

THE FOLLOWING IS AN ENGLISH TRANSLATION PREPARED FOR THE CONVENIENCE OF THE SHAREHOLDERS AND INVESTORS. THE OFFICIAL TEXT IN JAPANESE OF THE CONVOCATION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS HAS BEEN PREPARED IN ACCORDANCE WITH STATUTORY PROVISIONS. SHOULD THERE BE ANY INCONSISTENCY BETWEEN THE TRANSLATION AND THE OFFICIAL TEXT IN TERMS OF THE CONTENTS OF THE NOTICE, THE OFFICIAL TEXT SHALL PREVAIL.

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Disclosure through the Internet relating to the Convocation Notice of the 34th Ordinary General Meeting of Shareholders

Business Report

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The contents above are provided to our shareholders on our website (<https://www.chikaranomoto.com/ir/library/>) pursuant to the provisions of laws and regulations, and Article 14 of Articles of Association of the Company.

CHIKARANOMOTO HOLDINGS CO., LTD.

Business Report

1 . Stock Acquisition Rights, etc. of the Company

(1) Stock Acquisition Rights allotted as remuneration to the Directors and issued and outstanding as of March 31, 2019

		2014 1 st Stock Acquisition Rights	2015 1 st Stock Acquisition Rights
Date of resolution to issue		May 13, 2014	December 23, 2015
Number of Stock Acquisition Rights		150	70
Type and Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights		30,000 shares of the Company's common stock (200 shares per Stock Acquisition Right) (Note 2)	14,000 shares of the Company's common stock (200 shares per Stock Acquisition Right) (Note)
Amount Paid in for Allotment of Stock Acquisition Rights		0	0
Value of Assets Contributed upon Exercise of Stock Acquisition Rights		53,000 yen per Stock Acquisition Right (265 yen per share) (Note 2)	53,000 yen per Stock Acquisition Right (265 yen per share) (Note 2)
Period for Exercising Stock Acquisition Rights		July 2, 2016 - May 12, 2024	February 2, 2018 - December 22, 2025
Major Conditions to Exercise the Rights		(Note 1)	(Note 1)
Stock Acquisition Rights held by Directors	Directors (Excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)	Number of Stock Acquisition Rights Allotted: 150 Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights: 30,000 Number of Holders: 1	Number of Stock Acquisition Rights Allotted: 70 Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights: 14,000 Number of Holders: 1

Note 1. Conditions to Exercise the Stock Acquisition Rights

- a) A right-holder must be a director, auditor, employee, advisor or their equivalent at the time of exercising of the rights, provided however the preceding shall not apply if a right-holder retires by expiration of the term or the age limitation, or Board of Directors' Meeting of the Company decides that such retirement has a legitimate reason.
- b) Other conditions are set forth in "Contract for subscriptions for the total number of the Stock Acquisition Rights" executed by and between the Company and the right-holders.

Note 2.

The Company conducted the 1:2 share split for the common stock as of October 1, 2017 and "Type and Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights," "Amount Paid in for Allotment of Stock Acquisition Rights" and "Value of Assets Contributed upon Exercise of Stock Acquisition Rights" above are adjusted accordingly.

(2) Stock Acquisition Rights Allotted to Employees etc. of the Company as Remuneration during This Fiscal Year

Not applicable

(3) Other Stock Acquisition Rights etc.

Not applicable.

2. Matters Concerning the Accounting Auditor

(1) Name: BDO Sanyu & Co.

(2) Amount of the Remunerations :

(in million yen)

(i) Amount of the Remuneration as an accounting auditor of the Company	29
(ii) Total amount of monies and other property benefits to be paid by the Company and its subsidiaries	29

Note 1. The amount set forth in (i) above includes the amount of audit remuneration for the audit based on the Japanese Financial Instruments and Exchange Act. This is because, the amount of audit remuneration for the audit based on the Companies Act and the amount of audit remuneration for the audit based on the Japanese Financial Instruments and Exchange Act are not distinguished in the audit agreement between the Company and the accounting auditor and are not practically distinguishable.

Note 2. Audit and Supervisory Committee conducted necessary review for audit items, audit time and deployment plans, the performance of accounting audit, and about how the remuneration estimates in the audit plan created by the accounting auditor were calculated. As a result, Audit and Supervisory Committee agreed to the amount of remunerations of the accounting auditor.

(3) Policies on Determining Dismissal or Refusal of Reappointment of the Accounting Auditor

If the Audit and Supervisory Committee determines that it is necessary to dismiss or refuse to reappoint the accounting auditor, because it is unable to cope with the execution of the accounting auditor's duties or by other reasons, it shall decide the details of the proposal to be submitted to a general meeting of shareholders regarding the dismissal or non-reappointment of the accounting auditor. The Board of Directors shall submit such a proposal to a general meeting of shareholders, based on such a decision.

Furthermore, if the Audit and Supervisory Committee deems that an accounting auditor falls under any of the categories set forth in items of Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the accounting auditor by the consent of all Audit and Supervisory Committee Members. In such an event, an Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee shall report such a fact and the reason for dismissal to the first shareholders meeting called after the dismissal.

3. Systems to Ensure Proper Operations and the Operating Effectiveness of Such Systems

The outline of the resolution on the Company's development of the system (the internal control system) are as follows (Final Amendment: June 25, 2018)

(1) Systems to ensure proper operations

1. System to Ensure that Execution of the Duties by the Directors and the Employees Complies with Laws and Regulations, and the Articles of Association

- a) Directors are to consider compliance with relevant laws and rules, as well as abiding by the corporate philosophy of "Keep Changing to Remain Unchanged" as the highest priority, and to execute their offices accordingly.
- b) The board of directors will determine the basic policies of internal control systems, and monitor if directors are building and operating effective internal control systems and executing their responsibilities in their accordance.
- c) The board of directors will follow laws, rules resolutions of the shareholders' meeting and the rules governing board of directors' meetings, in deciding on important decisions concerning the Company's management.
- d) Directors will promote mutual communication with other directors, to build a system of mutual checks and balances, and to realize an appropriate and effective management system
- e) The Company will establish an Audit and Supervisory Committee to audit the duties carried out by Directors in accordance with the laws and the regulations of Audit and Supervisory Committee. The said Committee will also utilize the internal governance systems, and to audit in conjunction with internal audit department.
- f) Management departments will be familiar with laws relevant to corporate activities and articles of association, to continuous implement corporate regulations and raise

their awareness throughout the Company.

- g) The Company will establish Internal Audit Department separate from its executive departments to function as internal audit. The Internal Audit will conduct, at the direction of Representative Director, Chairman and President, periodic verification of executive activities, compliance, appropriateness of internal governance systems and their effectiveness.

2. System for the Storage and Management of Information related to Execution of Duties by the Directors and the Employees

The Company will correctly record and keep for a set period time all the important information such as minutes of the shareholders' meetings and board of directors' meetings, and other important information concerning management and executive activities as dictated by "Rules Concerning Management of documentations," "Rules Concerning Management of Information" and "Rules Concerning Circular Decisions" and other relevant Rules. Other relevant rules will be reviewed and adopted as necessary.

3. Rules and Other Systems for the Management of Risk of Loss

- (a) Directors and employees shall execute their duties based on their roles and responsibilities as defined in "Rules Concerning Organization," "Rules Concerning Division of Responsibilities" and "Rules Concerning Positions and Authorities" and they shall escalate any matter that is beyond their roles and responsibilities to their upper management as stipulated in "Rules Concerning Circular Decision" and avoid unexpected matter (loss).
- (b) Management division shall monitor the risks and properly manage them, by deciding policies, systems and procedures etc. for risk management.
- (c) Internal audit division shall audit the status of each business unit's risk control, regularly report important matters to the Representative Director, Chairman and President, and for important items, to board of directors' meetings and the Audit and Supervisory Committee.

4. System to Ensure Efficient Execution of Duties by Directors and Employees

- (a) In order to secure that execution of business by directors is made effectively, the Company shall stipulate the method to operate the Board of Directors' meetings in "Rules Concerning Board of Directors' Meetings" to make decisions smoothly, convenes regular Board of Directors' meetings each month and convenes

extraordinary Board of Directors' meetings if necessary.

- (b) The Company sets forth the omission of the resolution of the Board of Directors' meetings and it shall endeavor to secure an efficient approval procedure for urgent and easy matter.
- (c) The Company shall decide mid-term management plan and make the management goals clear.
- (d) The Company shall regularly review progress of business at monthly regular Board of Directors' meeting, analyze and evaluate the results in light of mid-term management plan and annual budget decided by the Board of Directors' meetings. The Company reviews the improvement plans if necessary.

5. System to Ensure Appropriate Business Operation within the Corporate Group Consisting of the Company and its Subsidiaries

- (a) The Company shall instruct and educate its subsidiaries to improve corporate value and to ensure appropriate business and by sharing the corporate philosophies and code of conduct with them while respecting autonomy. The Company shall manage subsidiaries properly by abiding by "Rules Concerning Management of Affiliate Companies."
- (b) A division in charge of management of subsidiaries shall share information and cooperate by attending Board of Directors' meetings at subsidiaries.
- (c) The Company shall send a director(s) in principle and reflect the Company's intent in their management. The Company shall immediately report to a person in charge of such business when a risk of loss occurs.
- (d) The Company's shall send an auditor(s) to subsidiaries. The Company shall immediately report an audit result to a person in charge of such business.
- (e) The Company's internal audit division audit the effectiveness of internal control of each company in the Group. It shall report the results to Representative Director, Chairman and President and managers, and report important matters the Board of Directors' meeting.
- (f) The Company shall place directors' compliance with relevant laws and regulations as the first priority issue in corporate management and the directors to follow the corporate philosophy of "Keep Changing to Remain Unchanged" when they execute their duties accordingly.
- (g) The Company shall review the business progress of subsidiaries regularly at their Board of Directors' meeting, analyze and evaluate the results in light of mid-term management plan and annual budget decided by the Board of Directors' meeting.

The Company reviews the improvement plan if necessary.

6. Particulars related to the director and employee that are appointed to assist with the duties of the Audit and Supervisory Committee

- (a) While the Company currently does not have a director or an employee to assist the Audit and Supervisory Committee's duties, the Board of Directors may appoint such an employee etc., after it discusses the matter with the Audit and Supervisory Committee and respecting their intentions.
- (b) An employee etc. who assists the duties of Audit and supervisory Committee shall assist the whole duties of the Committee following the instruction by the Committee. The Company shall appoint a person who has the knowledge and capability to do so.

7. Systems for Directors and/or Employees to make a report to Audit and Supervisory Committee and systems for ensuring that such persons are not treated disadvantageously due to making the report

- (a) Member of Audit and Supervisory Committee may attend any and all meetings or committees other than Board of Directors' meetings and receive reports in order to recognize the process of important decision and execution status of businesses.
- (b) Directors and employees shall report important matters to be proposed to Board of Directors' meetings, important decisions, decisions by other important meetings, important accounting policies and accounting standard and amendment thereof, progress of internal audit and other necessary important matters to the Audit and Supervisory Committee.
- (c) Directors and employees shall immediately report to the Audit and Supervisory Committee when they recognize matters that may cause extreme loss to the Company, illegal acts or violations of important laws and regulations or Articles of Association.
- (d) Directors and employees may directly report or consult with the Audit and Supervisory Committee about matters related to compliance or risk management, with regard to business execution of the Company or its subsidiaries.
- (e) The Company shall prohibit disadvantageous treatment of directors or employees who made reports or consultation with Audit and Supervisory Committee as a result of such report or consultation. The Company shall communicate the aforementioned to directors and employees.

8. Particulars related to policies concerning the processing of expenses or obligations that

arise with regard to execution of the duties of the Audit and Supervisory Committee Members

Directors shall cooperate the audit activities by each member of audit and supervisory committee. Directors shall secure the budget for audit expenses to realize the effectiveness of audit and reimburse the expenses of each member of audit and supervisory committee for their audit activities.

9. Other systems to ensure that audits by the audit and supervisory committee are performed effectively

- (a) The Audit and Supervisory Committee may have meetings to exchange opinions with Representative Director, Chairman and President, regularly. If necessary, the Committee may have a liaison meeting with business units including directors, managers and employees.
- (b) The Audit and Supervisory Committee may ask accounting division, legal division and other divisions for their cooperation to audit at any time if necessary.
- (c) The Audit and Supervisory Committee may request cooperation for the audit to internal audit division and the internal audit division shall cooperate in the effective audit by the Audit and Supervisory Committee.
- (d) The Audit and Supervisory Committee shall exchange opinions and information with accounting auditor and request investigation and report if necessary while maintaining the relationship.

10. Basic Policy and Systems Against Anti-Social Organizations

The Company makes it a basic policy not to associate with antisocial forces, organizations, and individuals and not to comply with unfair and illegal demands from them. The Company shall thoroughly instruct all directors and employees to comply with the aforementioned, as well as trying to collect information from relevant administrative bodies, and build a system to take prompt action in close cooperation with relevant administrative bodies and legal specialists if such cases occur.

(2) The Overview of the Operating Effectiveness of the Systems to Ensure Proper Operations

The Company became a company with Audit and Supervisory Committee as of June 26, 2017 and it is proceeding in securing transparency and effectiveness of management by empowerment of a monitoring function of board of directors and utilization of outside directors. The Company reviews business risks at board of directors' meetings and amends internal organization, responsibility and company rules to improve their effectiveness.

Operation status of “Systems to ensure the properness of business activities” is as follows:

1. Board of directors of the Company consists of 6 directors (including 1 external director and excluding Audit and Supervisory Committee members) and 3 directors who are members of Audit and Supervisory Committee (including 2 external directors) and active exchange of opinions and discussion are made for each agenda item at each meeting. The Company reviews the method to operate the meeting regularly, such as limiting the agenda items to spend more time for strategic discussion. The Company conducts explanatory sessions of agenda items to external directors several days prior to each of the board of directors’ meeting, to improve the effectiveness of the board of directors’ meetings and make external directors be able to function their monitoring.
2. Directors who are Audit and Supervisory Committee members participate in the review and resolution of agenda items at board of directors’ meetings and receive reports about business execution. A full-time member of Audit and Supervisory Committee attends board of directors’ meetings and other meetings of subsidiaries to improve effectiveness of the audit. A full-time member of Audit and Supervisory Committee and auditors of subsidiaries have regular meetings for information exchange and share information, and to build a cooperation system for the Company to conduct audit of subsidiaries.
3. The Company conducts internal training and e-learning about the compliance necessary for their responsibility and position to directors and employees and the Group, and the Company continues the effort to comply with laws, regulations and internal rules of the Company.
4. The Company operates the system which shares information with directors, Audit and Supervisory Committee members and managers via Emergency Hot Line (EHL), that is the Company’s emergency communication network, when an accident or disaster occurs, as an effort to empower risk control and compliance system. The Company has a system to implement remedial measures to risk that has arisen.
5. Internal audit division conducts audit of business execution by the Company’s business unit and subsidiaries and of internal control, based on internal audit plan. It also makes regular report to Representative Director, Chairman and President, and makes efforts to enhance the effectiveness of audits in which they cooperate and exchange

opinions with the Audit and Supervisory Committee and the accounting auditor.

6. The Company conducts antisocial forces investigation for existing trade partners and new trade partners, using outside investigation companies etc. And the Company makes it mandatory to incorporate clauses for the elimination of antisocial forces when contracts are executed with trade partners.

7. In addition, The Company established and operates an internal whistleblowing system as a part of the system related to ethics and compliance, and the Company endeavors to quickly detect and appropriately address behavior that is in violation of ethics and compliance. The Company prohibits disadvantages treatment of any person who reports to or consults with through this system and this policy is communicated to all directors and employees.

Consolidated Statement of Changes in Shareholder Equity

(from April 1, 2018 to March 31, 2019)

(unit: thousand yen)

	Shareholder's Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury shares	Total Shareholder's Equity
Beginning Balance	1,239,003	1,151,406	1,252,051	-	3,642,461
Changes during the year					
Issuance of new shares	27,771	27,771	-	-	55,543
Dividends of retained earnings	-	-	-187,134	-	-187,134
Net income attributable to the Company	-	-	615,490	-	615,490
Other changes (net)	-	-	-	-99,278	-99,278
Total changes	-	-	-	-	-
Ending Balance	27,771	27,771	428,355	-99,278	384,619
Beginning Balance	1,266,774	1,179,178	1,680,407	-99,278	4,027,081

	Accumulated Other Comprehensive Income			Non-controlling interest portion	Total net assets
	Variance of valuations on other investment securities	Foreign exchange adjustment accounts	Other comprehensive income, accumulated		
Beginning balance	333,331	273,311	606,642	471,286	4,720,391
Changes during the year					
Issuance of new shares	-	-	-	-	55,543
Dividends of retained earnings	-	-	-	-	-187,134
Net income attributable to the Company	-	-	-	-	615,490
Other changes (net)	-	-	-	-	-99,278
Total changes	-174,556	-136,342	-310,899	-69,363	-380,262
Ending Balance	-174,556	-136,342	-310,899	-69,363	4,357
Beginning balance	158,774	136,969	295,743	401,923	4,724,748

The figures above are rounded down to the nearest thousand yen.

Notes to Consolidated Financial Statements

1. Notes to Important Matters Fundamental for Preparation of Consolidated Financial Statements

Matters relating to the Scope of Consolidation and Application of Equity Method

(1) Number of consolidated subsidiaries: 18

(2) Names of consolidated subsidiaries

CHIKARANOMOTO CO., LTD.

WATANABE SEIMEN CO., LTD.

KUSHIFURU NO DAICHI CO., LTD.

I&P RUNWAY JAPAN CO., LTD.

INABA UDON CO., LTD.

ZIG, INC.

IMAGINE, INC.

CHIKARANOMOTO GLOBAL HOLDINGS PTE. LTD.

IPPUDO USA HOLDINGS, INC.

IPPUDO NY, LLC

IPPUDO SINGAPORE PTE. LTD.

IPPUDO AUSTRALIA PTY LTD

YOU & ME FOOD FACTORY PTE. LTD.

IPPUDO LONDON CO. LIMITED

IPPUDO PARIS

I & P RUNWAY, LLC

PT IPPUDO CATERING INDONESIA

TAIWAN IPPUDO CO., LTD.

The Company acquired further shares of ZIG, INC., that was an equity method affiliate of the Company, and it is included in the consolidated subsidiaries from this Fiscal Year.

The Company newly established IMAGINE, INC. and it is included in the consolidated subsidiaries from this Fiscal Year.

The Company newly acquired shares of TAIWAN IPPUDO CO., LTD., and it is included in the consolidated subsidiaries from this Fiscal Year.

2 . Matters relating to application of the equity method

Number of equity method affiliates 3

Names of equity method affiliates

STAY DREAM CO., LTD.

YUTAKANIMINORU CO., LTD.

TAIGA CO., LTD.

The Company acquired further shares of ZIG, INC., that was an equity method affiliate of the Company, and it is included in the consolidated subsidiaries from this Fiscal Year, thus it is excluded from the equity method affiliates.

The company sold all of shares the Company owned of YABU FOODS CO., LTD., that was an equity method affiliate, and it is excluded from the equity method affiliates.

3. Fiscal Year of Consolidated Subsidiaries

The closing dates of accounts for the fiscal year-ends at CHIKARANOMOTO GLOBAL HOLDINGS PTE. LTD.、IPPUDO USA HOLDINGS, INC.、IPPUDO NY, LLC、IPPUDO SINGAPORE PTE. LTD.、IPPUDO AUSTRALIA PTY LTD.、YOU & ME FOOD FACTORY PTE. LTD.、IPPUDO LONDON CO. LIMITED、IPPUDO PARIS、I&P RUNWAY, and PT IPPUDO CATERING INDONESIA are consolidated subsidiaries of the Company, are December 31. Since the difference between the closing date of the Company and that of above subsidiaries is not more than 3 months, consolidation is made based on the financial statements of the above subsidiaries for their fiscal years. Significant business events that occur between such date and the March 31 consolidated fiscal year-end are accordingly presented as occurring within the applicable consolidated fiscal year.

The closing dates of accounts for the fiscal year-ends at ZIG INC. is November 30. Preliminary financial statements made as of the date of consolidation is used to prepare the consolidated financial statements.

The closing dates for other consolidated subsidiaries are the same as the closing date for the consolidated fiscal year.

4 . Matters relating to Accounting Policies

(1) Valuation standards and valuation method for important assets

1. Marketable securities

Other marketable securities

Those having a fair market value

Marked value method based on the market value etc. as of settlement date (all differences in valuation are fully included in the net asset method, and costs are calculated by moving average method)

Those not having a fair market value

Cost method on the moving average method

2. Inventories

a. Goods, product and raw materials

The Company and its domestic consolidated subsidiaries state them using the cost method based on the Weighted-Average method (book value reduction method based on decreased profitability) .

Its foreign consolidated subsidiaries state them principally using the cost method based on FIFO.

b. Work in process

They are stated using the cost method based on Specific identification method (book value reduction method based on decreased profitability).

c. Supplies

They are stated using the most recent purchase method (book value reduction

method based on decreased profitability) .

(2) Depreciation method for important depreciable assets

1. Tangible non-current assets (excluding leased assets)

The company and its consolidated subsidiaries adopt the straight-line method for buildings (excluding building-attached equipment) and the building-attached equipment and structures acquired on or after April 1, 2016 in principle, and the diminishing balance method for others. Foreign consolidated subsidiaries adopt the straight-line method.

2. Intangible non-current assets (excluding leased assets)

Straight-line method is adopted.

Software (internal use) is depreciated under the straight-line method over its expected useful lifetime (5 years).

3. Leased assets

Leased assets subject to finance without title transfer

Leased assets of this type are depreciated using the straight-line method with no residual value with the lease term as a useful life.

4. Long-term prepaid expenses

Evenly amortized.

(3) Recording method of deferred assets

Stock issuance cost: Fully recorded as cost when it is expensed.

(4) Accounting standard for significant allowances/reserves

1) Allowance for bad debt: Allowance is provided at an estimated amount by historical loss experience with regard to receivables in general, and by collectability determined for each receivable with regard to specific receivables of questionable collectability, in order to prepare for loss on bad debt.

2) Reserve for bonuses: The company and its consolidated subsidiaries provided the amount to be paid in this consolidated fiscal year from the estimated amount of the bonuses to prepare for the payment of bonuses to their employees.

3) Provisions for bonuses: The company has booked provisions for bonuses during this fiscal year to prepare for the payment of bonuses based on stock benefit regulations, based on payout estimates for the fiscal year.

4) Provisions for bonuses (non-residents): The company has booked provisions for bonuses (non-residents) during this fiscal year to prepare for the payment of bonuses based on stock-related cash benefit allowance regulation, based on payout estimates for the fiscal year.

(5) Retirement benefit accounting

In the calculation of liabilities pertaining to retirement benefit and retirement benefit expenses, some of the consolidated subsidiaries have employed simple method which books term-end voluntary retirement payout amount as retirement benefit liabilities.

(6) Important assets and liabilities in foreign currencies and foreign currency translation

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into yen at the spot rate prevailing on the closing date of accounts, and the resulting foreign exchange gains or losses are recognized as income or expenses. Investment securities (under Other investment securities) quoted in foreign currencies are converted to Japanese yen at the spot rates on the last day of the fiscal year, and the foreign-exchange variance are booked as a component of shareholders' equity. For foreign consolidated subsidiaries, assets and liabilities are translated into yen at the spot rate prevailing on the closing date of accounts, revenue and expense accounts are translated at the average rate of exchange in effect during the fiscal year, and foreign currency translation adjustments are included in the foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries item under net assets.

(7) Accounting methods for important hedge transactions

1) Hedge accounting methods

A special accounting method is applied, since all interest-rate swap agreements fulfill the specific requirements for this treatment.

2) Hedge instruments and hedge items

(Hedge instruments)

Interest-rate swaps

(Hedge items)

Borrowings

3) Hedge policy

Interest-rate swaps are executed for some borrowings from the financial institutions to avoid the interest-rate volatility risk.

4) Assessment of hedge effectiveness

This assessment is omitted since all interest-rate swaps are treated by the special accounting method.

(8) Method and period of depreciation of goodwill

Goodwill are regularly amortized over a reasonable period not exceeding 20 years, considering the period of effectiveness of goodwill respectively.

(9) Other significant matters for preparation of consolidated financial statements

Accounting for consumption tax: Accounting for consumption tax and local consumption tax is recorded at amounts exclusive of said taxes.

Notes to Changes in the Accounting Policies

Not applicable

Notes for the changes in method of presentation

(Changes following the application of "Partial Changes to Accounting Standards relating to Tax

Effect Accounting, etc.”)

The Company has applied “Partial Changes to Accounting Standards relating to Tax Effect Accounting, etc.” (Corporate Accounting Principles No. 28 (effective February 16, 2018)) from the first quarter of fiscal year ending March 31, 2019, and comparison to previous periods are calculated by applying the standard retroactively, and the deferred tax assets are accounted under Investment and others assets class.

Additional information

Stock Benefit Employee Stock Ownership Program

The Company has decided, at its Board of Directors’ meeting on July 13, 2018, to introduce an employee incentive plan “Stock Benefit Employee Stock Ownership Plan” (hereinafter the “Plan”), and this Plan has been in effect since August 13, 2018. The Company aims to motivate and align employee interest with that of the Company for the increase in the price of the stock, and the overall performance of the Company, by introducing stock ownership plan as a new form of benefits.

(1) Outlines of the transaction:

The Plan is an Employee Stock Ownership Plan Trust, (hereunder “ESOP Trust”), and it is modeled after the American ESOP system. It is an incentive scheme for employees whereby the treasury shares acquired by the ESOP Trust, are distributed, according to the Company’s benefit guideline, to the employees who meet certain criteria. The Company will assign certain “points” to the employees for their contribution to the Company, and when the employees meet certain criteria according to stock benefit guideline, they will be given a certain number of shares as benefits.

(2) Treasury shares held by the Trust

The treasury shares held by the Trust are booked (net of expenses) in net assets as treasury shares. At the end of the 3rd quarter of the fiscal year ending 31 March 2019, the book value of the said treasury shares is 99,278 thousand yen and totals 89,600 shares.

Notes to Consolidated Balance Sheet

1 . Breakdown of Inventories is as follows (in thousand yen)

Goods and Products	131,569
Work in Process	16,699
Raw materials and Supplies	212,064

2 . Assets used for collateral and Liabilities pledged by the collateral

(1) Assets used for collateral (in thousand yen)

Cash and Deposits	70,826
Buildings and Structures	11,007

Land	47,421
Total	129,255
(2) Liabilities pledged by the collateral (in thousand yen)	
Current portion of Long-term loans payable	220,020
Long-term loans payable	659,860
Total	879,880

3 . Accumulated Depreciation of Tangible Fixed Assets (in thousand yen): 6,313,619

4 . Loan Guarantee Liabilities

The Company guarantees loans from financial institutions held by affiliated companies as follows (in thousand yen);

TAIGA CO., LTD.	31,000
STAY DREAM CO., LTD.	37,653

Notes to the Consolidated Statements of Changes in Equity

1 . Number and Type of Shares Issued at the End of the Consolidated Fiscal Year

Type of shares	Number of shares issued at the start of the period	Number of increased shares during this Fiscal year	Number of decreased shares during this Fiscal year	Number of shares issued at the closing date of the period
Common Stock	23,307,300 shares	386,200 shares	-	23,693,500 shares

Note: the increase in the number of issued shares of 386,200 shares is due to the exercise of new stock acquisition rights.

2 . Dividends

(1) Amount of Dividend Payments

Resolution	Type of stock	Total dividends (in thousand yen)	Cash dividends per share (yen)	Record date	Effective date	Source of Dividends
Board of Directors' Meeting held on May 10, 2018	Common stock	93,229	4.00	March 31, 2018	June 8, 2018	Retained Earnings
Board of Directors' Meeting held on November 8, 2018	Common stock	93,905	4.00	September 30, 2018	December 4, 2018	Retained Earnings

Note 1: The details of the dividends per share resolved at the board meeting held on May 10, 2018: Ordinary dividends 3 yen, Commemorative dividend 1 yen

Note 2: The amount of total dividends resolved by the Board of Directors' Meeting on November 8, 2018 includes the dividends to the treasury stock held by the Trust, which are 358 thousand yen.

(2) Dividends for which the Record Date Belongs to the Consolidated Fiscal Year under Review, but the Effective Date is in the Following Consolidated Fiscal Year (Planned)

Resolution	Type of stock	Total dividends (in thousand yen)	Cash dividends per share (yen)	Record date	Effective date	Source of Dividends
Board of Directors' Meeting on May 10, 2019	Common stock	94,774	4.00	March 31, 2019	June 5, 2019	Retained Earnings

Note: The amount of total dividends resolved by the Board of Directors' Meeting on May 10, 2019 includes the dividends to the treasury stock held by the Trust, which are 358 thousand yen.

(3) Total Number of Shares to be Delivered upon Exercise of Stock Acquisition Rights the Company issued and outstanding as of the closing date of this Fiscal Year:

Common Stock 723,500 shares

Notes to the Financial Instruments

1. Current Status of Financial Instruments

(1) Policy Regarding Financial Instruments

The Group raises the funds it requires for capital investment, such as new store openings, in light of its capital investment plan mainly through bank loans.

The Group raises working capital when necessary with bank loans. In cases when the Company undertakes transactions in derivatives, such transactions are limited to transactions for the purpose of hedging risks described below, and the Company has a policy of not engaging in derivatives transactions for trading purposes

(2) Types of Financial Instruments and Related Risk, and Risk Management System

Notes and accounts receivable-trade, which are operating receivables, are exposed to customers' credit risks. As for such risks, the Company conducts credit checks of new counterparties upon the commencement of transactions and regularly monitors credit status of major customers. Most receivables including trade notes and accounts receivables are due within one (1) month.

Investment securities mostly represent shares of companies with which we have business or promotion relationships and are exposed to risk of changes in their market prices and credit risk of issuing companies.

Lease and guarantee deposits are mostly security deposits related to rented restaurant premises and their refunds are subject to the credit risk of the lessor. As for such risks, the Company conducts credit checks of new counterparties upon the commencement of transactions and regularly monitors credit status of major customers, such as each contract renewal

Most operating payables including trade notes and accounts payable are due and payable within one (1) month.

Borrowings and bonds mainly have the purpose of financing for capital investment and the borrowing period is not more than ten (10) years in principle.

Borrowing with variable interest rates is exposed to interest rate risks. For such risk, Finance Division monitors changes of payment interest and the Company executes interest swap transactions etc. when necessary to control risk from interest rate changes.

As for the liquidity risk related to financing (the risk that the Group may not be able to meet its payment obligations on the scheduled date), based on reports from each of the

Company's divisions, Finance Division prepares and updates cash flow plans when necessary and keep the liquidity to manage liquidity risk.

(3) Supplemental explanation for the fair value etc. of financial instruments

The fair value etc. of financial instruments is based on market prices or reasonable calculations in the absence of market quotations. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

2 . Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheets as of March 31, 2019 (the closing date of the consolidated accounts), estimated fair value, and unrealized gains (losses) are shown in the following table.

(in thousand yen)

	Carrying Value on the Consolidated Balance Sheet	Estimated fair value	Unrealized gain (loss)
(1) Cash and bank deposits	3,615,246	3,615,246	—
(2) Notes and accounts receivable	516,708		
Allowance for doubtful accounts	-895		
Net amount	515,813	515,813	—
(3) Investment Securities	380,103	380,103	—
Total Assets	4,511,163	4,511,163	—
(4) Notes and accounts payable	701,619	701,619	—
(5) Short-term loans payable	50,000	50,000	—
(6) Accounts payable	1,429,995	1,429,995	—
(7) Bonds (note)	165,000	160,454	-4,546
(8) Long-term loans payable (note)	6,975,894	6,986,734	10,840
Total Liabilities	9,322,509	9,328,804	6,295

Note: Bonds and long-terms loans payable include bonds maturing in less than one year and the current portion of the long-term loans payable.

(Note 1) Methods for computing the estimated fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and bank deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used. Notes and accounts receivable are the net of the allowance for doubtful accounts.

(3) Marketable securities and investments in securities

The estimated fair values of these items are mainly valued at the exchange trading price of stocks.

Liabilities

(4) Notes and accounts payable, (5) Short-term loans payable, (6) Accounts payable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has

been used.

(7) Bonds and (8) Long-term loans payable

To estimate the fair value of these, the current value of these items is evaluated by discounting the total value of associated principal and interest using a notional interest rate that would be employed if that total value of funds were to be newly procured through the same kind of procurement method. Long-term loans payable with variable interest rates are subject to special case interest swap treatment, and their fair values are estimated by calculating the total value of associated principal and interest that are treated together with interest swaps, and then discounting that value using a rationally estimated notional interest rate that might be employed if that total value of funds were to be newly procured through the same kind of procurement method.

Derivative transactions

Regarding special case treatment items, because these are treated together with the bonds or long term loans being hedged, the fair value of these items are listed inclusive of the value of the hedged bonds or long term loans.

(Note 2) The amounts of financial instruments on consolidated balance sheet whose market values are found to be extremely difficult to determine:

(in thousand yen)	
Category	Amount on Consolidated Balance Sheet
Unlisted stocks	49,131
Investments in capital	260
Lease and guarantee deposits	1,750,633

Non-listed stocks and investments are not subject to disclosure of fair value, since the identification of its market values is deemed extremely difficult, due to the absence of market price.

Lease and guarantee deposits are not subject to disclosure of fair value, since the identification of its market values is deemed extremely difficult, due to difficulties in reasonably assuming the timings of repayments.

Notes to Per-share Information

Net assets per share 183.14 yen

Earnings per share 26.26 yen

Note: The shares held under Stock Benefit Employee Stock Ownership Program (at term's end 89,600, term average 52,287), introduced since this consolidated fiscal year, are excluded from the calculation of net assets per share and earnings per share.

Notes to Material Subsequent Events

(Sales of investment securities)

The Company sold the investment securities held by the Company (one (1) type of listed stock) following review of its strategically held investment securities as dictated by the Corporate Governance Code, with the view of enhancing financial strength and improving the efficiency of its capital, and consequently a gain on sales of investment securities was posted. As a result of this sale of the investment securities, the Company will report a gain on sales of investment securities under extraordinary income for the first quarter of the consolidated fiscal year ending March 31, 2020 of 94,423 thousand yen.

Statement of Changes in Shareholder Equity

(from April 1, 2018 to March 31, 2019)

(unit: thousand yen)				
	Shareholder's Equity			
	Capital	Retained Earnings		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Beginning Balance	1,239,003	1,143,003	15,280	1,158,283
Changes during the year				
Issuance of new shares	27,771	27,771	—	27,771
Dividends of retained earnings	—	—	—	—
Net loss attributable to the Company	—	—	—	—
Acquisition of treasury shares	—	—	—	—
Other changes (net)	—	—	—	—
Total changes	27,771	27,771	—	27,771
Ending Balance	1,266,774	1,170,774	15,280	1,186,054

	Shareholder's Equity					Treasury Shares	Total Shareholder Equity
	Retained Earnings			Total Retained Earnings			
	Legal Retained Earnings	Other Retained Earnings					
		Additional Reserve	Accumulated Retained Earnings		Total Capital Surplus		
Beginning Balance	40,000	145,982	1,242,499	1,428,481	—	3,825,767	
Changes during the year							
Issuance of new shares	—	—	—	—	—	55,543	
Dividends of retained earnings	—	—	-187,134	-187,134	—	-187,134	
Net loss attributable to the Company	—	—	-69,919	-69,919	—	-69,919	
Acquisition of treasury shares	—	—	—	—	-99,278	-99,278	
Other changes (net)	—	—	—	—	—	—	
Total changes	—	—	-257,053	-257,053	-99,278	-300,788	
Ending Balance	40,000	145,982	985,445	1,171,427	-99,278	3,524,979	

	Variance on Valuation and Exchange		Total Net Assets
	Variance on valuation of Investment Securities	Total Variance on Valuation and Exchange	
Beginning Balance	—	—	3,825,767
Changes during the year			
Issuance of new shares	—	—	55,543
Dividends of retained earnings	—	—	-187,134
Net loss attributable to the Company	—	—	-69,919
Acquisition of treasury shares	—	—	-99,278
Other changes (net)	86,454	86,454	86,454
Total changes	86,454	86,454	-214,335
Ending Balance	86,454	86,454	3,611,432

The figures above are rounded down to the nearest thousand yen.

Notes to the Non-consolidated Financial Statements

Notes on Significant accounting policies

1. Standards and methods for valuation of marketable securities

(1) Stocks of subsidiaries and affiliated companies

Cost method on the moving average method

(2) Other marketable securities

Those having a fair market value: Marked value method based on the market value etc. as of settlement date (all differences in valuation are fully included in the net asset method, and costs are calculated by moving average method)

Those not having a fair market value: Cost method on the moving average method

2. Standards and methods for valuation of inventories

Supplies: the most recent purchase method (book value reduction method based on decreased profitability)

3. Depreciation method for important depreciable assets

1) Tangible fixed assets (excluding leased assets)

The Company and its consolidated subsidiaries adopt the straight-line method for buildings (excluding accompanying facilities) and accompanying facilities and structures acquired on or after April 1, 2016 in principle, and the diminishing balance method for others.

2) Intangible fixed asset (excluding leased assets)

Straight-line method is adopted.

Software (internal use) is depreciated under the straight-line method over its expected available period (5 years).

3) Leased assets

Leased assets subject to finance without title transfer

Leased assets of this type are depreciated using the straight-line method with no residual value with the lease term as a useful life.

4. Recording method of deferred assets

Stock issuance cost: Fully recorded as cost when it is expensed.

5. Accounting standard for significant allowances/reserves

1) Allowance for bad debt

Allowance is provided at an estimated amount by historical loss experience with regard to receivables in general, and by collectability determined for each receivable with regard to specific receivables of questionable collectability, in order to prepare for loss on bad debt.

2) Provision for bonuses

To prepare for the payout of the Company's stocks as per stock-benefit rules, the estimates for provision for the said bonuses are accounted.

3) Provision for bonuses (non-residents)

To prepare for the payout of the Company's stocks in cash for non-residents, the estimates for provision for the said bonuses are accounted.

6. Accounting methods for important hedge transactions

1) Hedge accounting methods

A special accounting method is applied, since all interest-rate swap agreements fulfill the specific requirements for this treatment.

2) Hedge instruments and hedge items

(Hedge items)

Interest-rate swaps

(Hedge items)

Borrowings

3) Hedge policy

Interest-rate swaps are executed for some borrowings from the financial institutions to avoid the interest-rate volatility risk.

4) Assessment of hedge effectiveness

This assessment is omitted since all interest-rate swaps are treated by the special accounting method.

7. Other significant matters which are fundamentals to prepare the financial statements

1) Accounting for consumption tax etc.

Accounting for consumption tax and local consumption tax is recorded at amounts exclusive of said taxes.

2) Standard for conversion of foreign-currency-denominated assets or liabilities into Japanese yen:

Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the closing date and the translation adjustment is treated as a profit or loss.

Notes to Changes in the Accounting Policies

Not applicable

Notes for the changes in method of presentation

Partial Changes to Accounting Standards relating to Tax Effect Accounting, etc.

The Company has applied "Partial Changes to Accounting Standards relating to Tax Effect Accounting, etc." (Corporate Accounting Principles No. 28 (effective February 16, 2018)) from the first quarter of fiscal year ending March 31, 2019, and comparison to previous periods are calculated by applying the standard retroactively, and the deferred tax assets are accounted under Investment and others assets class.

Additional information

Stock Benefit Employee Stock Ownership Program

The Company has decided, at its Board of Directors' meeting on July 13, 2018, to introduce an employee incentive plan "Stock Benefit Employee Stock Ownership Plan" (hereinafter the "Plan"), and this Plan has been in effect since August 13, 2018. The Company aims to motivate and align employee interest with that of the Company for the increase in the price of the stock, and the overall performance of the Company, by introducing stock ownership plan as a new form of benefits.

(1) Outlines of the program

The Plan is an Employee Stock Ownership Plan Trust, (hereunder "ESOP Trust"), and it is modeled after the American ESOP system. It is an incentive scheme for employees whereby the treasury shares acquired by the ESOP Trust, are distributed, according to the Company's benefit guideline, to the employees who meet certain criteria. The Company will assign certain "points" to the employees for their contribution to the Company, and when the employees meet certain criteria according to stock benefit guideline, they will be given a certain number of shares as benefits.

(2) Treasury shares held by the Trust

The treasury shares held by the Trust are booked (net of expenses) in net assets as treasury shares. At the end of the 3rd quarter of the fiscal year ending 31 March 2019, the book value of the said treasury shares is 99,278 thousand yen and totals 89,600 shares.

Notes to Unconsolidated Balance Sheet

1 . Accumulated Depreciation of Tangible Fixed Assets 263,115 thousand yen

2 . Loan Guarantee Liabilities

(1) The Company guarantees loans from financial institutions etc. held by subsidiaries as follows (in thousand yen);

CHIKARANOMOTO CO., LTD.	341,626
WATANABE SEIMEN CO., LTD.	287,142
CHIKARANOMOTO GLOBAL HOLDINGS PTE. LTD.	136,393
IPPUDO USA HOLDINGS, INC.	173,588
Total	938,749

(2) The Company guarantees rents held by subsidiaries as follows;

IPPUDO NY, LLC	28,471
IPPUDO AUSTRALIA PTY LTD	40,418
Total	68,889

3. Credit and Debt to affiliates (apart from those individually indicated)	
Short-term loans receivable	311,055
Short-term loans payable	211,866

Notes to Non-Consolidated Profit and Loss Statements

Transaction with Subsidiaries and Affiliates (in thousand yen)

Operating transactions	
Operating revenue	2,284,179
Operating expense	431,204
Non-operating transactions	
Receipt of interests	47,967
Rent	36,296

Notes to the Statements of changes in equity

Number and Type of Treasury Stocks Outstanding at the End of the Fiscal Year

Common Stock	89,600 shares
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Notes to the Tax-Effect Accounting

Breakdown of Deferred tax assets and Deferred tax liabilities by major reasons of occurrence (in thousand yen)

Deferred tax assets	
Impairment loss	11,851
Asset Retirement Obligations	3,656
Business Taxes Payable	4,046
Deferred foreign tax deductions	80,293
Adjustment on affiliates' shares due to split	76,652
Loss from valuation of affiliates	190,238
Loss carried-over	135,183
Others	15,682
Deferred tax assets Subtotal	517,605
Valuation Allowance	- 425,830
Deferred tax assets Total	91,774
Deferred tax liabilities	
Other variance in valuation of investment securities	- 36,594
Expenses related to asset retirement obligations	- 3,421
Deferred tax liabilities Total	- 40,016
Net deferred tax assets	51,758

Notes to the Transactions with the Related Parties

Subsidiaries and Affiliates etc.

(in thousand yen)

Category	Name	Equity ownership percentage	Relationship with the party	Description of transaction	Amount of transaction (Note 1)	Account	Resulting account balances (Note 1)
Subsidiary	CHIKARANOMOTO CO., LTD.	100% directly	Management, Financial assistance, loan guarantee, debt guarantee Concurrent appointment of officers	Management Fees (note 2)	1,344,870	Receivables	120,744
				Lending (note 3)	770,000	Long-term loans to affiliates	1,330,000
				Interest income (note 3)	16,086		
				Loan guarantee (note 4)	341,626	—	—
				Debt guarantee (note 5)	301,526	—	—
Subsidiary	WATANABE SEIMEN CO., LTD.	100% directly	Leasing of non-current assets, financial assistance, loan guarantee, concurrent appointment of officers	Leasing of non-current assets (note 6)	33,769	Unpaid earnings	2,115
				Lending (note 3)	300,000	Short-term loans to affiliates	230,000
				Interest income (note 3)	2,337	Long-term loans to affiliates	70,000
				Loan guarantee (note 4)	287,142	—	—
Subsidiary	INABA UDON CO., LTD.	100% directly	Debt guarantee,, Concurrent appointment of officers	Loan guarantee (note 4)	76,562	—	—
Subsidiary	CHIKARANOMOTO GLOBAL HOLDINGS PTE. LTD.	100% directly	Subcontracting Financial assistance, loan guarantee, Concurrent appointment of officers	Subcontracting (note 7)	393,717	Payables	143,404
				Lending (note 3)	278,467	Long-term loans to affiliates	1, 066,322
				Interest income (note 3)	28,659		
				Loan guarantee (note 4)	136,393	—	—
Subsidiary	IPPUDO USA HOLDINGS,INC.	100% indirectly	Loan guarantee, Concurrent appointment of officers	Loan guarantee (note 4)	173,588	—	—

Terms of transactions and basic policies of terms, etc.

Note 1. Consumption taxes are not included in the amounts of transaction, but included in the resulting account balances above.

Note 2. Management fees are determined upon discussion between parties considering the business results and responsibilities.

Note 3. The interest rates for the loans above are reasonably determined, based on market interest rates.

Note 4. The Company provides collaterals and guarantees the loans of subsidiaries from financial

institutions. The balance indicated are that of term's end and the company receives no guarantee fees.

Note 5. The Company receives debt guarantee from the subsidiary. The balance indicated are that of term's end and the company receives no guarantee fees.

Note 6. The leasing cost or rent are determined upon discussion between parties considering the rental and other expenses.

Note 7. Subcontracting fees are determined upon discussion between parties considering the human resource and other expenses required in such subcontracting works.

Notes to the Per Share Information

Net assets per share	153.00 yen
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<u>Earnings per share</u>	2.98 yen
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Note: The shares held under Stock Benefit Employee Stock Ownership Program (at term's end 89,600, term average 52,287), introduced since this consolidated fiscal year, are excluded from the calculation of net assets per share and earnings per share.

Notes to Material Subsequent Events

(Sales of investment securities)

The Company sold the investment securities held by the Company (one (1) type of listed stock) following review of its strategically held investment securities as dictated by the Corporate Governance Code, with the view of enhancing financial strength and improving the efficiency of its capital, and consequently a gain on sales of investment securities was posted. As a result of this sale of the investment securities, the Company will report a gain on sales of investment securities under extraordinary income for the first quarter of the fiscal year ending March 31, 2020 of 94,423 thousand yen.