May 16, 2022

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (FY3/22)

[Japanese GAAP]

Company name: OHSHO FOOD SERVICE CORP. Listing: Tokyo Stock Exchange
Stock code: 9936 URL: https://www.ohsho.co.jp
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Scheduled date of Annual General Meeting of Shareholders: June 28, 2022
Scheduled date of payment of dividend: June 29, 2022
Scheduled date of filing of Annual Securities Report: June 28, 2022
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	%
Fiscal year ended Mar. 31, 2022	84,775	5.2	6,959	14.6	13,024	89.6	8,807	105.4
Fiscal year ended Mar. 31, 2021	80,616	(5.8)	6,073	(21.1)	6,867	(15.1)	4,287	(19.3)

Note: Comprehensive income (millions of yen) Fiscal year ended Mar. 31, 2022: 8,048 (up 72.5%)
Fiscal year ended Mar. 31, 2021: 4,665 (down 17.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2022	469.01	-	15.7	14.4	8.2
Fiscal year ended Mar. 31, 2021	228.42	-	8.3	8.7	7.5

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Mar. 31, 2022: - Fiscal year ended Mar. 31, 2021: -

Note: Beginning with 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 fiscal year ended March 31, 2022 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2022	89,405	59,098	66.1	3,145.58
As of Mar. 31, 2021	91,154	52,952	58.1	2,820.84

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 59,098 As of Mar. 31, 2021: 52,952

Note: Beginning with 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 March 31, 2022 incorporate this accounting standard.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Mar. 31, 2022	13,596	(2,941)	(12,808)	37,440
Fiscal year ended Mar. 31, 2021	5,824	(3,444)	20,092	39,590

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2021	-	50.00	-	50.00	100.00	1,877	43.8	3.6
Fiscal year ended Mar. 31, 2022	-	50.00	-	70.00	120.00	2,254	25.6	4.0
Fiscal year ending Mar. 31, 2023 (forecasts)	-	60.00	-	60.00	120.00		41.2	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	43,969	8.7	3,441	7.8	4,456	(25.5)	2,911	(31.9)	154.96
Full year	90,029	6.2	7,516	8.0	8,627	(33.8)	5,478	(37.8)	291.60

*** 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) 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 Consolidated Financial Statements" on page 16 of the attachments for further information.

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2022: 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 Mar. 31, 2022: 4,498,356 shares As of Mar. 31, 2021: 4,514,166 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2022: 18,778,208 shares Fiscal year ended Mar. 31, 2021: 18,769,721 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Non-consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2022	84,516	5.2	7,001	14.4	13,059	89.2	8,813	111.9
Fiscal year ended Mar. 31, 2021	80,310	(5.8)	6,118	(21.3)	6,901	(15.4)	4,159	(22.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	469.33	-
Fiscal year ended Mar. 31, 2021	221.59	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2022	88,975	58,703	66.0	3,124.57
As of Mar. 31, 2021	90,788	52,621	58.0	2,803.16

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2022: 58,703 As of Mar. 31, 2021: 52,621

2. Non-consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	43,834	8.7	4,462	(25.6)	2,917	(32.1)	155.30
Full year	89,726	6.2	8,622	(34.0)	5,474	(37.9)	291.39

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

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

Cautionary statement with respect to forward-looking statements

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. Overview of Results of Operations, (5) Outlook" on page 6 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for financial results will be available on the Company's website on Friday, May 27, 2022.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

Summary of consolidated results of operations for the fiscal year (April 1, 2021 to March 31, 2022)				
	Amount (millions of yen)	% to sales	12-month change	24-month change
Net sales	84,775	100.0%	Up 5.2%	Down 0.9%
Operating profit	6,959	8.2%	Up 14.6%	Down 9.6%
Ordinary profit	13,024	15.4%	Up 89.6%	Up 61.1%
Profit attributable to owners of parent	8,807	10.4%	Up 105.4%	Up 65.8%

Looking back at the Japanese economy during the current fiscal year, we saw slow personal consumption due to the COVID-19 pandemic, and risen corporate goods prices, which resulted in concerns about a downturn in the economy.

In addition, as the Russia’s invasion of Ukraine caused disruptions to the global supply chains, food and energy prices are expected to rise further, heightening the sense of uncertainty about the future economy.

In the restaurant industry, the operating environment continued to be challenging as a whole. The nationwide state of emergency declared and quasi-emergency measures taken forced restaurants to shorten their operating hours and limit serving alcohol, which severely affected mainly dine-in restaurants and formats serving alcohol. Rising raw material prices, in addition to weak sales, put pressure on profit, though part of which was compensated by subsidy income for reduced operating hours.

Under such environment, the Group has focused on improving the level of quality, service, and cleanliness (QSC) more than ever before without compromising it amid the COVID-19 pandemic while having given its highest priority to the protection of the safety and health of our customers and employees. The Group has been engaged in offering safer environment in order to cater our customers delicious meals that are essential part of everyday life.

As a result of such efforts, in-store sales steadily recovered, and sales of takeout and delivery services remained strong, bringing the Group to achieve year-on-year increases in both revenue and profit.

Even amid the pandemic, the Group has steadily implemented its medium-term management plan and striven to realize its corporate philosophy with all employees united. This made the Group grow to become a more solid organization and brought such strong performance.

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

1) Sales strategy

Under the challenging operating environment amid the pandemic, we have made our best effort to further improve the level of QSC while having continued to take thorough measures to prevent our customers and employees from getting infected with coronavirus.

Specifically, we improved our training system in a way that allows not only employees but also part-timers to participate online training sessions of Ohsho Cooking Dojo (an in-house training program). We also provided training sessions in stores both by live-streaming and distributing recordings so that all participants can master standard cooking methods.

From January 2022 onward, we provided training sessions that focus on 14 regular menu items and pursued the better taste of our core items.

We have constantly carried out sales promotion activities and attracted many customers. For example, we launched the annual campaign “Gyoza Club customer appreciation campaign for 2022” in June, a year-end and new-year customer campaign in December, during which customers collected six stamps and exchanged them for one gyoza plate free of charge, and a campaign to celebrate the anniversary of our founding for two days on December 24 and 25, during which we distributed a 250-yen discount coupon per 500 yen paid at the cashier. The coupon was the reprinted version of the coupon at the time of our founding.

We have put more effort into delivery services for which demand increased amid the pandemic. For example, we have increased the number of stores that can provide delivery services from 366 at the end of March 2021 to 449 for directly operated stores. Including franchised stores, the number of such stores rose from 413 to 560. We have also increased stores providing the delivery services with the three food delivery operators: Demae-Can, Uber Eats, and menu. These initiatives helped keep strong sales of delivery services even after the number of COVID-19 new cases was on a downward trend.

New TV commercials featuring actor Taiga Nakano with an original song by Ketsumeishi (Japanese pop and hip hop group) started airing at the end of the sixth coronavirus wave in Japan. With our messages “we have gone through a lot, but let’s have tasty meals and move forward to a bright future” and “the power of delicious meals will change the future,” the commercials captured the moments people feel happy when they have tasty meals.

As a result of such efforts, we were able to achieve the record high monthly sales on a year-on-year basis six times in total during the current fiscal year, including those for three consecutive months from October to December in 2021. On February 20, 2022, the day after TBS television network’s program “Jobtune” introduced our dishes, we achieved the record high daily sales of 349 million yen on a day-on-day basis, showing a remarkable recovery trend even amid the COVID-19 crisis.

2) Restaurant opening strategy

During the current fiscal year, we opened ten directly operated stores almost as scheduled.

The new stores have been designed with thorough measures to prevent infections in accordance with the guidelines of the Japan Food Service Association.

In June 2021, we opened a 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 new store is characterized by being a place for takeout services. For example, the compact store without dine-in space offers a wide variety of its unique takeout dishes served in microwavable containers. Customers can pre-order takeout dishes and receive them without waiting. For delivery services, customers can place orders through the platform run by any of the three food delivery operators. Since its opening, the store has been highly supported by customers. We will therefore consider opening more stores in residential areas of the urban area.

We opened five roadside stores named 463go-bypass-Tokorozawa-Hayashi store in Saitama Prefecture in May 2021, Kokudo-293go-Ashikaga-Minami store in Tochigi Prefecture in September 2021, Kendo-377go-Yoshikawa-Sakae store in Saitama Prefecture in October 2021, Kendo-243go-Ryugasaki store in Ibaraki Prefecture in November 2021, and Numazu-Matsunaga store in Shizuoka Prefecture in March 2022. All of which were set up in East Japan and have been designed in consideration of offering takeout services, for example, a take-out counter has been installed. These new stores are attracting many customers.

In an effort with local retailers, we also opened new stores named SunLiveCity-Kokura store in Kitakyushu-shi in September 2021, sanwa Fujigaoka store in Kanagawa Prefecture in October 2021, SunLive Create Munakata store in Fukuoka Prefecture in October 2021, and Kokudo-202go-Itoshima store in Fukuoka Prefecture in December 2021. All of which are expected to attract many customers not only on weekends but also on weekdays through tie-ups with local retailers that offer groceries and daily necessities and have the ability to attract many customers. Sales at these stores remain strong.

3) Franchise chain promotion strategy

On October 1, we placed the FC Promotion Department responsible for FC business under the Sales Division Headquarters responsible for directly operated stores. We also strengthened partnership with our franchised stores. In this way, we have established a system that allows directly operated stores and franchised stores to work together to enhance the brand value of Gyoza no Ohsho.

Specifically, we made training sessions, which are held by Ohsho University (our in-house educational institution) and Ohsho Cooking Dojo, available to franchise owners, restaurant managers, and future candidates for such posts. This helped them improve their know-how about franchise store operations and their cooking skills.

In addition, as franchised stores used different gas ranges to cook gyoza before, we had the stores use our original griddle so that they can cook and offer gyoza with better taste.

Furthermore, when our franchise consultants made the rounds of franchised stores, the consultants used a focus dish checklist and a COVID-19 prevention checklist, both of which were also used in directly operated stores, to check the level of QSC of each franchised store and clarify areas for improvement. We sought to make quality standards of Ohsho penetrating into the stores by working on the areas for improvement in cooperation with franchise owners and restaurant managers.

Franchised stores also conducted sales promotions in line with directly operated stores, and lifted its service level to the same level of directly operated stores that provide delivery and EPARK Takeout services and take credit cards and other payment methods. These efforts helped drive customer traffic to stores in the challenging environment.

The outcome of such initiatives helped each franchised store keep their strong sales. Sales of shipments dispatched from our factories to franchised stores significantly increased year-on-year.

4) Sustainability initiatives

In the Board of Directors meeting held on December 13, 2021, the Company resolved the Basic Policy for Sustainability and Sustainability Vision, and established the Sustainability Committee. By executing sustainability-focused management and pursuing our management philosophy “Creating stores praised by our customers,” we aim to help create a sustainable society, let alone enhance our corporate value.

The Sustainability Vision is to realize an enriched society without hunger, co-prosper with all stakeholders, and protect the global environment.

As an initiative to realize an enriched society without hunger, approximately 300 stores of ours offered a total of 145,000 meals of “Bento for Kids” free of charge to Kodomo Shokudo (Children’s Meals) and other similar groups nationwide three times during school summer and winter breaks in 2021 and a school spring break in 2022 to provide meal support to children.

We also donated 10 million yen, a portion of the sales of March-only dish *Yasai Nikomi Ramen* (noodles with stewed vegetables) with 30 yen for each bowl, to Save the Children, an international, private, non-profit organization that provides support to resolve child poverty and other issues around the world.

As an initiative to co-prosper with all stakeholders, OHSHO HEARTFUL CORP., a wholly owned subsidiary of the Company, was recognized for its effort to proactively employ the disabled and received the Monisu Certification. The Monisu Certification System is a system in which the Health, Labour and Welfare Minister certifies small and medium-sized businesses excelling in their initiatives to promote and secure the employment of the disabled. OHSHO HEARTFUL CORP. was the first special subsidiary in Kyoto Prefecture that received the certification.

As an initiative to protect the global environment, we moved ahead with efforts according to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations presented in Japan’s revised Corporate Governance Code. For example, we collected and analyzed necessary data on how climate-related risks and opportunities may impact our business activities and earnings among others.

In addition, as the Act on Promotion of Resource Circulation for Plastics took effect in April 2022, we promoted initiatives to protect the environment according to the act. For example, we started charging customers fees for bioplastic spoons and plastic Chinese soup spoons, changed the material of straws from plastic to paper, and changed disposable plastic tiny spoons to stainless steel dessert spoons.

As a result, net sales increased 4,158 million yen or 5.2% year-on-year to 84,775 million yen during the current fiscal year.

Operating profit increased 885 million yen or 14.6% year-on-year to 6,959 million yen. This was due to an increase in net sales as well as the efforts to keep personnel expenses under control by reorganizing work shifts in a more efficient way and to cut down utilities expenses.

Ordinary profit increased 6,156 million yen or 89.6% year-on-year to 13,024 million yen mainly due to the above reasons as well as subsidy income for reduced operating hours.

Profit attributable to owners of parent increased 4,519 million yen or 105.4% year-on-year to 8,807 million yen mainly due to the above reasons.

Ordinary profit and profit attributable to owners of parent reached record highs.

Regarding the store network during the current fiscal year, we opened ten directly operated stores and three franchised stores, and closed two directly operated stores and eleven franchised stores. The result was a total network of 536 directly operated stores and 198 franchised stores at the end of the current fiscal year.
Beginning with the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020).

(2) Financial Position

Assets

The balance of total assets at the end of the current fiscal year was 89,405 million yen, down 1,748 million yen or 1.9% from the end of the previous fiscal year. The main factors for the decrease are as follows.

Current assets decreased 1,572 million yen or 3.7% to 40,880 million yen. This was mainly due to a decrease in cash and deposits.

Non-current assets decreased 176 million yen or 0.4% to 48,525 million yen. This was mainly due to a decrease in investment securities.

Liabilities

The balance of total liabilities at the end of the current fiscal year was 30,307 million yen, down 7,894 million yen or 20.7% from the end of the previous fiscal year. The main factors for the decrease are as follows.

Current liabilities increased 4,864 million yen or 23.6% to 25,446 million yen. The main reason was the transfer of a portion of the 25,000 million yen in long-term borrowings, which was borrowed in the previous fiscal year to increase cash reserves in preparation for the prolonged coronavirus disaster, to current portion of long-term borrowings.

Non-current liabilities decreased 12,759 million yen or 72.4% to 4,860 million yen. This was mainly due to a decrease in long-term borrowings. The balance of borrowings at the end of the current fiscal year was 16,063 million yen.

Net assets

The balance of net assets at the end of the current fiscal year was 59,098 million yen, up 6,145 million yen or 11.6% from the end of the previous fiscal year. This increase was mainly attributable to profit attributable to owners of parent of 8,807 million yen, while there was dividend payment of 1,877 million yen. As a result, the equity ratio increased from 58.1% at the end of the previous fiscal year to 66.1%.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year amounted to 37,440 million yen, down 2,150 million yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities increased 7,772 million yen or 133.5% year-on-year to 13,596 million yen. This was mainly due to an increase in profit before income taxes.

The main factors include profit before income taxes of 12,991 million yen and depreciation of 2,577 million yen, which were offset by income taxes paid of 2,197 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 502 million yen or 14.6% year-on-year to 2,941 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 2,556 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 12,808 million yen (compared to 20,092 million yen provided for the previous fiscal year). This was mainly due to a decrease in proceeds from long-term borrowings.

The main factors include outlays for the repayment of long-term borrowings of 10,931 million yen and cash dividends paid of 1,877 million yen.

Reference: Cash flow indicators

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
Equity ratio (%)	70.8	73.3	74.5	58.1	66.1
Equity ratio based on market value (%)	151.3	205.6	160.6	119.9	126.1
Interest-bearing debt to cash flow ratio (years)	1.3	0.6	0.6	4.6	1.2
Interest coverage ratio (times)	272.6	536.5	509.1	95.7	224.2

Notes: Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Cash flows are based on net cash provided by operating activities in the consolidated and non-consolidated statements of cash flows.
* Interest-bearing debt is calculated using total loans payable on the consolidated and non-consolidated balance sheets that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated and non-consolidated statements of cash flows.

(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

As part of the Sustainability Vision is to co-prosper with all stakeholders, the Company strives to continuously enhance its corporate value and shareholder return for its shareholders.

The Company will distribute profit to brace itself for future business operations while prioritizing making capital investments and investing in human capital for its growth because the outlook for the future is uncertain mainly due to the prolonged COVID-19 pandemic and the possibly long-standing Russia's invasion of Ukraine in addition to medium- to long-term business risks such as climate change.

After reflecting such profit distribution, we plan to increase the total annual dividend from 100 yen per share announced before to the pre-pandemic level at 120 yen per share (the year-end dividend increases from 50 yen to 70 yen per share) with the aim of achieving a certain level of dividends on equity (DOE) since we seek to continuously enhance shareholder return.

This matter will be proposed in the 48th Annual General Meeting of Shareholders to be held on June 28, 2022.

Based on the aforementioned policy, we plan to pay an interim dividend of 60 yen per share and a year-end dividend of 60 yen per share, which will result in a dividend of 120 yen per share applicable to the next fiscal year.

(5) Outlook

We have not only delivered food safety and security to our customers but also focused on stabilizing prices of ingredients by using made-in-Japan ingredients for the main ingredients of gyoza and noodles and stably purchasing the ingredients based on contracts entered into with producers. We have also efficiently used and saved electricity and gas.

However, the pandemic and Russia's invasion of Ukraine have increased uncertainty about the future, causing prices of food and resources in particular to surge, which gradually puts pressure on corporate earnings.

Therefore, we decided to revise the prices of some dishes, effective on May 14, 2022. We increased prices by 20 to 30 yen, exclusive of tax, for some dishes, which account for approximately 20% of all dishes listed in our regular menu. At the same time, we improved our recipes in pursuit of more excellence in taste.

The price revision and improved recipes will help us provide a more comfortable dining space, more heartwarming hospitality and more delicious foods, fulfilling our social mission: make many more customers feel happy.

In the fiscal year ending on March 31, 2023, we plan to open nine directly operated stores and five franchised stores, change two franchised stores to directly operated stores, and close two directly operated stores and two franchised stores. This plan was made based on our prediction that the current operating environment will not change much even after the price revision. For our consolidated forecast for the fiscal year ending March 31, 2023, we forecast a 6.2% year-on-year increase in net sales to 90,029 million yen, an 8.0% year-on-year increase in operating profit to 7,516 million yen, a 33.8% year-on-year decrease in ordinary profit to 8,627 million yen, and a 37.8% year-on-year decrease in profit attributable to owners of parent to 5,478 million yen. Ordinary profit and profit attributable to owners of parent are expected to decrease year-on-year because we expect to record a smaller amount of subsidy income for reduced operating hours. An increase in revenue as a result of the price revision will be allocated to absorb increases in ingredient prices, logistics cost and other expenses and to cover personnel expenses. We believe the increase in revenue will also help improve our performance.

The Group performance and other aspects of our operations may change for a number of reasons, but we are determined to achieve this forecast for sales and earnings.

2. Basic Approach to the Selection of Accounting Standards

We consider it is imperative to prepare the financial data in a format that can enhance international comparability for the benefits of our stakeholders if we accelerate overseas operations or consider mutually beneficial M&A deals. With respect to the above, we have decided to adopt International Financial Reporting Standards (IFRS) in the future, though we have yet to decide when to start.

Nevertheless, Japanese GAAP is also of high quality and is not inferior to any internationally recognized accounting standards as a result of the convergence with them. In fact, Japanese GAAP is regarded as being equivalent to IFRS in Europe. Furthermore, almost all of the Group’s stakeholders are in Japan and there is not much need to procure funds from capital markets outside Japan at the moment.

Therefore, we apply Japanese GAAP for the moment while focusing on the following survey activities such as studying IFRS, analyzing the gaps between these standards and Japanese GAAP and assessing the impact of the adoption to facilitate the future application of IFRS.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	39,590	37,440
Accounts receivable-trade	1,597	2,210
Merchandise and finished goods	116	131
Raw materials	353	387
Other	800	712
Allowance for doubtful accounts	(4)	(1)
Total current assets	42,452	40,880
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,193	56,423
Accumulated depreciation	(43,075)	(44,355)
Buildings and structures, net	12,118	12,068
Machinery, equipment and vehicles	6,736	7,041
Accumulated depreciation	(4,314)	(4,678)
Machinery, equipment and vehicles, net	2,422	2,362
Tools, furniture and fixtures	6,529	7,051
Accumulated depreciation	(5,650)	(5,918)
Tools, furniture and fixtures, net	879	1,133
Land	20,649	20,589
Construction in progress	22	75
Total property, plant and equipment	36,092	36,228
Intangible assets	143	232
Investments and other assets		
Investment securities	5,286	4,096
Long-term loans receivable	20	31
Retirement benefit asset	812	1,024
Deferred tax assets	2,029	2,450
Guarantee deposits	4,274	4,425
Other	57	50
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	12,465	12,063
Total non-current assets	48,701	48,525
Total assets	91,154	89,405

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,986	2,216
Current portion of long-term borrowings	10,931	12,912
Income taxes payable	1,284	3,410
Contract liabilities	-	76
Provision for bonuses	1,005	972
Other	5,375	5,858
Total current liabilities	20,582	25,446
Non-current liabilities		
Long-term borrowings	16,063	3,151
Long-term contract liabilities	-	117
Deferred tax liabilities for land revaluation	506	504
Asset retirement obligations	830	857
Other	217	228
Total non-current liabilities	17,619	4,860
Total liabilities	38,201	30,307
Net assets		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,259	9,316
Retained earnings	46,045	52,860
Treasury shares	(10,707)	(10,669)
Total shareholders' equity	52,764	59,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,119	2,291
Revaluation reserve for land	(3,238)	(3,243)
Foreign currency translation adjustment	(16)	(6)
Remeasurements of defined benefit plans	324	383
Total accumulated other comprehensive income	188	(575)
Total net assets	52,952	59,098
Total liabilities and net assets	91,154	89,405

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	80,616	84,775
Cost of sales	24,527	26,600
Gross profit	56,088	58,175
Selling, general and administrative expenses		
Packing and transportation costs	2,120	2,117
Advertising expenses	956	917
Promotion expenses	4,133	4,431
Provision of allowance for doubtful accounts	2	-
Remuneration for directors (and other officers)	369	327
Share-based payment expenses	47	94
Salaries, allowances and bonuses	23,480	23,925
Provision for bonuses	966	935
Retirement benefit expenses	238	101
Welfare expenses	4,061	4,224
Taxes and dues	332	331
Depreciation	1,759	1,785
Rent expenses	4,249	4,270
Utilities expenses	3,317	3,493
Repair expenses	1,056	1,028
Other	2,922	3,231
Total selling, general and administrative expenses	50,014	51,216
Operating profit	6,073	6,959
Non-operating income		
Interest income	0	0
Dividend income	61	61
Rental income from land and buildings	59	59
Franchise chain accession fee	107	112
Subsidy income	475	5,780
Miscellaneous income	254	363
Total non-operating income	959	6,378
Non-operating expenses		
Interest expenses	57	62
Rental expenses	84	94
Franchise support money	-	83
Miscellaneous losses	23	72
Total non-operating expenses	166	312
Ordinary profit	6,867	13,024

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Extraordinary income		
Gain on sale of non-current assets	0	6
Compensation for expropriation	-	324
Total extraordinary income	0	331
Extraordinary losses		
Loss on retirement of non-current assets	67	68
Impairment losses	209	294
Total extraordinary losses	276	363
Profit before income taxes	6,591	12,991
Income taxes-current	2,311	4,217
Income taxes-deferred	(7)	(32)
Total income taxes	2,304	4,184
Profit	4,287	8,807
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	4,287	8,807

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	4,287	8,807
Other comprehensive income		
Valuation difference on available-for-sale securities	(55)	(827)
Foreign currency translation adjustment	1	10
Remeasurements of defined benefit plans, net of tax	432	58
Total other comprehensive income	378	(758)
Comprehensive income	4,665	8,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,665	8,048
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,232	43,869	(10,726)	50,542
Cumulative effects of changes in accounting policies					-
Restated balance	8,166	9,232	43,869	(10,726)	50,542
Changes during period					
Dividends of surplus			(2,064)		(2,064)
Profit attributable to owners of parent			4,287		4,287
Purchase of treasury shares		0		(1)	(0)
Disposal of treasury shares		27		19	47
Reversal of revaluation reserve for land			(47)		(47)
Net changes in items other than shareholders' equity					
Total changes during period	-	27	2,175	18	2,222
Balance at end of period	8,166	9,259	46,045	(10,707)	52,764

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	3,174	(3,286)	(18)	(107)	(237)	50,305
Cumulative effects of changes in accounting policies					-	-
Restated balance	3,174	(3,286)	(18)	(107)	(237)	50,305
Changes during period						
Dividends of surplus						(2,064)
Profit attributable to owners of parent						4,287
Purchase of treasury shares						(0)
Disposal of treasury shares						47
Reversal of revaluation reserve for land		47			47	-
Net changes in items other than shareholders' equity	(55)	-	1	432	378	378
Total changes during period	(55)	47	1	432	425	2,647
Balance at end of period	3,119	(3,238)	(16)	324	188	52,952

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,259	46,045	(10,707)	52,764
Cumulative effects of changes in accounting policies			(119)		(119)
Restated balance	8,166	9,259	45,926	(10,707)	52,645
Changes during period					
Dividends of surplus			(1,877)		(1,877)
Profit attributable to owners of parent			8,807		8,807
Purchase of treasury shares					-
Disposal of treasury shares		56		37	94
Reversal of revaluation reserve for land			4		4
Net changes in items other than shareholders' equity					
Total changes during period	-	56	6,934	37	7,028
Balance at end of period	8,166	9,316	52,860	(10,669)	59,673

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	3,119	(3,238)	(16)	324	188	52,952
Cumulative effects of changes in accounting policies					-	(119)
Restated balance	3,119	(3,238)	(16)	324	188	52,833
Changes during period						
Dividends of surplus						(1,877)
Profit attributable to owners of parent						8,807
Purchase of treasury shares						-
Disposal of treasury shares						94
Reversal of revaluation reserve for land		(4)			(4)	-
Net changes in items other than shareholders' equity	(827)	-	10	58	(758)	(758)
Total changes during period	(827)	(4)	10	58	(763)	6,264
Balance at end of period	2,291	(3,243)	(6)	383	(575)	59,098

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	6,591	12,991
Depreciation	2,525	2,577
Impairment losses	209	294
Increase (decrease) in allowance for doubtful accounts	(1)	(4)
Decrease (increase) in retirement benefit asset	59	(126)
Interest and dividend income	(62)	(62)
Interest expenses	57	62
Compensation for expropriation	-	(324)
Loss (gain) on sale of non-current assets	(0)	(6)
Loss on retirement of non-current assets	67	68
Decrease (increase) in trade receivables	(375)	(609)
Decrease (increase) in inventories	(0)	(49)
Increase (decrease) in trade payables	(84)	228
Increase (decrease) in accrued consumption taxes	(660)	195
Other, net	(119)	391
Subtotal	8,206	15,627
Interest and dividends received	62	62
Interest paid	(60)	(60)
Proceeds from compensation for expropriation	158	165
Income taxes paid	(2,542)	(2,197)
Net cash provided by (used in) operating activities	5,824	13,596
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,192)	(2,556)
Proceeds from sale of property, plant and equipment	0	24
Proceeds from sale of investment securities	9	-
Loan advances	(38)	(45)
Proceeds from collection of loans receivable	33	32
Payments of guarantee deposits	(196)	(212)
Other, net	(59)	(184)
Net cash provided by (used in) investing activities	(3,444)	(2,941)
Cash flows from financing activities		
Proceeds from long-term borrowings	25,000	-
Repayments of long-term borrowings	(2,842)	(10,931)
Purchase of treasury shares	(0)	-
Proceeds from sale of investment securities	-	0
Dividends paid	(2,064)	(1,877)
Net cash provided by (used in) financing activities	20,092	(12,808)
Effect of exchange rate change on cash and cash equivalents	0	3
Net increase (decrease) in cash and cash equivalents	22,472	(2,150)
Cash and cash equivalents at beginning of period	17,117	39,590
Cash and cash equivalents at end of period	39,590	37,440

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

Beginning with the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”). Based on the Revenue Recognition 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 Revenue Recognition Standard, in accordance with the transitional measures in the proviso of paragraph 84 of the Revenue Recognition Standard, the cumulative effect of the retrospective application of the new accounting policy, if it is applied prior to the current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new accounting policy is then applied beginning with this amount of retained earnings.

The new accounting policy reduced retained earnings at the beginning of the current fiscal year by 119 million yen. The effect of this change on profit is insignificant.
“Other,” which was presented under “Current liabilities” in the consolidated balance sheet of the previous fiscal year, has been included and presented under “Contract liabilities” and “Other” from the current fiscal year. However, in accordance with the transitional measures set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

Application of the Accounting Standard for Fair Value Measurement

Beginning with 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 consolidated financial statements.

Segment Information

The Group does not provide segment information because it has only a single business segment, which is the Chinese food business.

Per-share Information

(Yen)

	FY3/21 (Apr. 1, 2020–Mar. 31, 2021)	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)
Net assets per share	2,820.84	3,145.58
Net income per share	228.42	469.01

Notes: 1. Diluted net income per share is not presented because there are no potentially dilutive shares.
2. The basis of calculating the net income per share is as follows:

	FY3/21 (Apr. 1, 2020–Mar. 31, 2021)	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	4,287	8,807
Profit not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to common shareholders of parent (Millions of yen)	4,287	8,807
Average number of common shares outstanding during the period (shares)	18,769,721	18,778,208

Subsequent Events

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.