



Consolidated Financial Report for the First Quarter of The Fiscal Year Ending March 31, 2025 (Japanese GAAP)

August 13, 2024

Tokyo Stock Exchange

Company: Chikaranomoto Holdings Co., Ltd.

Stock Code: 3561

URL: <http://www.chikaranomoto.com/>

Representative: (Title) President and CEO (Name) Tomoyuki Yamane

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Scheduled start date of dividend payment: -

Preparation of Supplementary Explanation Material for Financial Results: Yes

Presentation Meeting for Financial Results (for institutional investors and analysts): No

1. Q1 Financial Year Ending March 31, 2024 (April 1, 2024 – June 30, 2025) (Rounded down to the nearest Million JPY)

(1) Results of Consolidated Operations

(% indicates variance from the previous fiscal year)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
Q1 FY2024-25	8,171	15.9	575	0.4	684	0.1	447	-5.0
Q1 FY2023-24	7,049	28.5	573	99.6	683	84.2	470	56.8

Note: Comprehensive Income Q1 FY2024-25 464 Million JPY (2.8%) Q1 FY2023-24 452 Million JPY (19.1%)

	Quarterly earnings per share	Quarterly Earnings per share after adjusting for dilution
	JPY	JPY
Q1 FY2024-25	14.84	14.82
Q1 FY2023-24	15.69	15.09

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	Million JPY	Million JPY	%
Q1 FY2024-25	17,178	9,355	54.5
Q1 FY2023-24	17,229	9,269	53.8

Reference : Shareholders' Equity Q1 FY2024-25 9,355 Million JPY Q1 FY2023-24 9,269 Million JPY

2 . Dividends

	Dividends per share (annual)				
	Q1	Q2	Q3	Q4	Total
	JPY	JPY	JPY	JPY	JPY
FY2023-24	-	7.00	-	13.00	20.00
FY2024-25	-				
FY2024-25 (Forecast)		9.00	-	9.00	18.00

Note: Changes from previously announced dividends projection: None

3 . Forecast of Consolidated Operating Performance for the FY 2024-25 (April 1, 2024 to March 31, 2025)

(% indicates variance from the previous period or quarter)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company		Earnings per share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	JPY
Half Year (up to Q2)	16,636	11.8	1,533	13.5	1,593	6.8	1,055	2.2	34.88
FY2024-25	35,000	10.1	3,566	8.2	3,678	5.4	2,408	10.2	79.61

Note: Changes from previously announced projection: None

Notes

- (1) Changes in key subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and restatement of error corrections:
 - 1) Changes in accounting policies arising from revision of accounting standards: Yes
 - 2) Changes in accounting policies due to reasons other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of prior period financial statements after error correction: None

(3) Number of Shares Issued (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	Q1 FY2024-25	30,308,000 shares	As of March 31, 2024	30,253,000 Shares
② Number of treasury stock at end of period	Q1 FY2024-25	155,781 Shares	As of March 31, 2024	155,781 Shares
③ Average number of shares during the period	Q1 FY2024-25	30,130,604 Shares	Q1 FY2023-24	29,995,315 Shares

Note: The total number of treasury shares at the end of period includes those treasury shares held under the Employee Stock-ownership Program (ESOP) (at the end of Q1 FY2024-25 731,000 shares and at the end of the previous fiscal year 731,000 shares) , the Board Benefit Trust (at the end of Q1 FY2024-25 82,540 shares and at the end of the previous fiscal year 82,540 shares) .Also, these treasury shares are excluded from the calculation of the average number of shares during the period (at the end of Q1 FY2024-25 155,640 shares and at the end of Q1 FY2023-24 86,900 shares).

These consolidated financial reports (Tanshin) are exempt from the audit procedures by certified public accountants or audit firms.

Cautionary Statement on the forecast of consolidated financial performance and other notes

(Cautions concerning forward-looking statements)

Performance forecasts presented herein are based on the information available to Chikaranomoto Holdings Co., Ltd. and its subsidiaries (the "Company") as of the date of this document. Accordingly, there remains the possibility that the actual performance results may differ from projections.

(Supplementary Explanation Material)

Supplementary Explanation Material are available via TDnet on the same day.

Qualitative Information regarding the current quarterly financial results: The following forward-looking statements are based on the information available to the Company at the end of the first quarter of the current consolidated financial period.

Summary of Operating Results:

During the first quarter of the current fiscal year (1 April to 30 June, 2024), the global economy was affected by rising raw material and energy prices due to the situation in Russia and Ukraine and the situation in Israel and Palestine, rising labor costs due to the decrease in the working population, and concerns about an economic slowdown due to monetary tightening stemming from deep-rooted inflation worldwide.

In the restaurant industry, to which our group belongs, while economic activity in Japan became more active due to the recovery of human flow as a result of the normalization of the economy and the recovery of inbound tourism, there are concerns of an economic slowdown due to higher raw material and energy prices, rising labor costs, and the effects of the prolonged depreciation of yen. Overseas, there are equally concerns about soaring raw material and energy prices due to geopolitical instability, as well as concerns about an economic slowdown caused by monetary tightening.

Under these circumstances, the Company stays true to its principle of "Keep Changing to Remain Unchanged," domestically, sales of existing stores remained strong, sales of seasonal products and increased media exposure attracted more customers, and the Company continued to implement digital transformation measures, such as the introduction of mobile ordering and tablet ordering in order to optimize store operations. In addition, from February 2024 to May 2024, we opened a limited-time store at the Shin-Yokohama Ramen Museum, which opened in 1994 and helped Ippudo become known throughout Japan, to sell limited-edition products and collaborative products.

Overseas, the Company continues to strive for more customer visits by selling limited-time-only products, introducing dessert menus, and reviewing our grand menu, and has also implemented price revisions to cope with rising costs of raw materials and other items. There are some shortfalls, however. As in Japan, we are working to improve profitability by implementing digital transformation measures such as tablet ordering and continuously reviewing costs.

In the Merchandising segment, the Company continue to strengthen its B2B sales of Ippudo branded products in Japan, and overseas, we are working to expand export sales of "Plant Base Shiromaru/Akamaru" dry noodle type to meet the needs of diverse diets.

At the end of the first quarter of the current fiscal year, there were 287 stores including licensed stores (Japan 146, International 141, an increase of 1 domestic store and decrease of 1 overseas store from the end of the previous fiscal year).

As such, the revenue for the first quarter was 8,171 million yen (increase of 15.9% from the same period of the previous year), operating profit 575 million yen (increase of 0.4%), and the profit attributable to owners of parent of 684 million yen (decrease of 5.0%).

Segment Results

(Domestic Store Operations)

Within this segment, the Company opened 4 Ippudo stores, while closing 2 Ippudo stores, 1 Inaba Udon store, resulting in a total of 146 stores (increase of 1 from the end of the previous fiscal year) while converting 1 Ramen Express stores into Ippudo.

The normalization of the economy, which has led to a recovery in human flow and inbound tourism, contributed to sales. Steady sales at existing stores, the launch of seasonal products "Thick Tsukemen" and "Spicy Tsukemen" and store-only products "Tonkotsu Shoyu" and increased media exposure attracted customers. In addition, the Company continued to work on digital transformation measures, such as the introduction of mobile ordering and tablet ordering, to improve profit margins.

As such, net sales for the first quarter of the current fiscal year totaled 3,655 million yen (increase of 17.7% from the same period of the previous year), operating profit 333 million yen (increase of 51.7%).

(International Store Operations)

There was 1 opening in Vietnam, and store closures of 1 in Singapore and 1 in Taiwan, resulting in 141 stores at the end of the first quarter (down 1 store from the end of the previous period).

During the consolidated financial period (1 January to 31 March 2024), the segment has been hit by soaring raw material prices and rising wage and logistics costs due to inflation. In response, we have revised our prices, but we have not been able to pass on the whole of increased costs to selling prices yet. In addition, the number of customers visiting our stores is on a downward trend compared to the previous year due to a decrease in the population in urban areas and office districts because of the economic slowdown caused by the lifting of the Covid-19 restrictions, the remote work becoming a new norm, inflation, and other factors. In addition, initial costs associated with the development of new areas and delays in new store openings have also affected operating income. We will continue to improve profitability by revising prices in line with rising costs and by reviewing costs.

As such, net sales for the first quarter of the current fiscal year totaled 3,660 million yen (increase of 12.9% from the same period of the previous year) due to higher sales per customer resulting from price revisions and the weaker yen in the foreign exchange market, and operating profit 258 million yen (decrease of 30.3%).

(Merchandising segment)

In this segment domestically, "Ippudo Plant-Based Ramen - Pla-ton," which has been used for in-flight meals on international flights since December 2022, continued to sell well, as did the seasonal product "Tsukemen" and a new product, the low-sugar, high protein Ippudo Clear Noodle, was also launched. We will continue our efforts to expand the lineup and sales channels for our mainstay Ippudo-related products both domestically and overseas, while a one-time cost increases due to upfront investment in an e-commerce site and other factors affected the operating profit for the segment.

As such, net sales for the first quarter of the current fiscal year totaled 855 million yen (increase of 21.6% from the same period of the previous year), operating profit 69 million yen (decrease of 13.6%).

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	5,917,540	5,895,475
Notes and accounts receivable - trade	925,886	884,547
Inventories	476,402	501,946
Other	1,253,249	1,183,234
Allowance for doubtful accounts	△873	△482
Total current assets	8,572,205	8,464,721
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,257,513	4,291,703
Machinery, equipment and vehicles, net	221,119	217,100
Land	659,411	659,411
Leased assets, net	5,395	4,946
Construction in progress	136,997	179,867
Other, net	304,639	302,594
Total property, plant and equipment	5,585,077	5,655,624
Intangible assets		
Goodwill	93,748	91,058
Other	48,010	45,541
Total intangible assets	141,759	136,599
Investments and other assets		
Investment securities	154,447	156,576
Long-term loans receivable	11,300	11,300
Deferred tax assets	700,074	632,191
Leasehold and guarantee deposits	1,833,892	1,898,445
Other	244,691	236,727
Allowance for doubtful accounts	△13,992	△13,992
Total investments and other assets	2,930,414	2,921,248
Total non-current assets	8,657,251	8,713,472
Total assets	17,229,456	17,178,194

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	833,061	787,107
Short-term borrowings	140,000	140,000
Current portion of long-term borrowings	981,220	1,099,263
Lease liabilities	1,797	1,684
Accounts payable - other	904,864	852,043
Income taxes payable	509,214	381,586
Provision for share awards	2,397	7,104
Reserve for interlocking type of monetary benefit	-	1,615
Provision for bonuses	2,454	39,763
Provision for shareholder benefit program	12,273	20,270
Asset retirement obligations	95,703	90,079
Other	1,345,380	1,228,815
Total current liabilities	4,828,367	4,649,332
Non-current liabilities		
Long-term borrowings	1,590,908	1,584,413
Lease liabilities	3,598	3,262
Provision for share awards for directors (and other officers)	54,569	60,026
Provision for share awards	50,216	49,080
Provision for ESOP benefits for non-residents	5,635	16,381
Retirement benefit liability	177,364	177,747
Asset retirement obligations	1,016,143	1,043,844
Other	232,926	238,577
Total non-current liabilities	3,131,363	3,173,333
Total liabilities	7,959,730	7,822,666
Net assets		
Shareholders' equity		
Share capital	3,141,103	3,148,390
Capital surplus	2,972,131	2,979,419
Retained earnings	2,785,486	2,839,404
Treasury shares	△251,145	△251,145
Total shareholders' equity	8,647,575	8,716,067
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,149	19,325
Foreign currency translation adjustment	599,001	620,134
Total accumulated other comprehensive income	622,150	639,459
Total net assets	9,269,725	9,355,527
Total liabilities and net assets	17,229,456	17,178,194

(2) Consolidated Statement on Profit and Loss and Comprehensive Income Consolidated Statement of Income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	7,049,533	8,171,487
Cost of sales	2,065,668	2,419,867
Gross profit	4,983,864	5,751,619
Selling, general and administrative expenses	4,410,700	5,176,079
Operating profit	573,163	575,540
Non-operating income		
Interest income	1,224	3,659
Dividend income	1,162	1,488
Foreign exchange gains	109,475	109,740
Lease income	31,625	39,154
Other	13,840	7,923
Total non-operating income	157,327	161,966
Non-operating expenses		
Interest expenses	15,317	4,536
Rental costs	27,747	33,819
Other	4,130	15,073
Total non-operating expenses	47,194	53,429
Ordinary profit	683,296	684,076
Extraordinary income		
Gain on sale of non-current assets	206	-
Total extraordinary income	206	-
Extraordinary losses		
Loss on sale of non-current assets	-	148
Loss on retirement of non-current assets	0	-
Impairment losses	32,254	8,779
Total extraordinary losses	32,254	8,927
Profit before income taxes	651,249	675,148
Income taxes - current	143,707	157,409
Income taxes - deferred	36,787	70,534
Total income taxes	180,494	227,944
Profit	470,754	447,204
Profit attributable to owners of parent	470,754	447,204

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	470,754	447,204
Other comprehensive income		
Valuation difference on available-for-sale securities	19,416	△3,823
Foreign currency translation adjustment	△38,149	21,133
Total other comprehensive income	△18,732	17,309
Comprehensive income	452,022	464,514
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	452,022	464,514