

Kotobuki Spirits Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

November 6, 2024

Event Summary

[Company Name]	Kotobuki Spirits Co., Ltd.	
[Company ID]	2222-QCODE	
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[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2025	
[Fiscal Period]	FY2025 Q2	
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[Venue]	Nikkei Kayabacho Bekkan B1, 2-6-1 Kayabacho Nihonbashi, Chuo-ku, Tokyo 103-0025 (Hosted by The Securities Analysts Association of Japan)	
[Venue Size]	238 m ²	
[Participants]	40	
[Number of Speakers]	2 Seigo Kawagoe President & CEO Shinji Matsumoto Managing Director	
[Analyst Names]*	Kenji Araki Tokai Tokyo Intelligence Laboratory Ryozo Minagawa SMBC Nikko Securities	

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Moderator: It's time. We will now begin the financial results briefing of Kotobuki Spirits Co., Ltd.

First, I would like to introduce the two people from the company. Mr. Seigo Kawagoe, President & CEO.

Kawagoe: This is Kawagoe. Hello.

Moderator: Mr. Shinji Matsumoto, Managing Director.

Matsumoto: I am Matsumoto. Hello.

Moderator: Concerning the schedule for today, Mr. Matsumoto, Managing Director, will first give an overview of the interim financial results and the full-year earnings forecast. Next, Mr. Kawagoe, President, will explain the future management policy and the overview of business performance by segment. Now, let's start.

Matsumoto: Thank you very much for taking time out of your busy schedule today to attend our interim financial results briefing. I would like to begin with an overview of the interim financial results and business forecast. I will explain according to the presentation material.

Kotobuki Spirits Co., Ltd.

FY2025(1Q-2Q)Highlight

Results of FY2025 (1Q-2Q) (April-September)

Sales and profits reach record highs for two consecutive years

● We faced cost-increasing factors, such as rising raw material prices, higher personnel expenses due to rising salary levels, and reduced productivity owing to temporary adjustments to manufacturing lines due to the establishment of new factories and the relocation of production lines. However, we secured increased sales and profit, driven by the growth in inbound sales, the positive impact of new store openings, and the effect of product price revisions. As a result, we achieved record-high profit for the cumulative second quarter.

● Inbound sales (international airports sales) were 4,644 million yen.

● During this period, we opened nine new stores and rebranded one store, including the simultaneous opening of three stores in April of this year in the new commercial facility, EAToLUMINE inside the JR Shinjuku Station gates.

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These are the performance highlights. The business environment during H1 of FY2025 was harsh, as inbound demand was extremely strong. On the other hand, there were some signs of a drop in consumer confidence,

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such as a rebound from last year's surge in revenge spending, unseasonable weather during the summer, and rising prices.

Against this backdrop, our group's H1 business performance reached record highs, net sales increased by 13.9% YoY, thanks to the continued growth of inbound sales and the effects of new store openings and other measures.

In terms of profit, although there were factors that increased costs, such as higher raw material prices, increased personnel expenses due to rising salaries, construction of new factories, and the consolidation and closure of factories, we were able to achieve record-high profits in H1 thanks to the effect of increased sales.

Kotobuki Spirits Co.,Ltd.

FY2025(1Q-2Q) Topics ① (Inbound sales)

【International airports sales(Inbound sales)*1 】

※ FY2025 1Q-4Q is forecast

(Millikons of Yen)	1Q	2Q	3Q	4Q	1Q-4Q
FY2025	2,305	2,338			8,500
FY2024	1,519	1,606	1,966	2,033	7,126
FY2023	85	167	640	1,084	1,977



Narita airport Fa-So-La TAX FREE STORE AKIHABARA
LeTAO



Narita airport Fa-So-La TAX FREE STORE AKIHABARA
PISTA & TOKYO

*1 Starting from this first quarter, inbound sales figures have been revised to include sales outside the clean areas of the international terminal.

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The first topic in the highlights is inbound sales.

The number of foreign visitors to Japan has already exceeded the annual total of the previous year as of September, indicating that inbound demand is recovering at an accelerated pace. Against this backdrop, we are strengthening our measures and countermeasures, particularly in the international terminals of airports.

Sales in Q1 were JYP2,305 million, and those in Q2 were JYP2,338 million, totaling JYP4,644 million, a 48.5% YoY increase. We believe that we are already well within range of our annual target of JPY8.5 billion.

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FY2025(1Q-2Q) Topics ② New Store opennings (Shinjyuku area)

On April 17, 2024, EAToLUMINE held its grand opening inside the JR Shinjuku Station gates.
Our Group simultaneously opened three stores: two stores of new brands and one store of an existing brand.



(The photo in the top left) New Brand
 “woofie EAToLUMINE Shinjuku Store”
 opened on April 17, 2024

(The photo in the top right) New Brand
 “canarina EAToLUMINE Shinjuku Store”
 opened on April 17, 2024

(The photo in the bottom left) New Brand
 “Okada-kinsei Anbataya EAToLUMINE Shinjuku Store”
 Opened on April 17, 2024

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The next topic is the effect of new store openings.

During H1, our group opened nine new stores and rebranded one store. In the Shinjuku area, in July of this year, we opened two stores of new brands and one store of an existing brand in a new commercial facility called EATo LUMINE in JR Shinjuku Station.

woofie, on the upper left, is a new brand of Sucrey. canarina, on the upper right, is KCC's new brand, and Anbataya, on the lower left, is KCC's existing brand.

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FY2025(1Q-2Q) Topics ③ New Store opennings (Metropolitan area)

Sucrey opened one store in ecute Omiya and two stores in Sogo Yokohama, while KCC opened one store in Lumine Tachikawa, for a total of four new store openings.



Opened on April 26, 2024 "THE TAILOR Sogo Yokohama Store"



Opened on April 26, 2024 "Tokyo Milk Cheese Factory Sogo Yokohama Store"



Opened on July 9, 2024 "Butter Butler ecute Omiya Store"



Opened on September 18, 2024 "Now on Cheese Lumine Tachikawa Store"

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These new store openings were in the Tokyo metropolitan area. We opened a total of four new stores: one Sucrey store in ecute Omiya, two Sucrey stores in Sogo Yokohama, and one KCC store in Lumine Tachikawa.

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FY2025(1Q-2Q) Topics ④ New Store opennings (Other area)

Our sales subsidiaries opened one store of a new brand in Kyoto Porta Kyokomachi store, and another at Fukuoka Airport, while the Kujukushima Group opened a store of the new brand “Ramely*” at JR Hakata Station.*Rebranding of an existing store



**New Brand
“KNOU Kyoto Porta Kyokomachi Store”
opened on August 1, 2024**



Opened on April 12, 2024 “Makkanaichigo Fukuoka Air Port Store”



Opened on June 28, 2024 New Brand “Ramely Hakata Store”

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In other areas, our sales subsidiary opened a new brand store at Kyoto Station, another sales subsidiary opened a store at Fukuoka Airport, and the Kujukushima Group opened a new Ramely brand store at Hakata Station.

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FY2025(1Q-2Q) Topics ⑤ Commencement of Operations at Sucrey Fujisan Shizuoka Factory

Sucrey has established the Fujisan Shizuoka Factory, its third production site following the Yokohama and Hamamatsu factories.

This factory consists of four production lines, with one line having commenced operations in mid-August 2024, and the remaining three lines scheduled to begin operations in November 2024.



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The next topic was about the commencement of operations at Sucrey Shizuoka Factory in August.

In June of this year, we took over this food factory from another company and prepared to install a production line. This is Sucrey's third factory, following the Yokohama and Hamamatsu factories. This factory consists of four production lines, with one line starting operations in mid-August. We are currently working to make the remaining three lines operational in October or November.

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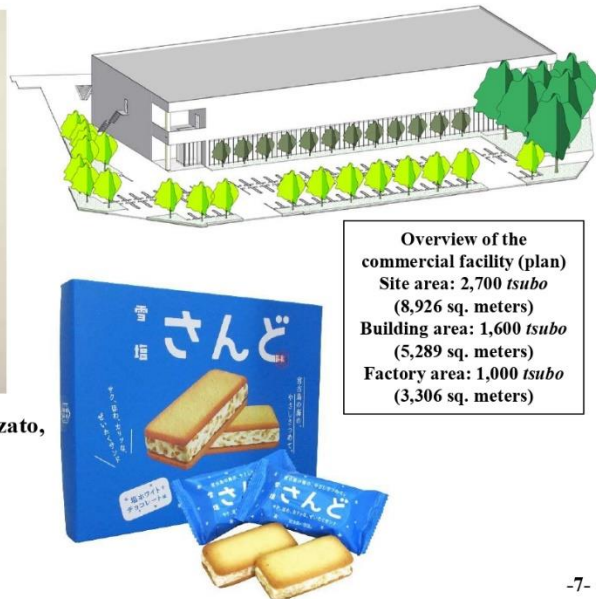
FY2025(1Q-2Q) Topics ⑥ Establishment of KMF Co., Ltd.

Kotobuki Seika established a joint venture company in Miyakojima City, Okinawa Prefecture, on July 8, 2024, with Paradise Plan in order to accelerate business growth in the Okinawa area.

The plan is that KMF Co., Ltd. will establish a factory in a commercial facility to be built by Paradise Plan, and we will prepare to start production operations in July 2026.



Left: Mr. Shirouchi of the Company, Middle: Mr. Nishizato, President of Paradise Plan
Right: Mr. Kakazu, Deputy Mayor of Miyakojima City
Press conference on July 4, 2024



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As for the next topic, Kotobuki Seika established a joint venture company in Miyakojima City, Okinawa Prefecture, in July of this year. The company is called KMF and is our 17th domestic consolidated subsidiary. We are currently preparing to begin production operations there in July 2026.

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Results of FY2025 1Q-2Q (YoY)

Both sales and profits hit record highs

(Millions of yen,%)	FY2024(1Q-2Q)		FY2025(1Q-2Q)		YoY		FY2024(1Q-4Q)	
	amount	to-sales rate	amount	to-sales rate	Change	%	amount	to-sales rate
Net sales	28,891	—	32,906	—	4,014	13.9	64,035	—
Gross profit	17,732	61.4	20,376	61.9	2,644	14.9	39,804	62.2
SG&A expenses	11,109	38.5	12,899	39.2	1,790	16.1	24,023	37.5
Operating profit	6,622	22.9	7,476	22.7	853	12.9	15,780	24.6
Ordinary profit	6,668	23.1	7,520	22.9	852	12.8	15,867	24.8
Net profit (*1)	4,453	15.4	4,990	15.2	537	12.1	10,831	16.9
EPS (Yen) (*2)	28.62		32.07		3.45		69.61	

(*1) Quarterly net profit = Quarterly net profit attributable to owners of the parent

(*2) Our company implemented a stock split of 5 shares per common share effective October 1, 2023.
EPS figures are calculated assuming that a stock split took place.

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I would like to continue with an explanation of our interim results.

Firstly, net sales were JPY32,906 million, a YoY increase of 13.9%. Ordinary profit was JPY7,520 million, a YoY increase of 12.8%. Net profit was JPY4,990 million, a YoY increase of 12.1%. The ordinary profit margin and net profit margin were slightly lower YoY. Due to higher SG&A expenses and personnel expenses, the profit margin was slightly below the previous year's level.

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Achievement rate of Business Forecast

Both sales and profit exceeded the initial business forecast due to the success of the active development of business initiatives.

(millions of yen,%)	FY2025(1Q-2Q) Business Forecast(*1)		FY2025(1Q-2Q)		Compared with Business Forecast	
	amount	To-sales rate	amount	To-sales rate	YoY(Change)	achievement(%)
Net sales	32,000	—	32,906	—	906	102.8
Gross profit	19,850	62.0	20,376	61.9	526	102.7
SG&A expenses	12,430	38.8	12,899	39.2	469	103.8
Operating profit	7,420	23.2	7,476	22.7	56	100.8
Ordinary profit	7,455	23.3	7,520	22.9	65	100.9
Net profit	4,940	15.4	4,990	15.2	50	101.0

(*1) Business Forecast is the figures announced on May 14, 2024.

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Concerning the achievement rate of the business forecast, both sales and profits exceeded the initial projections. The forecast vs. result comparison by segment is shown in the table on page one of the supplemental material distributed today.

Looking at the results by segment, KCC exceeded the forecast, while Sucrey fell short of the initial forecast due to a temporary deterioration in production efficiency caused by the relocation of the installation line at the factory and other factors.

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Sales channel

The domestic retail sector saw a significant increase in sales due to the effects of new store openings, etc. The domestic wholesale sector continued to benefit from strong inbound demand.

(Millions of yen,%)	FY2024(1Q-2Q)		FY2025(1Q-2Q)		YoY(Change)	YoY(%)
	amount	To-sales rate	amount	To-sales rate		
Net sales	28,891	—	32,906	—	4,014	13.9
Domestic(Wholesale) (*1)	12,697	43.9	14,490	44.0	1,793	14.1
Domestic(Retail)	13,322	46.1	15,621	47.5	2,298	17.3
Mail Order	2,164	7.5	2,195	6.7	30	1.4
Other (*2)	2	0.0	3	0.0	1	-
Domestic Total (*3)	28,186	97.6	32,311	98.2	4,124	14.6
Overseas(Wholesale)	435	1.5	321	1.0	△ 114	△ 26.2
Overseas(Retail)	268	0.9	273	0.8	4	1.6
Overseas Total	704	2.4	594	1.8	△ 109	△ 15.6

(*1)Retail are shops and Pop up stores. (*2) Other is insurance agency business.

(*3) Overseas wholesale consists shipment sales to overseas and FC royalties

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Next, here are the sales by channel.

Domestic Wholesale saw a YoY increase of 14.1% and continued to grow thanks to strong inbound demand. As I mentioned at the beginning of this briefing, Domestic Retail sales also continued to increase through new store openings.

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(Overseas sales)

(Unit:Millions of yen)	FY2024 (1Q-2Q)	FY2025 (1Q-2Q)	YoY (Change)	YoY (%)
Taiwan (*1)	268	273	4	1.6
Singapore	90	139	49	53.8
Australia	97	130	33	33.8
Others	75	51	△ 24	△ 32.1
Korea (*2)	48	-	△ 48	-
China (*2)	123	-	△ 124	-
Total	704	594	△ 110	△ 15.6

(*1) Taiwan is consolidated subsidiaries. Other areas are FC.

(*2) China and South Korea ended their FC contracts in March 2024.



LeTAO Seattle store pre-opened on August 24, 2024



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This slide provides data on overseas sales as supplemental information.

In Korea and China, no sales were recorded for FY2025 due to the termination of franchise agreements in March of this year.

Another topic is the pre-opening of KCC's LeTAO brand store in Seattle in August of this year, which was the first time that we opened a store in the United States that sells merchandise and serves coffee.

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Cost of sales ▪ Gross profit

Gross profit margin increased by 0.5 points YoY due to price revisions, etc., amid continued high raw material prices

(Millions of Yen, %)	FY2024(1Q-2Q)		FY2025(1Q-2Q)		YoY(change) YoY(%)		FY2024(1Q-2Q)	
	amount	To-sales rate	amount	To-sales rate			amount	To-sales rate
Net sales	28,891	—	32,906	—	4,014	13.9	64,035	—
Material cost	7,044	24.4	7,556	23.0	512	7.3	14,511	22.7
Labor cost	2,612	9.0	2,917	8.9	304	11.7	5,699	8.9
Expense	1,312	4.5	1,488	4.5	176	13.4	2,779	4.3
Manufacturing cost	10,968	38.0	11,962	36.4	993	9.1	22,990	35.9
Others	190	0.7	567	1.7	376	-	1,241	1.9
Cost of sales	11,159	38.6	12,529	38.1	1,370	12.3	24,231	37.8
Gross profit	17,732	61.4	20,376	61.9	2,644	14.9	39,804	62.2

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The next slide covers cost of sales and gross profit.

The gross profit margin increased YoY by 0.5 percentage points. While material costs continued to soar and labor costs rose, we were able to improve the gross profit margin, albeit slightly, by revising prices and improving productivity.

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SG&A expenses /Operating profit

(millions of Yen, %)	FY2024(1Q-2Q)		FY2025(1Q-2Q)		YoY(change)	YoY(%)
	amount	To-sales-rate	amount	To-sales-rate		
Gross profit	17,732	61.4	20,376	61.9	2,644	14.9
Personnel expenses	4,185	14.5	4,967	15.1	781	18.7
Promotion	1,678	5.8	1,892	5.7	213	12.7
Freight	971	3.4	1,156	3.5	184	18.9
Advertising	162	0.6	220	0.7	57	35.3
Rent and Commission	2,856	9.9	3,270	9.9	413	14.5
Depreciation	202	0.7	195	0.6	△ 6	△ 3.1
traveling and transportation expenses	211	0.7	237	0.7	26	12.5
Others	839	2.9	959	2.9	120	14.3
SG&A expenses	11,109	38.5	12,899	39.2	1,790	16.1
Operating profit	6,622	47.8	7,476	22.7	853	12.9

(Note) Starting from this fiscal period, land rent and commission fees are presented together.

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Looking at SG&A expenses, the personnel expense ratio is also important here. We have been working on pay raises since last year. As a result, the overall SG&A ratio increased by 0.7 percentage points.

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Results of FY2025(1Q-2Q) (SEGMENTS)

KCC's inbound sales are strong and sales and profits have increased significantly.
KUJYUKUSHIMA GROUP's profit decreased due to factory consolidation.

(Millions of Yen,%)	Net sales				Operating profit(Δ loss)		
	FY2024 (1Q-2Q)	FY2025 (1Q-2Q)	YoY(Change)	YoY(%)	FY2024 (1Q-2Q)	FY2025 (1Q-2Q)	YoY(Change)
SUCREY	11,713	13,149	1,435	12.3	2,412	2,505	93
KCC	7,738	9,355	1,617	20.9	1,366	1,991	624
KOTOBUKISEIKA TAJIMAKOTOBUKI	6,239	7,275	1,035	16.6	1,344	1,574	230
SALES SUBSIDIARIES	3,373	3,568	195	5.8	417	446	29
KUJYUKUSHIMAGROUP	2,914	3,282	368	12.6	397	294	Δ 102
OTHERS	316	308	Δ 7	Δ 2.5	30	17	Δ 12
SEGMENT TOTAL	32,295	36,940	4,644	14.4	5,968	6,831	862
ADJUSTMENT	Δ 3,404	Δ 4,034	Δ 629	18.5	653	644	Δ 8
TOTAL	28,891	32,906	4,014	13.9	6,622	7,476	853

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Above are the results by segment.

As explained earlier, Sucrey's growth was a little sluggish in H1 due to the establishment of the factory and the relocation of lines. In addition, we believe that the Tokyo metropolitan area was particularly affected by a rebound from revenge spending and unseasonable weather during the summer.

KCC saw an increase in both sales and profit due to strong inbound demand.

Regarding Kotobuki Seika, I mentioned earlier about our joint venture company, and we are seeing very strong growth in products for Okinawa, mainly from our partner Paradise Plan. Kotobuki Seika's sales and profits also increased thanks to the strong performance of other area distributors.

The Kujoyukushima Group saw a decrease in profit, mainly due to the impact of the consolidation and closure of their factories. This is the status by segment.

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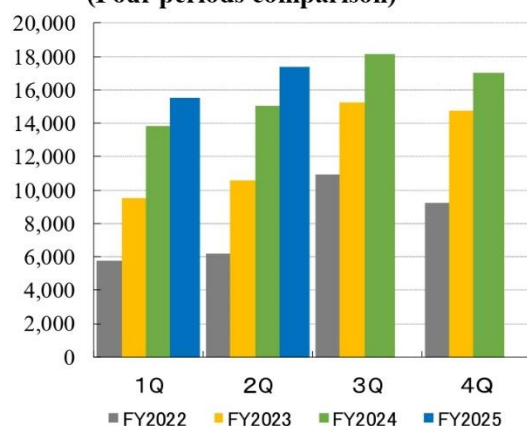
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Net sales

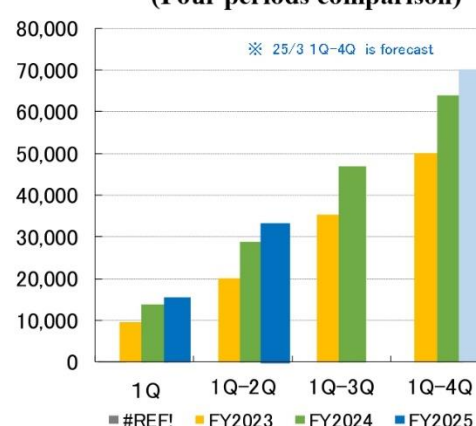
Net sales (Quarter)

(Four periods comparison)



Net sales (Cumulative)

(Four periods comparison)



(百万円)	Quarter				Cumulative Quarter			
	1Q	2Q	3Q	4Q	1Q	1Q-2Q	1Q-3Q	1Q-4Q
FY2022	5,758	6,200	10,962	9,270	5,758	11,958	22,921	32,191
FY2023	9,515	10,584	15,270	14,785	9,515	20,099	35,370	50,155
FY2024	13,853	15,037	18,144	16,999	13,853	28,891	47,036	64,035
FY2025	15,526	17,379			15,526	32,906		70,000
YoY	112.1%	115.6%			112.1%	113.9%		

※ 25/3 1Q-4Q is forecast

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The results for Q2, from July to September, show a YoY sales increase of 15.6%, and 47% of the full-year forecast was achieved in H1.

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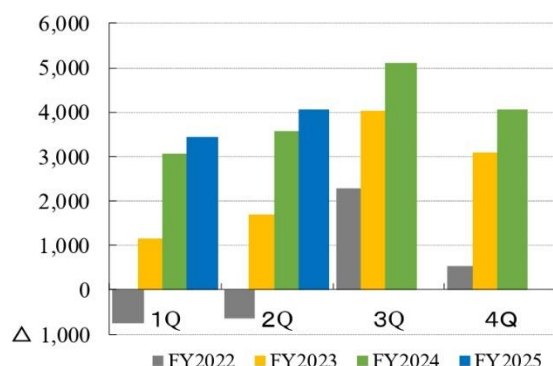
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Operating profit

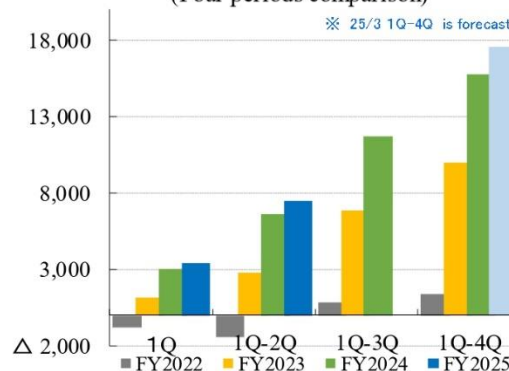
Operating profit (Quarter)

(Four periods comparison)



Operating profit (Cumulative)

(Four periods comparison)



Millions of yen	Quarter				Cumulative Quarter			
	1Q	2Q	3Q	4Q	1Q	1Q-2Q	1Q-3Q	1Q-4Q
FY2022	△ 759	△ 658	2,278	542	△ 759	△ 1,418	860	1,402
FY2023	1,150	1,679	4,026	3,095	1,150	2,830	6,856	9,951
FY2024	3,058	3,563	5,111	4,046	3,058	6,622	11,734	15,780
FY2025	3,428	4,048			3,428	7,476		17,530
YoY	112.1%	113.6%			112.1%	112.9%		

※ 25/3 1Q-4Q is forecast

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Operating profit also increased by 13.6% in Q2, and 42.6% of the full-year forecast was achieved.

It is the environment in FY2025. The announcement of temporary information on the Nankai Trough earthquake and the impact of the landfall of a series of typhoons, along with other unfavorable weather conditions, temporarily discouraged people from going out. However, I think the fact that we were able to secure an increase in revenue and profit is a very good thing.

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Balance Sheet

Non-current assets increased due to capital investments such as factory construction.

(millions of Yen, %)	FY2023		FY2024		FY2025(1Q-2Q)		Compared to FY2024	
	amount	rate	amount	rate	amount	rate	(Change)	(%)
Current assets	25,740	69.7	34,408	74.0	33,152	71.5	△ 1,255	△ 3.7
Non-current assets	11,212	30.3	12,102	26.0	13,216	28.5	1,114	9.2
Assets	36,953	100.0	46,510	100.0	46,368	100.0	△ 141	△ 0.3
Current liabilities	8,095	21.9	8,824	19.0	7,951	17.1	△ 873	△ 9.9
Non-current liabilities	2,340	6.3	2,462	5.3	2,502	5.4	39	1.6
Liabilities	10,435	28.2	11,287	24.3	10,453	22.5	△ 833	△ 7.4
Net assets	26,517	71.8	35,223	75.7	35,915	77.5	691	2.0
Liabilities and net asset	36,953	100.0	46,510	100.0	46,368	100.0	△ 141	△ 0.3
BPS(Yen)	170.43		226.38		230.73		4.37	1.9
CAPEX	572		1,926		1,574		△ 352	△ 18.3
Depreciation	1,137		1,164		625		△ 538	△ 46.3

※ Our company implemented a stock split of 5 shares per common share effective October 1, 2023.
BPS figures are calculated assuming that a stock split took place.

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This is the balance sheet.

As for this, the decline of JPY1,255 million in current assets compared to the end of FY2024 was because of a decrease in trade receivables and a decrease in cash and deposits due to seasonal fluctuations. Fixed assets increased significantly, and CAPEX, including the establishment of the Shizuoka factory which I mentioned earlier, totaled JYP1,574 million in H1.

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Statements of Cash Flows

Free cash flow increased 55.0% year on year to 3,613 million yen

	FY2023	FY2024		FY2025		
(millions of yen,%)	1Q-4Q	1Q-2Q	1Q-4Q	1Q-2Q	YoY(change)	YoY(%)
Cash flows from operating activities	9,085	3,067	10,845	5,252	2,185	71.2
Cash flows from investing activities	△ 1,615	△ 736	△ 2,004	△ 1,639	△ 902	122.5
Free Cash flows	7,469	2,330	8,840	3,613	1,282	55.0
Cash flows from financing activities	△ 1,223	△ 2,260	△ 2,322	△ 4,358	△ 2,098	92.8
Effect of exchange rate change on cash and cash equivalents	3	9	9	△ 2	△ 11	-
Cash increase / decrease	6,249	79	6,527	△ 747	△ 827	-
Cash and cash equivalents (Beginning of period)	9,912	16,162	16,162	22,689	6,527	40.4
Cash and cash equivalents (End of period)	16,162	16,241	22,689	21,941	5,700	35.1
Interest-bearing debt	440	360	300	300	△ 60	△ 16.7

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These are the statements of free cash flows and cash flows.

Here, free cash flows were JYP3,613 million, a YoY increase of 55%. From there, cash flow from financing activities, mainly used to pay dividends, resulted in a cash balance of JYP21,941 million, a decrease of JYP747 million from the end of FY2024. These are the financial results.

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2025年3月期 通期業績予想の補足説明

●事業環境見通し	今後の事業環境は、雇用・所得環境が改善する下で、景気は持ち直し、消費動向は緩やかに改善していくことが見込まれる。また、2025年に開催される大阪・関西万博が起爆剤となり、インバウンドを含めた本格的な観光回復が期待される。
●業績予想	当社グループは、引き続きプレミアムギフトスイーツに特化し、インバウンド対策の強化、新規出店、生産性の向上、人財力の強化などの施策遂行により、増収・増益を目指す。当第2四半期累計業績は、売上・利益ともに概ね期初予想水準で進捗しており、通期業績予想は、期初予想を据え置く。
●出退店等	当第2四半期累計の出退店は、9店の出店と4店の退店を実施。下期は、本年10月に小樽洋菓子舗ルタオ運河プラザ店をオープン。引き続き、トラフィックの多いエリアにおいて好立地な新規出店を推進。
●設備投資	当期の設備投資計画は35億円。ノシュクレイ及び九十九島グループの生産性の向上及び生産能力の増強を図るため、工場新設及び改廃を進行中。シュクレイの新工場（静岡工場）は、8月から11月にかけて順次生産開始（最大150億円規模の生産能力を構築）九十九島グループの福岡工場は、11月閉鎖予定、佐世保日宇工場は、来年5月閉鎖予定。

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I would like to continue by sharing our thoughts on the full-year business forecast.

Since the H1 results were generally in line with the initial forecast, we have left the full-year forecast unchanged.

With regard to the outlook for the business environment, we believe that the economy will pick up as the employment and income environment improves, and that consumption trends will gradually improve. In addition, although this might be for FY2026, we believe that the Osaka-Kansai Expo in 2025 will serve as a catalyst for a full-fledged recovery in tourism, including inbound tourism.

In H2, we see an end of the rebound from revenge spending. We intend to strengthen sales and take measures in H2, when seasonal events are concentrated, to achieve higher sales and profits.

Regarding store openings and closings, nine stores were opened, and four stores were closed in H1. In H2, Otaru confectionary store LeTAO opened a new store on the Otaru Canal in October.

The LeTAO Unga Plaza store shown in this slide was opened in this historical building, completed in 1894, and we were able to rent a space in Otaru City. The site is very large, with a total area of approximately 500 tsubo, and has three lots.

The bar, takeout area, and merchandise sales area were opened in October, and the rest of the café area is currently being prepared for opening next spring. We also do this type of opening and closing.

Also, the capital investment plan remains unchanged from the initial forecast, totaling JPY3.5 billion. Sucrey's Shizuoka factory will gradually ramp up production from August to November.

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Concerning the Kuju Kushima Group, we are planning to consolidate and close aging factories. We will close the factory in Fukuoka in November and the Hiu factory in Sasebo in May of next year. We will be consolidating and closing our factories in H2.

Kotobuki Spirits Co., Ltd.

Business Forecast for FY2025

Net sales +9.3%/Operating profit+11.1% (YoY)

(millions of yen, %)	FY2024		FY2025(Forecast)		YoY(Change)	YoY(%)
	amount	To-sales rate	amount	To-sales rate		
Net sales	64,035	-	70,000	-	5,964	9.3
Gross profit	39,804	62.2	43,700	62.4	3,895	9.8
SG&A expenses	24,023	37.5	26,170	37.4	2,146	8.9
Operating profit	15,780	24.6	17,530	25.0	1,749	11.1
Ordinary profit	15,867	24.8	17,600	25.1	1,732	10.9
Net profit	10,831	16.9	11,800	16.9	968	8.9
EPS (yen)	69.61		75.84		6.23	-
Dividend/stock (yen)	28.00		28.00		-	-
CAPEX	1,926		3,500		1,573	81.7
Depreciation	1,164		1,400		235	20.2

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We have left our full-year forecast unchanged, but with sales up 9.3% to JPY70 billion, operating profit up 11.1% to JPY17.53 billion, and net profit at JPY11.8 billion, we will continue to push forward in H2 [inaudible] higher sales and profits.

That is my explanation.

Kawagoe: Good morning. I am Kawagoe, the president. Matsumoto has explained the recent developments up to Q2 and the future. Now, I would like to explain the underlying corporate philosophy.

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Corporate Vision and Basic Policies

Corporate Philosophy

To Create happiness, Provide happiness

The corporate vision of our group was created by the late Shoichi Kawagoe, the founder of our company, and his predecessors, who overcame many trials and tribulations. While the pursuit of profit is not the only purpose of a company, in order for the company to continue to develop forever into the future, we must always place the highest priority on "making people happy," and the creation of products that will please our customers, continuing to provide services that will please our customers, contributing to local communities, and coexistence and co-prosperity are the company's raison d'être and the mission of our company group.

Basic Policies

Today, I make an enthusiastic fan.

All employees of our group have a basic policy of "Making enthusiastic fans" in order to realize our corporate vision, which is to strive to make one enthusiastic fan of our company today, with whom we can build a lifelong relationship through a single confectionery item or by serving one customer.

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Our corporate philosophy is to create happiness and provide happiness. We have long been committed to making enthusiastic fans today as a concrete practice.

In order to do this, it is necessary for all of us to build human attraction and a work style that will make our customers enthusiastic about us. For all of us to do our best to please our customers, it is necessary for each and every one of us to learn what I have just described in order to become enthusiastic fans of each other.

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Practice of "All-Participation-type Management" based on corporate vision

Based on our corporate vision, the Group aims to create a dynamic and attractive corporate group and increase its corporate value over the medium to long term by practicing "**all-participation-type management**," in which each and every employee participates in management with a sense of ownership.

<<About the Corporate Vision Notebook, "Kozuchi">>

The Group has created a corporate vision notebook, "Kozuchi," which clearly states its management philosophy (Philosophy), and strives to ensure that all employees are familiar with the corporate vision and thoroughly adhere to corporate ethics. The corporate vision notebook, "Kozuchi," is used in morning meetings, training sessions, and study groups held at each workplace unit. In addition, a "National Convention for Kozuchi Presentation" is held once a year to share the results of the implementation of the corporate vision with all employees and to produce even greater results.



National Convention for Kozuchi Presentation in January 2024

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Therefore, our company is characterized by its corporate vision-based, All-Participation-type Management. This is not a style where headquarters think and let the front work; rather, it is the idea that each and every employee participates in management with a sense of ownership.

The most important characteristic of our company is that the heads of the smallest organizations, such as stores for sales and production lines for factories, are at the center. They all share their knowledge and experience in order to achieve the best results and to make customers happy.

Therefore, the higher the salary, the better, and to achieve this, the selling price itself must be raised. I believe that the main feature of this system is to increase the value of the product, so to speak, in order to raise the selling price to a level appropriate to the product's value.

For example, I don't believe there is any relationship among procurement, cost, and selling price, because it is a totally unacceptable concept to raise the selling price because the price of raw materials has risen. For example, there are some items that we procure at JPY10,000 and have to sell at JPY1,000 without doing anything, while others we procure at JPY10,000 and can sell at JPY1,000,000.

The most important thing that all of us are working on is how to add value, particularly how to add value centered on the taste of deliciousness.

In other words, if a customer who ate the product yesterday eats it again today and it doesn't taste better than yesterday, they will not be satisfied and will not purchase the product again. Since the last time they ate, their taste has evolved, and their expectations have risen. Therefore, I believe that unless the standard of the products we create is raised, they will not be appreciated.

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In most companies, some development department sets a standard of 100 and works to achieve it, but our standard is higher than that. That is the way we think about product creation at our production sites.

For salespeople, whether the customer service attitude is better than it was yesterday, whether the way our sales staff hands over change to customers is better in the afternoon than in the morning, or whether the smile itself, for example, is better than it has been in the past, is a major criterion, I think.

We believe that these things will be appreciated and lead to the next purchase. Therefore, the quality of each employee is very important. How to raise the bar is the most important management issue for us.

We have the corporate vision notebook, Kozuchi, with 120 items of management philosophy, each item expressed in 400 characters. The practice of the Kozuchi notebook, the practice of these 120 items in Kozuchi, is what we have to do first. We take the view that it is our job to put this into practice, and in doing so, all kinds of results will follow.

Therefore, the honor for all our employees is a presentation at a National Convention for the Kozuchi Presentation, which we hold once a year in January. The next one is in January next year. The fact that employees are able to make a presentation here is not an evaluation of their performance, but rather an evaluation of the degree to which they practice Kozuchi, in the form of their experience and determination.

I think this is the most important characteristic of our company. I believe that the attitude of each and every one of us to do what is above and beyond the standard, or yesterday's standard, is the best source of long-term prosperity, as we improve the standard of our products, customer service, and sales floor creation to a higher level than they are now.

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Vision (direction to aim for)

"General Producer of the Sweets "

creating original brands and store brands of sweets from all over the country.

- Creating stores and confectionery with originality by pursuing "Local" and "Specialty" with a thorough focus on deliciousness and quality under the theme of **"Creation of higher value"**.
- Adapting the brand portfolio to meet the demand for a variety of **Premium Gift Sweets**, from souvenirs and personal gifts that match the market characteristics of each region to sweets to be enjoyed at home.



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Therefore, the direction we should aim for is the creation of higher value. Growth in the so-called Premium Gift Sweets genre requires higher value creation. The most important thing is the pursuit of local characteristics, elements that are unique to the store, and specialty.

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Future Management Policies

Management Slogan for 2024

Cho-zetsu Mach Management !

The Group will specialize in Premium Gift Sweets with an even greater pursuit of deliciousness, executing its business measures by focusing on superb speed and quickness by all standards.

Priority Measures

1. Value Up EveryDay

- ① Value Up of products by evolving their deliciousness to be the best
- ② Value Up of sales force by refining unique sales methods
- ③ Value Up of sales floors by conveying the brand's worldview to the fullest
- ④ Value Up for new brand development, new shop opening locations, and hiring

2. Promotion of "all-participation-type super field-oriented" management

Promoting "all-participation-type super field-oriented" management, based on the thorough implementation of our corporate vision, to improve our human resources and organizational capabilities.

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This year, Cho-zetsu Mach Management.

We increase the speed at which they think and act in the field, which is the opposite of just thinking all the time and doing nothing. The first thing to do is to do it anyway, and if the results are good, we will thoroughly implement them. If not, we will revise and implement them, and then we will create results. This is the Kotobuki Spirits WRS Success Cycle.

This is not the usual Plan-Do-See check. Rather, our company's style is to think about and take action in the unit I mentioned earlier—first thinking about taking action now, then modifying and thoroughly implementing the action, and finally creating results. I think the style of presenting success stories, incorporating them into our own work, and putting them into practice again today is a distinctive feature of our company.

However, for example, different stores have different competitors, products, types of customers, and types of products. A store manager leads their staff members, thinks, creates their own strategy, and implements it. I believe this is a major characteristic of our company.

Therefore, I believe that for a long time, we have been characterized by the common belief that the higher the standard, the higher the sales will be.

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Future Management Policies

Middle-term/long-term target indicators

Long-term Target Indicators

Ordinary Profit rate : 30%

Middle-term Target Indicators

(SUCREY)

① Net Sales : 35,000 millions yen

(Group All)

② Inbound Sales : 10,000 millions yen

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Our goal is not to chase after sales, but to increase the value we provide. The ordinary profit margin generated from this is our major target, and we are working on that, aiming for 30%.

As a special point of reinforcement, we are trying to achieve Sucrey sales to JPY35 billion and inbound sales to JPY10 billion, although the results of H1 were not very good.

The number of inbound customers, as you know, and their willingness to purchase are also very significant. I believe that a major measure would be to specially strengthen those areas with a large number of inbound customers, as well as international airport terminals.

This will lead to further results, as noted on the first three pages regarding inbound sales. Basically, inbound sales are being handled mainly by KCC in Hokkaido, LeTAO and other KCC brands, and Sucrey in Tokyo. However, sales companies and others are also trying to enter the international airport terminal and duty-free markets.

As is the case with Tokyo Station, the largest market, our Spirits group companies are already competing with each other to open new stores. We are also working on international terminals in this way, and we are trying to further strengthen them based on the principle of competition.

In the midst of all this, the sharp drop in outbound and overseas sales was due to the termination of our franchise contracts in China and Korea. Because of the pandemic, we were unable to provide our guidance, which led to poor operations. The brand value of our sales also dropped, resulting in a very low sales volume. We have temporarily withdrawn from China and Korea because we can no longer do business there.

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And, although I mentioned earlier about the United States and other countries, I believe that the establishment of Premium Gift Sweets unique to Japan is something that can only be done in Japan, and it is difficult to find a place where we can do it to the fullest.

As I have been saying all along, we continue to be proactive, and when we see some results there, we will decide if we can go all out. At that time, sales in that country overseas will blossom, although we will have to do it in a way that is unique to that country.

At the moment, we are working with leading local partners to conduct sales on a trial basis in overseas markets. However, with 60 million foreign visitors expected to come in 2030, it would be easier to make the most of our current strengths if we focus our efforts on that area.

In terms of capital investment, the issue of production capacity is a very big factor for future sales and profit expansion. The factory consolidation and closure of the Kujoyukushima Group and Sucrey, as well as the construction of the new factory, have led to an increase in costs and SG&A expenses for a while. However, in the long run, this will be the source of future profits and manufacturing profits, including those of the Okinawa plant.

That is all I have to say roughly about our company. Thank you very much.

Moderator: Thank you for your explanation.

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Question & Answer

Moderator [M]: I would now like to move to the question-and-answer session.

Araki [Q]: Thank you for your explanation. My name is Araki from Tokai Tokyo Intelligence Laboratory. I have two questions.

First of all, as the president just explained, how much did one-time costs increase in H1 for Sucrey and the Kujoyukushima Group in terms of new construction, renovation, or elimination of their factories? If you can disclose this information, please tell us.

Then, concerning the so-called "effect" that you just explained, when will the effect appear? For example, Sucrey's sales plan for FY2026 is JPY35 billion, but I am sure that you are thinking about the capacity to exceed this amount. Can you tell us about your thoughts on the capacity?

Or margin. You aim for an overall 30% ordinary profit margin. The first point is your target margin and how you see the future of new factory construction, renovation, or elimination.

Secondly, inbound sales increased YoY 48.5% this time, and I was wondering if you have any insights into the characteristics of foreign tourists' product purchasing behavior, or if there are any areas where Kotobuki Spirits can demonstrate its strengths.

Also, I think that Japanese tourists are already saturated after one year since the reclassification as Class 5, but I would like to know if there are any differences in purchasing behavior between Japanese and foreign tourists, or if there is anything that you have noticed that is more appealing to foreigners. Thank you for your cooperation.

Matsumoto [A]: First of all, the impact of the consolidation and closure of the Sucrey and Kujoyukushima Group factories was not significant in terms of the cost for establishment. If anything, it was the adjustment of equipment for the operation, the relocation of production lines, and other such adjustments. In this context, we believe that the impact of disruption of the operation was significant.

In Q1, there was very little of that, but in Q2, mainly in September. We had the impact in September when the operation more or less started. In terms of profits on the production side, we see a negative impact on production profits of approximately JPY120 million for Sucrey and JPY60 million for the Kujoyukushima Group.

As for the productivity of this factory, we are now moving toward full operation from November to December, so we think we can start the factory under normal conditions around December. With this, we believe that we have a production capacity of approximately 50% of Sucrey's total production and factory capacity, and that we can build up a production capacity of approximately JPY40 billion in terms of sales.

Araki [Q]: As of now, the fixed cost of the top line has not changed, so the relocation has inevitably caused some restrictions on the top line, which has resulted in lower profits. May I understand it in this way?

Matsumoto [A]: Well, since there is a fixed cost of production, the profitability deteriorates due to the disruption in the operation. This is my answer.

Araki [M]: I understand. Thank you very much.

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Kawagoe [A]: To some extent, we make products to prevent running out of stock. However, the sales were not that great at Sucrey, so they ended up having to stop operations at the new place. Also, there was a lot of loss of that packaging machine, or the machine that was moved was not working properly, or something related to that.

Araki [Q]: I understand that the plan for the factory is included in H2, but what kind of image should we have when we talk about next year? In short, when you say new facilities, do you mean that there will be some kind of cost incurred, some kind of transition, as happened in Q2 from July to September? Or is it correct to say at this stage of FY2025, the structure aiming for 35 billion in FY2026 will be established in FY2025?

Matsumoto [A]: I believe that we will be able to establish a system for the future during FY2025. We have also invested in each production line to develop and manufacture new products with high added value this fiscal year. In this sense, we believe that we can produce products that will further increase their value.

As for the characteristics of inbound sales by foreign visitors, I don't see much change there. But Kawagoe adds some explanation.

Kawagoe [A]: One of the biggest differences with Japanese people is that they tend to focus on well-known products. The other is the salesperson who recommends the product, which really makes a double or triple difference. They don't buy without a strong sales pitch. If you don't strongly recommend it, they won't buy it.

In other words, customers are pleased with the products that we strongly recommend, so we basically have sales staff from overseas to communicate with them. They are better at recommending and selling products than Japanese staff, or something like that.

Araki [Q]: A pushy sales attitude is appreciated.

Kawagoe [A]: It is important to push.

Moderator [M]: Thank you for your questions. Sorry, please continue.

Kawagoe [A]: You say inbound, but in the end, they are in all markets. Therefore, we have a large number of people who can speak English, Chinese, Thai, and other languages to look after them. We go overseas for recruitment and do various things, and then train those recruits in the Kotobuki Spirit style and put them out in the field. They are doing it in a friendly competition, which is a big, very dependable way for those people.

In Otaru, Hokkaido, for example, at this time of year, 90% of the visitors are from overseas after the holidays are over. In that situation, if you can't talk to them directly, it's not good for business. They also use Pocketalk, but it's time-consuming in a conversation. I think the biggest difference is that the sales force with foreign employees is a competitive force. That is all.

Moderator [M]: Now, please ask your questions.

Igarashi [Q]: Thank you very much for your explanation. I am Igarashi of Daiwa Securities. I would also like to ask two questions.

First, now that you have explained in detail about inbound sales, I would like to ask you to comment on the strength of consumption trends among Japanese people.

At the briefing six months ago, I had the impression that President Kawagoe was a bit cautious, as if Japanese people were tightening their purse strings. I was wondering if you could tell us if there has been any change in your outlook compared to six months ago. This is my first question.

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Kawagoe [A]: Yes, thank you for your excellent question. After all, as I said six months ago, their purse strings are very tight. The big theme is that we need to make our products selective because they don't want to make mistakes.

However, there are stores with almost no inbound customers, but depending on how they do things, they are able to increase their sales considerably, even though they have no travelers and no inbound customers. It is, after all, the sales ability of the people there and their marketing plans.

There are good examples of this, so it is not a reason to say that Japanese people are not buying or that there are not many travelers, but in general, objectively speaking, the purse strings are very tight.

Igarashi [Q]: Yes, thank you. It is not an easy business environment, but I understand that you are determined to grow and develop your products and sales capabilities in this environment. Thank you very much.

Kawagoe [A]: It depends on whether people are selective about what they buy or not, and I think that makes a difference. So, we see an opportunity in anything, the tight purse strings and more inbound demand.

Igarashi [Q]: Thank you very much.

My second question is, I would appreciate an update on your cost projections and pricing strategy. Six months ago, there was a great deal of concern about the rising price of cacao and chocolate, and I believe there was talk of taking measures to deal with any impact from H2. Please tell us the details if there's any.

Matsumoto [A]: The price of chocolate ingredients has been rising since October in H2 due to the soaring price of cacao beans. In this context, our group companies are currently discussing the issue.

Kotobuki Seika has already revised its selling prices in September and October, mainly for products using such chocolate ingredients. As a percentage of sales, something that accounts for about 50% of Kotobuki Seika's total sales, their prices were raised by about 8% to 10%.

As for KCC, we revised the selling prices of some of its products in November of this year. I believe that this will allow us to fully absorb the impact of price increase of chocolate ingredients. As for Sucrey, we are currently considering it.

Kawagoe [A]: The higher percentage of cacao in chocolate, the higher the cost of raw materials. However, in our case, since we often make chocolates with fruits and the like, the cacao percentage is rather low. If the chocolate percentage is higher, the selling price should be doubled. But it's not the case for our products.

However, the selling price has been raised considerably for chocolates at KCC, thanks to their efforts. In Sucrey, due to the consolidation of the factories, we were not able to organize our inventory properly, so, this spring, we will deal with the price mainly for chocolate sandwich cookies. That is all.

Igarashi [M]: Thank you for the detailed explanation. That's all from me.

Moderator [M]: Thank you for your questions.

Participant [Q]: Thank you for your explanation. Please tell me two points related to inbound. Your company's basic policy is to make an enthusiastic fan today. When strengthening inbound sales, what have you done and what are you doing now to get to know your overseas customers from a wide range of countries?

You mentioned earlier how you sell your products, but I was wondering if you could tell us more about the development part, how you go about developing products, whether it is taste, packaging, SKUs, or other various aspects of development. This is my first question.

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Kawagoe [A]: Yes, thank you. Basically, people come to Japan to buy Japanese goods, so we do not match their needs. For example, events in the Greater China region, such as National Day and Chinese New Year, are being handled at international flight kiosks and overseas franchise kiosks. Okay?

Participant [Q]: Yes, thank you. I think that the number of Chinese visitors to Japan has not yet returned to the pre-pandemic level, but what was the percentage of Chinese buyers to your company before the pandemic?

Matsumoto [A]: It is hard to figure out. According to statistics published by the Japan Tourism Agency, perhaps 40% of the visitors to Japan were from China in the past. I see it as being proportional to such things to some extent.

Participant [M]: Yes, I understand. Thank you very much.

Matsumoto [M]: Thank you for your question.

Minagawa [Q]: Thank you for your explanation. My name is Minagawa from SMBC Nikko Securities. I would like to ask three questions.

First of all, I would like to ask you to tell us about the situation in Osaka and the Kansai region, and I think that the number of stores is gradually increasing again. I understand that the Osaka Expo will be held in the next fiscal year.

I think you mentioned before that some railroad companies and airport operators were a little bit tricky to do business in the Kansai region. I wonder if you could tell us how much sales your company currently has in this market and how much you expect sales to increase with the Osaka Expo, as well as your future development plans.

Matsumoto [A]: They are not tricky. We talked about a feature of the sales floor. It means that the train stations are not an ideal place for retail specialty stores. In this context, our retail business is focusing on department stores, large department stores, and we believe there is still plenty of room to open new stores.

As I mentioned earlier, the Kansai Expo is expected to be the catalyst for a full-fledged recovery in inbound and domestic tourism. In this context, we expect an increase in the flow of people to department stores for retail business and to train stations, airports, and Kansai International Airport for wholesales business. We want to enhance these areas through the introduction of our main products and new products.

Kawagoe [A]: By the way, our wholesales business at train stations and airports are done by our sales subsidiaries. They do this with products for wholesales. In department stores, Sucrey and KCC are working. This is how we do it because the characteristics of the sales floor and the products change a little.

We have enhanced our business with department stores for two years. As part of this effort, the Kansai region is now being served by Sucrey and KCC.

Minagawa [Q]: Looking at it overall, your company's share of the gift sweets market in the Kansai region is relatively low compared to other regions. Compared to other areas, such as Tokyo.

Kawagoe [A]: In Tokyo, we are doing retail brands wholesale. In Kansai, in short, there are no small spaces ideal for retail business. We can't do retail business there. So, we are trying to develop a wholesale-type business, essentially developing lots in smaller spaces.

Minagawa [M]: Yes. I understand.

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Kawagoe [A]: Also, we basically have no special products for the Expo. If we sell such products only during the Expo, we will be in trouble next year and the year after. We may add a special feature for the Expo to our regular products. But if we prepare a special product and then cannot sell it the following year, we get in trouble. So, we don't develop products for that occasion only. We don't see many sales.

Minagawa [Q]: Yes, I understand. Next, I would like to know more about the joint venture company in Okinawa, which I think will include Paradise Plan, etc. I would like to know more about the details of the scheme, who will invest what, and who will sell what.

Kawagoe [A]: Kotobuki Seika itself will take the lead in this. The joint venture borrows a factory in the premises of Paradise Plan, which also invests 10% of the capital. Some products will be sold by Paradise Plan both on the spot and for wholesales.

Kotobuki Seika serves as the wholesaler for that company. Kotobuki Seika receives a margin from the sales. There are KMF, Kotobuki Seika, and Paradise Plan. It's not just Paradise Plan.

Minagawa [Q]: You mean it will make products other than those of your company, Paradise Plan, right?

Kawagoe [A]: Yes. We are still working on this in Tottori, and we will continue to strengthen it.

Minagawa [Q]: Do you have an idea of how much of an impact this will have on your business performance?

Matsumoto [A]: Well, as for the factory capacity, we are planning a factory with a capacity of about JYP3 billion in sales. So, I think we should expand our sales channels toward that goal and work together to create new products. By the way, last year, we sold JPY600 million to Okinawa, and we expect to exceed JYP1 billion this year.

Minagawa [Q]: Yes, thank you. I would like to ask you one more question about a new TAO store opening in Seattle. This is rather unusual. Can you tell me what kind challenge you take on this time?

Kawagoe [A]: A successful model in recent years has been our two stores in Melbourne and Sydney, Australia. We used them as a reference and decided a target area with a high cost of living or a prosperous economy. We chose Seattle because of its large number of people of Chinese origin, like Melbourne and Sydney.

Minagawa [Q]: I see. So, this business targets people of Chinese origin in areas where the cost of living is high.

Kawagoe [A]: It's not just that.

Minagawa [M]: I see, I understand. Thank you very much.

Kawagoe [A]: Since the prices are higher compared to those in Japan, it is necessary to have a large number of people who have money and who spend a lot. It is the case for most of major American cities. So, we can expect it.

We would like to start a business unique to the United States and build a factory there, but we don't have the confidence to do so yet, so we have continued trial and error.

Minagawa [M]: Thank you very much.

Moderator [M]: Thank you for your questions. I still have about three minutes.

Sekiguchi [Q]: My name is Sekiguchi from UBS Securities.

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In the area of sales by region, I have an impression that the Tohoku region has made little or no business. I have the sales by region in the supplemental material here.

Six months ago, you mentioned that you were receiving requests mainly from railroad companies to open new stores, and I have an impression that you are not very aggressive in the Tohoku region mainly because of your factory production. How do you see the region as a growing market?

Matsumoto [A]: In the Tohoku area, Kotobuki Seika is working with distributors in that area to develop wholesale distribution. The retail market is a bit of a challenge there. However, even in these areas, new products and mainstay products are growing, so it is not that we cannot expect growth at all, but the market size is not that large compared to Tokyo, Kansai, or Fukuoka.

Moderator [M]: Thank you for your questions. I am sure there are many more questions to come, but since the scheduled time has arrived, I would like to conclude the financial results briefing. Thank you very much for your explanation, Mr. Kawagoe and Mr. Matsumoto. Thank you to everyone who participated.

[END]

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