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CHIKARA_{no}MOTO

Consolidated Financial Report for the The Fiscal Year Ending March 31, 2022 <Japanese GAAP>

May 13, 2022

Tokyo Stock Exchange

Company: Chikaranomoto Holdings Co., Ltd.
 Stock Code: 3561 URL <http://www.chikaranomoto.com/>
 Representative: (Title) President and Representative Director (Name) Shigemi Kawahara
 Contact: (Title) Chief Strategy Officer (Name) Tomoyuki Yamane Tel: +81-(0)3-6264-3899
 General Meeting of Shareholders: June 29, 2022 Scheduled Date of Dividend Payments: -
 Preparation of Supplementary Explanation Material for Financial Results: Yes
 Presentation Meeting for Financial Results: No

1. Financial Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022) (Rounded down to the nearest million yen)

(1) Results of Consolidated Operations

(% indicates variance from the previous fiscal year)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company	
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%
FY2021-22	19,398	17.3	1,050	-	1,083	-	923	-
FY2020-21	16,539	-43.2	-980	-	-1,010	-	-2,392	-

Note: Comprehensive Income FY2021-22 1,125 million JPY (-%) FY2020-21 -2,523 million JPY (%)

	Earnings per share	Earnings per share after adjusting for dilution	Return on Equity	Return on Assets	Operating margin
	JPY	JPY	%	%	%
FY2021-22	34.91	34.64	36.2	7.0	5.4
FY2020-21	-100.08	-	-93.5	-6.5	-5.9

Note: Equity Method Income FY2021-22 23 million JPY FY2020-21 -18 million JPY

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio	Net Equity per share
	million JPY	million JPY	%	yen
FY2021-22	15,271	3,800	24.8	140.69
FY2020-21	15,673	1,312	8.4	54.80

Reference: Shareholders' Equity FY 2021-22 3,791 million yen FY2020-21 1,312 million yen

(3) Consolidated Cash Flow

	Operating Cash Flow	Investing Cash Flow	Financial Cash Flow	Cash and Equivalents (ending balance)
	million JPY	million JPY	million JPY	million JPY
FY2021-22	1,704	-923	-167	5,125
FY2020-21	-651	-1,249	2,047	4,347

2. Dividends

	Dividends per share (annual)					Total Dividends	Payout Ratio	Dividend over Equity
	Q1	Q2	Q3	Q4	Total			
	Yen	Yen	Yen	Yen	Yen	million JPY	%	%
FY2020-21	-	0.00	-	0.00	0.00	0	-	-
FY2021-22	-	0.00	-	0.00	0.00	0	-	-
FY2022-23 (Forecast)	-	-	-	-	-		-	

Note: As for FY2022-23, due to uncertainty in F&B business, the dividend plan is not decided yet, although we see a positive trend in our performance.

3. Forecast of Consolidated Operating Performance for the FY 2022-23 (April 1, 2022 to March 31, 2023)

(% indicates variance from the previous period or quarter)

	Revenue		Operating Income		Ordinary Income		Income Attributable to the Company		Earnings per share
	Million JPY	%	Million JPY	%	Million JPY	%	Million JPY	%	Yen
Half Year (up to Q2)	11,289	28.9	479	82.5	469	88.0	296	190.9	11.29
FY2022-23	23,705	22.2	1,383	31.7	1,355	25.1	950	2.9	36.12

Notes

- (1) Changes in key subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and restatement of error corrections:
 - 1) Changes in accounting policies arising from revision of accounting standards: Yes
 - 2) Changes in accounting policies due to reasons other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of prior period financial statements after error correction: None

(3) Total Number of Issued Shares (Common stock)

① Total number of issued shares at the end of period (including treasury shares)	FY2021-22	27,042,400 Shares	As of March 31, 2021	24,040,800 Shares
② Total number of treasury shares at the end of period	FY2021-22	89,601 Shares	As of March 31, 2021	89,601 Shares
③ Average number of shares during the period	FY2021-22	26,459,465 Shares	As of March 31, 2021	23,909,963 shares

Note:

1 The total number of treasury shares at the end of period includes those treasury shares held under the Employee Stock-ownership Program (ESOP) (at the end of FY2021-22 89,600 shares and at the end of the previous fiscal year 89,600 shares). Also, these treasury shares are excluded from the calculation of the average number of shares during the period (at the end of FY2021-22 89,600 shares and at the end of FY2021-22 89,600 shares).

These consolidated financial reports (Tanshin) are exempt from the audit procedures by certified public accountants or audit firms.

Cautionary Statement on the forecast of consolidated financial performance and other notes

(Cautions concerning forward-looking statements)

Performance forecasts presented herein are based on the information available to Chikaranomoto Holdings Co., Ltd. and its subsidiaries (the "Company") as of the date of this document. Accordingly, there remains the possibility that the actual performance results may differ from projections.

(Supplementary Explanation Material)

Supplementary Explanation Material are available via TDnet on the same day.

1. Overview of Business Results

(1) Summary of Operating Results

As for the overall economic environment during the current consolidated financial period, the world economy was on its way to the pre-pandemic levels with successful vaccination programs. However, with the advent of much more infectious new variant, the concern about resurgence of the pandemic has spread over the world again and made the outlook uncertain again. Furthermore, we are seeing energy and raw material prices hike and exchange rates uncertainty, which are caused by geopolitical risks such as Russia-Ukraine situation and US-China disputes. We need to remain vigilant over the situations.

Within the restaurant industry in which the Company operates, domestically, there are upward pressure on the wages and logistic costs due to shortage of labor force, heightened raw materials costs due to the rising demand for meat worldwide. There is a strong need to further enhance our profitability.

Until September of 2021, there were various restrictions imposed such as voluntary 20:00 curfew, limitation on number of customers, ban on alcohol sales, etc. Beginning October, as those restrictions were eased in stages, we saw some gradual economic recovery. However, in the face of a surge of the infection by the new variant since late December, restrictions such as the voluntary curfew took effect again and lasted until mid-March of 2022. After the restrictions were lifted, the spread of booster vaccinations among the nation has not kept up with the spike of infection, and the prospects of economic recovery have become uncertain again. In addition, there have been serious concerns about the price hikes of energy and raw materials due to the Russia-Ukraine situation. We need to keep a close eye on it. Internationally, the market of Japanese food including Ramen has been expanding and continuous long-term growth is expected. However, there are global upward pressure on the raw material costs, wages and logistic costs due to shortage of labor, which requires constant efforts to reinforce profitability. Although many countries have experienced repeated lockdowns and their consumer spending also fluctuated, their recoveries after lockdowns tend to be strong. For the present, while there has been a re-expansion of the infection by the new variant in Shanghai, China since late March, in other countries and areas, we are seeing the restrictions being eased further, which has been pushing forward our business activities gradually. On the other hand, there has been a serious concern about energy and raw material price surge due to the Russia-Ukraine situation, and we need to pay close attention to it, which is the same situation with domestic market.

With the above in mind, the Company stays true to its principle of "Keep Changing to Remain Unchanged" and opened 7 domestic stores which were based on a new model aimed at higher return on investment, that the Company has worked on since the previous year. In order to capitalize on the potential needs, domestic and overseas existing stores have been promoting Take-Away and Delivery, and promoted digital transformation introducing mobile order system and automated invoicing system. PLANT-BASED SHIROMARU and AKAMARU have been launched domestically, which used plant-derived raw materials only, in line with the diversification of values and perceptions, and consideration to the protection of environment. As for production & merchandise segment, the Company has established a Direct-to-Consumer business model eliminating intermediaries through its own E-Commerce sites, and

enhancing B2C segment as well. Furthermore, the dried noodle types of IPPUDO PLANT-BASED RAMEN SHIROMARU&AKAMARU and TONMARU, which is a pork bone broth flavored snack, have been launched. Internationally, the Company has enhanced the sales of FROZEN RAMEN SHIROMARU&AKAMARU in order to gain revenue in addition to the in-store dining business.

At the end of the current consolidated financial period, the number of stores including franchisees totaled 277 stores (Japan 143, International 134), a decrease of 6 stores domestically and an increase of 3 stores overseas.

As a result, the performance of the current consolidated financial period is as follows: the revenue totaled 19,398 million yen (a 17.3% increase from the previous financial period). The operating income resulted in 1,050 million yen (compared to the operating loss of 980 million yen in the previous year), helped by the addition of new stores and the improved profitability of the existing stores. Ordinary income resulted in 1,083 million yen (compared to the ordinary loss of 1,010 million yen in the previous year). The net profit attributable to the Company was 923 million yen (compared to the net loss of 2,392 million yen in the previous year).

“Accounting Standard for Revenue Recognition” (ASBJ Statement No29) has been adopted since the beginning of the current consolidated financial year, which increased the revenue, operating income, ordinary income, and profit before income taxes of the current consolidated financial year by 10 million yen respectively.

Segment results

The Company has reclassified the segments as per the re-positioning of its brands since the beginning of the current consolidated financial year. As a result, the segment of Others went extinct as it was integrated into Domestic Store Operations and Production and Merchandise. On this occasion, the name of the segment Domestic Production and Merchandise was changed to Production and Merchandise. The following comparisons with the previous year have already reflected the reclassification.

(Domestic Store Operations)

The Company opened 8 new stores under IPPUDO brand, 1 under INABA UDON in this segment, while there were 5 closures under IPPUDO, 1 closure under INABA UDON, 1 closure under ICHIKA BACHIKA, and 8 divestments under PANDA EXPRESS. The total number of stores at the end of current consolidated financial period was 143 (a net decrease of 6 stores compared to the end of the previous fiscal year). Please note that 6 stores under RAMEN EXPRESS were converted to IPPUDO.

Until September, the Company operated according to the requirements from the Government or local governments such as voluntary 20:00 closure or ban on alcohol sales. Beginning October, since the state of emergency was lifted, the Company’s revenue recovered steadily. However, since late December with infections by the new variant rising back rapidly, the restrictions such as voluntary curfew and so on were imposed again and it lasted until mid-March. As a result, there were only 3 months throughout the year when we were free from restrictions.

Under the above circumstances, the Company opened 7 stores based on the new investment model,

which has been tried since the previous year, while strategically closed 7 underperforming stores, improved productivity through introduction of mobile order system and self-order kiosk machines, and enhanced the Take-Away and Delivery to capitalize on the potential needs at the existing stores. And also the Company resumed selling PLANT-BASED SHIROMARU and AKAMARU, which were launched as a limited edition in February of 2021.

This merchandise is one of our solutions to the trend of diversification of diet, heightened health consciousness and products with less carbon footprint. Furthermore, the Company organized ramen-giveaway events by dispatching our own kitchen cars, which was labeled "IPPUDO at Your Town", in an attempt to attract families with small children who dine out less often due to the recent pandemic with the support from partner companies.

As a result, the Revenue totaled 10,387 million yen (a 12.9% increase from the previous financial period). The segment profit resulted in 492 million yen (compared to the segment loss 524 million yen at the previous year), thanks to streamlining both store and support operations, disposing of underperforming stores, and executing various cost-reductions.

(International Store Operations)

Under the IPPUDO brand, there were 2 openings in Taiwan, 2 in Malaysia, 1 in Thailand, 1 in the Philippines, 1 in Singapore, and 1 in Hong Kong, while there were 1 closure in the USA, 1 in Taiwan, 1 in China, and 2 in Hong Kong, and at the end of the current consolidated financial period, the total number of stores under the segment resulted in 134 (a net increase of 3).

Although many countries had repeated lockdowns over the period, there have been some normalization of economic activities, especially in Europe and the United States, where after the lockdown the number of customers have recovered to a certain extent quickly (the number of customers of December 2021 was a 7.0% increase from the previous December in this segment). As a result, the segment revenue made a steady recovery. However, in the face of global inflation trend, various measures have been required against cost upward pressures such as soaring raw material prices, wages, and logistic and energy costs. In such a situation, the Company have re-examined drastically the store operation systems in each country and region such as the menu line ups, deployment of labor, how to serve customers and take orders, taking advantage of digital transformation tools, in order to withstand the pressure of rising costs. And also it enhanced the Take Away and Delivery, and developed and launched frozen ramen for take-away as a new trial.

As a result, the revenue totaled 6,796 million yen (a 25.4% increase from the previous financial period), and segment profit recorded 611 million yen (compared to the segment loss 386 million yen at the previous year), helped by the above Company-owned stores' revenue increase, license fee increase from franchisees, and various cutbacks of overhead costs.

(Production and Merchandise)

This segment has vigorously worked on to enhance the sales of IPPUDO branded goods, enriching the merchandise line-ups, introducing new products. It also promoted B2C business taking advantage of its

own E-Commerce sites, and pushed forward with the sales to retailers. As for Soba and the related goods, it enhanced the sales of Toshikoshi Soba for the end of the year. It also worked on to improve the profitability cutting back on spending of January to March, which is the slack season for business.

As a result, the revenue totaled 2,214 million yen (a 15.1% increase from the previous financial period), and segment profit recorded 269 million yen (a 4.9% increase).

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,974,744	4,773,304
Notes and accounts receivable - trade	503,780	527,960
Inventories	272,847	304,812
Other	1,081,416	1,045,541
Allowance for doubtful accounts	△672	△811
Total current assets	5,832,116	6,650,807
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,863,788	9,881,662
Accumulated depreciation	△5,037,968	△5,403,814
Buildings and structures, net	5,825,820	4,477,848
Machinery, equipment and vehicles	1,048,674	1,145,886
Accumulated depreciation	△829,928	△905,794
Machinery, equipment and vehicles, net	218,746	240,091
Land	633,495	629,975
Leased assets	54,457	60,081
Accumulated depreciation	△34,637	△42,074
Leased assets, net	19,819	18,007
Construction in progress	52,045	26,927
Other	1,531,495	1,442,877
Accumulated depreciation	△1,042,758	△1,132,604
Other, net	488,736	310,273
Total property, plant and equipment	7,238,662	5,703,123
Intangible assets		
Goodwill	145,140	136,511
Leased assets	656	-
Other	60,218	41,195
Total intangible assets	206,015	177,707
Investments and other assets		
Investment securities	61,979	51,308
Long-term loans receivable	14,591	11,300
Deferred tax assets	431,634	819,544
Leasehold and guarantee deposits	1,631,492	1,624,716
Other	271,994	254,392
Allowance for doubtful accounts	△14,978	△21,303
Total investments and other assets	2,396,713	2,739,959
Total non-current assets	9,841,391	8,620,790
Total assets	15,673,508	15,271,597

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	481,121	536,414
Short-term borrowings	2,500,000	2,500,000
Current portion of bonds payable	114,000	14,000
Current portion of long-term borrowings	1,994,339	1,960,987
Lease liabilities	7,975	7,333
Accounts payable - other	2,518,414	997,341
Income taxes payable	94,555	283,381
Provision for share awards	-	7,392
Asset retirement obligations	36,697	107,346
Other	758,335	888,877
Total current liabilities	8,505,438	7,303,074
Non-current liabilities		
Bonds payable	23,000	9,000
Long-term borrowings	4,494,798	2,877,187
Lease liabilities	12,455	12,337
Provision for share awards	15,931	22,916
Provision for ESOP benefits for non-residents	1,261	835
Retirement benefit liability	186,348	178,513
Asset retirement obligations	917,061	860,957
Other	204,633	206,135
Total non-current liabilities	5,855,490	4,167,882
Total liabilities	14,360,929	11,470,957
Net assets		
Shareholders' equity		
Share capital	1,308,316	2,139,833
Capital surplus	1,220,719	1,974,063
Retained earnings	△1,116,644	△366,900
Treasury shares	△99,279	△99,279
Total shareholders' equity	1,313,110	3,647,716
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,000	7,859
Foreign currency translation adjustment	△3,532	136,315
Total accumulated other comprehensive income	△531	144,175
Share acquisition rights	-	8,749
Total net assets	1,312,579	3,800,640
Total liabilities and net assets	15,673,508	15,271,597

(2) Consolidated Statement on Profit and Loss and Comprehensive Income
Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	16,539,319	19,398,059
Cost of sales	5,068,458	5,654,835
Gross profit	11,470,861	13,743,224
Selling, general and administrative expenses	12,451,041	12,692,554
Operating profit (loss)	△980,180	1,050,669
Non-operating income		
Interest income	2,024	2,734
Dividend income	1,377	489
Share of profit of entities accounted for using equity method	-	23,703
Foreign exchange gains	20,180	43,467
Lease income	150,859	141,415
Other	39,231	44,740
Total non-operating income	213,672	256,550
Non-operating expenses		
Interest expenses	66,138	56,620
Share of loss of entities accounted for using equity method	18,773	-
Rental costs	135,126	131,763
Financial Commission fee	10,502	9,289
Other	13,694	26,205
Total non-operating expenses	244,235	223,879
Ordinary profit (loss)	△1,010,743	1,083,340
Extraordinary income		
Gain on sale of non-current assets	4,787	2,316
Subsidy income	936,478	1,752,006
Compensation for forced relocation	102,314	-
Gain on forgiveness of debts	-	511,207
Other	17,275	9,892
Total extraordinary income	1,060,856	2,275,423
Extraordinary losses		
Loss on sale of non-current assets	19,306	47
Loss on retirement of non-current assets	17,398	5,769
Impairment losses	355,824	1,291,118
Loss on cancellation of leases	8,104	-
Extraordinary loss related to store closure	1,728,416	901,049
Amortization of goodwill	27,395	-
Other	266,755	230,430
Total extraordinary losses	2,423,201	2,428,416
Profit (loss) before income taxes	△2,373,087	930,347
Income taxes - current	103,554	290,519
Income taxes - deferred	△83,641	△341,287
Total income taxes	19,913	△50,768
Profit (loss)	△2,393,000	981,115
Profit (loss) attributable to non-controlling interests	△31	57,368
Profit (loss) attributable to owners of parent	△2,392,969	923,747

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit (loss)	△2,393,000	981,115
Other comprehensive income		
Valuation difference on available-for-sale securities	3,424	4,859
Foreign currency translation adjustment	△134,177	139,847
Total other comprehensive income	△130,753	144,707
Comprehensive income	△2,523,754	1,125,822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△2,523,723	1,068,454
Comprehensive income attributable to non-controlling interests	△31	57,368