

Formulation of new concepts and enhancing sales capabilities

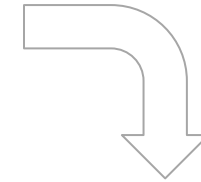
- Development of low-cost service and food truck business
- Providing healthy ingredients and a unique operation model
- Strengthen external sales products

Collaboration with Oisix

- Product development of fully cooked products utilizing meal kits
- Expansion through market development



Meal kits for business use
(for illustrative purposes only)



Fully-cooked products
(for illustrative purposes only)

Vehicle Operation Services Business

Strengthen sales activities to acquire orders for additional vehicles

- Expand market share by further strengthening promotions
- Evolving relationships with client companies (B2B) and local governments (B2G)

Realization of next-generation local transportation services

- Providing means of transportation for vulnerable people in cooperation with local communities
- Proactive proposals for demand-responsive bus services.

Securing drivers

- Further strengthen the recruitment of drivers to resolve the shortage of drivers
- Response to Year 2024 Problems



Executive vehicle management



Demand-responsive buses

Aiming for the No. 1 position by far by steadfastly maintaining the top market share

Social Services Business

Improving facility convenience and operational efficiency

- Implemented automation of operations through apps development and robot development → Introduction of library apps and digitization of reception desks at facilities
- Focus on Michi-no-Eki (roadside station) business and improve gross profit margin



“Michi-no-Eki (roadside station) Soma”
in Soma City, Fukushima



Reinforcement of school lunch center-style contracting

- Establishment of a strategic sales activity system
- Improve skills of sales personnel, modularize proposals, etc.



Tamano City School Lunch Center in Okayama

Social Services Business

We will advance to fields related to children by taking advantage of the knowledge cultivated through our experience as the No. 1 player in the operation of after-school childcare centers.

Top player ahead of other companies in after-school childcare center operations

- **1,570**-class operation
- Approx. **12,000** operations staff
- Transactions with approx. **180** local governments
- A track record of operations for more than **15** years



1. Horizontal development of childcare know-how

2. Use of contacts with local governments

3. Best practice for after-school childcare center operations accumulated for over 15 years

Enter the market of after-school day services

- Enter the market of after-school day services, which are rapidly expanding due to a sharp increase in the number of people with developmental disorder.
- Distinguish ourselves through quality services by taking advantage of our knowledge of after-school childcare center operations.

Increase contracts for children-related facilities in B2G

- Increase contracts received for children-related facilities, including children's centers and parenting support centers.
- Receive new contracts using our contacts with many local governments and overwhelming track record in fields related to children as a weapon.

Create a platform for after-school childcare center operations

- Develop services apps specialized in after-school childcare center operations that enable quality operations → ICT for parents
- Create a platform through the outside sales of services apps.

Disclaimer

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For Future Generations