



Q&A for the Financial Results for the Cumulative Third Quarter of the Fiscal Year Ending October 31, 2024

We have provided this Q&A as a reference for questions you may have regarding the financial results disclosed today for the cumulative third quarter of the fiscal year ending October 31, 2024.

Q1: Compared to the same period of the previous year, these sales and profits have increased significantly for the nine months ended July 31, 2024. However, why were the sales increased and the profits decreased in this third quarter?

A1: The number of customers remained unchanged before and after the price revision implemented in July, and existing stores continued to perform well. However, due to an increase in the pace of opening new company-owned stores and the active renovation of existing stores, one-time expenses increased. As a result, in the third quarter of the current fiscal year, sales increased and profits decreased year on year. Excluding one-time expenses, operating profit increased 17.3% year on year amounting to +¥99 million. (Please refer to pages 3, 6, 7, 8, and 9 of the Results Briefing Materials for more details.)

(Unit: Millions of yen)

Main items	3Q in FYE Oct. 31, 2023	3Q in FYE Oct. 31, 2024	Change	Main reasons for change
Operating profit	577	519	(57)	
New store-related costs	-	* (89)	(89)	Costs increased compared to the previous fiscal year due to a faster pace of new store opening (one-time expenses)
Refurbishing related costs	-	* (68)	(68)	Increase in closedown period and increase in supplies expenses, etc. due to an increase in refurbished stores (one-time expenses)
Operating profit excluding one-time expenses	577	677	+99	

* Excludes one-time expenses incurred during 3Q in FYE Oct. 31, 2023.

** New stores are defined as stores within three months of opening.



Q2: Please explain why you are refurbishing your stores. Please also explain the reason for accelerating the pace of refurbishing.

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 heating (IH) can more easily keep soup at a constant temperature compared to cook with gas and also reduces CO₂ emissions (approx. 10%). Therefore, we are advancing the introduction of IH. For our leading 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 addition, it is necessary to increase the power usage capacity of each store to introduce IH. To increase the power usage capacity, it is necessary to apply and obtain permission from the power company. However, due to the recent power shortages, permission is not always granted, and it is necessary to communicate back and forth with the power company several times. We have been discussing with the power company for increased power usage capacity, and we have accelerated the pace of refurbishing because permission was granted all at once in the second half of the current fiscal year. (Please refer to pages 7 and 8 of the Results Briefing Materials for more details.)

Q3: Regarding the price revisions implemented in July 2024, what was the reason for the revision, the revision amount, and the subsequent impact on customer traffic?

A3: On July 1, 2024, we increased the prices of all our brands by an average of around 50 yen (approx. 5%). After the revision, there has been no negative impact on customer traffic, with customer numbers higher than the previous fiscal year.

We operate under the policy of revising prices to absorb increased operational costs. Since July, we have revised our prices in response to expected significant increases in food prices (especially pork, rice, and seaweed), labor costs (increase in minimum wage by Japanese government), and utilities expenses (end of measures to mitigate drastic change, increase in levy for renewable energies, the establishment of capacity contribution). (Please refer to page 9 of the Results Briefing Materials for more details.)



Q4: Could you describe the progress for the opening of stores?

A4: During the nine months ended July 31, 2024, there was a net increase of 52 company-owned and franchise & produced stores as progress was slightly behind the annual target (annual net increase target: 87 stores). However, the pace of store openings is increasing, with a net increase of 12 company-owned stores in the third quarter of the current fiscal year. Furthermore, we are making steady progress in opening stores managed by KOURAKUEN HOLDINGS CORPORATION and to catch up with our annual store opening plan. (Please refer to pages 16, 17 and 18 of the Results Briefing Materials for more details.)

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

A5: We are implementing or planning various measures to secure personnel, and these measures are gradually having positive effects. We have updated the recruitment website and increased wages in January 2024. Sixteen casts (part-time and casual employees) have joined the company as regular employees in the first nine months of the current fiscal year. We have also offered jobs to 10 people in overseas recruitment and are conducting training at local Japanese schools.

In addition, the retirement rate (annualized) is on a downward trend, falling from 18.3% to 16.1% compared to the previous year in the first nine months of the current fiscal year, a decrease of about 2%. 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 page 11 of the Results Briefing Materials for more details.)

End