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## <Consolidated Financial Report for the First Quarter of The Fiscal Year Ending March 31, 2023 Japanese GAAP>

August 12, 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  
 Scheduled Date of Q1 report submission August 12, 2022 Scheduled Date of Dividend Payments: -  
 Preparation of Supplementary Explanation Material for Financial Results: Yes  
 Presentation Meeting for Financial Results: No

1. Q1 Financial Year Ending March 31, 2023 (April 1, 2022 – June 30, 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	%
Q1 FY2022-23	5,486	31.0	287	-	370	-	300	-
Q1 FY2021-22	4,188	25.3	19	-	24	-	-72	-

Note: Comprehensive Income Q1 FY2022-23 379 million JPY (302.9%) Q1 FY2021-22 94 million JPY (-%)

	Quarterly earnings per share	Quarterly earnings per share after adjusting for dilution
	Yen	Yen
Q1 FY2022-23	11.14	11.02
Q1 FY2021-22	-2.9	-

### (2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	million JPY	million JPY	%
Q1 FY2022-23	15,540	4,709	30.3
FY2021-22	15,271	3,800	24.8

Reference: Shareholders' Equity Q1 of FY 2022-23 4,704 million yen FY2021-22 3,791 million yen

## 2. Dividends

	Dividends per share (annual)				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2020-21	-	0.00	-	0.00	0.00
FY2021-22	-				
FY2022-23 (Forecast)		-	-	-	-

Note:1. Changes from previously announced dividends projection: None

2. As for FY2022-23, the dividends plan is not yet decided.

## 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	11.18
FY2022-23	23,705	22.2	1,383	31.7	1,355	25.1	950	2.9	35.90

Note: Changes from previously announced projection: None

### Notes

- (1) Changes in key subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Any specific methods used to account for the quarterly financial results: None
- (3) Changes in accounting policies, accounting estimates, and restatement of error corrections:
  - 1) Changes in accounting policies arising from revision of accounting standards: None
  - 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

### (4) Total Number of Issued Shares (Common stock)

① Total number of issued shares at the end of period (including treasury shares)	Q1 FY2022-23	27,948,400 Shares	As of March 31, 2022	27,042,400 Shares
② Total number of treasury shares at the end of period	Q1 FY2022-23	89,601 Shares	As of March 31, 2022	89,601 Shares
③ Average number of shares during the period (accumulative during the quarter)	Q1 FY2022-23	26,964,733 Shares	As of June 30, 2022	24,980,781 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 Q1 of FY2022-23 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 Q1 of FY2022-23 89,600 shares and at the end of the Q1 of FY2021-22 89,600 shares).

These quarterly 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. For the premises underlying the forecasts as well as cautionary statements regarding the usage of such forecasts, please refer to the "Explanation related to the forecast of current quarterly financial results" section in this document (page 4).

(Supplementary Explanation Material)

Supplementary Explanation Material for Quarterly Financial Results are available via TDnet on the same day.

1. Qualitative Information regarding the current quarterly financial results:

The following forward-looking statements are based on the information available to the Company at the end of the first quarter of the current consolidated financial period.

(1) Summary of Operating Results

As for the overall economic environment during the first quarter of the current consolidated financial period, the world economy seems divided; while some areas and countries prioritized the resumption of economic activities and abolished regulations related to Covid-19 despite the number of infections remaining high, other areas and countries imposed various regulations and measures against the spread of infection, which slowed down the economic recovery in those areas. There have also been various instabilities in the global economy such as soaring raw material costs and energy prices caused by Russia-Ukraine crisis, acceleration of world-wide inflation, rising labor costs due to labor shortage and greater risks of stagflation in some areas.

Within the restaurant industry in which the Company operates, domestically, while regulations such as voluntary 20:00 curfew under emergency measures were lifted in March 2022 and immigration restrictions were eased in stages, the industry still has been in a challenging situation facing price hikes of raw materials and energy, soaring labor costs and advancing depreciation of Japanese Yen.

Internationally, especially in some areas in China there had been a re-spread of infection by the new variant and subsequent lockdown since the end of March 2022, but it was lifted in June 2022. In many other countries and areas, although the number of infections still remains high, their economies have recovered to a certain extent as they promoted deregulations in an attempt to normalize economic activities. However, there have been material concerns about energy and raw material price hikes due to above mentioned geopolitical risks and difficult economic environments. This warrants a close attention, similarly to the domestic market.

With the above in mind, the Company stays true to its principle of "Keep Changing to Remain Unchanged" and opened 5 stores including 3 stores based on a new model aimed at higher return on investment, and resumed the operation of IPPUDO Narita Airport in April 2022 in response to gradual easing of immigration restrictions, while it strategically closed 6 under-performing stores. Domestic and international existing stores have been promoting seasonal and region-limited products, and worked on digital transformation such as introduction of QR cord and tablet order systems, which contributed to cost reduction to some extent. Domestically, the Company prepared to open IPPUDO Shinjuku Lumine Est, which will regularly offer the plant-based ramen made from plant-derived raw materials only, and also prepared full-scale menu price revisions for July 1.

As for Production and Merchandise segment, domestically, the Company enhanced B2B business of IPPUDO branded products, and as a new initiative, started to collaborate in "Yokai Express" business, an operation of automatic ramen vending machines created by Yokai Express Inc., a US-based start-up. Internationally, more than 50,000 units of dry-noodle type "Plant-Based Shiromaru & Akamaru" were sold in this period, which is aimed at meeting the diversifying demands of the market.

At the end of the first quarter of the current consolidated financial period, the number of stores including franchisees totaled 278 stores (Japan 142, International 136, a net decrease of 1 store domestically and an increase of 2 stores overseas).

As a result, the performance of the first quarter of the current consolidated financial period is as follows: the revenue totaled 5,486 million yen (a 31.0% increase from the same quarterly period of the previous financial period). The operating income resulted in 287 million yen (compared to the operating income 19 million yen the previous year ) Ordinary income resulted in 370 million yen (vs. the ordinary income 24 million yen the previous year) The quarterly net profit attributable to the Company was 300 million yen (vs. the net loss of 72 million yen the previous year).

#### Segment results

The Company has reclassified the segments as per the re-positioning of its brands since the previous consolidated financial year. As a result, the segment of Others was integrated into Domestic Store Operations and Production and Merchandise. Similarly, 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 4 new stores under IPPUDO brand, 1 under INABA UDON in this segment, while there were 3 closures under IPPUDO, 1 closure under RAMEN EXPRESS, 1 closure under NAJIMATEI and 1 closure under INABA UDON. The total number of stores at the end of the first quarter of the current consolidated financial period was 142 (a net decrease of 1 store compared to the end of the previous fiscal year). Please note that 1 store under RAMEN EXPRESS was converted to IPPUDO.

In March 2022 regulations under emergency measures such as voluntary 20:00 curfew and etc. were lifted, and the number of customers had recovered steadily until Golden Week. However, the growth of revenue slowed down after GW, as customer traffic in late-night business hours did not return to pre-Covid levels presumably because of changing lifestyles and various price hikes caused by the inflation.

Under the above circumstances, the Company opened 5 new stores including 3 new higher-return stores, and strategically closed 6 under-performing stores. Furthermore, it improved the productivity of store operations by introducing QR code order systems and self-order kiosk machines, and trialed an introduction of tablet order systems.

The Company launched a new seasonal Futo-Tsuke-Men, which used to be a summer feature menu, ahead of time, and opened IPPUDO Shinjuku Lumine Est on July 9, which regularly offers Plant-Based Shiromaru & Akamaru that had been a limited-time menu item previously. In addition, the Company organized ramen-giveaway events by dispatching our own kitchen cars with the support from partner companies, labeled "IPPUDO at Your Town", in an attempt to attract families with small children who dine out less often due to the recent pandemic.

As a result, the revenue totaled 2,564 million yen (a 13.4% increase from the same quarterly period of the previous financial period). The segment profit resulted in 53 million yen (a 73.9% increase YoY), thanks

to various cost reduction measures, such as streamlining both store and support operations, and disposing of under-performing stores, which have been taken since the previous fiscal year.

#### (International Store Operations)

Under the IPPUDO brand, there were 1 opening in Taiwan, 1 in Thailand, 1 in Indonesia, while there were 1 closure in China, and at the end of the first quarter of the current consolidated financial period, the total number of stores under the segment resulted in 136 (a net increase of 2).

Although in the USA, Australia and Taiwan, the number of customers had declined in January due to a re-expansion of infection caused by a new variant of Covid, it rebounded sharply in March, and the segment revenue made a steady recovery.

However, in the face of the global inflationary trends, various measures were required against cost upward pressures such as soaring raw material prices, wages, and logistics and energy costs. In such a situation, the Company has 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.

As a result, the revenue totaled 2,319 million yen (a 56.5% increase from the same quarterly period of the previous financial period), and segment profit recorded 244 million yen (a 397.3% increase YoY). For clarification, the first quarter of the current consolidated financial year in this segment covers the period from January to March 2022.

#### (Production and Merchandise)

Domestically, this segment has vigorously worked to enhance the sales of IPPUDO branded goods, enriching the merchandise line-ups, introducing new products such as Tonmaru or pork bone broth flavored snack, and frozen ramen, etc. It also promoted B2C business taking advantage of its own e-Commerce sites, and pushed forward with the sales to retailers.

Internationally, more than 50,000 units of dry-noodle type Plant-Based Shiromaru & Akamaru were sold in this period, which reflects greater interests in the plant-based products among people in various markets.

As a result, the revenue totaled 602 million yen (a 35.2% increase from the same quarterly period of the previous financial period), and segment profit recorded 65 million yen (a 169.3% increase YoY).

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	4,773,304	4,912,551
Notes and accounts receivable - trade	527,960	534,284
Inventories	304,812	371,571
Other	1,045,541	868,033
Allowance for doubtful accounts	△811	△659
Total current assets	6,650,807	6,685,781
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,477,848	4,532,923
Machinery, equipment and vehicles, net	240,091	242,246
Land	629,975	628,989
Leased assets, net	18,007	16,381
Construction in progress	26,927	42,184
Other, net	310,273	312,459
Total property, plant and equipment	5,703,123	5,775,184
Intangible assets		
Goodwill	136,511	134,075
Other	41,195	42,776
Total intangible assets	177,707	176,851
Investments and other assets		
Investment securities	51,308	185,603
Long-term loans receivable	11,300	11,300
Deferred tax assets	819,544	793,798
Leasehold and guarantee deposits	1,624,716	1,667,405
Other	254,392	265,459
Allowance for doubtful accounts	△21,303	△21,361
Total investments and other assets	2,739,959	2,902,205
Total non-current assets	8,620,790	8,854,241
Total assets	15,271,597	15,540,022

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	536,414	577,610
Short-term borrowings	2,500,000	2,500,000
Current portion of bonds payable	14,000	14,000
Current portion of long-term borrowings	1,960,987	1,864,144
Lease liabilities	7,333	7,125
Accounts payable - other	997,341	870,355
Income taxes payable	283,381	146,147
Provision for share awards	7,392	6,293
Provision for bonuses	-	21,442
Asset retirement obligations	107,346	76,809
Other	888,877	860,022
Total current liabilities	7,303,074	6,943,951
Non-current liabilities		
Bonds payable	9,000	9,000
Long-term borrowings	2,877,187	2,568,737
Lease liabilities	12,337	10,712
Provision for share awards	22,916	13,075
Provision for ESOP benefits for non-residents	835	3,318
Retirement benefit liability	178,513	175,653
Asset retirement obligations	860,957	900,808
Other	206,135	204,834
Total non-current liabilities	4,167,882	3,886,140
Total liabilities	11,470,957	10,830,092
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,139,833	2,407,028
Capital surplus	1,974,063	2,240,448
Retained earnings	△366,900	△66,655
Treasury shares	△99,279	△99,279
Total shareholders' equity	3,647,716	4,481,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,859	1,568
Foreign currency translation adjustment	136,315	221,762
Total accumulated other comprehensive income	144,175	223,330
Share acquisition rights	8,749	5,059
Total net assets	3,800,640	4,709,930
<b>Total liabilities and net assets</b>	<b>15,271,597</b>	<b>15,540,022</b>



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

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	4,188,491	5,486,014
Cost of sales	1,223,745	1,599,565
Gross profit	2,964,745	3,886,449
Selling, general and administrative expenses	2,944,803	3,599,332
Operating profit	19,942	287,117
Non-operating income		
Interest income	661	794
Dividend income	476	556
Share of profit of entities accounted for using equity method	-	1,086
Foreign exchange gains	-	65,216
Lease income	37,881	34,669
Other	25,899	35,791
Total non-operating income	64,919	138,116
Non-operating expenses		
Interest expenses	15,711	13,252
Share of loss of entities accounted for using equity method	3,500	-
Foreign exchange losses	1,353	-
Rental costs	31,156	30,853
Other	8,443	10,159
Total non-operating expenses	60,165	54,265
Ordinary profit	24,695	370,968
Extraordinary income		
Gain on sale of non-current assets	0	411
Subsidy income	339,126	39,131
Gain on reversal of asset retirement obligations	-	28,308
Other	-	3,975
Total extraordinary income	339,127	71,826
Extraordinary losses		
Loss on retirement of non-current assets	177	199
Impairment losses	-	46,512
Loss on cancellation of leases	-	2,648
Extraordinary loss related to store closure	348,074	-
Other	16,501	-
Total extraordinary losses	364,753	49,361
Profit (loss) before income taxes	△930	393,434
Income taxes - current	67,085	61,781
Income taxes - deferred	4,538	31,408
Total income taxes	71,623	93,189
Profit (loss)	△72,554	300,244
Profit (loss) attributable to owners of parent	△72,554	300,244

## Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	△72,554	300,244
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,051	△6,291
Foreign currency translation adjustment	168,764	85,446
Total other comprehensive income	166,713	79,155
Comprehensive income	94,159	379,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	94,159	379,400
Comprehensive income attributable to non-controlling interests	-	-