



## Q&A for the Financial Results for Cumulative 3Q FYE Oct. 31, 2023

We have provided this Q&A as a reference for questions you may have regarding the financial results disclosed on September 14, 2023, for the cumulative third quarter of the fiscal year ending October 31, 2023.

Q1: Although sales and operating profit have increased year on year in the period under review, 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 same period of the previous year, we recorded 665 million yen in subsidy income, such as in relation to requests to shorten business hours. This period, however, we recorded almost zero 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, but the operating profit margin increased?

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 revise prices to absorb increased costs incurred from the aspects of both cost of sales and labor costs. For this reason, although the gross profit margin has decreased, labor costs have also decreased by increasing productivity per man hour, and we have been able to maintain a high operating profit margin. The two price revisions last year and two this year have not had a noticeable impact on customer traffic.

Q3: Regarding the price revisions implemented on July 1, what was revision amount and the impact on customer traffic?

A3: On July 1, we increased the prices of all our brands by an average of around 30 yen (approx. 3%). At present there has been no negative impact on customer traffic, with customer numbers in July and August higher than for the same period in 2019, pre-COVID 19 level. (Please refer to p. 8 of the Results Briefing Materials for more details.)



Q4: Please explain why you are refurbishing your stores.

A4: Based on our internal assessment, we observed that cooking with induction heating (IH) resulted in more consistent soup quality and less CO2 emissions than cooking with gas. Therefore, for our leading business Machida Shoten, IH will be used in any new stores that open, and we are sequentially refurbishing existing stores to introduce IH and a new layout. Our aim is to improve the consistency of soup quality through cooking with IH and to enhance productivity through the new layout. (Please refer to p. 7 of the Results Briefing Materials for more details.)

Q5: Could you describe the progress status for the opening of stores?

A5: As of the end of 3Q, we had opened a combined total of 61 company-owned and produced stores, progressing smoothly toward our annual goal of 63 stores. Specifically, we opened 24 new company-owned stores (annual goal: 40 stores) and had a net increase of 37 produced stores (annual goal 23 stores). We will continue to make efforts toward achieving the store opening plan.

Q6: Could you describe the progress status for securing personnel?

A6: In the changing post-COVID 19 management environment, current employment conditions have brought about difficult conditions in the restaurant industry, and there is a growing sense of a labor shortage. In addition to strengthening our hiring capabilities by increasing the number of job applicants and rate of job offers, we will also reduce turnover by balancing comfortable work with rewarding work. (Please refer to p. 10 of the Results Briefing Materials for more details.)

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