



Integrated Report 2023

For Future
Generations



About this Report

Integrated Reporting

Our Purpose

Management Philosophy System

Mission

What drives the SHiDAX Group?

Vision

How does the SHiDAX Group specifically go about achieving its mission?

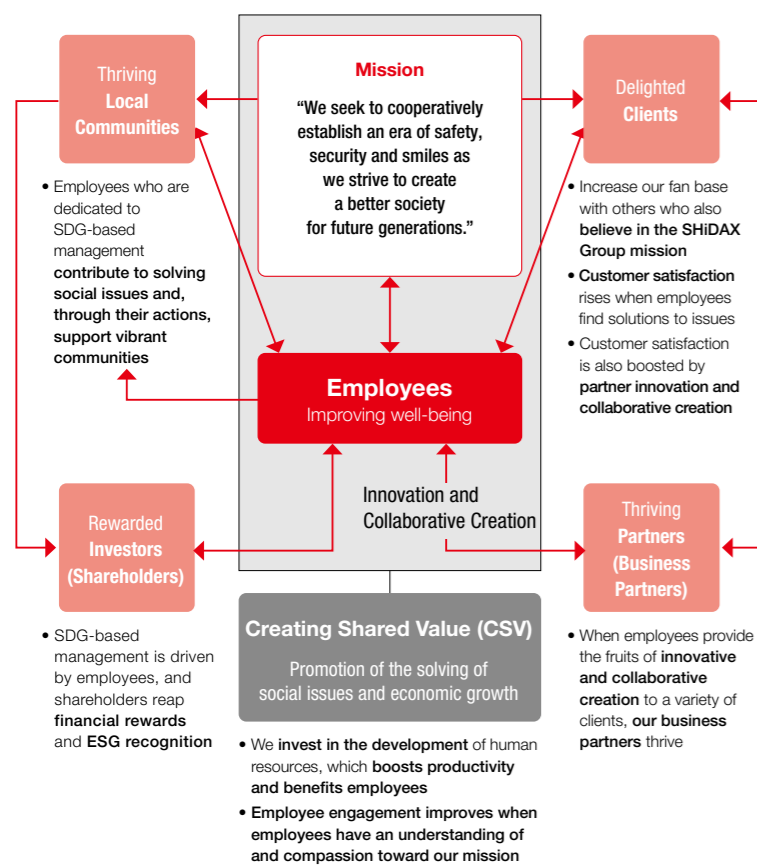
Value

What values does the SHiDAX Group embody and uphold in its work?

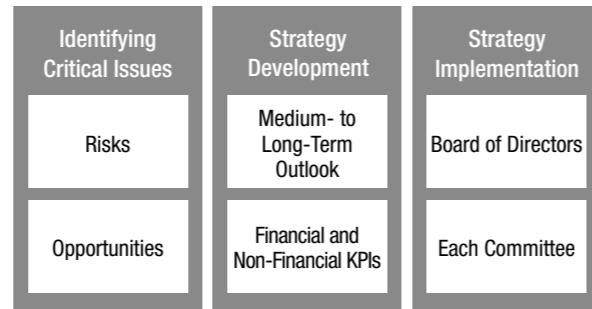
Tagline

For Future Generations

The SHiDAX Group and its Stakeholders



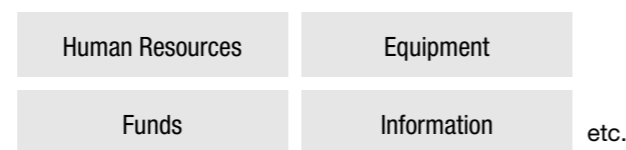
Steps Toward Integrated Thinking and Realizing Our Purpose



Specific Social Issues to be Addressed by the Group



Allocation of Management Resources



Integrated Reporting Process

Editorial Policy

The goal of this integrated report is to stimulate discussion among stakeholders about the Group's overall management and business initiatives that are designed to build long-term corporate value.

In this report, we have extrapolated information that is particularly necessary for investors. In order to present an overall picture of the Group, we have also focused on our strategy toward the Group's vision, the initiatives and current status of each business based on that strategy, as well as the foundation for value creation that supports the Group's vision. We will continue to enhance the quality of the Integrated Report, while at the same time, reflecting the views of our stakeholders.

Reporting period

Period: Fiscal year ended March 31, 2023 (April 2022 - March 2023)
Includes some activities after April 2023

Scope: SHiDAX Corporation and its subsidiaries and affiliates

Referenced Guidelines

The IIRC Framework issued by the IFRS Foundation

Display Units

Of the amounts presented in this report, those in 100 million yen units are rounded down to the nearest 100 million yen, and those in millions of yen are rounded down to the nearest million yen. Percentages are rounded to the nearest whole number.

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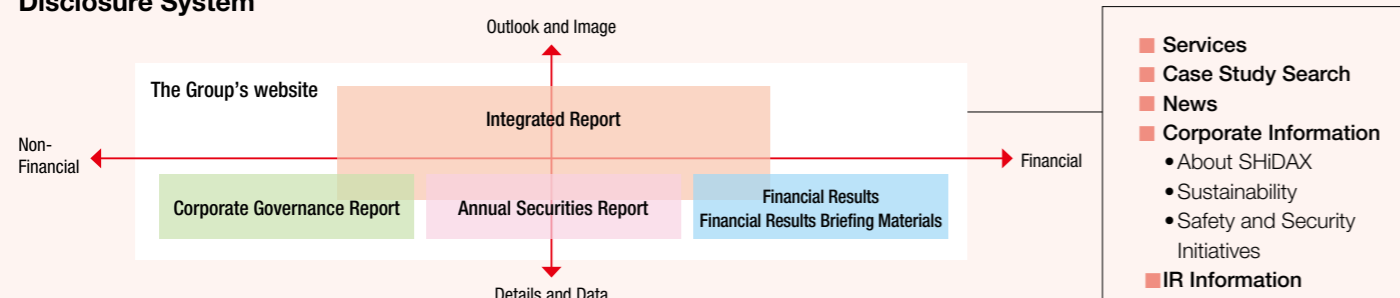
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Disclosure System



Forward-Looking Statements:

- The opinions, projections, and other statements in this report are based on our judgments at the time of production so we cannot guarantee their accuracy.
- This report is intended to provide financial and management information on the Group. It is not intended as investment advice for the purchase or sale of shares of the Company. Any investment decisions should be made solely at your own judgment and responsibility.
- This report contains forward-looking statements and projections on the Group's future performance that are subject to risks and uncertainties. Future performance is not guaranteed. Outcomes could vary due to changes in the business environment and other variables.
- In no event shall we be liable for any loss or damage whatsoever arising from or in connection with the use of this material or the matters contained herein. We reserve the right to discontinue or change the information without prior notice.

Our Management Philosophy System: Mission, Vision, Value (MVV)

Mission *Mission* What drives the SHiDAX Group?

We seek to cooperatively establish an era of safety, security, and smiles as we strive to create a better society for future generations.

Vision *Vision* How does the SHiDAX Group specifically go about achieving its mission?

- I Through all we continue to learn on a daily basis and our strong desire to make people smile, we improve our onsite capabilities and our response to diverse issues. Human Resources
- II We are confident in our ability to continue extending SHiDAX's exceptionally high level of safety and security. Business
- III We take great pride in the 500 Jobs* that develop the teamwork skills that form one of the SHiDAX Group's strengths. Possibilities
- IV By effectively utilizing our digital skills for the good of others, we have the ability to live up to expectations for the future. Progressiveness
- V We possess a mentality that links the Sustainable Development Goals (SDGs) to what we can accomplish in our everyday lives. Society

* A term used by the SHiDAX Group, a general service corporation, in its advertising from 2016 to 2018. It defines each of its services as distinct when the "region" or "place" where they are performed differs, even if the services offered are the same. The SHiDAX Group boasts more than 500 such services (jobs) throughout Japan.

Value *Value* What values does the SHiDAX Group embody and uphold in its work?

As our work is human-centric, we are committed to both developing and acknowledging people's strengths.



- Individual mentality** We will enjoy working with a sense of purpose while maintaining good physical and mental health.
- Mentality toward colleagues** We respect and assist each other while leveraging these connections in our work.
- Mentality toward our customers** We believe in our power to create smiles and gratitude that is contagious.
- Mentality toward future generations** Passing on an even better society to the next generation is the SHiDAX Group's top priority.

Through our business endeavors, we will bring about solutions to social issues for future generations.

Over a decade before terms like SDGs and ESG were coined, the SHiDAX Group was already expanding with the goal of becoming a "company that solves social issues." Today, our primary businesses of food services, vehicle operation services, and social services all offer our customers safety, security, and smiles as we fulfill our purpose of "giving the gift of a wonderful society to future generations."

The Group has been able to deliver high-quality services, earn the trust of numerous clients, and achieve significant success as a result of the integration of these philosophies and our business activities. This, we believe, is what will allow our company to flourish sustainably in the future. We will continue to develop our company with a high degree of trustworthiness and transparency, forming solid relationships with our stakeholders, as we realize business expansion.



Kinichi Shida
President and Chairman of the Board of Directors
SHiDAX CORPORATION



Business Portfolio

The SHiDAX Group is a general service corporation that offers a wide range of services for people of all ages, phases of life, and business stages. It also attempts to address social issues through its business endeavors. The Group's strategy is based on contracts with client local governments and client companies that provide onsite services at client facilities to employees of client companies and local residents. In our B2B operations, we will reduce costs and increase added value

for clients through their comprehensively outsourcing of non-core operations and employee benefit services. In our B2G operations, we will reduce costs and improve services for residents by providing total support for issues such as the declining birthrate and aging population, health creation, and the tourism industry.

SHiDAX, the ONLY ONE Japan's one and only total outsourcing service

As of March 31, 2023



Food Services Business

✓ Number of locations: **1,785**

- SHiDAX CONTRACT FOOD SERVICE CORPORATION: Providing meals to corporations, campuses, dormitories, etc.
- SHiDAX FOOD SERVICE CORPORATION: Providing meals to hospitals, elderly facilities, preschools and kindergartens, etc.
- SLOGIX CORPORATION: Integrated food and consumables purchasing, centralized logistics for the Group, etc.

Vehicle Operation Services Business

✓ Number of vehicles: **3,785**

- DAISHINTO Inc.: Vehicle Operation Services Business (executive transportation vehicles, official cars, courtesy vehicles, chartered buses, etc.)

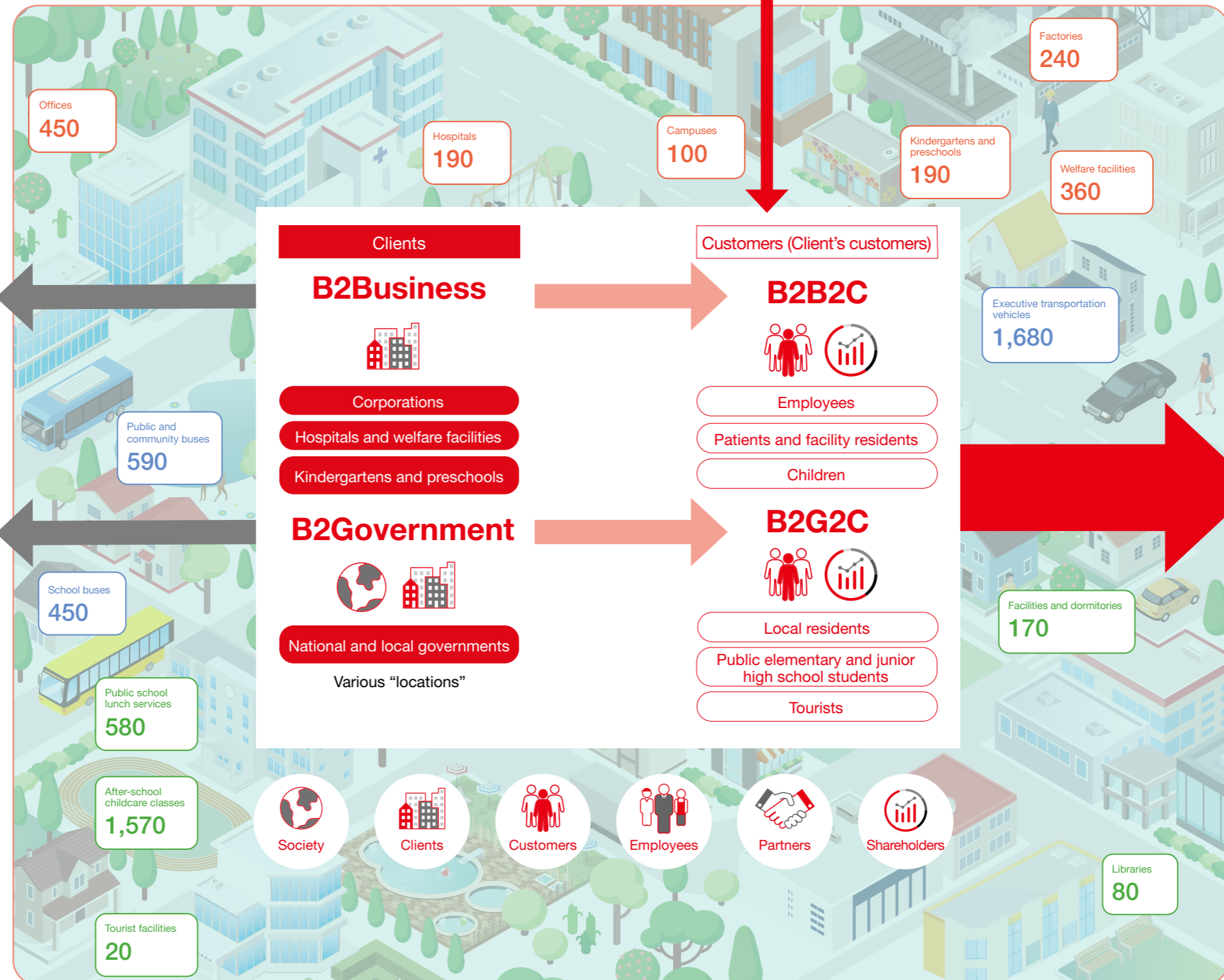
Social Services Business

✓ Number of operations: **2,620**

- SHiDAX DAISHINTO HUMAN SERVICE Inc.: Reception, general affairs, cleaning, etc. at corporations
Operating local government public facilities (such as those for school lunches, after-school childcare centers, children's centers, libraries, tourist attractions, etc.)
- SHiDAX SPORTS AND CULTURE CORPORATION: Hall operations, etc.
- SITEX CORPORATION: Development and management of smartphone and web applications, digital marketing
- SHiDAX OFFICE PARTNER CORPORATION (special subsidiary): Assistance to Group operating companies, etc.

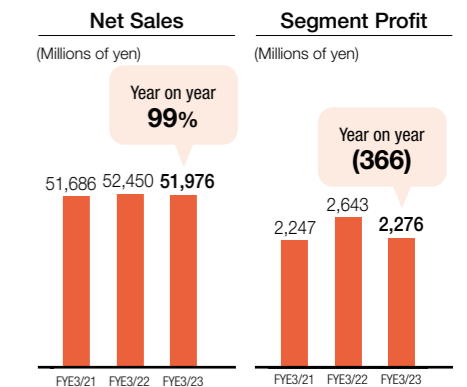
B-to-Business

B-to-Government

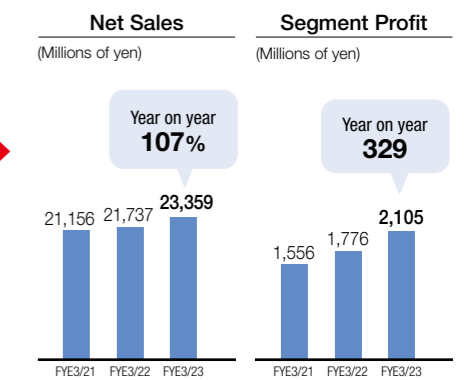


Summary by Business Segment

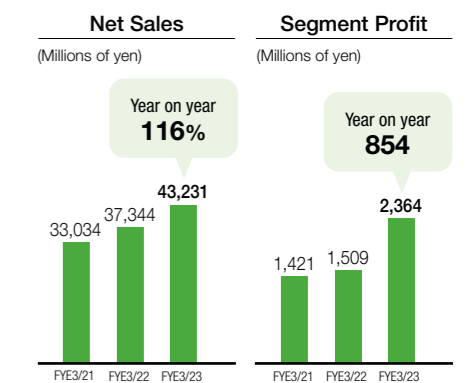
Food Services Business



Vehicle Operation Services Business



Social Services Business



Brand recognition, leading to recruitment

History

The SHiDAX Group's DNA and Growth Trajectory

Since its founding, the SHiDAX Group has pioneered new markets through innovation and worked to solve social issues through the power of business. Since 2019, the Group has been focusing reforms on "Re-Growth," its medium- to long-term strategy.

Social Issues Addressed



Human Resources



The Environment



Local Revitalization



Safety and Security

Keywords

Ambition

The expansive vision and steadfast dedication of our founder, Tsutomu Shida, to the food service industry have been cornerstones of the SHiDAX Group's rapid expansion.

"A huge life goal and a concrete picture of where it will take you are, in my opinion, requirements for ambition. The achievement of such a goal holds so much significance for me that I as a man can't help but be overcome with emotion and cry nonstop." (Tsutomu Shida)

King of Mountain

We often use the expression "king of the mountain" in the Group's business management. This is a perfect example of how the Group plans and executes management, motivating ourselves and our employees by setting high goals and thoughtfully assessing all of the possible options and approaches to achieving them.

"There isn't a single path to Mt. Fuji's summit. There are eight, with many ways and means to achieve the objective. Utilizing various paths and methods, let us begin our ascent of the steep mountain that is being the best in Japan." (Tsutomu Shida)

A Burst of Innovation

From the SHiDAX Group's inception, we have mastered the art of anticipating new and unmet demands better than anyone else through the continuous and in-depth development of new services and systems, as well as by delivering comprehensive innovation in a single burst. Despite being a latecomer, this series of breakthroughs has provided the impetus for our rise to prominence as the leader in the food service industry, which is the origin of our business, and the establishment of our current Group.

Seeing Returns on Effort

The Group was founded on the principles that "customer satisfaction leads to employee satisfaction, which in turn boosts the company's profits," as well as "efforts are rewarded with gratitude." (Tsutomu Shida)

Withdrawing without Fear or Shame

Failure is inevitable when taking on new business endeavors. As such, the Group has experience withdrawing from many businesses, including those that are performing well but have little future potential. The idea of unashamedly letting things go is one of the pillars of the SHiDAX Group's business culture of taking on new challenges one after another.

"Three years operating a business is necessary to gain an understanding of that industry and ascertain its potential for growth. If, however, after those three years nothing begins to blossom and no goals are reached, we will withdraw. By doing so, we will avoid heavy losses." (Tsutomu Shida)

Business Stages

Origins

DNA that uplifts society and fosters industry

Expansion

Numerous and continuous groundbreaking innovations

1959

1980

1990

Food Service for Offices and Factories (Including Student Cafeterias)

Food Service for Hospitals

Restaurant Karaoke



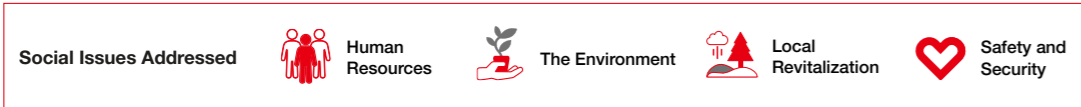
- 1959** Entrusted as a company dining hall named Fuji Shokudo
- 1962** Shinto Jidousha Kogyo Co., Ltd. (Currently DAISHINTO Inc.) was established to engage in the vehicle operation services business
- 1967** Founded Fuji Culinary School to foster future food service industry chefs
- 1974** Opened Japan's first high-rise cafeteria-style company dining hall in the Shinjuku Sumitomo Building

- 1980** Developed the Shida Lunch System, a unique SHiDAX system geared toward small-scale establishments
- 1980** Expanded field of expertise to include designing cafeterias and creating spaces
- 1985** Established the Athlete Food Research Institute (Currently the SHiDAX Research Institute) to support athletes

- 1986** Began to aim for full-scale entry into food service for hospitals
- 1986** N.I. Service Corporation (Currently SHiDAX DAISHINTO HUMAN SERVICE Inc.) was established to make a foray into the social service business
- 1993** Established SHiDAX Community Plaza Corp., operator of a restaurant karaoke business, which subsequently became SHiDAX COMMUNITY CORPORATION (Business transferred in 2018)

- 1994** Developed the SHiDAX Medical Cafeteria (SMC) Program, a cafeteria-style food service for hospitals
- 1996** Public listing of Shidax Co., Ltd. (Later renamed Shidax Food Service Co., Ltd.; currently SHiDAX CONTRACT FOOD SERVICE CORPORATION)
- 1998** Began contracted operation of public school lunch services
- 1999** Public listing of SHiDAX COMMUNITY CORPORATION

The SHiDAX Group's DNA and Growth Trajectory



Keywords

A “company that solves social issues”



Withdrew from B2C (Business-to-Consumer) business

Specialize in B2B (Business-to-Business) and B2G (Business-to-Government)* businesses

* Both local and national governments

2018

Entered financial and commercial partnership with B&V Corporation; transferred the restaurant karaoke business

2022

Sold off a subsidiary that focused on the operation of businesses including a hotel and a winery, and discontinued operations in the culture class and gym businesses



Safety, Security, and Smiles

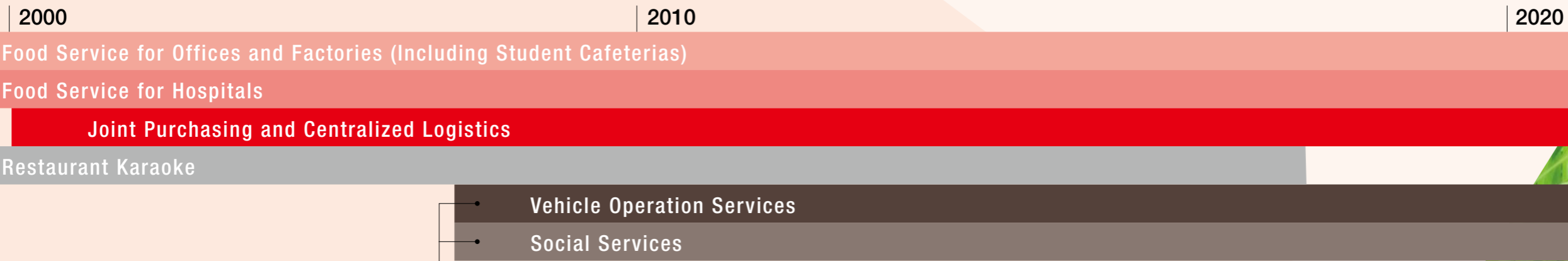
Business Stages

Leaps and Bounds

Becoming a one-of-a-kind general service corporation

Re-Growth

Accelerating the medium- to long-term re-growth strategy



2000

2010

2020

Food Service for Offices and Factories (Including Student Cafeterias)

Food Service for Hospitals

Joint Purchasing and Centralized Logistics

Restaurant Karaoke

Vehicle Operation Services

Social Services

2001 Established SHiDAX CORPORATION through a merger of SHiDAX FOOD SERVICE CORPORATION (Currently SHiDAX CONTRACT FOOD SERVICE CORPORATION) and SHiDAX COMMUNITY CORPORATION via a share transfer and listing on the stock market

2001 Founded SLOGIX CORPORATION to establish a centralized food ingredient management system to ensure the safety and security of food

2004 Began contracted operation of public after-school childcare center, launched the first comprehensive outsourcing project with a local government (Erimo, Hokkaido)

2004 Launched the Total Outsourcing Service, a comprehensive outsourcing service we provide for 20 different administrative tasks, including cleaning, facilities management, public school lunch service, and vehicle operation

2008 DAISHINTO Inc. became a wholly owned subsidiary

2010 50th anniversary of the founding of the SHiDAX Group

2011 Offered support after the Great East Japan Earthquake as a “company that solves social issues”

2016 SHiDAX OFFICE PARTNER CORPORATION, a special subsidiary company, received top prize (Minister of Health, Labour and Welfare Award) in the 2016 Contest for Excellent Cases of Employment of Persons with Disabilities and Workplace Improvement organized by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers

2019 Forged a financial and commercial partnership with Unison Capital, Inc.

2020 DAISHINTO Inc. introduced a next-generation fuel cell bus, Japan’s first bus to transport employees of a company, which is operated under contract in Tokyo

2021 Introduction of menus with “sustainable food” that incorporates SDG perspectives into the preparation process for facilities operated under contract nationwide, including in-company cafeterias, student cafeterias, hospitals, and welfare facilities for the elderly

2022 Oisix ra daichi Inc. (Hereafter Oisix) acquired shares held by Unison Capital, Inc.

Kinichi Shida

President and Chairman
of the Board of Directors
SHiDAX CORPORATION

**In response to the changing times,
we will explore further business opportunities
through our proven capacity
to develop proposals and implement services,
all the while maintaining
our unyielding core philosophy.**

Sustained growth without losing momentum from the “V-shaped recovery” of the previous fiscal year

The Group was expected to experience a full-fledged expansion and advancement of its operations during the fiscal year ended March 31, 2023.

Society and the economy were poised to recover from the COVID-19 pandemic during the fiscal year ended March 31, 2023. Unfortunately, the pandemic did not abate as a seventh wave arose in the summer followed by an eighth wave, which occurred in the winter of 2022, setting a pandemic peak with more than 200,000 new infections reported daily.

In addition, the previously unthinkable happened in the present era. There was a military invasion of Ukraine. As a result, the Food Service Business continued to face high prices for wheat and other raw materials, and the Vehicle Operation Services Business also experienced a sharp rise in gasoline prices due to high crude oil prices. The year was marked by continuation of the first worldwide inflationary trend in half a century and a persistently harsh business environment.

Against this backdrop, the Group achieved a significant increase in profit for the second consecutive fiscal year, continuing the V-shaped recovery begun in the fiscal year

ended March 31, 2022.

By withdrawing from the B2C business and substantially shifting the Group toward a policy of focusing management resources on the B2B and B2G businesses, the Group had already begun restructuring its business portfolio in 2018 and achieved management reform.

The Group's sustained growth in the fiscal year ended March 31, 2023 is due to the fact that the results of these reforms had been realized and the business strength of individual segments has been enhanced. Remarkably, despite the multiple business risks just highlighted, we were able to maintain growth throughout the fiscal year ended March 31, 2023. We are convinced this validates the path of our reform strategy and demonstrates the significant growth potential of our Group.

In particular, the Social Services Business performed much better than anticipated and we believe it will ultimately drive much of the Group's development. Moreover, our financial indicators clearly show the impact of our ongoing management reforms, a significant factor behind our continuous growth.

A business model rooted in society, with employees as the source of sustainable growth

The Group's corporate structure, which integrates business and philosophy, is the basic element that makes sustained growth feasible. The essence of our ideal of being a “company that solves social issues,” emerged in the 1990s and has been actively promoted, both internally and externally, since the 2010s.

The Group's goal is to “offer services necessary for the sustainable growth of society.” In other words, we believe that our positioning as a “company that solves social issues” has proven a powerful tailwind that has aligned with current trends, such as Japan's declining birthrate and aging population, as

well as the spread of the concepts of ESG and SDGs against the backdrop of global environmental issues. This accounts for the high expectations society holds for SHiDAX.

The Group is built on the excellent work of our highly principled and ambitious employees. They have helped us gain the respect of our clients and build a strong reputation. In our opinion, it is this unique corporate structure, which integrates business with the philosophy we have developed over the course of more than 30 years, that will allow SHiDAX to grow sustainably going forward.

Both net sales and operating profit exceeded goals for the first year of the medium-term management plan

We faced challenging circumstances in the fiscal year ended March 2023, the first year of our medium-term management plan. For example, the Food Services Businesses was affected by a series of raw material price increases while the COVID-19 pandemic continued throughout the entire period. Nevertheless, the entire Group was able to overcome these challenges, with both net sales and operating profit coming in above plan, which is praiseworthy.

We were able to meet our order targets in terms of new contracts won, while orders in the Social Services Business hit a record high. And through the careful examination of each individual case, we can see evidence of the strengthening of the sales

organization, something we have gradually been implementing.

Social issues equate to “market” for a “company that solves social issues.” I am confident that by achieving success in areas with high social demands, such as providing after-school childcare services, regional transportation enhancement, and outsourcing services for local government operations, we can achieve sound growth as planned.

On the other hand, in the fiscal year ending March 31, 2024, which will be the plan's second year, we expect headwinds, including higher-than-expected raw material prices, to leave us slightly behind plans. However, we aren't resigned to this. We will work until the very end to increase the bottom line.

Top Message

Achievement in enhancing organizational skills to increase the overall bottom line of each business

In terms of sales development, we are redesigning our sales structure to make it more effective in light of the unique business traits of each segment. Sales techniques, goals, and management of numerical figures are all carefully and specifically set for each target.

It is noteworthy that the Group's leaders can identify issues, share information, and study improvements as needed thanks to shared meeting structures and company management techniques. We believe this will provide significant boost to the Group going forward in terms of business growth and human resource development.

The Group's status in an industry of services between people, services that cannot be performed by AI, is another crucial aspect. In this sense, the main emphasis is on the education of our human resources. As part of this initiative, we have enhanced our education and training system based on the Group's management philosophy of "Mission, Vision, and Value," which was established in 2022. Also, each operational organization is enhancing specialist education using a variety of techniques, such as app utilization. Through human resource education at both Head Office and at operating companies, we aim to create "SHiDAX human resources," who are highly principled and ambitious, and possess cutting-edge skills and know-how. We firmly

support the integration of business and philosophy, and we have identified materialities (key issues) such as local revitalization, the environment, safety and security, human resources, and governance.

Through these measures, our businesses have been able to cross-sell the services of each business by tying them together, enhance human resources, form corporate groups with the shared philosophy of "a company that solves social issues," and establish one of a kind organizations with this as their unique selling point (USP).

Head Office will take the initiative to promote mutual communication among business segments and address issues from a broad perspective and methodology while establishing a strong, autonomous sales and operational structure optimized for the distinct business and customer characteristics of each business segment. This management structure makes it possible to put policies into place that will improve the Group's overall strength and raise the bar for the entire enterprise.

Challenges remain, along with the continuing need for development. We seek first to establish an open corporate culture and build a company geared for sustainable growth. Doing so, will highlight the advantages of each business and foster synergy.

Anticipation of synergy with Oisix, with whom we share a common corporate culture

Solving social issues is a cornerstone of both the SHiDAX Group and Oisix's corporate cultures so there are obviously similarities that can be drawn.

The corporate goal of "promoting health via food" is also shared, however, SHiDAX and Oisix each serve distinct market sectors in terms of customers: B2B and B2G for SHiDAX, and B2C for Oisix.

Still, the common corporate culture will enable these two companies to create productive commercial synergies at an early stage.

Today IT is spawning industrial enterprises that go beyond conventional business genres and marketing boundaries, such as D2C and C2C. Examples of new business models, such as B2B2C and B2G2C could be developed as a form of collaboration between the two companies.

In addition, Japan's declining birthrate and aging population necessitate a multifaceted viewpoint on the Japanese market where Japanese services are the center of global attention. Through the partnership between Oisix and the Group, we intend to develop new services to solve a range of social issues ahead of societal trends.

Pursuing further business expansion in three core business fields

We have performed more than 500 different types of business duties, all of which are the result of our sincere response to our customers' requests for solutions to certain issues. In our larger business segments, the progress of our Social Services Business symbolizes this.

Changes in society, the economy, and industry have brought about many nascent desires that are either unfulfilled or not even fully apparent at this stage. The Group's capacity to develop, produce, and implement services to address various objectives within a single organization is what gives the Group its competitive edge. We will make the most of this strength to flexibly respond to changing needs and to further explore business opportunities. Of course, we consider the development of new service sectors from a medium- to long-term perspective in addition to just responding to client requests.

Reconsidering the service fields of the Group's three core businesses from a broad perspective, we can say that the Food Services Business represents the field of "health,"

the Vehicle Operation Services Business represents the field of "mobility," and the Social Services Business represents the field of "community." We believe that we can develop service areas within these three broader fields.

Health, mobility, and community also represent three additional categories where synergy can be easily created. Each businesses is closely related to the others, and after one job is completed, businesses derived from it will be developed, much as the "500 Jobs" were born from the origins of the businesses, of Food Services and Vehicle Operation Services. Few businesses in Japan are able to provide services requiring the ability to supervise and manage complicated operations, and we believe this is the key to the Group's competitive advantage.

Untold opportunities for the Company's growth remain because we successfully carry out the worthwhile purpose of solving social issues.

Solving social issues using technology that respects the everyday lives of people

For instance, it is anticipated that moving from one location to another may get harder over time in depopulated areas. The Group's Vehicle Operation Services Business operates demand-responsive buses, which are comparable to shared-ride cabs. The use of technology in this operation's management is crucial. We have also begun demonstration tests for automated driving technology that we are developing in collaboration with a local government and university.

After-school childcare centers and library operations have conceived and implemented their own apps and are progressing with efforts to improve the quality of their operations. We have also begun the operation of DX-enabled next-generation hotels, and are actively working on the utilization of technology.

What is also important here is our identity as a service company that fosters bonds between people. We see

technology as something that people (employees and customers) use to be able to live and work.

The service industry will be radically transformed by DX, AI, and other areas of IT. We predict the creation of a variety of types of "service tech," including "age tech." Looking from the perspective of the three core business fields of health, mobility, and community, the areas in which technology can be used will expand even further.

We will promote DX to bring happiness to the clients before us as well as simultaneously expand our business by optimizing the use of technology while maintaining a medium- to long-term perspective on the market. We also intend to steadily advance DX that contributes to ESG and SDG-based management, such as centralized logistics of food ingredients, vehicle operation management, and human resource management, among other existing businesses.

Bolstering governance structure to achieve further growth and increase corporate value

Last year, there were some differences of opinion within the Company in relation to the tender offer bid (TOB), and we apologize for the concern this caused.

There may be some of you who perceived instability in regard to our governance structure. We recognize stronger governance is needed in the execution of management, including the improvements laid out by the investigation

committee established after the TOB.

With a new management structure that strengthens our governance system, including raising the ratio of External Directors, we will strive to enhance our corporate value by devoting ourselves to business activities for further growth.

We would like to thank all of our stakeholders for their continued guidance and support.



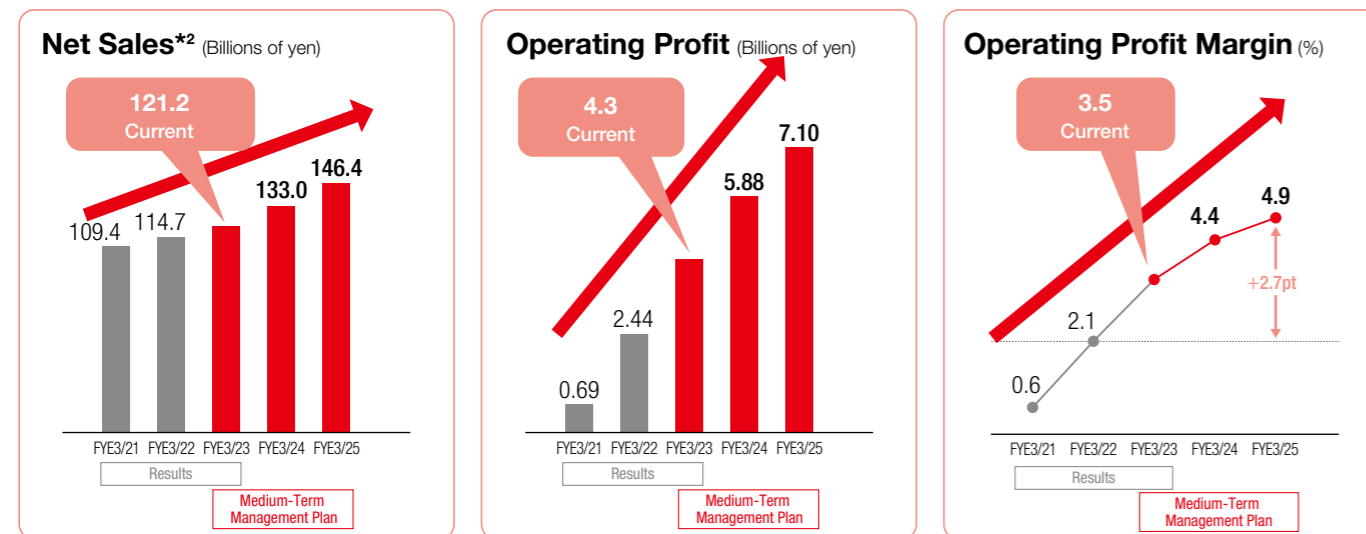
Medium-Term Management Plan “Re-Growth 2025”

Numerical Plan (FYE3/2025)
 Net sales **146.4** billion yen
 Operating profit **7.1** billion yen
 Operating profit margin **5%**
 ROE **26%**
 3-year cumulative FCF*1 **14.6** billion yen

We created a three-year Medium-Term Management Plan (Re-Growth 2025) in May 2022 to improve the credibility of our business plan and achieve sustainable growth.

We have concentrated our business operations on the objectives of 120 billion yen in net sales and 3.7 billion yen in operating profit in the first year of the three-year plan. Despite some business units doing well and others not doing so well, the overall Group was able to make up for this by exceeding the goal in terms of net sales and operating profit.

Under the banner of the SHIDAX Group’s management philosophy system, “Mission, Vision, and Values,” the plan addresses six priority measures, through which we will continue to work toward Re-Growth.



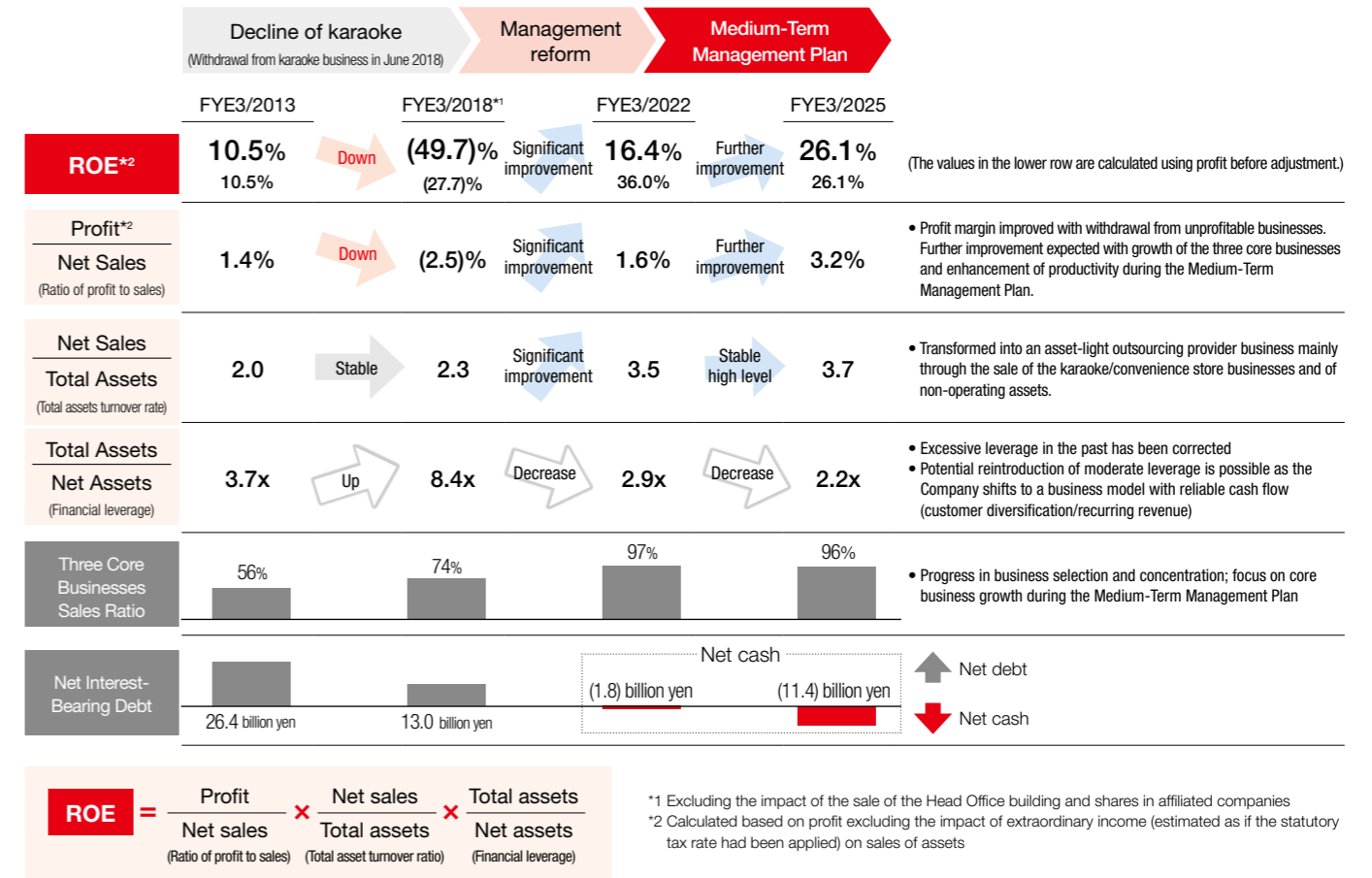
Priority Measures in the Medium-Term Management Plan

- Sales Growth** 1 Major breakthrough in Social Services Business positioned as a growth driver **Details p.36-41** Overview by Business Segment
- Investment in Human Resources** 2 Rebuilding Human Resource Strategies **Details p.22-23** Special Feature: Human Resource Development
- Streamlining Our Structure** 3 Enhancing Efficiency through the Introduction of a New Accounting System
- New Business Venture** 4 Start of Collaboration with Oisix **Details p.15** Food Services Business – Collaboration with Oisix
- Financial Strategy** 5 Cancellation of Preferred Stock **Details p.42-43** Financial Analysis and Strategy
- SDG-Based Management** 6 Four Materialities Promoted Through Seven Working Groups **Details p.28-35** SDG-Based Management

*1 Free cash flow
 *2 Excluding sales of the convenience store business sold at the end of FYE3/2020 and the Nakaizu business sold in FYE3/2022.

Significant Improvement in ROE

As a management indicator, ROE is significant to us. Through management reforms, such as business portfolio reorganization, we have significantly improved ROE. By increasing profitability, we will further boost ROE to over 26%.



Food Services Business – Collaboration with Oisix

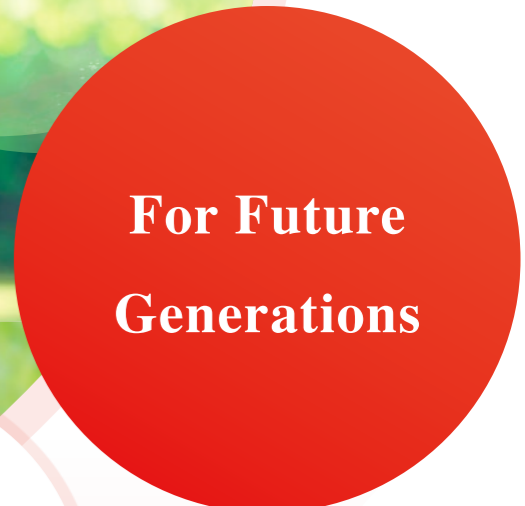
We are moving ahead with fully cooked product development using meal kits in the food-related collaboration with Oisix, growing the business through market development, and gradually taking concrete steps like starting test marketing at preschools operated under contract by the Group. Although we have established a Special Committee to provide a framework for fair examination of business collaboration pertaining to the food service related business, the Special Committee’s review of the topic is currently on hold until the necessary requirements are met. As we seek to expand our business, we will summarize the details of the collaboration in order to eventually access larger markets. We will then go on to announce our business strategy (details of the collaboration) before the end of 2023 for collaborations that do not involve a change of capital with Oisix.



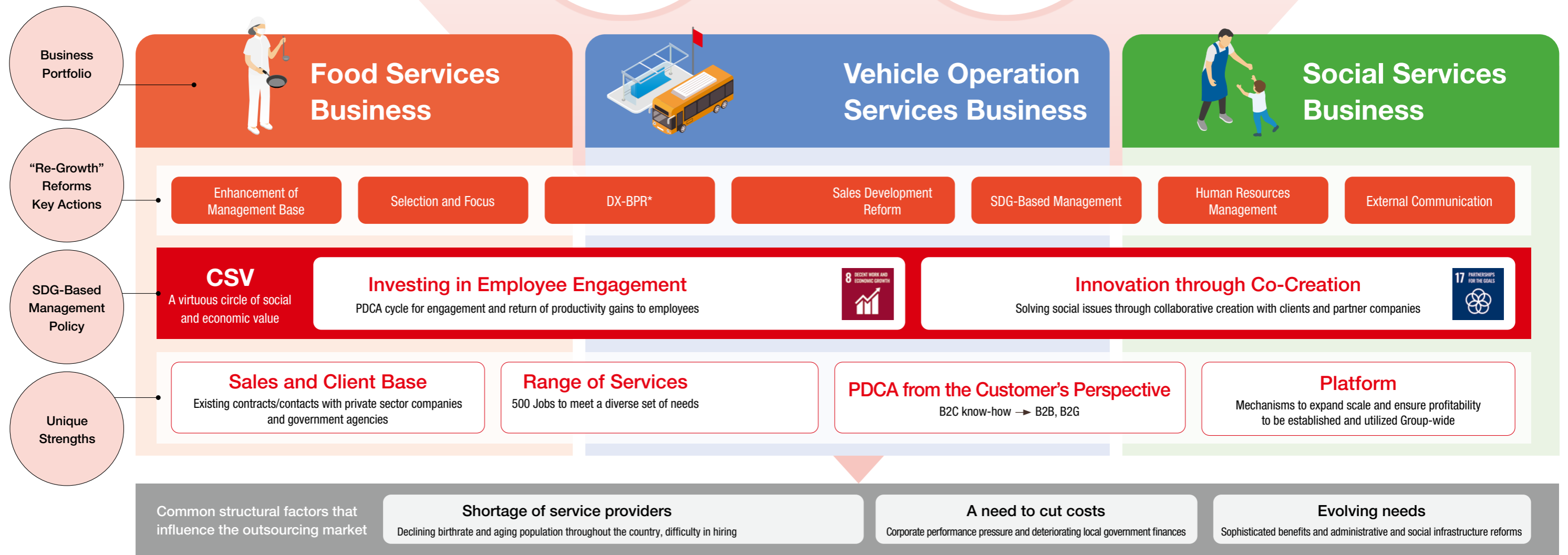
The SHIDAX Group's Value Creation Process

The Big Picture

The SHIDAX Group will contribute to solving four social issues centering on human resources, the environment, local revitalization, and safety and security. We will do this through SDG-based management that leverages the Group's unique strengths "for future generations."



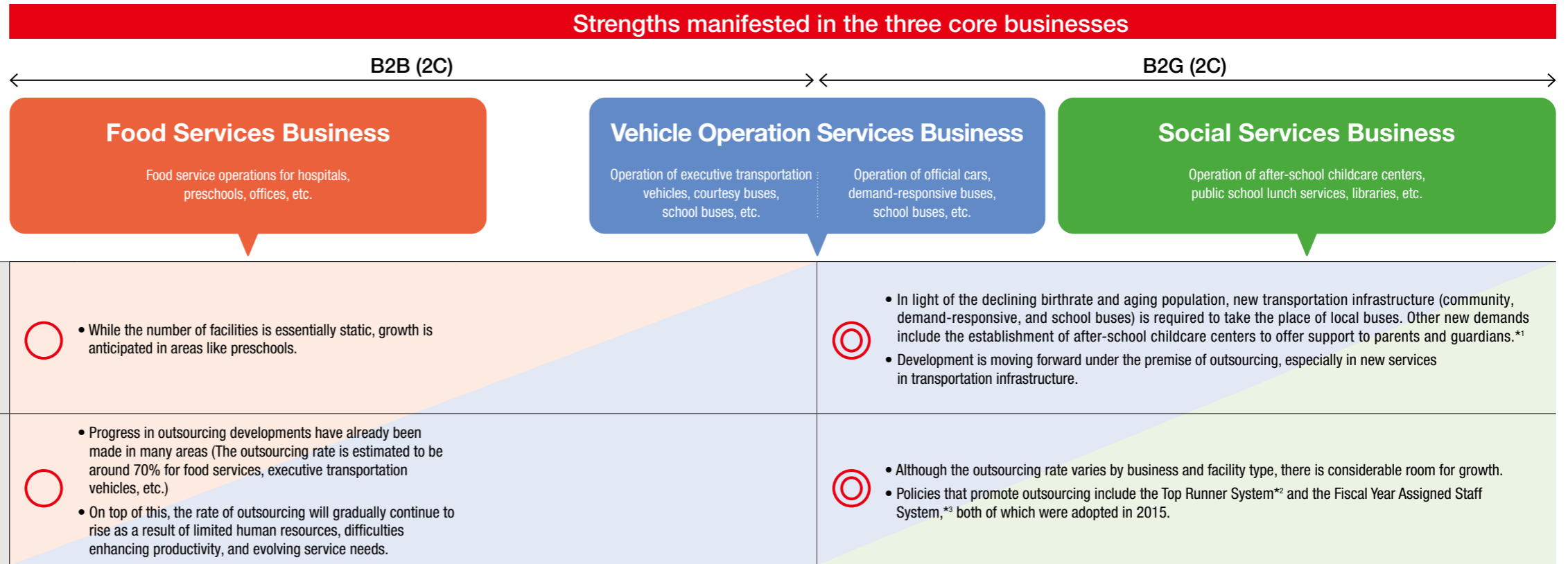
Specific social issues to be addressed by the Group



* DX-BPR: Digitization and restructuring of business processes

Development of Three Core Businesses Based on Our Unique Strengths

As the outsourcing trend gains traction in both B2B and B2G, the business areas of the SHiDAX Group continue to experience market expansion. We offer services that bring people safety, security, and smiles based on two drivers of growth—increasing the number of facilities and making advances in outsourcing. This is all done while leveraging and further developing the distinctive capabilities of each of our business areas.



Drivers of Growth



The SHiDAX Group's Unique Strengths

<p>Business and Client Base</p>	<ul style="list-style-type: none"> Holds business and client bases, valuable assets which serve as a starting point for further expansion. 	<ul style="list-style-type: none"> Over 800 client companies/organizations Through sales coordination with management of the Vehicle Operation Services Business, further expansion is feasible. 	<ul style="list-style-type: none"> Client base of over 800 companies/organizations and 150 local governments For sales, the private sector collaborating with the Food Services Business, and local governments working with the Social Services Business is also possible. 	<ul style="list-style-type: none"> Serving 380 local governments Including local surrounding areas, capable of reaching 1,700 local governments nationwide
<p>Range of Services Offered</p>	<ul style="list-style-type: none"> A lineup capable of responding to diverse client needs 	<ul style="list-style-type: none"> Ranging from private sector companies to hospitals, elderly facilities, and preschools Among them, a combination of various services can meet diverse client needs (Food service for hospitals). 	<ul style="list-style-type: none"> Lineup that can provide services not only with client vehicles, but also with the Company's own vehicles (Bus operation) Hybrid community and school bus service 	<ul style="list-style-type: none"> Approximately 470 types of operations Ability to satisfy all of local government's needs
<p>PDCA from the Customer's Perspective</p>	<ul style="list-style-type: none"> A PDCA cycle is used to both launch new projects and enhance customer experience, which is crucial for B2B and B2G businesses. 	<ul style="list-style-type: none"> Offers new and wider range of dining options <ul style="list-style-type: none"> Menus produced by both headquarters and Group dietary associations Special menus and dietary plans that support athletes, promote health, etc. 	<ul style="list-style-type: none"> Decorum, emotion, and courtesy form the cornerstones of our service enterprise. In order to ensure that our valued customers have a great experience, we provide our drivers with specialized training that places an emphasis on decorum in addition to driving technique. 	<ul style="list-style-type: none"> Contributing to the local community by improving the quality of service from the perspective of the residents, our customers <ul style="list-style-type: none"> Offering online SDGs courses for children in after-school childcare centers Organizing numerous events, including fireworks displays for tourism, etc.
<p>Platform</p>	<ul style="list-style-type: none"> Benefitting from the merits of scale, the effectiveness of our base grows with expansion 	<ul style="list-style-type: none"> Cost reduction through economies of scale based on centralized logistics, and the realization of safety through traceability (SLOGIX CORPORATION) Increased economies of scale via a collaborative purchasing platform with competitors in the industry (FunsAP) 	<ul style="list-style-type: none"> Using an demand-responsive bus system to optimize bus operations in sparsely populated areas with fewer passengers (Full demand and simple demand systems are available) By using an electronic daily reporting system, the stress of attendance, billing, and customer approval processes can be reduced. 	<ul style="list-style-type: none"> Using a distinctive internal education/social media platform, promoting horizontal development of learning and achieving improvements (Gakudo Smile Net) Automation of operations through the introduction of library apps and the digitalization of the facility's reception desk

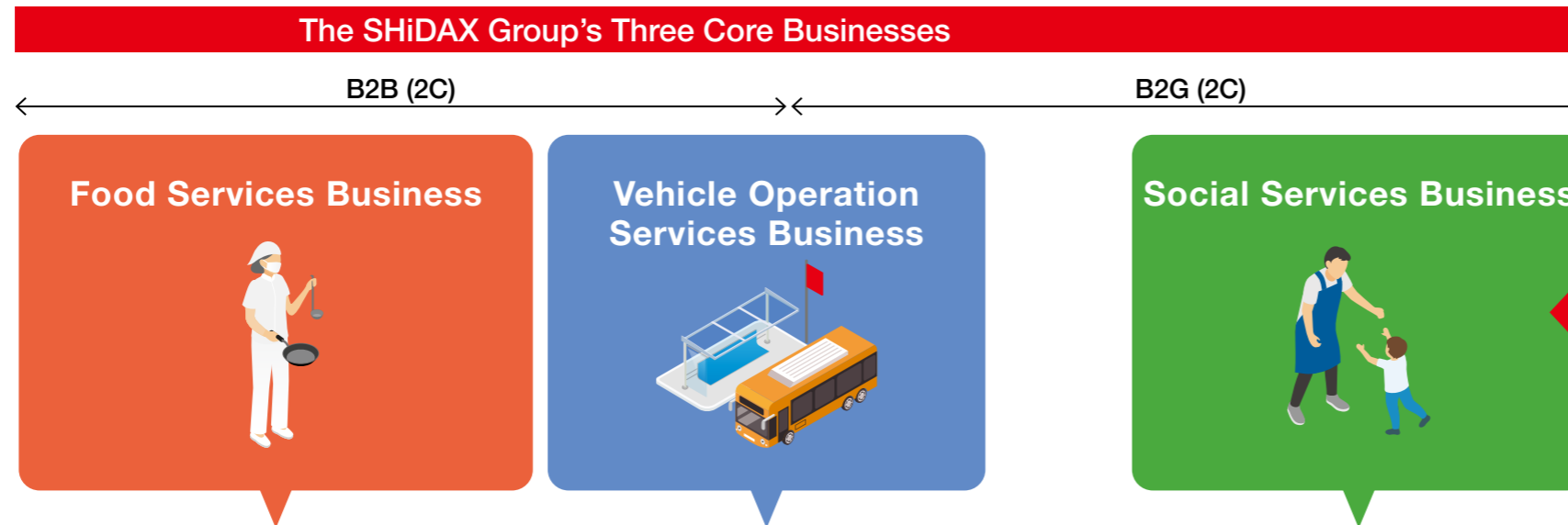
*1 The New General After-School Childcare Plan







*2 A tax incentive program for local governments that have put model programs into action to increase spending effectiveness in particular operations, like public school lunches, reception and information services, etc.

*3 More stringent hiring requirements for contract employees and part-timers

Growth Opportunities for the Three Core Businesses

The three core businesses of the SHiDAX Group are being outsourced due to structural factors such as a lack of service providers and a need for cost reduction that private sector companies and local governments previously faced through the direct management of their own operations, and evolving needs which include social issues, as well as the uniqueness of the Group's total outsourcing service which has led to the progress of outsourcing. As such high growth potential can be expected in the future. Based on dialogue with stakeholders, the SHiDAX Group will link growth opportunities to innovation.



Markets		Food service operation outsourcing market	Vehicle operation management market	Local government services outsourcing market
Customers	Clients	<ul style="list-style-type: none"> Corporations and campuses Hospitals and welfare facilities Preschools and kindergartens 	<ul style="list-style-type: none"> Private sector companies Schools/Hospitals Government/Local governments 	<ul style="list-style-type: none"> Municipal governments Public elementary and junior high schools and students Dormitories and preschools 
	Customers	<ul style="list-style-type: none"> Employees and students Patients and facility residents Children 	<ul style="list-style-type: none"> Executives/Employees Residents Students 	<ul style="list-style-type: none"> Local residents Children Employees 
Structural factors leading to outsourcing	Lack of service providers	<ul style="list-style-type: none"> Difficulty in hiring staff to work in the food service operating sites and an aging workforce 	<ul style="list-style-type: none"> Nationwide aging driver population Strict retirement age in local governments 	<ul style="list-style-type: none"> Declining birthrate and aging population, especially in rural areas Strict retirement age system for civil servants
	Need to cut costs	<ul style="list-style-type: none"> Increasing cost-cutting pressure on private sector companies Burden of indirect costs such as labor and sanitation 	<ul style="list-style-type: none"> Increasing cost-cutting pressure from local governments and private sector companies Burden of indirect costs such as labor and safety management 	<ul style="list-style-type: none"> Decrease in tax revenues due to declining birthrate and aging population Deterioration of local finances due to increased spending management
	Evolving needs	<ul style="list-style-type: none"> From solving employee undernourishment to satisfying higher-order needs and solving social issues <ul style="list-style-type: none"> In-company dining to increase employee engagement Employee health management and effective use of office space Responsibly meeting sustainability needs (food waste, sustainable food ingredients) 	<ul style="list-style-type: none"> From a simple means of transportation to the building of transportation infrastructure to solve a social issue <ul style="list-style-type: none"> Efficient operation of route buses to adjust to a declining number of users for their continuation Conversion of route buses to community and demand-responsive buses as a type of development to fulfill that need Introduction of school buses due to school consolidation and closures 	<ul style="list-style-type: none"> Advanced outsourcing of administrative services <ul style="list-style-type: none"> Facility expansion and quality enhancements are made in order to urgently eliminate the need for waiting lists for after-school childcare centers Shift to a centralized lunch preparation process in response to declining birthrates Enhancement of education on social issues for children, society's future leaders

Promotion of Engagement-Based Innovation

Stakeholder Engagement



Society

- Activities for regional contribution (Disaster relief)
- Provision of support through donations, sponsorships, etc.
- Secretariat of the SDGs Research Institute



Clients

- Everyday business activities (as needed)
- Establishment of inquiry counter
- Customer satisfaction survey
- Use of website



Customers



Employees

- Periodic interviews
- In-house training
- Company newsletter
- Employee engagement survey
- Town hall meetings
- Internal reporting system
- Consultation with labor unions
- Dietetic Association, Culinary Association, Yu-Ai-Kai (Fraternity)



Partners

- Exchange of information through visits
- Supplier briefings
- CSR questionnaire survey
- Dissemination of procurement guidelines



Shareholders

- Annual General Meeting of Shareholders
- Financial results briefing (twice a year)
- Individual meetings
- Provision of information on the IR website

Human Resource Development



Yoshio Sato

In charge of Head Office (Strategic Management Division, Administrative Management Division, Human Resources Division, and Public Relations Office), responsible for Quality Control Office and SHiDAX Research Institute, Vice Chairman and Representative Director of SHiDAX CONTRACT FOOD SERVICE CORPORATION, Vice Chairman and Representative Director of SHiDAX FOOD SERVICE CORPORATION

“ *To be a corporation that grows together with a sense of fulfillment and satisfaction toward the realization of our goal of working ‘for future generations.’* ”

Q Please tell us about SHiDAX’s fundamental approach to human resources as well as the desired type of human resources.

A The Group’s businesses of Food Services, Vehicle Operation Services, and Social Services, are all built on the principle of “service through people.” Contributing to society through safety, security, and reliable execution, as we bring smiles to our clients—this is what imbues the lives of our employees with a sense of purpose and fulfillment. And these rewards support the growth of both SHiDAX and its employees.

The Group’s human resources are united by their love of service and of people. There is a sense of satisfaction and accomplishment

in doing something with others, and when clients are happy, we feel happy too, which resonates with our clients. For instance, my smile may have an effect on people and make them smile. As we change, as do our clients, which brings about changes in the future of SHiDAX. Numerous similar feedback loops have been created within the SHiDAX Group.

In our Group, the term “human resources” carries with it the meaning of “assets.” This is to say that we feel that the expansion of a corporation depends largely on the performance of its employees at the helm of the actual business. Taking the idea of assets to heart, the employees we desire must also possess professional-level skills and the ability to make proposals. The SHiDAX spirit of improvement, which seeks to make “tomorrow better than today” has fostered a corporate culture of “moving forward and forgiving failures,” even when human error occurs, and has instilled an outlook of positive thinking.

Q The SHiDAX Group lays out a restructuring of its human resources strategy as its management policy. Could you go into detail about the strategy’s history and objectives?

A Considering the aforementioned business characteristics of the Group, the crucial factor for us is the question of how we can take pride in our work. As this encourages our employees to continue thinking about our clients and coworkers, it is preferable to develop a system in which the rewards mirror the outcomes. We will reevaluate our human resource strategy in order to increase this motivation and support methods that foster both physical and mental wellbeing while firmly building the trust between employers and employees.

The personnel system previously relied heavily upon a seniority component but, for the first time in 20 years, this system was overhauled and now better visualizes one’s role and responsibilities

Q What are the key points of the restructuring of the human resources strategy?

A The restructuring of the human resources strategy has three key points. The first is to promote wellbeing as a way to improve engagement in the broadest sense. The Group has always pursued social health, physical health, and mental health in all of our

Q Given the tighter labor market, how is the hiring situation?

A The Recruiting and Education Department is tasked with tabulating the number of employees and positions required for each location nationwide and keeping track of them within a matrix. Some industries and regions are facing difficulties due to a small workforce. Greater specialization is one way to circumvent this restrictive hiring environment. In particular, SHiDAX would build a reputation for

by grade to determine compensation regardless of age or duration of service. While the system already integrates objective evaluations, rather than subjective ones, I think it will still take some time before the system is complete.

The most crucial goal of this personnel system, in my opinion, is to promote and fill in the ranks of middle management, particularly supervisors and front line managers who interact with clients and the front lines the most. My experience has shown that supervisors and front line managers can move in the right direction by maintaining good relationships with clients and colleagues.

Despite my earlier comments about people being everything, I do not believe that people will just follow you simply because your arguments are sound. In this case, I believe having a caring relationship is vital. In other words, the most crucial element is trust.

The Group will regularly evaluate employee engagement surveys to gauge how successfully it is fostering a two-way relationship based on trust between itself and its employees, and we will use the PDCA cycle to make adjustments.

business activities, and we intend to expand on this.

The second is to firmly instill the Group’s management philosophy system of Mission, Vision, and Value (MVV) into our 40,000 employees.

The third is to build a great company with a strong mindset that will not be compromised in certain areas by making consistent, significant investments in diversity, work styles, and education, as well as challenging ourselves to see how well we can develop our professional skills. We will also concentrate on enhancing each businesses’ qualification system in order to strengthen fundamental skills and expertise relevant to each business.

enhancing professional skills. Notwithstanding the fact that this is a contracting business, we aim to make our ability to provide our know-how to new hires an advantage when it comes to recruitment.

Another is to keep expanding the pool of peers interested in working at SHiDAX. We want to be a company that will make those around our employees remark about their luck in joining such a great company. For this to happen, we must clearly articulate what kind of organization SHiDAX is.

We believe that drastic measures must naturally be implemented to realize these goals.

Final Thoughts

As people move throughout the day, a range of services are available for living, eating, traveling, playing, having fun, and studying. The more frequently we interact with clients on a daily basis the more frequently we hear the concerns they have. Daily face-to-face meetings have led to the discovery of certain issues and before we realized it, we had established connections through as many as 500 distinct types of business duties.

This is the outcome of our ability to better understand client needs and win their acceptance of our novel value-adding proposals. The Group will continue to expand the scope of its operations by valuing human resources, remaining close to its clients, making improvements and creating proposals as a company that solves social issues.

Implementing Safety, Security, and Smiles

Food Services Business



Contract Food Service

SHIDAX CONTRACT FOOD SERVICE CORPORATION

— Operation of in-company cafeterias [HAKUHODO PRODUCT'S Inc.]

An onsite eatery, open from 9:00 a.m. to 6:00 p.m., serves approximately 400 meals in onsite eatery style and 200 meals in more of a cafe style, catering to the needs of customers of various occupations with ages spanning the 20s to 60s.

In order to realize the client concept of a vibrant eating space that serves as a junction where employees with diverse occupations can interact and generate ideas, HAKUHODO PRODUCT'S Inc. has developed an **approach of creating comfortable spaces that provide well-balanced and colorful meals with the aim of promoting health and stimulating motivation.** The result is the creation of an onsite eatery that employees want to use every day, and **not just for dining.**



Medical Food Services

SHIDAX FOOD SERVICE CORPORATION

— Operation of food service for hospitals [Medical Corporation Shin Aikai Higashi Fuchu Hospital]

Since 2018, SHIDAX FOOD SERVICE CORPORATION has been providing meals to inpatients and facility staff at this OB/GYN hospital, which boasts a history spanning more than 50 years. In response to the challenge of striking a balance between near restaurant-quality meals that also meet hospital management regulations, **the company dispatches dietitians who propose new menus that meet the clients' needs and experienced cooks who provide a rich variety of Japanese, Western, and Chinese meals. It also conducts employee training on hygiene management, communicates any issues with clients, and regularly exchanges information on prompt countermeasures, building a relationship of trust with clients while ensuring the safe and secure provision of meals.**



— Operation of food service for preschools [Futabakai Social Welfare Corp.]

Provides approximately 900 meals a day to residents, users, children, and staff at a total of six special elderly facilities and child welfare facilities run by Futabakai, a social welfare corporation that entrusts us with their food services. In this context, SHIDAX FOOD SERVICE CORPORATION is implementing a large-scale preschool lunch program with a capacity of over 300 children.

The company **provides meals based on the themes of "delicious, fun, and educational" as well as safety and security,** promoting dietary education activities such as event meals, birthday parties, cooking, learning about local foods, seasonal ingredients, colorful menus, etc., creating more than 24 original dietary education programs per year, and distributing a monthly dietary education newsletter to parents. Its school lunches **link seasonal ingredients with dietary education activities, all while adhering to each school's policies and ideals.**

Vehicle Operation Services Business



Executive Vehicle Management

DAISHINTO Inc.

— Operation of executive transportation vehicles [Tokyo Head office of DAI-DAN CO., LTD.]

For the company's executives, DAISHINTO Inc. manages the operation of five vehicles. To meet various client business needs, a wide range of vehicle management services is offered. The company is able to **resolve issues and guarantee seamless operations, including the replacement of driver service personnel, thanks to its extensive expertise, acquired knowledge, and close relationships with the client.** As a result, it has been able to maintain a strong agreement with this client for more than 30 years.

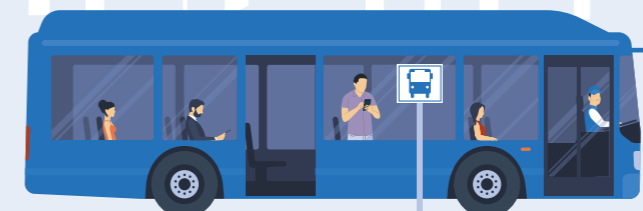


General Vehicle Management

DAISHINTO Inc.

— Operation of School Buses [Minami-Boso City, Chiba Prefecture]

DAISHINTO Inc. has a contract to operate a total of 25 school buses (seven large, seven mid-size, and 11 micro) for kindergartens, elementary, and junior high schools in seven districts throughout Minami-Boso, Chiba Prefecture (Chikura, Shirahama, Maruyama, Wada, Miyoshi, Tomiyama, and Tomiura). **This contract has been in place for roughly a decade and in March 2023, the company also entered into a disaster cooperation agreement (an agreement for transport cooperation in the event of an emergency or disaster) with the city.** Under this agreement, in the event (or likelihood) of an emergency situation that will bring serious damage to the lives, bodies, and properties of citizens due to a natural disaster or the like, the company will **secure the school buses operated under contract as a means of transportation, and their driver service personnel will provide operational support upon request from the city.** As a "company that solves social issues," we strive to fulfill our mission to protect safety, security, and smiles.



Vehicle Operation Services Business

Passenger Transport

DAISHINTO Inc.

— Bus service

[Expressway bus service between Tsudanuma, Chiba and the Kansai area (Osaka and Shiga)]

Utilizing their very own large buses, DAISHINTO Inc. is operating the industry's first expressway bus service between Tsudanuma, Chiba (via Tokyo Station) and Kansai (Osaka and Shiga). With daily service in both directions, this route marks the company's fourth overall.

The buses are equipped with **rows of four seats, each with privacy curtains in front and along the sides to safeguard against infection as well as to protect personal space.** Each bus is also equipped with Wi-Fi and USB ports capable of charging devices. **Long-distance travelers' needs are met, and user convenience is enhanced, with the buses' ability to store bicycles and large musical instruments.**



Social Services Business



Social Services

SHIDAX DAISHINTO HUMAN SERVICE Inc.

— Operation of “Michi-no-Eki” roadside rest stations [Michi-no-Eki Iwate Kita-Sanriku] [Michi-no-Eki Soma]

DAISHINTO HUMAN SERVICE Inc. has been entrusted with various public services by more than 380 local governments, and operates roadside rest stations including Michi-no-Eki Iwate Kita-Sanriku.

In order to promote tourism, this roadside rest station includes a corner to disseminate local information, a food court with a section selling goods and produce featuring local characters, a kids' space to support childcare, a covered event plaza that serves as a local forum, and a multipurpose hall.

Moreover, DAISHINTO HUMAN SERVICE Inc. also runs Michi-no-Eki Soma in Soma City, Fukushima Prefecture, where the Group actively promoted support and facilitated communication in the wake of the Great East Japan Earthquake. Work is currently being done to **encourage regional development and spread the appeal of local attractions**, leveraging know-how cultivated through roadside rest stations and tourist facilities operated under contract nationwide.



Social Services Business

After-School Childcare Services

SHIDAX DAISHINTO HUMAN SERVICE Inc.

— Operation of after-school childcare centers [Minokamo City, Gifu Prefecture]

Boasting the biggest market share in the country, SHIDAX DAISHINTO HUMAN SERVICE Inc. operates more than 1,500 after-school care classes in 174 local governments throughout 38 prefectures in Japan, as of April 1, 2023. In Minokamo City, Gifu Prefecture the company is entrusted with the operation of all 10 after-school childcare centers, which involves 18 classes. With an average of 40 students in each class, their 18 classes look after approximately 1,000 students in grades 1 through 6, while also keeping track of attendance, completing contact sheets, dispensing snacks, engaging in physical activity, and corresponding with parents.

The company seeks to make the after-school childcare centers a “second home” for kids by providing a healthy upbringing, learning support, and assistance with their everyday lives with the goal of helping children realize their hopes for the future. The company has developed employee education utilizing its own app, as well as offering a wide range of programs on a number of subjects including English conversation, programming, SDGs, dietary education, disaster preparedness and crime prevention, and video contents.



Public School Lunch Services

SHIDAX DAISHINTO HUMAN SERVICE Inc.

— Operation of public school lunch services [Kashima City School Lunch Center]

Since 2014, SHIDAX DAISHINTO HUMAN SERVICE Inc. has been in charge of supplying 11 elementary and junior high schools in Kashima City, Saga Prefecture with over 3,000 lunches each school day. Since taking over the services' direct management, the company has also helped reduce yearly costs by roughly 21%, and its efforts—unique for a private sector company—have garnered great praise.

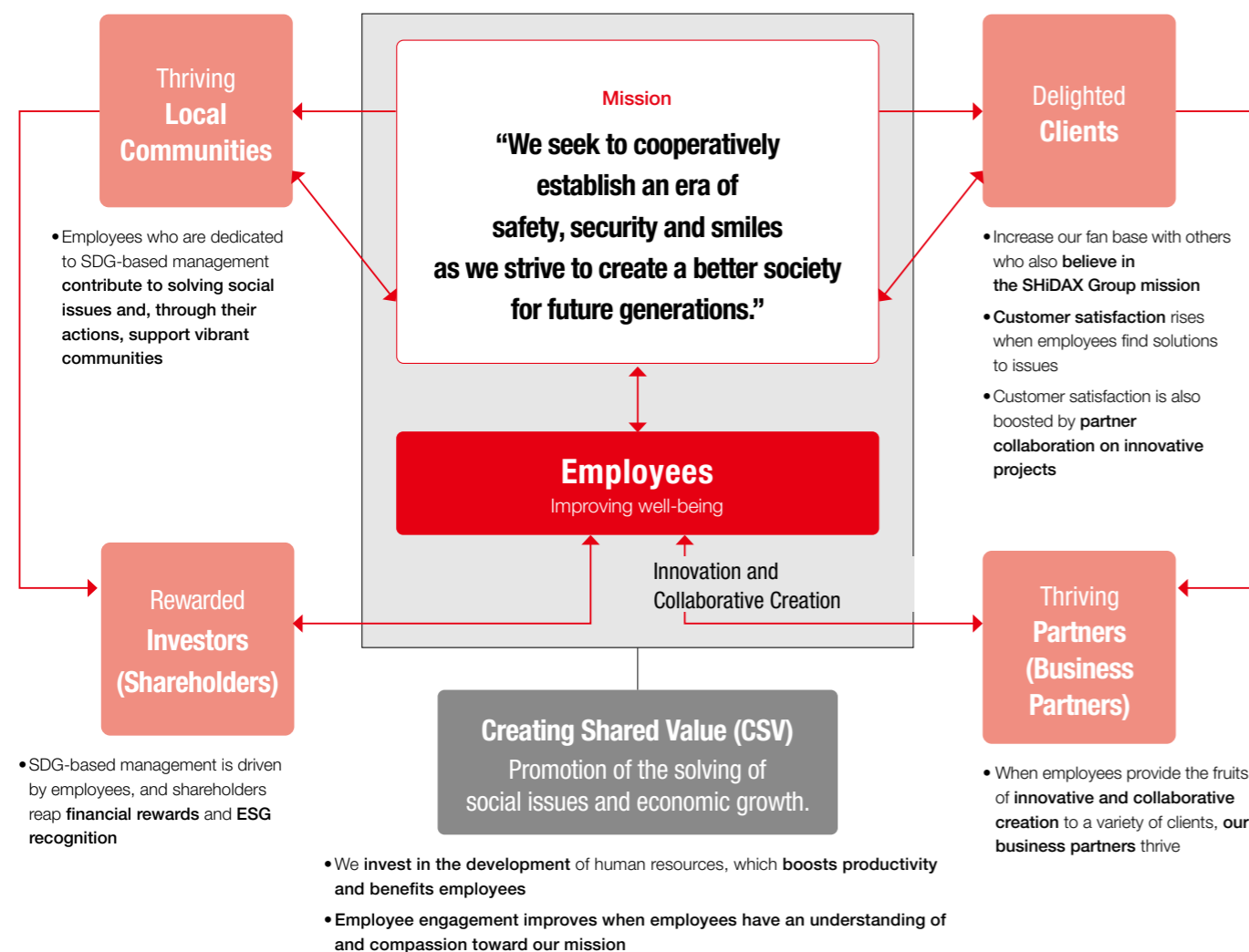
The company also plays the role of **encouraging a love of one's hometown through locally produced, locally consumed menus and dietary education**, enhancing safety and security through a **sophisticated hygiene management system**, and connecting families and schools through events and disseminating information. This has resulted the sustainability of the school lunch program, which is good for the physical and mental health of children and students. **The company operates roughly 600 public school lunch facilities nationwide with its comprehensive strength, utilizing its plentiful human resources that include approximately 830 nutritionists and 1,900 cooks.** With the specialized knowledge developed in this area, the company has increased the efficiency and stability of school lunch service operations.



SDG-Based Management

The SHiDAX Group will especially contribute to resolving four issues facing society: human resources, the environment, local revitalization, and safety and security. We will do this through SDG-based management that leverages the Group's inherent strengths. In its relationship with stakeholders, SHiDAX also strives for creating shared value (CSV). This involves a virtuous cycle of social and economic value, brought about through the following strategies: 1) investing in employee engagement to increase productivity and provide returns on the results, and 2) promoting innovation through collaborative creation with clients and partner companies.

The SHiDAX Group and its Stakeholders



SDGs Committee

The SDGs Committee was established in October 2021 with the aim of achieving the SHiDAX Group's management philosophy, management goals, and business strategies in line with the goals of the United Nations Sustainable Development Goals (SDGs) adopted in 2015. The SDGs Committee also contributes to the realization of the SDGs through its business activities to ensure the continuation and stable development of the Group. The Board of Directors is consulted as needed to report on the development of business themes to be realized and to discuss solutions to any issues that require general discussion.

The committee comprises eight members, including the presidents of operating companies, and is presided over by President and Chairman of the Board of Directors, Kinichi Shida. In the fiscal year ended March 2022, we established roughly five KPIs under the theme of social value discussed in the previous medium-term management plan and took the approach of managing the monthly progress of these KPIs. However, we were unable to clarify the targets to be achieved. Based on this, in the fiscal year ended March 2023, each working group will clarify specific actions to realize the seven themes that we aim to realize in our newly established business activities, and incorporate them into measures common to the entire Group to promote SDG-based management.

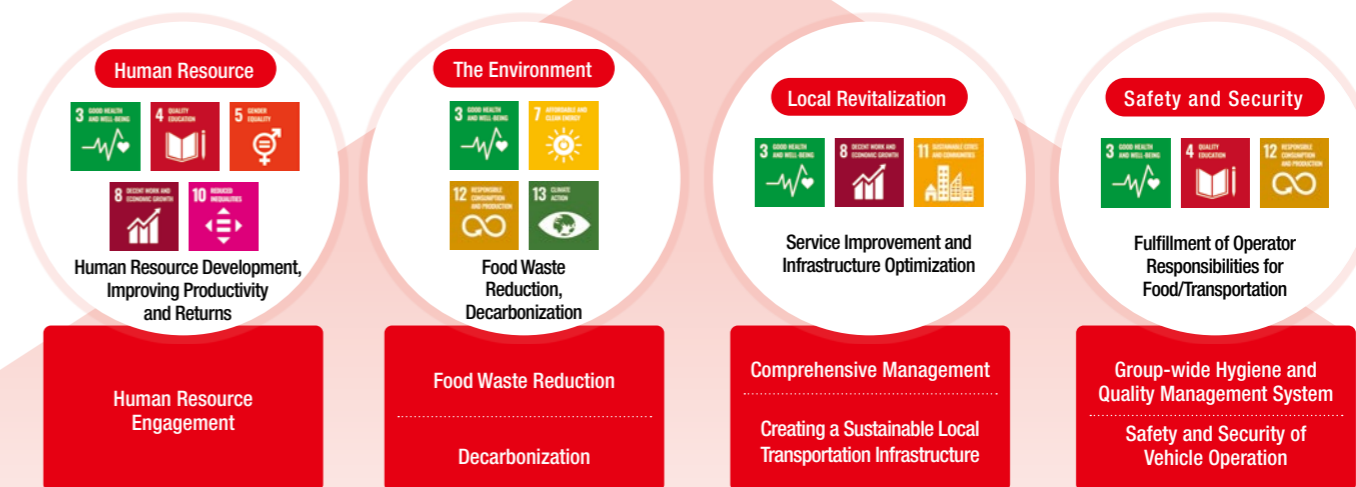


Social Issues to be Solved, Policies, and SDG-based Management Goals

Under SDG-based management, the SHiDAX Group will dedicate itself to work to solve four of the many issues facing society—human resources, the environment, local revitalization, and safety and security—toward which the Group is uniquely placed to make valuable contributions.

“For Future Generations”

Specific Social Issues to be Addressed by the Group



SDG-based Management Goals

Indicators	Engagement ratio (11% in FYE3/2021)	Compared to FYE3/2010 (%) (per meal)	Compared to FYE3/2022 (%)	Number of local governments with comprehensive management (7 in FYE3/2022)	Number of local governments with diverse local transportation operations (29 in FYE3/2022)	In-house hygiene inspection A rank (27% in FYE3/2022)	(1) Number of major accidents (2) Annual incident rates of accidents in which our side is liable
Target levels							
FYE3/2025	28%	(32.5)%	(12)%	11	41	50%	(1) 0 (2) Less than 8%
FYE3/2031	57%	(50)%	(45)%	58	66	80%	(1) 0 (2) Less than 8%

SHiDAX Group's Issue Resolution Policy



A virtuous cycle from investment in employee engagement to increased productivity and returns to employees

- Investing in training and education to boost engagement and PDCA
- Provide an environment that allows diverse human resources, including women, foreign nationals, and those with disabilities, to succeed in their own unique ways



Reduction of food waste and decarbonizing vehicle operation through collaborative innovation

- Reduction of food waste resulting from food service operations (Food Services)
- Optimizing local transportation by encouraging the use of eco-friendly vehicles as well as community and demand-responsive buses (Vehicle Operation Services)



Contributing to local revitalization by creating social hubs and optimizing local public transportation

- Establishing gathering spaces for locals, such as schools, libraries, and after-school childcare centers (Social Services)
- Increasing productivity through the provision of comprehensive outsourcing (Social Services)
- Using school and community buses to optimize local transportation (Vehicle Operation Services)



Achieving SHiDAX-level safety and security through unique mechanisms and the creation of a culture of safety and security

- A quality control department directly under the President's supervision monitors the standard of all group businesses (Group-wide)
- Thorough human resource education with decorum, emotion, and courtesy forming the cornerstones of our service enterprise (Vehicle Operation Services)

Contributions in the Area of Human Resources

During the period of fast economic growth, Japan was a nation where human resource development and economic growth were intertwined. In the current deflationary environment, businesses are not expanding, employees are not receiving training, and annual income is not rising. The SHiDAX Group is dedicated to investing in employee engagement and skills, creating improved productivity, and providing returns on the results to its employees to counter social issues such as the dwindling workforce, need for professional re-growth, and financial constraints.

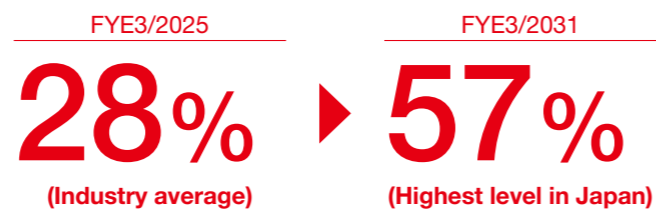
Issue Resolution Policy and Relevant SDGs

A virtuous cycle from investing in employee engagement to improved productivity and employee returns



Targets in the Medium-Term Management Plan

Engagement Improvement



Note: Source: Eccentric Japan LLC (survey conducted in October 2020)

Human resource development philosophy

In 1967, soon after the founding of the original company, we established a culinary school. We have always been committed to human resource development, including the fostering of future food service industry chefs.

Since the 1990s, the Group has maintained the operations of the Culinary Association (with approximately 800 members) and the Dietetic Association (with approximately 2,600 members). These voluntary organizations serve as a foundation for organizational and human resource development that encourages free and active thinking and promotes productivity improvement, without an overreliance on manuals.

Commitment to diversity

We have consistently taken advantage of chances for expansion and innovation by leveraging our variety, as seen in our 2008 business combination with the DAISHINTO Group, which is engaged in the Vehicle Operation Services Business and the Social Services Business. This helped to expand the local governments outsourcing market. We are working to establish an environment in which a broad range of human resources (including women, foreign nationals, and persons with disabilities) can shine in their own ways in order to realize this source of growth potential.

- SHiDAX DAISHINTO HUMAN SERVICE Inc. and SHiDAX FOOD SERVICE CORPORATION have received three stars and two stars, respectively, in the Eruboshi Certification, a certification system for the advancement of women in the workforce.
- SHiDAX OFFICE PARTNER CORPORATION, a special subsidiary, has received numerous awards, including the Minister of Health, Labour and Welfare Award and the Tokyo Metropolitan Government's Excellent Company Award for Employment of People with Disabilities.

Investing in employee engagement

Along with financial performance, employee engagement is currently regarded as the most crucial indicator. To ensure that our employees benefit from our expansion, we are investing in training and education.

- Implementation of internal social media and video sharing platforms in the after-school childcare service to boost communication and information sharing between operation sites and head office, as well as among sites, in order to promote productivity improvement
- The current promotion of a PDCA cycle to increase employee engagement by taking into account the opinions of our frontline employees and utilizing digital tools

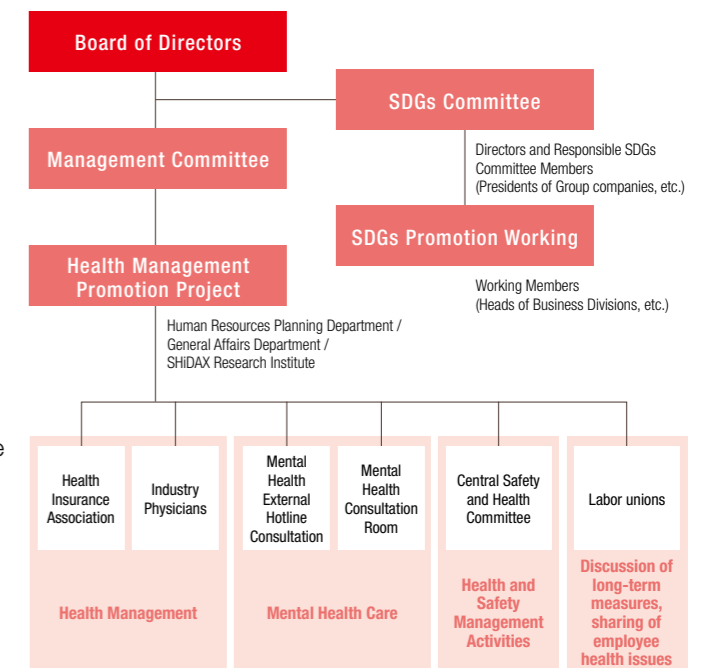


Health management and human capital management

Based on the Health Management Declaration, which states that all business activities should be conducted to promote a balance between social, physical, and mental health in order to create true health and achieve true happiness, our Group has enacted policies for the development of human resources, which include ensuring diversity, and the development of the internal environment. As we consider our employees to be our most valuable resource, we have identified four major elements for our human resource strategy: (1) Physical and mental health, (2) Incorporation of the MVV (Mission, Vision, and Value) management philosophy system, (3) Diversity, Training, and Work Style, and (4) Increasing Employee Engagement.

Health management initiatives

The Group has a cross-sectional "health management promotion project" that supports employees in maintaining and enhancing health with the aim of promoting health management within the Group. In March 2023, SHiDAX CORPORATION was also certified as an Excellent Health and Productivity Management Corporation (Large-Scale Corporate Division) for the third consecutive year. The Group considers human resources as valuable assets and promotes diversity management so that people with different personalities and abilities can play an active role regardless of their gender, nationality, or disability. Amid the ongoing shift to a society that coexists with COVID-19, we are actively implementing an employee support system for acquiring a leave of absence due to a temporary shutdown of preschools, elementary schools or to an infection of COVID-19 so that employees will be able to work with peace of mind. We also strongly encourage employees to maintain and enhance their health by improving the rate of receiving medical check-ups and promoting stress checks.



Mental and physical health

In addition to physical health, we also prioritize mental health, and are making efforts to ensure employees can continue working healthily with a smile on their face. In particular, we are concentrating on mental health care, including the central management and visualization of health conditions like periodic medical check-ups and stress checks under a new health management system, as well as giving employees the chance to freely consult with outside experts, like industry-specialized counselors, about challenges at work and at home.

Diversity, training, and work styles

We are promoting diversity management to bring together human resources with different ways of thinking. We seek to avoid socioeconomic bias that results in group think or overlooks mistakes. Instead, we seek to acquire cognitive diversity in order to generate new innovations and create value.



Introduction of a new personnel system

We have developed a system that combines compensation and evaluation with education and is based on more precisely defined competency dictionaries and behavioral evaluation items. This is the first new personnel system we have implemented in around 20 years. We will define the competencies needed for the training of the future generation of executives and create an educational framework for their efficient acquisition in conjunction with the creation of the personnel system.

In order to help each employee reach their full potential, we will also offer additional learning opportunities in the fiscal year ending March 2024. In addition, we will promote the development of human resources by encouraging independent learning and problem-solving skills in all situations. By allowing employees to pursue training on their own initiative to advance their careers and by opening the door as wide as possible to those who are eager, we intend to develop a system that supports further self-realization.

Contributions in the Area of the Environment

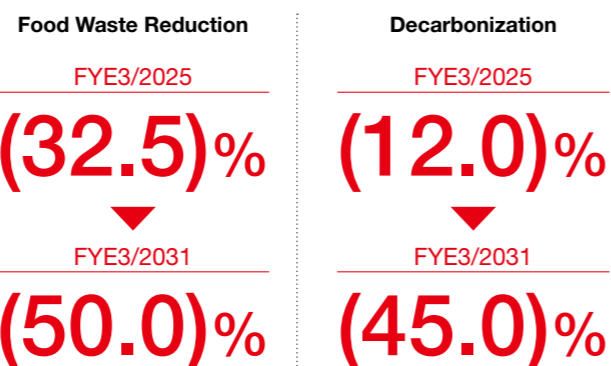
In order to curb global warming, decarbonization is a crucial issue worldwide. The reduction of vehicular emissions is particularly urgent. Food loss and waste is another significant issue that strains resources and contributes to greenhouse gas emissions. The SHiDAX Group aims to contribute to solving such social issues as decarbonization, mitigation of global warming, sustainable food production, and coexistence with the natural environment. We will contribute to solving social issues through innovation and collaborative creation with client and partner companies, such as with the reduction of meal service food waste and the optimization of vehicle operations and advancing its decarbonization.

Issue Resolution Policy and Relevant SDGs

Food waste reduction and decarbonizing vehicle operations through innovation and collaborative creation



Targets in the Medium-Term Management Plan



Pursuing innovation in food waste reduction

We are engaging in collaborative creation with our clients to devise new approaches to reducing food waste as a means of fulfilling the responsibility we have as a food service provider.

- Enhancements to operations and services, including the creation of food menus that use stockpiled food, the adoption of an advance reservation system, the provision of alternative menu options to sold-out items, and the measurement and presentation of the amount of remaining food



Creating an environmentally friendly local transportation infrastructure

As a unique transportation infrastructure provider for local governments and facilities, we provide innovative vehicle selection and suggestions for operating methods, empowering our clients to make environmentally friendly decisions.

- Working together with clients and automakers to promote and support the introduction of hydrogen buses and other zero-emission vehicles or those with low environmental-impact

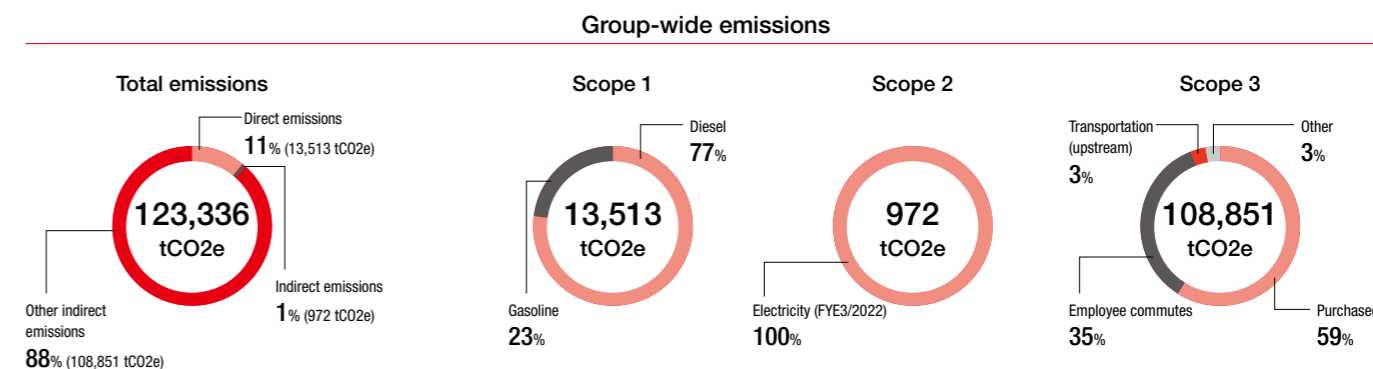
Contributions to educating children on SDGs

We offer a variety of SDG-related classes in our after-school childcare service business so that children can develop their own opinions and enjoy working on the SDGs. In some instances, regional initiatives have emerged from family discussions regarding what their children have learned.

Deliberations for decarbonization

On a Group-wide level, we are looking into advancing decarbonization as an environmental measure. We began efforts to calculate Group-wide greenhouse gas emissions in the fiscal year ended March 2023, when emissions were estimated at 123,000 tCO₂e. Deliberations for TCFD compliance will also begin in the fiscal year ending March 2024.

Greenhouse gas emissions of the SHiDAX Group (FYE3/2023)



Greenhouse gas emissions by business (FYE3/2023)

The Food Services Business accounted for 66% of the Group's Greenhouse gas emissions, the most of the three core businesses. In particular, we found that Scope 3 emissions, which account for a large portion of the business' emissions, is related to the procurement of food ingredients and other items. The Vehicle Operation Services Business accounted for 22% of the total, due to the small number of vehicles owned by its operating company, while the Social Services Business accounted for about 7%.

Due to the nature of the Group's businesses, many of its employees commute to work in client facility vehicles so greenhouse gas emissions related to commuting are high.

Company/Business	Item	Emissions (tCO ₂ e)	Trend
Entire Group	Scope 1	13,497	<ul style="list-style-type: none"> Scope 1: Vehicles owned by the company operating the Vehicle Operations Services Business account for a high percentage of greenhouse gas emissions. Scope 2: Fewer emissions overall due to the electricity consumption of the sites Scope 3: Emissions are predominantly from procurement in the Food Services Business, and emissions from employee vehicle commuting are high in all three core businesses
	Scope 2	898	
	Scope 3	108,835	
	Total	123,230	
Food Services Business	Scope 1	711	<ul style="list-style-type: none"> A large portion of emissions derive from Scope 3 Category 1 "Purchase of products and services" Another large portion of emissions derive from Scope 3 employee vehicle commuting
	Scope 2	102	
	Scope 3	80,194	
	Total	81,007	
Vehicle Operation Services Business	Scope 1	12,126	<ul style="list-style-type: none"> Scope 1: Emissions are 85% diesel fuel, 15% gasoline Scope 3: A large portion of emissions derive from employee vehicle commuting
	Scope 2	268	
	Scope 3	19,092	
	Total	31,486	
Social Services Business	Scope 1	637	<ul style="list-style-type: none"> Scope 1 gasoline emissions accounts for 98% of own emissions. Scope 3: A large portion of emissions derive from employee vehicle commuting
	Scope 2	216	
	Scope 3	8,326	
	Total	9,179	
Head Office Division	Scope 1	23	<ul style="list-style-type: none"> A large portion of the Company's emissions derive from Scope 2 electricity, which accounts for 32% of the Group's total Scope 2 emissions.
	Scope 2	312	
	Scope 3	1,223	
	Total	1,558	

Deliberations for decarbonization

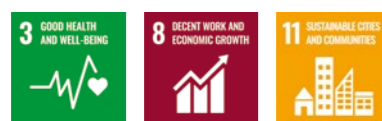
Regarding our Group's decarbonization, we will take into account plans to reduce environmental impact through the work of the SDGs Committee and each of our businesses. We will examine specific action plans in the fiscal year ending March 2024, including deliberations on TCFD compliance, and work to disclose them before FYE3/2024's conclusion.

Contributions in the Area of Local Revitalization

Amid the declining birthrate and aging population occurring nationwide in Japan, rural areas are depopulating while people in urban areas are becoming increasingly isolated. This makes it crucial to maintain and enhance areas in which people can experience a sense of community, as well as maintain or even enhance the transportation infrastructure through which people commute to school and work and use in their everyday lives. In order to address these social issues, the SHiDAX Group will assist local revitalization through the creation of community social hubs, boosting the efficiency of administrative services, and optimizing local transportation.

Issue Resolution Policy and Relevant SDGs

Contributing to local revitalization through the creation of community social hubs and optimizing local transportation



Targets in the Medium-Term Management Plan

Number of local governments with comprehensive management

FYE3/2025

11

FYE3/2031

58

Number of local governments with diverse local transportation operations

FYE3/2025

41

FYE3/2031

66

Creating community social hubs

Through the operation of numerous facilities that serve as community social hubs for local residents, their children, and tourists, we are collaborating with local governments to foster regional interaction and resurrect the tourism industry.

- Public facilities such as cultural centers, exchange centers, gymnasiums, libraries, museums, etc.
- Child welfare facilities such as after-school childcare centers, children's centers, and parenting support centers
- Tourist facilities such as Michi-no-Eki, parks, and lodging facilities



Enhancing quality and efficiency of administrative services by providing comprehensive outsourcing

By providing comprehensive outsourcing of almost all operations other than core operations, we promote the efficiency and sophistication of operations on a large scale and fully support the cost reduction and sophistication of administrative services through the use of private-sector know-how.

- 20 different administrative services (such as vehicle operation, school lunch services, facilities management, and housekeeping) were comprehensively outsourced to be provided in Erimo, Hokkaido.



Creating a sustainable regional transportation infrastructure

As a leader in regional transportation infrastructure, we advocate for and propose the construction of new transportation infrastructure that remains viable in light of declining transportation demand due to depopulation.

- Support transition from rail and local buses to demand-responsive buses
- Provision of comprehensive outsourcing of community, demand-responsive, and school buses, and operation optimization through integrated management

Contributions in the Areas of Safety and Security

Life-threatening situations can occur if safety and security are compromised in the areas of food and transportation. Society now demands even higher standards, and any deviation from these norms could call into question the Company's existence as a going concern. Furthermore, technology is necessary to meet even higher levels of safety and security.

The SHiDAX Group will address these social issues by developing the right culture and fostering human resources, pursuing food traceability, and optimizing governance to manage quality and hygiene in order to uphold SHiDAX standards of safety and security.

Issue Resolution Policy and Relevant SDGs

Achieving SHiDAX standards of safety and security through unique mechanisms and the creation of a culture revolving around safety and security



Targets in the Medium-Term Management Plan

Food Related:
In-house hygiene inspection A rank

FYE3/2025

50%

FYE3/2031

80%

Vehicle related:
(1) Number of major accidents
(2) Annual incident rates of accidents in which our side is liable

FYE3/2025

(1) 0 (2) 8% or less



FYE3/2031

(1) 0 (2) 8% or less

Group-wide hygiene and quality management system

As a Group, we operate in businesses where hygiene and quality management are mission-critical, such as food service and transportation service. As such, we have established a quality control department at the Head Office that is directly under the president's control. We are continuously working to leverage the most cutting-edge knowledge and methodologies in the industry.

- Formulated the Food Service HACCP manual in the 1990s
- Developed a manual on allergy-free meal provision in collaboration with a medical institute
- Obtained ISO 9001:2015 certification



Pursuit of high-level food traceability

We have been challenging distribution reform in the food service industry ever since the mid-1960s. We introduced centralized logistics management in the early 2000s and were the first company in food service to systematically manage food hygiene and traceability.

Since then, we created a joint purchasing organization, FunsAP Corp., through which we collaborate with five other companies in the same industry to spearhead initiatives to implement centralized logistics systems across the food service sector and implement large-scale food traceability management.

Human resource training in Vehicle Operation Services

In the Vehicle Operation Services Business, the foundation of our service is decorum, emotion, and consideration. We refer to our driver service personnel as "driving service personnel," and they support safety and security in a significant way. We provide them with thorough training so they may learn not only driving technique, but also decorum, confidentiality and personal health management.



Food Services



Contributing to the promotion of health through the provision of food that ensures safety and security

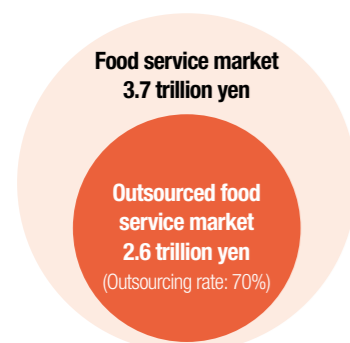
The Food Services Business provides meals to more than 1,700 locations, including hospitals, elderly facilities, preschools, kindergartens, and offices.

In the fiscal year ended March 31, 2023, the business environment remained challenging due to intensifying competition with major competitors in the industry, soaring raw material prices, and ongoing staff shortages brought on by prolonged COVID-19 infections.

Financial results for the fiscal year ended March 31, 2023, recovered in the fourth quarter, reaching the same level as the previous fiscal year. Nevertheless, full-year results were still impacted by the seventh and eighth waves of COVID-19 pandemic, with lower sales due to a reduction in the number of hospital beds in the Medical Division and a decrease in demand related to a certain major sporting event that had been booked in the previous fiscal year. Net sales amounted to 51,976 million yen (99.1% year on year), with operating profit of 2,276 million yen (86.1% year on year).

We still need to contend with rising food and labor costs. We are taking measures to absorb as much of the increase as possible through cost control and cost-shifting, leveraging our flexible onsite capabilities. We will also take on new initiatives, such as providing new low-cost services and developing a food truck business, while strengthening externally sold products through the Procurement and Sourcing Division. To expand our business through market development, we will also collaborate with Oisix to encourage the creation of fully cooked products utilizing meal kits.

Market Overview*1



Market trend: Moderate growth

- Moderate growth at a compound annual growth rate (CAGR) of around 1% as it becomes difficult to maintain direct management against a backdrop of factors including a shortage of human resources and an increasing shift to outsourcing. (Especially in the food service for hospitals, where a three meal a day service is required and the shortage of human resources is particularly significant).
- In the preschools market, outsourcing is rapidly expanding due to an increase in both the number of facilities and the outsourcing rate (currently less than 15%*) stemming from efforts to bolster parenting support.

Competitive environment: Diversified market

- While the top 20 companies account for 20% of the market share, the remaining 80% is dominated by small and medium-sized players (SHIDAX stands among the top 10).
- The business model of the Food Services Business is one in which economies of scale are at play in terms of food ingredient procurement, and is forecast to become more oligopolistic in the future.

Market trend: Coexisting with COVID-19 /compliance with SDGs and operational efficiency

- In offices, measures such as the operation of food service amid the "new normal" of coexisting with COVID-19 and sustainability-conscious food waste reduction are differentiating factors.

Positioning/ Strengths of the SHIDAX Group

A leading company among the top 10 players

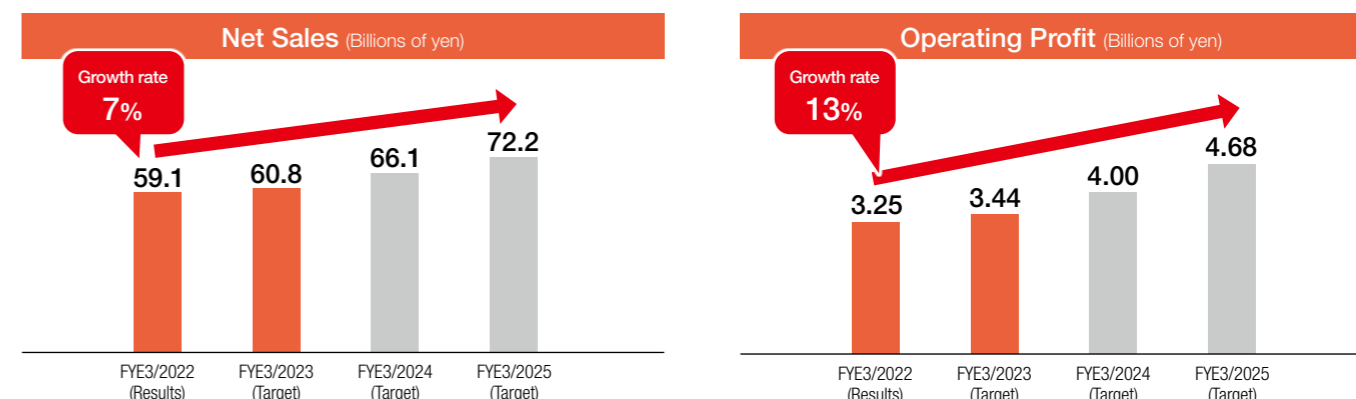
- With a clientele of over 400 companies, the Group is one of the top 10 players, attending to a wide range of client needs from offices to hospitals and preschools.

Strengths

- Cost-competitiveness and traceability achieved through a centralized food ingredient logistics system (SLOGIX CORPORATION) and a collaborative purchasing platform with competitors in the industry (FunsAP)
- Ability to lend an ear to our clients' specific individual requests and the engineering capabilities needed to flexibly take them on
- Knowledge the Group has cultivated in fields related to children (i.e., dietary education contents, etc.) through its undisputed overwhelming No. 1 after-school childcare service



Growth Targets of the Medium-Term Management Plan



Note: The above figures by segment are for managerial accounting purposes and differ from the figures for financial accounting purposes.

Basic Policy and Order Targets

Hospitals and elderly facilities	<ul style="list-style-type: none"> Targeting mainly small- and medium-sized hospitals, we provide detailed responses to the diverse service needs unique to them. Proactively promoting onsite procurement reduction by utilizing our Central Kitchen*3 to address the shortage of human resources. 										
Preschools and kindergartens	<ul style="list-style-type: none"> Both the number of facilities and the outsourcing rate (now less than 15%*) are predicted to rise in the high-growth field of preschools. Differentiation achieved through knowledge in fields related to children (such as how to deal with allergies and dietary education material) that is cultivated in the school lunches and after-school childcare businesses. 										
Offices, etc.	<ul style="list-style-type: none"> Reconsider new operating models by scale, as new normal responses are required, especially for offices, etc. 										
Order target	<p>(Billions of yen)</p> <table border="1"> <tr> <th>Year</th> <th>Order target (Billions of yen)</th> </tr> <tr> <td>FYE3/2022</td> <td>2.8</td> </tr> <tr> <td>FYE3/2023</td> <td>4.0</td> </tr> <tr> <td>FYE3/2024</td> <td>5.1</td> </tr> <tr> <td>FYE3/2025</td> <td>6.6</td> </tr> </table>	Year	Order target (Billions of yen)	FYE3/2022	2.8	FYE3/2023	4.0	FYE3/2024	5.1	FYE3/2025	6.6
Year	Order target (Billions of yen)										
FYE3/2022	2.8										
FYE3/2023	4.0										
FYE3/2024	5.1										
FYE3/2025	6.6										

*1 Based on market scope estimate reports from the Japan Foodservice Association, Yanco Research Institute Ltd., and our own research

*2 Based on our own research

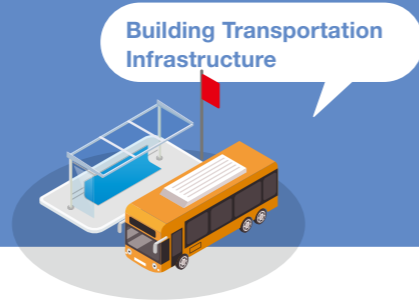
Priority Measures

Accelerate development of preschool food services	<ul style="list-style-type: none"> A specialized team was established in April 2020, laying the foundation for accelerated development (dedicated sales force, menu planning team, etc.). We plan to expand rapidly through aggressive sales and leveraging our knowledge in fields related to children. <p>(Number of facilities)</p> <table border="1"> <tr> <th>Year</th> <th>Number of facilities</th> </tr> <tr> <td>FYE3/2022</td> <td>177</td> </tr> <tr> <td>FYE3/2023</td> <td>191</td> </tr> <tr> <td>FYE3/2024</td> <td>268</td> </tr> <tr> <td>FYE3/2025</td> <td>334</td> </tr> </table>	Year	Number of facilities	FYE3/2022	177	FYE3/2023	191	FYE3/2024	268	FYE3/2025	334
Year	Number of facilities										
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FYE3/2025	334										
Addressing the "New Normal"	<ul style="list-style-type: none"> In response to an increase in the number of operating sites with a low number of meals consumed due to the "new normal" following the pandemic, we have created a low-cost operation model that balances cost and customer satisfaction by limiting the menu and service options. We are skilled at creating low-cost operation models such as the SHIDAX Lunch. At the same time, in response to polarizing needs, we will also differentiate our services through the launch of an app for operating sites with a high number of meals consumed. 										

*3 Food products prepared at factories and other facilities, and finished to the point of being cooked

*4 SHIDAX Delica Creates KK

Vehicle Operation Services



In the Vehicle Operation Services business, we provide vehicle operation management services for more than 3,700 vehicles nationwide, including executive transportation vehicles, which are already in the dominant No. 1 position, as well as operations of community, demand-responsive, and school buses in addition to local route buses in various regions.

The business environment in the fiscal year ended March 31, 2023 witnessed significant recovery in demand, which had fallen due to the COVID-19 pandemic, as economic activity resumed with the easing of behavioral restrictions. While private sector corporations continued to outsource non-core operations such as the use of executive transportation vehicles and employee shuttle buses, local governments continued to develop new transportation systems for financial reconstruction and local revitalization.

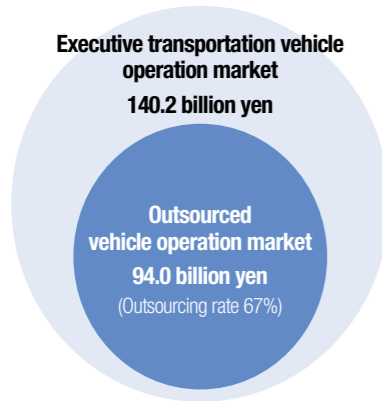
Despite the impact of higher fuel prices and other factors, the Group's performance in the fiscal year ended March 31, 2023 was influenced by the significantly higher number of new vehicles acquired since the fiscal year's beginning, as well as a recovery in operations taking place after-hours and during holidays throughout the year. These factors drove increases in both net sales, which rose to 23,359 million yen (107.5% year on year), and operating profit, which surged to 2,105 million yen (118.5% year on year).

The Group aims to further expand its market share by boosting sales through online promotions and cross-selling. In addition, by actively proposing demand-responsive buses, we will provide a means of transportation for vulnerable populations in cooperation with local communities to realize a regional, next-generation transportation service. And as a solution to the current driver shortage, which remains a constant issue, we will approach the "2024 problem*" in logistics by actively engaging in recruitment activities.

* Problem arising from the planned enforcement of an annual overtime cap on vehicle driving operations

Market Overview*1

Executive Transportation Vehicles (B2B and B2G)



Market trend

- Gradual growth due to outsourcing against a backdrop of aging drivers

Competitive environment

- Diversified market with few large players and the majority of small and medium-sized players

Market trend

- Growing demand for decarbonized vehicles

Positioning/ Strengths of the SHIDAX Group

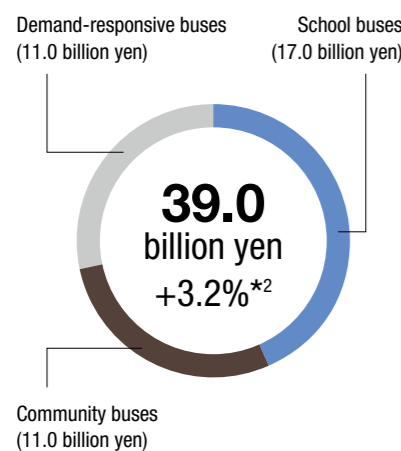
A leading company among the top 10 players

- The Group has top share, with approximately 10% of the market

Strengths

- Expertise in recruiting and training high quality drivers required for executive-class customers, including absolute decorum
- 11 branches and 68 sales offices nationwide
- High reliability and crisis response capabilities as an industry leader

Outsourced regional transportation market (B2G)



Market trend

- Rapidly growing demand and rapidly expanding market due to withdrawal of route buses and the consolidation of elementary and junior high schools

Competitive environment

- Few players have expertise in community, demand-responsive, and school bus operations
- Contracting track record is crucial

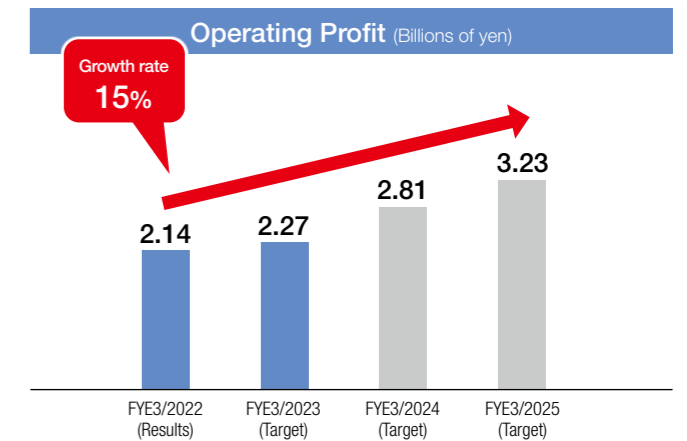
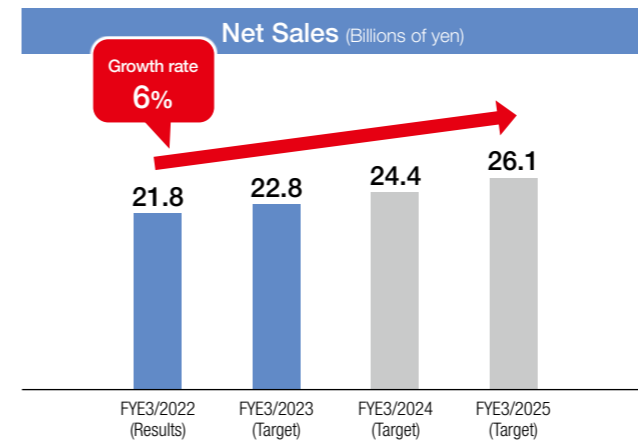
Top market share at 6.4%

- The Group is a rare player with a nationwide presence, including a progressive approach in Kimitsu City, Chiba Prefecture

Strengths

- Strong connections and contracting track record with 150 local governments
- Expertise in planning efficient operation schedules in depopulated areas, as well as an demand-responsive bus operation system that enables optimal bus operation
- Ability to provide services that not only utilize client vehicles but our own vehicles as well

Growth Targets of the Medium-Term Management Plan



Note: The above figures by segment are for managerial accounting purposes and differ from the figures for financial accounting purposes.

Basic Policy and Order Targets

Executive transportation vehicles	<ul style="list-style-type: none"> Progress in enhancing driver service personnel recruiting capabilities, putting the Group in a better position to win new contracts Promoting cross-sales with the Food Services Business and acquiring leads through online advertising, which we have not focused on in the past Actively considering M&A of small and medium-sized businesses
Regional transportation	<ul style="list-style-type: none"> Focus on acquiring school buses after the consolidation of elementary and junior high schools and community/demand-responsive buses after the withdrawal of route buses; demand is expected to grow rapidly due to depopulation Respond to both the needs for decarbonization as well as the need to develop services that utilize our own buses by actively advancing our ownership of environmentally adapted vehicles
Order target	<p>(Billions of yen)</p>

*1 According to our research

*2 Market growth rate

*3 Orders related to a particular global sporting event held in the fiscal year ended March 31, 2022

Priority Measures (Strategies for acquiring regional transportation contracts)



At present, contracts with 150 local governments, mainly in depopulated areas, for school buses after the consolidation of elementary and junior high schools as well as community/demand-responsive buses after the withdrawal of route buses.

- Further expand the number of local governments with which we do business in school bus/community bus projects through roller sales (including cross-selling) and bidding information.
- Increase presence as the last bastion of regional public transportation in existing local governments and expand the number of orders received, as the number of school/community buses in demand within each local government will grow in stages as the number of areas facing depopulation increases.

Social Services



Providing high-quality services with the No.1 market share in the industry

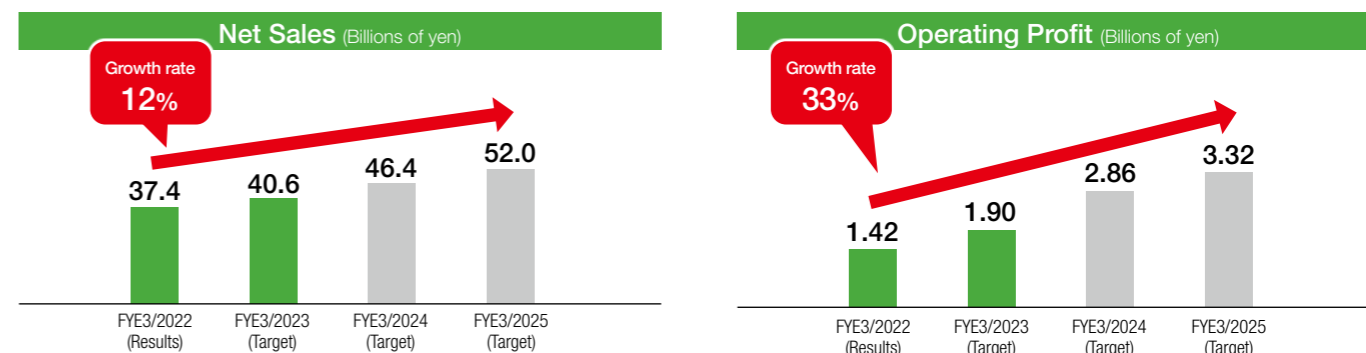
The Social Services Business is a B2G form of business that operates and manages more than 2,600 public facilities, tourist facilities, after-school childcare centers, and public school lunch services nationwide.

In the business environment for the fiscal year ended March 31, 2023, the outsourcing market is steadily growing as local governments increasingly need to outsource services provided by local governments to the private sector in order to improve financial reconstruction and community revitalization, and facilities are being integrated to operate residents' services more efficiently, while the cost of administrative services is rising due to the declining birthrate and aging population as well as the labor shortage.

During the fiscal year ended March 31, 2023, the Group achieved a significant increase in both net sales, which rose to 43,231 million yen (115.8% year on year), and operating profit, which surged to 2,364 million yen (156.6% year on year). Strong performance throughout the year included the expansion of after-school childcare service business, a significant increase in the number of facilities managed such as libraries, etc., and a recovery in leisure and tourism demand as well as the contribution of COVID-19 pandemic-related business contracts.

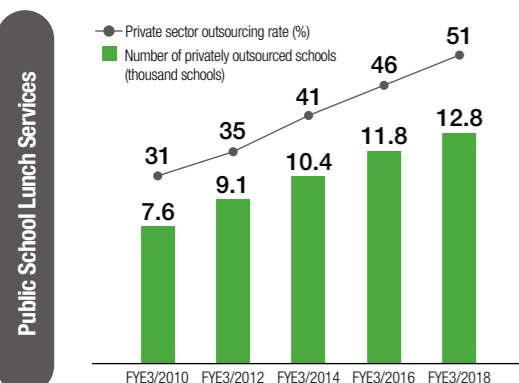
In the future, we aim to automate operations through the development of apps as well as developments in robotics to improve the convenience and operational efficiency of the facilities. Regarding public school lunch services, we aim to focus on improving the skills of our sales personnel and building a strategic sales system in order to reinforce school lunch center-style contracting. In after-school childcare services, we will leverage the knowledge we have accumulated as the field's No. 1 player to further expand our business by making forays into business fields related to children, such as after-school daycare services.

Growth Targets of the Medium-Term Management Plan



Note: The above figures by segment are for managerial accounting purposes and differ from the figures for financial accounting purposes.

Market Overview of Public School Lunch Services and Others*1



Market trend

• A growth market in which outsourcing is progressing against the backdrop of the Top Runner System, etc.

Competitive environment

- Although there are some major players, the market is dispersed with a large number of small and medium-sized businesses.
- Shift from self-contained preparation (school lunches are prepared on each individual premises) to centralized preparation (lunches for multiple schools are prepared at one site), due to consolidation, could lead to oligopoly.

Positioning/Strengths of the SHiDAX Group

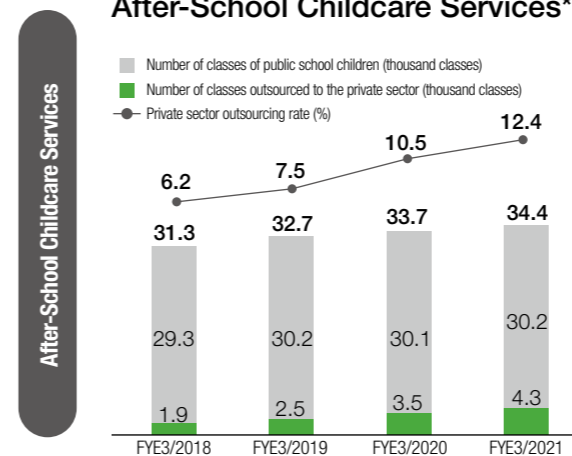
One of the major players

• The Group is a rare as it is an organization that not only has a Food Services Business, which provides meals marketed toward the private sector, but also has other businesses contracted by local governments.

Strengths

- Roller sales to our Social Services Business' 380 existing client local governments and their surrounding local governments.
- Operational know-how cultivated in the Food Services Business can be leveraged in the provision of public school lunch services

Market Overview of After-School Childcare Services*3



Positioning/Strengths of the SHiDAX Group

Market trends

- The New General After-School Childcare Plan, formulated in September 2018, has led to a rapid expansion in the number of classes as well as the outsourcing rate for after-school childcare services.
- The outsourcing market is estimated to have reached 46.6 billion yen. However, as the outsourcing rate is only 12.4%, plenty of room for expansion remains.

Competitive environment

• As past outsourced contracts come up for renewal, the quality of operations becomes more important and competition shifts from "quantity" to "quality."

Top market share of just under 30%

• The Group was one of the first to implement after-school childcare centers under contract, and is the overwhelming No. 1 in terms of both the number of centers operated and the quality of operations.

Competitive environment

• Highly regarded for the quality of operations honed through shared and collected learning at each site, operational know-how, proprietary business systems, etc.

→ As a result, market share has increased in recent years as quality has become more important.

Basic Policy and Order Targets

After-school childcare services	<ul style="list-style-type: none"> • Driving market expansion with high-quality operations as the dominant No. 1 player with a market share of just under 30% • Advance into fields related to children by leveraging accumulated knowledge 										
Public school lunch services	<ul style="list-style-type: none"> • Steadily accumulate new contracts in this growing market that continues to shift toward outsourcing • M&A of many small and medium-sized players 										
Social services (Other)	<ul style="list-style-type: none"> • Focus on libraries, facility management, and information desk services, which are increasingly being outsourced (to be developed into the second pillar of growth behind after-school childcare services) • Promote roller sales throughout all business segments, the provision of comprehensive outsourcing services, and a search for new business fields 										
Order target	<p>(Billions of yen)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Order target (Billions of yen)</th> </tr> </thead> <tbody> <tr> <td>FYE3/2022</td> <td>5.1</td> </tr> <tr> <td>FYE3/2023</td> <td>7.3</td> </tr> <tr> <td>FYE3/2024</td> <td>7.3</td> </tr> <tr> <td>FYE3/2025</td> <td>7.3</td> </tr> </tbody> </table>	Year	Order target (Billions of yen)	FYE3/2022	5.1	FYE3/2023	7.3	FYE3/2024	7.3	FYE3/2025	7.3
Year	Order target (Billions of yen)										
FYE3/2022	5.1										
FYE3/2023	7.3										
FYE3/2024	7.3										
FYE3/2025	7.3										

*1 Compiled from "A Survey on School Lunch" from the Ministry of Education, Culture, Sports, Science and Technology (MEXT), NJSS, Yano Research Institute Ltd., and other sources
*2 Market growth rate

Priority Measures (Business Segment-wide Expansion)

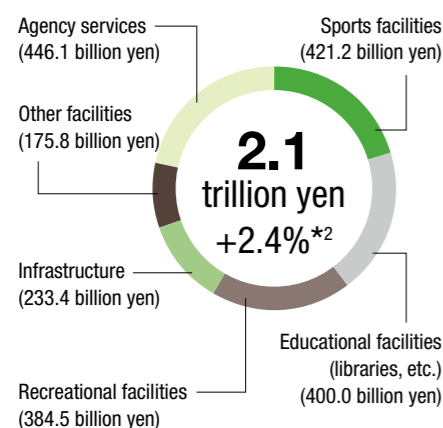


- Expand the number of local government contractees through roller sales toward local governments that are near existing clients and have not yet used our services.
- Support local governments, especially those facing depopulation, through a push toward the provision of comprehensive outsourcing services that leverage our three distinct business segments to enable higher efficiency.
- Expansion of necessary service lineup

*3 "Survey on the state of implementation of after-school childcare services" by the National Council for the Liaison Conference on Childcare for Children of School Age, and our own research
*4 1,724 local governments nationwide, including the Northern Territories, and our 380 existing local government clients

Public School Lunch Services

Libraries, agency services, etc.



Market trend

• While the outsourcing rate for cleaning services is close to 100%, the outsourcing rate for libraries and sports facilities is estimated to be 10-20%, and will continue to increase in the future.

Competitive environment

• Focusing on specialized vendors in each field

A rare player capable of undertaking a wide range of services

• While there are many specialized companies, the Group is a rare player that is capable of providing a wide range of comprehensive outsourcing services.

Strengths

- Connections with 380 local governments and a business system common to all of the Group's B2G businesses
- Further efficient operations can be achieved by providing outsourcing services for multiple operations in a single contract (e.g., Erimo, Hokkaido)

Financial Analysis and Strategy

Financial Highlights and Progress in the First Year of the Medium-Term Management Plan

(Millions of yen)

	FYE3/2022 (Results)	FYE3/2023 (Initial plan)	FYE3/2023 (Forecast on February 10)	FYE3/2023 (Results)	Year on year (%)
Net sales	115,525	120,000	120,000	121,220	104.9
Operating profit	2,442	3,700	3,900	4,301	176.1
Ordinary profit	2,292	—	3,700	4,188	182.7
Profit attributable to owners of parent	4,089	—	3,100	3,817	93.3

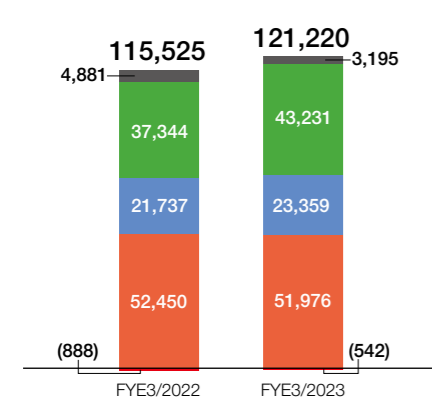
Amid the shift toward coexisting with the coronavirus as a result of the normalization of economic activities, SHiDAX's performance was strong for the fiscal year ended March 31, 2023, as the results of management reforms, such as continuing cost reductions, became evident. This was achieved despite significant impact of the global raw materials and fuel price hikes, as well as the lingering effects of the COVID-19 pandemic. In addition, we were able to meet our order receipt targets thanks to consistent focus on raising the level of the Group's overall business by restructuring the sales structure, as well as through the promotion of cross-selling. In terms of profit, both operating profit and ordinary profit have increased significantly for two consecutive periods following the V-shaped recovery of the previous fiscal year.

While the Food Services Business was severely impacted by rising food costs during the first year of the medium-term management plan, the Group in its entirety was able to overcome these obstacles and surpass the first-year plan with profit of 120 billion yen and operating profit of 3.7 billion yen.

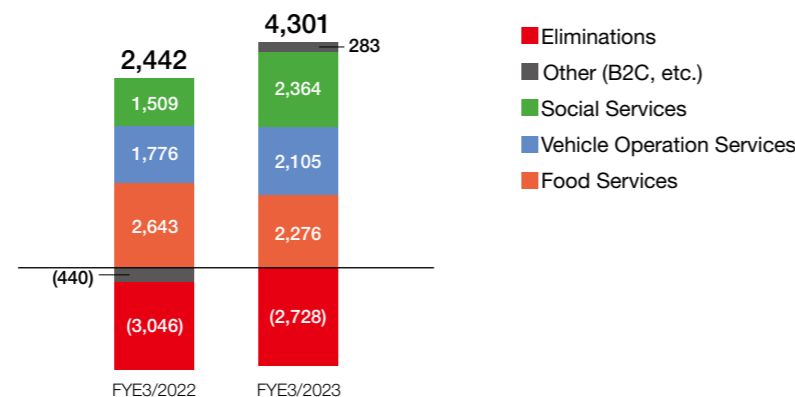
Progress in Three Core Businesses

Major Breakthrough in Social Services Business

Net sales (Millions of yen)



Operating profit (Millions of yen)



The SHiDAX Group has transitioned to a business model that focuses on B2B for corporations and B2G for local governments. Our business portfolio revolves around Food Services, Vehicle Operation Services, and Social Services, which serve as the pillars of the Group. A growth strategy for these businesses was also developed and put into place.

With a focus on growth drivers, the Social Services Business in particular continues to experience double-digit growth, and serve as the major driver of the Group's 5.6 billion yen increase in net sales and 1.8 billion yen increase in operating profit. In order to evolve into a "company that solves social issues," we will continue to devote much of our managerial resources to expanding the Group's three core businesses as investments.

Basic Policy on Capital Management

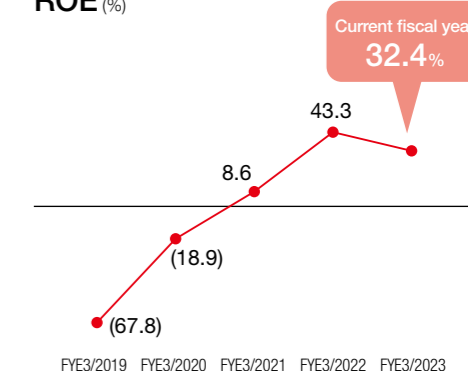
SHiDAX's basic policy is to steadily enhance shareholder value and corporate value by striking a balance between raising shareholder returns and investing in the growth of our three core businesses while ensuring financial stability.

Financial Stability

(Millions of yen)

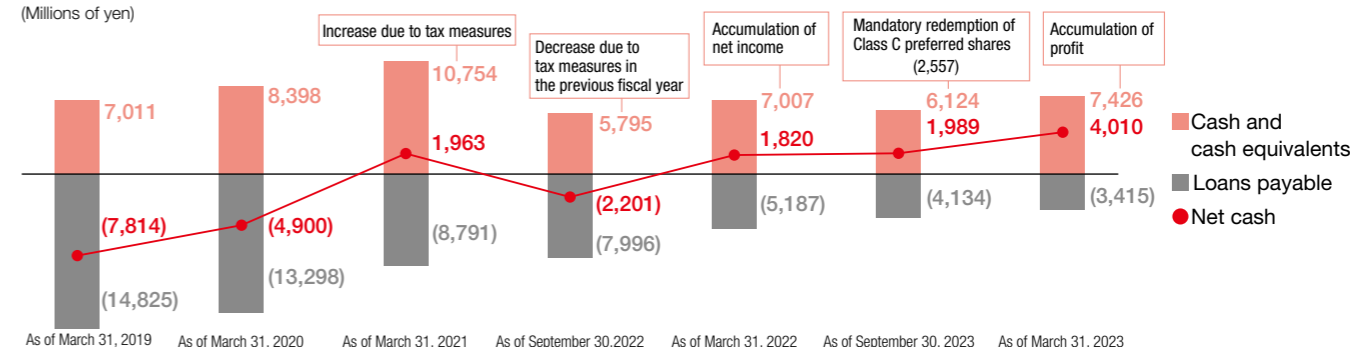
	FYE3/2022	FYE3/2023	Difference
Net assets	11,371	12,225	+853
Retained earnings	(2,148)	1,669	+3,817
D/E ratio (times)	0.46	0.28	(0.18)
Net D/E ratio (times)	(0.16)	(0.33)	(0.17)
Cash and cash equivalents	7,007	7,426	+418
Equity ratio (%)	34.3	36.8	+2.5pt

ROE (%)



Cash Position

(Millions of yen)



We have eliminated excessive financial leverage in the past, prioritized the improvement of equity capital quality while maintaining a high net cash position, and have maintained a stable equity ratio of 36.8% despite the cancellation of Class B and Class C preferred shares. Moreover, similar to the fiscal year ended March 31, 2022, we made progress on retained earnings. This year's strong performance allowed us, as expected, to fully reverse the negative retained earnings of 2,148 million yen at the end of the fiscal year ended March 31, 2022, with a 3,817 million yen accrual to close the fiscal year under review with retained earnings of 1,669 million yen, a notable comeback.

Shareholder Return Policy

Dividend per share (Yen)



The Company's fundamental policy is to pay consistent dividends in accordance with ongoing profit growth and to distribute profits to shareholders in the form of dividends. In our medium-term management plan, we indicated that through the fiscal year ending March 31, 2025, the plan's final year, we would steadily raise the dividend payout ratio by establishing our own standards and taking into account the allocation of net asset improvement.

We plan to raise the dividend payout ratio to 20%, with dividends increasing by 2 yen to 12 yen per share for the fiscal year ending March 31, 2024. This is approaching the 15 yen per share anticipated in the medium-term management plan, even after accounting for the fact that the number of common shares rose by more than 30% as a result of the conversion of Class B preferred shares into common shares. With an eye on the dividend payout ratio, we will continue to work toward returning profits to shareholders.

External Directors' Roundtable



Makoto Kawai
External Director

Kohey Takashima
External Director

Masahito Seno
External Director

Great potential inherent in
the nature of SHiDAX

How is SHiDAX's governance structure evaluated?

Takashima Though a number of frank discussions have been conducted among the Company's relatively small Board of Directors, I am hopeful that the new structure will allow for more constructive discussions.

Mr. Kawai has been observing SHiDAX for more than seven years in a very objective yet nurturing capacity, so I believe it is vital to have someone on the board with a deep understanding of the Company, both the good and the bad.

In addition to Mr. Seno's great expertise in the area of governance, including legal and compliance-related matters, he also boasts experience in major projects at Yahoo Japan and Z Holdings, making him quite a reliable figure.

Seno While it is true that the Board of Directors, which consists of the three of us and the two founders, is small, this creates an atmosphere in which it is easy to engage in robust discourse.

In my capacity as an External Director, I have only spoken with Mr. Takashima a few times, however, I believe him to be someone who can offer straightforward advice, including on matters such as business collaboration, which will push us toward further growth.

Mr. Kawai, on the other hand, is someone who approaches matters with critical thinking, which leads us to conclusions that strike a balance with the reality of SHiDAX's business. I believe that the three External Directors working so closely with the two founding members puts us in an ideal situation.

Kawai It is regrettable that employees have experienced anxiety since last year. Still, looking at things from a positive perspective, I believe this incident serves as proof that the governance required of all publicly listed companies was functioning as intended.

With the new structure in place, the Company has now created an atmosphere in which more constructive and progressive discussions can occur. With younger members than ever before, the Board of Directors is reinvigorated, which I'm sure will provide opportunities to become an even more open organization.

None of us are the type to shy away from sharing our opinions and we each carry a different set of skills and experiences. Therefore, we have much to learn from each other and we aim to make the most of what this partnership brings.

By creating more opportunities for dialogue and closer

communication in the future, SHiDAX can further evolve into a more open and resilient organization.

In order for SHiDAX to achieve further growth as a "company that solves social issues," what sort of initiatives do you believe to be necessary?

Seno Social issues often exist in places where people, goods, and money are in short supply or unevenly distributed. When taking on the challenge of doing business in such a situation, sales may increase, but difficult issues in terms of securing profits and maintaining a good working environment for employees will continue to arise. I believe that the key to further growth lies in striking a balance between service quality, employee satisfaction, and profit.

Takashima SHiDAX's efforts to solve social issues in the area of food are similar to those of Oisix ra daichi, which I manage. For example, food waste and greenhouse gases emissions, which are also a problem for the food industry. It is my hope to collaborate as much as possible to solve these common issues.

This Company prides itself on being "For Future Generations." Yet, discussions about the future cannot begin to take place if children living in urban areas are doing well, but nothing is being done to help their peers in rural areas. As population declines and the number of service providers continues to decrease, a bright future cannot be envisioned as an extension of the present, which is where I believe the Social Services and Vehicle Operation Services businesses have a significant role to play.

Kawai The industrial world should take the lead in the paradigm shift toward a new era. The idea of shifting from consumption that primarily values the possession of goods (products and services) toward more highly valuing the associated experiences has been around for a while. SHiDAX, which promotes its "500 Jobs," has always been a kind of "department store of services." Through its business, SHiDAX has continued striving to become integrated into people's lives and fully assist them in realizing their dreams, hopes, and ideal living environments and has already established such a business structure. It is my sincere hope that the Company will become the industry front runner, ushering society further into the SDG era by charting the course for the future and confidently pressing forward.

External Directors' Roundtable



What sort of issues do you believe SHiDAX needs to address in order to envision such a future?

Kawai Speaking with a bit of expectation, I believe further learning and experience is needed to make this happen. The Board of Directors should also provide more opportunities for dialogue, not just with the executive staff but also with those involved in day-to-day operations in the field. In order to make such a future a reality, everyone must have a clear and prejudice-free perspective, and make every effort to fully use their sociological imagination to gain an accurate perception of the times.

For example, the aging of Japan's population is already on the horizon, as the Japanese baby boomer generation will begin turning 75 in 2025. The majority of members of that generation are actually concentrated in urban areas, as is evident from a bird's-eye perspective of Japan's anticipated future population by municipality. Geriatric medical research shows that at the age of 75, both men and women experience greater decline in various bodily functions as they age. This implies that everyone will spend a significant portion of their latter years living under the care of someone else. So, the overall number should be the main concern rather than the rate. Population boomers, previously captured on a time axis,

manifest themselves in the form of concentrations in specific areas. In other words, urban areas specifically face many of the social problems brought on by the aging of society. Thus, the challenge for regional cities is primarily population decline. In other words, modern Japan faces twin risks: the collapse of the medical and nursing care system in urban areas and the disappearance of the livelihood infrastructure in remote areas remote islands, and farming and fishing regions.

Partnerships between industry, government, and the private sector will be essential to addressing these social shifts. In this situation, I think SHiDAX should strive to "design social innovation" with the cooperation of the entire organization.

This entails rethinking the purpose of life, employment, and living. I'd like us to design new social services by fully leveraging the skills, abilities, wisdom, and knowledge that SHiDAX has developed. This will call for an unparalleled range of partnerships. I have great expectations for SHiDAX's future business development.

Seno SHiDAX has a corporate culture of taking on new challenges, such as new services and business models, and we would like to see SHiDAX actively engage in the use of DX and IT for the future.

Even if we sum up IT utilization in one word, the quality of a company's services and the form its services take changes depending on how it utilizes technology, just as generative AI was born between jobs in which people connect with each other and jobs in which large amounts of information are



compiled and processed mechanically to make them more convenient. An important decision to make will be how SHiDAX decides to utilize these technologies to improve efficiency and digitalization. Or, on the other hand, how not to utilize them and leave those on the front lines with a feeling greater than can be expressed through data alone.

I would also like to leverage the knowledge I'm gaining through my time working for an IT company.

Takashima For example, in terms of utilizing DX, it would be great to have more voices beyond the clients reach SHiDAX operating sites. In much the same way there are patients within each hospital, students within each school, and children within each preschool, while SHiDAX has adequate information on clients with whom it deals directly, being able to get more insight on the happiness and enjoyment of the services' end users would be ideal. The Company is fully aware that it is becoming increasingly important to have a solid understanding of the diverse needs of our end users.

What do you anticipate from the human resources who will take on the responsibility of SHiDAX's future? What actions would you wish to further leverage SHiDAX's human resources?

Takashima While SHiDAX has many shared points with Oisix and its corporate culture, I acknowledge SHiDAX's very strong onsite capabilities. Having several opportunities to visit operating sites, it fills me with joy to see the mindset of actively making improvements to the system, rather than just operating it. It's obvious that tasks are performed out of a desire to please the client or with understanding that their work could directly affect a patient in need.

Given these strengths of SHiDAX, the challenge will be how to systematize operations to increase productivity while maintaining the SHiDAX style, and this balance will be both a challenge and a great opportunity as the shortage of people at operating sites becomes more severe.

Seno SHiDAX is a corporation that directly addresses and tackles the heart of social issues in Japan. I strongly believe that all of its efforts will improve society as a whole and lead to



a better future. As such, it is my personal fervent hope that all of SHiDAX's employees will take pride in the work that we do.

Kawai It's crucial to respect the presence and roles of others as one's work is also a setting in which human potential may thrive. Understanding the joys of teamwork is also important. Work in this setting is the process of earning money to enhance one's inner quality of life. Hence, work shouldn't be a mechanical process in which receiving compensation makes up for the loss of leisure time. This may sound idealistic, but from here on out I'd like to promote a working environment in which one can confidently discuss their ideals.

I'd like to establish a working environment that creates a virtuous cycle in which employees can work more comfortably, their labor brings smiles and happiness to many people, and, as a result, the work itself transitions from hardship and difficulty to joy and pleasure. I'd also like employees to become capable of creating culture and society.

The future of SHiDAX depends on the efforts of its frontline workers. I would like more proactivity in the creation of motivation to make sure they realize that their everyday efforts and the service they provide, to even just one person, actually support this entire Company.

We hope that all of SHiDAX's employees will become practitioners of social activism, taking an experimental attitude to solving social issues with an eye to the next 5, 10, even 20 or 30 years, while carefully protecting short-term earnings.

Board Members and Executive Officers

Directors and Audit & Supervisory Board Members



Past experience, positions, responsibilities, and significant concurrent positions

November 1981 Joined Caft Food Service Corporation (currently SHIDAX CONTRACT FOOD SERVICE CORPORATION) General Manager of Sales Promotion Department
June 2012 President and Chairman of the Board of Directors of the Company

[Significant concurrent positions]

Chairman and Representative Director of SHIDAX CONTRACT FOOD SERVICE CORPORATION
Director of SHIDA Holdings Corporation
Director of Japan Contract Food Service Association

Kinichi Shida
President and Chairman of the Board of Directors
(September 5, 1957)



Past experience, positions, responsibilities, and significant concurrent positions

June 2023 External Director of the Company (to present)

[Significant concurrent positions]

Corporate Officer, Head of Legal Management Division and Head of Group Risk Management Division of Z Holdings Corporation

Masahito Seno
External Director
(October 16, 1981)



Past experience, positions, responsibilities, and significant concurrent positions

May 1960 Established Fuji Shokuhin Kogyo Co., Ltd. (currently SHIDAX CONTRACT FOOD SERVICE CORPORATION) President and Representative Director
June 2012 Founder and Director, Supreme Adviser of the Company (to present)

[Significant concurrent positions]

Representative Director of SHIDA Holdings Corporation

Tsutomu Shida
Founder and Director, Supreme Adviser
(October 14, 1934)



Past experience, positions, responsibilities, and significant concurrent positions

June 2017 Director of the Company
June 2021 Full-Time Audit & Supervisory Board Member of the Company (to present)

Masataro Sekiguchi
Full-Time Audit & Supervisory Board Member
(November 15, 1954)



Past experience, positions, responsibilities, and significant concurrent positions

June 2016 External Director of the Company (to present)

[Significant concurrent positions]

Visiting Professor of Research Course for Management Information, Tama Graduate School of Business
Head of Regional Revitalization Department, Advanced Science ELSI Institute, Organization for the Strategic Coordination of Research and Intellectual Properties, Meiji University
Director and Chairperson of Regional Popularizing Committee of The Incorporated Association of Future Design for Healthy Life and Health-Care Living

Makoto Kawai
External Director
(October 26, 1960)



Past experience, positions, responsibilities, and significant concurrent positions

June 2013 Audit & Supervisory Board Member of the Company (to present)

[Significant concurrent positions]

Founder of Tabei Certified Public Accountant Office
Outside Auditor of LINKBAL Inc.

Etsuko Tabei
External Audit & Supervisory Board Member
(January 20, 1956)



Past experience, positions, responsibilities, and significant concurrent positions

January 2023 External Director of the Company (to present)

[Significant concurrent positions]

Representative Director, CEO of Oisix ra daichi Inc.
External Director of Benesse Holdings, Inc.
Joint Representative Director of Data for Social Transformation

Kohey Takashima
External Director
(August 15, 1973)



Past experience, positions, responsibilities, and significant concurrent positions

June 2022 Audit & Supervisory Board Member of the Company (to present)

[Significant concurrent positions]

Attorney at Authense LPC

Mari Takahashi
External Audit & Supervisory Board Member
(December 5, 1975)

Executive Officers

Senior Managing Executive Officers

Yoshio Satoh

In charge of Head Office (Strategic Management Division, Administrative Management Division, Human Resources Division, and Public Relations Office), responsible for Quality Control Office and SHIDAX Research Institute, Vice Chairman and Representative Director of SHIDAX CONTRACT FOOD SERVICE CORPORATION, Vice Chairman and Representative Director of SHIDAX FOOD SERVICE CORPORATION

Noriyoshi Morishita

President and Representative Director of DAISHINTO Inc.

Tomoharu Yamada

President and Representative Director of SHIDAX DAISHINTO HUMAN SERVICE Inc.

Managing Executive Officers

Shunji Takeshita

President and Representative Director of SLOGIX CORPORATION

Mitsuru Sugiyama

President and Representative Director of SHIDAX CONTRACT FOOD SERVICE CORPORATION
President and Representative Director of SHIDAX FOOD SERVICE CORPORATION

Tomoaki Orihara

Divisional Head of Strategic Management Division
Divisional Head of Incubation Business Division
Divisional Head of TOS Business Division
Head of Alliance Strategy Office

Executive Officers

Hideto Matsuoka

Divisional Head of Administrative Management Division

Shigeki Honaga

Divisional Head of Human Resources Division
President and Representative Director of SHIDAX OFFICE PARTNER CORPORATION

Eiko Mukae

Head of the Quality Control Office

Satoshi Ashikawa

Divisional Head of Contract Business for Food Services Business Division
Head of Menu Development Office

Yoshiki Mita

Divisional Head of Preschool and Food Service Business for Food Services Business Division

Teruaki Negishi

Divisional Head of Medical Business for Food Services Business Division

Hiroo Kakurai

Divisional Head of General Vehicle Business for Vehicle Operation Services Business Division

Katsuhiko Furubayashi

Divisional Head of Executive Vehicle Business for Vehicle Operation Services Business Division

Joichiro Ikeda

Divisional Head of Passenger Transport Business for Vehicle Operation Services Business Division

Yuichi Hirabayashi

Divisional Head of Business Planning for Vehicle Operation Services Business Division

Kenji Ishii

Divisional Head of After-School Childcare Services Business for Social Services Business Division

Takahiko Masuda

Divisional Head of Social Services Business for Social Services Business Division

Mie Mochida

Divisional Head of Public School Lunch Services Business for Social Services Business Division

Expertise expected of Directors	Kinichi Shida	Tsutomu Shida	Makoto Kawai	Kohey Takashima	Masahito Seno	Fields where each Director should utilize his or her expertise (Important issues involving management)
	President and Chairman of the Board of Directors	Founder and Director, Supreme Adviser	Director (External)	Director (External)	Director (External)	
Group Management, Strategies, M&A	●	●	●	●	●	In order to increase the profitability of the Group, best practices based on a global perspective, ideas and experience from various industries will be incorporated. Strategies will be developed for multiple businesses, and effective management will be carried out through M&A, among other things
Sales, Marketing	●	●		●		Creating clients in general companies and local governments in order to increase sales and to market products by creating an organizational framework
Finance, IR, Public Relations				●		Establishing a financial strategy to ensure consistent profits, to successfully raise money while upholding positive relationships with investors and financial institutions, and to engage in correct market and social communication
Accounting, Compliance, Governance					●	Ensuring correct accounting, legal, and risk management and creating a culture of governance and compliance to prevent harm to corporate value
Human Resource Development, Diversity	●	●	●			Encouraging employee engagement, boosting human resource development, and reviving the business in order to build a rewarding workplace for employees
DX, IT	●		●	●	●	Utilizing digital technology to alter the improvement of internal productivity and the quality of the Company's business and services in order to solve social issues
Solution for Social Issues (SDGs)	●	●	●	●	●	Promoting CSV management, which seeks to strike a balance between the pursuit of profit and the solving of social issues. We will utilize our insights into society to find, examine, and establish new enterprises that contribute to solving of social issues.

Note: The Board of Directors, which has established standards to assure a certain level of objectivity, discusses the outcomes of the certification process that forms the basis for each director's expertise.

Corporate Governance

Basic Approach

The Company's basic approach to corporate governance is in accordance with our goal of being "For Future Generations" and being a solutions company that nurtures bonds between people and makes society healthy and beautiful, which we will unyieldingly advance as the greatest cause of our Corporate Philosophy. We aim to achieve sustainable growth and enhance our corporate value over the medium to long term.

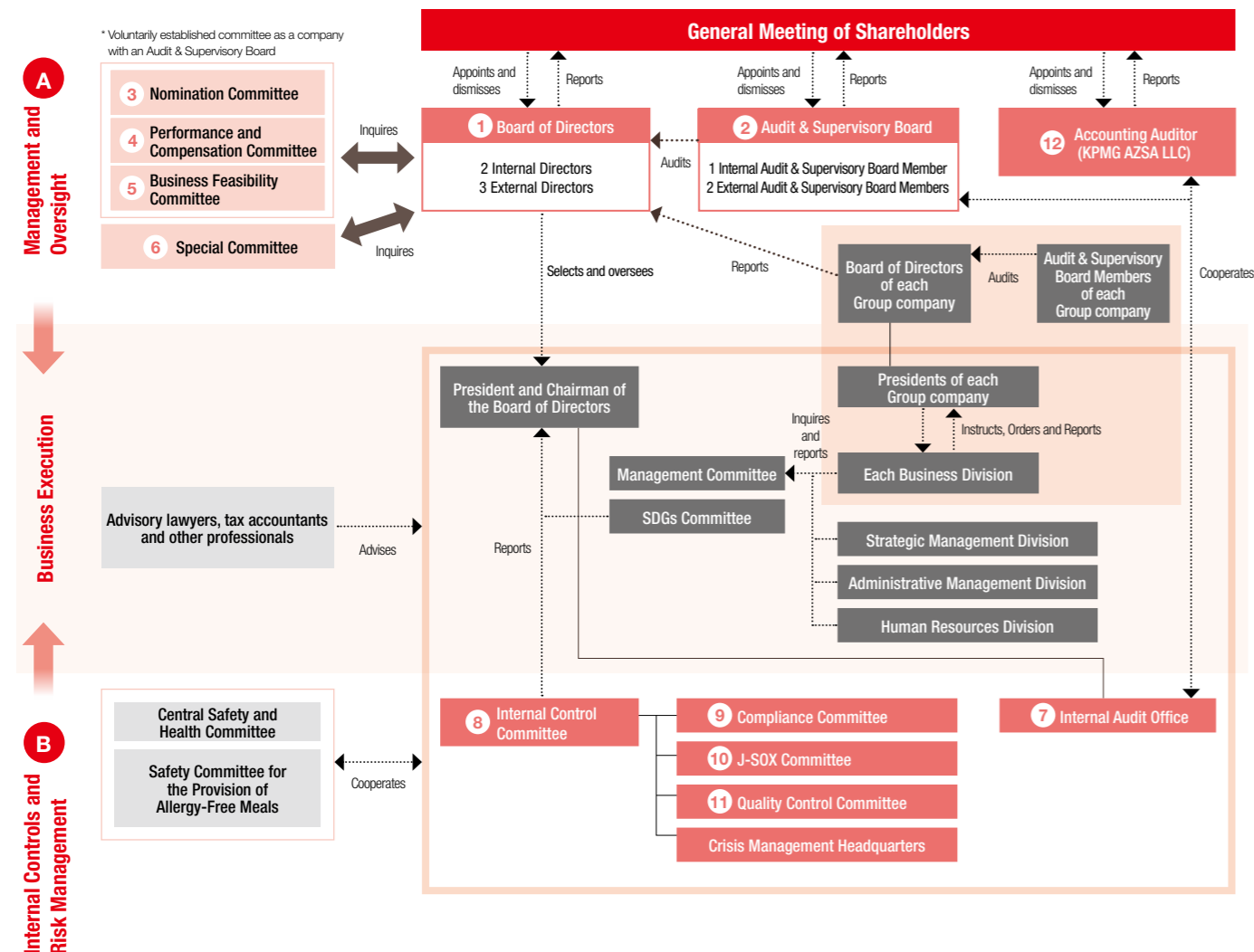
To this end, we acknowledge corporate governance as a crucial management concern. In order to enhance corporate competitiveness and corporate value in a rapidly evolving business environment, we will improve management's supervisory function by ensuring transparency and objectivity while accelerating management decision making.

Through interacting with stakeholders, further enhancing accountability, and maintaining the uniqueness that only SHIDAX can provide, the Company is dedicated to being a genuinely "open corporation."

Check System for Business Execution | Overview

The Board of Directors and Audit & Supervisory Board are responsible for the establishment, operation, and monitoring of the corporate governance system, and the Company is working to enhance the system of checks to supervise business execution through various meetings and committees.

Relationships among Agencies and Internal Controls



Management and Oversight | Overview of each organization and meeting body

Name of Organization /Meeting Body	Overview	Meeting Frequency
1 Board of Directors	<ul style="list-style-type: none"> The Board of Directors decides on fundamental management policies, legal requirements, significant issues pertaining to internal control, and other significant management issues. This body also oversees the directors' execution of their tasks. Three of the five directors are External Directors (two of the External Directors are Independent Directors). Board of Directors meetings are also attended by Audit & Supervisory Board Members. 	At least once a month
2 Audit & Supervisory Board	<ul style="list-style-type: none"> Aims to conduct agile and functional audits by developing audit plans, policies, etc. Two of the three Audit & Supervisory Board Members are External Audit & Supervisory Board Members. Audit & Supervisory Board Members audit the execution of duties by Directors as an independent body by attending meetings of the Board of Directors, the Internal Control Committee, and other important meetings, and by auditing important documents approved by the Board of Directors. 	At least once a month
3 Nomination Committee	<ul style="list-style-type: none"> Established voluntarily to improve the independence, objectivity, and accountability of the functions of the Company's Board of Directors with regard to discussions and decisions on the nomination of candidates for Directors The Nomination Committee is responsible for deliberating and reporting to the Board of Directors on matters related to the nomination of candidates for Directors. Consists of at least three members, including External Directors to maintain impartiality 	As needed
4 Performance and Compensation Committee	<ul style="list-style-type: none"> Established voluntarily to improve the independence, objectivity, and accountability of the functions of the Company's Board of Directors with regard to deliberations and decisions on the performance and compensation of Directors and Group Executive Officers The committee is responsible for deliberating and reporting to the Board of Directors on matters related to the annual evaluation and compensation of Directors and Group Executive Officers. Consists of at least three members, including External Directors to maintain impartiality 	Once a year
5 Business Feasibility Committee	<ul style="list-style-type: none"> Responsible for evaluating the return on capital invested in the Group's business portfolio, including business incubators, and reports to the Board of Directors on the decision to continue business endeavors Consists of at least three members, including at least one External Director to maintain impartiality 	Once a year
6 Special Committee	<ul style="list-style-type: none"> Established for fair consideration of collaboration in food-related businesses and to report to the Board of Directors on the direction of those businesses Consists of at least three members, including at least one independent External Director to maintain impartiality <p>* Currently, consideration by the Special Committee is suspended until the preconditions for consideration arise.</p>	As needed
7 Internal Audit Office	<ul style="list-style-type: none"> Established under the direction of the President and Chairman of the Board of Directors with the goal of ensuring that all officers and employees are properly carrying out their duties. Works in cooperation with the Compliance Committee and reports audit results not only to the President, but also to the Board of Directors and the Audit & Supervisory Board on a regular basis. 	Permanent
8 Internal Control Committee	<ul style="list-style-type: none"> Established under the direction of the Board of Directors Decides on basic matters such as the establishment of internal control systems (decisions are reported to the Board of Directors) and supervises the status of their development and operation The Compliance Committee, J-SOX Committee, and Quality Control Committee were established under the Internal Control Committee, which identifies risks for the entire Group and supervises risk management conducted by these committees. 	Once per quarter
9 Compliance Committee	<ul style="list-style-type: none"> Established under the Internal Control Committee to ensure compliance is permeated and thoroughly implemented across the entire Group Ensures complete compliance in all aspects of corporate operations on the basis of the Compliance Action Guidelines and Compliance Handbook. To ensure compliance with the Compliance Action Guidelines, both internal and external hotline reporting channels have been established. The Information Security Committee was established under the Compliance Committee to take countermeasures against the risk of information leaks. 	Once a month
10 J-SOX Committee	<ul style="list-style-type: none"> Established under the Internal Control Committee to strengthen the reliability of financial reporting Following proper internal procedures and upon approval from the Board of Directors, financial information is disclosed outside the organization. 	Once a month

Corporate Governance

Management and Oversight | Overview of each organization and meeting body

11 Quality Control Committee	<ul style="list-style-type: none"> Established under the Internal Control Committee in order to extend SHIDAX's exceptionally high level safety and security In particular, a Quality Improvement Committee has been established under the Quality Control Committee to address measures related to food-related risks. 	Once a month
12 Accounting Auditor	<ul style="list-style-type: none"> The Company has entered into an audit contract with KPMG AZSA LLC and undergoes accounting audits in accordance with the Financial Instruments and Exchange Act and the Companies Act, and also examines various issues related to accounting procedures and accounting audits from time to time to ensure the appropriateness of financial statements, etc. With regard to cooperation among internal audits, corporate auditors' audits, and accounting audits by the audit corporation, although each performs a different role in conducting audits, efforts are made to enhance the effectiveness of audits by collaborating to conduct effective audits in a mutually complementary manner, such as by exchanging information on the audit findings of each audit period in a bidirectional manner. 	—

Details See p.50-55 or the online Corporate Governance Report (Japanese only)

Initiatives to Enhance Effectiveness

We appoint at least two External Directors who adhere to our Independence Guidelines for External Directors in order to enhance both the supervisory function and advisory function of the Board of Directors. In order to maintain highly successful operations, the Board of Directors typically convenes each month to make decisions regarding the SHIDAX Group's management strategies, policies, and other crucial issues as well as to track the progress of business execution.

The executive officer system assigns each Group division specific authority and responsibility for carrying out corporate operations. The Management Committee, which consists of our Directors, Executive Officers, and Representative Directors of our subsidiaries, convenes once a week to communicate and disseminate the Board of Directors' resolutions and reports, as well as to foster coordination and communication among the Group's companies in order to hasten the completion of business and improve information sharing, while prior discussions are held on the agenda of the Board of Directors meetings and other important managerial matters.

Although we are a company with an Audit & Supervisory Board, we have voluntarily established three committees, the Nomination Committee, the Performance and Compensation Committee, and the Business Feasibility Committee, to enhance objectivity and fairness by consulting with the Board of Directors on matters discussed and decided by them. The Nomination Committee is responsible for deliberating and reporting to the Board of Directors on matters related to the nomination of candidates for directors. The Performance and Compensation Committee is responsible for deliberating and reporting to the Board of Directors on matters related to the annual evaluation and compensation of directors and Group executive officers.

The Business Feasibility Committee is responsible for evaluating the return on capital invested in the Group's business portfolio, including business incubators, and reports to the Board of Directors on the decision to continue business endeavors. In addition, three divisions have been established within the Company's Head Office to provide management guidance to operating subsidiaries and to optimize Group management as a whole.

Fostering Productive Communication with Shareholders

The Company works to communicate management policies and initiatives for sustainable growth and medium- to long-term corporate value enhancement in a timely and appropriate manner. We also actively provide management with insightful feedback from shareholders, analysts, institutional investors, individual investors, and other stakeholders in order to engage in productive dialogue.

Additionally, we will fortify the Group's foundation and create competitive advantage through our business endeavors while also providing diverse benefits to our shareholders, the general public, and the environment. We kindly ask our shareholders for their continuous understanding and backing.

IR Information

Please refer to the Investor Relations section of the Company's website for information such as financial results materials and the medium-term management plan.

<https://www.shidax.co.jp/ir/en/>

Director Compensation

The Company's basic policy is to set individual Director compensation at an appropriate level based on their respective responsibilities and accomplishments and to link the compensation of Directors and Audit & Supervisory Board Members to shareholder returns so that the compensation system is fully aligned with the sustainable enhancement of corporate value. In response to requests from the Board of Directors, the Performance and Compensation Committee, which consists of three or more members with a majority of External Directors, deliberates on issues pertaining to Directors' compensation. The Committee then submits a report to the Board of Directors, which carefully considers the report and reaches a resolution.

The Performance and Compensation Committee thoroughly examined the initial proposal, including its consistency with the decision-making policy, in order to determine the content of individual Director compensation, and the Board of Directors largely respected the committee's report as the foundation for its decision that individual Director compensation for the current fiscal year is in line with this policy.

The Company's director compensation system consists of monthly base compensation (fixed compensation), which is determined in accordance with the position and responsibilities of each director and in consideration of other companies' standards; performance compensation (fixed compensation), which is determined based on a comprehensive evaluation of the previous year's performance and the results of each director's area of responsibility and paid on an annual basis; and non-monetary compensation (restricted stock compensation), which is intended to align their interests with shareholders through the benefits and risks of stock price fluctuations, further motivating directors to increase the Company's stock price and enhance corporate value.

The compensation system for External Directors and Audit & Supervisory Board Members consists only of base compensation (fixed compensation).

Types of Compensation	Summary	Composition																								
		Full-time Directors	Part-time Directors																							
Basic compensation	<ul style="list-style-type: none"> Fixed compensation paid within the range of the level determined for each position (grade) The specific amount paid to each director varies depending on the quantitative and qualitative evaluation of the previous fiscal year. 	50%	100%																							
Performance-linked bonuses	<ul style="list-style-type: none"> Variable compensation with the amount paid determined based on quantitative and qualitative evaluations for each fiscal year The base amount for bonus calculation is determined for each position (grade) and varies depending on the evaluation coefficient. Quantitative evaluation is based on the progress of financial/non-financial KPIs, while qualitative evaluation is based on the execution of strategically important actions common to the Group. <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th colspan="2"></th> <th colspan="2">Quantitative Evaluation Items</th> <th colspan="2">Qualitative Evaluation Items</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Financials</td> <td>Group-wide</td> <td>Operating profit</td> <td>New order sales</td> <td colspan="2" rowspan="2">Inter-company/ Inter-departmental collaboration</td> </tr> <tr> <td rowspan="2">Scope of company's control</td> <td>Net sales</td> <td>Operating profit</td> </tr> <tr> <td>SG&A expenses</td> <td>New order sales</td> <td colspan="2" rowspan="2">Governance enhancement</td> </tr> <tr> <td>Non-financial</td> <td>SDGs-related KPI</td> <td colspan="2" rowspan="2">BPR promotion</td> </tr> </tbody> </table>			Quantitative Evaluation Items		Qualitative Evaluation Items		Financials	Group-wide	Operating profit	New order sales	Inter-company/ Inter-departmental collaboration		Scope of company's control	Net sales	Operating profit	SG&A expenses	New order sales	Governance enhancement		Non-financial	SDGs-related KPI	BPR promotion		50%	—
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Non-financial	SDGs-related KPI	BPR promotion																								

Disclosure of Information on Directors' Compensation

Amounts of compensation paid to Directors and Audit & Supervisory Board Members in the fiscal year ended March 31, 2023 (April 1, 2022 to March 31)

Note: Amounts paid to directors do not include employee salaries of directors who concurrently serve as employees.

2 Directors: 205 million yen (excluding External Directors)

2 Audit & Supervisory Board Members: 10 million yen (excluding External Audit & Supervisory Board Members)

5 External Directors: 20 million yen

Total amount of remuneration, etc. of persons whose total amount of consolidated remuneration, etc. is 100 million yen or more

In accordance with the provisions of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc., individual disclosure of remuneration for certain officers is made in the Annual Securities Report.

Kinichi Shida 114 million yen

Internal Controls and Risk Management

Causes of Information Leakage and Measures to Prevent Recurrence

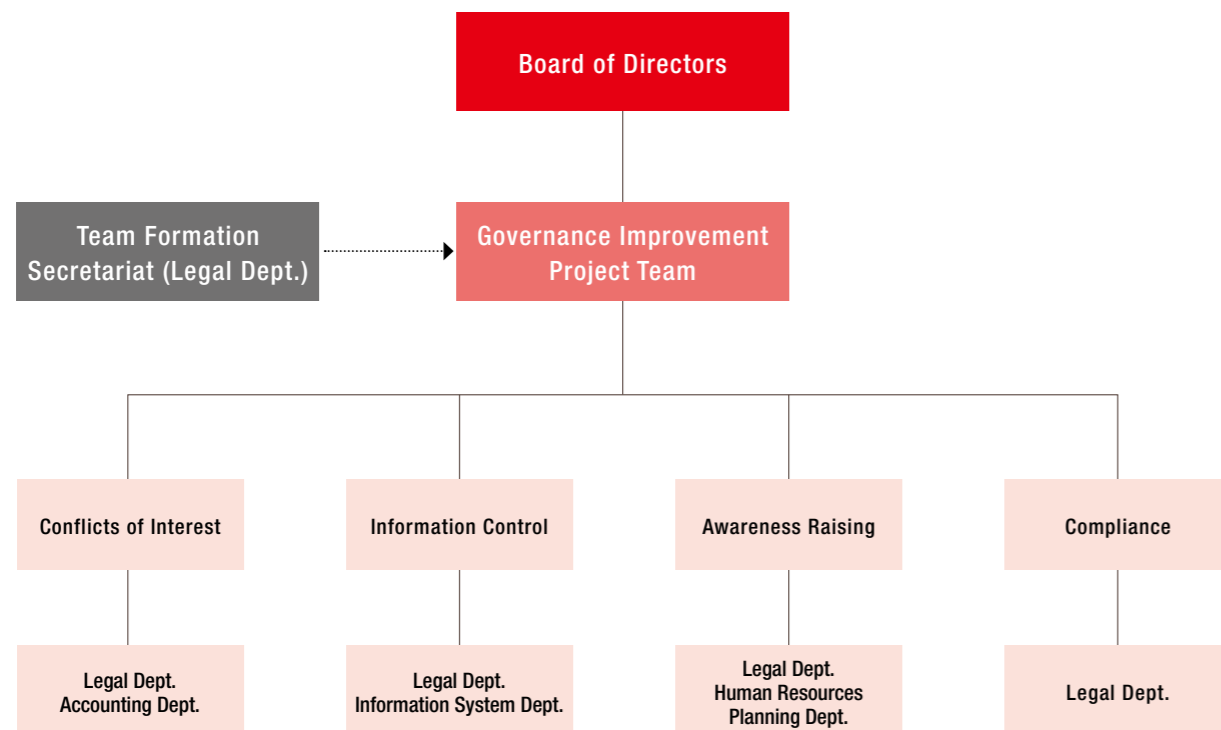
As stated in the Receipt of the Investigation Committee’s Investigation Report and Future Responses dated May 31, 2023, since our recent announcement of the tender offer of our shares, there have been various media reports with various information of questionable authenticity that was not disclosed by the Company. This led to suspicions that information was leaked to third parties. In light of this, we established an Investigation Committee for purposes such as identifying information management system risks, developing solutions to avoid a repeat occurrence of the issue, and rebuilding internal controls. This committee carried out an impartial investigation that ensured transparency.

Based on the results of the investigation, we discovered operational flaws in certain areas of the internal controls used throughout the entire organization. However, taking into consideration the overall effect on financial reporting, we concluded that these flaws did not amount to major internal control problems that needed to be disclosed as of the end of the current fiscal year.

In June 2023, the Board of Directors established the Governance Improvement Project Team, which includes independent attorneys, to research and put into practice specific measures to strengthen the Company’s governance system based on the suggestions regarding steps to prevent recurrence. By September 2023, the Governance Improvement Project Team will expeditiously review the four themes of conflicts of interest, information management, awareness-raising, and compliance before reporting its findings to the Board of Directors. Thereafter, the team will remain in force to monitor governance improvements.

The Company’s Board of Directors will continue sincerely considering ways to enhance governance, and put initiatives based on suggestions of the Governance Improvement Project Team into action. At the same time, the Board will continue to engage in sufficient communication and discussions necessary to gather opinions.

Structure of the Governance Improvement Project Team



Overview of Internal Controls and Risk Management

The Company established the Basic Policies for Internal Control in order to ensure that business activities are appropriate and that records and other information connected to financial reporting are adequate.

To strengthen our overall internal control efforts, **the Compliance Committee, the J-SOX Committee, and the Quality Control Committee** were established under the direction of the Internal Control Committee which identifies risks for the entire Group and oversees risk management being carried out by other committees. Under the Quality Control Committee, we have also established the Quality Improvement Committee to specifically address measures related to food-related risks.

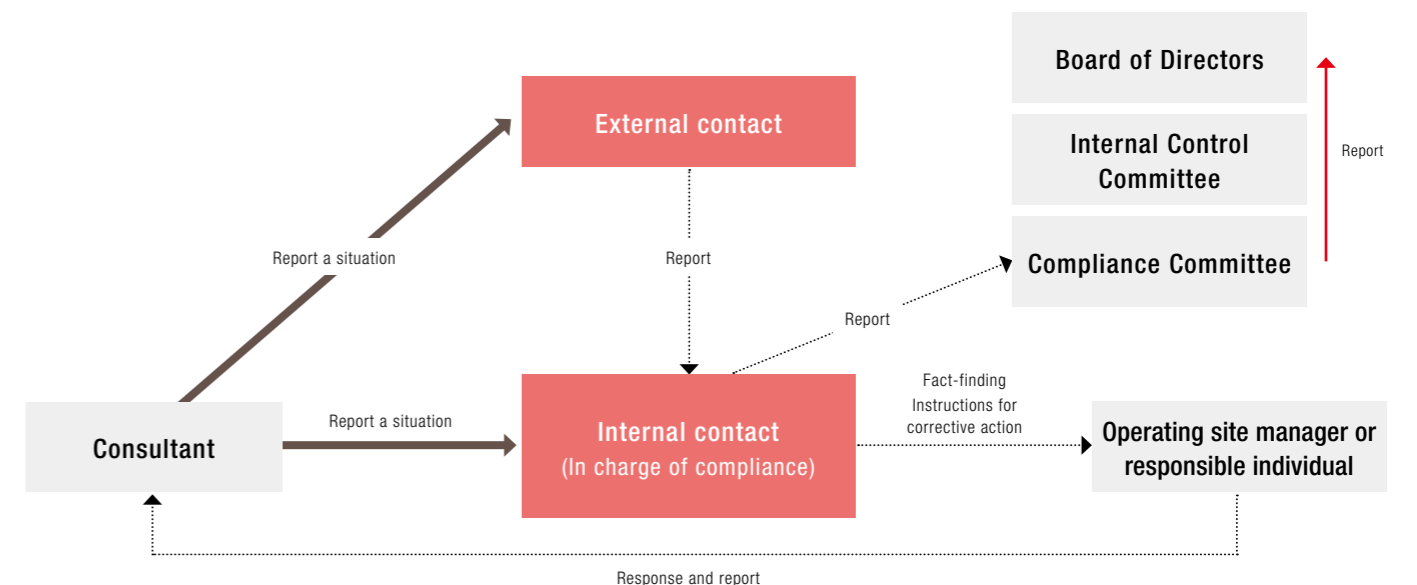
Furthermore, we have established **the Safety Committee for the Provision of Allergy-Free Meals**, which is comprised of external academic experts to ensure that the safety and security of the food provided by expanding SHiDAX's exceptionally high level. All employees must also be committed to removing risk factors from the workplace, supporting physical and mental health, and being conscious of their own responsibilities to participate in occupational hygiene and safety activities in order to create a culture where safety comes first.

For details, see the Corporate Governance Report (in Japanese) filed with the Tokyo Stock Exchange, where the Company is listed.

Corporate Governance Report https://www.shidax.co.jp/dcms_media/other/20230707_corporate-governance.pdf.pdf (Japanese only)

Internal Reporting System

The Company has introduced an internal reporting system that is available to all Group employees. In addition to an internal contact point, we also provide a third-party external contact point for whistleblower protection.



Basic Policies on Internal Control

The Goals of Internal Control and the System for Ensuring the Appropriateness of Activities are both outlined in the Basic Policies on Internal Controls. For details, see the Annual Securities Report (In Japanese).

22nd Annual Securities Report <https://pdf.irpocket.com/C4837/KSWQ/aGa8/rMTT.pdf> (Japanese only)

Corporate Profile and Stock Information

As of March 31, 2023

Corporate Profile

SHIDAX CORPORATION

Founded:	April 2, 2001	Head Office:	SHIDAX Culture Village 1-12-10 Jinnan, Shibuya-ku, Tokyo, JAPAN 150-0041
Shares issued:	55,722,121 (Includes 981,282 treasury shares)	Telephone number:	03-5784-8881
Share capital:	100 million yen	Website:	https://www.shidax.co.jp/ir/en/
Number of consolidated employees:	35,099		
Main Businesses:	Food Services Business Vehicle Operation Services Business Social Services Business		

Stock Information

Stock Code:	4837
Number of shareholders:	26,978
Listing stock exchange:	Tokyo Stock Exchange Standard Market
Share trading unit:	100

Group Profile

SHIDAX CORPORATION (Holding company)

Food Services Business

SHIDAX CONTRACT FOOD SERVICE CORPORATION	Providing meals to corporations, campuses, dormitories, etc.
SHIDAX FOOD SERVICE CORPORATION	Providing meals at hospitals, elderly facilities, preschools and kindergartens, etc.
SLOGIX CORPORATION	Integrated food and consumables purchasing, centralized logistics for the Group, etc.

Vehicle Operation Services Business

DAISHINTO Inc.	Operation of executive transportation vehicles, official cars, courtesy vehicles, chartered buses, etc.
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Social Services Business

SHIDAX DAISHINTO HUMAN SERVICE Inc.	Reception, general affairs, cleaning, etc. at corporations Operating local government public facilities (such as those for school lunches, after-school childcare centers, children's centers, libraries, tourist attractions, etc.)
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Other Businesses

SHIDAX SPORTS AND CULTURE CORPORATION	Hall operations, etc.
SITEX CORPORATION	Development and management of smartphone and web applications, digital marketing, etc.
SHIDAX OFFICE PARTNER CORPORATION (Special subsidiary)	Assistance to Group operating companies, etc.

Stock Information

Matters related to the Company's shares

1. Total number of shares issued

Common shares: 55,722,121
(Treasury shares: 981,282)

2. Number of shareholders

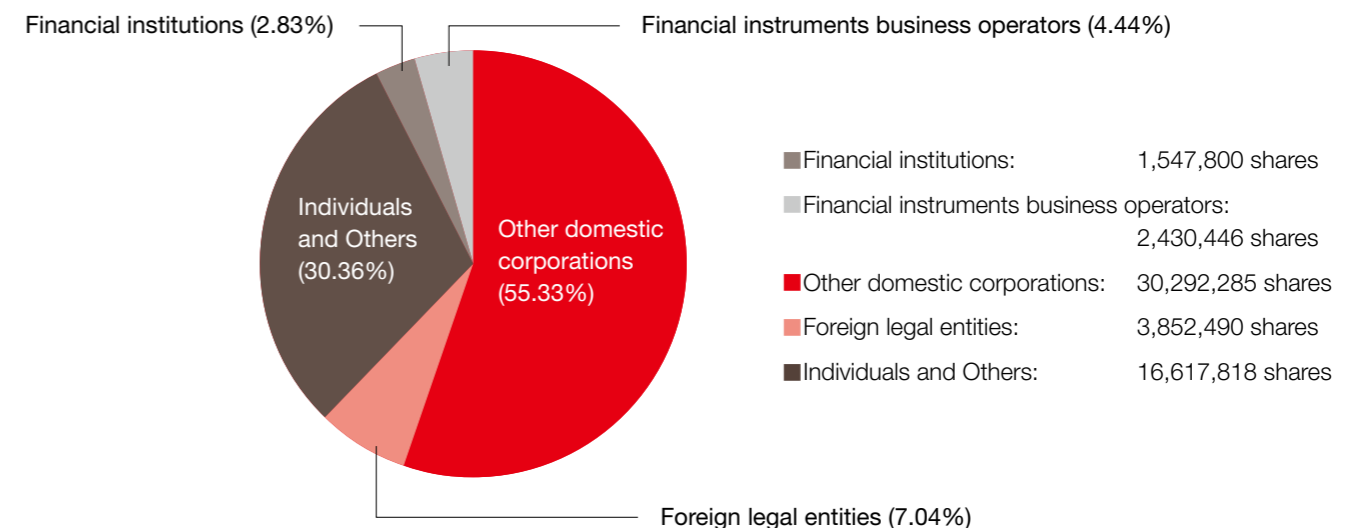
26,978

3. Major shareholders (Top 10)

Name of shareholder	Number of shares	Percentage of shares held
Oisix ra daichi Inc.	15,582,759	28.47
SHIDA Holdings Corporation	9,135,674	16.69
Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership	2,881,100	5.26
SHIDA Safety Service Corporation	1,777,800	3.25
Custody Bank of Japan, Ltd. (Trust Account)	1,350,600	2.47
Kinichi Shida	1,225,856	2.24
Tsutomu Shida	1,203,332	2.20
Nomura Securities Co., Ltd.	1,008,200	1.84
KOKUBU GROUP CORP.	840,500	1.54
SDI Corporation	820,000	1.50

Note: The calculation of the shareholding ratio excludes treasury shares (981,282 shares).

Shareholder Breakdown



Note: The calculation of the shareholding ratio excludes treasury shares (981,282 shares).



SHIDAX CORPORATION

SHIDAX Culture Village
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JAPAN 150-0041
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