May 15, 2024

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (FY3/24)

[Japanese GAAP]

Company name: OHSHO FOOD SERVICE CORP. Listing: Tokyo Stock Exchange
Stock code: 9936 URL: https://www.ohsho.co.jp/english/
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2024
Scheduled date of payment of dividend: June 28, 2024
Scheduled date of filing of Annual Securities Report: June 27, 2024
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024)

(1) Consolidated results of operations (Percentages represent 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 Mar. 31, 2024	101,401	9.0	10,286	28.9	10,496	14.8	7,911	27.3
Fiscal year ended Mar. 31, 2023	93,022	9.7	7,981	14.7	9,140	(29.8)	6,213	(29.5)

Note: Comprehensive income (millions of yen) Fiscal year ended Mar. 31, 2024: 8,490 (up 41.6%)
Fiscal year ended Mar. 31, 2023: 5,997 (down 25.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2024	420.46	–	12.0	12.0	10.1
Fiscal year ended Mar. 31, 2023	330.50	–	10.2	10.5	8.6

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Mar. 31, 2024: –
Fiscal year ended Mar. 31, 2023: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2024	91,462	68,635	75.0	3,646.82
As of Mar. 31, 2023	84,103	62,770	74.6	3,337.95

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2024: 68,635 As of Mar. 31, 2023: 62,770

(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 Mar. 31, 2024	12,217	(3,222)	(4,728)	36,296
Fiscal year ended Mar. 31, 2023	7,325	(3,229)	(9,508)	32,029

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2023	–	60.00	–	75.00	135.00	2,538	40.8	4.2
Fiscal year ended Mar. 31, 2024	–	70.00	–	75.00	145.00	2,728	34.5	4.2
Fiscal year ending Mar. 31, 2025 (forecasts)	–	75.00	–	75.00	150.00		35.4	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	54,427	9.4	5,542	11.1	5,662	10.6	3,754	(3.6)	199.51
Full year	109,875	8.4	11,196	8.8	11,373	8.4	7,970	0.7	423.49

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: – Excluded: –

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: Yes
4) Restatements: None

Note: Please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Change in estimate of asset retirement obligations" on page 16.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2024: 23,286,230 shares As of Mar. 31, 2023: 23,286,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2024: 4,465,639 shares As of Mar. 31, 2023: 4,481,183 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2024: 18,815,845 shares Fiscal year ended Mar. 31, 2023: 18,799,787 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024)

(1) Non-consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2024	100,985	8.9	10,258	28.4	10,470	14.5	7,885	26.8
Fiscal year ended Mar. 31, 2023	92,709	9.7	7,988	14.1	9,145	(30.0)	6,219	(29.4)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2024	419.10	–
Fiscal year ended Mar. 31, 2023	330.85	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2024	90,689	67,906	74.9	3,608.10
As of Mar. 31, 2023	83,727	62,431	74.6	3,319.91

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2024: 67,906 As of Mar. 31, 2023: 62,431

2. Non-consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	54,215	9.4	5,648	10.5	3,740	(3.7)	198.76
Full year	109,410	8.3	11,329	8.2	7,926	0.5	421.15

*** The current financial report is not subject to audit by certified public accountants or auditing firms.**

*** Explanation of appropriate use of earnings forecasts, and other special items**

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company's management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (5) Outlook" on page 7 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for financial results will be available on the Company's website on Tuesday, May 28, 2024.

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1. Overview of Results of Operations

(1) Results of Operations

Summary of consolidated results of operations for the fiscal year (April 1, 2023 to March 31, 2024)			
	Amount (millions of yen)	% to sales	YoY change
Net sales	101,401	100.0%	109.0%
Operating profit	10,286	10.1%	128.9%
Ordinary profit	10,496	10.4%	114.8%
Profit attributable to owners of parent	7,911	7.8%	127.3%
- Achieved record high annual sales for two consecutive years, exceeding 100 billion yen for the first time. - Achieved record high monthly sales for 26 consecutive months. - Achieved record high single-month sales six times: in May, July, August, December, January, and March.			

During the current fiscal year, the Japanese economy saw a gradual recovery as socio-economic activities have normalized following COVID-19 downgraded to Class 5 under the Infectious Disease Control Act. The Spring Wage Negotiation (abbreviated as *Shun-to* in Japanese) in March 2024 led to a series of companies' responses that fully met labor union's demand continuing from 2023. As a result, recovery of personal consumption is expected thanks to an increase in personal income, as the average wage increase rate remained high for two consecutive years.

In the restaurant industry, we saw a strong demand in dining out thanks to recovery in personal consumption, mainly due to the lifting of movement restrictions. Solid inbound tourism demand and other factors have also contributed of this strong demand. Meanwhile, the business environment remains challenging due to increasing labor and recruiting costs as well as persistent labor shortage, and chronically soaring raw material prices.

Under such circumstances, to fulfill our social mission to provide "comfortable dining space," "heartwarming hospitality," and "delicious foods" to our customers, the Group focused on leveraging its hands-on capabilities honed through restaurant operations to further improve a fundamental level of quality, service, and cleanliness (QSC) and continued to implement aggressive sales promotion measures. As a result, customer traffic grew even after we revised our prices in October 2023, following the price revisions in May and November 2022, particularly saw a large increase in in-store dining, and our takeout and delivery services remained strong. In addition, since February 2022, the Group achieved record high monthly sales for 26 consecutive months; record high single-month sales six times: in May, July, August, and December in 2023, and then January and March in 2024; exceeding 100 billion yen in net sales for the first time since its foundation.

The following is an overview of our initiatives and achievements during the current fiscal year. They are described in line with four items consisting of sales strategy, restaurant opening strategy, franchise chain promotion strategy, and sustainability initiatives, of which first three are the primary strategies in our medium-term management plan entering its third year.

1) Sales strategy

Under our ongoing slogan from 2022, "The power of delicious meals will change the future," each and every one of our employees has been passionately committed to further improving the basic service level.

Training sessions at the Ohsho Cooking Dojo (an in-house training program) drew an increasing number of participants through both on-site and on-line sessions. To further enhance deliciousness, we renewed the cooking skill tests and established the "cooking knowledge training program" under a tag line of "the science of good taste." To provide comfortable dining experience for our customers, we also dedicated our efforts to a "customer service training program," designed to help our employees learn to provide hospitable customer service that only humans can provide.

For sales promotion activities, we ran our "draft beer campaign," which resulted in cumulative sales of 9,840 thousand glasses, and also ran the "Gyoza Club customer appreciation campaign for 2023," which resulted in the acquisition of a record number of 1,094 thousand members. Furthermore, in the "Gyoza Club customer appreciation campaign for 2024," launched on June 23, 2023, campaign prizes were well-received. These included new original limited-edition goods such as a "ramen bowl with Chinese zodiac signs for 2023" with an artwork on the ramen bowl used for our product "Wasurerarenai Chukasoba (Chinese noodles that can be never forgotten)," and a "glowing

wireless charger." The number of members has been growing at a pace fast enough to reach a record high again in the current fiscal year. As such, we achieved a good result in acquiring loyal customers.

For gyoza, our primary product, we used fresh "summer harvested" garlic grown in Aomori Prefecture, naming "Ninniku Nouveau," sticking to freshness. We also, as the first step of "More Delicious Gyoza no Ohsho, Challenge 2024," reviewed cooking method of ginger used in gyoza paste and balance of garlic to make the flavor of ginger clearer. These efforts led to gaining positive feedback that our gyoza tasted better.

In addition, "Wasurerarenai Chukasoba," which is result of our product development effort rolled out nationwide on April 1, 2023, has enjoyed great support of customers who are fond of "a nostalgic yet new taste," becoming another hot-selling product, with total sales exceeding 4,760 thousand bowls as of the end of March.

2) Restaurant opening strategy

During the current fiscal year, the Company opened six directly operated stores, converted two franchised stores to direct operation, rebuilt one directly operated store, and relocated one directly operated store.

For new stores, we opened the Ebina-Kamigo store in May 2023, the Kokudo-4 go-Satte store in June, the Aeon-Nakama store in July, the TRIAL-Utsunomiya store in August, the Kokudo-50 go-Yuki store in January 2024, and the Hamura-Ozaku-sakaue store in February.

Roadside stores located along major highways with high traffic volume—such as the Ebina-Kamigo store, the Kokudo-4 go-Satte store, the Kokudo-50 go-Yuki store, and the Hamura-Ozaku-sakaue store—are visited by many customers from a wide area in addition to the neighboring areas. Among these stores, the Kokudo-4 go-Satte store featured "Neo-Showa" street-store style that produces a nostalgic atmosphere of the Showa Era.

The Aeon-Nakama store is a roadside store located in a newly opened commercial facilities in Nakama City, Fukuoka Prefecture, and the TRIAL-Utsunomiya store is located on the first floor in the front area inside the TRIAL's Mega Center Utsunomiya store, which attracts many customers both on weekdays and weekends. Both stores recognized stably attracting many customers from wide area.

Meanwhile, the following franchised stores were converted to our directly operated stores: the Naruto store in Naruto City, Tokushima Prefecture, and the Harinakano store (which was closed as a franchised store in October 2022) in Osaka City, Osaka Prefecture. Both stores have sufficient potential for acquiring new customers since many long-standing regular customers were hoping to see the stores continue to operate. As for the Harinakano store, utilizing the feature of the property, it was opened as the third Joy-Naho store, which primarily offers takeout and delivery.

In addition to the above, the Kokudo-Okubo store, 40 years after its opening, was rebuilt and the Kawachihanazono-eki-mae store was relocated to the main street in front of the station, taking advantage of the redevelopment taking place in the neighborhood. For both stores, we increased the number of seats in the hall while expanding the kitchen area and changing to a more efficient kitchen layout to accommodate the increased demand for takeout and delivery services. Particularly, the Kokudo-Okubo store significantly increased the number of parking spaces and redesigned its interior and exterior based on the concept of "Neo-Showa." Both renovation and relocation provide diverse benefits, such as improvement of employees' morale and expansion of customer base, leading to performance improvement of our stores. Therefore, we will continue to invest aggressively in these activities as well as new store opening.

In opening new stores or relocating, we strive to increase capital efficiency for investment by enhancing trade area analysis and location research in candidate areas, as well as by assessing store types appropriate for the trade area and location and refining sales forecasts. As a result of these efforts, sales at each of our stores have remained strong.

3) Franchise chain promotion strategy

As with our directly operated stores, we have promoted further improvement of the basic service level by thoroughly putting in place the "Ohsho standard" at franchised stores.

For cooking, we made efforts to stabilize and improve the quality of dishes by fully ensuring that the recipes and cooking methods were the same as those used in our directly operated stores. Particularly for the "Wasurerarenai Chukasoba," a new menu item, our store advisors visited franchised stores to provide cooking guidance.

For hygiene management, we further strengthened our efforts by having our franchised stores put in place procedure including washing, cleaning, and disinfecting handling procedure for foods by using the same manuals as those used

at directly operated stores, as well as by having our department specializing in hygiene management conduct hygiene seminars for franchised store managers.

For sales promotions, we have made efforts to have franchised stores run campaigns in tandem with directly operated stores. Specifically, we enhanced in-store announcement of all-store campaigns.

In addition, for new store opening and relocation of franchised stores, our store development department and sales department provided support for on-site survey and decision making of store opening in line with the same process applied to directly operating stores.

As a result of these measures, sales of franchised stores remained strong reaching an all-time high as directly operating stores did, and achieved record high annual sales combined with the directly operating stores for the second consecutive year exceeding 100 billion yen for the first time. Sales of products shipped from out central kitchen to franchised stores, which are sales in the financial statements for the current fiscal year, likewise achieved record high.

4) Sustainability initiatives

The Sustainability Vision established with the Basic Policy for Sustainability is to realize an enriched society without hunger, co-prosper with all stakeholders, and protect the global environment.

(a) To pursue our vision “to realize an enriched society without hunger,” we have been supplying “Bento for Kids” free of charge to “Kodomo Shokudo,” or Children’s Cafeteria, around the country since 2021. In 2023, we supplied the Bento three times: during the school spring, summer, and winter breaks. The number of lunch boxes our stores across Japan offered to more than 1,000 “Kodomo Shokudo” cafeterias each time exceeded 100 thousand, at the most, with a cumulative number of approximately 580 thousand boxes for eight times. With each turn, this initiative has been steadily expanded.

In addition, as an activity to support the present and future of children, we donated 11 million yen to support activities of Save the Children Japan—a private non-profit international public-interest incorporated foundation, which contributes to supporting children in about 120 countries across the world—for the third consecutive year.

In response to the Noto Peninsula Earthquake in 2024, we donated a portion of proceeds (80 yen per bowl, totaling 61 million yen) of “Vegetable Stew Ramen,” a limited menu item in February and March 2024, as disaster relief donation; placed a donation collection box at stores; and provided PET bottles of natural water to Nanao City in Ishikawa Prefecture in cooperation with Kyoto Prefecture. We also ran a soup kitchen at a shelter in Nanao City to provide those affected with 540 bowls of “Vegetable Stew Ramen” and 770 dishes of gyoza.

We, as a company operates food business, will continue pursuing to realize an enriched society where nobody suffers from hunger.

(b) For our vision “to co-prosper with all stakeholders,” we have significantly improved the treatment of our employees, who are the starting point for this goal, in addition to developing human resources by providing various training program, as shown below:

- The Company implemented a record high pay raise of an average of 22,000 yen per employee (a 7.0% wage increase) in the revision of monthly salaries for FY3/24.
- The Company fully met the demand (100% of the bonus table plus an addition of 8.5%) from the labor union for the summer bonus payment in 2023. As a result, the bonus payment reached a record high.
- For the winter bonus of 2023, the Company fully met the demand from the labor union (the bonus table plus a 10% “additional bonus”), which makes the payment 110% of the bonus table. In addition to the above, more than 10% of the bonus table was added as a “special additional bonus” as an advance payment of a “year-end closing bonus,” resulting in a total of more than 120% of the bonus table being paid. As a result, the amount of additional bonus from “additional bonus” and “special additional bonus” totaled approximately 315 million yen, with the total amount of bonus paid reaching a record high. Furthermore, in March 2024, we decided to pay a “year-end closing bonus” to reward our employees for our strong business performance. Combined with the previously mentioned “special additional bonus,” which is an advance payment for the first half’s performance, the total amount of the “year-end closing bonus” for the annual business performance resulted in approximately 531 million yen, achieving also a record-high as a “year-end closing bonus.”
- In revising the monthly payment for FY3/25, we have decided a record high raise of average 39,162 yen per employee, which is a significant increase from the level demanded by the labor union (pay raise including the

increase in the base pay by 11.5%), achieving a record high raise for the second consecutive year.

- In addition, the Company increased the starting salary for new university graduates by 52,000 yen (278,500 yen after implementation).

We, as a "company where people create value," will continue to focus on investing in human resources and realize growth of employee—the source of our growth potential—by further improving employee engagement.

- For the logistics issue in 2024, we consider that the issue should be addressed by the entire company. First, as a store effort, we reduced delivery work hours by reorganizing and repairing delivery aisles and storages. Second, we reduced the number of delivery-destination stores per truck, promoted division of delivering and picking operations, and employed joint delivery, to reduce labor hours of drivers. As a result of these efforts, we are confident that our delivery system is fully sustainable now.

(c) For our vision "to protect the global environment," the Company promoted efforts to reduce utility consumption and general waste as well as use of plastics, in accordance with the Plastic Resource Circulation Act, to lower environmental impacts by our business activities.

For climate change issues, we have been working in compliance with the recommendations by the TCFD, an international organization that aims to disclose information on climate change. Specifically, we disclosed CO_2 emissions in our business activities (Scopes 1 and 2) and in our supply chain (Scope 3) in FY3/22. The result is reported in Annual Securities Report for the fiscal year ended March 31, 2023 filed on June 28, 2023 (https://ir.ohsho.co.jp/ir/library/securities.html).

We continued calculation of CO_2 emission in FY3/23, and confirmed that emission per sales is lower than that in FY3/22, by implementation of various measures for decarbonization at our stores, plants, and other facilities.

By executing sustainability-focused management and pursuing our management philosophy "Creating stores praised by our customers," we aim to help create a sustainable society, let alone enhance our corporate value.

As a result, we achieved the record high monthly sales for consecutive 26 months from February 2022 compared to the same month in the past and net sales for the period under review increased 8,379 million yen or 9.0% year-on-year to the record high 101,401 million yen, exceeding 100 billion yen for the first time since our foundation.

Operating profit increased 2,304 million yen or 28.9% year-on-year to 10,286 million yen. This year-on-year increase is attributable to an increase in sales plus a lower cost of sales ratio due to more sales of high value-added products and curbed increases in water and utility costs, though partially offset by higher unit prices for raw materials and packaging materials than last year.

Ordinary profit increased 1,356 million yen or 14.8% year-on-year to 10,496 million yen. This is because a year-on-year increase in ordinary profit exceeded a negative impact of the absence of subsidy income for reduced operating hours of 915 million yen recognized as non-operating income for the previous fiscal year.

Profit attributable to owners of parent increased 1,697 million yen or 27.3% year-on-year to 7,911 million yen mainly due to the above reasons and the recording of gain on sale of non-current assets.

Regarding the store network during the period under review, we opened seven directly operated stores (including the Joy-Naho-Harinakano store) and three franchised stores, converted one franchised store to directly operated store, converted one directly operated store to franchised store, and closed four directly operated stores and seven franchised stores. The result was a total network of 545 directly operated stores and 186 franchised stores, totaling 731 stores at the end of the current fiscal year.

(2) Financial Position

Assets

The balance of total assets at the end of the current fiscal year was 91,462 million yen, up 7,358 million yen or 8.7% from the end of the previous fiscal year. The main factors for the increase are as follows.

Current assets increased 4,738 million yen or 13.2% to 40,607 million yen. This was mainly due to an increase in cash and deposits.

Non-current assets increased 2,620 million yen or 5.4% to 50,854 million yen. This was mainly due to an increase in

buildings and structures.

Liabilities

The balance of total liabilities at the end of the current fiscal year was 22,827 million yen, up 1,493 million yen or 7.0% from the end of the previous fiscal year. The main factors for the increase are as follows.

Current liabilities increased 2,351 million yen or 18.6% to 14,975 million yen. This was mainly due to an increase in income taxes payable.

Non-current liabilities decreased 858 million yen or 9.9% to 7,851 million yen. This was mainly due to a decrease in long-term borrowings. The balance of borrowings at the end of the period under review was 7,000 million yen.

Net assets

The balance of net assets at the end of the current fiscal year was 68,635 million yen, up 5,865 million yen or 9.3% from the end of the previous fiscal year. This increase was mainly attributable to the recording of profit attributable to owners of parent of 7,911 million yen, while there was dividend payment of 2,727 million yen. As a result, the equity ratio increased from 74.6% at the end of the previous fiscal year to 75.0%.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year amounted to 36,296 million yen, up 4,267 million yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities increased 4,892 million yen or 66.8% year-on-year to 12,217 million yen. This was mainly due to an increase in profit before income taxes.

The main factors include profit before income taxes of 10,753 million yen and depreciation of 2,801 million yen, which were partially offset by income taxes paid of 1,368 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 6 million yen or 0.2% year-on-year to 3,222 million yen. This was mainly due to an increase in proceeds from sale of property, plant and equipment.

The main factors include purchase of property, plant and equipment of 3,482 million yen.

Cash flows from financing activities

Net cash used in financing activities decreased 4,779 million yen or 50.3% year-on-year to 4,728 million yen. This was mainly due to a decrease in repayments of long-term borrowings.

The main factors include repayments of long-term borrowings of 2,000 million yen and dividends paid of 2,727 million yen.

Reference: Cash flow indicators

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Equity ratio (%)	74.5	58.1	66.1	74.6	75.0
Equity ratio based on market value (%)	160.6	119.9	126.1	134.6	161.1
Interest-bearing debt to cash flow ratio (years)	0.6	4.6	1.2	1.2	0.6
Interest coverage ratio (times)	509.1	95.7	224.2	240.4	471.8

Notes: Equity ratio: Shareholders’ equity / Total assets
Equity ratio based on market value: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.

* Cash flows are based on net cash provided by operating activities in the consolidated and non-consolidated statements of cash flows.
* Interest-bearing debt is calculated using total loans payable on the consolidated and non-consolidated balance sheets that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated and non-consolidated statements of cash flows.

(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company strives to increase medium- to long-term corporate value by proactively investing in human capital and in equipment for future business development, while continuously enhancing shareholder return. In line with this policy, we target a certain level of dividends on equity (DOE), while considering the business results for the current fiscal year.

For the current fiscal year, as mentioned above, net sales exceeded 100 billion yen for the first time since our foundation and operating profit increased significantly year-on-year. Accordingly, we plan to increase the total annual dividend from the previous forecast of 140 yen to 145 yen per share (by increasing the year-end dividend from 70 yen to 75 yen per share), a record high for the second year in a row.

This matter will be proposed in the 50th Annual General Meeting of Shareholders to be held on June 27, 2024.

Based on the aforementioned policy, we plan to pay an interim dividend of 75 yen per share and a year-end dividend of 75 yen per share, which will result in a dividend of 150 yen per share, a record high for the third year in a row, applicable to the next fiscal year.

(5) Outlook

Looking ahead, we expect a strong demand in dining out thanks to a recovery in personal consumption driven by the effect of wage increases, as well as to a pickup in inbound demand. Meanwhile, uncertainty will persist due to the unstable global situation, soaring prices of raw materials, energy costs, and other commodities, emergence of the “Year 2024 problem,” the problems caused by the cap imposed on drivers’ working hours by the work style reform laws, and escalating labor shortages, among other factors.

Under such circumstances, in pursuit of “creating stores praised by our customer,” the Group remains committed to proactively investing in human capital, strengthening its hands-on capabilities, and enhancing our basic service level even further. We will make all-out efforts to provide higher value to our customers, with a price revision in mind in response to further price and labor cost hikes in the future.

In the fiscal year ending March 31, 2025, we plan to open eight directly operated stores and two franchised stores and close three directly operated stores and four franchised stores. Our full-year earnings forecast includes an 8.4% year-on-year increase in net sales to 109,875 million yen, a record high for the third year in a row, an 8.8% year-on-year increase in operating profit to 11,196 million yen, an 8.4% year-on-year increase in ordinary profit to 11,373 million yen, and a 0.7% year-on-year increase in profit attributable to owners of parent to 7,970 million yen.

The Group performance and other aspects of our operations may change for a number of reasons, but we are determined to achieve this forecast for sales and earnings.

2. Basic Approach to the Selection of Accounting Standards

We consider it is imperative to prepare the financial data in a format that can enhance international comparability for the benefits of our stakeholders if we consider store openings in overseas markets or mutually beneficial M&A deals. With respect to the above, we have decided to adopt International Financial Reporting Standards (IFRS) in the future, though we have yet to decide when to start.

Nevertheless, Japanese GAAP is also of high quality and is not inferior to any internationally recognized accounting standards as a result of the convergence with them. In fact, Japanese GAAP is regarded as being equivalent to IFRS in Europe. Furthermore, almost all of the Group’s stakeholders are in Japan and there is not much need to procure funds from capital markets outside Japan at the moment.

Therefore, we apply Japanese GAAP for the moment while focusing on the following survey activities such as acquiring information and learning about IFRS, , analyzing the gaps between these standards and Japanese GAAP, and assessing the impact of the adoption to facilitate the future application of IFRS.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	32,029	36,296
Accounts receivable-trade	2,516	2,890
Merchandise and finished goods	155	147
Raw materials	455	395
Other	715	876
Allowance for doubtful accounts	(1)	–
Total current assets	35,869	40,607
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,036	59,406
Accumulated depreciation	(44,859)	(45,611)
Buildings and structures, net	12,176	13,795
Machinery, equipment and vehicles	7,134	7,226
Accumulated depreciation	(5,114)	(5,535)
Machinery, equipment and vehicles, net	2,019	1,690
Tools, furniture and fixtures	6,900	7,375
Accumulated depreciation	(5,224)	(5,390)
Tools, furniture and fixtures, net	1,675	1,985
Land	20,134	19,902
Construction in progress	122	375
Total property, plant and equipment	36,129	37,750
Intangible assets	197	145
Investments and other assets		
Investment securities	3,855	4,166
Long-term loans receivable	22	13
Retirement benefit asset	1,167	2,012
Deferred tax assets	2,316	2,011
Guarantee deposits	4,510	4,702
Other	48	67
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	11,907	12,959
Total non-current assets	48,234	50,854
Total assets	84,103	91,462

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	FY3/24 (As of Mar. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	2,525	2,612
Current portion of long-term borrowings	2,000	2,000
Income taxes payable	435	1,927
Contract liabilities	79	73
Provision for bonuses	995	1,034
Other	6,589	7,327
Total current liabilities	12,624	14,975
Non-current liabilities		
Long-term borrowings	7,000	5,000
Long-term contract liabilities	103	97
Deferred tax liabilities for land revaluation	504	498
Asset retirement obligations	866	2,010
Other	234	243
Total non-current liabilities	8,709	7,851
Total liabilities	21,333	22,827
Net assets		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,393	9,459
Retained earnings	56,630	61,096
Treasury shares	(10,629)	(10,593)
Total shareholders' equity	63,561	68,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,124	2,340
Revaluation reserve for land	(3,243)	(2,526)
Foreign currency translation adjustment	(4)	(1)
Remeasurements of defined benefit plans	332	693
Total accumulated other comprehensive income	(791)	505
Total net assets	62,770	68,635
Total liabilities and net assets	84,103	91,462

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net sales	93,022	101,401
Cost of sales	29,364	31,841
Gross profit	63,657	69,560
Selling, general and administrative expenses		
Packing and transportation costs	2,157	2,278
Advertising expenses	995	1,050
Promotion expenses	4,380	4,714
Provision of allowance for doubtful accounts	0	–
Remuneration for directors (and other officers)	309	279
Share-based payment expenses	118	103
Salaries and allowances and bonuses	25,574	28,189
Provision for bonuses	958	998
Retirement benefit expenses	12	(96)
Welfare expenses	4,730	5,267
Taxes and dues	340	347
Depreciation	1,854	1,968
Rent expenses	4,366	4,489
Utilities expenses	5,032	4,326
Repair expenses	1,135	1,239
Other	3,708	4,116
Total selling, general and administrative expenses	55,676	59,273
Operating profit	7,981	10,286
Non-operating income		
Interest income	0	0
Dividend income	76	81
Rental income from land and buildings	59	59
Franchise chain accession fee	106	110
Equipment usage fee	107	108
Subsidy income	925	–
Miscellaneous income	137	138
Total non-operating income	1,413	498
Non-operating expenses		
Interest expenses	32	25
Rental expenses	103	110
Meal support expenses for Kodomo Shokudo	63	66
Donation for disaster relief	–	51
Miscellaneous losses	54	32
Total non-operating expenses	255	287
Ordinary profit	9,140	10,496

(Millions of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Extraordinary income		
Gain on sale of non-current assets	21	389
Compensation for expropriation	1	49
Total extraordinary income	22	439
Extraordinary losses		
Loss on retirement of non-current assets	55	74
Loss on sale of non-current assets	–	0
Impairment losses	348	107
Total extraordinary losses	404	182
Profit before income taxes	8,758	10,753
Income taxes-current	2,315	2,795
Income taxes-deferred	229	46
Total income taxes	2,545	2,842
Profit	6,213	7,911
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	6,213	7,911

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Profit	6,213	7,911
Other comprehensive income		
Valuation difference on available-for-sale securities	(166)	215
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans, net of tax	(51)	361
Total other comprehensive income	(216)	579
Comprehensive income	5,997	8,490
Comprehensive income attributable to:		
Owners of parent	5,997	8,490
Non-controlling interests	–	–

(3) Consolidated Statement of Changes in Equity

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,316	52,860	(10,669)	59,673
Changes during period					
Dividends of surplus			(2,443)		(2,443)
Profit attributable to owners of parent			6,213		6,213
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		77		41	118
Reversal of revaluation reserve for land					–
Net changes in items other than shareholders' equity					
Total changes during period	–	77	3,769	40	3,887
Balance at end of period	8,166	9,393	56,630	(10,629)	63,561

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,291	(3,243)	(6)	383	(575)	59,098
Changes during period						
Dividends of surplus						(2,443)
Profit attributable to owners of parent						6,213
Purchase of treasury shares						(0)
Disposal of treasury shares						118
Reversal of revaluation reserve for land					–	–
Net changes in items other than shareholders' equity	(166)	–	1	(51)	(216)	(216)
Total changes during period	(166)	–	1	(51)	(216)	3,671
Balance at end of period	2,124	(3,243)	(4)	332	(791)	62,770

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,393	56,630	(10,629)	63,561
Changes during period					
Dividends of surplus			(2,727)		(2,727)
Profit attributable to owners of parent			7,911		7,911
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		65		37	103
Reversal of revaluation reserve for land			(717)		(717)
Net changes in items other than shareholders' equity					
Total changes during period	–	65	4,466	36	4,568
Balance at end of period	8,166	9,459	61,096	(10,593)	68,129

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,124	(3,243)	(4)	332	(791)	62,770
Changes during period						
Dividends of surplus						(2,727)
Profit attributable to owners of parent						7,911
Purchase of treasury shares						(1)
Disposal of treasury shares						103
Reversal of revaluation reserve for land		717			717	–
Net changes in items other than shareholders' equity	215	–	2	361	579	579
Total changes during period	215	717	2	361	1,296	5,865
Balance at end of period	2,340	(2,526)	(1)	693	505	68,635

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	8,758	10,753
Depreciation	2,672	2,801
Impairment losses	348	107
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Decrease (increase) in retirement benefit asset	(216)	(325)
Interest and dividend income	(76)	(81)
Interest expenses	32	25
Compensation for expropriation	(1)	(49)
Loss (gain) on sale of non-current assets	(21)	(389)
Loss on retirement of non-current assets	55	74
Decrease (increase) in trade receivables	(304)	(372)
Decrease (increase) in inventories	(91)	67
Increase (decrease) in trade payables	308	86
Increase (decrease) in accrued consumption taxes	380	256
Other, net	623	526
Subtotal	12,469	13,480
Interest and dividends received	76	81
Interest paid	(30)	(25)
Proceeds from compensation for expropriation	1	49
Income taxes paid	(5,191)	(1,368)
Net cash provided by (used in) operating activities	7,325	12,217
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,206)	(3,482)
Proceeds from sale of property, plant and equipment	223	636
Loan advances	(33)	(39)
Proceeds from collection of loans receivable	39	48
Payments of guarantee deposits	(162)	(282)
Other, net	(91)	(103)
Net cash provided by (used in) investing activities	(3,229)	(3,222)
Cash flows from financing activities		
Proceeds from long-term borrowings	10,000	–
Repayments of long-term borrowings	(17,063)	(2,000)
Purchase of treasury shares	(0)	(1)
Dividends paid	(2,443)	(2,727)
Net cash provided by (used in) financing activities	(9,508)	(4,728)
Effect of exchange rate change on cash and cash equivalents	1	2
Net increase (decrease) in cash and cash equivalents	(5,411)	4,267
Cash and cash equivalents at beginning of period	37,440	32,029
Cash and cash equivalents at end of period	32,029	36,296

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Estimates

Change in estimate of asset retirement obligations

In the current fiscal year, we changed our estimate regarding the asset retirement obligations that had been recorded for the restoration obligations associated with the Group's real estate lease contracts, as we obtained new information on the restoration costs required upon vacating the stores.

The increase of 1,127 million yen resulting from this change in estimate was added to the balance of asset retirement obligations before the change.

Segment Information

The Group does not provide segment information because it has only a single business segment, which is the Chinese food business.

Per-share Information

(Yen)

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net assets per share	3,337.95	3,646.82
Net income per share	330.50	420.46

Notes: 1. Diluted net income per share is not presented because there are no potentially dilutive shares.

2. The basis of calculating the net income per share is as follows:

	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	6,213	7,911
Profit not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to common shareholders of parent (Millions of yen)	6,213	7,911
Average number of common shares outstanding during the period (shares)	18,799,787	18,815,845

Subsequent Events

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.