



May 15, 2023

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (FY3/23)

[Japanese GAAP]

Company name: OHSO FOOD SERVICE CORP. Listing: Tokyo Stock Exchange  
 Stock code: 9936 URL: <https://www.ohsho.co.jp>  
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Scheduled date of Annual General Meeting of Shareholders: June 28, 2023  
 Scheduled date of payment of dividend: June 29, 2023  
 Scheduled date of filing of Annual Securities Report: June 28, 2023  
 Preparation of supplementary materials for financial results: Yes  
 Holding of 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 Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	%
Fiscal year ended Mar. 31, 2023	93,022	9.7	7,981	14.7	9,140	(29.8)	6,213	(29.5)
Fiscal year ended Mar. 31, 2022	84,775	5.2	6,959	14.6	13,024	89.6	8,807	105.4

Note: Comprehensive income (millions of yen) Fiscal year ended Mar. 31, 2023: 5,997 (down 25.5%)  
 Fiscal year ended Mar. 31, 2022: 8,048 (up 72.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2023	330.50	–	10.2	10.5	8.6
Fiscal year ended Mar. 31, 2022	469.01	–	15.7	14.4	8.2

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Mar. 31, 2023: –  
 Fiscal year ended Mar. 31, 2022: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2023	84,103	62,770	74.6	3,337.95
As of Mar. 31, 2022	89,405	59,098	66.1	3,145.58

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2023: 62,770 As of Mar. 31, 2022: 59,098

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Mar. 31, 2023	7,325	(3,229)	(9,508)	32,029
Fiscal year ended Mar. 31, 2022	13,596	(2,941)	(12,808)	37,440

### 2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2022	–	50.00	–	70.00	120.00	2,254	25.6	4.0
Fiscal year ended Mar. 31, 2023	–	60.00	–	75.00	135.00	2,538	40.8	4.2
Fiscal year ending Mar. 31, 2024 (forecasts)	–	65.00	–	70.00	135.00		47.1	

### 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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
First half	48,042	6.4	3,885	0.9	3,981	(18.0)	2,616	(14.9)	139.12
Full year	98,320	5.7	8,167	2.3	8,386	(8.2)	5,388	(13.3)	286.54

**\* 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) 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

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2023: 23,286,230 shares As of Mar. 31, 2022: 23,286,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2023: 4,481,183 shares As of Mar. 31, 2022: 4,498,356 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2023: 18,799,787 shares Fiscal year ended Mar. 31, 2022: 18,778,208 shares

**(Reference) Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)**

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2023	92,709	9.7	7,988	14.1	9,145	(30.0)	6,219	(29.4)
Fiscal year ended Mar. 31, 2022	84,516	5.2	7,001	14.4	13,059	89.2	8,813	111.9

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Mar. 31, 2023	330.85		–	
Fiscal year ended Mar. 31, 2022	469.33		–	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of Mar. 31, 2023	83,727		62,431		74.6		3,319.91	
As of Mar. 31, 2022	88,975		58,703		66.0		3,124.57	

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2023: 62,431 As of Mar. 31, 2022: 58,703

**2. Non-consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)**

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
First half	47,862	6.3	3,974	(18.5)	2,609	(15.6)	138.78	
Full year	97,958	5.7	8,371	(8.5)	5,373	(13.6)	285.75	

**\* The current financial report is not subject to audit 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. Overview of Results of Operations, (5) Outlook" on page 7 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

Supplementary materials for financial results will be available on the Company's website on Friday, May 26, 2023.

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## 1. Overview of Results of Operations

### (1) Results of Operations

Summary of consolidated results of operations for the fiscal year (April 1, 2022 to March 31, 2023)					
	Amount (millions of yen)	% to sales	12-month change		24-month change
Net sales	93,022	100.0%	Up	9.7%	Up 8.7%
Operating profit	7,981	8.6%	Up	14.7%	Up 3.7%
Ordinary profit	9,140	9.8%	Down	29.8%	Up 13.1%
Profit attributable to owners of parent	6,213	6.7%	Down	29.5%	Up 17.0%

During the current fiscal year, the Japanese economy saw a moderate recovery trend of personal consumption, supported by a recovery in inbound demand and nationwide travel support, along with a further normalization of economic activities following the easing of COVID-19 measures. However, the economic outlook remained uncertain due to rising prices reflecting the global inflation trend, weakening yen, and other factors, as well as the effects of financial system instability in the U.S. and Europe.

The restaurant industry, despite a gradual return of customers after a downturn due to the COVID-19 pandemic, is expected to take some time in general to fully recover, as it was hit hard by the persistent labor shortage as well as a significant spike in labor, food, utility, and other costs.

Under such circumstances, the Group continued to focus on quality, service, and cleanliness (QSC) improvement to fulfill our social mission to provide “comfortable dining space,” “heartwarming hospitality,” and “delicious foods to our customers.” In 2023, continuing 2022 slogan “The power of delicious meals will change the future,” the Group made every effort with the highest priority on pursuing more excellence in taste.

In the current fiscal year, we revised prices twice in response to the surge in raw material and other costs. Meanwhile, with eagerness to deliver the “power of delicious meals,” we have endeavored to further improve the quality of dishes by refining and improving our cooking recipes and providing extensive cooking training sessions. Thanks to the effects of such steady efforts and aggressive sales promotion measures, we have attracted more customers than before, even after the price revisions.

We have continued the record high monthly sales since February 2022 with strong takeout and delivery sales as well as a steady recovery in the in-store dining sales to the pre-COVID-19 level, which had temporarily slowed due to the pandemic. As a result, net sales for the current fiscal year hit the record high, exceeding those for the same period before the pandemic (i.e., FY3/20), let alone those for a year earlier when the operating hours were shortened. Furthermore, total sales of all chain stores, combining directly operated stores and franchised stores, amounted to 107,812 million yen in the current fiscal year, exceeding 100,000 million yen for the first time.

The following is an overview of our initiatives and achievements during the current fiscal year. 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 the belief of our 2022 slogan “The power of delicious meals will change the future,” the Group refined and improved the recipes and cooking procedures mainly for most popular dishes and monthly special delights to achieve even better taste, making concerted efforts to ensure that these improvements were thoroughly implemented. We reopened Ohsho Cooking Dojo (an in-house training program) for cooking trainings and cooking skill tests while providing live-streaming and on-demand cooking training sessions, through which, all employees, not just those who participated in the face-to-face trainings, were able to learn the latest recipes and cooking methods.

In addition, we have launched initiatives for developing new human resources. Specifically, we started a “cooking knowledge training program” under a tag line of “the science of good taste” that helps deepen knowledge about menus while learning the ideology and background of food culture and then eventually cooking techniques. We also conducted an online “customer service training program” delivered by outside lecturers.

For sales promotion activities, we launched various promotional measures one after another, including launching a new TV commercial with the theme: “Delivering the power of delicious meals to all who work hard” as well as “Gyoza Club customer appreciation campaign for 2023” in which many customers participated every time with originally designed goods being popular. Other measures include a “draft beer campaign” that we resumed as COVID-19 situation subdued and a “stamp campaign for uncooked gyoza” to appeal the great taste of hot and crisp gyoza cooked at home.

New products launched include a medicinal noodle soup, “Rasai Men” (hot and spicy vegetable noodles) originally developed based on the concept of “Delicious to the body,” as well as “Wasurerarenai Chukasoba (Chinese noodles that can be never forgotten).” The latter is Chinese noodles in a soy sauce-based soup, flavored with seafood broth, which we propose as the next ramen trend based on the motif of “a nostalgic yet new taste” (launched in stores nationwide in April 2023 after a pre-sale in some stores in Kyoto Prefecture in March 21, 2023). These products have been very well received.

We also received high praise for our dishes from top-notch chefs on the TBS television’s networks program TV program “Jobtune.” We are confident that this recognition is the result of our long-standing efforts to improve quality of dishes, such as providing training to enhance cooking techniques and improving recipes. Furthermore, on February 26, 2023, the day after the program aired, daily sales of all stores reached a record high since the establishment of the Company. We will continue to strive to improve our recipes and cooking techniques in order to offer dishes that satisfy our customers.

## 2) Restaurant opening strategy

During the current fiscal year, the Company opened five directly operated stores and converted two franchised stores to direct operation.

In opening new stores, we have been reinforcing human resources with expertise and developing a specialized organization to enhance trade area analysis and location research in candidate areas for new store opening. In this way, we assess store types appropriate for the trade area and location and further refine sales forecasts.

For new stores, we opened the COTOE-Nagareyama Otakanomori store in April, the Joy-Naho-Nerima-Takanodai-eki-mae store and the Aeon-Tennocho store in October, the Fujisawa-Mirokuji store in November 2022, and the Shin-Ome-Musashi-Murayama store in March 2023.

The COTOE-Nagareyama Otakanomori store and the Aeon-Tennocho store opened in the newly opened shopping complexes. Both stores have been enjoyed by many customers, mainly family shoppers, since their openings.

The Joy-Naho-Nerima-Takanodai-eki-mae store is the second Joy-Naho store which primarily offers takeout and delivery services. The store is also equipped with a 22-seat dining area since the in-store dining has returned to the pre-pandemic level. Takeout and delivery sales has accounted for approximately 60% of the total sales so far.

The Fujisawa-Mirokuji store opened in an area without major chain restaurants despite the significant population increase, where local people have requested to open stores. Located around local restaurants and stores, it has a good location with wide parking area and is expected to enjoy synergistic effects in attracting customers.

The Shin-Ome-Musashi-Murayama store, a rare stand-alone roadside store in Tokyo, opened along Shin-Ome Kaido Road, where many other restaurant chains have also opened stores. This is the first street-level store with “Neo-Showa” style, an evolution of the nostalgic Showa-era design, whose synergistic effect with its location is expected to attract customers from a wide area.

Meanwhile, the two franchised stores, one located at Kuzuha in Hirakata City in Osaka Prefecture and the other at Kaminokura in Nagoya City, Aichi Prefecture were converted to direct operation 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.

On the organization front, we established the Restaurant Opening & FC Contract Management Department as part of reorganization effective from August 2022. In this way, we have established a system strengthening the effective store development including that of franchise stores. This enabled us to smoothly convert franchised stores to direct operation as above.

### 3) Franchise chain promotion strategy

Through the reorganization conducted in July 2022, we have established a system in which FC owners and the Direct Operation Sales Department work together to thoroughly put in place “Ohsho Standard,” thereby steadily improving the QSC of franchised stores.

For cooking, we have endeavored to stabilize and improve the quality of dishes by having franchise stores use the same recipes as those used by directly operated stores, as well as by improving ingredients and refining cooking methods. Particularly for gyoza, we had all the stores use the same original Ohsho standard griddle to cook gyoza so that we can offer the best gyoza to our customers.

For hygiene management, our store advisors, in cooperation with our department specializing in hygiene management, visit franchise stores to check conditions of hygiene management and store cleaning by using the same manuals as those used at directly operated stores. Also, Ohsho University conducted hygiene seminars for franchise store managers. In this way, we have worked to step up the hygiene management system at franchise stores.

For sales promotions, we have made efforts at franchised stores in consistent with those at directly operated stores. Specifically, we enhanced in-store announcement of all-store campaigns.

Besides, we have conducted active support for franchised stores, such as giving advice on how to improve sales efficiency by checking the sales situation from their POS data.

As a result of these measures, sales of franchised stores remained strong, reaching an all-time high, and sales of products shipped from our factories to franchised stores during the current fiscal year also reached a record high.

### 4) Sustainability initiatives

The Sustainability Vision established with the Basic Policy for Sustainability 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 the school spring, summer, and winter breaks in 2022 as in 2021. Due to the prolonged pandemic and the rising cost of living, the number of facilities wishing to have lunch boxes increased at each turn. After the initiative, we heard many thankful comments from children and Kodomo Shokudo all over Japan. It was the sixth turn of this initiative. The cumulative number of lunch boxes we offered to children so far has reached as many as 399 thousand as of March 31, 2023. We also donated 11 million yen, a portion of the sales of the March-only dish Yasai Nikomi Ramen (noodles with stewed vegetables) with 30 yen for each bowl, to Save the Children, an international, private, non-profit organization that provides support to resolve child poverty and other issues around the world as in last year. We are committed to supporting the present and future of the children who will lead the future of Japan.

For our vision, “to co-prosper with all stakeholders,” the Company has been committed to improving shareholder return and customer satisfaction. In addition, we have put emphasis on improvement of employee satisfaction as a starting point to achieve the goal and focused on investing in human capital. Specifically, in addition to the above-mentioned training programs, we paid the following compensations to reward the employees who have contributed to improving the performance of the Company even in challenging circumstances: for the first half of FY3/23 bonus, the full amount demanded by the union (100% of the bonus table) and special additional payment (8.5% of the bonus table); and for the second half of FY3/23 bonus, life support additional payment (10% of the bonus table). As a result, the average bonus payment per employee reached a record high both in the first and second half of FY3/23. Furthermore, in revising the monthly payment for FY3/24, a record-high raise of average 22,000 yen per employee, which is the full amount demanded by the union (pay raise including the increase in the base pay by 7.0%) will be paid.

For the vision “to protect the global environment,” we identified influences of climate-related risks and opportunities on our business and revenue as well as undertook an initiative to reduce greenhouse gas emissions (GHG) 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>). To realize a decarbonized society, we have been

continuously studying measures to reduce CO2 emissions after calculating the emissions from our business activities.

As part of this initiative, we entered into a syndicated sustainability linked loan agreement with Sumitomo Mitsui Trust Bank, Limited as an arranger and agent in July 2022. We have set the following loan terms to systematically reduce plastic use in five years, or the repayment due date of the loan. 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). 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 above-mentioned Save the Children, a private, non-profit international organization.

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 14 months from February 2022 to March 2023 and net sales for the period under review increased 8,247 million yen or 9.7% year-on-year to the record high 93,022 million yen.

Operating profit increased 1,022 million yen or 14.7% year-on-year to 7,981 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 3,883 million yen or 29.8% year-on-year to 9,140 million yen mainly due to a significant decrease in subsidy income for reduced operating hours and other factors.

Profit attributable to owners of parent decreased 2,593 million yen or 29.5% year-on-year to 6,213 million yen for the same reasons.

Regarding the store network during the period under review, we opened five directly operated stores and one franchised store, converted two franchised stores to directly operated stores, and closed one directly operated store and seven franchised stores. The result was a total network of 542 directly operated stores and 190 franchised stores, totaling 732 stores at the end of the current fiscal year.

## **(2) Financial Position**

### **Assets**

The balance of total assets at the end of the current fiscal year was 84,103 million yen, down 5,301 million yen or 5.9% from the end of the previous fiscal year. The main factors for the decrease are as follows.

Current assets decreased 5,011 million yen or 12.3% to 35,869 million yen. This was mainly due to a decrease in cash and deposits.

Non-current assets decreased 290 million yen or 0.6% to 48,234 million yen. This was mainly due to a decrease in investment securities.

### **Liabilities**

The balance of total liabilities at the end of the current fiscal year was 21,333 million yen, down 8,973 million yen or 29.6% from the end of the previous fiscal year. The main factors for the decrease are as follows.

Current liabilities decreased 12,822 million yen or 50.4% to 12,624 million yen. This was mainly due to a decrease in current portion of long-term borrowings.

Non-current liabilities increased 3,849 million yen or 79.2% to 8,709 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 current fiscal year decreased 7,063 million yen from the end of the previous fiscal year to 9,000 million yen.

**Net assets**

The balance of net assets at the end of the current fiscal year was 62,770 million yen, up 3,671 million yen or 6.2% from the end of the previous fiscal year. This increase was mainly attributable to profit attributable to owners of parent of 6,213 million yen, while there was dividend payment of 2,443 million yen. As a result, the equity ratio increased from 66.1% at the end of the previous fiscal year to 74.6%.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year amounted to 32,029 million yen, down 5,411 million yen from the end of the previous fiscal year.

**Cash flows from operating activities**

Net cash provided by operating activities decreased 6,271 million yen or 46.1% year-on-year to 7,325 million yen. This was mainly due to a decrease in profit before income taxes.

The main factors include profit before income taxes of 8,758 million yen and depreciation of 2,672 million yen, which were partially offset by income taxes paid of 5,191 million yen.

**Cash flows from investing activities**

Net cash used in investing activities increased 287 million yen or 9.8% year-on-year to 3,229 million yen. This was mainly due to an increase in purchase of property, plant and equipment.

The main factors include purchase of property, plant and equipment of 3,206 million yen.

**Cash flows from financing activities**

Net cash used in financing activities decreased 3,300 million yen or 25.8% year-on-year to 9,508 million yen. This was mainly due to an increase in proceeds from long-term borrowings.

The main factors include outlays resulting from a net decrease of 7,063 million yen in long-term borrowings and dividends paid of 2,443 million yen.

**Reference: Cash flow indicators**

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Equity ratio (%)	73.3	74.5	58.1	66.1	74.6
Equity ratio based on market value (%)	205.6	160.6	119.9	126.1	134.6
Interest-bearing debt to cash flow ratio (years)	0.6	0.6	4.6	1.2	1.2
Interest coverage ratio (times)	536.5	509.1	95.7	224.2	240.4

Notes: Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

\* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.

\* Cash flows are based on net cash provided by operating activities in the consolidated and non-consolidated statements of cash flows.

\* Interest-bearing debt is calculated using total loans payable on the consolidated and non-consolidated balance sheets that incur interest. Interest payments use the amount of interest expenses paid stated on the consolidated and non-consolidated statements of cash flows.



#### **(4) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years**

As part of the Sustainability Vision, the Company has set a goal to “co-prosper with all stakeholders,” investing in human capital while striving to increase medium- to long-term corporate value and continuously enhance shareholder return. In line with this policy, we target a certain level of dividends on equity (DOE).

For the current fiscal year, as mentioned above, net sales rose to a record high and operating profit not only increased year-on-year, but also even exceeded that for the pre-pandemic period (i.e., FY3/2020).

This means that we have overcome the negative impact of the pandemic on profit or loss and are now back on a growth track. Accordingly, we plan to increase the total annual dividend from the previous forecast of 120 yen per share to a record-high 135 yen per share (by increasing the year-end dividend from 60 yen to 75 yen per share).

This matter will be proposed in the 49th Annual General Meeting of Shareholders to be held on June 28, 2023.

Based on the aforementioned policy, we plan to pay an interim dividend of 65 yen per share and a year-end dividend of 70 yen per share, which will result in a dividend of 135 yen per share applicable to the next fiscal year.

#### **(5) Outlook**

Looking ahead, we expect a normalization of social and economic activities and a recovery in demand following the downgrade of COVID-19 to Class 5 disease (the same category as seasonal influenza) under the Infectious Diseases Control Law in Japan. Meanwhile, uncertainty will persist due to the unstable global situation, soaring raw material prices and energy costs, escalating labor shortages, and increasing labor costs, among other factors.

Under such circumstances, in pursuit of “creating stores praised by our customer,” the Group remains committed to improving the level of QSC even further, developing new products such as nostalgia-evoking “Wasurerarenai Chukasoba (Chinese noodles that can be never forgotten),” implementing sales promotion activities including new TV commercials and customer appreciation campaigns, and enhancing operational efficiency through digital transformation. In addition to the in-store dining sales, which has returned to the pre-pandemic level, we will work to further boost takeout and delivery sales as these services have firmly taken root in our lives.

In the fiscal year ending March 31, 2024, we plan to open 15 directly operated stores and two franchised stores, change one franchised store to a directly operated store, change one directly operated store to a franchised store, and close one directly operated store and five franchised stores. Our full-year earnings forecast includes a 5.7% year-on-year increase in net sales to a record-high 98,320 million yen, a 2.3% year-on-year increase in operating profit to 8,167 million yen, an 8.2% year-on-year decrease in ordinary profit to 8,386 million yen, and a 13.3% year-on-year decrease in profit attributable to owners of parent to 5,388 million yen.

Ordinary profit and profit attributable to owners of parent are expected to decrease year-on-year due to a fall in non-operating income, i.e., subsidy income for reduced operating hours during the pandemic.

The Group performance and other aspects of our operations may change for a number of reasons, but we are determined to achieve this forecast for sales and earnings.

## **2. Basic Approach to the Selection of Accounting Standards**

We consider it is imperative to prepare the financial data in a format that can enhance international comparability for the benefits of our stakeholders if we consider store openings in overseas markets or mutually beneficial M&A deals. With respect to the above, we have decided to adopt International Financial Reporting Standards (IFRS) in the future, though we have yet to decide when to start.

Nevertheless, Japanese GAAP is also of high quality and is not inferior to any internationally recognized accounting standards as a result of the convergence with them. In fact, Japanese GAAP is regarded as being equivalent to IFRS in Europe. Furthermore, almost all of the Group’s stakeholders are in Japan and there is not much need to procure funds from capital markets outside Japan at the moment.

Therefore, we apply Japanese GAAP for the moment while focusing on the following survey activities such as studying IFRS, analyzing the gaps between these standards and Japanese GAAP and assessing the impact of the adoption to facilitate the future application of IFRS.

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

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	37,440	32,029
Accounts receivable-trade	2,210	2,516
Merchandise and finished goods	131	155
Raw materials	387	455
Other	712	715
Allowance for doubtful accounts	(1)	(1)
Total current assets	40,880	35,869
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,423	57,036
Accumulated depreciation	(44,355)	(44,859)
Buildings and structures, net	12,068	12,176
Machinery, equipment and vehicles	7,041	7,134
Accumulated depreciation	(4,678)	(5,114)
Machinery, equipment and vehicles, net	2,362	2,019
Tools, furniture and fixtures	7,051	6,900
Accumulated depreciation	(5,918)	(5,224)
Tools, furniture and fixtures, net	1,133	1,675
Land	20,589	20,134
Construction in progress	75	122
Total property, plant and equipment	36,228	36,129
Intangible assets	232	197
Investments and other assets		
Investment securities	4,096	3,855
Long-term loans receivable	31	22
Retirement benefit asset	1,024	1,167
Deferred tax assets	2,450	2,316
Guarantee deposits	4,425	4,510
Other	50	48
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	12,063	11,907
Total non-current assets	48,525	48,234
Total assets	89,405	84,103

	(Millions of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	2,216	2,525
Current portion of long-term borrowings	12,912	2,000
Income taxes payable	3,410	435
Contract liabilities	76	79
Provision for bonuses	972	995
Other	5,858	6,589
Total current liabilities	25,446	12,624
<b>Non-current liabilities</b>		
Long-term borrowings	3,151	7,000
Long-term contract liabilities	117	103
Deferred tax liabilities for land revaluation	504	504
Asset retirement obligations	857	866
Other	228	234
Total non-current liabilities	4,860	8,709
Total liabilities	30,307	21,333
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	8,166	8,166
Capital surplus	9,316	9,393
Retained earnings	52,860	56,630
Treasury shares	(10,669)	(10,629)
Total shareholders' equity	59,673	63,561
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,291	2,124
Revaluation reserve for land	(3,243)	(3,243)
Foreign currency translation adjustment	(6)	(4)
Remeasurements of defined benefit plans	383	332
Total accumulated other comprehensive income	(575)	(791)
Total net assets	59,098	62,770
Total liabilities and net assets	89,405	84,103

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Millions of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	84,775	93,022
Cost of sales	26,600	29,364
Gross profit	58,175	63,657
Selling, general and administrative expenses		
Packing and transportation costs	2,117	2,157
Advertising expenses	917	995
Promotion expenses	4,431	4,380
Provision of allowance for doubtful accounts	–	0
Remuneration for directors (and other officers)	327	309
Share-based payment expenses	94	118
Salaries and allowances and bonuses	23,925	25,574
Provision for bonuses	935	958
Retirement benefit expenses	101	12
Welfare expenses	4,224	4,730
Taxes and dues	331	340
Depreciation	1,785	1,854
Rent expenses	4,270	4,366
Utilities expenses	3,493	5,032
Repair expenses	1,028	1,135
Other	3,231	3,708
Total selling, general and administrative expenses	51,216	55,676
Operating profit	6,959	7,981
Non-operating income		
Interest income	0	0
Dividend income	61	76
Rental income from land and buildings	59	59
Franchise chain accession fee	112	106
Subsidy income	5,780	925
Miscellaneous income	363	244
Total non-operating income	6,378	1,413
Non-operating expenses		
Interest expenses	62	32
Rental expenses	94	103
Meal support expenses for Kodomo Shokudo	28	63
Cash over short	28	31
Franchise support money	83	–
Miscellaneous losses	14	23
Total non-operating expenses	312	255
Ordinary profit	13,024	9,140

	(Millions of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Extraordinary income		
Gain on sale of non-current assets	6	21
Compensation for expropriation	324	1
Total extraordinary income	331	22
Extraordinary losses		
Loss on retirement of non-current assets	68	55
Impairment losses	294	348
Total extraordinary losses	363	404
Profit before income taxes	12,991	8,758
Income taxes-current	4,217	2,315
Income taxes-deferred	(32)	229
Total income taxes	4,184	2,545
Profit	8,807	6,213
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	8,807	6,213

**Consolidated Statement of Comprehensive Income**

	(Millions of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Profit	8,807	6,213
Other comprehensive income		
Valuation difference on available-for-sale securities	(827)	(166)
Foreign currency translation adjustment	10	1
Remeasurements of defined benefit plans, net of tax	58	(51)
Total other comprehensive income	(758)	(216)
Comprehensive income	8,048	5,997
Comprehensive income attributable to:		
Owners of parent	8,048	5,997
Non-controlling interests	–	–

**(3) Consolidated Statement of Changes in Equity**

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,259	46,045	(10,707)	52,764
Cumulative effects of changes in accounting policies			(119)		(119)
Restated balance	8,166	9,259	45,926	(10,707)	52,645
Changes during period					
Dividends of surplus			(1,877)		(1,877)
Profit attributable to owners of parent			8,807		8,807
Purchase of treasury shares					–
Disposal of treasury shares		56		37	94
Reversal of revaluation reserve for land			4		4
Net changes in items other than shareholders' equity					
Total changes during period	–	56	6,934	37	7,028
Balance at end of period	8,166	9,316	52,860	(10,669)	59,673

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	3,119	(3,238)	(16)	324	188	52,952
Cumulative effects of changes in accounting policies					–	(119)
Restated balance	3,119	(3,238)	(16)	324	188	52,833
Changes during period						
Dividends of surplus						(1,877)
Profit attributable to owners of parent						8,807
Purchase of treasury shares						–
Disposal of treasury shares						94
Reversal of revaluation reserve for land		(4)			(4)	–
Net changes in items other than shareholders' equity	(827)	–	10	58	(758)	(758)
Total changes during period	(827)	(4)	10	58	(763)	6,264
Balance at end of period	2,291	(3,243)	(6)	383	(575)	59,098

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,166	9,316	52,860	(10,669)	59,673
Cumulative effects of changes in accounting policies					–
Restated balance	8,166	9,316	52,860	(10,669)	59,673
Changes during period					
Dividends of surplus			(2,443)		(2,443)
Profit attributable to owners of parent			6,213		6,213
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		77		41	118
Reversal of revaluation reserve for land					–
Net changes in items other than shareholders' equity					
Total changes during period	–	77	3,769	40	3,887
Balance at end of period	8,166	9,393	56,630	(10,629)	63,561

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,291	(3,243)	(6)	383	(575)	59,098
Cumulative effects of changes in accounting policies						–
Restated balance	2,291	(3,243)	(6)	383	(575)	59,098
Changes during period						
Dividends of surplus						(2,443)
Profit attributable to owners of parent						6,213
Purchase of treasury shares						(0)
Disposal of treasury shares						118
Reversal of revaluation reserve for land					–	–
Net changes in items other than shareholders' equity	(166)	–	1	(51)	(216)	(216)
Total changes during period	(166)	–	1	(51)	(216)	3,671
Balance at end of period	2,124	(3,243)	(4)	332	(791)	62,770



**(4) Consolidated Statement of Cash Flows**

	(Millions of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	12,991	8,758
Depreciation	2,577	2,672
Impairment losses	294	348
Increase (decrease) in allowance for doubtful accounts	(4)	(0)
Decrease (increase) in retirement benefit asset	(126)	(216)
Interest and dividend income	(62)	(76)
Interest expenses	62	32
Compensation for expropriation	(324)	(1)
Loss (gain) on sale of non-current assets	(6)	(21)
Loss on retirement of non-current assets	68	55
Decrease (increase) in trade receivables	(609)	(304)
Decrease (increase) in inventories	(49)	(91)
Increase (decrease) in trade payables	228	308
Increase (decrease) in accrued consumption taxes	195	380
Other, net	391	623
Subtotal	15,627	12,469
Interest and dividends received	62	76
Interest paid	(60)	(30)
Proceeds from compensation for expropriation	165	1
Income taxes paid	(2,197)	(5,191)
Net cash provided by (used in) operating activities	13,596	7,325
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,556)	(3,206)
Proceeds from sale of property, plant and equipment	24	223
Loan advances	(45)	(33)
Proceeds from collection of loans receivable	32	39
Payments of guarantee deposits	(212)	(162)
Other, net	(184)	(91)
Net cash provided by (used in) investing activities	(2,941)	(3,229)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	10,000
Repayments of long-term borrowings	(10,931)	(17,063)
Purchase of treasury shares	–	(0)
Proceeds from disposal of treasury shares	0	–
Dividends paid	(1,877)	(2,443)
Net cash provided by (used in) financing activities	(12,808)	(9,508)
Effect of exchange rate change on cash and cash equivalents	3	1
Net increase (decrease) in cash and cash equivalents	(2,150)	(5,411)
Cash and cash equivalents at beginning of period	39,590	37,440
Cash and cash equivalents at end of period	37,440	32,029

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Segment Information**

The Group does not provide segment information because it has only a single business segment, which is the Chinese food business.

**Per-share Information**

(Yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Net assets per share	3,145.58	3,337.95
Net income per share	469.01	330.50

Notes: 1. Diluted net income per share is not presented because there are no potentially dilutive shares.

2. The basis of calculating the net income per share is as follows:

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	8,807	6,213
Profit not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to common shareholders of parent (Millions of yen)	8,807	6,213
Average number of common shares outstanding during the period (shares)	18,778,208	18,799,787

**Subsequent Events**

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.*