Q&A for the Financial Results for the Nine Months Ended July 31, 2025

We have provided this Q&A as a reference for questions you may have regarding the financial results disclosed today for the nine months ended July 31, 2025.

Q1: The third quarter (three-month period) saw a significant increase in sales and profit year on year. What are the reasons for this, and how does this compare to your plan?

A1: For the third quarter (three months), we completed measures in response to the unexpected cost increases that occurred in the first half (unexpectedly high raw material costs and increased labor costs due to excessive cast employee shifts). In addition, compared to the third quarter of the previous year, which had 17.7 months (13 stores) of closure due to refurbishing, this third quarter had only 3.6 months (1 store) of closure due to refurbishing. This contributed to the significant year-on-year increase in both sales and profit.

However, the record-high average temperature in June slowed performance at existing stores year on year, and upfront costs for overseas store openings partially offset the above improvements, resulting in performance in line with the plan. (Please refer to pages 3, 5, 6, 7, 8, 9, and 18 of the Results Briefing Materials for more details.)

Q2: Is the full-year forecast achievable?

A2: In August, both roadside stores and stores near train stations had strong traffic, and we believe we have caught up to a level where the full-year forecast is achievable. We will continue to make efforts toward achieving the full-year forecast. (Please refer to page 18 of the Results Briefing Materials for more details.)

Q3: Please explain the nature of the unexpected cost increases in the first half and the measures taken in response.

A3: The cost of raw materials such as rice and cabbage rose more than expected, and we implemented a price revision in March to pass on this increase. Another factor was that we made improvements to the cast employee working schedule to lower employee workload and secure human resources. However, since the working schedule was based on sales volume, even though the number of customers remained unchanged, an increase in average customer spend led to higher sales, leading to higher-than-expected labor costs due to excessive shifts. We implemented countermeasures starting in April by optimizing working schedules management (changing the working schedule to be based on customer count). (Please refer to pages 6 and 7 of the Results Briefing Materials for more details.)

Q4: Have you implemented any price revisions since the price adjustment in March 2025?

A4: Our policy is to revise prices to absorb rising store operating costs. Unexpected cost increase in raw materials such as rice and cabbage necessitated an emergency price revision in March. However, raw material price surges have stabilized since March, and our operating cost projections for the next six months indicate cost increases can be contained, so we have postponed the July price revision (see pages 6 and 7 of the Results Briefing Materials).

Q5: Please explain why you are refurbishing your stores and the schedule for the current fiscal year. Also, how long will it take until the refurbishing is complete?

A5: Based on our internal assessment, we observed that maintaining soup at a consistent warming temperature resulted in more consistent soup quality. When keeping soup warm, cooking with induction heating (IH) can more easily keep soup at a constant temperature than cooking with gas and also reduces CO_2 emissions (approx. 10%). Therefore, we are advancing the introduction of IH. For our core brand Machida Shoten, IH will be used in any new stores, and we are sequentially refurbishing existing stores to introduce IH and a new layout. We aim to improve the consistency of soup quality through cooking with IH and to enhance productivity through the new layout. In the current fiscal year, we will refurbish 16 stores on average throughout the year, and have set up a schedule in which there will be approximately 6 months of store closure in each quarter, with refurbishment proceeding on schedule through the third quarter.

Furthermore, there are 30 stores where IH has not been introduced so we plan to refurbish 16 stores during the current fiscal year and then complete the refurbishment of the remaining stores during the next fiscal year. (Please refer to page 9 of the Results Briefing Materials for more details.)

Q6: Could you describe the outlook to achieve the store opening plan for the current fiscal year?

A6: We are planning to open 52 company-owned stores in the current fiscal year. We have concluded rental agreements for all of our target so once we have secured human resources, we will be sequentially opening the stores. During the first nine months of the year, we opened nine more stores than in the same period of the previous year, when we met our store opening plan. We believe that it is possible that we will achieve this year's full-year store opening plan. (Please refer to pages 4 and 9 of the Results Briefing Materials for more details.)

Q7: Could you describe the progress status for securing personnel?

A7: We are implementing and planning various measures to secure personnel, and these measures are gradually having an effect. We have updated the recruitment website, significantly increased wages by 7% in January 2025, and are creating a good working environment. As a result, the retirement rate (annualized) for the third quarter of this year has changed from 16.1% to 12.1% year on year, achieving a 4-point drop. We will continue to work on reducing the retirement rate (balancing comfortable work with rewarding work) and strengthening our recruitment capability (increasing the number of job applicants and rate of job offers). (Please refer to pages 4 and 12 of the Results Briefing Materials for more details.)

Q8: Is there any impact from the increase in US tariffs?

A8: Since we rarely export to the US, we recognize that any impact due to the increase in US tariffs is very minor.

Q9: Is there any impact from the exchange rates?

A9: Mainly the two areas of “trading (export and import)” and “financial results of overseas subsidiaries converted to yen” are affected by the exchange rates.
For trading (export and import), we conduct trading in yen through trading companies and recognize that this means we are indirectly affected by fluctuations in the exchange rates. The Company rarely exports but since we do import some ingredients, a strong yen has a beneficial effect on the cost of purchasing ingredients while a weak yen has an unfavorable effect in this regard.

Furthermore, we are also affected by fluctuations in the exchange rates when consolidating the financial results of overseas subsidiaries in yen. When the yen is strong, the yen-based amount tends to decrease after conversion. When the yen is weak, the yen-based amount tends to increase after conversion.

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