December 15, 2023

Consolidated Financial Results for the Fiscal Year Ended October 31, 2023 (Under Japanese GAAP)

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Listing: Tokyo Stock Exchange
Securities code: 9279
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Scheduled date of ordinary general meeting of shareholders: January 30, 2024
Scheduled date to file Securities Report: January 31, 2024
Scheduled date to commence dividend payments: January 31, 2024
Preparation of supplementary material on financial results: Yes (Japanese only)
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
October 31, 2023	22,982	35.1	2,352	49.7	2,424	(0.7)	1,597	3.8
October 31, 2022	17,015	26.3	1,571	67.9	2,442	39.7	1,538	42.9

Note: Comprehensive income Fiscal year ended October 31, 2023: ¥1,627 million [(2.3)%]
Fiscal year ended October 31, 2022: ¥1,665 million [51.4%]

	Basic earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
Fiscal year ended	Yen	Yen	%	%	%
October 31, 2023	80.11	79.95	26.2	21.6	10.2
October 31, 2022	77.23	77.01	32.2	26.9	9.2

Reference: Share of profit (loss) of entities accounted for using equity method
Fiscal year ended October 31, 2023: ¥- million
Fiscal year ended October 31, 2022: ¥- million

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. “Basic earnings per share” and “Diluted earnings per share” are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
October 31, 2023	12,527	6,772	54.0	339.33
October 31, 2022	9,905	5,432	54.8	272.62

Reference: Equity
As of October 31, 2023: ¥6,767 million
As of October 31, 2022: ¥5,432 million

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. "Net assets per share" are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
October 31, 2023	2,534	(2,956)	252	1,855
October 31, 2022	2,149	(1,808)	(315)	2,007

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend 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 October 31, 2022	–	12.00	–	15.00	27.00	268	17.5	5.6
Fiscal year ended October 31, 2023	–	15.00	–	9.00	–	329	20.6	5.4
Fiscal year ending October 31, 2024 (Forecast)	–	9.00	–	9.00	18.00		20.5	

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. The dividend per share at fiscal year-end for the fiscal year ended October 31, 2023 is stated after taking into account the effect of this share split. The dividend per share at fiscal year-end for the fiscal year ended October 31, 2023 not taking into account the share split is ¥18 per share, resulting in an annual dividend per share of ¥33.

3. Consolidated earnings forecasts for the fiscal year ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

(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
Six months ending April 30, 2024	13,300	24.0	1,310	28.2	1,330	26.4	880	21.2	44.12
Fiscal year ending October 31, 2024	27,600	20.1	2,700	14.8	2,740	13.0	1,750	9.6	87.75

*** Notes**

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

(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: Yes
   (iv) Restatement: None

   Note: For details, please refer to "3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements (Changes in accounting estimates)" on page 18 of the attached material.

(3) Number of issued shares (common shares)

   (i) Total number of issued shares at the end of the period (including treasury shares)

As of October 31, 2023	19,944,584 shares
As of October 31, 2022	19,925,490 shares

   (ii) Number of treasury shares at the end of the period

As of October 31, 2023	602 shares
As of October 31, 2022	440 shares

   (iii) Average number of shares outstanding during the period

Fiscal year ended October 31, 2023	19,937,673 shares
Fiscal year ended October 31, 2022	19,916,254 shares

   Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. "Total number of issued shares at the end of the period," "Number of treasury shares at the end of the period" and "Average number of shares outstanding during the period" are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
October 31, 2023	5,156	37.7	1,723	8.9	1,797	13.4	1,176	24.5
October 31, 2022	3,744	(59.4)	1,583	57.5	1,585	(5.5)	945	(14.9)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
October 31, 2023	59.02	58.89
October 31, 2022	47.45	47.31

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. "Basic earnings per share" and "Diluted earnings per share" are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
October 31, 2023	11,289	6,098	54.0	305.77
October 31, 2022	10,164	5,213	51.3	261.66

Reference: Equity
As of October 31, 2023: ¥6,098 million
As of October 31, 2022: ¥5,213 million

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. "Net assets per share" are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual results, etc. may differ substantially from these forecasts due to various factors. Please refer to "1. Overview of operating results, etc., (4) Future outlook" on page 7 of the attached material for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts.

Attached Material

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year ended October 31, 2023

During the fiscal year ended October 31, 2023, after being greatly affected by the spread of COVID-19 infections for over three years, the Japanese economy in terms of economic activities and lifestyles has been shifting to the post-Covid phase following the Japanese government lowering the status of COVID-19 under the Infectious Disease Control Law from “Class 2” to “Class 5,” on par with seasonal influenza, in May of this year.

In the Japanese economy, various restrictions have been lifted in response to COVID-19 being downgraded to a Category 5 infection, and the wearing of masks, which had been considered a measure to prevent infection, has been left to individual discretion, and various economic activities have begun to restore pre-Covid economic and living conditions. Personal consumption remains below pre-Covid levels, however, leaving scope for further expansion, and full-fledged post-Covid economic activity is required. Consumer spending in the travel, entertainment, and restaurant industries, in particular, which have been the most affected by COVID-19 over the past several years, have improved markedly with the shift to a post-Covid living environment. On the other hand, as for exports and imports, both exports and imports have exceeded their pre-Covid levels in terms of yen-based amounts due to the ongoing depreciation of the yen in the foreign exchange market. While exports remain weak in the semiconductor, electronics, and device-related manufacturing sectors, which have been on a downward trend due to adjustments in the semiconductor market, the automobiles and transportation machinery sectors are picking up as supply constraints have eased, and imports are in a situation where rising resource prices are causing import inflation. In this environment, wages are expected to increase over 3% under this year’s annual spring wage negotiations between employers and unions, marking the highest wage increase rate in 30 years since 1994, and the mindset among management has reached a point of accepting wage increases on the assumption of inflation. However, even with these wage increases, rising prices of crude oil and other imports in a weak yen environment could lead to a decline in real wages and pose a downside risk to consumer spending.

Under these circumstances, the preliminary gross domestic product (GDP) figure (real seasonally adjusted figure excluding the effects of price fluctuations) for the July-September period of 2023 announced by the Cabinet Office showed a 0.5% decrease from the previous quarter (2.1% annualized decrease), the first negative growth in three quarters, due in part to a slight slowing in consumer spending, which had been strong in the process of restoring lifestyles to pre-Covid levels. Amid negative growth, inbound (foreign visitors to Japan) consumption made a positive contribution to the preliminary GDP figure, with the number of foreign visitors to Japan recovering to 2.18 million in September, a level more than 90% of that in 2019, and the depreciation of the yen making Japanese prices less expensive for foreign visitors, leading to an increase in spending on travel and lodging. As a result, both overall and per capita spending by foreign visitors to Japan in the July-September period exceeded the pre-Covid levels of 2019. The current weak yen exchange rate environment is expected to lead to a further increase in the number of foreign visitors to Japan, as well as a significant increase in spending on travel and lodging due to higher unit prices for travel and longer stays, and with significant associated economic benefits expected. However, for Chinese visitors to Japan, who had accounted for more than 30% of foreign visitors in 2019, while the number of group tourists was expected to increase following the lifting of departure restrictions on the Chinese side in August of this year, due to the Chinese government’s complete ban on importing seafood from Japan due to the treated water issue that occurred at the Fukushima Daiichi Nuclear Power Plant, the number of visitors to Japan has still not reached the level of 2019.

Overseas, on the other hand, the prolonged military invasion of Ukraine by Russia that broke out in February last year has yet to be resolved, and the prices of energy resources remain high as a result of the economic sanctions imposed on Russia by the U.S. and Europe, which have resulted in a general ban on imports of Russian crude oil. Amid this situation, inflation is rising in the major economies and interest rates are being raised by US and European central banks in response, and the economic environment in those economies is somehow being maintained.

In the U.S., the preliminary GDP for the July-September period of 2023 announced by the U.S. Department of Commerce showed positive growth for the fifth consecutive quarter, growing 4.9% on an annualized basis from the previous quarter. Despite slowing personal consumption, which accounts for 70% of GDP, it remains strong with a 4.0% increase over the previous quarter, and service consumption, especially food and beverage, is returning to pre-pandemic levels. A further slowdown in economic activity is expected, however, as the impact of rising interest rates is felt more widely. The FRB remains wary of inflation, which is at a historically high level, and is required a careful decision about any concerns in the financial market, such as the failure of three regional banks in March of this year. Against this backdrop, at the Federal Open Market Committee (FOMC) meeting held in September of this year, it was decided to maintain the federal funds (FF) rate guidance target at 5.25% to 5.50%. Policy rate controls have also been actively put in place to control inflation, and the pace of interest rate hikes has also been gradually slowing down mainly due to the downward trend in the inflation rate.

In China, the preliminary GDP for the July-September period of 2023 announced by the National Bureau of Statistics of China showed 4.9% year-on-year growth on a real annualized basis adjusted for price changes. The end of the Zero-Covid policy implemented earlier this year to contain new COVID-19 infections led to a pickup in consumption of services such as dining out, entertainment, and tourism, but this was followed by a sharp economic slowdown in the middle of the year. The sharp slowdown in the economy can be attributed to stagnant consumer spending and a deteriorating real estate market, but economic growth slowed amid the Chinese government's emphasis on avoiding expansion of central and local government debt and its reluctance to undertake large-scale fiscal expansion.

In this economic environment, the restaurant industry, to which the Group belongs, has been severely hit by COVID-19 for more than three years, however, service consumption such as travel, lodging, and food and beverage is steadily recovering as people's lives are definitely changing to a post-Covid lifestyle, including signs of recovery in alcoholic beverage serving businesses such as pub taverns and bars, which were most affected by the pandemic. In particular, excess savings built-up during the spread COVID-19 tend to be directed toward consumption in the face-to-face service sector, including the travel and restaurant industries. In addition, the number of foreign visitors to Japan has been recovering rapidly due to the government's removal of immigration restrictions that had been in place during the pandemic, and further expansion of inbound demand is expected going forward, and given the current trend of the depreciation of the yen is continuing, a situation is emerging which offers a great business opportunity. At the same time, the current employment situation has created a severe labor crunch, and in face-to-face service industries, especially in the restaurant industry, wage increases have become inevitable in order to resolve the labor shortage.

In this business environment surrounding the restaurant industry, the Group has maintained its management stance of continuing to pursue business expansion despite the restrictive business environment of the COVID-19 pandemic for more than three years. During the pandemic, the Group has taken prompt action in response to various measures issued by the government and local governments to combat the spread of infections, and it has also worked to grow business to keep opening new stores without slowing down, even as other restaurants have withdrawn from the market. In particular, the opening of a ramen complex facility in the Yaesu underground shopping mall of Tokyo Station last June, featuring seven different brands of ramen stores, was an indication of the Group's willingness for business growth during the pandemic, and the significant sales growth achieved by all seven stores in this facility this year has demonstrated the success of the priority investment strategy implemented last year. In addition, the Group, led by the product development team, is constantly enhancing its brand development capabilities, which have led to the successful opening of multiple stores in the facility. We will continue to create a large number of competitive brands and open new stores in multiple brands in developing area for new stores. In addition, we have been ahead of our competitors in responding to new customer needs for take-out and food delivery during the pandemic, and in addition we have established a supply system that can meet the demand for food served outside of our stores by enhancing our e-commerce site and other measures. Whether the business environment is during the pandemic or post-Covid, the Group has been steadily expanding business and will continue to maintain its growth trajectory by constantly developing the next business and brand, not only for competitive business and brands such as "Machida Shoten" (EAK ramen brand) and "BUTAYAMA" (wild pork mountain ramen brand). In the midst of advancing these various initiatives to expand our business, due to soaring crude oil prices and price hikes in procured food ingredients, etc. in the current fiscal year, we have to reconsider the prices of products offered at Company-owned stores, and we passed minimized cost onto customers (part of price increase) to our customers. The impact of these price hikes produced good results more favorable than expected, with an increase in the number of customers visiting existing stores compared to pre-Covid 2019 levels, even in the current situation of aggressive new store openings.

In addition, from the viewpoint of BCP, we have been strategically reviewing our production system, including production location and items produced, for the supply system for the Group's Company-owned stores and produced stores since last year, and we established a new noodle factory in Kamisu City, Ibaraki Prefecture in the current fiscal year, which will start production in the following fiscal year. As a result, we have established a six-factory system in Japan, including four noodle factories, one chasiu factory, and one soup factory. The Group has been making significant improvements in the efficiency, cost and lead time in logistics from an SCM perspective, and by the previous year had deployed distribution centers in the Kanto, Chukyo, and Kansai regions. In addition, through the continuous review of our production and logistics systems, including the opening of a new distribution center for Kitakanto and Tohoku regions in April of this year, we have been able to establish an efficient logistics support system for Company-owned and produced stores.

As described above, the Group, which has steadily built up expertise on how to respond to COVID-19 while strengthening its capabilities as a Group, including production and distribution systems, has been able to secure employment for its employees, aggressively open new stores, and conduct other business activities that set it apart from other food service providers in today's post-Covid business environment following the lifting of restrictions. As a result, the Group has secured robust results. During the fiscal year ended October 31, 2023, the Group has been able to expand sales by increasing the number of both Company-owned and produced stores in Japan.

As a result of the above, net sales was ¥22,982,625 thousand (up 35.1% year-on-year), operating profit was ¥2,352,549 thousand (up 49.7% year-on-year), ordinary profit was ¥2,424,467 thousand (down 0.7% year-on-year), while profit attributable to owners of parent reached ¥1,597,595 thousand (up 3.8% year-on-year).

Since the Group has a single-segment business, the business overview by segment for the fiscal year ended October 31, 2023 is presented by business division as follows.

Company-owned store business division

In the Company-owned domestic store business division, the Group continued to aggressively open new stores throughout the fiscal year ended October 31, 2023, opening 27 new Company-owned stores, for a net increase of 26 stores. During the period, we achieved a good balance in store openings, with 14 new Company-owned stores for our main brand "Machida Shoten," EAK ramen brand, and 13 stores under brands other than "Machida Shoten."

During the fiscal year ended October 31, 2023, we accelerated the opening of "Machida Shoten" in the Chubu region, opening five new stores (four roadside stores and one store near a train station). The four roadside stores were opened in Moriyama Ward, Nagoya City; Nagakute City, Aichi Prefecture; Tajimi City, Gifu Prefecture; and Yokkaichi City, Mie Prefecture; the store opened near a station was in Sakae, Naka Ward, Nagoya City. We opened seven new stores in the Tokyo metropolitan area (three roadside stores and four stores near train stations), the largest in number during the current fiscal year. Roadside stores were opened in Nishioizumi, Nerima Ward in northern Tokyo, Kawagoe City, Saitama Prefecture, and Narashino City, Chiba Prefecture, where we are promoting the dominant strategy. Four new stores have also been opened near train stations, at Gyotoku Station, Omori Station, Osaki Station, and Sangen-jaya Station. Furthermore, we have opened two new stores in the Tohoku region, including the Group's most northern roadside store in Japan in Morioka City, Iwate Prefecture, and our second roadside store in Fukushima City, Fukushima Prefecture.

For our wild pork mountain ramen brand "BUTAYAMA," our second brand after "Machida Shoten," the Group opened seven new stores during the fiscal year ended October 31, 2023. The seven new stores are well-balanced, with three in the Tokyo metropolitan area, two in the Chubu area, and one each in the Kansai and Tohoku areas, allowing us to aggressively open new stores not only in the Tokyo metropolitan area, where "BUTAYAMA" has been strong, but also in other new areas, as well as promoting strategic store openings to gauge the growth potential of "BUTAYAMA" as a next brand following "Machida Shoten," such as by opening roadside stores. In the Chubu region, we opened two new stores, one in Sakae, Nagoya's downtown area, where we also opened a Machida Shoten, and the other in Osu, a nearby district. In the Kansai region, we opened our second Kansai store after Minamisenba, at Juso Station, a terminal station where the Kobe Main Line, Takarazuka Main Line, and Kyoto Main Line converge. In the Tohoku region, we opened a new store near Sendai Station, which boasts the largest number of passengers in the Tohoku region. In the short time since the opening, it has already become a successful store, and this has led to high expectations for further increases in the number of stores in the area.

Furthermore, during the fiscal year ended October 31, 2023, the Group opened four new stores in areas with different location characteristics in order to measure the business strength of “GANSO ABURADO,” soupless ramen brand that is subject to relatively fewer restrictions on restaurant infrastructure when opening new stores. By opening stores in areas near stations with different location characteristics, such as Akasaka Station in a busy downtown area, Tsunashima Station in a residential area, Kawaguchi Station in a sleeper town near the city center, and Kitasenju Station, which has seen recent urban development, we have further amassed marketing data such as business characteristics and refined our business strength as the third brand in our group following “Machida Shoten” and “BUTAYAMA.”

The Group, led by the product development division, has been actively working on various themes for the development of new products and new brands. In the previous fiscal year, we developed “ITOI” miso ramen brand and celebrated its opening in Tokyo Ramen Yokocho. In addition to “ITOI,” the Group has developed and launched several new business and brands over the past few years, including the aforementioned wild pork mountain ramen brand “BUTAYAMA,” soupless ramen brand “GANSO ABURADO,” and the Chinese ramen brand “NAGAOKA SHOKUDO,” all of which have received a certain degree of recognition, and we are confident that the Group possesses sufficient brand development capabilities. Going forward, we will continue to focus on developing new brands with great potential.

In the Company-owned foreign store business division, we have opened two street stores in New York State, U.S., to date, and opened our third New York store in November 2022 in a food court in Pennsylvania Station. The store is located in Pennsylvania Station, the busiest train station in the U.S., with a 20,000-seat sports arena and a 5,000-seat theater, and is a high-footfall site located near Madison Square Garden, where professional basketball and ice hockey games are held, and despite operating in a food court, the restaurant has achieved a situation where it can secure sales that surpass those of the two existing New York street stores.

As a result of the above, the number of the Group’s Company-owned stores at the end of the current fiscal year totaled 197, including 188 stores (185 in Japan and three overseas) and nine outsourced stores. Net sales of the Company-owned store business division totaled ¥19,207,025 thousand.

Produced store business division

In the domestic produced store business division, we continued to open new stores in areas where we have already opened stores, making detailed adjustments between produced stores and Company-owned stores in accordance with rules for opening stores based on estimates of potential demand in the trade area. In areas where we have not yet opened stores, we have been vigorously seeking new owners in areas where we do not plan to open Company-owned stores. Existing produced stores experienced a decline in the number of customers and sales for the past several years amid the spread of COVID-19, but showed signs of recovery during the fiscal year ended October 31, 2023. This is the result of our active support rooted in our successful expertise involving sales promotion activities for Company-owned, including responding to take-out needs and uncovering home delivery needs, as we have done with our Company-owned stores. There has also been an increase in the number of situations where owners of existing produced stores are considering to expand using new brands we developed. In addition to the existing produced business centering on the EAK ramen brand, we have started a franchise business under our brand name. Thus, in the produced store business division, we have been making various preparations to enhance our business lineup and make it possible to develop proposals with higher added value.

In the foreign produced store business division, we have been considering areas in which to open new stores while confirming existing owners’ willingness to open new stores, and we have been supporting the opening of new stores even amid the spread of COVID-19, and in November last year, we opened a new produced store in Vietnam. On the other hand, an existing owner in Taiwan experienced a chain reaction bankruptcy following the bankruptcy of its parent company, resulting in the closure of five produced stores. In addition, from the current fiscal year the Group has begun full-scale development of the franchise business under the “Machida Shoten” name, and following the opening of our first franchise store in Thailand in January of this year, we have steadily expanded our business in the Southeast Asia region, including opening our first franchise store in Vietnam in July of this year. Since the franchise business has made such a successful start and franchise agreements are being concluded with franchisees in various countries, we will be conducting vigorous sales activities to develop the “Machida Shoten” and “BUTAYAMA” brands as franchise businesses in regions including the U.S. and Southeast Asia.

As a result, the number of the Group’s produced stores increased by a net of 37 during the fiscal year ended October 31, 2023, resulting in a total of 548 stores (525 produced stores in Japan and 13 stores overseas, and seven franchise stores in Japan and three stores overseas). Net sales of the produced store business division totaled ¥3,775,599 thousand.

(2) Overview of financial position for the fiscal year ended October 31, 2023

Assets

Total assets as of October 31, 2023 increased by ¥2,622,336 thousand from the end of the previous fiscal year to ¥12,527,470 thousand. This was mainly due to a ¥1,250,699 thousand increase in property, plant and equipment, including buildings and structures, a ¥400,643 thousand increase in leasehold and guarantee deposits, and a ¥229,802 thousand increase in long-term loans receivable as a result of capital expenditures for new opened Company-owned stores and other investments.

Liabilities

Liabilities as of October 31, 2023 increased by ¥1,282,349 thousand from the end of the previous fiscal year to ¥5,755,422 thousand. This was mainly due to increases of ¥445,811 thousand in accounts payable-other due to the timing of store openings, ¥204,174 thousand in other, including accrued consumption taxes, under current liabilities and ¥567,125 thousand in long-term borrowings (including current portion), despite a decrease of ¥158,835 thousand in income taxes payable.

Net assets

Net assets as of October 31, 2023 increased by ¥1,339,986 thousand from the end of the previous fiscal year to ¥6,772,048 thousand, resulting in an equity-to-asset ratio of 54.0%. This was mainly due to an increase in retained earnings due to the posting of ¥1,597,276 thousand in profit attributable to owners of parent.

(3) Overview of cash flows for the fiscal year ended October 31, 2023

Cash and cash equivalents (“cash”) at the end of the current fiscal year amounted to ¥1,855,272 thousand, a decrease of ¥152,071 thousand from the end of the previous fiscal year. The status of each cash flow and their factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities in the current fiscal year was ¥2,534,377 thousand (up 17.9% from the same period of the previous fiscal year). This was mainly due to recording profit before income taxes of ¥2,291,346 thousand, and non-cash expenses such as depreciation of ¥617,833 thousand and impairment losses of ¥131,214 thousand, while income taxes paid totaled ¥855,043 thousand.

Cash flows from investing activities

Net cash used in investing activities during the current fiscal year amounted to ¥2,956,174 thousand (up 63.5% from the same period of the previous fiscal year). This was mainly due to expenditures related to the opening of new Company-owned stores, which consisted of ¥1,608,693 thousand for the purchase of property, plant and equipment and ¥399,909 thousand for payments of leasehold and guarantee deposits, and expenditures of ¥441,141 thousand for loan advances.

Cash flows from financing activities

Net cash provided by financing activities in the current fiscal year was ¥252,506 thousand (compared to expenditures of ¥315,506 thousand in the same period of the previous fiscal year). This was mainly due to proceeds from long-term borrowings of ¥1,210,000 thousand, while there were repayments of long-term borrowings of ¥642,875 thousand, dividends paid of ¥301,430 thousand, and a net decrease in short-term borrowings of ¥17,863 thousand.

(4) Future outlook

As for the future outlook, as the transition to the post-Covid period progresses, a recovery in consumer spending as main revenge-demand, and a recovery in inbound demand due to the weaker yen, are expected to continue. On the other hand, there are concerns that the tension of geopolitical war in the world will accelerate global inflation, and depending on the direction of the Bank of Japan's monetary policy, the yen will continue to depreciate, causing food ingredient prices and resource prices to remain high.

We believe that the restaurant industry will continue to face difficult conditions, such as competition for talented people due to labor shortages and rising labor cost.

In this environment, the Group will work to maintain and improve QSCA (Quality, Service, Cleanliness, and Atmosphere) in each brand, strive to operate stores so that we can provide a bowl of ramen that customer can be satisfied no matter when and where customers visit our stores, and at the same time, we will strive to improve quality by strengthening our purchasing, manufacturing, and logistics systems, and to provide a stable supply of products at reasonable prices through cost control.

In order to achieve the goal of "1,000 stores in Japan" medium-term plan, we will continue to focus on securing and retaining human resources and acquiring properties in order to further strengthen our store-opening system, promote the expansion of existing businesses and the development and deployment of new brands. For overseas business, we will also work to build a structure with an eye toward expanding the number of stores over the medium term, based on our expertise in creating successful stores in Japan.

We will also work to promote digital transformation (DX) utilizing new digital technologies, aiming to improve convenience for customers and save labor in operations.

Based on the management policy above, and comprehensively taking into account the state of the Japanese economy, the environment surrounding the restaurant industry, and other factors, consolidated financial forecasts for the fiscal year ending October 31, 2024 are as follows, assuming existing store sales of Company-owned stores in Japan will be 105.0% versus the fiscal year ended October 31, 2023, and plans call for opening 41 stores in the Company-owned store business division (net increase of 39 stores) and net increase of 48 stores in the produced store business division.

	Results for the fiscal year ended October 31, 2023	Forecasts for fiscal year ending October 31, 2024	Year-on-year change
	Millions of yen	Millions of yen	%
Net sales	22,982	27,600	20.1
Operating profit	2,352	2,700	14.8
Ordinary profit	2,424	2,740	13.0
Profit attributable to owners of parent	1,597	1,750	9.6

In addition, the above forecasts have been prepared based on information available as of the date of publication of this material, and actual results may differ from the forecasts due to various factors in the future.

2. Basic policy regarding selection of accounting standards

The Group's policy for the time being is to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability of consolidated financial statements between periods and between companies.

Regarding the application of IFRS (International Financial Reporting Standards), the Company's policy is to respond appropriately taking into consideration its shareholder composition and the trends of other domestic peer companies.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	2,007,344	2,220,324
Accounts receivable - trade	405,756	547,470
Merchandise and finished goods	134,945	277,669
Raw materials and supplies	85,931	90,424
Current portion of long-term loans receivable	–	130,055
Other	392,658	286,675
Allowance for doubtful accounts	–	(113)
Total current assets	3,026,635	3,552,505
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,687,326	5,966,831
Accumulated depreciation	(1,170,522)	(1,518,318)
Buildings and structures, net	3,516,804	4,448,513
Machinery, equipment and vehicles	1,066,084	1,326,052
Accumulated depreciation	(389,512)	(518,167)
Machinery, equipment and vehicles, net	676,572	807,885
Tools, furniture and fixtures	586,079	658,981
Accumulated depreciation	(345,294)	(406,608)
Tools, furniture and fixtures, net	240,785	252,372
Land	141,782	141,782
Construction in progress	180,624	356,714
Other	11,021	11,021
Accumulated depreciation	(11,021)	(11,021)
Other, net	0	–
Total property, plant and equipment	4,756,569	6,007,268
Intangible assets		
Goodwill	103,939	198,937
Other	18,473	72,332
Total intangible assets	122,412	271,269
Investments and other assets		
Long-term loans receivable	415,535	645,337
Deferred tax assets	326,820	366,287
Leasehold and guarantee deposits	1,027,083	1,427,726
Other	230,077	257,074
Total investments and other assets	1,999,516	2,696,426
Total non-current assets	6,878,498	8,974,964
Total assets	9,905,133	12,527,470

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	544,863	697,890
Short-term borrowings	42,341	25,216
Current portion of long-term borrowings	512,375	699,876
Accounts payable - other	344,972	790,784
Income taxes payable	526,749	367,914
Contract liabilities	93,357	87,627
Provision for bonuses	121,626	150,478
Provision for shareholder benefit program	6,546	8,464
Other	745,164	949,339
Total current liabilities	2,937,997	3,777,592
Non-current liabilities		
Long-term borrowings	1,195,284	1,574,908
Asset retirement obligations	334,796	400,956
Other	4,993	1,965
Total non-current liabilities	1,535,074	1,977,829
Total liabilities	4,473,072	5,755,422
Net assets		
Shareholders’ equity		
Share capital	793,525	797,304
Capital surplus	1,045,652	1,049,431
Retained earnings	3,463,329	4,761,588
Treasury shares	(466)	(829)
Total shareholders’ equity	5,302,040	6,607,494
Accumulated other comprehensive income		
Foreign currency translation adjustment	130,020	160,019
Total accumulated other comprehensive income	130,020	160,019
Non-controlling interests	–	4,534
Total net assets	5,432,061	6,772,048
Total liabilities and net assets	9,905,133	12,527,470

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Net sales	17,015,009	22,982,625
Cost of sales	5,176,005	7,409,890
Gross profit	11,839,004	15,572,734
Selling, general and administrative expenses	10,267,515	13,220,185
Operating profit	1,571,488	2,352,549
Non-operating income		
Interest income	10,910	40,884
Commission income	1,663	–
Foreign exchange gains	3,165	–
Subsidy income	847,254	2,492
Compensation income	–	7,507
Other	12,716	29,070
Total non-operating income	875,709	79,954
Non-operating expenses		
Interest expenses	3,768	4,083
Foreign exchange losses	–	546
Other	652	3,406
Total non-operating expenses	4,420	8,036
Ordinary profit	2,442,777	2,424,467
Extraordinary income		
Gain on sale of non-current assets	1,100	23,802
Insurance claim income	16,774	11,381
Total extraordinary income	17,874	35,183
Extraordinary losses		
Loss on retirement of non-current assets	27,219	36,063
Impairment losses	204,420	131,214
Other	14,667	1,026
Total extraordinary losses	246,307	168,304
Profit before income taxes	2,214,344	2,291,346
Income taxes - current	740,147	709,891
Income taxes - deferred	(64,034)	(16,140)
Total income taxes	676,112	693,750
Profit	1,538,232	1,597,595
Profit attributable to non-controlling interests	–	319
Profit attributable to owners of parent	1,538,232	1,597,276

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Profit	1,538,232	1,597,595
Other comprehensive income		
Foreign currency translation adjustment	127,172	30,235
Total other comprehensive income	127,172	30,235
Comprehensive income	1,665,404	1,627,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,665,404	1,627,275
Comprehensive income attributable to non-controlling interests	–	556

(3) Consolidated statement of changes in equity

Previous fiscal year (from November 1, 2021 to October 31, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	790,287	1,042,415	2,281,161	(324)	4,113,540	2,847	2,847	4,116,387
Cumulative effects of changes in accounting policies			(37,475)		(37,475)			(37,475)
Restated balance	790,287	1,042,415	2,243,686	(324)	4,076,065	2,847	2,847	4,078,912
Changes during period								
Issuance of new shares - exercise of share acquisition rights	489	489			979			979
Issuance of new shares-Restricted Stock	2,747	2,747			5,495			5,495
Dividends of surplus			(318,588)		(318,588)			(318,588)
Profit attributable to owners of parent			1,538,232		1,538,232			1,538,232
Purchase of treasury shares				(141)	(141)			(141)
Net changes in items other than shareholders' equity						127,172	127,172	127,172
Total changes during period	3,237	3,237	1,219,643	(141)	1,225,975	127,172	127,172	1,353,148
Balance at end of period	793,525	1,045,652	3,463,329	(466)	5,302,040	130,020	130,020	5,432,061

Current fiscal year (from November 1, 2022 to October 31, 2023)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	793,525	1,045,652	3,463,329	(466)	5,302,040	130,020	130,020	–	5,432,061
Changes during period									
Issuance of new shares - exercise of share acquisition rights	530	530			1,060				1,060
Issuance of new shares-Restricted Stock	3,248	3,248			6,497				6,497
Dividends of surplus			(299,018)		(299,018)				(299,018)
Profit attributable to owners of parent			1,597,276		1,597,276				1,597,276
Purchase of treasury shares				(363)	(363)				(363)
Net changes in items other than shareholders' equity						29,998	29,998	4,534	34,532
Total changes during period	3,779	3,779	1,298,258	(363)	1,305,453	29,998	29,998	4,534	1,339,986
Balance at end of period	797,304	1,049,431	4,761,588	(829)	6,607,494	160,019	160,019	4,534	6,772,048

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,214,344	2,291,346
Depreciation	469,127	617,833
Impairment losses	204,420	131,214
Amortization of goodwill	20,787	32,510
Increase (decrease) in provision for point card certificates	(5,965)	–
Increase (decrease) in allowance for doubtful accounts	(562)	113
Interest and dividend income	(10,910)	(40,884)
Interest expenses	3,768	4,083
Subsidy income	(847,254)	(2,492)
Insurance claim income	(16,774)	(11,381)
Loss (gain) on sale of non-current assets	(1,100)	(23,802)
Loss on retirement of non-current assets	27,219	36,063
Decrease (increase) in trade receivables	(142,620)	(141,376)
Decrease (increase) in inventories	(120,071)	(146,654)
Increase (decrease) in trade payables	148,363	151,319
Increase (decrease) in accounts payable - other	8,789	117,817
Increase (decrease) in provision for bonuses	18,190	28,852
Increase (decrease) in contract liabilities	93,357	(3,459)
Other, net	(61,118)	297,693
Subtotal	2,001,993	3,338,797
Interest and dividends received	10,910	40,884
Interest paid	(3,757)	(4,134)
Income taxes paid	(658,295)	(855,043)
Proceeds from subsidy income	782,268	2,492
Proceeds from insurance income	16,774	11,381
Net cash provided by (used in) operating activities	2,149,892	2,534,377
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,514,674)	(1,608,693)
Proceeds from sale of property, plant and equipment	1,100	25,014
Payments into time deposits	–	(356,842)
Loan advances	(36,861)	(441,141)
Proceeds from collection of loans receivable	21,422	103,964
Payments of leasehold and guarantee deposits	(196,543)	(399,909)
Proceeds from refund of leasehold and guarantee deposits	2,045	5,878
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(77,634)
Other, net	(84,872)	(206,810)
Net cash provided by (used in) investing activities	(1,808,383)	(2,956,174)

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	42,341	(17,863)
Proceeds from long-term borrowings	550,000	1,210,000
Repayments of long-term borrowings	(592,341)	(642,875)
Proceeds from share issuance to non-controlling shareholders	–	3,978
Proceeds from issuance of shares resulting from exercise of share acquisition rights	979	1,060
Dividends paid	(316,343)	(301,430)
Other, net	(141)	(363)
Net cash provided by (used in) financing activities	(315,506)	252,506
Effect of exchange rate change on cash and cash equivalents	109,850	17,218
Net increase (decrease) in cash and cash equivalents	135,852	(152,071)
Cash and cash equivalents at beginning of period	1,871,492	2,007,344
Cash and cash equivalents at end of period	2,007,344	1,855,272

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting estimates

Due to the decision made in the current fiscal year to relocate the head office, the useful lives of fixed assets not expected to be used after the relocation have been shortened and changed going forward. In addition, the Company has obtained new information on asset retirement obligations related to restoration costs associated with the Company's real estate lease contracts, and changed the estimated amounts so that the asset retirement obligations will be fully expensed by the scheduled relocation date.

As a result of this change in estimate, operating profit, ordinary profit, and profit before income taxes for the fiscal year ended October 31, 2023 decreased by ¥21,360 thousand, respectively, compared with the previous method.

Segment information

[Segment information]

The Group operates in a single segment of the food and beverage business, so information has been omitted.

[Related information]

Previous fiscal year (from November 1, 2021 to October 31, 2022)

1. Information for each product or service

(Thousands of yen)

	Company-owned store business division	Produced store business division	Total
Revenues from external customers	14,139,504	2,875,505	17,015,009

2. Information for each region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about major customers

Of sales to external customers, there are no customers that account for more than 10% of net sales in the consolidated statements of income, so this information is not listed.

Current fiscal year (November 1, 2022 to October 31, 2023)

1. Information for each product or service

(Thousands of yen)

	Company-owned store business division	Produced store business division	Total
Net sales to external customers	19,207,025	3,775,599	22,982,625

2. Information for each region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about major customers

Of sales to external customers, there are no customers that account for more than 10% of net sales in the consolidated statements of income, so this information is not listed.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Previous fiscal year (from November 1, 2021 to October 31, 2022)

The Group operates in a single segment of the food and beverage business, so information has been omitted.

Current fiscal year (from November 1, 2022 to October 31, 2023)

The Group operates in a single segment of the food and beverage business, so information has been omitted.

[Amortization and unamortized balance of goodwill for each reportable segment]

Previous fiscal year (from November 1, 2021 to October 31, 2022)

(Thousands of yen)

	Food and beverages business	Total
Amortization for the current fiscal year	20,787	20,787
Balance at end of period	103,939	103,939

Current fiscal year (from November 1, 2022 to October 31, 2023)

(Thousands of yen)

	Food and beverages business	Total
Amortization for the current fiscal year	32,510	32,510
Balance at end of the current period	198,937	198,937

[Information about gain on bargain purchase for each reportable segment]

Previous fiscal year (from November 1, 2021 to October 31, 2022)

Not applicable.

Current fiscal year (from November 1, 2022 to October 31, 2023)

Not applicable.

Per share information

(Yen)

	Previous fiscal year (from November 1, 2021 to October 31, 2022)	Current fiscal year (from November 1, 2022 to October 31, 2023)
Net assets per share	272.62	339.33
Basic earnings per share	77.23	80.11
Diluted earnings per share	77.01	79.95

(Notes) 1. On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. “Net assets per share,” “Basic earnings per share,” and “Diluted earnings per share” are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

2. The basis for calculating basic earnings per share and diluted earnings per share is as follows:

	Previous fiscal year (from November 1, 2021 to October 31, 2022)	Current fiscal year (from November 1, 2022 to October 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	1,538,232	1,597,276
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent pertaining to common shares	1,538,232	1,597,276
Average number of outstanding common shares during the period (Shares)	19,916,254	19,937,673
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Thousands of yen)	–	–
Number of common shares increased (Shares)	57,420	41,260
Outline of dilutive shares that are not included in the calculation of diluted earnings per share due to a lack of dilutive effect	–	–

Significant subsequent events

Not applicable.