



## Q&A for the Financial Results for the Three Months Ended January 31, 2025

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

**Q1:** Compared to the same period of the previous year, there was a significant increase in sales, but profit decreased in the first quarter. Why is that?

**A1:** There are two reasons. First, excessive revenue was achieved in the previous first quarter, but this was not present in the first quarter of this year. Second, there was an unexpected increase in costs.

With regards to the excessive revenue as part of the first reason, we implemented a price revision in advance in July 2024 for items that were expected to increase in cost from January 2025. Meanwhile, the results during the first quarter of this year are due to the implementation of a price revision in July 2025 for items that are expected to increase in cost from July 2025.

With regards to the unexpected increase in costs as part of the second reason, this was caused by a rise in raw materials and a rise in cast (part-time staff) labor cost. The increase in raw material costs was primarily due to higher-than-expected prices of rice and cabbage. The rise in cast (part-time staff) labor cost is due to improvements made to the cast employee (part-time staff) working schedule to lower employee workload and secure human resources.

We are responding to these unexpected cost increases by implementing an additional price revision from March 2025 (Please refer to pages 5, 6 and 7 of the Results Briefing Materials for more details.)

**Q2:** 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?

**A2:** 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 versus cooking with gas and also reduces CO<sub>2</sub> 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.



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 8 of the Results Briefing Materials for more details.)

Q3: Regarding the price revisions implemented in January 2025, what was the reason for the revision, the revision amount, and the subsequent impact on customer traffic?

A3: On January 1, 2025, we increased prices by an average of around 20 yen (approx. 2%). 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 absorb increased operational costs. We have revised our prices in response to cost increases because of the expected rise in labor costs (improvement of employee treatment) and raw materials (such as rice) since January. (Please refer to page 9 of the Results Briefing Materials for more details.)

Q4: Could you describe the outlook to achieve the store opening plan for the current fiscal year?

A4: We are planning to open 52 company-owned stores in the current fiscal year. We have already concluded rental agreements for almost all of our target so once we have secured human resources, we will be sequentially opening the stores. (Please refer to page 3 of the Results Briefing Materials for more details.)

Q5: Could you describe the progress status for securing personnel?

A5: 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 first quarter of this year has changed from 14.7% to 11.9% year on year, achieving nearly a 3-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 the rate of job offers). (Please refer to page 4 of the Results Briefing Materials for more details.)

End