



July 31, 2023

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2024 (FY3/24)
(Three Months Ended June 30, 2023)

[Japanese GAAP]

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 Stock code: 9936 URL: <https://www.ohsho.co.jp/english/>
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Scheduled date of filing of Quarterly Securities Report: August 14, 2023

Scheduled date of payment of dividend: –

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter (April 1, 2023 – June 30, 2023) of FY3/24

(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	%
Three months ended Jun. 30, 2023	24,623	8.9	2,415	10.5	2,517	(17.3)	2,135	14.0
Three months ended Jun. 30, 2022	22,617	11.9	2,185	28.1	3,044	(3.4)	1,872	(12.7)

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2023: 2,314 (up 13.0%)

Three months ended Jun. 30, 2022: 2,049 (down 8.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	113.54	–
Three months ended Jun. 30, 2022	99.69	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2023	85,330	63,674	74.6
As of Mar. 31, 2023	84,103	62,770	74.6

Reference: Equity (millions of yen)

As of Jun. 30, 2023: 63,674

As of Mar. 31, 2023: 62,770

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	–	60.00	–	75.00	135.00
Fiscal year ending Mar. 31, 2024	–	–	–	–	–
Fiscal year ending Mar. 31, 2024 (forecasts)	–	65.00	–	70.00	135.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	48,042	6.4	3,855	0.9	3,981	(18.0)	2,616	(14.9)	139.12
Full year	98,320	5.7	8,167	2.3	8,386	(8.2)	5,388	(13.3)	286.54

Note: Revisions to the most recently announced consolidated forecasts: None

*** 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) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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: None

4) Restatements: None

(4) Number of issued and outstanding shares (common shares)

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

As of Jun. 30, 2023:	23,286,230 shares	As of Mar. 31, 2023:	23,286,230 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	4,481,213 shares	As of Mar. 31, 2023:	4,481,183 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	18,805,032 shares	Three months ended Jun. 30, 2022:	18,787,874 shares
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*** The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.**

*** 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 5 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Summary of consolidated results of operations for the first three months of FY3/24 (April 1, 2023 to June 30, 2023)			
	Amount (millions of yen)	% to sales	Changes vs. First three months of FY3/23
Net sales	24,623	100.0%	Up 8.9%
Operating profit	2,415	9.8%	Up 10.5%
Ordinary profit	2,517	10.2%	Down 17.3%
Profit attributable to owners of parent	2,135	8.7%	Up 14.0%
- Achieved record high net sales for 1Q. - Achieved record high operating profit for 1Q.			

During the first three months of the fiscal year ending March 31, 2024 (the “period under review”), the Japanese economy saw a gradual recovery amid the ongoing normalization of socio-economic activities following the reclassification of COVID-19 to “Class 5” under the Infectious Disease Control Act. Meanwhile, the outlook remains uncertain, with rising prices and inflation worldwide and concerns about a downturn in the economy due to monetary tightening.

In the restaurant industry, we saw a marked recovery trend thanks to consumers’ increased appetite for eating out that had slumped due to the pandemic, as well as to the return of inbound demand. However, in addition to labor shortage, a significant spike in labor and food cost and energy prices is pushing up costs, forcing us to take urgent measures to address these issues, including passing them on to our prices.

Under such circumstances, the Group focused on further improvement of quality, service and cleanliness (QSC) and continued to implement aggressive sales promotion measures to fulfill our social mission to provide “comfortable dining space,” “heartwarming hospitality,” and “delicious foods” to our customers. Customer traffic continued to grow even after we revised our prices in May and November 2022, especially for in-store dining, and many customers continued to use our takeout and delivery services. We have achieved the record high monthly sales every month since February 2022, and in May 2023, net sales for a single month hit the record high since our establishment.

The following is an overview of our initiatives and achievements during the period under review. 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 QSC.

To further improve cooking techniques, we increased the maximum number of participants and the frequency of on-site cooking training sessions at the Ohsho Cooking Dojo (an in-house training program) to expand opportunities for participation in such training. In parallel, we continued to provide online-based cooking training sessions and renewed the cooking skill tests to help our cooking staff acquire culinary skills. We also dedicated our efforts to “cooking knowledge training program” under a tag line of “the science of good taste,” as well as “customer service training program” to provide comfortable dining space to our customers.

For sales promotion activities, we continued our “draft beer campaign” and ran the “Gyoza Club customer appreciation campaign for 2023,” which resulted in the acquisition of a record number of 1,094,000 Gyoza Club members. “Gyoza Club customer appreciation campaign for 2024” was initiated on June 23. The campaign prizes, which have been well-received each time, include 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 new product “Wasurerarenai Chukasoba (Chinese noodles that can be never forgotten),” and a “glowing wireless charger.”

The “Wasurerarenai Chukasoba,” initially sold in some areas of Kyoto Prefecture, was rolled out nationwide due to its popularity on April 1, now becoming a new hot-selling product, with total sales exceeding 1,235,000 bowls as of the end of June.

2) Restaurant opening strategy

During the period under review, we opened two directly operated stores: Ebina-Kamigo store in May 2023 and Kokudo-4go-Satte store in June 2023.

The Ebina-Kamigo store is a stand-alone roadside store with a parking lot in Ebina City, where large commercial facilities and housing complexes have been built and the population is growing rapidly. The store serves many customers from a wide area as well as the surrounding area, and is expected to further expand its trade area in the future as road plans and development of the adjustment area are enacted.

The Kokudo-4go-Satte store is located along the National Route 4, a major artery connecting the Kanto and Tohoku regions, and is the second roadside store featuring “Neo-Showa” style, an evolution of the nostalgic Showa-era design. The store is expected to attract customers from a wide area due to the synergistic effect of such a high-profile feature and the roadside location facing a highway.

In opening new stores, we strive to increase capital efficiency for investment by enhancing trade area analysis and location research in candidate areas for new store opening, as well as by assessing store types appropriate for the trade area and location and refining sales forecasts.

3) Franchise chain promotion strategy

Continuing from the previous fiscal year, we have promoted further improvement of the QSC of franchised stores by thoroughly putting in place “Ohsho standard” at franchised stores.

For cooking, we made efforts to stabilize and improve the quality of dishes by checking in detail whether the recipes and cooking methods were the same as those used in our directly operated stores. Particularly for the “Wasurerarenai Chukasoba,” our store advisors visited franchised stores to provide cooking guidance and ensure that the standard cooking method was thoroughly followed.

For hygiene management, we further strengthened hygiene management by having our franchised stores put in place hygiene management and store cleaning 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 at running campaigns at franchised stores consistently with at directly operated stores. Specifically, we enhanced in-store announcement of all-store campaigns.

As a result of these measures, sales of franchised stores remained strong, reaching an all-time high, and sales of products shipped from our factories to franchised stores during the period under review also reached a 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. To pursue our vision “to realize an enriched society without hunger,” we supplied “Bento for Kids” free of charge to “Kodomo Shokudo,” or Children’s Cafeteria, around the country during a spring break between March and April 2023, an ongoing initiative since 2021. Due to the prolonged pandemic and the rising cost of living, the number of facilities wishing to have lunch boxes increased at each turn. After the initiative, we heard many thankful comments from children and Kodomo Shokudo all over Japan. It was the sixth turn of this initiative. The cumulative number of lunch boxes we offered to children so far has reached as many as 399 thousand.

For our vision, “to co-prosper with all stakeholders,” we have implemented a record-high raise of average 22,000 yen per employee (pay raise by 7.0%) in revising the monthly payment for FY3/24, in addition to providing various training programs to employees, who are the starting point for realizing this goal. This is because we believe that improving the livelihood of our employees is what matters most to us at a time of soaring prices, and that it is a necessary human investment.

For the vision “to protect the global environment,” we have been working in compliance with the recommendations of the TCFD, an international organization that aims to disclose information on climate change, by formulating and implementing plans to reduce GHG emissions, as well as disclosing CO₂ emissions in our business activities (Scope 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, which was filed on June 28, 2023 (<https://ir.ohsho.co.jp/ir/library/securities.html>).

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 consecutively for seventeen months from February 2022 to June 2023 and net sales for the period under review increased 2,005 million yen or 8.9% year-on-year to the record high 24,623 million yen.

Operating profit increased 229 million yen or 10.5% year-on-year to the record high 2,415 million yen. This year-on-year increase is attributable to an increase in sales plus a lower cost of sales ratio from sales of high value-added products and curbed increases in water and utility costs, though partially offset by soaring raw material prices and higher unit prices for utilities.

Ordinary profit decreased 527 million yen or 17.3% year-on-year to 2,517 million yen, which was an increase of 219 million yen excluding the special factor of decreased subsidy income for reduced operating hours.

Profit attributable to owners of parent increased 262 million yen or 14.0% year-on-year to 2,135 million yen mainly due to the above reasons and recording of gain on sale of non-current assets.

Regarding the store network during the period under review, we opened two directly operated stores and one franchised store, converted one directly operated store to franchised store, and closed two directly operated stores and five franchised stores. The result was a total network of 541 directly operated stores and 187 franchised stores, totaling 728 stores at the end of the period under review.

(2) Explanation of Financial Position

Assets

The balance of total assets at the end of the period under review was 85,330 million yen, up 1,226 million yen or 1.5% from the end of the previous fiscal year. The main factors for the change are as follows.

Current assets increased 1,047 million yen or 2.9% to 36,916 million yen. This was mainly due to an increase in cash and deposits.

Non-current assets increased 179 million yen or 0.4% to 48,413 million yen. This was mainly due to an increase in investment securities due to higher market value.

Liabilities

The balance of total liabilities at the end of the period under review was 21,655 million yen, up 322 million yen or 1.5% from the end of the previous fiscal year. The main factors for the change are as follows.

Current liabilities increased 819 million yen or 6.5% to 13,444 million yen. The main reason was an increase in income taxes payable.

Non-current liabilities decreased 497 million yen or 5.7% to 8,211 million yen. The main reason was a decrease in long-term borrowings. The balance of borrowings at the end of the period under review was 8,500 million yen.

Net assets

Net assets at the end of the period under review increased 904 million yen or 1.4% to 63,674 million yen. This increase was mainly attributable to the recording of profit attributable to owners of parent of 2,135 million yen, while there was the dividend payment of 1,410 million yen. As a result, the equity ratio was 74.6%.

Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review amounted to 32,983 million yen, up 954 million yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities increased 1,920 million yen or 141.9% year-on-year to 3,273 million yen.

This was mainly due to a decrease in income taxes paid.

The main factors include profit before income taxes of 2,848 million yen and depreciation of 659 million yen, which were partially offset by income taxes paid of 222 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 245 million yen or 37.6% year-on-year to 408 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 796 million yen.

Cash flows from financing activities

Net cash used in financing activities decreased 2,763 million yen or 59.1% year-on-year to 1,910 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 500 million yen and dividends paid of 1,410 million yen.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

We maintain the first-half and full-year consolidated forecasts of the fiscal year ending March 31, 2024 released in “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023” dated May 15, 2023.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun 30, 2023)
Assets		
Current assets		
Cash and deposits	32,029	32,983
Accounts receivable-trade	2,516	2,266
Merchandise and finished goods	155	154
Raw materials	455	491
Other	715	1,022
Allowance for doubtful accounts	(1)	(1)
Total current assets	35,869	36,916
Non-current assets		
Property, plant and equipment		
Buildings and structures	57,036	57,154
Accumulated depreciation	(44,859)	(44,966)
Buildings and structures, net	12,176	12,188
Machinery, equipment and vehicles	7,134	7,129
Accumulated depreciation	(5,114)	(5,205)
Machinery, equipment and vehicles, net	2,019	1,923
Tools, furniture and fixtures	6,900	7,020
Accumulated depreciation	(5,224)	(5,319)
Tools, furniture and fixtures, net	1,675	1,700
Land	20,134	19,994
Construction in progress	122	192
Total property, plant and equipment	36,129	35,999
Intangible assets	197	181
Investments and other assets		
Investment securities	3,855	4,192
Guarantee deposits	4,510	4,580
Other	3,555	3,472
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	11,907	12,232
Total non-current assets	48,234	48,413
Total assets	84,103	85,330

	(Millions of yen)	
	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	2,525	2,531
Current portion of long-term borrowings	2,000	2,000
Income taxes payable	435	818
Provision for bonuses	995	516
Other	6,668	7,578
Total current liabilities	12,624	13,444
Non-current liabilities		
Long-term borrowings	7,000	6,500
Asset retirement obligations	866	869
Other	842	842
Total non-current liabilities	8,709	8,211
Total liabilities	21,333	21,655
Net assets		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,393	9,393
Retained earnings	56,630	56,624
Treasury shares	(10,629)	(10,629)
Total shareholders' equity	63,561	63,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,124	2,358
Revaluation reserve for land	(3,243)	(2,512)
Foreign currency translation adjustment	(4)	(4)
Remeasurements of defined benefit plans	332	278
Total accumulated other comprehensive income	(791)	119
Total net assets	62,770	63,674
Total liabilities and net assets	84,103	85,330

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statements of Income
(For the Three-month Period)**

	(Millions of yen)	
	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	22,617	24,623
Cost of sales	7,062	7,837
Gross profit	15,555	16,785
Selling, general and administrative expenses	13,369	14,369
Operating profit	2,185	2,415
Non-operating income		
Interest income	0	0
Dividend income	59	64
Franchise chain accession fee	26	29
Rental income from land and buildings	15	14
Subsidy income	752	–
Miscellaneous income	57	55
Total non-operating income	912	164
Non-operating expenses		
Interest expenses	9	7
Rental expenses	30	39
Miscellaneous losses	12	15
Total non-operating expenses	53	62
Ordinary profit	3,044	2,517
Extraordinary income		
Gain on sale of non-current assets	21	346
Total extraordinary income	21	346
Extraordinary losses		
Loss on retirement of non-current assets	7	15
Impairment losses	254	–
Total extraordinary losses	261	15
Profit before income taxes	2,804	2,848
Income taxes-current	889	703
Income taxes-deferred	41	9
Total income taxes	931	713
Profit	1,872	2,135
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,872	2,135

Quarterly Consolidated Statements of Comprehensive Income
(For the Three-month Period)

	(Millions of yen)	
	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	1,872	2,135
Other comprehensive income		
Valuation difference on available-for-sale securities	212	233
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	(37)	(54)
Total other comprehensive income	176	179
Comprehensive income	2,049	2,314
Comprehensive income attributable to:		
Owners of parent	2,049	2,314
Non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	2,804	2,848
Depreciation	636	659
Impairment losses	254	–
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Decrease (increase) in retirement benefit asset	(55)	(82)
Interest and dividend income	(60)	(64)
Interest expenses	9	7
Loss (gain) on sale of non-current assets	(21)	(346)
Loss on retirement of non-current assets	7	15
Decrease (increase) in trade receivables	298	250
Decrease (increase) in inventories	(53)	(35)
Increase (decrease) in trade payables	24	5
Increase (decrease) in accrued consumption taxes	390	114
Other, net	148	66
Subtotal	4,383	3,438
Interest and dividends received	60	64
Interest paid	(9)	(7)
Income taxes paid	(3,080)	(222)
Net cash provided by (used in) operating activities	1,353	3,273
Cash flows from investing activities		
Purchase of property, plant and equipment	(838)	(796)
Proceeds from sale of property, plant and equipment	210	504
Loan advances	(6)	(9)
Proceeds from collection of loans receivable	9	11
Payments of guarantee deposits	(8)	(92)
Other, net	(20)	(26)
Net cash provided by (used in) investing activities	(654)	(408)
Cash flows from financing activities		
Repayments of long-term borrowings	(3,358)	(500)
Purchase of treasury shares	–	(0)
Dividends paid	(1,315)	(1,410)
Net cash provided by (used in) financing activities	(4,673)	(1,910)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(3,974)	954
Cash and cash equivalents at beginning of period	37,440	32,029
Cash and cash equivalents at end of period	33,466	32,983

(4) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

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.