



October 31, 2022

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2023 (FY3/23)**  
**(Six Months Ended September 30, 2022)**

[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 filing of Quarterly Securities Report: November 14, 2022  
 Scheduled date of payment of dividend: December 2, 2022  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly 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 Second Quarter (April 1, 2022 – September 30, 2022) of FY3/23**

(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	%
Six months ended Sep. 30, 2022	45,136	11.5	3,820	19.7	4,856	(18.8)	3,072	(28.1)
Six months ended Sep. 30, 2021	40,463	3.4	3,192	33.5	5,982	121.3	4,274	151.7

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2022: 2,908 (down 34.2%)  
 Six months ended Sep. 30, 2021: 4,419 (up 135.2%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2022	163.50		-	
Six months ended Sep. 30, 2021	227.64		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Sep. 30, 2022	83,098		60,809		73.2	
As of Mar. 31, 2022	89,405		59,098		66.1	

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income) (millions of yen)  
 As of Sep. 30, 2022: 60,809 As of Mar. 31, 2022: 59,098

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2022	Yen -	Yen 50.00	Yen -	Yen 70.00	Yen 120.00
Fiscal year ending Mar. 31, 2023	-	60.00			
Fiscal year ending Mar. 31, 2023 (forecasts)			-	60.00	120.00

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

**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	
Full year	90,029	6.2	7,516	8.0	8,627	(33.8)	5,478	(37.8)	291.60	

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

**\* Notes**

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

Newly added: –

Excluded: –

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

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2022:	23,286,230 shares	As of Mar. 31, 2022:	23,286,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2022:	4,481,136 shares	As of Mar. 31, 2022:	4,498,356 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2022:	18,795,265 shares	Six months ended Sep. 30, 2021:	18,775,494 shares
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**\* The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.**

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

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company's management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 6 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

The Company plans to hold the following financial results meeting for institutional investors and analysts. Materials to be used at this event will be available on the Company's website immediately thereafter.

- Friday, November 25, 2022: Financial results meeting for institutional investors and analysts

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Summary of consolidated results of operations for the first half of FY3/23 (April 1, 2022 to September 30, 2022)						
	Amount (millions of yen)	% to sales	Changes vs. First half of FY3/22		Changes vs. First half of FY3/20	
Net sales	45,136	100.0%	Up	11.5 %	Up	6.0 %
Operating profit	3,820	8.5 %	Up	19.7 %	Down	5.0 %
Ordinary profit	4,856	10.8%	Down	18.8 %	Up	14.3 %
Profit attributable to owners of parent	3,072	6.8 %	Down	28.1 %	Up	10.4 %

During the first half of the fiscal year ending March 31, 2023 (the “period under review”), the Japanese economy saw a moderate recovery trend of the socio-economic activities as the government lifted the quasi-emergency COVID-19 measures and other restrictions in March. However, a rapid increase in new cases of COVID-19 in July developed into the seventh wave bringing concerns about a downturn in the economy again. In the midst of the prolonged situation in Ukraine, the rise in raw materials and energy prices together with the global monetary tightening and sharply weakening yen increased uncertainty about the future economy.

In the restaurant industry, we saw a trend of recovery thanks to the lifting of the quasi-emergency measures. However, the sales became stagnant again due to the seventh wave of COVID-19 infection, which restrained customer traffic on weekdays and evenings. Amid the constant increase in food and utility costs, many companies had to pass on to prices, while business operations were affected by the ongoing labor shortage and increased number of employees’ infection and quarantine. As such, the business environment continued to be challenging.

Under such circumstances, the Group made every effort with the highest priority put on quality, service and cleanliness (QSC) improvement to achieve our mission to serve safe, secure and delicious food to the customers. Also, we implemented various sales promotion activities. Despite the challenging environment with the seventh wave of the pandemic, all of these efforts paid off with a steep recovery of in-store sales and maintained steady sales of takeout and delivery services. Furthermore, we achieved the record high sales outperforming the same period before the pandemic (i.e., the first half of FY3/20), not to mention the same period a year earlier when the operating hours were shortened.

The following is an overview of our initiatives and achievements during the period under review. They are described in line with four items consisting of sales strategy, restaurant opening strategy, franchise chain promotion strategy, and sustainability initiatives, of which first three are the primary strategies in our medium-term management plan entering its second year.

#### 1) Sales strategy

Under 2022 slogan “The power of delicious meals will change the future,” the Group was committed to further improving QSC as one team.

Specifically, given the current spread of COVID-19, Ohsho Cooking Dojo (an in-house training program) provided live-streaming and on-demand cooking training sessions to each store to further hone cooking skill. The stores also held face-to-face cooking trainings mainly for popular items so that we can always provide high quality products to our customers. Particularly for our flagship product, gyoza, we had all the stores use the same original Ohsho standard griddle to cook gyoza and double check the cooking method so that we can provide the best gyoza to our customers.

For sales promotion activities, “Gyoza Club customer appreciation campaign for 2023” was initiated on June 24. Also, a “double stamp campaign” was held from September 16 through September 30. Customers who collect 35 stamps will be awarded either a ramen bowl or a cushion blanket, and those who collect 50 stamps either a pair of earbuds or a shogi game set. All of these gifts are originally designed and different from the last year’s ones.

We also ran a “draft beer campaign” to match seasonal demand, which we had to give up last year under the state of emergency. Furthermore, we strengthened our takeout service by running a “stamp campaign for uncooked gyoza” to make more customers aware of the great taste of hot and crisp gyoza cooked at home. The campaign was accepted very well as we offered a small dish and gyoza plate that we use at our restaurants in exchange for

the stamps, making our customers feel like dining at Ohsho.

As the monthly special delights in July, we offered a medicinal noodle soup, “Rasai Men” (hot and spicy vegetable noodles) originally developed based on the concept of “Delicious to the body.” The dish has now been adopted into the grand menu. We also began to release video clips for the monthly special delights accessible from a QR code printed on posters and shown in digital signages in the stores, which showcase our passion for deliciousness.

Effective on May 14, 2022, the Company revised the prices of about 20% of our grand menu items by 20 to 30 yen (excluding tax) due to the rising prices of raw materials and energy cost as well as wages and logistics cost. As mentioned above, we have strived to brush up the cooking skill of our employees through trainings at Ohsho Cooking Dojo, etc. Behind the price revision, we worked hard to achieve even better taste and improved quality by reexamining the recipes and cooking procedures of the specified dishes. In addition, we launched various measures to increase store traffic before and after the price revision. Specifically, we run a promotion to boost last minute demand before the revision and a double stamp service for the customer appreciation campaign after the revision. We believe that such efforts have led to a continued year-on-year increase in both the number of customers and sales per customer.

## 2) Restaurant opening strategy

During the period under review, the Company opened one directly operated store and converted two franchised stores to direct operation.

The new store was opened at a shopping complex COTOE Nagareyama Otakanomori in April 2022. The store opened in time with the opening of this shopping complex as the first store in Nagareyama City, Chiba Prefecture, where population continues to grow with an increasing number of young families. The complex is attracting all generations, especially families with kids and the store has been reporting favorable sales.

Regarding the two franchised stores which were converted to direct operation, one is located at Kuzuha in Hirakata City in Osaka Prefecture, and the other is at Kaminokura in Nagoya City, Aichi Prefecture, converted in May and June, respectively. These two stores had difficulty in continuing business as franchisees due to aging of the owners. However, they have been focusing on community-based store operations for many years and enjoyed strong patronage from local customers. Also, they have potential of acquiring new customers.

Effective from July 2022, we established the Restaurant Opening & FC Contract Management Department by integrating management functions of the Restaurant Opening Department and the FC Promotion Department. Through the centralized management of new property information and lease contracts of directly operated and franchised stores, we will further strengthen the effective store development.

Meanwhile, we are reinforcing recruiting to prepare for the future store openings, etc. In addition to the ongoing activities, we tried new recruiting measures, such as a complete renewal of our recruitment poster and distribution of a video on digital signages at stores, showing a scene featuring our employees working lively and fulfillingly.

## 3) Franchise chain promotion strategy

As part of the organizational change mentioned above, a sales function after separating an FC management function from the FC Promotion Department was undertaken by the newly established FC Sales Department, which is responsible for improving QSC of franchised stores in tandem with the Direct Operation Sales Department.

For example, franchised stores were thoroughly inspected and trained for the cooking procedures mainly of the major items whose price was revised. Also, all the franchised stores received a store hygiene management inspection to become thoroughly compliant with the hygiene management manual and cleaning manual used by the directly operated stores.

For the sales promotion activities, we had the franchised stores operate perfectly consistent with the directly operated stores when implementing all-store campaigns. To make this happen, we made the FC stores fully aware of intention and objective of each campaign and urged them to strengthen in-store announcement.

As a result of such initiatives, sales of the franchised stores continued to be strong as in the previous fiscal year and sales of products shipped from our factories to franchised stores reached a record high.

## 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.

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

To pursue our vision “to realize an enriched society without hunger,” we supplied “Bento for Kids” free of charge to “Kodomo Shokudo,” or Children’s Cafeteria, around the country during a spring break between March and April and summer holidays in August as in last year. This year, due to the prolonged pandemic and the rising cost of living, the initiative has become large in scale donating 96 thousand meals of Bento for Kids to 1,153 groups through 361 stores during the summer holidays in August. We heard many thankful comments from children and Kodomo Shokudo all over Japan. It was the fourth turn of this initiative. The cumulative number of lunch boxes we offered to children so far has reached as many as 241 thousand.

For our vision, “to co-prosper with all stakeholders,” the Company have been committed to improving shareholder return and customer satisfaction. In this regard, we put emphasis on improvement of employee satisfaction as a starting point and actively invest in human capital. The above-mentioned cooking training through Ohsho Cooking Dojo is an example of human capital investment. Also, for the first half of FY3/23 bonus, the full amount that was demanded by the union (100% of the bonus table) plus special additional payment (8.5% of the bonus table) was paid to reward all the employees for the good performance even in challenging circumstances under the pandemic. As a result, the average bonus payment per employee reached a record high.

For the vision “to protect the global environment,” we undertook an initiative by collecting and analyzing data about influence of climate-related risks and opportunities on our business and revenue in compliance with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. The result is reported in Annual Securities Report for the fiscal year ended March 31, 2022, which was filed on June 28, 2022 (<https://ir.ohsho.co.jp/ir/library/securities.html>).

As part of this initiative, we procured funds of 10.0 billion yen by entering into a syndicated sustainability linked loan agreement with Sumitomo Mitsui Trust Bank, Limited as an arranger and agent in July 2022. The key performance indicator (KPI) or sustainability performance target (SPT) is 15% reduction of plastic use at all stores in FY3/26 in comparison to that in FY3/22. The second opinion on the validity of the indicator was provided by Rating and Investment Information, Inc. (President & CEO: Hiroshi Yamazaki). We like to progress steadily to achieve the KPI or SPT of this agreement. For the preferential interest rate that we will be eligible for by achieving SPT, the difference between the interest on an ordinary rate loan and a preferential rate loan will be a part of our donation to Save the Children, a private, non-profit international organization, addressing poverty and other issues involving children around the world.

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.

As a result, we achieved the record high monthly sales consecutively for eight months from February to September 2022 and net sales for the period under review increased 4,673 million yen or 11.5% year-on-year to the record high 45,136 million yen.

Operating profit increased 628 million yen or 19.7% year-on-year to 3,820 million yen. This year-on-year increase is attributable to an increase in sales per customer due to the price revision and an increase in the number of customers plus successfully controlled labor cost through an effective shift arrangement, though partially offset by soaring raw material and utility costs.

Ordinary profit decreased 1,125 million yen or 18.8% year-on-year to 4,856 million yen mainly due to a decrease in subsidy income for reduced operating hours and other factors.

Profit attributable to owners of parent decreased 1,201 million yen or 28.1% year-on-year to 3,072 million yen mainly due to a decrease in compensation for expropriation as well as the above reason.

Regarding the store network during the period under review, we opened one directly operated store and one franchised store, converted two franchised stores to directly operated stores, and closed three franchised stores. The

result was a total network of 539 directly operated stores and 194 franchised stores at the end of the period under review.

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

### Assets

The balance of total assets at the end of the period under review was 83,098 million yen, down 6,307 million yen or 7.1% from the end of the previous fiscal year. The main factors for the change are as follows.

Current assets decreased 5,365 million yen or 13.1% to 35,515 million yen. This was mainly due to a decrease in cash and deposits.

Non-current assets decreased 941 million yen or 1.9% to 47,583 million yen. This was mainly due to a decrease in land.

### Liabilities

The balance of total liabilities at the end of the period under review was 22,288 million yen, down 8,018 million yen or 26.5% from the end of the previous fiscal year. The main factors for the change are as follows.

Current liabilities decreased 12,865 million yen or 50.6% to 12,581 million yen. This was mainly due to a decrease in current portion of long-term borrowings.

Non-current liabilities increased 4,846 million yen or 99.7% to 9,706 million yen. This was mainly due to an increase in long-term borrowings resulting from a sustainability linked loan agreement. The balance of borrowings in current and non-current liabilities combined at the end of the period under review decreased 6,016 million yen from the end of the previous fiscal year to 10,047 million yen.

### Net assets

Net assets at the end of the period under review increased 1,710 million yen or 2.9% to 60,809 million yen. This increase was mainly attributable to the recording of profit attributable to owners of parent of 3,072 million yen, while there was the dividend payment of 1,315 million yen.

As a result, the equity ratio increased from 66.1% at the end of the previous fiscal year to 73.2%.

### Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the period under review amounted to 31,939 million yen, down 5,500 million yen from the end of the previous fiscal year.

The main changes in cash flows from operating, investing, and financing activities for the period under review are described as below.

#### Cash flows from operating activities

Net cash provided by operating activities decreased 2,320 million yen or 42.8% year-on-year to 3,096 million yen. This was mainly due to an increase in income taxes paid.

The main factors include profit before income taxes of 4,608 million yen and depreciation of 1,283 million yen, which were partially offset by income taxes paid of 3,080 million yen.

#### Cash flows from investing activities

Net cash used in investing activities decreased 204 million yen or 13.9% year-on-year to 1,267 million yen. This was mainly due to an increase in proceeds from sale of property, plant and equipment.

The main factors include purchase of property, plant and equipment of 1,393 million yen.

#### Cash flows from financing activities

Net cash used in financing activities increased 2,322 million yen or 46.4% year-on-year to 7,332 million yen. This was mainly due to an increase in repayments of long-term borrowings.

The main factors include outlays resulting from a net decrease of 6,016 million yen in borrowings and dividends paid of 1,315 million yen.

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

As mentioned above, the Company revised the price of some dishes, effective on May 14, 2022. Meanwhile, we reduced cost as much as possible. However, due to the growing tension in Ukraine and weak yen, prices of raw materials and energy have surged, and the prices of most of the main ingredients and packaging materials that we purchase have kept rising. Especially, electricity and gas prices increased the cost significantly. Considering the above, the Company decided to revise the prices of some dishes by 10 to 50 yen excluding tax effective on Saturday, November 19, 2022 so that we can focus on serving delicious food with no worries about safety as our top priority.

We expect the current cost increase to be fully covered by implementing the price revision, together with redoubling our effort to pursue high quality food, hospitality, and restaurant cleanliness, which has always been a major focus of the Company. Thus, we maintain the full-year consolidated forecasts for the fiscal year ending March 31, 2023 released in “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” dated May 16, 2022.



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

(Millions of yen)

	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	37,440	31,939
Accounts receivable-trade	2,210	2,115
Merchandise and finished goods	131	139
Raw materials	387	428
Other	712	892
Allowance for doubtful accounts	(1)	(1)
<b>Total current assets</b>	<b>40,880</b>	<b>35,515</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	56,423	56,147
Accumulated depreciation	(44,355)	(44,269)
Buildings and structures, net	12,068	11,878
Machinery, equipment and vehicles	7,041	7,063
Accumulated depreciation	(4,678)	(4,875)
Machinery, equipment and vehicles, net	2,362	2,187
Tools, furniture and fixtures	7,051	7,068
Accumulated depreciation	(5,918)	(5,854)
Tools, furniture and fixtures, net	1,133	1,213
Land	20,589	20,134
Construction in progress	75	185
<b>Total property, plant and equipment</b>	<b>36,228</b>	<b>35,600</b>
Intangible assets	232	221
<b>Investments and other assets</b>		
Investment securities	4,096	3,961
Guarantee deposits	4,425	4,451
Other	3,557	3,362
Allowance for doubtful accounts	(14)	(14)
<b>Total investments and other assets</b>	<b>12,063</b>	<b>11,761</b>
<b>Total non-current assets</b>	<b>48,525</b>	<b>47,583</b>
<b>Total assets</b>	<b>89,405</b>	<b>83,098</b>

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,216	2,108
Current portion of long-term borrowings	12,912	2,047
Income taxes payable	3,410	1,528
Provision for bonuses	972	1,013
Other	5,934	5,883
Total current liabilities	25,446	12,581
Non-current liabilities		
Long-term borrowings	3,151	8,000
Asset retirement obligations	857	863
Other	850	843
Total non-current liabilities	4,860	9,706
Total liabilities	30,307	22,288
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,316	9,393
Retained earnings	52,860	54,618
Treasury shares	(10,669)	(10,629)
Total shareholders' equity	59,673	61,549
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,291	2,198
Revaluation reserve for land	(3,243)	(3,243)
Foreign currency translation adjustment	(6)	(4)
Remeasurements of defined benefit plans	383	309
Total accumulated other comprehensive income	(575)	(740)
Total net assets	59,098	60,809
Total liabilities and net assets	89,405	83,098

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

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	40,463	45,136
Cost of sales	12,667	14,167
Gross profit	27,795	30,968
Selling, general and administrative expenses	24,602	27,147
Operating profit	3,192	3,820
Non-operating income		
Interest income	0	0
Dividend income	45	60
Franchise chain accession fee	56	52
Rental income from land and buildings	29	30
Subsidy income	2,672	923
Miscellaneous income	93	101
Total non-operating income	2,897	1,168
Non-operating expenses		
Interest expenses	35	18
Rental expenses	46	54
Meal support expenses for Kodomo Shokudo	8	32
Miscellaneous losses	17	26
Total non-operating expenses	108	132
Ordinary profit	5,982	4,856
Extraordinary income		
Gain on sale of non-current assets	2	21
Compensation for expropriation	324	–
Total extraordinary income	327	21
Extraordinary losses		
Loss on retirement of non-current assets	23	14
Impairment losses	–	254
Total extraordinary losses	23	268
Profit before income taxes	6,286	4,608
Income taxes-current	1,878	1,269
Income taxes-deferred	133	266
Total income taxes	2,012	1,535
Profit	4,274	3,072
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	4,274	3,072

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

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	4,274	3,072
Other comprehensive income		
Valuation difference on available-for-sale securities	181	(93)
Foreign currency translation adjustment	7	2
Remeasurements of defined benefit plans, net of tax	(44)	(74)
Total other comprehensive income	145	(164)
Comprehensive income	4,419	2,908
Comprehensive income attributable to:		
Owners of parent	4,419	2,908
Non-controlling interests	–	–

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	6,286	4,608
Depreciation	1,243	1,283
Impairment losses	–	254
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Decrease (increase) in retirement benefit asset	(64)	(110)
Interest and dividend income	(45)	(60)
Interest expenses	35	18
Compensation for expropriation	(324)	–
Loss (gain) on sale of non-current assets	(2)	(21)
Loss on retirement of non-current assets	23	14
Decrease (increase) in trade receivables	(157)	97
Decrease (increase) in inventories	(88)	(49)
Increase (decrease) in trade payables	(171)	(108)
Increase (decrease) in accrued consumption taxes	101	175
Other, net	(541)	25
Subtotal	6,291	6,127
Interest and dividends received	45	60
Interest paid	(34)	(10)
Proceeds from compensation for expropriation	165	–
Income taxes paid	(1,050)	(3,080)
Net cash provided by (used in) operating activities	5,417	3,096
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,252)	(1,393)
Proceeds from sale of property, plant and equipment	20	223
Loan advances	(33)	(13)
Proceeds from collection of loans receivable	16	18
Payments of guarantee deposits	(180)	(58)
Other, net	(42)	(45)
Net cash provided by (used in) investing activities	(1,472)	(1,267)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,000
Repayments of long-term borrowings	(4,071)	(16,016)
Purchase of treasury shares	–	(0)
Dividends paid	(938)	(1,315)
Net cash provided by (used in) financing activities	(5,009)	(7,332)
Effect of exchange rate change on cash and cash equivalents	2	2
Net increase (decrease) in cash and cash equivalents	(1,062)	(5,500)
Cash and cash equivalents at beginning of period	39,590	37,440
Cash and cash equivalents at end of period	38,528	31,939

**(4) Notes to Quarterly Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

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