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Consolidated Financial Results for the Fiscal Year Ended July 31, 2024 (Under Japanese GAAP)

September 13, 2024

Company name: Eternal Hospitality Group Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3193
URL https://eternal-hospitality.co.jp/
Representative: Tadashi Okura, Representative Director, President, and CEO
Inquiries: Hiroshi Kobata, Executive Officer and General Manager of Corporate Management Department
TEL 06-6206-0808

Scheduled date of annual general meeting of shareholders: October 29, 2024
Scheduled date to commence dividend payments: October 30, 2024
Scheduled date to file annual securities report: October 29, 2024
Preparation of supplementary material on financial results : Yes
Holding of financial results briefing : Yes (For institutional investors)

(Yen amounts are rounded down to millions)

1. Consolidated financial results for the fiscal year ended July 31, 2024 (from August 1, 2023 to July 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended July 31, 2024	41,914	25.3	3,248	129.2	3,261	128.3	2,127	245.2
Fiscal year ended July 31, 2023	33,449	64.9	1,417	-	1,429	(27.4)	616	(45.7)

Note: Comprehensive income For the fiscal year ended July 31, 2024 ¥2,167 million (235.6%)
For the fiscal year ended July 31, 2023 ¥645 million [(42.5%)]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2024	183.67	-	27.3	16.3	7.8
Fiscal year ended July 31, 2023	53.18	-	9.3	7.6	4.2

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended July 31, 2024 ¥ - million
For the fiscal year ended July 31, 2023 ¥ - million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2024	20,654	8,692	42.1	754.13
As of July 31, 2023	19,318	6,890	35.7	594.55

Reference: Equity As of July 31, 2024 ¥8,692 million
As of July 31, 2023 ¥6,890 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended July 31, 2024	4,441	(1,990)	(2,721)	8,445
Fiscal year ended July 31, 2023	1,720	(1,204)	(587)	8,689

2. Cash dividends

	Annual dividends per share					Total cash dividends (total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended July 31, 2023	-	4.00	-	6.00	10.00	116	18.9	1.8
Fiscal year ended July 31, 2024	-	6.00	-	23.00	29.00	334	15.8	4.3
Fiscal year ending July 31, 2025 (forecast)	-	23.00	-	23.00	46.00		20.6	

3. Forecast of consolidated financial results for the fiscal year ending July 31, 2025 (from August 1, 2024 to July 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	23,246	16.0	1,816	9.4	1,806	7.8	1,151	8.5	99.79
Full year	47,822	14.1	4,003	23.2	3,972	21.8	2,578	21.2	223.51

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (Company name) TORIKIZOKU KOREA INC., Excluded: - companies

(2) Changes in accounting policies, changes in accounting estimates, and restatement
(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of July 31, 2024	11,622,300 shares	As of July 31, 2023	11,622,300 shares
(ii) Number of treasury shares at the end of the period	As of July 31, 2024	95,524 shares	As of July 31, 2023	33,564 shares
(iii) Average number of shares outstanding during the period	Fiscal year ended July 31, 2024	11,582,624 shares	Fiscal year ended July 31, 2023	11,588,736 shares

* Financial results are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
Forecasts of financial results and other forward-looking statements herein are based on information available to the Company (Eternal Hospitality Group Co., Ltd.) at the time of submission and certain assumptions deemed reasonable by the Company. They do not constitute guarantees of future performance and actual results, etc., may differ materially from these forecasts due to a variety of factors. Please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 3 of the attached document for the assumptions underlying the forecast and cautionary statements regarding use of the forecast.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of July 31, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	8,631,720	8,361,112
Accounts receivable - trade	857,369	1,018,569
Inventories	156,058	189,573
Accounts receivable - other	549,670	632,454
Other	461,844	545,558
Total current assets	10,656,663	10,747,268
Non-current assets		
Property, plant and equipment		
Buildings	13,664,050	14,428,887
Accumulated depreciation and impairment	(9,218,269)	(9,630,015)
Buildings, net	4,445,781	4,798,872
Tools, furniture and fixtures	1,306,867	1,774,669
Accumulated depreciation and impairment	(883,009)	(1,072,358)
Tools, furniture and fixtures, net	423,857	702,310
Other	2,741,194	116,393
Accumulated depreciation and impairment	(2,714,057)	(77,027)
Other, net	27,137	39,365
Construction in progress	64,963	249,357
Total property, plant and equipment	4,961,739	5,789,905
Intangible assets		
Software	85,367	86,240
Goodwill	256,070	228,877
Other	128,168	154,803
Total intangible assets	469,606	469,920
Investments and other assets		
Investment securities	500	161,375
Guarantee deposits	1,826,276	1,917,135
Deferred tax assets	1,123,040	1,248,113
Other	291,479	329,475
Allowance for doubtful accounts	(10,315)	(8,632)
Total investments and other assets	3,230,981	3,647,467
Total non-current assets	8,662,328	9,907,293
Total assets	19,318,991	20,654,561

(Thousands of yen)

	As of July 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,499,053	1,778,579
Current portion of long-term borrowings	3,800,314	1,056,760
Accounts payable - other	1,481,741	1,792,439
Income taxes payable	104,730	980,199
Accrued consumption taxes	391,375	394,687
Unearned revenue	563,585	456,786
Provision for bonuses	481,065	717,738
Provision for bonuses for directors (and other officers)	74,090	82,050
Provision for shareholder benefit program	43,970	32,242
Other	500,733	719,610
Total current liabilities	8,940,660	8,011,093
Non-current liabilities		
Long-term borrowings	1,958,857	2,353,765
Provision for share awards for directors (and other officers)	24,016	53,401
Retirement benefit liability	81,766	83,148
Asset retirement obligations	1,170,883	1,207,374
Guarantee deposits received	252,671	250,783
Other	-	2,337
Total non-current liabilities	3,488,195	3,950,809
Total liabilities	12,428,855	11,961,902
Net assets		
Shareholders' equity		
Share capital	1,491,829	1,491,829
Capital surplus	1,481,829	1,481,829
Retained earnings	3,964,697	5,952,568
Treasury shares	(86,841)	(312,400)
Total shareholders' equity	6,851,514	8,613,826
Accumulated other comprehensive income		
Foreign currency translation adjustment	33,494	80,082
Remeasurements of defined benefit plans	5,126	(1,249)
Total accumulated other comprehensive income	38,621	78,833
Total net assets	6,890,135	8,692,659
Total liabilities and net assets	19,318,991	20,654,561

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

(Thousands of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Net sales	33,449,087	41,914,070
Cost of sales	10,006,034	12,827,697
Gross profit	23,443,052	29,086,372
Selling, general and administrative expenses	22,025,567	25,837,491
Operating profit	1,417,484	3,248,880
Non-operating income		
Interest income	54	399
Surrender value of insurance policies	9,193	11,270
Insurance claim income	9,659	11,652
Gain on sale of goods	3,838	4,109
Foreign exchange gains	8,171	3,420
Other	3,917	12,325
Total non-operating income	34,834	43,179
Non-operating expenses		
Interest expenses	16,132	14,511
Fees paid	5,862	8,169
Cash over and short	172	5,398
Other	1,104	2,166
Total non-operating expenses	23,272	30,246
Ordinary profit	1,429,047	3,261,813
Extraordinary income		
Gain on sale of non-current assets	7,289	-
Compensation for forced relocation	32,633	-
Total extraordinary income	39,922	-
Extraordinary losses		
Loss on retirement of non-current assets	778	6,842
Impairment losses	420,343	95,318
Total extraordinary losses	421,122	102,160
Profit before income taxes	1,047,847	3,159,652
Income taxes - current	375,588	1,154,021
Income taxes - deferred	55,989	(121,706)
Total income taxes	431,578	1,032,314
Profit	616,269	2,127,337
Profit attributable to owners of parent	616,269	2,127,337

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Profit	616,269	2,127,337
Other comprehensive income		
Foreign currency translation adjustment	33,494	46,588
Remeasurements of defined benefit plans	(3,941)	(6,376)
Total other comprehensive income	29,552	40,211
Comprehensive income	645,822	2,167,549
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	645,822	2,167,549
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity
Fiscal year ended July 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,491,829	1,481,829	3,441,405	(86,841)	6,328,222
Changes during period					
Dividends of surplus			(92,977)		(92,977)
Profit attributable to owners of parent			616,269		616,269
Net changes in items other than shareholders' equity					
Total changes during period	-	-	523,291	-	523,291
Balance at end of period	1,491,829	1,481,829	3,964,697	(86,841)	6,851,514

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	-	9,068	9,068	6,337,291
Changes during period				
Dividends of surplus				(92,977)
Profit attributable to owners of parent				616,269
Net changes in items other than shareholders' equity	33,494	(3,941)	29,552	29,552
Total changes during period	33,494	(3,941)	29,552	552,844
Balance at end of period	33,494	5,126	38,621	6,890,135

Fiscal year ended July 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,491,829	1,481,829	3,964,697	(86,841)	6,851,514
Changes during period					
Dividends of surplus			(139,466)		(139,466)
Profit attributable to owners of parent			2,127,337		2,127,337
Purchase of treasury shares				(225,558)	(225,558)
Net changes in items other than shareholders' equity					
Total changes during period			1,987,870	(225,558)	1,762,312
Balance at end of period	1,491,829	1,481,829	5,952,568	(312,400)	8,613,826

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	33,494	5,126	38,621	6,890,135
Changes during period				
Dividends of surplus				(139,466)
Profit attributable to owners of parent				2,127,337
Purchase of treasury shares				(225,558)
Net changes in items other than shareholders' equity	46,588	(6,376)	40,211	40,211
Total changes during period	46,588	(6,376)	40,211	1,802,523
Balance at end of period	80,082	(1,249)	78,833	8,692,659

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended July 31, 2023	Fiscal year ended July 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,047,847	3,159,652
Depreciation	791,380	887,148
Amortization of goodwill	15,862	27,193
Impairment losses	420,343	95,318
Increase (decrease) in allowance for doubtful accounts	(2,903)	(1,683)
Increase (decrease) in provision for bonuses	149,048	236,673
Increase (decrease) in provision for bonuses for directors (and other officers)	74,090	7,960
Increase (decrease) in provision for shareholder benefit program	10,337	(11,727)
Increase (decrease) in retirement benefit liability	(1,604)	(8,360)
Increase (decrease) in provision for share awards for directors (and other officers)	13,017	29,384
Interest and dividend income	(54)	(399)
Interest expenses	16,132	14,511
Foreign exchange losses (gains)	(8,126)	(3,420)
Loss (gain) on sale of non-current assets	(7,289)	-
Loss on retirement of non-current assets	778	6,842
Compensation for forced relocation	(32,633)	-
Decrease (increase) in trade receivables	(334,579)	(159,714)
Decrease (increase) in inventories	(15,562)	(33,410)
Decrease (increase) in accounts receivable - other	(105,211)	(63,736)
Increase (decrease) in trade payables	471,961	279,525
Increase (decrease) in accounts payable - other	207,385	303,391
Increase (decrease) in unearned revenue	(212,395)	(106,798)
Other	(205,290)	9,304
Subtotal	2,292,535	4,667,653
Interest and dividends received	271	399
Interest paid	(16,107)	(14,486)
Income taxes paid	(767,830)	(335,214)
Income taxes refund	5,276	123,376
Subsidies received	173,880	-
Proceeds from compensation for forced relocation	32,633	-
Cash flows from operating activities	1,720,657	4,441,729
Cash flows from investing activities		
Purchase of property, plant and equipment	(803,170)	(1,554,702)
Proceeds from sale of property, plant and equipment	22,390	-
Purchase of intangible assets	(71,710)	(80,260)
Purchase of shares of affiliates accounted for using equity method	-	(157,766)
Purchase of shares of subsidiaries	(155,533)	-
Purchase of long-term prepaid expenses	(42,189)	(66,939)
Payments of guarantee deposits	(150,674)	(131,547)
Proceeds from refund of guarantee deposits	19,997	41,999
Other	(23,603)	(41,370)
Cash flows from investing activities	(1,204,493)	(1,990,588)
Cash flows from financing activities		
Proceeds from long-term borrowings	600,000	1,500,000
Repayments of long-term borrowings	(1,026,958)	(3,848,646)
Repayments of lease liabilities	(63,983)	(3,907)
Purchase of treasury shares	-	(225,558)
Dividends paid	(92,557)	(139,506)
Other	(4,498)	(4,242)
Cash flows from financing activities	(587,997)	(2,721,861)
Effect of exchange rate change on cash and cash equivalents	41,564	26,955
Net increase (decrease) in cash and cash equivalents	(30,269)	(243,765)
Cash and cash equivalents at beginning of period	8,719,937	8,689,668
Cash and cash equivalents at end of period	8,689,668	8,445,903