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On **August 13, 2019**, Oisix ra daichi Inc. announced earnings results for Q1 FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20	FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of FY	FY Est.
Sales	9,602	18,936	30,008	39,987	16,854	31,720	48,906	64,026	16,265	23.2%	70,000
YoY	78.5%	76.7%	75.3%	73.7%	75.5%	67.5%	63.0%	60.1%	-3.5%		9.3%
Gross profit	4,439	8,845	14,050	18,727	7,939	15,069	23,313	30,522	7,712		
YoY	69.7%	68.3%	68.6%	67.2%	78.9%	70.4%	65.9%	63.0%	-2.9%		
GPM	46.2%	46.7%	46.8%	46.8%	47.1%	47.5%	47.7%	47.7%	47.4%		
SG&A expenses	4,297	8,608	13,358	17,835	7,329	13,954	21,048	28,209	7,169		
YoY	75.7%	72.7%	73.3%	70.7%	70.5%	62.1%	57.6%	58.2%	-2.2%		
SG&A ratio	44.8%	45.5%	44.5%	44.6%	43.5%	44.0%	43.0%	44.1%	44.1%		
Operating profit	142	238	693	891	610	1,115	2,266	2,312	543	24.7%	2,200
YoY	-16.7%	-12.3%	10.7%	18.4%	331.2%	369.5%	227.2%	159.4%	-11.0%		-4.9%
OPM	1.5%	1.3%	2.3%	2.2%	3.6%	3.5%	4.6%	3.6%	3.3%		3.1%
Recurring profit	156	260	728	937	626	1,139	2,288	2,302	478		
YoY	-12.9%	-9.1%	12.5%	20.4%	300.8%	338.7%	214.2%	145.6%	-23.7%		
RPM	1.6%	1.4%	2.4%	2.3%	3.7%	3.6%	4.7%	3.6%	2.9%		
EBITDA	320	635	1,282	1,670	808	1,513	2,882	3,154	755	23.6%	3,200
YoY	42.2%	62.4%	58.3%	67.7%	152.5%	138.3%	124.8%	88.9%	-6.6%		1.5%
EBITDA margin	3.3%	3.4%	4.3%	4.2%	4.8%	4.8%	5.9%	4.9%	4.6%		4.6%
Net income	73	93	336	237	537	894	2,533	2,388	270	27.0%	1,000
YoY	-39.4%	-50.2%	-21.8%	-54.0%	638.7%	856.2%	653.7%	906.4%	-49.7%		-58.1%
Net margin	0.8%	0.5%	1.1%	0.6%	3.2%	2.8%	5.2%	3.7%	1.7%		1.4%

Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	9,602	9,334	11,072	9,980	16,854	14,867	17,186	15,120	16,265
YoY	78.5%	74.8%	73.1%	69.1%	75.5%	59.3%	55.2%	51.5%	-3.5%
Gross profit	4,439	4,406	5,205	4,676	7,939	7,130	8,244	7,209	7,712
YoY	69.7%	67.0%	69.0%	63.3%	78.9%	61.8%	58.4%	54.1%	-2.9%
GPM	46.2%	47.2%	47.0%	46.9%	47.1%	48.0%	48.0%	47.7%	47.4%
SG&A expenses	4,297	4,310	4,750	4,478	7,329	6,625	7,094	7,162	7,169
YoY	75.7%	69.8%	74.3%	63.6%	70.5%	53.7%	49.3%	60.0%	-2.2%
SG&A ratio	44.8%	30.0%	42.9%	44.9%	43.5%	44.6%	41.3%	47.4%	44.1%
Operating profit	142	96	455	199	610	505	1,150	47	543
YoY	-16.7%	-5.0%	28.3%	56.4%	331.2%	426.1%	152.9%	-76.6%	-11.0%
OPM	1.5%	1.0%	4.1%	2.0%	3.6%	3.4%	6.7%	0.3%	3.3%
Recurring profit	156	103	469	209	626	512	1,149	14	478
YoY	-12.9%	-2.7%	29.5%	59.7%	300.8%	395.9%	145.2%	-93.4%	-23.7%
RPM	1.6%	1.1%	4.2%	2.1%	3.7%	3.4%	6.7%	0.1%	2.9%
EBITDA	320	315	647	388	808	705	1,369	272	755
YoY	42.2%	89.8%	54.4%	108.6%	152.5%	123.8%	111.6%	-29.9%	-6.6%
EBITDA margin	3.3%	3.4%	5.8%	3.9%	4.8%	4.7%	8.0%	1.8%	4.6%
Net income	73	21	243	-99	537	356	1,640	-146	270
YoY	-39.4%	-69.3%	0.3%	-	638.7%	1618.6%	575.7%	-	-49.7%
Net margin	0.8%	0.2%	2.2%	-	3.2%	2.4%	9.5%	-	1.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Seasonal factors: Spend per order tends to be higher in Q3 (October–December) than the rest of the year because of sales of products with a high unit price including Christmas-related items, *nabe* (hotpot) dishes that are mainly consumed in winter, and *osechi* (food traditionally served at New Year). Profit particularly spikes in Q3.

Simple YoY comparisons of consolidated sales and earnings are not possible, because Daichi and Radish Boya were added to the consolidated financial statements from end FY03/17 and end FY03/18 respectively. (Note that only the balance sheets are consolidated as of financial year-end.)

Q1 FY03/20 results

Overview

Sales were JPY16.3bn (-3.5% YoY), operating profit was JPY543mn (-11.0% YoY), EBITDA was JPY755mn (-6.6% YoY), and net income was JPY270mn (-49.7% YoY).

- The company left its full-year forecasts unchanged from its May 14, 2019 announcement. Progress versus full-year company forecasts was sales 23.2%, operating profit 24.7%, EBITDA 23.6%, and net income 27.0%.
- In Q1 FY03/19, four months (March–June 2018) of Radish Boya’s results were included following its consolidation. Excluding Radish Boya’s results for March 2018 from Q1 FY03/19, sales were +6.6% YoY, operating profit +0.5%, EBITDA +2.3%, and net income -42.0%.

Segment information

KPIs of the three home delivery businesses

		FY03/18				FY03/19				FY03/20
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Oisix	No. of subscribers	147,474	155,827	162,891	169,664	179,942	189,352	197,272	205,976	225,553
	ARPU (JPY)	11,833	11,057	11,587	11,602	11,562	11,127	11,534	11,183	11,244
	Average spend (JPY)	5,817	5,704	5,908	5,925	6,002	5,973	6,150	6,015	5,887
	Purchase frequency (x)	2.03	1.94	1.96	1.96	1.93	1.86	1.88	1.86	1.91
Daichi	No. of subscribers	45,300	43,687	43,864	44,993	44,111	43,835	42,996	40,210	38,571
	ARPU (JPY)	19,884	19,875	22,209	19,240	20,122	19,386	21,848	19,758	21,232
	Average spend (JPY)	7,589	7,700	8,336	7,726	7,770	7,553	8,529	7,811	7,990
	Purchase frequency (x)	2.60	2.58	2.67	2.49	2.59	2.57	2.56	2.53	2.66
Radish Boya	No. of subscribers	88,087	87,951	89,224	78,062	74,949	72,101	66,233	63,144	61,507
	ARPU (JPY)	16,457	15,896	17,149	16,639	17,277	17,177	18,988	17,264	18,301
	Average spend (JPY)	5,501	5,518	5,889	5,278	5,460	5,616	6,114	5,869	6,055
	Purchase frequency (x)	2.99	2.88	2.91	3.15	3.16	3.06	3.11	2.94	3.02
Oisix	No. of subscribers YoY	124.8%	125.4%	124.7%	123.5%	122.0%	121.5%	121.1%	121.4%	125.3%
	ARPU YoY	97.9%	95.4%	96.9%	97.2%	97.7%	100.6%	99.5%	96.4%	97.2%
	Average spend YoY	99.0%	98.4%	98.9%	100.9%	103.2%	104.7%	104.1%	101.5%	98.1%
	Purchase frequency YoY	98.5%	97.0%	98.0%	96.6%	95.1%	95.9%	95.9%	94.9%	99.0%
Daichi	No. of subscribers YoY	100.5%	95.6%	94.5%	97.5%	97.4%	100.3%	98.0%	89.4%	87.4%
	ARPU YoY	94.3%	99.1%	104.2%	100.9%	101.2%	97.5%	98.4%	102.7%	105.5%
	Average spend YoY	99.8%	102.3%	104.7%	102.7%	102.4%	98.1%	102.3%	101.1%	102.8%
	Purchase frequency YoY	93.9%	96.6%	100.0%	98.4%	99.6%	99.6%	95.9%	101.6%	102.7%
Radish Boya	No. of subscribers YoY	96.2%	95.4%	98.6%	88.7%	85.1%	82.0%	74.2%	80.9%	82.1%
	ARPU YoY	98.8%	97.4%	98.3%	102.8%	105.0%	108.1%	110.7%	103.8%	105.9%
	Average spend YoY	99.2%	99.5%	102.4%	98.1%	99.3%	101.8%	103.8%	111.2%	110.9%
	Purchase frequency YoY	99.7%	98.0%	96.0%	104.7%	105.7%	106.3%	106.9%	93.3%	95.6%

Source: Shared Research based on company data.

Notes: ARPU and purchase frequency are monthly figures. Average spend is per order. At Daichi and Radish Boya, changes in how subscriber count is defined have resulted in the loss of continuity with data after Q4 FY03/18.

- ▷ The number of Oisix subscribers has been increasing because of a steady rise in customers purchasing Kit Oisix (128,551 at end June 2019, +61.3% YoY), with new customers attracted by meal kits. Although the purchase frequency appears to be declining, the company noted that this is due to an increase in the number of light users. Meanwhile, average spend per order has been increasing thanks to the growing success of recommendations, special offers, and other measures aimed at increasing the average spend.

- ▷ At Daichi, the number of subscribers has been declining since Q4 FY03/18 while the average spend per order and purchase frequency have been on the rise. This reflects changes in services and the company's ongoing efforts to focus promotions only on those channels that produce customers with high lifetime values.
- ▷ The number of Radish Boya subscribers has been coming down for some time, but the downtrend has picked up momentum since Q2 FY03/19, when the company changed the delivery fee schedule and made other changes aimed at reducing the number of light users (whose order value is below the company's breakeven point per order) and otherwise increase profits as opposed to sales. In addition to reducing the number of light users, the company's move to focus more resources on making purchase proposals to existing subscribers has led to increases in average spend since Q2 FY03/19.

Change in the definition of "number of subscribers": Until end FY03/19, the definitions of "number of subscribers" differed by brand. Following the company's push toward more stringent subscription management, definitions at Daichi and Radish Boya were revised to exclude inactive users. While KPI figures for FY03/18 and FY03/19 have been retroactively restated to reflect this change, continuity is not maintained for figures prior to FY03/18.

Seasonal factors: Spend per order tends to be higher in Q3 (October–December) than the rest of year because of sales of products with a high unit price including Christmas-related items, *nabe* (hotpot) dishes that are mainly consumed in winter, and *osechi* (food traditionally served at New Year). Profit particularly spikes in Q3.

Sales and profit by individual segments

Cumulative (JPYmm)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	9,602	18,936	30,008	39,987	16,854	31,720	48,906	64,026	16,265
YoY	78.5%	76.7%	75.3%	73.7%	75.5%	67.5%	63.0%	60.1%	-3.5%
Home Delivery: Oisix	5,790	11,470	18,481	24,799	6,864	13,769	22,191	29,619	8,308
YoY	-	-	-	-	18.5%	20.0%	20.1%	19.4%	21.0%
Home Delivery: Daichi wo Mamoru Kai	2,790	5,487	8,508	11,215	2,769	5,440	8,406	10,902	2,587
YoY	-	-	-	-	-0.8%	-0.9%	-1.2%	-2.8%	-6.6%
Home Delivery: Radish Boya	-	-	-	-	5,811	9,926	14,346	18,028	3,771
YoY	-	-	-	-	-	-	-	-	-35.1%
Other	1,109	2,164	3,264	4,251	1,483	2,756	4,199	5,794	1,663
YoY	-	-	-	-	33.6%	27.4%	28.6%	36.3%	12.2%
Adjustments	-88	-185	-246	-278	-74	-171	-236	-318	-64
Operating profit	142	238	693	891	610	1,115	2,266	2,312	543
YoY	-16.7%	-12.3%	10.7%	18.4%	331.2%	369.5%	227.2%	159.4%	-11.0%
Home Delivery: Oisix	674	1,392	2,421	3,288	970	1,943	3,371	4,036	933
YoY	-	-	-	-	43.9%	39.6%	39.2%	22.7%	-3.8%
Home Delivery: Daichi wo Mamoru Kai	539	1,078	1,650	2,095	479	960	1,536	1,989	457
YoY	-	-	-	-	-11.1%	-10.9%	-6.9%	-5.1%	-4.6%
Home Delivery: Radish Boya	-	-	-	-	1,030	1,765	2,657	3,342	688
YoY	-	-	-	-	-	-	-	-	-33.2%
Other	185	384	571	760	154	290	479	724	256
YoY	-	-	-	-	-16.8%	-24.5%	-16.1%	-4.7%	66.2%
Adjustments	1,257	2,853	3,951	5,253	2,024	3,844	5,779	7,779	1,792

Quarterly (JPYmm)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	9,602	9,334	11,072	9,980	16,854	14,867	17,186	15,120	16,265
YoY	78.5%	74.8%	73.1%	69.1%	75.5%	59.3%	55.2%	51.5%	-3.5%
Home Delivery: Oisix	5,790	5,680	7,011	6,318	6,864	6,905	8,422	7,428	8,308
YoY	-	-	-	-	18.5%	21.6%	20.1%	17.6%	21.0%
Home Delivery: Daichi wo Mamoru Kai	2,790	2,697	3,021	2,707	2,769	2,671	2,965	2,497	2,587
YoY	-	-	-	-	-0.8%	-1.0%	-1.8%	-7.8%	-6.6%
Home Delivery: Radish Boya	-	-	-	-	5,811	4,115	4,420	3,682	3,771
YoY	-	-	-	-	-	-	-	-	-35.1%
Other	1,109	1,054	1,100	987	1,483	1,273	1,443	1,595	1,663
YoY	-	-	-	-	33.6%	20.7%	31.2%	61.6%	12.2%
Adjustments	-88	-97	-61	-32	-74	-97	-65	-82	-64
Operating profit	142	96	455	199	610	505	1,150	47	543
YoY	-16.7%	-5.0%	28.3%	56.4%	331.2%	426.1%	152.9%	-76.6%	-11.0%
Home Delivery: Oisix	674	718	1,029	867	970	973	1,428	665	933
YoY	-	-	-	-	43.9%	35.5%	38.8%	-23.3%	-3.8%
Home Delivery: Daichi wo Mamoru Kai	539	539	572	445	479	481	576	453	457
YoY	-	-	-	-	-11.1%	-10.8%	0.7%	1.8%	-4.6%
Home Delivery: Radish Boya	-	-	-	-	1,030	735	892	685	688
YoY	-	-	-	-	-	-	-	-	-33.2%
Other	185	199	187	189	154	136	189	245	256
YoY	-	-	-	-	-16.8%	-31.7%	1.1%	29.6%	66.2%
Adjustments	1,257	1,596	1,098	1,302	2,024	1,820	1,935	2,000	1,792

Source: Shared Research based on company data.

Note: Profit forecasts for individual segments represent the company's initial forecasts. Profit figures for individual segments are marginal profit, defined by the company as "sales minus costs that can be linked to each business segment."

Goodwill amortization is not reflected in the profit figures shown for individual segments, and is included in adjustments.

Except for the personnel expenses related to employees who are not full-time, regular employees (i.e. those that are part-time or contract workers), all personnel expenses (including wages, salaries, allowance, and mandatory social welfare payments) are recorded under corporate overhead (adjustments) and not at the individual segment level.

Oisix home delivery business

Sales were JPY8.3bn (+21.0% YoY) and marginal profit (defined by the company as “sales minus costs that can be linked to each business segment”) was JPY933mn (-3.8% YoY).

- ▷ Due to major promotions through TV commercials and TV program exposure in April 2019, the company was able to boost the number of subscribers to its home delivery service Oisix Club from 205,976 at end FY03/19 to 225,553 at end Q1 FY03/20.
- ▷ Due to an increase in the number of new light users, purchase frequency and average spend per order declined slightly YoY.
- ▷ Marginal profit declined due to spending on promotional activity.
- ▷ As a result of the company’s capital alliance with NTT Docomo (TSE1: 9437), starting in July 2019 d-meal kits became available through dmarket, Docomo’s e-commerce portal site (which is also accessible by users of other telecom carriers).

Daichi home delivery business

Sales were JPY2.6bn (-6.6% YoY) and marginal profit was JPY457mn (-4.6% YoY).

- ▷ Reflecting cutbacks on low-LTV channels (such as marketing activities to former subscribers), the Daichi service saw its subscriber count decline from 40,210 at end FY03/19 to 38,571 at end Q1 FY03/20. However, sales declined just slightly as average revenue per user (ARPU) increased due to the promotion of subscriptions by new users and increased subscriber retention rates.

Radish Boya home delivery business

Sales were JPY3.8bn (-35.1% YoY) and marginal profit was JPY688mn (-33.2% YoY).

- ▷ During the year, the Radish Boya home delivery service also cut back on promotional spending aimed at bringing in new subscribers, and instead focused on improving profitability and developing new services. As a result, the number of Radish Boya subscribers declined from 63,461 at end FY03/19 to 61,507 at end Q1 FY03/20.
- ▷ In Q1 FY03/19, four months (March–June 2018) of Radish Boya’s results (excluding wholesale sales) were included following its consolidation. Excluding Radish Boya’s results (excluding wholesale sales) for March 2018 from Q1 FY03/19, sales were -12.3% YoY and marginal profit -11.4% YoY.

Other businesses

Sales were JPY1.7bn (+12.2% YoY) and marginal profit was JPY256mn (+66.2% YoY).

- ▷ In Q1 FY03/19, four months (March–June 2018) of Radish Boya’s wholesale business results were included following its consolidation. Excluding Radish Boya’s wholesale business results for March 2018 from Q1 FY03/19, sales were +19.3% YoY and marginal profit +60.6% YoY.

Other information

Net income declined by JPY120mn due to the absence of additional deferred tax assets (stemming from reductions in corporate taxes as a result of the merger with Radish Boya) the company recognized in FY03/19.

Progress toward initial full-year forecasts

% of initial full-year forecasts	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total sales	25.3%	49.8%	79.0%	105.2%	27.6%	52.0%	80.2%	105.0%	23.2%
Home Delivery: Oisix	24.1%	47.8%	77.0%	103.4%	24.7%	49.5%	79.8%	106.5%	23.8%
Home Delivery: Daichi	25.7%	50.6%	78.5%	103.5%	24.0%	47.1%	72.8%	94.4%	23.7%
Home Delivery: Radish Boya	-	-	-	-	38.0%	64.9%	93.8%	117.9%	24.6%

Source: Shared Research based on company data.

- ▷ Progress in the Oisix and Daichi home delivery businesses in Q1 was slow compared to FY03/18 and FY03/19. A simple YoY comparison is not possible for Radish Boya because Q1 FY03/19 included four months' worth of results.
- ▷ The rate of progress for sales toward initial full-year forecasts tends to rise in Q3. Furthermore, spend per order tends to be higher in Q3 (October–December) than the rest of the year because of sales of products with a high unit price including Christmas-related items, *nabe* (hotpot) dishes that are mainly consumed in winter, and *osechi* (traditional New Year cuisine).

This note is the most recent addition to the [full report](#).

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