

Restaurant chain operating ramen shops and Japanese-style pubs

This report is an English translation of part of the report issued on October 1, 2024.
For inquiries concerning the report, please contact info@stock-r.org

[245A INGS Sector : Retail Trade]

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Aug. 2022	3,489	72.2	46	-	497	9.9	213	-	106.5	208.1	0.0
Aug. 2023	5,261	50.8	283	6.1x	265	-46.5	68	-68.0	34.1	242.2	0.0
Aug. 2024 f	6,405	21.7	439	55.1	414	55.9	279	4.1x	139.6	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending August 2024 is the company's forecasts.

Operating Ramen Shops, Restaurants and Japanese-Style Pubs

INGS is a restaurant chain that operates multiple ramen shops, Italian restaurants and Japanese-style pubs (izakaya), mainly in the Kanto region.

In fiscal year ended August 2023, the ramen business accounted for 50.8% of net sales and the restaurant business accounted for 49.2%. There is a significant difference in profitability between the ramen business, which has a segment profit margin of 8.4%, and the restaurant business, which has the burden of goodwill amortization costs, with a profit margin of 2.2%.

Ramen Business

The ramen business comprises a directly operated store division and a produce division. INGS has 31 directly managed stores and 68 affiliated stores.

The directly operated store division primarily operates urban stores in favorable locations concentrated in Tokyo, Kanagawa, Saitama and Chiba. It also operates suburban and roadside stores, as well as stores situated in commercial facilities.

The produce division provides support for those wishing to open ramen restaurants, including assistance with store openings and operations. In addition to selling ingredients, INGS also provides business start-up support, menu development and store operation expertise for a monthly fee of 50,000 yen. Unlike franchise stores, owners can use their own store name. Furthermore, there are no membership fees or royalties, enabling owners to open stores with low initial costs.

Restaurant Business

The restaurant business comprises the directly operated restaurant division and the licensed restaurant division.

The company's directly operated restaurant division has opened 17 Italian restaurants, 13 izakaya with shumai as the main product and one other restaurant.

The licensed restaurant division operates a franchise business for restaurants and izakaya. In terms of the fee structure for restaurants, the pre-opening support fee is 1.5 million yen and the royalty fee is 150,000 yen per month. The izakaya royalty fee is equivalent to 4% of monthly store sales and the fee for pre-opening support is waived, with the aim of promoting the opening of licensed stores.

Financial Statements

Statement of income	Fiscal Year	Aug. 2022		Aug. 2023		Nine months to May 2024	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		3,489	100.0	5,261	100.0	4,709	100.0
Cost of sales		1,169	33.5	1,803	34.3	1,602	34.0
Gross profit		2,320	66.5	3,458	65.7	3,107	66.0
Selling, general and administrative expenses		2,273	65.2	3,175	60.3	2,773	58.9
Operating profit		46	1.3	283	5.4	333	7.1
Non-operating income		470	-	3	-	3	-
Non-operating expenses		19	-	20	-	20	-
Ordinary profit		497	14.2	265	5.1	316	6.7
Profit before income taxes		329	9.4	127	2.4	332	7.1
Net profit		213	6.1	68	1.3	215	4.6

Balance sheet	Fiscal Year	Aug. 2022		Aug. 2023		May 2024	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		808	29.9	917	31.7	1,137	35.7
Cash and deposits		603	22.3	666	23.0	836	26.3
Accounts receivable-trade		93	3.5	122	4.2	140	4.4
Inventories		10	0.4	16	0.6	19	0.6
Non-current assets		1,882	69.6	1,966	68.0	2,041	64.1
Property, plant and equipment		855	31.6	947	32.8	1,049	33.0
Intangible assets		669	24.8	560	19.4	479	15.1
Investments and other assets		357	13.2	457	15.8	513	16.1
Deferred assets		13	0.5	8	0.3	4	0.2
Total assets		2,705	100.0	2,892	100.0	3,183	100.0
Current liabilities		979	36.2	1,020	35.3	1,134	35.6
Accounts payable - trade		126	4.7	186	6.4	213	6.7
Short-term borrowings		20	0.7	10	0.3	0	0.0
Current portion of bonds payable		126	4.7	121	4.2	101	3.2
Current portion of long-term borrowings		310	11.5	318	11.0	377	11.8
Non-current liabilities		1,309	48.4	1,387	48.0	1,349	42.4
Bonds payable		244	9.0	123	4.3	40	1.3
Long-term borrowings		632	23.4	931	32.2	1,078	33.9
Net assets		416	15.4	484	16.7	700	22.0
Owners' equity		416	15.4	484	16.7	700	22.0

Statement of cash flows	Fiscal Year	Aug. 2022	Aug. 2023
		(mn yen)	(mn yen)
Cash flows from operating activities		920	397
Depreciation		101	118
Cash flows from investing activities		-310	-394
Cash flows from financing activities		-367	68
Dividends paid		-	-
Net increase in cash and cash equivalents		242	72
Cash and cash equivalents		589	661

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

About Stock Research Center

Stock Research Center is engaged in the preparation of analyst reports, mainly on companies that are not sufficiently covered by analysts, based on a neutral perspective, and broadly disclose the reports to the public with an aim to revitalize the stock market.

Note: Reports prepared by Stock Research Center are created in reference to the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation.



■ Supporting Members

Tokyo Stock Exchange, Inc.

Nomura Securities Co., Ltd.

KPMG AZSA LLC

Deloitte Touche Tohmatsu LLC

PricewaterhouseCoopers Japan LLC

GYOSEI & CO.

PRONEXUS INC.

The Securities Analysts Association of Japan

SMBC Nikko Securities Inc.

Mizuho Securities Co., Ltd.

ICMG Co., Ltd.

SBI SECURITIES Co., Ltd.

Ichiyoshi Securities Co., Ltd.

Avantia G.P.

Japan Securities Dealers Association

Daiwa Securities Co. Ltd.

Ernst & Young ShinNihon LLC

Grant Thornton Taiyo LLC

BDO Sanyu

A&A Partners

TAKARA PRINTING CO., LTD.

■ Endorsement

Nagoya Stock Exchange, Inc.

Japan Venture Capital Association

Institutional Investors Collective Engagement Forum

Sapporo Securities Exchange

Japan Investor Relations Association

Japan Stewardship Forum

Certification by Analysts

Analysts indicated in the reports certify that the content indicated in the report precisely reflects the personal opinions of the analysts on all securities and issuer companies discussed in the report. In addition, it is ensured that the opinions directly or indirectly indicated in the report will have no influence on the analyst's compensation in the past, present, and future upon writing the report.

Disclaimer

- The report is prepared by stock analysts affiliated with the Stock Research Center for the purpose of disclosure to a wide range of investors as reference information and not to recommend or solicit to buy or to sell any particular securities or financial instrument.
- The content and indication of the report is based on disclosed information available publicly and is prepared by adding necessary supplementary information gained through interviews by analysts. The writer of the report is, without exception, prohibited to use insider information, or to acquire such information. The information included in the report is believed to be precise and reliable, but its preciseness is not verified objectively. In addition, the report is not intended to comprehensively include all information required by investors.
- The information included in the report may become outdated due to changes in the financial market, economic environment, etc. There are risks that the prices of stocks featured directly or indirectly in the report will fall below the par value due to fluctuations in stock prices, changes in management/financial conditions of the issuers, fluctuations in exchange rates or interest rates, etc. Past performance does not imply or guarantee future performance.
- The opinions indicated in the report are subject to change without notice and the Stock Research Center has no obligation to update the information or opinions included in the report.
- The Stock Research Center does not bear any responsibility for any results, including direct losses, indirect losses, losses of profit and damages, suffered by investors due to using the report or relying on the report. Final investment decisions shall be made by investors themselves and the sole responsibility concerning the investment lies with the investors that viewed the report.
- The copyright of the report belongs to the Stock Research Center and it may not be copied, reproduced, quoted, etc. in any form without prior consent.