Q&A for the Financial Results for FYE Oct. 31, 2025

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

Q1: The fourth quarter (three-month period) saw a significant increase in sales and profit year on year. What are the reasons for this? Furthermore, what is your progress assessment of the fourth-quarter plan and the second-half plan?

A1: In the fourth 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 setting up too many part-time cast employee shifts), and these measures showed some improvement. In addition, compared to the fourth quarter of the previous year, which had 7.1 months (16 stores) of store refurbish downtime, this fourth quarter had only 0.1 months (1 store) of temporary closure. This contributed to the significant year-on-year increase in both sales and profit.

On the other hand, although we exceeded the fourth-quarter plan and the second-half plan, we were unable to fully make up the shortfall in the first half and fell short of the full-year plan due to advance expenses for opening new stores outside of Japan and a large delay in the opening of company-owned domestic stores in the fourth quarter. (Please refer to pages 3,6,7, 8, 9, 10, 11, 13, and 14 of the Results Briefing Materials for more details.)

Q2: What is the progress of the overseas business?

A2: We have company-owned stores in the U.S., China, and Switzerland. In the U.S., the third New York store performed well, but the New Jersey store, which opened during this fiscal year, posted a loss due to sluggish sales growth caused by a mismatch between the location and the business format. The New Jersey store reopened in November 2025 and is working to improve profitability.

As for China, we have three stores in Shanghai, each of which is seeing strong sales. However, these stores are currently in the launch phase and operating at a loss due to the lack of purchasing scale benefits and high labor costs from experienced staff working on-site. Still, we believe profitability is achievable by restraining costs through multi-restaurant deployment and we are planning further store openings from the next fiscal year.

In Switzerland, we opened our store in August 2025, and performance is strong. However, the Swiss subsidiary's fiscal year ends in July, and this fiscal year's consolidated figures only incorporates the upfront new store opening costs, hence revenue will only be incorporated into our books starting the following fiscal year.

In the franchise business, profitability is expected to improve due to a steady increase in the number of openings in both existing and net new countries, as well as the upcoming opening of new stores in countries of higher cost of living in the next fiscal year. (Please refer to pages 9 and 10 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: In the first half, the price of raw materials such as rice and cabbage rose more than expected, and we implemented appropriate price revisions in March to pass on this increase.

In addition, we implemented ample part-time cast employee shifts in order to reduce full-time employee workloads and retain talent. However, since working schedules were set based on sales, it appeared that only sales were increasing when the number of customers remained consistent, but in reality, the average customer spend increased was only caused by the price increase. This resulted in adding more part-time shifts than necessary for the actual number of customer visits, causing labor costs to rise more than expected. Since April, we have been working to improve this point by optimizing shift management; specifically, the standard for setting shifts has been changed from a sales basis to a customer count basis. (Please refer to page 8 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 triggered an emergency price revision in March. However, raw material prices have stabilized since then, and our operating cost projections for the next six months indicated that cost increases can be contained and managed. Therefore, we decided to postpone the price revision scheduled for July.

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 leads to 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. It also helps to reduce CO_2 emissions (approx. 10%). Therefore, we are advancing with the introduction of IH.

For our core brand Machida Shoten, IH will be used in all new stores, and when existing stores are renovated, we are taking advantage of this timing to replace gas with IH and to introduce a new store layout. By doing this, we aim to further improve the consistency of soup quality through cooking with IH and to enhance productivity through the new layout.

Although we ended up undershooting the number of refurbished stores from the initial plan because of the difficulty of installing IH in some stores, due to power consumption and building equipment restrictions, 10 stores were refurbished during the year. Installation of IH equipment in all Machida Shoten outlets is expected to be completed in the next fiscal year. (Please refer to page 11 of the Results Briefing Materials for more details.)

Q6: Please describe the outlook to achieve the store opening plan for the next fiscal year.

A6: For the next fiscal year, we plan to open 65 company-owned stores (60 in Japan and five overseas) and 54 produced and franchise stores (40 in Japan and 14 overseas). We are strengthening cooperation with railroad companies and commercial facilities to elevate our property development capabilities, while continuing to actively recruit human resources, and are steadily working to achieve our store-opening plan for the next fiscal year. (Please refer to page 23 of the Results Briefing Materials for more details.)

Q7: Please describe the progress for securing personnel.

A7: We are implementing and planning various measures to secure personnel, and these measures are gradually gaining traction. 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 this fiscal year has improved from 15.4% to 12.4% year-on-year, achieving a 3-point drop. We will continuously work to improve the retirement rate (by providing both comfortable work environment and rewarding work opportunities) and strengthen our recruitment capability (by increasing the number of job applicants and improving job offer ratio). (Please refer to pages 4 and 18 of the Results Briefing Materials for more details.)

Q8: With the political tension between Japan and China, some are concerned about the impact on sales at stores for inbound travelers to Japan and stores in China. What is the current situation and your outlook going forward?

A8: At this point, our view is that there has been no confirmed significant impact on store sales in Japan, including inbound demand, nor on store sales in China. We have not made any changes to our initial plan for opening new stores in China, and we intend to continue to rapidly move ahead with new store deployment.

At the same time, we believe it is important to diversify growth opportunities in light of the uncertainties in the external environment, and we intend to balance multiple growth drivers by opening more stores in Switzerland, developing franchises in other parts of Asia, and restructuring our U.S. business.

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