



**Chikaranomoto Holdings Co., Ltd.** (Ticker #: 3561)



**February 10, 2020**

# **Q3 FY2019-20 Financial Results Briefing**

**(Supplementary Explanation Material for Financial Results of Q3 of Fiscal Year Ending 31 March, 2020)**

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- **FY2019-2020 Q3 Financial Results**
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# Financial Results

## Q3 FY2019-20



United Kingdom  
IPPUDO UK Goodge Street  
December 15, 2019



# Consolidated P&L



Unit : Million Yen	<b>FY2019-20 Q3 Results</b>	FY2019-20 Q2 Plan	Previous FY Q3 Result	vs Plan	vs Previous FY
Revenue	<b>22,293</b>	22,292	20,226	+0.0%	+10.2%
Gross Margin	<b>15,791</b>	—	14,498	—	+8.9%
SG&A Expenses	<b>15,086</b>	—	13,794	—	+9.4%
Operating Income	<b>704</b>	786	703	-10.3%	+0.1%
Ordinary Income	<b>658</b>	727	691	-9.5%	-4.8%
Pre-Tax Income	<b>634</b>	—	623	—	+1.9%
Income Attributed to the Company	<b>530</b>	524	523	+1.0%	+1.3%

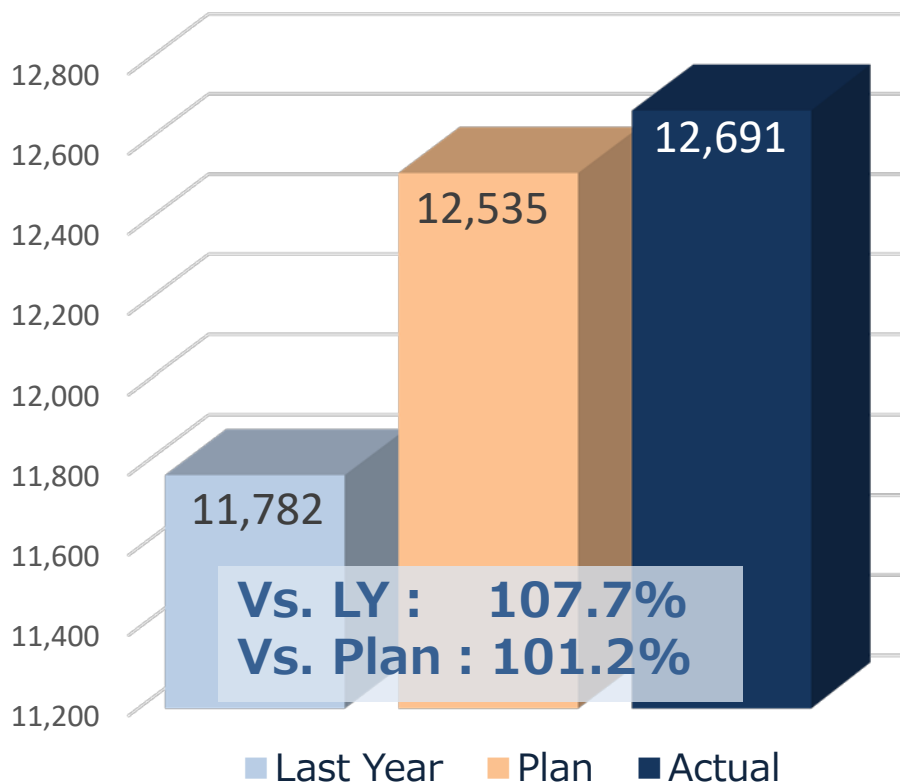
Revenue 10.2% increase over the previous year.  
Increases in wages and logistics costs constrain  
the operating income growth at 0.1%

# Domestic Store Operations

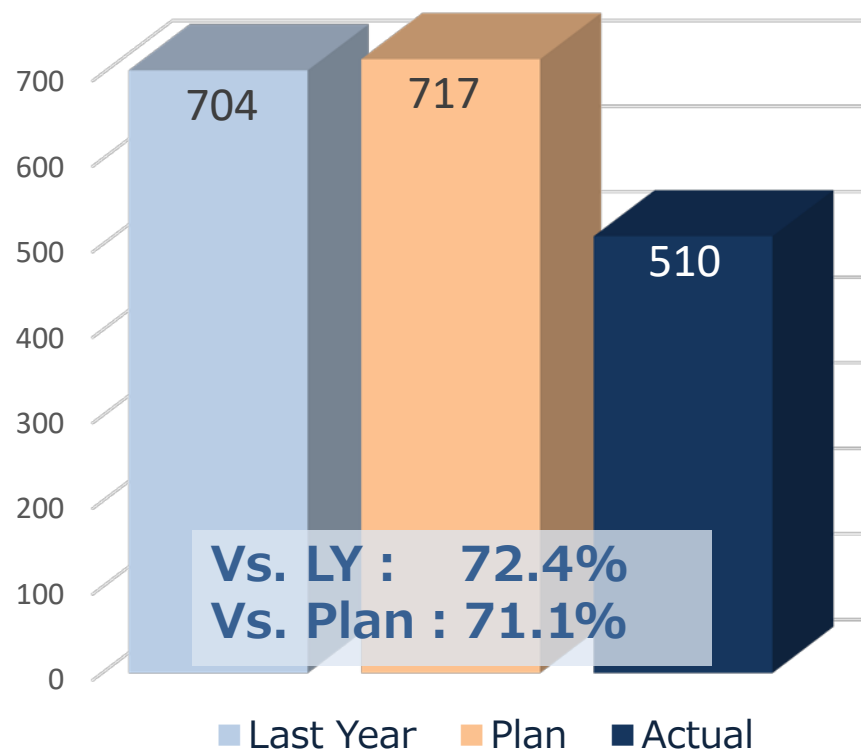


Unit : Million Yen

## Revenue



## Operating income



**Revenue growth of 7.7%, achieving the target.**  
**Segment operating margin at 4.0% (6.0% previous year) due to increases in wages, logistics costs and restructuring expenses related to supply chain revamp and IT systems replacement**

## ◆ Revenue

- New openings on schedule (16 planned, 15 opened)
- December 31 – January 2, temporarily closed 67 stores mostly at road side locations to promote improvement of working conditions for the employees.
- Despite such closures, various promotional measures (IPPUDO App, seasonal products, etc.) had positive effects and exiting store sales and guest count continues to improve.

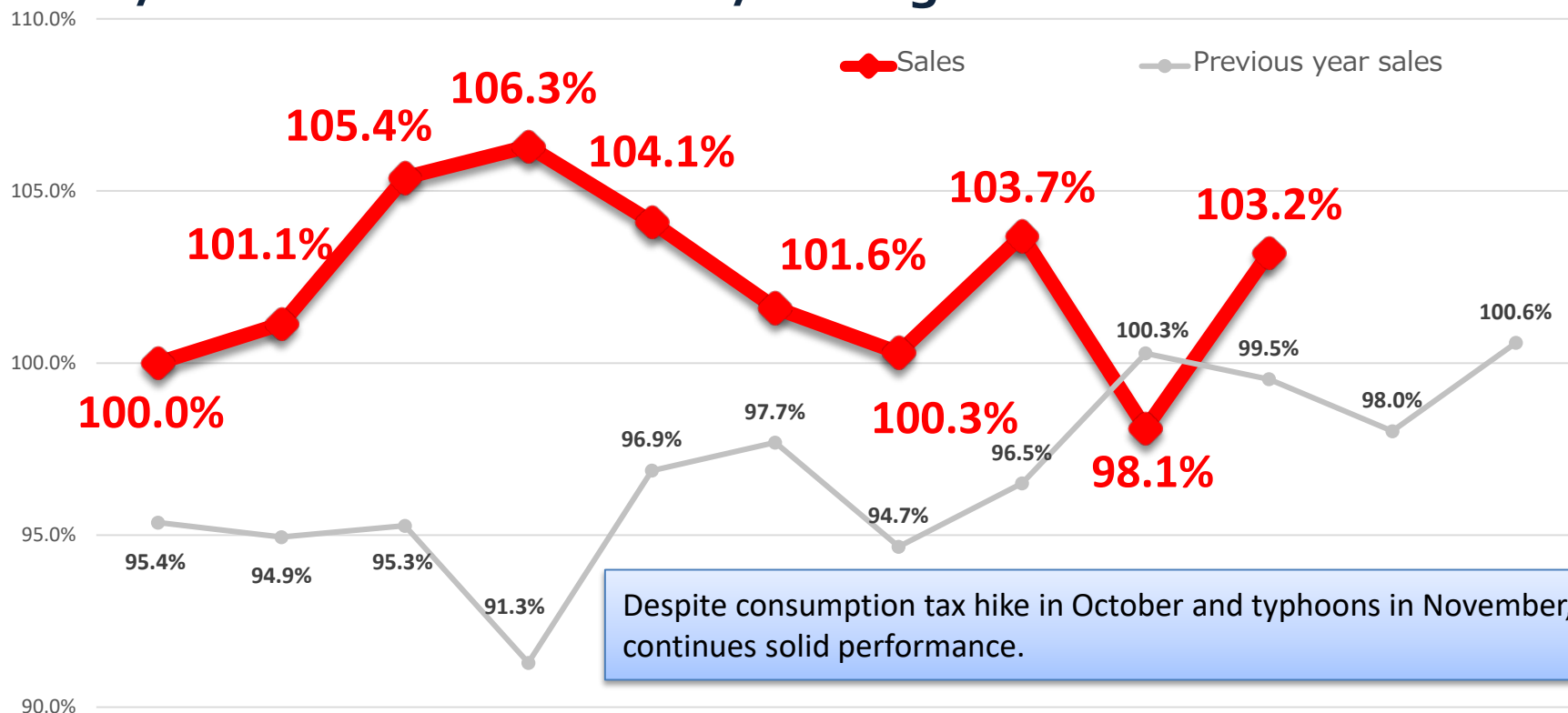
## ◆ Operating income

- Wages and logistics costs increase affect negatively.
- Supply chain revamp continues and while there are one-off costs related to IT systems renewals (POS, ordering systems, etc.) these costs are expected to be contained within this fiscal year.

# Same-Store-Sales achieves growth(+ 2.3% to date)



## □ FY2019-20 Domestic Year-Over Year Sales/Number of Customers/Average Check



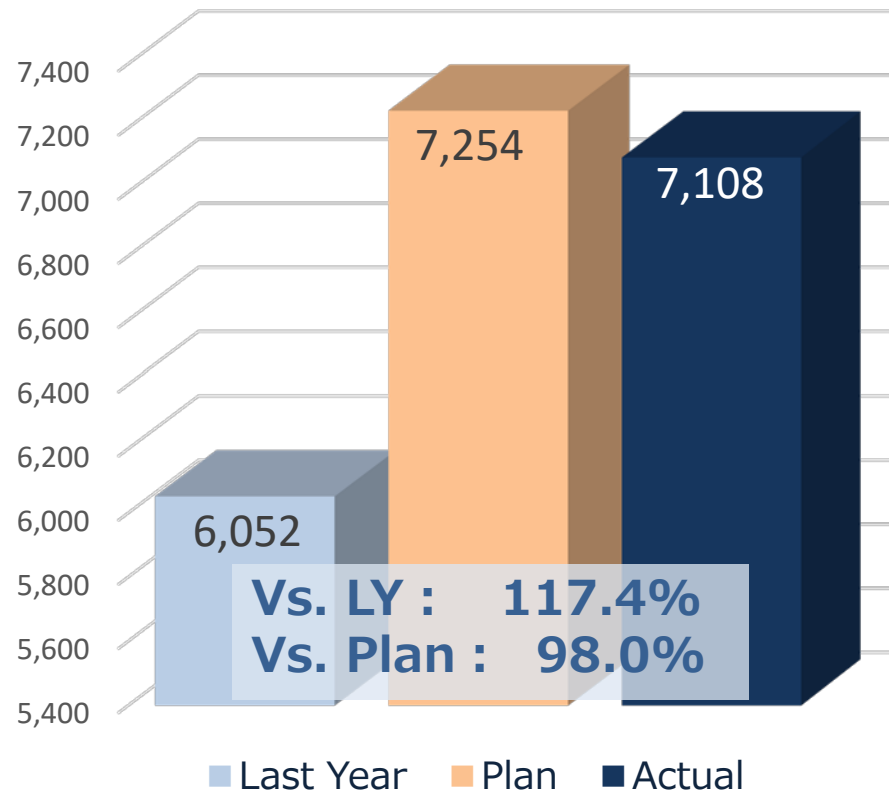
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
<b>Sales</b>	100.0%	101.1%	105.4%	106.3%	104.1%	101.6%	100.3%	103.7%	98.1%	103.2%			102.3%
<b>Number of Customers</b>	100.6%	100.9%	103.2%	105.9%	102.2%	100.1%	100.6%	104.6%	97.6%	101.0%			101.6%
<b>Average Check</b>	99.4%	100.2%	102.1%	100.3%	101.9%	101.5%	99.7%	99.2%	100.5%	102.2%			100.7%

# International Store Operations Segment

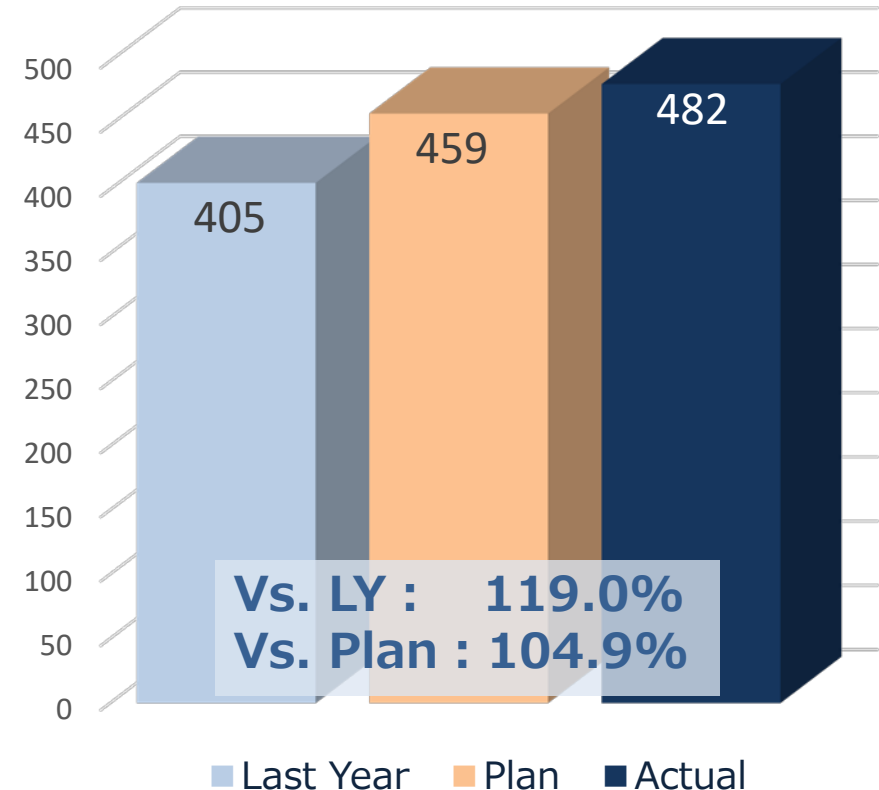


Unit : Million Yen

## Revenue



## Operating income



**Revenue falls shy of target due to opening delays. Operating income exceeds both previous year and target.**  
**Segment operating margin at 6.8% (6.7% previous year)**



## ◆ Revenue

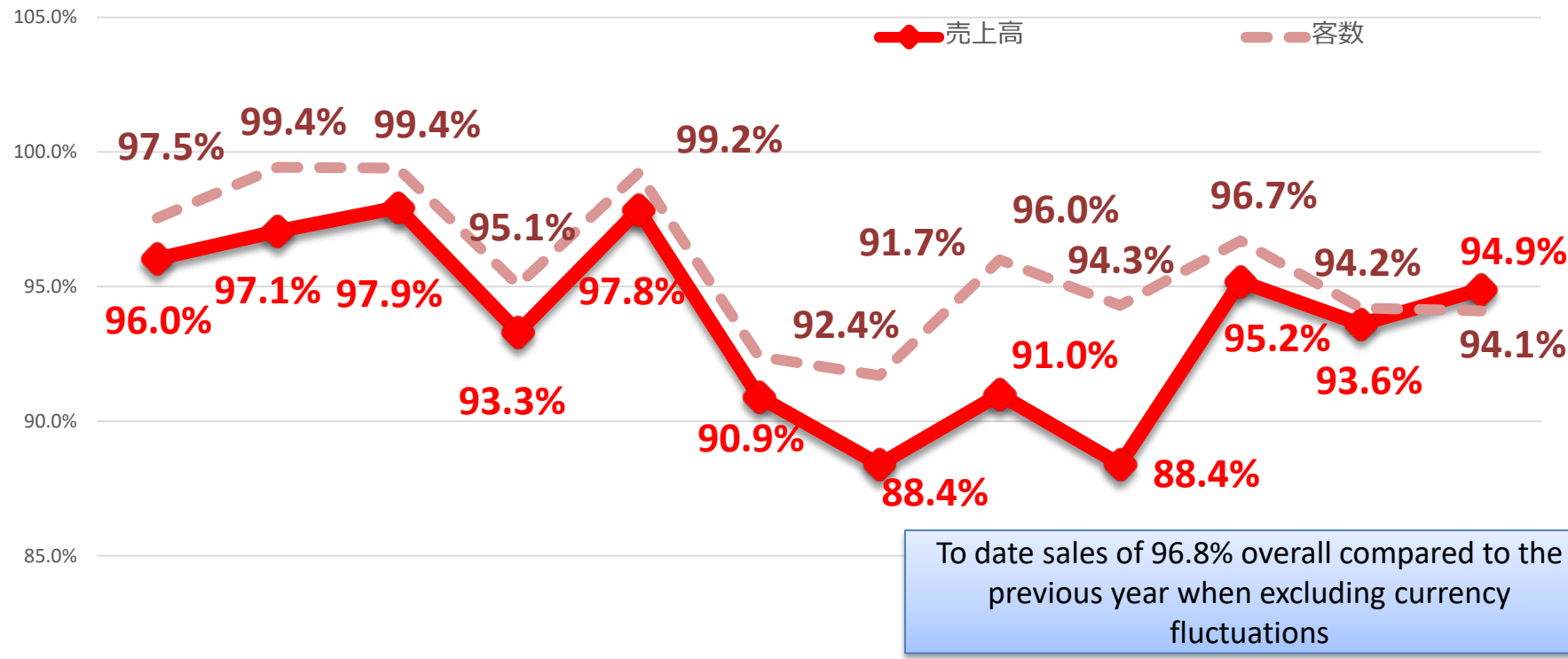
- Construction and permits delays push new store openings below target (33 planned, 21 opened)
- Licensed areas continue to growth, leading to increased revenues and royalties income.
- Some effect of bushfires in Australia, prolonged demonstrations in Hong Kong and France.

## ◆ Operating income

- Despite shortcomings of the USA West Coast operations, other areas including EU helps the overall income growth, exceeding both the previous year and the target.

# Some effects of the strong openings the previous year and foreign exchange fluctuations

**FY2019-20 International Year-Over-Year Sales/Number of Customers/Average Check**



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Sales	96.0%	97.1%	97.9%	93.3%	97.8%	90.9%	88.4%	91.0%	88.4%	95.2%	93.6%	94.9%	93.7%
Number of Customers	97.5%	99.4%	99.4%	95.1%	99.2%	92.4%	91.7%	96.0%	94.3%	96.7%	94.2%	94.1%	95.7%
Average Check	98.5%	97.6%	98.5%	98.2%	98.6%	98.4%	96.4%	94.8%	93.8%	98.4%	99.3%	100.8%	97.9%

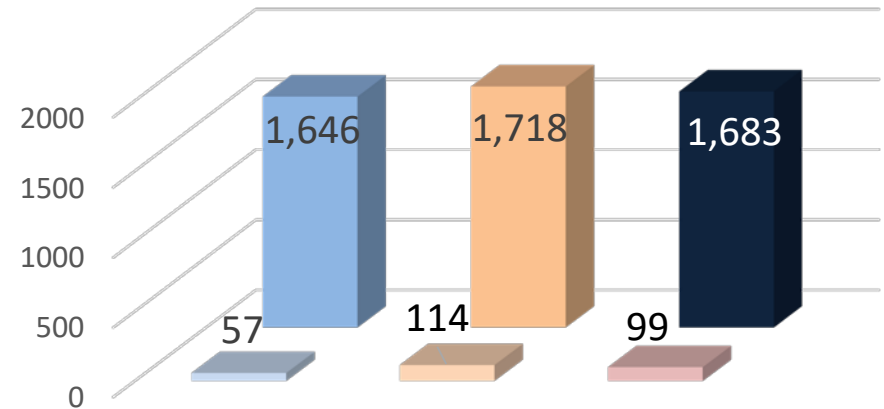
# Domestic Production & Merchandizing, Others and Corporate Overhead



Revenue (■ Last year ■ Plan ■ Actual)  
Op Income (■ Last year ■ Plan ■ Actual)

Unit : Million Yen

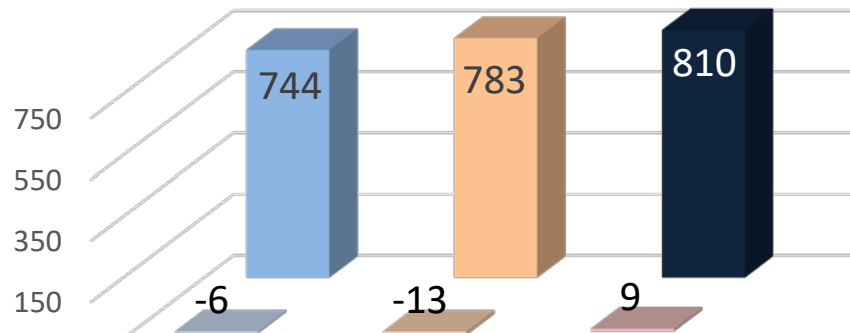
## Domestic Production & Merchandizing



Revenue Vs. LY :  
102.3%  
Vs. Plan : 98.0%

Op income Vs. LY :  
173.4%  
Vs. Plan : 87.6%

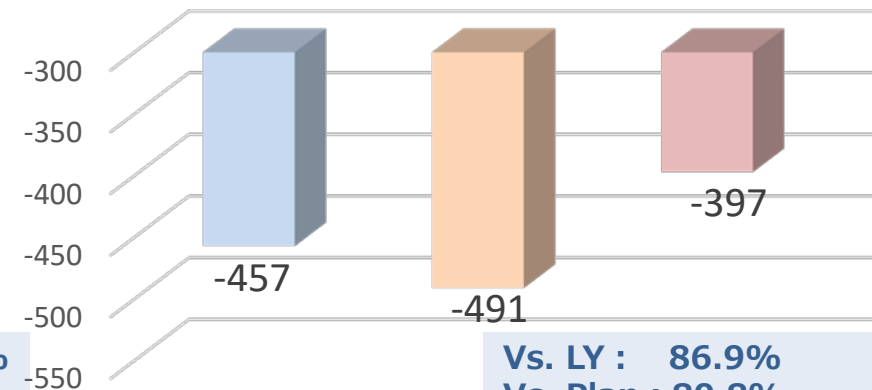
## Others



Revenue Vs. LY : 108.8%  
Vs. Plan : 103.5%

Op income Vs. LY : -%  
Vs. Plan : -%

## Corporate Overhead

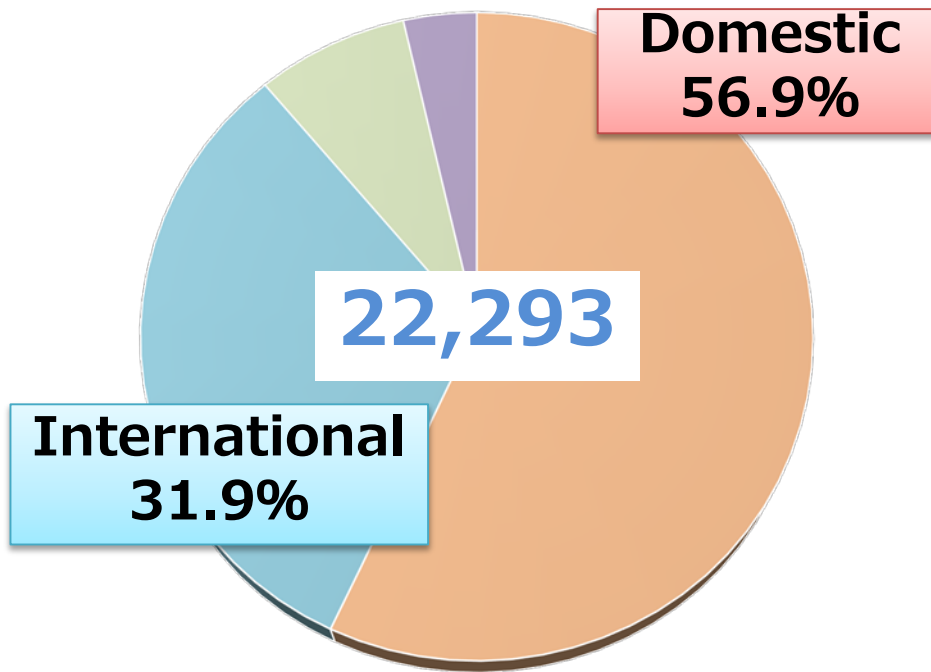


Vs. LY : 86.9%  
Vs. Plan : 80.8%

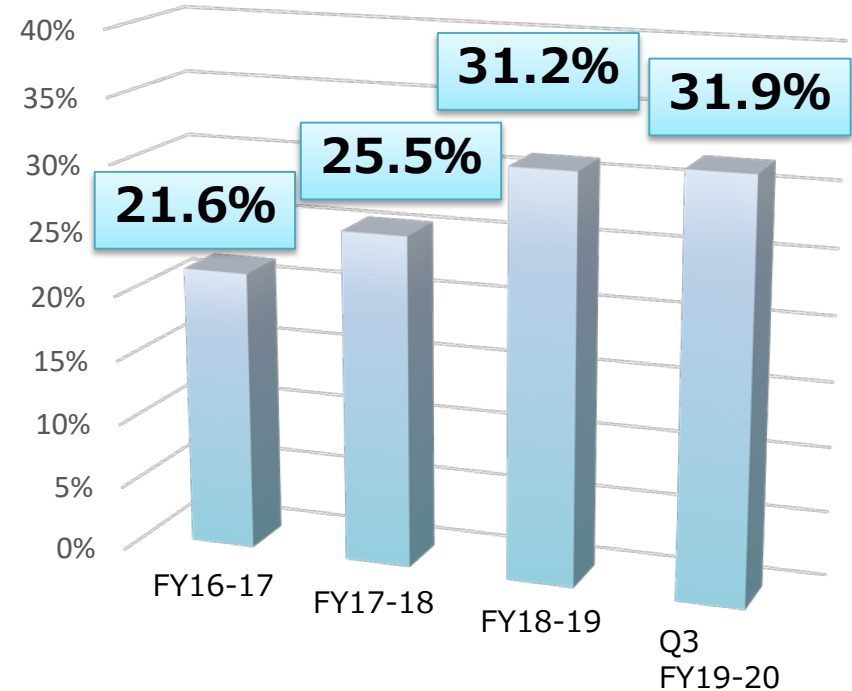
# Revenue by segment



## Revenue



## Ratio of International segment



Q3FY2019-20

(JPY million)

Domestic	International	Production & Merchandise	Others
12,691	7,108	1,683	810

Store count	FY2016-17	FY2017-18	FY2018-19	Q3 FY19-20
Wholly Owned	20	31	49	56
License	45	51	66	74

Note: in FY2016-17, the stores in Hong Kong, China and Malaysia are counted as License stores.

# Consolidated Balance Sheet



Unit : Million Yen

	March 2019	December 2019	GAP
Current Assets (cash and deposits)	5,792 (3,615)	5,793 (3,375)	+1 (-239)
Tangible Fixed Assets	7,367	8,096	+728
Intangible Fixed assets	336	312	-23
Investments & Others	2,896	2,584	-312
Non-Current Assets	10,600	10,992	+392
Total Assets	16,392	16,786	+394
Total Liabilities	11,668	12,075	+407
Equity	4,027	4,396	+369
Accumulated Other Comprehensive Income	295	47	-248
Non-controlling interest	401	266	-135
Total Net Assets	4,724	4,710	-13
Total Liabilities and Net Assets	16,392	16,786	+394

## ■ Asset

• Cash & deposit	-239
• Notes and accounts receivable	+146
• Fixed Assets	+728
• Investment securities	-301

## ■ Liabilities

• Interest - bearing loans	+80
• Payables – trade	+142
• Unpaid expenses	+193

## ■ Net Assets

• Quarterly net income	+530
• Valuation of securities	-157
• Dividend payments from retained earnings	-189

**Equity ratio at 26.5% (March 2019: 26.4%)**



# Store Openings

**Domestic**

**FY2019-20**

**Plan**

**15**

**16**

**Int'l**

**FU2019-20**

**Plan**

**21**

**33**

December, 2019

**Domestic mostly on schedule  
International falls short of the plan**

## 293 Stores in 15 countries and regions

(+27 since the end of previous FY)

Domestic 163, International 130

### Europe (7)

UK	4
France	3

### Asia (100)

Singapore	9
Malaysia <License>	6
Thailand <License>	18
Philippines <License>	9
Indonesia	5
China/Hong Kong <License>	34
Taiwan	15
Myanmar <License>	2
Vietnam <License>	2

### Japan (163)

IPPUDO	94
RAMEN EXPRESS	36
PANDA EXPRESS	6
Others	17
<b>Sub-total Domestic</b>	<b>153</b>
Ichika Bachika	2
Inaba-Udon	8
<b>Sub-total Others</b>	<b>10</b>

### North America (13)

U.S.A	13
<5 stores in West coast under Joint Venture>	

### Oceania (10)

Australia	9
<including 2 License stores>	
New Zealand	1
<License>	

# Main Accomplishments



TAIWAN  
IPPUDO TAIWAN Tainan High-speed rail  
November 20, 2019

# New openings

	10月	11月	12月
<b>Domestic</b>	<ul style="list-style-type: none"> <li>➤ IPPUDO Toyokawa</li> <li>➤ IPPUDO RAMEN EXPRESS LaLaport Numazu</li> <li>➤ IPPUDO RAMEN EXPRESS Terrace mall Matsudo</li> </ul>	<ul style="list-style-type: none"> <li>➤ IPPUDO RAMEN EXPRESS Grandberry Park Minami-Machida</li> <li>➤ PANDA EXPRESS Grandberry Park Minami-Machida</li> <li>➤ Inaba Udon Akasaka Meiji-dori</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inaba Udon, Inaba Factory</li> </ul>
<b>Int'l</b>	<ul style="list-style-type: none"> <li>➤ Taichung High-speed rail (Taiwan)</li> <li>➤ Queensbay Mall (MYS)</li> <li>➤ Central Festival Pattaya Beach (THA)</li> <li>➤ Westfield Newmarket (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>➤ KURO-OBİ Essex Crossing (USA)</li> <li>➤ Tainan High-speed rail (Taiwan)</li> <li>➤ IPPUDO EXPRESS Kaohsiung Hanshin Arena (Taiwan)</li> <li>➤ Central Plaza Ladprao (THA)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Goodge Street (GBR)</li> <li>➤ GOGYO Melbourne Fitzroy (AUS)</li> <li>➤ Shanghai One ITC (China)</li> <li>➤ Shanghai, New World City (China)</li> </ul>



# New International Stores (1/2)



United Kingdom  
IPPUDO UK Goodge Street  
December 15, 2019



USA  
KURO-OBI Essex Crossing  
November 22, 2019



Australia  
GOGYO Melbourne Fitzroy  
December 23, 2019



Taiwan  
IPPUDO Taichung High-speed rail  
October 21, 2019



# New International Stores (2/2)



Thailand  
IPPUDO Thailand Central Festival Pattaya Beach  
October 21, 2019



Malaysia  
IPPUDO Malaysia Queensbay Mall  
October 25, 2019



China  
IPPUDO Shanghai One ITC  
December 16, 2019



New Zealand  
IPPUDO New Zealand Westfield Newmarket  
October 31, 2019



# 34<sup>th</sup> Anniversary and IPPUDO App

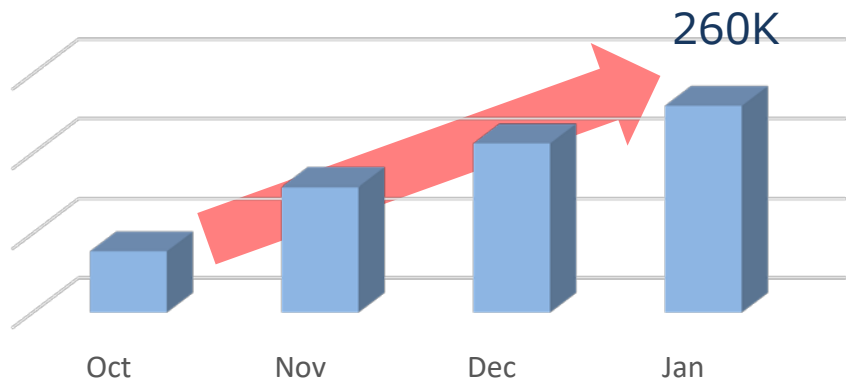


## Appreciation offering at the 34<sup>th</sup> Anniversary and a simultaneous launch of IPPUDO App

# Popular “Premium Membership” makes comeback



## Membership



**Steadily increased download count reaching 260,000 (end of January 2020)**

# Other promotional activities related to holidays and events



“Thanks” kaedama for Labor Thanksgiving day and other promotions through the newly launched App



# Oct-Dec Seasonal Offerings



“Only-now-IPPUDO” continues to offer limited-time products.  
Aimed at new customer acquisition and higher repeat rate.



# First-ever Global Leadership Conference (GLC) held in October



**100 managers from Japan and abroad spent three days together to participate in group works, store trainings to share and improve store operations and IPPUDO spirits.**



# FY2019-20 Plan (current FY)



JAPANESE WONDER  
TO THE WORLD



China  
IPPUDO Shanghai One ITC  
December 16, 2019

# FY 2019-20 Plan (Consolidated P&L)



Unit : Million Yen

	FY2018-19 Actual	FY2019-20 Plan	Vs Previous FY	
			Amount	Ratio
Revenue	27,466	30,010	+ 2,544	+9.3%
Operating Income	957	1,150	+ 193	+20.1%
Ordinary Income	922	1,072	+ 150	+16.2%
Net Income	615	700	+ 85	+13.9%

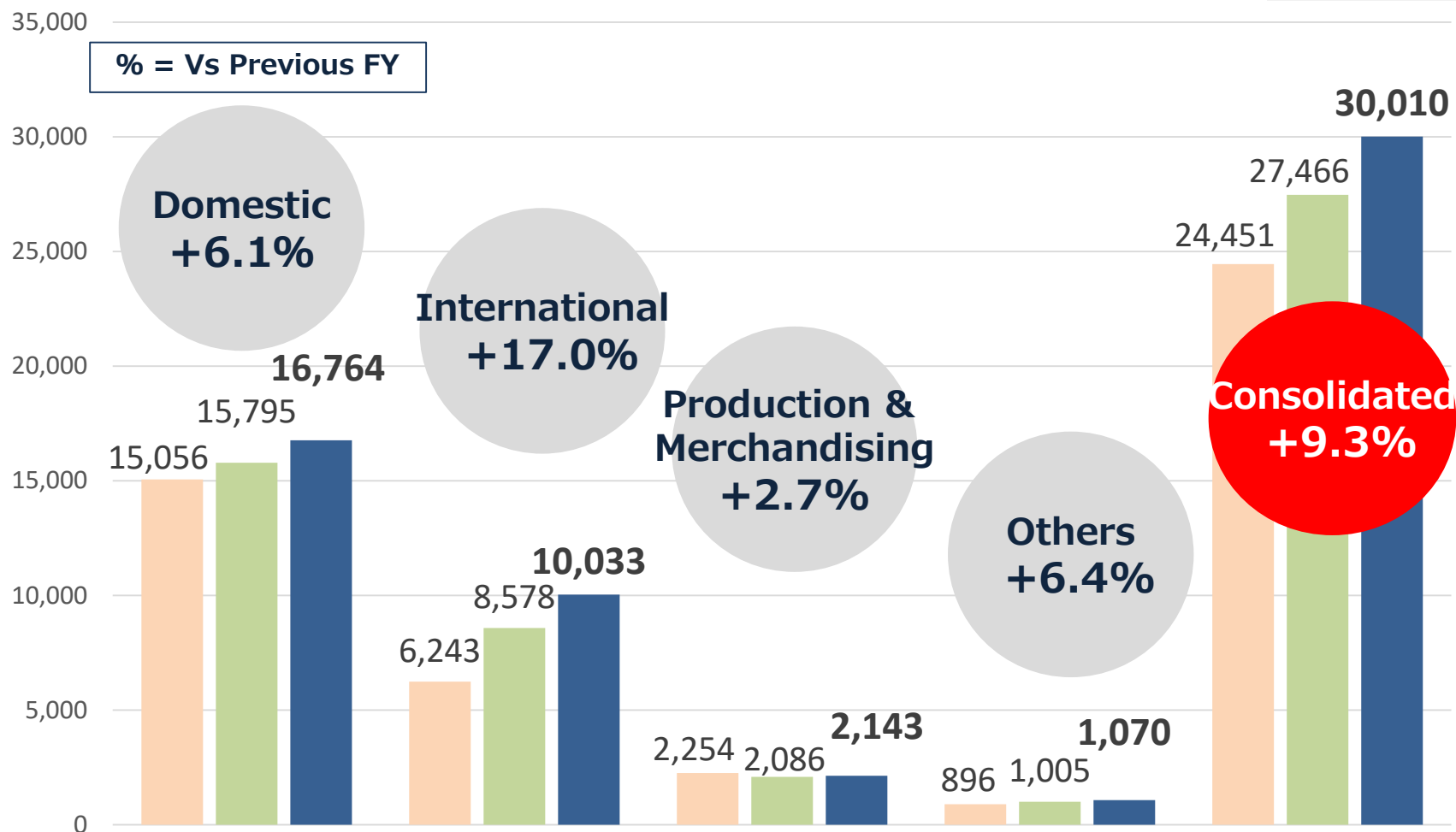
**Revenue growth of 9.3%, Operating income growth 20.1%**  
**No changes from the previously announced plan**

# FY2019-20 Plan (Revenue by Segment)



■ FY2017-18 Actual 
 ■ FY2018-19 Actual 
 ■ FY2019-20 Forecast

Unit : Million Yen



**Slower growth for Domestic due to reinforcement of existing stores**  
**International continues to expand both on company-owned and**  
**licensed territories. Overall growth shy of 10%**

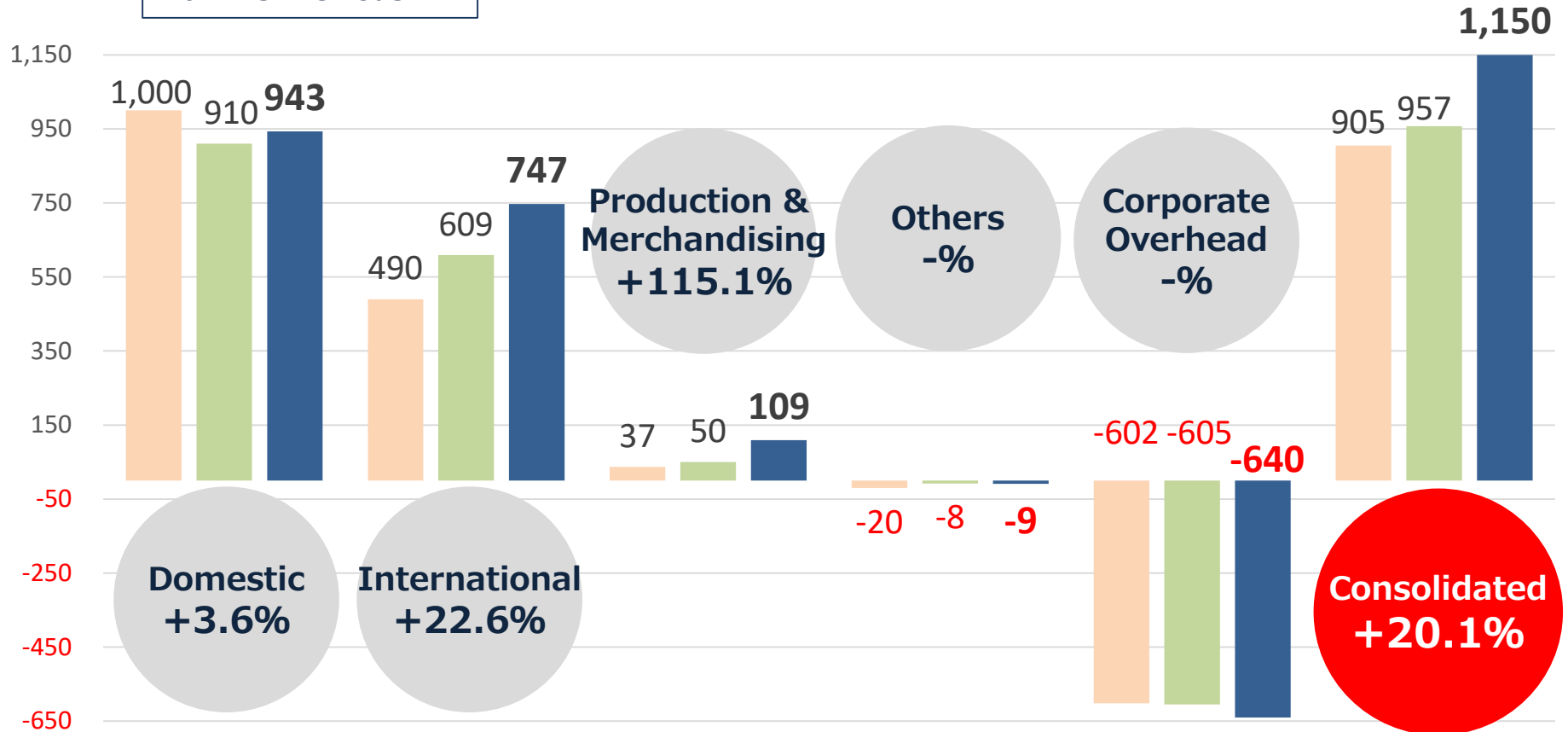
# FY2019-20 Plan (Income by Segment)



FY2017-18 Actual FY2018-19 Actual FY2019-20 Forecast

Unit : Million Yen

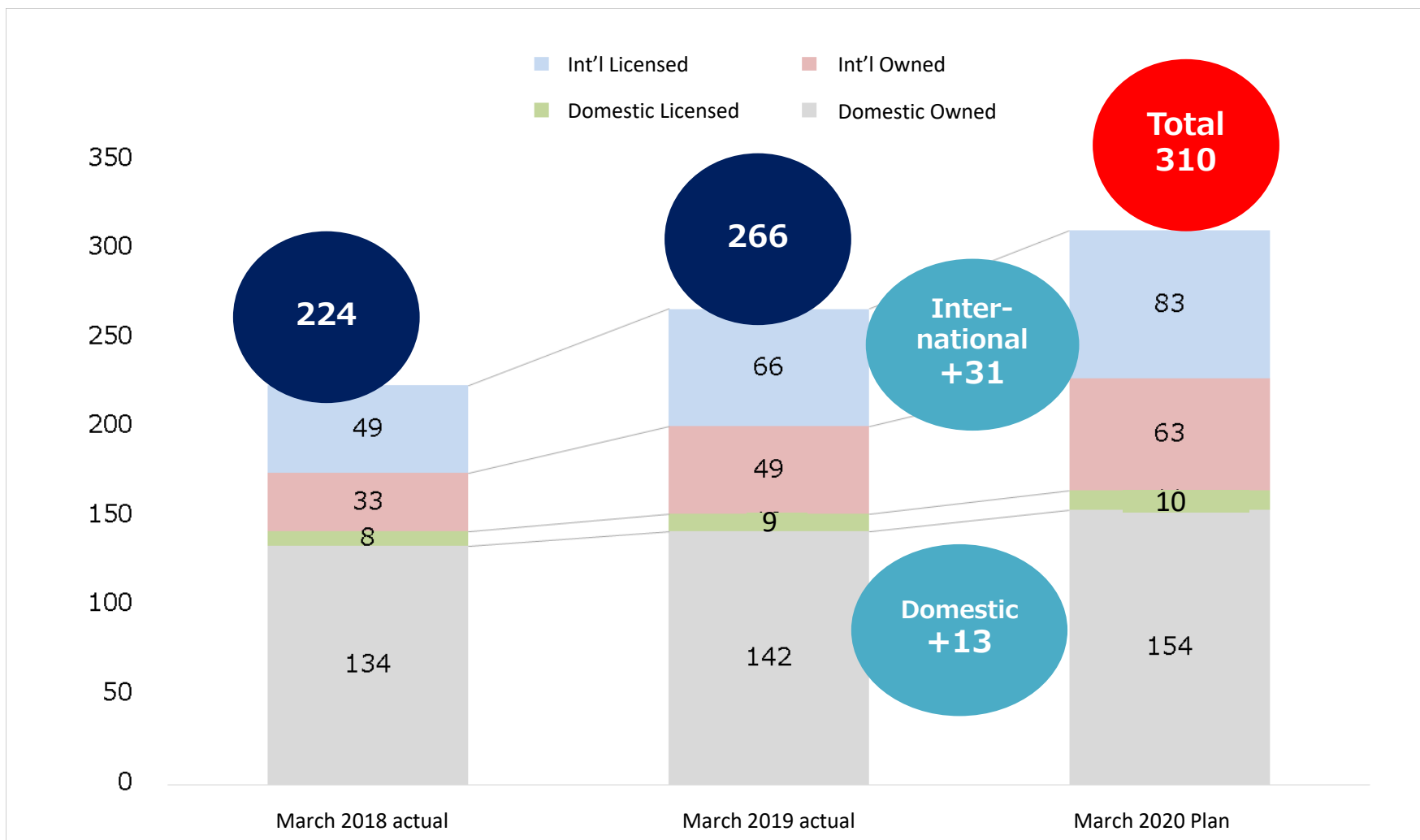
% = Vs Previous FY



**Domestic to continue to focus on improving operating margin at existing stores**  
**International to continue expanding to compensate for the delays in the US west coast**  
**Overall more than 20% growth projected for the consolidated income**



# FY2019-20 Plan (Store Count)



**Total 44 additions to the store count (13 Domestic and 31 International), total 310 stores by the end of March 2020**

# Appendix



IPPUDO RAMEN EXPRESS Terrace Mall Matsudo  
October 25, 2019



## ■ 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 QizTENJIN 801B, 1-14-45, Daimyo, Chuo ward, Fukuoka city, Fukuoka, Japan

Note: We will move the head office to the following address as of March 1, 2020.

1-13-14, Daimyo, Chuo ward, Fukuoka city, Fukuoka, Japan

Date of Establishment 30<sup>th</sup> October, 1986

Capital Stock 1,281,551,000JPY (The number of issued shares : 23,838,800 shares)

Fiscal Term March

Number of Employee 39 (consolidation 624) ※Excluding temporary employees

### List of Directors

President and Representative Director	Mr. Shigemi Kawahara
Director	Mr. Toru Nakao
Director	Mr. Hidehiko Nishihama
Director	Mr. Takashi Ajimura
Director (Independent)	Ms. Hideko Toba
Director (Audit Committee)	Mr. Yasuyoshi Suzuki
Director (Audit Committee, Independent)	Mr. Tetsuya Tsuji
Director (Audit Committee, Independent)	Mr. Shinji Tanabe

As of December, 2019

# 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, accentuates 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 mixed *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  
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.

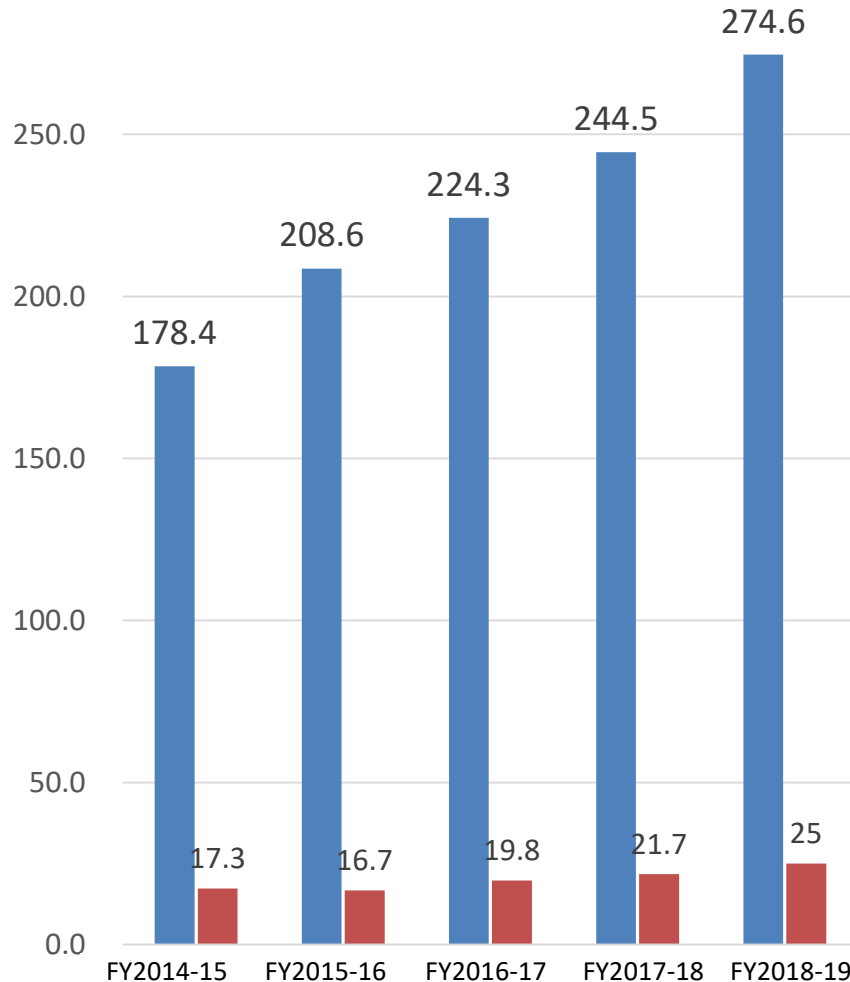


# Historical Performance



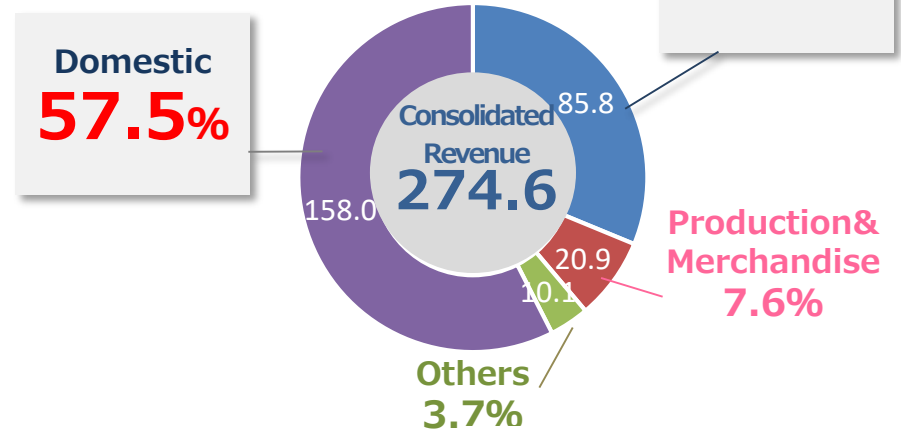
## Consolidated Revenue

■ Consolidated  
■ Non-Consolidated  
(in JPY 100 million)



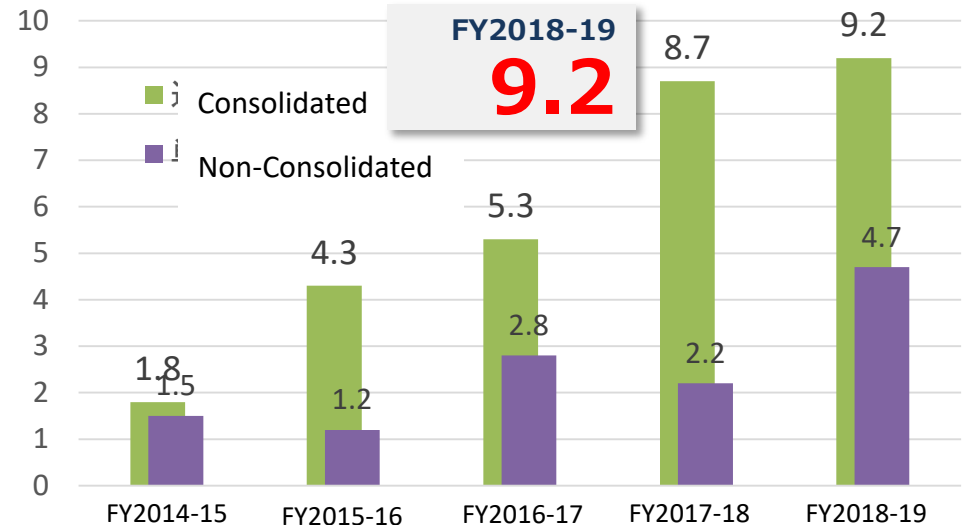
## Revenue by Segment

**FY2018-19** (in JPY 100 million)



## Ordinary Income

(in JPY 100 million)



**2025**  
**Global Total of 600 stores**  
**Global 7.7 Billion customers**



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