



Financial Results

FY 2023 2Q

November 7, 2023



愛と喜びのある食卓をいつまでも

Lasting love and joy at your table



St.Cousair



久世福商店

KUZE FUKU & CO.



KUZE FUKU
&
SONS®

Highlights

- In the cumulative second quarter of the fiscal year (April to September 2023), our net sales reached ¥9,018 million, showing a growth of 11.0% compared to the same period in the previous year, and our operating profit was ¥746 million, an increase of 11.8%.
- Store sales performance during the cumulative second quarter of the fiscal year was strong, with directly-managed stores showing a 4.9% increase compared to the previous year, and franchise stores displaying an 18.8% increase. The total number of stores increased by 8 compared to the end of the previous consolidated fiscal year, with 1 directly-managed store and 7 franchise stores.
- Existing store customer numbers showed a decrease of 1.1% compared to the same period in the previous year during the cumulative second quarter, and a 3.9% decrease during the second quarter of the current fiscal year (July to September 2023). This decline can be attributed to the decrease in exposure from large-scale TV programs in the previous year, along with prolonged summer heat affecting sales of autumn and winter products. The existing store customer unit price increased by 8.5% during the cumulative second quarter due to price increases.
- For the E-commerce segment, sales increased by 5.9% compared to the same period in the previous year during the cumulative second quarter. However, during the second quarter of the current fiscal year, there was a 4.1% decrease, which can be attributed to delayed shipments caused by the external transfer of fulfillment functions carried out in September 2023, in addition to the decrease in exposure from large-scale TV programs in the previous year.
- Wholesale sales experienced steady growth with an increase of 11.7% compared to the same period in the previous year during the cumulative second quarter, and an 8.0% increase during the second quarter of the current fiscal year.
- Global sales were affected by a decrease due to the rebound effect of concentrated sales by a major US retail chain in the previous year, resulting in a 4.7% increase compared to the same period in the previous year during the cumulative second quarter and a 2.0% decrease during the second quarter.
- The change in sales composition by channel resulted in a 0.4 percentage point decrease in the gross profit margin for the cumulative second quarter, which is now at 39.4%, compared to the same period in the previous fiscal year (April to September 2022).

※“Existing stores” is defined as stores that have been open for 18 months or more.

Consolidated Results Summary

Net sales and profits increased at all levels.

	2Q Cumulative Period (2023/4 ~ 2023/9)			2Q Accounting Period (2023/7 ~ 2023/9)		
		Previous Period Results	YoY change		Previous Period Results	YoY change
Unit: ¥K						
Net sales	9,018,999	8,127,233	+11.0%	4,212,860	3,929,212	+7.2%
Cost of Goods Sold	5,463,938	4,895,757	+11.6%	2,591,353	2,426,500	+6.8%
Gross profit	3,555,061	3,231,475	+10.0%	1,621,506	1,502,712	+7.9%
<i>Gross profit margin</i>	39.4%	39.8%	▲0.4pt	38.5%	38.2%	+0.3pt
SG&A	2,808,592	2,563,515	+9.6%	1,377,670	1,279,638	+7.7%
Operating profit	746,468	667,960	+11.8%	243,836	223,073	+9.3%
<i>Operating profit margin</i>	8.3%	8.2%	+0.1pt	5.8%	5.7%	+0.1pt
Ordinary profit	816,075	684,824	+19.2%	261,018	222,635	+17.2%
Profit attributable to owners of parent	524,961	461,866	+13.7%	160,773	142,358	+12.9%

Sales by Sales Channel

● **Stores (Directly-managed and Franchises):** In the cumulative second quarter of the fiscal year, directly-managed stores saw a 4.9% increase compared to the same period in the previous year, while franchise stores had an 18.8% increase. However, during the second quarter, growth slowed down, with directly-managed stores showing a 2.6% increase and franchise stores a 16.5% increase. This slowdown was primarily due to the reduced exposure from large-scale TV programs in the previous year and the extended summer heat, which led to a decline in sales of autumn and winter products. During the second quarter accounting period, existing store customer numbers decreased by 3.9% compared to the same period in the previous year. The total number of stores increased by 8 compared to the end of the previous consolidated fiscal year, with 1 direct store and 7 franchise stores.

● **E-commerce:** E-commerce sales were affected by the reduced exposure from large-scale TV programs in the previous year and the impact of delayed shipments during the transition of fulfillment functions to an external provider in September 2023. During the cumulative second quarter, E-commerce sales increased by 5.9% compared to the same period in the previous year, but during the second quarter, there was a 4.1% decrease.

● **Wholesale:** Wholesale sales performed well with an 11.7% increase during the cumulative second quarter compared to the same period in the previous year, and an 8.0% increase during the second quarter.

● **Global:** Global sales were affected by a decrease due to the rebound effect of concentrated sales by a major US retail chain in the previous year. During the cumulative second quarter, global sales increased by 4.7% compared to the same period in the previous year, but during the second quarter, there was a 2.0% decrease."

Unit: ¥K	2Q Cumulative Period (2023/4 ~ 2023/9)					2Q Accounting Period (2023/7 ~ 2023/9)				
		Composition ratio	Previous Period Results		YoY		Composition ratio	Previous Period Results		YoY
				Composition ratio					Composition ratio	
Directly-managed stores	3,039,139	33.7%	2,895,878	35.6%	+4.9%	1,439,655	34.2%	1,403,511	35.7%	+2.6%
Franchises	3,305,829	36.7%	2,782,864	34.2%	+18.8%	1,440,993	34.2%	1,236,806	31.5%	+16.5%
E-Commerce	527,624	5.9%	498,349	6.1%	+5.9%	231,576	5.5%	241,600	6.1%	▲4.1%
Wholesale	1,659,706	18.4%	1,485,448	18.3%	+11.7%	799,844	19.0%	740,454	18.8%	+8.0%
Global	486,699	5.4%	464,692	5.7%	+4.7%	300,790	7.1%	306,839	7.8%	▲2.0%
Total	9,018,999	100.0%	8,127,233	100.0%	+11.0%	4,212,860	100.0%	3,929,212	100.0%	+7.2%

※ "Existing stores" is defined as stores that have been open for 18 months or more.

SG&A Expenses

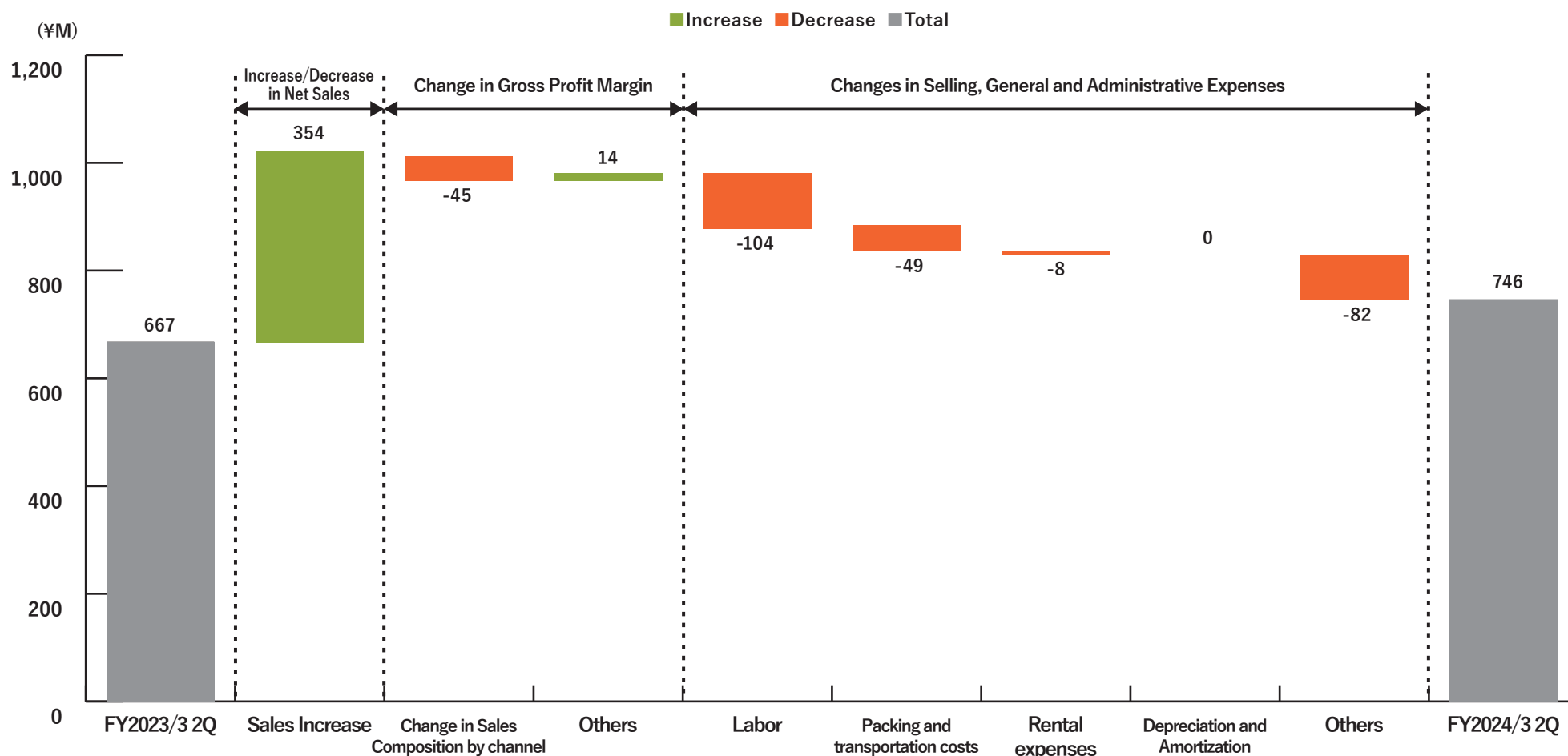
- Increased by ¥104M due to base increase (increase in fixed costs) and increase in sales-linked consignment personnel expenses (increase in variable costs) at some directly managed stores.
- Increased due to branding and marketing expenses, shareholder-related expenses, internal IT-related expenses, and M&A-related expenses.

Unit: ¥K

	2Q cumulative period (2023/4 ~ 2023/9)					2Q Accounting Period (2023/7 ~ 2023/9)				
		Percentage of sales	Previous Period Results		YoY		Percentage of sales	Previous Period Results		YoY
				Percentage of sales					Percentage of sales	
Labor	1,166,145	12.9%	1,061,164	13.1%	+9.9%	578,913	13.7%	526,843	13.4%	+9.9%
Packing and transportation costs	559,333	6.2%	510,325	6.3%	+9.6%	263,827	6.3%	239,045	6.1%	+10.4%
Rental expenses	294,563	3.3%	285,972	3.5%	+3.0%	137,573	3.3%	142,161	3.6%	▲3.2%
Depreciation & Amortization	74,972	0.8%	75,177	0.9%	▲0.3%	42,312	1.0%	38,512	1.0%	+9.9%
Others	713,576	7.9%	630,875	7.8%	+13.1%	355,044	8.4%	333,075	8.5%	+6.6%
Total	2,808,592	31.1%	2,563,515	31.5%	+9.6%	1,377,670	32.7%	1,279,638	32.6%	+7.7%

Consolidated Operating Profit YoY

- Impact of yen depreciation and surging raw material prices was largely absorbed by price hikes in the previous consolidated fiscal year.
- Drop in gross profit margin in the cumulative second quarter under review mainly due to change in sales composition by channel.
- The detailed factors contributing to the increase or decrease in selling, general, and administrative expenses (SG&A) can be found on the previous page.



Percentage of progress toward consolidated earnings forecast

- The progress of group performance and sales by channel against the full-year forecast is as follows.

■ Percentage of progress toward consolidated earnings forecast

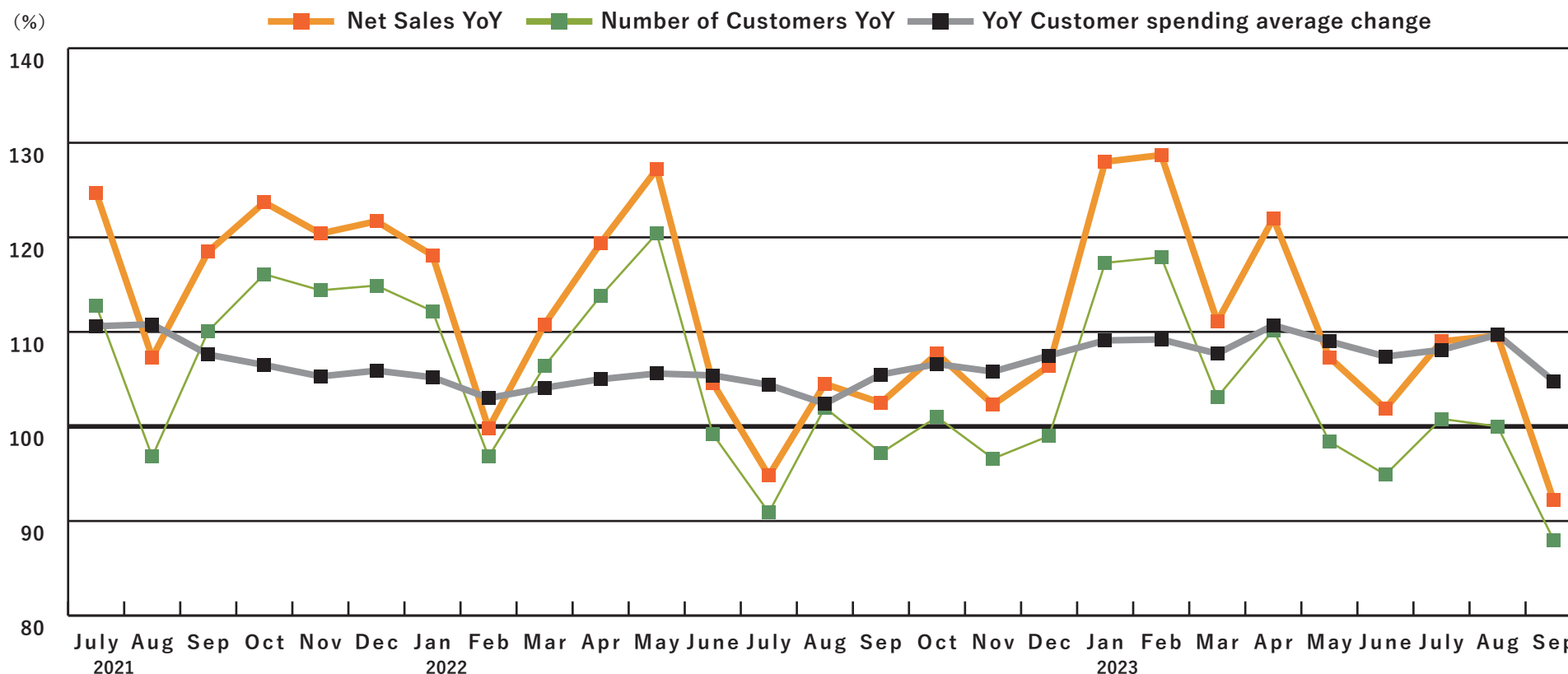
Unit: ¥M	2Q cumulative period (2023/4 ~ 2023/9)		
		Earnings Forecast	Rate of progress
Net sales	9,018	19,711	45.8%
Operating profit	746	1,681	44.4%
Operating Profit Margin	8.3%	8.5%	—
Ordinary profit	816	1,661	49.1%
Profit attributable to owners of parent	524	1,096	47.9%

■ Percentage of progress toward sales forecast by sales channel

Unit: ¥M	2Q cumulative period (2023/4 ~ 2023/9)		
		Earnings Forecast	Rate of progress
Directly-managed	3,039	6,382	47.6%
Franchises	3,305	7,133	46.3%
E-Commerce	527	1,264	41.7%
Wholesale	1,659	3,399	48.8%
Global	486	1,530	31.8%
Total	9,018	19,711	45.8%

Existing stores* Sales, Customers, and Sales per Customer

- Existing store customer numbers decreased by 1.1% in the cumulative second quarter of the fiscal year (April to September 2023) compared to the same period in the previous year. During the second quarter (July to September 2023), there was a 3.9% decrease. The primary reasons for this decline were the reduced exposure from large-scale TV programs in the previous year and the prolonged summer heat, which led to lower sales of autumn and winter products.
- On the other hand, the customer unit price for existing stores increased by 8.5% during the cumulative second quarter compared to the same period in the previous year. This increase was a result of a price hike implemented in September 2022, followed by continued price adjustments in response to fluctuations in raw material prices.



※"Existing stores" is defined as stores that have been open for 18 months or more.

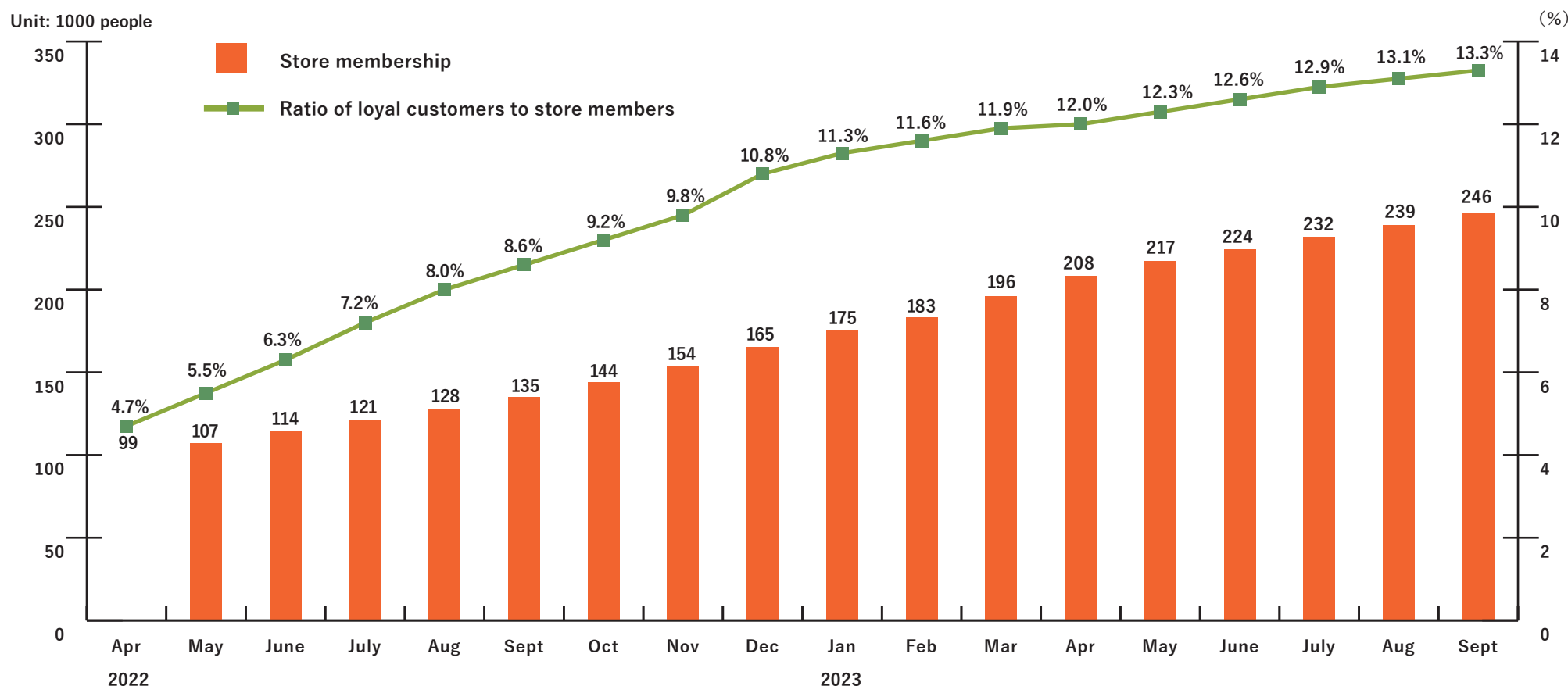
Number of stores by business type

- During the 2Q cumulative period (Apr-Sep 2011), 7 new Kuze Fuku stores were opened (7 franchise stores) and 1 new MeKEL store was opened (1 directly managed store). No stores were closed during the 2Q cumulative period.

Unit: stores		Number of stores 9/30/2022	Number of stores 3/31/2023	End of September 2023 (2023/4~2023/9)		
				Opened	Closed	No.of stores
St.Cousair	Dir.managed	11	12	-	-	12
	Franchise	4	4	-	-	4
	Total	15	16	-	-	16
Kuze Fuku & Co.	Dir.managed	41	39	-	-	39
	Franchise	95	103	7	-	110
	Total	136	142	7	-	149
MeKEL	Dir.managed	-	-	1	-	1
	Franchise	-	-	-	-	-
	Total	-	-	1	-	1
Total of all businesses	Dir.managed	52	51	1	-	52
	Franchise	99	107	7	-	114
	Total	151	158	8	-	166

Number of store members and ratio of loyal customers

- The official app was launched in April 2021. Since then, the number of customers registered on the app has increased steadily.
- In order to increase the number of customers who become fans of the Company, the needs of customers are being explored in depth through interviews and surveys at the Company's retail stores. The ratio of loyal customers to total store members is increasing.

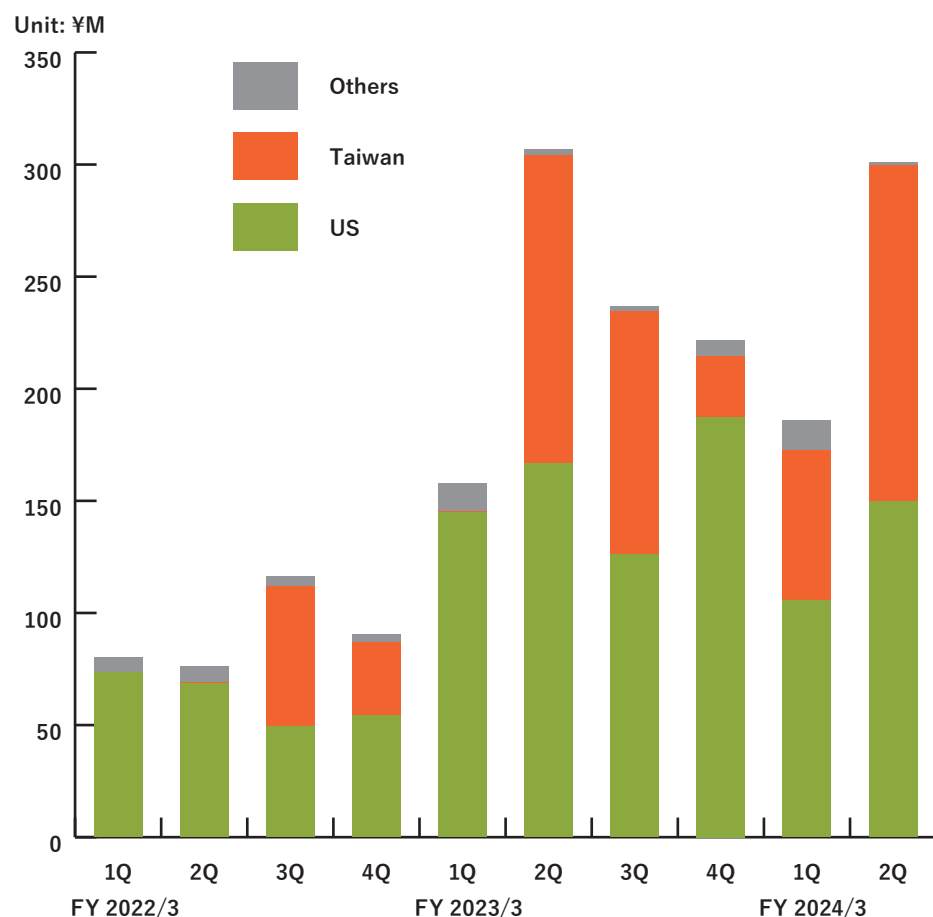


※1. The above graph shows the number of customer members who use the stores, not including e-commerce members. ※2. Among customer members registered on our official app, "loyal customers" are defined as those whose total purchase amount for the 7 months starting from the base date (the end of each month) exceeds the base amount determined by us.

Global Status: Sales by Country

During the cumulative second quarter of the fiscal year (April to September 2023), the country-specific sales showed a decrease of 56 million yen for sales in the United States, while sales to Taiwan increased by 78 million yen.

Sales by country (※1,2)



Quarterly Highlights

USA

- Sales in the current second quarter (July to September 2023) (※3) decreased by 16 million yen compared to the same period in the previous year. This decline can be attributed to the fact that sales had been concentrated in the previous second quarter, with expectations of recognizing sales from the third quarter onward.
- The average exchange rate for the US dollar used for the translation of the financial results of the US subsidiary during the cumulative second quarter of the fiscal year was 135.00 yen, whereas in the same period of the previous year, it was 123.14 yen.

Taiwan

- Continuing from the previous period, participation in promotional events with a major US retail chain resulted in a sales increase of 12 million yen during the current second quarter compared to the same period in the previous year.

Others

- Includes sales to Australia, Hong Kong, and other regions.

※1. Figures are based on country of last sale. ※2. The above figures have not been reviewed by an external auditor. ※3. This includes the period from April 2023 to June 2023 for the U.S. subsidiary.

Balance Sheet

Inventories increased due to higher sales.

Unit: ¥K	September 30, 2022	March 31, 2023	September 30, 2023		
				YoY	Prior period end ratio
Cash and deposits	1,082,019	3,317,671	2,728,716	+152.2%	▲17.8%
Accounts receivable	1,434,871	1,728,233	1,445,195	+0.7%	▲16.4%
Inventory	1,572,459	1,635,730	1,745,069	+11.0%	+6.7%
Other current assets	100,473	132,815	98,098	▲2.4%	▲26.1%
Allowance for doubtful receivables	-58	-92	-58	—	—
Total current assets	4,189,765	6,814,358	6,017,021	+43.6%	▲11.7%
Total fixed assets	2,465,418	2,360,079	2,942,167	+19.3%	+24.7%
Total assets	6,655,184	9,174,438	8,959,189	+34.6%	▲2.3%
Total liabilities	4,966,841	4,948,426	4,472,472	▲10.0%	▲9.6%
Total net assets	1,688,342	4,226,011	4,486,717	+165.7%	+6.2%
Equity Ratio	25.3%	46.0%	50.0%	+24.7pt	+4.0pt

ROIC • ROE

● High ROIC due to new store openings, particularly Franchises, as well as growing sales in non-store channels (e-commerce, wholesale, and global).

■ ROIC (Last 12 months)

19.1%

Accounting of Consolidated
Financial Statements : 19.1%

Calculation Formula

$$\frac{\text{Operating income} \times (1 - \text{effective tax rate})}{(\text{Capital} + \text{favorable liabilities}) (\text{※})}$$

■ ROE (Last 12 months)

27.5%

Accounting of Consolidated
Financial Statements : 28.0%

Calculation Formula

$$\frac{\text{Net income attributable to owners of the parent}}{\text{Shareholders' equity} (\text{※})}$$

※ Calculation is based on the average of the balances at the beginning and end of the most recent 12-month accounting period. With regard to the increase in shareholders' equity due to the public offering at the time of the listing on the Growth Market in December 2022, the calculation of each indicator is based on the assumption that the public offering was made at the beginning of each computation period.

Foreign exchange gain: Revaluation of loans to related companies

The foreign exchange gain recognized during the cumulative second quarter of the fiscal year (April to September 2023) resulted from the revaluation of foreign currency-denominated loans to the US subsidiary at the end-of-period exchange rate, carried out by the parent company.

Unit: ¥K	2Q Cumulative Period (Apr.-Sept. 2023)		
		Results of the previous period	YoY
Non-operating income			
Foreign exchange gain	80,581	16,822	+379.0%

↓

Of which, amount due to revaluation of loans from parent company to U.S. subsidiaries	79,993
--	---------------

Calculation Process	Loan amount (\$USD)	Exchange rate (¥JPY)	Exchanged loan amount (¥K)
①At the time of loan (April 2023)	5,000,000	133.58	667,906
②End of 2Q (September 30, 2023)	5,000,000	149.58	747,900
③② - ①	-	-	79,993

MeKEL's first store opened

On September 2, 2023, a new business model MeKEL opened its first store in Wakasato, Nagano, Japan.



■ First Month Sales (23/9/2 ~ 9/30)

¥ **33** M

Reference:
Net Sales per Existing
Stores (Sept 2023) ¥ **7.5** M

■ Average spend per customer in the first month (23/9/2 ~ 9/30)

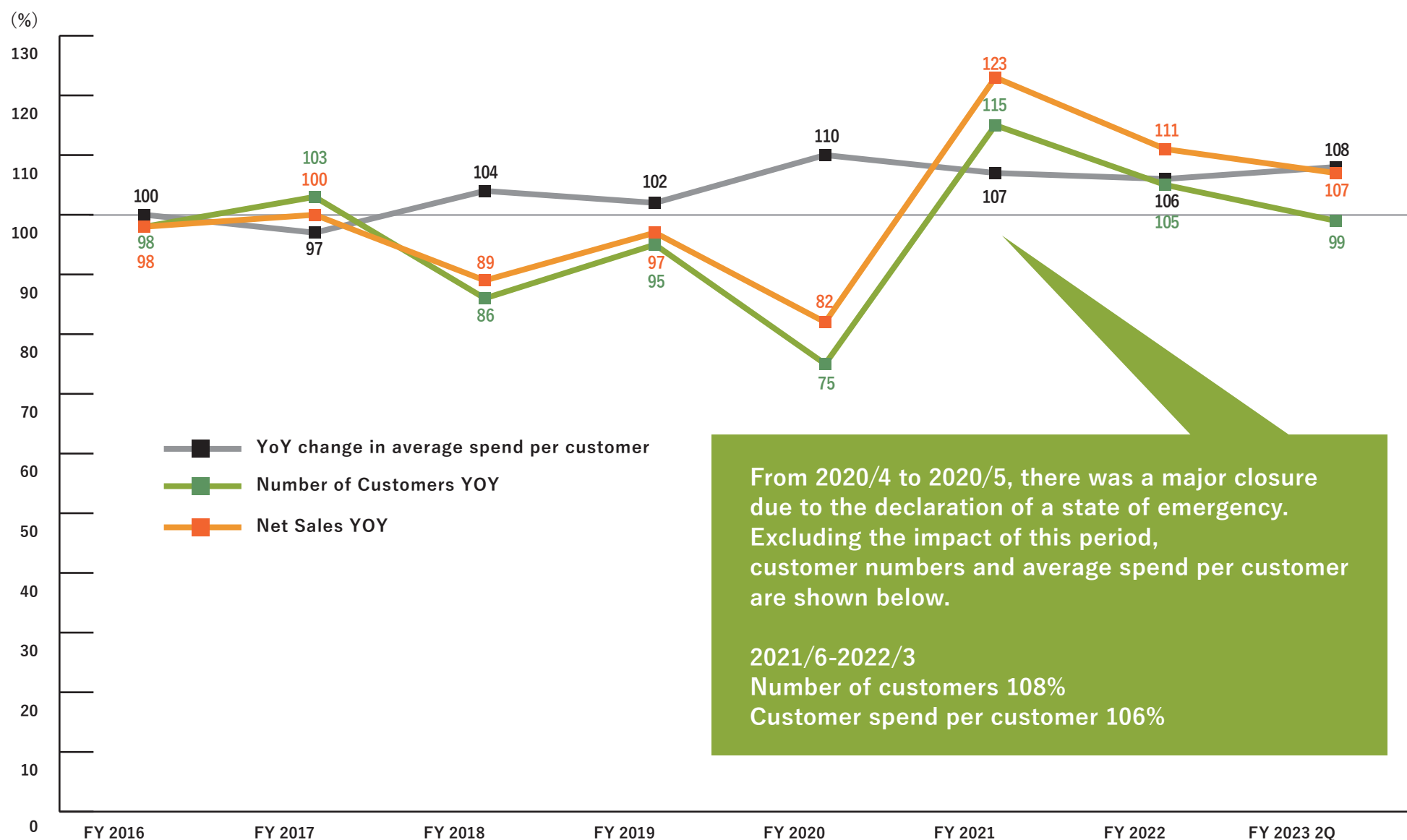
¥ **2,500**

Reference:
Average spend per
customer at existing
stores (Sept 2023) ¥ **1,854**

Caution

Please be aware that actual performance and results may differ significantly from these forecasts due to future changes in domestic and overseas economic conditions, internal and external factors, and various other external and internal factors.

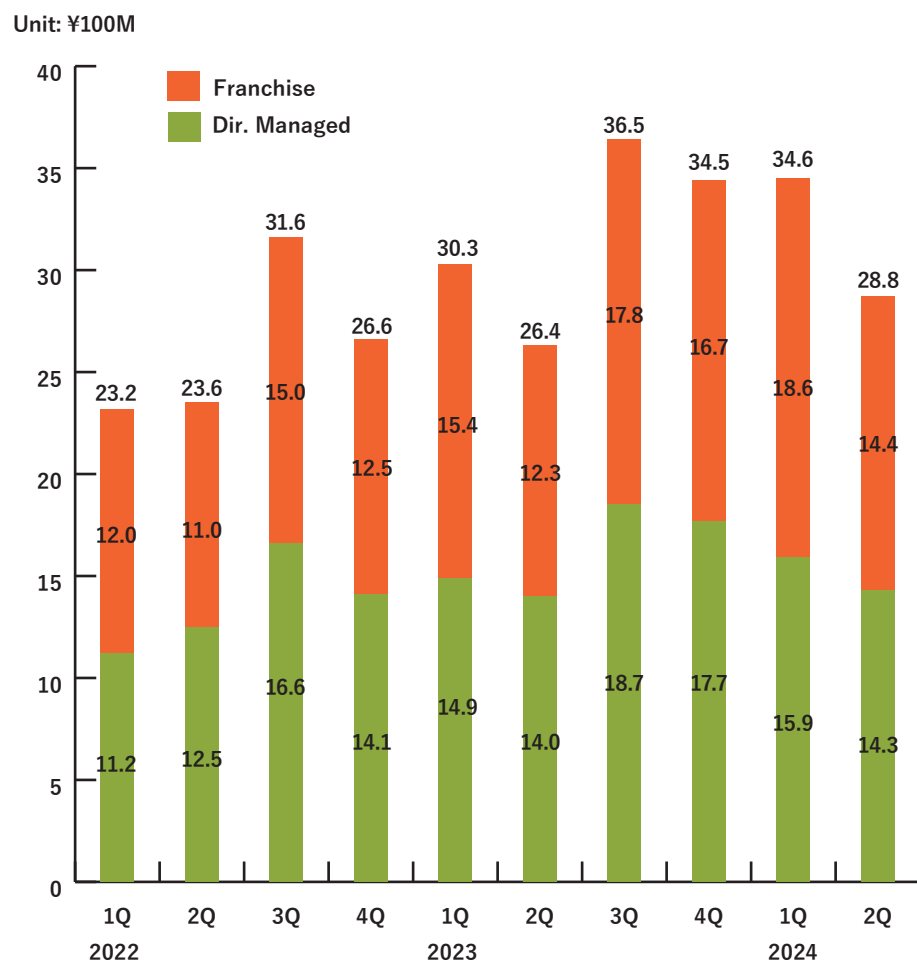
Existing stores (※1・2) Number of customers and average spend per customer compared to last year



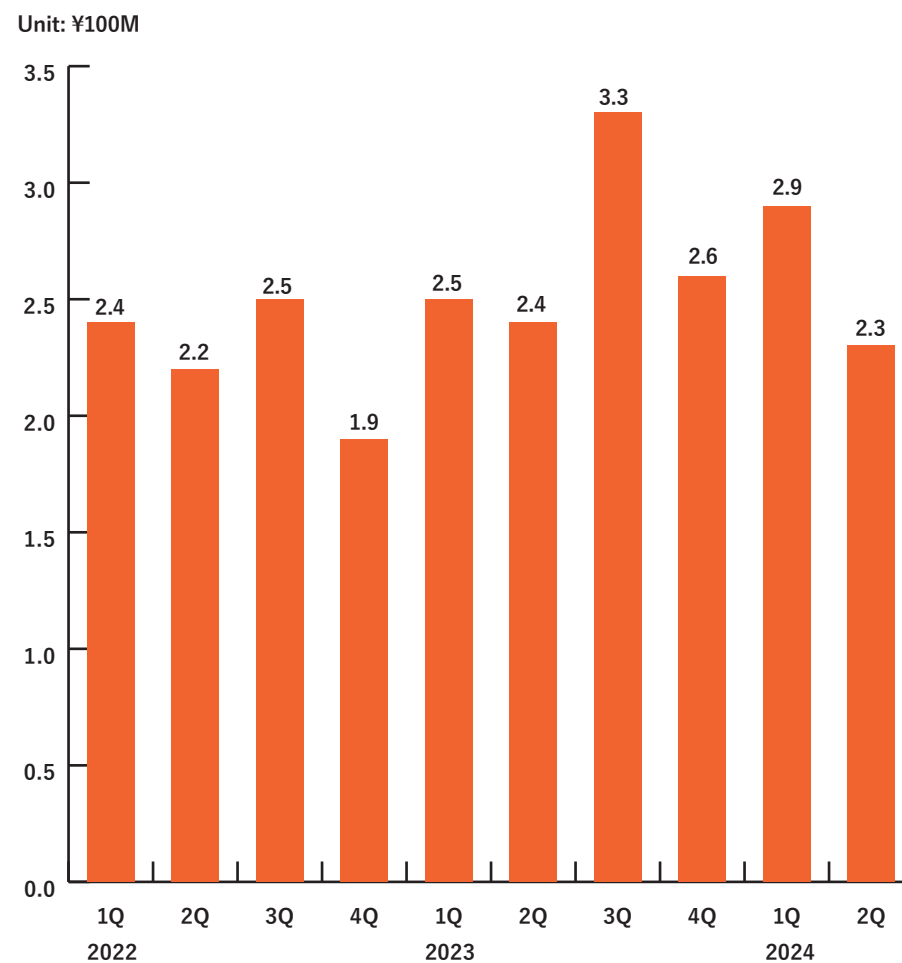
※1. "Existing stores" is defined as stores that have been open for at least 18 months. ※2. Comparison of sales, number of customers, and average spend per customer are calculated for stores that have been open for at least 18 months as of the beginning of each fiscal year.

Performance by Sales Channel (Stores & EC)

Quarterly sales (store)

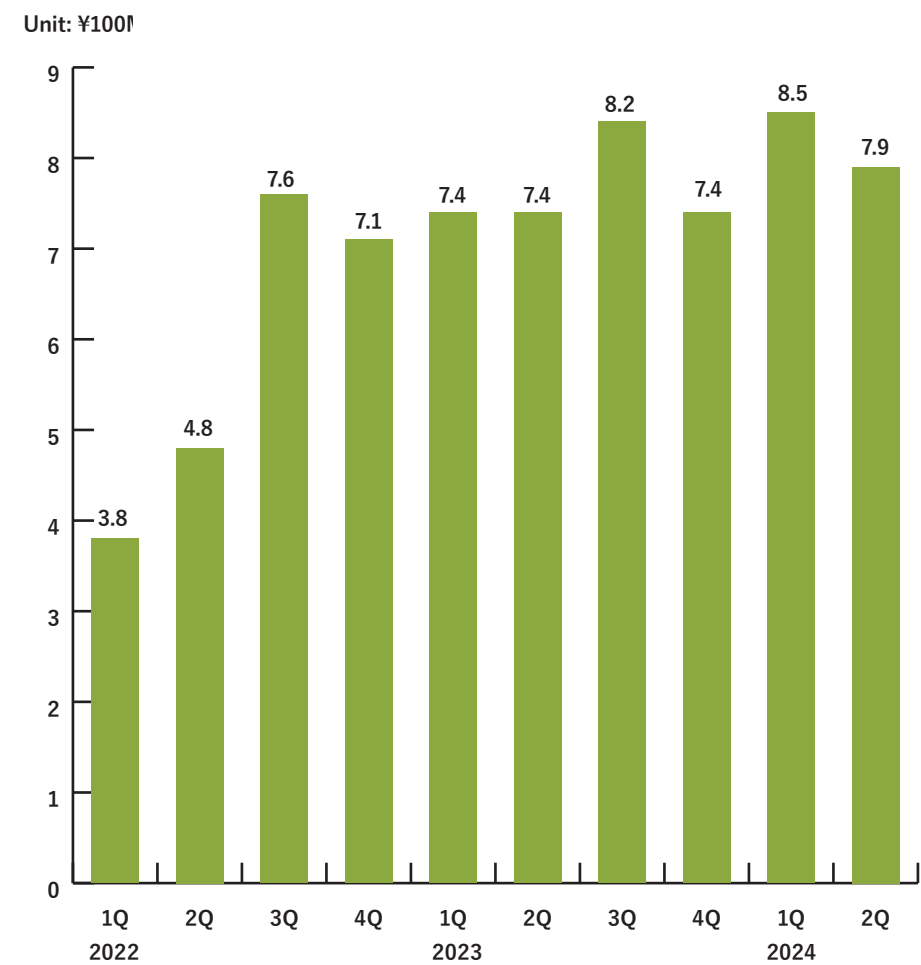


Quarterly Sales (E-commerce)

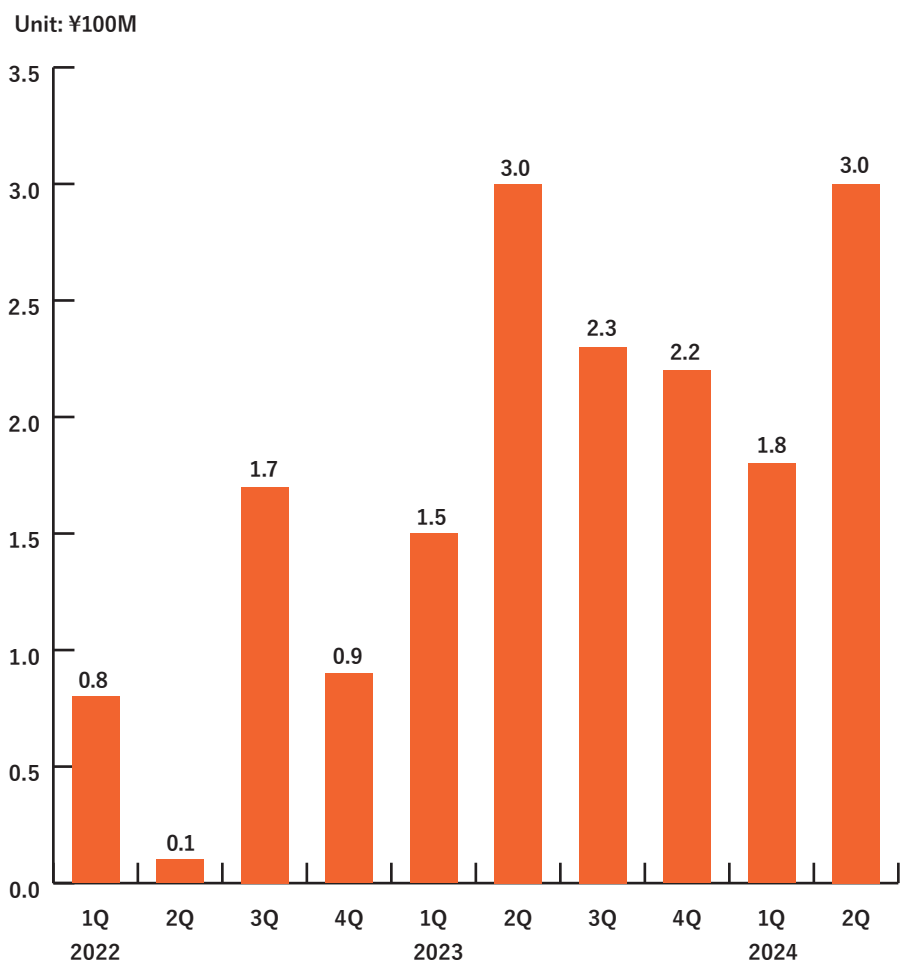


Performance by Sales Channel (Wholesale and Global)

Quarterly sales (Wholesale)



Quarterly sales (Global)



Quarterly Consolidated Results

	FY 2023		FY 2023	
	1Q	Composition ratio	2Q	Composition ratio
Unit: ¥K				
Net sales	4,806,138	100.0%	4,212,860	100.0%
Gross profit	1,933,554	40.2%	1,621,506	38.5%
Operating profit	502,632	10.5%	243,836	5.8%

	FY 2022							
	1Q	Composition ratio	2Q	Composition ratio	3Q	Composition ratio	4Q	Composition ratio
Unit: ¥K								
Net sales	4,198,020	100.0%	3,929,212	100.0%	5,055,894	100.0%	4,682,521	100.0%
Gross profit	1,728,763	41.2%	1,502,712	38.2%	1,973,802	39.0%	1,824,796	39.0%
Operating profit	444,886	10.6%	223,073	5.7%	510,222	10.1%	421,606	9.0%

	FY 2021							
	1Q	Composition ratio	2Q	Composition ratio	3Q	Composition ratio	4Q	Composition ratio
Unit: ¥K								
Net sales	3,038,023	100.0%	3,154,253	100.0%	4,304,157	100.0%	3,668,625	100.0%
Gross profit	1,256,263	41.4%	1,355,158	43.0%	1,760,638	40.9%	1,408,964	38.4%
Operating profit	262,915	8.7%	302,264	9.6%	503,547	11.7%	247,726	6.8%

New product information: FY 2023 2Q ①



**St.
Cousair**

**Blood Orange
Marmalade**



**St.
Cousair**

**Melon & Lemon
Donuts**



**St.
Cousair**

**Seasonal
Mont Blanc Cream**



**St.
Cousair**

**Seasonal
Sweet Potato (Resale)**



**St.
Cousair**

**Seasonal
Kuri kinton (resale)**



New product information: FY 2023 2Q ②



Kuze
Fuku
& Co.

Awao Chicken
Gizzard



Kuze
Fuku
& Co.

Umami Kelp
Soup Stock



Kuze
Fuku
& Co.

Miso Flavor
Motsu Nabe Hot Pot



Kuze
Fuku
& Co.

Soy Sauce Flavor
Motsu Nabe Hot Pot



Kuze
Fuku
& Co.

Kumamoto
Blueberry Jam

New product information: FY 2023 2Q ③



KUZE FUKU
&
SONS

Matcha Castella Cake 314g



KUZE FUKU
&
SONS

Oyster Soy Sauce-seasoned
Nori Seaweed



KUZE FUKU
&
SONS

Reduced Salt
Soy Sauce 1.8L



KUZE FUKU
&
SONS

Yuzu Kosho Topping



KUZE FUKU
&
SONS

Yuzu Hot Sauce



KUZE FUKU
&
SONS

Purple Sweet Potato
Spread 318g

New store information: FY 2023 2Q

07/13
OPEN



Kuze
Fuku
& Co.

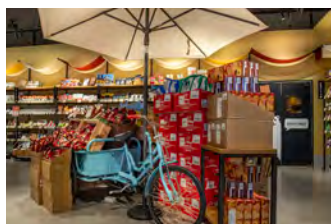
Kuze Fuku & Co.
Yume Town Hikari no Mori Store

09/08
OPEN



Kuze
Fuku
& Co.

Kuze Fuku & Co.
Takasaki Montres Store



09/02
OPEN



MeKEL

MeKEL
Nagano Wakasato Store

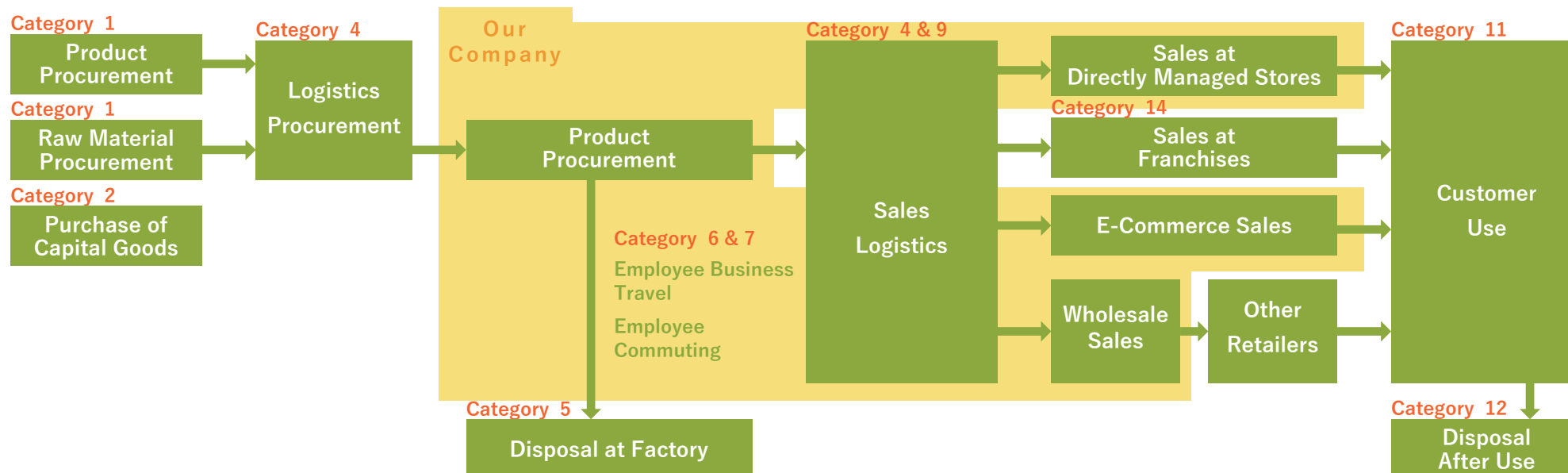


Measuring greenhouse gas emissions and improving accuracy

In addition to achieving a 50% reduction in Scope 1+2 emissions by 2030, we will promote measurement and reduction plans for Scope 3 emissions.

Item	Goal
Scope 1+2	<ul style="list-style-type: none"> ● 50% reduction by 2030. (compared to 2021)
Scope 3	<ul style="list-style-type: none"> ● Construction of a system that can measure Scope 3 with sufficient accuracy ● Identify hotspots and develop mitigation plans

■ Concept of Scope 3 in our group





Enhancement of Human Capital

Enhancing the support system for the entire company so that each partner* can contribute to the bettering of corporate value while achieving growth and self-realization over the medium to long term.

■ Target

Ratio of female managerial staff

19% → 30%

FY 2022

2030

■ Diverse working styles

- Remote work
- Regionally-limited work
- Reduced working hours

Expansion

- Various types of leave

Support & Recommendation

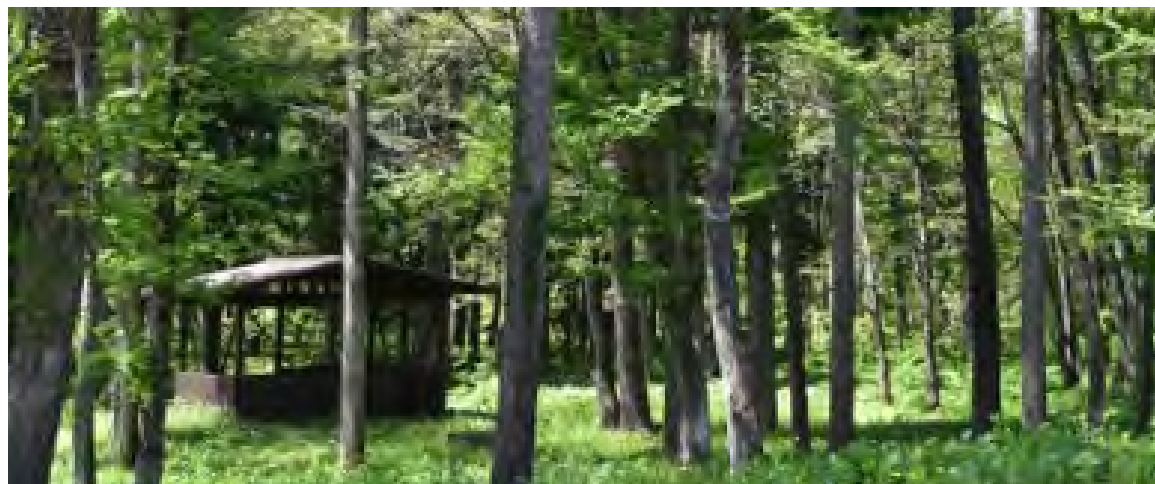


* Our employees are known as “partners.”



Forest Conservation Project

The forest on the premises of our Shinanomachi Center (Shinanomachi, Nagano Prefecture).



Without human intervention, the forest will naturally degrade. By transforming the forest into an area that can be enjoyed by people, including local residents, this natural degradation of the forest can be prevented. And by allowing the forest and people to coexist in harmony, nature and the ecosystem can be sustained over the long term.

Examples of Possible Use

- Promenade
- Outdoor desk (outdoor meeting space)
- Campground
- Nursery School
- Library
- Cafe

Efforts to Reduce Food Loss

Working to reduce food loss occurring in business activities.

■ Reduction of Food Waste at our own Factories and Stores

Promotion of improvement activities (PDCA) aimed at reducing food waste generated from our own factories and stores.



Numerical Goal

Reduction rate of food waste generated from our own factories and stores

50% Reduction by 2030
(compared to 2021)

■ Utilization of Wine Grape By-products

The residue left after pressing wine grapes is used as raw materials for cosmetics and feed for livestock.



Tanzania Support



We have donated a portion of the proceeds of our products to the NPO Mwangaza Foundation, which supports orphaned children in Tanzania.



■ Donation amount
April-Sept. 2023

¥4.04M

