Summary of Q&A at FY2025 Financial Results Briefing

Q1: You mentioned that in the fiscal year ended October 2025 (FY2025), the exchange rate was stable and cost reductions due to changes in procurement sources led to an improvement in the gross profit margin. However, the yen has been weakening significantly in the current exchange rate. If you expect that there is a risk of a deterioration in gross profit margin due to higher costs, have you factored this into your plans for FY2026?

A1: For FY2026, our plan is based on an exchange rate of JPY150 to the US dollar, which is more than JPY5 stronger than the current level. If the current level continues over the long term, we will revise prices as we have done in the past. Therefore, the risk of profit deterioration is very small.

Q2: In the restaurant and delicatessen business, the first franchise restaurant of Premium Karubi is planned to be opened finally. While opening cost can be expected to be curbed more than that of directly managed stores, the price of rice, which was one of the factors behind the deterioration of the operating margin in FY2025, is also likely to remain high. What is the profit forecast for the restaurant and delicatessen business for FY2026?

A2: As for Premium Karubi, the impact of the sharp rise in meat prices was even greater than the impact of the rice price. However, the profit margin of Premium Karubi itself has been increasing, and we think that this business has been able to fully overcome the soaring cost by revising its menu and prices.
As for the overall profit outlook for the restaurant and delicatessen business for FY2026, we believe that the business will basically continue to perform well and in fact, increase profits. Although we have not set highly positive targets, we expect that existing stores are performing well, and we do not anticipate a sharp inflation to a large extent. In addition, we have revised prices several times in the past, but this has not led to a significant decrease in sales. Therefore, we expect that we will be able to pass on the price increases.

Q3: Based on the expectation for FY2026 that existing store sales will increase by more than 2% year on year and that the number of stores will increase by approximately 3% year on year with a net increase of 32 stores, the target of 2.7% sales growth in the consolidated earnings forecast seems to be somewhat low. Are there any particular factors, such as a bias toward store openings in H2 of the year?

A3: When we calculate the sales forecast of the Gyomu Super business alone, it will increase by more than 3% year on year. However, on a consolidated basis, the sales growth tends to be slightly lower than that of the Gyomu Super business alone because there are some offsetting factors at the Group's plants.

Q4: Do you have any updates on the development of the small Gyomu Super store?

A4: We are currently in the process of searching for properties to open a new store and have several potential locations where we could move forward with a very concrete project. We would like to choose one of them to open by the end of 2026.

Q5: Do you have any updates on investments in distribution centers and plants.?

A5: Regarding distribution centers, we have acquired a property in Funabashi City, Chiba Prefecture, and this plan is underway. The plan to start operation in 2029 remains unchanged. As for plants, there are several companies that need to invest in production increases, and these plans are moving forward.

Q6: Am I correct in understanding that you expect a reasonable increase in profits in the eco renewable energy business for FY2026, since the impact of the loss on inventory valuation of the woody biomass power plant will be eliminated?

A6: There was a declining factor of about JPY300 million in terms of operating profit for FY2025. For FY2026, we expect an increase in profits due to a reduction in depreciation costs, depending on the weather.

Q7: What are your thoughts on private label (PB) and national brand (NB) pricing strategies?

A7: With the premise that we should promote the lower price of PB products relative to NBs, we would like to make a firm price difference. Especially for imported PB products, our competitors, discount stores, have been handling more imported products year by year. A few years ago, when the yen depreciated quite rapidly, the price difference shrunk considerably. Now that the exchange rate stabilized to a certain extent, our price competitiveness has been increasing, and we would like to continue to maintain a firm price difference.
On the other hand, in the case of NBs, we do not necessarily stick to the top brand. We are working with manufacturers who are our business partners, and currently, we think we are able to maintain the lowest price in Japan. We adjust the timing of price revision and how much to revise prices based on price surveys at competing stores for NBs of major manufacturers, so we should be able to compete well with competing discounters.

Q8: Could you share the background of the second upward revision released within a week of the December 8th upward revision and what you want to convey to shareholders by doing so?

A8: The announcement on December 8 was issued to announce a revision to the dividend forecast. The revision disclosed on December 12 announced that the Board of Directors had made a resolution to decide the dividend. In principle, we have not changed our dividend policy and will continue to return profits to shareholders in the form of stable dividends.

Q9: Can you tell us why the YoY trend in existing store sales was a bit weak in August and whether this will continue? The YoY existing store sales forecast for FY2026 is a little weak. Is it correct to understand that you take a conservative view? You mentioned that PB sales are growing, but when do you think the PB ratio will grow faster? Is it possible to continue to improve gross profit margins without increasing the PB ratio?

A9: We think that the weakness in August was caused by a one-time factor because the same trend has not continued since September. Our plan of 2% YoY growth for FY2026 is almost the same as before. We have a sense that we are attracting more attention as people are having more savings-oriented attitude, but we have not factored this into the plan.

The situation with PB/NB has changed considerably over the past three years. We ourselves feel that many manufacturers are currently less hesitant to raise prices. Overall costs in various industries are rising, as well as one-time price hikes of raw materials and energy caused by the sharp depreciation of the yen a few years ago. Our view is that inflation of NBs will continue as the factors that drive price increases are changing. To continue to increase the PB ratio, we honestly believe that the existing plants alone are not enough, so we will continue investment to enhance production capacity of existing plants and would like to be proactive in M&A. Even if the PB ratio does not increase, PB's sales are growing steadily, and the PB profit margin is improving gradually. Therefore, we expect the gross profit margin to continue to improve.

Q10: Is it correct to conclude that the profits of the subsidiary plants for FY2025 were on an upward trend in Q4 following Q3? What is your outlook for your plants' profits for FY2026?

A10: Our plants pass on prices as necessary. Each plant is working on increasing the profit, continuing to invest in labor and energy saving in addition to investment in increased production as before.

Q11: What are the trends of the number of customers and sales per customer throughout the year?

A11: The number of customers was basically flat for the whole year, and we think that the spending per customer has greatly increased existing store sales. As for the spending per customer, based on the fact confirmed from the franchisees that the number of items purchased per customer has remained almost flat, we feel that the growth in sales per customer and the growth of existing stores are basically strongly driven by inflation.

Q12: Do you have any plans for shareholder returns such as share buybacks or dividend increases? If not, could you tell me the reason?

A12: It's not that we do not consider share buybacks and dividend increases. However, the highest priority is basically placed on investment for growth, and we would like to invest one-fourth of the JPY200 billion including operating cash flow and cash and deposits in growth.
As we continue to open new stores and develop new types of businesses, our highest priorities should be M&A, capital investment in plants, and investment in logistics centers to strengthen our supply chain. While investing in growth, we will consider necessary shareholder returns every year and return profits.

Q13: Is the number of SKUs in Gyomu Super on the rise? What is the number of items currently?

A13: The number of SKUs is basically on the rise. However, we have a feeling that there are too many items and need to narrow down some of the products. Currently, we have over 7,000 items and increase SKUs every year as we are developing new categories. This fiscal year, we will reduce unnecessary items.

Q14: Why did the PB ratio drop in Q4?

A14: In Q3, Strong sales of NB products, which sell well in summer, cause the relative decline in the PB ratio. In FY2025, unlike in previous years, this trend continued into Q4. The main factor we think is that the lingering summer heat had a strong impact in addition to the rice. For example, beverages and ice cream have the high percentage of NB or few PB products. If demand for these products continues, the PB ratio decreases relatively. On the other hand, we are making hot pot soup base at our plant in Tochigi and at Uehara Foods Industry Co., Ltd. in Chiba Prefecture, which was newly acquired through M&A. Another reason for the decline in the PB ratio may also be that the start of this soup base was later than expected.

Q15: Could you tell me the Company's plan for FY2026? The OP margin is expected to improve significantly to 7.5% in FY2026 from 7.2% in FY2025. In the environment of a weak yen, I think this improvement in profitability is highly challenging. Is the sales target for FY2026 somewhat conservative?

A15: We do not think that the operating profit target is high. Although the exchange rate level is assumed to be JPY150 to the dollar, if we feel that this JPY155-156 level will continue, we will of course consider revising price again. Looking back over the past year, we have not raised prices of imported PB products significantly compared to NBs due to the relatively stable exchange rate. One of the reasons for the operating profit target of JPY43 billion is that in such an environment, it is relatively easy to revise prices of imported PB products.
As for sales, we are taking a somewhat conservative view, so 7.5% is not a high target. In addition, we expect to see an improvement in profits at our plants. Based on these factors, we believe that the target is achievable.

Q16: My understanding is that your markup rate of NBs has always been between 1% and 2%, but I believe that inflation has opened up a significant price gap with competitors. Do you need to keep this 1% to 2%?

A16: As you understand, NB's markup rate includes basically just royalty income plus an additional amount. We can tell you that the price gap has clearly widened compared with typical supermarkets. On the other hand, I have the impression that competition among major supermarkets, especially so-called "discounters," has intensified considerably over the past year or two. We don't think that it is a good idea to raise the retail selling price by taking profits to improve the margin in the current competitive environment. Therefore, we continue with our stance that we compete on the price of NB.

Q17: Companies like your company are opening more stores with a low-priced strategy and growing their business performance by having the strength in their own brand. With competition intensifying, such as drugstores expanding their food business, could you tell me again what the strength of Gyomu Super is?

A17: First, apart from our low-price strategy, our greatest strength is our private label. Customers actually come and visit our store, where many of our products can only be purchased by visiting our stores.
On the other hand, we have a solid mechanism for achieving low prices, and we think the difference between us and other companies is that this mechanism has been established with

a sales floor smaller than typical supermarkets. Our basic format of sales floor is 150 tsubo (495 square meters), and there is no business model in the world that achieves low prices with that scale, even including discounter supermarkets and food & drug stores. We believe that Gyomu Super will be able to further show its strength in the future

Q18: The number of franchisees has remained flat in both directly and indirectly managed areas, but I am sure there are some new corporations who would like to sign franchise contracts. Is it correct to assume that few new companies will join your franchise in FY2026? Is there a reason why the bar is so high for such companies to understand your business model and join your business?

A18: We are not actively looking for new franchisees. We receive requests for joining our franchise every year but select corporations who also benefit our company, so we have some years with zero members, and other years with two or three new members.
However, the business conditions of small- and medium-sized supermarkets are becoming increasingly difficult, and we believe that there are more and more potential franchisees.

Q19: How much do you expect the number of your Chisouna shops, which is 149 at the end of October 2025, to increase over the next year?

A19: The performance of Chisouna has been fairly strong, and we have received comments from existing franchisees that they would like to definitely include Chisouna when opening new Gyomu Super stores, so we think it will be able to grow steadily. Basically, we aim for a net increase of between 18 and 24 stores every year and believe that we will be able to achieve that level of net increase this year as well.

Q20: How do you plan to develop franchises in the restaurant business? What are the challenges you face in achieving this?

A20: As for World Buffet, we will continue to expand the franchise business as before. The challenge of this brand is that its store size is too large, and it is a little doubtful that this size format can accelerate new openings. Therefore, one of the issues to be addressed in order to achieve a major expansion is to establish a format for a small-scale restaurant, which is currently being piloted at the Nikke Parktown Kakogawa store.
Meanwhile, Premium Karubi does not have any problems in terms of profitability because it has increased sales and profits by overcoming the difficult inflationary situation, especially for ingredients such as rice and meat, which account for a high percentage of the purchase costs. However, we have not yet opened our first franchise restaurant, so we think that we need to take one more step to increase profitability in order for prospective franchisees to choose Premium Karubi among a variety of restaurant brands. We would like to increase the profitability of the restaurant and achieve figures that will meet the expectations of our applicants from the standpoint of return on investment.
While initial costs are rising for all our brands, we consider that the key points to be evaluated are how many years it takes to recoup the investment and whether the business can maintain its competitiveness. We would like to develop these points firmly.

Q21: Is there no change in your policy of placing importance on ROIC? If so, why do you focus on ROIC rather than ROE?

A21: We originally used ROE as an indicator in accordance with market trends, but we have changed to ROIC from a few years ago. One of the reasons was the trend of some listed companies whose objective has become itself to increase the ROE figure. Second, we are currently working on forward exchange contracts with heavy weighting. Considering the impact of these contracts, we chose ROIC because it is more likely to reflect our actual status.

Q22: Your forecast for existing store sales growth is 2% annually. Given the business environment, do you think there is room to raise it a bit more? What is the reason for fixing it at 2%, if any?

A22: The reason is that the number of customers has remained mostly flat, and that competition with the major discounters is becoming increasingly fierce. Although previous existing-store sales have been raised considerably due to inflation, we have decided on 2%, taking into account our forecast that inflation this fiscal year will be a little milder than in FY2025.

Q23: Is there any change in your thinking about the use and purpose of the land in Yokosuka, where you had invested?

A23: In Yokosuka, we have originally secured a fairly large area. On the other hand, we have acquired a property in Funabashi City, Chiba Prefecture because it is a good location for our strategy, so we are at the stage where we have to review all our plans for Yokosuka, and details of the Funabashi plan is being worked out ahead of the Yokosuka plan. Depending on the plan for Funabashi, there are the options of using part of the land in Yokosuka, but not all, stopping using the Yokosuka land before moving to a better location if there is, or moving to better downsized land if we find one. In short, we will move forward with the Funabashi plan to decide what to do next.