



Q&A for the Financial Results for the Six Months Ended April 30, 2025

We have provided this Q&A as a reference for questions you may have regarding the financial results disclosed today for the six months ended April 30, 2025.

Q1: The first quarter (three months) of this year saw an increase in sales but a decrease in profit year on year, while the second quarter (three months) of this year saw an increase in both sales and profit. What is the difference between the first and second quarters?

A1: In the first quarter, unexpected cost increases (125 million yen) that could not be covered by the price revision (price increase) implemented in January 2025 led to higher sales but lower profit. Specifically, there was a higher than expected increase in the cost of raw materials such as rice and cabbage. Another factor was that we made improvements to the cast employee (part-time staff) working schedule to lower employee workload and secure human resource, but since the working schedule was based on sales volume, even though average customer spend increased, the number of customers remained unchanged, leading to higher labor costs due to excessive shifts.

In the second quarter, we addressed the unexpected increase in raw material costs by implementing an additional price revision in March 2025. As for the increase in labor costs, by implementing employee working schedule management optimization from April 2025 (changing the employee working schedule to be based on the number of customers), the impact of unexpected costs was reduced compared to the first quarter (with unexpected costs in the second quarter totaling +61 million yen), resulting in increased sales and profit in the second quarter. (Please refer to pages 5, 7, and 8 of the Results Briefing Materials for more details.)

Q2: For the first six months of the fiscal year, operating profit is approximately 300 million yen below the initial plan. Is the full-year operating profit plan still achievable?

A2: For the first half, as stated in the answer to Q1, operating profit fell short of the plan due to the impact of unexpected costs that had not been factored into the initial plan, as well as delays in new store openings and vacant rent expenses for stores scheduled to open from the second half. On the other hand, the effects of the additional price revisions in March 2025 and the optimization of employee working schedule management in April 2025 are clearly emerging, and monthly results for April and May have exceeded the plan. In April, more new graduate employees joined the Company than in the previous year, and the retirement rate has also decreased compared to the previous year, indicating steady progress in securing human resources to accelerate store openings from the second half.

We will proceed with store openings as planned for the full year while aiming to offset the



shortfall from the first half in the second half in order to achieve our full-year targets. (Please refer to pages 6, 7, 8, and 16 of the Results Briefing Materials for more details.)

Q3: 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?

A3: 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 heater (IH) can more easily keep soup at a constant temperature than cooking with gas and also reduces CO₂ 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 second 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.)

Q4: Regarding the price revisions implemented in March 2025, what was the reason for the revision, the revision amount, and the subsequent impact on customer traffic?

A4: On March 1, 2025, we increased prices by an average of around 10 yen (approx. 1%). After the revision, we have seen no significant decrease and there has been no impact on the number of customers.

We operate under the policy of revising prices to cover the increased cost of operating stores, with regular revision timings in January and July each year. However, in 2025, due to unexpected cost increases in raw materials such as rice and cabbage, we implemented an emergency price revision in March. (Please refer to page 7 of the Results Briefing Materials for more details.)

Q5: Could you describe the outlook to achieve the store opening plan for the current fiscal year?

A5: 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 half of the year, we achieved seven more store openings than in the first half of last year’s store opening plan, and we believe that it is quite possible 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.)



Q6: Could you describe the progress status for securing personnel?

A6: 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 second quarter of this year has changed from 17.1% to 12.5% year on year, achieving a reduction of more than 4 points. 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.)

Q7: Is there any impact from the increase in US tariffs?

A7: Since we rarely export to the US, we recognize that any impact due to the increase in US tariffs is very minor.

Q8: Is there any impact from the exchange rates?

A8: 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.

End