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

February 14, 2023
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 Q3 report submission February 14, 2023 Scheduled Date of Dividend Payments: -
 Preparation of Supplementary Explanation Material for Financial Results: Yes
 Presentation Meeting for Financial Results: No

1. Q3 Financial Year Ending March 31, 2023 (April 1, 2022 – December 31, 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	%
Q3 FY2022-23	18,834	33.3	1,561	159.8	1,609	168.7	1,201	795.5
Q3 FY2021-22	14,124	17.6	600	-	599	-	134	-

Note: Comprehensive Income Q3 FY2022-23 1,607 million JPY (605.3%) Q3 FY2021-22 227 million JPY (-%)

	Quarterly earnings per share	Quarterly earnings per share after adjusting for dilution
	Yen	Yen
Q3 FY2022-23	42.80	42.37
Q3 FY2021-22	5.10	5.06

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	million JPY	million JPY	%
Q3 FY2022-23	17,645	7,350	41.7
FY2021-22	15,271	3,800	24.8

Reference: Shareholders' Equity Q3 of FY 2022-23 7,350 million yen FY2021-22 3,791 million yen

2. Dividends

	Dividends per share (annual)				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2021-22	-	0.00	-	0.00	0.00
FY2022-23	-	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	47.31

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)	Q3 FY2022-23	30,063,400 Shares	As of March 31, 2022	27,042,400 Shares
② Total number of treasury shares at the end of period	Q3 FY2022-23	87,331 Shares	As of March 31, 2022	89,601 Shares
③ Average number of shares during the period (accumulative during the quarter)	Q3 FY2022-23	28,074,883 Shares	As of December 31, 2022	26,298,306 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 Q3 of FY2022-23 87,260 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 Q3 of FY2022-23 88,771 shares and at the end of the Q3 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 third quarter of the current consolidated financial period.

(1) Summary of Operating Results

As for the overall economic environment during the first three quarters of the current consolidated financial period, there were sporadic increases in the number of Covid-19 infections over the summer, which gradually subsided and the restrictions of people's movement were either abolished or relaxed. This in turn led to increased activities and a normalization of economies. Contrary, there remain many uncertainties including increase in raw materials and energy costs as a result of Russia-Ukraine situation, a global inflationary trend and a rapid weakening of the Japanese yen, coupled with increase in salaries and wages caused by shortage of working population.

Within the restaurant industry in which the Company operates, domestically, while there were no restrictions on people's movement or operating hours due to the spread of Covid-19 and entry requirements into Japan were gradually lifted, there were also sharp increase in raw material costs 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 14 new domestic 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, 12 under-performing stores were closed. Both domestically and internationally, there were many digital transformation initiatives taken such as mobile ordering, introduction of tabletop 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 is much quicker than in Japan after preventive measures were lifted, in addition to the success of the above-mentioned initiatives and the weakened yen, the segment sales and profits 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 third quarter, there were 282 stores, including licensed stores (Japan 145, International 137, a net increase of 5 from the previous period).

As such, the revenue for the first three quarters of the financial year totaled 18,834 million yen (an increase of 33.3% from the same period of the previous year). Operating profit was 1,561 million yen (increase of 159.8%), ordinary profit of 1,609 million yen (increase of 168.7%) and the profit attributable to owners of parent was 1,201 million yen (increase of 795.5%).

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 13 IPPUDO stores, 1 Inaba Udon store, closed 7 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 third quarter of this financial year was 145 (a net increase of 2 stores 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 14 new stores and closed 12 under-performing stores. It also improved productivity at stores by introducing mobile and tablet order systems, ticket vending machines, etc. As such, the revenue for the first three quarters of the financial year resulted in 8,441 million yen (an increase of 7.1%). Segment operating profit resulted in 490 million yen (an increase of 18.7%) helped by various cost-reduction measures such as optimization of management systems implemented the previous year, as well as closure of under-performing stores.

International Store Operations

Internationally, the Company opened 1 store in Singapore, 3 stores in Australia, 2 stores in Taiwan, 2 stores in Thailand, 2 stores in Indonesia, 1 store in Malaysia, while closing 1 store in the US, 6 stores in China, 1 store in the Philippines, resulting in 137 stores globally (a net increase of 3 stores).

During the applicable period (1 January to 30 September of 2022), there were some decreases in the store visit count in the US and Australia (January and February), and Taiwan (April and May), but the recovery thereafter was very quick, resulting in strong performance of the segment. 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 8,138 million yen (an increase of 80.0%), and the segment operating profit was 950 million yen (an increase of 392.1%).

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 2,255 million yen (an increase of 30.8%), and its operating profit was 355 million yen (an increase of 56.3%).

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	4,773,304	6,265,093
Notes and accounts receivable - trade	527,960	914,591
Inventories	304,812	423,425
Other	1,045,541	1,125,195
Allowance for doubtful accounts	△811	△1,062
Total current assets	6,650,807	8,727,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,477,848	4,747,625
Machinery, equipment and vehicles, net	240,091	229,711
Land	629,975	613,393
Leased assets, net	18,007	13,130
Construction in progress	26,927	47,610
Other, net	310,273	319,635
Total property, plant and equipment	5,703,123	5,971,107
Intangible assets		
Goodwill	136,511	118,347
Other	41,195	43,926
Total intangible assets	177,707	162,273
Investments and other assets		
Investment securities	51,308	177,403
Long-term loans receivable	11,300	11,480
Deferred tax assets	819,544	649,890
Leasehold and guarantee deposits	1,624,716	1,708,929
Other	254,392	258,825
Allowance for doubtful accounts	△21,303	△21,361
Total investments and other assets	2,739,959	2,785,168
Total non-current assets	8,620,790	8,918,549
Total assets	15,271,597	17,645,794

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	536,414	815,237
Short-term borrowings	2,500,000	2,550,000
Current portion of bonds payable	14,000	16,000
Current portion of long-term borrowings	1,960,987	1,455,158
Lease liabilities	7,333	7,333
Accounts payable - other	997,341	714,742
Income taxes payable	283,381	229,453
Provision for share awards	7,392	5,916
Reserve for interlocking type of monetary benefit	-	582
Provision for bonuses	-	77,338
Asset retirement obligations	107,346	47,943
Other	888,877	1,041,475
Total current liabilities	7,303,074	6,961,182
Non-current liabilities		
Bonds payable	9,000	-
Long-term borrowings	2,877,187	1,969,722
Lease liabilities	12,337	6,837
Provision for share awards	22,916	13,519
Reserve for interlocking type of monetary benefit	835	3,499
Retirement benefit liability	178,513	174,182
Asset retirement obligations	860,957	972,421
Other	206,135	193,507
Total non-current liabilities	4,167,882	3,333,690
Total liabilities	11,470,957	10,294,872
Net assets		
Shareholders' equity		
Share capital	2,139,833	3,115,981
Capital surplus	1,974,063	2,947,009
Retained earnings	△366,900	834,810
Treasury shares	△99,279	△96,749
Total shareholders' equity	3,647,716	6,801,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,859	△2,150
Foreign currency translation adjustment	136,315	552,019
Total accumulated other comprehensive income	144,175	549,869
Share acquisition rights	8,749	-
Total net assets	3,800,640	7,350,921
Total liabilities and net assets	15,271,597	17,645,794

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

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	14,124,772	18,834,409
Cost of sales	4,150,913	5,616,756
Gross profit	9,973,858	13,217,653
Selling, general and administrative expenses	9,372,889	11,656,394
Operating profit	600,968	1,561,258
Non-operating income		
Interest income	1,664	2,534
Dividend income	484	978
Share of profit of entities accounted for using equity method	15,703	6,813
Foreign exchange gains	4,457	6,590
Lease income	106,751	99,550
Other	41,363	83,170
Total non-operating income	170,425	199,637
Non-operating expenses		
Interest expenses	43,946	44,257
Rental costs	100,566	87,466
Other	27,672	19,338
Total non-operating expenses	172,185	151,061
Ordinary profit	599,208	1,609,835
Extraordinary income		
Gain on sale of non-current assets	1,815	52,371
Subsidy income	1,341,261	58,011
Gain on reversal of asset retirement obligations	-	40,109
Other	-	3,975
Total extraordinary income	1,343,076	154,468
Extraordinary losses		
Loss on retirement of non-current assets	4,964	472
Impairment losses	646,035	100,112
Extraordinary loss related to store closure	767,433	-
Other	152,415	11,885
Total extraordinary losses	1,570,849	112,470
Profit before income taxes	371,435	1,651,832
Income taxes - current	228,974	271,063
Income taxes - deferred	8,259	179,058
Total income taxes	237,233	450,121
Profit	134,201	1,201,711
Profit attributable to owners of parent	134,201	1,201,711

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	134,201	1,201,711
Other comprehensive income		
Valuation difference on available-for-sale securities	△3,948	△10,009
Foreign currency translation adjustment	97,641	415,704
Total other comprehensive income	93,692	405,694
Comprehensive income	227,894	1,607,405
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	227,894	1,607,405
Comprehensive income attributable to non-controlling interests	-	-