September 14, 2023

Consolidated Financial Results for the Nine Months Ended July 31, 2023 (Under Japanese GAAP)

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Listing: Tokyo Stock Exchange
Securities code: 9279
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Scheduled date to file quarterly securities report: September 14, 2023
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended July 31, 2023 (from November 1, 2022 to July 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2023	16,632	36.1	1,598	42.5	1,652	(8.5)	1,129	(8.5)
July 31, 2022	12,220	25.2	1,122	70.0	1,805	43.2	1,234	43.1

Note: Comprehensive income For the nine months ended July 31, 2023: ¥1,124 million [(15.8)%]
For the nine months ended July 31, 2022: ¥1,334 million [51.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
July 31, 2023	56.67	56.55
July 31, 2022	62.00	61.82

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. "Basic earnings per share" and "Diluted earnings per share" are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
July 31, 2023	11,829	6,268	53.0
October 31, 2022	9,905	5,432	54.8

Reference: Equity
As of July 31, 2023: ¥6,264 million
As of October 31, 2022: ¥5,432 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2022	–	12.00	–	15.00	27.00
Fiscal year ending October 31, 2023	–	15.00	–		
Fiscal year ending October 31, 2023 (Forecast)				7.50	–

Notes: 1. Revisions to the forecast of cash dividends most recently announced: None

2. On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. The dividend per share at fiscal year-end for the fiscal year ending October 31, 2023 (forecast) is stated after taking into account the effect of this share split, and the total annual dividend is recorded as "–." The dividend per share at fiscal year-end for the fiscal year ending October 31, 2023 (forecast) not taking into account the share split is ¥15 per share, resulting in an annual dividend per share of ¥30.

3. Consolidated earnings forecasts for the fiscal year ending October 31, 2023 (from November 1, 2022 to October 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending October 31, 2023	20,500	20.5	2,050	30.4	2,080	(14.9)	1,380	(10.3)	69.26

Note: Revisions to the consolidated earnings forecasts most recently announced: None

On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. Basic earnings per share in the consolidated earnings forecast for the fiscal year ending October 31, 2023 takes into account the effect of this share split.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements, Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements” on page 11 of the attached material.

(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 due to other reasons: None

(iii) Changes in accounting estimates: Yes

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of July 31, 2023	19,944,584 shares
As of October 31, 2022	19,925,490 shares

(ii) Number of treasury shares at the end of the period

As of July 31, 2023	562 shares
As of October 31, 2022	440 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended July 31, 2023	19,935,534 shares
Nine months ended July 31, 2022	19,914,542 shares

Note: On August 1, 2023, the Company conducted a 2-for-1 share split of its common shares. “Total number of issued shares at the end of the period,” “Number of treasury shares at the end of the period” and “Average number of shares outstanding during the period” are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual results, etc. may differ substantially from these forecasts due to various factors. Please refer to “1. Qualitative information on quarterly financial results, (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 6 of the attached material for the assumptions used in forecasting business results and precautions regarding the use of business results forecasts, etc.

Attached Material

Index

1. Qualitative information on quarterly financial results

(1) Explanation on operating results

During the nine months ended July 31, 2023, following the Japanese government lowering the status of COVID-19 under the Infectious Disease Control Law from “Class 2” to “Class 5,” on par with seasonal influenza, in May this year, and the Ministry of Health, Labour and Welfare no longer announces the number of newly infected persons nationwide, the Japanese economy has seen a shift in economic activity and lifestyles from “with Covid” to “post-Covid.”

The Japanese economy is starting to show positive signs following the downgrade of COVID-19 to a Category 5 infection and the abolition of various pandemic-era restrictions; the wearing of masks as a measure to prevent infection, which has been left to individuals’ discretion, is decreasing with the sustained summer heat, while a range of economic activities have begun to restore pre-Covid economic and living conditions. Consumer spending on travel, entertainment, and dining out in particular, which have been the most affected by COVID-19 over the past several years, have improved markedly with the shift to a post-Covid living environment. The average propensity of households to consumer remains below pre-Covid levels, however, leaving scope for further expansion of personal consumption, and full-fledged post-Covid economic activity is required. Turning to exports, the semiconductor, electronics, and device-related manufacturing sectors, which have been on a downward trend due to adjustments in the semiconductor market, remains weak, while the automobile and transportation machinery sectors are picking up as supply constraints ease. In this environment, this year’s annual wage negotiation between employers and unions is expected to achieve the highest wage increase rate in 30 years—since 1993—and the mindset among management has reached a point of accepting wage increases on the assumption of inflation, and the number of new job openings is on the rise, especially in service industries such as travel and restaurant.

Amid these circumstances, the preliminary gross domestic product (GDP) figure (real seasonally adjusted figure excluding the effects of price fluctuations) for the April-June period of 2023 announced by the Cabinet Office showed positive growth for the second consecutive quarter, up 1.5% from the previous quarter (a 6.0% annualized increase), reaching a record high of ¥560.7 trillion in monetary terms, mainly as a result of solid consumer spending that boosted overall growth as the economy transitioned from the pandemic-era to post-Covid. Inbound (foreign visitors to Japan) consumption was a major contributor to this preliminary GDP figure, with the number of foreign visitors to Japan in June recovering to more than 70% of the 2019 level, and the depreciation of the yen making Japanese prices less expensive for foreign visitors, leading to an increase in spending on travel and lodging. As a result, it can be confirmed from the statistics that per-capita expenditure per foreign visitor to Japan in April-June increased to about 1.3 times that of the same period in 2019. The current weak yen exchange rate environment is expected to lead to a further increase in the number of foreign visitors to Japan, as well as a significant increase in spending on travel and lodging due to higher unit prices for travel and longer stays, and with significant associated economic benefits expected. In particular, Chinese visitors to Japan, who accounted for more than 30% of all foreign visitors to Japan in 2019, are expected to produce an increase in group tourism following the lifting of Chinese departure restrictions in August of this year.

Overseas, on the other hand, the military invasion of Ukraine by Russia in February last year has yet to be resolved a year and a half on, and the prices of energy resources remain high as a result of the economic sanctions imposed on Russia by the U. S. and Europe, which have resulted in a general ban on imports of Russian crude oil. Amid this situation, inflation is rising in the major economies and interest rates are being raised by US and European central banks in response, and the economic environment is somehow being maintained.

In the U.S., the preliminary gross domestic product (GDP) for the April-June period of 2023 announced by the U.S. Department of Commerce showed positive growth for the fourth consecutive quarter, growing 2.4% on an annualized basis from the previous quarter. Despite slowing personal consumption, which accounts for 70% of GDP, it remains strong with a 1.6% increase over the previous quarter, and service consumption, especially food and beverage, is returning to pre-pandemic levels. A further slowdown in economic activity is expected, however, as the impact of rising interest rates is felt more widely. The FRB has remained wary of inflation, which remains at historically high levels, and amid widespread concern about financial markets, including the failure of three regional banks in quick succession, the Federal Open Market Committee (FOMC) at its July meeting this year raised the Federal Funds (FF) rate by only 0.25% and set the guidance target at 5.25-5.50%. Policy rate controls have also been actively put in place to control inflation, and the pace of interest rate hikes has also been gradually slowing down mainly due to the downward trend in the inflation rate.

In China, the preliminary gross domestic product (GDP) for the April-June period of 2023 announced by the National Bureau of Statistics of China showed 3.2% year-on-year growth on a real annualized basis adjusted for price changes. In the January-March 2023 period, consumption of services such as dining out, entertainment, and tourism picked up due to the end of the Zero-Covid policy implemented to contain new COVID-19 infections, rising 9.1% year-on-year (on a real annualized basis), but declined significantly in the April-June 2023 period. The sharp slowdown in the economy can be attributed to stagnant consumer spending and a deteriorating real estate market, but economic growth slowed amid the Chinese government’s emphasis on avoiding expansion of central and local government debt and its reluctance to undertake large-scale fiscal expansion.

In this economic environment, the restaurant industry, to which the Group belongs, has been severely hit by COVID-19 for more than three years. As the environment surrounding people’s lives changes to with-Covid and post-Covid environments, however, service consumption such as travel, lodging, and food and beverage is steadily recovering. In particular, excess savings built-up during the spread COVID-19 tend to be directed toward consumption in the face-to-face service sector, including the travel and restaurant industries. In addition, the number of foreign visitors to Japan has been recovering rapidly with the government’s removal of immigration restrictions that had been in place since the pandemic. Despite these circumstances, the market has yet to reach pre-pandemic levels, and with the expectation of further expansion of inbound demand going forward and the ongoing depreciation of the yen, a situation is emerging which offers a great business opportunity. At the same time, the current employment situation has created a severe labor crunch, and in the face-to-face service industry, especially in the restaurant industry, wage increases have become inevitable in order to resolve the labor shortage.

Given this business environment surrounding the restaurant industry, the Group has maintained its management posture of continuing to pursue profits despite the restrictive pandemic business environment for more than three years, and promptly shifted all stores to normal operations following the lifting of measures to prevent the spread of infection last March. Since then, we have continued to expand our business as we did up to 2019, not only in Company-owned stores, but also in our produced stores, which have been selling ramen supplies and supporting to get established and to be made popular. By leveraging our strength in “everyday meals” but not “special occasion meals”, we have been able to aggressively expand our business even amid an environment of increasing COVID-19 infections. The take-out service, food delivery service, and e-commerce site businesses, created to meet new customer needs during the pandemic, continue to perform well, and we have established a supply system able to meet the demand for food served outside of our stores. Thus, the Group, which achieved stable business expansion during the pandemic, and has managed to maintain its growth trajectory in the current business environment as we shift from with-Covid to post-Covid.

With respect to our supply system supplying both Company-owned stores and produced stores, we have been strategically reviewing our production system, including production locations and items produced, from a BCP perspective, and have been appropriately allocating noodle factories, chasiu factories, and soup factories to the Company-owned and produced stores they supply. The Group has been making significant improvements in the efficiency, cost, and time of logistics from an SCM perspective, and by the previous year had deployed distribution centers in the Kanto, Chukyo, and Kansai regions. In addition, through the continuous review of our production and logistics systems, including the opening of a new distribution center for Kitakanto and Tohoku regions in April of this year, we have been able to establish an efficient logistics support system for Company-owned and produced stores.

As described above, the Group, which has steadily built up expertise on how to respond to COVID-19 while strengthening its capabilities as a Group, including production and distribution systems, has been able to secure employment for its employees, aggressively open new stores, and conduct other business activities that set it apart from other food service providers since the lifting of restrictions with the shift to with-Covid, continuing into today’s post-Covid business environment, securing robust results.

During the nine months ended July 31, 2023, the Group has been able to expand sales by increasing the number of both Company-owned and produced stores in Japan.

As a result of the above, net sales was ¥16,632,546 thousand (up 36.1% year-on-year), operating profit was ¥1,598,972 thousand (up 42.5% year-on-year), ordinary profit was ¥1,652,052 thousand (down 8.5% year-on-year), while profit attributable to owners of parent reached ¥1,129,718 thousand (down 8.5% year-on-year).

Since the Group has a single-segment business, the business overview by segment for the nine months ended July 31, 2023 is presented by business division as follows.

Company-owned stores business division

In the Company-owned domestic store business division, the Group continued to aggressively open new stores throughout the nine months ended July 31, 2023, opening 23 new directly managed stores, for a net increase of 22 stores. During the period, we achieved a good balance in store openings, with 11 new Company-owned stores for our main brand "Machida Shoten," EAK ramen brand, and 12 stores under brands other than "Machida Shoten."

In particular, during the nine months ended July 31, 2023, we accelerated the opening of "Machida Shoten," EAK ramen brand, in the Chubu region, opening five new stores (four roadside stores and one store near a train station). The four roadside stores were opened in Moriyama Ward, Nagoya City; Nagakute City, Aichi Prefecture; Tajimi City, Gifu Prefecture; and Yokkaichi City, Mie Prefecture; the store opened near a station was in Sakae, Naka Ward, Nagoya City. As in the Chubu region, we opened five new stores in the Tokyo metropolitan area (two roadside stores and three stores near train stations). Roadside stores were opened in Nishioizumi, Nerima Ward in northern Tokyo and Kawagoe City, Saitama Prefecture, where we are promoting the dominant strategy. Three new stores have also been opened near train stations, at Gyotoku Station in Chiba Prefecture where we couldn't open any Company-owned stores, as well as at Omori Station and Osaki Station. We also opened a new roadside store in Morioka City, Iwate Prefecture, our Group's most northern roadside store in Japan.

For our wild pork mountain ramen brand "BUTAYAMA," our second brand after "Machida Shoten," the Group opened six new restaurants during the nine months ended July 31, 2023. The six new stores are well-balanced, with two stores in each of the Tokyo metropolitan and Chubu regions, and one new store in each of the Kansai and Tohoku regions, allowing us to aggressively open new stores not only in the Tokyo metropolitan area, where "BUTAYAMA" has been strong, but also in other new areas, and this has served as an important touchstone in terms of measuring the growth potential of "BUTAYAMA" as the next brand behind "Machida Shoten." In the Chubu region in particular, we opened two new stores, one in Sakae, Nagoya's downtown area, where we also opened a Machida Shoten, and the other in Osu, a nearby district. In the Kansai region, we opened our second Kansai store after Minamisenba, at Juso Station, a terminal station where the Kobe Main Line, Takarazuka Main Line, and Kyoto Main Line converge. In the Tohoku region, we opened a new store near Sendai Station, which boasts the largest number of passengers in the Tohoku region. In the short time since the opening of the new store, it has already become a successful store, and this has led to high expectations for further increases in the number of stores in the area.

Furthermore, during the nine months ended July 31, 2023, the Group opened four new restaurants in areas with different location characteristics in order to measure the business strength of "GANSO ABURADO," soupless ramen brand that is subject to relatively fewer restrictions on restaurant infrastructure when opening new restaurants. By opening stores in areas near stations with different location characteristics, such as Akasaka Station in a busy downtown area, Tsunashima Station in a residential area, Kawaguchi Station in a sleeper town near the city center, and Kitasenju Station, which has seen recent urban development, we have further amassed marketing data such as business characteristics and refined our business strength as the third brand in our group following "Machida Shoten" and "BUTAYAMA."

The Group, led by the Product Development Department, has been actively working on various themes for the development of new products and new brands. In the previous fiscal year, we developed "ITOI" and celebrated its opening in Tokyo Ramen Yokocho. In addition to "BUTAYAMA" and "GANSO ABURADO," mentioned earlier, brands developed and launched by our group over the past few years, including “NAGAOKA SHOKUDO” and “ITOI,” have all received a certain degree of recognition, and we are confident that the Group possesses sufficient brand development capabilities. Going forward, we will continue to focus on developing new brands with great potential.

In the Company-owned foreign store business division, we have opened two street stores in New York State, U.S., to date, and will open our third New York store in November 2022 in a food court in Pennsylvania Station. The store is located in Pennsylvania Station, the busiest train station in the U.S., with a 20,000-seat sports arena and a 5,000-seat theater, and is a high-footfall site located near Madison Square Garden, where professional basketball and ice hockey games are held, and despite operating in a food court, the restaurant has achieved a situation where it can secure sales that surpass those of the two existing New York street stores.

As a result of the above, the number of the Group’s stores at the end of the third quarter of the current fiscal year totaled 193, including 184 Company-owned stores (181 in Japan and three overseas) and nine outsourced stores. Net sales of the Company-owned store business division totaled ¥13,890,852 thousand.

Produced store business division

In the domestic produced store business division, we continued to open new stores in areas where we have already opened stores, making detailed adjustments between produced stores and Company-owned stores in accordance with rules for opening stores based on estimates of potential demand in the trade area. In areas where we have not yet opened stores, we have been vigorously seeking new owners in areas where we do not plan to open Company-owned stores. Existing produced stores experienced a decline in the number of customers and sales for the past several years amid the spread of COVID-19, but showed signs of recovery during the nine months ended July 31, 2023. This is the result of our active support rooted in our successful expertise involving sales promotion activities for Company-owned, including responding to take-out needs and uncovering home delivery needs, as we have done with our Company-owned stores. There has also been an increase in the number of situations where owners of existing produced stores are considering developing new brands developed by the Company on their own. In addition to the existing produced business centering on the EAK ramen brand, we have started a franchise business under a brand name (same store name) developed by the Group. Thus, in the produced store business division, we have been making various preparations to enhance our business lineup and make it possible to develop proposals with higher added value.

In the foreign produced store business division, we have been considering areas in which to open new stores while confirming existing owners’ willingness to open new stores, and we have been supporting the opening of new stores even amid the spread of COVID-19, and in November last year, we opened a new produced store in Vietnam. On the other hand, an existing owner in Taiwan experienced a chain reaction bankruptcy following the bankruptcy of its parent company, resulting in the closure of five produced stores. In addition, from the current fiscal year the Group has begun full-scale development of the franchise business under the “Machida Shoten” name, and following the opening of our first franchise store in Thailand in January of this year, we have steadily expanded our business in the Southeast Asia region, including opening our first franchise store in Vietnam in July of this year. Since the franchise business has made such a successful start and franchise agreements are being concluded with franchisees in various countries, we will be conducting vigorous sales activities to develop the “Machida Shoten” and “BUTAYAMA” brands as franchise businesses in regions including the U.S. and Southeast Asia.

As a result, the number of the Group’s produced stores increased by a net of 37 during the nine months ended July 31, 2023, resulting in a total of 548 stores (533 stores in Japan and 15 stores overseas). Net sales of the produced business division totaled ¥2,741,694 thousand.

(2) Explanation of financial position

Assets

Total assets as of July 31, 2023 increased by ¥1,924,349 thousand from the end of the previous fiscal year to ¥11,829,483 thousand. This was mainly due to increases of ¥168,677 thousand in merchandise and finished goods, ¥1,017,450 thousand in property, plant and equipment such as buildings and structures, and ¥328,577 thousand in leasehold and guarantee deposits.

Liabilities

Liabilities as of July 31, 2023 increased by ¥1,087,751 thousand from the end of the previous fiscal year to ¥5,560,823 thousand. This was mainly due to increases of ¥257,906 thousand in short-term borrowings and ¥742,094 thousand in long-term borrowings (including current portion), despite a decrease of ¥311,076 thousand in income taxes payable.

Net assets

Net assets as of July 31, 2023 increased by ¥836,597 thousand from the end of the previous fiscal year to ¥6,268,659 thousand, resulting in an equity-to-asset ratio of 53.0%. This was mainly due to a decrease in retained earnings of ¥299,018 thousand as a result of dividend payments, and an increase in retained earnings due to the posting of ¥1,129,718 thousand in profit attributable to owners of parent.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

There is no change in the earnings forecasts in the "Summary of Consolidated Financial Results for the Year Ended October 31, 2022," announced December 15, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of October 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	2,007,344	1,808,162
Accounts receivable - trade	405,756	507,343
Merchandise and finished goods	134,945	303,622
Raw materials and supplies	85,931	96,577
Other	392,658	469,969
Total current assets	3,026,635	3,185,676
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,687,326	5,856,142
Accumulated depreciation	(1,170,522)	(1,419,106)
Buildings and structures, net	3,516,804	4,437,036
Land	141,782	141,782
Other	1,843,810	2,071,508
Accumulated depreciation	(745,828)	(876,307)
Other, net	1,097,982	1,195,200
Total property, plant and equipment	4,756,569	5,774,019
Intangible assets		
Goodwill	103,939	208,118
Other	18,473	62,240
Total intangible assets	122,412	270,359
Investments and other assets		
Leasehold and guarantee deposits	1,027,083	1,355,660
Other	972,433	1,243,766
Total investments and other assets	1,999,516	2,599,427
Total non-current assets	6,878,498	8,643,806
Total assets	9,905,133	11,829,483

(Thousands of yen)

	As of October 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	544,863	648,109
Short-term borrowings	42,341	300,247
Current portion of long-term borrowings	512,375	699,876
Income taxes payable	526,749	215,673
Provision for bonuses	121,626	79,757
Provision for shareholder benefit program	6,546	6,258
Other	1,183,495	1,481,962
Total current liabilities	2,937,997	3,431,884
Non-current liabilities		
Long-term borrowings	1,195,284	1,749,877
Asset retirement obligations	334,796	373,654
Other	4,993	5,408
Total non-current liabilities	1,535,074	2,128,939
Total liabilities	4,473,072	5,560,823
Net assets		
Shareholders' equity		
Share capital	793,525	797,304
Capital surplus	1,045,652	1,049,431
Retained earnings	3,463,329	4,294,029
Treasury shares	(466)	(731)
Total shareholders' equity	5,302,040	6,140,033
Accumulated other comprehensive income		
Foreign currency translation adjustment	130,020	124,448
Total accumulated other comprehensive income	130,020	124,448
Non-controlling interests	–	4,177
Total net assets	5,432,061	6,268,659
Total liabilities and net assets	9,905,133	11,829,483

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended July 31, 2022	Nine months ended July 31, 2023
Net sales	12,220,491	16,632,546
Cost of sales	3,673,761	5,370,698
Gross profit	8,546,730	11,261,848
Selling, general and administrative expenses	7,424,344	9,662,875
Operating profit	1,122,385	1,598,972
Non-operating income		
Interest income	7,642	28,428
Commission income	1,208	–
Foreign exchange gains	1,785	–
Subsidy income	665,447	2,442
Other	11,160	30,509
Total non-operating income	687,244	61,380
Non-operating expenses		
Interest expenses	2,885	2,888
Foreign exchange losses	–	2,311
Other	1,538	3,101
Total non-operating expenses	4,424	8,300
Ordinary profit	1,805,205	1,652,052
Extraordinary income		
Gain on sale of non-current assets	1,100	23,738
Insurance claim income	16,774	–
Other	628	–
Total extraordinary income	18,502	23,738
Extraordinary losses		
Loss on retirement of non-current assets	17,521	16,538
Impairment losses	2,642	–
Other	–	1,021
Total extraordinary losses	20,163	17,560
Profit before income taxes	1,803,544	1,658,230
Income taxes	568,895	528,345
Profit	1,234,648	1,129,885
Profit attributable to non-controlling interests	–	167
Profit attributable to owners of parent	1,234,648	1,129,718

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended July 31, 2022	Nine months ended July 31, 2023
Profit	1,234,648	1,129,885
Other comprehensive income		
Foreign currency translation adjustment	99,948	(5,540)
Total other comprehensive income	99,948	(5,540)
Comprehensive income	1,334,597	1,124,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,334,597	1,124,145
Comprehensive income attributable to non-controlling interests	–	199

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the third quarter of the current fiscal year, and multiplying profit before income taxes by the estimated effective tax rate.

Changes in accounting estimates

Due to the decision made in the third quarter of the current fiscal year to relocate the head office, the useful lives of fixed assets not expected to be used after the relocation have been shortened and changed going forward. In addition, regarding the asset retirement obligations related to the restoration costs associated with the Company's real estate lease contracts, a change has been made such that asset retirement obligations will be fully expensed by the scheduled relocation date.

As a result of this change in estimate, operating profit, ordinary profit, and profit before income taxes for the nine months ended July 31, 2023 decreased by ¥7,065 thousand, respectively, compared with the previous method.

Additional information

Accounting estimates with respect to the impact of the spread of COVID-19 and the situation in Ukraine

There have been no material changes to the assumptions regarding the impact of the spread of COVID-19 and the situation in Ukraine, as described in "Significant accounting estimates," "Impairment of store fixed assets" in the Annual Securities Report for the previous fiscal year.

Significant subsequent events

Share split and partial amendment to the Articles of Incorporation

Based on the resolution of the Board of Directors meeting held on June 14, 2023, the Company executed a share split and partial amendment to the Articles of Incorporation in connection with the share split as of August 1, 2023.

1. Share split

(1) Purpose of the share split

By conducting a share split and lowering the value per unit of investment, the Company aims to create an environment in which investors can invest more easily, to improve the liquidity of the Group's shares, and further expand its investor base.

(2) Outline of the share split

1) Method of split

With July 31, 2023 as the record date, the Company conducted a 2-for-1 share split of common shares held by shareholders listed or recorded in the shareholders' register as of the end of that date.

2) Increase in shares as a result of the split

Total number of issued shares before the share split	9,972,292 shares
Increase in the number of shares as a result of this share split	9,972,292 shares
Total number of issued shares after the share split	19,944,584 shares
Total number of authorized shares after the share split	64,000,000 shares

3) Schedule of split

Date of public notice on record date	July 14, 2023
Record date	July 31, 2023
Effective date	August 1, 2023

(3) Change in amount of share capital

There will be no change in the amount of share capital as a result of this share split.

(4) Adjustment of exercise price of share acquisition rights

In connection with the share split, the exercise price per share of share acquisition rights issued by the Company will be adjusted on and after August 1, 2023, as follows.

(Yen)

Name of share acquisition rights	Exercise price prior to adjustment	Exercise price after adjustment
First series of share acquisition rights	13	7
Second series of share acquisition rights	51	26
Third series of share acquisition rights	255	128

(5) Effect on per share information

Per share information calculated assuming that the share split was conducted at the beginning of the previous fiscal year is as follows.

(Yen)

	Nine months ended July 31, 2022	Nine months ended July 31, 2023
Basic earnings per share	62.00	56.67
Diluted earnings per share	61.82	56.55

2. Partial amendment to the Articles of Incorporation

(1) Reasons for amendment

In accordance with the above share split, the total number of authorized shares as stipulated in Article 6 of the Company's Articles of Incorporation will be changed effective August 1, 2023, pursuant to Article 184, paragraph 2 of the Companies Act.

(2) Details of amendment

Details of the amendment are as follows.

Current Articles of Incorporation	Articles of Incorporation after amendment
Article 6. The total number of authorized shares of the Company shall be <u>32,000,000 shares</u>.	Article 6. The total number of authorized shares of the Company shall be <u>64,000,000 shares</u>.

(3) Schedule of amendment to the Articles of Incorporation

Date of resolution by the Board of Directors	June 14, 2023
Effective date of the amendment to the Articles of Incorporation	August 1, 2023