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

We have provided as a reference for a summary of Q&A session of financial results briefing for the Six Months Ended April 30, 2025, held on June 17, 2025.

Q1: Will you implement a price revision in July this year?

A1: After estimating store operating costs from July through the end of the year, we found that while there are fluctuations depending on the expense category, there is no overall increase in total costs. Therefore, we do not plan to implement a price revision in July.

Q2: How does your company plan to survive in the increasingly competitive ramen market?

A2: We have been competing in the saturated ramen market since our founding and will continue to focus on enhancing QSCA to further improve customer satisfaction.

Q3: Could you share the progress against your H1 plan?

A3: In 1Q, we were affected by unforeseen increases in raw material costs and insufficient labor cost management. We implemented additional price revisions in March 2025 and optimized shift management in April 2025 as countermeasures. However, some impact remained in Q2. Delays in new store openings and vacancy rent from stores scheduled to open in the second half also affected performance, resulting in a shortfall of approximately JPY 300 million against the H1 plan.

The effects of the March price revision and the April shift optimization have become evident, with results for April and May exceeding our plans. Additionally, in April, we welcomed more new graduates than the previous year, and the turnover rate has improved, ensuring steady progress in securing human resources to accelerate store openings in the second half.

We will continue to execute our store openings as planned and aim to recover the H1 shortfall during H2 to achieve our full-year targets.

Q4: Please explain the factors behind the changes in non-operating income and expenses, as well as future trends.

A4: The decline in non-operating income is due to the repayment of dollar-denominated loans. The increase in non-operating expenses is attributable to rising borrowing interest rates, and this trend may continue going forward.

Q5: What are the challenges for your overseas stores in the U.S. and China, and what is your future development policy?

A5: In the U.S., a mismatch between store format and location has been an issue. For example, our third store in New York succeeded with a food court format, so we adopted the same model in New Jersey. However, the new store was located in a restaurant zone, which led to a mismatch. Therefore, we are currently focused on correcting these mismatches at existing U.S. stores.

Looking ahead, we plan to shift our new store development efforts toward China, where the noodle culture is more similar to Japan's and there is a high level of reproducibility of our successful experiences in Japan.

Q6: Could you tell us about the improvement in labor cost control and its expected contribution going forward?

A6: Since April, we have been strictly controlling labor costs, and we expect full contribution starting from May. We believe it is possible to catch up with the full-year plan.

Q7: Please share the details and progress regarding the improvement in in-house production ratio.

A7: In-house production of Iekei soup for directly operated stores has been completed. Chashu is also now produced in-house at all company-owned stores. For produced stores, nearly half have already introduced in-house production, and we expect to expand this to approximately five stores per month moving forward.

Q8: Please tell us about the retention rate of cast members and the promotion of cast members to full-time employees.

A8: The retention rate for cast members has remained stable, as many are students. Among our 2025 new graduates, eight were former cast members, and six were hired through mid-career recruitment. We expect this number to continue increasing in the future.

Q9: Could you comment on current trends in the ramen industry and fluctuations related to store locations?

A9: We position ramen as an everyday food and prioritize community-based store development over advertising or social media. There are seasonal fluctuations depending on location, so we maintain a balanced approach to opening both roadside and station-area stores.

Q10: Are there any differences in the impact of price revisions depending on location?

A10: We observed some impact from the price revision in regional areas, particularly in the Tohoku region. However, in urban station-area stores such as those in Tokyo and Kanagawa, the impact has been minimal.

Q11: Please tell us about the emergency price increase process in response to the surge in cabbage and rice prices.

A11: We normally forecast future cost increases and implement price revisions in advance. However, cabbage prices surged due to poor harvests, and rice prices rose beyond our expectations. As a result, we implemented an emergency price revision in March when the cost increase became evident. We adjusted prices in a way that minimizes the perceived burden on our customers.

Q12: Should we understand your price revisions as part of a medium- to long-term strategy?

A12: We revise prices in advance based on anticipated cost increases over the next six months. We do not intend to revise prices for the purpose of short-term profit gains. While monitoring the actions of other chains, we will continue to respond with caution.

Q13: Please explain the background behind the failure in labor cost control and the corrective measures taken.

A13: About a year ago, we found several stores operating with insufficient staff during on-site visits. To avoid customer dissatisfaction such as delayed service, we revised our evaluation system to strictly address operations lacking sufficient staffing. However, this directive was perhaps taken too far. Additionally, because shifts were based on sales rather than customer count, the rise in sales due to higher average spend per customer (while customer numbers remained flat) was misinterpreted as allowing more spending on labor. We have since clarified that shift planning should be based on customer count and implemented a daily reporting system for shift plan vs. actual, leading to improvements.

Q14: What is your long-term outlook regarding the 10% operating margin target?

A14: Over the next five years, we aim to maintain an operating margin of around 10% while expanding our ramen restaurants both domestically and internationally. Although we could pursue short-term profit margin improvements, we believe that enhancing customer and employee satisfaction will drive the greatest growth for the company in the medium to long term. Therefore, we intend to maintain this 10% level while scaling our business.

Q15: Please tell us about the impact of U.S. tariffs and your future response.

A15: Currently, there is little direct impact from U.S. tariffs. However, we are monitoring the possibility of future retaliatory tariffs between the U.S. and Canada, where we plan to open stores. There are no travel restrictions at this time.

Q16: What are the differences in ramen business formats between China and the U.S.?

A16: In the U.S., ramen is typically enjoyed in a dine-in, long-stay style, whereas in China, ramen is consumed more like fast food, similar to Japan. Therefore, our Japanese business model is highly reproducible in the Chinese market.

Q17: Please tell us about the pricing structure and impact on your produced (franchise-like) stores.

A17: Pricing decisions at produced stores are left to the store owners, so we do not track all prices in real-time. However, we do share the history of price changes at our directly managed stores and the subsequent customer trends with them. Our analysis shows that small, gradual price increases have less impact on customer traffic than large, one-time increases.

Q18: Please share the current status and customer demographics of your app membership.

A18: The Machida Shoten app has about 1 million downloads, and the Butayama app has about 250,000. Machida Shoten users are 80% male and 20% female. For Butayama, the gender ratio is also 80:20. In terms of age, Machida Shoten users are approximately 10% in their teens, 40% in their 20s, and 20% in their 30s. For Butayama, the breakdown is about 5% teens, 40% in their 20s, and 30% in their 30s.

Q19: Please share the profit margin by brand and your future store opening plans.

A19: In terms of sales, “Butayama” leads, followed by “Machida Shoten” and “Ganso Aburado”. In terms of profit margin, “Ganso Aburado” has a slightly higher margin due to lower cost of goods sold, while “Machida Shoten” and “Butayama” are at similar levels. For the next fiscal year, we plan to open 60 stores: 15–20 “Ganso Aburado”, 25–30 “Machida Shoten”, 7–10 “Butayama”, and 5–10 others.

Q20: How do you view the risk of not achieving your gross profit margin assumption and your outlook for the second half of the fiscal year?

A20: Although the cost ratio has exceeded our original assumption, labor cost control has been effective, and monthly performance is strong. Therefore, we do not currently plan to revise our full-year guidance.

Q21: In terms of overseas expansion, what advantages does your company have when competing with local businesses?

A21: Ramen is globally recognized as a “Japanese food,” and we believe our track record and brand power in Japan are major advantages. In today’s social media-driven world, Japanese brands with proven success are seen as more trustworthy, and we believe it will take considerable time for local businesses to catch up.

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