



July 30, 2021

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2022 (FY3/22)
(Three Months Ended June 30, 2021)

[Japanese GAAP]

Company name: OHSO FOOD SERVICE CORP. Listing: Tokyo Stock Exchange, First Section
 Stock code: 9936 URL: <https://www.ohsho.co.jp>
 Representative: Naoto Watanabe, President
 Contact: Koji Uchida, Director of Public and Investor Relations
 Tel: +81-7-5592-1411

Scheduled date of filing of Quarterly Report: August 13, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter (April 1, 2021 – June 30, 2021) of FY3/22

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2021	20,213	11.4	1,706	309.1	3,151	430.7	2,144	546.1
Three months ended Jun. 30, 2020	18,142	(13.0)	416	(77.9)	593	(70.3)	331	(74.5)

Note: Comprehensive income (millions of yen) Three months ended Jun. 30, 2021: 2,227 (up 540.8%)
 Three months ended Jun. 30, 2020: 347 (down 80.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2021	114.22	-
Three months ended Jun. 30, 2020	17.69	-

Note: Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards. All figures for the three months ended June 30, 2021 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2021	92,653	54,122	58.4
As of Mar. 31, 2021	91,154	52,952	58.1

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 54,122 As of Mar. 31, 2021: 52,952

Note: Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards. All figures as of June 30, 2021 incorporate this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	50.00	-	50.00	100.00
Fiscal year ending Mar. 31, 2022	-				
Fiscal year ending Mar. 31, 2022 (forecasts)		50.00	-	50.00	100.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	40,950	4.6	2,888	20.8	4,022	48.8	2,815	65.8	150.01
Full year	83,854	4.0	6,685	10.1	7,915	15.3	5,167	20.5	275.26

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

Note: Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards. The above consolidated forecasts incorporate this accounting standard.

*** Notes**

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

Newly added: -

Excluded: -

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

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to “Notes to Quarterly Consolidated Financial Statements” on page 10 of the attachments for further information.

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2021:	23,286,230 shares	As of Mar. 31, 2021:	23,286,230 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Jun. 30, 2021:	4,514,166 shares	As of Mar. 31, 2021:	4,514,166 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2021:	18,772,064 shares	Three months ended Jun. 30, 2020:	18,763,990 shares
-----------------------------------	-------------------	-----------------------------------	-------------------

*** The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.**

*** Explanation of appropriate use of earnings forecasts, and other special items**

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 4 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Three-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	8
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
Changes in Accounting Policies	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Summary of consolidated results of operations (April 1, 2021 to June 30, 2021)					
	Amount (millions of yen)	% to sales	12-month change		24-month change
Net sales	20,213	100.0%	Up	11.4%	Down 3.1%
Operating profit	1,706	8.4%	Up	309.1%	Down 9.5%
Ordinary profit	3,151	15.6%	Up	430.7%	Up 57.9%
Profit attributable to owners of parent	2,144	10.6%	Up	546.1%	Up 64.4%

During the first quarter of the current fiscal year, the Japanese economy continued to see weak personal consumption with service consumption particularly slowing as its economic activities were significantly influenced by the deteriorating situation of COVID-19 infections in the country. Since April 2021, the central government's state of emergency and quasi-emergency COVID-19 measures were and have been in place in a total of 20 prefectures in Japan. As such, the outlook for the economy remains uncertain.

Restaurants mainly in urban areas have been urged to shorten operating hours and restrict serving alcohol, and people were requested to stay home and refrain from dining outside at any time of the day or night. Due to such restrictions, the restaurant industry has been facing an extremely severe operating environment.

Under such circumstances, the Group, continuing from the previous fiscal year, has addressed the urgent issue of the COVID-19 pandemic, giving its highest priority to the protection of the safety and health of our customers and employees. The Group has also sought to offer safe environment and delicious meals that are essential part of everyday life by following the guidelines established by the Japan Food Service Association.

At the same time, the Group was able to tap into the strong demand for takeout and delivery services during the COVID-19 crisis and conducted sales promotion in a timely manner, allowing it to considerably increase both revenue and profit year on year during the first quarter of the current fiscal year. These financial results are comparable to those of the same period two years ago without the impact from COVID-19.

The following is an overview of our initiatives and achievements during the first quarter, described in line with three primary strategies in our medium-term management plan which has newly started with the current fiscal year as the first year. The three primary strategies include sales strategy, restaurant opening strategy, and franchise chain promotion strategy.

1) Sales strategy

In March 2021, we started offering "Gyoza with Extra Garlic," new menu that uses more than twice as much garlic as our normal gyoza, which is produced in Aomori Prefecture. Since its release, this new gyoza is well received by customers, pushing up the entire sales volume of gyoza.

For sales promotion, we held the "double stamp campaign" for a limited time during the Gyoza Club customer appreciation campaign that is well received by customers every year. The 2022 version of this Gyoza Club customer appreciation campaign has started from June with a variety of Ohsho limited gifts. The lineup this year includes new gifts such as an original apron and a gyoza-shaped digital clock.

Also, in response to the government's state of emergency and quasi-emergency measures, we broadened the appeal of alcohol-free beer as a substitute for beer by offering a 50-yen discount (including tax) to customers ordering a mug of Asahi Dry Zero non-alcoholic drink.

In addition, we held a "limited period sale of uncooked gyoza" in an effort to enable customers to enjoy gyoza hot from the pan at home.

As such, we constantly carried out promotional campaigns, which drove store traffic and enabled us to increase sales even under the challenging operating environment.

We were also able to increase the number of stores that can provide delivery services from 366 at the end of March 2021 to 400 for directly operated stores. Including franchised stores, the number of such stores rose from 413 to 458 stores. Consequently, we were able to offer more convenience to customers including young people,

single persons, and housewives and to make our stores available for more people.

2) Restaurant opening strategy

As for directly operated stores, we opened a Gyoza no Ohsho store named 463go-bypass-Tokorozawa-Hayashi store in May 2021. In June, we opened another store in a new restaurant format, “Joy-Naho,” which specializes in takeout and delivery services. As the first store in the new format, Joy-Naho-Ikejiri-ohashi opened on the first floor of an office building in Setagaya-ku, Tokyo.

The 463go-bypass-Tokorozawa-Hayashi store was set up in East Japan, where the number of our stores is not large enough. It is a roadside store on the corner of an intersection, which enables the store to attract customers coming from all directions by car. It is also in a suburb, where night-time population is dense. This means that we can avoid dense daytime population in the urban area amid the COVID-19 crisis. At the roadside store, we implemented the same COVID-19 infection prevention measures as other existing stores along with the guidelines of the Japan Food Service Association. We implemented an ingenious idea to allow the store to smoothly deliver our products to customers using take-out services.

In addition, through the name of the Joy-Naho-Ikejiri-ohashi store, we propose a new way of enjoying Chinese dishes. Joy-Naho is a coined word. “Joy” originates in “enjoy” while “Naho” is a Osho jargon meaning “for takeout,” used by staff members when they call orders to the kitchen. We offer a wide variety of takeout menus served in microwavable containers. Customers can pre-order takeout and receive it without waiting. For delivery services, they can place orders through the platform run by any of the three food delivery operators: Demae-Can, Uber Eats, and menu. Such efforts have made the Joy-Naho store, specializing in takeout and delivery services, a place that can be utilized on various occasions. Since its opening, the store is highly supported by customers.

3) Franchise chain promotion strategy

We have established the internal system to strengthen partnership with our franchised stores and enhance the brand value of Gyoza no Ohsho. Under this internal system, franchised stores receive strong support that will help them find a solution to issues they are facing. Specifically, we offer educational opportunities to franchise owners, restaurant managers, and future candidates for such posts by holding training sessions, aimed at allowing them to acquire knowledge and skills for the store operation. Such training sessions are originally for directly operated stores and are held by Ohsho University, our in-house educational institution, as well as Ohsho Cooking Dojo, an in-house training program. In addition, our franchise consultants periodically make the rounds of franchised stores to check the level of quality, service, and cleanliness of each franchised store and clarify areas for improvement. We have sought to make quality standards of Ohsho penetrate into the stores by working on the areas for improvement by mutual agreement with franchise owners.

Furthermore, we encouraged franchise owners to conduct various promotional campaigns that have been in place at directly operated stores. Thanks to such efforts we were able to attract customers to our stores, driving store traffic even under the challenging operating environment. As we were able to increase sales by franchised stores, sales generated by shipping goods from our factories to franchised stores remained strong.

As a result, net sales increased 2,070 million yen or 11.4% year-on-year to 20,213 million yen.

Operating profit increased 1,289 million yen or 309.1% year-on-year to 1,706 million yen. This is due to an increase in net sales as well as the efforts to keep personnel expenses under control and to cut down utilities expenses.

Ordinary profit increased 2,557 million yen or 430.7% year-on-year to 3,151 million yen mainly due to the above reasons as well as subsidy income and other factors.

Profit attributable to owners of parent increased 1,812 million yen or 546.1% year-on-year to 2,144 million yen mainly due to the above reasons.

Regarding the store network during the first quarter of the current fiscal year, we opened two directly operated stores and two franchised stores, and closed one directly operated store and four franchised stores. The result was a total network of 529 directly operated stores and 204 franchised stores at the end of the first quarter.

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards.

(2) Explanation of Financial Position**Assets**

The balance of total assets at the end of the first quarter of the current fiscal year was 92,653 million yen, up 1,498 million yen or 1.6% from the end of the previous fiscal year. The main factors for the change are as follows.

Current assets increased 1,431 million yen or 3.4% to 43,884 million yen. This was mainly due to an increase in cash and deposits.

Non-current assets increased 67 million yen or 0.1% to 48,769 million yen. This was mainly due to an increase in investment securities resulting from a rise in fair value.

Liabilities

The balance of total liabilities at the end of the first quarter of the current fiscal year was 38,530 million yen, up 328 million yen or 0.9% from the end of the previous fiscal year. The main factors for the change are as follows.

Current liabilities increased 3,539 million yen or 17.2% to 24,122 million yen. This was mainly due to an increase in current portion of long-term borrowings.

Non-current liabilities decreased 3,211 million yen or 18.2% to 14,408 million yen. This was mainly due to a decrease in long-term borrowings. The balance of borrowings at the end of the first quarter was 26,472 million yen.

Net assets

Net assets at the end of the first quarter of the current fiscal year were 54,122 million yen, up 1,169 million yen or 2.2% from the end of the previous fiscal year. This increase was mainly attributable to profit attributable to owners of parent of 2,144 million yen, while there was dividend payment of 938 million yen. As a result, the equity ratio increased from 58.1% at the end of the previous fiscal year to 58.4%.

Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first quarter of the current fiscal year amounted to 40,727 million yen, up 1,137 million yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was 3,149 million yen (compared to 869 million yen used for the same period of the previous fiscal year). This was mainly due to an increase in profit before income taxes.

The main factors include profit before income taxes of 3,140 million yen and depreciation of 607 million yen, which were more than offset by income taxes paid of 1,050 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 707 million yen or 56.1% year-on-year to 553 million yen. This was mainly due to a decrease in outlays for the purchase of property, plant and equipment.

The main factors include outlays of 453 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 1,461 million yen (compared to 22,991 million yen provided for the same period of the previous fiscal year). This was mainly due to a decrease in proceeds from long-term borrowings.

The main factors include outlays resulting from a net decrease of 522 million yen in long-term borrowings and cash dividends paid of 938 million yen.

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

We maintain the first half and full year consolidated forecasts for the fiscal year ending March 31, 2022 released in “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021” dated May 14, 2021.

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

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	39,590	40,727
Accounts receivable-trade	1,597	1,657
Merchandise and finished goods	116	119
Raw materials	353	392
Other	800	990
Allowance for doubtful accounts	(4)	(3)
Total current assets	42,452	43,884
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,193	55,220
Accumulated depreciation	(43,075)	(43,184)
Buildings and structures, net	12,118	12,036
Machinery, equipment and vehicles	6,736	6,736
Accumulated depreciation	(4,314)	(4,430)
Machinery, equipment and vehicles, net	2,422	2,306
Tools, furniture and fixtures	6,529	6,603
Accumulated depreciation	(5,650)	(5,718)
Tools, furniture and fixtures, net	879	884
Land	20,649	20,633
Construction in progress	22	41
Total property, plant and equipment	36,092	35,903
Intangible assets	143	134
Investments and other assets		
Investment securities	5,286	5,429
Guarantee deposits	4,274	4,344
Other	2,920	2,972
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	12,465	12,731
Total non-current assets	48,701	48,769
Total assets	91,154	92,653

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	First quarter of FY3/22 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,986	2,013
Current portion of long-term borrowings	10,931	13,767
Income taxes payable	1,284	1,153
Provision for bonuses	1,005	502
Other	5,375	6,685
Total current liabilities	20,582	24,122
Non-current liabilities		
Long-term borrowings	16,063	12,705
Asset retirement obligations	830	836
Other	724	866
Total non-current liabilities	17,619	14,408
Total liabilities	38,201	38,530
Net assets		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,259	9,259
Retained earnings	46,045	47,132
Treasury shares	(10,707)	(10,707)
Total shareholders' equity	52,764	53,851
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,119	3,217
Revaluation reserve for land	(3,238)	(3,238)
Foreign currency translation adjustment	(16)	(10)
Remeasurements of defined benefit plans	324	302
Total accumulated other comprehensive income	188	271
Total net assets	52,952	54,122
Total liabilities and net assets	91,154	92,653

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

(Millions of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Net sales	18,142	20,213
Cost of sales	5,504	6,280
Gross profit	12,637	13,932
Selling, general and administrative expenses	12,220	12,226
Operating profit	416	1,706
Non-operating income		
Interest income	0	0
Dividend income	44	44
Franchise chain accession fee	33	29
Rental income from land and buildings	15	15
Subsidy income	53	1,359
Miscellaneous income	52	43
Total non-operating income	200	1,492
Non-operating expenses		
Interest expenses	2	18
Rental expenses	19	22
Miscellaneous losses	1	6
Total non-operating expenses	23	47
Ordinary profit	593	3,151
Extraordinary income		
Gain on sale of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on retirement of non-current assets	10	10
Total extraordinary losses	10	10
Profit before income taxes	583	3,140
Income taxes-current	180	1,009
Income taxes-deferred	70	(12)
Total income taxes	251	996
Profit	331	2,144
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	331	2,144

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

	(Millions of yen)	
	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Profit	331	2,144
Other comprehensive income		
Valuation difference on available-for-sale securities	11	98
Foreign currency translation adjustment	(1)	6
Remeasurements of defined benefit plans, net of tax	5	(22)
Total other comprehensive income	15	83
Comprehensive income	347	2,227
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	347	2,227
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	583	3,140
Depreciation	588	607
Increase (decrease) in allowance for doubtful accounts	(1)	(1)
Decrease (increase) in retirement benefit asset	14	(31)
Interest and dividend income	(45)	(45)
Interest expenses	2	18
Loss (gain) on sale of non-current assets	(0)	-
Loss on retirement of non-current assets	10	10
Decrease (increase) in trade receivables	32	(59)
Decrease (increase) in inventories	(15)	(42)
Increase (decrease) in trade payables	(112)	26
Increase (decrease) in accrued consumption taxes	(303)	457
Other, net	(367)	92
Subtotal	385	4,172
Interest and dividends received	45	45
Interest paid	(6)	(18)
Income taxes paid	(1,294)	(1,050)
Net cash provided by (used in) operating activities	(869)	3,149
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,175)	(453)
Proceeds from sale of property, plant and equipment	0	15
Loan advances	(23)	(28)
Proceeds from collection of loans receivable	7	10
Payments of guarantee deposits	(81)	(92)
Other, net	12	(5)
Net cash provided by (used in) investing activities	(1,260)	(553)
Cash flows from financing activities		
Proceeds from long-term borrowings	25,000	-
Repayments of long-term borrowings	(882)	(522)
Dividends paid	(1,125)	(938)
Net cash provided by (used in) financing activities	22,991	(1,461)
Effect of exchange rate change on cash and cash equivalents	(0)	2
Net increase (decrease) in cash and cash equivalents	20,860	1,137
Cash and cash equivalents at beginning of period	17,117	39,590
Cash and cash equivalents at end of period	37,978	40,727

(4) Notes to Quarterly Consolidated Financial Statements

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) . Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. Accordingly, the Company has changed its method for recognizing franchise chain accession fees and renewal fees based on the franchise contract from the method of recognizing those fees as revenue when they are received to that of recognizing them as revenue over the contract period on a reasonable basis.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso of paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

The new standard reduced retained earnings at the beginning of the first quarter by 119 million yen. The effect of this change on profit in the first quarter of the current fiscal year is insignificant.

Application of the Accounting Standard for Fair Value Measurement

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). There is no effect of the application of this standard on the quarterly consolidated financial statements.

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.