



## FY2017 Results Briefing

(Year ending 31 March 2018)

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May 10, 2018

## ■ FY 2017 Results

- Overview
- Revenue by Segment
- Profit by Segment
- Same Store Sales
- Balance Sheet
- Cash Flow
- Number of Stores
- Other Topics

## ■ FY 2018 Forecast

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- Revenue by Segment
- Profit by Segment
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- Strategy and Areas of Focus

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  - **Core Competences**

# FY2017 Results



USA San Francisco  
IPPUDO SF Yerba Buena  
Jan 28, 2018 OPENED

# Consolidated P/L Highlights



(millions of Yen)

	Last Year Results	Current Year Results	Forecast		VS Previous FY	VS Original Forecast	VS Revised Forecast
			Original May 12, 2017	Revised Nov 9, 2017	Increase (%)	Percentile (%)	Percentile (%)
Revenue	22,430	24,451	25,126	24,508	+9.0%	97.3%	99.8%
Gross Margin	15,760	17,362	-	-	+10.2%	-	-
SG&A Expenses	15,151	16,456	-	-	+8.6%	-	-
Operating Income	609	905	830	920	+48.7%	109.1%	98.4%
Ordinary Income	539	872	800	930	+61.6%	109.0%	93.7%
Pre-tax Income	530	755	-	-	+42.5%	-	-
Profit attributable to owners of parent	271	634	465	610	+33.8%	136.5%	103.9%

## ◆ Domestic Operations

- Opened new stores as scheduled.
- The same-store sales (SSS) showing signs of recovery
- Increase of 2.8% compared to the last year.

## ◆ International Operations

- Opened new stores mostly as scheduled except the West Coast of USA.
- SSS exceeds the forecast driven by the strong performance in Europe among other areas.
- Significant increase of 28.7% compared to the previous year.



# Revenue by Segment Compared to the Forecast

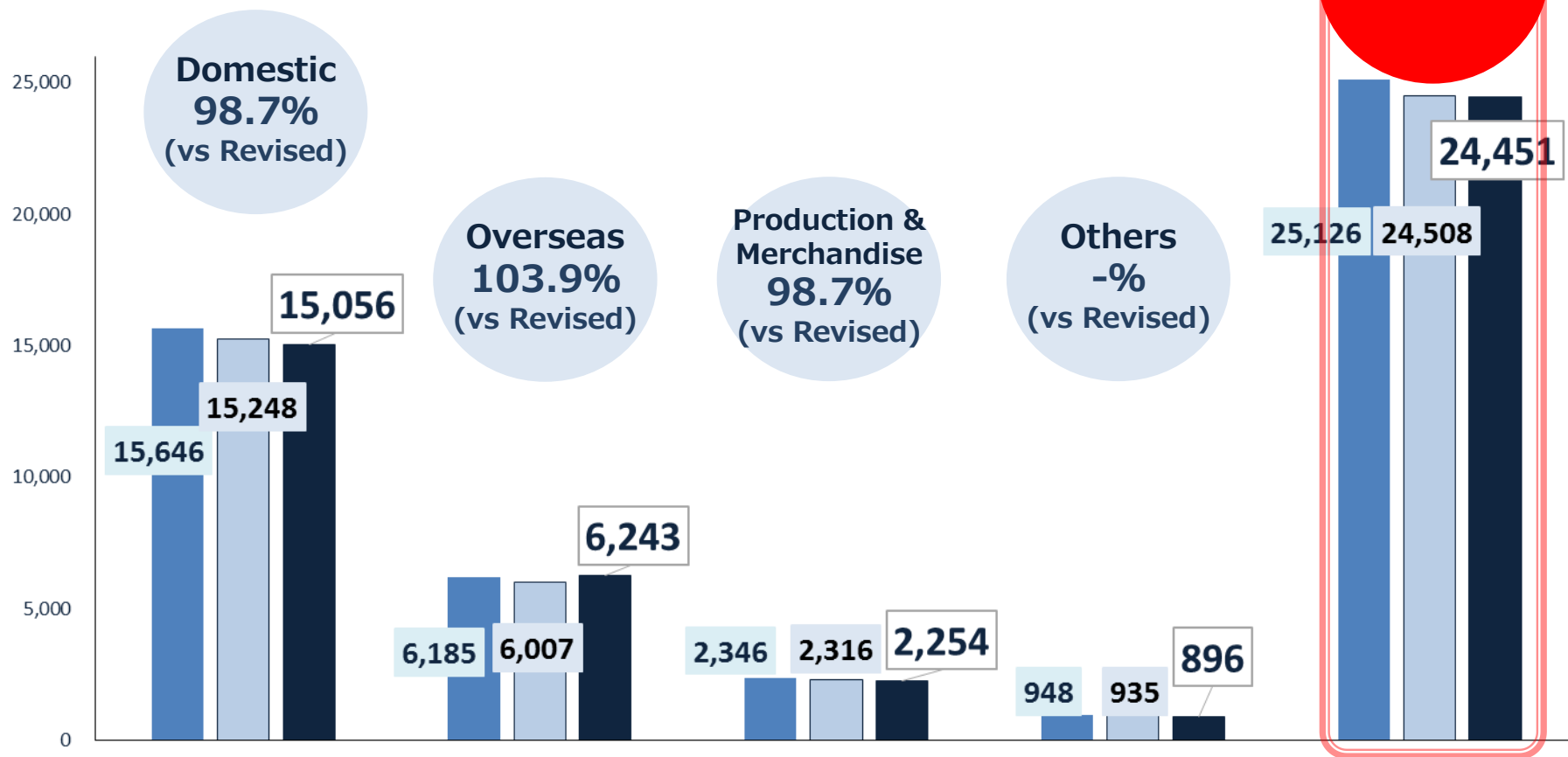


(millions of Yen)

■ Original Forecast

■ Revised Forecast (Nov 9)

■ Actual



**International growth contributes to achieving the revenue target**

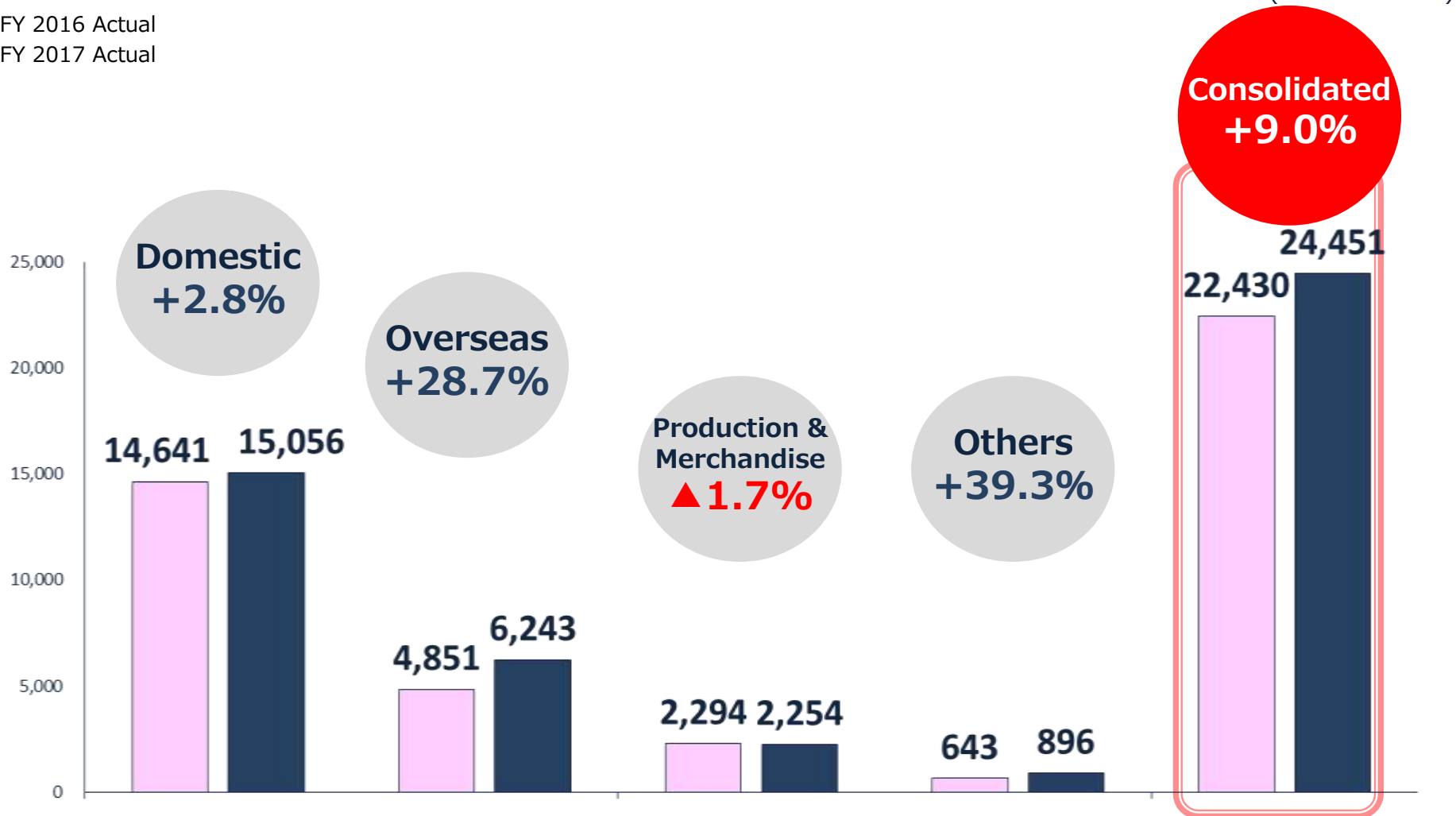
# Revenue by Segment Compared to the Previous Fiscal Year



(millions of Yen)

■ FY 2016 Actual

■ FY 2017 Actual



**International Operations show significant (28.7%) growth**



## ◆ Domestic Operations

- Improvement of COGS compensated for the decrease in SSS.
- SG&A cost ratio increased by 0.8% due to the rise of third-party logistics costs and labor costs.
- Profit margin lower than the previous year due to SG&A expenses.
- Resulting in 6.6% segment profit margin (0.6% decrease)

## ◆ International Operations

- Showing significant improvements in Europe (wholly-owned area).
- Solid performance in other wholly-owned areas especially in Singapore.
- Some pre-opening costs delayed to the next fiscal year (USA)
- Segment profit 3.5 times the previous FY.
- Profit margin of 7.9%, exceeding that of Domestic Operations.

## ◆ Group-wide

- One-off costs related to promotion to section one of TSE.

## ■ Ordinary Income

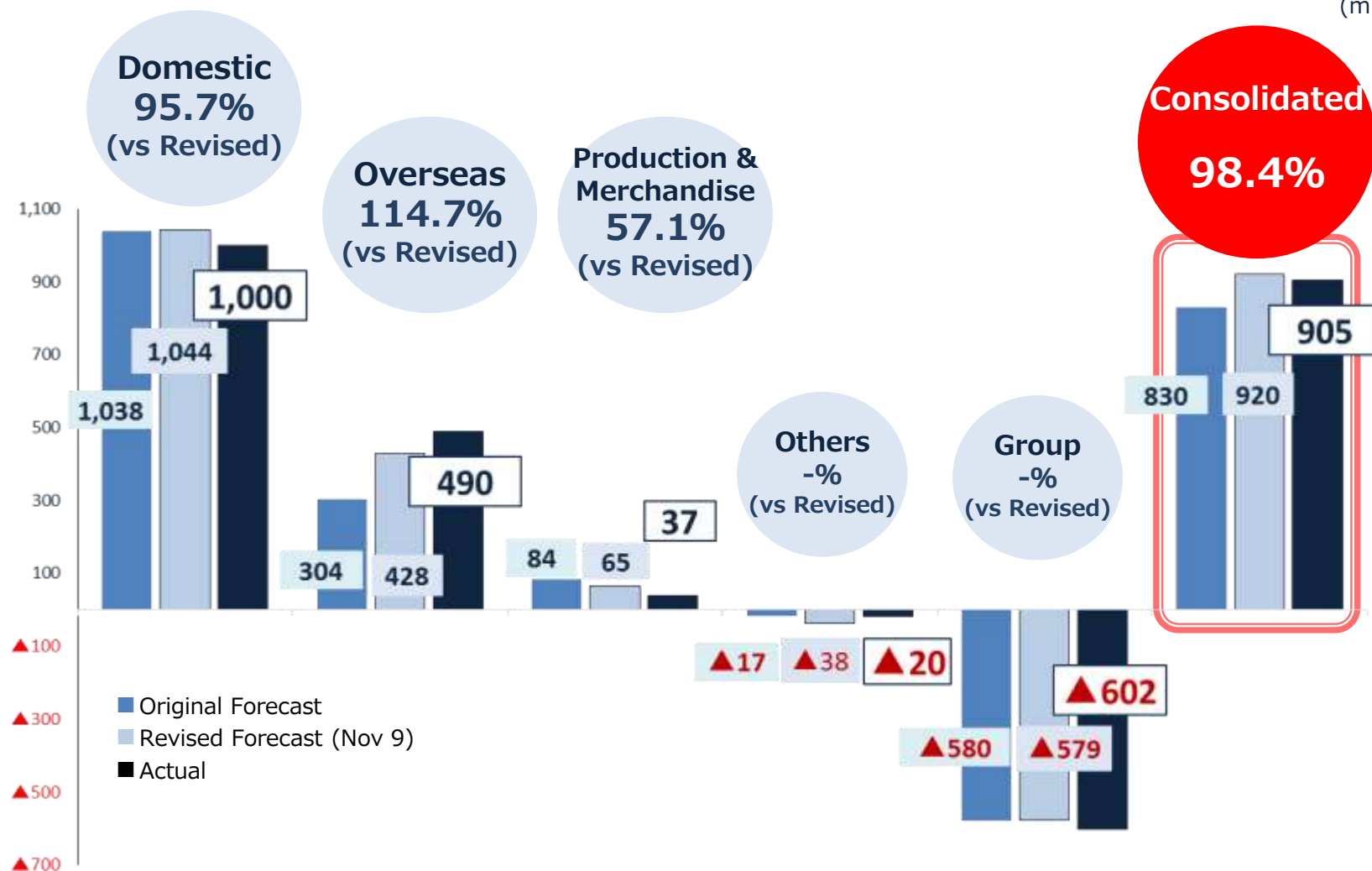
### ◆ Domestic Operations

- Negatively affected by the stronger Yen in Q4.
- The forex loss for the year is JPY3M, against the accumulated gains of JPY39M in Q3.
- Overall, increase of 61.6% vs the previous year, shy of the revised forecast (93.7%).

# Profit by Segment Compared to the Forecast



(millions of Yen)

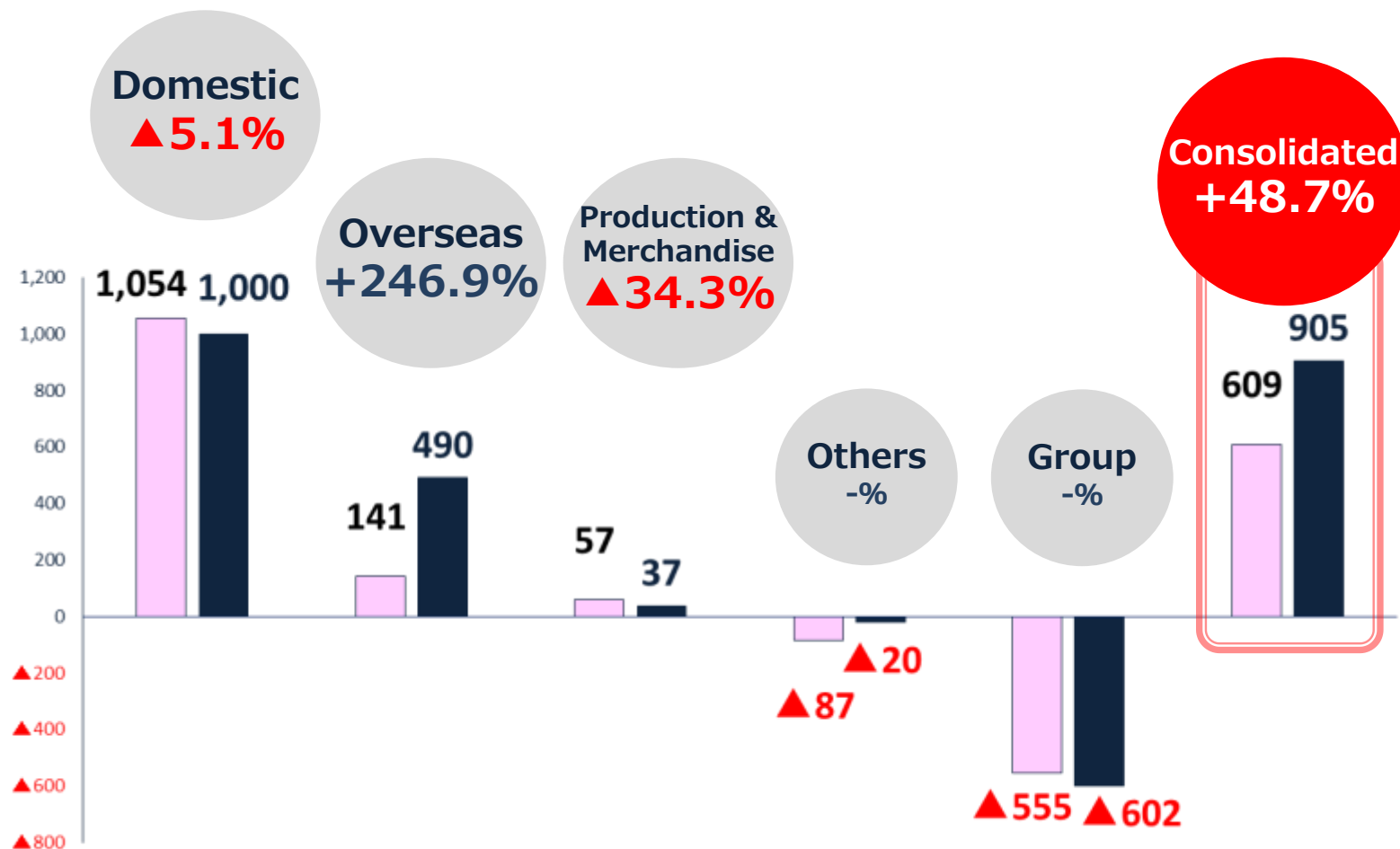


**Strong performances in Europe and Singapore fail to compensate for the shortcoming of the Domestic Operations due to the rise of logistic costs**

# Profit by Segment Compared to the Previous Fiscal Year



(millions of Yen)

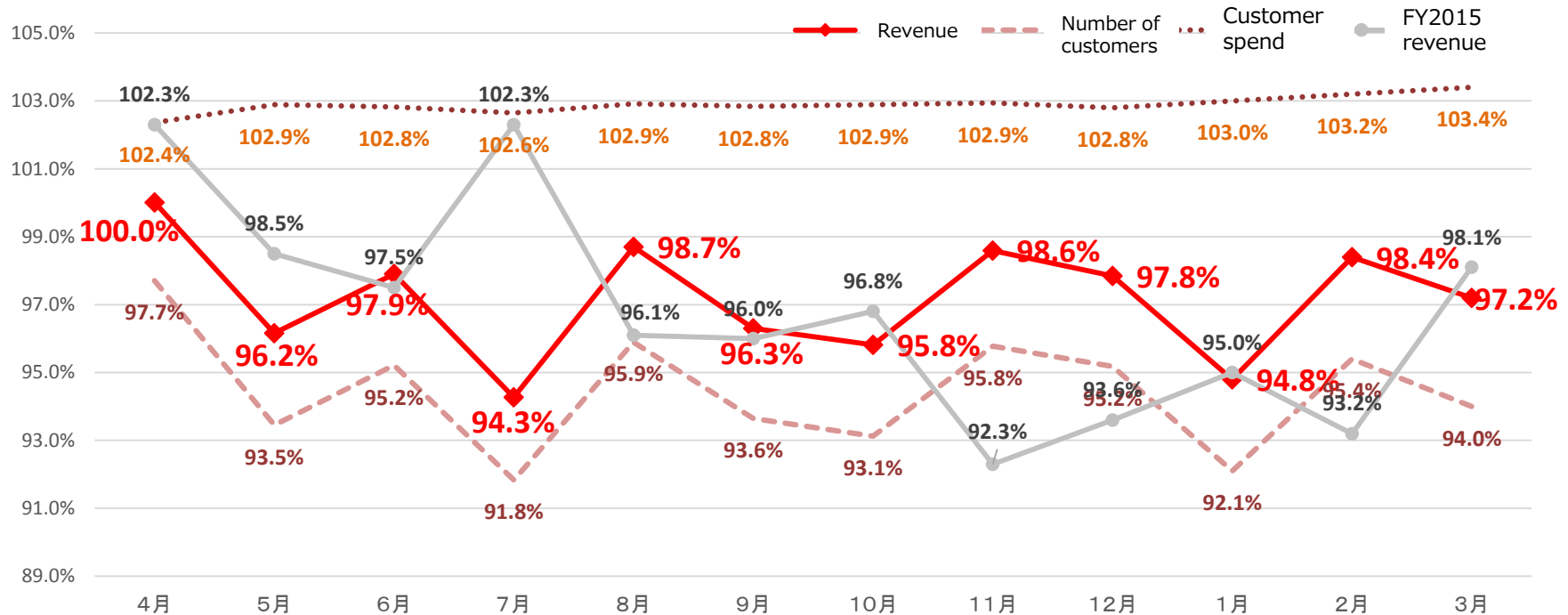


**Overall solid increase on the group-level, mainly driven by the growth of the International Operations**

# Japan Same-Store Sales Compared to the Previous Fiscal Year



## ■ FY2017 Changes in Revenue/Number of customers/Average customer spend



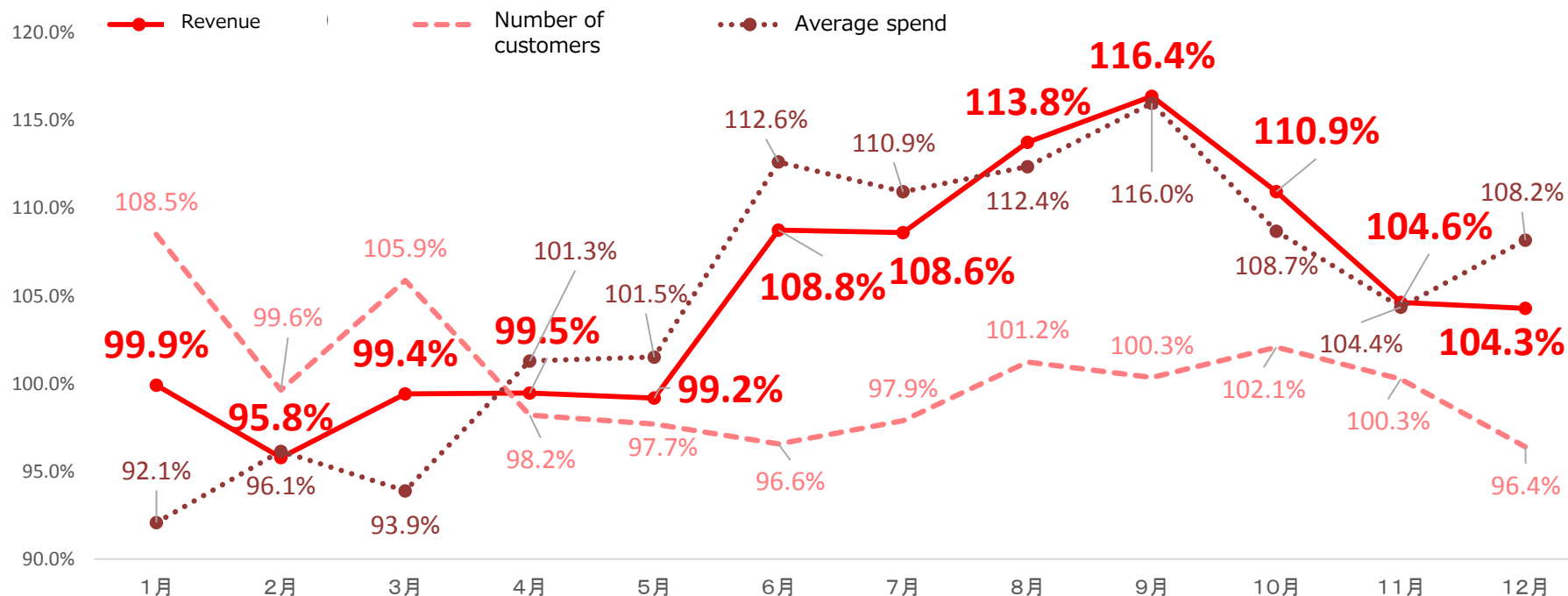
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Sales	100.0%	96.2%	97.9%	94.3%	98.7%	96.3%	95.8%	98.6%	97.8%	94.8%	98.4%	97.2%	97.3%
Number of customers	97.7%	93.5%	95.2%	91.8%	95.9%	93.6%	93.1%	95.8%	95.2%	92.1%	95.4%	94.0%	94.6%
Customer spend	102.4%	102.9%	102.8%	102.6%	102.9%	102.8%	102.9%	102.9%	102.8%	103.0%	103.2%	103.4%	102.8%

**Slight short fall despite some encouraging signs from October resulting from strong A/P**

# International Same-Store Sales Compared to the Previous Fiscal Year



## ■ FY2017 Changes in Revenue/Number of customers/Average customer spend



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales	99.9%	95.8%	99.4%	99.5%	99.2%	108.8%	108.6%	113.8%	116.4%	110.9%	104.6%	104.3%	105.2%
Number of customers	108.5%	99.6%	105.9%	98.2%	97.7%	96.6%	97.9%	101.2%	100.3%	102.1%	100.3%	96.4%	100.2%
Customer spend	92.1%	96.1%	93.9%	101.3%	101.5%	112.6%	110.9%	112.4%	116.0%	108.7%	104.4%	108.2%	105.0%

**International SSS has been made public since Dec 2017.**  
**Every region improving, and becoming driving force for boosting the group's overall performance.**

# Balance Sheet



(millions of Yen)

	FY2016	FY2017	GAP
Current Assets (cash and deposits)	4,961 (3,316)	5,117 (3,064)	+156 (▲251)
Tangible Fixed Assets	6,152	7,016	+863
Intangible Fixed assets	177	155	▲22
Investments & Others	3,031	3,016	▲15
Fixed Assets	9,362	10,188	+826
Total Assets	14,323	15,306	+982
Total Liabilities	10,746	10,585	▲161
Equity	3,026	3,642	+616
Accumulated Other Comprehensive Income	397	606	+208
Non-controlling interest	152	471	+318
Total Net Assets	3,576	4,720	+1,143
Total Liabilities and Net Assets	14,323	15,306	+982

## ■ Assets

• Cash & deposits	▲251
• Receivables	+117
• Other current assets	+293
• Tangible fixed assets	+863

## ■ Liabilities

• Interest-bearing debts	▲268
• Accounts Payable	+74
• Other current Liabilities	+195
• Other payables	▲175

## ■ Net assets

• Capital & capital surplus	+106
• Retained Earnings	+510
• Gains on valuation of securities	+214
• Non-controlling interest	+318

Outstanding interest-bearing debt JPY7,232M (vs FY 2016 ▲286M)  
Equity ratio 27.8% (FY 2016 23.9%)



# Cash Flow



## 《Topics》

(millions of Yen)

### Financing C/F: + ¥98 M (vs FY2016 ▲89.7%)

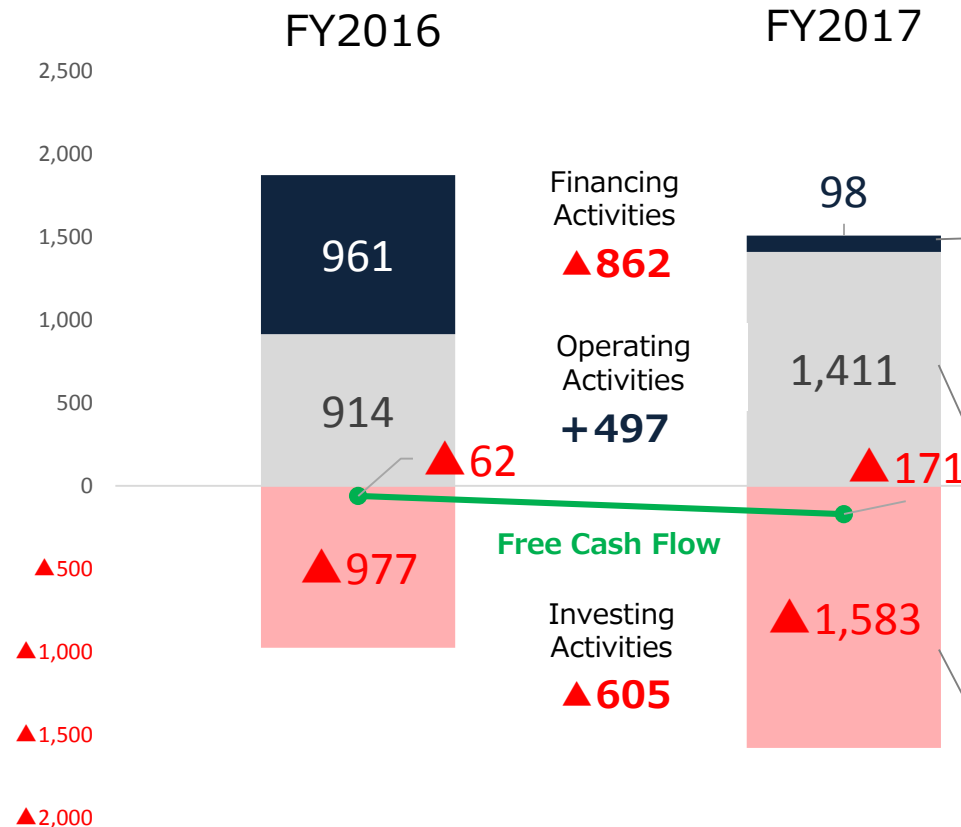
• Long term debt repayment	(▲)	1,341
• Short term debt	(▲)	162
• Lease repayment	(▲)	48
• Dividends paid	(▲)	124
• Long term debt	(+)	1,314
• Shares issued	(+)	97
• Shares issued to non-controlling shareholders	(+)	378

### Operating C/F: + ¥1,411 M (vs FY2016 +54.3%)

• Net income before taxes	(+)	755
• Depreciation	(+)	762
• Impairment loss	(+)	272
• Tax payment	(▲)	292

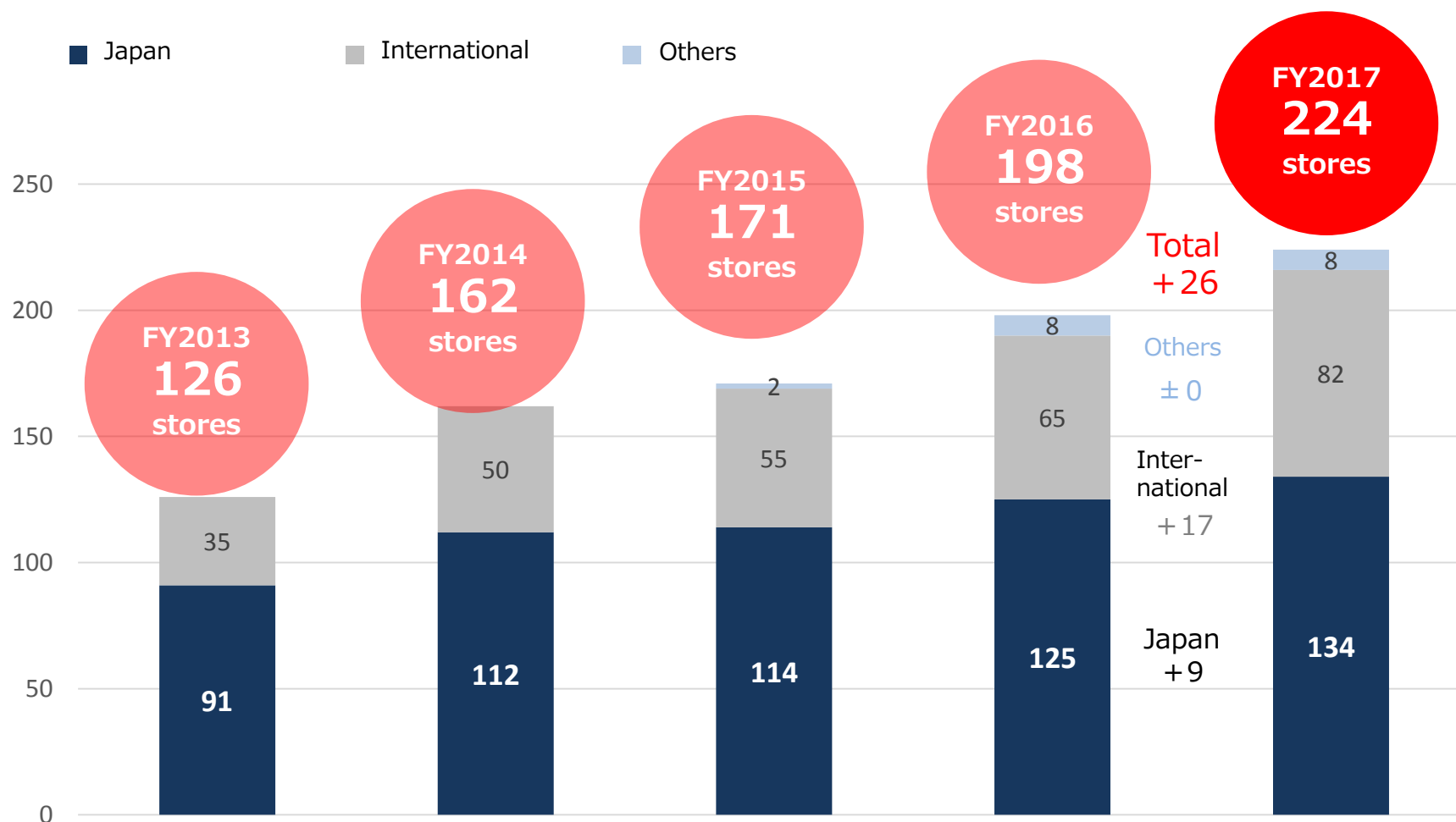
### Investment C/F: ▲ ¥1,583 M (vs FY2016 +62.0%)

• Acquisition of fixed assets	(▲)	1,932
• Lease deposit payments	(▲)	182
• Divestment of shares in affiliates	(+)	500



**Improved Operating CF covers Investing CF (new store openings).  
Significant decrease in Financing CF due to IPO of the previous FY.**

# Number of stores (Group Total)

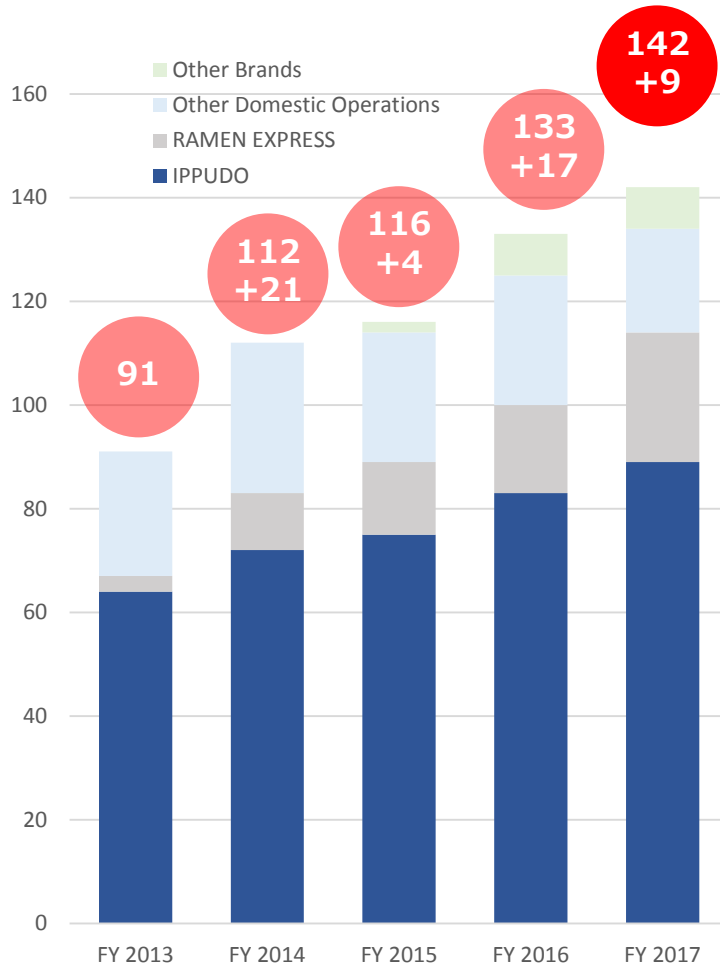


**224 stores world-wide  
(wholly-owned 167, licensed 57)**

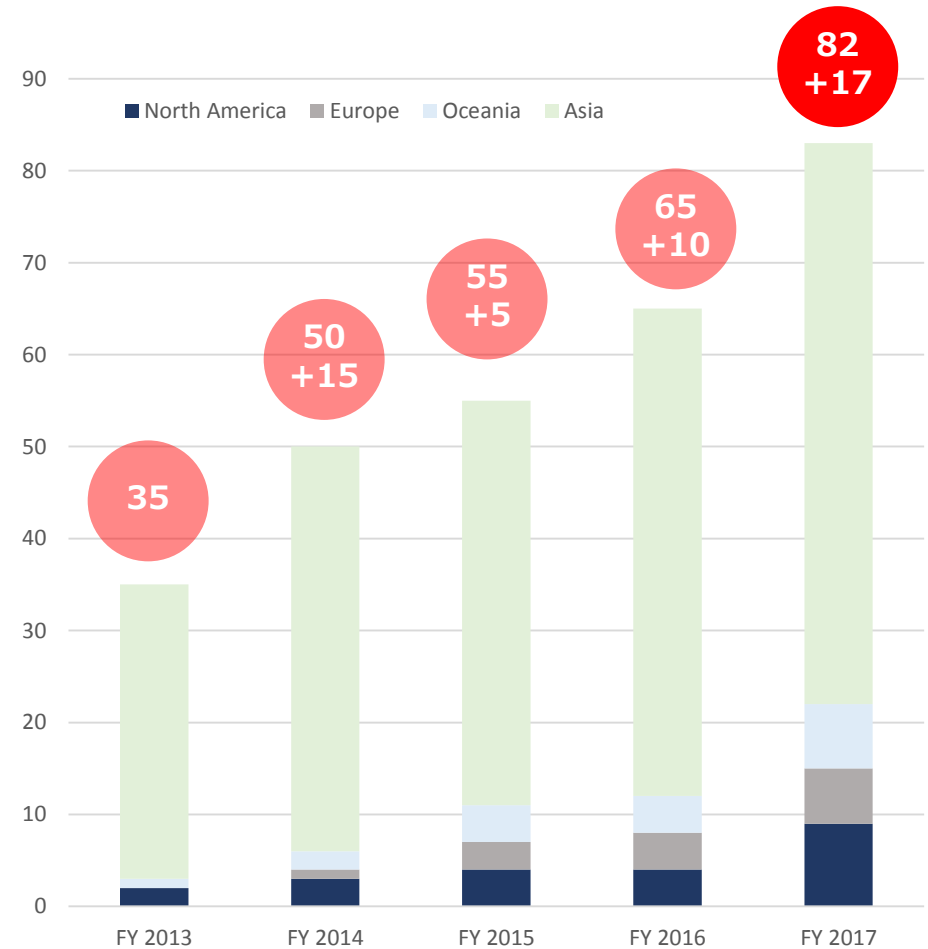
# Number of stores (Brand & Region)



## Domestic stores



## International Stores



**142 domestic stores (+9 stores) / New open 15 stores, Closed 6 stores**  
**82 overseas stores (+17 stores) / New open 20 stores (Wholly-owned 12 stores, License 8 stores), Closed 3 stores**

## 224 stores in 13 countries

Domestic 142, Overseas 82

### Europe (6)

UK	3
France	3

### Asia (60)

Singapore	10
Malaysia	3
Thai	8
Philippine	5
Indonesia	2
China/Hong Kong	23
Taiwan	8
Myanmar	1

### North America (9)

U.S.A.	9
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### Japan (142)

IPPUDO	89
RAMEN EXPRESS	25
PANDA EXPRESS	1
Others	19
Ichikabachika	2
Inaniwa-Udon	6

### Oceania (7)

Australia	7
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# Other Topics



Australia Sydney  
GOGO Surry Hills  
Jan 22, 2018 OPENED



# Tokyo Stock Exchange 1<sup>st</sup> Section



**Mar 22, 2018**  
**Chikaranomoto Holdings Co., Ltd.**



**Thanks to all of your support, Chikaranomoto has moved up to the 1<sup>st</sup> section TSE in the shortest possible timing**

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# Dividend and Commemorative Dividend



At the board meeting in May 2018, setting the Mar 31 2018 as the reference date, the resolution of dividend (¥3.00/share) and commemorative dividend (¥1.00/stock) for the upgrade to Section 1 of TSE, was approved.

	Resolution	Dividend Forecast (as of Nov 9, 2017)	Last Year Result※
Reference date	Mar 31, 2018	Same as the left	Mar 31, 2017
Dividend per stock	¥4.00 (Ordinary ¥3.00) (Commemorative ¥1.00)	¥3.00	¥6.00 (Ordinary ¥5.00) (Memorial ¥1.00)
Total amount	¥93 million	—	¥67 million
Effective date	Jun 8, 2018	—	Jun 9, 2017
Dividend source	Retained Earnings	—	Retained Earnings

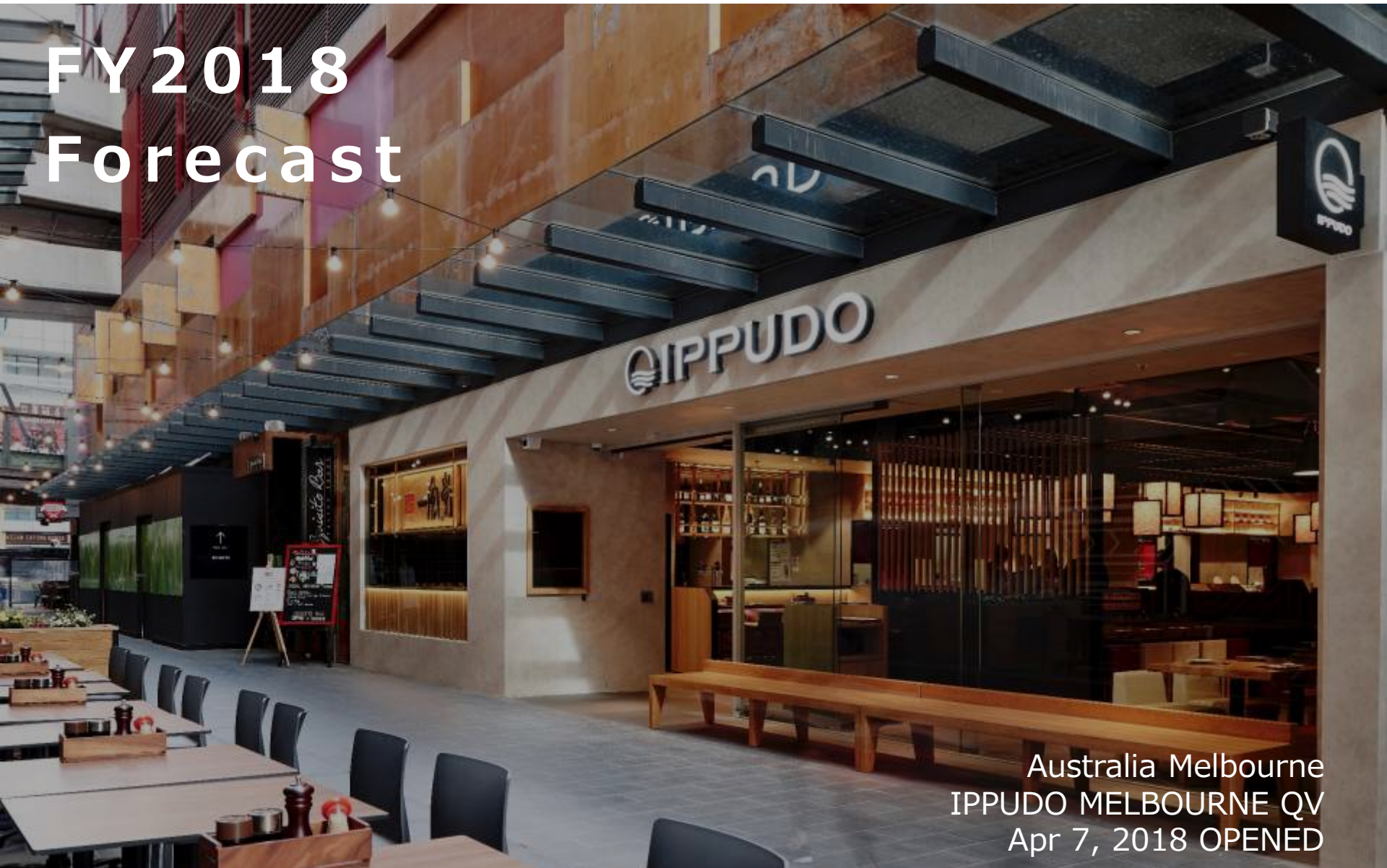
FY 2018 forecast: ¥8.00 per share (midterm ¥4.00, term end ¥4.00)

※Effect of the stock split in Oct is excluded from the above resolution.

**Term end dividend ¥4.00/share  
(Annual dividend ratio 23.3%)**



# FY2018 Forecast



Australia Melbourne  
IPPUDO MELBOURNE QV  
Apr 7, 2018 OPENED

# FY 2018 Forecast (Balance Sheet)



Millions of Yen

	FY 2017 Result	FY 2018 Forecast	vs Last Year	
			GAP	Percentile
Revenue	24,451	28,077	+3,626	+14.8%
Operating Income	905	1,150	+244	+27.0%
Ordinary Income	872	1,100	+227	+26.1%
Profit attributable to owners of parent	634	740	+105	+16.6%

**Revenue growth 14.8%**  
**Operating Income growth 27.0%**

## ◆ Domestic Operations & Others

- Setting 100% for SSS target vs last year
- 22 new stores (21 wholly-owned, 1 licensed) planned
- Expanding “RAMEN EXPRESS” as previous year
- Focusing on strengthening SSS of IPPUDO and reinforcing new brands such as “1/2 IPPUDO”

## ◆ International Operations

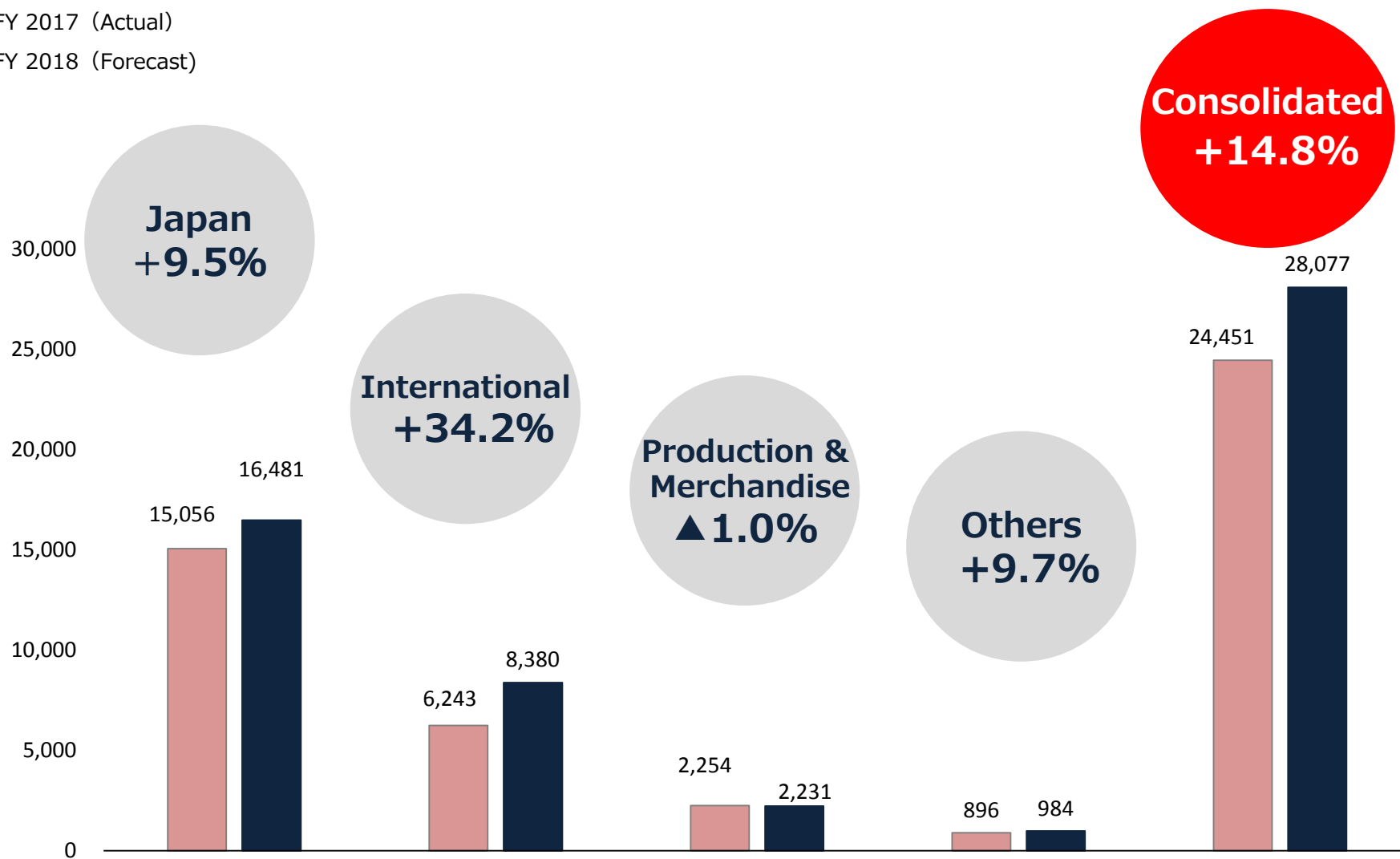
- Setting 100% for SSS target vs last year in every region
- 33 new stores (18 wholly-owned, 15 licensed) planned, including 15 in South-East Asia and 8 in North America

# FY 2018 Forecast (Revenue)



Millions of Yen

■ FY 2017 (Actual)  
■ FY 2018 (Forecast)



# FY 2018 Forecast (Profit by Segment)



## ◆ Domestic Operations

- Reflecting the increase of the logistic costs incurred in FY2017
- Estimated effect of logistics innovations is *not* included in the forecast
- Profit levels to remain similar to FY2017 despite new openings

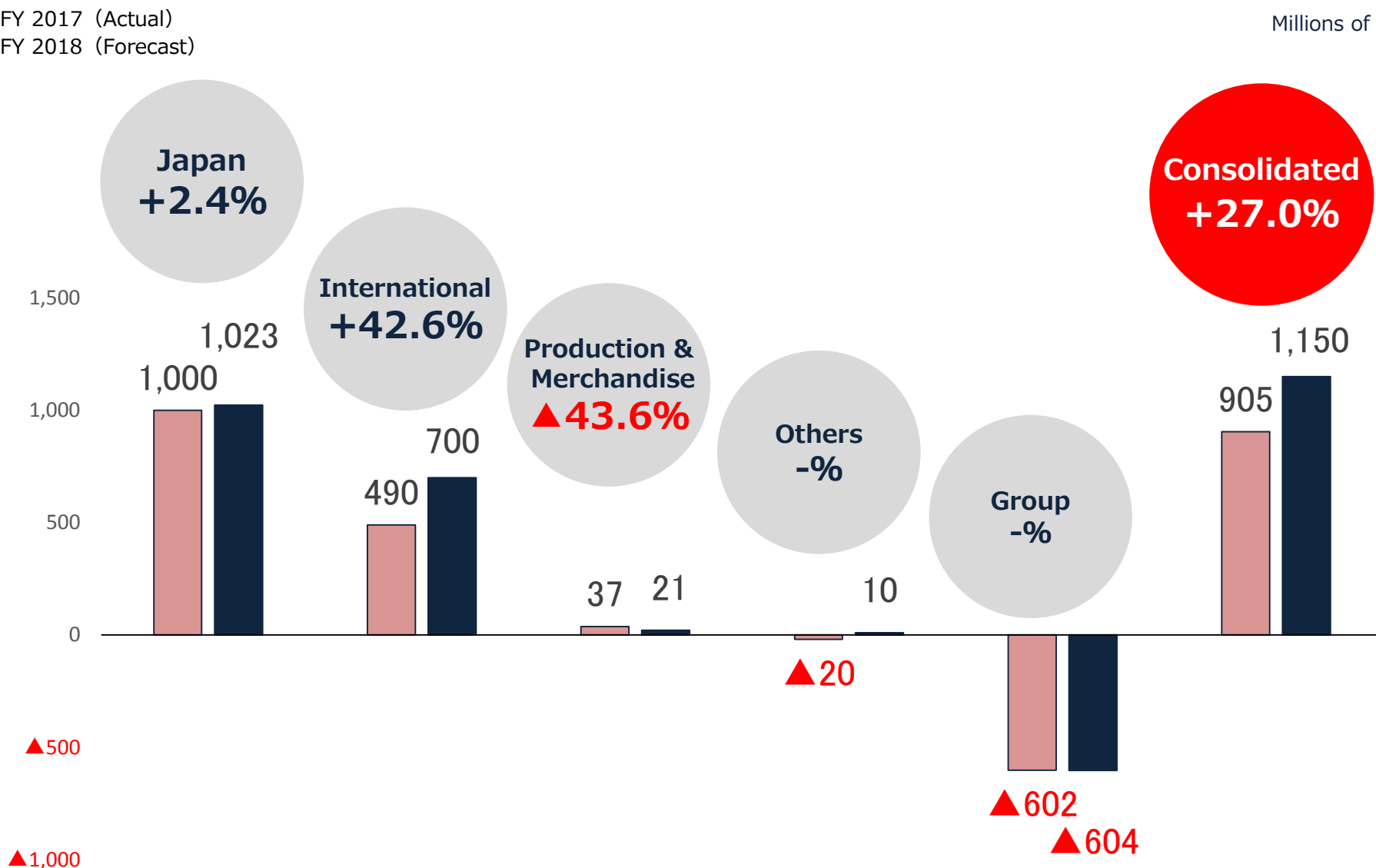
## ◆ International Operations

- Profit levels continue to improve with new openings
- Revision of some existing licensing agreements also contribute to higher operating margins
- Some carried-over pre-opening expenses in West Coast
- Expecting increase of revenue and profit in every region, segment profit margin of 8.4% (+0.5 points)

# FY 2018 Forecast (Profit by Segment)



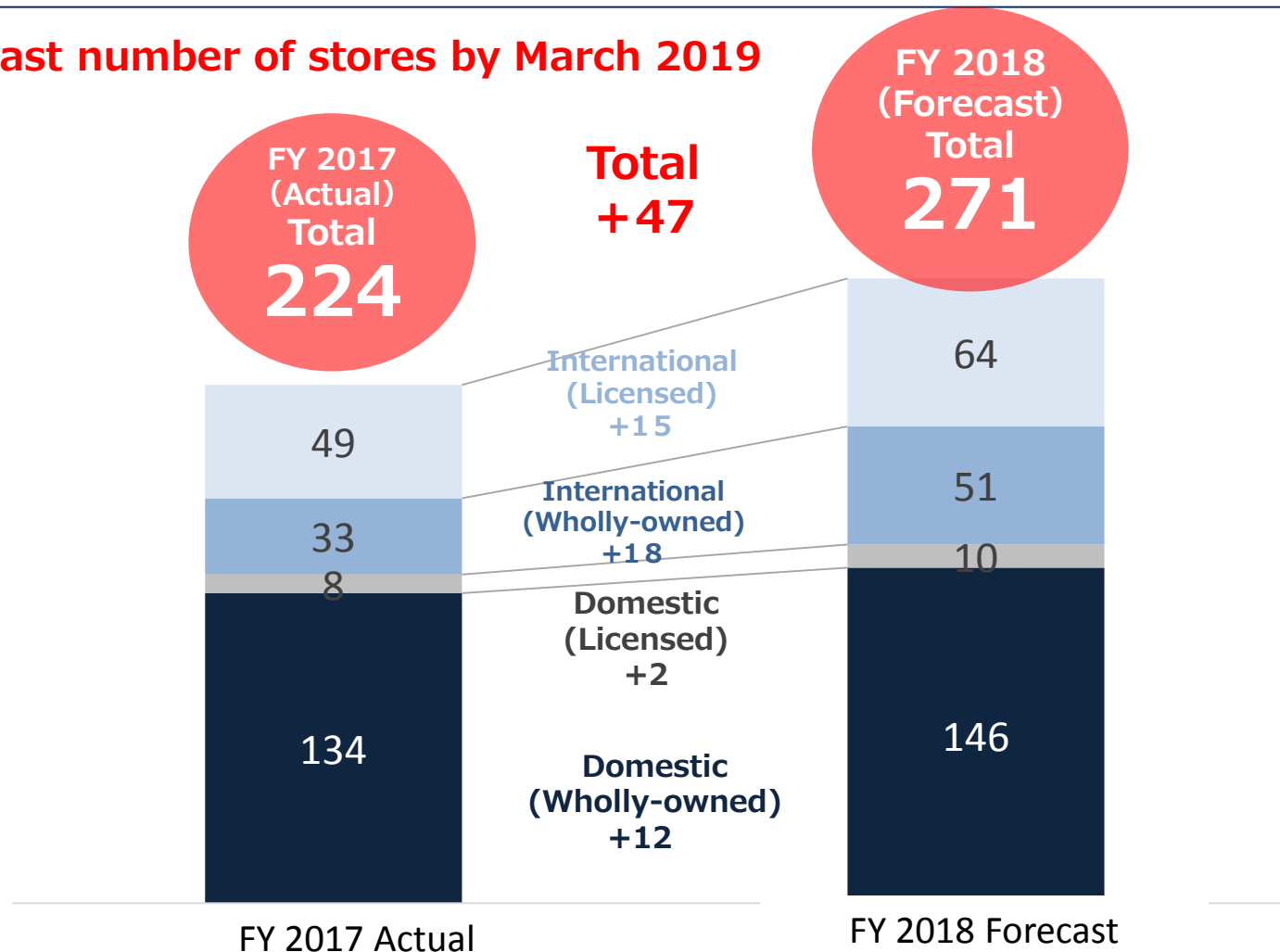
Millions of Yen



# FY2018 Forecast (Store Count)



## Forecast number of stores by March 2019



**Net increase of 46 stores overall, 271 in total Japan: 14 net increase (22 new stores (21 owned, 1 licensed, 8 closure/divestiture))**  
**International: 33 net increase (all new stores (18 owned, 15 license, no closures))**



# Strategy and Focus

Australia Perth  
IPPUDO Perth Kings Square  
Apr 5, 2018 OPENED

# Chikaranomoto Vision and Mid-Term Objectives



## CHIKARANOMOTO GROUP ACT 2025

ENERGY, SMILE, ARIGATOU, LET'S CREATE 100 MILLION SMILES AND ARIGATOU



私たち力の源グループは、2025年度、グループ全体の年間お客様数、1億人を目指します。

そのために必要なのは、進出国数20ヶ国、店舗数600店舗以上、1店舗あたり1日平均お客様数350人以上、外販商品1日平均6万食(人)以上。これが、グループとして目指すべき目標です。決して簡単なことではありません。それでも、私たちがやるべきことは変わりません。

すべては、一人のお客様と一杯のラーメンから。

私たち一人ひとりの元気や笑顔が“力の源”となり、目の前のお客様に笑顔になってもらうこと。その積み重ねの先に、この大きな夢の実現が見えてきます。

それぞれの立場で、この「1億人の、笑顔とありがとうをつくろう。」にどのように関われるのかを考え、2025年に向けて行動していきましょう。

[Annual Customers]  
One hundred million

[Countries]  
20 Countries

[Number of Stores]  
More than 600 Stores  
Domestic 300  
International 300

[Daily Customers]  
350/store  
daily average

[Product Sales]  
60,000  
daily average

# Growth Strategy



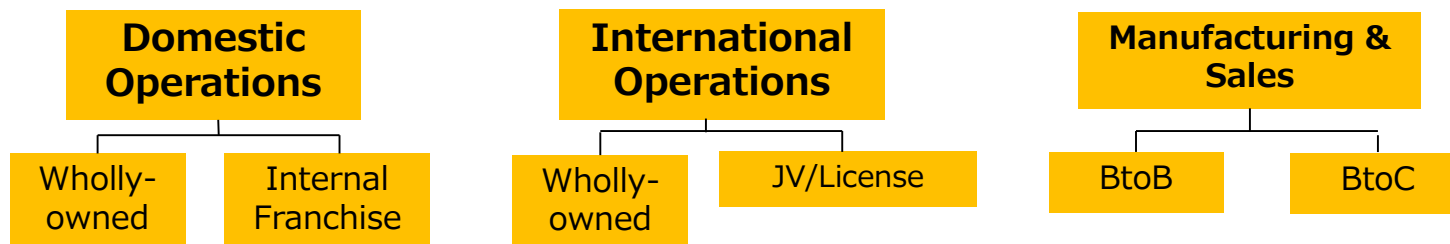
## 2025 Objectives

### Delivering JAPANESE WONDER

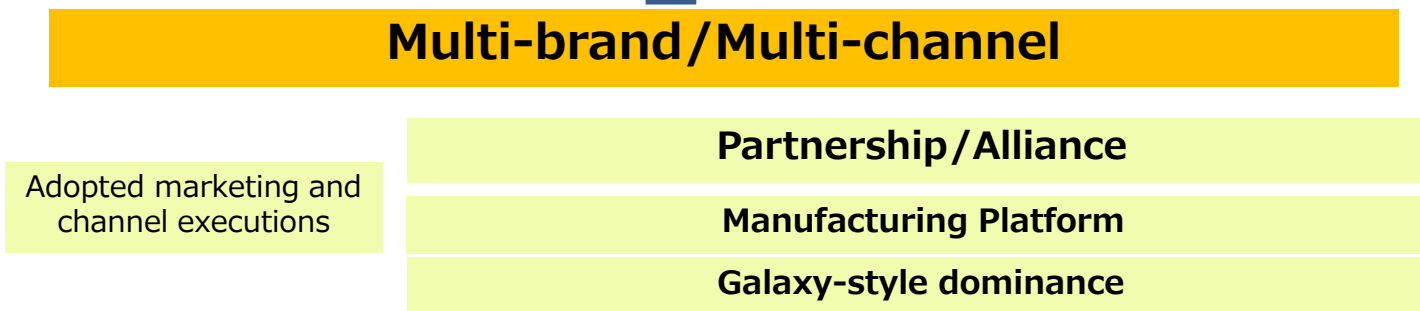
~ Let's Create 100 Million Smiles and Arigatou ~

ACT2025 Domestic 300 stores • International 300 stores

## Domains



## Strategy



## Resources





# Areas of Focus (Domestic)



## Operations and HR Innovations

### Internal Franchise

For potential franchisees, there will be incentive scheme of profit-share at assigned stores.

This creates positive synergy in refreshing and strengthening the brand and exploring new channels of A/P

### Retention rate and skills

New performance appraisal system supported by training programs "Ichi-training"

Transparency in appraisal and utilizing e-training for effective HR development

### Expanding customer base

Utilizing smart-phone apps to improve service and better communication in wider areas

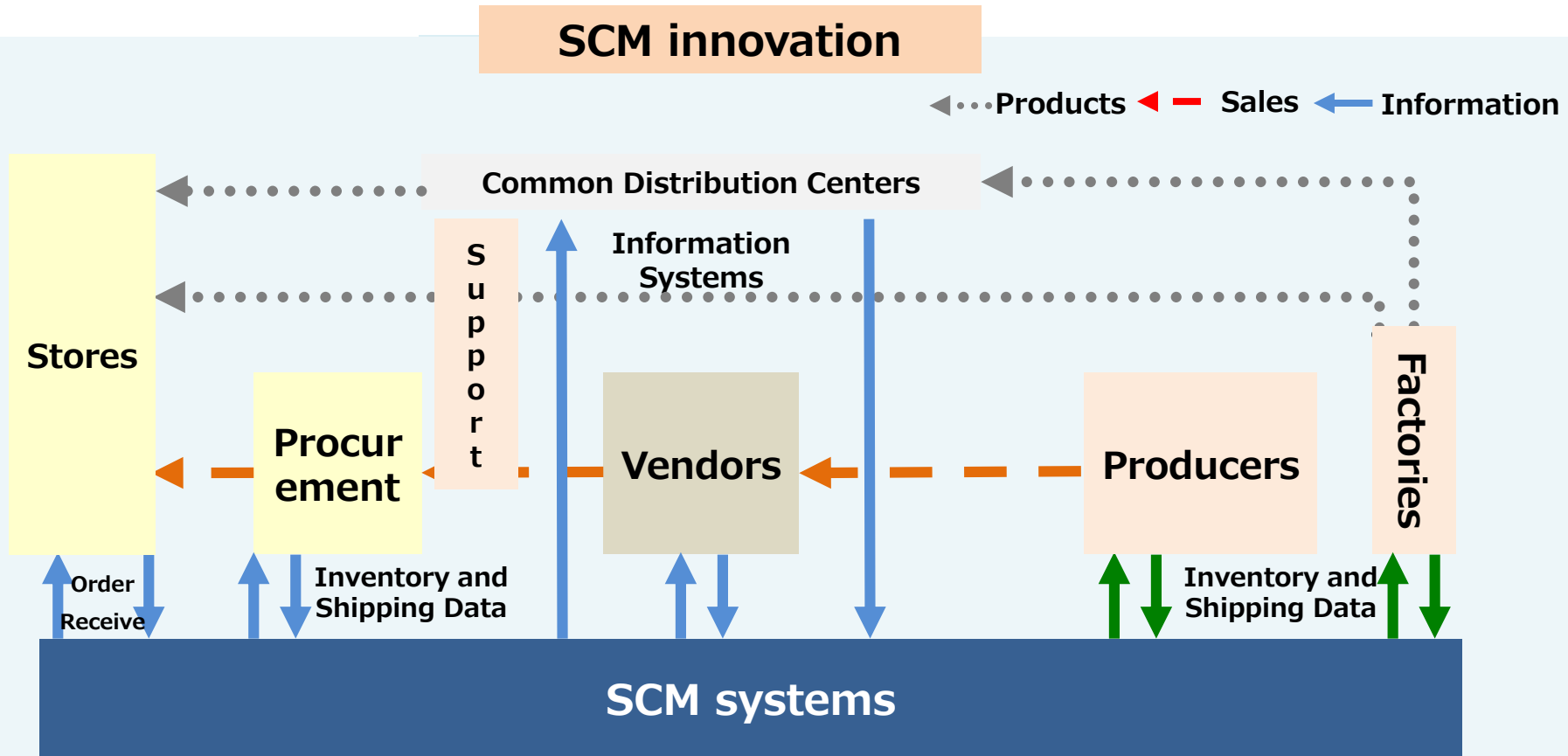
「Smart-phone wallet」 「LINE@」

### Inbound visitors strategies

Local targeting of inbound tourists, especially Chinese, with Diangping, to communicate better

Pre-information, diffusion during their stay and follow-up to effectively lead them to visit stores

# Areas of Focus (Logistics)

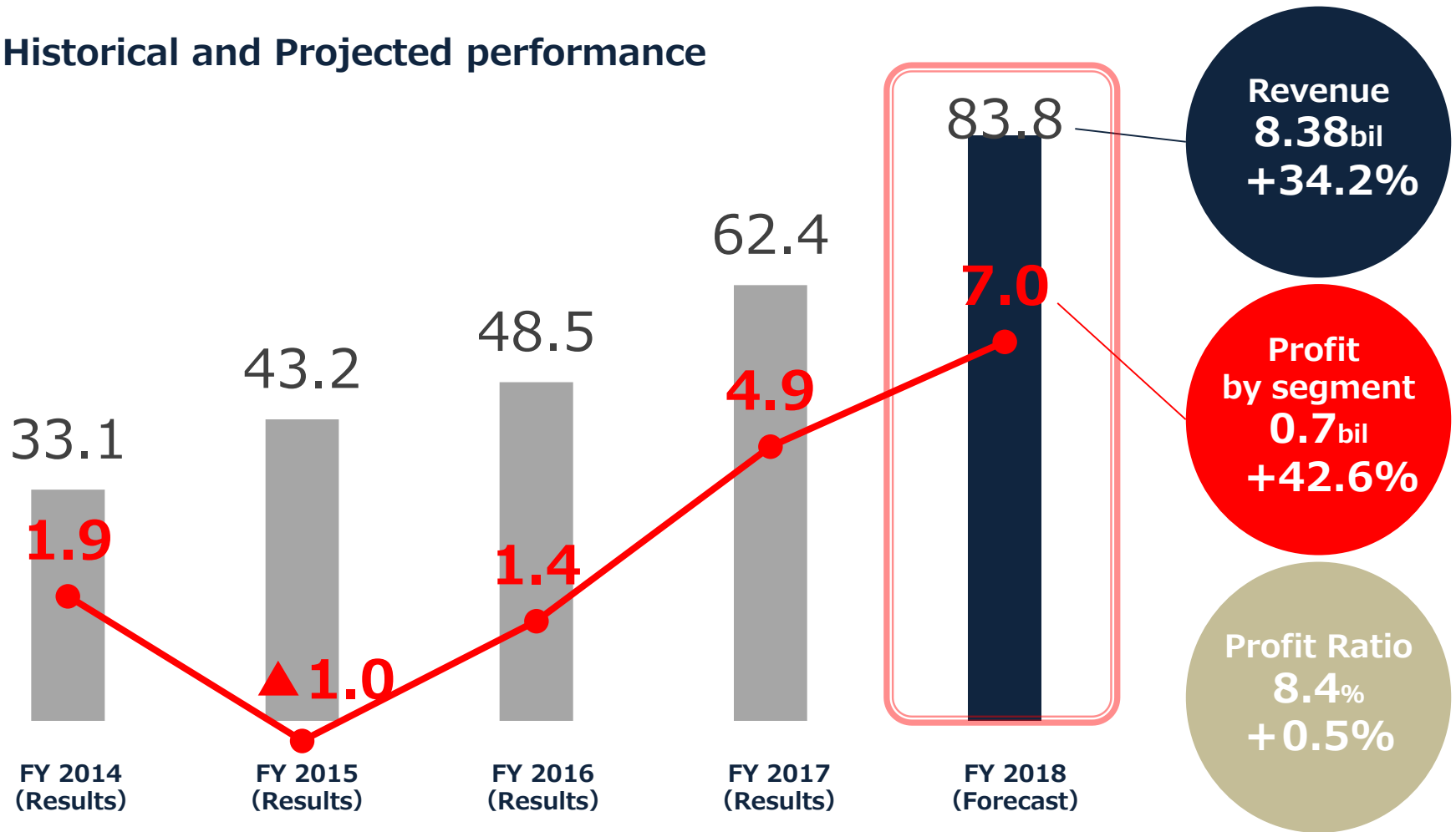


**SCM custom-designed for restaurant business**  
**Aggregated information systems leads to labor and cost reduction**

# Areas of Focus (International)



## Historical and Projected performance

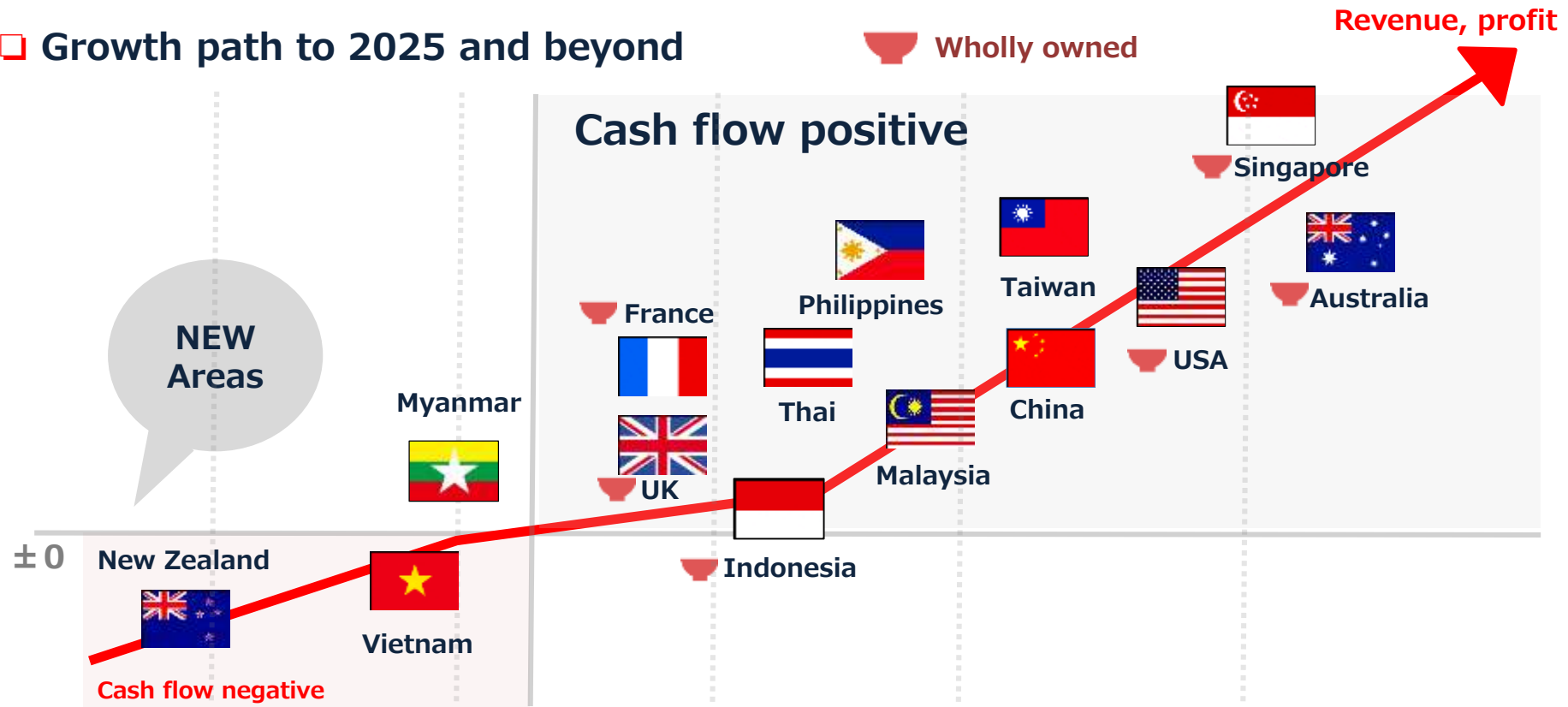


**Main driver of growth for the whole group**

# Areas of Focus (International)



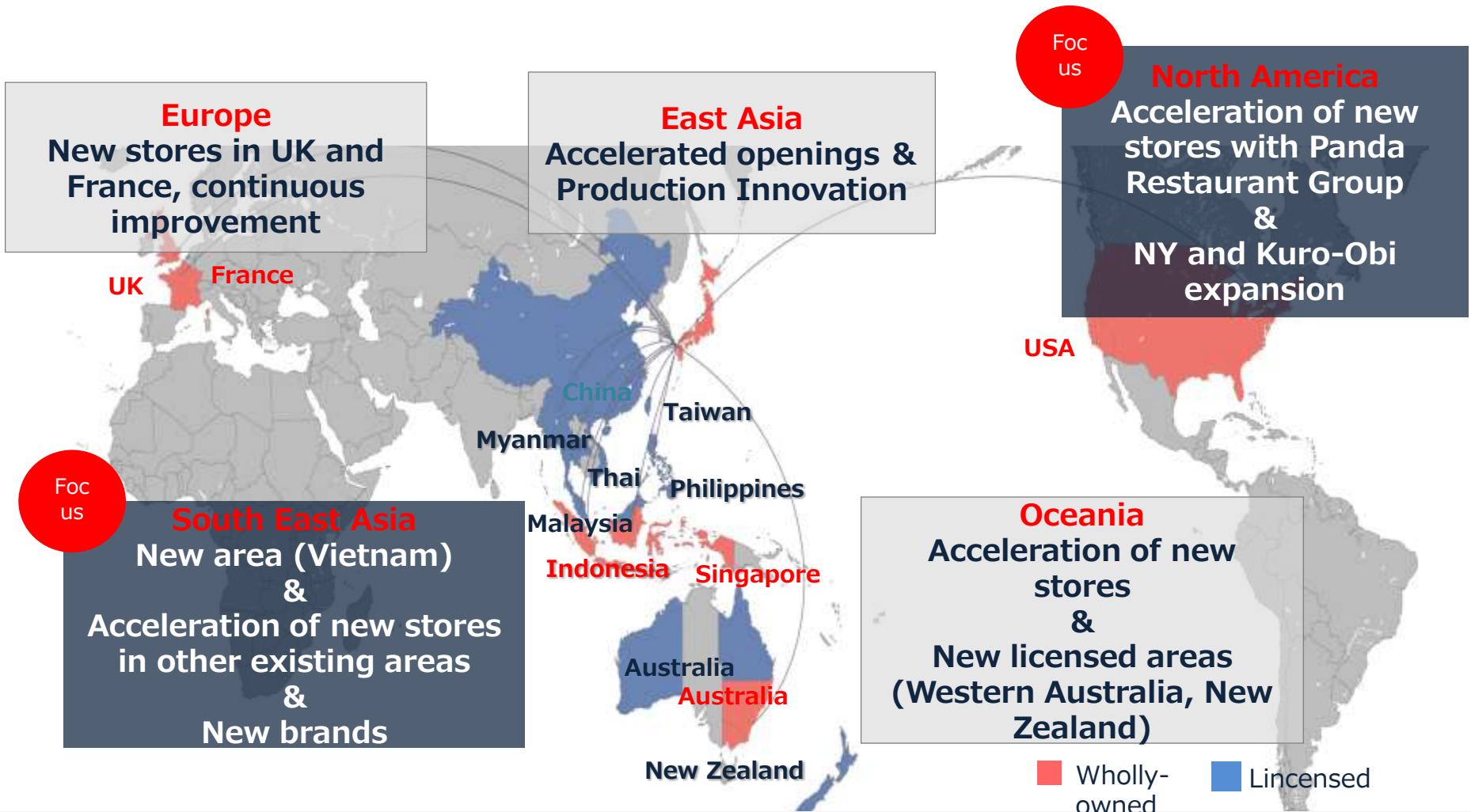
## □ Growth path to 2025 and beyond



\* Rough image of local P/L according to their stage in over-arching growth strategy

Phase 1	Phase2	Phase3	Phase4	Expansion	JAPANESE WONDER
Pre-marketing	1 <sup>st</sup> Store	Founding	Multi-store	Standard	Japanese category
<ul style="list-style-type: none"> <li>• FS</li> <li>• Creation of legal entity</li> <li>• Premium/keymoney</li> <li>• Expats</li> <li>• Logistics and procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Capex</li> <li>• Central Kitchen</li> <li>• HR and training</li> <li>• Back office</li> </ul>	<ul style="list-style-type: none"> <li>• subsequent stores capex</li> <li>• A/P</li> <li>• Brand recognition</li> <li>• HR development</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple stores</li> <li>• CF positive</li> <li>• HR development</li> <li>• strong support systems</li> </ul>	<ul style="list-style-type: none"> <li>• Dominant strategy</li> <li>• Capex from reserves</li> <li>• New brands</li> </ul>	<ul style="list-style-type: none"> <li>• National dominance</li> <li>• Top-of-mind Japanese restaurant group</li> <li>• CF positive from all brands</li> </ul>

# Areas of Focus (Global)



**More new stores in existing markets, new brands and some focus areas (South East Asia, USA)**



# Appendix



## ■ Vision ■

***Keep Changing  
to Remain  
Unchanged***



## ■ Founding philosophy ■

***We aspire to be a group of people continuously creating new values. We will communicate those values to the whole world through Smile and Arigatou, the highest forms of human communication.***

## Chikaranomoto Holdings Co., Ltd. 【Ticker #:3561】

- Address Qiz TENJIN 801B, 1-14-45, Daimyo, Chuo ward, Fukuoka city, Fukuoka, Japan
- Date of Establishment 30<sup>th</sup> October, 1986
- Capital Stock 1,239,000,000 JPY (The number of issued shares : 23,307,300 shares)
- Fiscal Term March
- Number of Employee 67 (consolidation 603) ※Excluding temporary employee
- List of Directors
  - Representative Director and Chairman, CEO Shigemi Kawahara
  - Representative Director and President, COO Toshiyuki Kiyomiya
  - Managing Director, CFO Shinichi Kasuya
  - Director Yoshiharu Harada
  - Director Daisaku Matsuda
  - Director (Independent) Katsushi Kaneko
  - Director (Audit Committee) Yasuyoshi Suzuki
  - Director (Audit Committee, Independent) Tetsuya Tsuji
  - Director (Audit Committee, Independent) Shinji Tanabe

# Signature Products

原点の一杯  
白丸元味



## *Shiromaru Classic*

Keeping in line with the founding recipe, the *Classic* soup is cooked for over 18 hours and a day of maturation, silky yet high in flavors and fragrance. Ultra-thin noodles typical of Hakata typifies this IPPUDO product.

革新の一杯  
赤丸新味



## *Akamaru Modern*

A modern take on the *Classic*, Akamaru adds a slightly spicy *Miso* paste and fragrant oil, to give the senses a gentle kick. Slightly thicker noodles match perfectly with a bowl full of flavors.

刺激の一杯  
一風堂から麺



## *Karaka*

Based on the same silky *Tonkotsu* soup, it comes with bold spices such as *Tobanjan*, *Tenmenjan* and *Sansho* peppers. Finished with *Rayu* spicy oil, this one is not for the faint-hearted.



# Brand Portfolio



## Japan



Multiple  
brand  
expansion



## Production & Merchandise



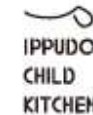
## International



Keep Changing  
to  
Remain Unchanged

Let's Create  
100 Million  
Smiles and  
Arigatou

## Progress of Corporate Value & Customer's Royalty



Progress of Brand Image &  
Prior investment to next  
generation



Progress & Edification  
of Ramen Culture



Progress of Services  
to Partner & Alliance

With Ramen at its core, Chikaranomoto aims to spread Japanese Food and its surrounding culture to the world through product innovation, manufacturing, logistics and sales

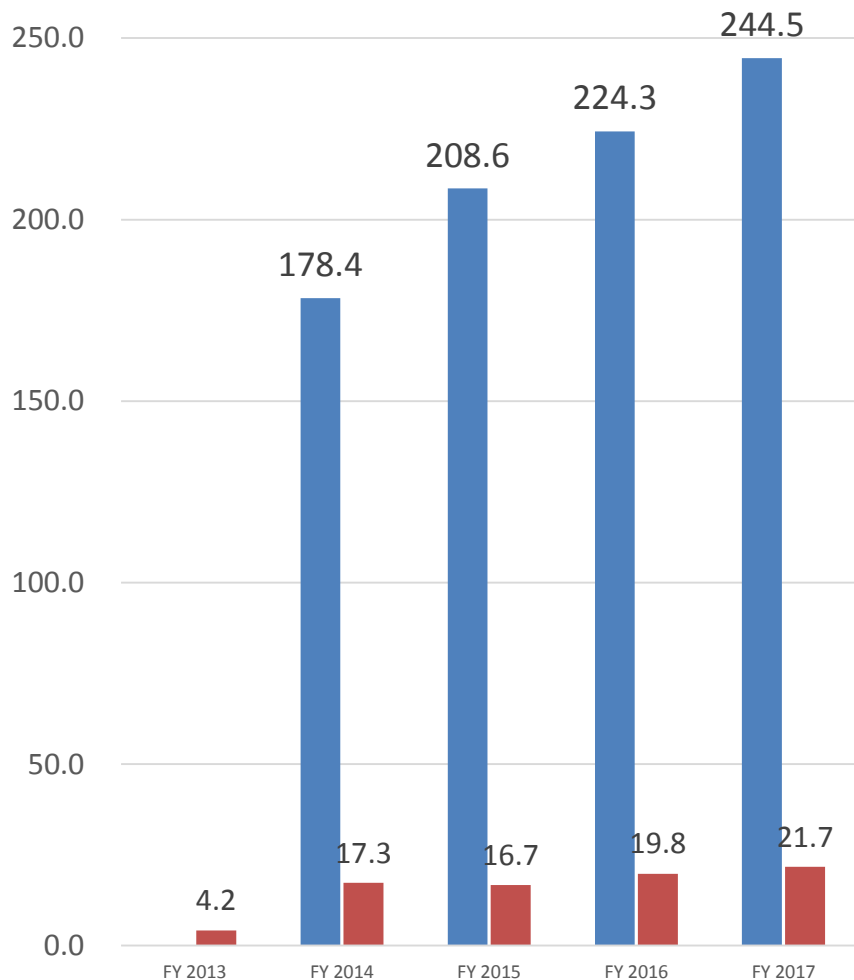
# Historical Performance



## Consolidated Revenue

■ Consolidated  
■ Non-Consolidated

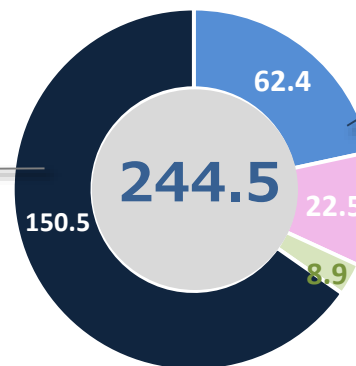
(\* in 100's millions of JPY)



FY ending  
March 2018  
**244.5**

## Revenue by Segments

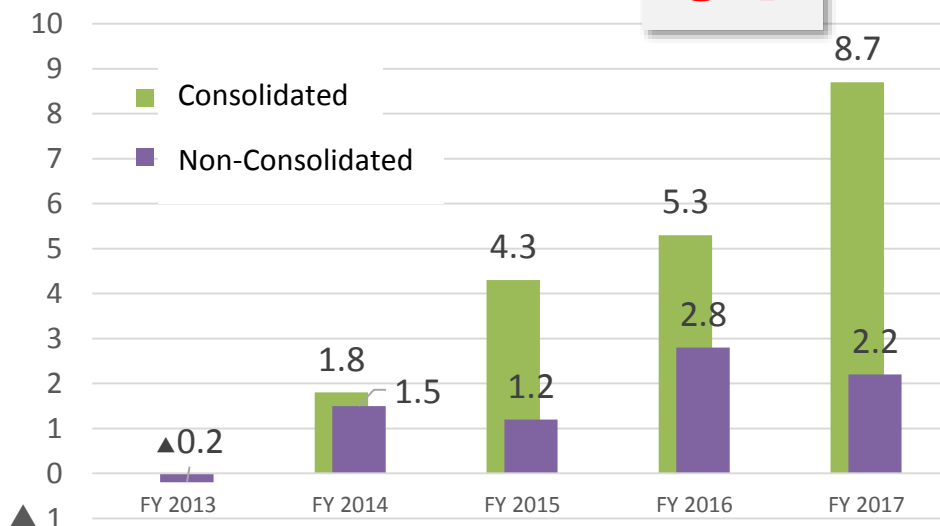
Domestic  
**61.6%**



International  
**25.5%**

## Ordinary Income

■ Consolidated  
■ Non-Consolidated



**8.7**

## 【 Our vision 】

Keep Changing to Remain Unchanged

## 【 Our mission 】

Japanese Wonder To The World

**Domestic 300 stores**  
**International 300 stores**



**2018.3**

**Tokyo Stock Exchange 1<sup>st</sup> Section**

**2017.3**

Listed on the Tokyo Stock Exchange  
MOTHERS section

**2016.2**

IPPUDO Paris  
the 1<sup>st</sup> store in France

**2015.10**

30 years anniversary event

**2014.10**

IPPUDO London, the 1<sup>st</sup> store in Europe

**2009.5**

IPPUDO Singapore, the 1<sup>st</sup> store in Asia

**2008.3**

IPPUDO New York, the 1<sup>st</sup> store in overseas

**1997.1**

Achieved 3 straight championships as Ramen cook on TV show  
“TV Champion”

**1995.4**

IPPUDO Ebisu, the 1<sup>st</sup> store in Tokyo

**1994.3**

Opened a store in Ramen Museum in Yokohama.

**1985.10.16**

**IPPUDO Daimyo. The original restaurant in Fukuoka.**

**1979.11**

Opened a bar “After the Rain” in Fukuoka





# Our strengths



Revolutionary masterpiece  
Akamaru Modern

# Core competences



## Product development capability

The capability to meet our customers' requests from all over the world with our special method with well-selected ingredients.

## Store designing

Capability to provide comfort and joy to the customers in all over the world, reflecting the culture, taste, tradition and trend of each region.

## Human resource development capability

Extensive contents for training and human development in order to provide Japanese quality service to the world.

## Business expansion

Great deal of stock of knowledge based on the experience of business expansion in 13 countries.

**Since 1986**

**Branding**



IPPUDO

**IPPUDO  
RAMEN  
EXPRESS**

  
KURO-OBİ

  
GOGYO

etc...

**Production, designing, human resources development, and business expansion.  
All aspects organically linked in high level makes our branding unique.**

# Branding ~Product Development~



Universal leading products “Shiromaru Classic” and “Akamaru Modern”  
Noodles made of originally blended flour, and soup made with our unique procedure.  
Rich line-up of side dishes of “Japanese Food”, reflecting the trend of locating areas

原点の一杯  
白丸元味



革新の一杯  
赤丸新味



Soup  
“Hakata Silky Tonkotsu”



Noodle  
Round Cutter No.26



Artisan Sauce  
IPPUDO



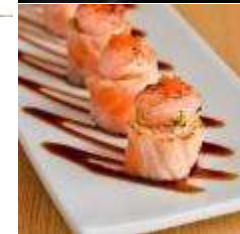
“KAZE NO DAICHI”  
Private Brand Flour  
of IPPUDO



Vogga (真香るベジ麺) 120



HAKATA SHOYU  
博多醤油



**Strictly chosen ingredients and methods.**  
**Capability to quickly meet customers' changing requests all over the world.**



# Branding ~Designing~



**Providing comfort and joy to the customers all over the world,  
Reflecting culture, taste, tradition and trend of each region.**



## 出店来歴

[2008] New York  
[2009] Singapore  
[2011] Hong Kong  
[2012] Taiwan  
China(Mainland)  
Sydney  
[2013] Kuala Lumpur  
[2014] Bangkok  
Manila  
Jakarta  
London  
[2016] Paris  
[2017] Myanmar

GLOBAL **12** Countries and Regions

TOTAL **82** Stores

(As of Mar, 2018)

Revenue of  
FY 2015  
(Result)  
**¥4.32**  
bn

Revenue of  
FY 2016  
(Result)  
**¥4.85**  
bn  
+12.0%

Revenue of  
FY 2017  
(Result)  
**6.24**bn  
+28.7%

Revenue of  
FY 2018  
(Forecast)  
**8.38**bn  
+34.2%

The stock of knowledge substantiated by the business development  
to 12 countries and regions



## ☐ Childe Kitchen



“Let’s play with flour!” An interactive facilities which provide experience of joy of food culture to children.



### ■ Achievements

【FY 2018】

Participants :  
8,362 (Domestic)  
1,039 (International)

【Accumulated】

Participants :  
51,229 (Domestic)  
2,393 (International)

【Countries】 6

Japan, Singapore, Taiwan,  
Malaysia, Thailand, France

## ☐ IPPUDO WORK SHOP



IPPUDO work shop especially designed for children in elementary schools to learn importance and fun of cooking with making ramen and dumpling.



### ■ Achievements

【FY 2018】

Number held : 113  
Participants : 9,373

【Accumulated】

Number held : 612  
Participants : 50,871

**“Japanese Wonder To The World” “Smiles and ARIGATO all over the World”**  
Dietary education, promotion to fans in future, establishing community based connection.



# Disclaimer



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