

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)
(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
First 6 months	8,600	22.7	(20)	-	(80)	-	(130)	-	(3.39)
Full year	18,000	23.7	470	-	350	-	250	-	6.51

Note: Revision to the most recently announced financial results forecast: None

* Notes

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in a change in the scope of consolidation)
New companies: -
Excluded companies: -
- (2) Application of accounting treatment 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: None
 - (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)

First quarter of the fiscal year ending March 31, 2024	40,770,933 shares
Fiscal year ended March 31, 2023	38,380,711 shares
 - (ii) Number of treasury shares at the end of the period

First quarter of the fiscal year ending March 31, 2024	2,506 shares
Fiscal year ended March 31, 2023	2,506 shares
 - (iii) Average number of shares outstanding during the period (YTD)

First quarter of the fiscal year ending March 31, 2024	40,418,610 shares
First quarter of the fiscal year ended March 31, 2023	34,376,623 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 the 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 of forward-looking information such as consolidated financial results forecast" section on page 2 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, 2023	-	-	-	85,000	85,000
Fiscal year ending March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (forecast)	-	-	-	85,000	85,000

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, 2023	-	-	-	0.00	0.00
Fiscal year ending March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (forecast)	-	-	-	40,000	40,000

Notes: 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.
2. Revision to the most recently announced dividend forecast: Yes
For details, see “(ii) Revision of Dividend Forecasts” in “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” in “1. Qualitative Information on Quarterly Financial Results.”

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results for the quarter under review

During the consolidated quarter under review, the Japanese economy recovered moderately as economic activity moved closer to normal, supported by government decisions to leave mask-wearing to the discretion of individual citizens in March 2023 and to reclassify COVID-19 as a Category 5 infectious disease under the Infectious Diseases Act in May 2023, among other factors. Meanwhile, the outlook for the economy remained uncertain due to the further weakening of the yen and inflation caused by the crisis in Ukraine.

In this situation, the Group worked to address issues such as labor shortages, rising costs, and changes in the business environment. Under our business revival plan, we strove to lower costs by: i) cutting headquarters costs; ii) raising customer gross margin through menu revisions and menu mixes; iii) improving costs by lowering ingredient losses; and iv) stepping up labor productivity through revamping our outlet operation. Moreover, we worked to boost the profitability of existing outlets by offering higher added-value, a visit motivator, and to develop outlet categories that motivate eating-out more strongly.

Our outlets numbered 317 (including 31 franchise outlets) at the end of the quarter under review following 7 closures.

As a result, for the Group, during the consolidated first quarter under review, net sales were 4,130 million yen (up 15.2% year on year), operating loss came to 28 million yen (compared with an operating loss of 219 million yen for the first quarter of the previous consolidated fiscal year), ordinary loss was 42 million yen (compared with an ordinary loss of 230 million yen for the first quarter of the previous consolidated fiscal year), and loss attributable to owners of parent was 74 million yen (compared with a loss attributable to owners of parent of 214 million yen for the first quarter of the previous consolidated fiscal year).

(2) Explanation of financial position for the quarter under review

Total assets at the end of the consolidated first quarter under review were 6,768 million yen, a decrease of 532 million yen compared with the end of the previous consolidated fiscal year.

This was due to a respective decrease of 483 million yen in cash and deposits, 32 million yen in property, plant and equipment, and 21 million yen in intangible assets.

Total liabilities were 5,991 million yen, a decrease of 328 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to a decrease of 249 million yen as a result of repaying long-term borrowings, to a decrease of 35 million yen in accounts payable - other, and to a decrease of 27 million yen in income taxes payable.

Total net assets were 777 million yen, a decrease of 203 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 preferred stocks had an effect of reducing capital surplus by 127 million yen; ii) we lowered share capital and legal capital surplus by 216 million yen and 191 million yen, respectively, under Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act and transferred these amounts to other capital surplus; and iii) we reduced other capital surplus by 991 million yen and transferred the same amount to retained earnings for deficit disposition under Paragraph 452 of the Companies Act; iv) and retained earnings declined as we recorded 74 million yen in loss attributable to owners of parent.

As a result, equity ratio decreased by 1.9 percentage points compared with the end of the previous consolidated fiscal year to 11.5%, bringing net assets per share of common stock to negative 110.78 yen.

(3) Explanation of forward-looking information such as consolidated financial results forecast

(i) Revision to consolidated financial results forecasts

So far, no revision was made to numbers presented in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 of May 12, 2023 with regard to net sales, operating profit, ordinary profit, and profit that were shown in the consolidated financial results forecast for the fiscal year ending March 31, 2024.

(ii) Revision to dividend forecast

A. Dividend description (Class D preferred stock)

	Determined amount	Latest dividend forecast (Published on May 12, 2023)	Previous fiscal year, actual (Fiscal year ended March 31, 2022)
Record date	March 31, 2023	Same as on the left	March 31, 2022
Dividend per share	0.00 yen	20,000.00 yen	17,315.07 yen
Total cash dividends	-	77 million yen	77 million yen
Effective Date	-	June 30, 2023	June 30, 2022
Dividend source	-	Capital surplus	Capital surplus

B. Revision to year-end dividend forecast (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
Previous forecast (Published on May 12, 2023)	-	-	-	20,000.00	20,000.00
Revised forecast Fiscal year ending March 31, 2024	-	-	-	40,000.00	40,000.00
Current fiscal year, actual Fiscal year ending March 31, 2024	-				
Previous fiscal year, actual (Fiscal year ended March 31, 2023)	-	-	-	0.00	0.00

C. Reason for revision

The Group will pay to Class D preferred shareholders dividends amassed until the last fiscal year under an accumulation clause set forth in the Class D Preferred Stock Issuance Guidelines laid down at the time of issuance and in combination with current fiscal year dividends for them. This is despite our decision to pay no dividends due to the fact that the Company at the end of the previous fiscal year had been in breach of the financial covenants of the term loan agreement under the credit agreement concluded between creditor financial institutions, as shown in “Notes on going concern assumption” among “Notes to consolidated financial statements.”

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	Previous fiscal year (March 31, 2023)	First quarter of the current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and deposits	1,651	1,168
Accounts receivable - trade	565	500
Raw materials and supplies	125	133
Other	224	274
Total current assets	2,566	2,076
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,125	2,084
Machinery, equipment and vehicles, net	207	214
Tools, furniture and fixtures, net	79	81
Leased assets, net	2	0
Land	395	395
Construction in progress	10	12
Total property, plant and equipment	2,821	2,788
Intangible assets		
Leased assets	80	61
Other	107	104
Total intangible assets	187	165
Investments and other assets		
Investment securities	371	371
Leasehold and guarantee deposits	1,344	1,358
Other	0	0
Total investments and other assets	1,716	1,730
Total non-current assets	4,725	4,684
Deferred assets		
Share issuance costs	8	6
Share acquisition rights issuance costs	0	-
Total deferred assets	8	6
Total assets	7,300	6,768

(Millions of yen)

	Previous fiscal year (March 31, 2023)	First quarter of the current fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	765	779
Current portion of long-term borrowings	249	249
Accounts payable - other	347	312
Accrued expenses	503	511
Income taxes payable	41	13
Provision for bonuses	51	26
Lease obligations	45	21
Asset retirement obligations	53	69
Provision for loss on outlet closings	28	31
Other	414	421
Total current liabilities	2,502	2,437
Non-current liabilities		
Long-term borrowings	2,929	2,679
Lease obligations	1	-
Asset retirement obligations	734	729
Deferred tax liabilities	65	64
Other	86	79
Total non-current liabilities	3,817	3,553
Total liabilities	6,319	5,991
Net assets		
Shareholders' equity		
Share capital	316	100
Capital surplus	2,225	1,322
Retained earnings	(1,560)	(643)
Treasury shares	(2)	(2)
Total shareholders' equity	979	777
Share acquisition rights	1	-
Total net assets	980	777
Total liabilities and net assets	7,300	6,768

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

Quarterly consolidated statement of income

Consolidated first quarter under review

(Millions of yen)

	First quarter of the previous fiscal year (From April 1 to June 30, 2022)	First quarter of the current fiscal year (From April 1 to June 30, 2023)
Net sales	3,585	4,130
Cost of sales	1,146	1,372
Gross profit	2,438	2,758
Selling, general and administrative expenses	2,658	2,787
Operating loss	(219)	(28)
Non-operating income		
Interest and dividend income	4	7
Rental income	8	3
Other	3	2
Total non-operating income	16	13
Non-operating expenses		
Interest expenses	24	22
Other	2	4
Total non-operating expenses	27	26
Ordinary loss	(230)	(42)
Extraordinary income		
Subsidy income	29	-
Gain on sale of non-current assets	0	-
Other	5	-
Total extraordinary income	36	-
Extraordinary losses		
Impairment losses	0	14
Loss on retirement of non-current assets	0	0
Loss on outlet closings	8	1
Other	0	4
Total extraordinary losses	8	21
Profit (loss) before income taxes	(203)	(63)
Income taxes - current	12	12
Income taxes - deferred	(1)	(0)
Total income taxes	11	11
Profit (loss)	(214)	(74)
Profit (loss) attributable to owners of parent	(214)	(74)

Quarterly consolidated statement of comprehensive income

Consolidated first quarter under review

(Millions of yen)

	First quarter of the previous fiscal year (From April 1 to June 30, 2022)	First quarter of the current fiscal year (From April 1, 2023, to June 30, 2023)
Profit (loss)	(214)	(74)
Comprehensive income	(214)	(74)
(Breakdown)		
Comprehensive income attributable to owners of parent	(214)	(74)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

The Group recorded 933 million yen as an operating loss and 1,000 million yen as an ordinary loss for the previous consolidated fiscal year, posting an ordinary loss for five consecutive years. Moreover, for the first quarter under review, the Group recorded 28 million yen in operating loss and 42 million yen in ordinary loss.

At the end of the previous consolidated fiscal year, the Group was in breach of: i) the financial covenants of the term loan agreement under the credit agreement concluded April 20, 2021, between creditor financial institutions; and ii) restriction on exercise of claim by Class C preferred shareholders in exchange for cash under the stock investment agreement. As a result, a material uncertainty exists 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”). The Group was examined, instructed, and advised by procedure administrators 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. At the Group, we 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.

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 and is 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

At the Company, we resolved insolvency after stabilizing our 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 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 and is appropriating it to store capital investment such as business format conversion and renewal, as well as ordinary 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.

Currently, however, a material uncertainty exists regarding the going concern assumption for the Group given that: i) although heading for a post-COVID period, helped by a government decision to reclassify the infectious disease as a Category 5 one under the Infectious Disease Act, among other factors, the economic outlook remains unclear due to lifestyle changes such as permeation of telework and consumer reluctance to eat out, rising inflation stemming from the yen’s weakness and the Ukraine crisis, labor shortages and soaring costs; ii) the extent and duration of the impact on our future sales are uncertain; and iii) a business revival is now underway although we are seeking a business turnaround while consulting with our partner financial institutions on our financial position and cash plans.

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

(Note on a substantial change in the amount shareholders' equity)

On June 29, 2023, as resolved by a general meeting of shareholders held on the same day, we reduced share capital and legal capital surplus by 216 million yen and 191 million yen, respectively, under Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act and transferred these amounts to other capital surplus. We reduced other capital surplus by 991 million yen and transferred the same amount to retained earnings brought forward for deficit disposition under Paragraph 452 of the Companies Act.