



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (Under Japanese GAAP)

November 9, 2022

Company name: VIA HOLDINGS INC.
 Stock listing: Tokyo Stock Exchange Prime Section
 Code number: 7918
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 Scheduled date of dividend payment commencement: -
 Scheduled date of quarterly report submission: November 9, 2022
 Supplemental materials for the quarterly financial results: Yes
 Presentation to explain for the quarterly financial results: Yes

(Yen amounts are rounded down to millions of yen.)

1. Consolidated financial results for the first half of the fiscal year ending March 31, 2023 (April 1 - September 30, 2022)

(1) Consolidated operating results (cumulative) (Percentage figures indicate 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	%
Second quarter of the fiscal year ending March 31, 2023	7,006	73.6	(563)	-	(589)	-	(537)	-
Second quarter of the fiscal year ending March 31, 2022	4,036	(30.1)	(687)	-	(435)	-	1,045	-

Note: Comprehensive income Second quarter of the fiscal year ending March 31, 2023 -537 million yen (-%)
 Second quarter of the fiscal year ending March 31, 2022 1,045 million yen (-%)

	Profit per share	Diluted profit per share
	Yen	Yen
Second quarter of the fiscal year ending March 31, 2023	(15.56)	-
Second quarter of the fiscal year ending March 31, 2022	32.01	31.88

Note: The presentation of diluted profit per share for the second quarter of the fiscal year ending March 31, 2023 was omitted as there was a loss per share, although there existed dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Second quarter of the fiscal year ending March 31, 2023	7,960	1,772	22.2	(126.46)
Fiscal year ended March 31, 2022	9,379	2,498	26.6	(101.95)

Reference: Equity Second quarter of the fiscal year ending March 31, 2023 1,770 million yen
 Fiscal year ended March 31, 2022 2,496 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2023	-	0.00			
Fiscal year ending March 31, 2023 (Forecast)			-	0.00	0.00

Note: Revision to dividend forecast announced most recently: None

Note: The cash dividends section above shows the status of dividends on common stock. For the status of dividends on a class of stock (unlisted) with rights that differ from those for common stock issued by the Company, see the section titled "Dividend on class stock."

3. Consolidated financial results forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)
(Percentage figures indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	15,480	50.9	(450)	-	(530)	-	(750)	-	(21.66)

Note: Revision to financial results forecast announced most recently: Yes

Note: Notes to consolidated financial statements

For the revision to the financial results forecast, see the "Notice on Difference between the Financial Results Forecast for the Second Quarter of the Fiscal Year Ending March 31, 2023 and the Actual Results and on the Consolidated Financial Results Forecast for the Full Year" that was released today (November 9, 2022).

* Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in a change in the scope of consolidation): None
New companies: -
Excluded - companies: -
- (2) Application of an accounting standard specific to the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies other than as provided in item (i) None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common stock)
 - (i) Total number of issued shares at the end of the period (including treasury shares)

Second quarter of the fiscal year ending March 31, 2023	34,721,103 shares
Fiscal year ended March 31, 2022	34,363,400 shares
 - (ii) Number of treasury shares at the end of the period

Second quarter of the fiscal year ending March 31, 2023	2,500 shares
Fiscal year ended March 31, 2022	2,500 shares
 - (iii) Average number of shares outstanding during the period (cumulative for the quarter)

Second quarter of the fiscal year ending March 31, 2023	34,548,547 shares
Second quarter of the fiscal year ended March 31, 2022	32,675,705 shares

* Quarterly financial results reports are exempt from audit procedures conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements provided in this document, such as financial results forecast, are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual financial results could potentially differ markedly from the forecast due to various factors. For matters related to the financial results forecast mentioned above, see the "Explanation on future forecasts such as consolidated financial results forecast" section on page 3 of the attached document.

Dividend on class stock

Shown below is a breakdown of the dividend per share on class stock whose rights differ from those of common stock.

(Class C preferred stock)

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	73,589.04	73,589.04
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		-	-	85,000.00	85,000.00

Note: 1. Class C preferred stock was issued in May 2021. Dividends began to be paid from the fiscal year ended March 31, 2022, in accordance with the Class C preferred stock issuance guidelines set forth at the time of issuance.

(Class D preferred stock)

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	17,315.07	17,315.07
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		-	-	20,000.00	20,000.00

Note: 1. Class D preferred stock was issued in May 2021. Dividends began to be paid from the fiscal year ended March 31, 2022, in accordance with the Class D preferred stock issuance guidelines set forth at the time of issuance.

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1. Qualitative information on the quarterly financial results

(1) Explanation on operating results

During the consolidated first half under review, although the spread of COVID-19 slowed, the Japanese economy faced significant challenges as prices of goods and costs of energy soared, affected by global logistics disruptions and Russia's invasion of Ukraine while consumer spending declined and production activities were stagnant.

It is unpredictable how the economy will fare in the future as the impact of COVID-19 on it remains uncertain due to unforeseeable mutations and the vaccination status. The restaurant sector remained in an extremely challenging operating environment as competition to win customers increasingly intensified, including in the ready-meal segment. This followed a decrease in the number of in-person customers due to lifestyle changes resulting from the effects of COVID-19, such as the diffusion of telework, and reluctance to go out, coupled with social distancing-based outlet operation intended to protect the safety and security of customers and employees.

In this situation, the izakaya pub business, the Company's mainstay, continued to suffer a severe blow due to decreased demand for alcoholic drink and large parties, affected by resurging COVID-19 cases. This happened despite rebounding office worker numbers, particularly in central urban areas, and it had a serious impact on the Company's business performance and financial position for the quarter under review.

In response to this situation, under its business revival plan, the Company strove to reduce costs through efforts to: i) lower headquarters costs; ii) improve customer gross profit via menu revisions and menu mixes; iii) decrease cost of sales by cutting food wastage; and iv) enhance labor productivity by revamping outlet operations. At the same time, the Company keeps working to step up profitability by transforming its business into a new concept-based operation that adapts to the COVID and post-COVID eras, renovating outlets, and providing remote food services such as for takeout, delivery, and e-commerce.

Our outlets numbered 330 (including 34 franchise outlets) at the end of the quarter under review following 1 opening (1 franchise outlet) and 23 closures (including 4 franchise outlets).

As a result, for the Group, during the consolidated first half under review, net sales were 7,006 million yen (up 73.6% year on year), operating loss was 563 million yen (compared with operating loss of 687 million yen for the same quarter a year ago), ordinary loss was 589 million yen (compared with ordinary loss of 435 million yen for the same quarter a year ago), and loss attributable to owners of parent was 537 million yen (compared with profit attributable to owners of parent of 1,045 million yen for the same quarter a year ago).

(2) Explanation on financial position

(i) Assets, liabilities and net assets

Total assets for the consolidated first half under review were 7,960 million yen, a decrease of 1,419 million yen compared with the end of the previous consolidated fiscal year.

This was due to a decrease of 459 million yen in cash and deposits, a drop of 624 million yen in accounts receivable, and a fall of 212 million yen in property, plant and equipment.

Total liabilities were 6,188 million yen, a decrease of 693 million yen compared with the end of the previous consolidated fiscal year. This was due to a drop of 249 million yen in long-term borrowings, a fall of 39 million yen in provision for loss on outlet closings, which stemmed from progress in closing outlets, and a decrease of 125 million yen in short-term asset retirement obligations.

Total net assets were 1,772 million yen, a decrease of 725 million yen compared with the end of the previous consolidated fiscal year. This was due to the fact that: i) paying dividends on Class C and Class D preferred stocks had an effect of reducing capital surplus by 188 million yen; ii) a loss compensation done in accordance with Article 452 of the Companies Act had an effect of lowering capital surplus by 4,576 million yen and increasing retained earnings by the same amount; iii) 537 million yen recorded in loss attributable to owners of parent had an effect of reducing retained earnings.

As a result, equity ratio decreased by 4.4 percentage points compared with the end of the previous consolidated fiscal year to 22.2%, bringing net assets per share of common stock to negative 126.46 yen.

(ii) Cash flows

The balance of cash and cash equivalents ("Cash") at the end of the consolidated first half under review was 915 million yen, a decrease of 459 million yen compared with the end of the previous consolidated fiscal year.

Shown below are cash flows and their factors for the consolidated first half under review.

(Cash flows from operating activities)

Cash provided from operating activities was 105 million yen (compared with 1,533 million yen in Cash used for the same quarter a year ago). This was mainly due to 514 million yen in loss before income taxes and 687 million yen in subsidies received.

(Cash flows from investing activities)

Cash used in investing activities was 62 million yen (compared with 444 million yen in Cash provided for the same quarter a year ago). This was mainly due to: i) 61 million yen in expenditure for purchase of property, plant and equipment for renovations of existing outlets; ii) 95 million yen in expenditure for fulfillment of asset retirement

obligations as a result of the closure of existing outlets; and iii) 113 million yen in income from refund of leasehold and guarantee deposits.

(Cash flows from financing activities)

Cash used in financing activities was 502 million yen (compared with 1,214 million yen in Cash provided for the same quarter a year ago). This was mainly due to 249 million yen in repayment of long-term borrowings and 188 million yen in payment of dividends.

(3) Explanation on future forecasts such as consolidated financial results forecasts

We have revised the consolidated financial forecast for the fiscal year ending March 31, 2023, based on information currently available and predictions in light of our business performance up to the first half under review.

For details, see the “Notice on Difference between the Financial Results Forecasts for the Second Quarter of the Fiscal Year Ending March 31, 2023 and the Actual Results and on the Consolidated Financial Results Forecast for the Full Year” that was released today (November 9, 2022). The above-mentioned financial results forecast was prepared on the basis of information available to the Company as of the date of release of this document. Actual financial results could potentially differ from the forecasts due to various future factors.

(4) Material matters on going concern assumption

The Group recorded 1,123 million yen as an operating loss and 827 million yen as an ordinary loss for the previous consolidated fiscal year, posting an ordinary loss for the fourth consecutive year. For the consolidated first half under review, the Group recorded 563 million yen as an operating loss and 589 million yen as an ordinary loss.

Thus, there exists material uncertainty regarding the going concern assumption for the Group.

In order to establish a strong earnings structure and fundamentally improve its financial position toward a business turnaround in the future, the Group formulated a business turnaround plan (the “Business Turnaround Plan”) by being examined, instructed, and advised by procedure conductors selected by the Japanese Association of Turnaround Professionals, an agency that was fair and impartial, while consulting with the creditor financial institutions in accordance with a dispute resolution procedure certified specifically (“Business Turnaround ADR Procedure”) under the Industrial Competitiveness Enhancement Act. The Group completed the procedure for the alternative dispute resolution (ADR) for the business turnaround as we obtained consent from all the creditor financial institutions at a meeting of creditors held on April 20, 2021, for resolving the proposed business turnaround plan (the 3rd meeting of creditors) in accordance with the business turnaround ADR procedure.

Currently, however, there exists material uncertainty regarding the going concern assumption for the Group as: i) the economic outlook is unclear considering lifestyle changes resulting from COVID-19, such as the diffusion of telework, reluctance to go out, and a reduced number of incoming customers as a result of social distancing-based outlet operation intended to ensure the safety and security of customers and employees, making uncertain the extent and duration of the effects on our future sales; and ii) our business turnaround efforts under the Business Turnaround Plan are now underway.

Measures to eliminate or rectify such circumstances are described in the section titled “(4) Notes to quarterly consolidated financial statements (Notes on going concern assumption)” in the segment titled “2. Quarterly Consolidated Financial Statements and Key Notes.”

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Second quarter of the current fiscal year (September 30, 2022)
Assets		
Current assets		
Cash and deposits	1,374	915
Accounts receivable - trade	406	409
Raw materials and supplies	115	120
Accounts receivable - other	1,379	755
Other	226	236
Total current assets	3,503	2,436
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,664	2,530
Machinery, equipment and vehicles, net	287	253
Tools, furniture and fixtures, net	93	81
Leased assets, net	69	35
Land	512	512
Total property, plant and equipment	3,627	3,414
Intangible assets		
Leased assets	122	101
Other	154	142
Total intangible assets	276	243
Investments and other assets		
Investment securities	371	371
Leasehold and guarantee deposits	1,566	1,464
Other	17	16
Total investments and other assets	1,955	1,852
Total non-current assets	5,859	5,510
Deferred assets		
Share issuance costs	15	11
Share acquisition rights issuance costs	1	0
Total deferred assets	17	12
Total assets	9,379	7,960

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Second quarter of the current fiscal year (September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	514	617
Current portion of long-term borrowings	249	249
Accounts payable - other	453	339
Accrued expenses	444	445
Income taxes payable	62	29
Provision for bonuses	76	56
Lease obligations	127	101
Asset retirement obligations	206	80
Provision for loss on outlet closings	47	7
Other	431	293
Total current liabilities	2,613	2,221
Non-current liabilities		
Long-term borrowings	3,315	3,065
Lease obligations	46	8
Asset retirement obligations	699	705
Deferred tax liabilities	93	92
Other	111	94
Total non-current liabilities	4,267	3,966
Total liabilities	6,881	6,188
Net assets		
Shareholders' equity		
Share capital	316	316
Capital surplus	6,990	2,225
Retained earnings	(4,808)	(769)
Treasury shares	(2)	(2)
Total shareholders' equity	2,496	1,770
Share acquisition rights	1	1
Total net assets	2,498	1,772
Total liabilities and net assets	9,379	7,960

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

Consolidated first half of the current fiscal year

(Millions of yen)

	First half of the previous fiscal year (From April 1 to September 30, 2021)	First half of the current fiscal year (From April 1 to September 30, 2022)
Net sales	4,036	7,006
Cost of sales	1,406	2,257
Gross profit	2,630	4,748
Selling, general and administrative expenses	3,317	5,312
Operating loss	(687)	(563)
Non-operating income		
Interest and dividend income	1	4
Rental income	32	17
Subsidy income	293	-
Other	3	9
Total non-operating income	330	31
Non-operating expenses		
Interest expenses	75	50
Other	3	6
Total non-operating expenses	78	57
Ordinary loss	(435)	(589)
Extraordinary income		
Subsidies for employment adjustment	321	0
Subsidy income	2,511	72
Gain on sale of non-current assets	3	0
Other	94	35
Total extraordinary income	2,931	108
Extraordinary losses		
Loss caused by COVID-19	1,221	-
Loss on sale of non-current assets	86	-
Impairment losses	49	18
Loss on retirement of non-current assets	1	0
Loss on outlet closings	50	11
Other	5	2
Total extraordinary losses	1,414	33
Profit (loss) before income taxes	1,081	(514)
Income taxes - current	38	24
Income taxes - deferred	(3)	(1)
Total income taxes	35	23
Profit (loss)	1,045	(537)
Profit (loss) attributable to owners of parent	1,045	(537)

Quarterly consolidated statement of comprehensive income

Consolidated first half of the current fiscal year

(Millions of yen)

	First half of the previous fiscal year (From April 1 to September 30, 2021)	First half of the current fiscal year (From April 1 to September 30, 2022)
Profit (loss)	1,045	(537)
Other comprehensive income		
Comprehensive income	1,045	(537)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,045	(537)
Comprehensive income attributable to non- controlling interests	-	-

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Consolidated first half of the previous fiscal year (From April 1 to September 30, 2021)	Consolidated first half of the current fiscal year (From April 1 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	1,081	(514)
Depreciation	346	302
Amortization of goodwill	4	-
Amortization of deferred assets	3	4
Impairment losses	49	18
Difference in fulfillment of asset retirement obligations	(288)	(18)
Increase (decrease) in provision for bonuses	(28)	(19)
Increase (decrease) in provision for loss on outlet closings	(329)	(39)
Increase (decrease) in provision for shareholder benefit program	(7)	-
Interest and dividend income	(1)	(4)
Interest expenses	75	50
Compensation income	-	(20)
Insurance claim income	(20)	-
Subsidy income	(3,126)	-
Loss caused by COVID-19	1,221	-
Loss (gain) on sale and retirement of non-current assets	83	(0)
Decrease (increase) in trade receivables	178	(3)
Decrease (increase) in inventories	11	(4)
Decrease (increase) in other current assets	77	(86)
Increase (decrease) in trade payables	(240)	102
Increase (decrease) in advances received	(205)	(195)
Increase (decrease) in accrued consumption taxes	(250)	54
Increase (decrease) in other current liabilities	(863)	(123)
Other	38	4
Subtotal	(2,190)	(493)
Interest and dividends received	1	4
Interest paid	(50)	(54)
Proceeds from compensation	-	20
Proceeds from insurance income	24	-
Subsidies received	2,027	687
Amount of payment for loss caused by COVID-19	(1,221)	-
Income taxes paid	(125)	(62)
Income taxes refund	0	3
Cash flows from operating activities	(1,533)	105

(Millions of yen)

	Consolidated first half of the previous fiscal year (From April 1 to September 30, 2021)	Consolidated first half of the current fiscal year (From April 1 to September 30, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(47)	(61)
Proceeds from sale of property, plant and equipment	492	-
Purchase of intangible assets	(14)	(5)
Proceeds from collection of long-term loans receivable	0	0
Payments of leasehold and guarantee deposits	(22)	(13)
Proceeds from refund of leasehold and guarantee deposits	406	113
Payments for asset retirement obligations	(377)	(95)
Other	7	-
Cash flows from investing activities	444	(62)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(188)	-
Proceeds from long-term borrowings	500	-
Repayments of long-term borrowings	(5,315)	(249)
Repayments of lease obligations	(68)	(63)
Proceeds from issuance of shares	5,977	-
Proceeds from issuance of share acquisition rights	3	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	306	-
Dividends paid	-	(188)
Cash flows from financing activities	1,214	(502)
Net increase (decrease) in cash and cash equivalents	126	(459)
Cash and cash equivalents at beginning of period	575	1,374
Cash and cash equivalents at end of period	701	915

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

The Group recorded 1,123 million yen as an operating loss and 827 million yen as an ordinary loss for the previous consolidated fiscal year, posting an ordinary loss for the fourth consecutive year. For the consolidated first half under review, the Group recorded 563 million yen as an operating loss and 589 million yen as an ordinary loss.

Thus, there exists material uncertainty regarding the going concern assumption for the Group.

In order to establish a strong earnings structure and fundamentally improve its financial position toward a business turnaround in the future, the Group formulated a business turnaround plan (the “Business Turnaround Plan”) by being examined, instructed, and advised by procedure conductors selected by the Japanese Association of Turnaround Professionals, an agency that was fair and impartial, while consulting with the creditor financial institutions in accordance with a dispute resolution procedure certified specifically (“Business Turnaround ADR Procedure”) under the Industrial Competitiveness Enhancement Act. The Group completed the procedure for the alternative dispute resolution (ADR) for the business turnaround as we obtained consent from all the creditor financial institutions at a meeting of creditors held on April 20, 2021, for resolving the Business Turnaround Plan (the 3rd meeting of creditors) in accordance with the business turnaround ADR procedure. As the business turnaround ADR procedure was completed, financial restriction provisions were laid down in an agreement between the Company and seven eligible creditor banks.

To resolve the situation, the Company, which is submitting consolidated financial statements, is working on its business turnaround steadily under the Business Turnaround Plan by fundamentally reviewing its business structure toward a regrowth track and regrowing through deepening and evolving its core businesses, while carrying out the following financial measures.

1. Outline of financial measures under the Business Turnaround Plan

Shown below is an outline of the financial measures under the Business Turnaround Plan, including financial assistance such as that for a debt-for-shares swap.

(1) Assistance from financial institutions

(i) Subscription to Class D preferred stock through a debt-for-shares swap

The Company resolved insolvency after stabilizing its financial position by receiving assistance from five eligible creditor financial institutions that hold claims for a certain amount or more against us, through a debt-for-shares swap deal for some of our outstanding debt. The assistance was worth 4,500 million yen in total.

(ii) Revision to the terms and conditions of debt repayment

Seven eligible creditor banks assisted the Group by changing the terms and conditions of the repayment of its outstanding borrowings.

(2) Capital contribution and loans from RKD Encourage Fund Limited Investment Partnership

(i) Subscription to Class C preferred stock through payment of cash

The Group used a capital contribution of 1,500 million yen from RKD Encourage Fund Limited Investment Partnership to enhance its share capital, conducting outlet capital expenditure for business format conversion, renewal, etc., and funding its working capital.

(ii) Lending in the form of a subordinated loan

The Group borrowed 500 million yen from RKD Encourage Fund Limited Investment Partnership and appropriated the cash to restructuring funds (including for refinancing its outstanding short-term loans) and working capital.

2. Issuance of the 25th series of share acquisition rights (with an exercise price revision clause)

In addition to taking the measures set forth in the Business Turnaround Plan, the Company allotted the 25th series of share acquisition rights (with an exercise price revision clause) to Barclays Bank PLC (the amount obtained was 1,033 million yen (composed of 3 million yen in share acquisition rights issued and 1,030 million yen for the exercise of share acquisition rights)) as a financial measure outside the Business Turnaround Plan in order to further improve

its financial position. The allotment date of the share acquisition rights was May 20, 2021, and the exercisable period was specified as from May 21, 2021 to May 22, 2023.

Currently, however, there exists material uncertainty regarding the going concern assumption for the Group as: i) the economic outlook is unclear considering lifestyle changes resulting from COVID-19, such as the diffusion of telework, reluctance to go out, and a reduced number of incoming customers as a result of social distancing-based outlet operation intended to ensure the safety and security of customers and employees, making uncertain the extent and duration of the effects on our future sales; and ii) our business turnaround efforts under the Business Turnaround Plan are now underway.

The quarterly consolidated financial statements were prepared on the basis of a going concern assumption, and the effects of material uncertainty regarding the going concern assumption are not reflected in the quarterly consolidated financial statements.

(Notes on substantial change in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

Starting from the beginning of the first quarter of the current fiscal year, the Company began to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and decided to apply, going forward, the new accounting policy set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 27-2 of the implementation guidance. The application of the accounting policy had no effect on the quarterly consolidated financial statements.

(Additional information)

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

Starting from the consolidated first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system. Accordingly, the accounting treatment and disclosure of income taxes and local income taxes and of tax effect accounting were governed by the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021; "Practical Solution No. 42" ("Practical Solution Report No. 42")). There were no effects from the accounting policy change due to the application of Practical Solution Report No. 42 in accordance with Paragraph 32 (1) of the report.

Accounting estimates relating to the effects of COVID-19

The izakaya pub business, the Group's mainstay, suffered a severe blow due to a decrease caused by reduced office workers, particularly in central urban areas, and lower demand for large parties even though outlets were able to operate amid the spread of COVID-19.

In this situation, we made accounting estimates in relation to the effects of COVID-19 assuming that demand will decline to a certain extent due to lifestyle changes even after such effects subside in the future.

However, actual results may differ from the estimates as we are in an extremely uncertain environment and there is uncertainty for predicting when COVID-19 will end.

During the consolidated first half under review, in comparison with the previous consolidated fiscal year, there were no significant changes in assumptions about how COVID-19 will spread in the future and when it will end.

(Significant events after the reporting period)

(Transfer of non-current assets and recording of extraordinary losses)

At the Board of Directors meeting held on October 19, 2022, the Company resolved to conduct a transfer of non-current assets, following which it entered into a transfer agreement on October 28, 2022.

1. Reason for the transfer

The Company resolved to transfer the following non-current assets in order to use its business resources effectively.

2. Details of transferred assets

Description and location of assets	Transfer value	Carrying value	Loss on transfer
Property name: Bonheur Kichijoji (1) Floor area of the first floor: 54.11 m ² (2) Floor area of the second floor: 118.19 m ² Address: Kichijoji higashicho, Musashino City, Tokyo, Japan	55 million yen	57 million yen	10 million yen *1

*1 Loss on transfer was calculated by deducting the carrying value and brokerage processing fees and transfer consent fees from the transfer value.

3. Outline of the transferee

Company name	Anzai Tatemono Co., Ltd.
Address	1-6-4, Nihonbashi Ningyocho, Chuo-ku, Tokyo, Japan
Representative	Koichi Anzai

There is neither any capital relationship, nor any human relationship, nor any business relationship between the Company and the transferee, and there is no matter required to be stated as related parties.

4. Transfer schedule

Date of consent by preferred shareholders *2	October 19, 2022
Date of resolution by the Board of Directors *3	October 19, 2022
Date of conclusion of sale agreement	October 28, 2022
Date of transfer of the property	Late November 2022 (planned)

*2 Although the property was not a collateral property, consent to the transfer was obtained from shareholders holding shares of Class C preferred stock.

*3 The Board of Directors adopted a resolution on a transfer policy assuming that a transfer agreement would be entered into.

5. Outlook on the future

With regard to loss on the sale of non-current assets, the Company will likely record an extraordinary loss (loss on sale of non-current assets) for the third quarter of the fiscal year ending March 31, 2023, which will include the date of the transfer.