St.Cousair
サンクゼール

FY 2025 2Q Financial Results

November 5, 2024





愛と喜びのある食卓をいつまでも

Lasting love and joy at your table

St.Cousair

久世福商店
KUZE FUKU & Co.

発見の食倉庫
MeKEL メケル
THE WORLD GOURMET MARKET

KUZE FUKU & SONS®

ALL ORGANIC
Portlandia Foods

Bonnie's Jams
DISCOVER the TASTE of FRUIT

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Highlights

- For the second quarter of the fiscal year, consolidated net sales reached 9.208 billion yen (up 2.1% year-over-year), while operating profit was 235 million yen (down 68.5%), reflecting increased sales but decreased profits.
- Store sales showed a 4.4% year-over-year decrease for directly operated stores and a 4.4% increase for franchise stores. The number of stores increased by three compared to the previous fiscal year-end (Directly operated: 1 new store opened, 1 store closed; Franchise: 6 new stores opened, 3 stores closed). The MeKEL Nagano Wakazato store, the first directly operated store, was closed in September 2024 due to poor performance.
- For existing stores*, the number of customers has shown a recovery trend since bottoming out in April, with a 6.0% increase in September compared to the same period last year. Customer spending has also been recovering to near the previous year's levels (down 0.4% in September), aided by an increase in the number of items purchased despite price hikes implemented from December 2023.
- E-commerce sales grew steadily, up 9.7% year-over-year. To meet rising demand for gifts, efforts have been made to enhance product offerings and improve services, leading to continued growth in the number of users.
- Wholesale sales decreased by 26.9% year-over-year, as some products faced sales difficulties with major retail chain partners.
- Global sales grew significantly by 118.1% year-over-year due to increased sales of existing U.S. brands, growth in the Asian market, and the addition of Portlandia Foods sales, acquired in June 2023.
- Due to changes in sales channel composition, a series of product price increases implemented since December 2023, and rising raw material costs, the gross profit margin for the second quarter was 34.6%, down 4.8 percentage points year-over-year.

*Our group defines "existing stores" as stores that have been open for 18 months or more.

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Consolidated Financial Results Overview

- For the second quarter of the fiscal year, there was an increase in revenue but a decrease in profit.
- Changes in the sales composition by channel, a series of product price increases implemented since December 2023, and rising raw material costs led to a decline in gross profit margin. Efforts are underway to reduce costs for self-manufactured products and to adjust wholesale prices for franchisees.
- The main factors behind the increase in selling, general, and administrative expenses are the rising logistics costs and increased labor costs due to base pay raises for employees.
- Recorded out of the ordinary losses including impairment losses due to the closure of the MeKEL Nagano Wakasato store.

Unit: ¥K	2Q Cumulative Period (4/2024 to 9/2024)			2Q Accounting Period (7/2024 to 9/2024)		
		Previous period results	YoY		Previous period results	YoY
Sales	9,208,969	9,018,999	+2.1%	4,611,672	4,212,860	+9.5%
Cost of Sales	6,019,175	5,463,938	+10.2%	3,016,070	2,591,353	+16.4%
Gross Profit	3,189,793	3,555,061	▲10.3%	1,595,602	1,621,506	▲1.6%
Gross Profit Margin	*34.6%*	*39.4%*	*▲4.8pt*	*34.6%*	*38.5%*	*▲3.9pt*
SG&A	2,954,422	2,808,592	+5.2%	1,447,532	1,377,670	+5.1%
Operating Profit	235,371	746,468	▲68.5%	148,069	243,836	▲39.3%
Operating Profit Margin	*2.6%*	*8.3%*	*▲5.7pt*	*3.2%*	*5.8%*	*▲2.6pt*
Recurring Profit	210,353	816,075	▲74.2%	42,348	261,018	▲83.8%
Net Profit Attributable to Shareholders of the Parent Company	1,456	524,961	▲99.7%	▲78,182	160,773	▲148.6%

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Sales by Sales Channel

- **Stores (Directly Operated & Franchised):** Sales at existing stores* saw a decrease of 4.4% year-over-year for directly operated stores and an increase of 4.4% for franchise stores. The number of customers at existing stores has been recovering since April, with a 6.0% year-over-year increase in September. Customer spending per person is also recovering to previous levels, similar to the period before the price rollback in December 2023, thanks to an increase in items purchased per customer, though it remained slightly down by 0.4% in September.
- **E-Commerce:** Continued to expand products and services to meet rising gift demand, achieving a 9.7% increase in sales compared to the same period last year.
- **Wholesale:** Sales of certain products to major retail chains have faced challenges, resulting in a 26.9% decrease year-over-year.
- **Global:** Sales saw significant growth of 118.1% year-over-year, driven by increased sales from existing U.S. brands and growth in the Asian market, as well as the addition of sales from Portlandia Foods, acquired in June 2023.

Unit: ¥K

	2Q Cumulative Period (4/2024 to 9/2024)					2Q Accounting Period (7/2024 to 9/2024)				
		Composition Ratio	Previous period results	Composition Ratio	YoY		Composition Ratio	Previous period results	Composition Ratio	YoY
Directly-managed stores	2,904,825	31.5%	3,039,139	33.7%	▲4.4%	1,440,413	31.2%	1,439,655	34.2%	+0.1%
Franchises	3,449,832	37.5%	3,305,829	36.7%	+4.4%	1,670,744	36.2%	1,440,993	34.2%	+15.9%
E-Commerce	579,047	6.3%	527,624	5.9%	+9.7%	275,224	6.0%	231,576	5.5%	+18.8%
Wholesale	1,213,790	13.2%	1,659,706	18.4%	▲26.9%	592,527	12.8%	799,844	19.0%	▲25.9%
Global	1,061,474	11.5%	486,699	5.4%	+118.1%	632,762	13.7%	300,790	7.1%	+110.4%
TOTAL	9,208,969	100.0%	9,018,999	100.0%	+2.1%	4,611,672	100.0%	4,212,860	100.0%	+9.5%

*Our group defines “existing stores” as stores that have been open for 18 months or more.

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Selling, General, and Administrative Expenses

- **Labor Costs:** Due to the implementation of a base pay increase (fixed cost increase), labor costs rose by 39 million yen (+3.4%) year-over-year.
- **Packing and Transportation Costs:** An increase of 62 million yen (+11.2%) year-over-year was observed due to outsourcing of shipping operations, and rising warehouse management and transportation costs.
- **Depreciation:** Depreciation expenses increased by 31 million yen (+42.6%) year-over-year due to investments in the first MeKEL store and a new product development lab.

Unit: ¥K

	2Q Cumulative Period (4/2024 to 9/2024)					2Q Accounting Period (7/2024 to 9/2024)				
		Composition Ratio	Previous period results	Composition Ratio	YoY		Composition Ratio	Previous period results	Composition Ratio	YoY
Labor Costs	1,205,893	13.1%	1,166,145	12.9%	+3.4%	599,645	13.0%	578,913	13.7%	+3.6%
Packing and Transportation Costs	621,885	6.8%	559,333	6.2%	+11.2%	304,658	6.6%	263,827	6.3%	+15.5%
Rental Expenses	288,019	3.1%	294,563	3.3%	▲2.2%	142,275	3.1%	137,573	3.3%	+3.4%
Depreciation	106,938	1.2%	74,972	0.8%	+42.6%	53,194	1.2%	42,312	1.0%	+25.7%
Others	731,686	7.9%	713,576	7.9%	+2.5%	347,758	7.5%	355,044	8.4%	▲2.1%
TOTAL	2,954,422	32.1%	2,808,592	31.1%	+5.2%	1,447,532	31.4%	1,377,670	32.7%	+5.1%

*The figures above have not been subject to quarterly review by an external auditor.

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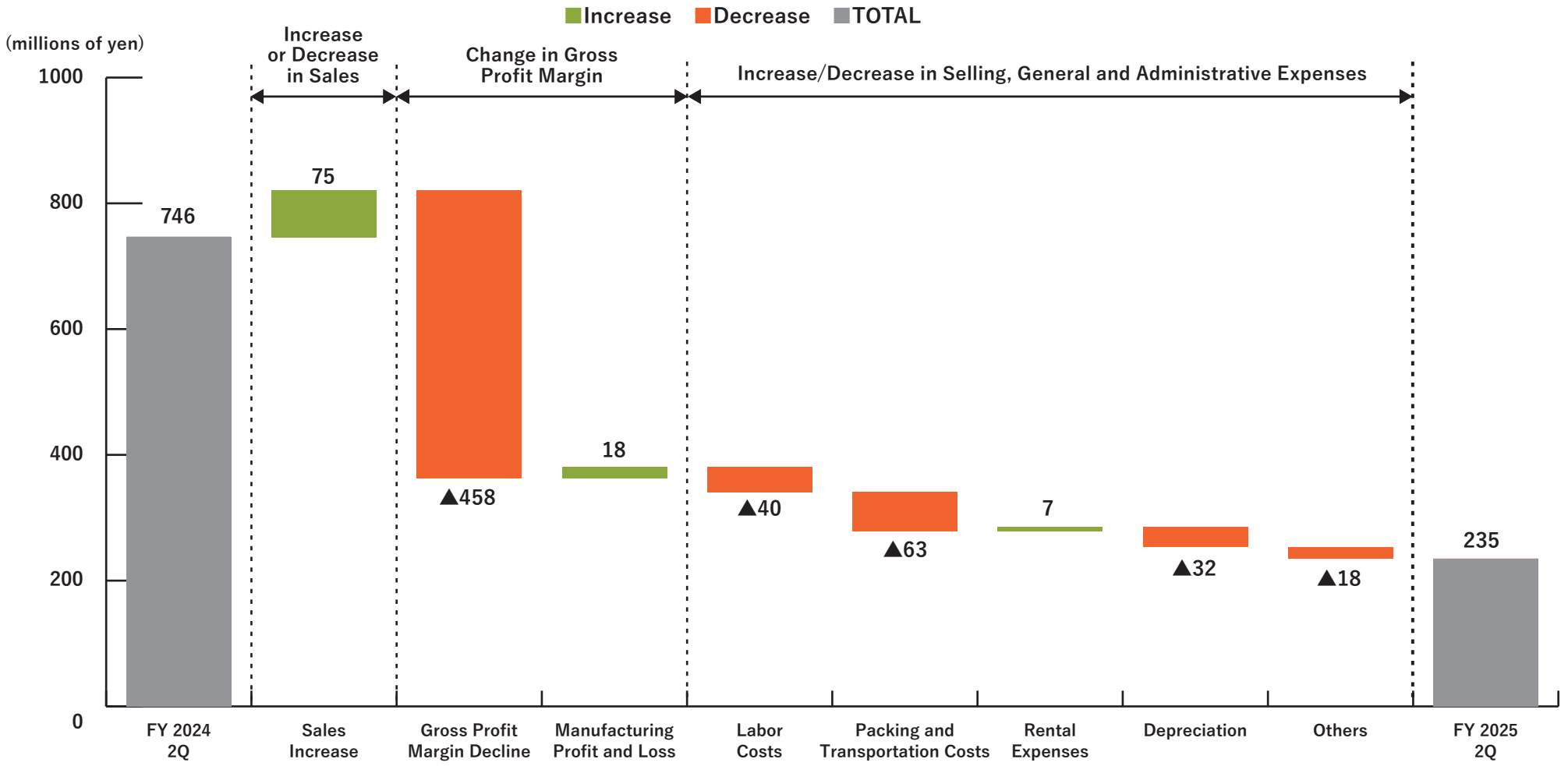
Consolidated Operating Profit YoY

- **Gross Profit Margin:** The gross profit margin deteriorated due to changes in the sales mix by channel, rising raw material prices, and product price increases implemented after December 2023.
- **Packing and Transportation Costs:** Packing and transportation costs increased due to the outsourcing of shipping operations and rising warehouse management and transportation expenses.



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Revision of Consolidated Earnings Forecast

Revised Full-Year Performance Forecast Announced in May 2024.

Reasons for the Revision:

- **While retail, e-commerce, and global businesses are expected to perform in line with plans, the wholesale business is experiencing a decline in sales due to poor performance of certain products and the postponement of sales timing.**
- **Decrease in operating profit and ordinary profit due to the decline in sales.**
- **Decrease in quarterly net profit attributable to parent company shareholders due to the recognition of impairment losses related to the closure of the MeKEL Nagano Wakasato store.**

Progress rate against revised consolidated performance forecast

Unit: millions of yen

	2Q (4/2024～9/2024)			(Reference) Previous Earnings Forecast Announcement
		Full-year Consolidated Earnings Forecast	Progress Rate	
Sales	9,208	19,240	47.9%	20,913
Operating profit	235	611	38.5%	1,342
Operating Profit Margin	*2.6%*	*3.2%*	-	-
Ordinary Profit	210	582	36.1%	1,329
Net Profit for Current Period Attributable to Parent Company Shareholders	1	158	0.6%	864

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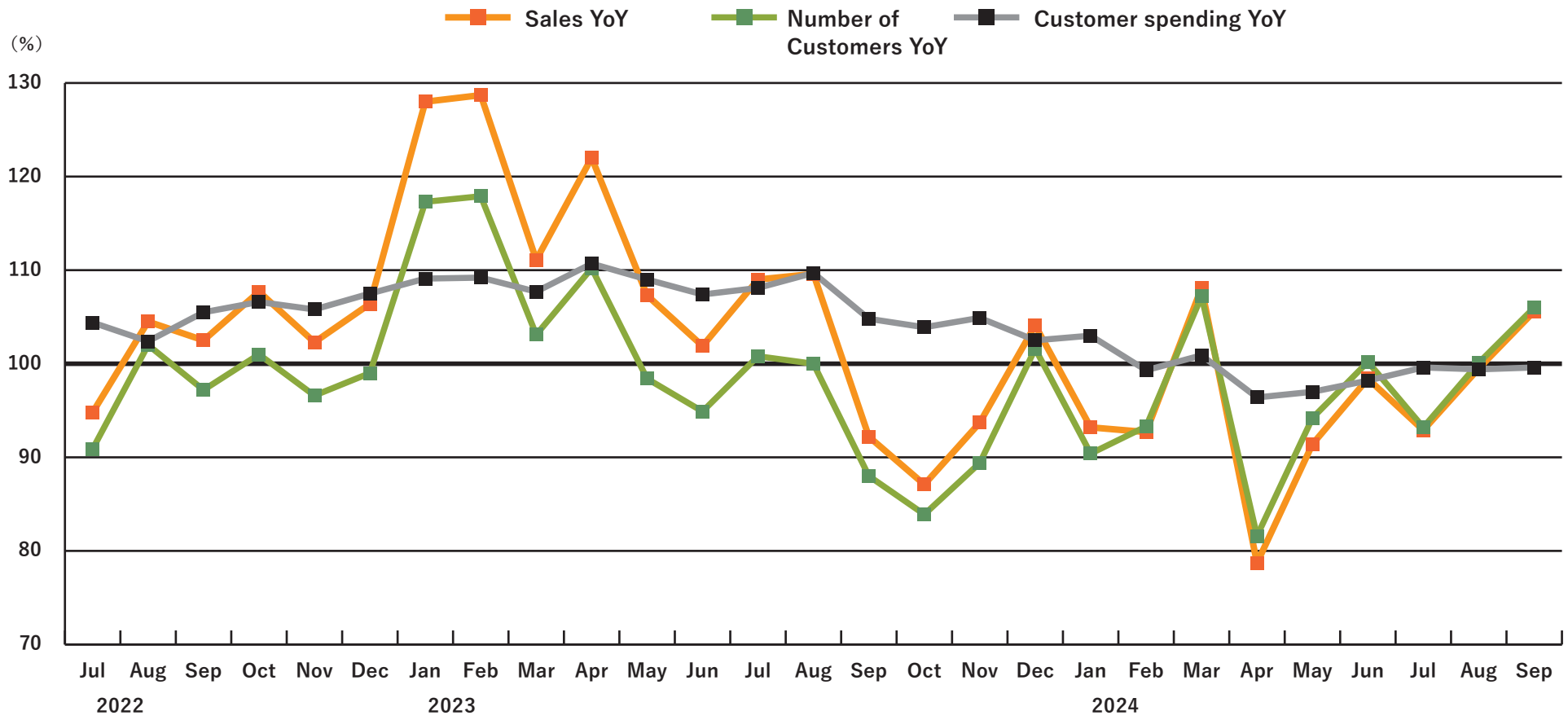
Existing Store* Sales, Customer Numbers, and Average Customer Spending

The number of customers at existing stores for the current consolidated fiscal year is down 4.5% compared to the same period last year. However, after hitting a low in April, there has been a continued recovery trend (September +6.0%).



*Our group defines “existing stores” as stores that have been open for 18 months or more.

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Number of Stores by Business Type

During the second quarter consolidated cumulative period (April to September 2024), eight stores of the Kuze Fuku Shoten format (including six FC stores) were newly opened. On the other hand, three stores in the St. Cousair format (including two FC stores), one store in the Kuze Fuku Shoten format (including one FC store), and one store in the MeKEL format were closed, resulting in a net increase of three stores from the end of the previous consolidated fiscal year.

Unit: Stores

		No. of Stores End of March 2024	End of September 2024 (2024/4-2024/9)		
			Opened	Closed	No. of Stores
St.Cousair Business Type	Directly-managed	12	-	1	11
	Franchises	4	-	2	2
	Total	16	-	3	13
Kuze Fuku Business Type	Directly-managed	39	2	-	41
	Franchises	115	6	1	120
	Total	154	8	1	161
MeKEL Business Type	Directly-managed	1	-	1	-
	Franchises	-	-	-	-
	Total	1	-	1	-
Total of all Business Types	Directly-managed	52	2	2	52
	Franchises	119	6	3	122
	Total	171	8	5	174

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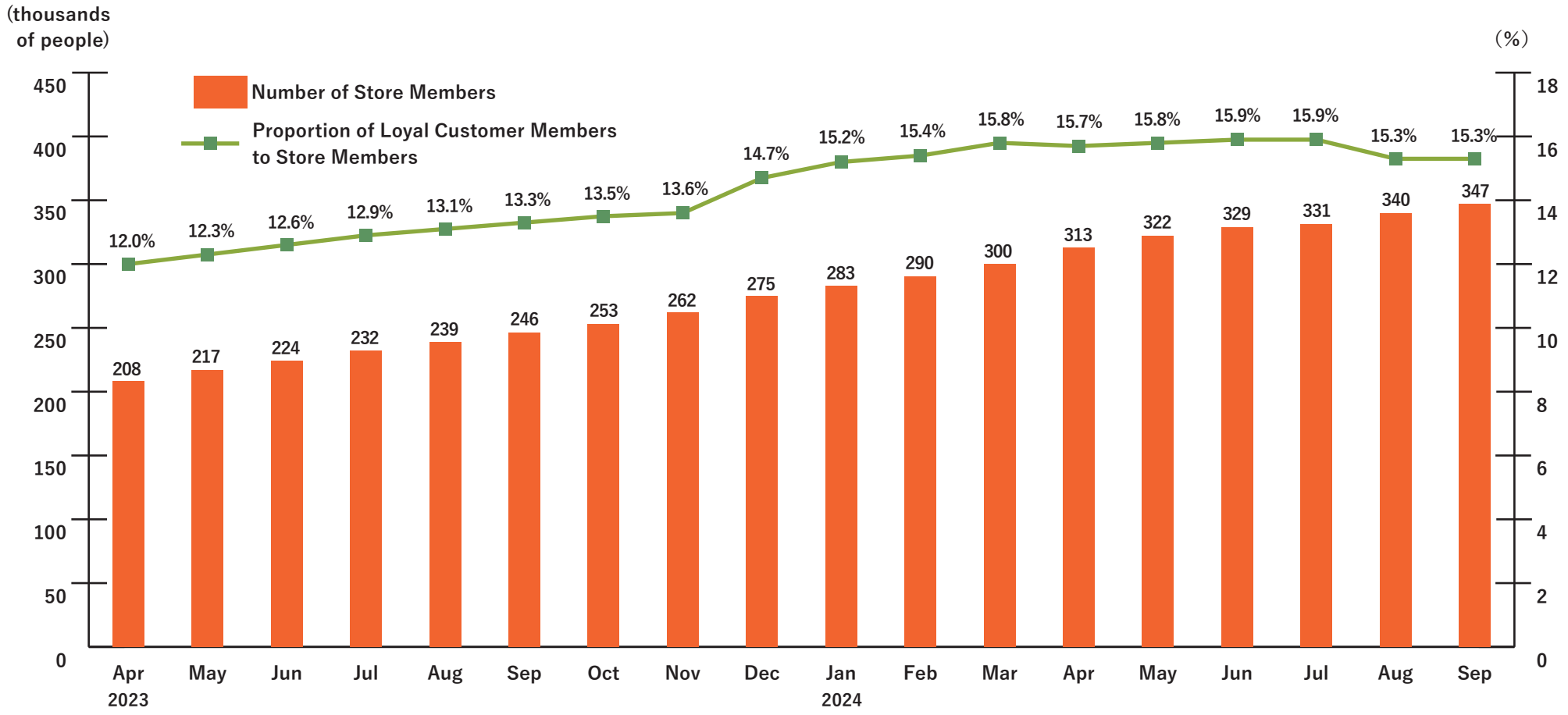
Number of Store Members and Loyal Customer Ratio

- The official app was launched in April 2021, and since then, the number of customers registered on the app has steadily increased.
- To grow our customer base of loyal fans, we continue to delve deeper into customer needs through interviews and surveys conducted at our retail stores.



*1. The graph above indicates the number of customer members using our physical stores, excluding E-commerce members. *2. Among the customers registered in our official app, those whose total purchase amount over a seven-month period from the reference date (end of each month) exceeds a specified threshold are defined as "Loyal Customers."

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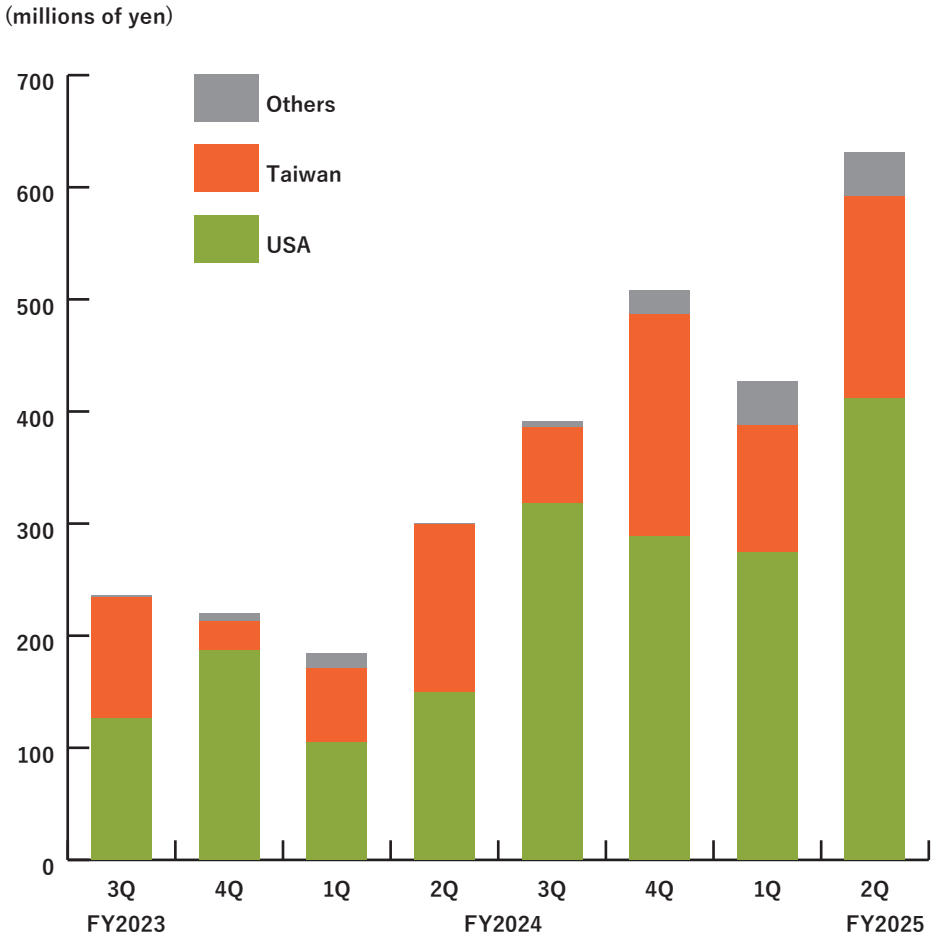
Global Situation: Sales by Country

In the cumulative period of the second quarter, sales by country showed an increase of +169.5% for the U.S. market and +36.1% for the Taiwan market compared to the same period last year.

Sales by Country (*1, 2)



Quarterly Highlights

USA

- Sales revenue for the cumulative period of Q2 this fiscal year increased by 432 million yen (+169.5% year-over-year) due to the addition of sales from the Portlandia Foods brand acquired in June 2023, along with growth in existing business.
- For the current consolidated fiscal year, the average exchange rate used for converting the profits and losses of the U.S. subsidiary was 152.36 yen per U.S. dollar (compared to 135.00 yen in the same period last year).

Taiwan

- Sales to a major U.S.-based retail chain have remained strong since the previous fiscal year, with cumulative sales revenue for Q2 this fiscal year increasing by 78 million yen (+36.1% year-over-year).

Others

- In addition to Australia, Hong Kong, and Canada, transactions with customers in South Korea also began from Q4 of the previous fiscal year.

*1: Sales are aggregated by the final country of sale. *2: The figures above have not been reviewed by an external auditor for the quarterly report. *3: This pertains to the period from January to June 2024 for the U.S. subsidiary.

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Balance Sheet

Unit: ¥K	End of Sept. 2023	March 31, 2024	End of Sept. 2024		
				YoY	Prior Period end ratio
Cash and Deposits	2,728,716	2,660,149	2,532,726	▲7.2%	▲4.8%
Accounts Receivable	1,445,195	2,206,610	1,603,422	+10.9%	▲27.3%
Inventory	1,745,069	1,523,707	1,746,753	+0.1%	+14.6%
Other Current Assets	98,098	124,792	143,136	+45.9%	+14.7%
Allowance for Doubtful Accounts	-58	-313	-13	▲76.3%	▲95.6%
Total Current Assets	6,017,021	6,514,945	6,026,025	+0.1%	▲7.5%
Total Fixed Assets	2,942,167	2,907,589	2,926,337	▲0.5%	+0.6%
Total Assets	8,959,189	9,422,534	8,952,362	▲0.1%	▲5.0%
Total Liabilities	4,472,472	4,680,457	4,324,834	▲3.3%	▲7.6%
Total Net Assets	4,486,717	4,742,077	4,627,528	+3.1%	▲2.4%
Equity Ratio	50.0%	50.3%	51.7%	+1.7%	+1.4%

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ROIC・ROE

ROIC (Last 12 months)

8.8%

Previous consolidated fiscal year 14.7%

Formula

$$\frac{\text{Operating profit x (1 - effective tax rate)}}{\text{(Shareholders' equity + interest-bearing debt)}}$$

ROE (Last 12 months)

6.5%

Previous consolidated fiscal year 18.3%

Formula

$$\frac{\text{Net income attributable to owners of the parent}}{\text{Shareholders' equity}}$$

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July 2024: Opening of Kuze Fuku & Co. Machida Marui Store

Small Store Model



Store design	Bright and casual atmosphere with white color base
Location	Convenient shopping location near train stations
Store size	33～66 m²
Number of items	About 300 SKUs

Standard Store Model



Store design	Chic and calm atmosphere with black color base
Location	Suburban shopping centers, namely AEON malls
Store size	132～165 m²
Number of items	About 1,000 SKUs

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Closing of MeKEL Nagano Wakasato Store

Positive Points

- Completed hypothesis testing within the first year of opening
- Customer demographics generally align with initial projections
- Average spending per customer exceeded initial estimates

Areas for improvement

- Location is approximately a 15-minute drive from Nagano Station, with limited shopping options nearby, leading to an unmet target in customer numbers as the main factor for underperformance

Future developments

●Next steps:

Move into planning phase

(considering options such as expansion in the Tokyo metropolitan area, wholesale, and e-commerce)







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Aquisition of Bonnie’s Jams

St.Cousair, Inc. (SCI), a consolidated subsidiary of the Company, acquired the processed food sales business of Bonnie's Enterprises, LLC (Massachusetts, USA, hereinafter referred to as "Bonnie's Jams") on October 4, 2024.

Bonnie's Jams
DISCOVER the TASTE of FRUIT







Bonnie's Jams is a company based in Massachusetts, USA that develops and sells original jams and other processed foods made with its own brand of fruits and spices.

- **Acquire new product lines and sales channels**
- **Cross-selling with existing sales channels**
- **Improve manufacturing efficiency at our own factories**

Further expansion of global business

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FBC Members Event

As part of the FBC program, we will hold an event for FBC members to deepen their understanding of our company.

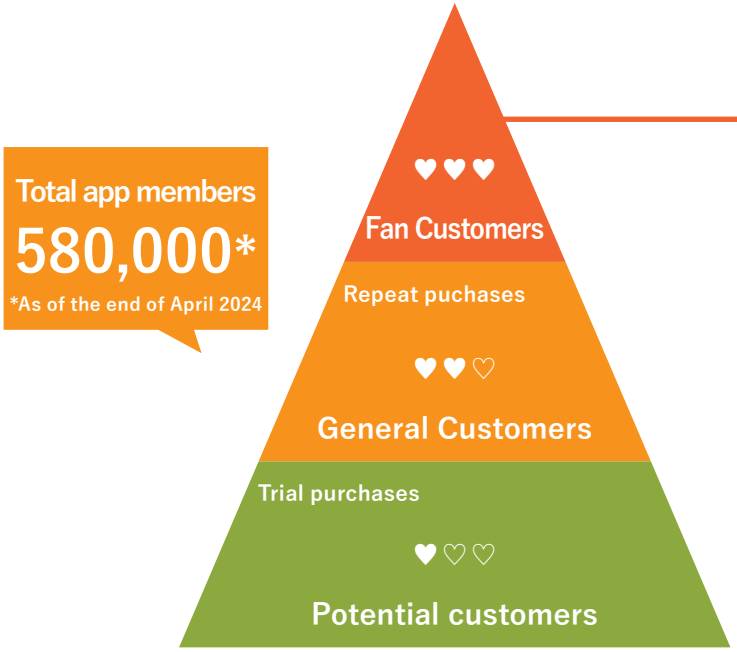


1st Event: Experience at St. Cousair in Iizuna, Nagano (Held on June 7, 2024)





2nd Event: Tour to visit clients (Held on July 12, 2024)



Fan - Based Community Program

Number of Program Participants: 2,500

Through interviews and surveys with program members, we aim to understand their opinions on our products and services, as well as any potential needs they may have.

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Warning

The forecasts of our performance and future predictions described in this document are based on information available to us at the time of preparation. Please be aware that actual performance and results may differ significantly from these projections due to changes in the domestic and international economic conditions, external and internal factors, and various situational changes.

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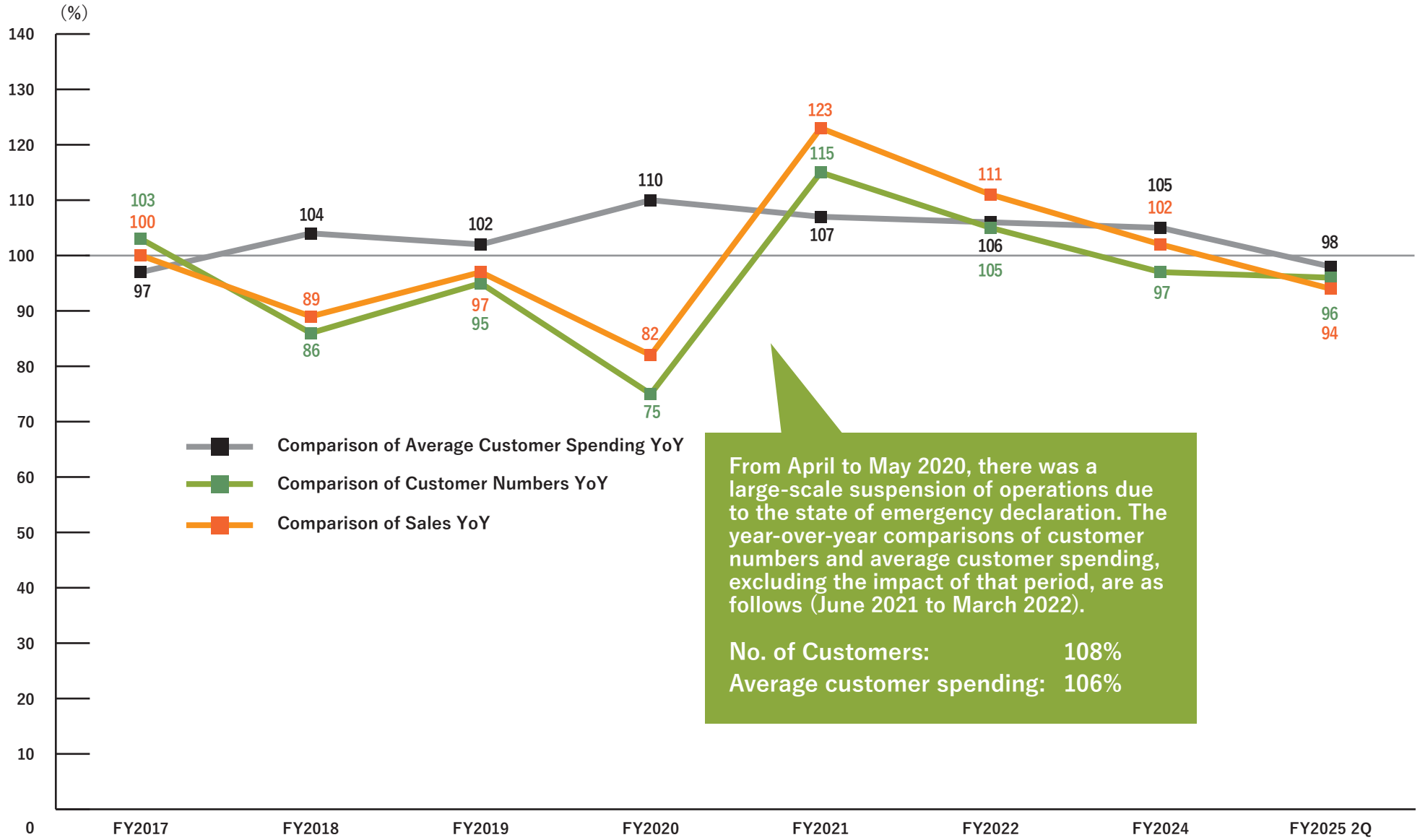
Existing Store(*1,2) Sales, Customer Count, Average Customer Spending YoY



From April to May 2020, there was a large-scale suspension of operations due to the state of emergency declaration. The year-over-year comparisons of customer numbers and average customer spending, excluding the impact of that period, are as follows (June 2021 to March 2022).

No. of Customers: 108%
Average customer spending: 106%

*1. Our group considers stores that have been open for more than 18 months as "existing stores." *2. Year-over-year comparisons of sales, customer numbers, and average customer spending are calculated for stores that have been open for more than 18 months as of the beginning of each fiscal year.

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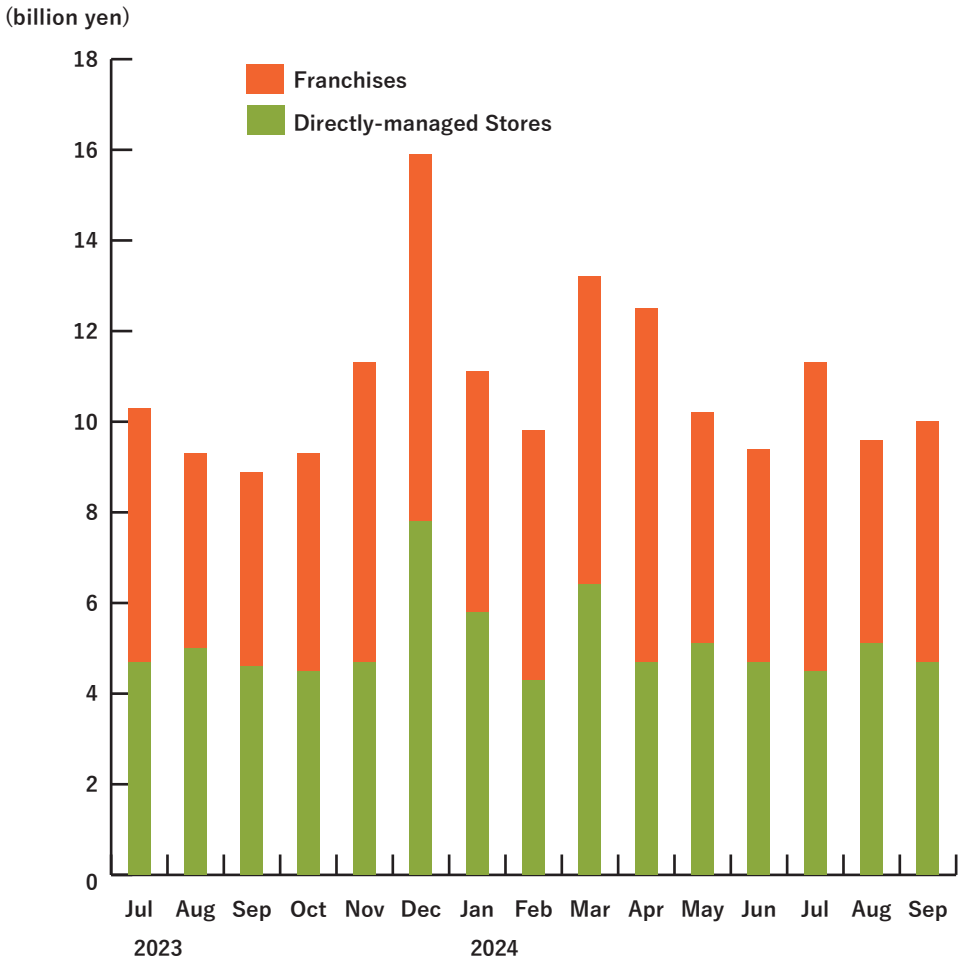
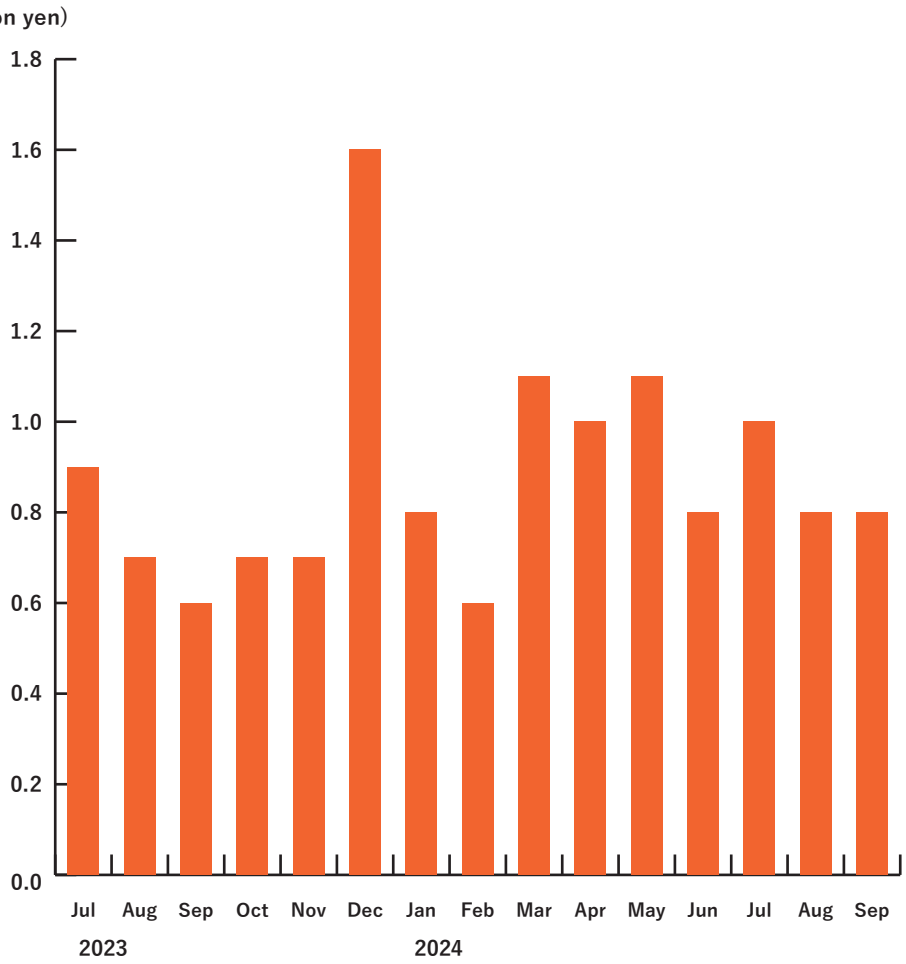
Performance by Sales Channel (Brick and Mortar Stores/E-Commerce)

Quarterly sales (Brick and Mortar Stores)



Quarterly sales (E-Commerce)



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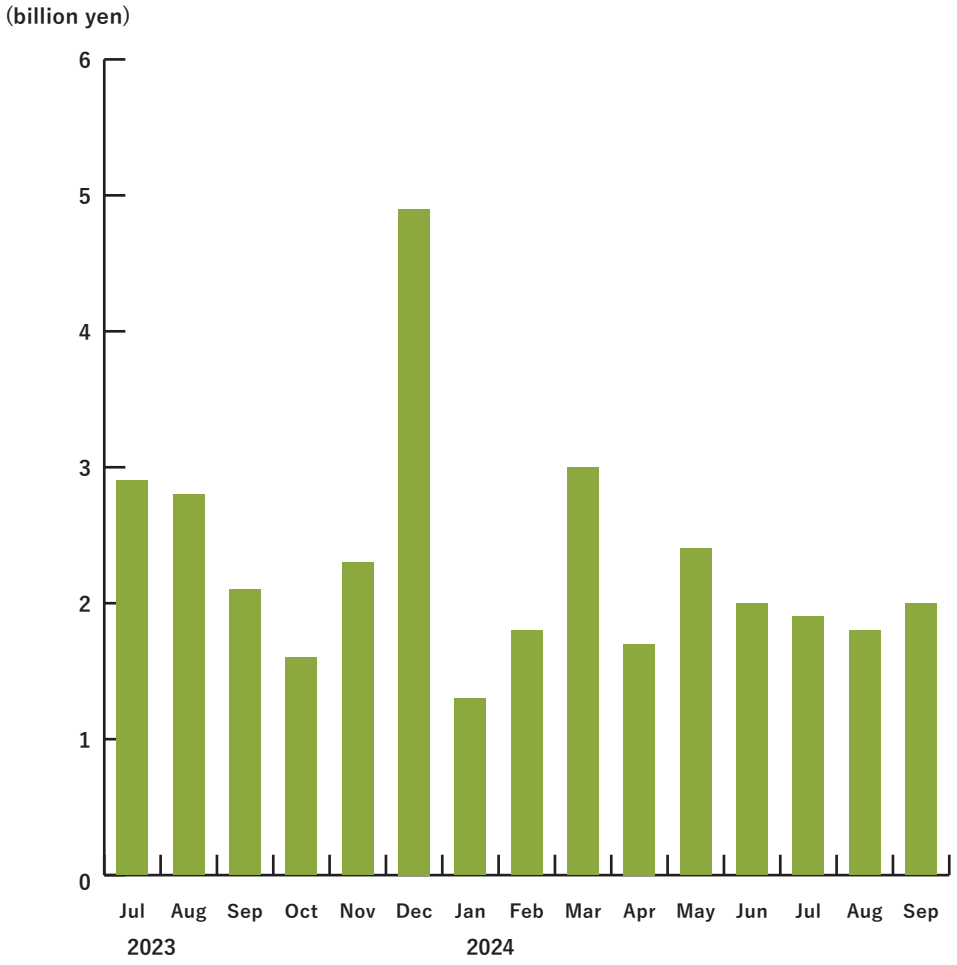
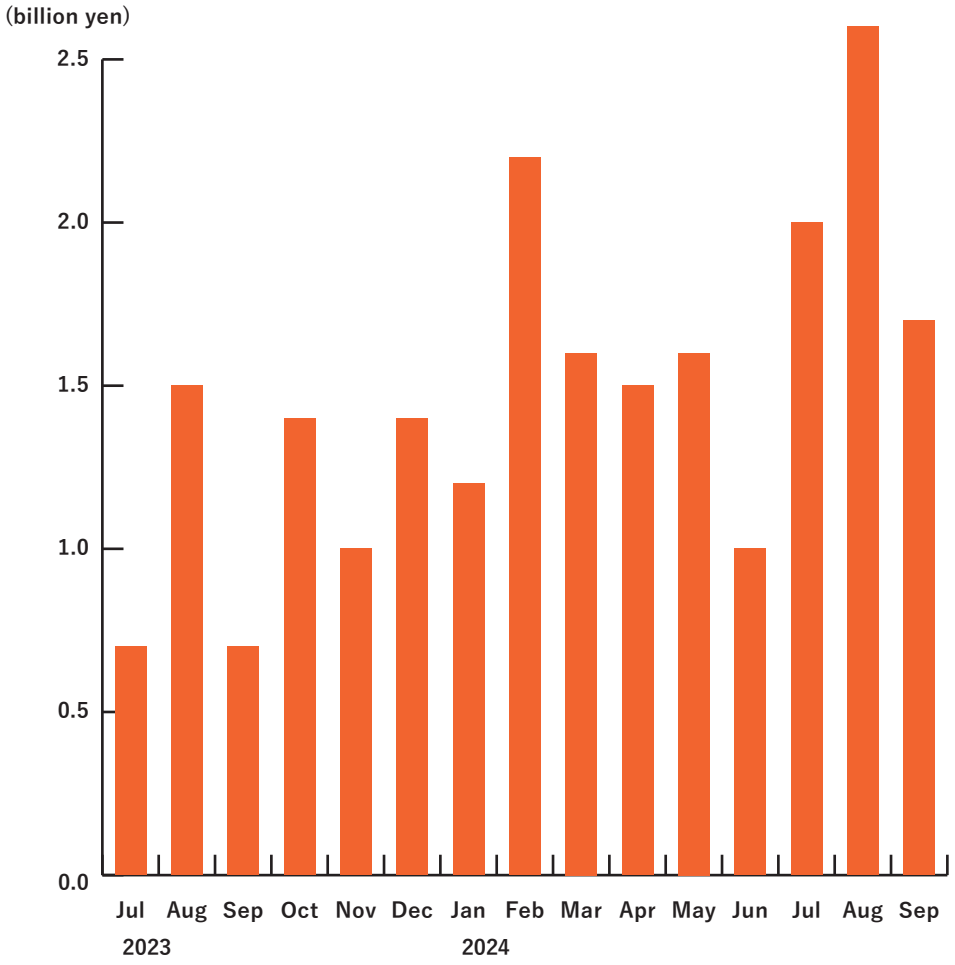
Performance by Sales Channel (Wholesale/Global)

Quarterly sales (Wholesale)



Quarterly sales (Global)



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Previous Quarterly Consolidated Results

Unit: ¥K	FY2025 1Q	Composition Ratio	FY2025 2Q	Composition Ratio
Sales	4,597,296	100.0%	4,611,672	100.0%
Gross Profit	1,594,191	34.7%	1,595,602	34.6%
Operating profit	87,301	1.9%	148,069	3.2%

Unit: ¥K	FY 2024 1Q	Composition Ratio	FY 2024 2Q	Composition Ratio	FY 2024 3Q	Composition Ratio	FY 2024 4Q	Composition Ratio
Sales	4,806,138	100.0%	4,212,860	100.0%	5,285,263	100.0%	4,858,655	100.0%
Gross Profit	1,933,554	40.2%	1,621,506	38.5%	1,885,250	35.7%	1,613,436	33.2%
Operating profit	502,632	10.5%	243,836	5.8%	341,528	6.5%	201,194	4.1%

Unit: ¥K	FY 2023 1Q	Composition Ratio	FY 2023 2Q	Composition Ratio	FY 2023 3Q	Composition Ratio	FY 2023 4Q	Composition Ratio
Sales	4,198,020	100.0%	3,929,212	100.0%	5,055,894	100.0%	4,682,521	100.0%
Gross Profit	1,728,763	41.2%	1,502,712	38.2%	1,973,802	39.0%	1,824,796	39.0%
Operating profit	444,886	10.6%	223,073	5.7%	510,222	10.1%	421,606	9.0%

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New Product Information - FY 2025 2Q





St. Cousair

Fruit Vinegar Drink
Mango Passion Fruit





St. Cousair

Pumpkin Pudding Jam

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New Product Information - FY 2025 2Q




Kuze Fuku & Co.

Sardine bone crackers




Kuze Fuku & Co.

Horse mackerel bone crackers





Kuze Fuku & Co.

Salmon Mentaiko Flakes
(large jar)





Kuze Fuku & Co.

Salmon Flakes





Kuze Fuku & Co.

Powdered
Traditional Umami Dashi
40g・180g

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New Product Information - FY 2025 2Q



Kuze Fuku & Co. Small Stores

Dashi Droplets



Kuze Fuku & Co. Small Stores

Kuze Fuku's "Mottainai" Collection

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New Product Information - FY 2025 2Q



Portlandia Foods

Organic Spread
Strawberry



Portlandia Foods

Organic Spread
Blueberry



Portlandia Foods

Organic Spread
Blackberry



Portlandia Foods

Organic Hot Sauce
Smoky



Portlandia Foods

Organic Hot Sauce
Mustard Curry



Portlandia Foods

Organic Hot Sauce
Original

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New Product Information - FY 2025 2Q





Whole-sale

Premium White Shrimp Chips

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New Product Information - FY 2025 2Q

07/12 OPEN



Kuze Fuku & Co.

Kuze Fuku & Co.
AEON MALL Nara Tomigaoka

07/19 OPEN



Kuze Fuku & Co.

Kuze Fuku & Co.
Machida Marui (Small Store Model)

07/25 OPEN



Kuze Fuku & Co.

Kuze Fuku & Co.
Yumegaoka Soratos

08/01 OPEN



Kuze Fuku & Co.

Kuze Fuku & Co.
LaLaport Fukuoka

09/24 OPEN



Kuze Fuku & Co.

Kuze Fuku & Co.
EmiTerrace Tokorozawa Mall

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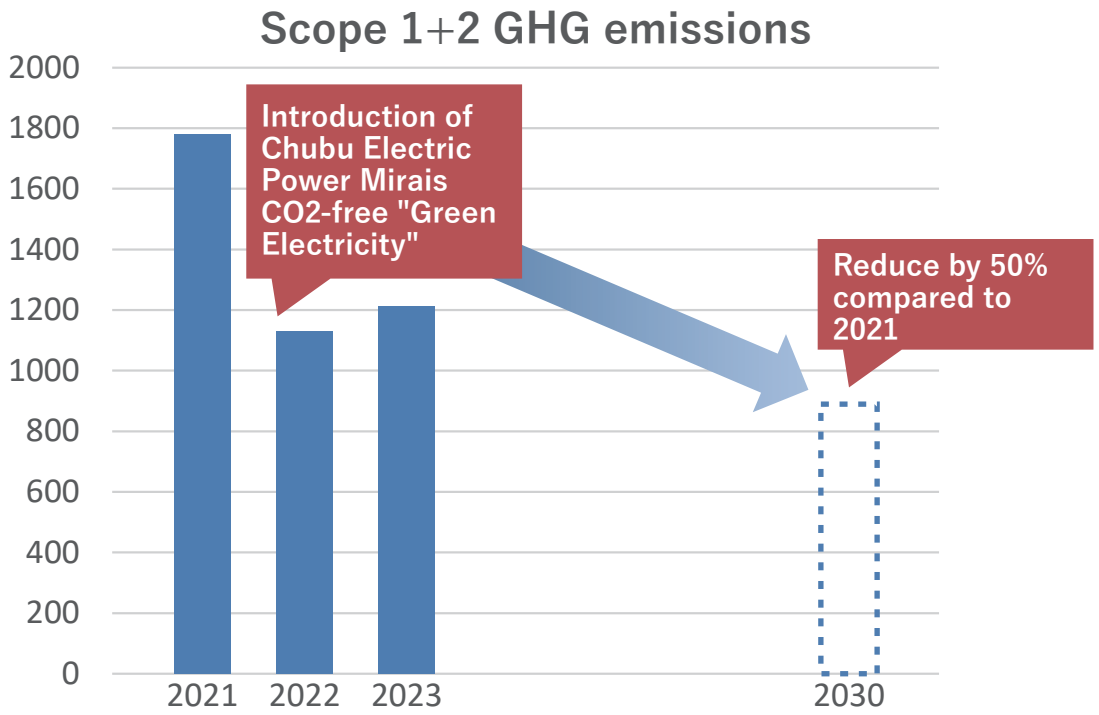
ESG Initiatives

Measuring greenhouse gas emissions and improving accuracy

Scope 1+2 Initiatives

Consideration of measures and initiatives toward the 2030 target (50% reduction compared to 2021)



Scope 3 Initiatives

Currently promoting efforts to calculate and visualize GHG emissions by introducing Zeroboard.

Enhancing Human Capital

■Numerical target:
Ratio of female managers

19% (End of March 2023) ▸ **21.4%** (End of March 2024) ▸ **30%** (By 2030)

■Diverse working styles

- Remote work
- Regionally-limited work
- Reduced working hours

→ Expansion

- Various types of leave

→ Support & Recommendation

75%
End of March 2024



Reference: Nationwide rate of men taking parental leave in 2023 is 46.2% (Ministry of Health, Labor and Welfare)

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ESG Initiatives

Forest Conservation Project

“St.Cousair Forest”

Conservation activities (within the grounds of the St. Cousair Shinanomachi Center)

- Vegetation survey *In cooperation with Shinshu University Faculty of Education Forest Ecology Research Institute
- Forest maintenance (thinning, mowing, etc.)
- Nature watching



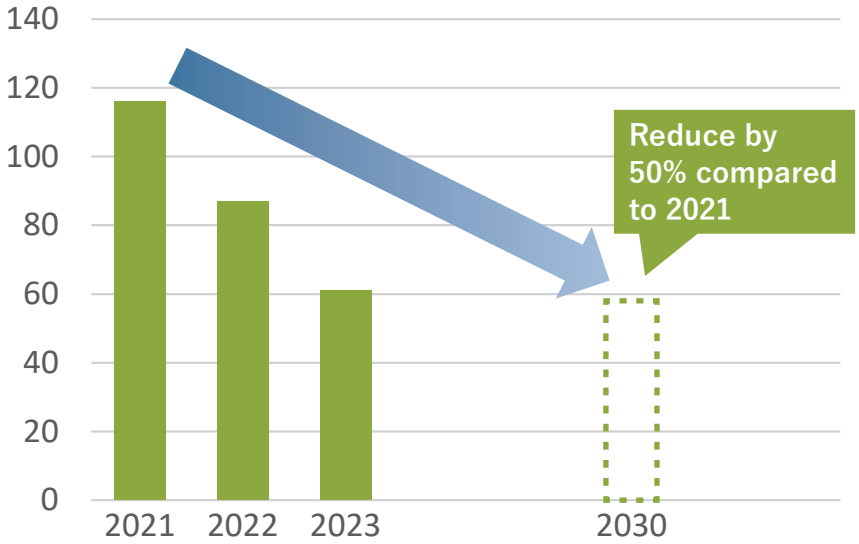




"St. Cousair Forest" has been officially recognized by the Ministry of the Environment as a "Nature Coexistence Site" for the latter half of FY 2023, designated as an area where biodiversity conservation is promoted through private sector initiatives and other efforts.

Efforts to Reduce Food Loss

■Reducing food waste at our own factories and stores



■Reuse of animal and plant residues

Start of feed production and composting at Kurohime Farm

11.1 tons

End of October 2024



Reference: Total weight of animal and plant residues in FY2023: 67.5 tons

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ESG Initiatives

Support Activities

Support for Tanzania







A portion of the sales from seasonal jams will be donated



A nursery school was completed in March 2024 with assistance from donors.

Support through food

Through support organizations in Nagano Prefecture, we have donated St. Cousair and Kuze Fuku & Co. products to children's cafeterias and similar facilities within the prefecture.



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