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Consolidated Financial Report for the First Quarter of The Fiscal Year Ending March 31, 2024 (Japanese GAAP)

August 10, 2023

Company: Chikaranomoto Holdings Co., Ltd. Tokyo Stock Exchange
 Stock Code: 3561
 URL: <http://www.chikaranomoto.com/>
 Representative: (Title) President and CEO (Name) Tomoyuki Yamane
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 Scheduled Date of Q1 report submission August 10, 2023
 Preparation of Supplementary Explanation Material for Financial Results: Yes
 Presentation Meeting for Financial Results (for institutional investors and analysts): No

1. Q1 Financial Year Ending March 31, 2024 (April 1, 2023 – June 30, 2023) (Rounded down to the nearest Million JPY)

(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	%
Q1 FY2023-24	7,049	28.5	573	99.6	683	84.2	470	56.8
Q1 FY2022-23	5,486	31.0	287	-	370	-	300	-

Note: Comprehensive Income Q1 FY2023-24 452 Million JPY (19.1%) Q1 FY2022-23 379 Million JPY (302.9%)

	Quarterly earnings per share	Quarterly Earnings per share after adjusting for dilution
	JPY	JPY
Q1 FY2023-24	15.69	15.59
Q1 FY2022-23	11.14	11.02

(2) Consolidated Financial Position

	Total Assets	Net Equity	Equity Ratio
	Million JPY	Million JPY	%
Q1 FY2023-24	15,684	7,648	48.8
Q1 FY2022-23	17,477	7,640	43.7

Reference : Shareholders' Equity Q1 FY2023-24 7,648 Million JPY Q1 FY2022-23 7,640 Million JPY

2 . Dividends

	Dividends per share (annual)				
	Q1	Q2	Q3	Q4	Total
	JPY	JPY	JPY	JPY	JPY
FY2022-23	-	0.00	-	15.00	15.00
FY2023-24	-				
FY2023-24 (Forecast)		7.00	-	7.00	14.00

Note: Changes from previously announced dividends projection: None

3 . Forecast of Consolidated Operating Performance for the FY 2023-24 (April 1, 2023 to March 31, 2024)

(% 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	%	JPY
Half Year (up to Q2)	13,438	14.9	975	22.0	988	6.3	735	5.9	24.45
FY2023-24	28,361	8.6	2,540	11.4	2,564	10.5	1,821	11.8	60.55

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) 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
- (3) Number of Shares Issued (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	Q1 FY2023-24	30,105,400 shares	As of March 31, 2024	30,075,400 Shares
② Number of treasury stock at end of period	Q1 FY2023-24	87,041 Shares	As of March 31, 2024	87,041 Shares
③ Average number of shares during the period	Q1 FY2023-24	29,995,315 Shares	Q1 FY2022-23	26,964,733 Shares

Note: 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 Q1 FY2023-24 86,900 shares and at the end of the previous fiscal year 86,900 shares). Also, these treasury shares are excluded from the calculation of the average number of shares during the period (at the end of Q1 FY2023-24 86,900 shares and at the end of Q1 FY2022-23 89,600 shares).

These 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.

(Supplementary Explanation Material)

Supplementary Explanation Material are available via TDnet on the same day.

Qualitative Information regarding the current quarterly financial results: The following forward-looking statements are based on the information available to the Company at the end of the first quarter of the current consolidated financial period.

Summary of Operating Results:

As for the overall economic environment during the first quarter of the current consolidated financial period, there were upwards pressure on raw materials and energy prices caused by Russia-Ukraine situation, rising wages around the world due to shortage of working population, and unease about economic momentum due to potential fiscal tightening to battle the persistent inflationary trends, leading to an uncertain economic outlook.

In the restaurant industry where the company operates, domestically, there are signs of gradual economic recovery thanks to legal downgrading of the status of Covid-19, leading to more active movement of people and recovery of inbound tourism due to lifting of entry requirements. On the other hand, hardships remain due to increased raw materials and energy costs, wage increases, continuously weakened Yen and general inflationary trends of prices of goods. Internationally, similar trends of increased prices of raw materials and energy due to geopolitical instabilities can be seen, as well as concerns over potential down trend of economies due to fiscal tightening to tame inflation.

Under such circumstances, the Company stays true to its principle of "Keep Changing to Remain Unchanged," domestically, collaborated with various parties to enhance its brand image and received much media attention, while continuing its pursuit of operational efficiency by introducing various digital transformation initiatives such as mobile and tablet ordering systems, to improve its margins. In order to overcome the pressures of increasing costs, the Company has also implemented an upward price revision starting July, similarly to the previous fiscal year. Similar goes for the International segment as well, as it introduced limited-time offers and enhanced side-dishes including desserts, overhauling its grand menu in some markets to continue to attract customers, while adjusting its selling prices to overcome increasing costs, introducing similar digital transformation measures, in order to improve its margins. In the Merchandising segment, the Company continues to strengthen its B2B sales of IPPUDO-branded products in Japan while expanding its export sales of plant-based IPPUDO products abroad.

At the end of the first quarter, there were 275 stores including licensed stores (Japan 140, International 135, both segments increasing one store from the last quarter).

As such, the revenue for the first quarter was 7,049 million yen (an increase of 28.5% from the same period of the previous year), operating profit 573 million yen (increase of 99.6%), ordinary profit 683 million yen (increase of 84.2%), and the profit attributable to owners of parent of 470 million yen (increase of 56.8%).

Segment Results

(Domestic Store Operations)

Within this segment, the Company opened 4 IPPUDO stores, while closing 2 IPPUDO stores, 1 Ramen Express, resulting in a total of 140 stores at the end of the quarter (a net increase of 1). Thanks to government downgrading the public health risk of Covid-19, there were more footfall in many markets as well as an overall recovery of inbound tourism, contributing to better sales. The Company promoted its plant-based products at G7 Hiroshima Summit, collaborated with a well-known ramen store in Osaka called "Jinrui Mina Menrui" to create much buzz in the media and on social media, creating long queues that helped

increase customer visits even after the event. Margins continue to improve thanks to store optimization helped by digital transformation initiatives. As such, the revenue for the first quarter totaled 3,104 million yen (an increase of 21.1% compared to the same period of the previous fiscal year), and operating profit resulted in 219 million yen (increase of 308.9%).

(International Store Operations)

There was 1 opening in France and in Malaysia, while 1 store closed in China, resulting in 135 stores at the end of the quarter (a net increase of 1 store). During the first quarter of the current consolidated financial period (1 January to 31 March 2023), there were upwards pressure on raw materials and energy prices, as well as wages and logistics costs caused by inflationary economies, each area adjusted its selling prices and offerings, ensuring healthy margins. The Company also aimed to increase customer visits by introducing new menu items including desserts, while optimizing store operations with the help of digital transformation initiatives. As such, the revenue for the segment totaled 3,241 million yen (increase of 39.7%), and operating profit resulted in 370 million yen (increase of 52.0%).

(Merchandising segment)

In this segment domestically, the company started selling Akamaru Tonkotsu ramen at major convenience stores, benefitted from continuing strong performance of IPPUDO Plant-Based Ramen "Pla-ton" on key international flights, and continues to strengthen its B2B sales of IPPUDO branded products both by expanding its product line-up and increasing more sales channels. Its export business continues to grow, and its revenue for the quarter totaled 703 million yen (increase of 16.8%) and operating profit 80 million yen (increase of 23.4%).

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	6,744,454	4,959,912
Notes and accounts receivable - trade	687,797	649,058
Inventories	420,203	460,398
Other	1,039,804	947,930
Allowance for doubtful accounts	△966	△913
Total current assets	8,891,293	7,016,387
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,380,822	4,466,449
Machinery, equipment and vehicles, net	217,926	216,375
Land	525,025	519,906
Leased assets, net	11,505	11,056
Construction in progress	52,994	18,562
Other, net	300,422	314,874
Total property, plant and equipment	5,488,696	5,547,224
Intangible assets		
Goodwill	107,608	103,899
Other	49,590	52,295
Total intangible assets	157,199	156,194
Investments and other assets		
Investment securities	46,340	66,549
Long-term loans receivable	11,438	11,300
Deferred tax assets	925,471	889,293
Leasehold and guarantee deposits	1,720,897	1,755,443
Other	257,685	263,575
Allowance for doubtful accounts	△21,361	△21,361
Total investments and other assets	2,940,472	2,964,801
Total non-current assets	8,586,368	8,668,220
Total assets	17,477,661	15,684,607

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	765,420	728,893
Short-term borrowings	2,500,000	-
Current portion of bonds payable	9,000	9,000
Current portion of long-term borrowings	1,181,342	1,291,679
Lease liabilities	6,941	5,557
Accounts payable - other	792,314	715,656
Income taxes payable	231,569	288,246
Provision for share awards	5,117	7,559
Reserve for interlocking type of monetary benefit	582	693
Provision for bonuses	101,361	97,084
Asset retirement obligations	50,917	42,631
Other	1,076,299	1,029,129
Total current liabilities	6,720,867	4,216,131
Non-current liabilities		
Long-term borrowings	1,736,667	2,387,570
Lease liabilities	5,395	4,946
Provision for share awards	18,125	34,765
Provision for ESOP benefits for non-residents	5,798	4,414
Retirement benefit liability	173,387	174,399
Asset retirement obligations	962,346	992,301
Other	214,970	221,133
Total non-current liabilities	3,116,691	3,819,530
Total liabilities	9,837,559	8,035,662
Net assets		
Shareholders' equity		
Share capital	3,117,571	3,121,546
Capital surplus	2,948,599	2,952,574
Retained earnings	1,261,541	1,281,167
Treasury shares	△96,432	△96,432
Total shareholders' equity	7,231,279	7,258,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,798	23,215
Foreign currency translation adjustment	405,023	366,874
Total accumulated other comprehensive income	408,822	390,089
Total net assets	7,640,101	7,648,945
Total liabilities and net assets	17,477,661	15,684,607

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

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	5,486,014	7,049,533
Cost of sales	1,599,565	2,065,668
Gross profit	3,886,449	4,983,864
Selling, general and administrative expenses	3,599,332	4,410,700
Operating profit	287,117	573,163
Non-operating income		
Interest income	794	1,224
Dividend income	556	1,162
Share of profit of entities accounted for using equity method	1,086	-
Foreign exchange gains	65,216	109,475
Lease income	34,669	31,625
Other	35,791	13,840
Total non-operating income	138,116	157,327
Non-operating expenses		
Interest expenses	13,252	15,317
Rental costs	30,853	27,747
Other	10,159	4,130
Total non-operating expenses	54,265	47,194
Ordinary profit	370,968	683,296
Extraordinary income		
Gain on sale of non-current assets	411	206
Subsidy income	※ 39,131	-
Gain on reversal of asset retirement obligations	28,308	-
Other	3,975	-
Total extraordinary income	71,826	206
Extraordinary losses		
Loss on retirement of non-current assets	199	0
Impairment losses	46,512	32,254
Loss on cancellation of leases	2,648	-
Total extraordinary losses	49,361	32,254
Profit before income taxes	393,434	651,249
Income taxes - current	61,781	143,707
Income taxes - deferred	31,408	36,787
Total income taxes	93,189	180,494
Profit	300,244	470,754
Profit attributable to owners of parent	300,244	470,754

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	300,244	470,754
Other comprehensive income		
Valuation difference on available-for-sale securities	△6,291	19,416
Foreign currency translation adjustment	85,446	△38,149
Total other comprehensive income	79,155	△18,732
Comprehensive income	379,400	452,022
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	379,400	452,022
Comprehensive income attributable to non-controlling interests	-	-