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

November 14, 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 Q2 report submission: November 14, 2022 Scheduled Date of Dividend Payments: -
 Preparation of Supplementary Explanation Material for Financial Results: Yes
 Presentation Meeting for Financial Results: No

1. Q2 Financial Year Ending March 31, 2023 (April 1, 2022 – September 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	%
Q2 FY2022-23	11,691	33.5	799	204.3	929	272.6	694	580.3
Q2 FY2021-22	8,760	23.9	262	-	249	-	102	-

Note: Comprehensive Income Q2 FY2022-23 939 million JPY (252.3%) Q2 FY2021-22 266 million JPY (-%)

	Quarterly earnings per share	Quarterly earnings per share after adjusting for dilution
	Yen	Yen
Q2 FY2022-23	25.33	25.04
Q2 FY2021-22	3.93	3.89

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	million JPY	million JPY	%
Q2 FY2022-23	16,089	5,756	35.8
FY2021-22	15,271	3,800	24.8

Reference: Shareholders' Equity Q2 of FY 2022-23 5,755 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	-	0.00			
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
FY2022-23	24,500	26.3	1,710	62.8	1,830	68.9	1,350	46.2	48.13

Note: Changes from previously announced projection: Yes

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)	Q2 FY2022-23	28,784,400 Shares	As of March 31, 2022	27,042,400 Shares
② Total number of treasury shares at the end of period	Q2 FY2022-23	88,521 Shares	As of March 31, 2022	89,601 Shares
③ Average number of shares during the period (accumulative during the quarter)	Q2 FY2022-23	27,422,667 Shares	As of September 30, 2022	25,970,368 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 Q2 of FY2022-23 88,520 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 Q2 of FY2022-23 89,371 shares and at the end of the Q2 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 5).

(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 second quarter of the current consolidated financial period, the world economy seems divided: on one hand, there are countries where despite the high number of Covid-19 infections, the governments prioritize the regular economic activities and abolish any restrictions related to the pandemic; on the other hand, there are countries imposing strict preventive measures at the expense of economic stagnation or decline. In addition, there remains uncertain economic outlook due to the situations in Ukraine, resulting in increases in raw materials and energy prices, global inflationary pressure, rapid weakening of the Japanese yen, and increases of salaries and wages due to the shortage of labor, etc.

Within the restaurant industry in which the Company operates, domestically, while there were no restrictions on people's movement or shortening of operating hours due to the spread of Covid-19 and entry requirements into Japan were gradually lifted, there were also sharp increase in raw materials and energy prices, salaries and wages as well as a rapid weakening of Japanese yen, resulting in an uncertain outlook for the industry. Internationally, many markets saw moves towards normalization of economic activities and deregulations, although some countries still impose strict preventive measures at the cost of economic losses. As mentioned above there are geopolitical instabilities and harsh economic outlooks, leading to the fear of heightened costs of raw materials and energy, similarly to Japan.

With the above in mind, the Company stays true to its principle of "Keep Changing to Remain Unchanged" and opened 10 new stores, re-branded Shinjuku Lumine Est store to offer plant-based menu, and re-opened IPPUDO Narita Airport store to meet the increase in inbound tourism since April. On the other hand, 11 under performing stores were closed. Both domestically and internationally, there were many digital transformation initiatives taken such as mobile ordering, introduction of table top tablets, to reduce operating costs, as well as introduction of seasonal and regional items on the menu to increase sales. Finally, selling prices were increased to meet the rising costs of raw materials and energy, ensuring profitability.

Internationally, since the rebound of customers are much quicker than in Japan after preventive measures were lifted, in addition to the success of the above-mentioned initiative and the weakened yen, the segment sales increased significantly.

For Merchandising segment, the Company reinforced its sales of IPPUDO branded products, and as a new initiative, invested in Yokai Express Inc., a Silicon Valley start-up company offering autonomous restaurant solutions. Additionally, in order to meet the diversifying trends in global markets, it started the sales of plant-based Shiromaru and Akamaru in key retail markets.

At the end of the consolidated financial period up to the second quarter, there were 279 stores, including licensed stores (Japan 142, International 137, a net increase of 2 from the previous period).

As such, the revenue for the first two quarters of the financial year totaled 11,691 million yen (an increase of 33.5% from the same period of the previous year). Operating profit was 799 million yen (increase of 204.3%), ordinary profit of 929 million yen (increase of 272.6%) and the profit attributable to owners of parent was 694 million yen (increase of 580.3%).

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 9 IPPUDO stores, 1 Inaba Udon store, closed 6 IPPUDO stores, 2 Ramen Express stores, 2 Najimatei stores, and 1 Inaba Udon store. The total number of stores in this segment at the end of the second quarter of this financial

year was 142 (a net decrease of 1 store from the previous period). There were 2 Ramen Express stores converted to IPPUDO as well.

While there were no shortening of operating hours imposed by Covid-19 preventive measures since March of 2022, there was a rise in the infection cases during July and August, and the customer visit during night time and late night hours were still very weak compared to pre-Covid times, the sales recovery remained gradual. The Company still opened 10 new stores, and closed 11 under-performing stores. It also improved productivity at stores by introducing mobile and table order systems, ticket vending machines, etc.

As such, the revenue for the first two quarter of the financial year resulted in 5,346 million yen (an increase of 11.6%). Segment operating profit resulted in 186 million yen (a decrease of 21.6%). While the efforts to optimize store management operations and closure of under-performing stores contributed to increased profitability, the increases in wages, energy related costs, and the subsidiary I&P Runway Japan has been divested, leading to a reduction in operating profit.

International Store Operations

Internationally, the Company opened 1 store in Singapore, 2 stores in Australia, 1 store in Taiwan, 1 store in Thailand, and 1 store in Indonesia, while closing 2 stores in China and 1 store in the Philippines. During this fiscal year, there were rises in infections, and the resulting decline in sales, in the US and Australia in January and February, and Taiwan in April and May. The sales recovered quickly thereafter, and the segment revenue improved significantly. The Company had to overcome many challenges of global inflationary pressure, increases in raw materials costs, wages and logistics costs, by revising its offerings, labor deployment, and introduction of digital transformation initiatives.

As such, the revenue for the segment resulted in 5,012 million yen (increase of 65.9%) and the segment operating profit was 571 million yen (increase of 469.6%).

Production and Merchandise

Domestically, this segment focused on reinforcing sales of IPPUDO branded products, and introduced IPPUDO chilled meals and other new products into the market, as well as promoting its own online sales channels and sales to other retailers. Internationally, riding on the trend of diversifying diet around the world, the Company started selling its plant-based Shiromaru and Akamaru, and they performed well.

As a result, the segment revenue was 1,331 million yen (increase of 40.7%) and its operating profit was 197 million yen (increase of 156.7%).

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	4,773,304	5,153,740
Notes and accounts receivable - trade	527,960	580,691
Inventories	304,812	397,525
Other	1,045,541	909,216
Allowance for doubtful accounts	△811	△727
Total current assets	6,650,807	7,040,445
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,477,848	4,640,795
Machinery, equipment and vehicles, net	240,091	230,686
Land	629,975	628,989
Leased assets, net	18,007	14,756
Construction in progress	26,927	129,086
Other, net	310,273	329,357
Total property, plant and equipment	5,703,123	5,973,671
Intangible assets		
Goodwill	136,511	124,530
Other	41,195	48,105
Total intangible assets	177,707	172,636
Investments and other assets		
Investment securities	51,308	187,822
Long-term loans receivable	11,300	11,522
Deferred tax assets	819,544	742,137
Leasehold and guarantee deposits	1,624,716	1,716,435
Other	254,392	266,243
Allowance for doubtful accounts	△21,303	△21,361
Total investments and other assets	2,739,959	2,902,800
Total non-current assets	8,620,790	9,049,108
Total assets	15,271,597	16,089,553

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	536,414	645,375
Short-term borrowings	2,500,000	2,500,000
Current portion of bonds payable	14,000	16,000
Current portion of long-term borrowings	1,960,987	1,652,182
Lease liabilities	7,333	7,333
Accounts payable - other	997,341	689,631
Income taxes payable	283,381	222,516
Provision for share awards	7,392	7,403
Reserve for interlocking type of monetary benefit	-	582
Provision for bonuses	-	34,545
Asset retirement obligations	107,346	49,937
Other	888,877	883,311
Total current liabilities	7,303,074	6,708,821
Non-current liabilities		
Bonds payable	9,000	-
Long-term borrowings	2,877,187	2,273,198
Lease liabilities	12,337	8,670
Provision for share awards	22,916	12,343
Reserve for interlocking type of monetary benefit	835	2,766
Retirement benefit liability	178,513	175,291
Asset retirement obligations	860,957	950,865
Other	206,135	200,693
Total non-current liabilities	4,167,882	3,623,829
Total liabilities	11,470,957	10,332,650
Net assets		
Shareholders' equity		
Share capital	2,139,833	2,651,868
Capital surplus	1,974,063	2,484,550
Retained earnings	△366,900	327,659
Treasury shares	△99,279	△98,081
Total shareholders' equity	3,647,716	5,365,997
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,859	5,946
Foreign currency translation adjustment	136,315	383,262
Total accumulated other comprehensive income	144,175	389,208
Share acquisition rights	8,749	1,697
Total net assets	3,800,640	5,756,903
Total liabilities and net assets	15,271,597	16,089,553

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

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	8,760,514	11,691,545
Cost of sales	2,557,701	3,433,854
Gross profit	6,202,812	8,257,691
Selling, general and administrative expenses	5,939,996	7,457,834
Operating profit	262,816	799,856
Non-operating income		
Interest income	1,183	1,490
Dividend income	483	580
Share of profit of entities accounted for using equity method	2,714	6,813
Foreign exchange gains	1,312	101,108
Lease income	72,963	67,661
Other	33,123	56,134
Total non-operating income	111,780	233,788
Non-operating expenses		
Interest expenses	30,464	28,896
Rental costs	69,882	59,711
Other	24,720	15,315
Total non-operating expenses	125,067	103,923
Ordinary profit	249,529	929,722
Extraordinary income		
Gain on sale of non-current assets	1,671	26,399
Subsidy income	725,384	55,695
Gain on reversal of asset retirement obligations	-	40,109
Other	-	3,975
Total extraordinary income	727,056	126,179
Extraordinary losses		
Loss on retirement of non-current assets	4,964	199
Impairment losses	14,860	99,603
Extraordinary loss related to store closure	710,626	-
Other	43,408	11,885
Total extraordinary losses	773,859	111,689
Profit before income taxes	202,726	944,212
Income taxes - current	97,339	166,750
Income taxes - deferred	3,286	82,901
Total income taxes	100,625	249,652
Profit	102,100	694,560
Profit attributable to owners of parent	102,100	694,560

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	102,100	694,560
Other comprehensive income		
Valuation difference on available-for-sale securities	△471	△1,913
Foreign currency translation adjustment	165,089	246,946
Total other comprehensive income	164,618	245,033
Comprehensive income	266,719	939,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	266,719	939,594
Comprehensive income attributable to non-controlling interests	-	-