



Q&A for the Financial Results briefing for the Fiscal Year Ended October 31, 2024

We have provided as a reference for a summary of Q&A session of financial results briefing for the fiscal year ended October 31, 2024, held on December 17, 2024.

Q1: The public thinks that chain stores are superior. What do you think about this point?

A1: In the ramen restaurant market, both individual stores and chain stores coexist. While some individual stores are able to attract an extremely high number of customers, we believe that chain stores have an overwhelming advantage in terms of property development, purchasing power, and recruitment and training of personnel.

Q2: what do you recognize as the biggest challenge in achieving of the medium-term business plan?

A2: The most challenges will be recruitment, not only in terms of the number of employees but also in terms of how to recruit and train new graduates with high quality who share our philosophy.

Q3: Regarding the capital expenditures in the finished fiscal year, the increase in property, plant and equipment is about JPY4 billion, but I do not think it goes that far if you opened 42 stores. How much was the investment related to opening new stores, and what other investments were made?

A3: Purchase of property, plant and equipment related to new store opening is JPY24 million. The other costs include approximately JPY600 million for refurbishing stores, approximately JPY200 million for introducing rice cooker robot machines and cashless ticket vending machines, approximately JPY300 million for building a noodle manufacturing plant in Kamisu, and approximately JPY500 million for relocating the head office in June this year.

Q4: There is a barrier at the JPY1,000 price point for ramen. Could you tell us about your plans for future price revisions?

A4: For the JPY1,000 barrier, the customer spend is already over JPY1,000, but the price of normal ramen is what people are most aware of. Therefore, we plan to adjust the prices of side dishes and toppings without raising the price of normal ramen. We aim to create a good balance so that customers will not feel the price increase too much.



Q5: What level of negative impact do you anticipate from the renovations? Furthermore, do you expect the positive impact of the renovated stores to offset the negative effects?

A5: We expect 16 stores to be closed for renovations during the next fiscal year, with a total closure period of 23.1 months. The impact on operating profit due to these closures is estimated to be approximately JPY100 million. Our current plan does not account for the potential positive effects of the renovations; only the negative effects have been included.

Q6: You are planning to open 52 new stores for the fiscal year ending October 31, 2025, but what kind of brand are you planning?

A6: About half of the stores will be "Machida Shoten", about 30% of stores will be "GANSO ABURADO", and about 20% of the stores will be "BUTAYAMA". The reason for the many "GANSO ABURADO" store openings is that we are able to easily train personnel and operationally, the time it takes to produce a good ramen is faster than that of a "BUTAYAMA".

Q7: You mentioned that you will be hiring eight people overseas next spring, but do they have the ability to find properties and develop them?

A7: The hiring of overseas personnel is more like the hiring of new graduates and is more in the form of global personnel than professional personnel. We hired them in the sense of developing human resources who can start overseas after working as store managers in Japan.

Q8: Could you be more specific about the establishment of a scheme for automated ordering?

A8: The automated ordering system is designed to ease store operations. Noodles are at their best when served at the optimal freshness level, which requires maintaining just-in-time inventory. We are working on determining the appropriate order quantity to ensure noodles never run out, and we plan to launch the system by the middle of this fiscal period.

Q9: What good things have happened since you moved here from Machida? Additionally, what do you expect to be the positive effects on the recruiting environment in the future?

A9: The number of recruits next year will be slightly more than 50. However, if the number of recruits exceeds 100 within the next two years, the cost of relocation will prove worthwhile. If we can't hire, we end up slowing down the store openings and losing some opportunities. Initially, we started as "Machida Shoten", and we believed that continuing operations in Machida for the long term would be well-supported. However, after considering the potential benefits of improved recruitment, we decided to relocate.



Q10: What is the market size outlook for "GANSO ABURADO" and "BUTAYAMA," and how many stores are you planning to expand in Japan?

A10: As for "GANSO ABURADO", basically, we are thinking of a location near a train station. We might take up a challenge for roadside, but I do not think it would be suitable. The market is looked at in terms of the number of passengers at the station, with 70,000 or more passengers as a guide, and 100,000 or more as a sure thing to be viable. In terms of stations with more than 100,000 people, it would be possible to open roughly 150 stores in Japan, and if we drop the number to 70,000, it would be about under 300 stores.

As for "BUTAYAMA", we believe the market is a bit larger. We have opened five roadside stores, but in terms of average monthly sales, I have a feeling that the level of sales may exceed that of the near station area. However, in terms of human resources training, it inevitably takes a little time.

We want to take it all the way up to 200 stores at once for "GANSO ABURADO" and up to slowly 1,000 stores for "BUTAYAMA".

Q11: Are there any particular reasons for a good performance of "BUTAYAMA" and "GANSO ABURADO", such as increased public awareness?

A11: By operating stores under the same name, we address the need for safe and secure food. I believe there may also be a latent demand, which encourages people to visit the stores.

Also, I think that "BUTAYAMA" in particular is in the so-called Inspired genre. Although genre lovers have discerning palates, we believe that we have been able to consistently produce a very high level of taste that satisfies the people. I think this is a result of the increased recognition that "BUTAYAMA" is a delicious Inspired-style store. I believe the same is true for "GANSO ABURADO."

Q12: The stores were originally opened under the name E.A.K. Ramen, but now it is under Machida Shoten. Can you tell me about the background behind this change?

A12: We thought that the trade name, "IEKEI", was stronger than the brand "Machida Shoten" at the time, and we decided to work with the vision of expanding this "IEKEI". Since the word "IEKEI" is also difficult to pronounce, we decided to use the word E.A.K. because it can be pronounced easily.

However, the fact that a brand created in Japan is going global makes it worthwhile for us. We believe that the value and synergy of having the same store name, including inbound and outbound sales, is higher, so we are now mainly opening stores with "Machida Shoten".



Q13: In the overseas area, the current focus is on produced stores and franchise stores, but in order to realize the vision of delivering ramen throughout the world, I think it is important to increase the speed at which company-owned stores open. In terms of the period for this, please tell us if this medium-term business plan will allow you to make good preparations.

A13: We would like to do everything with company-owned stores. However, due to the period and our organizational capabilities, it would be difficult to produce personnel from company-owned stores in all countries. As in the Japanese market, we are considering company-owned stores in large markets and franchise stores in smaller markets.

We are always discussing which way we should take, and we would like to develop it in the most appropriate way at that time.

I cannot say anything too strongly about the certainty of our future overseas expansion, so for now, we are just accumulating knowledge through various experiences, opening new stores to learn about local reactions, training systems, and cultures. I hope to be able to create a solid roadmap by the year after the next fiscal year.

Q14: I think more investment and human resources will be needed, such as for factories and development staff at the head office. How many years do you envision such a situation in the future?

A14: I do not think it is necessarily required to have a factory. For example, "BUTAYAMA" now makes all of its soups by hand in its stores. In order to deliver delicious ramen to our customers and to open new stores with a sense of speed, at least until we have several dozen or three-digit stores in a country, we are not considering having a factory.

Q15: I would like to know about the certainty of 52 store openings, the plan that has already been decided.

A15: we have contracts for 40 stores that we can open this fiscal year, and we have nearly 10 stores that are almost ready to sign the contract. So, we think that we probably have a particularly good chance of achieving 52 stores. We will be able to pass on new properties for the next fiscal year.

Q16: you have a good selection of properties, but are you more concerned about whether you will be able to secure the right people?

A16: The worst thing we can do is to open new stores without a person in charge and successful cast member recruitment just because we have already planned to do so and then fail to conduct essential operations.

End