



Q&A for the Financial Results for First Quarter FYE Oct. 31, 2023

We have provided this Q&A as a reference for questions you may have regarding the financial results disclosed today for the first quarter of the fiscal year ending October 31, 2023.

Q1: Although sales and operating profit have increased year on year in the first quarter, why have ordinary profit and quarterly net profit have decreased?

A1: Newly opened and existing stores have performed well, resulting in increased sales and operating profit, which reflects the earning power of our core business. On the other hand, in the first quarter of the previous year, we recorded 336 million yen in subsidy income, such as in relation to requests to shorten business hours. This quarter, however, we recorded almost no subsidy income, which led to the decrease in ordinary profit and quarterly net profit year on year.

Q2: Why has the gross margin ratio decreased year on year?

A2: Buying prices have increased due to factors such as a rise in transportation costs caused by increases in raw material prices and energy costs. To address this, our basic policy is to reflect increased costs in our prices. We carried out price revisions for the main brands at our company-owned stores twice last year and once this year. In terms of ingredients supplied to our produced stores, we have fully linked our price revisions to the price changes of suppliers. While we expect that we can ensure a fixed amount of gross profit through our basic policy, the gross margin ratio is on a downward trend. The two price revisions last year and one this year have not had a noticeable impact on customer traffic.

Q3: Could you provide some details on the acquisition of Craft Co., Ltd. stated in the subsequent events section?

A3: As outlined in our medium-term business plan announced last year, we are proactively engaging in M&As. In the ramen market, consumers have strong preferences. It is not possible to expand our market share if we only provide products with the same flavor such as hamburger and conveyor belt sushi restaurants. Instead, we must provide excellent products to ramen consumers with a range of unique flavors. While we are focusing on in-house development to achieve this, we are also targeting extremely busy independent stores as well as chain stores and factories for M&As. The acquisition of Craft Co., Ltd. is part of this strategy. From a branding standpoint, we will refrain from disclosing specific store names at this stage.



Q4: Could you describe the progress status for the opening of company-owned stores?

A4: As of January 31, 2023, we opened eight new company-owned stores (net increase of six stores). We also opened four stores in February 2023 following the first quarter period. The number of property contracts is progressing well against targets, and we will continue to make efforts toward achieving the store opening plan.

Q5: In terms of overseas stores in the first quarter, company-owned stores increased by one and produced stores increased by three. What areas did these stores open in?

A5: In the first quarter, the company-owned store was opened in November 2022 in a prime location in New York, making it the third store in that area.
The produced store was opened in Vietnam in November 2022. In January 2023, we also opened our first Machida Shoten franchise store (counted as produced store) in Phuket, Thailand, kicking off our franchise store business there. We will continue to make intensive efforts to expand our franchises in the United States and South East Asia, such as Machida Shoten and BUTAYAMA.