

Business Operations and Financials: Key Questions and Answers

(December 2025 Update)

December 24, 2025

A packaging specialist trading company

Securities Code: 7504



**KOHSOKU
CORPORATION**



We disclose answers to frequently asked questions from institutional and individual investors with the aim of strengthening information disclosure to investors and ensuring fair disclosure.

We will continue to strengthen information disclosure to investors and strive to enhance corporate value.

Questions and answers newly added in this material are clearly indicated as “**NEW**” in the question list and within each respective question.

TABLE OF CONTENTS



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1. Question List	P.4
2. Questions and Answers on Our Business Operations	P.7
3. Questions and Answers on Our Financials	P.16
4. Reference: Company Profile	P.24
5. Progress of the Medium-Term Management Plan	P.27



Question List

◆Questions on Our Business Operations

- | | |
|--|-------|
| Q1. Given that this industry is not widely known, could you explain why supermarkets require wholesalers like your company? | P. 8 |
| Q2. As your company's position within the industry is not fully clear to us, could you describe your standing? | P. 9 |
| Q3. Please explain your competitive advantages. | P. 11 |
| Q4. Please tell us about the barriers to entry. | P. 13 |
| Q5. There are many competitors in the industry. Could you explain how your company has been able to achieve significant growth, including from the perspective of its history? 【NEW】 | P. 14 |
| Q6. You state that barriers to entry are high. However, given that packaging materials are commodities, are the barriers to entry not low? 【NEW】 | P. 14 |
| Q7. Would it not be possible for major manufacturers to sell products directly to customers such as supermarkets, instead of going through packaging material wholesalers? Please explain the differences between sales conducted by manufacturers and sales conducted by wholesalers such as your company. 【NEW】 | P. 15 |
| Q8. Please tell us whether there are any plans to increase the number of locations. 【NEW】 | P. 15 |

◆ Questions and Answers on Our Financials

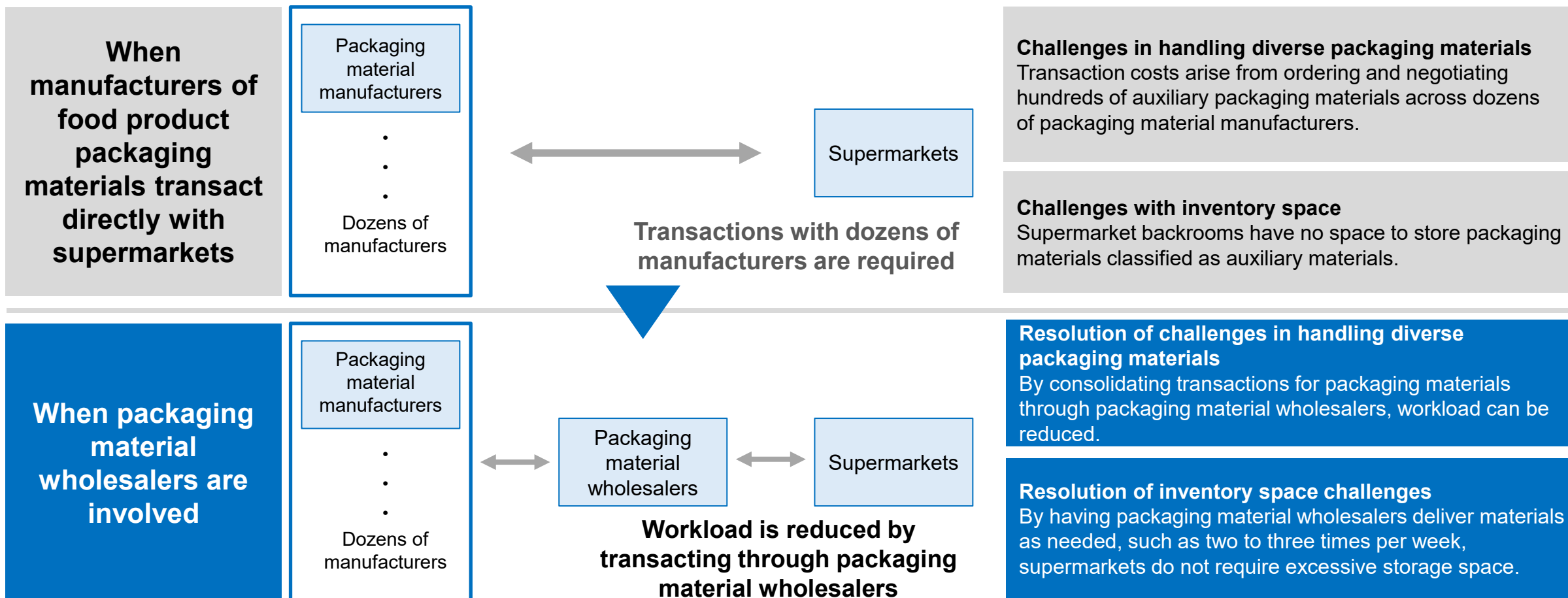
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|---|--------------|
| Q1. Please explain the background behind your net sales growth, as the disclosed information does not clarify the factors that have driven the past steady increase in net sales. | P. 17 |
| Q2. Please explain how sales volume and selling prices have trended, given that net sales have been increasing. | P. 17 |
| Q3. Your operating profit margin appears to be hovering around 4%. Please explain whether there is potential for improvement going forward. | P. 18 |
| Q4. Please tell us about the seasonality of business performance. | P. 19 |
| Q5. Please explain the trends and underlying factors for the major items of SG&A expenses. | P. 20 |
| Q6. Please explain how the recent wage hikes and increases in utility costs, such as logistics costs, have affected business performance. | P. 21 |
| Q7. You have indicated that you are working to reduce SG&A expenses. Could you please provide specific details on future initiatives that may reduce SG&A expenses. 【NEW】 | P. 22 |
| Q8. Net sales appear to have grown significantly YoY in 1H FY03/26. Could you please advise whether this growth rate is expected to continue in 2H FY03/26 and beyond? 【NEW】 | P. 23 |



Questions and Answers on Our Business Operations

Q. Given that this industry is not widely known, could you explain why supermarkets require wholesalers like your company?

A. When manufacturers of food product packaging materials transact directly with supermarkets, there are numerous disadvantages as outlined below, making it necessary to involve companies wholesaling food product packaging like our Company (hereinafter “packaging material wholesalers”).



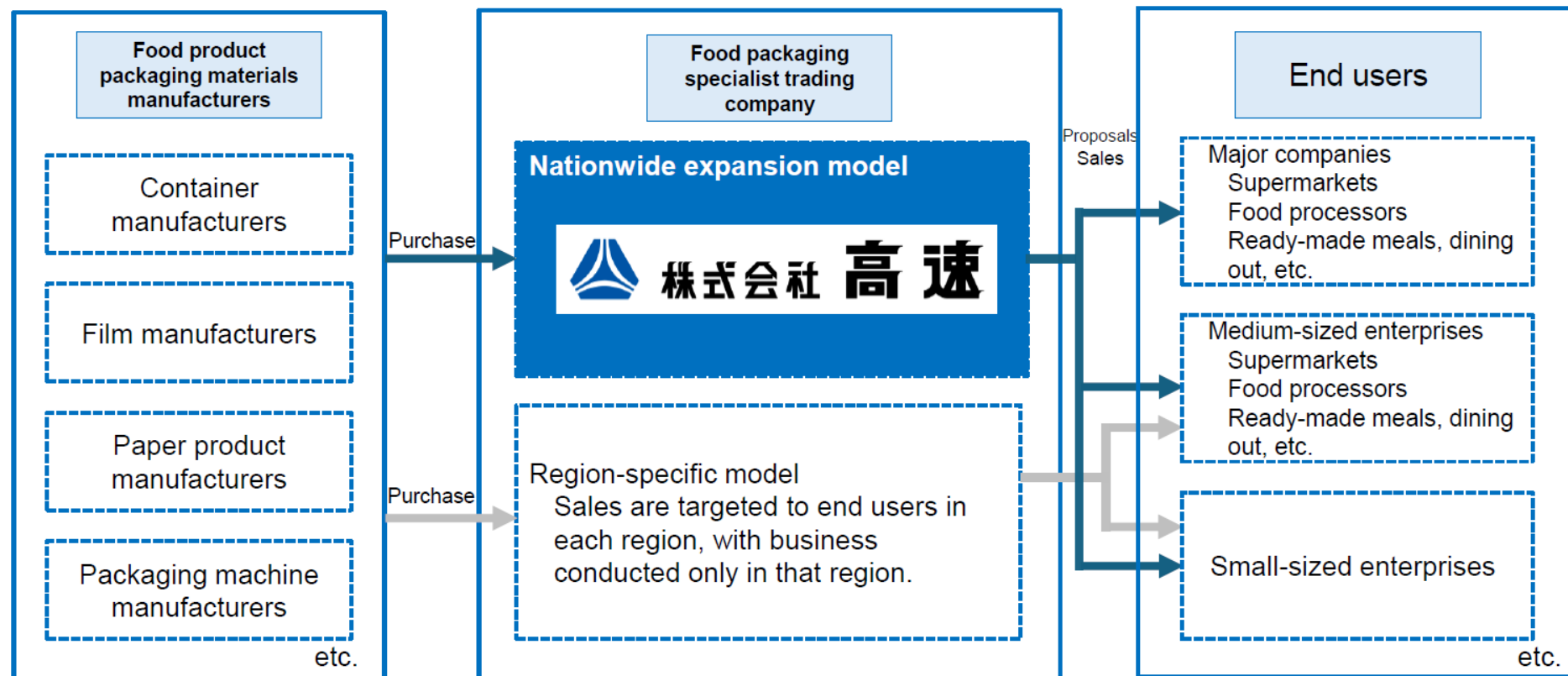
Questions on Our Business Operations: Q2



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Q. As your company's position within the industry is not fully clear to us, could you describe your standing?

A. Regarding our sales area, while many companies in the same industry as ours that wholesale food product packaging materials operate only within specific regions, such as individual prefectures, our Company operates over a wide area, enabling us to meet the packaging material needs of major end users, including supermarkets with nationwide store networks. Please see the diagram below.
(Our answer continues on the next slide.)





Q. As your company's position within the industry is not fully clear to us, could you describe your standing?

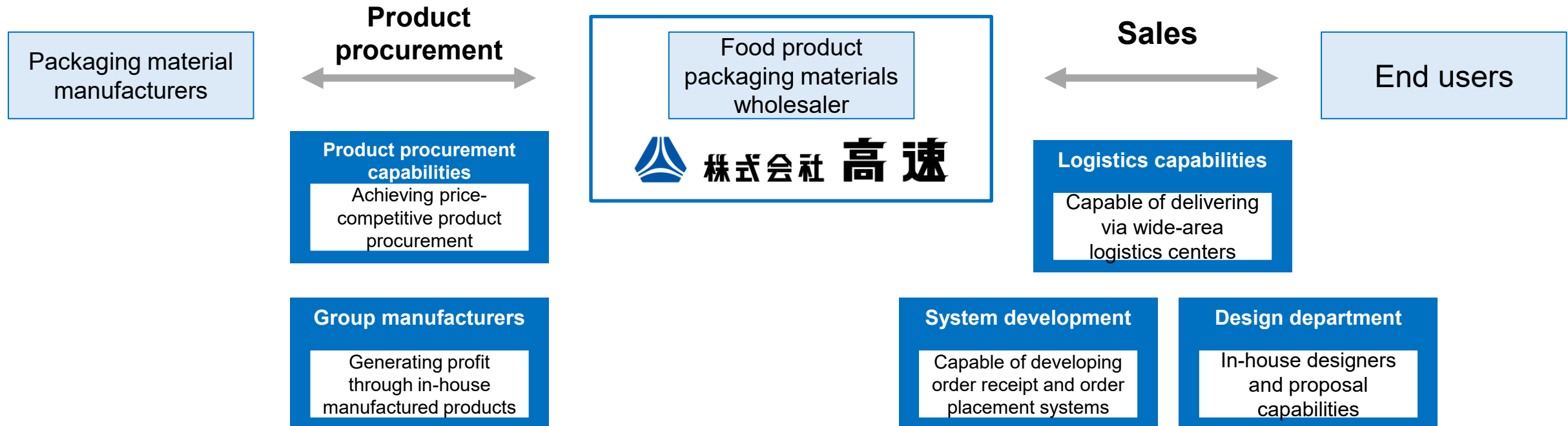
A. Regarding competitors' net sales, the companies we consider to be in the same industry—those wholesaling food product packaging materials—and their characteristics in terms of number of locations and areas of operation can be summarized as shown below. Please note that most listed companies in industries related to ours are primarily engaged in manufacturing, and that the only companies whose main business is wholesaling food product packaging materials—which we consider to be in the same industry as ours—are unlisted. Accordingly, the accounting standards they adopt are believed to differ fundamentally from those used by our Company.

Note: The figures for net sales and the number of companies in each range are based on information from research firms and have been organized by our Company by industry.

Net sales	Number of companies	Locations and operating areas
Net sales of ¥20 billion or more	About 10 companies	Nationwide operations or multi-area coverage
Net sales of ¥10–20 billion	About 10 companies	
Net sales of ¥1–10 billion	About 200 companies	Region-focused operations centered on one or several locations
Net sales of less than ¥1 billion	More than 1,000 companies	

Q. Please explain your competitive advantages.

A. Our main competitive advantages can be illustrated as follows: in product procurement, we have particular strengths in our product procurement capabilities and our Group manufacturing companies, while in sales, we have advantages in our logistics capabilities, our ability to develop systems, and our design department. For details on each item, please see the next slide.





Q. Please explain your competitive advantages.

A.

Product procurement

- | | | |
|---|---|--|
| Product procurement capabilities | : | Among companies wholesaling food product packaging, our Company has consolidated net sales of over ¥100 billion and possesses product procurement capabilities commensurate with that scale. As an independent wholesaler not under the capital umbrella of any manufacturer, we are able to collaborate with a wide variety of suppliers. |
| Group manufacturers | : | Although we are a wholesaler, having manufacturing subsidiaries within our Group enables us to procure Group-manufactured products competitively. Sales of Group-manufactured products also exceed ¥8 billion and contribute to profit generation. |

Sales

- | | | |
|-------------------------------|---|---|
| Logistics capabilities | : | Among nationwide companies wholesaling food product packaging, our many in-house logistics locations and collaboration with partner companies enable us to deliver to major supermarkets and other retailers that operate nationwide and across wide areas. |
| System development | : | We can develop systems for retailers operating dozens or even more than 100 locations, including functionality for receiving orders from individual stores, thereby enhancing convenience for end users. |
| Design department | : | With an in-house design department and more than ten designers on staff, we are able to make package design proposals in a flexible and responsive manner. |

Q. Please tell us about the barriers to entry.

A. At first glance, food product packaging materials—our main sales items—may appear to be commodities with many substitutes. However, in our line of business, we believe it would be difficult for a late entrant to fundamentally replace the function of selling and distributing packaging materials. When laid out along the flow of the business, the process is as below. If a latecomer were to enter the market, it would need to address a wide range of challenges, including securing personnel such as sales staff with knowledge of the industry, securing logistics locations in various regions, building efficient order-processing systems, and collaborating with partner logistics companies.



Securing talent

In our industry, a wide range of packaging materials from many manufacturers is handled. The industry requires product knowledge of packaging materials.

Our Company has over 300 sales personnel, making it difficult for other companies to deploy comparable staff across regions.

Relationships with suppliers

We have built strong relationships over many years with more than 1,000 manufacturers.

Securing logistics bases

Deliveries to supermarkets and other retailers in each region require logistics bases in those areas that can hold inventory.

It is difficult to replicate our nationwide logistics bases, which have a combined floor area of more than 140,000 m².
Note: Total warehouse floor area of owned and leased properties

Order-processing system development

An order-processing system is required to flexibly receive orders for hundreds of packaging materials from supermarkets with dozens of stores.

It would be difficult to build and operate an order-processing system that handles the wide variety of products in this industry within a short period of time.

Building a logistics network

We have built delivery networks to supermarkets in each region with local logistics partners.

It would be difficult to build a comparable network in a short period of time.



Q. There are many competitors in the industry. Could you explain how your company has been able to achieve significant growth, including from the perspective of its history?

A. Our Company entered the food product packaging materials wholesale business in the 1970s as a late entrant among companies wholesaling such materials. At the time, supermarkets were expanding their store networks, and we anticipated increased demand for these materials.

While many competitors had already been expanding their food packaging materials wholesale operations in various regions and tended to operate only within specific areas such as individual prefectures, our Company—being a latecomer—established new locations and built operational foundations across multiple regions. In line with the expansion of supermarkets, we further increased the number of new locations and continued to strengthen our regional foundations. Please refer to page 28 of the material for the resulting trend in net sales.

Q. You state that barriers to entry are high. However, given that packaging materials are commodities, are the barriers to entry not low?

A. In the sense of starting out by selling some form of packaging materials to a single customer, the barriers to entry can be considered, as you said, low. On the other hand, in order to sell a wide range of products required by customers—including trays, disposable chopsticks, plastic shopping bags, and consumable items such as alcohol, nitrile gloves, and kitchen cloths—to dozens of supermarkets and other retailers, it is necessary to 1) secure dozens or even hundreds of suppliers from which such products can be sourced, as well as 2) a logistics network, 3) order-receiving and order-placement systems, 4) sales personnel, and 5) warehouses in various regions. In this sense, we believe that barriers to entry are high when conducting business beyond a certain scale in this industry.



Q. Would it not be possible for major manufacturers to sell products directly to customers such as supermarkets, instead of going through packaging material wholesalers? Please explain the differences between sales conducted by manufacturers and sales conducted by wholesalers such as your company.

A. Each manufacturer—such as tray manufacturers and bag manufacturers—has its own areas of strength; however, manufacturers generally find it difficult to procure competing products of the same type from other manufacturers. Against this backdrop, packaging material wholesalers have the advantage of being able to make proposals and sell products to customers from a position independent of manufacturers.

In addition, packaging materials and consumables inevitably involve a large number of items and types, and therefore products from a single manufacturer are insufficient to fully meet customer needs.

Q. Please tell us whether there are any plans to increase the number of locations.

A. There are no immediate plans to increase the number of locations. However, as we are sometimes asked whether our net sales can be expressed as “number of locations \times net sales per location,” we would like to provide the following clarification. For our Company, the total floor area of our warehouses varies by location, and as a result, shipment volumes also differ from location to location. Accordingly, without increasing the number of locations, the Company has expanded the total floor area of its warehouses by leasing additional warehouse space within existing sales locations or relocating to larger warehouses. This has increased shipment capacity and driven growth in net sales, and we will continue to work to secure net sales and profits through this approach going forward. Accordingly, please note that it is difficult to explain our net sales using the formula “number of locations \times net sales per location.”



Questions and Answers on Our Financials

Questions on Our Financials Q1、Q2



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Q. Please explain the background behind your net sales growth, as the disclosed information does not clarify the factors that have driven the past steady increase in net sales.

A. While many companies in our industry operate within limited regions and focus closely on local customers, we have, since our establishment, increased the number of our locations and promoted wider-area expansion. (Please refer to pages 8–9 of the material for our position in the industry and pages 10–11 for our competitive advantages.)

By expanding our operations over a wide area, we have generated economies of scale, strengthened our competitive advantage, and further broadened our sales coverage—factors that have driven our top-line growth to date.

Note: Please refer to page 28 of the material for historical trends in net sales.

Q. Please explain how sales volume and selling prices have trended, given that net sales have been increasing.

A. Although selling prices have risen due to factors such as price increases by packaging material manufacturers, please understand that the primary driver of our consistent growth in net sales has been the increase in sales volume. We have seen an increase in the number of customers, accompanied by a rise in the sales volume of packaging materials.

Questions on Our Financials Q3



**KOHSOKU
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Q. Your operating profit margin appears to be hovering around 4%. Please explain whether there is potential for improvement going forward.

A. By improving logistics efficiency and administrative productivity, we aim to secure profits while managing increases in personnel costs and other expenses, and will continue working toward higher operating profit and increasing our operating profit margin. We are making SG&A investments in human resources that will drive future net sales and profit growth, as well as in order-processing systems that enhance customer convenience. These investments are made with a long-term perspective, not solely to achieve short-term improvements in our operating profit margin. Since formulating the current medium- to long-term management plan beginning in FY03/19, productivity improvements and SG&A cost controls have led to an increase in our operating profit margin, which has since remained stable. We hope you will understand that our current growth in net sales and profit has been achieved as a result of investments made with a view to the future.

(Millions of Yen)

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
Net Sales	71,782	76,802	78,650	82,339	86,519	88,588	91,320	91,817	98,850	106,216	115,915
Operating Profit	2,638	3,055	2,785	2,920	3,116	3,137	3,340	3,696	4,008	4,227	4,532
Operating Profit Margin	3.7%	4.0%	3.5%	3.5%	3.6%	3.5%	3.7%	4.0%	4.1%	4.0%	3.9%

Questions on Our Financials Q4



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Q. Please tell us about the seasonality of business performance.

A. Our main customers—supermarkets—see higher consumption by individual shoppers around the Obon holiday in August and during the year-end and New Year period, which drives demand for packaging materials. As a result, our performance tends to be higher in August and December than in other months. Because packaging materials used at the start of a given year are often delivered at the end of the preceding year, and because December is the peak period, Q3 net sales tend to be the highest among the four quarters. Below are the net sales for FY03/24 and FY03/25 for your reference.

(Millions of Yen)

	FY03/24					FY03/25				
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Net Sales	25,976	26,340	29,127	24,772	106,216	26,802	28,209	33,349	27,553	115,915

Questions on Our Financials Q5



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Q. Please explain the trends and underlying factors for the major items of SG&A expenses.

A. The major items, categorized by type, are as below. In our business model, personnel expenses and logistics costs account for the majority of SG&A expenses. In recent years, we have strategically increased personnel expenses as an investment in human resources; however, per-employee productivity improvements have kept overall SG&A expense growth in check.

(Millions of Yen)	Full-Year FY03/22		Full-Year FY03/23			Full-Year FY03/24			Full-Year FY03/25		
	Results	% of Net Sales	Results	% of Net Sales	YoY	Results	% of Net Sales	YoY	Results	% of Net Sales	YoY
Net Sales	91,817	100.0%	98,850	100.0%	107.7%	106,216	100.0%	107.5%	115,915	100.0%	109.1%
SG&A Expenses	14,435	15.7%	15,752	15.9%	109.1%	16,660	15.7%	105.8%	18,508	16.0%	111.1%
Personnel Expenses	7,484	8.2%	8,127	8.2%	108.6%	8,386	7.9%	103.2%	9,259	8.0%	110.4%
Freight and Packing Costs	2,292	2.5%	2,475	2.5%	108.0%	2,676	2.5%	108.1%	2,970	2.6%	111.0%
Rent expenses on real estate	543	0.6%	562	0.6%	103.3%	625	0.6%	111.3%	688	0.6%	110.0%
Depreciation	515	0.6%	606	0.6%	117.6%	668	0.6%	110.2%	680	0.6%	101.8%
Other	3,598	3.9%	3,981	4.0%	110.6%	4,303	4.1%	108.1%	4,909	4.2%	114.1%

*Personnel expenses = “Salaries and allowances” + “Provision for bonuses” + “Legal welfare expenses” + “Remuneration for directors (and other officers)”

*For details of SG&A expenses, please refer to the Annual Securities Report and Financial Results Summary for each fiscal year. The above table is a consolidated and organized version of figures from those reports, categorized accordingly.

Questions on Our Financials Q6



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Q. Please explain how the recent wage hikes and increases in utility costs, such as logistics costs, have affected business performance.

A. While the Company continues to invest in human resources, including wage increases, it is also working to improve productivity per employee, thereby curbing overall increases in personnel costs. We are also working to keep logistics costs under control overall (please refer to page 20 of the material for details on SG&A expenses). As a result, the Company has achieved growth in operating profit despite higher personnel and logistics costs (please refer to page 18 of the material for details on operating profit).

Q. You have indicated that you are working to reduce SG&A expenses. Could you please provide specific details on future initiatives that may reduce SG&A expenses.

A. The following are two current initiatives that are expected to contribute significantly to reductions in SG&A expenses going forward.

◆ **Initiatives Related to Personnel Costs—A Major Component of SG&A Expenses—and Productivity Improvement**

First, because our business handles a large number of products, we have traditionally received orders for many different items from a large number of customers, and processing these orders has required substantial workload. Currently, to reduce the required workload, we are advancing initiatives to streamline order-processing operations through the use of AI. Through these initiatives, we expect to significantly reduce the workload of order-processing operations performed by clerical staff (approx. 180 clerical employees out of about 700 regular employees of the Company on a non-consolidated basis as of end-March 2025).

With respect to the workload saved through streamlining, initiatives are already underway. By having clerical staff take on “sales assistant” roles—which primarily support the administrative aspects of sales activities—the Company will, as a whole, strengthen its support framework for existing customers and advance efforts to expand transactions.

◆ **Initiatives to Optimize Inventory Placement with Capital Efficiency in Mind**

It is important for us to maintain a certain level of inventory to ensure a continuous supply of packaging materials to customers, and holding inventory itself represents a source of value for the Company. On the other hand, from this perspective, it is of course necessary to reduce unnecessary inventory, and we have long been undertaking initiatives with a focus on the inventory-to-monthly-sales ratio at each location.

In recent years, we have been implementing initiatives aimed at optimizing inventory allocation among locations by utilizing technologies such as quantum computing, thereby reducing inventory, promoting the effective use of funds, and striving to further improve capital efficiency.

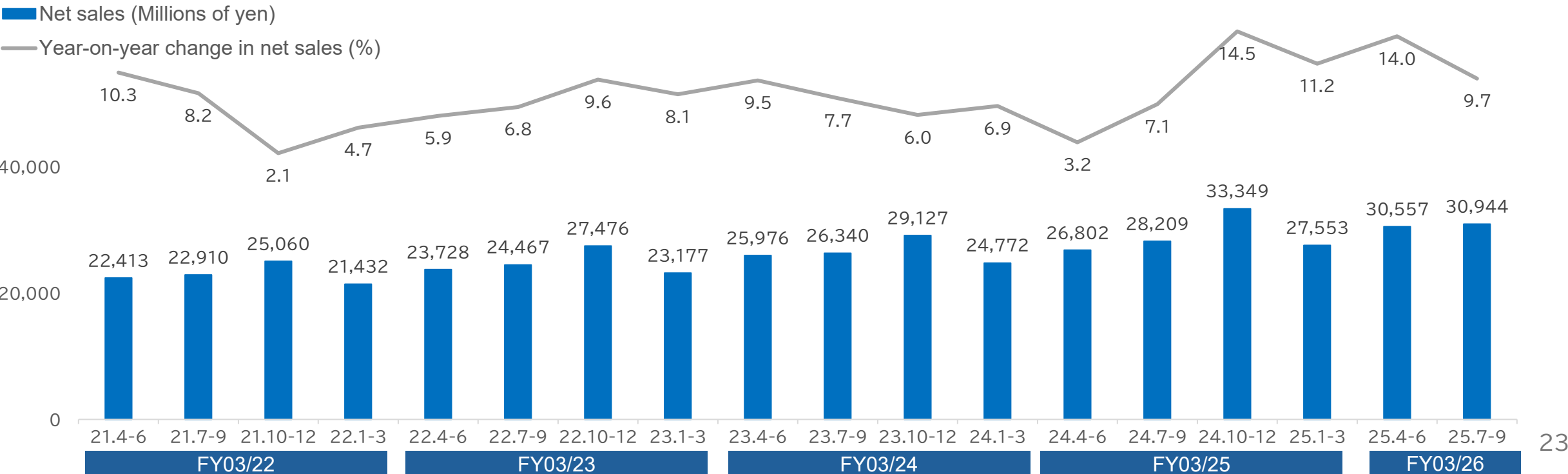
Questions on Our Financials Q8 **NEW**



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Q. Net sales appear to have grown significantly YoY in 1H FY03/26. Could you please advise whether this growth rate is expected to continue in 2H FY03/26 and beyond?

A. The main drivers of the increase in net sales in 1H FY03/26 were price revisions and business expansion resulting from the opening of new locations since the summer of 2024. These factors began to be reflected in performance from around the same period and have resulted in a growth rate that is high even by recent standards. These increases in net sales have generally been reflected in results since October 2024 and are expected to largely run their course around October 2025. On the other hand, in the current fiscal year, sales work hours that were previously devoted to responding to price revisions announced by manufacturers last fiscal year have been redirected toward expanding transactions with existing customers and developing new business, and we are advancing initiatives aimed at increasing net sales going forward. Quarterly consolidated net sales and year-on-year changes are as follows. Please refer to page 19 of the material for information on the seasonality of business performance.





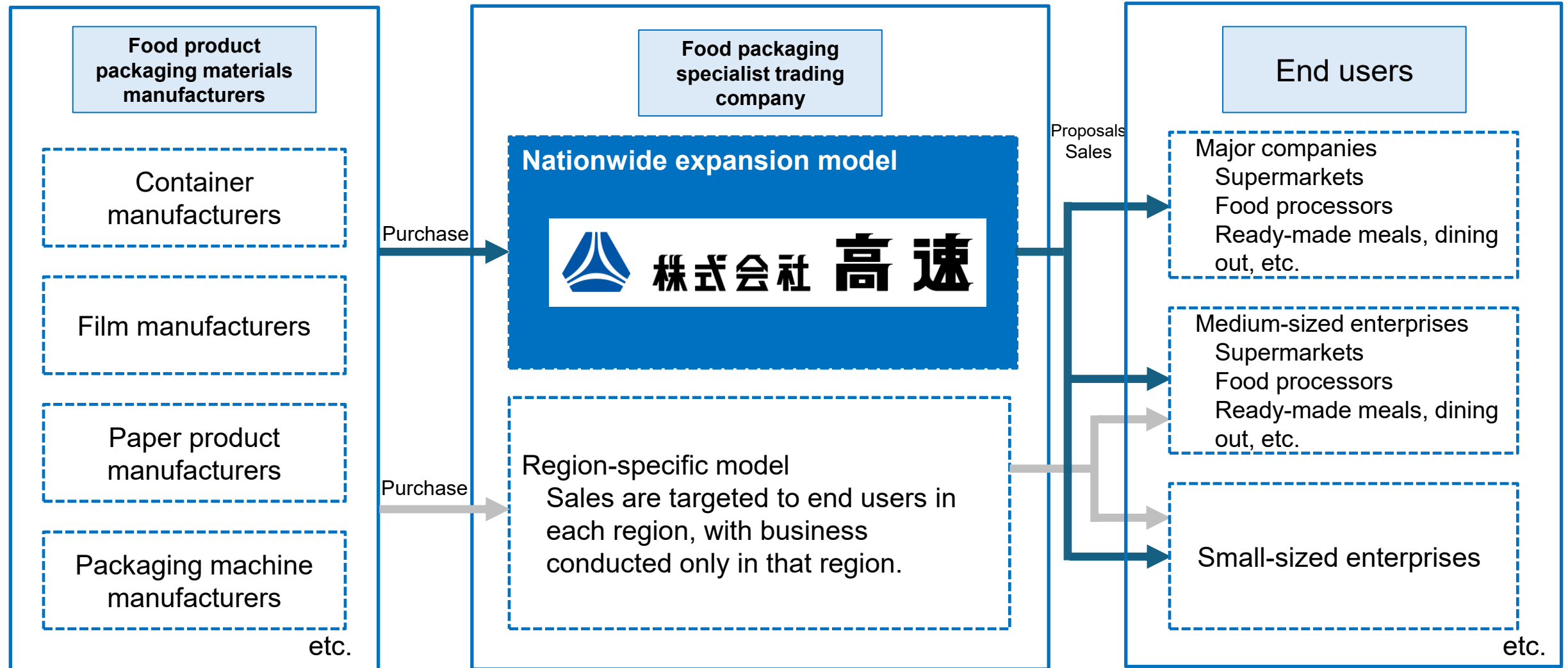
Reference: Company Profile

Business Model



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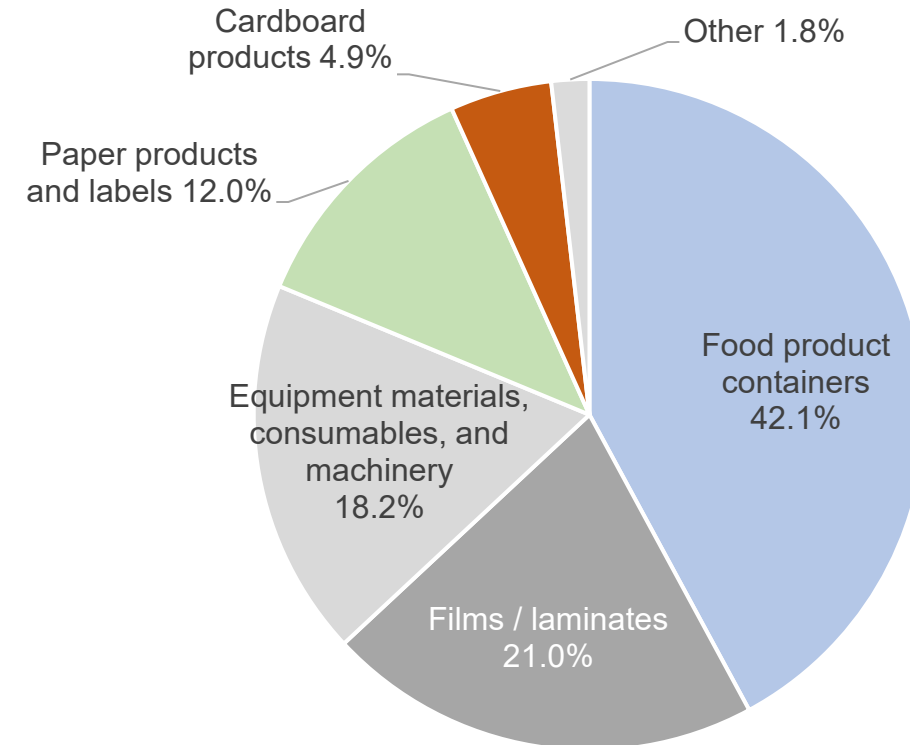
We are a trading company specializing in food packaging that connects supermarket and food factory customers with manufacturers and helps support food distribution.



Products handled



Sales performance by product group (FY03/25)



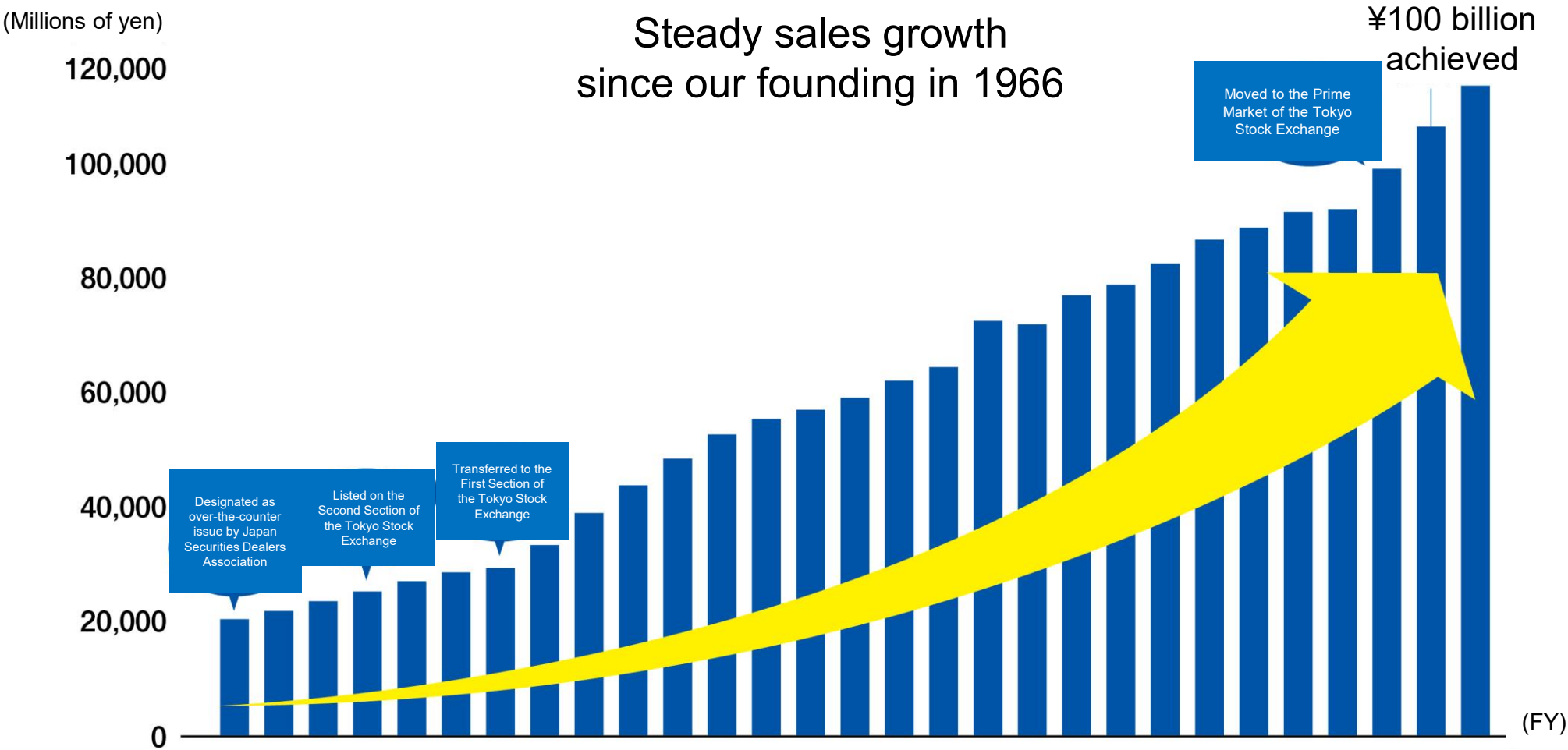
We offer a wide variety of food product packaging materials and consumables, including food trays. We specialize in providing comprehensive solutions centered on food containers, including various food product packaging materials and related machinery. Our diverse product lineup also contributes to reducing earnings volatility.



Reference: Trajectory of Corporate Value Enhancement



In response to ongoing demand for food packaging, we have continued and expanded business with existing customers while steadily adding new ones. As a result, since our establishment we have achieved sales growth every year for over 50 years, with the exception of FY03/15(*).



Note: In FY2014, net sales declined due to a FY2013 surge in demand caused by a then-upcoming April 2014 consumption tax hike—this year-on-year downturn was the only such decrease the Company has reported since its founding.

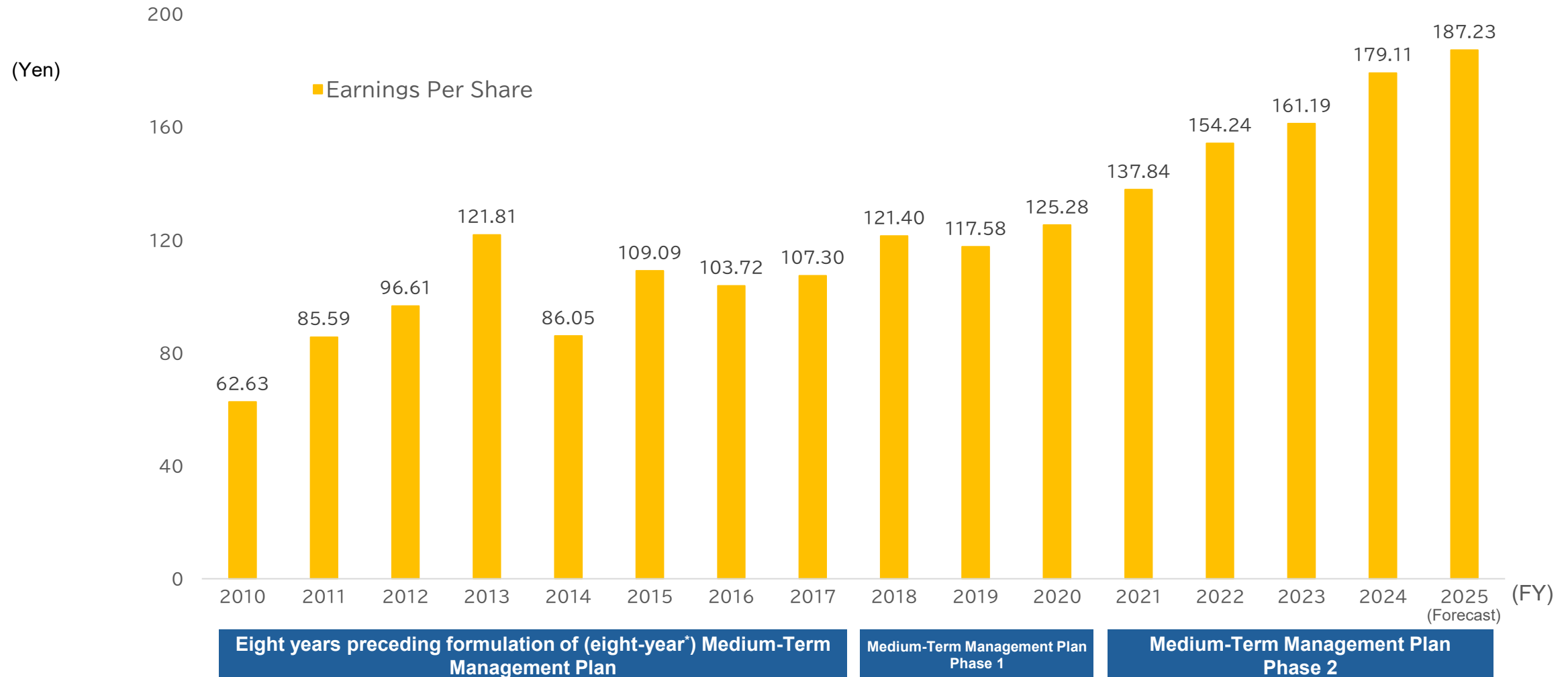
Earnings per Share



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As indicated by the table below, KOHSOKU has been generating growth in earnings per share.

EPS, which also serves as a source of shareholder returns, has risen as shown below, and we will continue working to increase it going forward while balancing growth investments and shareholder returns (marking the 21st consecutive year of dividend increases in FY03/25).



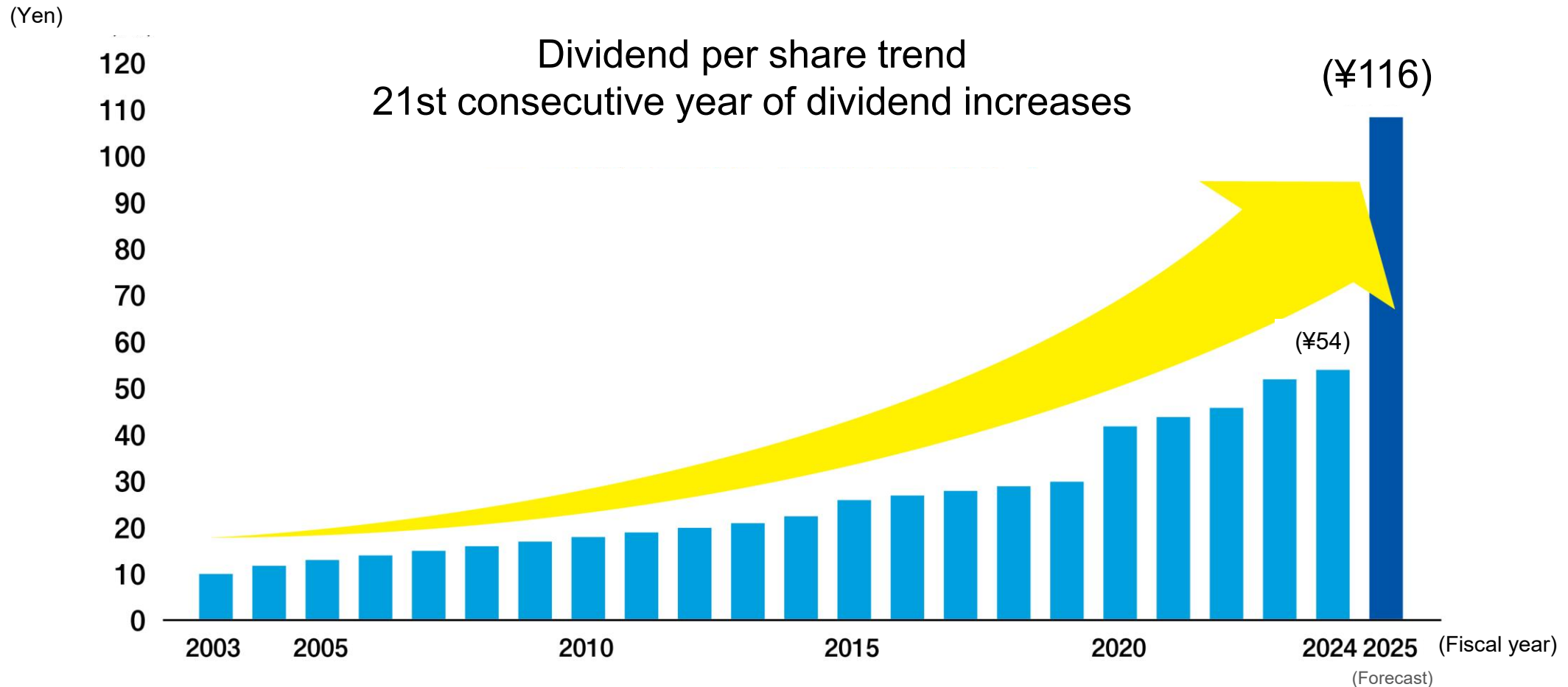
Note: The FY2025 earnings per share figure is a projection.

Shareholder Returns



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For FY03/26, we plan to pay an ordinary dividend of ¥56 per share, up ¥2 from the annual dividend of ¥54 in FY03/25, and a commemorative dividend of ¥60 for our 60th anniversary, for a total annual dividend of ¥116 per share.

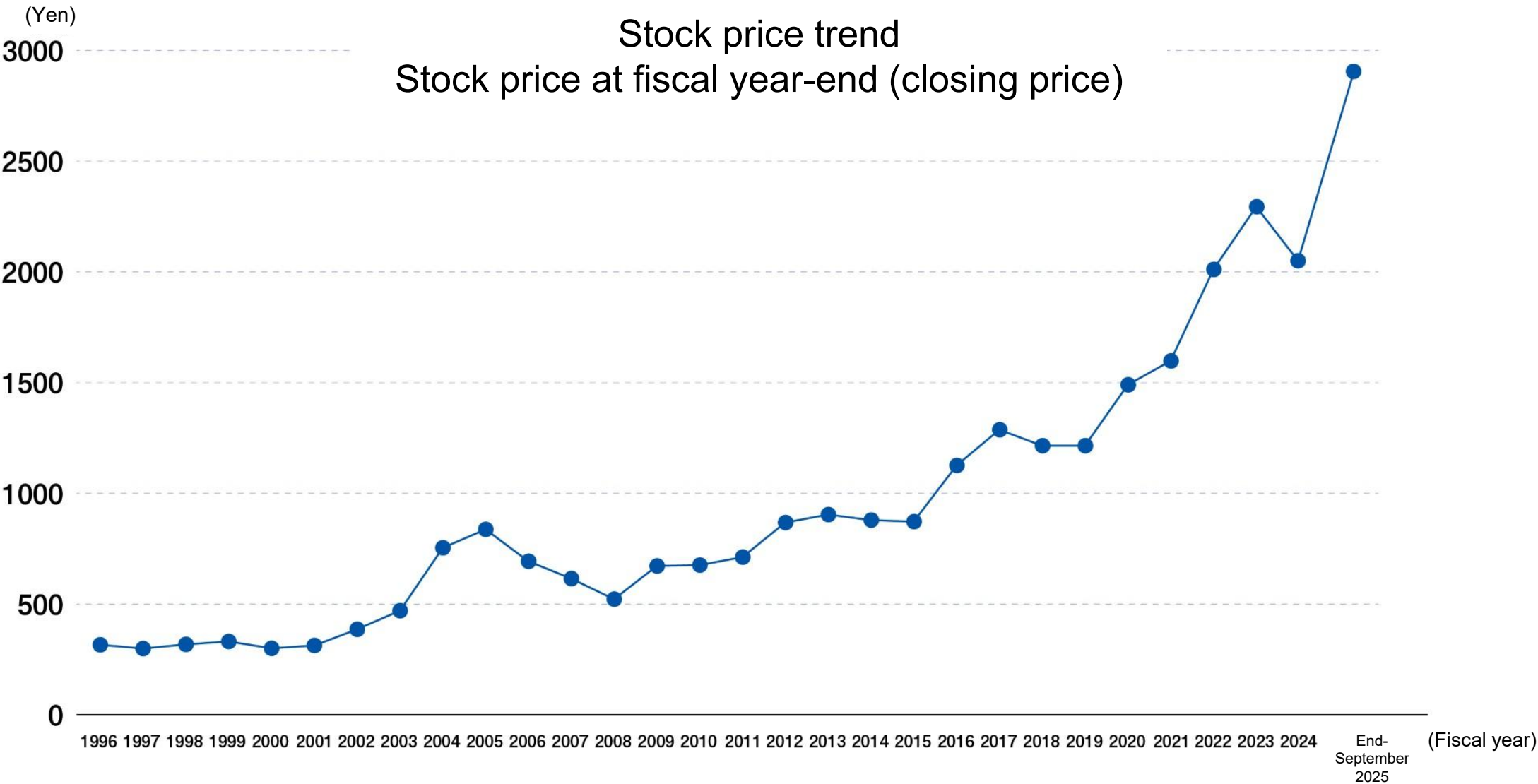


*Adjusted for the impact of the stock split.

Stock Price Trend (Stock price at fiscal year-end since OTC registration)



The Company’s steady business expansion and consistent shareholder returns, underpinned by consecutive dividend increases, have been well received, resulting in the following upward trend in its share price.



Initiatives to Enhance Corporate Value

In addition to summarizing our current efforts regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" we have also compiled and posted answers to frequently asked questions from institutional investors and others.

<https://www.kohsoku.com/investment/initiatives-to-enhance-corporate-value.html>

IR email distribution service

We will send you the latest timely disclosure and other information related to our IR via your registered email address.

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Forward-looking statements contained in this document are based on information and assumptions available at the time of its creation. Actual results may differ from the forecasts due to various factors, and the projected figures may be changed without prior notice.

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About this document

Numerical figures in this document are rounded down to the nearest display unit, and percentages are rounded to the nearest unit.



A packaging specialist trading company

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